



UNIFIED TAX PROCEDURES LAW

SIMPLIFIED

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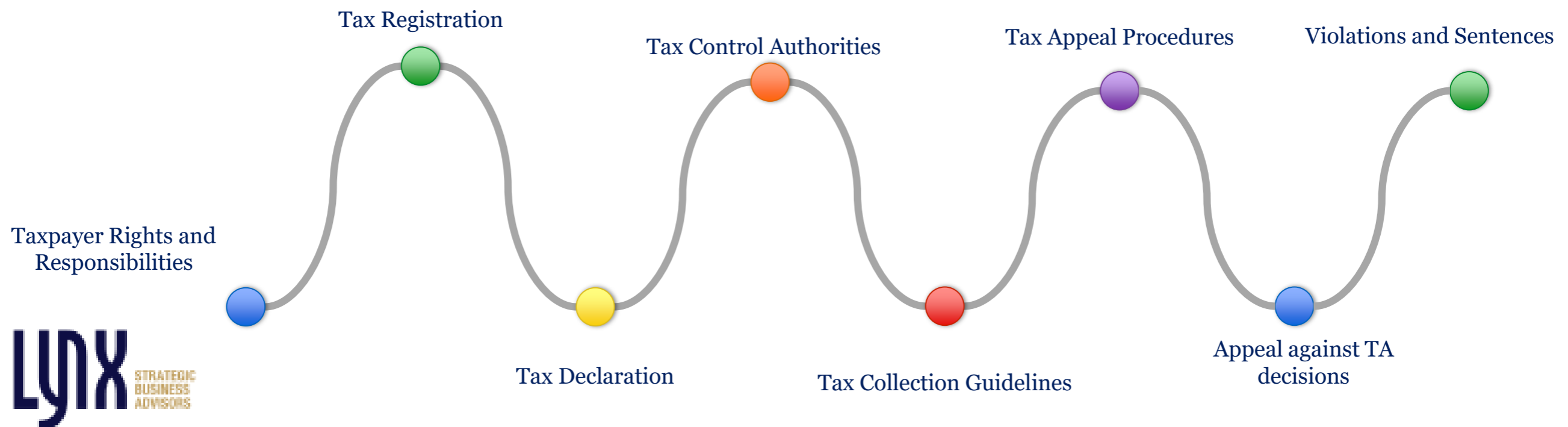
Introduction

- On August 24, 2020, the House of Representatives announced its “preliminary approval” of the Unified Tax Procedures Law, which was submitted by the Government (Ministry of Finance.) to Parliament in July 2019. The law is expected to receive the final approval by the current House of Representatives during the sixth and final legislative session in October 2020. The President is then expected to sign it into law.
- The law sets forth the unified procedural rules applicable to the following tax legislation: (1) income tax; (2) value added tax, (3) stamp tax, (4) fees to develop the state’s financial resources. It enables the Egyptian authorities to regulate the procedures for these taxes while maintaining the remaining substantive rules and regulations governing each tax, in accordance with the relevant legislation.
- The law sets the foundation for various tax reforms by the Egyptian Tax Authority (TA), including introducing a unified electronic system encompassing the different phases and stages of tax declaration, evaluation, and payment procedures.

Objectives

- Unify and centralize procedures for different tax categories of similar nature and maintain the current procedures for taxes of special nature
- Establish the legal foundation to transform tax procedures into the new tax e-system, including on e-signature, record keeping, and tax evaluation
- Facilitate the appeal and revaluation procedures for tax disputes according to clear timeframes.

Sections of the Law



Taxpayer Rights and Responsibilities



Responsibilities

- According to the law, the taxpayer has a number of responsibilities to enhance the Tax Authority's (TA) ability to access and validate his/her tax records and transactions, including:
 - Ensuring proper record keeping of transactions for a period of five years since the date of a transaction
 - Notifying TA of business activity/any changes or modifications
 - Ensuring the submission of tax declarations and payments in due time
 - Clearly stating the tax registration number on all invoices
 - Maintaining data confidentiality throughout the taxing process



Notification of License Issuance

- All syndicates, local municipal units, state institutions and authorities mandated to issue commercial, industrial, professional, and construction licenses are required to notify TA of the identification information of the license holder, his/her activity, and his/her permit within one month of the license's issuance.
- Real state owners and beneficiaries must inform TA of any commercial use of their property within 15 days.
- National traffic departments/units will request a tax form confirming the taxpayer's fulfilment of his/her tax obligations as a requirement for issuing vehicle licenses.



