

VAT Regulations in **Egypt**

A **2024** Handbook
for Businesses

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Determining the tax obligations for current and future investments is one of the key pillars that helps to reduce the gap between taxes and investment, especially given the economic, technological, and even climatic changes that have occurred over recent years. These changes have led to new tax obligations that were not previously imposed, which helps to promote the principle of transparency, avoid penalties, and increase compliance rates.

In addition, Countries often seek to increase tax revenue by raising tax rates, which may not be well-received by investors, leading to concerns, withdrawal of investments, or shifting investments to other countries. However, it is possible to increase tax revenue without raising tax rates by opening new doors for investments and creating a conducive environment for it. This includes building trust between investors and the state and combating tax evasion while establishing a permanent mechanism for resolving tax disputes.

The Value-Added Tax (VAT)

Is an indirect charge applied to the importation and supply of goods and services at every stage of production and distribution, with certain exceptions, this tax on consumption is paid and collected at each point in the supply chain, starting from the manufacturer's purchase of raw materials and ending with the sale of the final product to the consumer by the retailer.

VAT Rate

The general tax rate on goods and services is 14%, except where a specific provision in the law states otherwise. Currently, there are no plans or studies to increase the tax rate.

- To encourage industry, the state has reduced the general tax rate to 5% on machinery and equipment imported from abroad or purchased locally, provided they are used solely for industrial production or service purposes.
- In pursuit of expanding and intensifying international trade and investments, a zero-rate VAT has been imposed in the following cases:
 1. Goods and services exported outside the country.
 2. Projects in free zones, cities, and special economic areas for goods and services imported from abroad or the local market, necessary for conducting the licensed activity within these areas, excluding passenger cars.
 3. Free zones, cities, and special economic areas for goods and services exported outside the country.

This is all subject to certain conditions specified in the executive regulations, which must be observed to qualify for the zero-tax rate.

VAT Registration Provisions

1. Mandatory Registration:

- Registration when taxable sales exceed the registration threshold: The VAT law encompasses every natural and legal person who sells a taxable good or provides a taxable service, with sales exceeding EGP 500,000 over twelve months. These persons must apply to the authority for registration.
- Mandatory registration from the start of activity: Importers of taxable goods and services, regardless of the purpose of importation.
- Special registration provisions: Non-residents who sell goods and services to an unregistered person in Egypt and do not engage in business through a permanent establishment in Egypt fall under the simplified supplier registration system. A registration number is issued to the non-resident, and a registration certificate in the VAT Model 3 is issued.

(The simplified supplier registration system was established to ensure tax collection and protect the state's budget rights. The scope of tax refund was expanded to include the establishment of rules and procedures for refunding taxes to non-resident suppliers, affirming that Egypt offers the highest levels of credibility and transparency at both local and regional levels).

2. Voluntary Registration:

The law offers significant flexibility to taxpayers, allowing those who have not reached the registration threshold to apply for registration, provided they meet certain conditions, most importantly:

- The volume of their transactions over the twelve months should not be less than EGP 150,000, or their paid-up capital should not be less than EGP 50,000.

3. Taxpayers Not Required to Register for VAT:

The VAT law excludes specific cases from mandatory registration, such as:

- Producers, importers, service providers, and traders whose activity is limited to exempt goods and services.
- Traders whose activity is limited to goods and services subject only to the schedule tax.

- Non-obligated natural persons who do not engage in the sale of goods or the provision of services, even if their sales exceed the registration threshold.

