

THE INCOME TAX LAW AND ITS EXECUTIVE REGULATIONS



الضرائب.. مصاحتك أولاً

January 2007



**The Income Tax Law
Promulgated by
Law No.91 of 2005
And Pursuant Executive Regulations**

**Issued by
Miniserial Decree No. 911 of 2005**

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**The Income Tax Law
Promulgated by
Law No. 91 of 2005**

January 2007

The Income Tax Law⁽¹⁾

Promulgated By Law No. 91 of 2005

In the name of the people,

The President of the Arab Republic of Egypt,

The People's Assembly has approved the following law, and we have promulgated it:

(First Article)

The provisions of the attached law shall apply with respect to the income tax.

(Second Article)

The income tax law promulgated by Law No. 157 of 1981 shall be repealed, and Appeal Committees established according to the provisions of the said income tax law shall, until December, 31st 2005, continue to look into the tax disputes related to the years up to the end of 2004. Thereafter, unresolved disputes shall be referred, as they stand, to the committees established under the attached law.

Likewise, the exemptions for periods which were specified in the above-cited law will remain valid for those persons whose exemption periods started before the effective date of the current law, until the said periods eventually end.

Clause i of Article (1) of law no. 147 of 1984, imposing the State Financial Resources Development Levy shall be repealed.

(Third Article)

Articles (16, 17, 18, 19, 21, 22, 23 (bis), 24, 25 and 26) of the Investment Guarantees and Incentives Law promulgated by Law No. 8 of 1997 shall be repealed.

⁽¹⁾ Published in the Official Gazette Issue no. (23) bis dated June 9th, 2005.

The exemptions stipulated in the aforementioned articles shall remain valid for companies and firms whose exemption periods had started before the effective date of this law until the said periods eventually end.

The companies and firms were established under the above-mentioned law, but which have not commenced operation or production until the effective date of this law, shall, in order to be entitled to the exemptions prescribed in the above-cited law, be required to start operation or production within a maximum three years from the effective date of this law.

(Fourth Article)

Every person shall be exempt from payment of all taxes due on his income as well as all the General Sales Tax amounts due for tax periods preceding the effective date of this law as well as delay fines, penalties, additional taxes and the like associated therewith provided the following two conditions are met:

First: The person must not have been registered or have filed a tax return or have been subject to any form of tax audit by the Income Tax Authority or the Sales Tax Authority.

Second: The taxpayer shall file an income tax return for the latest tax period including all pertinent information, and shall apply for registration with the Sales Tax Authority if he has reached the registration threshold, before elapse one year from the effective date of this law.

The exemption shall be rescinded if the taxpayer fails to file his income tax returns on a regular basis for the following three tax periods.

(Fifth Article)

Litigation in all lawsuits, registered with or being heard by all courts of different degrees before October 1st 2004, between the Tax Authority and taxpayers, whose subject-matter is a disagreement over tax assessment shall be rescinded and all claims for unpaid taxes relating thereof shall cease, providing the annual tax base subject to dispute does not exceed ten thousand pounds.

In all cases, the rescinding of litigation shall not entitle a taxpayer to recover what he has already paid on account of the tax due against the disputed tax base, all unless a taxpayer insists on proceeding with the litigation in the lawsuit by a request submitted to the court hearing the lawsuit within six months from the effective date of this law.

(Sixth Article)

In lawsuits other than those referred to in the Fifth Article above, taxpayers involved in existing disputes with the Tax Authority registered with or being heard before courts of law of different degrees before October 1st, 2004 shall be entitled to request the termination of such disputes within one year from the effective date of this law against payment of a percentage of the tax and other amounts due on the disputed annual tax base according to the following brackets:

1. (10%) of the amount of tax and other amounts due on the disputed base if the amount does not exceed one hundred thousand pounds.
2. (25%) of the amount of tax and other amounts due on the disputed base in relation to the portion in excess of one hundred thousand pounds and up to five hundred thousand pounds of that base, after paying the percentage provided for in item (1) above for the portion that does not exceed one hundred thousand.
3. (40 %) of the amount of tax and other amounts due on the disputed tax base in relation to the portion in excess of five hundred thousand pounds, after paying the two percentages provided for in items (1, 2) for the portion that does not exceed five hundred thousand pounds of that base.

The settlement by the taxpayer of the percentages according to the preceding clauses will result in the complete discharge of the disputed tax and other amounts and the litigations in the lawsuits will be terminated if the taxpayer submits to the court evidence of the settlement.

In all cases, the termination of litigation will not entitle a taxpayer to recover what has already been paid on account of the disputed tax.

(Seventh Article)

With exception to item [1] of article (52) of the attached law, debit interest shall be deductible for loans and advances obtained by legal persons in excess of four-fold the average equity rights, and up to eight-fold of that average for the period beginning from tax year 2005 and ending by the end of tax year 2009, according to the following table:

8:1 for the tax year 2005

7:1 for the tax year 2006

6:1 for the tax year 2007

5:1 for the tax year 2008

4:1 for the tax year 2009

(Eighth Article)

The Minister of Finance shall issue the Executive Regulations for this law and the attached law within six months from the date of publication in the Official Gazette. Until the Executive Regulations is issued, regulations and decrees currently in force will remain valid where they do not conflict with the provisions of these two laws.

(Ninth Article)

This law shall be published in the Official Gazette and shall be effective from the day following its publication, subject to the following:

1. Provisions of the attached law shall apply with respect to salaries and the like from the beginning of the month following its publication date in the Official Gazette.
2. Provisions of the attached law shall apply with respect to revenues of commercial and industrial activity, revenues of non-commercial professions and revenues from real estate of natural persons as of tax period 2005.

Provisions of the attached law shall also apply to the profits of legal persons as of the tax period 2005 or the tax period of the legal person that starts after the effective date of this law.

This law shall be affixed with the seal of the State and shall be executed as a law thereof.

Issued at the Presidency of the Republic on the 1st of Gamady Al Ula, 1426 A.H. (corresponding to June 8th, 2005).

Hosny Mubarak

- The Minister: Minister of Finance
- Commissioner: Commissioner of the General Income Tax Authority
- The Authority: the General Income Tax Authority
- Taxpayer: natural or legal persons taxable according to the provisions of this law
- Shareholding Companies: joint stock companies, companies limited by shares, and companies with limited liability
- Partnerships: general company and limited partnerships
- De Facto Corporation: company established by natural persons without fulfilling the establishment or notification procedures, except for cases resulting from the inheritance of a sole proprietorship
- Project: an economic entity practicing its main activity in Egypt or a permanent establishment in Egypt affiliated to an economic entity abroad
- Related Person: any person related to a taxpayer in a way that affects the determination of the tax base, including:
 1. Husband, wife, descendants, and ascendants
 2. A corporation and the person who directly or indirectly holds therein at least 50% of the number or value of shares or voting rights
 3. Partnerships, general partners, and silent partners
 4. Any two or more companies in which another person holds at least 50% of the number or value of shares, or voting rights in each
- Market price: the price upon which two or more unrelated persons deal, determined according to market forces and transaction conditions

- **Royalties:** amounts paid, of any kind, in return for using, or the right to use, copyrights related to a literary, artistic, or scientific work, including cinema movies, and the use of any patent, trademark, design, model, plan, formula, or secret process, or in return for using or the right to use scientific, commercial, or industrial equipment, or information related to scientific, commercial, or industrial expertise.

Article (2): In applying the provisions of this law, a natural person is an Egyptian resident, in any of the following cases:

1. If s/he has permanent residence in Egypt.
2. If s/he resides in Egypt for more than 183 continuous or intermittent days within twelve months.
3. An Egyptian working abroad and receiving income from an Egyptian treasury.

A legal person is deemed resident in Egypt in any of the following cases:

1. If established according to Egyptian law.
2. If its main or effective place of management is in Egypt.
3. If it's a corporation in which the state or any state-owned legal person hold more than 50% of its capital.

The executive regulations of this law shall define the rules for determining permanent residence and effective place of management.

Article (3): Income earned from a source in Egypt includes the following:

- a) Income from services rendered in Egypt, including salaries and the like.
- b) Income paid by an employer residing in Egypt, even if the work is performed abroad.
- c) Income earned by a sportsman, or an artist for activity performed in Egypt.
- d) Income earned by a non-resident, for work undertaken through a permanent establishment in Egypt.

- e) Income realized from the disposal of movable property of a permanent establishment in Egypt.
- f) Income realized from the use and disposal of real estate and the like located in Egypt, and annexed property thereof.
- g) The dividend on shares held by a shareholding company resident in Egypt.
- h) The profit paid by a partnership resident in Egypt.
- i) The return paid by the government, local Authority Units, state-owned legal persons or any resident in Egypt, and return paid by a permanent establishment in Egypt even if the owner thereof is not residing therein.
- j) The rental payments, licensing fees, and royalties paid by a person residing in Egypt or by a permanent establishment in Egypt even if the owner is not resident therein.
- k) The income from any other activity carried out in Egypt.

Article (4): A permanent establishment, in applying the provisions of this law, means each fixed place of business through which some or all works of projects of a non-resident in Egypt is carried out. This particularly includes:

- a) A place of management.
- b) A branch.
- c) A building used as a sales outlet.
- d) An office.
- e) A factory.
- f) A workshop.
- g) A mine, oil field, natural gas well, quarry, or any other place for extracting natural resources, including timber or any other product from forests.
- h) A farm or plantation.
- i) A building site, construction project, assembly, preparations, or supervisory activities related to any of these.

There shall be deemed as a permanent establishment a person working for an affiliated project who has the authority to conclude and ratify contracts in the name of the project, unless such person's activity is restricted to the procurement of commodities or goods for the project.

The following are not deemed to be a permanent establishment:

1. Using special facilities only for the storage and display of goods and commodities owned by a project;
2. Maintaining an inventory of commodities and goods owned by a project for storage or display purposes;
3. Maintaining an inventory of commodities and goods owned by a project only for the purpose of reprocessing them by another project;
4. Maintaining a permanent place for an activity that only undertakes the purchase of goods or commodities or the gathering of information for a project;
5. Maintaining a permanent place for an activity that only undertakes work of a preparatory or supporting nature to a project;
6. Maintaining a permanent place of work in which any group of activities referred to in the aforementioned items is undertaken, provided that the overall activity of the fixed place of work, and the result of the activities, is only of a preparatory or supporting nature.
7. Industrial or commercial works carried out by a foreign company through a broker or a general agent on commission, or any other independent agent, unless it is proved that the broker or agent has dedicated most of its time or effort during the tax period for the interest of the foreign company.

Control by a non-resident company over another resident company shall not mean that the resident company is a permanent establishment for the other.

Article (5): A tax period is the financial year beginning the first of January and ending on 31st of December each year, or any period of twelve months which is used as a base for computation of the tax.

The tax may be calculated for a period shorter or longer than twelve months. The executive regulations of this law shall determine the accounting procedures for such period.

The tax becomes due on the next day following the end of a tax period, and shall also become due on the death of a taxpayer, or cessation of a taxpayer's residency, or the permanent discontinuance of a taxpayer from practicing the activity.

BOOK TWO

INCOME TAX OF NATURAL PERSONS

Section One Tax Scope and Rate

Article (6): An annual tax shall be imposed on the total net income of resident and non-resident natural persons in respect of their incomes earned in Egypt. The total net income comprises the following sources:

1. Salaries and the like;
2. Commercial or industrial activity;
3. Professional or non-commercial activity;
4. Real estate.

Article (7): Tax is due on the total net income in excess of five thousand pounds earned by a resident taxpayer during the year.

Article (8): The tax rates are as follows:

First bracket:	More than 5,000 up to 20,000 pounds	10%
Second bracket:	More than 20,000 up to 40,000 pounds	15%
Third bracket:	More than 40,000 pounds	20%

On computing the tax, the total annual net income shall be rounded to the nearest lower ten pounds.

Section Two Salaries and the Like

Article (9): The tax applies to salaries and the like as follows:

1. All earnings by a taxpayer resulting from work for third parties, with or without a contract, on a regular or irregular basis, regardless of such dues names, forms or reasons, whether they are for works performed in Egypt or abroad, and the consideration thereof was paid from a source in Egypt, including wages, bonuses, incentives, commissions, grants, additional payments, allowances, dividends or shares in profits and cash and in-kind benefits of all types;

2. All earnings by a taxpayer from a foreign source for work performed in Egypt;
3. Salaries and remunerations of non-shareholding chairpersons and board members of public sector and public business sector companies;
4. Salaries and remunerations of chairpersons, board members and managers of corporations in return for their administrative work.

The Executive Regulations of this law shall specify the basis for estimating the value of in-kind benefits.

Article (10): Revenues included in the taxable base shall be determined for each part of a year in which any taxable revenue was earned in proportion to a year, based on the monthly revenue after transferring it to annual revenue.

If a change occurs in the taxable base, the calculation of the base shall be adjusted from the date of change based on the new or old base, whichever is less, after transferring such to annual revenue. An adjustment must be made every year according to the procedures and rules specified by the Executive Regulations of this law.

Block salaries, wages and the like paid in a single payment in a specific year must be apportioned among the years of entitlement, after excluding payments in lieu of vacations. Income included in the tax base must be recalculated for each year, and the tax due shall be adjusted accordingly.

Article (11): As an exception to the provisions of article (8) herein, tax is imposed on all amounts paid to non-residents, regardless of the agency or body employing them, for undertaking services under its supervision. Tax is also imposed on amounts earned by residents from other than their original place of employment at a rate of (10%) without any reduction to cover costs, and without further deductions.

In all cases, the tax shall be withheld and remitted to the competent tax office within the first fifteen days of every month, according to the rules and procedures specified in the Executive Regulations of this law.

Article (12): Tax shall not apply on:

1. Pensions
2. Severance allowances

Article (13): Without prejudice to other tax exemptions granted by special laws, the following are tax exempt:

1. An amount of 4000 pounds as the annual personal exemption for the taxpayer;
2. Social insurance contributions and other payments deducted according to the provisions of the Social Insurance Laws or any alternative systems thereto;
3. Employees' subscriptions in private insurance funds established according to the provisions of the Private Insurance Funds Law, promulgated by law no. 54 of 1975.
4. Life and health insurance premiums for the taxpayer, or in favor of his wife or minor children; or any insurance premiums for pension entitlement.
5. The following collective in-kind benefits:
 - a) Meals offered to employees;
 - b) Collective transportation of employees or the equivalent cost;
 - c) Health care;
 - d) Tools and clothing necessary for performing the work.
 - e) Accommodation provided by an employer to employees for the performance of work.
6. Employees' profit sharing distributed according to the law.
7. Amounts received by members of the diplomatic and consular corps, international organizations and other foreign diplomatic representatives, in the scope of their official work, on condition and to the extent of reciprocity.

For items (3) and (4), the total exemption for a taxpayer shall not exceed (15%) of the net revenue or three thousand pounds, whichever is greater. The same contributions and premiums (paid) from any other income stipulated in article (6) of this law may not be repeatedly exempted.

Article (14): Employers and those required to pay taxable revenues, including companies and projects established under the free zones regime, shall withhold, from the amounts payable and stipulated in article (9) of this law, an amount on account of the due tax, according to an amount determined by the Executive Regulations of this law. They shall remit to the competent tax office within the first fifteen days of each month the payments withheld in the previous month.

Employers and those required to remit such revenue shall pay any tax differences due, without prejudice to their right to claim from the taxpayer what is owed.

Article (15): The person responsible for withholding and remitting the tax according to article (14) of this law shall:

1. Submit, to the competent tax office, a quarterly tax return in January, April, July and October of each year, using the form developed for such purpose.
2. Provide the employee, at the employee's request, with a statement indicating full name, amount and type of income and amount of tax withheld.

The Executive Regulations shall specify the rules and procedures for implementing the provisions of this article.

Article (16): If an employer or a person required to pay taxable revenue is a non-resident of Egypt, or does not have a headquarters or an establishment therein, the obligation to remit the tax falls on the person entitled to such taxable revenue, according to the rules and procedures determined by the Executive Regulations of this law.

Section Three Commercial and Industrial Activity

Article (17): Profits of the commercial and industrial activity shall be determined based on the revenue resulting from all commercial and industrial operations. This includes gains from the sale of a company's assets as stipulated in items (1), (2) and (4) of article (25) herein, profits realized from compensation received by a taxpayer because of depreciation or acquisition of any of such assets, as well as the liquidation proceeds realized during the tax period after allowing all deductible costs.

Net profit is determined based on the income statement developed according to the Egyptian Accounting Standards. The tax base is determined by applying the provisions of this law to the net profit.

Article (18): The tax accounting rules and the principles and procedures for collecting the tax on profits of small enterprises shall be issued by a Minister's decree. This shall not conflict with the provisions of The Small Enterprises Development Law promulgated by Law no. 141 of 2004, and shall be consistent with their nature and facilitate their tax treatment.

Chapter One—Taxable Revenues

Article (19): Tax shall be imposed on the profits of commercial and industrial activity, including:

1. Profits of commercial or industrial or mining or quarrying and petroleum establishments;
2. Profits of craftsmen and small businesses;
3. Profits realized from any commercial or industrial activity even if limited to one single deal. The Executive Regulations of this law shall indicate the rules of what is deemed to be a single deal when applying the provisions of this clause.
4. Profits realized from a transaction or transactions carried out by brokers and agents on commission, and in general, all profit realized by any person who is engaged in the brokerage business to purchase, sell or lease real property or any kind of goods, services or movable values.

5. Profits realized from the leasing of a commercial or industrial shop, whether the lease includes all or part of its tangible or intangible elements; as well as profits from leasing mechanical and electrical machinery, excluding farm tractors, irrigation machines and their accessories, and machinery and equipment used in agriculture.
6. Profits from all kinds of transportation activity.
7. Profits realized by those engaged in the construction or purchase of real estate with the intention of selling them professionally, whether the profits result from selling the property as a whole or divided into apartments or rooms or administrative or commercial units or otherwise.
8. Profits realized from land parceling operations whether for sale or construction.
9. Profits from land reclamation or cultivation establishments, poultry farms or mechanical hatcheries projects, cattle and livestock farms of more than 20 head, and fish farms and fisheries projects.

Article (20): Tax shall not apply to profits from the revaluation of the assets of a sole proprietorship when providing this as an in-kind share to the capital of a joint stock company, providing that the shares corresponding to the in-kind share are nominal, and shall not be disposed of within five years.

Article (21): The taxable net income of an establishment is determined, for all long-term contracts it is engaged in, on the basis of what percentage of each contract is executed during the tax period. The percentage of the part of each contract that has been executed is determined on the basis of the actual cost of the works implemented until the end of the tax period prorated to the contract's total estimated cost.

The calculated contract profit is determined by the difference between contract values and cost estimates.

The contract's estimated profit during each tax period is determined by the percentage of the profit, estimated according to the previous paragraph,

prorated to that executed during the tax period; provided that the contract profit is adjusted at the end of the tax period in which the contract was completed. Such profit shall be calculated on the actual revenues reduced by the actual costs after deducting the previously estimated profits.

If the closing accounts in the tax period of a contract completion concluded a loss, that loss shall be deducted from the profits of previous tax period(s) specified for completion of works, providing that the deduction does not exceed the contract profit during the period. The tax must be recalculated on this basis and the taxpayer shall recover the excess that had been paid.

If the loss from the contract execution exceeds the limits referred to in the previous paragraph, the outstanding losses shall be carried forward to the following years, according to the provisions of article (29) herein.

In applying the provisions of this article, a “long-term contract” means a manufacturing, preparation or construction contract, or performance of associated services thereof, carried out by an establishment for third parties based on a fixed value, and the implementation shall take more than one tax period.

Chapter Two—Determination of the Tax Base

Article (22): The taxable commercial and industrial net profit is determined on the basis of the gross profit after deducting all costs and expenses needed to realize such profits. The deductible costs and expenses must be:

1. Related to the commercial or industrial activity of the firm and essential for carrying out the activity.
2. Real and supported by documents, except for costs and expenses which customarily have no supporting documents.

Article (23): The following costs and expenses are particularly deductible:

1. Interests on loans used in the activity, regardless of their value, after deducting the non-taxable or legally exempted credit interest.
2. Depreciation of the firm's assets, as stipulated in article (25) of this law.
3. Fees and taxes paid by the firm, except for the tax paid by the taxpayer according to this law.
4. Social insurance contributions by employers in favor of their employees and their own personal interest, which are paid to the National Authority for Social Insurance.
5. Amounts deducted annually by firms from their funds or profits for the account of the special saving or pension funds and the like, whether these firms are established in accordance with the Private Insurance Funds Law no. 54 of 1975, or the Alternative Private Social Insurance Systems Law no. 64 of 1980, or according to a system that has its own special regulations or terms, provided that the amount deducted does not exceed (20%) of the total salaries and wages of their employees, and provided that the system has its own regulations or terms stipulating that the payments made by them under such a system serve as severance or pension, and that the funds of the system are separated or independent from the firm's funds and are invested for its own account.
6. Insurance premiums taken out by the taxpayer against his disability or death, or to provide for a sum of money or annuity, provided that the amount of the premium is not more than 3000 pounds per annum.
7. Donations to the government, Local Authority Units and other public legal entities, whatever their value.
8. The donations and subsidies to Egyptian non-governmental organizations and foundations registered in accordance with the provisions of their respective regulatory laws, as well as to educational institutions and hospitals subject to governmental supervision, and Egyptian scientific research institutions,

providing they do not exceed (10%) of the taxpayer's annual net profit.

