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Global Tax Alert

# Egypt introduces unified tax procedures law

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## Executive summary

On 19 October 2020, Law No. 206 of 2020 was published in Egypt's *Official Gazette*. The law introduces unified tax procedures for the assessment and collection of tax amounts that will be applied for income tax, value-added tax (VAT), state development tax, stamp duty and any other similar taxes. The law will apply to any procedures that were incomplete before 20 October 2020.

## Detailed discussion

### Key changes under the law

The law aims to unify procedures for different tax categories of a similar nature, and to establish the legal basis to transform tax procedures into the new tax e-system that aligns with the current dynamic digital economy. Below are some of the key changes highlighted within the new law:

- All articles in existing laws related to tax procedures are annulled.
- Confidentiality rights of taxpayers are maintained.
- Taxpayers will be able to submit documents/analysis in any language other than Arabic, provided they are translated and certified by an authorized translator.

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- An electronic signature will have the same authenticity as a written signature.
- Companies and other legal and natural persons selling a product or providing a service should register all their purchases and sales on the electronic system.
- The obligations and rights of the taxpayer and the Egyptian Tax Authority (ETA) are stated.
- Taxpayers must include a unified tax registration number in all correspondences and transactions.
- The ETA has the right to exchange information for tax purposes with jurisdictions that have tax treaties with Egypt, as well as with government agencies, public bodies, trade unions, associations and others for the purposes of law enforcement, without breaching the commercial, industrial or professional confidentiality of the taxpayer.

## Key features of the law

### Tax returns

All tax returns must be submitted through the accredited electronic system with an e-signature. Taxpayers will be required to pay a usage fee of up to EGP1,000 (US$63). The details on this have not been provided in the law.

*Original tax returns*

The tax return filing deadlines have been amended as follows:

- **Monthly VAT return**: The deadline for submitting the monthly VAT return, including for periods of nontaxable activity, will be the month following the end of the tax period. Previously, the deadline was two months following the end of the tax period. The VAT return frequency may be changed for importers and exporters, or those providing a service only once or twice a year, if approved by the head of the ETA or his delegates.
- **Quarterly salary tax returns**: Businesses must submit quarterly returns for salary taxes in January, April, July, and October of each year. The returns should include the number of employees, their personal details, total gross salaries and other taxable compensation, and salary tax withheld and remitted, along with a copy of the salary tax payment receipts.
- **Annual corporate tax return**: The law retains the same deadline for filing the annual corporate tax returns, which is four months from the financial year-end for companies and before 1 April for natural persons.

*Amended returns*

A taxpayer has the right to submit an amended return during the year following the due date set for submitting the annual return, unless the taxpayer has evaded tax or received an inspection notification.

If the amended return submitted reflects lower tax due than the original return, the ETA should review the amended return and approve the refund within six months from the date of application.

### Transfer pricing

Every legal person who has commercial or financial transactions with related parties is obliged to provide the ETA with documents related to the pricing of transactions, namely:

- **Master file,** which includes information on all members of the global group.
- **Local file**, which includes the transactions of the local taxpayer.
- **Country-by-Country Report**, which includes financial information on associated persons in the global group.

A taxpayer must prepare and submit the master file and the local file if its aggregate related party transactions exceed EGP8million for the year.

The law also stipulates a transfer pricing specific penalty for non-compliance, thereby completing the transfer pricing legislative framework. The penalty imposed by the Unified Tax Procedures Law is 1% of the total value of the related party transactions that are not declared in the taxpayer's corporate income tax return.

### Advance ruling procedures

The law shortens the period for the ETA to release an opinion when a ruling application is submitted. The revised period is 30 days from the date when all required documents are submitted, instead of the earlier 60-day period.

### Document retention

Taxpayers are required to maintain books and records including invoices for a period of five years following the submission of the tax return.

### Statute of limitations

The period during which the ETA may inspect a taxpayer's books and records will be five years from the date of filing the tax return, except for tax evasion cases where the period is six years.

### Tax clearance certificate

Taxpayers who intend to refund any overpaid amounts from the ETA should obtain a tax clearance certificate from the ETA confirming that there are no outstanding taxes due. The ETA should issue the certificate within 40 days from the date of submission of the request.

### Tax appeal procedures

The new dispute levels remain similar to the previous law, and include the Inspection level, Internal Committee, High Appeal Committee and courts. However, the law includes a new level that enables taxpayers to settle their tax disputes by filing a settlement request to the ETA concerned for the disputed items, provided that the file is still under discussion and not yet held for the issuance of a decision by the High Appeal Committee.

The appeal deadlines remain the same. However, the new law states that the appeal letter must include precisely all dispute aspects mentioned within the tax assessment and the substantial reasons of the appeal. Appeals that do not include details of the disputed items will be disregarded.

### Crimes and sanctions

The law sets a new range of fines and penalties for non-compliance with tax laws, as well as new tax evasion settlement procedures.

## Implications

Taxpayers should assess the application of the newly issued law on their business.

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