VAT Exemptions:

The law provides broad tax exemptions to encourage investment, which can be categorized as follows:

Category	Exempt Items/Services
Dairy & Child Products	<ul style="list-style-type: none"> • Infant milk, milk, milk products, or products made from milk by replacing one or more of its natural elements. • Child food products.
Animal Products	<ul style="list-style-type: none"> • Eggs (except pasteurized eggs). • Animals and poultry (alive, freshly slaughtered, cooled, or frozen). • Canned, preserved, processed meat.
Food Staples	<ul style="list-style-type: none"> • Tea, sugar, coffee powder. • Mill products (except super-quality flour or imported yeasted flour). • All types of bread. • Macaroni (except with semolina).
Fish Products	<ul style="list-style-type: none"> • Fish and aquatic organisms (fresh, cooled, or frozen). • Canned, preserved, processed fish (except caviar and substitutes, and other smoked fish).
Agriculture	<ul style="list-style-type: none"> • Agricultural products sold as-is (including seeds and seedlings, except tobacco).
Processed Foods	<ul style="list-style-type: none"> • Tahini, Halva, molasses, honey. • Locally processed vegetables and fruits (except potatoes, fruits, and fruit concentrates).
Staples & Ingredients	<ul style="list-style-type: none"> • Processed legumes, grains, table salt, spices, and freight services related to importing these items.
Restaurants & Shops	<ul style="list-style-type: none"> • Food prepared or sold by non-touristic restaurants and shops as per the Finance Minister's decree.
Water Supply	<ul style="list-style-type: none"> • Purification, desalination, and distribution of water (except bottled water).
Energy	<ul style="list-style-type: none"> • Crude oil, natural gas, and butane gas.
Minerals & Natural Resources	<ul style="list-style-type: none"> • Natural substances (products of mines and quarries in their natural state).
Precious Metals	<ul style="list-style-type: none"> • Raw gold and raw silver.
Utilities	<ul style="list-style-type: none"> • Electric current production, selling, or supply.

Industry Waste	<ul style="list-style-type: none"> Leftovers and wastes from the food industry and paper waste.
Animal Feed	<ul style="list-style-type: none"> Food for animals, poultry, and fish (except for food for cats, dogs, and ornamental fish).
Paper Products	<ul style="list-style-type: none"> Pulp, baggage, newspapers, printing, and writing paper.
Books & Publications	<ul style="list-style-type: none"> Notebooks, books, educational booklets, newspapers, and magazines.
Postal & Financial Items	<ul style="list-style-type: none"> Postal and financial stamps.
Real Estate	<ul style="list-style-type: none"> Renting and selling of vacant land, agricultural land, buildings, housing, and non-housing units.
Currency	<ul style="list-style-type: none"> Current paper money, coins, and memorial coins.
Aviation	<ul style="list-style-type: none"> Overseas ships, local or imported civil aircraft, engines, parts, and services related to these as per the 1983 Trade in Civil Aircraft Agreement.
Healthcare Products	<ul style="list-style-type: none"> Wheelchairs, artificial organs, prosthetic devices, kidney dialysis machines, vaccines, serums, blood products, contraceptives, and related accessories.
Banking & Financial Services	<ul style="list-style-type: none"> Banking operations (restricted to banks), buying/selling currency, postal savings services, non-banking financial services under EFSA supervision, and insurance.
Education	<ul style="list-style-type: none"> Educational, training, and academic research services.
Healthcare	<ul style="list-style-type: none"> Healthcare services (except plastic or weight-loss surgeries for non-medical purposes).
Public Transport	<ul style="list-style-type: none"> Road transport of people (except for touristic transport, air-conditioned inter-governorate transport, and rental cars).
Water & Air Transport	<ul style="list-style-type: none"> Non-touristic inland water and air transport services for individuals.
Religious & Public Services	<ul style="list-style-type: none"> Services for constructing/maintaining houses of worship, free services from houses of worship, and free TV/radio broadcast services.
Internet & Libraries	<ul style="list-style-type: none"> Land-line internet services (exempt for one-year post-VAT Law enforcement). Library services from public/educational institutions, research, and cultural centers.
Museums & Cultural Services	<ul style="list-style-type: none"> Museum services (issued by ministerial decree), abstract arts, literature, and copyright services.
News & Agricultural Services	<ul style="list-style-type: none"> Services of news agencies and services related to farming, land cultivation, and agricultural labor.
Syndicate Subscriptions	<ul style="list-style-type: none"> Subscriptions to syndicates, sports bodies, clubs, youth centers, and non-governmental organizations supervised by the Ministry of Social Solidarity.
Funeral Services	<ul style="list-style-type: none"> Dead body care and burial services.