Multinational Companies' Tax Submissions

- Businesses that conduct commercial transactions with sister/offshore companies must submit substantial financial and commercial documentation to TA to evaluate their transactions, including:
 - **Main Portfolio:** includes information on member companies of the holding group (sister companies/branches).
 - **Local portfolio:** includes transactions done by the local taxpayer and their analyses (to be submitted two months after tax declaration)
 - **Reports on sister/offshore company's operations in other countries:** information on the operations of the different branches of the sister company/branch in other countries, including total revenues (globally), taxes paid at HQ, number of employees, capital, dividends, profits, tangible assets (per country), countries of operation, and economic activity indicators. (To be submitted within one year following the end of the fiscal year.)
 - The Head of TA may exempt MNCs from submitting country-specific reports on a case-by-case basis and in accordance with international practices.
 - If the taxpayer fails to submit the requested info, TA will determine its own evaluation of the due taxes on the transaction. Taxpayers may appeal against TA's decision.

Tax Authority Regulation



Incentive-Based Reward System for TA Employees

- The Minister of Finance is authorized to create an exclusive incentive-based reward system for TA employees. (Civil Service Law regulations will not apply.)
- The system will be based on a regular assessment of the employees' overall performance and the results they produce.



Public Institutions Appointments

- TA will continue to appoint inspectors in ministries, state institutions, local municipal units, public establishments, and public sector enterprises.
- The appointed inspectors will be responsible for ensuring the accurate implementation of the law and reporting any violations.



TA Employees Code of Conduct

- TA employees are banned from engaging in any direct or indirect contractual working relationship with accounting, auditing, legal firms, professional establishments, or any tax paying firms.
- TA employees are prohibited from executing taxation actions associated with:
 - Relatives (up to the 4th degree)
 - A taxpayer (or his/her relative up to a 3rd degree) that holds a working relationship, or a relationship of any beneficial nature, with the TA employee.
 - Cases deemed to represent a conflict of interest by TA employee's line manager.



