



# Taxation of international executives: Egypt

August 2022



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**01**

# **Overview and Introduction**

# 1 Overview and Introduction

The Egyptian taxation regime for individuals is composed of salary tax only as the development of state resources duty was abolished under the new tax law. Expatriate employees are generally subject to salary tax. The Egyptian social security system does not apply to expatriates except where there is an agreement for reciprocal social security between Egypt and the expatriate's country. Egypt has a limited number of such agreements notably with Greece, Cyprus, Sudan, and other Arab countries.

The official currency of Egypt is the Egyptian Pound (EGP).

Herein, the host country refers to the country to which the employee is assigned. The home country refers to the country where the assignee lives when he/she is not on assignment.

**02**

# **Income tax**

# 2 Income Tax

## 2.1 Tax Returns and Compliance

### When are tax returns due? That is, what is the tax return due date?

It is the employer's responsibility to file quarterly tax returns. The employer has one month after the end of each quarter to file such returns. Additionally, the employer is required to file annual salary tax reconciliation outlining salaries paid to each employee, deductions, exemptions, tax due, and the net salary paid to each employee.

### What is the tax year-end?

31 December.

### What are the compliance requirements for tax returns in Egypt?

#### Residents and non-residents

Generally, the employer is required to compute the salary tax and withhold it at the source on a monthly basis. They are obliged to remit it to the relevant tax office within the first 15 days of the following month. Employees are not required to file tax returns unless the employer is non-resident or has no permanent establishment in Egypt. In such case, the employee will be required to file a tax return form at the first of January of each year.

Additionally, the employer is required to file a quarterly tax return. The employer has one month after the end of each quarter to file the quarterly tax returns.

At the year-end, the employer is required to prepare an annual reconciliation of the salary tax to determine whether there are any differences and to remit such tax differences, if any, to the competent tax office within January of the following year.

Penalties are imposed in the case of not complying with the due dates mentioned earlier at 2 percent plus the discount rate declared by the Central Bank of Egypt (discount rate is 15.75 percent approximately).

The tax authority audits the employer for individual income tax purposes and not each individual separately.

## 2.2 Tax rates

### What are the current income tax rates for residents and non-residents in Egypt?

#### Residents

#### Income tax table for 2022

| Tax Rate | Net Income that not exceed 600 EGP. | Net Income that exceed 600 k and not exceed 700 k EGP. | Net Income that exceed 700 k and not exceed 800 k EGP. | Net Income that exceed 800 k and not exceed 900 k EGP. | Net Income that exceed 900 k and not exceed 1M EGP. | Net Income that exceed 1M EGP. | Tax Rate                      |
|----------|-------------------------------------|--------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------|--------------------------------|-------------------------------|
| 0.00%    | From 1 EGP to 15 k EGP.             |                                                        |                                                        |                                                        |                                                     |                                |                               |
| 2.50%    | More than 15 k to 30 k EGP.         | From 1 EGP to 30 k EGP.                                |                                                        |                                                        |                                                     |                                |                               |
| 10%      | More than 30 k to 45 k EGP.         | More than 30 k to 45 k EGP.                            | From 1 EGP to 45 k EGP.                                |                                                        |                                                     |                                |                               |
| 15%      | More than 45 k to 60 k EGP.         | More than 45 k to 60 k EGP.                            | More than 45 k to 60 k EGP.                            | From 1                                                 |                                                     |                                |                               |
| 20%      | More than 60 k to 200 k EGP.        | More than 60 k to 200 k EGP.                           | More than 60 k to 200 k EGP.                           | More than 60 k to 200 k EGP.                           | From 1 EGP                                          | 20%                            |                               |
| 22.50%   | More than 200 k to 400 k EGP.       | More than 200 k to 400 k EGP.                          | More than 200 k to 400 k EGP.                          | More than 200 k to                                     | 22.50%                                              | More than 200 k to 400 k EGP.  | More than 200 k to 400 k EGP. |
| 25%      | More than 400 k EGP.                | More than 400 k EGP.                                   | More than 400 k EGP.                                   | More than 400 k EGP.                                   | More than 400 k EGP.                                | More than 400 k EGP.           | 25%                           |

For taxpayers (foreign expatriates) living in Egypt for less than 183 days during one calendar year, the tax rates which are mentioned above will be applied.

