



# *Chapter Two*

## *The nature of the Egyptian tax system*

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# **First: The emergence and development of the tax system in Egypt:**

## **Law (14) for the year 1939:**

- **Law (14) for the year 1939 is considered the beginning of the emergence of the first tax system in Egypt. According to this law, all movable capital revenues were subject to tax concerning the revenue whose source is capital, as well as commercial and industrial profits, with the revenue whose source is capital and work together, as well as labor earning, as of the beginning of September 1938.**

# **First: The emergence and development of the tax system in Egypt:**

## **Law (99) for the year 1949:**

- **In 1949, Law No. (99) Issued imposing a general tax on revenue by collecting the qualitative tax bases and re-subjecting them to an additional tax, as it noted that direct such taxes do not contribute effectively to state budget revenues.**

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# **First: The emergence and development of the tax system in Egypt:**

## **Law (157) for the year 1981:**

- **In 1981, Law No. (157) was issued to significantly alter the tax system in Egypt by repealing Law No. (14) of 1939, with all its amendments and Law No. (99) of 1949. In defining the tax's scope, this new law was based on the qualitative tax system at the time. In addition, it combined qualitative and personal exemptions. It also imposed a general income tax, consistent with Law No. 99 of 1949.**

# **First: The emergence and development of the tax system in Egypt:**

## **Law (187) for the year 1993:**

- **Another major alteration occurred in the tax legislation with the issuance of Law (187) for the year 1993 and relying entirely on the unified tax system on the income of natural persons and the tax on the profits of corporations. This law was enacted to amend the provisions of Law No. 157 of 1981, which governed the income tax.**

# **First: The emergence and development of the tax system in Egypt:**

## **Law (91) for the year 2005:**

- **Eventually, as part of a package of economic policies and reforms, the Income Tax Law No. 91 of 2005 was issued in 2005.**
- **In conjunction with the economic reform measures aimed at making structural changes in the country's customs, tax, and financial systems, Income Tax Law No. 91 of 2005 was issued, which was considered a departure from the traditional concepts of the tax system in Egypt. This is in terms of identifying the taxable persons, exemptions, tax rates, and practical procedures for assessing and collecting the tax through the unified tax system.**

## **Second: Income Tax Law No. 91 of 2005 and its most significant amendments:**

- **Since 1939, income taxes in Egypt have undergone several modifications. Law No. 91 of 2005 was created to govern the three forms of income taxes in Egypt:**
  - **The tax on the income of natural persons.**
  - **The tax on the profits of legal persons.**
  - **The tax withheld at source.**



# **1- The most crucial features of Law No. 91 of 2005:**

## **❑ Unifying the concept of income and adjusting its tax treatment:**

**It no longer distinguishes between income generated by men and women; nor does it differentiate between different sources of income. Rather, all income sources are subject to a uniform tax rate.**

## **❑ Determining the geographical scope of the income tax:**

**Every natural person who resides in Egypt permanently or has resided for more than 183 continuous or intermittent days within twelve months is subject to tax.**

**A legal person is also considered subject to tax If its main or effective managing headquarters is in Egypt; or If established according to Egyptian law, If its a corporation in which the state or any state-owned legal person holds more than 50% of its capital.**



# **1- The most crucial features of Law No. 91 of 2005:**

## **❑ Simplifying and facilitating tax procedures:**

**Streamlining the assessment and collection processes, as well as litigation and dispute resolution procedures.**

## **❑ Strengthening the relationship between the Tax Authority and the taxpayers:**

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**Establishing confidence between the taxpayer and the tax administration via the taxpayer's filing of the tax return and its recognition based on the taxpayer's information, with random samples selected and examined.**

## **❑ Taking tax capacity into account:**

**by reducing the tax burden on low-income taxpayers.**

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# 1- The most crucial features of Law No. 91 of 2005:

## ❑ Expanding the tax base:

- ✓ by granting tax amnesty to previous tax evaders and dealing with them based on the premise that the beginning of their practice of the activity is the beginning of filing their tax returns.
- ✓ Moving partnerships from the tax on the income of natural persons to the provisions of the tax on the profits of legal persons.
- ✓ Introducing the system of advance payments of taxes in addition to the tax deduction system.

