

Egypt: Issuance of Ministerial Decree 428 of 2021

16 September 2021



In brief

Following the consecutive amendments to the income tax law, the stamp tax law and the issuance of Ministerial Decree 610 of 2020, the Ministry of Finance has issued Ministerial Decree 428 of 2021 in connection with the sales and disposal of financial securities and treasury bills/bonds. The decree helps clarify the compliance procedures as well as the applicable laws and regulations.

In detail

- The guidelines issued by Ministerial Decree 428 of 2021 indicate the sequence of the several amendments to the income tax law 91 of 2005, as well as the stamp tax law 111 of 1980 until the issuance of law 199 of 2020.
- The guidelines indicate the taxing mechanism, deadlines and tax rates for the capital gains realised from the disposal of securities and treasury bills/bonds, whether listed in the Egyptian Stock Exchange (EGX) or not.
- The guidelines also include the relevant procedures, rates and provisions to apply the stamp tax on financial securities.
- Several definitions and legal terms are embedded within the guidelines as an easy reference for taxpayers.
- The guidelines are issued in line with the Ministry of Finance's vision, encouraging transparency within the Egyptian tax community through simplifying tax procedures for taxpayers and protecting them from the legal risk of non-compliance with the applicable laws and regulations.

Key highlights

Capital Gains Tax

- According to law 199 of 2020, the capital gains realised by a resident in Egypt (natural/juridical) from the disposal of listed securities on the Egyptian Stock Exchange (EGX) are subject to tax at the rate of 10%. However, this tax has been put on hold until the end of 2021.
- The above-mentioned suspension of capital gains tax on listed securities will end by 31 December 2021 as stipulated in the law, and the applicable tax rate shall be enforced starting 1 January 2022.
- In other words, the capital gains realised by resident taxpayers from the disposal of listed securities on the EGX shall be subject to capital gains tax at 10% starting from 1 January 2022 onwards.

Stamp Tax

- As of 1 January 2022, Egyptian tax residents shall be exempt from stamp tax on the proceeds realised from the sale of listed securities as long as the transaction is less than the acquisition threshold of 33% of the company's shares.

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The guidelines do not constitute a new legislation, but rather an explanatory manual for taxpayers to help them better comply with the applicable laws and regulations

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Chronology of Amendments – Capital Gains Tax

The following table demonstrates the tax treatment of capital gains realised by **juridical persons** from the disposal of quotas and financial securities:

Period	Residents (Juridical Persons)		Non-Residents (Juridical Persons)	
	Listed Shares	Non-Listed Shares/quotas	Listed Shares	Non-Listed Shares/quotas
1 July 2014 until 16 May 2015	Subject to 10% (separate tax pool)	Subject to tax according to article 49*	Subject to 10% - double tax treaties shall apply	Subject to 10% - double tax treaties shall apply
17 May 2015 until 20 August 2015	Suspended	Subject to tax according to article 49*	Suspended	Subject to 10% - double tax treaties shall apply
21 August 2015 until 30 September 2020	Suspended	Subject to tax according to article 49*	Suspended	Subject to tax according to article 49 - double tax treaties shall apply
1 October 2020 until 31 December 2021	Suspended	Subject to tax according to article 49*	Exempted	Subject to tax according to article 49 - double tax treaties shall apply
1 January 2022 onwards	Subject to 10%	Subject to tax according to article 49*	Exempted	Subject to tax according to article 49 - double tax treaties shall apply

- The deduction of foreign tax is allowed as long as the required conditions are fulfilled in accordance with article 54.
- The corresponding costs of shares subject to the separate tax pool of 10% shall not be considered as deductible for corporate income tax purposes.

*Article 49 of the income tax law states the standard corporate income tax rate of 22.5% in addition to special corporate income tax rates for the Suez Canal, Egyptian Petroleum Authority, the Central Bank of Egypt (40%) and Oil Exploration & Production (40.55%).