9. Financial penalties and indemnities borne by the taxpayer resulting from his contractual liabilities.

Article (24): The following costs and expenses are not deductible:

1. Different types of reserves and allowances.
2. Fines, financial penalties and indemnities ruled against a taxpayer due to his or one of his affiliates' commissions of an intentional felony or misdemeanor.
3. The income tax due according to this Law.
4. Interest paid on loans which exceed double the credit and discount rate declared by the Central Bank at the beginning of the calendar year in which the tax period ends.
5. Interest on loans and debts of different types paid to non-taxable or tax exempt natural persons.

Article (25): Depreciation of a firm's assets is to be calculated as follows:

1. (5%) of the cost of procuring, constructing, developing, renovating or reconstructing any building, establishment, ships and aircrafts, for each tax period.
2. (10%) of the cost of procuring, developing, improving or renewing any of intangible assets purchased, including goodwill, for each tax period.
3. The following two categories of assets are to be depreciated according to the Depreciable Base System at the rates corresponding to each:
 - a) computers, information systems, software and data storage equipment, 50% of the depreciable base for each tax year.
 - b) all other assets, 25% of the depreciable base for each tax year.
4. No depreciation shall be calculated for land, works of art, monuments, jewelry and other assets which by nature are not depreciable.

Serious actions to recover the debt include the following:

- a) Obtaining a performance writ for payment in cases where this is possible.
- b) Issue of a judgment by a court of first instance obliging the debtor to pay the amount of the debt.
- c) Claiming the amount of the debt during procedures of implementing a court judgment for the debtor's bankruptcy or concluding a conciliatory agreement preventive of bankruptcy.

If the debt or part is collected, the amount collected must be included in the firm's revenues in the year in which the collection took place.

Article (29): If the final account of a year is closed in a loss, the loss shall be deducted from the succeeding year's profits. If, however, part of the loss remains, it shall be carried forward to the succeeding years up to the fifth year, after which no loss can be carried forward.

Article (30): If related persons have set conditions for their commercial or financial transactions other than those operative among non-related persons, either to reduce the tax base or to shift the tax burden from a taxable person to an exempt or non-taxable one, the Authority is entitled to determine the taxable profit on the basis of the neutral price.

The Commissioner may conclude agreements with such related persons to follow one or more ways in determining the neutral price in their transactions.

The Executive Regulations of this Law shall determine methods of calculating the neutral price.

Chapter Three—Exemptions

Article (31): Tax exempted:

1. Profits of land reclamation or cultivation enterprises, for ten years from the date of activity inception.
2. Poultry farming, apiculture, livestock husbandry and fattening, fisheries, fish farming enterprises and fishing boats enterprises profits, for a period of ten years from the date of activity inception.
3. Proceeds of transactions among natural persons achieved from their investment in securities registered with the Egyptian Stock Exchange Market. Any losses resulting from these transactions cannot be deducted or carried forward to succeeding years.
4. Natural persons proceeds from:
 - Securities and financial deeds of different types, registered with the Egyptian Stock Exchange Market, whether issued by the State or shareholding companies.
 - Dividends from shares in joint stock companies and partnerships limited by shares.
 - Dividends from equity quotas in limited liability companies, partnerships, and partnerships limited by shares.
 - Dividends from investment securities issued by investment funds.
5. Interest which natural persons receive from their deposits and saving accounts in banks registered in the Arab Republic of Egypt; from the investment, saving and deposit certificates issued by said banks; deposits and saving accounts kept with post office funds and securities and deposit certificates issued by the Central Bank.
6. Profits realized from new projects set up by funding from the Social Fund for Development to the extent of such funding for a period of five years from the date of starting the activity or starting production, as applicable. This exemption will only apply to those whose names were signed in the loans of the Fund.

Section Four Revenues of Non-Commercial Professions

Chapter One—Taxable Revenues

Article (32): The tax shall be imposed on:

1. Net revenues on self-employed professions and other non-commercial professions which the taxpayer practiced independently and of which the basic element is work, if they have resulted from the practice of the profession or activity in Egypt.
2. Revenue received by intellectual property rights' holders from selling or using their rights.
3. Any other revenues resulting from any occupation or activity not stipulated in article 6 of this law.

Chapter Two—Determination of the Tax Base

Article (33): Revenues included in the taxable revenues shall be determined annually on the basis of net revenues during the preceding year. The revenue of non-commercial professions includes proceeds from the disposal of any professional assets and those resulting from the transfer of expertise or from the assignment in full or in part of the office of the profession's practice or any receipts from the closure of the office.

The determination of net revenues is those revenues from various operations according to the provisions of this law, after deducting all costs and expenses necessary for carrying out the profession, including asset depreciation in accordance with the simplified accounting principles issued by a decree from the Minister.

The following costs are deductible:

1. Registration fees, annual subscriptions and profession's practice fees.
2. Taxes paid by the taxpayer for the practice of the profession, other than the tax paid in accordance with this Law.
3. Amounts paid by the taxpayer to his syndicate in accordance with its pension system.

4. Life and health insurance premiums paid by the taxpayer in his own favor or in favor of his wife and minor children.

In the application of the provisions of items 3 and 4, the total amount exempted from the taxable revenue cannot exceed 3000 Pounds per annum.

The same deductions cannot be applied to other income stipulated in article 6 of this law.

Article (34): Donations to the Government, local Administrative Units, and Public Legal Persons may be deducted from net revenues as stipulated in article 32 provided that the amount deducted does not exceed the net annual revenue. Also, donations and assistance granted to recognize Egyptian Non - governmental Organization according to the provisions of their respective regulatory laws and to educational institutions and hospitals that are subject to the supervision of the government as well as Egyptian scientific research institutions, but not more than 10% of the annual net revenue.

The same deductions cannot be applied to other income stipulated in article 6 of this law.

Article (35): From the taxpayer's total revenue, all costs and expenses necessary to earn the revenue may be deducted based on the proper accounts supported with related documents, including costs and expenses which customarily have no supporting documents according to the Executive Regulations of this law; however, in case of no proper books are maintained, the deduction will be limited to 10%.

In applying the provisions of this Part, article 29 of this law will apply if the taxpayer was maintaining proper books.

Chapter Three—Tax Exemption

Article (36): The following shall be tax exempt:

1. Educational institutions, subject to the supervision of the government, public legal persons, Public Sector or State-Owned Enterprises.
2. Revenues of editing and translating books and religious, scientific, cultural and literary articles, except for proceeds from the sale of printed work or translation with a view to producing it in an audio or visual format.
3. Revenues realized by teaching staff at universities and institutes for their books and teaching notes authored for distribution among students according to the regulations and prices set by the universities and institutes.
4. Revenues of members of the Formative Artists Syndicate pursuing the production of photography, sculpture and engraving artworks.
5. Revenues of self-employed professionals registered as members of their professional syndicates in their fields of specialization, but only for three years from the date of practice. They shall not be liable to tax until the beginning of the month following the lapse of the aforementioned exemption period, added to which is the training period required by the profession's practice law, public service period, military service or reserve service period if it is subsequent to the date the practice commenced. The period of exemption will be limited to one year for whoever practices the profession for the first time if fifteen years have elapsed since his graduation. For the exemption to be valid, the taxpayer must practice the profession individually, without partnership with others, unless they are also tax-exempt.

Section Five Real Estate Revenues

Chapter One—Taxable Revenues

Article (37): Taxable revenues include the following:

1. Revenues from agricultural land.
2. Revenues from constructed real estate.
3. Revenues from furnished units.

Chapter Two—Determining Taxable Revenues

Article (38):

1. Agricultural land revenue is determined as the rental value taken as a base for assessing the tax imposed according to law no. 113 of 1939 concerning agricultural land tax, after deducting 30% for all costs and expenses.
2. Revenues from horticultural crops from productive orchards are determined on areas exceeding three feddans, and from ornamental, medicinal and aromatic plants on an area exceeding one feddan, and nurseries, regardless of their crop areas, unless those nurseries are for the personal use of their owners, and based on a value equivalent to the rental value considered as a base for imposing the tax according to law No. 113 of 1939 above-cited, if the nursery owner is a tenant. If the nursery owner is the landlord himself, the revenues are determined on the basis of twice the rental value aforementioned. The taxable revenues stipulated in item (1) of this article shall not be included in the taxable base. The taxable bases are determined after deducting 20% of these revenues for all costs and expenses.

The Minister shall, in consultation with the Minister of Agriculture, issue a decree specifying the age at which fruit trees are considered productive, together with a list of horticultural crops.

The net taxable revenues are determined in the name of the landholder, whether he was the landowner or a tenant of the land. No other agreement or condition shall be binding to the tax authority.

The taxpayer, his spouse and his minor children are considered one landholder in applying the provisions of item (2) of this article. Revenues shall be determined in his own name, unless ownership has been transferred to his wife or minor children from other than the husband or the father according to each case.

The landholder, either as the landlord or a tenant, is obliged to submit data about the crop areas to the Competent Tax Office for each species of fruit trees grown; within thirty days from the date those trees were considered productive. He is also obliged to submit information about the crop areas of ornamental, medical or aromatic plants, or nurseries of horticultural crops, within sixty days from the date of planting. If the plants are removed, the holder must notify the Competent Tax Office about the removal within thirty days of its occurrence.

Article (39): Revenues from constructed real estate are determined on the basis of the gross rental value considered as the base for the tax imposed by law no. 56 of 1954, after deducting 40% for all costs and expenses, in addition to the rental value of the private residence of the taxpayer and his family. Revenues from the right of usufruct report are treated the same as revenues from wholly owned property.

The taxable revenue is determined on the actual rental value, reduced by 50% for all costs and expenses, for those revenues from the lease of real estate or part of it, according to the Civil Law Provisions.

Article (40): The taxpayer may request that the taxable income of real property, stipulated in article 38 and the first paragraph of article 39 of this law, be calculated on the basis of the actual revenue, provided that his application includes all his agricultural lands and constructed real estate.

An application must be filed within the period set for the filing of annual returns, and the taxpayer must be maintaining proper books fulfilling the requirements stipulated in the Executive Regulations of this law.

Article (41): The tax shall apply on revenues from renting any furnished unit or part thereof, whether it was intended for housing or for practicing

a commercial or industrial activity or a non-commercial profession, or any other purpose.

The taxable revenue is determined on the basis of the actual rental value, reduced by 50% for all costs and expenses.

Article (42): A tax of 2.5% is imposed without any further reduction, on the gross revenues from the disposal of constructed real estate or lands within the cities' boundaries, whether the disposal commenced on the land parcel as it exists or after constructing buildings thereon, whether the disposal is inclusive of the entire real estate or part of it or a residential unit thereof or a unit for any other purpose, and whether the buildings were constructed on land owned by the taxpayer or by third parties.

Exceptions to this tax on disposals are those disposals by an heir of the real estate transferred to him through inheritance, and also when the property is offered as an in-kind share in the capital of shareholding companies, on the condition that the equivalent shares shall not be disposed of for five years.

Notarization offices must notify the tax authority of the taxable notarized disposals, according to the provisions of this law, within thirty days from the date of notarization.

In applying the provision of this article, a taxable action of disposal implies a gift to other than descendants or husbands and wives or ascendants, or a right of usufruct assigned for the real property, or renting it for a period is less than fifty years. Compulsory sales, whether administrative or judicial, and dispossession or appropriation for public interest or improvement are not considered taxable actions of disposal. Likewise treated are donations or grants to the government, local Authority Units, public legal persons, or projects of public benefit.

Chapter Three—Tax Exemption

Article (43): The following are exempt from tax:

1. Revenues of agricultural activity except those stipulated herein.
2. Revenues of areas planted in desert lands for a period of ten years starting from the date the land is considered productive. The Minister shall, in consultation with the Minister of Agriculture, issue a decree specifying guidelines for the determination of the date on which land is considered productive.

Chapter Four—Miscellaneous Provisions

Article (44): Whoever owns one or more real estate or agricultural lands and whose total net revenues accrued from rental value, stipulated in clause 1 of article 38 and clause 1 of article 39 of this law, exceed the exempt bracket stipulated in article 7 thereof, is required to file a statement of the owned real estate and agricultural lands and their rental values to a competent real estates and agricultural lands tax collection offices within the jurisdiction in which the real estates are located and on the form to be defined by the Executive Regulations of this law.

Article (45): Amounts paid by the taxpayer for the real estate taxes imposed by law no. 113 of 1939 on agricultural lands tax and law no. 56 of 1954 on real estates tax, as applicable, shall be deducted from the tax due according to the provisions of Part Five of Book Two of this law, provided that the amount deducted does not exceed this tax.

Article (46): The provisions of articles 38 and 39 of this law do not apply to agricultural lands and real estate included in the assets of an establishment or company.

BOOK THREE

TAX ON PROFITS OF LEGAL PERSONS

Section One Scope of the Tax

Article (47): An annual tax shall be levied on the net aggregate profits of legal persons whatever their objectives.

Tax shall apply to:

1. Legal persons residing in Egypt, with respect to all profits whether realized in Egypt or abroad, with exception of the Agency of National Service Projects of the Ministry of Defense.
2. Non-resident legal persons, with respect to the profits through a permanent establishment in Egypt.

Article (48): In applying the provisions of Article 47, the following are treated as legal persons:

1. Shareholding companies and partnerships whatever the law they are subject to, as well as corporations de facto.
2. Cooperatives and their unions, taking into consideration exemptions stipulated by law.
3. Public authorities and other public legal persons in relation to activity exercised by them that is subject to tax, without prejudice to exemptions provided in the laws establishing them.
4. Banks, companies and foreign firms even if their head offices are based abroad and their branches are in Egypt.
5. Units established by the local Authority with respect to their activity that is subject to tax.

Article (49): The tax base is rounded to nearest lower ten pounds and it shall be subject to tax at the rate of 20% of the net annual profits.

With exception to the rate mentioned in the preceding paragraph, the profits of Suez Canal Authority, the Egyptian General Petroleum Corporation and the Central Bank are subject to tax at the rate of 40%,

and the profits of oil and gas exploration and production companies are subject to tax at the rate of 40.55%.

Article (50): The following are exempt from tax:

1. Ministries and government bodies.
2. Educational establishments subject to the supervision of the State and which are basically not-for-profit entities.
3. Non-governmental organizations and institutions established under the provisions of the Non-governmental Organizations and Institutions law promulgated by law no. 84 of 2002, within the limits of the purpose for which they were established.
4. The non- for - profit entities that carry out activities of a social, scientific, sports or cultural nature as long as those activities are not of a commercial, industrial or professional nature.
5. Profits of private insurance funds subject to the provisions of law no. 54 of 1975.
6. International organizations, technical cooperation bodies and their representatives, for which international agreements provide their exemption from tax.
7. Profits and dividends of investment funds established according to the Capital Market Law promulgated by law no. 95 of 1992 and the revenue of bonds registered in the official schedules at the stock exchange.
8. Returns received by resident legal persons for their investments in securities registered on the Egyptian stock exchange market with the loss resulting from such transactions not to be deducted or carried forward to subsequent years.
9. Returns received by legal persons on securities, certificates deposits⁽¹⁾ issued by the Central Bank of Egypt or revenues from transactions involving them; with an exception from provision of Article 56 of this law.
10. The dividends, profits and shares, which resident legal persons receive for their participation in other resident legal persons.

⁽¹⁾ Law no. 181 of 2005 issued in Official Gazette no. (39) bis dated September 29th, 2005.

11. Profits of land reclamation and cultivation companies for a period of ten years from the date of starting the business or of starting production as applicable according to the rules to be determined by the Executive Regulations of this law.
12. Profits of companies engaged in poultry production, bee breeding, cattle breeding and fattening pens and the companies of fisheries and fish farms for a period of ten years from the date of exercising the activity.

Section Two Determination of the Taxable Base

Article (51): Net taxable income is determined according to the provisions applicable to the profits of commercial and industrial activity mentioned in Section Three of Book Two of this law, where no special provision regarding them is included in this part.

Article (52): The following are not deductible costs:

1. Debit interest paid by legal persons stipulated in Article 47 hereof on loans and advances they have obtained and that are more than four fold the average of equity rights according to the financial statements prepared according to the Egyptian accounting standards. This provision does not apply to banks and insurance companies as well as those companies engaged in financing activity that is to be determined according to a ministerial decree.⁽²⁾
2. Amounts that are set aside for the purpose of forming or funding different types of provisions, with the exception of the following:
 - a) 80% of the provisions for loans that banks are committed to form according to the rules of the preparation and presentation of financial statements and the assessment principles issued by the Central Bank.

⁽²⁾ The securitization and financial leasing companies are considered as finance companies and are not subject to the provision of item [1] of article (52). The Ministerial decree no. 162 of 2006 issued in the Official Gazette no. 55 dated March 12, 2006.

- b) Technical provisions which insurance companies are obliged to form in applying the provisions of the Supervising and Controlling Insurance Law in Egypt promulgated by Law No. 10 of 1981.
3. Distributed profits and dividends and attendance fees paid to shareholders for attending the general assembly.
4. Membership remuneration and allowances received by Chairmen and members of the boards of directors.
5. Employees' profit shares, which are decided to be distributed according to law.
6. Other costs stipulated in Article 24 of this law.

Article (53): In the case of a change in the legal form of one or more legal persons, the capital gains and losses resulting from the revaluation shall not be included in the profit and loss account, provided that the assets and liabilities are registered with their book value at the time of the change in the legal form for the purpose of tax computation. The calculation of the depreciation of assets and the carry forward of the provisions and reserves must be according to the set rules before making such change.

The following are deemed in particular to be a change in legal form:

1. The merger of two or more resident companies.
2. The splitting of a resident company into two or more resident companies.
3. The transforming of a partnership into a Shareholding Company or the transformation of a Shareholding Company into another one.
4. The purchase or acquisition of 50% or more of the shares or the voting rights, whether in terms of number or value, of a resident company against shares in the purchasing or acquiring company.
5. The purchase or acquisition of 50% or more of the assets and liabilities of a resident company by another resident company in consideration of shares in the purchasing or acquiring company.
6. The transformation of a legal person into a Shareholding Company.

Article (54): The foreign tax paid by a resident company on its profits was realized abroad shall be credited from the tax due according to the provisions of this law, provided that the relevant supporting documents are presented.

A loss incurred abroad cannot be off set from the tax base in Egypt for the same tax period or any subsequent period.

The credit mentioned in the first clause may not exceed the tax payable in Egypt that may have been due with respect to the profits realized from works performed abroad.

Article (55): The provision of Article 29 does not apply to a loss suffered by a company in the tax period and the previous periods if a change occurs to its capital ownership by a percentage in excess of 50% of quotes, shares or voting rights provided that it is accompanied with a change in activity.

The preceding paragraph may only be applied by joint stock companies and companies limited by shares provided that their shares are not be offered for circulation on the Egyptian stock exchange market.

BOOK FOUR

TAX WITHHELD AT SOURCE

Article (56): Tax at the rate of 20% is due on amounts, paid by owners of partnerships, legal persons residing in Egypt and non-resident bodies which have permanent establishments in Egypt, to non-residents in Egypt without deducting any costs from them.

The said amounts include the following:

1. Returns and interest.
2. Royalties, excluding amounts paid abroad in consideration of a design or know-how rights for serving the industry. The Minister, in agreement with the minister concerned with industry, shall specify the cases in which there shall be know-how rights for serving the industry.
3. Service charges; there shall not be a service charge on administrative, supervisory and control expenses borne by a head office abroad on the share of the permanent establishment operating in Egypt.
4. In consideration of sportsmen or artist activity charges, whether paid directly or through any body.

The interest on loans and credit facilities that Government, Local Authority Units and other Public Legal Persons receive from sources outside Egypt are exempt from the tax stipulated in this article. Public sector companies, public business sector and private sector are also exempt from this tax provided that the loan or facility term is for at least three years.

Establishments, persons and aforementioned bodies are obliged to withhold the amount of due tax, remitting it to the Competent Tax Office within the first fifteen days of the following month in which the withholding took place.

Article (57): Amounts which individual firms and legal persons pay to any natural person as commission or brokerage as long as it is not related to the carrying on of her/his profession are subject to tax.

The payer of the commission or brokerage must withhold the amount of due tax and remit it to the Competent Tax Office within the first fifteen days of the month following the month in which the commission or brokerage was paid, at the rate stipulated in article 56 hereof, without deducting any costs.

Article (58): Without any prejudice to tax exemptions stipulated in other laws, revenues on bonds issued by the Ministry of Finance in the favor of the Central Bank or other banks are subject to tax at the rate of 32%, without deducting any costs. The payer or the recipient of such revenue is obliged to withhold the amount of due tax and remit it to the Competent Tax Office within the first fifteen days of the month following the month in which the withholding took place.

