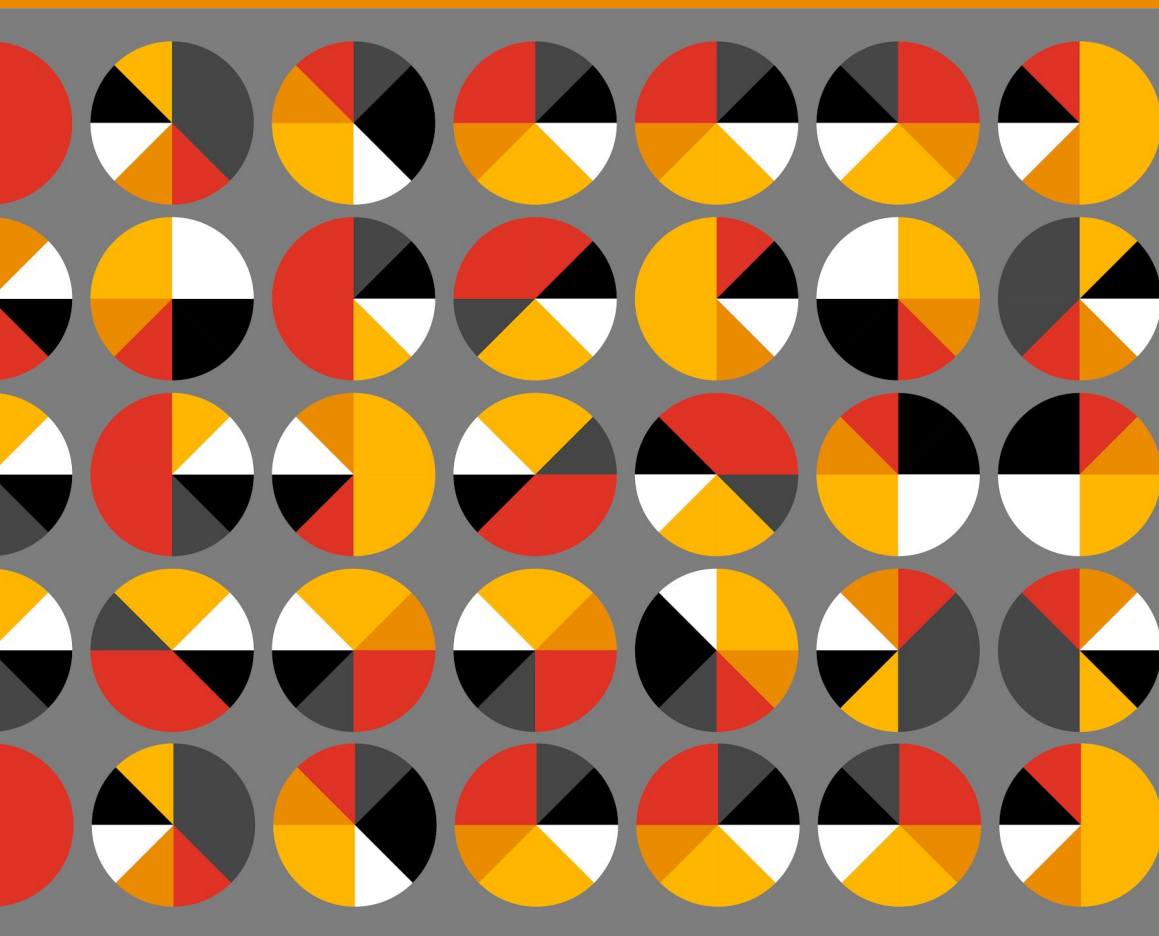


Egypt: Usage of the non-cash payments' methods law (Law no.18) for year 2019

May 2019



In brief

The Law no.18 for 2019 was issued effective 16 of April 2019 which controls the non-cash payments' methods.

The main points covered under the law are the timing of issuing the executive regulation of this law, associated implications and status adjustments. In addition to penalties in case of noncompliance.

