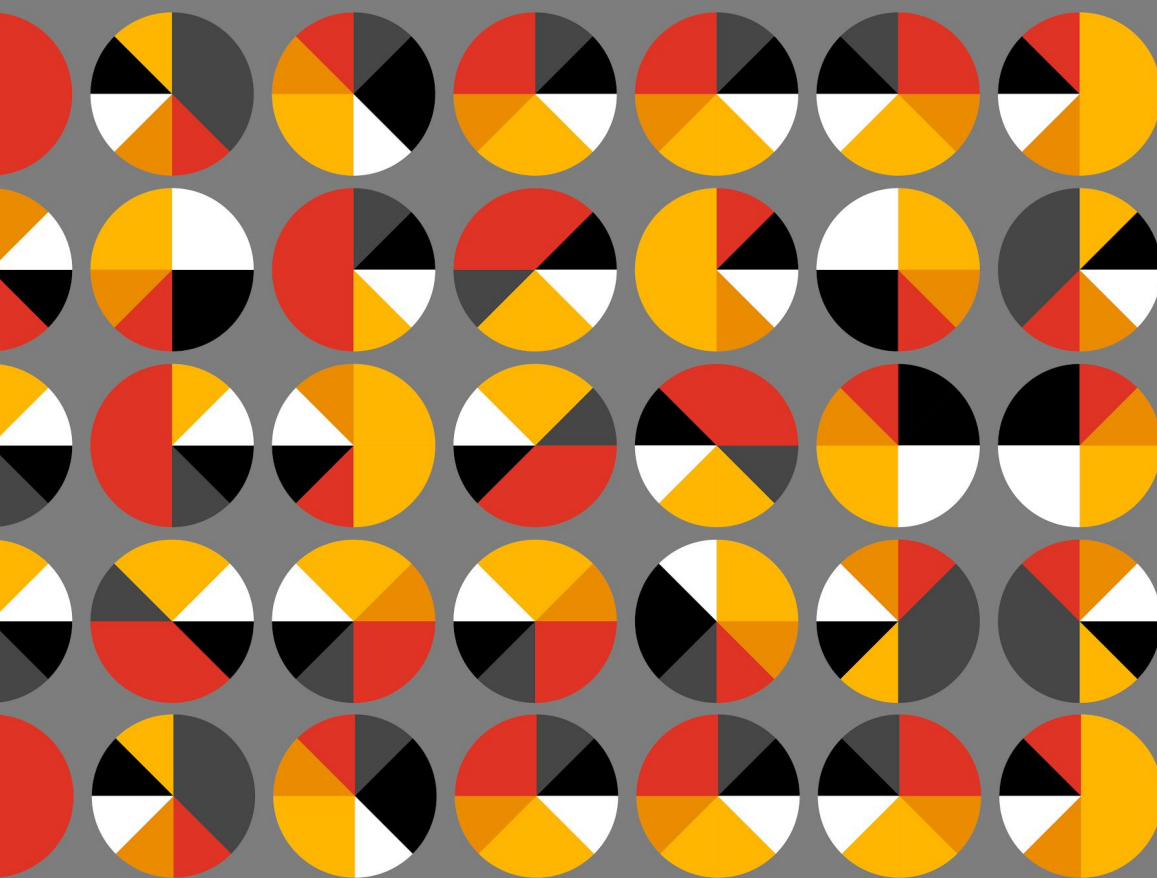


Egypt: COVID-19 Egyptian Tax Measures

April 2020



In brief

In response to COVID-19, the Egyptian Government is currently prioritizing health in order to limit the spread of this pandemic disease in Egypt. In doing so, they have recently announced several tax and legal measures aiming to alleviate human crowding, by facilitating the tax settlement process/procedures for taxpayers (both Corporates and Individuals) in a manner that would respect the social distancing policy recommended by the World Health Organization and the Egyptian Government, in an effort to reduce the spreading of COVID-19.

Additionally, and in order to encourage investments into the country, the Egyptian Government has recently announced tax cut-offs for certain types of taxes aiming to stimulate the Egyptian economy in the upcoming period, due to the expected COVID-19 economic downturn. Such expected tax amendments and cut-offs mainly concern the securities listed on the Egyptian Stock Exchange ("EGX").

In this alert, we summarize the key COVID-19 tax and legal measures that were recently announced by the Egyptian Government.

In detail

The tax measures announced by the Egyptian Government in response to COVID-19 are mainly aimed at stimulating the economy and prioritizing health concerns by undertaking certain health related measures, as further explained below:

Income tax measures - corporate entities:

The Egyptian Government has announced the following measures (subject to the issuance of a law to this effect):

- Capital gains tax ("CGT") on capital gains realized by Egyptian tax residents from disposing of securities listed on the Egyptian Stock Exchange ("EGX"), will be put on hold until the 31st of December 2021. For Egyptian non tax residents, capital gains realized from disposing of their listed securities, will be made permanently tax exempt. Currently, the CGT on capital gains from the disposition of listed securities by Egyptian tax residents/non-residents, is on hold until the 16th of May 2020.
- Withholding tax ("WHT") imposed on dividend distributions made by EGX listed companies has been reduced from 10% to 5% in Egypt. Accordingly, the dividend distributions made by Egyptian listed companies to Egypt tax residents or non-residents should be subject to WHT in Egypt at a flat rate of 5%, regardless of whether or not the recipient of such dividends fulfills the conditions previously required for applying the 5% WHT on dividend distributions (i.e. holding more than 25% of the subsidiary's shares, for at least 2 years).