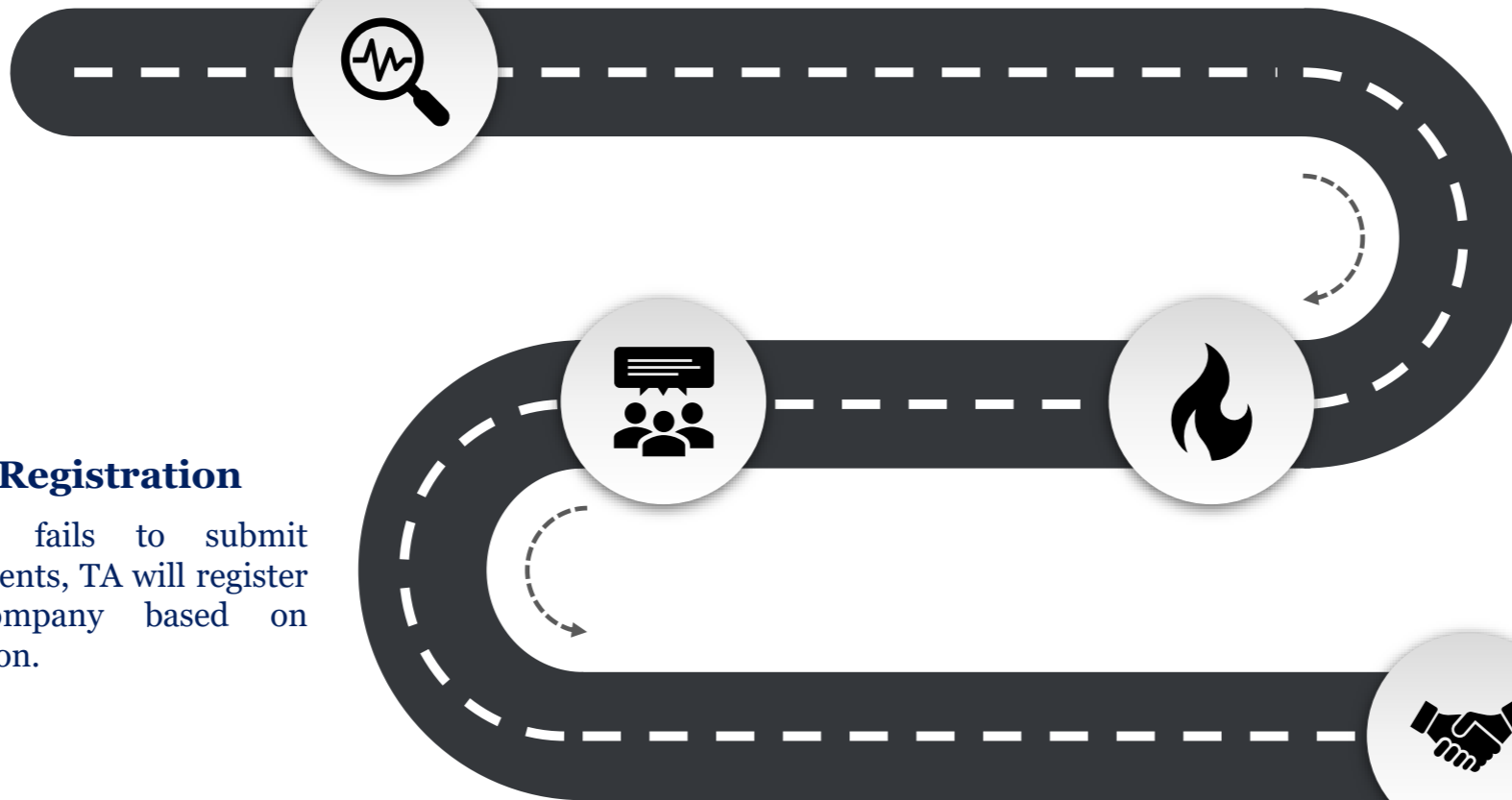
Court of Cassation

- The State Cassation Court is the authorized entity to consider legal tax cases.
- The Court may resort to TA technical experts (authorized with judicial authority powers) for assistance on technical matters related to the tax dispute/case.
- TA will appoint representatives to Public Prosecution Authority, State Prosecutors Authority, Experts Agency, and all tax disputes committees, as necessary.

Tax Registration Process (1/2)

First 30 Days

Taxpayer is granted 30 days to register, starting from the first day of VAT operations. Registration procedures will be specified in the law's executive regulations

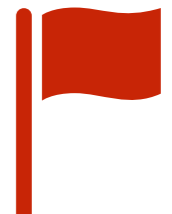


Within 15 Days

TA to review the authorization request within 15 days and revert in case of insufficient documentation.

Automatic Registration

If the taxpayer fails to submit registration documents, TA will register the individual/company based on available information.



Annual Fees

Establishments with sales below the bottomline amount specified for VAT-taxing, will still be required to register **on the** TA e-system for a maximum annual fee of EGP 500. (The exemption drops automatically if establishments' sales exceed the specified amount.)

Tax Registration Process (2/2)



Tax Registration Number

- TA will allocate and issue a unified tax registration number for each taxpayer, covering all types of taxes.
- The registration number must be identified on bills and invoices issued by the taxpayer.
- It will be used in all transactions with state institutions.



Tax Card

- TA will issue a tax card for registered taxpayers within five working days of the registration request.
- The tax card will be valid for five years, subject to renewal.
- Government institutions and establishments and are prohibited from conducting business transactions with public and private establishments that have not issued a tax card.



Notification of Status Change

- Taxpayers are obliged to notify TA of any changes in their registered information within thirty days of the change in status.

