



**THE MINISTER**

**EXECUTIVE REGULATIONS**

**Decree of the Minister of Finance**  
**No. (991) of 2005**  
**Issuing the Executive Regulation**  
**Of the Income Tax Law No. 91 of 2005**

**The Minister of Finance**

Having reviewed Law No. 91 of 2005 promulgating the Income Tax Law and the Income Tax Law attached thereto, and

Upon the State Council view,

**Has decreed**  
**(First Article)**

The executive regulation attached to the Income Tax Law No. 91 of 2005, referred to by the word "Law" wherever mentioned or referenced in this regulation, is effective.

General rules and instructions and periodical notes issued by the Minister of Finance to apply the provisions of the above-cited two laws shall be effective where no text is provided in this decree and the attached regulation.

**(Second Article)**

Provisions of the Income Tax Law will be effective as follows:

1- With regard to natural persons:

a- On the income of natural persons from salaries and the like, with effect from July 2005;

b- On the income of natural persons from commercial and industrial activity, revenues from non-commercial professions and real estate with effect from tax period 2005, starting on 1/1/2005 and ending after the effective date of the Income Tax Law.

2- With regard to legal persons as of:

a- The first tax period starting from 2004 and ending on 31/12/2005.

b- The tax period starting from 1/1/2005 or any other following date and ending after the effective date of the above-cited law.

**(Third Article)**

Any provision that is contrary to this decree or the attached regulation or does not conform to the provisions thereof shall be repealed.

**(Forth Article)**

This decree shall be published in the Egyptian Gazette, and come into force on the date following the date of publication.

**Minister of Finance**  
**Dr. Youssef Boutros Ghali**  
**Issued on 27/12/2005**

# **Executive Regulations of the Income Tax Law**

## **Promulgated by Law No. 91 of 2005**

### **Book One**

### **General Provisions**

#### **Article (1):**

If a proprietorship is transferred by inheritance to one or more heir, each are liable to tax individually as prescribed in this law.

#### **Article (2):**

In applying the provisions of article (1) of this law, the leasing of equipment is deemed as using such equipment or the right to use such. Royalties include all amounts paid for leasing industrial, commercial, or scientific equipment.

However, if the lessor carries on an activity through a registered branch, such activity is deemed to be a permanent establishment for the purposes of tax under the Income Tax Law.

#### **Article (3):**

A natural person is regarded as having a permanent residence in Egypt in any of the following cases:

- 1- If he is physically present in Egypt for more than half a year, either in a home he owns or as a tenant or in any other capacity.
- 2- If the taxpayer has a commercial shop, a vocational office, factory or any other working place where a natural person carries out his activity in Egypt.

Egypt is regarded as the actual management headquarters of a legal person if at least two of the following cases are satisfied:

- 1- If it is the location where daily administrative decisions are taken.
- 2- If it is the location where the administrative board meetings or managers' meetings are held.
- 3- If it is the location where at least half of the administrative board members or managers are resident.
- 4- If it is the location where the partners or shareholders are residents and their combined shareholding exceeds half of the capital or the voting rights.

**Article (4):**

The maintenance of a fixed place of business for advertising or similar activities which are regarded to be preparatory or auxiliary in nature, and which would not yield taxable income in Egypt.

**Article (5):**

In applying item [7], in the third paragraph of Article (4) hereof, the broker or the agent is deemed to have spent most of his time or effort thereof during the tax period for the interest of a foreign company, when working fully or partially in the name of the company, where conditions regulating their commercial and financial relationship differ from those that regulate the relationship amongst independent establishments.

**Article (6):**

Tax may be calculated for a period of less or more than twelve months in the following conditions:

- 1- Cases in which tax may be calculated for a period of less than 12 months:
  - a- The taxpayer's first financial period, whether this period ends at the end of the calendar year or any other date considered by the taxpayer to be the end of his financial year.

b- The death of the taxpayer or if his residency in Egypt has been interrupted, or stopping the activity or disposal of his ownership of the firm before the end of his financial year.

c- If the taxpayer keeps proper books and records during one of his financial years.

d- When the taxpayer changes the end of his financial year, and in this case, the tax is calculated from the beginning of the tax year before the change and up to the date of change.

2- Cases in which the tax may be calculated for a tax period exceeding twelve months:

a- In the first financial year of a legal person, if the implementation of the articles of incorporation or corporation contract results in a delayed closing of the books.

b- In the event of a change in the end date of the financial year; if the date between the change and the beginning of the old financial year is not more than three months, the period between the beginning of the old financial year and the start date of the new tax year may be added to the first new tax year.

The tax rate, as prescribed in articles (8) and (49) of this law, is applicable, whether for profits accruing from the activity throughout a whole tax period (12 months), or if the tax is calculated for a period of more or less than 12 months, without any change in the rate, either a reduction or increase, or by making a change to the brackets proportionate to the period of activity.

#### **Article (7):**

At the request of a taxpayer, the Tax Authority may approve a change in the tax period, providing the following conditions are met:

1- The taxpayer is a legal person as stipulated in articles (47) and (48) of the law.

2- The taxpayer keeps proper books and accounts.

3- When there are substantial reasons to change the fiscal period, such as:

a- On a request from an affiliated company or a foreign branch to adjust its financial year to agree with the financial year of the holding company or headquarters.

b- Changing the legal form of the legal person.

4- If the new tax period is twelve months.

# Book Two

## Income Tax of Natural Persons

### Chapter One

### Tax Scope and Rate

#### **Article (8):**

In applying the provisions of “Book Two” of this law, the competent tax office means the following:

1- With regard to salaries and the like:

The competent tax office stipulated in article (10) herein.

2- If the taxpayer's income is limited to revenues from commercial or industrial activity, the competent tax office is the office where the business is located. If the taxpayer conducts business through multiple firms or branches, the competent tax office is the office where the headquarters is located, according to the commercial register.

3- If the taxpayer's income is limited to revenues from professional or non-commercial activity, the competent tax office is the office where the business is located, and if there is more than one business the location is the location of the business as specified by the taxpayer.

4- If the taxpayer has revenues from commercial or industrial activity, as well as from professional or non-commercial activity, the competent tax office is the office in which the professional activity is located.

5- If the taxpayer's income is limited to revenue from real estate, the competent tax office is the office where the taxpayer's residence is located. If the taxpayer has multiple residences, then the competent tax office is the office where one of his residences is located as specified by the taxpayer. However, if the taxpayer does not specify a

residence, the competent tax office is the office where any of the taxpayer's built or agricultural property, or any of his leased residential or furnished units is located. If the taxpayer's revenues are from commercial or industrial activity, the competent tax office is the office where the headquarters of the commercial or industrial activity is located.

6- If the taxpayer's income includes revenues from commercial or industrial activity and from professional or non-commercial activity and from real estate, the competent tax office is determined under paragraph 3 above, that of the professional activity.

7- The Large Taxpayer Center, if the taxpayer is identified as a large taxpayer by the Center.

Where the taxpayer changes the location of his business, or headquarters in the case of multiple locations, the new competent tax office will assume responsibility for the tax year during which the change is made, as well as for all future tax periods.

The old competent tax office shall finalize any open tax audit or other notification procedures before ceding jurisdiction over the taxpayer's file and transfer it to the new office within three months of notification of the change.

#### **Article (9):**

The amount allowed pursuant to Article 7 of the Law is not subject to reduction or adjustment when applied to a taxpayer's residency in Egypt if it is less than the full tax year. In cases of multiple income sources, the aforementioned bracket is deducted first from the income from salaries and the like and if a part of the bracket remains, then it must be deducted from any other income.



## Chapter two

### Salaries and the Like

#### **Article (10):**

In applying the provisions of Article 14, first paragraph of the law, the competent tax office is determined as follows:

1- The Tax Office in charge of Inspecting Governmental Authorities in Cairo and Alexandria, for the following employers:

- a. Governmental bodies,
- b. Local Administration Units,
- c. State firms, or state legal persons which do not carry on any activity subject to tax for profits gained by legal persons; or
- d. Private authorities working in the field of youth welfare and sports as well as public syndicates in Cairo and Alexandria.

2- The competent tax office for paying tax withheld on employees is determined in the same manner as that specified in article (53) of these executive regulations for those taxpayers listed in article 48 of the Law.

3- If the employer is a natural person, the competent tax office is determined in the manner specified in article (8) of these regulations.

4- For those persons responsible for withholding tax on employees who have neither a residence nor headquarters in Egypt, tax is paid at the competent tax office where the recipient of the income resides or has its headquarters.

5- If the taxpayer responsible for withholding tax is assigned to the Large Taxpayer Center, the competent tax office for receipt of the withheld tax is the Large Taxpayer Center.

#### **Article (11):**

In applying the provisions of article (9) of the law the term “cash and in-kind benefits” includes amounts received by an employee in cash or in-kind that are not a

reimbursement for costs associated with the job, which represent a personal benefit. The value of the benefit in-kind is the market value of the item given, which, for those items listed below, shall be calculated as follows:

1. For a company car at the personal disposal of the worker, the benefit value is equal to 20% of the cost of fuel, insurance, and periodic maintenance with respect to such cars, whether owned by the company or leased.

