

Egypt amends progressive individual income tax rates and penalties applicable on tax return differences

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Executive summary

On 7 May 2020, Law no. 26 of 2020 was issued by the Egyptian Government to introduce new progressive tax rates for individual income tax purposes that will apply as from 1 July 2020 with respect to income related to salaries. For other types of income (commercial, industrial and manufacturing (sole partnership), professional, non-commercial or real estate taxpayers), the new progressive income tax rates are applicable as from the first tax period ending after the publication of the law (7 May 2020). The law also introduced amendments to penalties applicable on tax return differences.

Detailed discussion

On 7 May 2020, the Egyptian Government issued Law no. 26 of 2020 amending certain provisions of the income tax law no. 91 of 2005 as follows:

- ▶ Article (8) of the law regarding the income tax rates applicable to natural persons (individuals)
- ▶ Article (13) of the law regarding the annual personal income exemption
- ▶ Article (87 Bis) of the law regarding the penalties applicable on the tax return differences

Amendments of Article (8) and Article (13) - related to Personal income tax (PIT)

The new amendments abolished the tax discounts on the income of natural persons.

Under the new law, the applicable progressive tax rates will depend on the taxpayer's level of annual income. The law increased the personal exempted allowance to direct the subsidies to those who are entitled to them, supporting the lower income brackets, and reducing the tax burden.

The amended income tax rates on the annual personal net incomes are:

Income Tax Rate	Annual net income less than 600,000	Annual net income more than 600,000 and less than 700,000	Annual net income more than 700,000 and less than 800,000	Annual net income more than 800,000 and less than 900,000	Annual net income more than 900,000 and less than 1,000,000	Annual net income more than 1,000,000
0%	From 1 to 15,000					
2.50%	From 15,001 to 30,000	From 1 to 30,000				
10%	From 30,001 to 45,000	From 30,001 to 45,000	From 1 to 45,000			
15%	From 45,001 to 60,000	From 45,001 to 60,000	From 45,001 to 60,000	1 to 60,000		
20%	From 60,001 to 200,000	From 60,001 to 200,000	From 60,001 to 200,000	From 60,001 to 200,000	1 to 200,000	
22.50%	From 200,001 to 400,000	From 200,001 to 400,000	From 200,001 to 400,000	From 200,001 to 400,000	From 200,001 to 400,000	From 1 to 400,000
25%	More than 400,000	More than 400,000	More than 400,000	More than 400,000	More than 400,000	More than 400,000

* All amounts are in EGP

* The sum of annual net income shall be rounded- upon computation of the tax- to the nearest lower ten EGP.

► The annual personal exemption increased from EGP7,000 to EGP9,000.

► **These new rates are applicable:**

- For salary taxpayers, starting from 1 July 2020.
- For commercial, industrial and manufacturing (sole partnership), professional, non-commercial or real estate taxpayers, starting from the following tax period ending after issuance of this law (i.e., 1 January 2020).

Amendments of Article (87 Bis) - related to annual tax returns

1. If the tax due as per the tax return is less than the final tax due amount, the company shall be liable to the following penalties:
 - a. 20% of the difference between final tax due as per the Egyptian Tax Authority (ETA) and the tax due as per the tax return, this will apply if the difference is less than 50% of the final tax due.
 - b. 40% of the difference between final tax due as per the ETA and the tax due as per the tax return, this will apply if the difference is more than 50% of the final tax due.
2. If the taxpayer did not file their tax return, they shall be liable to a penalty calculated as 40% of the final tax due.

It is important to note that the penalties set forth in no. 1 and 2 above can be reduced by 50%, if an agreement is made between the taxpayer and the ETA before the appeal committee.

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