BOOK FIVE

WITHHOLDING, COLLECTION AND ADVANCE TAX PAYMENTS

Section One Commercial and Industrial Activity

Chapter One—Withholding

Article (59): Bodies and establishments set out below shall withhold a percentage of every amount more than three hundred pounds which they pay by way of commission, brokerage, or for procurement, supply, contracting operations, or services rendered to any private sector person. A Minister's decree shall be issued for determining the percentage that will not exceed 5% of the amount, as an advance against the tax due of such persons, excluding premiums paid to insurance companies:

1. Government ministries and agencies; local Authority Units; general authorities; national economic or service authorities; public sector companies and Units; public business sector companies; shareholding companies, establishments and companies subject to investment laws; partnerships with capital exceeding fifty thousand pounds, regardless of their legal form; companies established by virtue of special laws; companies and projects established under the free zones regime; branches of foreign companies; pharmaceutical warehouses and import offices; cooperative societies; press institutions; educational institutions; syndicates; leagues; clubs; youth centers; unions; hospitals; hotels; non-governmental organizations and associations of different purposes; the professional offices; foreign representation offices; cinema production firms; theatres and entertainment houses; private insurance funds established by virtue of law no. 54 of 1975 or any other law;
2. Entities and other agencies determined by virtue of a minister's decree.

These bodies and establishments must remit the withheld amounts to the Tax Authority, according to procedures as specified by the Executive

Regulations of this law. A body or establishment failing to withhold or remit the amounts shall pay the same to the Tax Authority as well as the associated delay fine.

Article (60): Private sector persons referred to in article 59 are exempt from the provisions of withholding on the account of tax if it is proved to the Tax Authority that they are keeping a proper record whereby they pay quarterly advance amounts according to the provisions of chapter two of this section.

Chapter Two—Advance payments

Article (61): Subject to the provision of article 63, in applying the provisions of the law, the Advance Payments System means that a taxpayer pays an advance amount of the tax due for a tax period, at the rate of 60% of any of the following:

1. The last tax return declared by the taxpayer.
2. The tax estimated by the taxpayer for the year the taxpayer wishes to apply the advance payments system if the taxpayer has not submitted any tax return before, or if the tax return submitted by the taxpayer in respect of the previous tax period includes a loss.

Article (62): A taxpayer may choose between the system of withholding on the account of tax, according to article 59 of this law, or adhering to the provisions of the Advance Payments System stipulated in this chapter.

The selection is made by a request submitted by the taxpayer to the Competent Tax Office, at least sixty days before the beginning of the tax period for which the taxpayer wishes to apply the Advance Payments System.

The Tax Authority must reply to the taxpayer's request with a decision within sixty days from the date of submission thereof. Failure to reply within such a period is deemed as a rejection of the request.

The Executive Regulations of this law will specify the form of the request, documents to be attached thereto and the procedures to be followed for notifying the taxpayer of the Tax Authority decision.

Article (63): A taxpayer is obliged, according to the Advance Payments System; to pay the percentage provided for in article 61 in three equal payments, each paid in succession on dates no later than thirtieth of June, thirtieth of September and thirty-first December each year.

A taxpayer, after paying the second advance payment, shall notify the Tax Authority to reduce or not to pay the third advance payment if it becomes evident to the taxpayer that profits for the whole year will be less than the estimated profits for the year before.

The number of payments may be reduced when the remaining period, after submitting the request mentioned in article 61, is shorter than twelve months, provided each payment is paid to the Competent Tax Office, according to the conditions and procedures and using the form specified in the Executive Regulations of this law.

Advance payments paid according to this system shall be settled when submitting the annual tax return stipulated in article 82 of this law. The taxpayer must pay the remaining portion of the due tax stated in the tax return, after deducting the advance payments already paid in addition to annual interest calculated according to the credit and discount rate declared by the Central Bank less 2%, excluding the fraction of a month and a pound.

Article (64): A taxpayer may refrain from using the Advance Payments System and adhere to the system of withholding on account of the tax according to article 59 of this law if the following two conditions apply:

1. The taxpayer has applied the Advance Payments System for at least one full year, and has paid all due payments according to the system.
2. The taxpayer must submit a request to the Competent Tax Office within at least ninety days before the beginning of the tax year for which the taxpayer wishes to refrain from using the Advance Payments System.

The Tax Authority is obliged to accept the request where these conditions are met and will notify the taxpayer of its decision within sixty days from

the date of submission of the request; otherwise, failure to reply within such period shall be deemed an acceptance to the request.

The Executive Regulations of this law shall determine the procedures to be taken in submitting the request and in notifying the Authority decision.

Article (65): A taxpayer is exempt from applying the Advance Payments System in either of the following two cases:

1. If the taxpayer has incurred tax losses for two successive years;
2. If the legal form of the establishment or company has changed.

The Tax Authority may deny the taxpayer from using the system if there are substantial differences between the taxpayer's estimated profits and actual profits taxed each year during which the system has been applied.

The Tax Authority shall notify the taxpayer by registered mail with acknowledgment of receipt.

Chapter Three—Collection on Account of the Tax

Article (66): Agencies which license the wholesale trade in vegetables, fruits, grains and other foodstuff, or agencies licensing the practice of handicrafts shall collect, upon renewing a license, an amount on account of tax from the person in whose name the renewed license is issued. Such agencies are prohibited from renewing the license until the said amount is collected.

The amount shall be determined by a minister's decree at not more than 10% of the renewal fees.

Article (67): The Customs Authority shall collect from private sector persons a percentage of the value of their goods that are permitted to be imported to the country for trading or manufacturing purposes, on account of the tax due thereon.

In the case of assigning those goods or endorsing their documents to a third party, a percentage will be collected from both the assignor and assignee, as well as from the parties to the endorsement.

The said percentages shall be specified by a decree from the Minister that does not exceed 2% of the import value. The percentage shall be collected along with the customs duties due on the said goods and with the same procedures of collection.

Article (68): Slaughterhouses shall collect, with the prescribed slaughtering fee, an amount on account of the tax due per each head slaughtered, when slaughtering for the account of private sector persons who are liable to tax.

A decree shall be issued by the minister for determining the amount, which will not exceed 10% of the fees.

Article (69): The Traffic Police Departments are prohibited from renewing or transferring the license of taxis or vehicles owned by any private sector person until they collect an amount on account of the tax due thereon.

A decree shall be issued by the Minister for specifying the amount, which will not exceed 10% of the fees prescribed by the Traffic Law promulgated by law no. 66 of 1973. The amount will be collected in one payment or in installments, according to the rules regulating the payment of the tax imposed on the vehicle according to the Traffic Law.

Section Two Non-Commercial Professions

Chapter One—Withholding

Article (70): The bodies stipulated in article 59 of this law shall withhold on account of the tax, 5% of each amount in excess of 100 LE they pay to those carrying on non-commercial professions which will be specified by a decree of the Minister.

Chapter Two—Collection on Account of the Tax

Article (71): Clerks' office of the court of law at their different degrees at the time of presenting petitions of litigation or appealing on them for registration, and Notarization offices when making a notarize on petitions indicating their validity to be publicized, are obliged to collect an amount on account of the tax due from the lawyer who signs the petition or its editor.

Every hospital must collect from every physician or specialist who performs work therein for her/his own account an amount on account of tax.

The Customs Authority shall collect, from every person who carries on the profession of the customs clearance, for each customs statement presented to the Customs an amount on account of the tax due thereon.

The amounts provided for in the preceding paragraphs shall be specified in a decree of the Minister.

Section Three General provisions

Article (72): The bodies prescribed in articles 66, 67, 68, 69, 70 and 71 of this law are obliged to remit the amounts collected on account of the tax to the Tax Authority according to the procedures and during such time limits as shall be specified by the Executive Regulations of this law.

The bodies prescribed in the first paragraph are obliged to remit the amounts withheld on account of the tax to the Tax Authority according to procedures and during such time limits as shall be specified by the Executive Regulations of this law. In the event of failure to collect or remit the amounts that should be withheld, the body concerned shall pay to the Tax Authority the said amounts in addition to the delay fine due thereon.

Article (73): The provisions with respect to withholding and collection on account of tax do not apply to the amounts which are paid to the taxpayer during his exemption period or when he is not taxable.

BOOK SIX

OBLIGATIONS OF TAXPAYERS AND OTHERS

Section One Notification and Bookkeeping

Article (74): Whoever carries on a commercial, industrial, craft, professional or non-commercial activity must file to the Tax Authority a notification within thirty days from the date of commencing the activity.

A taxpayer who establishes a branch, an office or an agency of the firm or who moves its premises to another place with respect to the activity or the firm must notify the Tax Authority within thirty days from the date of the change.

With respect to legal persons, the duty of notification remains with their legal representatives or her/his managers or their managing directors or the persons responsible for the management, as applicable.

The Executive Regulations of this law shall specify the data to be included on the notification, its supporting documents and the procedures to be followed in respect thereof.

Article (75): Every taxpayer who carries on a commercial, industrial, craft or non-commercial activity and whoever is practicing a professional activity in an independent manner must submit a request to the Tax Authority to issue a tax card, which shall include the procedures of incorporation or the licensing of the profession or the activity or the renewal thereof. The Tax Authority shall issue the tax card thereto.

The Executive Regulations of this law shall specify the data to be included on the tax card, its validity period and the period within which it will be delivered to the taxpayer. It shall also specify the data of the tax cards of those taxpayers who are not subject to the provisions of withholding and collection on account of tax provided in this law.

Article (76): The bodies who license the printing or publication of books, works of authorship, works of art and others or registration or depositing thereof must notify the Tax Authority on case by case basis of the name and address of the author and the title of the book, work of art and the like.

The provisions of this article do not apply to the Ministry of Defense.

Article (77): Specialists in the Ministries, Governmental Authorities, Local Authority Units and other Public Legal Persons as well as Syndicates who are empowered to grant licenses for the carrying on of a certain activity, industry, craft or profession or who grant licenses for the construction of buildings or the possible use of a building to practice an activity, industry or profession must notify the Tax Authority when granting any license of the particulars and name of the licensee as shall be specified by the Executive Regulations of this law within no later than the end of the month following the month in which the license was issued.

Granting a privilege, concession or permission which is necessary to practice a business, industry, craft or profession shall be treated as being similar to the granting of a license.

Article (78): The taxpayers mentioned below must maintain those books and records required by the nature of their respective activity, industry, craft or profession, according to that specified by the Executive Regulations of this law:

1. Natural persons subject to tax according to the provisions of Section One of Book Two of this law who are carrying on a commercial, industrial, craft or professional activity if his/her invested capital exceeds fifty thousand Pounds or if his/her annual turnover exceeds two hundred and fifty thousand Pounds or if the net annual profit according to the last final tax assessment was more than twenty thousand Pounds.
2. Legal persons subject to the provisions of Book three hereof.

A taxpayer must maintain books and records provided for in the first paragraph of this article and supporting documents at its premises throughout the period provided for in article 91 of this law.

A taxpayer who is practicing a non-commercial profession shall give, to whoever pays her/him an amount due for the practice of a profession or activity as fees or commission or remuneration or any other amount subject to tax, a signed receipt showing the date and the value of the sum collected. The taxpayer shall present the receipt to the Tax Authority upon request.

Taxpayers may maintain electronic records showing revenues and costs per annum. The Minister shall issue a decree regulating the maintaining of such accounts and the guidelines for moving from a written to an electronic accounting system.

Article (79): If the taxpayer ceases her/his work permanently or partially, the actual profits up to the date of cessation must be included in the tax base.

Partial cessation means the termination of some aspects of the activity or the termination of the activity of (a) branch(s) in which it carries on the activity.

A taxpayer shall notify the Competent Tax Office within thirty days from the date of cessation; otherwise the profits will be computed for a full tax year, unless the taxpayer provides evidence that he/she had not realized any revenues after that date.

If the firm ceases activity because of the death of its owner or if its owner died within the said thirty days set for the period of filing the notification of the cessation, the owner's heirs are obliged to notify the same within sixty days from the date of their legator's death and the tax return is to be filed within ninety days from that date.

Article (80): In case of the assignment of all or part of the firm, the assignor must notify the Competent Tax Office of the assignment within thirty days from the date of the execution of the assignment; otherwise profits will be computed for a full tax year.

The assignor must also file a separate tax return within sixty days from the date of assignment in which the assignor shows the outcome of the operations of the assigned firm; the tax return is to be attached with the documentation and data needed for profits to be calculated up to the date

of assignment. The data mentioned in the separate tax return must be included in the annual tax return of the assignor.

The assignor and the assignee shall be jointly liable for tax due on the profits of the assigned firm up to the date of assignment as well as for the tax due on the capital gains achieved as a result of such assignment.

The assignee may request the Competent Tax Office to furnish her/him with a statement about the taxes due by the assigned firm. The Tax Office shall furnish her/him with the required statement by registered mail with acknowledgement of receipt within ninety days from the request date, otherwise the assignee would be released from the required tax and the assignee's liability will be limited to the amount mentioned in the statement. The assignment will not be considered binding with respect to the collection of taxes unless the procedures provided for in this law regarding the sale and mortgage of commercial shops are followed.

The tax due on the profits of the assigned firm will be determined up to the date of assignment and the assignee has the right to appeal on the tax for which s/he assignee is liable.

Article (81): A taxpayer who wishes to cease her/his activity or to assign the firm or to leave the country permanently shall request the Tax Authority to specify the tax status until the date of cessation, assignment or departure of the taxpayer, provided that the taxpayer has filed the tax returns required in accordance with the provisions of this law and pays the fee specified by the Executive Regulations of this law, which does not exceed twenty pounds. The Tax Authority shall respond to the request of the taxpayer within ninety days from the date of receipt of the request.

Section Two Tax Returns

Article (82): Every taxpayer is obliged to file an annual tax return on the form specified by the Executive Regulations of this law to the Competent Tax Office and attach such documentation as specified by the executive regulations.

The provision of the preceding paragraph applies to those taxpayers during their period of exemption.

The filing of a tax return for the first time is considered as a notification of the commencement of the activity.

A taxpayer is exempt from filing a tax return in the following cases:

1. If the revenue of the taxpayer is limited to salaries and the like.
2. If the income of the taxpayer is limited to revenues from real property and if the taxpayer's net income from the real property is not more than the amount defined in Article (7) of this law.
3. If the revenue of the taxpayer is limited to salaries and the like and revenues of from real property which do not exceed the amount defined in article 7 of this law.

Article (83): A tax return must be filed by the following dates:

- a) Before the first of April every year following the end of the tax period for the preceding year for natural persons.
- b) Before the first of May every year or within four months following the end of the financial year for legal persons.

The tax return is to be signed by the taxpayer or the taxpayer's legal representative. If an independent accountant prepares the tax return, the accountant shall sign the tax return along with the taxpayer or the taxpayer's legal representative; otherwise the return will be null and void.

In all cases, the tax return must be signed by an accountant enrolled on the Accountants and Auditors Schedule for shareholding companies, cooperative societies, natural persons and partnerships whose annual turnover exceeds two million Pounds.

In the event of the taxpayer's death during the year the heirs, the guardian or the liquidator is obliged to file a tax return for the period preceding the taxpayer's death within ninety days from the date of the death and pay any tax due by the taxpayer out of the legacy's fund.

The taxpayer whose residence in Egypt is to be discontinued must file a tax return at least sixty days before the cessation of the taxpayer's residency unless the cessation is for a sudden cause beyond the control of the taxpayer.

The taxpayer who permanently ceases his/her activity in Egypt must file a tax return within sixty days from the date of cessation.

Article (84): The Tax Authority is obliged to accept the tax return stipulated in article 82 herein at the taxpayer's responsibility.

Subject to the provisions of the second clause of article 63 of this law, a taxpayer is obliged to pay the due tax according to the tax return on the same day it is filed after deducting the withheld tax and the advance payments. If the deducted tax and advance payments are more than the tax due amount, the extra amount shall be used to settle prior tax debts. If there are no prior tax dues, the Tax Authority is obliged to refund the over - paid tax unless the taxpayer requests in writing that the over - paid taxes are used for the payment of any tax dues in the future.

Article (85): If a taxpayer requests, at least fifteen days before the deadline for filing the tax return, that the deadline be extended and pays on the date the request s/he is made an amount of tax according to his/her estimation, the deadline for filing the tax return shall be extended for sixty days, with the extension not to affect the deadline for payment of the tax or the deadline for the delay fine on any unpaid amount.

Article (86): The bodies which are obliged to apply the withholding provisions shall pay the withheld amounts no later than the end of April, July, October and January every year. They shall provide the records needed for tax auditing by the Tax Authority including the following data for each tax period:

- a) The amounts paid and the recipient thereof.
- b) The tax withheld from the said amounts.

The bodies must send a copy of the records to the Authority to be archived according to the rules and procedures to be determined by the Executive Regulations of this law.

Article (87): If the taxpayer discovers, during the statute of limitation period of the tax debt, an omission or mistake in her/his tax return that had been filed to the Competent Tax Office he/she shall immediately file an amended tax return with the omission or mistake corrected.

If the taxpayer files an amended tax return within thirty days of the legal deadline set for the filing of tax returns, the amended return is deemed to be the original tax return.

Banks, companies, Public Sector Units, public business sector companies and other public legal persons may file a final tax return within thirty days from the date on which the general assembly approves their accounts with the tax differences to be paid accordingly.

In case of filing an amended return according to the second and third paragraphs, the mistake or omission in the return shall not constitute an offense or a felony.

Article (88): The Authority may not disregard the proper books and records maintained by a taxpayer according to the provision of article 78 of this Law unless it can prove their inaccuracy based on documentation which it provides.

Section Three Tax Assessment

Article (89): The tax is assessed on the fixed profits declared on the tax return submitted by the taxpayer.

The tax return is deemed to be an assessment for the tax and an obligation to pay on the legal date, and the tax must be paid as per the tax return.

Article (90): The Tax Authority may amend the assessment on the basis of the data included in the tax return and its supporting documents.

The Tax Authority may also make an estimated assessment of the tax, on the basis of any available data, in case a taxpayer does not submit a tax return or present the data and documents supporting the tax return.

If the Tax Authority has documents that prove a difference between the tax return and the actual facts, it must notify the taxpayer and perform a tax audit, correct the tax return or modify it and determine the taxable revenue.

The Commissioner may, after the approval of the Minister of Finance, assess the tax before the due date specified for the tax, if it is necessary to be collected because there is specific evidence that the taxpayer is planning to evade the tax by transferring his/her assets to another person, or taking other procedures that would be detrimental to the tax collection.

In these cases the Competent Tax Office must notify the taxpayer, by registered letter with an acknowledgement of receipt, of the details and value of the tax assessment as determined by the Executive Regulations of this Law.

Article (91): In all cases, it is not permissible to the Tax Authority to perform or amend the assessment within five years starting from the legal deadline for submitting the tax return for the tax period. This period shall be six years if the taxpayer has evaded payment of the tax.

The period is interrupted by any of the reasons of limitation interruption stipulated in the Civil Law, by the notification of the tax assessment items, by notification the taxpayer to pay the tax or transferring to the appeal committees.

The taxpayer may request the recovery the over-paid amounts on the account of tax; to be refunded within five years from the date when his/her right of recovery had been started.

Article (92): If tax was assessed on a person and it is proved that he is working for another person in a bogus manner or by way of collusion to obtain any benefits or to evade any obligations prescribed by the provisions of this law, both of them shall be jointly liable for the payment of the tax due on profits.

Article (93): In all cases, the Tax Authority shall, automatically or according to a request from a taxpayer, correct the material and accounting mistakes.

Section Four Tax Audit and Investigations

Article (94): The Authority shall tax audit the taxpayer's tax returns annually through a sample, the rules and specified criteria for which shall be decreed by the Minister on the basis of a presentation from the Commissioner.

Article (95): The Competent Tax Office shall notify the taxpayer, by registered letter with a notice of receipt, of the date and place set for the tax audit and the time estimated for it, at least ten days prior to the date.

The taxpayer must receive the Authority employees to allow them access to the books, documents and deeds s/he has.

The Minister may give permission to the Authority employees who have a judicial status to allow them to enter a taxpayer's workplace during the working hours without prior notice, if the Authority has serious reasons that the taxpayer is evading tax.

No re-tax auditing may be conducted on items that have already been tax audited unless new substantial evidence has emerged that necessitate the re-tax audit.

Article (96): A taxpayer is obliged to provide data and copies of the books, documents and deeds, including the lists of clients and suppliers, requested by the Tax Authority in writing, within fifteen days from the date of request, unless the taxpayer submits sufficient evidence of difficulties experienced in preparing and providing the required data within the specified period.

The Commissioner, or his delegate, may extend the above-mentioned time limit to an appropriate period if the taxpayer provides sufficient evidence of the difficulties that he/she is facing in providing such data and copies.

