



**THE MINISTER**

**THE INCOME TAX LAW**

**NO. 91 OF 2005**

# **The Income Tax Law**

## **Promulgated By Law no. 91 of 2005**

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**In the name of the people,  
The President of the Arab Republic of Egypt,**

the People's Assembly has approved the following law, and we have promulgated it:

### **(First Article)**

The provisions of the attached law shall apply with respect to the income tax.

### **(Second Article)**

The income tax law promulgated by law no. 157 of 1981 shall be repealed, and Appeal Committees established according to the provisions of the said income tax law shall, until December, 31<sup>st</sup> 2005, continue to examine tax disputes related to the years up to the end of 2004. Thereafter, unresolved disputes shall be referred, as they stand, to the committees established under the attached law.

Exemptions, for periods which were specified in the above-cited law, will remain valid for those persons whose exemption periods started before the effective date of the current law, until the end of those periods.

Clause (i) of Article (1) of law no. 147 of 1984, imposing the State Financial Resources Development Levy shall be repealed.

### **(Third Article)**

Articles 16, 17, 18, 19, 21, 22, 23 (bis), 24, 25 and 26 of the Investment Guarantees and Incentives Law promulgated by law no. 8 of 1997 shall be repealed.

Exemptions stipulated in the aforementioned articles shall remain valid for companies and firms whose exemption periods had started before the effective date of this law until the end of those periods.

Companies and firms established under the above-mentioned law, but which have not commenced operation or production until the effective date of this law, shall, in order to be entitled to the exemptions prescribed in the above-cited law, be required to start operation or production within three years from the effective date hereof.

### **(Fourth Article)**

Every person shall be exempt from payment of all taxes due on their income as well as General Sales Tax amounts due for tax periods preceding the effective date of this law as well as delay fines, penalties, additional taxes and the like associated therewith provided the following two conditions are met:

**First:** The person must not have been registered or have filed a tax return or have been subject to any form of tax audit by the Income Tax Authority or the Sales Tax Authority.

**Second:** The taxpayer shall file an income tax return for the latest tax period including all pertinent information, and shall apply for registration with the Sales Tax Authority if he has reached the registration threshold, within one year from the effective date of this law.

The exemption shall be rescinded if the taxpayer fails to file income tax returns on a regular basis for the following three tax periods.

### **(Fifth Article)**

Litigation in all lawsuits, registered with or being heard by all courts of different degrees before October 1st 2004, between the Tax Authority and taxpayers, whose subject-matter is a disagreement over tax assessment shall be rescinded and all claims for unpaid taxes relating thereof shall cease, providing the annual tax base subject to dispute does not exceed ten thousand pounds.

In all cases, the rescinding of litigation shall not entitle a taxpayer to recover what he has already paid on account of the tax due against the disputed tax base, unless a taxpayer insists on proceeding with the litigation in the lawsuit by a request submitted to the court hearing the lawsuit within six months from the effective date hereof.

### **(Sixth Article)**

In lawsuits other than those referred to in the Fifth Article above, taxpayers involved in existing disputes with the Tax Authority registered with or being heard before courts of law of different degrees before October 1st, 2004 shall be entitled to request the termination of such disputes within one year from the effective date of this law against payment of a percentage of the tax and other amounts due on the disputed annual tax base according to the following brackets:

- 1- (10%) of the amount of tax and other amounts due on the disputed base if the amount does not exceed one hundred thousand pounds;
- 2- (25%) of the amount of tax and other amounts due on the disputed base in relation to the portion in excess of one hundred thousand pounds and up to five hundred thousand pounds of that base, after paying the percentage provided for in item (1) above for the portion that does not exceed one hundred thousand pounds;

3- (40 %) of the amount of tax and other amounts due on the disputed tax base in relation to the portion in excess of five hundred thousand pounds, after paying the two percentages provided for in items (1, 2) for the portion that does not exceed five hundred thousand pounds.

Settlement by the taxpayer of the percentages according to the preceding clauses will result in the complete discharge of the disputed tax and other amounts and the litigations in the lawsuits will be terminated if the taxpayer submits to the court evidence of the settlement.

In all cases, the termination of litigation will not entitle a taxpayer to recover what has already been paid on account of the disputed tax.

#### **(Seventh Article)**

With exception to item (1) of article 52 of the attached law, debit interest shall be deductible for loans and advances obtained by legal persons in excess of four-fold the average ownership rights, and up to eight-fold of that average for the period beginning from tax year 2005 and ending by the end of tax year 2009, according to the following table:

8:1 for the tax year 2005  
7:1 for the tax year 2006  
6:1 for the tax year 2007  
5:1 for the tax year 2008  
4:1 for the tax year 2009

#### **(Eighth Article)**

The Minister of Finance shall issue the Executive Regulation for this law and the attached law within six months from the date of publication in the Official Gazette. Until the Executive Regulation is issued, regulations and decrees

currently in force will remain valid where they do not conflict with the provisions of these two laws.

**(Ninth Article)**

This law shall be published in the Official Gazette and shall be effective from the day following its publication, subject to the following:

- 1- Provisions of the attached law shall apply with respect to salaries and the like from the beginning of the month following its publication date in the Official Gazette.
- 2- Provisions of the attached law shall apply with respect to revenues of commercial and industrial activity, revenues of non-commercial professions and revenues from real estate of natural persons as of tax period 2005.

Provisions of the attached law shall also apply to the profits of legal persons as of the tax period 2005 or the tax period of the legal person that starts after the effective date of this law.

This law shall be stamped with the seal of the State and shall be executed as a law thereof.

Issued at the Presidency of the Republic on the 1<sup>st</sup> of Gamady Al Ula, 1426 A.H. (corresponding to June 8<sup>th</sup>, 2005).

**Hosny Mubarak**

# The Income Tax Law

## Book One

### General Provisions

**Article (1):** In applying the provisions of this law, the following definitions apply:

- **Tax:** the income tax
- **The Minister:** Minister of Finance
- **Commissioner:** Commissioner of the General Income Tax Authority
- **The Authority:** the General Income Tax Authority
- **Taxpayer:** natural or legal persons taxable according to the provisions of this law
- **Corporations:** joint stock companies, companies limited by shares, and companies with limited liability
- **Partnerships:** general partnerships and limited partnerships
- **De Facto Corporation:** company established by natural persons without fulfilling the establishment or notarization procedures, except for cases resulting from the inheritance of a sole proprietorship
- **Project:** an economic entity practicing its main activity in Egypt, or a permanent establishment in Egypt affiliated to an economic entity abroad.
- **Related Person:** any person related to a taxpayer in a way that affects the determination of the tax base, including:
  - 1- Husband, wife, descendants, and ascendants
  - 2- A corporation and the person who directly or indirectly holds therein at least 50% of the number or value of shares, or voting rights
  - 3- Partnerships, active partners, and silent partners
  - 4- Any two or more companies in which another person holds at least 50% of the number or value of shares, or voting rights in each

- **Neutral price:** the price upon which two or more unrelated persons deal, determined according to market forces and transaction conditions
- **Royalties:** amounts paid, of any kind, in return for using, or the right to use, copyrights related to a literary, artistic, or scientific work, including cinema movies, and the use of any patent, trademark, design, model, plan, formula, or secret process, or in return for using or the right to use scientific, commercial, or industrial equipment, or information related to scientific, commercial, or industrial expertise

**Article (2):** In applying the provisions of this law, a natural person is an Egyptian resident, in any of the following cases:

- 1- If having permanent residency in Egypt
- 2- If residing in Egypt for more than 183 continuous or intermittent days within twelve months
- 3- An Egyptian working abroad, and receiving income from an Egyptian treasury

A legal person is deemed a resident of Egypt in any of the following cases:

- 1- If established according to Egyptian law
- 2- If its main or effective managing headquarters is in Egypt
- 3- If its a corporation in which the state or any state-owned legal person hold more than 50% of its capital

This law's executive regulation will define the rules for determining permanent residence and effective managing headquarters.

**Article (3):** Income earned from a source in Egypt includes the following:

- (a) Income from services rendered in Egypt, including salaries and the like.
- (b) Income paid by an employer residing in Egypt, even if the work is performed abroad.



- (c) Income earned by a sportsman, or an artist for activity performed in Egypt.
- (d) Income earned by a non-resident, for work undertaken through a permanent establishment in Egypt.
- (e) Income from the disposal of movable property of a permanent establishment in Egypt.
- (f) Income from the use and disposal of real estate and the like located in Egypt, and annexed property thereof.
- (g) Share distributions of a corporation resident in Egypt
- (h) Dividends paid by a partnership resident in Egypt.
- (i) Revenue paid by the government, local Authority Units, state-owned legal persons or any resident in Egypt, and revenue paid by a permanent establishment in Egypt even if the owner thereof is not residing therein.
- (j) Rent payments, licensing fees, and royalties paid by a person residing in Egypt or by a permanent establishment in Egypt even if the owner is not resident therein.
- (k) Income from any other activity carried out in Egypt.

**Article (4):** A permanent establishment, in applying the provisions of this law, means each fixed business place through which some or all works of projects of a non-resident in Egypt is carried out. This particularly includes:

- (a) A place of management
- (b) A branch
- (c) A building used as a sales outlet
- (d) An office
- (e) A factory
- (f) A workshop
- (g) A mine, oil field, natural gas well, quarry, or any other place for extracting natural resources, including timber or any other product from forests
- (h) A farm or plantation

- (i) A building site, construction project, assembly, preparations, or supervisory activities related to any of these

There shall be deemed as a permanent establishment a person working for an affiliated project who has the authority to conclude and ratify contracts in the name of the project, unless such person's activity is restricted to the procurement of commodities or goods for the project.

The following are not deemed to be a permanent establishment:

- 1- Using special facilities only for the storage and display of goods and commodities owned by a project;
- 2- Maintaining an inventory of commodities and goods owned by a project for storage or display purposes;
- 3- Maintaining an inventory of commodities and goods owned by a project only for the purpose of reprocessing them by another project;
- 4- Maintaining a permanent place for an activity that only undertakes the purchase of goods or commodities or the gathering of information for a project;
- 5- Maintaining a permanent place for an activity that only undertakes work of a preparatory or supporting nature to a project;
- 6- Maintaining a permanent place of work in which any group of activities referred to in the aforementioned items is undertaken, provided that the overall activity of the fixed place of work, and the result of the activities, is only of a preparatory or supporting nature.
- 7- Industrial or commercial works carried out by a foreign company through a broker or a general agent on commission, or any other independent agent, unless it is proved that the broker or agent has dedicated most of its time or effort during the tax period for the interest of the foreign company.

Control by a non-resident company over another resident company shall not mean that the resident company is a permanent establishment for the other.

**Article (5):** A tax period is the fiscal year beginning the first of January and ending on 31<sup>st</sup> of December each year, or any period of twelve months which is used as a base for computation of the tax.

Tax may be calculated for a period shorter or longer than twelve months. The executive regulation of this law shall determine the accounting procedures for such period.

Tax becomes due on the day following the end of a tax period, and shall also become due on the death of a taxpayer, or cessation of a taxpayer's residency, or the permanent discontinuance of a taxpayer from practicing the activity.

# Book Two

## Income Tax of Natural Persons

### Chapter One

### Tax Scope and Rate

**Article (6):** An annual tax shall be imposed on the total net income of resident and non-resident natural persons in respect of their incomes earned in Egypt. The total net income comprises the following sources:

- 1- Salaries and the like;
- 2- Commercial or industrial activity;
- 3- Professional or non-commercial activity;
- 4- Real estate.

**Article (7):** Tax is due on the total net income in excess of five thousand pounds earned by a resident taxpayer during the year.

**Article (8):** The tax rates are as follows:

<b>First bracket:</b>	More than 5,000 up to 20,000 pounds	10%
<b>Second bracket:</b>	More than 20,000 up to 40,000 pounds	15%
<b>Third bracket:</b>	More than 40,000 pounds	20%

On computing the tax, the total annual net income shall be rounded to the nearest lower ten pounds.

