

Egypt amends Unified Tax Procedures Law

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Executive summary

Egyptian Law No. 211 (the law) was published in the *Official Gazette* on 3 December 2020. The law amends the recently issued Unified Tax Procedures Law No. 206 of 2020, introducing stricter penalties for non-compliance relating to transfer pricing documentation and tax return filing. The law came into force on 4 December 2020.

Detailed discussion

Transfer pricing penalties

The law establishes the following penalties for transfer pricing non-compliance:

Non-compliance	Amount of penalty
For corporate income tax returns due to be filed on or after 20 October 2020, failure to declare accurate value of related party transactions (Table 508)	1% of the total value of the taxpayer's undeclared related party transactions (local and cross-border transactions) during the fiscal year
Failure to submit a master file or local file on time	3% of the total value of the taxpayer's related party transactions (local and cross-border transactions) during the fiscal year
Failure to submit a Country-by-Country (CbC) report (if the taxpayer is the ultimate parent entity of a multinational group) or notification (if the taxpayer is the constituent entity) on time	2% of the total value of the taxpayer's related party transactions (local and cross-border transactions) during the fiscal year

Where there is multiple non-compliance, the penalties payable by a taxpayer for a fiscal year are capped at 3% of the total value of the taxpayer's related party transactions (local and cross-border transactions) for that year.

The penalties related to the master file, local file and CbC report or notification apply to documents required to be submitted to the Tax Authority on or after 4 December 2020.

Tax return penalties

The law imposes penalties ranging from EGP50,000 to EGP2m for monthly value added tax (VAT) returns, quarterly salary tax returns and annual corporate income tax returns that are filed more than 60 days after the filing due date.

If the non-compliance occurs for six VAT returns or three corporate income tax returns, the taxpayer may also be subject to imprisonment for a period between six months and three years.

Implications

The amendments in Law No. 211 impose significant penalties for failing to comply with transfer pricing documentation and tax return filing deadlines. Taxpayers should ensure they are able to meet their compliance obligations on a timely basis to reduce the risk of penalties.

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EYG no. 008983-20Gbl

1508-1600216 NY
ED None

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