

MGI Worldwide Insights:

Egypt's new Value Added Tax (VAT) law

Law No.67/2016

Executive summary

The Egyptian Parliament has discussed and approved the new Value Added Tax (VAT) law on 31 August 2016, and the law has been published in the official Gazette taking effect on 8 September 2016. The new VAT law replaces the current General Sales Tax (GST) law no. (11) 1991 that is considered annulled, as well as any legal provisions contradicting the new law.

Produced by MGI member

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Introduction

VAT will apply to any registered person whose finances exceed EGP 500,000 sales during the 12 months preceding the date of the promulgation of this law and/or those dealing with the goods and/or services of the schedules annexed to the law without any limit.

I. Registration / Cancellation

Businesses registered under the sales tax law are considered registered under VAT should their annual revenues reach EGP 500,000 or more; except for importers, those must be registered regardless of their revenues.

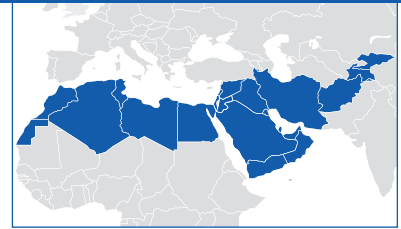
Those listed in the schedule (1) annexed to the law are also considered registered regardless of their revenues.

Businesses that are not registered under the sales tax law are required to be registered with VAT if their revenues are EGP 500,000 or more.

Businesses realising less than EGP 500,000 may be also registered with VAT without any obligation by law, except for importers, exporters, agents, manufacturers of goods and/or services listed in the schedule annexed to the law regardless of their revenues.

The registration of business that are registered with the sales tax with revenues under EGP 500,000 will be cancelled unless they apply to be Non-registered.

Those supplying goods and/or services in Egypt to non-registered parties shall appoint a representative who will be responsible for the settlement of the VAT to the fiscal authorities.



II. Tax rate

VAT will apply at the rate of 13% for a period of our fiscal year. This rate will be increased starting July 1, 2017 by another 1% to 14%.

The above mentioned rates will apply to all goods and services except for machines and equipment, which are subject to 5% (except for passenger cars).

Goods and services listed in the schedule annexed to the law are subject to different rates.

III. Tax declaration

The registered person shall file a VAT declaration on a monthly basis to declare the VAT on sales less the VAT on the purchases of the month within two months commencing from the end of the month in which the transactions occurred.

The VAT law will allow the deduction of VAT on the purchases of goods and/or services except for:

- Services acquired from abroad which are not for business purposes.
- The exempted supplies and/or services to the scheduled VAT.

The registered person may apply for a refund in case that the VAT receivable is carried forward for a period longer than six months.

Refund related to the exported goods/services.

IV. Scheduled goods and services

There are a number of goods and services listed in the schedule annexed to the VAT law, each is subject to different VAT rate.

There are also 57 groups of goods and services that are exempted and listed in a separate schedule annexed to the VAT law.

Conclusion

In addition to the additional resources to the public treasury which might result from the promulgation of this law, the following may be achieved.

1. To realize justice in the dividend of the tax burdens.
2. To control the tax society.
3. To merge the unofficial /parallel economy in the official economy.
4. To adjust a lot of errors/mistakes/ irregularities of the application of the previous sales tax law.

Should the reader be interested in more information about Egyptian VAT, kindly contact Dr. Ashraf Hanna at the firm on:

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