Industrial & Waste Products	<ul style="list-style-type: none"> • Wastes derived from garbage recycling.
Disability & Blind Services	<ul style="list-style-type: none"> • Sound devices for the blind, devices operating by Braille, and other educational means for the blind.
Pharmaceuticals	<ul style="list-style-type: none"> • Pharmaceutical drugs and inputs for drug manufacturing (as decided by the Egyptian Drug Authority).
International Education	<ul style="list-style-type: none"> • Educational services provided by schools, institutes, and universities teaching international curricula.
Advertisements	<ul style="list-style-type: none"> • Advertisements issued with the intent to inform about public authority orders or to raise awareness, including ads from tourism and government information departments. • Ads for donations to non-profit hospitals. • Forced sales ads. • Election ads. • Job seeking ads. • Ads regulating businesses and entities. • Lost items and missing persons ads.
Suez Canal Services	<ul style="list-style-type: none"> • Services provided by Suez Canal Authority for crossing ships, including transit tolls. • VAT due on these services before the enforcement date of the present law is waived.

VAT Input Deduction:

The VAT deduction philosophy is not limited to direct inputs only; it also extends to indirect inputs (indirect production and operation costs, sales and distribution costs, and general and administrative expenses).

Obligations of Taxpayers:

Dealing in VAT-applicable goods: Individuals subject to value-added tax must adhere to the following:

- Collect VAT from their customers on each taxable sale according to the determined tax rate.
- Pay VAT to suppliers from whom they have received goods or services—if any—on each taxable purchase, equivalent to the specified tax rate.

When VAT-registered individuals sell a product or provide a service, they must impose a tax of 14%, assuming that the basic rate applies to those supplies. This tax is added to the final sale price. These VAT-registered individuals must calculate the 14% tax they receive from taxable sales separately from their revenues, to be later paid to the tax authority. The VAT collected by registered individuals on their sales is called output tax.

- The purchases made by VAT-registered individuals also include a 14% VAT on the goods and services they buy, assuming the basic rate applies. The VAT paid to their suppliers is known as input tax.

Schedule Goods (Table tax):

Schedule goods are supplementary and recreational items specified by Law 67 of 2016. They are taxed only once upon the first sale or importation and are not taxed again unless there is a change in the condition of the goods.

Types of Schedule Goods:

- 1** Goods and services subject only to the schedule tax, such as tobacco, oil products, and vegetable oils.
- 2** Goods subject to the schedule tax and then VAT, where input tax is deducted only from the VAT, such as soft drinks, air conditioning units, and mobile network services.

1) Goods and Services subject only to Table Tax:

Tax Treatment based on VAT Law			
No.	Commodity	Collection Unit	Tax rate
1	Tobacco: (a) crude or unprocessed tobacco as well as tobacco wastes 1. Tombac...	Value	(100%) min. of EGP40 per kilogram (net weight)
	2. Other (Nos. 1 and 2 here below the table)	Value	(75%) min. of EGP30 per kilogram (net weight)
	(b) Processed tobacco (Tobacco extracts and essences)		
	1. Cigar, tobacco pipe, and compressed tobacco...	Value	(200%) min of EGP 50 per processed kilogram
	2. Toscano Cigar (made from dark fire-cured tobacco)	Value	(200%) min. of EGP 35 per processed kilogram

- 1** Importer shall notify ETA of agencies which purchased tobacco, and the manner of disposal of imported tobacco quantities within fifteen (15) days following the month of sale.
- 2** Table Tax collected on such item shall be settled, in case being one of the components of local product, against Table Tax due on such local product.