Article (97): Governmental Authorities including the Illicit Profiteering Agency, Local Authority Units, the Public Authorities, State-owned companies and syndicates, may under no circumstances decline, even on the pretext of maintaining professional confidentiality, to give the Authority employees who have a judicial status access to the documents and papers they want for the purpose of assessing the due tax hereunder. The above-mentioned bodies shall in all cases provide the Authority with all the necessary data for tax assessment as it requests.

Article (98): The Public Prosecution or the Illicit Profiteering Agency may give the Tax Authority access to files in cases of any civil or criminal action related to what the Authority undertakes in respect of tax auditing, assessment or tax collection as provided for by this law.

Article (99): The Minister, for the purposes of this law, may request the Chief Justice of Cairo Court of Appeal to issue a court rule allowing the Authority employees access to, or to obtain, data related to clients' accounts, deposits and safe.

Those in charge of managing any sort of fund, and those whose profession involves paying securities revenues tax, as well as all companies, bodies, firms, commercial and non-commercial professionals and other taxpayers must provide the Tax Authority employees, at every request, the books on which the Commercial Code is imposed or other codes to be maintained, as well as the other deeds, books and documents attached thereto and the papers of the revenues and expenditures in order to enable the above-mentioned employees to verify the compliance of all provisions determined by the law herein, whether for them or for other taxpayers.

The above-mentioned employees of the Tax Authority shall not be prohibited from access providing that the access is performed at the place where the books, documents, deeds and the like are maintained during normal working hours and without the need for a prior notice.

Article (100): Educational firms, institutions, authorities and firms which are exempted from the tax stipulated in this law shall, whenever requested to do so, provide the Authority employees with their books of accounts and all the documents requested.

Article (101): Each person who, by virtue of his job specified work thereof, with respect to the assessment or collection of the taxes provided for herein or in the resolution of disputes relating thereto, shall be required to maintain professional confidentiality.

Any of the Authority employees whose jobs are not associated with the assessment or collection of the tax are not allowed to give any data or allow access by a third party to any sheet of paper, statement, file and the like, except in those cases prescribed by the law.

No data shall be given from the tax files, unless a written request is submitted by the taxpayer or by virtue of a provision of any other law. An assignee given data about the firm, or the exchange of information and data among the revenue-authorities affiliated to the Ministry of Finance according to the regulations decreed by the Minister, is not be deemed to be a breach of confidentiality.

Section Five Collection Guarantees

Article (102): The taxes and the other amount due to the government according to the law are a preferential debt second in rank to judicial expenses on all funds of the debtors or those who are obligated to remit them.

The tax debt is payable at the Tax Authority premises and branches thereof without the need for a claim to be made to the debtor's premises.

Article (103): The collection of unpaid tax and the delay fine stipulated herein shall be according to claims that must be issued in the name of those who are legally obligated to pay, without prejudice to the right of recourse they may have against those who owe them. The said claims must be signed by the Authority's employees that will be specified in the

Executive Regulations of this law. The said claims shall be sent by certified mail with acknowledgement of receipt.

Article (104): The Tax Authority has the right to impose an executive lien for the value of the due tax according to the tax returns filed by a taxpayer if they were not paid by the legal dates, without the need to issue a claim or a notice thereof. The taxpayer's tax return is deemed in this case as the writ of execution.

The Tax Authority must notify the taxpayer with the claim for payment, within sixty days from the date of the taxpayer's approval of the Tax Office's estimates or the issuance of an Appeal Committee's decision or a ruling by a court of first instance, by certified mail with acknowledgment of receipt.

In all cases, the lien may not be imposed until the taxpayer is notified by certified mail with acknowledgement of receipt, unless there is a risk threatening the collection of the tax debt.

Article (105): The tax collection shall be paid in full or in installments of not more than the number of tax years for which the tax is due.

If there is an emergency or personal circumstance of the taxpayer that prevents the collection of the tax according to the provision of the preceding paragraph, the Commissioner or his delegate may allow it to be paid in installments over a longer period but not to exceed twice as many as the number of tax years.

The right to pay in installments is forfeited on delay in the payment of any installment. The Commissioner or his delegate may allow, according to a request filed by the taxpayer, the renewal of an installment agreement at her/ his discretion.

Article (106): The provisions of Law No. 308 of 1955 on administrative seizure and the provisions herein must be followed in the collection of the tax and other sums due.

The rules of the preceding paragraph shall apply to all companies and firms whatever the legal system that they are subject to and all contradict provisions must be repealed.

Article (107): If it becomes evident to the Tax Authority that the rights of the public treasury are compromised, its Commissioner may request a Competent Judge for Temporary Matters to rule on a petition for seizure of enough funds to meet the rights that are compromised whatever the authority they are under. The funds shall be seized according to the order in the manner of legal impoundment and may not be disposed of unless the seizure is lifted by a court ruling or by a decision of the Commissioner of the Tax Authority or after the lapse of sixty days from the date on which the seizure was imposed without notifying the taxpayer of the value of the tax as estimated by the Competent Tax Office.

The issuance of the lien according to the preceding paragraph shall be issued at the Minister's request in case a taxpayer does not have enough funds to meet the rights that are compromised other than her/his liquid funds deposited with banks.

The lien shall be lifted by the decision of a Judge for Temporary Matters if the taxpayer deposits with the court treasury an amount sufficient to meet these rights which is guaranteed for the payment of the tax debt when finally determined.

Article (108): The clerks' office of the court before which the execution procedures on any real estates are being taken must notify the Tax Authority, by certified mail accompanied by delivery receipt, of the deposit of the terms of sale list within fifteen days from the date of receipt.

The clerks' office of the court before which the sale is undertaken as well as whoever is undertaking the sale by auction must notify the Tax Authority, by certified mail accompanied by delivery receipt, with the date of the sale of the real estate or movable property at least fifteen days prior to the date of sale.

Any default or delay in the notification process referred to in the two preceding paragraphs shall render the body who is the cause thereof liable to disciplinary accountability.

Article (109): Every public or private person who has withheld amounts on account of the Tax Authority or who remitted these in application of the provisions of this law or Law No. 308 of 1955 referred to above, must give the taxpayer from whom the amounts were withheld a certificate, at the request thereof, to be exempted from all fees showing the amounts withheld, the date of withholding and the date on which they were remitted to the Tax Authority.

The certificates or the receipts issued by those bodies that have undertaken the withholding or the collection on account of the tax due by a taxpayer shall be deemed as a discharge on payment of the tax within the limits of the amounts recorded thereon even if the withholding body did not remit the amount to the Authority.

Article (110): A delay fine is due on:

1. An amount exceeding two hundred pounds of unpaid tax which must be paid even if a decision was allowed for it to be paid in installments, as of the next day following the expiry of the deadline for filing of the tax return.
2. The portion of tax that was not remitted or the amounts which the law stipulates is withheld at source or for their collection and remittance to the public treasury, as from the next day following the expiry of the deadline set for the remittance according to the provisions of this law.

The delay fine above – mentioned in this article is calculated on the basis of the credit and discount rate declared by the Central Bank on the first of January prior to the date plus 2%, with the fractions of month and pound to be excluded. The submission of a grievance or a judicial appeal does not suspend the fine being payable.

Article (111): The delay fine on overdue amount is treated as being equal to the tax relevant thereto.

The settlement of amounts that are payable to the Tax Authority to meet the taxpayer's obligations shall be taken in the following order:

1. The administrative and judicial expenses.
2. The delay fine.
3. The tax withheld at source.
4. The due tax.

Article (112): If it becomes evident to the Tax Authority that a taxpayer is entitled to recover all or part of the taxes or other amounts that had been paid incorrectly, it shall refund the tax and amounts within forty five days from the date on which the taxpayer requested the recovery, otherwise it shall charge a delay fine on the basis of credit and discount rate declared by the Central Bank on the first of January preceding the tax maturity date, less 2%.

Article (113): There shall be a clearance by the force of law between the over - paid tax made by a taxpayer of any tax imposed herein and what may be due and payable under any tax law enforced by the Tax Authority.

Article (114): The Minister may, on the basis of a presentation by the Head of the Tax Authority, waive all or part of the tax and delay fine permanently or temporarily in the following cases:

1. If a taxpayer dies without leaving behind an apparent legacy.
2. If there is evidence that the taxpayer has no funds on which attachment can be executed
3. If a taxpayer has terminated his/her activity and has funds on which attachment can be executed and can meet all or part of the Tax Authority's dues; in this case there should be left enough to yield a revenue of not less than five thousand Pounds annually for the taxpayer or his heirs after the execution.

Article (115): The Minister may issue tax bonds to which taxpayers may subscribe and which will yield a tax-exempt interest to be specified by the Minister.

Such bonds and interest due thereon shall have the force of discharge on the payment of the tax due.

Section Six Appeal Procedures

Article (116): The notification sent by certified mail accompanied by delivery receipt or by any electronic means having the validity of substantiation according to the Electronic Signature Law promulgated by Law No. 15 of 2004 - as shall be specified by a decree of the Minister - shall have the same effect as resulting from the notification taking place by legal methods, including the notice to a person on which seizure has been laid with a copy of the seizure report.

The notification shall be legally valid whether the taxpayer receives it from the Competent Tax Office or from the Competent Appeal Committee or receives it at the firm's premises or at the elected residence thereof.

If the firm is closed down or the taxpayer is absent and could not be notified by any of the aforementioned methods or in cases of a taxpayer's refusal to receive the notice, this fact shall be recorded in a report by one of the Authority employees who has legal status and shall be published on the notice-board of the Competent Tax Office or the Competent Appeal Committee, as appropriate, with a copy to be affixed on the firm's premises.

If the notification is returned with a notation indicating that the firm could not be located or that the taxpayer's address could not be identified, the taxpayer shall be notified through the public prosecution after making the necessary investigation.

The publication and the notification through the public prosecution are deemed a statute limitation-interrupting action.

A taxpayer may, in those cases stipulated in the third and fourth paragraphs herein, appeal against the assessment or the Appeal committee's decision as appropriate within sixty days from the date on which seizure is laid, otherwise the assessment or the committee's decision is deemed final.

Article (117): In cases where the tax is assessed by the Tax Authority, the taxpayer may appeal against the tax assessment within thirty days from

the date of receipt thereof. If the taxpayer does not appeal during this period, the assessment is deemed final.

Article (118): A taxpayer who is subject to the salaries and wages tax may, within thirty days from the date of receiving the taxable revenue, object to the withheld tax by means of a request filed to the competent body effecting the withholding.

This body must send the request, attached with its response, to the Competent Tax Office within thirty days from the date of receipt.

The said body may also object to the tax differentials resulting from a tax audit within thirty days from the date of receiving the notification.

The Tax Office shall examine the request or the objection. If it finds it to be valid, it shall notify the body to adjust the tax assessment. If it is not convinced that the request or the objection is valid, it shall transfer it to the Appeal Committee according to the provisions of this law and notify the concerned party through certified mail accompanied with delivery receipt within thirty days from the date of transfer.

If a taxpayer has no body to which he shall file the said request easily, the taxpayer may file the request to the Competent Tax Office or the Appeal Committee, as appropriate.

Article (119): In all cases where tax is assessed by the Tax Authority, the appeal by a taxpayer on the tax assessment items and the tax value should be on a statement of three copies to be deposited with the Competent Tax Office, of which one copy shall be delivered to the taxpayer with a notation thereon by the Tax Office indicating the date of the filing. The Tax Office shall record in a book, to be prepared for that purpose, the data with respect to the appeal and a summary of the disputed items.

The Tax Office shall adjudicate on disputed items between itself and the taxpayer by an Internal Committee within sixty days from the appeal filing date. If disputed items are resolved, the assessment becomes final. The Executive Regulations of this law shall regulate the rules of

forming internal committees and their work procedures and recording the agreements reached before it.

If the disputed items are not resolved, the Tax Office will notify the taxpayer with a certified letter accompanied with delivery receipt. It shall forward the disputed items to the competent Appeal Committee within thirty days from the date of adjudicating on the items. In the meantime, it should notify the taxpayer by certified mail accompanied by delivery receipt. If the thirty-day period lapses and the Tax Office have not forwarded the dispute to the Competent Appeal Committee, the taxpayer shall present the matter in writing to the Head of the Committee directly or by certified mail accompanied by delivery receipt. The Head of the Committee shall, within fifteen days from the date on which the matter was presented or the taxpayer's letter reached him, assign a session to consider the dispute and order that the taxpayer's file be joined.

Any of the procedures stipulated in this article may be made by any electronic means to be determined by the Minister.

Article (120): Appeal Committees shall, by a decree of the Minister, be formed of a Chairperson from outside the Authority employees, two members from the Authority employees to be selected by the Minister, and two experienced persons selected by the General Federation for Chambers of Commerce jointly with the Federation of Egyptian Industries from among accountants who are enrolled on the Accountants and Auditors Schedule of Shareholding Companies in the General Register of Professional Accountants and Auditors.

The Minister may appoint stand-by members for the Authority employees on the committees in cities where there is one committee. The principle members shall be deemed substitute members for the other committees in cities where there is more than one committee. Seconded such in substitution for principle members who fail to attend shall be the responsibility of the Chairperson of the principle committee, or the most senior member thereof in the absence of the Chairperson.

To be in quorum, a committee must be attended by the Chairperson and at least three of the members. The committee secretary shall be an employee seconded by the Authority.

Appeal Committees are permanent and report directly to the Minister who shall issue a decree to name them and show their premises, geographical jurisdiction and the remuneration of the members thereof.

Article (121): Appeal Committees shall be competent to adjudicate on all disputes between the taxpayer and the Tax Authority related to taxes prescribed in this law, the Stamp Duty Law promulgated by law no. 111 of 1980 and law no 147 of 1984 imposing the State Financial Resources Development Levy.

The Committee shall notify both the taxpayer and the Tax Authority of the date of the appeal hearing at least ten days prior to the date by certified mail with acknowledgment of receipt, and shall request the Authority and the taxpayer to file such data and papers as it deems necessary. The taxpayer shall appear before the committee in person or by proxy, otherwise the committee shall adjudicate the appeal in light of the documents submitted.

The committee shall issue its decision within the limits of the Tax Authority's estimates and taxpayer's requests. The tax assessment shall be amended according to the committee's decision. If the tax has not been collected, it shall be collected according to the said decision.

Article (122): Appeal Committees' sessions shall be held in secret and shall issue justified decisions by the majority of the attendees' votes. In case of a tie, the Chairperson shall have the casting vote. Decisions shall be signed by both the Chairperson and the secretary within fifteen days from the date of issue.

The committee shall comply with the general rules and principles of litigation procedures. Both the taxpayer and the Tax Authority shall be notified of the committee's decision by certified mail with acknowledgment of receipt. The tax shall be payable as per the assessment based on the

Appeal Committee's decision; appealing on committee's decision before the Court of First Instance shall not stop collection of tax.

Article(123): Both the Tax Authority and the taxpayer may appeal on the committee's decision before a Court of First Instance meeting in a commercial panel within thirty days from the date of notification of the decision.

Litigation shall be filed to the court within whose jurisdiction the head office of the taxpayer or regular domicile or the establishment headquarters is located according to the provisions of the Civil and Commercial Procedures Law.

A judgment issued by the court can be appealed by way of appeal, whatever the dispute value involved is.

Article (124): The Tax Authority shall correct the final assessment based on the Tax Office's estimation or the Appeal Committee's decision on a request submitted by the person concerned within five years from the date on which the assessment becomes final, in the following cases:

1. The person concerned did not carry on any of the activities on which the tax was assessed.
2. The tax was assessed on an activity that is legally tax exempt.
3. The tax was assessed on revenues that are non-taxable, unless the law prescribes otherwise.
4. Exemptions prescribed by the law were not applied.
5. An error occurred when applying the tax rate.
6. An error was made with respect to the type of the tax assessed on the taxpayer.
7. Losses were not carried forward, contrary to what is provided for in the law.
8. Deductible taxes were not deducted
9. The rental value of real property leased by a firm was not deducted.
10. The donations which met the requirements for deduction were not deducted.

11. Some tax years were charged with revenues or expenses that concerned other years.

12. The same tax was assessed on the same revenue more than once;

The Minister has the right to add other cases by a decree. Generally, in cases where the concerned party possesses conclusive documents and papers showing the tax assessment to be incorrect.

The abovementioned requests are to be assigned to one or more committees titled (The Committee for the Reconsideration of Final Assessment). Among its members shall be a member of the State Council having at least the grade of assistant counselor, seconded by the Chairperson of the State Council. A decision concerning the set up of the committee, its functions and premises shall be issued by the Tax Commissioner. The committee's decision shall not be effective until approved by the Tax Authority Commissioner.

Both the taxpayer and the Competent Tax Office shall be notified of the committee's decision.

Article (125): Litigations filed by, or against, a taxpayer may be heard by a court in a closed session. Ruling thereon shall always be expeditious. The State Prosecution shall be represented and shall be assisted in this respect by a representative of the Tax Authority.

Article (126): The Minister has the exclusive right to issue general rules and instructions with which the Tax Authority shall comply in the implementation of the provisions of this law and its Executive Regulations.

Article (127): A taxpayer who wishes to finalize business transactions which may have serious tax influence can file a request in writing to the Tax Commissioner to explain the Authority's position with respect to the application of the provisions of this law to the said transaction.

Such requests must be submitted with complete data and supported by the following documents:

1. Taxpayer's name and tax file;
2. A statement of the business transaction and the tax effects thereof;
3. Copies of documents, contracts and accounts relevant to the transaction;

The Tax Commissioner shall issue a decision regarding the request within sixty days from the filing date and may request additional data from the taxpayer during this period. The decision is binding to the Tax Authority unless details emerge after the decision is issued that were not presented before issuing the decision.

Article (128): The Tax Authority has the right to appoint representatives on its behalf, from among its employees, to ministries and government agencies, local administration units, public legal persons, public sector companies and public business sector companies. The Tax Authority representative shall check the proper application by the entities of the provisions of this law and other associated tax legislation and shall verify that such entities pay the tax according to the provisions of the legislation.

Those representatives and other Tax Authority employees designated by a decree of the Minister of Justice, on the request of the Minister of Finance, shall have the judicial status to prove violations committed against the provisions of the legislation in reports, the data of which shall be specified by this law's Executive Regulations.

Article (129): The Tax Authority shall bear the burden of proof in the following cases:

1. Correction, adjustment or disregard of the tax return if it is filed according to the terms and conditions provided for in articles (83 and 84) of this law and based on proper books and records conforming to Egyptian Accounting Standards or simple accounting principles emanating thereof, while observing laws and regulations enforced in this respect;
2. Adjusting the assessment according to article (91) of this law;
3. Disregarding the tax return if endorsed by an accountant and based on books and records according to provisions of article (78) of this law.

Article(130):Thetaxpayershallbeartheburdenofproofinthefollowingcases:

1. If the Tax Authority makes an estimate assessment of the tax according to article 90 herein.
2. If the taxpayer corrects an error in its tax return.
3. If the taxpayer objects to the content of a report drafted by a tax officer having judicial status.

BOOK SEVEN

PENALTIES

Article (131): Without prejudice to any stricter penalty provided for in the Penal Law or any other law, crimes stated in the following articles are punishable with the penalties stipulated in each.

Article (132): Every accountant enrolled on the Accountants and Auditors Schedule who certified a tax return or its supporting documents is liable to imprisonment and a fine of not less than ten thousand Pounds and not exceeding one hundred thousands Pounds or one of both penalties if an accountant has committed any of the following acts:

1. If s/he concealed facts that came to his/her knowledge in the course of performing his/her job and did not disclose documents which the accountant certified to be true, if the disclosure of such facts is necessary for the accounts and documents to reflect the true activity of a taxpayer.
2. If s/he concealed facts that came to his/her knowledge in the course of performing his/her job about any modification or change in the books, accounts, records or documents and the modification or change led to the inaccurate belief that lesser profits were made or greater losses were incurred.

In the event of recurrence, s/he is liable to both imprisonment and fine.

Article (133): Every taxpayer who evades payment of taxes is liable to imprisonment for a period of not less than six months and not more than five years and a fine equivalent to the unpaid tax according to the law or either of the two penalties.

The taxpayer shall be deemed to evasive from payment of tax if any of the following methods were used:

1. Filing an annual tax return on the basis of fabricated books, records, accounts or documents while having knowledge of the same, or including data different from what is recorded in the true books, records, accounts or documents which he/she concealed.

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1. If s/he concealed facts that came to his/her knowledge in the course of performing his/her job and did not disclose documents which the accountant certified to be true, if the disclosure of such facts is necessary for the accounts and documents to reflect the true activity of a taxpayer.
2. If s/he concealed facts that came to his/her knowledge in the course of performing his/her job about any modification or change in the books, accounts, records or documents and the modification or change led to the inaccurate belief that lesser profits were made or greater losses were incurred.

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The taxpayer shall be deemed to evasive from payment of tax if any of the following methods were used:

1. Filing an annual tax return on the basis of fabricated books, records, accounts or documents while having knowledge of the same, or including data different from what is recorded in the true books, records, accounts or documents which he/she concealed.