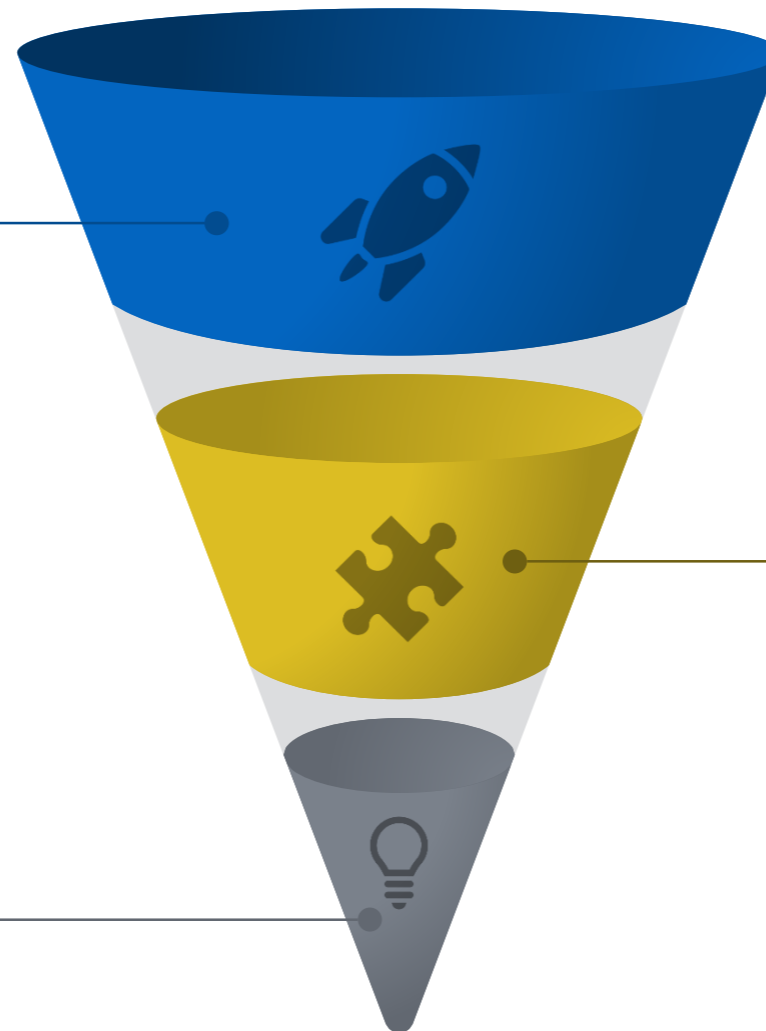
Taxpayer Declaration Mechanism (1/2)

MONTHLY DECLARATION

- To be submitted for VAT/Scheduled tax within one month of the taxed period
- Declarations must be submitted on a monthly basis, including during periods of no taxable activity.

ANNUAL DECLARATION

- Taxpayers must submit annual declarations on their income taxes before April 1st for individuals and by May 1st/within 4 months of the end of the fiscal year for businesses.



QUARTERLY DECLARATION

- Businesses must submit quarterly declarations for income taxes in January, April, July, and October of each year.
- Declarations to include the employee' info, total income, total tax deducted, and salary invoices.
- Annual declarations including the above-mentioned info is also required.

- Taxpayer's first tax declaration shall be considered as a notification of his/her taxable business activity.
- The taxpayer shall be exempted from submitting a tax declaration if: (1) revenues are sufficient to only cover the income bill, (2) revenues of the individual are solely derived from real estate benefits (rental) and don't exceed the specified amount for exemption as specified in the income tax law.
- In case of a taxpayer's death, inheritors/guardians of the taxpayer shall be obliged to submit- within 90 days- a tax declaration on the deceased's taxable activities during the period, prior to the death. The due tax shall be settled from the inheritance.
- Within 60 days of the transaction, the taxpayer must submit a separate tax declaration if he/she transfers owned property to another person. This applies to full or partial property transfer.

Taxpayer Declaration Mechanism (2/2)



Roll-out of the New Tax E-System

- TA to require that all taxpayers submit a tax declaration on the taxed period/activity. This declaration shall include the required documentation as per the Tax Law and the Unified Tax Procedures Law. It shall be submitted through the accredited electronic system with an e-signature.
- The law's executive regulations will define a schedule for the roll out of the new system within two years of the law's entry into force. This timeframe is subject to a two-year extension.
- Taxpayers will be required to pay a maximum annual usage fee of EGP 1,000.
- E-Signatures will be regulated as per Law # 15/2004 (E-signature and Establishment of the Information Technology Industry Development Authority.)



Specified Declaration Conditions

- Taxpayers are obliged to submit their declaration through the e-system after obtaining a password and an approved e-signature.
- Taxpayers must pay their tax dues in full upon submitting their declaration and after subtracting discounted taxes/previous down-payments.
- If the discounts exceed the taxes due, the surplus shall be used in settling overdue amounts, if any.
- Upon the taxpayer's request, TA is obliged to refund the amounts due or transfer the remaining balance to the following taxed period.



Declaration Modifications

- Taxpayers are obliged to submit a modified tax declaration if a fault is identified in their tax declaration.
- If the modified tax declaration is submitted within 30 days of the submission deadline, the modified declaration shall be considered to be "the" initial declaration.
- State-owned Enterprises (SOEs) must submit their modified declaration within 30 days of their general assembly's approval of the SoE's budget and balance sheets.
- The right to submit modified declarations shall not be granted in the cases of tax fraud or receipt of a notification of a tax inspection.
- If the taxpayer submits a modified declaration with a reduced tax due, TA's approval for the disbursement of the difference in payment is necessary (within 6 months).