2. Cellular Phones:

The benefit value is equal to 20% of the related phone expenses throughout the year.

3. Loans and advances offered by employers:

In the case of a loan in any form, whether by advance or formal note or otherwise, that exceeds the gross income received by an employee during the six months immediately prior to the receipt of the loan, the value of the benefit is the amount by which the interest rate charged is less than 7%, regardless of whether an interest rate is stated in any agreement. A loan includes any amount which is paid, advanced to, or recorded in the books of the employer on behalf of the employee.

4. Life insurance policies for the employee, his family or his properties:

The benefit value is equal to the amount of the premiums paid by the employer each year.

5. The company's stocks granted at a value less than the stock market value:

The benefit value is determined on the difference between the stock market value on the date of receiving the grant, and the value required to be paid by the employee.

In case of restrictions in the grant limiting the employee's ability to sell or otherwise dispose of the shares, the benefit shall not be included in the income of the employee until those restrictions have expired or are otherwise removed.

In all cases, the employer shall collect and pay over the tax according to article (14) of the law, and shall list in the annual reports all the benefits received by each employee

as per the preceding rules. The party receiving the earned revenue is required to collect and pay over the tax, if so specified by the terms of article (16) of the Law.

### **Article (12):**

In determining taxable revenues, the following amounts are excluded:

- 1- Those amounts exempted pursuant to special laws.
- 2- An annual personal exemption of 4000 [Four thousand pounds] for the taxpayer.
- 3- Social insurance contributions and other amounts deducted according to the Egyptian social security laws or any other alternative system according to the provisions of law no. 64 of 1980, with respect to Alternative Private Social Security Systems.
- 4- Employees' contributions to private insurance funds established as per the provisions of the Private Insurance Funds promulgated by law no.54 of 1975.
- 5- Life insurance premiums and health insurance in favor of the taxpayer, the spouse or minor children, and any insurance premiums paid for pension entitlement, according to the provision of article (18) of these regulations.
- 6- The value of the following group in-kind benefits:
  - a) Meals offered to workers.
  - b) Employee group transportation or transportation allowance.
  - c) Healthcare.
  - d) Tools and uniforms needed for work.
  - e) Accommodation offered by an employer to employees, needed for work.
- 7- The employee's profit share determined to be distributed according to the law.
- 8- The stamp tax legally prescribed.
- 9- An amount of five thousand pounds as a tax-free bracket, on condition that it is not deducted from the taxpayer's other income sources during the same year.

In applying paragraphs (4) and (5) of this article, the total exemption cannot exceed 15% of the net revenue or three thousand pounds (whichever is greater) and no exemption for the same contributions and premiums may be claimed for any other income prescribed in article (6) of this law.

The amounts deducted must be remitted to the competent tax office within the first fifteen days of each month for those amounts paid during the preceding month.

In case any changes occur in the taxable revenue during the tax year, the provision of article (14) of these Regulations will be applied.

**Article (13):**

In case a change occurs in the employee's revenues from taxable salaries and the like, the employer may compute the due tax for the employees on the basis of the new revenue, after turning it into an annual revenue, and collect the tax difference between the old revenue and the new revenue without paying the increased amount to the tax office. The amount accumulated on behalf of the employee under this rule shall be accounted for and paid over at the end of the tax period, without computing delay fines on the difference.

**Article (14):**

In applying the provision of the preceding article, the employer must make year end reports and adjustments as follows:

1. Determine the total amount paid for salaries (including allowances and benefits) received by the employee during the period.
2. Deduct those amounts listed as exempt in article (13) of the law.
3. Deduct the zero-tax bracket amount of five thousand pounds, and determine the tax based on the schedule stated in Article 8 of the Law.
4. Once the tax is known, reduce the amount of tax due by the amount of withheld tax paid to date for the year, and then remit the difference to the competent tax office.

The above-mentioned adjustment must be completed and submitted during the month of January each year and the payment made on or before 15 January.

If an error in computing the tax is later discovered during an audit, a delay fine will be calculated effective from the 16<sup>th</sup> of January of the year in which the annual adjustment must be filed.

**Article (15):**

In the case of salary and wages paid to a person who is not resident in Egypt, the withholding tax shall apply at a rate of 10% of the amount of the wage. Where a resident employee has more than one employer, the second employer shall withhold tax at a full rate of 10% without allowing any costs, deduction for the zero bracket amount in Article 7, and without any allowance for the exemptions provided in Article 13 of the law.

Persons that pay sums referred to in the preceding clause must remit the withheld tax to the competent Tax Office within the first fifteen days of every month, for those sums paid during the previous month using form no. (2 salaries)

The principal employer means the body that the employee is employed by and that pays his principal salary.

The principal employer is considered as the firm where the employee spends more than half of his time or receives more than half of his income during the tax period. This firm must withhold a sum under tax account for the sums paid to the employee according to the provisions of articles (7), (8), (10) and (13) of this law; in this case, the provision of article (11) of the law will apply on the basic salary that is received by the employee from the firm in which he is employed. The tax due is calculated according to the provision of this article and reported on form no (3 salaries).

In applying the provisions of article (11), the competent Tax Office means:

- 1- With respect to a resident - the Tax Office in which the jurisdiction of the non-original workplace exists.
- 2- With respect to a non-resident - the competent Tax Office is specified according to the provision of article (23) of this Regulation.

**Article (16):**

Severance pay is determined by the regulations applied within the body, company or establishment at the time of termination of service; in the absence of such regulations or if they are present but not applied, severance pay shall be as specified according to the Labor Law.

**Article (17):**

The alternative systems, when applying the provision of clause [2] of article (13) of this law, are limited to systems established under the provisions of the aforementioned law no. 64 of 1980 or any of the other Egyptian laws.

**Article (18):**

In applying the provisions of clause (4), article (13) of this law, in order to qualify for exemption, the insurance must be under contract or policy with insurance firms registered with the Egyptian General Authority for Monitoring Insurance.

**Article (19):**

In order for the following benefits in-kind to be determined as exempt under article 13 of the Law, the following rules must apply:

- 1- If the meal is provided at the workplace.
- 2- If group transportation is provided for all employees, or for a category of them, in collective transportation - this applies whether the vehicles are owned or leased.
- 3- If the residence is owned by the employer or leased from a third party and it is required for work.

**Article (20):**

In applying the provision in the last clause of article (13) of this law, the exempted sum is computed as follows:

If the 15% of the net income is less than 3000 Pounds, the exempted sum is the sum paid, up to a maximum of 3000 Pounds.

If the 15% of the net income is greater than 3000 Pounds, the exempted amount is the sum paid, up to a maximum of 15% percent of the net income.

#### **Article (21):**

Employers and persons who are obliged to pay salaries and the like must remit the sum deducted under tax account, as specified in articles (8) and (11) of this law.

Companies and projects established according to the Free Zones regime are obliged to apply the provisions of articles (11) to (15), and articles (18) to (20) of the Regulations herein as well as filing the forms stipulated herein.

#### **Article (22):**

The filing of quarterly returns, as stipulated in article (15) of the law, is to be on form no. (4 salaries) and the following shall be noted therein:

- 1- The number of employees.
- 2- Total salaries and the like paid in the preceding three months.
- 3- The amounts deducted under the account of tax, and the sums paid for the same period as well as copies of the payment receipts.
- 4- Increases or decreases in the number of employees.

The Tax Office to which returns have been filed as stipulated in clause [1] of article (15) of this law shall correct any errors identified and shall be notified of any amendments that occurred to returns in the following quarterly return.

At the request of an employee he/she must be provided with a statement stating the employee's full name, the amount and type of income, and the value of tax withheld.

**Article (23):**

The competent Tax Office for a person entitled to revenue stipulated in article (16) of this law, is the Joint Stock Companies Tax Office in Cairo or Alexandria, as appropriate. If the person entitled to the revenue is a non-resident, he shall file to the aforementioned Tax Office a statement noting the sums received and the tax due before the termination of his residence period.

If the person entitled to the revenue is resident, the competent Tax Office is the Tax Office within whose jurisdiction he lives. He shall file, at the beginning of January each year, a comprehensive statement stating the total sums that he received during the preceding year.

In all cases, the aforementioned statement must be filed, accompanied with the due tax, on form no. (5 salaries).

**Chapter Three**  
**Commercial and Industrial Activity**

**Section One**  
**Taxable Revenues**

**Article (24):**

Determination of the net profit as stipulated in the second clause of article (17) of this law is done according to the provision of article (70) of this regulation and the tax treatment of capital gains realized from the sale of assets stipulated in clause [3] of article (25) of the Law and according to the provisions of article (26) hereof.



**Article (25):**

In applying the provision of clause [3] of article (19) of this law, one transaction is considered to be any purchase made by a resident taxpayer for the purpose of selling movable assets and not purchased for personal use, provided the transaction is for a commercial or an industrial purpose, and the sale is concluded within the period of twelve months from the date of purchase.

**Article (26):**

Mechanical and electrical machines, as stipulated in clause [5] of article (19) of this law, includes electronic and digital machines and the like.