## Chapter Two

### Salaries and The Like

**Article (9):** The tax applies to salaries and the like as follows:

- 1- All earnings by a taxpayer resulting from work for third parties, with or without a contract, on a regular or irregular basis, regardless of such dues names, forms or reasons, whether they are for works performed in Egypt or abroad, and the consideration thereof was paid from a source in Egypt, including wages, bonuses, incentives, commissions, grants, additional payments, allowances, dividends or shares in profits and cash and in-kind benefits of all types;
- 2- All earnings by a taxpayer from a foreign source for work performed in Egypt;
- 3- Salaries and remunerations of non-shareholding chairpersons and board members of public sector and public business sector companies;
- 4- Salaries and remunerations of chairpersons, board members and managers of corporations in return for their administrative work.

The Executive Regulation of this law shall determine the basis for estimating the value of in-kind benefits.

**Article (10):** Revenues included in the taxable base shall be determined for each part of a year in which any taxable revenue was earned in proportion to a year, based on the monthly revenue after transferring it to annual revenue.

If a change occurs in the taxable base, the calculation of the base shall be adjusted from the date of change based on the new or old base, whichever is less, after transferring such to annual revenue. An adjustment must be made every year according to the procedures and rules specified by the Executive Regulation of this law.

Block salaries, wages and the like paid in a single payment in a specific year must be apportioned among the years of entitlement, after excluding payments in lieu of vacations. Income included in the tax base must be recalculated for each year, and the tax due shall be adjusted accordingly.

**Article (11):** As an exception to the provisions of article (8) herein, tax is imposed on all amounts paid to non-residents, regardless of the agency or body employing them, for undertaking services under its supervision. Tax is also imposed on amounts earned by residents from other than their original place of employment at a rate of (10%) without any reduction to cover costs, and without further deductions.

In all cases, the tax shall be withheld and remitted to the competent tax office within the first fifteen days of every month, according to the rules and procedures specified in the Executive Regulation of this law.

**Article (12):** Tax shall not apply on:

- 1- Pensions
- 2- Severance allowances

**Article (13):** Without prejudice to other tax exemptions granted by special laws, the following are tax exempt:

- 1- An amount of 4000 pounds as the annual personal exemption for the taxpayer;
- 2- Social insurance contributions and other payments deducted according to the provisions of the social insurance laws or any alternative systems thereto;
- 3- Employees' subscriptions in private insurance funds established according to the provisions of the Private Insurance Funds Law, promulgated by law no. 54 of 1975.

- 4- Life and health insurance premiums for the taxpayer, or in favor of his wife or minor children; or any insurance premiums for pension entitlement.
- 5- The following collective in-kind benefits:
  - (a) Meals offered to employees;
  - (b) Collective transportation of employees or the equivalent cost;
  - (c) Health care;
  - (d) Tools and clothing necessary for performing the work.
  - (e) Accommodation provided by an employer to employees for the performance of work.
- 6- Employees' dividends distributed according to the law.
- 7- Amounts received by members of the diplomatic and consular corps, international organizations and other foreign diplomatic representatives, in the scope of their official work, on condition and to the extent of reciprocity.

For items (3) and (4), the total exemption for a taxpayer shall not exceed (15%) of the net revenue or three thousand pounds, whichever is greater. The same contributions and premiums (paid) from any other income stipulated in article (6) of this law may not be repeatedly exempted.

**Article (14):** Employers and those required to pay taxable revenues, including companies and projects established under the free zones regime, shall withhold, from the amounts payable and stipulated in article (9) of this law, an amount on account of the due tax, according to the percentage determined by the Executive Regulation of this law. They shall remit to the competent tax office within the first fifteen days of each month the payments withheld in the previous month.

Employers and those required to remit such revenue shall pay any tax differences due, without prejudice to their right to claim from the taxpayer what is owed.

**Article (15):** The person responsible for withholding and remitting the tax according to article (14) of this law shall:

- 1- Submit, to the competent tax office, a quarterly return in January, April, July and October of each year, using the form developed for such purpose.
- 2- Provide the employee, at the employee's request, with a statement indicating full name, amount and type of income and amount of tax withheld.

The Executive Regulation shall specify the rules and procedures for implementing the provisions of this article.

**Article (16):** If an employer or a person required to pay taxable revenue is a non-resident of Egypt, or does not have a headquarters or an establishment therein, the obligation to remit the tax falls on the person entitled to such taxable revenue, according to the rules and procedures determined by the Executive Regulation of this law.



## Chapter Three

### Commercial and Industrial Activity

**Article (17):** Profits from commercial and industrial activity shall be determined based on the revenue resulting from all commercial and industrial operations. This includes profits from the sale of a company's assets as stipulated in items (1), (2) and (4) of article (25) herein, profits realized from compensation received by a taxpayer because of depreciation or acquisition of any of such assets, as well as the liquidation proceeds realized during the tax period after allowing all deductible costs.

Net profit is determined based on the income statement developed according to the Egyptian Accounting Standards. The tax base is determined by applying the provisions of this law to the net profit.

**Article (18):** The tax accounting rules and the principles and procedures for collecting the tax on profits of small enterprises shall be issued by a Minister's decree. This shall not conflict with the provisions of The Small Enterprises Development Law promulgated by Law no. 141 of 2004, and shall be consistent with their nature and facilitate their tax treatment.

## Section One

### Taxable Revenues

**Article (19):** Tax shall apply to the profits of commercial and industrial activity, including:

- 1- Profits of commercial, industrial, mining, quarrying and petroleum establishments;
- 2- Profits of artisans and small businesses;
- 3- Profits realized from any commercial or industrial activity even if limited to one transaction. The Executive Regulation of this law shall indicate the rules of what is deemed to be a single transaction when applying the provisions of this clause.
- 4- Profits from a transaction or transactions carried out by brokers and agents on commission, and in general, all profit realized by any person who is engaged in the brokerage business to purchase, sell or lease real property or any kind of goods, services or movable assets.
- 5- Profits from the leasing of a commercial or industrial shop, whether the lease includes all or part of its tangible or intangible elements; as well as profits from leasing mechanical and electrical machinery, excluding farm tractors, irrigation machines and their accessories, and machinery and equipment used in agriculture.
- 6- Profits from all kinds of transportation activity.
- 7- Profits by those engaged in the construction or purchase of real property with the intention of selling them professionally, whether the profits result from selling the property as a whole or divided into apartments, rooms, administrative or commercial units or otherwise.
- 8- Profits from land parceling operations whether for sale or construction.
- 9- Profits from land reclamation or cultivation establishments, poultry farms or mechanical hatcheries projects, cattle and livestock farms of more than 20 head, and fish farms and fisheries projects.

**Article (20):** Tax shall not apply to profits from the revaluation of the assets of a sole proprietorship when providing this as an in-kind share to the capital of a joint stock company, providing that the shares corresponding to the in-kind share are nominal, and shall not be disposed of within five years.

**Article (21):** The taxable net income of an establishment is determined, for all long-term contracts it is engaged in, on the basis of what percentage of each contract is executed during the tax period. The percentage of the part of each contract that has been executed is determined on the basis of the actual cost of the works implemented until the end of the tax period prorated to the contract's total estimated cost.

The calculated contract profit is determined by the difference between contract values and cost estimates.

The contract's estimated profit for each tax period is determined by the percentage of the profit, estimated according to the previous paragraph, prorated to that executed during the tax period; provided that the contract profit is adjusted at the end of the tax period in which the contract was completed. Such profit shall be calculated on the actual revenues reduced by the actual costs after deducting the previously estimated profits.

If the statement of the tax period in which the contract was completed denotes a loss, the loss shall be deducted from the profits of previous tax period(s) when the contract was implemented, providing that the deduction does not exceed the contract profit during the period. The tax must be re-calculated on this basis and the taxpayer shall recover the excess that had been paid.

If the loss from the contract execution exceeds the limits referred to in the previous paragraph, the residual losses shall be carried forward to the following years, according to the provisions of article (29) herein.

In applying the provisions of this article, a "long-term contract" means a manufacturing, preparation or construction contract, or performance of

associated services thereof, carried out by an establishment for third parties based on a fixed value, and the implementation shall take more than one tax period.

## Section Two

### Determination of the Tax Base

**Article (22):** The taxable commercial and industrial net profit is determined on the basis of the gross profit after deducting all costs and expenses needed to realize such profits. The deductible costs and expenses must be:

- 1- Related to the commercial or industrial activity of the firm and essential for carrying out the activity.
- 2- Real and supported by documents, except for costs and expenses which customarily have no supporting documents.

**Article (23):** The following costs and expenses are deductible:

- 1- Interests on loans used in the activity, regardless of their value, after deducting the non-taxable or legally exempted credit interest.
- 2- Depreciation of the firm's assets, as stipulated in article (25) of this law.
- 3- Fees and taxes paid by the firm, except for the tax paid by the taxpayer according to this law.
- 4- Social insurance contributions by employers in favor of their employees and their own personal interest, which are paid to the National Authority for Social Insurance.
- 5- Amounts deducted annually by firms from their finances or profits for the account of the special saving or pension funds or others, whether these firms are established in accordance with the Private Insurance Funds Law no. 54 of 1975, or the Alternative Private Social Insurance Systems Law no. 64 of 1980, or according to a system that has its own special regulations or terms, provided that the amount deducted does not exceed (20%) of the total salaries and wages of their employees, and provided that the system has its own regulations or terms stipulating that the payments made by them under such a system serve as severance or pension, and that the funds of the system are

separated or independent from the firm's funds and are invested for its own account.

- 6- Insurance premiums taken out by the taxpayer against his disability or death, or to provide for a sum of money or annuity, provided that the amount of the premium is not more than 3000 pounds per annum.
- 7- Donations to the government, Local Authority Units and other public legal entities, whatever their value.
- 8- Donations and subsidies to Egyptian non-governmental organizations and foundations registered in accordance with the provisions of their respective regulatory laws, as well as to educational institutions and hospitals subject to governmental supervision, and Egyptian scientific research institutions, providing they do not exceed 10% of the taxpayer's annual net profit.
- 9- Financial penalties and indemnities borne by the taxpayer resulting from his contractual liabilities.

**Article (24):** The following costs and expenses are not deductible:

- 1- Different types of reserves and allowances.
- 2- Fines, financial penalties and indemnities ruled against a taxpayer due to his or one of his affiliates' commission of an intentional felony or misdemeanor.
- 3- The income tax due according to this Law.
- 4- Interest paid on loans which exceed double the credit and discount rate declared by the Central Bank at the beginning of the calendar year in which the tax period ends.
- 5- Interest on loans and debts of different types paid to non-taxable or tax exempt natural persons.

**Article (25):** Depreciation of a firm's assets are to be calculated as follows:

- 1- (5%) of the cost of procuring, constructing, developing, renovating or reconstructing any building, establishment, ships and aircrafts, for each tax period.

- 2- (10%) of the cost of procuring, developing, improving or renewing any of intangible assets purchased, including goodwill, for each tax period.
- 3- The following two categories of assets are to be depreciated according to the Depreciable Base System at the rates corresponding to each:
  - (a) For computers, information systems, software and data storage equipment, 50% of the depreciable base for each tax year.
  - (b) For all other assets, 25% of the depreciable base for each tax year.
- 4- No depreciation shall be calculated for land, works of art, monuments, jewelry and other assets which by nature are not depreciable.