Annual tax is imposed on total net income of natural persons for income derived in Egypt or outside Egypt if Egypt is the center of their commercial or industrial or professional activity.

### Non-residents

Annual tax is imposed on Egyptian source income for non-resident natural persons.

## 2.3 Residence rules

### For the purposes of taxation, how is an individual defined as a resident of Egypt?

Non-resident tax treatment: Payments made to non-resident individuals for employment services will be subject to the above mentioned tax rates on Egyptian source income only.

Individuals are residents of Egypt if they meet any of the following conditions:

- Egypt is their place of habitual abode. The place of habitual abode of individuals is defined as follows.
  - If the taxpayers is present in Egypt most of the year whether in an owned or leased residence.
  - If the taxpayer has a commercial, professional, or industrial place of business or any other place of business.
- Individuals' resident in Egypt for a period more than 183 days whether continuously or non-continuously in a 12-month period.

- Egyptians who perform their services overseas and receive their income from an Egyptian treasury (public or private).

A foreigner who earns income from Egypt but does not meet any of the criteria noted earlier would be considered as a non-resident.

Is there, a de minimus number of days rule when it comes to residency start and end date? For example, a taxpayer can't come back to the host country for more than 10 days after their assignment is over and they repatriate.

They can come back after renewing the residence visa or obtaining a tourist visa. What if the assignee enters the country before their assignment begins?

It depends on the purpose of the visit and for how long he/she will be present in Egypt before the assignment begins. However, he/she will be required to pay taxes and submit a request to the labor office to obtain a residence visa and work permit.

## 2.4 Termination of residence

### Are there any tax compliance requirements when leaving Egypt?

No. It is the employer's responsibility to withhold the tax due at the source and remit it to the tax authority within 15 days following the month-end.

### What if the assignee comes back for a trip after residency has terminated?

No individual income tax is imposed in the event the assignee comes back for a trip after residency has terminated. However, he/she will be required to obtain an entry visa. In case he/she comes back to continue working, then he/she will be required to renew his/her residency visa / work permit and pay taxes in Egypt.

### Communication between immigration and taxation authorities

#### Do the immigration authorities in Egypt provide information to the local taxation authorities regarding when a person enters or leaves Egypt?

No.

### Filing requirements

#### Will an assignee have a filing requirement in the host country after they leave the country and repatriate?

No. All compliance work is the responsibility of the employer unless the employer is non-resident or has no permanent establishment in Egypt. In that event, the employee will be required to settle any outstanding tax liability before leaving Egypt that is reports his/her income to the tax authority and pays the tax due on his/her income before leaving Egypt in case of non-residents and on 1 January of each year for residents.

## 2.5 Economic employer approach

Do the taxation authorities in Egypt adopt the economic employer approach to interpreting Article 15 of the OECD treaty? If no, are the taxation authorities in Egypt considering the adoption of this interpretation of economic employer in the future?<sup>1</sup>



It is not yet adopted in Egypt.

### **De minimus number of days**

**Are there a de minimus number of days before the local taxation authorities will apply the economic employer approach? If yes, what is the de minimus number the future?<sup>2</sup>**

It is not yet adopted in Egypt.

## **2.6 Types of taxable compensation**

**What categories are subject to income tax in general situations?**

The types of income derived from employment include the following:

- payments received by a taxpayer based on either a contractual or non-contractual relationship in return for services performed outside or inside of Egypt including salaries, wages, overtime, bonus, paid leave, commissions, profit shares, and all- cash and in-kind benefits
- payments from overseas sources in return for services performed within Egypt
- compensation paid to the chairmen and members of the board of directors who are not shareholders in public sector and business public sector entities
- compensation paid to the chairmen and members of the board of directors in private sector companies in return for administrative work.

### **Intra-group statutory directors**

**Will a non-resident of EGYPT who, as part of their employment within a group company, is also appointed as a statutory director (i.e. member of the Board of Directors in a group company situated in EGYPT) trigger a personal tax liability in EGYPT, even though no separate director's fee/remuneration is paid for their duties as a board member?**

- The amounts that be paid to BOD for (Executive tasks) from Egyptian treasury or for the works or tasks had performed in Egypt should be subject to salary tax at Egypt according to Egyptian tax law.
- The amounts that be paid to BOD for (Non -Executive tasks) from Egyptian treasury or for the works or tasks had performed in Egypt is not subject to salary tax, however, such expenses are not accepted as taxable expenses the calculation of the corporate income tax according to Egyptian tax law.