**Article (27):**

Taxable net profit is determined, according to article (21) of this law, on all long-term contracts entered into by the establishment according to the following steps:

- 1- The percentage of completion is determined on the basis of the actual cost of the executed works until the end of the tax period divided by the total estimated contract costs, taking into consideration that such percentage must be recalculated whenever there is a change in such costs.
- 2- The total estimated profits is determined on the basis of the difference between the contract value and the costs estimated thereto; taking into consideration the recalculation of the total estimated profits if the value of the contract changes.
- 3- The estimated profits of a contract through every tax period is determined on the basis of the total estimated profits of the contract as a whole multiplied by the percentage of completion as determined in clause [1].

At the end of the contract, the net actual profit or loss is determined on the basis of the actual costs subtracted from the actual revenues for the entire contract.

If the computation of a contract in the tax period in which the contract has been implemented shows a loss, the loss is deducted from the profits of the period first. If the

profit is not enough, the balance of the loss is deducted from the preceding tax periods for the execution of the contract and in a way that does not exceed the profits estimated and declared during the preceding tax periods for each contract separately.

Tax shall be recalculated on such basis, and the taxpayer will be reimbursed with any amount that was paid in excess of such tax. If the loss incurred from the execution of a contract exceeds the profits estimated for a tax period(s) preceding the contract, the remaining losses will, in applying the provision of article (29) of this law, be carried over to the following years.

## **Section Two**

### **Determining Revenues Included in The Tax Base**

#### **Article (28):**

Costs and expenses that are not customarily recorded in documents means, in applying the provisions of clause [2] of article (22) of this law, those costs and expenses that are not customarily supported by external documents according to their nature, but internal payment orders or pricelists are available, such as:

- 1- Domestic transportation expenses.
- 2- The cafeteria expenses as an amenity for the firm's clients.
- 3- Cleaning expenses.
- 4- Ordinary and syndicate stamps necessary for the firm's operations workflow.
- 5- Ordinary maintenance expenses.
- 6- Daily, weekly, or monthly newspapers or magazines, if these are necessary for the profession or activity.

Expenses that are not customarily supported by documents, including tips, cannot exceed 7% of the total general and administrative expenses supported by documents.

**Article (29):**

The credit interest, when applying the provisions of clause [1] article (23) of this law, means all sums received by the taxpayer from investment in loans, advances, any kind of debt, bonds, treasury bills, deposits, and monetary guarantees. Non-taxable or exempted credit interest must be deducted from the debit interest of loans used in the activity.

**Article (30):**

In considering the separation or independence of the funds of the system from the general funds of the business, pursuant to clause (5) of article (23) of the law, the following applies:

- 1- The regime or the fund must have a private account with the banks, separate from the establishment's accounts.
- 2- The fund must be invested for its own account.
- 3- The fund must maintain books and accounts independent from the establishment's accounts.

**Article (31):**

Loan interest paid is calculated, as stipulated in clause [4], Article (24) of this Law, on the basis of the credit and discount rate declared by the Central Bank on the first of January or the first working day in the calendar year.

**Article (32):**

Interest on loan and debts, as stipulated in clause [5], Article (24) of this Law, does not include the interest on bonds submitted for public subscription.

**Article (33):**

Intangible assets which are purchased, in applying the provision of clause [2], Article (25), means those assets that do not have tangible existence and are held for use in production for the supply of goods or services, or lease to a third party, such as licenses, intellectual property rights, brand names, publication rights, patents, printing right, and animations received by the establishment in return for the payment of a sum of money. Intangible assets which are set up by the establishment must be depreciated according to clause [2] of article (25) of this law, without including the costs of setting up the intangible asset which were charged among the costs in the preceding years according to the Egyptian Accounting Standards.

**Article (34):**

The following must be taken into consideration with respect to the depreciation base system as stipulated in articles (25) and (26) of this law:

1- The depreciable value is determined on the basis of the balance for every group of assets at the beginning of the period, after adding assets purchased and all additions made during the year, such as the cost of transporting and installing the asset, and the repairs or overhauls that add to the productive life of the asset, and then deducting from it the value of assets disposed of or compensation for its loss or otherwise.

This balance shall be treated as follows:

a- If the resulting balance, according to the previous clause, is negative, this balance is added to the profits of the activity for the year.

b- If the balance is ten thousand pounds or less, it is fully charged to the income statement as depreciation, and is deemed among the deductible costs of the same year.

c- If the balance is more than ten thousand pounds, depreciation is calculated for each group according to the percentages stipulated in clause [3] article (25), regardless of the period of use of the group assets and the remaining balance is carried over, whatever its value, to the following tax period as the basis for future depreciation.

2- The depreciation percentages stipulated in article (25) of this Law may not be violated for the purposes of tax computation.

3- Donated assets are entered at market value in the asset register and are not taxable and are not subject to the depreciation stipulated in articles (25), (26), and (27) of this law, as appropriate.

**Article (35):**

For the purposes of the tax calculation, in applying the provision of article (27) of this Law, 30% of the cost of machines and equipment used in industrial production, whether they are new or used, is deducted for the first tax period during which the assets are used. The remaining amount is registered according to the depreciation basis stipulated in article (26) of this law.

**Article (36):**

Consideration is given to the fact that the debtor has filed a judicial application as a creditor in bankruptcy on the basis of a debtor's request to be filed to a bankruptcy judge with the creditors, provided that the creditors possessing two-thirds of the debt approve the matter, in accordance with the provisions of the Trade Law promulgated by Law no. 17 of 1999.

**Article (37):**

The tax base regarding the income of natural persons is determined according to the provision of article (6) of this law, and with respect to a person whose sources of income are multiple, as stipulated in the second clause of this article, except for salaries and the like, it is taken into consideration that when a loss occurs in one of such sources, the loss will be applied to such income, and if part of this loss still remains, article (29) of this law applies, subject to the provisions of article 35, clause (2).

**Article (38):**

The Tax Authority shall verify the proper application of market prices by related persons in their transactions with respect to the exchange of goods, services, raw materials,

capital equipment, the distribution of shared expenses, royalty returns and other commercial or financial transactions that are carried out between them.

**Article (39):**

The neutral price is specified, as stipulated in article (30) of this law, according to one of the following methods:

1- The comparative free price method: according to this method, the price of goods or services between related parties is determined on the basis of the price of the same goods or services as if it is carried out between the company and unrelated persons.

The comparison depends on other similar goods or services, taking into account the following factors:

- a- The legal conditions to which every party to the contract is committed.
- b- The market circumstances.
- c- Special circumstances of the process.

2- Total cost added to markup method: according to this method, the price of the goods or services is determined between relative parties on the basis of the total cost of goods or services and adding a certain percentage as a markup in favor of the selling company or the service provider, when the markup is determined on the basis of the markup received by the taxpayer in his transactions carried out with independent parties or the markup received by another independent party in similar transactions.

3- The resale price method: according to this method, the price of the goods or services, among relative parties, is determined on the basis of the resale price of the goods or services to a unrelated third party after deducting a percentage representing a reasonable markup to the mediator party. The mark up is determined on the basis of the markup received by the same seller through transactions with independent parties. Furthermore, the markup may be determined on the basis of the markup received by an independent person in a similar transaction.

#### **Article (40):**

In determining which approach to use, the comparative price method must be used first and if data is unavailable to support this determination, either of the other methods may be used.

In the case of an inability to apply any of the methods mentioned in the preceding article the market price may be determined by any other method described by the Organization of Economic Cooperation and Development or any other method suitable for the taxpayer.

In all cases, there may be a prior agreement between the Tax Authority and the taxpayer with respect to the method to be followed by the taxpayer to determine the neutral price when undertaking a transaction between related parties.

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

#### **Article (41):**

In applying the provisions of article (31) of this law, the following must be taken into consideration:

- 1- The exemption applied to livestock breeding farms and fattening includes the milk produced by the livestock, provided that the trading in milk and dairy products is not performed independently.
- 2- The exemption for the projects of fishing boats applies to the profits from the project for ten years from the start of the activity. The project means carrying out fishing whether by one or more boats, owned or leased. This exemption is limited to profits resulting from fishing activities.
- 3- The exemption prescribed to bee breeding firms applies to establishments that have spent no more than ten years since starting the activity before the effective date of the law, within the limits of the remaining portion of that period. For establishments starting activity after the effective date of the law, the whole period of the exemption applies.

**Article (42):**

Applying the exemption stipulated in clause [6], article (31) of the law, regarding the profits of new projects funded by the Social Fund for Development, is conditional on the following:

- 1- The start date of the activity of the project is the date when funding was approved by the Social Fund for Development.
- 2- The profit of the project must result solely from commercial and industrial activity.
- 3- The project must take the form of an individual establishment.

The tax exemption period is five years from the date of exercising the activity or starting production, as appropriate, and the exemption will be invalid if the establishment is assigned, disposed of, or its legal form is changed.

In all cases, the tax exemption only applies to that portion of the profit resulting from the financing provided by the Social Fund for Development.



## Chapter Four

### Revenues of Non Commercial Professions

#### Section One

#### Taxable Income

#### Section Two

#### Determination of the Tax Base

##### **Article (43):**

Yields from the disposal of any professional assets, and yields from the partial or complete assignment of the professional offices from where the profession is practiced, as prescribed in the first paragraph of article (33) of the law, means the yield of capital resulting from selling any of the assets used in the practice of a profession, or from assigning, totally or partially, a professional office.