**Article (26):** In applying the provisions of Article (25) hereof, the depreciable base means the book value of the assets as included in the opening balance sheet for the tax period. This base shall increase insomuch as the cost of the assets used and the cost of development, improvement, renewal or reconstruction during the tax period. The base shall decrease insomuch as the annual depreciation amount, the value of the proceeds of selling the assets and the value of compensation received as a result of their loss or depreciation during the tax period. If the depreciation base is negative, the sale value of the asset or the damages thereof shall be added to the taxpayer's commercial and industrial profits. However, if the depreciation base does not exceed ten thousand Egyptian Pounds, the entire depreciation base shall be treated as a due deductible cost.

**Article (27):** 30% of the cost of the machinery and equipment used in production shall be deducted, whether they are new or used, at the beginning of each tax period during which such assets are used.

The depreciation base stipulated in Article (25) thereof, shall be calculated for that period after the deduction of the said 30% amount.

For the provisions of the two preceding paragraphs to apply, the taxpayer must maintain proper books and accounts.

**Article (28):** Deduction of bad debts excluded by the taxpayer from the firm's books and accounts may be permitted if he presents a report by an accountant enrolled on the Accountants and Auditors Register indicating the fulfillment of the following requirements:

- 1- That the firm keeps proper accounting records.
- 2- That the debt is associated with the firm's business.
- 3- That the amount of the debt has been previously included in the firm's accounts.
- 4- That the firm has taken serious actions to recover the debt, but failed to collect it after 18 months of its due date.

Serious actions to recover the debt include the following:

- a- Obtaining a writ for payment in cases where this is possible.
- b- Issue of a judgment by a court of first instance obliging the debtor to pay the amount of the debt.
- c- Claiming the amount of the debt during procedures of implementing a court judgment for the debtor's bankruptcy or concluding a conciliatory agreement preventive of bankruptcy.

If the debt or part, is collected, the amount collected must be included in the firm's revenues in the year in which the collection took place.

**Article (29):** If the final account of a year is closed in a loss, the loss shall be deducted from the succeeding year's profits. If, however, part of the loss remains, it shall be carried forward to the succeeding years up to the fifth, after which no loss can be carried forward.

**Article (30):** If related persons have set conditions for their commercial or financial transactions other than those operative among non-related persons, either to reduce the tax base or to shift the tax burden from a taxable person to an exempt or non-taxable one, the Authority is entitled to determine the taxable profit on the basis of the neutral price.



The Commissioner may conclude agreements with such related persons to follow one or more ways in determining the neutral price in their transactions.

The Executive Regulation of this Law shall determine methods of calculating the neutral price.

### **Section Three** **Exemptions**

**Article (31):** Tax exempted:

- 1- Profits of land reclamation or cultivation enterprises, for ten years from the date of activity inception.
- 2- Poultry farming, apiculture, livestock husbandry and fattening, fisheries, fish farming enterprises and fishing boats enterprises profits, for a period of ten years from the date of activity inception.
- 3- Physical persons' income received from their investment in securities registered with the Egyptian Stock Exchange Market. Any losses resulting from these transactions cannot be deducted or carried forward to succeeding years.
- 4- Physical persons proceeds from:
  - Securities and financial deeds of different types, registered with the Egyptian Stock Exchange Market, whether issued by the State or shareholding companies.
  - Dividends from shares in joint stock companies and partnerships limited by shares.
  - Dividends from equity quotas in limited liability companies, partnerships, and partnerships limited by shares.

- Dividends from investment securities issued by investment funds.
- 5- Interest which physical persons receive from their deposits and saving accounts in banks registered in the Arab Republic of Egypt; investment, saving and deposit certificates issued by said banks; deposits and saving accounts in post office funds and securities and deposit certificates issued by the Central Bank.
  - 6- Profits from new projects set up by funding from the Social Fund for Development (SFD) to the extent of such funding for a period of five years from the date of starting the activity or starting production, as applicable. This exemption will only apply to those whose names were signed in the loans of the Fund.

## Chapter Four

### Revenues of Non-Commercial Professions

#### Section One

#### Taxable Revenues

**Article (32):** The tax shall be imposed on:

- 1- Net revenues on self-employed professions and other non-commercial professions which the taxpayer practiced independently and of which the basic element is work, if they have resulted from the practice of the profession or activity in Egypt.
- 2- Revenue received by intellectual property rights' holders from selling or using their rights.
- 3- Any other revenues from any occupation or activity not stipulated in article 6 of this law.

#### Section Two

#### Determination of the Tax Base

**Article (33):** Revenues included in the taxable base shall be determined annually on the basis of net revenues during the preceding year. The revenue of non-commercial professions includes proceeds from the disposal of any professional assets and those resulting from the transfer of expertise or from the assignment in full or in part of the office of the profession's practice or any receipts from the closure of the office.

The determination of net revenues is those revenues from various operations according to the provisions of this law, after deducting all costs and expenses

necessary for carrying out the profession, including asset depreciation in accordance with the simplified accounting principles issued by a decree from the Minister.

The following costs are deductible:

- 1- Registration fees, annual subscriptions and profession's practice fees.
- 2- Taxes paid by the taxpayer for the practice of the profession, other than the tax paid in accordance with this Law.
- 3- Amounts paid by the taxpayer to his syndicate in accordance with its pension system.
- 4- Life and health insurance premiums paid by the taxpayer in his own favor or in favor of his wife and minor children.

In the application of the provisions of items 3 and 4, the total amount exempted from the taxable revenue cannot exceed 3000 LE per annum.

The same deductions cannot be applied to other income stipulated in article 6 of this law.

**Article (34):** Donations to the Government, local Administrative Units, Public Legal Persons may be deducted from net revenues as stipulated in article 32 provided that the amount deducted does not exceed the net annual revenue. Also, donations and assistance granted to recognized Egyptian NGOs according to the provisions of their respective regulatory laws and to educational institutions and hospitals that are subject to the supervision of the government as well as Egyptian scientific research institutions, but not more than 10% of the annual net revenue.

The same deductions cannot be applied to other income stipulated in article 6 of this law.

**Article (35):** From the taxpayer's total revenue, all costs and expenses necessary to earn the revenue may be deducted based on the proper

accounts supported with related documents, including costs and expenses which customarily have no supporting documents according to the Executive Regulation of this law; however, in case no proper accounts are maintained, the deduction will be limited to 10%.

In applying the provisions of this Part, article 29 of this law will apply if the taxpayer was maintaining proper books.

### **Section Three** **Tax Exemption**

**Article (36):** The following shall be tax exempt:

- 1- Educational institutions, subject to the supervision of the government, public legal persons, Public Sector or State-Owned Enterprises (SOE).
- 2- Revenues of editing and translating books and religious, scientific, cultural and literary articles, except for proceeds from the sale of printed work or translation with a view to producing it in an audio or visual format.
- 3- Revenues received by teaching staff at universities and institutes for their books and teaching notes authored for distribution among students according to the regulations and prices set by the universities and institutes.
- 4- Revenues of members of the Formative Artists Syndicate pursuing the production of photography, sculpture and engraving artworks.
- 5- Revenues of self-employed professionals registered as members of their professional syndicates in their fields of specialization, but only for three years from the date of practice. They shall not be liable to tax until the beginning of the month following the lapse of the aforementioned exemption period, added to which is the training period required by the profession's practice law, public service period, military service or reserve service period if it is subsequent to the date the

practice commenced. The period of exemption will be limited to one year for whoever practices the profession for the first time if fifteen years have elapsed since graduation. For the exemption to be valid, the taxpayer must practice the profession individually, without partnership with others, unless they are also tax-exempt.

## Chapter Five

### Real Estate Revenues

#### Section One

#### Taxable Revenues

**Article (37):** Taxable revenues include the following:

- 1- Revenues from agricultural land.
- 2- Revenues from constructed real estate.
- 3- Revenues from furnished units.

#### Section Two

#### Determining Taxable Revenues

**Article (38):**

- 1- Agricultural land revenue is determined as the rental value taken as a base for assessing the tax imposed according to law no. 113 of 1939 concerning agricultural land tax, after deducting 30% for all costs and expenses.
- 2- Revenues from horticultural crops from productive orchards are determined on areas exceeding three feddans, and from ornamental, medicinal and aromatic plants on an area exceeding one feddan, and nurseries, regardless of their crop areas, unless those nurseries are for the personal use of their owners, and based on a value equivalent to the rental value considered as a base for imposing the tax according to law No. 113 of 1939 above-cited, if the nursery owner is a tenant. If the nursery owner is the landlord himself, the revenues are determined on the basis of twice the rental value aforementioned. The taxable revenues stipulated in item (1) of this article shall not be included in the

taxable base. The taxable bases are determined after deducting 20% of these revenues for all costs and expenses.

The Minister shall, in consultation with the Minister of Agriculture, issue a decree specifying the age at which fruit trees are considered productive, together with a list of horticultural crops.

The net taxable revenues are determined in the name of the landholder, whether he was the landowner or a tenant of the land. No other agreement or condition shall be binding to the tax authority.

The taxpayer, his spouse and his minor children are considered one landholder in applying the provisions of item (2) of this article. Revenues shall be determined in his own name, unless ownership has been transferred to his wife or minor children from other than the husband or the father according to each case.

The landholder, either as the landlord or a tenant, is obliged to submit data about the crop areas to the competent tax authority for each species of fruit trees grown, within thirty days from the date those trees were considered productive. He is also obliged to submit information about the crop areas of ornamental, medical or aromatic plants, or nurseries of horticultural crops, within sixty days from the date of planting. If the plants are removed, the holder must notify the competent tax authority about the removal within thirty days of its occurrence.

**Article (39):** Revenues from constructed real estate are determined on the basis of the gross rental value considered as the base for the tax imposed by law no. 56 of 1954, after deducting 40% for all costs and expenses, in addition to the rental value of the private residence of the taxpayer and his family. Revenues from the right of usufruct report are treated the same as revenues from wholly owned property.



The taxable revenue is determined on the actual rental value, reduced by 50% for all costs and expenses, for those revenues from the lease of real estate or part of it, according to the civil law provisions.

**Article (40):** The taxpayer may request that the taxable income of real property, stipulated in article 38 and the first paragraph of article 39 of this law, be calculated on the basis of the actual revenue, provided that his application includes all his agricultural lands and constructed real estate.

An application must be filed within the period set for the filing of annual returns, and the taxpayer must be maintaining proper books fulfilling the requirements stipulated in the Executive Regulation of this law.

**Article (41):** The tax shall apply on revenues from renting any furnished unit or part thereof, whether it was intended for housing or for practicing a commercial or industrial activity or a non-commercial profession, or any other purpose.

The taxable revenue is determined on the basis of the actual rental value, reduced by 50% for all costs and expenses.

**Article (42):** A tax of 2.5% is imposed without any further reduction, on the gross revenues from the disposal of constructed real estate or lands within the cities' boundaries, whether the disposal commenced on the land parcel as it exists or after constructing buildings thereon, whether the disposal is inclusive of the entire real estate or part of it or a residential unit thereof or a unit for any other purpose, and whether the buildings were constructed on land owned by the taxpayer or by third parties.

Exceptions to this tax on disposals are those disposals by an heir of the real estate transferred to him through inheritance, and also when the property is offered as an in-kind share in the capital of shareholding companies, on the condition that the equivalent shares shall not be disposed of for five years.

Notary offices must notify the tax authority of the taxable notarized disposals, according to the provisions of this law, within thirty days from the date of notarization.

In applying the provision of this article, a taxable action of disposal implies a gift to other than descendants or husbands and wives or ascendants, or a right of usufruct assigned for the real property, or renting it for a period is less than fifty years. Compulsory sales, whether administrative or judicial, and dispossession or appropriation for public interest or improvement are not considered taxable actions of disposal. Likewise treated are donations or grants to the government, local Authority Units, public legal persons, or projects of public benefit (utility).

### **Section Three**

### **Tax Exemption**

**Article (43):** The following are exempt from tax:

- 1- Revenues of agricultural activity except those stipulated herein.
- 2- Revenues of areas planted in desert lands for a period of ten years starting from the date the land is considered productive. The Minister shall, in agreement with the Minister of Agriculture, issue a decree specifying guidelines for the determination of the date on which land is considered productive.