# **1- The most crucial features of Law No. 91 of 2005:**

## **❑ Eliminate discrimination in corporate tax treatment**

It is currently subject to tax at the rate of 22.5% of net annual profits, with exception to 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%.

## **❑ Unification of personal exemption (minimum living)**

Law No. 91 of 2005 unified the exemption, and it became 5,000 pounds annually for all sources of income for a natural person. It was amended by Law No. 82 of 2017 to become 7,200 pounds annually. In addition to distinguishing the tax on salaries and the like with an additional personal exemption of 4,000 pounds, it has now been increased by Law No. 26 of 2020 to 9,000 pounds annually, regardless of marital status.

## **2- The most significant amendments to Law No. 91 of 2005 (Article 8)**

- ❖ This part focuses on the amendments to Income Tax Law No. 91 of 2005 following the revolution of January 2011. In particular, Article (8) and Article (49) related to amending the tax brackets since it is one of the most changing and affecting items on the tax.**

**Article (6):** An annual tax is levied on the total net income of resident and non-resident natural persons in respect of their incomes realized 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 (8):** The tax rates (Law No. 91 of 2005, as amended by Law No. 175 of 2023 (progressive tax) are as follows:

**When calculating the tax, the total annual net income shall be rounded to the nearest ten pounds less.**

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Tax Rate	Net income not exceeding 600,000 EGP	Net income between 600,000 EGP and 700,000 EGP	Net income between 700,000 EGP and 800,000 EGP	Net income between 800,000 EGP and 900,000 EGP	Net income between 900,000 EGP and 1,200,000 EGP	Net income exceeding 1,200,000
0.00%	From EGP 1 – 30,000 EGP	---	---	---	---	---
10 %	More than 30,000 EGP –45,000	1 EGP– 45,000 EGP	---	---	---	---
15 %	More than 45,000 EGP–60,000 EGP	More than 45,000 EGP –60,000 EGP	Between 1 EGP – 60,000 EGP	---	---	---
20 %	More than 60,000 EGP –200,000 EGP	More than 60,000 EGP –200,000 EGP	More than 60,000 EGP –200,000 EGP	Between 1 EGP – 200,000 EGP	---	---
22.5 %	More than 200,000 EGP– 400,000 EGP	More than 200,000EGP – 400,000 EGP	More than 200,000 EGP – 400,000 EGP	More than 200,000 EGP– 400,000 EGP	Between 1 EGP–400,000 EGP	---
25 %	More than 400,000 EGP	More than 400,000 EGP	More than 400,000 EGP	More than 400,000 EGP	More than 400,000 EGP	Between 1 EGP – 1,200,000 EGP
27.5 %	----	-----	-----	-----	----	More than 1,200,000

## Examples of how the tax is calculated according to different income brackets:

1. If the taxpayer's net income after deducting all his expenses (3,000 EGP / month), calculate the annual tax due on the income of natural persons for 2023.

The tax is calculated as follows:

Net annual Income (3,000 x 12) Tax Base/Taxable Income	36,000
30,000 L.E. exempted Bracket ( Zero % )	(30,000)
The remainder after deducting the exempted bracket: The first bracket from 30,000 to 45,000 is priced at 10%	6,000 $6,000 \times 10 \% = 600 \text{ L.E}$
The annual tax due = 600 EGP	



2. If the taxpayer's net income (EGP 4,250 / month), and is subject to tax on the income of natural persons, the annual tax due for 2023 is:

