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VAT Tax Egypt

Law No.67 of 2016



Law No. 67 of 2016

- On September 7th 2016 the Egyptian government implemented a fully-fledged VAT scheme which will take over the general sales tax regime which was previously in place.
- The Law has become effective as of September 8th 2016
- The law which sets this out is Law no. 67 of 2016, which will be replacing Law no 11 of 1991.

What is VAT ?

- VAT is an attempt to tax businesses at each stage of the supply chain from raw material to a product that is utilized by the consumer. As the good moves up through the supply chain, the tax is charged incrementally by every business that comes into
- VAT is applicable to services as well as goods, i.e. hotel stays, restaurant meals, legal advice etc...This is different to the general sales tax regime which is calculated on the entire end product.

Tax Rates

Standard tax rate of 13% applies to most goods and services

This will increase to 14% on the 1st July 2017

Machinery and equipment used in producing taxable or non-taxable goods or rendering services are subject to a 5% VAT

Exported goods and services are subject to a zero VAT rate



Applicability

The new law will apply to the following:

- The supply of taxable goods and services (any work provided that is not a good) up to, or in excess of, the registration threshold
- Importation of taxable goods into Egypt, regardless of the status of the importer.
- The imported services that are performed for customers and clients in Egypt.

Special Rates

Different rates apply to a number of goods and services listed in Table 1 of the VAT Law (and provided at the end of this presentation), namely:

- Goods and services subject to the Table rates only
- Goods and services subject to the Table rates **PLUS** the VAT general rate

Registration Threshold



Any individual or juridical person who sold taxable goods or services with turnover during the 12 months before 7 September 2016 of at least EGP 500,000 must register for the VAT



A natural person or legal entity, reaching or meeting this threshold after the enactment of the VAT law is must register within 30 days from the date of reaching the VAT registration threshold



VAT Returns



A monthly return should be filed for the VAT and/or the table tax due within two months following the tax accounting month.



The return must be filed even if no sales are made within the tax period.



If the tax return is not filed before the deadline, the Egyptian Tax Authority has the right to make a their own assessment. This action would not remove the legal responsibility of the taxpayer

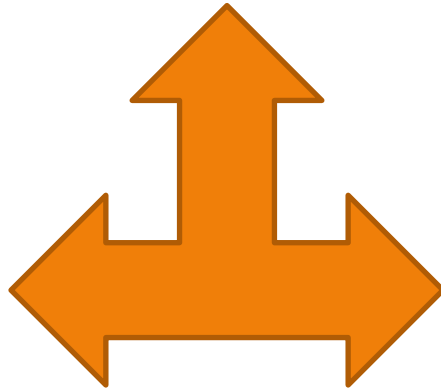


Tax Deductions

- These can be made for input tax
- Input tax is the VAT incurred or charged to the registrant when he purchases or imports goods and services, directly or indirectly related to the sale of goods and services subject to VAT

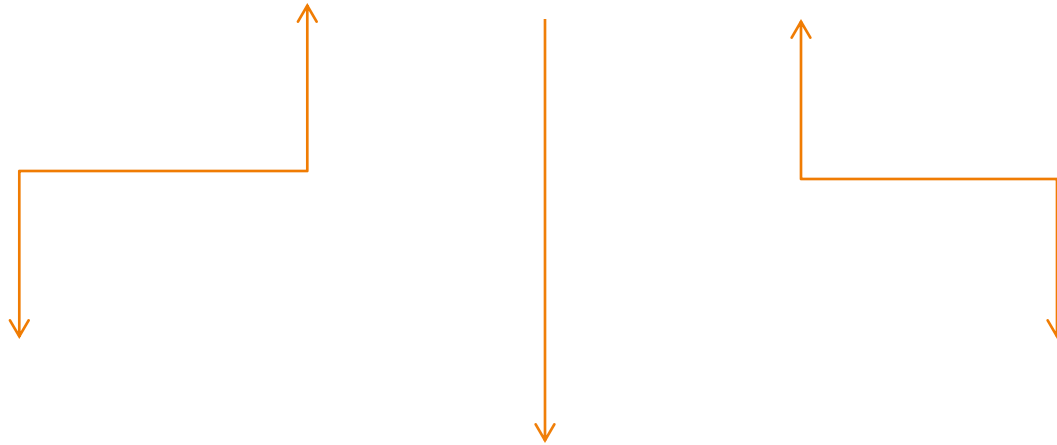
When calculating the tax, the following should be deducted from the tax due on the sales value:

Tax paid on sales
returned



Tax charged on inputs.
This includes the tax
charged to the goods and
services sold by the owner
through all distribution
phases

Items not Eligible



Items in the table subject to this tax or inputs of goods and services subject to this tax

Input tax included in the cost items

Exempted goods and services



Reverse Charge

These are applicable to services rendered by those who do not reside in Egypt

Nonresident person not registered with the ETA renders a taxable service to a person not registered in Egypt

Must appoint representative to fulfill his TAX duties including registration, payment of VAT, the additional tax and any other taxes due according to the law

OR

Egyptian resident receiving service will have to fulfill these obligations for him without breaching his right to reimburse the tax payments made from the nonresident service provider later (if conditions in art. 22 are fulfilled)

Nonresident person, not registered with the ETA renders a service to:

- VAT registrant not necessary for their activity
- Governmental entity, general authority, or economic authority



If this person does not have a representative in Egypt, the Egyptian resident receiving service will have to fulfill these obligations for him without breaching his right to reimburse the tax payments made from the later (if conditions in art. 22 of the law are fulfilled)

Penalties

The criminal penalty for VAT evasion has been increased from one month's jail and/or a fine of EGP1000 - EGP5000, to imprisonment from 3-5 years and/or a fine ranging from EGP5000 - EGP50 000.

Fines & Sanctions

- ETA has the right to amend the tax return within 5 years of its submission
- If they find that there are additional payments which should have been made (and have therefore not been made on time) offenders will be liable to pay an additional 1.5% of the unpaid VAT amount and the Table tax amount for every month after the date the tax should have been paid
- If amendments are made after 3 years, this additional 1.5% tax will only be imposed for the amounts due in the first 3 years.

Breach of Law

Examples:

Filing late return
Submitting incorrect
information in return

- A penalty between EGP500 and EGP5000 (approx. US\$56 to US\$560)
- Payment of the VAT, Table tax and additional tax
- Penalties to be folded if repeated within three years

Tax Evasion

The law provides 19 scenarios which constitute tax evasion such as not registering for VAT tax within the deadline

- Prison terms from three to five years
- Penalty payment from EGP1,000 to EGP10,000 (approx. US\$112 to US\$1,120)
- Payment of the VAT, Table tax and additional tax
- Sanction to be folded if repeated within three years

Table Tax

Category	Table Tax	Table Tax + VAT	Exempt
Food/beverages	Vegetable oil, processed potato chips	Alcoholic beverages, carbonated drinks,	Sugar, tea, milk, bread
Electronics		Televisions larger than 32 inches, refrigerators larger than 16 ft., Air conditioners and their extensions	
Vehicles	Cars		Civil aircrafts
Building & construction materials	Gypsum		
Tobacco products	Tobacco		



Category	Table Tax	Table tax + VAT	Exemptions
Household Cleaning Products	Soaps and detergents		
Agricultural Products	Fertilizers and pesticides		
Services	Construction work (supply and installation), professional and advisory services	Mobile networking services	Free radio and TV transmission services, medical services, educational and research services, banking services, advertising services
Miscellaneous		Cosmetics	Sale and lease of vacant plots, agricultural lands, buildings and housing and non-housing units, medicine, gold
Petroleum	Petroleum products		



Calculating Taxes

Local goods and Services

Actual purchase amount paid or payable amount + Table tax amount

Imported Goods

Customs duty value + Customs duty + Table tax + any other imposed taxes or fees

Imported Services

Actual paid amount + Table tax

The VAT taxable amount includes:

- The amount paid by the purchaser or the service recipient
- All related expenses such as packing, stacking, transportation, insurance, charged by the seller to the purchaser or importer



Contact Us:

For more information on the exact tax rates applicable to your business please contact us

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