The yield from the transfer of expertise means the profits achieved from training or consultations given to other practitioners or to any other body.

##### **Article (44):**

The following are deductible costs in applying the provisions of article (33) of the law:

- 1- Registration fees, annual subscriptions, and practice profession fees.
- 2- Taxes paid by the taxpayer related to the practice of the profession, except for the tax a taxpayer pays according to the provisions of the Income Tax Law.
- 3- Amounts paid by the taxpayer to his syndicate as a contribution to its pension system.

4- Life and health insurance premiums paid by the taxpayer in his favor or for his spouse and minor children, provided that the insurance is made with companies subject to the provisions of the law on the Supervision and Control over Insurance in Egypt, promulgated by law no. 10 of 1981.

In applying items [3] and [4] of the provisions of article 44 herein, the total exemptions for the taxpayer from the net taxable revenue cannot exceed three thousand LE per annum and the same deduction cannot be used to reduce any other revenue as prescribed in article 6 of the law.

In all events, the amount claimed for such expenses must be supported by receipts issued by competent bodies.

#### **Article (45):**

The deduction of costs and expenses necessary to produce revenue as prescribed in article (35) of the law, are conditional on the following:

- 1- The taxpayer must keep proper books and records.
- 2- Costs and expenses must be necessary for practicing the profession or activity; the costs and expenses shall be true and supported by documents except for costs and expenses not generally supported by documents in the normal course of business.

#### **Article (46):**

The definition of costs and expenses not generally supported by documents in the normal course of business is as mentioned in article (35) of this law and the provision of article (28) herein.

If proper books and documents are not kept then no more than 10% of the total revenue can be deducted as costs of producing the said revenue.

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

#### **Article (47):**

A taxpayer is entitled to the tax exemption as prescribed in item [3] of article (36) of the law, on condition that the taxpayer adheres to the systems and prices set by the universities and institutes, and in the event of failure to do so the revenue is subject to tax.

## **Chapter Five** **Real Estate Revenue**

### **Section One** **Taxable Revenues**

### **Section Two** **Determining Taxable Base Revenues**

#### **Article (48):**

A taxpayer shall use form no. (6 real estate) to provide the information required by the competent Tax Office in accordance with the fifth and sixth paragraphs of item [2] of article (38) of the law.

#### **Article (49):**

The term “private home” as used in article (39) of this law refers to the home in which the taxpayer, his spouse and his minor children reside, taking into consideration that the

rental value identified for the said home should be excluded from the total rental value already taken for tax assessment.

**Article (50):**

An application for real property registration is to be made on form no. (7 real estate) as prescribed in article (40) of this law, on the basis of actual revenue; even if the net revenues do not exceed the non-taxable bracket.

The aforementioned request must indicate the taxpayer's real estate details from agricultural lands, agriculture use of horticultural crops or built property, and attached to it the title deeds, contracts, simple contracts and the agricultural holding card or **terrier transcript**; and the taxpayer's annual tax return based on proper books must be attached according to article (102) hereof.

**Article (51):**

Buildings prescribed in article (42) of this law do not include built property or land representing one of the assets.

The declaration and payment of real estate sales tax is to be made on form no. (8 real estates), and the notice to the Tax Authority of the disposal notarization is to be made on form no. (9 real estates)

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

**Article (52):**

A taxpayer must submit a statement of all built property and agricultural lands owned by the taxpayer as prescribed in article (44) of this law and the rental value of the said estates on form no. (10 real estates)

# **Book Three**

## **Tax on the Profits of Legal Persons**

### **Chapter One**

### **Scope of the Tax**

#### **Article (53):**

The competent Tax Office, in applying the provisions of tax on the profits of legal persons, means the Tax Office that is affiliated to the headquarters of one of the firms or the bodies prescribed in article (48) of this law as follows:

1- With respect to Shareholding Companies and bodies prescribed in items [3] and [4] of article (48) and multi-purpose firms covered in the Prime Minister's decree no 1498 of 2001 and decree no 1144 of 2002, in addition to representative offices, and other legal persons not prescribed in the following items of article (53), the competent Tax Office is the Joint Stock Companies Tax Office in Cairo, with respect to all governorates except Alexandria, Behira and Matrouh governorates. For Alexandria, Behira and Mantrouh governorates the competent Tax Office is the Joint Stock Companies Tax Office in Alexandria or the competent Tax Office that shall be determined by a decree of the Minister of Finance.

2- With regard to those legal persons subject to the Investment Guarantees and Incentives Law no. 8 of 1997 or any other Investment law, the competent Tax Office is the Investment Tax Office in Cairo covering all governorates excluding Alexandria, Behira, and Matrouh governorates, for which the competent Tax Office is the Investments Tax Office in Alexandria. With respect to Assiut, Sohag, Qena, the Red Sea, Aswan, Hurghada, and al-Wadi Al-Gadeed governorates, the competent Tax Office is the Investments Tax Office in the South Valley or the Tax Office to be determined by a decree of the Minister of Finance.

3- With respect to partnerships, companies and de facto corporations including multi-purpose companies subject to the Prime Minister decree no. 1498 of 2001 and decree no. 1144 of 2002, the competent Tax Office is the Tax Office where the headquarters is located.

4- With respect to cooperative societies and unions and units of the cooperative societies established by the local administration that carry on activities that are subject to tax on legal persons' profits, the competent Tax Office is the Tax Office where the headquarters is located.

5- The Large Taxpayers' Center (LTC) is the competent Tax Office if the taxpayer is decreed or shall be decreed to come under the jurisdiction of the Center.

In all events, where there is a change in location of the headquarters of the taxpayer the competent Tax Office for the periods after the date of change is the competent Tax Office for the new headquarters including the year ending after the date of change.

The old competent Tax Office shall finalize any tax audit procedures and notifications with respect to the taxpayer and refer the taxpayer's files to the new Tax Office within three months after taking into consideration any periods of limitation.

#### **Article (54):**

In applying the provision of item [1] of article (48) of this law, firms which practice free employed professional activities, whether under a contract or without a contract, are treated the same as legal persons and their revenues are calculated on a cash basis and their expenses on an accrual basis.

The tax provisions on legal persons profits must be applied in determining the amount of tax payable by the said entities.

**Article (55):**

Profits and distributions of investment funds in applying item [7] of article (50) includes profits resulting from the redemption of shares.

**Article (56):**

The date of inception or starting production with respect to reclamation or land cultivation firms prescribed in item [11] of article (50) of this law, is as follows:

1- If the firm carries on reclamation or cultivation activity for a the third party, the exemption period starts from the date of concluding the first contract for any of the two activities.

2- If the firm carries on reclamation or cultivation activity for its own account and sells the reclaimed or cultivated lands, the exemption period starts from the date of selling the first plot of the reclaimed or cultivated land.

3- If the firm carries on reclamation or cultivation activity for its own account solely and has cultivated the land, the exemption period starts from the date on which the cultivated land became productive in accordance with a decree issued by the Minister of Finance in agreement with the Minister of Agriculture or in accordance with the records of the competent Agriculture Directorate, as appropriate.

**Article (57):**

In applying the provision of item [12] of article (50) of this law, the exemption of apiculture firms is valid for those firms that have not yet operated for a full ten years since the effective date of the law, and the exemption only applies to that portion remaining of the aforementioned period; firms formed and commencing operations after the effective date of the law, are entitled to the entire exemption period.



## Chapter two

### Determining Taxable Income

#### **Article (58):**

In the application of the provision of item [1] of article (52) of the law, the debit interest includes all amounts chargeable by the legal person in return for the loans, advances of any kind obtained thereby, bonds and bills. The loans and advances include, for purposes of this item, bonds and any form of financing by debts through securities with fixed or variable interest.

Capital stocks means, in applying the item in the preceding paragraph, the paid-in capital in addition to all reserves and dividends reduced by retained losses, provided that the differences of the adjusted account is not included in the reserves account and is determined to be non taxable.

In case of retained or carry-forward losses, they must be used to reduce retained profits and reserves solely; the percentage is calculated on basis of total loans and advances in proportion to the remaining capital stocks, after deducting the retained losses with a minimum of the paid capital.

#### **Article (59):**

Considering the provisions of article (7) of the law no. 91 of 2005, and item [1] of article (52) of the law, the average capital stock is calculated according to the following equation:

$$\frac{\text{at the beginning of the financial year} + \text{at the end of the financial year}}{2}$$

The average of loans and advances, in the enforcement of the article itself, is calculated according to the following equation:

**of loans and advances at the  
beginning of the period**

**loans and advances at the end  
of the period**

**2**

According to the provision of this article the following must be taken into account: the exclusion of interest-free loans, loans with non-taxable interests, and loans with a grace period for the interest payment solely until the end of the loan period, and advances that are received by a legal person in comparing the percentage of the average of loans and advances to the average of capital stocks.