Income tax measures - individuals:

- Individuals filing their incomes tax online will not be charged the subscription fee of the online tax filing portal.
- Extending the deadline for filing income tax return for individuals to the 16th of April, 2020 instead of the original deadline which is the 1st of April of each year.

Indirect tax measures (Value Added Tax "VAT", customs duties and importation procedures):

- The Egyptian Ministry of Finance has recently issued a decree requiring VAT registrant taxpayers to issue electronic invoices, comprising the following information:
 - Electronic signature of the invoice issuer (i.e. the supplier or the service provider)
 - The unified code of the relevant good and/or service, as pre-approved by the ETA
- The Egyptian Ministry of Finance has also recently issued a decree, stipulating that VAT registered taxpayers must submit, along with their electronic VAT returns, all the invoice-related information relevant to their sale and purchase transactions. Otherwise, the submission of VAT returns will be challenged by the Egyptian Tax Authority ("ETA"), and the absence of such information will be construed as tax evasion.
- The Egyptian Ministry of Foreign Trade and Industry has recently issued a statement confirming the following:
 - Certain documents (such as commercial invoices) will be accepted without accreditation by the Chamber of Commerce, which is usually a requirement for accepting such documents.
 - Certificates of Origin will be accepted without authorization by the Egyptian Embassy in the relevant country.

Other tax measures:

The Egyptian Government has also announced the following measures (subject to the issuance of a law to this effect):

- Stamp tax imposed on the total proceeds realized by non tax residents of Egypt from selling/buying listed securities on the EGX, has been reduced from 0.15% to 0.125%.
- Stamp tax imposed on the total proceeds realized by tax residents of Egypt from selling/buying listed securities on the EGX, has been reduced from 0.15% to 0.05%.
- All spot transactions on the EGX will be exempt from stamp tax in Egypt.
- A six month extension for the payment of real estate tax due on entities operating in the industrial and tourism sector; and allowing for the settlement of their current real estate tax payables in monthly installments over a six-months period.

Other relevant issues and payment procedures:

- The ETA has recently announced that the collection of the health insurance contribution (amounting to 0.25% of annual revenues / turnover) annually payable by all local entities, has become electronically activated through the ETA's website. Taxpayers can now pay their contribution amounts electronically among the other electronic tax payments made to the ETA, via one of the banks that supports the ETA's electronic payment system, through the ETA's website. The taxpayer's tax registration number is required to verify the taxpayer and confirm the settlement.
- In addition to online payments and bank transfers, the ETA is temporarily accepting cheques and cash payments made by taxpayers (for both corporate income tax and VAT) at its executive units, in order to facilitate the tax settlement process during this unprecedented situation in an effort to reduce crowds at banks. As such, taxpayers will be exempt from the administrative fees usually associated with these types of payments, which is only being permitted during the period of submission of financial year 2019-2020 tax returns.

- The Central bank of Egypt ("CBE") has decided to cut down the credit and discount rate from 12.75% to 9.75%.
- The ETA's offices are still open for taxpayers, however the working hours have been reduced to 9:00 AM to 2:00 PM. Additionally, as a further precautionary measure, the ETA's employees are currently working on a rotational shift basis.

Legal/corporate secretarial measures:

- The General Authority for Investment and Free Zones ("GAFI") has recently issued a decree which permits local companies (incorporated pursuant to laws no. 159 of 1981, and no. 72 of 2017) to hold their board of directors' meetings, ordinary general meetings, as well as extraordinary general meetings, by means of conference calls and/or video calls whereby companies will be required to record their meetings and submit the evident CD(s) that include such records, to GAFI.

Key takeaway

New tax and legal measures have been recently announced by the Egyptian Government to facilitate the tax settlement process for both Corporate and Individual taxpayers in this unprecedented situation. These measures are summarised below:

- The ETA is currently accepting cheques/cash payments at its executive units to avoid human crowds at banks, without charging taxpayers for administrative fees.
- Payment of health insurance contributions has become electronically activated through the ETA's website.
- The payment of real estate tax has been extended for a six month period for entities operating in the industrial and tourism sectors.
- The deadline for submitting Individuals' income tax returns has been extended until the 16th of April, 2020.
- From a legal perspective, GAFI currently permits local companies to hold their meetings virtually via conference and/or video calls. However, they are expected to record the meetings and submit the evident CDs that include such records to GAFI.
- New tax updates were recently announced by the Egyptian Government mainly concerned with reducing/eliminating the tax burden (i.e. WHT, CGT and stamp duty) on EGX transactions, in order to encourage investments, stimulate the Egyptian economy and rectify the anticipated post COVID-19 economic imbalance.

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Let's talk

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

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