

Tax Accountin g

TAX

Section 5

by/ Noha hamed

Chapter 3

Tax on salaries and the like





Example 5

❖ A public sector employee received the following amounts for the year 2023 (in pounds):

Basic wage including bonuses of EGP 10,000 per month, production incentives of EGP 4,500 per month, nature of work allowance of 650 EGP per month, a cash amount of EGP 700 per month for a meal, bonuses (outside basic wage) EGP 850 per month, MSC incentive EGP 40 per month, Additional monthly wages EGP 2000, Additional social raise EGP 150 (Exempted), monthly transportation allowance for actual cost EGP 750, monthly representation and reception allowance EGP 500.



Example 5

The following information is available:

- The monthly contribution wage for social insurance is 15,000 EGP. Minimum and maximum monthly contribution wage of social insurance for the year 2023 (1700, 10900).
- Subscription in private funds of 4000 EGP annually, and insurance premiums on the life of the taxpayer for his wife of 3,000 pounds annually.



Example 5

The following information is available:

- Exempted special allowances of 750 per month.
- The employee worked to another party (non-original) with a monthly salary of 3,200 EGP.
- Exempted allowance because of inflation of 360 EGP annually.
- The relative stamp tax per year amounted to 250 pounds.
- A mobile phone is dedicated to the employee, and his annual expenses amounted to 1,700 EGP.



Example 5

The following information is available:

- The employee obtained free air tickets for himself and his family worth 5,000 EGP.
- Deducts from the employee's salary monthly: a car installment of 1,800 EGP, social club installments of 750 EGP, and a legitimate expense of 1,200 EGP.

Instructions:

- ❖ Tax due to be supplied to Tax Authority for the year.



Solution

1- Determining the annual base of the tax:

Statement	Partial	Total
1- Basic salary = (10,000 × 12)		120,000
2- Variable wages:		
▪ Annual production incentives (4,500 × 12)	54,000	
▪ Annual work nature allowance (650 × 12)	7,800	
▪ Cash amount for a meal (700 × 12)	8,400	
▪ Bonuses not included annually (850 × 12)	10,200	
▪ MSC incentive (40 × 12).	480	
▪ Additional monthly wage (2000 × 12).	24,000	
▪ Additional Social Allowance (150 × 12).	1,800	



Solution

1- Determining the annual base of the tax:

Statement	Partial	Total
1- Basic salary = (10,000 × 12)		120,000
2- Variable wages:		
▪ Transportation allowance (750 × 12).	9,000	
▪ representation and reception allowances (500 × 12).	6,000	
▪ Free tickets.	5,000	
▪ Mobile features (1,700 × 20%)	340	

Statement	Partial	Total
Total annual revenues		247,020
Deduct exemptions:		
1- Amounts (allowances) exempted by special laws:		
• Exempted Social allowance (150×12)	1,800	
• Exempted special allowance (750×12).	9,000	
• Exempted allowance of inflation	360	
• representation and reception allowances (500×12).	6,000	
2- Allowances to meet actual expenses:		
• Transportation allowance (750×12).	9,000	
3- Exempted amounts in accordance with the Tax Law, Article (13):		
• Personal Exemption	15,000	
• Social Insurance = $10,900 \times 11\% \times 12$	14,388	(55,548)

Statement	Partial	Total250
Annual Net Revenue		191,472
Deducted from:		
<ul style="list-style-type: none"> Life insurance premiums and special fund subscription – Actual Amount = $4000 + 3000 = 7,000$ L.E (7000) – Maximum $(191,472 * 15\%) = 28,720.8$ or 10,000 whichever is less) 		
Relative stamp tax	(250)	7,250
Net taxable income		184,222
Taxable income to the nearest 10 pounds less		184,220



Solution

2- Calculation of tax due:

First Bracket	30,000	Exempt
Second bracket	$15,000 \times 10 \%$	1,500
Third bracket	$15,000 \times 15 \%$	2,250
Fourth bracket	$124,220 \times 20 \%$	24,844
The annual tax due = EGP 28,594		

- Tax on amounts from other than the original place of employment
 $= 3,200 \times 12 \times 10\% = \text{EGP } 3,840.$
- The due tax annually = $3,840 + 28,594 = 32,434$ EGP The tax payable monthly is EGP 2,702.833



Example 6

- ❖ An employee in one of the private sector companies received the following amounts (in pounds) monthly during 2023.
- ✓ EGP 4,000, Basic Salary.
 - ✓ EGP 1,900, nature of work allowance.
 - ✓ EGP 325, social allowances (Exempted).
 - ✓ EGP 2,500, transportation allowance for actual cost.
 - ✓ EGP 3,000, Production incentives.
 - ✓ EGP 1,800, Additional wages.