**a) Will the taxation be triggered irrespective of whether or not the board member is physically present at the board meetings in EGYPT?**

- The physical present is not only the reason to trigger the tax as if the payment are made from a resident employer it will be subject to tax even though the employee is not physically represent in Egypt
- If there is a tax treaty between Egypt and the residency country of the nonresident employee, it should be applicable.

**b) Will the answer be different if the cost directly or indirectly is charged to/allocated to the company situated in EGYPT (i.e. as a general management fee where the duties rendered as a board member is included)?**

- As general the cross-border services should be subject to WHT at 20%, and management fees will be consider as services performed in Egypt and accordingly all the amount should be subject to 20%, however, the following should be consider:

- If the charges has been made by a resident of the country that has tax treaty with Egypt, then the tax treaty provisions should be apply.
- In practice there is a risk that Tax Authority treat such management fees as a knowhow and treat it as royalty which also subject to WHT at 20%, but the tax treaty provisions is not same as for services.
- In case the management fees breakdown has been provided and declare that there is a recharge/ reallocate of such salaries then the tax rules should be imposed on such payments.
- If there is a tax treaty between Egypt and the residency country of the nonresident employer it should be applicable.

**c) In the case that a tax liability is triggered, how will the taxable income be determined?**

**For salary tax**

The resident employer is liable to withhold salary tax from the resident employees or nonresidents employees and remit it on monthly bases to the Egyptian tax authority at the legal time, the following are the general rules for salary tax:

- Employees are subject to tax either if they work in Egypt regardless where the salary is paid or working outside of Egypt, but they get their salaries from Egyptian entity.
- Salaries are subject to tax whether there is an employment contract or not.
- Salary tax rate are between 2.5 % to 25% based on the income level.

**The following are the employer responsibilities with regard the salary tax:**

- Remit the taxes withheld from the employees within 15 days following the salary payment month.
- Submit a quarterly tax return electronic on the tax authority web site to the concerned tax district office in January, April, July and October of each year on the form provided for this purpose.
- Give the employees, at his/her request, a statement showing his name, salary amount, and the value of the retained tax.
- Prepare an annual salary tax reconciliation and submit it to the tax authority within the month of January that follow the reconciliation year for each year .
- The new law No.206 for year 2020 that was issued at Egypt on 19/10/2020 put penalties for both of delaying and not submitting these returns at the legal times.

The non-resident employees are subject to same salary tax rules as resident employees, unless there is a tax treaty between Egypt and the residency country of the Non - resident employee, in such case the treaty provisions should be apply.

**The general deductions from income allowed in Egypt are:**

- All employees are entitled to a personal relief of EGP 9,000 in addition to the EGP15,000 exempt for the net income that not exceed 600 k EGP amount.
- Employee's share of the Egyptian social insurance is fully deductible.
- Life insurance and medical insurance for the benefit of the taxpayer or his/her spouse or his/her minor children provided that the exemption of the subscription in social insurance funds, life insurance, and medical insurance should not exceed 15 percent of the net income or EGP10,000, whichever is less. The insurance company should be an Egyptian company.
- End of service payment and pensions are generally not subject to Egyptian income taxes. However, if it is given to international employees on leaving Egypt to join another branch or subsidiary of the company in another country, it may be subjected to salary tax.

## 2.7 Tax-exempt income

**Are there any areas of income that are exempt from taxation in Egypt? If so, please provide a general definition of these areas.**

The following amounts may be excluded FROM salary taxable income:

- personal relief of EGP 9,000
- employee's share of local social insurance
- exemption of special increases will continue to apply
- end of services payments and pensions
- life insurance and medical insurance to a certain extent
- collective benefits-in-kind
- employee's profit share.

