

Tax Accounting

Section 3

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TAX

Chapter 3

Tax on Salaries and the like



Assign whether the
following statements
are True or False

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01

- ❖ According to Article (9) of the Law, the tax applies to salaries and the like to 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.



True

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02

❖ Tax applies to salaries and the like to all earnings by a taxpayer from a foreign source for work performed in Egypt or abroad.



False

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03

- ❖ According to Article (9) of the Law the tax applies to salaries and the like to Salaries and remunerations of non-shareholding chairpersons and board members of public sector and public business sector companies.



True

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04

- ❖ A natural person is a resident if an Egyptian working abroad and receiving income from an Egyptian Treasury.



True

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05

❖ Salaries and the like are the amounts due to employees for their work as a result of a dependency relationship resulting from an employment contract, paid periodically and often monthly.



True

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06

❖ The legislator added the term "the like" to ensure that the provision is comprehensive to allow any ambiguity and that no person would evade or avoid tax.



False

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07

- ❖ The wages mean the amount the worker receives daily in exchange for the work that has been accomplished, and it is usually paid at close intervals (daily, once a week, or every two weeks).



True

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08

- ❖ Incentives is the amounts that workers obtain for additional efforts, increased production, reduced manufacturing costs, or production of new products aimed at increasing sales.



True

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09

❖ Allowances granted in exchange for an actual cost are not subject to tax.



True

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10

❖ Allowances granted not in exchange for a real cost spent by workers or employees to execute their jobs are not subject to tax.



False



11

❖ In-kind benefits are what is granted to the worker in an in-kind form without charge, such as free accommodation, free food, and a free car.



True

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12

- ❖ Cash and in-kind benefits, in the application of the provision of Article (9) of the law, is everything that workers receive in cash or in-kind without it being compensation for expenses incurred to perform their work, provided that it does not represent a personal benefit for them.



False

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13

❖ Company vehicles made available to the employee for personal use are subject to tax at 10% of the value of fuel, insurance, and periodic maintenance related to these cars, whether owned or rented by the company.



False

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14

❖ The value of Mobile phones is equivalent to 20% of annual phone-related expenses.



True

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❖ loan or advance is not regarded as a taxable benefit if its total value does not exceed the employee's wage for the six months before the loan or advance or if its interest rate is higher than 10%.



False



16

❖ According to article 12 of the Law, pensions and Severance allowances are subject to tax.



False

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17

❖ severance allowances are not subject to tax because they are paid to the employee as compensation for ending work and not as an addition to the employee's salary or wages.



True

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18

❖ The annual personal exemption for the taxpayer is an amount of 15000 pounds.



True



19

❖ The share of employee in social insurance subscription is 18.75% from the subscription salary



False

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20

- ❖ Employee subscription in private insurance funds and life and health insurance premiums are exempted in limit of 15% or L.E 10000, whichever is lower.



True

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21

❖ Tax is imposed on amounts earned by residents from other than their original place of employment at a rate of (15%).



False

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22

❖ The original employment place is where workers work more than 50 percent of their time or earn more than 50 percent of their income throughout the tax period.



True

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Example 1

□ An employee in a public sector company receives the following amounts monthly during 2022:

Basic salary **L.E 3500** (consists of **L.E 350** special raise added to basic salary) (Exempted); Incentives **L.E 1500**; Transportation allowance **L.E 320**; Special raise not added to the basic salary **L.E 400** (Exempted); Nature of work allowance **L.E 540**; Overtime **L.E 700**; Additional social raise **L.E 40** (Exempted)



If you know that:

- The social insurance subscription salary is **L.E 4000.**
- Subscription to special insurance funds is **L.E 220.**
- Relative stamp tax is **L.E 15.4.**
- The life insurance premium in favor of his wife and minor children **L.E 10,000** Annually.

Required:

- ☐ Calculation of tax due:



Solution

1- Determining the annual base of the tax:

Statement	Partial	Total
1- Basic salary = (3500×12)		42,000
2- Variable wages:		
▪ Incentives $(1500 * 12)$	18,000	
▪ Transportation allowance $(320 * 12)$.	3,840	
▪ Not added special raise (400×12) .	4,800	
▪ Allowance of nature work $(540 * 12)$.	6,480	
▪ Overtime (700×12)	8,400	
▪ Additional Social Allowance $(40 * 12)$.	480	

Statement	Partial	Total
Total annual revenues		84,000
Deducted from:		
1- Amounts exempted by special laws:		
• Special raise (included in salary (350×12))	4,200	
• Special raise not added to salary (400×12)	4,800	
• Social allowance (40×12)	480	
2- Allowances to meet actual expenses:		
• Transfer allowance	3,840	
3- Exempted amounts in accordance with the Tax Law, Article (13):		
• Personal Exemption	15,000	
• Social Insurance = $4000 \times 11\% \times 12$	5,280	(33,600)

Statement	Partial	Total
Annual Net Revenue		50,400
Deducted from:		
<ul style="list-style-type: none"> ▪ Life insurance premiums and special fund subscription – Actual Amount = $(220 \times 12) + 10,000$ Article (13) = 12,640 L.E – Maximum $(50,400 \times 15\% = 7,560$ or 10,000 whichever is less) = 7,560 L.E 	(7,560)	
Relative stamp tax (15.4×12)	(184.8)	
Net taxable income		42,655



2- Calculation of tax due:

Net Taxable income = 42,650 L.E

- Exempted bracket = 30,000 EGP.
- Second bracket = $12,650 \times 10\% = 1265$ L.E.

Annual tax due = 1265 L.E

The tax due per month = $1265/12 = 105.42$ L.E

THANK YOU!

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