2. Filing an annual tax return on the basis of the presence of no books, records, accounts or documents and including data therein different from what is recorded in books, records, accounts or documents which he/she concealed.
3. The willful damage of records or documents related to the tax before the lapse of the tax debt statute of limitation.
4. The fabrication or amendment of purchase or sale invoices or other documents with the intent of leading the Tax Authority to believe that lesser profits were made or greater losses were incurred.
5. Concealing a taxable activity, or part thereof.

In the event of recurrence, a taxpayer is liable to both imprisonment and fine.

In all events, tax evasion shall be considered an immoral crime, disgracing honor and personal integrity.

Article (134): The partner to a crime is liable jointly with the taxpayer for paying the evaded tax and the relevant fines.

Article (135): Whoever commits any of the following acts is liable to a fine of not less than two thousand pounds and not more than ten thousand pounds:

1. Preventing from filing an activity commencement notification;
2. Preventing from filing a tax return;
3. Preventing from applying the system of deduction, withholding, collection and remittance of the tax by the legal dates.

The same penalty also applies to whoever violates the provisions of paragraph (1) of article 96.

Whoever violates the provisions of the two articles 78 (clause 1) and 83 (paragraph 3) is liable to a fine of ten thousand pounds

In all cases, the fine shall be doubled in those cases of recurrence of the same offense within a three year period.

Article (136): If a taxpayer includes in the tax return an amount of tax that is less than the finally estimated tax amount, s/he shall be punished with a fine at the rate shown opposite each of the following cases:

1. 5% of the tax due on the amount not included, if it is equivalent from 10% to 20% of the legally due tax.
2. 15% of the tax due on the amount not included, if it is equivalent from 20% to 50% of the legally due tax.
3. 80% of the tax due on the amount not included, if it is equivalent from more than 50% of the legally due tax.

Article (137): No criminal lawsuit litigation can be filed with respect to crimes provided for herein, or any investigation actions taken, without a written request from the Minister.

Article (138): The Minister or delegate has the right to reconcile crimes provided for in this article, whatever the status of the action may be, before a conclusive ruling is issued in consideration for the payment of:

- a) Amounts due by the violator of the crimes provided for in article 135 of this law in addition to a compensation of two thousand pounds.
- b) Amounts due by the violator in addition to a compensation of half the amount of the fine provided for in Article 136 of this law.
- c) Amounts due by the violator of the crimes provided for in articles 133 and 134 in addition to a compensation equivalent to such amounts.
- d) A compensation equivalent to half the upper limit of the fine provided for in article 132 of this law.

Reconciliation shall result in the lapse of criminal litigation and the subsequent effects arising therefrom. The state prosecution shall order a stay of execution of the penalty if reconciliation is reached while execution is in progress.

BOOK EIGHT

CLOSING PROVISIONS

Article (139): By virtue of a Presidential Decree, a Higher Tax Council having legal personality shall be established under the Prime Minister with its headquarters in Cairo.

Article (140): The Council's aim is to guarantee taxpayers rights of all kinds, the obligation by the Competent Tax Offices to the provisions of the laws and regulations issued in this regard, to ensure that the assessment and collection procedures are performed in a spirit of cooperation and good faith, as well as to guide taxpayers to the legal procedures that will secure their rights.

Article (141): The Council shall, to achieve its purpose, perform the following:

1. Study and endorse a Taxpayers' Bill of Rights and track compliance therewith.
2. Study laws and regulations regulating tax affairs and propose amendments in cooperation with the government and competent administrative bodies. Draft laws and regulations proposed by the government regarding different types of taxes shall be presented to the Council for review and feedback before submitting them to the People's Assembly.
3. Study instructions issued by competent administrative bodies with respect to tax matters and intervene with competent agencies and authorities in order to repeal instructions which do not comply with provisions of laws and regulations or the Taxpayers' Bill of Rights. It shall also work to render such instructions conflict-free and ensure smooth tax assessment and collection.
4. Follow up the exercise by the Tax Departments of their terms of reference to ensure their compliance with taxpayers' rights.
5. Review tax guidelines and advise before approving and publishing them, in particular:
 - Tax Administration work manuals.
 - Guidelines for basic audit rules.

- Audit procedures manual.
 - Selective audit sample.
6. Study the extent of technical and financial efficiency of existing administrative bodies in charge of tax affairs to ensure the quality of the tax and administrative services performed, and working with and submitting proposals to the competent authorities for the elimination of any shortcoming in this respect
 7. Publish information, reports and recommendations that will familiarize taxpayers with their rights and obligations.
 8. Study taxpayers' complaints submitted to the Council and cooperate with the competent authorities to eliminate reasons for valid complaints and propose general rules that would eliminate their reasons in future. Competent administrative authorities shall cooperate with the Council in studying the complaints referred thereto and furnish the Council with the data, reports and research required relevant to the council business.

On thirty September each year, the Council shall file a report on its business to the President of Republic and the Prime Minister to include the deficiency of the tax legislation, cases of abuse of power or exceeding the limit of jurisdiction by any of the tax administrations as noticed by the Council during the exercise of its functions.

The report shall be filed to the Chairperson the People's Assembly for presentation to the Assembly.

Article (142): The Council shall set up by a Prime Minister decree for a three-year renewable term as follows:

1. A Chairperson from among public figures;
2. Three of the former Tax Authority Commissioners nominated by the Minister;
3. A member of the Judiciary having a counselor degree at least, to be nominated by the Minister of Justice;
4. Two accountants and auditors enrolled on the Shareholding Companies Accountants and Auditors Schedule in the general register of professional accountants and auditors, to be nominated by the Commercial Professions Syndicate accounting and auditing division;

5. Chairperson of the Federation of Egyptian Industries;
6. Chairperson of the General Federation of the Chambers of Commerce;
7. A university professor specialized in taxation matters, nominated by the Higher Council of Universities;
8. An undersecretary of the Central Auditing Agency, nominated by the Agency Chairperson.

The decree shall specify remuneration for the Council's Chairperson and members.

Article (143): The Council shall convene at the invitation of its Chairperson at least once every two months as well as whenever the Chairperson deems a meeting necessary. A Council meeting is only in quorum if at least six of its members attend. Decisions shall be issued by a majority of attendees' votes. In the event of a tie, the Chairperson has the casting vote.

The Council may invite to its meetings representatives of the tax departments associated with the agenda items to be discussed as well as financial experts, economists and legal experts who do not have a countable vote in deliberations.

Article (144): The Council's resources shall consist of:

1. Adequate financial appropriations allocated for the council in the State General Budget.
2. Endowments, donations, assistance and grants accepted by the Council and which do not contravene with its objectives.
3. 3- Returns on investing the Council's funds.

Article (145): The Council shall have a special budget and fiscal year beginning first July and ending at the end of June each year.

Article (146): The Council shall establish its own financial, administrative and technical regulations.

The council shall have a managing director appointed for a three-year term, the terms of reference and financial status of whom shall be specified by

a decree of the Council. The Council shall also have a technical secretariat, the organization, mandate and organizational structure of which shall be developed and functions specified by a decree of the Council.

Article (147): All amounts and financial values whose owners have forfeited them by the statute of limitation shall devolve to the public treasury by virtue of an irreversible ruling and these shall include the following:

1. Profits and dividends resulting from shares and bonds offered and issued by any company or public or private authority or body.
2. Shares, incorporation quotes, bonds and all other movable property of such companies, authorities or bodies.
3. Securities, deposits and generally whatever is required of the securities by banks or other firms that accept such securities in trust or for any other reason.
4. Every amount paid by way of security for any reason whatsoever to any joint stock company or any public or private body or authority.

Companies, banks, firms, authorities and other bodies provided for in this article shall furnish the Tax Authority, no later than the end of March every year, with a statement of all the amounts and values affected by the statute of limitation during the preceding year and the title to which had devolved to the government according to this article. They shall remit the said amounts and values to the public treasury within thirty days following the filing of the said statement.

Article (148): The Minister may, after presentation to the Prime Minister, draw up one or more systems for rewarding the employees of the Authority in light of their performance and the volume and level of their business achievement without having to abide by any other system. The General Budget of the State may allocate amounts as contribution by the State to the Social and Health Care Fund of the Authority's employees, their families, retirees and their families.



The Executive Regulations

**Issued by
Ministerial Decree
No. 991 of 2005**

January 2007

Minister of Finance Decree ⁽¹⁾

No. 991 of 2005

Promulgating the Executive Regulations of the Income Tax Law no. 91 of 2005

The Minister of Finance

Having reviewed law no. 91 of 2005 promulgating the Income Tax Law and the Income Tax Law attached thereto, and

Upon the State Council view,

Has decreed (First Article)

The executive regulations attached to the Income Tax Law no. 91 of 2005, referred to by the word "Law" wherever mentioned or referenced in this regulation, is effective.

General rules and instructions and periodical notes issued by the Minister of Finance to apply the provisions of the above-cited two laws shall be apply where no text is provided in this decree and the attached regulation.

(Second Article)

Provisions of the Income Tax Law will be applied as follows:

1. With regard to natural persons:
 - a) To their income of natural persons from salaries and the like, with effect from July 2005;
 - b) To their income of natural persons from commercial and industrial activity, revenues from non-commercial professions and real estate with effect from tax period 2005, starting on 1/1/2005 and ending after the effective date of the Income Tax Law.

⁽¹⁾ Issued in Official Gazette no. 295(bis) dated December 27, 2005.

2. With regard to legal persons as of:
 - a) The first tax period starting from 2004 and ending on 31/12/2005.
 - b) The tax period starting from 1/1/2005 or any other following date and ending after the effective date of the above-cited law.

(Third Article)

Any provision that is in contrary to this decree or the attached regulation or does not conform to the attached regulation shall be repealed.

(Forth Article)

This decree shall be published in the Egyptian Gazette, and come into force on the date following the date of publication.

Minister of Finance
Dr. Youssef Boutros Ghali
Issued on 27/12/2005

(Second Article)

Executive Regulations of the Income Tax Law Promulgated by Law No.91 of 2005

BOOK ONE

GENERAL PROVISIONS

Article (1): If a proprietorship is transferred by inheritance to one or more heirs, each of them is treated from tax prospective as natural person taxpayer as prescribed in this law.

Article (2): In applying the provisions of article (1) of the law, the leasing of equipment is deemed like to use or the right to use them. The royalties include all amounts paid in consideration for leasing industrial, commercial, or scientific equipment.

However, if the lessor carries on his / her activity through a registered branch, s/he is deemed to be a permanent establishment for the purposes of tax.

Article (3): A natural person is regarded as having a permanent domicile in Egypt in any of the following cases:

1. If s/he is physically present in Egypt for most of the year, either in a home he owns or leases or in any other capacity,
2. If the taxpayer has a commercial store, a professional office, factory or any other working place whereby the natural person carries out his/ her activity in Egypt.

And Egypt is considered as the actual management center of a legal person if at least two of the following cases are met:

1. If it is a residence where daily management decisions are taken.
2. If it is a residence where the board member or managers' meetings are held.
3. If it is a residence where at least 50% of the administrative board members or managers are resident.
4. If it is a residence where the partners or shareholders are residents and their shareholding exceeds half of capital or voting rights.

In all cases, the legal person can not considered resident in Egypt based on having an actual management center if the Tax Authority has realized that the legal person has got a place with intention to avoid tax obligations.⁽¹⁾

Article (4): The preliminary or auxiliary activity of the project as prescribed in item [5] in the third paragraph of article (4) of the law, is meant every activity that does not yield taxable revenue.

Article (5): In applying item [7], in the third paragraph of Article (4) of the law, the broker or the agent is considered to dedicate most of his time or effort thereof during the tax period for the interest of a foreign company, if his activity is fully or partially exercised in the name of the company, where by the conditions regulating their commercial and financial relationship differ from those that regulate the relationship amongst independent establishments.

Article (6): The tax may be calculated for a period of less or more than twelve months in the following cases:

1. Cases in which tax may be calculated for a period of less than 12 months:
 - a) The taxpayer's first financial period, whether this period ends at the end of the calendar year or any other date considered by the taxpayer adopts as an end of his financial year.
 - b) The death of the taxpayer or if his residency in Egypt has been interrupted, or cedes the activity or assigns the firm before the end of his financial year.
 - c) If the taxpayer maintains proper books and records during any of his financial years.
 - d) When the taxpayer adjusts the end of his financial year, and in this case, the tax is calculated from the beginning of the tax year before the adjusting and up to the date of adjusting.
2. Cases in which the tax may be calculated for a tax period exceeding twelve months:

⁽¹⁾ The Minister of Finance decree no. 193 of 2006 issued in Official Gazette no. 83 dated April 15, 2006.

- a) Closing the accounts of the legal person in its financial year, in implementation of the provisions of its article of incorporations or the company contract.
- b) The taxpayer adjusts the end of his financial year, if the period from the financial year up to the end of adjusting financial year does not exceed three months, this period shall be included within the first period.

The tax rate, as prescribed in articles (8) and (49) of the law, is applicable, whether for profits resulting from the activity throughout a whole tax period [12 months], or if the tax is calculated for a period of more or less than 12 months, without entering any Adjustment on it, either by reducing the rate or increasing it, or by making a change to the brackets proportionate to the period of exercising the activity.

Article (7): The Tax Authority may, in all cases, upon the taxpayer's request on form no (1 requests), authorize him to change the tax period, providing the following conditions are met:

1. The taxpayer is a legal person as stipulated in articles (47) and (48) of the law.
2. The taxpayer maintains proper books and accounts.
3. When there are substantial reasons to change the tax period, such as:
 - a) On a request from an affiliated company or a foreign branch to adjust its financial year to be in agreement with the financial year of the holding company or head office.
 - b) Changing the legal form of the legal person.
4. The duration of the tax period is twelve months.

BOOK TWO

INCOME TAX ON NATURAL PERSONS

Section One Tax Scope and Rate

Article (8): In applying the provisions of book two of the law, the Competent Tax Office means the following:

1. With regard to salaries and the like: The Competent Tax Office as stipulated in article (10) of the regulation.
2. If the taxpayer's income is limited to revenues from commercial or industrial activity, the Competent Tax Office is the office where the center of the activity is located. If the taxpayer conducts activity through multiple firms or branches, the Competent Tax Office is the office where the head office is located, according to the commercial register.
3. If the taxpayer's income is limited to revenues from professional or non-commercial activity, the Competent Tax Office is the office where the center of the activity is located, and if center for practicing are multiple, the Competent Tax Office is the office where the center of the activity is specified by the taxpayer.
4. If the taxpayer has revenues from the commercial or industrial activity, as well as from the professional or non-commercial activity, the Competent Tax Office is the office in which the professional activity is located.
5. If the taxpayer's income is limited to revenue from real estate, the Competent Tax Office is the office where the taxpayer's residence is located. If the taxpayer has multiple residences, then the Competent Tax Office is the office where one of his residences is located as specified by the taxpayer. However, if the taxpayer does not specify a residence, the Competent Tax Office is the office where any of the taxpayer's built or agricultural property, or any of his leased residential or furnished units. If the taxpayer's revenues are from commercial or industrial activity, the Competent Tax Office is the office where the head office of the commercial or industrial activity is located.

6. If the taxpayer's income includes revenues from the commercial or industrial activity and from the professional or non-commercial activity and from the real estate, the Competent Tax Office is office of the professional activity.
7. The Large Taxpayer's Center, if the taxpayer is identified or shall be identified as a large taxpayer by the Center.

In case of changing the activity center carry on which is basically taken to identify the Competent Tax Office, the Competence shall be taken place for the seceding years of changing date to the new center activity tax office including the ending year after the changing date.

The Competent Tax Office before changing the activity carry on has to finalize the tax audit procedures, notification and transfers the taxpayer's tax file to the Competent ax Office of the new center of the activity performance within three months taking into consideration the statue of limitation periods.

Article (9): The computing of the bracket which is not subject to tax and amounting to five thousand Egyptian Pounds, without any deduction with regard the resident taxpayer even if the period of the work or activity thereof does not extend to the whole tax period. In case of the source of income are multiple, the above-mentioned bracket is deduct first from the salaries and the like, if a portion of the bracket remains this portion shall be deducted from any other revenue.

Section two Salaries and the Like

Article (10): In applying the provisions of part two of book two, the Competent Tax Office means:

1. The Tax Office Inspecting Governmental Authorities in Cairo and Alexandria, as appropriate, the employer or the party-committed to pay the revenues is one of the governmental bodies, local administration units, public firms; or public legal persons that are not carrying on any activity subject to tax on legal persons profits or the party-committed to pay the revenue of

the private authorities working in the field of youth welfare and sports as well as general syndicates in Cairo and Alexandria, as appropriate or the geographical Tax Office in whose jurisdiction any of the aforementioned bodies located any of the previous in rest governorates as specified by the commissioner decree.

2. The specified Tax Office as prescribed in the provision of article (53) of the regulation, if the employer or the party- committed to pay the revenue is one of the stipulated bodies in article (48) of the law.
3. The specified Tax Office as prescribed in the provision of article (8) of the regulation, if the employer or the party-committed to pay the revenue is one of the entities who carry on taxable activity.
4. The specified Tax Office which the place of resident or head office located or the persons or bodies who do not mentioned in the preceding items, also the cases those are committed to deliver the taxable revenues to pay according to the provision of article (16) of the law.
5. The Large Taxpayer's Center, if the taxpayer is decreed or shall decree to be identified with the Center.

Article (11): The term "cash and in-kind benefits" in applying the provisions of article (9) of the law means the worker receives in cash or in-kind that are not a reimbursement for expenses associated with the performance of his work and being representation a Personal benefit. The value of the benefit in-kind is determined on the basis of the market value; however, the value of the following benefits in-kind shall be estimated as indicated next to each of them:

1. The company's cars subject to the personal disposal of the worker:
The value of the benefit is specified at 20% of the cost of fuel, insurance, and periodic maintenance with respect to such cars, whether owned by the company or leased
2. Cellular Phones:
The value of the benefit is specified at 20% of the expenses that are related phone expenses throughout the year.

3. Loans and advances offered by employers:

In the case the employer offers a loan to the workers exceeding the total income received by the worker during the preceding six months to receive the loan without interest or with interest of less than 7%, the value of the benefit shall be specified at 7% or the difference between the loan interest rate and the aforementioned interest rate if the loan interest rate is less than 7%.

The loan includes any of its forms including the amounts paid in advance or registering in the employer's books and registers and charged to the worker's account.

4. Life insurance policies for the employee, his family or his properties:

The value of the benefit is specified at the premiums paid by the employer during the year.

5. The company's stocks granted at a value less than the stock market value:

The value of the benefit is specified on the difference between the stock market value on the date of receiving the grant, and the value required to be paid by the worker.

In case of restrictions existence on transferring the title, the benefit shall not be realized provided that these restrictions are elapsed.

In all cases, the employer shall withhold and pay it according to article (14) of the law, and include the annual reconciliation all the benefits received by each employee as per the preceding rules. The party is committed to receive the revenue is required to withhold the tax and pay it if he obliged to article (16) of the Law.

Article (12): In determining taxable revenues, the following amounts are excluded:

1. The amounts that are exempted by virtue of special laws.
2. An annual personal exemption of 4000 [Four thousand pounds] for the taxpayer.
3. Social insurance contributions and other deducted according to the Egyptian Social Security Laws or any other alternative system to be established according to the provisions of Law No. 64 of 1980, with respect to Alternative Private Social Security Systems.

4. Workers' contributions to private insurance funds established as per the provisions of the Private Insurance Funds promulgated by Law No.54 of 1975.
5. Life insurance premiums and health insurance in favor of the taxpayer, the spouse or minor children, and any insurance premiums paid for pension entitlement, according to the provision of article (18) of this regulation.
6. The value of the following group in-kind benefits:
 - a) Food meals offered to workers.
 - b) Employee group transportation or transportation allowance.
 - c) Healthcare.
 - d) Tools and uniforms needed for work performance.
 - e) The accommodation offered by an employer to employees, needed for work.
7. The employee's profit share determined to be distributed according to the law.
8. The stamp tax legally prescribed.
9. An amount of five thousand pounds as a tax-free bracket, provided that it is not deducted from the taxpayer's other income sources during the same year.

With regard to items [4] and [5] of this article, the total exemption for the taxpayer should not exceed 15% of the net revenue or three thousand pounds whichever is greater, and no exemption for the same contributions and premiums shall not be repeated for any other income prescribed in article (6) of this law.

The withheld amounts should be paid to the Competent Tax Office within the first fifteen days of each month for those amounts paid during the preceding month.

In case of a change occurs in the taxable revenue during the tax year, the provision of article (14) of this Regulation will be applied.

Article (13): In case a change occurs in the worker's revenues from taxable salaries and the like, the employer may compute the due on the workers on the basis of the new revenue, after turning it into an annual revenue, and

withhold the tax difference between the old revenue and the new revenue and maintains the difference in the employees' account without computing delay fines on the withhold difference.