**Article (60):**

The following rules must be followed in determining the allocations that are considered to be from the amounts that should be deducted, according to the provisions of paragraph [a] of item [2] of article (52) in the law:

- 1- The loan loss provisions which are allocated during the year are determined according to the standards issued by the Central Bank with respect to the preparation and presentation of the financial statements, of which 80% are charged to deductible costs.
- 2- The amount used from loan provisions for covering bad debts which occurred during the year is determined so that if the amount used exceeds the 80% charged to the deductible costs then the excess is deducted from the provisions which were subject to tax. Generally, the excess of the provision is deducted first from those provisions which were not subject to tax.
- 3- With respect to the later recovery of all or part of the loans which were previously deducted when determining the tax, those loans that were authorized as bad debts in years prior to the effective date of this Law are ignored, but for those which were claimed as deductions of losses under this Law, 80% of the amounts recovered must be added to the taxable base.

In applying the provisions of clause [2] of article (52) of the law, the value of the set-aside interest is added to the taxable base and the amount that is recovered from the

marginal interest is added and that which is written-off from set-aside interest is deducted, and the marginal interest is not added to the taxable base.

**Article (61):**

In applying the provision of article (53), capital gains or losses resulting from revaluation when changing the legal form of a legal person are not included in the taxable base under the following conditions:

- 1- The assets and obligations must be recorded at the book value at the time of the change in the legal form.
- 2- Depreciation is calculated on the assets and the provisions, and reserves shall be carried forward according to the rules prescribed on the book value of the assets and obligations before the change in legal form took place.

**Article (62):**

In applying the provision of article (53) of the law, the legal person records the assets and liabilities in the books and records that it is obliged to maintain, according to the provision of article (78) of the law, on the basis of the value after revaluation and the income statement must be prepared on those values.

**Article (63):**

For the purpose of calculating tax according to article (53) of the law, the firm must maintain financial statements, lists and a register that indicate the book value of the assets and liabilities before the change in the legal form.

The tax treatment of a revaluation that resulted from changing the legal form of a legal person is as follows:

- 1- In the event of disposal of assets, as prescribed in clauses [1], [2], and [4] of article (25) of the law, the capital gains resulting from the disposal are subject to tax and are

calculated on the basis of the difference between the book value before the change in the legal form and the value on disposal thereof.

2- With regard to the assets prescribed in clause [3] of article (25) of the law, the depreciation is calculated on their book value before the change in the legal form, and in case of disposal thereof it is treated according to the provision in article (26).

3- Moving the reserves and provisions is followed up on the basis of the balances of the reserves and provisions before the change in the legal form, and the excess that originated from the revaluation is subject to tax except for those revaluations prescribed in clauses [1] and [2] of this article which were previously subject to tax because they were added to the reserves.

#### **Article (64):**

If a firm devalues the condition of the assets and liabilities below book value at the time of the change in the legal form for the purpose of tax, the capital gain resulting from changing the legal form is subject to tax without deducting any losses and without prejudice to the firm's right to compute the depreciation deduction according to the new values after the revaluation.

The change in the legal form is valid from the date of endorsing the commercial register.

#### **Article (65):**

Profit realized abroad which is subject to the system of deducting foreign tax from the tax on income in Egypt, as prescribed in article (54) of the law, means transaction profits, branches, dividends, yields from undertaking a transaction in securities obtained from a resident firm against investments in foreign firms, royalties, rents and interests earned from loans granted abroad.

#### **Article (66):**

Foreign tax paid abroad may be deducted from the tax on income in Egypt, in applying the provision of article (54) of the law, when the following rules apply:

- 1- The firm should provide documents showing payment of the foreign tax to its account.
- 2- Deduction of the foreign tax paid abroad cannot exceed the tax due in Egypt on the same income as specified according to the law.
- 3- Amounts withheld in respect of tax on dividends and yields from undertaking a transaction in securities cannot exceed the direct withholding tax on those amounts.

The calculation of the tax due on the basis of the total profit realized abroad is equal to the resident firm's revenues multiplied by the tax rate prescribed in the first paragraph of article (49) of this law.

**Article (67):**

In applying the provision of article (54) of the law, losses realized abroad cannot be deducted from profits realized in Egypt.

Profits realized in one country must be treated independently from the profits realized in other countries; the losses of an activity realized in one country cannot be deducted from the profits of an activity realized in another country.

**Article (68):**

In applying the first paragraph of the provisions of article (55) hereof, adding an activity that is either related to, or complementing the original activity is not considered to be a change in activity.

If a change occurred to the firm's ownership capital, losses realized during the tax period or the three preceding periods cannot be carried forward unless the following conditions have been met:

- 1- The percentage of the change in the firm's ownership equity exceeds 50% of the quotes or the shares or the voting rights.
- 2- A change in the firm's activity.
- 3- The firm's share is not floated or offered on the Egyptian stock exchange market with respect to the Shareholding Company and partnerships limited by shares.

If none of the conditions aforementioned in clauses [1], [2] and (3) of this article are met, the firm has the right to carry forward the losses provided that those conditions, or any of them, do not occur over the subsequent three years.

**Article (69):**

A change in the legal form of a legal person or a change in its ownership capital is not valid if it was proved that the change was for the purpose of avoiding any tax obligations.

**Article (70):**

The profit of commercial and industrial activity is determined with net profit or losses as indicated in the income statement in conformity with the Egyptian Accounting Standards, with the following applying in particular:

1- Dividends:

With respect to investment income from one resident firm to another resident firm, the income account is determined according to the equity rights or cost methods.

2- Foreign exchange differences:

The debit and credit exchange rules stated in respect of the income statement in conformity with Egyptian Accounting Standards are used.

3- Where there are error corrections included in equity rights and not charged to the income statement, the tax impact for those corrections is taken into account at the time of preparing the tax return except for the depreciation which is treated according to the law.

4- Policies changes:

The tax impact for the change is considered and the policy that has the lesser impact on the taxable base for the purpose of calculating the tax in the tax return is adopted.

5- With respect to investments:

The firm is obligated, when evaluating a current investment, to apply a constant policy (the market value or the cost to the market value, whichever is the lesser of the methods) in conformity with the Egyptian Accounting Standards.

With respect to long-term investments, the cost method must be used; with respect to investment income from non-resident firms, the income account is adjusted according to the equity rights method.

# **Book Four**

## **Withholding of Tax at Source**

### **Article (71):**

In applying the provision of clause [1] of article (56) of the law, the yields include the proceeds of loans, advance payments, and any kind of debts, bonds and bills.

### **Article (72):**

In applying the provision of clause [3] of article (56) of the law, the service charges as prescribed in this clause do not include the following:

- 1- Transportation or freight.
- 2- Shipping.
- 3- Insurance.
- 4- Training.
- 5- Participating in exhibitions and conferences.
- 6- Registration fees in the world stock exchange markets.
- 7- Direct advertising and promotion.

### **Article (73):**

In applying the provision of article (56) of the law, the charge for management or administrative services in countries which do not have double taxation treaties with the Arab Republic of Egypt are subject to tax. In the event of performing services in countries which do have taxation treaties with the Arab Republic of Egypt, the provisions of those treaties will apply provided that the body that performed this service provides documentation to support the relation between the services and its activity and the payment of this charge.



Those bodies which require, by the nature of their work, that on-going services be performed abroad must file a request to the Tax Authority to obtain a prior opinion with respect to their tax treatment, according to the provision of article (127) of the law.

**Article (74):**

In applying the provision of article (56) of the law, the share of the administrative, control and supervision expenses of the head office applied to the permanent establishment's activity in Egypt are not considered to be a service charge.

At the time of determining the permanent establishment's profits, the authorized amount of the control and supervision expense borne by the head office abroad must not exceed 7% of the firm's taxable base, provided that those charged expenses within the limit of this percentage do not include any royalties or yields or commissions or direct salaries, and the taxpayer must attach a certificate from the head office's external auditor to be signed and notarized in support of those charges.

**Article (75):**

In order for the prescribed tax exemption to be valid according to the penultimate paragraph of article (56) of the law, the loan period must be for not less than three years; if the loan's contract date is prior to the effective date of the law, the exemption on the amounts due is valid as from the effective date of the law.

**Article (76):**

A notification with respect to the tax withheld and remitted to the competent Tax Office is to be made on form no. (11 withheld).

The competent Tax Office in this regard is the Tax Office to which the payer of the amount prescribed in the aforementioned article has filed the appropriate form.

**Article (77):**

According to the provision of article (56) of this law, non-residents who are subject to tax and who are undertaking a transaction with firms and enterprises who are established according to the free zone regime in Egypt must remit the tax on form no. (12 withheld).

**Article (78):**

The competent tax office means, in respect of the provision in article (57) of this law, the tax office to which the payer of commission or brokerage fees is assigned under the rules of this executive regulation.

**Article (79):**

Notification of payment of the tax for commission or brokerage that are unrelated to the job tasks, as stated in article (57) of the law, is to be made on form no. (14 deducted tax).

**Article (80):**

The competent tax office is, with respect to the provision of article (58) of this law, the Tax Office to which The Central Bank reports its tax declarations or any other bank that has subscribed to the bonds issued by The Ministry of Finance for the interest of The Central Bank or any other bank.