### **Personal relief of EGP 9,000**

All employees are entitled to a personal relief of EGP 9,000 in addition to the EGP 15,000 exempt amount for the net income that not exceed 600 k EGP the personal relief of EGP 9,000 is calculated on a prorate basis. For example, if an employee was employed for 9 months in the tax year, he/she will be entitled to an exemption of EGP 6,750 only (75 percent of the EGP 9,000).

Certain employer provided housing allowances (monetary compensation)

### **Employee's share of social insurance**

Employee's share of social insurance is fully deductible.

### **Exemption of special increases will continue to apply**

A presidential decree is issued yearly in respect of special increases. It is clearly stated in the said decree that special increase amount paid by the employer is tax-exempt within certain limits. The employer is entitled to split the annual salary increase between special increase and annual salary

increase. In such cases, the special increase amount will be tax-exempt within certain limits according to the presidential decree and the annual salary increase amount will be subject to individual income tax. But in practice, this is not allowed to the expats.

### **End of services payments and pensions**

End of services payments and pensions are exempt from taxes provided; that the following documents should be available to the tax authority during the salary tax inspection:

- an internal policy issued by the company which is applied to all employees and outlines the basis of calculating the amount due to the employee
- copy of the employee's resignation copy of the payment check
- copy of the social insurance form No. 6 (which outlines that the employee has resigned) in the presence of social insurance payments that were made by the expatriate.

But in practice, this is not allowed to the expats.

### **Life insurance and medical insurance**

Life insurance and medical insurance for the benefit of the taxpayer or his/her spouse or his/her minor children provided that the exemption of the subscription in social insurance funds, life insurance, and medical insurance should not exceed 15 percent of the net income or EGP10,000, whichever is less. The insurance company should be an Egyptian company.

In case the insurance premium is paid by the employer, the payment will be treated as a taxable benefit.

### **Collective benefits-in-kind**

Collective benefits-in-kind according to the provision of the new tax law are meals for employees, collective transportation for employees or its cost, medical care, tools and uniforms for work purposes, and housing provided by the employer for the employees. In order to exempt the in-kind benefits, the following conditions should be met.

- The meals should be in the workplace.
- The collective transport should be for all the employees or a certain category of them in a collective means of transportation, regardless of whether owned or rented by the employer.
- The residence is owned by the employer or rented and is required for the work.

### **Employee's profit share**

The Companies Law 159 of 1981 is the general law that regulates joint stock companies, limited partnerships by shares, limited liability companies, branches of foreign companies, and representation (or scientific or liaison) offices of foreign companies in Egypt.

The employees are entitled to receive as profit-sharing of 10 percent with a maximum of 100 percent of their annual total salaries under the company law. This is applicable in case of joint stock companies, limited liability companies, and companies limited by shares.

Employees' profit share is tax exempt under the Tax Law 91 for 2005.

## **2.8 Expatriate concessions**

### **Are there any concessions made for expatriates in Egypt?**

Under the new tax law, there are no expatriates' concessions.

## **2.9 Salary earned from working abroad**

### **Is salary earned from working abroad taxed in Egypt? If so, how?**

Sourcing of income is relevant for the taxation of individuals and legal entities. Resident individuals are taxed on total net income of natural persons for income derived in Egypt or outside Egypt if Egypt is the center of their commercial or industrial or professional activity while non-residents are subject to tax on Egyptian source income.

Income is considered of an Egyptian source in the following cases:

- Income for services performed inside of Egypt including income from salaries and wages.
- Income paid by an Egyptian resident employer even if the service is performed outside of Egypt.
- Income generated from an Egyptian permanent establishment.
- Dividends made by an Egyptian resident corporate body.
- Income from other business activities performed inside of Egypt.
- Capital gains derived from the disposal of securities, which are listed in the Egyptian Stock Exchange, and the capital gains derived from the disposal securities, which are not listed in the Egyptian Stock Exchange regardless of being listed or unlisted abroad.

## 2.10 Taxation of investment income and capital gains

### Are investment income and capital gains taxed in Egypt? If so, how?

Non-employment foreign-sourced income is not subject to individual income tax in Egypt provided Egypt is not the center of their commercial or industrial or professional activities.

#### Dividends, interest, and rental income

Foreign-sourced income is not subject to individual income tax in Egypt provided Egypt is not the center of their commercial or industrial or professional activities.