### **Section Four**

### **Miscellaneous Provisions**

**Article (44):** Whoever owns one or more real estate or agricultural lands and whose total net revenues accrued from rental value, stipulated in clause 1 of article 38 and clause 1 of article 39 of this law, exceed the exempt bracket

stipulated in article 7 thereof, is required to file a statement of the owned real estate and agricultural lands and their rental values to a competent real estates and agricultural lands tax collection office within the jurisdiction in which the real estates are located and on the form to be defined by the Executive Regulation of this law.

**Article (45):** Amounts paid by the taxpayer for the real estate taxes imposed by law no. 113 of 1939 on agricultural lands tax and law no. 56 of 1954 on real estates tax, as applicable, shall be deducted from the tax due according to the provisions of Part Five of Book Two of this law, provided that the amount deducted does not exceed this tax.

**Article (46):** The provisions of articles 38 and 39 of this law do not apply to agricultural lands and real estate included in the assets of an establishment or company.

# Book Three

## Tax on Profits of Legal Persons

### Chapter One

#### Scope of the Tax

**Article (47):** An annual tax shall be levied on the net aggregate profits of legal persons whatever their objectives.

Tax shall apply to:

- 1- Legal persons residing in Egypt, with respect to all profits whether realized in Egypt or abroad, with exception of the Agency of National Service Projects of the Ministry of Defense.
- 2- Non-resident legal persons, with respect to the profits through a permanent establishment in Egypt.

**Article (48):** In applying the provisions of Article 47, the following are treated as legal persons:

- 1- Capital associations and partnerships whatever the law they are subject to, as well as corporations de facto.
- 2- Cooperatives and their unions, taking into consideration exemptions stipulated by law.
- 3- Public authorities and other public legal persons in relation to activity exercised by them that is subject to tax, without prejudice to exemptions provided in the laws establishing them.
- 4- Banks, companies and foreign firms even if their head offices are based abroad and their branches are in Egypt.
- 5- Units established by the local Authority with respect to their activity that is subject to tax.

**Article (49):** The tax base is rounded to nearest lower ten pounds and it shall be subject to tax at the rate of 20% of the net annual profits.

With exception to the rate mentioned in the preceding paragraph, the profits of Suez Canal Authority, the Egyptian General Petroleum Corporation and the Central Bank are subject to tax at the rate of 40%, and the profits of oil and gas exploration and production companies are subject to tax at the rate of 40.55%.

**Article (50):** The following are exempt from tax:

- 1- Ministries and government bodies.
- 2- Educational establishments subject to the supervision of the State, and which are basically not-for-profit entities.
- 3- Non-governmental organizations and institutions established under the provisions of the Non-governmental Organizations and Institutions law promulgated by law no. 84 of 2002, within the limits of the purpose for which they were established.
- 4- Non-profit making bodies that carry out activities of a social, scientific, sports or cultural nature as long as those activities are not of a commercial, industrial or professional nature.
- 5- Profits of private insurance funds subject to the provisions of law no. 54 of 1975.
- 6- International organizations, technical cooperation bodies and their representatives, for which international agreements provide their exemption from tax.
- 7- Profits and dividends of investment funds established according to the Capital Market Law promulgated by law no. 95 of 1992 and the revenue of bonds registered in the official schedules at the stock exchange.
- 8- Returns received by resident legal persons for their investments in securities registered on the Egyptian stock exchange market with the loss resulting from such transactions not to be deducted or carried over to subsequent years.

- 9- Returns received by legal persons on securities issued by the Central Bank of Egypt or revenues from transactions involving them; with an exception from provision of Article 56 of this law.
- 10-Dividends, profits and shares, which resident legal persons receive for their participation in other resident legal persons.
- 11-Profits of land reclamation and cultivation companies for a period of ten years from the date of starting the business or of starting production as applicable according to the rules to be determined by the Executive Regulation of this law.
- 12-Profits of companies engaged in poultry production, bee breeding, cattle breeding and fattening pens and the companies of fisheries and fish farms for a period of ten years from the date of exercising the activity.

## Chapter two

### Determining Taxable Income

**Article (51):** Net taxable income is determined according to the provisions applicable to the profits of commercial and industrial activity mentioned in Section Three of Book Two of this law, where no special provision regarding them is included in this part.

**Article (52):** The following are not deductible costs:

- 1- Debit interest paid by legal persons stipulated in Article 47 hereof on loans and advances they have obtained and that are more than four times the average of equity rights according to the financial statements prepared according to the Egyptian accounting standards. This provision does not apply to banks and insurance companies as well as those companies engaged in financing activity that are to be determined according to a ministerial decree.
- 2- Amounts that are set aside for the purpose of forming or funding different types of allocations, with the exception of the following:
  - (a) 80% of the provisions for loans that banks are committed to form according to the rules of the preparation and presentation of financial statements and the assessment principles issued by the Central Bank.
  - (b) Technical provisions which insurance companies are obliged to form in applying the provisions of the Supervising and Monitoring Insurance Law in Egypt promulgated by law no. 10 of 1981.
- 3- Distributed shares of profits and dividends and attendance fees paid to shareholders for attending the general assembly.
- 4- Membership remuneration and allowances received by Chairmen and members of the boards of directors.

- 5- Employees' profit shares, which are distributed according to law.
- 6- Other costs stipulated in Article 24 of this law.

**Article (53):** In the case of a change in the legal form of one or more legal persons, the capital profits and losses resulting from the revaluation shall not be included in the profit and loss account, provided that the assets and liabilities are registered with their book value at the time of the change in the legal form for the purpose of tax computation. The calculation of the depreciation of assets and the carry over of the provisions and reserves must be according to the set rules before making such change.

The following are deemed in particular to be a change in legal form:

- 1- The merger of two or more resident companies.
- 2- The splitting of a resident company into two or more resident companies.
- 3- The transforming of a partnership into a Shareholding Corporation or the transformation of a Shareholding Corporation into another one.
- 4- The purchase or acquisition of 50% or more of the shares or the voting rights, whether in terms of number or value, of a resident company against shares in the purchasing or acquiring company.
- 5- The purchase or acquisition of 50% or more of the assets and liabilities of a resident company by another resident company in exchange for shares in the purchasing or acquiring company.
- 6- The transformation of a legal person into a Shareholding Corporation.

**Article (54):** The foreign tax paid by a resident company on its profits abroad shall be deducted from the tax due according to the provisions of this law, provided that the relevant supporting documents are presented.

A loss incurred abroad cannot be deducted from the tax base in Egypt for the same tax period or any subsequent period.



The deduction mentioned in the first clause may not exceed the tax payable in Egypt that may have been due with respect to the profits from works performed abroad.

**Article (55):** The provision of Article 29 does not apply to a loss suffered by a company in the tax period and the previous periods if a change occurs to its capital ownership by a percentage of more than 50% of stocks, shares or voting rights provided that it is accompanied with a change in activity.

The preceding paragraph may only be applied by joint stock companies and companies limited by shares provided that their shares are not be offered for circulation on the Egyptian stock exchange market.

## **Book Four**

### **Tax Withheld at Source**

**Article (56):** Tax at the rate of 20% is due on amounts, paid by owners of individual firms, legal persons residing in Egypt and non-resident bodies which have permanent establishments in Egypt, to non-residents in Egypt without deducting any costs from them.

The said amounts include the following:

- 1- Yields and interest.
- 2- Royalties, excluding amounts paid abroad for a design or know-how rights for serving the industry. The Minister, in agreement with the minister concerned with industry, shall specify the cases in which there shall be know-how rights for serving the industry.
- 3- Service charges; there shall not be a service charge on administrative, supervisory and control expenses borne by a head office abroad on the share of the permanent establishment operating in Egypt.
- 4- Sportsmen or artist activity charges, whether paid directly or through any entity.

The interest on loans and credit facilities that Government, Local Authority Units and other Public Legal Persons receive from sources outside Egypt are exempt from the tax stipulated in this article. Public sector companies, public business sector and private sector are also exempt from this tax provided that the loan or facility term is for at least three years.

Establishments, persons and aforementioned bodies are obliged to withhold the amount of due tax, remitting it to the competent Tax Office within the first fifteen days of the following month in which the withholding took place.

**Article (57):** The amounts which individual firms and legal persons pay to any natural person as commission or brokerage as long as it is not related to the carrying on of her/his profession are subject to tax.

The payer of the commission or brokerage must withhold the amount of due tax and remit it to the competent Tax Office within the first fifteen days of the month following the month in which the commission or brokerage was paid, at the rate stipulated in article 56 hereof, without deducting any costs.

**Article (58):** Subject to any tax exemptions stipulated in other laws, revenues on bonds issued by the Ministry of Finance in the favor of the Central Bank or other banks are subject to tax at the rate of 32%, without deducting any costs. The payer or the recipient of such revenue is obliged to withhold the amount of due tax and remit it to the competent Tax Office within the first fifteen days of the month following the month in which the withholding took place.

# **Book Five**

## **Withholding, Collection and Advance Tax Payments**

### **Chapter One**

#### **Commercial and Industrial Activity**

##### **Section One**

###### **Deduction**

**Article (59):** Bodies and establishments set out below shall withhold a percentage of every amount more than three hundred pounds which they pay by way of commission, brokerage, or for procurement, supply, contracting operations, or services rendered to any private sector person. A Minister's decree shall be issued for determining the percentage that will not exceed 5% of the amount, as an advance against the tax due of such persons, excluding premiums paid to insurance companies:

- 1- Government ministries and agencies; local Authority Units; general authorities; national economic or service authorities; public sector companies and Units; public business sector companies; corporations, establishments and companies subject to investment laws; partnerships with capital exceeding fifty thousand pounds, regardless of their legal status; companies established by virtue of special laws; companies and projects established under the free zones regime; branches of foreign companies; pharmaceutical warehouses and import offices; cooperative societies; press institutions; educational institutions; syndicates; leagues; clubs; youth centers; unions; hospitals; hotels; non-governmental organizations and associations of different purposes; vocational offices; foreign representation offices; cinema

- production firms; theatres and entertainment houses; private insurance funds established by virtue of law no. 54 of 1975 or any other law;
- 2- Entities and other agencies determined by virtue of a minister's decree.

These bodies and establishments must remit the withheld amounts to the Tax Authority, according to procedures as specified by the Executive Regulation of this law. A body or establishment failing to withhold or remit the amounts shall pay the same to the Tax Authority as well as the associated delay fine.

**Article (60):** Private sector persons referred to in article 59 are exempt from the provisions of withholding on the account of tax if it is proved to the Tax Authority that they are keeping a proper record whereby they pay quarterly advance amounts according to the provisions of chapter two of this section.

## Section Two

### Advance payments

**Article (61):** Subject to the provision of article 63, in applying the provisions of the law, the Advance Payments System means that a taxpayer pays an advance amount of the tax due for a tax period, at the rate of 60% of any of the following:

- 1- The last tax declared by the taxpayer.
- 2- The tax estimated by the taxpayer for the year the taxpayer wishes to apply the advance payments system if the taxpayer has not submitted any tax return before, or if the tax return submitted by the taxpayer in respect of the previous tax period includes a loss.

**Article (62):** A taxpayer must choose between the system of withholding on the account of tax, according to article 59 of this law, or adhering to the provisions of the Advance Payments System stipulated in this chapter.

Selection is by a request submitted by the taxpayer to the competent tax office, at least sixty days before the beginning of the tax period for which the taxpayer wishes to apply the Advance Payments System.

The Tax Authority must reply to the taxpayer's request with a decision within sixty days from the date of submission thereof. Failure to reply within such a period is deemed as a rejection of the request.

The Executive Regulation of this law will determine the form of the request, documents to be attached thereto and the procedures to be followed for notifying the taxpayer of the Tax Authority decision.