**Article (81):**

In the application of the provisions of Article (54) hereof, profits realized in each individual country must be treated separately. Moreover, losses incurred by an activity in one country cannot be deducted from the profits realized by an activity in another country. The profits and losses of each branch are accounted for under the provisions of the Egyptian Tax Law, particularly with respect to the application of the provisions of Articles (21) and (29) concerning the carrying forward of losses.

# Book Five

## Deduction, Collection, Tax Advance Payments

### Chapter One

### Commercial and Industrial Activity

#### Section One

#### Deduction

##### **Article (82):**

Bodies and firms as prescribed in article (59) of the Law must remit the amounts withheld on the account of the tax from any person of the private sector as follows:

- 1- The remittance is to be reported on form no (41 Withholding and Collection) attached with a check or cash, or any other means of electronic payment as prescribed in the third paragraph of this article.
- 2- The remittances shall be made no later than the end of April, July, October, and January of every year.
- 3- The remittances are reported to the General Department of gathering the Withholding and Collection Forms on the account of tax in the Tax Authority.

The form prescribed in clause [1] shall include the taxpayer's data based on the tax card, and shall accurately specify the tax registration number/ the tax file number/ the competent Tax Office/ the nature of the transaction. In addition, the check information shall be reported on the form prepared for this purpose with respect to signatures, the drawn bank, the names and titles of the undersigned.

The following payment methods are considered as means of electronic payments:

- 1- Taxpayers' bank transfers through their bank account along with notification to the Tax Authority with a credit advice pursuant to agreements with those banks by using the Tax Authority's network for use of the notification.

2- Using smart cards in registering the taxpayer's payments/ the entity issuing the cards on the basis of the amount must either deliver to the Authority representative or furnish through the card reader, and the financial transfer is undertaken between the entity and the taxpayer, and the payment is effected through the system, and once cleared all information is removed from the system.

3- Using a competent bank's network or the National Authority for Post through which the Tax Authority has authorized the taxpayer to pay through their branches. These transactions are registered on the smart card and funds transferred to the competent Tax Office on every period according to the provisions of the law.

The Tax Authority shall immediately notify the taxpayer of the receipt of the payment through the information network and the taxpayer will be responsible for reading the card's contents to ensure conformity with the rules applicable to the smart card system.

In all events, the preceding means are considered methods for payment provided that an agreement with the appropriate bodies has been approved by the Ministry of Finance.

## **Section Two**

### **Advance Payments**

#### **Article (83):**

The taxpayer's request with respect to the provisions of the advance payments on the account of tax is to be made on form no. (1 advance payments).

The request must be filed with the competent Tax Office and the following documents attached thereto:

1- A statement showing the latest tax due according to the latest tax return or direct agreement or Internal Committee's or Appeal Committee's decision or court ruling or settlement decision.

2- A statement showing the estimated tax if the taxpayer has not previously filed a tax return or the preceding tax period resulted in a loss or a zero liability.

**Article (84):**

The competent Tax Office must respond to the taxpayer's request, as prescribed in the preceding article, within sixty days from the taxpayer's filing date by registered mail, and the approval is to be reported on form no. (2 advance payments)

If the request is approved, this notification is considered a certificate issued to transaction bodies indicating that the taxpayer is subject to the advance payments system; such certificate is valid for one tax year, and shall be renewed on the taxpayer's request unless the taxpayer changes his choice of the system according to the provision of article (64) of the law, or is exempted or prohibited from applying it according to article (65) of the law.

The notification as prescribed in the preceding paragraph includes the validity of the tax period and shows that the taxpayer is subject to the advance payment system in the last page of the tax card and indicates the renewal thereof. If the renewal is not made, the transactions bodies are obliged automatically, without prior notification from the Tax Authority, to apply the withholding rules stated in the tax law.

No response to the taxpayer's request during the aforementioned period is to be considered a rejection of the request.

**Article (85):**

The taxpayer's notification to reduce the third advance payment, or not to pay it, or to reduce the number of the advances according to article (63) of the law, is to be made on form no. (3 advance payments).

**Article (86):**

A taxpayer's withdrawal from the system of advance payment is to be made on form no. (4 advance payments) and filed with the competent Tax Office.

If either of the two conditions with respect to the acceptance of the abovementioned request are fulfilled, the Tax Office will notify the taxpayer of the rejection of the request, to be sent by registered mail, within sixty days from the taxpayer's date of filing on form no. (5 advance payments). No notification is considered an acceptance to the request.

**Article (87):**

The notification to the taxpayer with respect to the exemption from applying the advance payments system is to be made on form no. (6 advance payments), and the notification with respect to the prohibition of applying the system on form no. (7 advance payments).

**Chapter Two**  
**Non-commercial Professions**

**Section Two**  
**Collection under Tax Account**

**Article (88):**

The collection of the prescribed amounts with respect to the provisions of article (71) of the law, on the account of tax is to be made on form no. (41 withholding and collection)

## Chapter Three

### General Provisions

#### **Article (89):**

The remittance of the amounts that have been collected on the account of tax according to article (72) of the law, and due no later than the end of April, July, October and January of each year, are to be sent to the General Department for Gathering the Withholding and Collecting and are to be made on form no. (41 withholding and collection) attached with a check or cash or by an electronic payment as prescribed in the Regulations. The aforementioned form must include the taxpayer's data based on the tax card, and shall specify accurately the tax registration number/ tax file number/ the competent Tax Office/ the nature of the transaction and shall contain the check data with respect to the signatures, the drawn bank and the name and title of the signatory of the form prepared for that purpose.

# **Book Six**

## **Obligation of Taxpayers and Others**

### **Chapter One**

#### **Notification and Bookkeeping**

##### **Article (90):**

A notification to the competent Tax Office with respect to the start of commercial or industrial activities or a profession or craftsman of non-commercial activity shall be made on form no. (16 enumeration) and form no. (17 enumeration) as appropriate.

The competent Tax Office shall open a tax file for the taxpayer on receipt of the notification.

##### **Article (91):**

The request for issuance of a tax card for whoever carries on commercial or an industrial or craftsman of non-commercial activity or practices a professional activity is to be made on form no. (18 enumeration).

##### **Article (92):**

It shall be considered a proper notification of carrying on an activity or request for the issuance of a tax card, when the taxpayer uses the prepared electronic form for this through the electronic network information (the electronic government gateway) to complete the application.



### **Article (93):**

The following data should be included, if relevant and available, in the taxpayer's tax card either issued by a written paper card or in the form of a smart card:

- 1- The tax registration number.
- 2- The serial number of the card indicated in the tax card register.
- 3- The date of issue.
- 4- The Tax Office code.
- 5- The taxpayer's name.
- 6- The taxpayer's address.
- 7- The tax file number.
- 8- The taxpayer's activity.
- 9- The activity title, "trade name"
- 10- The social security number.
- 11- The commercial register number.
- 12- The companies register number.
- 13- The headquarters, branches and stores addresses.
- 14- The start date of each activity.
- 15- The legal entity.
- 16- The tax return data [tax return's year, date of the tax return, signature of competent tax office commissioner].
- 17- The tax exemptions data.
- 18- Indication of whether the taxpayer is subject to the advance payments system.
- 19- Date of issue and date of expiry.
- 20- Any changes in the card data.

### **Article (94):**

A request to extract data from the tax card must be filed by taxpayer or his proxy, to the competent Tax Office to which the taxpayer is reporting, and the following documents must be attached:

1- Copy of the lease contract.

2- Copy of the partnership contract, copy of the Official Gazette or the special publication in which the firm was announced or a copy of its contract or articles of incorporation.

The Tax Office shall record the received requests in a special register, according to the date received. The tax card is signed by the tax official and the auditor and authorized by the Head of the Tax Office and is stamped by its seal and delivered to the taxpayer within one week of the filing of the request.

Every Tax Office shall be provided with the necessary means to record the data of each card.

**Article (95):**

The tax card is valid for five years from the issue date; the card is not valid and cannot be used for undertaking a transaction after its expiry date, which must be prominently shown on the card.

**Article (96):**

It is not permissible to issue more than one tax card for one taxpayer; if the taxpayer has more than one commercial or industrial, or a professional activity or more than one branch, the competent Tax Office which issues the tax card will be the Tax Office headquarters.

**Article (97):**

In applying the provisions of article (75) of the law, the tax card is issued in two colors:

*Green color:* for natural persons.

*Red color:* for legal persons.

If the taxpayer chooses the advance payments system, the tax card must indicate that.

**Article (98):**

The bodies, as prescribed in article (76) of the law, must notify the General Department for Gathering and Tax Returns of the Tax Authority with respect to Cairo governorate, and for other governorates the first tax district, no later than the end of the succeeding month the information required under said article, using form no. (20 enumeration)

**Article (99):**

The bodies, as prescribed in article (77) of the law, on granting any license for carrying on a trade, industry, craft, or profession or a license for building property or the use of property in carrying on a trade, profession, or industry, must notify the General Department for Gathering and Tax Returns of the Tax Authority in Cairo with respect to Cairo governorate, or the First Tax District with respect to other governorates, no later than the end of the succeeding month during which the license was issued, indicating the name of licensee and all other related data using forms numbers (21 enumeration), (22 enumeration), (23 enumeration) and (24 enumeration) as appropriate.

