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Egyptian Tax Law Amendments

Stamp Tax:

The following provisions have been added to the Egyptian Stamp Tax Law No 111 for 1980 effective 20 June 2017:

- Stamp tax will be levied on the gross buying/selling transactions of all kinds of financial instruments whether Egyptian or foreign and whether registered in the financial markets or not registered without deduction for any costs.
- The stamp tax is to be borne equally between buyer and seller.
- The stamp tax will be as follows:
    - 1.25 per thousand borne by buyer and 1.25 per thousand borne by the seller from the date of enactment of this law 20/6/2017 until 31/5/2018.
    - 1.50 per thousand borne by the buyer and 1.50 per thousand borne by the seller from 1/6/2018 until 31/5/2019.
    - 1.75 per thousand borne by the buyer and 1.75 per thousand borne by the seller from 1/6/2019.
- The stamp tax will be levied at the rate of 3 per thousand borne by buyer and 3 per thousand borne by the seller without deduction of any costs for any acquisition/withdrawal (sale) which occurs in the same transaction in the following circumstances:
    - The transaction involves trading of 33% or more of the shares or voting rights whether based on number or value in a resident company.
    - The transaction involves trading of 33% or more of the assets or liabilities of a resident company by another resident company in return for shares in the acquiring company.
- If the total of the purchasing/selling of financial papers carried out by a person from a single company reaches the acquisition/withdrawal (sale) limit mentioned above (33%) within 2 years from the date of the first purchase after the enactment of this law then the buyer will liable to stamp tax at 3 per thousand at the date of acquisition and the seller will be liable to stamp tax at 3 per thousand at the date of withdrawal (sale) after deducting any stamp tax previously paid.
- The stamp tax levied on these transactions is not a deductible cost for income/corporate tax purposes.
- Egyptian Company for Share Settlements or any authority responsible for settling these operations is responsible for withholding the tax and remitting it to the Egyptian Tax Authority in accordance with regulations issued by the Minister of Finance and they will be held jointly liable for any tax/interest which is not settled.
- **Effective Date**: The effective date for the above amendments is June 20 2017.

Corporate Tax:

- The Egyptian tax-free reorganization provisions have been amended for legal entities. Tax on capital gains arising from the reorganization can be deferred by legal entities so long as they continue to apply historical values for assets/liabilities for tax purposes including computation of tax depreciation and provisions/reserves. The forms of reorganization that can benefit from this deferral are as follows:
  - Merger of two or more resident companies.
  - Split of a resident company to two or more resident companies.
  - Conversion of a partnership to a corporate entity (Capital company) or from one corporate form to another corporate form.
  - Conversion of an entity to a corporate entity.
- The tax deferral will apply so long as the shares/quotas arising from the tax reorganization are not disposed of within the 3 years following the reorganization. The deferred tax will become due if there is another conversion in the legal form or it expires for any reason.
- Capital companies are defined as including Joint Stock Companies, Limited Liability Companies and Partnerships Limited by Shares.

Personal Income Tax:

- The personal tax rates have been amended to be as follows:
  - LE 1- LE 7,200 Exempt from taxes.
  - LE 7,201 – LE 30,000 taxed at 10%
  - LE 30,001 – LE 45,000 taxed at 15%
  - LE 45,001 – LE 200,000 taxed at 20%
  - More than LE 200,000 taxed at 22.5%
- The following tax credit percentages will be deducted from the taxes due on the following income bands:
  - LE 7,201- LE 30,000 80%
  - LE 30,001- LE 45,000 40%
  - LE 45,001- LE 200,000 5%
- Taxpayers earning more than LE 200,000 will not be granted a tax credit. The tax credit will be applied to the highest earnings band the taxpayer is subject to and can only be granted once.
- **Effective Date**: the above will become effective for employees from the beginning of the first month following the date the law is published in the official gazette. As the law was published in June 19 2017 then the above will apply to employees from July 2017. As to self-employed individuals, professionals, and property income it will apply to the taxable period which ends after the issuance of this law in the official gazette which in the case of calendar year taxpayers would be 2017.

For further information, please contact The Cragus Group: contact@cragus.com.