Article (14): In applying the provision of the preceding article, the employer obliges to prepare the year- end reconciliation according to the following:

1. Specify the revenues form the salaries and like received by the worker from the principle employer during the year.
2. Deduct the exemptions as stipulated in article (13) of the law and according to its provisions.
3. Compute the tax in excess of five thousands pounds of the net salary and the like. The tax computation shall not be affected according to the provision of this article with any amounts received by the workers from other employer. The non-taxable bracket shall not be repeated to deduct from any other revenue.
4. The employer shall pay the tax difference, if any, without prejudice to the right of employer to have recourse on the worker for all the amounts due on him.

The above-mentioned reconciliation should be made and file during the month of January each year and pay the result of the reconciliation to the Competent Tax Office.

In case tax differences resulted from tax auditing, the delay fine shall be computed effectively from the following date to ending period specified for filing the annual reconciliation.

Article (15): The tax applies at a rate of 10% in applying to the provisions of article (11) of the Law, on the amounts paid to non-residents, irrespective of the establishment or firm employing them for the performance of the services under its supervision, and on the amounts received by residents from bodies other than their principle employer, without any reductions to meet the costs, and without any further deduction including the non-taxed bracket stipulated in article (7), and the exemptions stipulated in article (13) of the law.

Bodies who pay the above mentioned amounts as aforementioned in preceding paragraph have to withhold the tax and pay it to the Competent Tax Office within the first fifteen days of every month, for the amounts paid during the previous month to be made on form no. (2 salaries)

The principal employer means the body that the worker is employed by and that pays his principal salary.

The principal employer is considered the firm where the worker spends more than 50% of his time or receives more than 50% of his income during the tax period. This firm should withhold an amount under tax account for the amounts paid to the employee according to the provisions of articles (7), (8), (10) and (13) of the law; in this case, the provision of article (11) of the law will apply on the sheer salary that is received by the employee from the firm in which he is employed. The tax due is calculated according to the provision of this article and reported on form no (3 salaries).

In applying the provisions of article (11), the Competent Tax Office means:

1. With regard to the resident - the Tax Office in which the jurisdiction of the non-original workplace exists.
2. With regard to a non-resident - the Competent Tax Office is specified according to the provision of article (23) of this Regulation.

Article (16): The end -of- service indemnity means in applying to the provisions of item [2] of article (12) of the Law, the indemnity which is determined by the applied system in the body or the company or the establishment on the occasion of termination of worker service; in the absence of these systems or its existence or not regulated this indemnity, the end – of – services shall be specified as per the labor law.

Article (17): The alternative systems, in applying the provision of item [2] of article (13) of this law mean the systems that are established under the provisions of the aforementioned Law No. 64 of 1980 or any of the other Egyptian laws.

withhold the tax difference between the old revenue and the new revenue and maintains the difference in the employees' account without computing delay fines on the withhold difference.

Article (14): In applying the provision of the preceding article, the employer obliges to prepare the year- end reconciliation according to the following:

1. Specify the revenues form the salaries and like received by the worker from the principle employer during the year.
2. Deduct the exemptions as stipulated in article (13) of the law and according to its provisions.
3. Compute the tax in excess of five thousands pounds of the net salary and the like. The tax computation shall not be affected according to the provision of this article with any amounts received by the workers from other employer. The non-taxable bracket shall not be repeated to deduct from any other revenue.
4. The employer shall pay the tax difference, if any, without prejudice to the right of employer to have recourse on the worker for all the amounts due on him.

The above-mentioned reconciliation should be made and file during the month of January each year and pay the result of the reconciliation to the Competent Tax Office.

In case tax differences resulted from tax auditing, the delay fine shall be computed effectively from the following date to ending period specified for filing the annual reconciliation.

Article (15): The tax applies at a rate of 10% in applying to the provisions of article (11) of the Law, on the amounts paid to non-residents, irrespective of the establishment or firm employing them for the performance of the services under its supervision, and on the amounts received by residents from bodies other than their principle employer, without any reductions to meet the costs, and without any further deduction including the non-taxed bracket stipulated in article (7), and the exemptions stipulated in article (13) of the law.

Article (18): In applying the provisions of item [4], article (13) of the law, it is provided that the insurance should be concluded with insurance firms registered with the Egyptian General Authority for Supervising and Controlling Insurance.

Article (19): In order to the following benefits in-kind to enjoy tax exemption, it is provided the following:

1. The food meal is provided at the workplace.
2. The group transportation is provided for all workers or for a category of them, in collective transportation - this applies whether the vehicles are owned or leased.
3. The accommodation is owned by the employer or leased from a third party and it is necessary for the nature of the work.

Article (20): The exempted amount, in applying the provision of the last clause of article (13) of this law, is computed as follows:

If the 15% of the net income is less than 3,000 Pounds, the exempted amount is the amount paid, up to a maximum of 3,000 Pounds.

If the 15% of the net income is greater than 3,000 Pounds, the exempted amount is the amount paid, up to a maximum equivalent to value 15% percent.

Article (21): Employers and persons who are committed to pay income of salaries and the like should pay the amounts withheld under tax account, as specified in articles (8) and (11) of the law.

The companies and projects established according to the Free Zones regime are obliged to apply the provisions of articles from (11) to (15), and articles from (18) to (20) of the Regulation herein as well as filing the forms prescribed herein.

Article (22): The filing of quarterly returns, as stipulated in article (15) of the law, is to be on form no. (4 salaries) and the following shall be indicated in the form:

1. Number of workers.
2. The total salaries and the like paid in the preceding three months.
3. The amounts withheld under the account of tax, and the amounts paid for the same period as well as copies of the payment receipts.
4. The amendments that occurred with respect to the workers either by increase or decrease in number.

The Tax Office to which returns have been filed as stipulated in clause [1] shall be notified of any amendments that occurred to returns in the following quarterly return.

At the request of a worker s/he must be provided with a statement stating the worker's full name, the amount and type of income, and the value of tax withheld.

Article (23): The Competent Tax Office for a person entitled to revenue stipulated in article (16) of the law, is the Joint Stock Companies Tax Office in Cairo or Alexandria, as appropriate. If the person entitled to the revenue is a non-resident, s/he shall file to the aforementioned Tax Office a statement indicating the amounts received and the tax due before the termination of his/her residence period.

If the person entitled to the revenue is resident, the Competent Tax Office is the Tax Office within whose jurisdiction s/he lives. S/he shall file, at the beginning of January each year, a comprehensive statement stating the total amounts that s/he received during the preceding year.

In all cases, the aforementioned statement should be filed, accompanied with the tax due, to be made on form no (5 salaries).

Section Three Commercial and Industrial Activity

Chapter One—Taxable Revenues

Article (24): The net profit is determined as stipulated in the second paragraph of article (17) of the law, the provision of article (70) of this regulation. The tax treatment for the capital gains realized from the sale of assets as stipulated in item [3] of article (25) of the Law, according to the provisions of article (26) hereof.

Article (25): In applying the provision of item [3] of article (19) of the law, one deal is considered to be any purchase made by a resident taxpayer for the purpose of selling movable assets and not purchased for personal use, provided the deal is for a commercial or an industrial purpose, and the sale is concluded within the period of twelve months from the date of purchase.

Article (26): The mechanical and electrical machines, as stipulated in item [5] of article (19) of the law, includes the electronic and digital machines and the like.

Article (27): The taxable net profit is determined, according to article (21) of the law, on all long-term contracts entered into by the establishment according to the following steps:

1. The percentage of completion is determined on the basis of the actual cost of the executed works until the end of the tax period proportional to the total estimated contract costs, taking into consideration that such percentage should be recalculated whenever there is a change in such costs.
2. The total estimated profits of the contract is determined on the basis of the difference between the contract value and the costs estimated thereto; taking into consideration the recalculation of the total estimated profits if the value of the contract changes.
3. The estimated profits of a contract through every tax period is determined on the basis of the total estimated profits of the contract as a whole multiplied by the percentage of completion as determined in clause [1].

At the end of the contract, the net actual profit or loss is determined on the basis of the actual costs subtracted from the actual revenues.

If the computation of a contract in the tax period in which the contract has been implemented shows a loss, such loss is deducted from the profits of the period first. If the profit is not enough, the balance of the loss is deducted from the preceding tax periods for the execution of the contract and in a way that does not exceed the profits estimated and declared during the preceding tax periods for each contract separately.

The tax shall be recalculated on such basis, and the taxpayer will be reimbursed with any amount that was paid in excess of such tax. If the loss incurred from the execution of a contract exceeds the profits estimated for a tax period(s) preceding the contract, the remaining losses will, in applying the provision of article (29) of the law, be carried forward to the following years.

Chapter Two—Determining Taxable Revenues

Article (28): Costs and expenses that are not customarily supported by documents means, in applying the provisions of item [2] of article (22) of the law, those costs and expenses that are not customarily supported by external documents according to their nature, but internal payment orders or pricelists are available, such as:

1. Domestic transportation expenses.
2. The cafeteria expenses for the internal hospitality for the firm's clients.
3. Cleaning expenses.
4. Ordinary and syndicate stamps necessary for the firm's operations workflow.
5. Ordinary maintenance expenses.
6. Daily, weekly, or monthly newspapers or magazines, if it is required by the nature of the profession or the activity.

It is provided that expenses that are not customarily supported by documents, including tips, cannot exceed 7% of the total general and administrative expenses supported by documents.

Article (29): The credit interest, when applying the provisions of item [1] article (23) of the law, means all amounts received by the taxpayer from investment in loans, advances, any kind of debt, bonds, treasury bills, deposits, and monetary guarantees. The non-taxable or exempted credit interest must be deducted from the debit interest of loans used in the activity.

Article (30): In the condition for considering the separation or the independence of the fund of the system from the firm fund in the applying to the provisions of item [5] article (23) of the law, the following:

1. The system or the fund has to have a private account with the banks independent from the firm's accounts.
2. It is fund to be invested for its own account.
3. Having accounts and books independent from the firm's accounts.

Article (31): Loan interest paid is calculated, as stipulated in item [4] article (24) of the Law, on the basis of the credit and discount rate declared by the Central Bank on the first of January or the first working day in the calendar year.

Article (32): Interests on loan and debts, as stipulated in item [5] article (24) of the Law, do not include the interest on bonds floated for public subscription.

Article (33): Intangible assets which are purchased, in applying the provision of item [2] article (25) of the law, means those assets that do not have tangible existence and are maintained for use in production for the supply of goods or services, or lease to a third party, such as licenses, intellectual property rights, brand names, publication rights, patents, printing rights, and animations received by the establishment in return for the payment of amount of money. The intangible assets which are set up by the establishment should be depreciated according to item [2] of article (25) of the law, taking into consideration disposal the costs of setting up the intangible asset which were charged among the costs in the preceding years according to the Egyptian Accounting Standards.

Article (34): The following should be taken into consideration with regard to the depreciation base system as stipulated in articles (25) and (26) of the law:

1. The depreciable value is determined on the basis of the balance for every group of assets at the beginning of the period, after adding assets purchased and all additions made during the year, such as the cost of transporting and installing the asset, and the repairs or overhauls that lengthening the productive life of the asset, and then deducting from it the value of assets disposed of or compensation for its loss or otherwise.

This balance shall be treated as follows:

- a) If the resulting balance, according to the previous clause, is negative, this balance is added to the profits of the activity.
 - b) If the balance is ten thousand pounds or less, it is fully charged to the income statement and is considered deductible costs of the same year.
 - c) If the balance is more than ten thousand pounds, depreciation is calculated for each group according to the percentages stipulated in item [3] article (25) of the law; regardless of the period of use of the group assets and the remaining balance shall be carried forward, whatever its value, to the following tax period as a depreciable base.
2. The depreciation percentages stipulated in article (25) of the Law are not being violated for the purposes of tax computation.
 3. The donated assets as its value registered as a part of the reserves shall not be taxable and not be subject to the depreciation as applied in articles (25), (26), and (27) of the law, as appropriate.

Article (35): For the purposes of the tax calculation, in applying the provision of article (27) of the Law, 30% of the cost of machines and equipment used in industrial production, whether they are new or used, is deducted for the first tax period during which the assets are used. The remaining amount is registered according to the depreciation basis stipulated in article (26) of the law.

Article (36): It is considered as serious procedures for debits collection, in applying the provision of item [4] of article (28) of the law, the debtor carries out a judicial conciliation protected from bankruptcy based on a debtor's request to be filed to with bankruptcy's judge in collaboration with creditors provided the approval of creditors possessing two – third of the debts value, the conciliation protected from bankruptcy shall be made according to the provisions of the Trade Law promulgated by law No. 17 of 1999.

Article (37): The taxable income for the natural persons is determined according to the provision of article (6) of the law, with regard to the person whose source of income are multiple as prescribed in the second paragraph of the same article except for the salaries and the like, taking into consideration the loss occurred in one of these sources, the mathematical adding should not be applied except within the limits of its net profit, and if part of such losses remain, the article (29) of the law and the second paragraph of article (35) thereof should be applied, as appropriate.

Article (38): The Tax Authority has the right to verify the related persons' application with regard to the neutral prices in their transactions with regard to the exchange of goods, services, raw materials, capitalized equipment, and the distribution of shared expenses, royalty, interests and other commercial or financial transactions that are carried out between them.

Article (39): The neutral price is specified, as stipulated in article (30) of the law, according to one of the following methods:

1- The comparative free price method: according to this method, the price of good or service between related parties is determined on the basis of the price of the same good or service as if it is carried out between the company and unrelated persons. The comparison depends on other similar good or service, taking into accounts the following factors:

- a) The legal conditions to which every party to the contract is bound.
- b) The market circumstances.
- c) Special circumstances of the concerned transactions.

2. Total cost added to net profit margin method: according to this method, the price of the good or service is determined between related parties on the basis of the total cost of goods or services adding a certain percentage as a profit margin in favor of the selling company or the service provider, when the profit margin is determined on the basis of the profit margin received by the taxpayer in his transactions carried out with independent parties or the profit margin received by another independent party in other similar transactions.
3. The resale price method: according to this method, the price of the goods or services, among relative parties, is determined on the basis of the resale price of the goods or services to a unrelated third party after deducting a percentage Which is represented a reasonable profit margin to the intermediary party. The profit margin is determined on the basis of the markup received by the same seller through transactions with independent parties. Furthermore, the profit margin may be determined on the basis of the markup received by an independent person in a similar transaction.

Article (40): The priority of applying the determining neutral price determination is the comparative free price method, and in case of the required data is not available to apply this method either of the two methods prescribed in the preceding article shall be applied.

In the case of an inability to apply any of the three methods mentioned in the preceding article, any other method described by the Organization of Economic Cooperation and Development or any other method suitable for the taxpayer may be followed.

In all cases, there may be a prior agreement between the Tax Authority and the taxpayer with regard to the method to be followed by the taxpayer to determine the neutral price when undertaking a transaction between related parties.

Chapter Three—Exemptions

Article (41): In applying the provisions of article (31) of the law, the following shall be taken into consideration:

1. The exemption prescribed for livestock breeding farms and fattening includes the milk produced by the livestock, provided that the trading in milk and dairy products is not performed independently.
2. The exemption prescribed for the projects of fishing boats applies to the profits resulting from the project for ten years as from the date of starting of the activity. The project means carrying out the fishing activity whether by one or more boats, owned or leased. This exemption is limited to profits resulting from fishing activities
3. The exemption prescribed for bee breeding firms applies to establishments that have spent no more than ten years since starting the activity before the effective date of the law, within the limits of the remaining portion of that period. For establishments starting activity after the effective date of the law, the whole period of the exemption applies.

Article (42): Applying the exemption prescribed in item [6] article (31) of the law, regarding the profits of new projects funded by the Social Fund for Development, is conditional on the following:

1. The date of starting the activity of the project is followed by the date when funding was approved by the Social Fund for Development.
2. The profit of the project should be resulted solely from commercial and industrial activity.
3. The project should be in proprietorship form.

The tax exemption period is five years from the date of exercising the activity or starting production, as appropriate, and the exemption shall be invalid if the establishment is assigned, disposed of, or its legal form is changed.

In all cases, the tax exemption only applies to that portion of the profit resulting from the financing provided by the Social Fund for Development.

Section Four Revenues of Non Commercial Professions

Chapter One—Determination of the Taxable income

Article (43): Yields from the disposal of any professional assets, and yields from the partial or total assignment of the professional offices from where the profession is practiced, as stipulated in the first paragraph of article (33) of the law, means the capital gains resulting from selling any of the assets used in the practice of a profession, or from assigning, totally or partially, a professional office.

The yields from the transfer of expertise mean the profits resulting from training or consultations given to same practitioners or to any other body.

Article (44): The following are deductible costs in applying the provisions of article (33) of the law:

1. Registration fees, annual subscriptions, and practice profession fees.
2. Taxes paid by the taxpayer related to the practice of the profession, except for the tax a taxpayer pays according to the provisions of the Income Tax Law.
3. Amounts paid by the taxpayer to his syndicate as a contribution to its pension system.
4. Life and health insurance premiums paid by the taxpayer in his favor or for his spouse and minor children, provided that the insurance is made with companies subject to the provisions of the law on the Supervision and Control over Insurance in Egypt, promulgated by Law No. 10 of 1981.

In applying items [3] and [4] of the provisions of article 44 of this article, the total exemptions for the taxpayer from the net taxable revenue cannot exceed three thousand Pounds per annum and the same deduction cannot be repeated from any other revenue as prescribed in article (6) of the law.

In all events, the authorization for such cost should be based on the receipts issued by competent bodies.

Article (45): The deduction of all costs and expenses necessary to realize the revenue as prescribed in article (35) of the law, are conditional on the following:

1. The taxpayer should maintain proper books and records.
2. Costs and expenses should be necessary for practicing the profession or activity; the costs and expenses shall be true and supported by documents except for costs and expenses the are not customarily supported by documents.

Article (46): The determination of costs and expenses that are not customarily supported by documents as mentioned in article (35) of this law, are subject to the provision of article (28) of this regulation.

If the taxpayer does not maintain proper books and documents, then no more than 10% of the total revenue can be deducted against all cost.

Chapter Two—Tax Exemption

Article (47): A taxpayer is entitled to the tax exemption as prescribed in item [3] of article (36) of the law, on condition that the taxpayer adheres to the systems and prices set by the universities and institutes, and in the event of prejudice such this condition the revenue will be subject to tax.

Section Five Real Estate Revenue

Chapter One—Taxable Revenue

Article (48): Notifying the Competent Tax Office with data and facts as prescribed in fifth and sixth paragraphs of item [2] of article (38) of the law to be made on the form no (6 real property).

Chapter Two—Determining the Taxable Revenues

Article (49): The term “private home” in applying to article (39) of the law refers to the home in which the taxpayer, his spouse and his minor children reside, taking into consideration that the rental value identified for the said home should be excluded from the total rental value already taken for tax assessment.

Article (50): AA request for the taxpayer’s real property registration is to be made on form no. (7 real estate) as stipulated in article (40) of the law, on the basis of the actual revenue; even if the net revenues do not exceed the non-taxable bracket.

The aforementioned request should indicate the taxpayer’s real estate items from agricultural lands, agriculture use of horticultural crops or built property, and attached to it the title deeds like notarized contracts, private deeds and the agricultural holding card or terrier transcript; and the taxpayer’s annual tax return based on proper books according to article (102) of this regulation.

Article (51): Buildings as stipulated in article (42) of the law do not include built property or land representing an asset of the establishment’s assets.

The notification of payment of the real estate disposal tax is to be made on form no. (8 real estates), and the notification to the Tax Authority with the notarization of the disposal which is subject to tax on the real estate is to be made on form no (9 real estate).

Article (52): The statement of the built property and agriculture lands that are owned by the taxpayer as stipulated in article (44) of the law is to be made on form no (10 estates).

BOOK THREE

TAX ON THE PROFITS OF LEGAL PERSONS

Section One Scope of the Tax

Article (53): The Competent Tax Office, in applying the provisions of tax on the profits of legal persons, means the Tax Office that is affiliated to the head office of one of the firms or the bodies prescribed in article (48) of the law is reporting as follows:

1. With regard to Shareholding Companies and bodies prescribed in items [3] and [4] of article (48) and multi-purpose firms covered in the Prime Minister's decree No. 1498 of 2001 and decree No. 1144 of 2002, in addition to representative offices, and other legal persons those are not prescribed in the following items of this article, the Competent Tax Office is the Joint Stock Companies Tax Office in Cairo, with regard to all governorates except Alexandria, Behira and Matrouh governorates. With regard to Alexandria, Behira and Mantrouh governorates the Competent Tax Office is the Joint Stock Companies Tax Office in Alexandria or the Competent Tax Office that shall be determined by a decree of the Minister of Finance.
2. With regard to legal persons that are subject to the Investment Guarantees and Incentives Law no. 8 of 1997 or any other Investment law, the Competent Tax Office is the Investment Tax Office in Cairo covering all governorates excluding Alexandria, Behira, and Matrouh governorates, for which the Competent Tax Office is the Investments Tax Office in Alexandria. With regard to Assiut, Sohag, Qena, the Red Sea, Aswan, Hurghada, and al-Wadi Al-Gadeed governorates, the Competent Tax Office is the Investments Tax Office in the South Valley or the Tax Office to be determined by a decree of the Minister of Finance.
3. With regard to partnerships, companies and de facto companies including multi-purpose companies that are subject to the Prime Minister decree No. 1498 of 2001 and decree No. 1144 of 2002, the Competent Tax Office is the Tax Office where the head office is located.