**Article (63):** A taxpayer shall, according to the Advance Payments System, pay the percentage provided for in article 61 in three equal payments, each paid in succession on dates no later than thirtieth of June, thirtieth of September and thirty-first December each year.

A taxpayer, after paying the second advance payment, shall notify the Tax Authority to reduce or not to pay the third advance payment if it becomes evident to the taxpayer that profits for the whole year will be less than the estimated profits for the year before.

The number of payments may be reduced when the remaining period, after submitting the request mentioned in article 61, is shorter than twelve months, provided each payment is paid to the competent tax office, according to the conditions and procedures and using the form specified in the Executive Regulation of this law.

Advance payments paid according to this system must be settled when submitting the annual tax return stipulated in article 82 of this law. The taxpayer must pay the remaining portion of the due tax stated in the tax return, after deducting the advance payments already paid in addition to annual interest calculated according to the credit and discount rate declared by the Central Bank less 2%, excluding the fraction of a month and a pound.

**Article (64):** A taxpayer may refrain from using the Advance Payments System and adhere to the system of withholding on account of the tax according to article 59 of this law if the following two conditions apply:

- 1- The taxpayer has applied the Advance Payments System for at least one full year, and has paid all due payments according to the system.
- 2- The taxpayer must submit a request to the competent tax office within at least ninety days before the beginning of the tax year for which the taxpayer wishes to refrain from using the Advance Payments System.

The Tax Authority shall accept the request where these conditions are met and will notify the taxpayer of its decision within sixty days from the date of submission of the request; otherwise, failure to reply within such period shall be deemed an acceptance to the request.

The Executive Regulation of this law shall determine the procedures to be taken in submitting the request and in notifying the Authority decision.

**Article (65):** A taxpayer is exempt from applying the Advance Payments System in either of the following two cases:

- 1- If the taxpayer has incurred tax losses for two successive years;
- 2- If the legal form of the establishment or company has changed.

The Tax Authority may deny the taxpayer from using the system if the Authority is aware of material differences between the taxpayer's estimated profits and actual profits taxed each year during which the system has been applied.

In such cases the Tax Authority shall notify the taxpayer by registered mail with acknowledgment of receipt.

## Section Three

### Collection on Account of the Tax

**Article (66):** Agencies which license the wholesale trade in vegetables, fruits, grains and other foodstuff, or agencies licensing the practice of handicrafts shall collect, upon renewing a license, an amount on account of tax from the person in whose name the renewed license is issued. Such agencies are prohibited from renewing the license until the said amount is collected.

The amount shall be determined by a minister's decree at not more than 10% of the renewal fees.

**Article (67):** The Customs Authority shall collect from private sector persons a percentage of the value of their goods that are permitted to be imported to the country for trading or manufacturing purposes, on account of the tax due thereon.

In the case of assigning those goods or endorsing their documents to a third party, a percentage will be collected from both the assignor and assignee, as well as from the parties to the endorsement.

The said percentages shall be determined by a decree from the Minister that will not exceed 2% of the import value. The percentage shall be collected along with the customs duties due on the said goods and with the same procedures of collection.

**Article (68):** Slaughterhouses shall collect, with the prescribed slaughtering fee, an amount on account of the tax due per each head slaughtered, when slaughtering for the account of private sector persons who are liable to tax.

A decree shall be issued by the minister for determining the amount, which will not exceed 10% of the fees.



**Article (69):** The Traffic Police Departments are prohibited from renewing or transferring the license of taxis or vehicles owned by any private sector person until they collect an amount on account of the tax due thereon.

A decree shall be issued by the Minister for determining the amount, which will not exceed 10% of the fees prescribed by the Traffic Law promulgated by law no. 66 of 1973. The amount will be collected in one payment or in installments, according to the rules regulating the payment of the tax imposed on the vehicle according to the Traffic Law.

## **Chapter Two**

### **Non-Commercial Professions**

#### **Section One**

#### **Withholding**

**Article (70):** The bodies stipulated in article 59 of this law shall withhold on account of the tax, 5% of each amount in excess of 100 LE they pay to those carrying on non-commercial professions which will be specified by a decree of the Minister.

#### **Section Two**

#### **Collection on Account of the Tax**

**Article (71):** Clerks' office at different courts of law at the time of presenting petitions of litigation or appealing to them for registration, and Notary offices when making a notarization on petitions indicating their fitness to be publicized, are obliged to collect an amount on account of the tax due of the lawyer who signs the petition or its editor.

Every hospital must collect from every physician or specialist who performs work therein for her/his own account an amount on account of tax.

The Customs Authority shall collect, from every person who carries on the profession of customs clearance, for each customs statement presented to the Customs an amount on account of the tax due thereon.

The amounts provided for in the preceding paragraphs shall be specified in a decree of the Minister.

## Chapter Three

### General provisions

**Article (72):** The bodies prescribed in articles 66, 67, 68, 69, 70 and 71 of this law are obliged to remit the amounts collected on account of the tax to the Tax Authority according to the procedures and during such time limits as shall be specified by the Executive Regulation of this law.

The bodies prescribed in the first paragraph are obliged to remit the amounts withheld on account of the tax to the Tax Authority according to procedures and during such time limits as shall be specified by the Executive Regulation of this law. On the failure to collect or remit the amounts that should be withheld, the body concerned shall pay to the Tax Authority the said amounts in addition to the delay fine due thereon.

**Article (73):** The provisions with respect to withholding and collection on account of tax do not apply to the amounts which are paid to the taxpayer during his exemption period or when he is not taxable.

# Book Six

## Obligations of Taxpayers and Others

### Chapter One

#### Notification and Book Keeping

**Article (74):** Whoever carries on a commercial, industrial, craft, professional or non-commercial activity must file to the Tax Authority a notification within thirty days from the date of commencing the activity.

A taxpayer who establishes a branch, an office or an agency of the firm or who moves its premises to another place with respect to the activity or the firm must notify the Tax Authority within thirty days from the date of the change.

With respect to legal persons, the duty of notification remains with their legal representatives or her/his managers or the seconded member of the board of directors or the persons responsible for the management, as applicable.

The Executive Regulation of this law shall determine the data to be included on the notification, its supporting documents and the procedures to be followed in respect thereof.

**Article (75):** Every taxpayer who carries on a commercial, industrial, craft or non-commercial activity and whoever is practicing a professional activity in an independent manner must submit a request to the Tax Authority to issue a tax card, which shall include the procedures of incorporation or the licensing of the profession or the activity or the renewal thereof. The Tax Authority shall issue the tax card thereto.

The Executive Regulation of this law shall specify the data to be included on the tax card, its validity period and the period within which it will be delivered

to the taxpayer. It shall also specify the data of the tax cards of those taxpayers who are not subject to the provisions of withholding and collection on account of tax provided in this law.

**Article (76):** The bodies who license the printing or publication of books, works of authorship, works of art and others or registration or depositing thereof must notify the Tax Authority in each case of the name and address of the author and the title of the book, work of art and the like.

The provisions of this article do not apply to the Ministry of Defense.

**Article (77):** Specialists in the Ministries, Governmental Authorities, Local Authority Units and other Public Legal Persons as well as Syndicates who are empowered to grant licenses for the carrying on of a certain activity, industry, craft or profession or who grant licenses for the construction of buildings or the possible use of a building to practice an activity, industry or profession must notify the Tax Authority when granting any license of the particulars and name of the licensee as shall be specified by the Executive Regulation of this law within no later than the end of the month following the month in which the license was issued.

Granting a privilege, concession or permission which is necessary to practice a business, industry, craft or profession shall be treated as being similar to the granting of a license.

**Article (78):** The taxpayers mentioned below must keep those books and records required by the nature of their respective activity, industry, craft or profession, according to that specified by the Executive Regulation of this law:

- 1- Natural persons subject to tax according to the provisions of Section One of Book Two of this law who are carrying on a commercial, industrial, craft or professional activity if his/her invested capital exceeds fifty thousand LE or if his/her annual turnover exceeds two

hundred and fifty thousand LE or if the net annual profit according to the last final tax assessment was more than twenty thousand LE.

2- Legal persons subject to the provisions of Book three hereof.

A taxpayer must keep books and records provided for in the first paragraph of this article and supporting documents at its premises throughout the period provided for in article 91 of this law.

A taxpayer who is practicing a non-commercial profession shall give, to whoever pays her/him an amount due for the practice of a profession or activity as fees or commission or remuneration or any other amount subject to tax, a signed receipt showing the date and the value of the sum collected. The taxpayer shall present the receipt to the Tax Authority upon request.

Taxpayers may keep electronic records showing revenues and costs per annum. The Minister shall issue a decree regulating the keeping of such accounts and the guidelines for moving from a written to an electronic accounting system.

**Article (79):** If the taxpayer ceases her/his work permanently or partially, the actual profits up to the date of cessation must be included in the tax base.

Partial cessation means the termination of some aspects of the activity or the termination of the activity of (a) branch(s) in which it carries on the activity.

A taxpayer shall notify the competent Tax Office within thirty days from the date of cessation; otherwise the profits will be computed for a full tax year, unless the taxpayer provides evidence that he/she had not realized any revenues after that date.

If the firm ceases activity because of the death of its owner or if its owner died within the said thirty days set for the period of filing the notification of the cessation, the owner's heirs are obliged to notify the same within sixty days

from the date of their legator's death and the tax return is to be filed within ninety days from that date.

**Article (80):** On the assignment of all or part of the firm, the assignor must notify the competent Tax Office of the assignment within thirty days from the date of the execution of the assignment, otherwise profits will be computed for a full tax year.

The assignor must also file a separate tax return within sixty days from the date of assignment in which the assignor shows the outcome of the operations of the assigned firm; the tax return is to be attached with the documentation and data needed for profits to be calculated up to the date of assignment. The data mentioned in the separate tax return must be included in the annual tax return of the assignor.

The assignor and the assignee shall be jointly liable for tax due on the profits of the assigned firm up to the date of assignment as well as for the tax due on the capital gains achieved as a result of such assignment.

The assignee may request the competent Tax Office to furnish her/him with a statement about the taxes due by the assigned firm. The Tax Office shall furnish her/him with the required statement by registered mail with acknowledgement of receipt within ninety days from the request date, otherwise the assignee would be released from the required tax and the assignee's liability will be limited to the amount mentioned in the statement. The assignment will not be considered binding with respect to the collection of taxes unless the procedures provided for in this law regarding the sale and mortgage of commercial shops are followed.

The tax due on the profits of the assigned firm will be determined up to the date of assignment and the assignee has the right to appeal against the tax for which he/she assignee is liable.

**Article (81):** A taxpayer who wishes to cease her/his activity or to assign the firm or to leave the country permanently shall request the Tax Authority to specify the tax status until the date of cessation, assignment or departure of the taxpayer, on condition that the taxpayer has filed the tax returns required in accordance with the provisions of this law and pays the fee specified by the Executive Regulation of this law, which does not exceed twenty LE. The Tax Authority shall respond to the request of the taxpayer within ninety days from the date of receipt of the request.

## **Chapter Two**

### **Tax Returns**

**Article (82):** Every taxpayer is obliged to file an annual tax return on the form specified by the Executive Regulation of this law to the competent Tax Office and attach such documentation as required by the Regulation.

The provision of the preceding paragraph applies to those taxpayers during their period of exemption.

The filing of a tax return for the first time is considered as a notification of the commencement of the activity.

A taxpayer is exempt from filing a tax return in the following cases:

- 1- If the revenue of the taxpayer is limited to salaries and the like.
- 2- If the income of the taxpayer is limited to revenues from real property and if the taxpayer's net income from the real property is not more than the amount defined in Article (7) of this law.
- 3- If the revenue of the taxpayer is limited to salaries and the like and revenues of from real property which do not exceed the amount defined in article (7) of this law.