**Article (100):**

The notification with respect to a firm ceasing activities, according to the provision of the third paragraph of article (79) of the law, is to be made on Form no. (25 ceasing). The notification may be made via electronic communication with the competent Tax Office according to the regulations on the use of the electronic signature. The use of the prepared forms on the available electronic service provided by the Tax Authority are considered an acknowledgment to the Tax Office of the taxpayer's notification and a receipt shall be made to the taxpayer from the Tax office .

The following are considered events of non-realization of any revenues by a taxpayer after the date of ceasing:

- 1- Departing the country permanently.
- 2- Compulsory or administrative closure.
- 3- Leaving the place of activity to the landlord .
- 4- The expropriation of the place of activity in the public interest;

Unless the Tax Authority proved that the taxpayer realized any revenues after the ceasing date.

**Article (101):**

A taxpayer who wishes to cease activity, or to assign the firm, or to permanently depart the country must make a request for determining his tax position on or before the date of ceasing or assignment, according to article (81) of the law. The notice must be made on form no. (26 requests) provided that the tax returns that the taxpayer is legally obligated to file have been filed and after paying a fee of five Pounds. The competent Tax Office must respond to the request within ninety days from the date of receipt.

## **Chapter Two**

### **Tax Returns**

**Article (102):**

Every taxpayer who is a natural person must file with the competent Tax Office, before the first of April of each year as prescribed in article (82) of the law, on form no. (27 tax returns), a tax return in original and copy, whether by hand to the competent Tax Office or sent via registered mail with acknowledged receipt. The tax return will be stamped with the tax office seal and the copy handed to the taxpayer or returned by mail without auditing the tax return or providing an opinion on it.

**Article (103):**

Every taxpayer who is a legal person must, as prescribed in article (48) of the law, file to the competent Tax Office before the first of May of each year or within four months following the financial year end date, a tax return on form no. (28 tax returns); the tax return is filed in original and copy, whether by hand to the competent Tax Office or sent via registered mail with acknowledged receipt. The tax return is stamped with the tax office seal and the copy handed to the taxpayer or returned by mail without auditing the tax return or providing an opinion on it.

**Article (104):**

A taxpayer may send his tax return via the electronic government gateway (Income taxpayers' services) or via any other electronic channel as specified by the Ministry of Finance, provided that the taxpayer registers and obtains a secret password. The taxpayer assumes full responsibility for what he files whether the signature on the declaration to use this service or shall provide an electronic signature to the Tax Authority.

In all events, the taxpayer may present proof of payment of the tax due based on the tax return via an electronic payment - as prescribed in article (82) of the regulations or as specified by the Ministry of Finance.

**Article (105):**

The approval of the tax return by one of the accountants registered in the General Register of Accountants and Auditors, according to the provisions of Law no. 133 of 1951 promulgating the practicing of the accounting and auditing profession, or the approval of the Central Audit Organization, as appropriate, is considered as a declaration stating that the net taxable profit or loss as per the tax return had been prepared according to the provisions of the Law and this executive regulation.

**Article (106):**

Banks, state-owned companies, public enterprise sector companies and legal persons must file a final tax return on form no.(29 tax returns) within thirty days from the date of the approval by the general assembly of its accounts and pay the tax differences due therewith.

**Article (107):**

The rules and the basis of tax accounting and the procedures with respect to tax collection which apply to small enterprises are as prescribed in article (18) of the law and according to the decree of the Minister of Finance to be issued in this respect.

**Article (108):**

The electronic government gateway (income tax taxpayers services) or the channel that is specified by the Ministry of Finance are considered one of the communication means that can be used by both the Tax Authority and the taxpayer in all matters with respect to the services that are provided by the Tax Authority to taxpayers through these channels, such as:

- 1- Request for issuing a tax card or the renewal thereof.
- 2- Notifications with respect to the date of sessions of the Internal Committees, Appeal Committees and any other committees.
- 3- Any other electronic services that are provided by the Ministry or the Tax Authority.

**Article (109):**

The Tax Authority may correct mathematical errors stated in the tax return after filing and notify the taxpayer of the correction result, and attach a check with respect to the amount due to the taxpayer, or claim the tax difference due by him, on form no. (30 tax returns). The taxpayer's request to extend the date for filing a tax return according to article (85) of the law is to be made on form no. (26 requests). The request can be made through one of the electronic means or by registered mail with acknowledgment receipt

provided that the date of the request is at least fifteen days before the expiration of the deadline period for filing the tax return.

**Article (110):**

Bodies that are obliged to apply the provision of withholding on the account of tax must pay the withholding amounts on a date not later than the end of April, July, October and January of each year, according to the records as prescribed in article (111) of this regulation. The records must include the following data for each tax period:

- 1- The name of the recipient of the amounts, his tax file number and his competent Tax Office.
- 2- The value of the amounts paid and the percentage of withholding.
- 3- The check number and the date when the amounts were paid.

These bodies should provide the aforementioned records to the tax audit that is conducted by The Competent General Department of Collection on the account of tax; a copy of these records should be sent to the competent Tax Office.

**Article (111):**

Bodies that are obliged to apply the provision of withholding and collection on the account of tax must maintain the following the two records:

- 1- One or more records according to the number of transactions undertaken, and including the following:
  - a- The name of the recipient of the amounts, his tax file number and his competent Tax Office.
  - b- The value of the amounts paid and the percentage of withholding on the account of tax.
- 2- A record indicating the payments that are remitted every three months with details of the check, including the beneficiary body.

**Article (112):**

A taxpayer may not file an amended tax return according to article (87) of the law, if he operated in one of the ways that is considered to be tax evasion according to article (133) of the law and this was discovered by the Tax Authority.

**Article (113):**

In applying the provisions of article (88) of the law, it is not permissible for the Tax Authority to reckon with books and records that are maintained by the taxpayer or to reject them unless it is proven by the Tax Authority, through supporting documents, that the contents included in these books are not valid.

## **Chapter Three**

### **Tax Assessment**

**Article (114):**

The tax assessment, when applying the provisions of Article (89) of the law, means the determination of the tax due according to the taxpayer's tax return.

**Article (115):**

The notification with respect to details of the tax assessment and its value in those cases as prescribed in article (90) of the law, is to be made on form no.(19 tax).

**Article (116):**

The limitation period is interrupted when applying the second paragraph of article (91) of the law, when notifying the taxpayer of an additional assessment and the particulars



thereof, or warning the taxpayer to pay additional tax, or by transfer to the Appeal Committee.

The limitation shall also be interrupted for any of the reasons that are prescribed in the Civil law, such as ruling assessment or if the litigation is presented before the non-competent court or the warning, lien and the request that is filed by a creditor with respect to accept his right in a bankruptcy or a distribution or by any action that is made by the creditor to maintain his right during the course of litigation; the limitation shall also be interrupted if the debtor endorses the creditor rights, either implicitly or explicitly.

**Article (117):**

Material errors, when applying the provisions of article (93) of the law, means reaching results contradictory to the reasons; and mathematical errors means errors while copying figures, addition and subtraction and all other arithmetical operations.

Material errors are automatically corrected by the competent Tax Office or at the request of a taxpayer in all cases which are prescribed in article (124) of the law, unless the assessment became final.

## **Chapter Four**

### **Tax Audit and Investigations**

**Article (118):**

Notification to the taxpayer of the exact date of a tax audit, the place and the estimated duration is to be made on form no. (31 tax auditing), at least ten days prior to the date of audit.

**Article (119):**

The Tax Authority cannot re-audit a taxpayer's books and records according to the provision of the last paragraph of article (95) of the law, unless one of the conditions, prescribed in article (133) of the law, is applied.

In all events, the Tax Authority must indicate the reasons for the re-audit.

**Article (120):**

The Tax Authority's demand for data and copies of books, documents, and written instruments as provided for in article (96) of the law, shall be made on form no. (32 examination). A taxpayer may request an extension to the period granted to him, using form no. (26 requests). The response notifying the taxpayer of approval or denial of his request is to be made on form no. (33 examination) stating the reasons for refusal if that is so decided.

**Article (121):**

A request by the Minister to the president of the Court of Appeal for an order empowering the officers of the Tax Authority to have access to data regarding customers' accounts, deposits, and safes, is to be submitted on form no. (34 data).

**Article (122):**

Establishments required to submit their books of account include, within the terms of the Law, establishments and companies instituted under the free zone regime.

## **Chapter Five**

### **Collection Guarantees**

**Article (123):**

Notice of collection of unpaid tax and delay fines is done through written claims signed by the examination officer, the collection officer and the head of the tax office, on form no. (35 settlement) for natural persons, or form no. (36 settlement) for legal persons. These claims shall be sent by registered letter with acknowledgement of receipt.

**Article (124):**

Pursuant to article (104) of the law, a taxpayer shall be sent a form no. (37 settlement) notifying him of the additional tax due on the date of receipt of a taxpayer's approval of an examination report showing the additional tax due; the date of issue of the appeal committee's decision supporting the additional assessment of tax; or the ruling of the First Instance Court supporting the additional assessment. The notice is sent by registered mail with an acknowledgement of receipt.

