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Egypt – Law Ushers in New Tax Thresholds, Hitting High-Income Earners

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In Egypt, Law 11 for 2013¹ made changes to the country's Income Tax Law² including modifications to the individual income tax, corporate income tax, and capitals gains tax rules. Law 11 for 2013 was published in Egypt's Official Gazette (*Al Gareedah Al Rasmeyah*) No. 20 bis for 2013, and the changes became effective 19 May 2013 (unless otherwise indicated). We highlight some of the important changes affecting individual taxation below.

Individual Income Tax

Tax Table

A new income tax table applies for individuals, as shown below.

Prior Threshold	Threshold as of May 2013	Rate (%)
<i>Annual taxable Income (EGP)</i>	<i>Annual taxable Income (EGP)</i>	<i>Rate (%)</i>
Up to 5,000	Up to 5,000	0
5,001 – 20,000	5,001 to 30,000	10
20,001 – 40,000	30,001 to 45,000	15
40,001 – 10,000,000	45,001 to 250,000	20
Over 10,000,000	Over 250,000	25

[EGP 1 = USD 0.1425; EGP 1 = EUR 0.1096; EGP 1 = 0.093]

The second, third, and fourth tier tax brackets have been expanded as compared with 2012 and the top rate now applies at a much lower threshold; although the tax rates remain the same.

Nonresident Individuals

Under the prior rules, nonresident individuals were taxed at a 10-percent withholding rate; they will now, instead, be subject to the progressive tax rates mentioned above.

Allowances

Individual personal allowances have been increased, rising from EGP 4,000 to EGP 7,000 per year. Please note, the change to personal allowances will not apply until 1 September 2013.

KPMG Note

The changes to the tax rate thresholds and other rules affecting individuals appear to be aimed toward introducing greater tax fairness and progressivity. Now that the top rate of tax applies at a lower income bracket, certain high-income assignees subject to taxation in Egypt may see their tax burden rise, thereby potentially increasing the costs for international assignment programs.

Footnotes:

- 1 See (in Arabic): http://www.mof.gov.eg/english/_Layouts/MOF/ExternalPages/Laws/pdf/1664.pdf .
- 2 Income Tax Law (Law 91 of 2005 as amended by Law 101 of 2012). See in Arabic: <http://www.mof.gov.eg/MOFGallerySource/Arabic/law1.pdf>.

References

Related News Reports:

- <http://www.reuters.com/article/2013/05/13/us-egypt-taxes-idUSBRE94C0RJ20130513>
- <http://english.alarabiya.net/en/business/economy/2013/05/22/New-Egypt-tax-law-cuts-for-poor-business-hikes.html>
- http://al-shorfa.com/en_GB/articles/meii/features/2013/05/22/feature-02

FBAR Filing Requirements – Deadline Fast Approaching

Certain assignees may be required to file U.S. IRS Form TD F 90-22.1, *Report of Foreign Bank and Financial Accounts (FBAR)*. The deadline is fast approaching. This year, the deadline for 2012 forms in the United States is actually June 28, 2013, the Friday *before* June 30 (since the “Saturday, Sunday, holiday” rule for tax returns does not apply to the FBAR).

A short video has been prepared describing the FBAR filing requirements:

<http://www.kpmginstitutes.com/insights/2013/foreign-bank-financial-accounts.aspx> .

If you require further information or assistance, please do not hesitate to contact a member of your engagement team or your professional tax adviser.

The information contained in this newsletter was submitted by the KPMG International member firm in Egypt. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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