Chronology of Amendments – Capital Gains Tax

The following table demonstrates the tax treatment of capital gains realised by **natural persons** from the disposal of quotas and financial securities:

Period	Residents (Natural Persons)		Non-Residents (Natural Persons)	
	Listed Shares	Non-Listed Shares/quotas	Listed Shares	Non-Listed Shares/quotas
1 July 2014 until 16 May 2015	Subject to 10% (separate tax pool)	Subject to tax according to article 8*	Subject to 10% - double tax treaties shall apply	Subject to 10% - double tax treaties shall apply
17 May 2015 until 20 August 2015	Suspended	Subject to tax according to article 8*	Suspended	Subject to 10% - double tax treaties shall apply
21 August 2015 until 30 September 2020	Suspended	Subject to tax according to article 8*	Suspended	Subject to tax according to article 8 - double tax treaties shall apply
1 October 2020 until 31 December 2021	Suspended	Subject to tax according to article 8*	Exempted	Subject to tax according to article 8 - double tax treaties shall apply
1 January 2022 onwards	Subject to 10%	Subject to tax according to article 8*	Exempted	Subject to tax according to article 8 - double tax treaties shall apply

- The deduction of foreign tax is allowed as long as the required conditions are fulfilled in accordance with article 46 bis-6.
- The corresponding costs of shares subject to the separate tax pool of 10% shall not be considered as deductible for corporate income tax purposes.

*Article 8 of the income tax law states the income tax rates for individuals (i.e. tax brackets), which shall apply according to the rates of each period.



Chronology of Amendments – Capital Gains Tax

The following table demonstrates the tax treatment of capital gains realised by **juridical persons** from the disposal of treasury bills and treasury bonds:

Period	Residents (Juridical Persons)		Non-Residents (Juridical Persons)	
	T-bills	T-bonds	T-bills	T-bonds
17 May 2020 until 30 September 2020	Subject to tax according to article 49*	Tax has been waived according to article 7 of law 199 of 2020	Subject to tax according to article 49* - double tax treaties shall apply	Tax has been pardoned according to article 7 of law 199 of 2020
1 October 2020 until 31 December 2021	Subject to tax according to article 49*	Subject to 10% (separate tax pool)	Exempted	Exempted

The following table demonstrates the tax treatment of capital gains realised by **natural persons** from the disposal of treasury bills and treasury bonds:

Period	Residents (Natural Persons)		Non-Residents (Natural Persons)	
	T-bills	T-bonds	T-bills	T-bonds
17 May 2020 until 30 September 2020	Subject to tax according to article 8**	Tax has been waived according to article 7 of law 199 of 2020	Subject to tax according to article 8** - double tax treaties shall apply	Tax has been pardoned according to article 7 of law 199 of 2020
1 October 2020 until 31 December 2021	Subject to tax according to article 8**	Subject to 10% (separate tax pool)	Exempted	Exempted

- The corresponding costs to the T-bonds subject to the separate tax pool of 10% shall not be considered as deductible for corporate income tax purposes.

*Article 49 of the income tax law states the standard corporate income tax rate of 22.5% in addition to special corporate income tax rates for the Suez Canal, Egyptian Petroleum Authority, the Central Bank of Egypt (40%) and Oil Exploration & Production (40.55%).

**Article 8 of the income tax law states the income tax rates for individuals (i.e. tax brackets) which shall apply according to the rates of each period.



Chronology of Amendments – Stamp Tax

The following table shows the stamp tax rates applicable to the buying and selling transactions of financial securities:

Period	Residents		Non-Residents	
	Buyer	Seller	Buyer	Seller
30 April 2013 until 30 June 2014	0.1%	0.1%	0.1%	0.1%
1 July 2014 until 18 June 2017	No stamp tax	No stamp tax	No stamp tax	No stamp tax
19 June 2017 until 31 May 2018	0.125%	0.125%	0.125%	0.125%
1 June 2018 until 16 May 2020	0.15%	0.15%	0.15%	0.15%
17 May 2020 until 30 September 2020	Not subject to stamp tax during this period.	Not subject to stamp tax during this period.	Not subject to stamp tax during this period.	Not subject to stamp tax during this period.
1 October 2020 until 31 December 2021	0.05%	0.05%	0.125%	0.125%
1 January 2022 onwards	0.05% for unlisted shared No stamp tax on listed shares	0.05% for unlisted shared No stamp tax on listed shares	0.125% Applicable on listed and unlisted shares	0.125% Applicable on listed and unlisted shares

- Stamp tax is not applicable on quotas, treasury bills and treasury bonds.
- Stamp tax is not applicable on the spot transactions (i.e. executed in the same day).
- In cases where a transaction involves the sale of 33% or more of the company's shares, the stamp tax rate should be 0.3%, applicable on both the buyer and seller.

The takeaway

- The capital gains realised by Egyptian residents (natural/juridical) from the disposal of listed securities shall be subject to capital gains tax at 10% starting from 1 January 2022.
- The stamp tax on the proceeds from the sale of listed securities by Egyptian residents shall no longer apply (i.e. exempt) starting from 1 January 2022.

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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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