Tax Treatment based on VAT Law

No.	Commodity	Collection Unit	Tax rate
1.b (Cont.)	3. Cigarettes... (39) (Nos. 1 and 2 here below the table)	Per each 20 cigarettes as well as other packs with same percentage	(50%) of end consumer price, plus: - 400 piaster per pack not exceeding end consumer price of EGP34 - 650 piaster per pack of end consumer price of EGP24 and not exceeding EGP35 - 700 piaster per pack of end consumer price exceeding EGP35
1.b (Cont.)	4. Sweetened, snuffed and chewed, mixed and non-mixed tobacco (40)	Value	(200%)
	5. Tobacco extracts and essences	Value	(165%)
	6. Others (Nos. 1 and 2 here below the table)	Value	(50%) min. of EGP 16 per a net kilogram of raw tobacco used in manufacturing such item
	7. heated tobacco products (No. 3 here below the table)	Net kg	1400 per net kg of tobacco

- 1** Prices of product sold to end consumer and declared on the date of enforcement of this law shall be the minimum tax base for calculating Table Tax due on such items.
- 2** Table Tax shall be collected on total end consumer price (inclusive of all taxes and dues) from producers or importers upon custom clearance.
- 3** This item includes manufactured tobacco which use thereof generates vapor without combustion of tobacco. Tobacco may take the form of tobacco sticks, capsules or any other form.
- 4** This item includes any liquid consumed by e- cigarettes whether including nicotine or not.

Tax Treatment based on VAT Law

No.	Commodity	Collection Unit	Tax rate	
	Oil Products:		Piaster	EGP
	(a) Gasoline:			
2	1. Gasoline-80 Octane (imported)	Liter	3.0	-
	2. Gasoline-80 Octane (local)	Liter	18.00	-
	3. Gasoline-90 Octane (imported)	Liter	48.00	-
	4. Gasoline-90 Octane (local)	Liter	65.00	-
	5. Gasoline-92 Octane (imported)	Net kg	3.0	1
	6. Gasoline-92 Octane (local)	Liter	20.0	1
	8. Gasoline-95 Octane (local)	Liter		-
	(b) Kerosene	Liter	36.0	-
	(c) Solar	Liter	36.0	-
	(d) Diesel Oil	Liter	0.8	-
	(e) Fuel Oil (Mazut)	Ton	50.0	-

Goods and Service Table attached to the Value Added Tax (VAT) Law (Cont.)

No. Items	Tax Treatment based on Value Added Tax (VAT) Law		
	Commodity	Collection	Tax Rate
3	Edible vegetable oils whether fixed (non-volatile), liquid, vegetable ghee, purified, or refined...)(No. 1 here below the table)	Value	(0.5%)
4	Animal and partially or wholly hydrogenated vegetable oils and fats, as well as oils and fats frozen or purified in any other way, whether refined, or not but not further processed	Value	(0.5%)
5	Crisps and products made from flour, and pastries from dough except for all types of bread	Value	(5%)
6	Processed potatoes (Chips and substitutes)	Value	(5%)
7	Fertilizers and agricultural pesticides	Value	(5%)
8	Gypsum	Value	(5%)
9	Building and construction works (No. 2 here below the table) (Supply and Installation contract) except for those supplied to worshiping houses	Value	(5%)
10	Soap and synthetic detergents for household use (newly introduced item)	Value	(5%)
11	Air-conditioned transportation among governments (bus – railways)	Value	(5%)
12	Professional and consultancy services (No. 3 here below the table)	Value	10%
13	Media and program production, movies (Cinema-T.V.), documentary films, TV, radio drama series as well as theatre drama (newly introduced item)	Value	5%
14	E-liquid	ml	2 EGP per each ml of liquid
15	Band and relationship with clients (premises commercial component) or sales as the case may be.	Rental value	10%

- 1** Importer and producer shall notify ETA of a list of entities which purchased such items, and/or of the manner of disposal of the sold quantities of such items within fifteen (15) days following the month of sale.
- 2** Value means the value of the extract approved by the consultant, and the table tax previously paid by the subcontractor is settled from the table tax paid by the main contractor for the same works.
- 3** value means actual value paid in consideration of service and this item does not include services provided by craftsmen.

