Three New Tax Laws in 2025: Key Takeaways for Businesses

By: Omar Sherif, Youssef Ihab and Haythem Hamdy

The Egyptian legislator has recently enacted three new tax laws aimed at streamlining tax compliance, offering incentives to small businesses, and regulating penalties on late tax payments. These legislative changes reflect the state's commitment to enhancing economic efficiency, encouraging tax compliance, and supporting business growth.

Below is a brief overview of these important updates:

Law No. 5 of 2025: New Framework for Tax Compliance & Dispute Resolution

Mandatory Taxpayer Registration & Compliance Measures

The Law No. 5 of 2025 (the "**Tax Regularization Law**") reform aimed at facilitating tax compliance, encouraging voluntary registration, and resolving longstanding tax disputes provides that non-registered taxpayers will not be subject to the income tax, stamp duty tax or development of financial resources charges for periods prior to the date of entry into force of the Tax Regularization Law.

The law requires all non-registered taxpayers to regularize their status with the Egyptian Tax Authority ("**ETA**"). To benefit from the settlement provisions, taxpayers must submit a registration request within 3 months starting from February 13, 2025 ("**The Date of Enforcement**"). The Minister of Finance (the "**Minister**") may extend this period once. Importantly, the Law prohibits tax audits on periods preceding its enactment for taxpayers who comply with this registration requirement.

Taxpayers who failed to file their tax returns since 2020 now can submit their overdue returns without facing penalties, provided they do so within 6 months from the Date of Enforcement. Additionally, those who previously submitted returns with errors or omissions may file amended returns without incurring late fees or additional tax liabilities.

The Tax Regularization Law also offers lenient measures for taxpayers who did not submit their tax returns starting from 2020 and prior to the entry into force of this law.

Tax Dispute Resolution & Settlement Mechanism

For taxpayers with pending tax disputes relating to periods before January 1, 2020, the Law offers a resolution mechanism. These disputes may be settled by paying:

- Additional 30% to the taxable amount set forth in the relevant person's tax returns.
- Additional 40% of the most recent tax amount agreed upon in case of unsubmitted tax returns or tax returns with no taxable amount.

Finally, to ease financial burdens, taxpayers can opt for an installment plan, allowing payments to be spread over 12 months without incurring penalties or interest.

Waiver of Late Fees & Additional Taxes

For taxpayers who were subject to tax audits before January 1, 2020, the Law provides full relief from delay penalties and any additional taxes upon the following conditions:

- To submit a request to end the dispute including all of the required information in the template.
- Payment of the full principal tax within 3 months from the Date of Enforcement.

Taxation of Real Estate & Capital Gains

Individuals who have engaged in real estate transactions or the sale of unlisted securities over the past 5 years may settle their outstanding tax liabilities with a 100% waiver of delay penalties and fees if payment is made within 6 months from the Date of Enforcement. Furthermore, the ETA is prohibited from reassessing transactions that occurred more than 5 years before the Date of Enforcement.

However, in all cases, the ending of the dispute between the taxpayer and the ETA does not mean that the taxpayer has the right to a refund of what they have already paid.

Law No. 6 of 2025: New Tax Incentives for Small Businesses

Scope and Eligible Businesses

The Egyptian legislator has enacted Law No. 6 of 2025 (the "**Tax Incentives Law**"), introducing tax incentives and simplified procedures for small businesses. The law applies to small businesses, whether registered or unregistered, whose annual revenue does not exceed EGP 20 million on March 1, 2025. It covers professional, commercial, and industrial activities, provided they meet the eligibility criteria.

Eligibility Requirements for Tax Benefits

To benefit from the law's tax incentives and exemptions, businesses must:

- File tax returns on time, as required under the Law.
- Adopt electronic tax systems, including e-invoicing and e-receipts, in accordance with the Ministry of Finance's ("**MoF**") phased implementation plan.

Exclusions from the Law's Provisions

The Law does not apply to:

- Professional consulting firms that generate at least 90% of their annual turnover from providing professional advice to one or two persons.
- Businesses that restructure or divide operations solely in order to qualify under this Law, unless they demonstrate an economic rationale for doing so. The burden of proving this is on the ETA.

Further, once a business opts into this Law's benefits, it cannot withdraw for at least 5 years from the date of its application.

