PROPOSED AMENDMENTS TO EGYPT's VALUE ADDED TAX LAW

BUSINESS BULLETIN
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OVERVIEW

- On June 15, 2020, the Ministry of Finance (MoF) announced a number of proposed amendments to Egypt's Value Added Tax (VAT) Law # 67 /2017.
- The amendments seek to enhance Egypt's financial inclusion, expand the VAT tax base, support industries negatively impacted by COVID-19, and pave the way for additional investments in Egypt's industrial sector.
- The amendments maintain VAT rate at 14%.
- The amendments will boost ongoing efforts to automate Egypt's tax system.
- Amendments to be submitted to the Cabinet then Parliament for adoption.

PROPOSED EXEMPTED SECTORS

06 Vaccines, blood, blood bags, blood collection bags, birth control and contraceptive methods

05 Raw materials used in manufacturing pharmaceutical products, upon a decree by the Minister of Health

04 Animal feeding additives, concentrations, and derivatives (except household pet food)

01 International non-touristic ferry travel, civilian air transportation

02 Construction and maintenance works for places of worship, blended edible oils, and accessible vehicles

03 Raw paper material and its derivatives

SPECIAL ECONOMIC ZONES EXEMPTED

- The Ministry of Finance proposed excluding imports (except completed passenger cars) and exports for projects within Special Economic Zones (SEZs) from VAT.
- The objective is to boost investment within the SEZs and complement anticipated industrial/sector-based initiatives by granting SEZs the same tax treatment afforded to free zones.
- As per Law 83/2002, SEZs include the *Suez Canal Economic Zone* with 4 areas (Ain Sokhna, East Ismailia, East Port Said, and Qantara West), as well as the *Golden Triangle Economic Zone* with a dedicated area between Al Qusair, Qena, Qeft, and Safaga.
- Current industries targeted by the economic zones include logistics, agri-business, textile, ICT, heavy industries, renewable energy, tourism, and mining.

OTHER AMENDMENTS

- Baked snacks, shower gel and household-grade detergents will now be subject to the general VAT rate. Previously, these products were subject to a 5% "table "or "schedule" tax.
- Commercial advertising will be subject to VAT after lifting the current 20% stamp tax. Direct advertising and merchandising were previously exempt from VAT but subject to stamp duties on the overall size per transaction
- Departing tourists will be able to claim VAT rebates on select items worth EGP 1500 or more within 3 months. Under current regulations, tourists are allowed VAT rebates for purchases worth EGP 5000 or more.
- Head of Customs Authority will be granted authority to temporary release products at ports for 3 month period. The objective is to avoid burdening importers/ manufacturers with extra costs payable for delay/porting fees.
- The Ministry will oblige businesses to file VAT returns online on a monthly basis and within 60 days of invoice issuance, received payments, or delivery of goods/services; whichever is earlier.
- The Ministry may authorize registered establishments/ governmental entities/ general authorities to collect taxes directly from customers and submit them to the tax authorities through the newly-introduced electronic system.
- E-commerce importers will be able to register through the new Simplified Importers Registry System in order to directly bill the VAT to the customer. The tax will be payable to the Customs Authority through monthly returns. The release process for e-commerce imports will be expedited.
- Penalties for tax evasion will increase.

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Source: Ministry of Finance; Al Tamimi & Co. Law Firm