

Tax Law Amendment Easing Burden on Low-Income Earners

By Omar Sherif and Zaina Morad

The Income Tax Law No. 91 of 2005 (the "**Income Tax Law**") has been amended by Law No. 7 of 2024 (the "**Amendments**") whereby the personal tax exemption limit has been raised and tax brackets have been adjusted.

The Amendments were enacted by the Cabinet and published in the Official Gazette on 21 February 2024, becoming enforceable with regards to salaries as of the 1st of March 2024; and as of the lapse of the tax period following the publication of the Amendments in relation to commercial, non-commercial (freelancers), and real estate revenue taxpayers.

The Amendments aim to alleviate the tax burden on low-income earners and allow for a more progressive and equitable approach to tax distribution.

We highlight below the main aspects of the Amendments as follows:

Key Amendments

One of the key changes introduced by the Amendments is the increase of the tax exemption limit from EGP 30,000 to EGP 40,000. As such, all those with annual net incomes below EGP 40,000 will not be subject to income tax.

The Amendments to the new income tax brackets have shifted the income brackets in favor of those with lower net annual incomes. In this regard, those with a net income of more than: (i) EGP 40,000 to EGP 55,000 are now subject to a 10% income tax rate; (ii) EGP 55,000 to EGP 70,000 are now subject to a 15% income tax rate; and (iii) EGP 70,000 to EGP 200,000 are now subject to 20%.

The Amendments also raised the personal tax exemption to EGP 20,000.

Market Reaction

These Amendments are in alignment with government efforts to alleviate the tax burden on low-income earners, to establish a more progressive tax system for both the private and public sector. Seeing as these Amendments strive towards socio-economic equity, it is expected that they will be met positively by taxpayers.

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Presidential Decree Establishing the Long-Awaited Supreme Tax Council

By Omar Sherif and Alexandra Arida

President Abdel Fattah El-Sisi has recently issued Decree No. 87 for 2024, establishing the Supreme Tax Council (the “**Decree**”), referred to in the Egyptian Income Tax Law No. 91 for 2005 (the “**Income Tax Law**”). The primary objective of the Supreme Tax Council is to ensure that taxpayers' rights are protected and to assist them in carrying out their tax related obligations.

The Decree was published in the Official Gazette on 21 March 2024, and entered into force on 22 March 2024. We highlight the important aspects of the Decree hereunder.

The Composition of the Supreme Tax Council

The Supreme Tax Council shall be established under the chairmanship of the Prime Minister. The Supreme Tax Council will consist of members including, *inter alia*: (i) ministers such as the minister of justice, the minister of finance, and the minister of trade and industry; (ii) representatives of the president office, the general intelligence service, and the Administrative Control Authority; (iii) representatives from the business community, tax authorities, accountants, and university professors specializing in the economic, financial, and tax fields.

The Powers of the Supreme Tax Council

The purpose behind the establishment of the Supreme Tax Council is to preserve the rights of taxpayers and to assist them in complying with their obligations with respect to tax related laws. The Income Tax Law stipulates that the Supreme Tax Council shall be mandated with, *inter alia*, opining on draft tax laws and their executive regulations, performing studies with a view of enhancing the performance of tax departments, receiving tax complaints and seek their settlement with the relevant tax authority, preparing and adopting the taxable person charter, etc.

In addition to the authority conferred to the Supreme Tax Council by the Income Tax Law, the Decree stipulates that the Supreme Tax Council shall possess the following authorities: (i) seeking to incentivize the voluntary compliance of the tax community; (ii) implementing strategies to assist revenue departments in maintaining tax neutrality, (iii) examining the tax-related issues put forth by the chairman of the Supreme Tax Council, issuing opinions on the same, suggesting solutions, implementation mechanisms, and follow-up and evaluation measures, and (iv) analyzing any tax challenges identified by the business community representatives and formulating suitable solutions to address the same.

The Supreme Tax Council shall prepare periodical reports to present its decisions, recommendations, and results before the president.

Moreover, the Supreme Tax Council decrees' shall be binding on all governmental entities and authorities.



Convenance of the Supreme Tax Council

The Supreme Tax Council convenes every three months, and on an as-needed basis, at the invitation of its chairman. A majority of its members are required to attend for meetings to be deemed valid, and decisions are rendered by a majority vote of those in attendance; in the event of a tie, the chairman's decision shall prevail.

Market Reaction

The Minister of Finance, Mohamed Maait, announced that the Supreme Tax Council is meant to empower the private sector, encourage investment and investors to expand their productive and export activities. The Supreme Tax Council will also raise growth rates by increasing the contribution of the private sector to comprehensive and sustainable development.

A large, light blue watermark of the Shalakany 1912 logo is centered on the page. It features the same stylized bar chart with five bars of increasing height, topped with diamond shapes, all within a square frame. Below the chart, the text "SHALAKANY" and "1912" are visible.

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License of Key Positions in Companies operating in the Field of Securities

By Omar Sherif and Mohamed Nour

On 10 January 2024, the Financial Regulatory Authority (the “FRA”) Decree No. 2 of 2024 (the “Decree”) was issued, which requires the obtainment of licenses for certain key positions within companies working in securities (the “Securities’ Companies”). The Decree comes as a replacement to the FRA Decree No. 24 of 2007 which was only concerned with the licensing of the main positions within brokerage firms.

We highlight below the key points of the Decree.

Scope of Application

The Decree first sets out its scope of application where the licenses required concern key positions listed in its annex 1. In this regard, annex 1 outlines the staff structure for each Securities’ Company depending on its licensed activity. In case a Securities’ Company undertakes several licensed activities, the Decree permits said company to employ only one person for the same position that must be filled for each of the licensed activities, after obtaining prior approval from FRA.

