



## Implementation of Tax Relief Laws by the Tax Authority

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### Introduction

On the 26<sup>th</sup> of May, 2025, the Egyptian Tax Authority (the “**ETA**”) has issued Circular No. 25 of 2025 providing further clarifications and implementation guidelines (the “**Circular**”) in alignment with the ETA’s ongoing efforts to ensure uniform application of the provisions of Laws No. 5, 6 and 7 of the year 2025 (the “**Tax Relief Initiative Laws**”). The Circular aims to resolve ambiguities and harmonize application across different tax units.

We will highlight the key takeaways of the Circular below:

#### Start Date of Unregistered Activities

The Circular clarifies that taxpayers engaged in unregistered activities prior to the effective date of Law No. 5 of 2025 (the “**Law**”) shall have the Law’s entry into force (which was the 13<sup>th</sup> of February) as their starting date (“**Date of Commencement**”). In this regard, said taxpayers would have to obtain a tax waiver for the period prior to the Date of Commencement. With respect to activities starting after the Date of Commencement, their start date would be the date their activities begin.

#### Tax Liability Settlement

Taxpayers shall settle tax liabilities in accordance with the provisions of the Law, after deducting any payments made for each tax period separately. Any credit balances arising from periods covered under the settlement may neither be refunded nor carried forward.

Additionally, the taxpayer may decide to apply the relief benefits to a single tax period, irrespective of the number of periods under assessment or dispute.

The Law, with respect to the relief available to taxpayers who either did not submit a tax return or submitted a return showing no taxes due or no tax losses, provides that relief percentages shall be based on amounts previously agreed upon in prior settlements. The Circular offers clarification in this regard, confirming that the amount agreed upon by the taxpayer refers to any taxes determined in accordance with the assessment basis (due taxes set forth in the tax return or the tax assessment).

Further, with respect to payroll taxes, the provisions of the Law shall apply to payroll tax disputes, whether based on estimated or account-based assessments. In addition, the agreed amount in prior settlements referenced in the Law and mentioned above refers to taxes due from the annual settlement, in addition to taxes arising from assessment differences related to the same fiscal year.

#### Dispute Resolution

Only disputes related to the determination of taxable bases shall fall under the scope of the Law. Cases resolved prior to the Date of Commencement, whether paid or unpaid, and cases concerning late payment interest or additional taxes previously agreed upon, are excluded.

Separately, the Circular clarifies that the same legal provisions governing the original tax base audits shall apply to supplemental audit cases.



Tax evasion cases, irrespective of their current procedural stage, are expressly excluded from the application of the Law.

### **Real Estate Dispositions**

The Law stipulates that taxpayers who submit a request to settle disputes related to real estate disposition taxes may benefit from a 100% relief on delay penalties. In this context, the Circular clarifies that this relief is not subject to the five-year limitation period set forth in the Law concerning real estate disposition transactions, provided that the relevant tax was notified within the statutory deadlines.

The relief applies to real estate transactions carried out by natural persons, regardless of whether they are engaged in commercial, industrial, or professional activities.

### **Calculation of Late Payment Charges**

The Circular also provides clarifications with respect to the notion of due taxes set forth in the unified tax procedures law no. 206 of 2020. The Circular stipulates that the principal amount due would be based on the tax return submitted or the assessment undertaken by the ETA or both.

The taxable base for calculating late payment charges or additional tax shall be the unpaid principal tax following the deduction of any amounts paid, withheld, or collected. The late payment charges shall accrue from the day following the due date of tax return submission.

In the event of errors in applications for relief, the competent tax offices within the relevant ETA shall assist taxpayers in correcting such errors by documenting them in a jointly signed official record. Projects subject to Law No. 6 of 2025 are exempt from the withholding and advance payment systems, whether in their capacity as payers or recipients.

### **Market Reaction**

In summary, the issued Circular brings further clarifications with respect to the implementation of the Tax Relief Initiative Laws reinforcing consistency, and equitable application of the same across all tax units. By addressing interpretative uncertainties, streamlining procedural obligations, and delineating the scope of eligibility and exclusions, the ETA affirms its commitment to taxpayer facilitation and legal certainty.