2) Goods and Service subject to VAT and Table Tax, taxes on inputs shall be deducted only from VAT

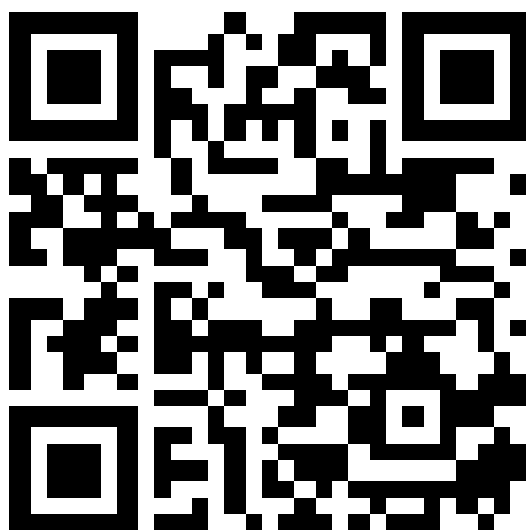
No.	Tax Treatment based on VAT Law		
	Commodity	Collection Unit	Tax rate
1	Soft drinks, soda, flavored, sweetened or non-sweetened soft drinks bottled or in any other containers. For shops operating by (Post-mix), tax is collected previously from companies producing syrup used in this system based on quantities of soft drinks identified as per the standards set by the competent technical bodies. The Minister of Finance shall, in agreement with, the minister concerned specify the prices of the produced soft drinks taken as a basis for tax assessment. (Nos. 1 and 2 here below the table)	Value	(8%)
2	Non-alcoholic beer. (Nos. 1 and 2 here below the table)	Value	(8%)
3	(a) Pure unprocessed Ethylene Alcohol regardless of alcohol concentration. (No. 3 here below the table)	Pure liter	EGP 15
	(b) Processed Alcohol of any concentration for fuel...	Liquid liter	EGP 1
	(c) Fresh grapes wine, grapes juice preventing fermentation thereof by adding Alcohol (including Stella and Fremont beer, other wines or fermented drinks...	Value	(150%) min. of EGP 15 for liquid liter
	(d) Spirits, sweetened or flavored or other alcoholic drinks, mixed alcoholic drinks, natural distilled beverages...	Value	(150%) min. of EGP 15 for liquid liter
4	Alcoholic beer	Value	(250%) min. of EGP 500 per hector-liter
5	Perfume & moistening products, cosmetics, health and hair-care products	Value	(8%)
6	Television sets (bigger than 32 inch)	Value	(8%)
7	Refrigerators (bigger than 16 foot)	Value	(8%)
8	Air Conditions and separate units thereof	Value	(8%)
9	Private vehicles used for transporting people in Golf yards or similar vehicles	Value	(10%)
10	Passenger vehicles with capacity up to 1600CC or vehicles with rotary engines except for 3-tire vehicles operating with motorcycle engine.	Value	(1%)
11	Passenger vehicles with capacity ranging from 1601CC to 2000CC or vehicles with rotary engines, vehicles for transporting both cargo and people, Jeep vehicles, trip and camp vehicles equipped for living, trucks equipped for trips	Value	(15%)
12	(a) Passenger vehicles with capacity of 2000CC or vehicles with rotary engines (produced locally)		(15%)
	(b) Passenger vehicles with capacity more than 2000CC or vehicles with rotary engines (imported)	Value	(30%)
12	Telecommunication services via mobile networks (No. 1 here below the table)	Value	(8%)

Conclusion:

Understanding VAT regulations in Egypt is crucial for businesses operating in the country. This handbook outlines the key aspects of VAT, including registration requirements, exemptions, and input deductions. By staying informed and compliant with these regulations, businesses can better manage their tax obligations, minimize risks, and seize opportunities for growth. It is essential for businesses to keep abreast of any updates or changes to the VAT laws to ensure ongoing compliance and optimize their financial strategies in the evolving economic environment.

Written by:

Mohamed Shabaan - Tax Senior



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