Key Tax Incentives

The law provides several tax relief measures, including exemption from the development of state financial resources fees, stamp duty, and notarization fees on company formation or mortgage registration in case of financing, and exemption from property registration fees for all land acquisitions required for business activities.

Further, no capital gains tax shall apply on profits generated from the disposal of fixed assets, machinery, or production equipment used in the business. Additionally, no taxes shall apply on dividend distributions from qualifying businesses.

Simplified Tax Rates

The Tax Incentives Law provides that profits generated from business governed by the same shall not be subject to the income tax law. Instead, the law introduces flat tax rates based on annual revenue which will apply to the small businesses subject to this law as follows:

Annual Revenue (EGP)	**Applicable Tax Rate**
Less than 500,000	0.4%
500,000 – 2 million	0.5%
2 – 3 million	0.75%
3 – 10 million	1%
10 – 20 million	1.5%

If a business's annual revenue exceeds EGP 20 million within 5 years from the date of application, it may continue benefiting for one year, provided the increase does not exceed 20% of the threshold. However, if the revenue exceeds this limit repeatedly, the business will lose eligibility for the incentives starting from the following year.

Tax Compliance & Filing Obligations

Businesses do not need to maintain formal accounting records but must follow a simplified bookkeeping system set up by the MoF. They are exempt from advance tax payments and withholding tax obligations. Income tax returns must be filed annually, while VAT returns (if applicable) must be submitted quarterly. The ETA can only audit these businesses 5 years after the date of enrollment, i.e. the date of application in accordance with this Law.

Law No. 7 of 2025: Welcomed Amendments to the Unified Tax Procedures Law

Law No. 7 of 2025 (the "**Amendment Law**"), introducing significant amendments to Law No. 206 of 2020 on Unified Tax Procedures to be enforced starting from February 13, 2025. These amendments aim to cap late payment penalties, introduce settlement mechanisms for tax-related offenses, and offer businesses more flexibility in resolving tax disputes.

Limitation on Delay Penalties

Under the Law, the maximum penalty for delayed payments, whether in the form of late interest charges or additional tax liabilities, is now capped at 100% of the principal tax due. This measure is designed to provide relief to taxpayers and prevent excessive penalty accumulation.

Tax Settlement Mechanisms

The law introduces provisions that allow taxpayers to settle certain tax-related offenses without facing full legal prosecution. This applies to tax violations that do not involve outstanding tax liabilities.

<u>Pre-Litigation Settlements:</u>

The Amendment Law allows the relevant minister (generally the MoF), to negotiate a pre-criminal trial settlement with Taxpayers ranging from 50% to 200% of the minimum applicable fine set forth in the Unified Tax Procedures Law.

Post-Litigation Settlements:

If legal proceedings have been initiated, taxpayers can still settle the case by paying a fine of up to three times the minimum applicable fine set forth in the Unified Tax Procedures Law, provided payment is made before a final court judgment is issued.

Settlements After a Final Judgment:

Even if a court ruling has been issued, taxpayers may still settle by paying a fine of up to four times the minimum applicable fine and not more than the maximum applicable fine, ensuring greater flexibility for businesses to resolve disputes.

Finally, all settlement payments must be made directly to the Tax Authority's Treasury or any entity authorized by the Minister of Finance.

Specific Settlement Provisions for Withholding & Deducted Taxes

For businesses that have failed to withhold, deduct, or remit taxes, the Law allows for a structured settlement process, as follows:

(1) A 12.5% penalty on the amount that was not withheld, deducted, or collected.

(2) A 12.5% penalty on amounts that were withheld, deducted, or collected but not remitted to the tax authority.

(3) Payment of the original tax amount, besides any late payment interest applicable.

This mechanism provides a clear and predictable framework for businesses to regularize their tax obligations without facing severe legal repercussions.

Conclusion

Egypt's recent tax reforms as enacted through the above mentioned laws are set to enhance compliance, support small businesses, and ensure fairer tax enforcement. These measures aim to create a more transparent and business-friendly environment, encouraging growth and investment.

The Egyptian market has responded positively, with Ms. Rasha Abdel Aal, head of the Egyptian Tax Authority, emphasizing that these changes will reduce burdens on taxpayers and foster trust between businesses and the tax administration. Ms. Rasha also highlighted that the reforms are expected to "strengthen confidence and partnership within the business community," reinforcing the government's commitment to economic stability and long-term growth.