Tax Control Authority



E-System Documentation

- Taxpayers must document all their sales and procurement transactions through the tax E-System.
- The E-System's technical specifications shall be defined by the law's executive regulations.
- The E-System will document all revenues (cash/electronic payments) and taxes. An e-receipt must be issued for every sale conducted with an e-signature stamp.
- Establishments/individual taxpayers are obliged to contract a company licensed by the Ministry of Finance to execute the E-System for these services.



Invoice Specifications

- Taxpayers must issue 2 copies of an invoice upon selling good/services and include:
 - Serial numbered based on date of issuance
 - Date of issuance
 - Taxpayer name/address/registration number
 - Items sold/service provided and its price, VAT/Schedule Tax included, and total amount of sold goods/services
 - Receipts must be issued in electronic/typed form.



Tax Inspection

- TA must notify the taxpayer, in writing and/or electronic means, of its intention to conduct a tax inspection ten days prior to the inspection date.
- The notification requirement shall be waived in cases of tax fraud suspicion.
- The taxpayer (under inspection) must avail all documents requested by TA within 15 days, in writing.

Tax Collection (1/2)



Notification on Amounts Due

- TA must notify the taxpayer of the tax invoice within 60 days of the date of taxpayer approval of the TA's tax estimate or the appeal committee decision.
- The notification shall be delivered in writing or through legally defined electronic methods.

Treasury Rights At-Risk

- Should TA believe that the treasury rights have not been fulfilled by the taxpayer, TA may request to place an attachment on an amount equivalent to the suspected required tax dues from the taxpayer's assets.
- The request for an attachment shall be filed by the Minister of Finance to the Administrative Court.
- The attachment can be lifted through a court ruling, decree by the Head of TA, or if 60 days have elapsed from placement of the attachment without informing the taxpayer of the due amount.
- The attachment shall be lifted if the taxpayer deposits a payment to the Adsmnitrativ Court that is sufficient to cover the tax dues in question, pending the final settlement of the tax due.

Placement of an Executive Seizure

- TA may place an executive seizure equivalent to the due amount on establishments that have not settled their taxes within the legally defined timeframes.

E-Payment Methods

- The amounts in question shall be settled electronically as determined by a ministerial decree in accordance with Law # 18/2019 on the usage of non-cash payment methods.

Tax Collection (2/2)



Tax Clearance

- State institutions, local municipal units and other government agencies shall not disburse any amount due to taxpayers before checking their tax status.
- Taxpayers shall request to issue a tax clearance certificate within 40 days of the submitted request.



Tax Exemption

- A taxpayer may be (fully or partially) exempted from taxes due if:
 - The taxpayer died and no inheritance was left behind
 - No funding is available for tax execution
 - The taxpayer declared bankruptcy and the case was concluded with a court ruling
 - The taxpayer left the state for 10 consecutive years with no funding amounts available for tax execution
- Exemption requests shall be reviewed- within one calendar year- by specific committees established by the Minister of Finance.



Tax Refund

- TA is obliged to respond to requests for a tax refund on taxes that have already been settled or on tax surpluses that may occur. The TA's response shall be provided within 45 working days from the date of the request.
- If the aforementioned timeframe is exceeded, a delay fee shall be added to the tax refund in question. The refund amount will be calculated based on the Central Bank of Egypt's corridor rate + 2% (in accordance with the terms and conditions specified by a Ministerial decree on the matter).