#### Gains from stock option exercises

Stock options provided to the employees for value less than the market value of the share. The benefit-in-kind is computed based on the difference between the fair value of the shares at the date there are no restrictions on the exercise of the options and the amount paid by the employee.

#### Foreign exchange gains and losses

Foreign exchange gains and losses may subject to salary tax in case the salary is paid in foreign currency and the tax calculation was prepared using Egyptian Pounds.

#### Principal residence gains and losses

Principal residence gains and losses is not subject to individual income tax in Egypt.

#### Capital losses

Capital losses are not subject to salary tax.

#### Personal use items

Personal use items are not subject to salary tax provided that it is paid by the employee and not borne by the employer.

#### Gifts

Gifts are not subject to salary tax provided that it is not borne by the employer.

## 2.11 Additional capital gains tax (CGT) issues and exceptions

### Are there additional capital gains tax (CGT) issues in Egypt? If so, please discuss?

Yes and it is subject to 10% tax rate. However, it is on hold for two years for securities, which are listed in the Egyptian Stock Exchange as included under the new changes in the tax law.

Capital gains derived from the disposal of securities, which are listed in the Egyptian Stock Exchange would be subject to tax at 22.5%.

Foreign-sourced income is not subject to individual income tax in Egypt unless Egypt is the center of the individual's commercial or industrial or professional activities.

### Are there capital gains tax exceptions in Egypt? If so, please discuss?

No, except that foreign-sourced income is not subject to individual income tax in Egypt unless Egypt is the center of the individual's commercial or industrial or professional activities.

#### Pre-CGT assets

Not applicable.

### Deemed disposal and acquisition

Not applicable.

## 2.12 General deductions from income

### What are the general deductions from income allowed in Egypt?

- All employees are entitled to a personal relief of EGP 9,000 in addition to the EGP15,000 exempt for the net income that not exceed 600 k EGP amount.
- Employee's share of social insurance is fully deductible.
- Exemption of special increases will continue to apply.
- End of services payments and pensions are exempt from taxes.
- Life insurance and medical insurance for the benefit of the taxpayer or his/her spouse or his/her minor children provided that the exemption of the subscription in social insurance funds, life insurance, and medical insurance should not exceed 15 percent of the net income or EGP10,000, whichever is less. The insurance company should be an Egyptian company.
- An end of service payment is generally not subject to Egyptian income taxes. However, if it is given to international employees on leaving Egypt to join another branch or subsidiary of the company in another country, it may be subjected to salary tax.

## 2.13 Tax reimbursement methods

### What are the tax reimbursement methods generally used by employers in Egypt?

The tax reimbursement is applied by a request to the tax authority.

## 2.14 Calculation of estimates/prepayments/withholding

How are estimates/prepayments/withholding of tax handled in Egypt? For example, Pay-As- You-Earn (PAYE), Pay-As-You-Go (PAYG), and so on.

### Pay-as-you-earn (PAYE) withholding

Not applicable.

### PAYG installments

Not applicable.

When are estimates/prepayments/withholding of tax due in Egypt? For example: monthly, annually, both, and so on.

Not applicable.

## 2.15 Relief for foreign taxes

Is there any Relief for Foreign Taxes in Egypt? For example, a foreign tax credit (FTC) system, double taxation treaties, and so on?

Yes, provided that all conditions stated in the tax treaty are met in addition to the supporting documents e.g. the tax payment receipt issued by the tax authority located in the foreign country of the expatriate.

## 2.16 General tax credits

What are the general tax credits that may be claimed in Egypt? Please list below.

- A tax credit can be claimed against foreign tax paid by a resident company in a foreign jurisdiction.
- A foreign-source loss cannot offset Egyptian-source income.
- The foreign tax credit cannot exceed the Egyptian taxes due on the foreign-source income.
- The profits for each country shall be computed separately. Gains and losses from different countries cannot be offset.
- Withholding tax on dividends, interest, and royalties can be credited against Egyptian taxation. On the other hand, corporate underlying taxes cannot be credited.