4. With regard to cooperative societies and unions and units of the cooperative societies established by the local administration that carry on activities that are subject to tax on legal persons' profits, the Competent Tax Office is the Tax Office where the headquarters is located.
5. The Large Taxpayer's Center, if the taxpayer is identified or shall be identified as a large taxpayer by the Center.

In all events, upon changing the taxpayer's head office the competence for the succeeding years to the date of change shall devolve the Competent Tax Office for the new head office including the year ending after date of change.

The Competent Tax Office before the changing the head office has to finalize the tax auditing procedures, notify and transfer it to new headquarter Tax Office within months taking into accounts the periods of limitation.

Article (54): In applying the provision of item [1] of article (48) of the law, firms which practice free professional activities, whether by or without a contract, are treated the same as legal persons and their revenues are determined on a cash basis and their expenses on an accrual basis.

The provisions of the tax on legal persons' profits shall be applied in their respect.

Article (55): Profits and distributions of investment funds in applying item [7] of article (50) of the law, include profits resulting from the deeds redemption of values.

Article (56): The date of inception or starting production with regard to reclamation or land cultivation firms as stipulated in item [11] of article (50) of the law, to be determined as follows:

1. If the firm carries on reclamation or cultivation activity for a third party, the exemption period starts from the date of concluding the first contract for any of the two activities.

2. If the firm carries on reclamation or cultivation activity for its own account and sells the reclaimed or cultivated lands, the exemption period starts from the date of selling the first plot of the reclaimed or cultivated land.
3. If the firm carries on reclamation or cultivation activity for its own account solely and has cultivated the land, the exemption period starts from the date on which the cultivated land became productive in accordance with a decree issued by the Minister of Finance in consultation with the Minister of Agriculture or in accordance with the records of the competent Agriculture Directorate, as appropriate.

Article (57): In applying the provision of item [12] of article (50) of the law, the exemption of apiculture firms is valid for those firms that have not yet operated for a full ten years since the effective date of the law, and the exemption only applies to that portion remaining of the aforementioned period; firms formed and commencing operations after the effective date of the law, are entitled to the entire exemption period.

Section two Determining the Taxable Income

Article (58): In the application of the provision of item [1] of article (52) of the law, the debit interests include all amounts charge by the legal person in return for the loans; advances of any kind obtained thereby, bonds and bills. The loans and advances include, for purposes of this item, bonds and any form of financing by debts through securities with fixed or variable interest.

The equity rights in applying to the aforementioned item of the preceding paragraph means the paid up capital adding to all reserves and carried forward profit deducted by carried forward losses, to be excluded the carried forward revaluation to reserves in case they are non taxable.

In the event of carried forward losses, their shall be deduction from the carried forward profits and reserves solely, the percentage is to be calculated on the basis of total loans and advances in proportion to the remaining of the equity rights after deducting the carried forward losses with the minimum of the paid up capital.

Article (59): In considering the provisions of article (7) of the law no. 91 of 2005, and item [1] of article (52) of the law, the average capital rights are calculated according to the following equation:

$$\frac{\text{Equity rights at the beginning of the financial year} + \text{Equity rights at the end of the financial year}}{2}$$

The average of loans and advances, in the enforcement of the article itself, is calculated according to the following equation:

$$\frac{\text{The balance of loans and advances at the beginning of the period} + \text{The balance of loans and advances at the end of the period}}{2}$$

taking into consideration, the exclusion of interest-free loans, loans with non-taxable interests, and loans with a grace period for the interest payment solely until the end of the load period, and advances that are received by a legal person in comparing the percentage of the average of loans and advances to the average of equity rights.

Article (60): The following rules should be followed in determining the provisions which are considered as deductible costs in apply the provision of paragraph {a} of item [2] of the law:

1. The provisions which are formed during the year are be determined according to the standards issued by the Central Bank with regard to the preparation and presentation the financial statements which 80% is being charged within the deductible costs.
2. The used from loan provisions for covering the bad debts which occurred during the year is determined, if the used of the provisions exceeds the 80% charged to the deductible cost, this excess shall be deducted from the provisions formed which were subject to tax.

Generally, the aforementioned excess of the provision is to be deducted first from the provisions which were not subject to tax.

3. Taking into consideration to recover what is collected from the loans which were previously written-off to the taxable base, if these loans were authorized as bad debts before applying the law, but with regard to the loans which were treated according to its provisions, 80% of amounts recovered shall be added to the taxable base.

In applying the provisions of item [2] of article (52) of the law, the value of the set-aside interest is to be added to the taxable base and the amount that is recovered from the marginal interest is added and that which is written-off from set-aside interest is deducted, and the marginal interest is not added to the taxable base.

Article (61): In applying the provision of article (53), capital gains or losses resulting from revaluation when changing the legal form of a legal person are not included in the taxable base under the following conditions:

1. The assets and liabilities should be recorded at the book value at the time of the change in the legal form.
2. Depreciation is calculated on the assets and the provisions, and reserves shall be carried forward according to the rules prescribed on the book value of the assets and liabilities before the change in legal form took place.

Article (62): In applying the provision of article (53) of the law, the legal person records the assets and liabilities in the books and records that it is obliged to maintain, according to the provision of article (78) of the law, on the basis of the value after revaluation and the income statement should be prepared on those values.

Article (63): For the purpose of calculating tax according to article (53) of the law, the firm should maintain the financial statements, lists and a register that indicate the book value of the assets and liabilities before the change in the legal form.

It should be followed the revaluation results from the changing in the legal entity of the legal person, the tax treatment of it is as follows:

1. In the event of disposal of assets, as stipulated in items [1], [2], and [4] of article (25) of the law, the capital gains resulting from the disposal are subject to tax and are calculated on the basis of the difference between the book value before the changing in the legal form and the value on disposal thereof.
2. With regard to the assets prescribed in item [3] of article (25) of the law, the depreciation is calculated on their book value before the change in the legal form, and in case of disposal thereof it is treated according to the provisions of article (26).
3. Moving the reserves and provisions is followed up on the basis of the balances of the reserves and provisions before the change in the legal form, and the excess that originated from the revaluation is subject to tax except for those revaluations prescribed in items [1] and [2] of this article which were previously subject to tax in case of adding them to the reserves.

Article (64): If the firm prejudices the condition of registering the assets and liabilities below book value at the time of the change in the legal form for the purpose of tax, the capital gain resulting from changing the legal form is subject to tax without deducting any losses from them and without prejudice to the firm's right to compute the depreciation deduction according to the new values after the revaluation.

The change in the legal form is valid from the date of endorsing the commercial register.

Article (65): Profit realized abroad which is subject to the system of deducting foreign tax from the tax on income in Egypt, as prescribed in article (54) of the law, means transaction profits, branches, dividends, yields from dealing in a transaction in securities obtained from a resident firm against its investments in firms abroad, royalties, rents and interests earned from loans granted abroad.

Article (66): It is provided to deduct foreign tax paid from the tax on income in Egypt, in applying the provision of article (54) of the law, the following:

1. The firm should provide the supporting documents showing payment of the foreign tax to its account.
2. Deduction of the foreign tax paid abroad cannot exceed the tax due in Egypt as determined according to the law.
3. Amounts withheld in respect of tax on dividends and yields from dealing in a transaction in securities cannot exceed the direct withholding tax on those amounts.

The calculation of the tax due on the basis of the total profit realized abroad included within the resident firm's revenues multiplied by the tax rate prescribed in the first paragraph of article (49) of the law.

Article (67): Taking into consideration in applying the provision of article (54) of the law, losses realized abroad cannot be deducted from profits realized in Egypt.

Profits realized in each country should be treated independently from the profits realized in other countries; the losses of an activity realized in one country cannot be deducted from the profits of an activity realized in another country.

Article (68): In applying the first paragraph of the provisions of article (55) of the law, adding an activity that is either related to, or complementing the principle activity is not considered as a change in activity.

If a change occurred to the firm's ownership capital, losses realized during the tax period or the preceding periods cannot be carried forward unless the following conditions have been met:

1. The percentage of the change in the firm's ownership equity exceeds 50% of the quotes or the shares or the voting rights.
2. A change in the firm's activity.
3. The firm's share is not floated or offered on the Egyptian stock exchange market with regard to the Shareholding Company and Partnerships Limited by Shares.

If none of the conditions aforementioned in items [1] [2] and [3] of this article are met, the firm has the right to carry forward the losses provided that those conditions, or any of them, do not occur over the subsequent three years.

Article (69): A change in the legal form of a legal person or a change in its ownership capital is not valid if it was proved that the change was for the purpose of avoiding tax obligations.

Article (70): The profit of commercial and industrial activity is determined with net profit or losses as indicated in the income statement in conformity with the Egyptian Accounting Standards, with the following applying in particular:

1. **Dividends:**
With regard to investment income from one resident firm to another resident firm, the income account is authorized according to the equity rights or cost methods.
2. **Foreign exchange differences:**
The debt and credit exchange stated in the income statement in conformity with Egyptian Accounting Standards shall be authorized.
3. Where there are errors corrections included in equity rights and not charged to the income statement, the tax impact for this correction is taken into account at the time of preparing the tax return except for the depreciation which is treated according to the law.
4. **Policies changes:**
The tax impact for the change is considered and the policy that has the lesser impact on the taxable base for the purpose of calculating the tax in the tax return.
5. **With regard to investments:**⁽¹⁾
The firm is obligated, when evaluating a current investment, to apply a constant policy (the market value or the cost to the market

⁽¹⁾ This text has been replaced according to the Minister of Finance decree No. 193 of 2006, issued in Official Gazette no. 83 dated April 15, 2006.

value, whichever is the lesser) in conformity with the Egyptian Accounting Standards.

With regard to long-term investments, the cost method should be applied; with regard to investment revenues from non-resident firms, the revenues account shall be authorized according to the cost method. In order to apply the equity method on the revenues, the following conditions should be met:

1. The revenues are not subject to tax in the other country which the revenues are recorded in the non- resident firm or exempted from it the tax rate does not exceed (75%) of the tax rate applies in Egypt.
2. The equity ratio of the non- resident firm should exceed (10%).
3. The revenues of the non- resident firm resulted from dividends or interests or royalties or management fees or rents should be exceeding (70%).

BOOK FOUR

WITHHOLDING TAX AT SOURCE

Article (71): In applying the provision of item [1] of article (56) of the law, the returns include the proceeds of loans, advance payments, and any kind of debts, bonds and bills.

Article (72): The following service charges are not considered as the services which stipulated in applying the provision of item [3] of article (56) of the law:

1. Transportation or freight.
2. Shipping.
3. Insurance.
4. Training.
5. Participating in exhibitions and conferences.
6. Registration fees in the world stock exchange markets.
7. Direct advertising and promotion.

Article (73): In applying the provision of article (56) of the law, the performed service charge abroad in countries which do not have double taxation treaties with the Arab Republic of Egypt are subject to tax. In the event of performing services in countries which do have taxation treaties with the Arab Republic of Egypt, the provisions of those treaties shall apply provided that the body that performed this service provides documentation which proves the relation between the services and its activity and the payment of this charge.

Those bodies which require, by the nature of their work, to obtain ongoing services be performed abroad shall file a request to the Tax Authority to obtain a prior opinion with regard to tax treatment, according to the provision of article (127) of the law.

Article (74): In applying the provision of article (56) of the law, the share of the administrative, control and supervision expenses sustained the head office to the permanent establishment's carries on activity in Egypt is not considered as a service charge.

At the time of determining the permanent establishment's profits, the authorized amount of the control and supervision expense borne by the head office abroad should not exceed 7% of the firm's taxable base, provided that those charged expenses within the limit of this percentage do not include any royalties or returns or commissions or direct salaries, provided that a certificate from the head office's external auditor to be signed and notarized to be filed.

Article (75): In order for the prescribed tax exemption to be valid according to the penultimate paragraph of article (56) of the law, the loan period should not be less than three years; if the loan's contract date is prior to the effective date of the law, the exemption on the returns due is valid as from the effective date of the law.

Article (76): AA notification with regard to the tax withheld and payment to the Competent Tax Office is to be made on form no. (11 withheld).

The Competent Tax Office in this regard is the Tax Office to which the payer of the amount stipulated in the aforementioned article is report to it.

Article (77): According to the provision of article (56) of this law, non-residents who are subject to tax and who are dealing with firms and enterprises that are established according to the free zone regime in Egypt should pay the tax on form no. (12 withheld).

In case of the non compliance of payment the tax, the Competent Tax Office which the payer entity is reported to it is obliged to claim the non-resident with the tax due on form no. (13 withheld).

Article (78): The Competent Tax Office means, in respect of applying the provision in article (57) of the law, the tax office to which the payer of commission or brokerage fees is report to it.

Article (79): Notification of payment of the tax due on commission or brokerage that are unrelated to the profession practiced, according to article (57) of the law, is to be made on form no. (14 withheld).

Article (80): The Competent Tax Office means in respect of the provision of article (58) of the law, the Tax Office to which The Central Bank or any other that has subscribed to the bonds issued by The Ministry of Finance for the interest of The Central Bank or any other bank.

Article (81): In the application of the previous provisions, the notification of collection and payment the tax due is to be made on form no. (15 withheld) with a deduction of the tax paid on interests of those bonds form the tax due on the legal persons' profits on those banks with a limit that does not exceed this tax

BOOK FIVE

DEDUCTION, COLLECTION,

ADVANCE PAYMENTS ON ACCOUNT OF TAX

Section One Commercial and Industrial Activity

Chapter One—Deduction

Article (82): The bodies and firms as prescribed in article (59) of the Law shall pay the amounts withheld on account of the tax from any person of the private sector as follows:

1. The payment is to be made on form no. (41 Withholding and Collection) attached with a check or cash, or any other means of electronic payment as stipulated in the third paragraph of this article.
2. The payment shall be made no later than the end of April, July, October, and January of every year.
3. The payment is to be made to the General Department of gathering the Withholding and Collection Forms on the account of tax in the Tax Authority.

The form stipulated in item [1] shall include the taxpayer's data based on the tax card, and shall accurately specify the tax registration number/ the tax file number/ the Competent Tax Office/ the nature of the transaction, the check information shall be fulfilled on the form prepared for this purpose with regard to signatures, the drawn bank, the names and titles of the undersigned.

The following payment channels are considered as means of electronic payments:

1. The taxpayers' bank transfers who have bank accounts along with notification to the Tax Authority with a credit advice pursuant to agreements with those banks by using the Tax Authority's network for use of the notification.

2. Using smart cards in registering the taxpayer's payments/ the entity issuing the cards on the basis of the amount is either deliver to the Authority representative or furnish through the card reader, and the financial transfer program with the entity or the taxpayer, and the payment is made through it, and shall be dumped after that.
3. Using bank's or competent banks' network or the National Authority for Post through which the Tax Authority shall agree to authorize to the taxpayer to pay through their outlets.

The dealing is registered on the smart card and to be dumped to the Competent Tax Office on every period according to the provisions of the law.

The Tax Authority shall immediately notify the taxpayer of the payment through the information network and the taxpayer will reading the card's contents to ensure the conformity.

In all events, the preceding means are considered channels for payment provided that an agreement to be approved by the Ministry of Finance with the preceding bodies

Chapter Two—Advance Payments

Article (83): The taxpayer's request with regard to the obligation of the provisions of the advance payments on account of the tax is to be made on form no. (1 advance payments).

The request should be filed with the Competent Tax Office attached with the following documents:

1. A statement showing the latest tax due according to the latest tax return or direct agreement or Internal Committee's or Appeal Committee's decision or court ruling or settlement committee decision.
2. A statement showing the estimated tax if the taxpayer has not previously filed a tax return or the preceding tax period occurred a loss.

Article (84): The Competent Tax Office should respond to the taxpayer's request, as stipulated in the preceding article, within sixty days from the taxpayer's request date by registered mail, and the approval is to be made on form no. (2 advance payments)

In the event of notification with approval, this notification shall be considered a certificate issued to the taxpayer's all transaction bodies indicating that the taxpayer is subject to the advance payments system, such certificate is valid for a one tax period, and shall be renewed on the basis of the taxpayer's request unless the taxpayer shall reverse his choice with the system according to the provision of article (64) of the law, or shall be exempted or prohibited from applying it according to the article (65) of the law.

The notification as stipulated in the preceding paragraph should include the validity of the tax period and proves that the taxpayer is subject to the advance payment system in the last page of the tax card and indicates the renewal thereof. If the renewal is not made, the transactions bodies are obliged automatically, without prior notification from the Tax Authority, to apply the withholding system on account of tax.

No response to the taxpayer's request during the aforementioned period is to be considered a rejection of the request.

Article (85): The taxpayer's notification with regard to reduce the third advance payment, or not to pay it, or to reduce the number of the advances according to article (63) of the law, is to be made on form no. (3 advance payments).

Article (86): The taxpayer's reverse with regard the system of advance payment is to be made on form no. (4 advance payments) and filed with the Competent Tax Office.

In case of neither of the two conditions with respect to the acceptance of the abovementioned request are fulfilled, the Tax Office is obliged to notify the taxpayer of the rejection of the request, to be sent by registered

mail, within sixty days from the taxpayer's date of filing on form no. (5 advance payments). No notification is considered an acceptance to the request.

Article (87): The notification to the taxpayer with regard to the exemption from applying the advance payments system is to be made on form no. (6 advance payments), and the notification with respect to the prohibition of applying the system on form no. (7 advance payments).

The tax authority shall issue a decision regarding the exemption from applying the advance payments system on a case-by-case basis. The decision shall be issued on the basis of the taxpayer's request and shall be subject to the provisions of the law on the administrative procedure. The decision shall be issued on the basis of the taxpayer's request and shall be subject to the provisions of the law on the administrative procedure. The decision shall be issued on the basis of the taxpayer's request and shall be subject to the provisions of the law on the administrative procedure.

The tax authority shall issue a decision regarding the prohibition of applying the advance payments system on a case-by-case basis. The decision shall be issued on the basis of the taxpayer's request and shall be subject to the provisions of the law on the administrative procedure. The decision shall be issued on the basis of the taxpayer's request and shall be subject to the provisions of the law on the administrative procedure.

Article (87) The tax authority shall issue a decision regarding the exemption from applying the advance payments system on a case-by-case basis. The decision shall be issued on the basis of the taxpayer's request and shall be subject to the provisions of the law on the administrative procedure. The decision shall be issued on the basis of the taxpayer's request and shall be subject to the provisions of the law on the administrative procedure.

Article (88) The taxpayer's request with regard to the system of advance payments shall be made on form no. (5 advance payments) and shall be submitted to the competent tax authority. The tax authority shall issue a decision regarding the exemption from applying the advance payments system on a case-by-case basis. The decision shall be issued on the basis of the taxpayer's request and shall be subject to the provisions of the law on the administrative procedure. The decision shall be issued on the basis of the taxpayer's request and shall be subject to the provisions of the law on the administrative procedure.

The tax authority shall issue a decision regarding the prohibition of applying the advance payments system on a case-by-case basis. The decision shall be issued on the basis of the taxpayer's request and shall be subject to the provisions of the law on the administrative procedure. The decision shall be issued on the basis of the taxpayer's request and shall be subject to the provisions of the law on the administrative procedure.

Section Two Non-commercial Professions

The collection under Account of the Tax

Article (88): The collection of the stipulated amounts with regard to the provisions of article (71) of the law, on account of the tax is to be made on form no. (41 withholding and collection)

Chapter Three — General Provisions

Article (89): The payment of the amounts that have been collected on the account of tax according to article (72) of the law, and due no later than the end of April, July, October and January of each year, are to be filed with the General Department for Gathering the Withholding and Collecting and are to be made on form no. (41 withholding and collection) attached with a check or cash or by an electronic payment as stipulated in the Regulation. The aforementioned form should include the taxpayer's data based on the tax card, and shall specify accurately the tax-registration number/ tax file number/ the Competent Tax Office/ the nature of the transaction and the check data should be fulfilled contain with regard to the signatures, the drawn bank and the name and title of the signatory of the form prepared for that purpose.

BOOK SIX

THE TAXPAYERS' OBLIGATIONS AND OTHERS

Section One Notification and Bookkeeping

Article (90): A notification to the Competent Tax Office with regard to the commence of commercial or industrial activities or a profession or craftsman of non-commercial within thirty days from commencing the activity to be made on form no. (16 enumeration) and form no. (17 enumeration), as appropriate.

The Competent Tax Office shall open a tax file for the taxpayer upon notification it.

Article (91): The request for issuance of a tax card for whoever carries on commercial or an industrial or craftsman of non-commercial activity or practices a professional activity is to be made on form no. (18 enumeration).