**Article (83):** A tax return must be filed by the following dates:

- (a) Before the first of April every year following the end of the tax period for the preceding year for natural persons.
- (b) Before the first of May every year or within four months following the end of the financial year for legal persons.

The tax return is to be signed by the taxpayer or the taxpayer's legal representative. If an independent accountant prepares the return, the accountant shall sign the return along with the taxpayer or the taxpayer's legal representative, otherwise the return will be null and void.

In all cases, the return must be signed by an accountant enrolled on the Accountants and Auditors Schedule for shareholding companies, cooperative societies, natural persons and partnerships whose annual turnover exceeds two million LE.

In the event of the taxpayer's death during the year the heirs, the guardian or the liquidator is obliged to file a tax return for the period preceding the taxpayer's death within ninety days from the date of the death and pay any tax due by the taxpayer out of the funds of the estate.

The taxpayer whose residence in Egypt is to be discontinued must file a tax return at least sixty days before the cessation of the taxpayer's residency unless the cessation is for a sudden cause beyond the control of the taxpayer.

The taxpayer who permanently ceases his/her activity in Egypt must file a tax return within sixty days from the date of cessation.

**Article (84):** The Tax Authority are obliged to accept the tax return stipulated in article 82 herein at the taxpayer's responsibility.

Subject to the provisions of the second clause of article 63 of this law, a taxpayer is obliged to pay the due tax according to the return on the same day

it is filed after deducting the withheld tax and the advance payments. If the deducted tax and advance payments are more than the tax due amount, the extra amount shall be used to settle prior tax debts. If there are no prior tax dues, the Tax Authority shall be obliged to refund the excess unless the taxpayer requests in writing that the overpayment be used for the payment of any tax dues in the future.

**Article (85):** If a taxpayer requests, at least fifteen days before the deadline for filing the tax return, that the deadline be extended and pays on the date the request is made an amount of tax according to his estimation, the deadline for filing the tax return shall be extended for sixty days, with the extension not to affect the deadline for payment of the tax or the deadline for the delay fine on any unpaid amount.

**Article (86):** The bodies which are obliged to apply the deduction provisions must pay the deducted sums no later than the end of April, July, October and January every year. They must provide records needed for tax auditing by the Tax Authority including the following data for each tax period:

- (a) The amounts paid and the recipient thereof.
- (b) The tax deducted from the said amounts.

The bodies must send a copy of the records to the Authority to be archived according to the rules and procedures to be determined by the Executive Regulation of this law.

**Article (87):** If the taxpayer discovers, during the statute of limitation period of the tax debt, an omission or mistake in her/his tax return that had been filed to the competent Tax Office he/she shall immediately file an amended tax return with the omission or mistake corrected.

If the taxpayer files an amended tax return within thirty days of the legal deadline set for the filing of tax returns, the amended return is deemed to be the original tax return.

Banks, companies, Public Sector Units, public business sector companies and other public legal persons may file a final tax return within thirty days from the date on which the general assembly approves their accounts with the tax differences to be paid accordingly.

On filing an amended return according to the second and third paragraphs, the mistake or omission in the return shall not constitute an offense or a felony.

**Article (88):** The Authority may not disregard the proper books and records maintained by a taxpayer according to the provision of article 78 of this Law unless it can prove their inaccuracy based on documentation which it provides.

## Chapter Three

### Tax Assessment

**Article (89):** Tax is assessed on the fixed profits declared on the tax return submitted by the taxpayer.

The return is deemed as an assessment for the tax and an obligation to pay on the legal date, and the tax must be paid as per the tax return.

**Article (90):** The Tax Authority may amend the assessment on the basis of the data included in the tax return and its supporting documents.

The Tax Authority may also make an estimated assessment of the tax, on the basis of any available data, in case a taxpayer does not submit a tax return or present the data and documents supporting the tax return.

If the Tax Authority has documents that prove a difference between the return and the actual facts, it must notify the taxpayer and perform an inspection, correct the return or modify it and determine the taxable revenue.

The Commissioner may, with the approval of the Minister of Finance, assess the tax before the due date specified for the tax, if it is necessary to be collected because there is specific evidence that the taxpayer is planning to evade the tax by transferring his assets to another person, or taking other procedures that would be detrimental to the tax collection.

In these cases the competent tax office must notify the taxpayer, by registered letter with an acknowledgement of receipt, of the details and value of the tax assessment as determined by the Executive Regulation of this Law.

**Article (91):** In all cases, the Tax Authority may issue or amend an assessment within five years starting from the legal deadline for submitting

the return for the tax period. This period shall be six years if the taxpayer has evaded payment of the tax.

The period is interrupted by any of the reasons of limitation interruption stipulated in the Civil Law, by the notification of the tax assessment details, by reminding the taxpayer to pay the tax or by a transfer to the tax appeal committees.

The taxpayer may request the recovery of over-paid amounts on the account of tax, to be refunded within five years from the date when his/her right of recovery had been reached.

**Article (92):** If tax was assessed on a person and it is proved that he is working for another person in a bogus manner or by way of collusion to obtain any benefits or to evade any obligations prescribed by the provisions of this law, both of them shall be jointly liable for the payment of the tax due on profits.

**Article (93):** In all cases, the Tax Authority shall, automatically or according to a request from a taxpayer, correct the material and accounting mistakes.

## Chapter Four

### Tax Audit and Investigations

**Article (94):** The Authority shall audit taxpayer returns annually through a sample, the rules and criteria for which shall be decreed by the Minister based on a presentation from the Commissioner.

**Article (95):** The competent Tax Office shall notify the taxpayer, by registered letter with a notice of receipt, of the date and place set for the audit and the time estimated for it, at least ten days prior to the date.

The taxpayer must receive the Authority officers and allow them access to the books, documents and deeds he/she has.

The Minister may give permission to the Authority officers to enter a taxpayer's workplace during the working hours without prior notice, if the Authority has serious evidence that the taxpayer is evading tax.

No re-auditing may be undertaken on elements that have already been audited unless new substantial evidence has emerged that necessitate the re-audit.

**Article (96):** A taxpayer is obliged to provide data and copies of the books, documents and deeds, including the lists of clients and suppliers, requested by the Tax Authority in writing, within fifteen days from the date of request, unless the taxpayer submits sufficient evidence of difficulties experienced in preparing and providing the required data within the specified period.

The Commissioner, or his delegate, may extend the above-mentioned time to an appropriate period if the taxpayer provides sufficient evidence of the difficulties that he/she is facing in providing such data and copies.

**Article (97):** Governmental Authorities including the Illicit Profiteering Agency, Local Authority Units, the Public Authorities, State-owned companies and syndicates, may under no circumstances decline, even on the pretext of maintaining professional confidentiality, to give the Authority officers access to the documents and papers they want for the purpose of assessing the due tax hereunder. The above-mentioned bodies shall in all cases provide the Authority with all the necessary data for tax assessment as it requests.

**Article (98):** The Public Prosecution or the Illicit Profiteering Agency may give the Tax Authority access to files in cases of any civil or criminal action related to what the Authority undertakes in respect of tax auditing, assessment or tax collection as provided for by this law.

**Article (99):** The Minister, for the purposes of this law, may request the Chief Justice of Cairo Court of Appeal to issue a court order allowing the Authority officers access to, or to obtain, data related to clients' accounts, deposits and safe deposits.

Those in charge of managing any sort of fund, and those whose profession involves paying securities revenues tax, as well as all companies, bodies, firms, commercial and non-commercial professionals and other taxpayers must provide the Tax Authority officers, at every request, the books on which the commercial code is imposed or other codes to be kept, as well as the other deeds, books and documents attached thereto and the papers of the revenues and expenditures in order to enable the above-mentioned officers to verify the enforcement of all provisions determined by the law herein, whether for them or for other taxpayers.

The above-mentioned officers of the Tax Authority shall not be prohibited from access providing that the access is performed at the place where the books, documents, deeds and the like are kept during normal working hours and without the need for a prior notice.

**Article (100):** Educational firms and institutions, and authorities and firms which are exempted from the tax stipulated in this law shall, whenever requested to do so, provide the Authority officers with their books of accounts and all the documents requested.

**Article (101):** Each person who, by virtue of his job, with respect to the assessment or collection of the taxes provided for herein or in the resolution of disputes relating thereto, shall be required to maintain professional confidentiality.

Any of the Authority officers whose jobs are not associated with the assessment or collection of the tax are not allowed to give any data or allow access by a third party to any sheet of paper, statement, file and the like, except in those cases prescribed by the law.

No data shall be given from the tax files, unless a written request is submitted by the taxpayer or by virtue of a provision of any other law. An assignee given data about the firm, or the exchange of information and data among the revenue-authorities affiliated to the Ministry of Finance according to the regulation decreed by the Minister, is not be deemed to be a breach of confidentiality.



## Chapter Five

### Collection Guarantees

**Article (102):** The taxes and the other amount due to the government according to the law are a preferential debt second in rank to judicial expenses on all funds of the debtors or those who are obligated to remit them.

The tax debt is payable at the Tax Authority headquarters and branches thereof without the need for a notice to be served to the debtor's premises.

**Article (103):** The collection of unpaid tax and the delay fine stipulated herein shall be according to claims that must be issued in the name of those who are legally obligated to pay, without prejudice to the right of recourse they may have against those who owe them. The said claims must be signed by the Authority's employees that will be specified in the Executive Regulation of this law. The claims shall be sent by certified mail with acknowledgement of receipt.

**Article (104):** The Tax Authority has the right to undertake an executive lien for the value of the due tax according to the tax returns filed by a taxpayer if they were not paid by the legal dates, without the need to issue a claim or a notice thereof. The taxpayer's tax return is deemed in this case as the writ of execution.

The Tax Authority must notify the taxpayer with the claim for payment, within sixty days from the date of the taxpayer's approval of the Tax Office's estimates or the issuance of an Appeal Committee's decision or a ruling by a court of first instance, by certified mail with acknowledgment of receipt.

In all cases, the lien may not be undertaken until the taxpayer is notified by certified mail with acknowledgement of receipt, unless there is a risk threatening the collection of the tax debt.

**Article (105):** The tax collection shall be paid in full or in installments of not more than the number of tax years for which the tax is due.

If there is an emergency or personal circumstance of the taxpayer that prevents the collection of the tax according to the provision of the preceding paragraph, the Commissioner or his delegate may allow it to be paid in installments over a longer period but not to exceed twice as many as the number of tax years.

The right to pay in installments is forfeited on delay in the payment of any installment. The Commissioner or his delegate may allow, according to a request filed by the taxpayer, the renewal of an installment agreement at her/his discretion.

**Article (106):** The provisions of law no. 308 of 1955 on administrative seizure and the provisions herein must be followed in the collection of the tax and other sums due.

**Article (107):** If it becomes evident to the Tax Authority that the rights of the public treasury are compromised, its Commissioner may request a competent Judge for Temporary Matters to rule on a petition for seizure of enough funds to meet the rights that are compromised whatever the authority they are under. The funds shall be seized according to the order in the manner of legal impoundment and may not be disposed of unless the seizure is lifted by a court ruling or by a decision of the Commissioner of the Tax Authority or after the lapse of sixty days from the date on which the seizure was undertaken without notifying the taxpayer of the value of the tax as estimated by the competent Tax Office.

The issuance of the lien according to the preceding paragraph shall be issued at the Minister's request in case a taxpayer does not have enough funds to meet the rights that are compromised other than her/his liquid funds deposited with banks.

The lien shall be lifted by the decision of a Judge for Temporary Matters if the taxpayer deposits with the court treasury an amount sufficient to meet these rights which is guaranteed for the payment of the tax debt when finally determined.

**Article (108):** The clerks' office of the court before which the execution procedures on any real property are being taken must notify the Tax Authority, by certified mail accompanied by delivery receipt, of the deposit of the terms of sale list within fifteen days from the date of receipt.