General Framework

In order to obtain the license for the main positions that must be filled in the Securities’ Companies, the candidate must meet certain conditions including but not limited to its legal capacity, education etc. in addition to certain specific conditions depending on the nature of the position. in relation to its legal capacity.

To obtain the license the Decree stipulates that the applicant must submit all required documents for the FRA’s review. Following the submission, the FRA reviews the application and submitted documents within 15 days and either grants its approval/rejection.

The term of the license is three years and may be renewed for similar periods, provided that the conditions required for obtaining the license remain valid. The application to renew the license shall be submitted within the three months preceding the expiration of the license period on the form prepared by FRA for this purpose.

The Decree allows the FRA, whether before or after the obtainment of the license, to require the person aiming to obtain or renew the license to pass tests, undergo an interview or obtain training courses in his field of expertise..

The Decree requires Securities’ Companies to maintain a register to record the names of the employees and their main positions, and to provide the FRA with the names of the employees and their job titles, addresses, the date of issuance of their license and renewal date and the date of their employment and termination on an annual basis as well as any changes made to the same.

In addition to the above, the Decree requires the Securities’ Companies to notify the FRA in the event that one of its main positions becomes vacant within 10 days from the date the position becomes vacant. The Decree sets forth specific procedures in the occurrence of such case until the position has been filled again. Noting that the licensed employee resigning or newly appointed must also notify the FRA.

It is crucial to mention that the Decree grants a year from its issuance as a grace period for the Companies to reconcile their situation, with the continuation of the validity of the licenses granted pursuant to the FRA Decree No. 24 of 2007 until the expiry of its term, and the requirement to fulfill the renewal conditions as stated in the Decree.

License Revocation

Further, the Decree outlines the cases where a license may be revoked. These include the following:

1. Upon the licensee's request.
2. If the licensee does not apply to renew its license within three months from the expiration date of said license.
3. If the licensee fails to uphold any of the license conditions.
4. If it is proven that one of the documents based on which the license was granted is not valid.

The Decree stated the administrative measures that FRA can take if the licensee violates the provisions of this Decree or the legislations regulating the capital market, as the following:

1. A warning.
2. Suspension of the license for a period not exceeding one year.
3. Revocation of the license, with it not being permissible to obtain it except after a period of no less than one year.
4. Final revocation of the license.

Market Reaction

Following the promulgation of the Decree, Mr. Mohamed Farid, Chairman of the FRA said that the Decree complies with the FRA's strategy for improving the efficiency of professionals as a basis for developing and stabilizing markets and protecting customers, stressing that setting conditions and rules for licensing contributes to the competence and suitability of employees to carry out their roles.

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Tax and Customs Exemptions for Equipment Temporarily Exiting Free Zones

By Omar Sherif & Malak Mounir

Introduction

The Cabinet Decree no. 24 of 2024, issued on 25 of March 2024, regulating the temporary exit of equipment from free zones into the country (the “**Decree**”) comes as a replacement to Cabinet Decree no. 1689 of 2005. The Decree sets out the framework for projects established in the free zones (the “**Project Companies**”) to enjoy the use of tools, machines, equipment, devices, and specialized transportation (the “**Equipment**”) inside the country while being exempted from applicable taxes and tariffs. The Decree allows for the exit of such Equipment from the free zones subject to certain conditions.

We will delve into the key elements of the Decree hereunder.

General Framework

The Decree permits the temporary exit of Equipment used in free zones to the country while being exempted from applicable taxes and tariffs (including customs and duties). The Equipment’s exit to the country is subject to the Project Companies carrying out their activities inside the country in conformity with their object and licensed activities performed in the relevant free zone. In addition, the exemption is also maintained if the Equipment were leased to third parties. The Decree grants such exemption subject to the subsequent re-exportation of the Equipment as well as the compliance with the conditions set forth below.

The Decree conditions this exemption to the obtainment by the Project Company from the General Authority for Free Zones and Investments (“**GAFI**”) or, to the extent that the Project Company (i) operates in the media free zones, and (ii) performs activities subject to the provisions of the law no. 180 of 2018 regulating journalism and media, from the Supreme Media Council (“**SMC**”) by way of an undertaking stipulating that all VAT, customs and duties as well as any other applicable tax shall be duly paid in case the Equipment were not reexported back to the free zone.

The Decree limits the aforementioned exemption to a period of six months, subject to renewal following the approval of the Egyptian Customs Authority. In case the Equipment exceed the required period without such approval, the provisions of the Customs Law no. 207 of 2020 shall apply.

To benefit from such exemption, the Project Companies must obtain a certificate from GAFI confirming that due to the nature of the Project Company’s activity, the Equipment need to enter the country. The Project Company must also submit an undertaking that the Equipment shall not be used for any purpose other than for its licensed activity that the Project Company undertakes within the free zone.

The Decree also provides that whenever the Equipment are being used by a third party outside the free zone, the provisions of the VAT Law no. 67 of 2016 shall apply in addition to the application of any other applicable provisions. Furthermore, regular customs rules shall apply in case the Equipment were leased to a third party.

This Decree is expected to have a positive impact on sectors of manufacturing, construction, and logistics, among others, by facilitating the movement of essential equipment required for project implementation.

Main Changes

There are two main changes the Decree introduces which diverge from the old decree.

The first minor change is the replacement of any mention to the sales tax with the value added tax and the law governing the same.



The second change relates to the introduction of the requirement to obtain an undertaking from the SMC for Equipment exiting in the media free zones.