**Article (125):**

In the case of an installment payment agreement, the value of the installment and the period of paying in installments is based on the following rules:

- 1- The volume of a taxpayer's transactions according to the data of deduction and collection of the tax balance;
- 2- The net final profit in the last three years;
- 3- The value of attached movables or real estate;
- 4- The degree of the taxpayer's past regularity for payment of tax, if a previous decision to grant installment payments has been issued to him.

**Article (126):**

Pursuant to article (105) of the law, if general or taxpayer-specific conditions arise that prevent him from fulfilling his installment payment obligation under the agreement, the Tax Authority may, at the taxpayer's request, modify the installment payment agreement, either to change the amount of the installment or to extend the number of years for payment, consistent with the circumstances of the taxpayer.

If no agreement is reached with the taxpayer to an installment agreement for paying the tax due he shall be notified of the denial of his request, and the Tax Authority shall take appropriate action to enforce collection of the tax due.

**Article (127):**

Pursuant to article (110) of the law, the tax is payable as follows:

- 1- Based on a tax return submitted by the taxpayer;
- 2- Based on an agreement with the internal committee;
- 3- Based on an Appeal Committee decision, even if it is challenged;
- 4- In the case of non-challenge, based on the form notifying the taxpayer of the additional assessment details and their value, or the claim itself;
- 5- Based on an enforceable court judgment, even if it is appealed.

**Article (128):**

Pursuant to article (113) offset takes place by force of law, as follows:

- 1- Any amounts that have been paid in excess of the amount due from the taxpayer for any tax may be offset against any unpaid tax imposed under this Law.
- 2- Any amounts that have been paid in excess of tax due under this Law may be offset against any amounts of any other tax applied by the Tax Authority that are unpaid.
- 3- The amounts that are subject to offset under the above paragraphs shall be amounts that are final and free of any litigation.

In case of an offset under this article and the law, the Tax Authority shall notify the taxpayer of the result of the offset.

## Chapter Six

### Appeal Procedures

#### **Article (129):**

The elected residence of the taxpayer, under the provisions of the second clause of article (116) of the law, is the place where the taxpayer advises that notices may be sent to him, for the receipt of tax forms, such as the lawyer's or the accountant's office.

The return of a notice sent by the competent tax office, by registered mail with acknowledgement of receipt, and bearing the distributor's endorsement indicating that the addressed establishment was closed, that the owner was absent, or a refusal to accept receipt, will be subject to a report drawn up by the concerned tax office in triplicate and the first copy shall be kept in the taxpayer file, the second copy shall be displayed at the premises of the establishment, and the third affixed to the notice board of the competent tax office or the appeal committee or shall be posted on the website of the tax authority.

Each competent tax office and each appeal committee must maintain a register in which a record of returned notices is made.

In the case of a return of a notice indicating non-existence of the establishment or a failure to find the taxpayer, the concerned tax officer or a member of the appeal committee shall conduct an investigation. If the investigation reveals the existence of the establishment or location of the taxpayer, the notice will be re-delivered to the taxpayer. If the investigation does not result in finding the establishment or the taxpayer's address, the notice shall be referred to the public prosecutor for appropriate service.

Pursuant to the terms of the last clause of article (116) of the law, the date of levying an attachment on the taxpayer is be the date on which he learns of the levy.

**Article (130):**

Pursuant to the third clause of article (118) of the law, a tax adjustment resulting from an examination shall be stated on form no. (38 salaries).

**Article (131):**

The internal committee prescribed in article (119) of the law will be established by a decision of the head of the Tax Authority or his designate, and shall consist of one of the authority's officers with the rank of general manager and two of its officers.

**Article (132):**

Pursuant to article (119) of the law, appeals submitted to the competent tax office challenging a tax assessment with respect to commercial activity, industrial and professional activity, real estate revenues, tax withheld at source and the tax on legal persons, are to be adjudicated by an internal committee within sixty days of the date the appeal is received by the committee.

**Article (133):**

Each internal committee must maintain the following registers:

- 1- Register for recording appeals;
- 2- Register for session minutes;
- 3- Register of decisions reached by the committee.

**Article (134):**

The internal committee will notify the taxpayer of the session date by registered letter with acknowledgement receipt. In case he or his legal representative fails to attend the session on the determined date, he shall be notified by a second letter. If the taxpayer or his representative does not attend the second date, the internal committee refers the matter to the appropriate appeal committee and notifies the taxpayer accordingly.

**Article (135):**

The internal committee's sessions will be closed. All deliberations in the session are recorded in the minutes as supported by documents submitted by the taxpayer and the tax district office. The committee shall discuss all items in the report on additional tax and aspects of the defense proffered by the taxpayer, and reply to each of those items. If an agreement is reached with the taxpayer, the decision shall be issued according to the points of the agreement. If in disagreement, the committee shall determine the points of disagreement and the committee's view on each point, and the disagreed points will be referred to the appropriate appeals committee, and the taxpayer notified accordingly.

The minutes of the internal committee must be signed by the chairman, each of the members and the taxpayer or his legal representative.

The taxpayer has the right to obtain a copy of the minutes.

**Article (136):**

The appeal committees provided for pursuant to article (120) shall maintain the following registers:

- 1- Register of tax appeals in which the appeals are recorded in order of their date of receipt. Entries in the register shall include the date of each appeal, the years of difference, the net profit of the taxpayer for each year, and the committee's decision when issued.
- 2- Register of the deliberations of each session.
- 3- Any additional registers required by the nature of the work of the committee.

Recording in the registers is done by the committee's secretariat.

**Article (137):**

Work of the appeals committees prescribed by article (120) of the law are as follows:

1- The chairman of the committee shall determine the reporter of the case by choosing one of the two members appointed by the Tax Authority.

2- Each of the committee's members referred to in item (1) of the present article shall study the appeals referred to him and all aspects of the defense related to them, along with preparing the draft decision in each appeal.

3- The draft decision shall be discussed within the committee's members after they have been briefed on the appeal papers.

4- The committee's decision will be issued after the deliberation in accordance with the provisions of article (122) of the law.

#### **Article (138):**

The appeal committee shall complete the tasks determined by the department supervising the committees.

#### **Article (139):**

The appeals committee shall observe the general rules and principles for litigation as provided in article (141) of this regulation.

#### **Article (140):**

The appeals committee shall notify both the appellant and the concerned tax office of the date scheduled for the session, using form no. (39 committees) by registered letter with acknowledgement of receipt. If the taxpayer or his representative does not attend the committee's first session, the appeal shall be retained for a decision to be issued after two weeks, and the taxpayer notified accordingly by means of a registered letter with acknowledgement of receipt. If the taxpayer gives an excuse acceptable to the committee, the door for argument the case shall be re- opened and a session for examining the appeal determined. If the committee does not accept the excuse, it shall issue a substantiated decision in the appeal.



**Article (141):**

The general rules and procedures for litigation procedures pursuant to article (122) of the law are as follows:

- 1 The competence
- 2 Notifying parties of the difference in the report
- 3 The taxpayer's right to seek refusal of the committee or one of its members
- 4 Discussing all rebuttals with the taxpayer
- 5 Substantiating the decision.

The foregoing are subject to the general rules and principles for litigation as prescribed in the civil and trade procedures law.

**Article (142):**

By a decision of the head of the Tax Authority, one or more committees shall be established for reconsideration of the final tax assessment. The committee shall be under one of the Tax Authority's officers with the rank of general manager, and the committee shall have as a member a person at least of the rank of an assistant counselor from the State Council, to be elected by the head of the council, and one tax officer. The decision establishing the committee shall state its competencies and its headquarters.

**Article (143):**

The committee for reconsideration of the final tax assessment shall, within 15 days of receiving the taxpayer's request, ask for the tax file from the competent tax office, and the tax office must provide the file within fifteen days of receiving the request from the committee. Upon receipt of the tax file, the committee shall review it and the taxpayers' request and any supporting documentation and issue its decision within sixty days from the date of receipt of the tax file. The decision is not enforceable unless endorsed by the head of the Tax Authority.

Both the taxpayer and the concerned tax office will be notified of the decision.

**Article (144):**

The reconsideration committees established under the provisions of the law shall consider requests that were submitted for correcting final assessments before the date that enforcement action is commenced, and on which no adjudication has taken place.

**Article (145):**

The Tax Authority delegates assigned to entities listed in article (128) of the law shall review the actions of the entities to implement the provisions of the income tax law and its related legislation. If the delegate detects any contravention, he shall record it in a report containing the following basic data:

- 1- The name of the delegate;
- 2- The entity's name;
- 3- The date he detected the contravention;
- 4- A description of the contravention;
- 5- The financial effect of the contravention; and
- 6- The period during which the contravention occurred.

The report shall be referred to the department to which the delegate is attached for appropriate action.

**Article (146):**

The concerned tax office shall record, through an endorsed memorandum supported by documentation as attachments, the reasons for correcting, modifying, or non-reckoning a tax return, or for modifying the tax assessment in cases prescribed by article (12) of the law.

The notification of such correction, modification or non-reckoning must include a statement of these reasons as stated in the report.