The clerks' office of the court before which the sale is undertaken as well as whoever is undertaking the sale by auction must notify the Tax Authority, by certified mail accompanied by delivery receipt, with the date of the sale of the real estate or movable property at least fifteen days prior to the date of sale.

Any default or delay in the notification process referred to in the two preceding paragraphs shall render the body who is the cause thereof liable to disciplinary action.

**Article (109):** Every public or private person who has withheld sums on account of the Tax Authority or who remitted these in application of the provisions of this law or law no. 308 of 1955 referred to above, must give the taxpayer from whom the amounts were withheld a certificate, at the request of the taxpayer, to be exempted from all fees showing the sums withheld, the date of withholding and the date on which they were remitted to the Tax Authority.

The certificates or the receipts issued by those bodies that have undertaken the withholding or the collection on account of the tax due by a taxpayer shall be deemed as a payment receipt of the tax within the limits of the amounts recorded thereon even if the withholding body did not remit the amount to the Authority.

**Article (110):** A delay fine is due on:

- 1- An amount exceeding two hundred pounds of unpaid tax which must be paid even if a decision was allowed for it to be paid in installments, as of the day following the expiry of the deadline for filing of the return.
- 2- The portion of tax that was not remitted or the amounts which the law stipulates be withheld at source or for their collection and remittance to the public treasury, as from the day following the expiry of the deadline set for the remittance according to the provisions of this law.

The delay fine is calculated on the basis of the credit and discount rate declared by the Central Bank on the first of January prior to the date plus 2%, with the fractions of month and pound to be excluded. The submission of a grievance or a judicial appeal does not suspend the fine being payable.

**Article (111):** The delay fine on overdue amount is treated as being equal to the tax relevant thereto.

The settlement of amounts that are payable to the Tax Authority to meet the taxpayer's commitments shall be taken in the following order:

- 1- The administrative and judicial expenses.
- 2- The delay fine.
- 3- The tax withheld at source.
- 4- The due tax.

**Article (112):** If it becomes evident to the Tax Authority that a taxpayer is entitled to recover all or part of the taxes or other amounts that had been paid incorrectly, it shall refund the tax and amounts within forty five days from the date on which the taxpayer requested the recovery, otherwise it shall charge a delay fine on the basis of credit and discount rate declared by the Central Bank on the first of January preceding the tax maturity date, less 2%.

**Article (113):** There shall be a clearance by the force of law between an over payment made by a taxpayer of any tax imposed herein and what may be due and payable under any tax law enforced by the Tax Authority.

**Article (114):** The Minister may, on the basis of a presentation by the Head of the Tax Authority, waive all or part of the tax and delay fine permanently or temporarily in the following cases:

- 1- If a taxpayer dies without leaving behind an apparent estate.
- 2- If there is evidence that the taxpayer has no funds on which attachment can be executed
- 3- If a taxpayer has ceased activity and has funds on which attachment can be executed and can meet all or part of the Tax Authority's dues; in this case there should be left enough to yield a revenue of not less than five thousand Pounds annually for the taxpayer or his heirs after the execution.

**Article (115):** The Minister may issue tax bonds to which taxpayers may subscribe and which will yield a tax-exempt interest to be specified by the Minister.

Such bonds and interest due thereon shall have the force of discharge on the payment of the tax due.

## Chapter Six

### Appeal Procedures

**Article (116):** A notice sent by certified mail accompanied by delivery receipt or by any electronic means having the validity of substantiation according to the Electronic Signature Law promulgated by law no. 15 of 2004 - as shall be specified by a decree of the Minister - shall have the same effect as resulting from the notification taking place by legal methods, including the notice to a person on which seizure has been laid with a copy of the seizure report.

A notice shall be legally valid whether the taxpayer receives it from the competent Tax Office or from the competent Appeal committee or receives it at the firm's premises or at the elected residence thereof.

If the firm is closed down or the taxpayer is absent and could not be notified by any of the aforementioned methods or in cases of a taxpayer's refusal to receive the notice, this fact shall be recorded in a report by one of the Authority employees who has legal status and shall be published on the notice-board of the competent Tax Office or the competent Appeal committee, as appropriate, with a copy to be affixed on the firm's premises.

If the notice is returned with a notation indicating that the firm could not be located or that the taxpayer's address could not be identified, the taxpayer shall be notified through the public prosecution after making the necessary investigation.

The publication and the notification through the public prosecution is deemed a statute limitation-interrupting action.

A taxpayer may, in those cases stipulated in the third and fourth paragraphs herein, appeal against the assessment or the Appeal committee's decision as

appropriate within sixty days from the date on which seizure is laid, otherwise the assessment or the committee's decision is deemed final.

**Article (117):** In cases where the tax is assessed by the Tax Authority, the taxpayer may appeal against the tax assessment within thirty days from the date of receipt thereof. If the taxpayer does not appeal during this period, the assessment is deemed final.

**Article (118):** A taxpayer who is subject to the salaries and wages tax may, within thirty days from the date of receiving the taxable revenue, object to the withheld tax by means of a request filed to the competent body effecting the withholding.

This body must send the request, attached with its response, to the competent Tax Office within thirty days from the date of receipt.

The said body may also object to the tax differentials resulting from a tax audit within thirty days from the date of receiving the notification.

The Tax Office shall examine the request or the objection. If it finds it to be valid, it shall notify the body to adjust the tax assessment. If it is not convinced that the request or the objection is valid, it shall transfer it to the Appeal Committee according to the provisions of this law and notify the concerned party through certified mail accompanied with delivery receipt within thirty days from the date of transfer.

If a taxpayer has no body to which he shall file the said request easily, the taxpayer may file the request to the competent Tax Office or the Appeal Committee, as appropriate.

**Article (119):** In all cases where tax is assessed by the Tax Authority, the appeal by a taxpayer against the tax assessment elements and the tax value should be on a statement of three copies to be deposited with the competent Tax Office, of which one copy shall be delivered to the taxpayer with a

notation thereon by the Tax Office indicating the date of the filing. The Tax Office shall record in a book, to be prepared for that purpose, the data with respect to the appeal and a summary of the disputed aspects.

The Tax Office shall adjudicate on disputed aspects between itself and the taxpayer by an Internal Committee within sixty days from the appeal filing date. If disputed aspects are settled, the assessment becomes final. The Executive Regulation of this law shall regulate the rules of forming internal committees and their work procedures and recording the agreements reached before it.

If the disputed aspects are not settled, the Tax Office will notify the taxpayer with a certified letter accompanied with delivery receipt. It shall forward the disputed items to the competent Appeal Committee within thirty days from the date of adjudicating on the points. In the meantime, it should notify the taxpayer by certified mail accompanied by delivery receipt. If the thirty-day period lapses and the Tax Office has not forwarded the dispute to the competent Appeal committee, the taxpayer shall present the matter in writing to the Head of the Committee directly or by certified mail accompanied by delivery receipt. The Head of the Committee shall, within fifteen days from the date on which the matter was presented or the taxpayer's letter reached him, assign a session to consider the dispute and order that the taxpayer's file be joined.

Any of the procedures stipulated in this article may be made by any electronic means to be determined by the Minister.

**Article (120):** Appeal Committees shall, by a decree of the Minister, be formed of a Chairperson from outside the Authority staff, two members from the Authority staff to be selected by the Minister, and two experienced persons selected by the General Federation for Chambers of Commerce jointly with the Federation of Egyptian Industries from among accountants who are enrolled on the Accountants and Auditors Schedule of Shareholding Companies in the General Register of Professional Accountants and Auditors.



The Minister shall appoint stand-by members for the Authority staff on the committees in cities where there is one committee. The principle members shall be deemed substitute members for the other committees in cities where there is more than one committee. Seconded such in substitution for principle members who fail to attend shall be the responsibility of the Chairperson of the principle committee, or the most senior member thereof in the absence of the Chairperson.

To be in quorum, a committee must be attended by the Chairperson and at least three of the members. The committee secretary shall be an employee seconded by the Authority.

Appeal Committees are permanent and report directly to the Minister who shall issue a decree to name them and show their premises, geographical jurisdiction and the remuneration of the members thereof.

**Article (121):** Appeal Committees shall be competent to adjudicate on all disputes between the taxpayer and the Tax Authority related to taxes prescribed in this law, the Stamp Duty Law promulgated by law no. 111 of 1980 and law no 147 of 1984 imposing the State Financial Resources Development Levy.

The Committee shall notify both the taxpayer and the Tax Authority of the date of the appeal hearing at least ten days prior to the date by certified mail with acknowledgment of receipt, and shall request the Authority and the taxpayer to file such data and papers as it deems necessary. The taxpayer shall appear before the committee in person or by proxy, otherwise the committee shall adjudicate the appeal in light of the documents submitted.

The committee shall issue its decision within the limits of the Tax Authority's judgment and taxpayer's requests. The tax assessment shall be amended according to the committee's decision. If the tax has not been collected, it shall be collected according to the said decision.

**Article (122):** Appeal Committees' sessions shall be held in camera and shall issue justified decisions by the majority of the attendees' votes. In case of a tie, the Chairperson shall have the casting vote. Decisions shall be signed by both the Chairperson and the secretary within fifteen days from the date of issue.

The committee shall observe the general rules and principles of litigation procedures. Both the taxpayer and the Tax Authority shall be notified of the committee's decision by certified mail with acknowledgment of receipt. The tax shall be payable as per the assessment based on the Appeal Committee's decision; challenging a committee's decision before the Court of First Instance shall not stop collection of tax.

**Article(123):** Both the Tax Authority and the taxpayer may challenge the committee's decision before a Court of First Instance meeting in a commercial panel within thirty days from the date of notification of the decision.

Litigation shall be filed to the court within whose jurisdiction the head office of the taxpayer or regular domicile or the establishment headquarters is located according to the provisions of the Civil and Commercial Procedures Law.

A judgment issued by the court can be challenged by way of appeal, whatever the dispute value involved is.

**Article (124):** The Tax Authority shall correct the final assessment based on the Tax Office's estimation or the Appeal Committee's decision on a request submitted by the person concerned within five years from the date on which the assessment becomes final, in the following cases:

- 1- The person concerned did not carry on any of the activities on which the tax was assessed.
- 2- The tax was assessed on an activity that is legally tax exempt.
- 3- The tax was assessed on revenues that are non-taxable, unless the law prescribes otherwise.
- 4- Exemptions prescribed by the law were not applied.

- 5- An error occurred when applying the tax rate.
- 6- An error was made with respect to the type of the tax assessed to the taxpayer.
- 7- Losses were not carried forward, contrary to what is provided for in the law.
- 8- Deductible taxes were not deducted.
- 9- The rental value of real property leased by a firm was not deducted.
- 10- Donations satisfying the requirements for deduction were not deducted
- 11- Some tax years were charged with revenues or expenses that concerned other years.
- 12- The same tax was assessed on the same revenue more than once;

The Minister has the right to add other cases by a decree. Generally, in cases where the concerned party possesses conclusive documents and papers showing the tax assessment to be incorrect.

The abovementioned requests are to be assigned to one or more committees titled (The Committee for the Reconsideration of Final Assessment). Among its members shall be a member of the State Council having at least the grade of assistant counselor, seconded by the Chairperson of the State Council. A decision concerning the set up of the committee, its functions and premises shall be issued by the Tax Commissioner. The committee's decision is not effective until approved by the Tax Authority Commissioner.

Both the taxpayer and the competent tax office shall be notified of the committee's decision.

**Article (125):** Litigations filed by, or against, a taxpayer may be heard by a court in a closed session. Ruling thereon shall always be expeditious. The State Prosecution shall be represented and shall be assisted in this respect by a representative of the Tax Authority.

**Article (126):** The Minister has the exclusive right to issue general rules and instructions with which the Tax Authority shall comply in the implementation of the provisions of this law and its Executive Regulation.