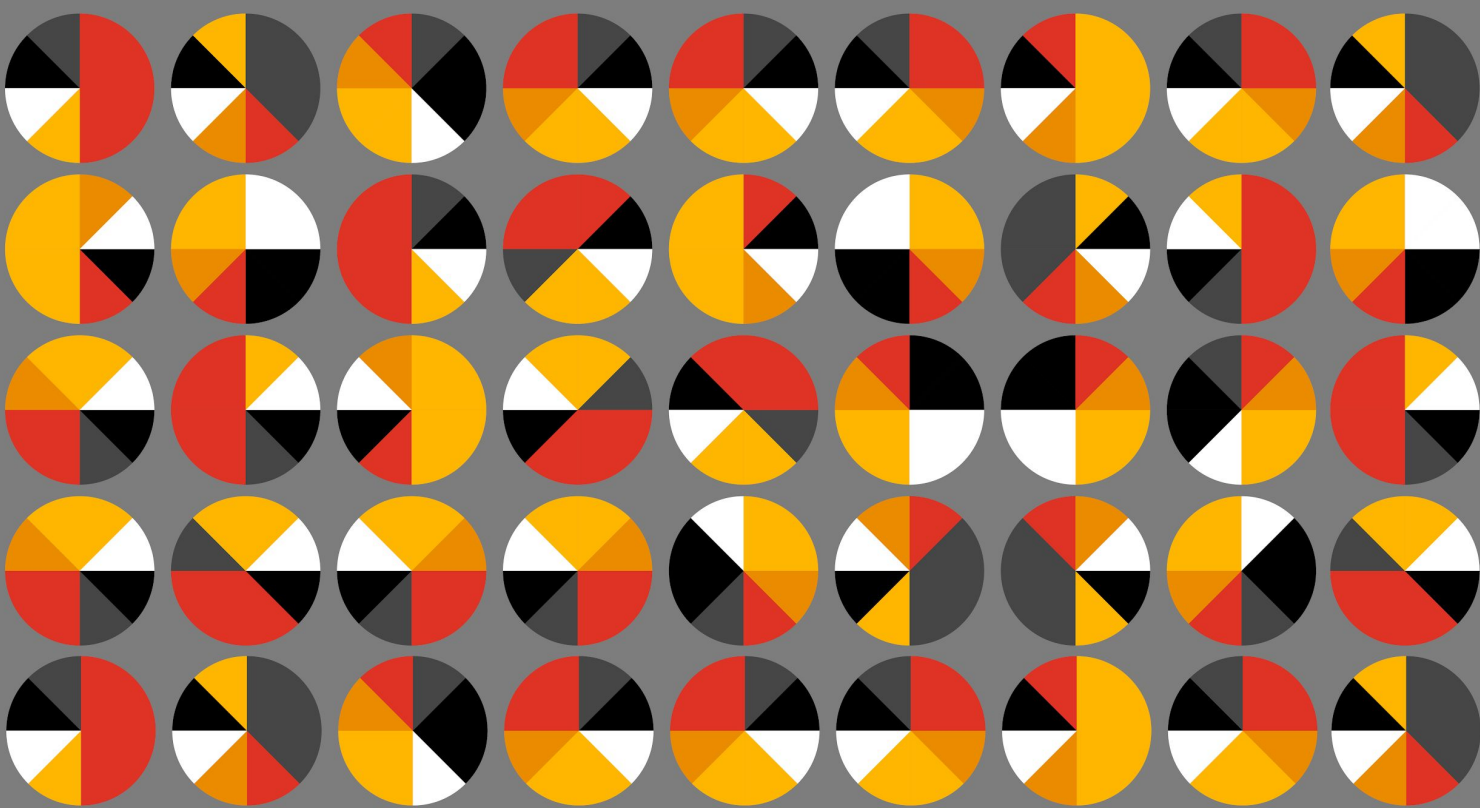
Definitions/ terminologies of the law:

- Non- cash payment method: This represents orders of deposits, transfers, debit, credit cards, and payments by mobile or other means approved by the Central Bank of Egypt.
- Bank account: A contract between a bank and a natural or juridical person to open an account at the bank that allows all transactions like deposit, withdrawal and settlement of mutual debts.
- Cash financing: Finance provided by the banks, mortgage companies, financial leasing, factoring, microfinance/microenterprise companies or associations or any other authorized to work in these fields

In detail

The main points covered under the Law are as follows:

1. The executive regulation of this Law will be issued within 6 months from the date of the Law enforcement. During this period the current regulations and decrees shall apply.
2. All parties addressed by this Law shall adjust their status within six months from the date of the executive regulations. Such period may be extended to another period or excluding certain geographical areas based on a decision by the Prime Minister.
3. The Law obliges all national establishments/state institutions and the juridical persons to pay all dues related to their employees, board of directors and the social insurance subscriptions through the non-cash methods.
4. The Law obliges the private companies to pay all dues related to their employees, board of directors and insurance subscriptions via the non-cash payments' methods whenever/if the number of employees or their total monthly salaries exceed certain limit to be determined by the executive regulation.
5. The Law obliges the governmental entities and the juridical or natural persons to pay in non-cash methods whenever/if the payments' value exceed certain limit to be determined by the executive regulation. This applies to the following payments:
 - All dues of suppliers, service providers and other contractors
 - Cash financing
 - Distribution of profit resulting from the contribution to the capital of companies or investment funds
 - Dues of syndicate members, private insurance funds' members and insurance compensation
 - The disbursement of subsidies and donations through charities and national institutions.
 - Dues against purchases, rent, exploitation, use of land or mortgage or express transport vehicles by the states authorities and juridical person and establishments stated in Article. 2 of the Law.



6. The Law obliges also the entities to receive the following payments through non-cash methods:
 - Taxes, customs, tolls/fees and penalties
 - Dues against services and payables of the private and general/national entities
 - Cash finances' installments, installments of insurance policies, syndicate subscriptions and private insurance funds' subscriptions
 - The disbursement of subsidies and donations through charities and national institutions
 - Dues against purchases, rent, exploitation, use of land or mortgage or express transport vehicles through the state authorities and juridical person and establishments stated in Article. 2 of this Law.

7. The Law defined the below sanctions:
 - Penalty not less than 2% and doesn't exceed 10% from the total cash payments with a cap of 1 million EGP for those who violates Articles 2, 3 and 5
 - Penalty of the same above mentioned statement to those who pays partially to circumvent the aforementioned limits of this law
 - Penalty not less than 100,000 EGP and doesn't exceed 300,000 EGP to those who violate Article no.4, part 1 from the Law
 - These penalties will be duplicated in case of repetition.

The takeaway

The Law facilitates the transactions between the governmental entities and corporations as introduced a wide range of non-cash payment methods approved by the Central Bank of Egypt. It should be noted that non-compliance with the provisions of this Law, will trigger sanctions that could reach EGP 1 million.

Based on the Ministerial Decree (312) of 2019, additional administrative fees will be due in case of non-compliance with the non-cash methods in regards to governmental payments including taxes and customs. Such administrative fees shall be 5% of the payment amount with a cap of EGP 7k.

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Let's Talk

For a deeper discussion of how this development might affect your business, please contact:

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