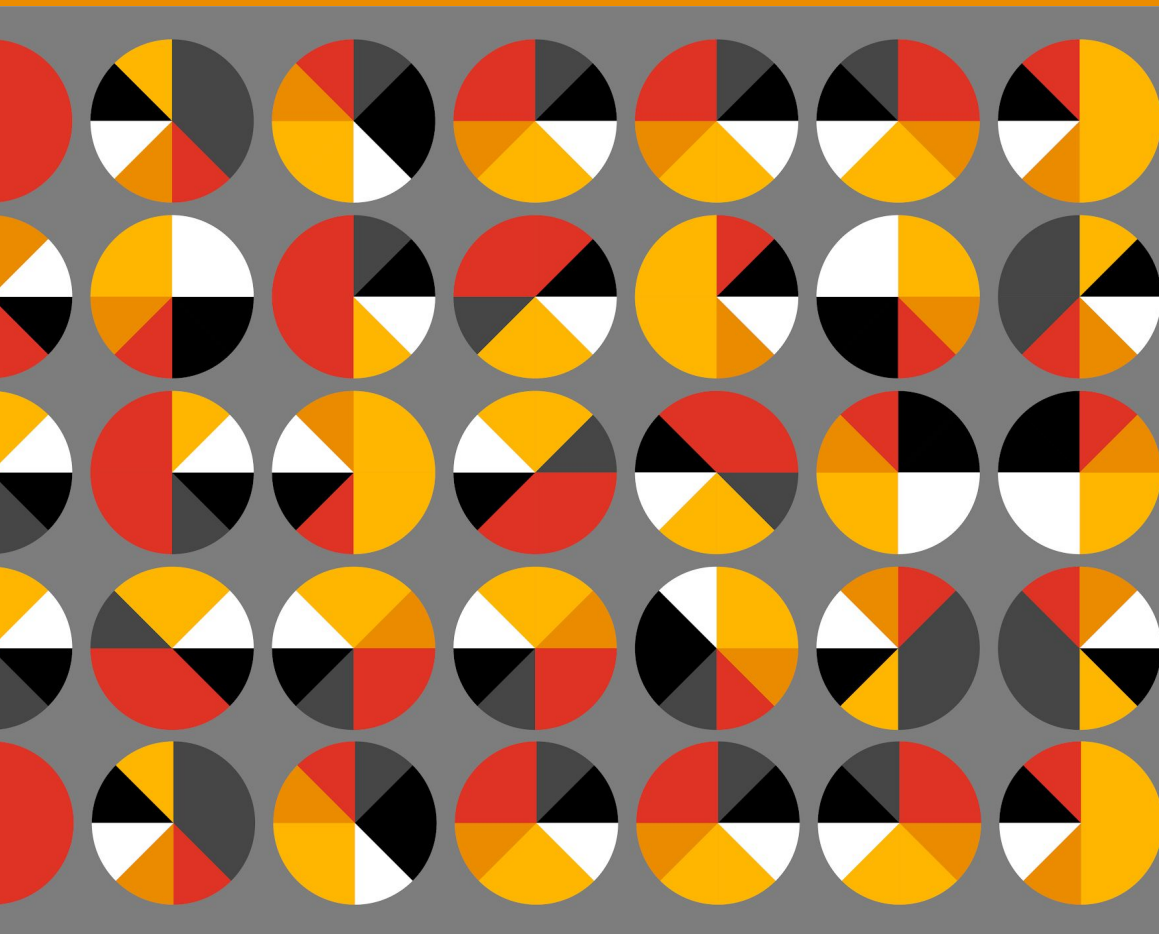


Egypt: Law No. 199 of 2020 recently issued by the Egyptian Government

October 2020



In brief

On 30 September 2020, the Egyptian Government issued a new law (the "Law") amending certain articles of the stamp tax law and the income tax law around capital gains and dividends distribution, effective 1 October 2020, the day after the Law gets published in the official gazette.

In this alert, we summarize the key provisions of the Law, as stipulated by the Egyptian Government.

In summary, capital gains tax has been postponed for two years and foreign investors have become permanently exempt from paying this tax. Investors will now pay a withholding tax of 5% on dividend payouts from listed companies, which was previously 10%. Stamp tax has been reduced to 0.125% for foreign investors and to 0.05% for resident investors. Lastly, all spot transactions on the EGX are now exempt from stamp tax.

In detail

Capital Gains Tax ("CGT")

For residents

- Capital gains realised from the disposal of listed securities on the Egyptian Stock Exchange ("EGX") are subject to CGT at the rate of 10%. However, this tax has been put on hold until the end of 2021. Furthermore, capital gains realised from the disposal of government bonds shall be exempt.

For non-residents

- Capital gains realised from the disposal of listed securities by non-residents shall be permanently exempt from CGT. Such exemption will also apply to capital gains realised from selling treasury bills.

Note that capital gains realised from the disposal of listed securities on the ("EGX") by both residents and non-residents shall be exempt from CGT between 17 May 2020 and 1 October 2020.

For the public sector and state-owned companies

- Capital gains realised from the settlement of debts by the public sector and/or state owned companies, where the state owns more than 51% of the capital shall be exempt from CGT. Such exemptions are limited to the amount of capital gains related to the state owned stake.
- For capital gains realised by the public sector and/or state owned companies prior to the effective date of this Law, they shall be exempt as mentioned above. However, this does not include refunds of previously paid taxes.

Dividends

- Withholding tax ("WHT") imposed on dividend distributions made by unlisted Egyptian companies are now subject to a 10% tax, while dividends made by Egyptian listed companies are subject to a 5% rate.
- Accordingly, dividend distributions made by Egyptian listed companies to Egypt tax residents or non-residents should be subject to WHT 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 two years).
- Dividend distributions from unlisted companies should be subject to a 10% flat WHT rate which can't be reduced.

Stamp Tax (“ST”)

ST is imposed in Egypt on the total value of the transaction of buying/selling any kind of securities/shares regardless of whether they are Egyptian or foreign, listed or unlisted, where the buyer and seller should apply the ST on the total proceeds according to the following rates:

- ST imposed on the proceeds realised by non-residents from selling/buying securities, has been reduced from 0.15% to 0.125%.
- ST imposed on the total proceeds realised by Egyptian tax residents from selling/buying securities, has been reduced from 0.15% to 0.05%
- All spot transactions on the EGX will be exempt from ST in Egypt.
- Starting from 1 January 2022, Egyptian tax residents shall be exempt from the ST on the proceeds from sale of listed shares (i.e. after the suspension period of the CGT exemption for listed shares) mentioned above.

Key takeaway

New tax updates were recently announced by the Egyptian Government mainly concerning reducing/eliminating the tax burden (i.e. CGT, WHT and ST) on EGX transactions, in order to encourage investments and to stimulate the Egyptian economy.

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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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