**Article (127):** A taxpayer who wishes to finalize business transactions which may have serious tax effects can file a request in writing to the Tax Commissioner to explain the Authority's position with respect to the application of the provisions of this law to the said transaction.

Such requests must be submitted with complete data and supported by the following documents:

- 1- Taxpayer's name and tax file;
- 2- A statement of the business transaction and the tax effects thereof;
- 3- Copies of documents, contracts and accounts relevant to the transaction;

The Tax Commissioner shall issue a decision regarding the request within sixty days from the filing date and may request additional data from the taxpayer during this period. The decision is binding to the Tax Authority unless details emerge after the decision is issued that were not presented before issuing the decision.

**Article (128):** The Tax Authority has the right to appoint representatives on its behalf, from among its staff, to ministries and government agencies, local administration units, public legal persons, public sector companies and public business sector companies. The Tax Authority representative shall check the proper application by the entities of the provisions of this law and other associated tax legislation and shall verify that such entities pay the tax according to the provisions of the legislation.

Those representatives and other Tax Authority staff designated by a decree of the Minister of Justice, on the request of the Minister of Finance, shall have the legal power to prove violations committed against the provisions of the

legislation in reports, the data of which shall be specified by this law's Executive Regulation.

**Article (129):** The Tax Authority shall bear the burden of proof in the following cases:

- 1- Correction, adjustment or disregard of the tax return if it is filed according to the terms and conditions provided for in articles (83) and (84) herein and based on proper books and records conforming to Egyptian Accounting Standards or simple accounting principles emanating thereof, while observing laws and regulations enforced in this respect;
- 2- Adjusting the assessment according to article (91) herein;
- 3- Disregarding the tax return if endorsed by an accountant and based on books and records according to provisions of article (78) herein.

**Article (130):** The taxpayer shall bear the burden of proof in the following cases:

- 1- If the Tax Authority makes a presumptive assessment of the tax according to article 90 herein.
- 2- If the taxpayer corrects an error in its tax return.
- 3- If the taxpayer objects to the content of a report drafted by a tax officer having legal power.

# Book Seven

## Penalties

**Article (131):** Without prejudice to any stricter penalty provided for in the Penal Law or any other law, crimes stated in the following articles are punishable with the penalties stipulated in each.

**Article (132):** Every accountant enrolled on the Accountants and Auditors Schedule who certified a tax return or its supporting documents is liable to imprisonment and a fine of not less than ten thousand Pounds and not exceeding one hundred thousands Pounds or one of both penalties if an accountant has committed any of the following acts:

- 1- If an accountant concealed facts that came to his/her knowledge in the course of performing his/her job and did not disclose documents which the accountant certified to be true, if the disclosure of such facts is necessary for the accounts and documents to reflect the true activity of a taxpayer.
- 2- If an accountant concealed facts that came to his/her knowledge in the course of performing his/her job about any modification or change in the books, accounts, records or documents and the modification or change led to the inaccurate belief that lesser profits were made or greater losses were incurred.

In the event of recurrence, an accountant is liable to both imprisonment and fine.

**Article (133):** Every taxpayer who evades payment of taxes is liable to imprisonment for a period of not less than six months and not more than five years and a fine equivalent to the unpaid tax according to the law or either of the two penalties.

The taxpayer shall be deemed to have evaded payment of tax if any of the following methods were used:

- 1- Filing an annual tax return on the basis of fabricated books, records, accounts or documents while having knowledge of the same, or including data different from what is recorded in the true books, records, accounts or documents which he/she concealed.
- 2- Filing an annual tax return on the basis of the presence of no books, records, accounts or documents and including data therein different from what is recorded in books, records, accounts or documents which he/she concealed.
- 3- The willful damage of records or documents related to the tax before the lapse of the tax debt statute of limitation.
- 4- The fabrication or amendment of purchase or sale invoices or other documents with the intent of leading the Tax Authority to believe that lesser profits were made or greater losses were incurred.
- 5- Concealing a taxable activity, or part thereof.

In the event of recurrence, a taxpayer is liable to both imprisonment and fine.

In all events, tax evasion shall be considered an immoral crime, disgracing honor and personal integrity.

**Article (134):** A partner to a crime is liable jointly with the taxpayer for paying the evaded tax and the relevant fines.

**Article (135):** Whoever commits any of the following acts is liable to a fine of not less than two thousand pounds and not more than ten thousand pounds:

- 1- Failure to file an activity commencement notice;
- 2- Failure to file a tax return;
- 3- Failure to apply the system of deduction, withholding, collection and remittance of the tax by the legal dates.

The same penalty also applies to whoever violates the provisions of paragraph (1) of article 96.

Whoever violates the provisions of the two articles 78 (clause 1) and 83 (paragraph 3) is liable to a fine of ten thousand pounds

In all cases, the fine shall be doubled in those cases of recurrence of the same offense within a three year period.

**Article (136):** If a taxpayer includes in the tax return an amount of tax that is less than the finally estimated tax amount, the taxpayer is liable to a fine at the rate shown opposite each of the following cases:

- 1- 5% of the tax due on the amount not included, if it is equal to between 10% and 20% of the legally due tax.
- 2- 15% of the tax due on the amount not included, if it is equal to more than 20% to 50% of the legally due tax.
- 3- 80% of the tax due on the amount not included, if it is equal to more than 50% of the legally due tax.

**Article (137):** No criminal lawsuit may be filed with respect to crimes provided for herein, or any investigation actions taken, without a written request from the Minister.

**Article (138):** The Minister or delegate has the right to reconcile crimes provided for in this article, whatever the status of the action may be, before a conclusive ruling is issued in consideration for the payment of:

- (a) Amounts due by the violator of the crimes provided for in article 135 herein in addition to a compensation of two thousand pounds.
- (b) Amounts due by the violator in addition to a compensation of half the amount of the fine provided for in Article 136 herein.
- (c) Amounts due by the violator of the crimes provided for in articles 133 and 134 in addition to a compensation equivalent to such amounts.



- (d) A compensation equivalent to half the upper limit of the fine provided for in article 132 herein.

Reconciliation shall result in the lapse of criminal litigation and subsequent effects arising therefrom. The state prosecution shall order a stay of execution of the penalty if reconciliation is reached while execution is in progress.

## **Book Eight**

### **Closing Provisions**

**Article (139):** By virtue of a Presidential Decree, a Higher Tax Council having legal status shall be established under the Prime Minister with its headquarters in Cairo.

**Article (140):** The Council's aim is to protect taxpayers rights of all kinds, the adherence by the competent tax offices to the provisions of the laws and regulations issued in this regard, to ensure that the assessment and collection procedures are performed in a spirit of cooperation and good faith, as well as to guide taxpayers to the legal procedures that will secure their rights.

**Article (141):** The Council shall, to achieve its purpose, perform the following:

- 1- Study and endorse a Taxpayers' Bill of Rights and track compliance therewith.
- 2- Study laws and regulations regulating tax affairs and propose amendments in cooperation with the government and competent administrative agencies. Draft laws and regulations proposed by the government regarding different types of taxes shall be presented to the Council for review and feedback before submitting them to the People's Assembly.

- 3- Study instructions issued by competent administrative agencies with respect to tax matters and intervene with competent agencies and authorities in order to repeal instructions which do not comply with provisions of laws and regulations or the Taxpayers' Bill of Rights. It shall also work to render such instructions conflict-free and ensure smooth tax assessment and collection.
- 4- Monitor the exercise by the Tax Departments of their terms of reference to ensure their compliance with taxpayers' rights.
- 5- Review tax guidelines and give opinion before approving and publishing them, in particular:
  - Tax Administration work guidelines
  - Guidelines for basic audit rules
  - Audit procedures manual
  - Selective audit guide
- 6- Study the extent of technical and financial efficiency of existing administrative agencies in charge of tax matters to ensure the quality of the tax and administrative services performed, and working with and submitting proposals to the competent authorities for the elimination of any shortcoming in this respect.
- 7- Publish information, reports and recommendations that will familiarize taxpayers with their rights and obligations.
- 8- Study taxpayers' complaints submitted to the Council and cooperate with the competent authorities to eliminate reasons for valid complaints and propose general rules that would eliminate their reasons in future. Competent administrative authorities shall cooperate with the Council in studying the complaints referred thereto and furnish the Council with the data, reports and research required relevant to the council business.

On 30 September each year, the Council shall file a report on its business to the President and the Prime Minister to include the deficiency of the tax legislation, cases of abuse of power or exceeding the limit of jurisdiction by any of the tax administrations as noticed by the Council during the exercise of its functions.

The report shall be filed to the Chairperson the People's Assembly for presentation to the Assembly.

**Article (142):** The Council shall be established by a Prime Minister decree for a three-year renewable term as follows:

- 1- A Chairperson from among public figures;
- 2- Three of the former Tax Authority Commissioners nominated by the Minister;
- 3- A member of the Judiciary having a counselor degree at least, to be nominated by the Minister of Justice;
- 4- Two accountants enrolled on the Corporate Companies Accountants and Auditors Schedule in the general register of professional accountants and auditors, to be nominated by the Commercial Professions Syndicate accounting and auditing division;
- 5- Chairperson of the Federation of Egyptian Industries;
- 6- Chairperson of the General Federation of the Chambers of Commerce;
- 7- A university professor specialized in taxation matters, nominated by the Higher Council of Universities;
- 8- An undersecretary of the Central Auditing Agency, nominated by the Agency Chairperson.

The decree shall specify remuneration for the Council's Chairperson and members.

**Article (143):** The Council shall convene at the invitation of its Chairperson at least once every two months as well as whenever the Chairperson deems a meeting necessary. A Council meeting is only in quorum if at least six of its members attend. Decisions shall be issued by a majority of attendees' votes. In the event of a tie, the Chairperson has the casting vote.

The Council may invite to its meetings representatives of the tax departments associated with the agenda items to be discussed as well as financial experts,

economists and legal experts who do not have a countable vote in deliberations.

**Article (144):** The Council's resources shall consist of:

- 1- Adequate financial appropriations allocated for the council in the State General Budget
- 2- Endowments, donations, assistance and grants accepted by the Council and which do not contravene with its objectives
- 3- Returns on investing the Council's funds

**Article (145):** The Council shall have a special budget and fiscal year beginning first July and ending at the end of June each year.

**Article (146):** The Council shall establish its own financial, administrative and technical regulations.

The council shall have a managing director appointed for a three-year term, the terms of reference and financial status of whom shall be specified by a decree of the Council. The Council shall also have a technical secretariat, the organization, mandate and organizational structure of which shall be developed and functions specified by a decree of the Council.

**Article (147):** All amounts and financial values whose owners have forfeited them by the statute of limitation shall devolve to the public treasury by virtue of an irreversible ruling and these shall include the following:

- 1- Profits and dividends resulting from shares and bonds offered and issued by any company or public or private authority or body.
- 2- Shares, incorporation quotes, bonds and all other movable property of such companies, authorities or bodies.
- 3- Securities, deposits and generally whatever is required of the securities by banks or other firms that accept such securities in trust or for any other reason.

- 4- Every amount paid by way of security for any reason whatsoever to any joint stock company or any public or private body or authority.

Companies, banks, firms, authorities and other bodies provided for in this article shall furnish the Tax Authority, no later than the end of March every year, with a statement of all the amounts and values affected by the statute of limitation during the preceding year and the title to which had devolved to the government according to this article. They shall remit the said amounts and values to the public treasury within thirty days following the filing of the said statement.

**Article (148):** The Minister may, after presentation to the Prime Minister, design one or more systems for rewarding the employees of the Authority in light of their performance and the volume and level of their business achievement without having to abide by any other system. The General Budget of the State may allocate amounts as contribution by the State to the Social and Health Care Fund of the Authority's employees, their families, retirees and their families.