Article (92): It shall be considered a proper notification of carrying on an activity or request for the issuance of a tax card, when the taxpayer uses the prepared electronic form for this through the electronic network information (the electronic government gateway), Income taxpayers' services.

Article (93): The following data should be included, in the taxpayer's tax card either issued by a written paper card or in the form of a smart card:

1. The tax registration number.
2. The serial number of the card as indicated in the tax card register.
3. The date of issuance.
4. The Tax Office code.
5. The taxpayer's name.
6. The taxpayer's address.
7. The tax file number.
8. The taxpayer's activity.
9. The activity title, «trade name»

10. The social security number.
11. The commercial register number.
12. The companies register number.
13. The head office, branches and stores addresses.
14. The start date of each activity.
15. The legal entity.
16. The tax return data [tax return's year, date of the tax return, signature of Competent Tax Office employee]
17. The tax exemptions data.
18. Indicate whether the taxpayer is subject to the advance payments system.
19. Date of issuance and date of expiry
20. Any changes in the card data.

Article (94): A request of extracting the tax card should be filed by taxpayer or his proxy, to the Competent Tax Office to which the taxpayer is reporting, and the following documents should be attached:

1. Copy of the lease contract.
2. Copy of the partnership contract, copy of the Official Gazette or the special publication in which the firm was announced or a copy of its contract or articles of incorporation.

The Tax Office shall record the received requests in a special register, according to the date received, the tax card is signed by the tax employee and the auditor and authorized by the Head of the Tax Office and to be stamped by its seal and delivered to the taxpayer within one week at most of the filing of the request.

Every Tax Office shall maintain a special registration, to register the data of each card.

Article (95): The tax card is valid for five years from its issuance date; the card is not valid and cannot be used for dealing with it after the expiration period to be proved in an appeared place a text indicated that in the card:

Article (96): It is not permissible to issue more than one tax card for one taxpayer; if the taxpayer has more than one commercial or industrial, or a professional activity or more than one branch, the Competent Tax Office which issues the tax card will be the Tax Office head office.

Article (97): In applying the provisions of article (75) of the law, the tax card is issued in two colors:

Green color: for natural persons.

Red color: for legal persons.

If the taxpayer chooses the advance payments system, the tax card should indicate that.

Article (98): The bodies' specialists as stipulated in the article(76) of the law, shall notify the General Department for enumeration and tax returns of the Tax Administration with regard to Cairo governorate or tax district with regard to other governorates which has one tax district or first tax district with regard to other governorates within a period at maximum of the end of the seceding month in which the authorization with printing or publication, and to be form no. (20 enumeration)

Article (99): The bodies' specialists as prescribed in article (77) of the law, on granting any license for carrying on a trade, industry, craft, or profession or a license for building property or the use of property in carrying on a trade, profession, or industry, shall notify the General Department for enumeration and Tax Returns of the Tax Authority in Cairo with regard to Cairo governorate, or the Tax District with regard to other governorates which has one tax district or first tax district with regard to other governorates no later than the end of the succeeding month during which the license was issued, indicating the name of licensee and all other related data using forms numbers (21 enumeration), (22 enumeration), (23 enumeration) and (24 enumeration), as appropriate.

Article (100): The notification with respect to a firm ceasing activities, according to the provision of the third paragraph of article (79) of the law, is to be made on form no. (25 ceasing). The notification may be made via

electronic communication with the Competent Tax Office according to the regulations of the electronic signature by using the prepared forms on the available electronic service provided by the Tax Authority, and shall be considered an acknowledgment to the Tax Office of the taxpayer's notification with a message to the taxpayer from the Tax Office.

The following are considered cases of non-realization of any revenues by a taxpayer after the date of ceasing:

1. Departing the country permanently.
2. Compulsory or administrative closure.
3. Leave the place of activity to the landlord.
4. The expropriation of the place of activity in the public interest.

Unless the Tax Authority proved that the taxpayer realized any revenues after the ceasing date.

Article (101): A taxpayer who wishes to cease activity, or to assign the firm, or to depart the country finally for determining his tax position till the date of ceasing or assignment, according to article (81) of the law is to be made on form no. (26 requests) provided that the tax returns that he should be legally obliged by has filed, the Competent Tax Office should respond to the request within ninety days from the date of receipt and after paying a fee of five Pounds.

Section Two Tax Returns

Article (102): Every taxpayer from the natural persons has to file with the Competent Tax Office, before the first of April of each year as stipulated in article (82) of the law, on form no. (27 tax returns), the said tax return should be filed in original and copy, whether by hand to the Competent Tax Office or sent via registered mail with acknowledged receipt. The tax return shall be stamped with the tax office seal and the copy handed to the taxpayer or returned by mail without auditing the tax return or providing an opinion on it.

Article (103): Every taxpayer from the legal person as stipulated in article (48) of the law, has to file his tax return with the Competent Tax Office before the first of May of each year or within four months following the financial year end date, on form no. (28 tax returns); the said tax return should be filed in original and copy, whether by hand to the Competent Tax Office or sent via registered mail with acknowledged receipt. The tax return is stamped with the tax office seal and the copy handed to the taxpayer or returned by mail without auditing the tax return or providing an opinion on it.

Article (104): A taxpayer may send his tax return via the electronic government gateway (Income taxpayers' services) or via any other electronic channel as specified by the Ministry of Finance, provided that the taxpayer shall registers himself and obtain a secret password, the taxpayer assumes full responsibility for what he files whether the signature on the declaration to enjoy this service or shall provide an electronic signature approved by the Tax Authority.

In all events, the taxpayer shall present the proof of payment of the tax due based on the tax return via an approved electronic payment, as stipulated in article (82) of this regulation or as specified by the Ministry of Finance.

Article (105): The approval of the tax return by one of the accountants registered in the General Register of Accountants and Auditors, according to the provisions of Law No. 133 of 1951 promulgating the practicing of

the accounting and auditing profession, or the approval of the Central Audit Organization, as appropriate, is considered as a declaration stating that the net taxable profit or loss as per the tax return had been prepared according to the provisions of the Law and this executive regulation.

Article (106): With respect to banks, state-owned companies, public enterprise sector companies and legal persons shall file a final tax return on form no. (29 tax returns) within thirty days from the date of the approval by the general assembly of its accounts and pay the tax differences due therewith.

Article (107): The rules and the basis of tax auditing and the procedures with respect to tax collection shall apply to small enterprises as prescribed in article (18) of the law and according to the decree of the Minister of Finance to be issued in this respect.

Article (108): The electronic government gateway (income tax taxpayers' services) or the channel that is specified by the Ministry of Finance is considered one of the communication means that can be used by both the Tax Authority and the taxpayer in all matters with regard to the services that are provided by the Tax Authority to taxpayers through these channels, such as:

1. Request for issuing a tax card or the renewal thereof.
2. Notifications with regard to the date of sessions of the Internal Committees, Appeal Committees and any other committees.
3. Any other electronic services that are provided by the Ministry or the Tax Authority.

Article (109): The Tax Authority may correct mathematical errors stated in the tax return after filing and notify the taxpayer of the correction result, and attach with a check with respect to the amount due to the taxpayer, or claim the tax difference due on him, on form no. (30 tax returns). The taxpayer's request to extend the date for filing his tax return according to article (85) of the law is to be made on form no. (26 requests). The request can be made through one of the electronic means or by registered mail with acknowledgment receipt provided that the date of the request is at

least fifteen days before the expiration of the deadline period for filing the tax return.

Article (110): The Bodies that are obliged to apply the provision of withholding on account of the tax shall pay the withholding amounts on a date not later than the end of April, July, October and January of each year, according to the records as stipulated in article (111) of this regulation. The records shall include the following data for each tax period:

1. The name of the recipient of the amounts, his tax files number and his Competent Tax Office.
2. The value of the amounts paid and the percentage of withholding for account of the tax.
3. The check number and the date when the amounts were paid.

These bodies should provide the aforementioned records to the tax audit that is conducted by The Competent General Department of Collection on the account of tax; a copy of these records should be sent to the competent departments.

Article (111): The bodies that are obliged to apply the provision of withholding and collection on account of the tax should maintain the following the two records:

1. One or more records according to the number of transactions dealing, and including the following:
 - a) The name of the recipient of these amounts, his tax files number and his Competent Tax Office.
 - b) The value of the amounts paid and the percentage of withholding on account of the tax.
2. A record indicating the payments movements that are paid every three months with details of the check data, including the beneficiary body.

Article (112): It is not permissible to the taxpayer to file an amended tax return according to article (87) of the law, if he used in one of the ways that is considered to be tax evader according to article (133) of the law and this was discovered by the Tax Authority.

Article (113): In applying the provisions of article (88) of the law, it is not permissible for the Tax Authority to authorize the books and records that are maintained by the taxpayer or to reject them unless it is proven by the Tax Authority, through supporting documents, that the contents included in these books are not valid.

Section Three Tax Assessment

Article (114): The tax assessment, in applying the provisions of Article (89) of the law, means the determination of the debt of the tax due according to the taxpayer's tax return.

Article (115): The notification with regard to items of the tax assessment and its value in those cases as stipulated in article (90) of the law, is to be made on form no. (19 tax).

Article (116): The limitation shall be interrupted in applying the second paragraph of the article (91) of the law, by notifying either the items of the tax assessments or warning the taxpayer to pay it or transfer to the Appealing Committee.

The limitation shall also be interrupted for any of the reasons that are prescribed in the Civil Law, such as ruling assessment even if the litigation is presented before the non-competent court or the warning, lien and the request that is filed by a creditor with regard to accept his right in a bankruptcy or a distribution or by any action that is made by the creditor to maintain his right during the course of litigation; the limitation shall be interrupted if the debtor endorses the creditor rights, either implicitly or explicitly.

Article (117): The material errors, when applying the provisions of article (93) of the law, means reaching results contradictory to the reasons; and the mathematical errors means errors while copying figures, addition and subtraction and all other arithmetical operations.

It is considered material errors that are automatically corrected by the Competent Tax Office or on the basis of taxpayer's request, in all cases which are stipulated in article (124) of the law, unless the tax assessment became final.

Section Four Tax Audit and Investigations

Article (118): Notification to the taxpayer with regard to the exact date of a tax audit, the place and the estimated duration is to be made on form no (31 tax auditing), at least ten days prior to the date of the receiving this notification by the taxpayer.

Article (119): It is not permissible to the Tax Authority to re-tax audit a taxpayer's books and records according to the provision of the last paragraph of article (95) of the law, unless one of the methods, stipulated in article (133) of the law, is provided.

In all events, the Tax Authority should indicate the reasons for the re-tax audit.

Article (120): The Tax Authority's request for data and copies of books, documents, and deeds as stipulated in article (96) of the law, is to be made on form no (32 tax auditing). The taxpayer may request an extension to the period granted to him, using form no (26 requests). Notifying the taxpayer with regard to the approval or reject of his request is to be made on form no. (33 tax auditing) stating the reasons for rejecting the request.

Article (121): The Minister's regard to the president of the Court of Appeal with respect to the Tax Authority employees to have access to data with respect to the clients' accounts, deposits, and safes, is to be made on form no (34 data).

Article (122): The firms that are committed to file their accounts include, according to the provisions include the establishments and companies that are set up under the free zone regime.

Section Five Collection Guarantees

Article (123): Collection of unpaid tax and delay fines is made through enforceable claims signed by the tax audit employee, tax audit collection and the head of the tax office is to be made on form no. (35 payment) with regard to the natural persons, or form no (36 settlement) with regard to the legal persons. These claims shall be sent by registered letter with acknowledgement of receipt.

Article (124): Notification the taxpayer with the assessment of payment according to the second paragraph of article (104) of the law is to be made on a form no. (37 payment) as from the date of a taxpayer's approval to the tax office estimates, or the issuance of the Appealing Committee decision, or the ruling of the First Instance Court via registered mail with an acknowledgement of receipt.

Article (125): In the case of payment the tax on installments agreement, the value of the installment and the period are based on the following:

1. The volume of a taxpayer's transactions according to the data of withholding and collection on account of the tax.
2. The net final profit in the last three years.
3. The value of the movables or real estate withholding.
4. Degree of the taxpayer's regularity in payment of tax, if previous decisions to grant installment payments have been issued to him.

Article (126): In applying to article (105) of the law, if general or private circumstances have been raised to the taxpayer that prevents him from fulfilling his installment payment obligation under the agreement with the Tax Authority. The Tax Authority may, on the basis of the taxpayer's request, amend either the installment payment agreement, or to change the amount of the installment or to extend the number of years for payment, consistent with the circumstances of the taxpayer and collection of delays.

If no agreement is reached with the taxpayer with regard to pay the tax due on installment, he shall be notified of the reject to his request, and the procedures of the forced execution shall be taken for collection the tax due.

Article (127): The tax is payable in applying to article (110) of the law, in the following cases:

1. On the basis of a taxpayer's tax return.
2. On the basis of an agreement with the Internal Committee.
3. On the basis of an Appeal Committee decision, even if it is appealed.
4. In the case of non-appealing on the notifying form to the taxpayer with regard to the items of tax assessment and their value, or the claim itself.
5. On the basis of an enforceable court judgment, even if it is appealed.

Article (128): Clearing is taken place by the force of law according to article (113) of the law as follows:

1. The clearing is to be made between the amounts which the taxpayer has paid in excess in any of tax that is imposed by the law and the amounts due on him and are to be paid as imposed by the law itself.
2. The clearing is to be made between the amounts which have been paid in excess according to the law and other amounts due according to any other tax law which the Tax Authority applies.
3. The amounts that are required to apply the clearing on them are settled and free of any tax dispute.

The clearing is made by the force of law in a date that their conditions are provided and the Tax Authority shall notify the taxpayer of the clearing result.

Section Six The Appeal Procedures

Article (129): The elected domicile of the taxpayer, in applying the provisions of the second clause of article (116) of the law, means the place where the taxpayer determines to notify him with the tax forms such as the lawyer's or the accountant's office.

The evidence of the return of a notice sent by the Competent Tax Office or the Appealing Committee, by registered mail with acknowledgement of receipt, and bearing the post distributor's endorsement indicating that the establishment is closed, or the absence of its owner, or a refusal to receive the notice on a report to be made by the Competent Tax Office employee or the Appealing Committee member, as appropriate in triplicate, the first copy shall be maintained in the taxpayer file, the second copy shall be affixed at the premises of the establishment, and the third shall be affixed to the notice board of the Competent Tax Office or the Appealing Committee or shall be announced on the website of the tax authority.

Each Competent Tax Office and Appealing Committee should maintain a register to register the aforementioned reports on a regular basis.

In the cases of a return of a notice endorsement non-existence of the establishment or an inability to find the taxpayer's address, the Competent Tax office employee or a member of the Appealing Committee shall conduct an investigation, if the investigations disclose the existence of the establishment location of the taxpayer's address; the notice will be re-delivered to the taxpayer. If the investigation does not result in finding the establishment or the taxpayer's address, the taxpayer shall be notified before the public prosecutor.

In applying to the last clause of article (116) of the law, the date of applying lien on the taxpayer shall be the date on which he informs of the lien.

Article (130): In applying to the third clause of article (118) of the law, the notification with the tax differences resulting from the tax auditing shall be made on form no (38 salaries).

Article (131): The Internal Committee as stipulated in article (119) of the law will be established by a decision of the head of the Tax Authority or his designate, and shall consist of one of the authority's employees with the rank of general manager and two of its officers.

Article (132): The Internal Committees as stipulated in article (119) of the law shall be content in the adjudicating in appeals filed by the tax payers to the tax authority for the appealing on the tax assessment with regard to the commercial, industrial, profession activities and real estate revenues, the withholding tax at source and tax on legal person profits, this shall be made within sixty days from the date which the appeal is received by the committee.

Article (133): Each internal committee should maintain the following registers:

1. Register for recording the appeals.
2. Register for the session minutes.
3. Register of the decisions reached by the committee.

Article (134): The internal committee shall notify the taxpayer of the session date by registered letter with acknowledgement of receipt. In case he or his legal representative does not attend the session on the specified date, he shall be notified by a second notification. If the taxpayer or his representative does not attend the second date, the Internal Committee refers the dispute to the Competent Appealing Committee and notifies the taxpayer accordingly.

Article (135): The internal committee's sessions shall be in a secret. The committee shall document the deliberations of the session in a report supported by the documents filed by the taxpayer and tax authority. The committee should discuss all disputed items and aspect of defense provided by the taxpayer, and respond to each of those items. If case of an agreement is reached with the taxpayer, the decision shall be issued according to the points of the agreement. If case of disagreement, the committee shall identified the disputed items and committee's opinion on them and shall

be referred to the Competent Appealing Committee, and the taxpayer notified accordingly.

The minutes of the internal committee should be signed by the chairman, its members and the taxpayer or his legal representative.

The taxpayer has the right to obtain a copy of the minutes.

Article (136): The Appealing Committees as stipulated in article (120) shall maintain the following registers:

1. A register of tax appeals in which the appeals are recorded in order of their date of their receipt. Entries in the register shall include the date of each appeal, the years of tax dispute, and the net profit for each year, and the committee's decision when issued.
2. Register of the deliberations of each session.
3. Any other registers required by the nature of the work of the committee.

The Recording in the registers is done by the committee's secretariat.

Article (137): Work of the appealing committees as stipulated in article (120) of the law is as follows:

1. The chairman of the committee shall determine the reporter of the case by choosing one of the two members appointed by the Tax Authority.
2. Each of the committee's members referred to in item [1] of this article shall study the appeals referred to him and all aspects of the defense related to them, along with preparing the draft decision in each appeal.
3. The draft decision shall be discussed within the committee's members after reviewing the appeal papers.
4. The committee's decision will be issued after the deliberation in accordance with the provisions of article (122) of the law.

Article (138): The Appealing committees shall accomplish the ratios are specified by the Department Supervising the Committees.

Article (139): The appealing committee shall observe the general rules and principles for litigation according to article (141) of this regulation.

Article (140): The Appealing Committee shall notify both the appellant and the Competent Tax Office of the date scheduled for the session, to be on form no (39 committees) by registered letter with acknowledgement of receipt. If the taxpayer or his representative does not attend before the committee's first session, the appeal shall be retained for a decision to be issued at least for two weeks, and the taxpayer notified accordingly by a registered letter with acknowledgement of receipt. If the taxpayer gives an excuse acceptable by the committee, the door for argument the case shall be opened and a Session for examining the appeal determined. If the committee does not accept his excuse, it shall issue a substantiated decision in the appeal.

In all cases, the committee has to verify of the notification of the taxpayer via acknowledgement of receipt.

The head of committee and secretary should sign the committee's decisions within fifteen days from the date issuance, both of taxpayer and tax authority shall be notified of the committee's decision via a registered letter with acknowledgement of receipt on form no. (40 committees).

Article (141): The general rules and procedures for litigation procedures pursuant to article (122) of the law are as follows:

1. The competence.
2. Notify parties of the dispute.
3. The taxpayer's right to refuse of the committee or one of its members.
4. Discussing all defenses provided by the taxpayer.
5. Substantiating the decision.

Taking into consideration the compliance of the general rules and principles of the litigation as prescribed in the Civil and Trade Procedures Law.

Article (142): By a decision of the head of the Tax Authority, one or more committees shall be established for reconsideration of the final tax assessment. The committee shall be under one of the Tax Authority's employees with the rank of general manager, and the committee shall have as a member a person at least of the rank of an assistant counselor from the State Council, to be elected by the head of the council, and one tax employee. The decision establishing the committee shall determine its competencies and its headquarters.

Article (143): The committee for reconsideration of the final tax assessment shall, within 15 days of receiving the taxpayer's request, request for the tax file from the Competent Tax Office, and the tax office should provide the file within fifteen days of receiving the request from the committee. Upon receipt of the tax file, the committee shall review it and the taxpayers' request and any supporting documentation and issue its decision within sixty days from the date of receipt of the tax file. The decision is not enforceable unless it endorsed by the head of the Tax Authority.

Both the taxpayer and the Competent Tax Office shall be notified of the decision.

Article (144): The reconsideration committees established under the provisions of the law shall consider the requests that were filed for correcting final assessments before the date that enforcement action is commenced, and on which no adjudication has taken place yet.

Article (145): The Tax Authority's representatives assigned to the entities stipulated in article (128) of the law shall follow up those entities sound implementation of the provisions of the income tax law and its related tax legislation. If the representative detects any contravention, he shall record it in a report containing the following basic data:

1. The name of the representative.
2. The entity's name.

3. The date he detected the contravention.
4. A description of the contravention.
5. The financial effect of the contravention.
6. The period during which the contravention occurred.

The aforementioned report shall be referred to the department to which the representative is report for taking the necessary action.

Article (146): The Competent Tax Office shall prove, through an endorsed memorandum supported by documentation as attachments, the reasons for correcting, modifying, or non-authorized a tax return, or amend the tax assessment in cases prescribed by article (129) of the law.

The notification of such correction, modification or non authorized should include a statement of these reasons as stated in the report.