**The tax is calculated as follows:**

<b>Net annual Income (4,250 x 12)</b> <b>Tax Base/Taxable Income</b>	<b>51,000</b>
<b>30,000 L.E. exempted Bracket ( Zero % )</b>	<b>(30,000)</b>
<b>The remainder after deducting the exempted bracket:</b> <b>The first bracket from 30,000 to 45,000 is priced at 10%</b>	<b>21,000</b> <b>15,000 × 10 % = EGP 1,500</b>
<b>The remainder after deducting the first bracket:</b> <b>The second bracket from 45,000 to 60,000 is priced at 15%</b>	<b>6,000</b> <b>6,000 × 15 % = EGP 900</b>
<b>The annual tax due = 1,500 + 900 = 2,400 EGP</b>	

3. If the taxpayer's net income (EGP 8,000 / month), and is subject to tax on the income of natural persons, the annual tax due for 2023 is:

**The tax is calculated as follows:**

<b>Net annual Income (8,000 x 12)</b>	<b>96,000</b>
<b>30,000 L.E. exempted Bracket ( Zero %)</b>	<b>(30,000)</b>
<b>First bracket from 30,000 to 45,000 is priced at 10%</b>	<b><math>15,000 \times 10 \% = 1,500</math></b>
<b>Second bracket from 45,000 to 60,000 is priced at 15%</b>	<b><math>15,000 \times 15 \% = 2,250</math></b>
<b>Third bracket from 60,000 to 200,000 is priced at 20%</b>	<b><math>36,000 \times 20 \% = 7,200</math></b>
<b>The annual tax due = <math>1,500 + 2,250 + 7,200 = 10,950</math> EGP</b>	

4. If the taxpayer's net income (EGP 20,000 / month), and is subject to tax on the income of natural persons, the annual tax due for 2023 is:

The tax is calculated as follows:

<b>Net annual Income (20,000 x 12)</b>	<b>240,000</b>
<b>30,000 L.E. exempted Bracket (Zero %)</b>	<b>(30,000)</b>
<b>First bracket from 30,000 to 45,000 is priced at 10%</b>	<b><math>15,000 \times 10 \% = 1,500</math></b>
<b>Second bracket from 45,000 to 60,000 is priced at 15%</b>	<b><math>15,000 \times 15 \% = 2,250</math></b>
<b>Third bracket from 60,000 to 200,000 is priced at 20%</b>	<b><math>140,000 \times 20 \% = 28,000</math></b>
<b>Fourth bracket from 200,000 to 400,000 is priced at 22.5%</b>	<b><math>40,000 \times 22.5 \% = 9,000</math></b>
<b>The annual tax due = <math>1,500 + 2,250 + 28,000 + 9,000 = 40,750</math></b>	

5. If the taxpayer's net income (EGP 50,000 / month), and is subject to tax on the income of natural persons, the annual tax due for 2023 is:

**The tax is calculated as follows:**

<b>Net annual Income (50,000 x 12)</b>	<b>600,000</b>
<b>30,000 L.E. exempted Bracket (Zero %)</b>	<b>(30,000)</b>
<b>First bracket from 30,000 to 45,000 is priced at 10%</b>	<b>15,000 × 10 % = 1,500</b>
<b>Second bracket from 45,000 to 60,000 is priced at 15%</b>	<b>15,000 × 15 % = 2,250</b>
<b>Third bracket from 60,000 to 200,000 is priced at 20%</b>	<b>140,000 × 20 % = 28,000</b>
<b>Fourth bracket from 200,000 to 400,000 is priced at 22.5%</b>	<b>200,000 × 22.5 % = 45,000</b>
<b>Fifth bracket from 400,000 to 600,000 is priced at 25%</b>	<b>200,000 × 25 % = 50,000 EGP</b>
<b>The annual tax due = 1,500 + 2,250 + 28,000 + 45,000 + 50,000 = 126,750 EGP</b>	

6. If the taxpayer's net income (EGP 55,000 / month), and is subject to tax on the income of natural persons, the annual tax due for 2023 is:

The tax is calculated as follows:

<b>Net annual Income (55,000 x 12)</b>	<b>660,000</b> <b>Net income between EGP 600,000 and EGP 700,000</b>
<b>First bracket from EGP 1 to 45,000 is priced at 10%</b>	<b><math>45,000 \times 10 \% = 4,500</math></b>
<b>Second bracket from 45,000 to 60,000 is priced at 15%</b>	<b><math>15,000 \times 15 \% = 2,250</math></b>
<b>Third bracket from 60,000 to 200,000 is priced at 20%</b>	<b><math>140,000 \times 20 \% = 28,000</math></b>
<b>Fourth bracket from 200,000 to 400,000 is priced at 22.5%</b>	<b><math>200,000 \times 22.5 \% = 45,000</math></b>
<b>Fifth bracket more than 400,000</b>	<b><math>260,000 \times 25 \% = 65,000</math></b>
<b>The annual tax due = <math>4,500 + 2,250 + 28,000 + 45,000 + 65,000 = 144,750</math> EGP</b>	

7. If the taxpayer's net income (EGP 60,000 / month), and is subject to tax on the income of natural persons, the annual tax due for 2023 is:

The tax is calculated as follows:

<b>Net annual Income (60,000 x 12)</b>	<b>720,000</b> <b>Net income between EGP 700,000 and EGP 800,000</b>
<b>First bracket from EGP 1 to 60,000 is priced at 15%</b>	<b><math>60,000 \times 15\% = 9,000</math></b>
<b>Second bracket from 60,000 to 200,000 is priced at 20%</b>	<b><math>140,000 \times 20\% = 28,000</math></b>
<b>Third bracket from 200,000 to 400,000 is priced at 22.5%</b>	<b><math>200,000 \times 22.5\% = 45,000</math></b>
<b>Fourth bracket more than 400,000</b>	<b><math>320,000 \times 25\% = 80,000</math></b>
<b>The annual tax due = <math>9,000 + 28,000 + 45,000 + 80,000 = 162,000</math> EGP</b>	

8. If the taxpayer's net income (EGP 70,000 / month), and is subject to tax on the income of natural persons, the annual tax due for 2023 is:

The tax is calculated as follows:

Net annual Income (70,000 x 12)	840,000 Net income between EGP 800,000 and EGP 900,000
First bracket from EGP 1 to 200,000 is priced at 20%	$200,000 \times 20\% = 40,000$
Second bracket from 200,000 to 400,000 is priced at 22.5%	$200,000 \times 22.5\% = 45,000$
Third bracket more than 400,000	$440,000 \times 25\% = 110,000$
The annual tax due = $40,000 + 45,000 + 110,000 = 195,000$ EGP	



9. If the taxpayer's net income (EGP 80,000 / month), and is subject to tax on the income of natural persons, the annual tax due for 2023 is:

The tax is calculated as follows:

<b>Net annual Income (80,000 x 12)</b>	<b>960,000</b> <b>Net income between EGP 900,000 and EGP 1,200,000</b>
<b>First bracket from EGP 1 to 400,000 is priced at 22.5%</b>	<b><math>400,000 \times 22.5\% = 90,000</math></b>
<b>Second bracket more than 400,000</b>	<b><math>560,000 \times 25\% = 140,000</math></b>
<b>The annual tax due = <math>90,000 + 140,000 = 230,000</math> EGP</b>	

10. If the taxpayer's net income (EGP 120,000 / month), and is subject to tax on the income of natural persons, the annual tax due for 2023 is:

The tax is calculated as follows:

<b>Net annual Income (120,000 x 12)</b>	<b>1,440,000</b> <b>Net income exceeding</b> <b>1,200,000</b>
<b>First bracket from 1 EGP to 1,200,000 is priced at 25%</b>	<b><math>1,200,000 \times 25\% = 300,000</math></b>
<b>Second bracket more than 1,200,000</b>	<b><math>240,000 \times 27.5\% = 66,000</math></b>
<b>The annual tax due = <math>300,000 + 66,000 = 366,000</math> EGP</b>	



**Thank you**

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