Example 6

- ❖ An employee in one of the private sector companies received the following amounts (in pounds) monthly during 2023.
 - ✓ EGP 900, bonuses.
 - ✓ EGP 800, representation and reception allowance.
 - ✓ EGP 500, Non-resident's allowance due to the distance of the workplace from the place of residence.

If you know that:

- ☐ He obtained a free train ticket as a gift from the company due to his continuous efforts to visit his family during the Eid Al-Adha holiday worth EGP 1,200.

Example 6

- ☐ The cost of his health care and annual treatment is 8,000 pounds due to his suffering from chronic diseases (hypertension and diabetes), noting that the company provides a special health care system free of charge for all its employees.
- ☐ A mobile phone is dedicated to the employee, and his annual expenses amounted to 9,000 EGP, noting that the company purchased the phone in an amount of 6000 EGP.
- ☐ A vehicle is dedicated to the employee at his disposal, noting that the car's expenses during the year (fuel and maintenance) are 24,000 EGP. The company purchased the car for 1,500,000 EGP, and its annual depreciation installment is 100,000 EGP.



Example 6

- ❑ He obtained a loan from the company in an amount of 90,000 EGP with an interest of 3% for one year. noting that the total amount he obtained in the six months preceding the date of the loan was 40,000 EGP.
- ❑ The monthly contribution wage for social insurance is 11,400 EGP. Minimum and maximum monthly contribution wage of social insurance for the year 2023 (1700, 10900).
- ❑ Subscription in private funds of 9,000 EGP annually.
- ❑ He pays a life insurance premium for himself at the rate of 3,000 LE per year, a premium for his mother's benefit of LE 1200 per year, and another premium for his widowed sister's benefit of LE 2000.

Instructions:

- ❖ Tax due to be supplied to Tax Authority for the year.



Solution

1- Determining the annual base of the tax:

Statement	Partial	Total
1- Basic salary = $(4,000 \times 12)$		48,000
2- Variable wages:		
▪ Annual work nature allowance $(1,900 \times 12)$	22,800	
▪ Additional Social Allowance (325×12) .	3,900	
▪ Transportation allowance $(2,500 \times 12)$.	30,000	
▪ Annual production incentives $(3,000 \times 12)$	36,000	
▪ Additional monthly wage $(1,800 \times 12)$.	21,600	
▪ Bonuses (900×12)	10,800	
▪ representation and reception allowances (800×12) .	9,600	



Solution

1- Determining the annual base of the tax:

Statement	Partial	Total
1- Basic salary = (10,000 × 12)		120,000
2- Variable wages:		
▪ Non-resident's allowance (500 × 12).	6,000	
▪ Free tickets.	1,200	
▪ Mobile feature (9,000 × 20%).	1,800	
▪ Car feature (24,000 × 20%).	4,800	
▪ Loan feature (50,000 × 4%).	2,000	

Statement	Partial	Total
Total annual revenues		198,500
Deduct exemptions:		
1- Amounts (allowances) exempted by special laws:		
• Exempted Social allowance (325×12)	3,900	
2- Allowances to meet actual expenses:		
• Transportation allowance ($2,500 \times 12$).	30,000	
3- Exempted amounts in accordance with the Tax Law, Article (13):		
• Personal Exemption	15,000	
• Social Insurance = $10,900 \times 11\% \times 12$	14,388	(63,288)

Statement	Partial	Total250
Annual Net Revenue		135,212
Deducted from:		
<ul style="list-style-type: none"> Life insurance premiums and special fund subscription – Actual Amount = $9000 + 3000 = 12,000$ L.E (10,000) – Maximum $(135,212 * 15\%) = 20,281.8$ or 10,000 whichever is less) 		
Net taxable income		125,212
Taxable income to the nearest 10 pounds less		125,210



Solution

2- Calculation of tax due:

First Bracket	30,000	Exempt
Second bracket	$15,000 \times 10 \%$	1,500
Third bracket	$15,000 \times 15 \%$	2,250
Fourth bracket	$65,210 \times 20 \%$	13,042
The annual tax due = EGP 16,792		

Tax

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THANKS

Noha hamed