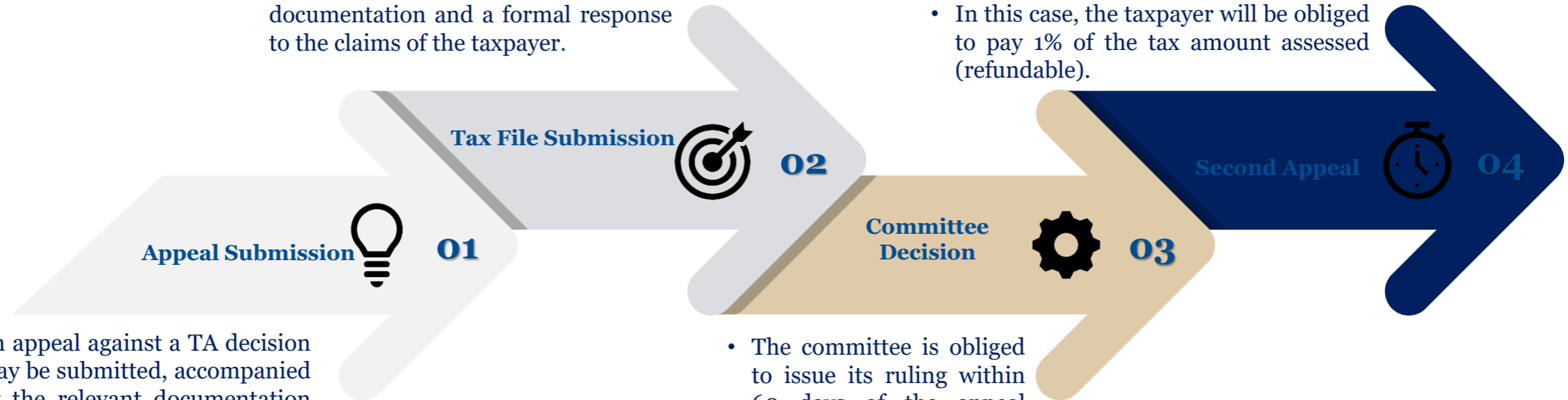
Appeal Procedures and Phases (1/2)



Appeal Phases

- The respective tax unit shall, within 15 days, consider the taxpayer in-question file along with the required documentation and a formal response to the claims of the taxpayer.

- The taxpayer may appeal against the committee's ruling by resorting to the Administrative Court within 60 days of the committee's ruling.
- In this case, the taxpayer will be obliged to pay 1% of the tax amount assessed (refundable).



- An appeal against a TA decision may be submitted, accompanied by the relevant documentation and reasoning.
- A special committee will consider the appeal.
- The committee must inform the taxpayer of the appeal session date.
- The session must occur within 30 days of the appeal request.

- The committee is obliged to issue its ruling within 60 days of the appeal request.
- The committee may extend this deadline for an equivalent duration for specified purposes.

Appeal Procedures and Phases (2/2)



Tax Dispute Settlement

- Taxpayers may submit a request to settle their tax disputes with TA before the appeal ruling is issued by the relevant committee.
- The settlement must be decided within 30 days of the settlement request.



Reinspecting Tax Assessment

- A tax assessment by TA shall be corrected based upon the request of the taxpayer within five years if one of the following conditions is met:
 - Tax assessment included an assessment of an inactive business
 - Tax assessment included an assessment of an exempted business
 - Tax assessment included an assessment of a non-taxed business
 - Miscalculation of tax application occurrence
 - Misallocation of business to tax category
 - Failure to discount deductible taxes
 - Failure to deduct an establishment's rental cost
 - Failure to deduct donations/charitable amounts (deductible as per respective legal framework)
 - Duplication of same tax assessment on same tax category
 - Any other condition specified in accordance with a ministerial decree
 - Any other condition not mentioned above but proven through sufficient documentation by the taxpayer.

Violations and Sentences



Prison Sentences for Tax Evaders?

- The law's final version omitted freedom-restricting sentences on tax evaders that were suggested by the Cabinet of Ministers. Sentences are limited to fines.



Fines

- **EGP 3,000 up to 50,000- in case:**
 - If the taxpayer missed the tax settlement deadline (by 60 days)
 - If the taxpayer provided false information
 - If the taxpayer/agent prevented TA inspectors from performing their duties
- **EGP 5,000 up to 200,000- including for in case:**
 - If the taxpayer missed the tax deadline (over 60 days)
- **EGP 50,000- including for in case:**
 - If the taxpayer failed to keep the required records for durations specified in the law
- **EGP 50,000 up to EGP 250,000 and/or a jail sentence between 1-3 years:**
 - TA employees who engage in actions that pose a violation to the specified code of conduct in the law.



Violations Settlement

- Violators of the law are eligible to submit a request for settlement provided that:
 - The violator pays an amount equivalent to 100% of the taxes due if the settlement request is submitted prior to their case's submission to a committee/court
 - The violator pays an amount equivalent to 150% of the taxes due if the settlement request is submitted after the committee/court reviews the case and prior to the committee/court ruling
 - The violator pays an amount equivalent to 175% of the taxes due if the settlement request is submitted after the court/committee ruling.

Thank you

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