## 2.17 Sample tax calculation

This calculation assumes a married taxpayer resident in Egypt with two children whose two- year assignment begins 1 January 2015 and ends 31 December 2016. The taxpayer's base salary is USD100,000 and the calculation covers two years 3.

|                                                       | 2015<br>USD | 2016<br>USD |
|-------------------------------------------------------|-------------|-------------|
| Salary                                                | 100,000     | Salary      |
| Bonus                                                 | 20,000      | 20,000      |
| Cost-of-living allowance                              | 10,000      | 10,000      |
| Housing allowance                                     | 12,000      | 12,000      |
| Company car (cost of fuel, maintenance and insurance) | 6,000       | 6,000       |
| Moving expense reimbursement                          | 20,000      | 0           |
| Home leave                                            | 0           | 5,000       |
| Education allowance                                   | 3,000       | 3,000       |
| Interest income from non-local sources                | 6,000       | 6,000       |

Exchange rate used for calculation for 2015: USD1.00 = EGP 7.825 and EGP 8.879 for 2016.

### Other assumptions

- All earned income is attributable to local sources.
- Bonuses are paid at the end of each tax year, and accrue evenly throughout the year.
- Interest income is not remitted to Egypt.
- The company car is used for business and private purposes and originally cost USD50,000.
- The employee is deemed resident throughout the assignment.
- Tax treaties and totalization agreements are ignored for the purpose of this calculation.

### Calculation of taxable income.

| Year ended                                                                                        | 2015<br>USD | 2016<br>USD |
|---------------------------------------------------------------------------------------------------|-------------|-------------|
| Days in Egypt during year                                                                         | 365         | 365         |
| Earned income subject to income tax                                                               |             |             |
| Salary                                                                                            | 782,500     | 887,900     |
| Bonus                                                                                             | 156,500     | 177,580     |
| Cost-of-living allowance                                                                          | 78,250      | 88,790      |
| Net housing allowance                                                                             | 93,900      | 106,548     |
| Company car                                                                                       | 46,950      | 53,274      |
| Moving expense reimbursement                                                                      | 156,500     | 0           |
| Home leave                                                                                        | 0           | 44,395      |
| Education allowance                                                                               | 23,475      | 26,637      |
| Total earned income                                                                               | 1,338,075   | 1,385,124   |
| Other income <sup>4</sup>                                                                         | 0           | 0           |
| Total income                                                                                      | 1,338,075   | 1,385,124   |
| Deductions: 80 percent of the cost of fuel, maintenance, and insurance related to the company car | 37,560      | 42,619      |
| Deduction: Personal exemption <sup>5</sup>                                                        | 7,000       | 7,000       |
| Total taxable income                                                                              | 1,293,515   | 1,335,505   |

#### Calculation of tax liability

|                                                | 2015<br>USD | 2016<br>USD |
|------------------------------------------------|-------------|-------------|
| Taxable income as above                        | 1,293,515   | 1,335,505   |
| Egyptian tax thereon                           | 281,641     | 291,089     |
| Less:                                          |             |             |
| Domestic tax rebates (dependent spouse rebate) | 0           | 0           |
| Foreign tax credits                            | 0           | 0           |
| Total Egyptian tax                             | 281,641     | 291,089     |
| The equivalent in USD                          | 35,992      | 32,784      |

Tax credit is obtained if all conditions under the double tax treaty between Egypt and the foreign jurisdiction of the employer are met.



## Footnote

<sup>1</sup> Certain tax authorities adopt an 'economic employer' approach to interpreting Article 15 of the OECD model treaty, which deals with the Dependent Services Article. In summary, this means that if an employee is assigned to work for an entity in the host country for a period of less than 183 days in the fiscal year (or, a calendar year of a 12- month period), the employee remains employed by the home country employer but the employee's salary and costs are recharged to the host entity, then the host country tax authority will treat the host entity as being the 'economic employer' and therefore the employer for the purposes of interpreting Article 15. In this case, Article 15 relief would be denied and the employee would be subject to tax in the host country.

<sup>2</sup> For example, an employee can be physically present in the country for up to 60 days before the tax authorities will apply the 'economic employer' approach. However, the Egyptian tax authority may interpreted differently and it will attempt to assess tax in Egypt.

<sup>3</sup> Sample calculation generated by KPMG Hazem Hassan Public Accountants & Consultants, the Egypt member firm of KPMG International, based on the Egyptian Income Tax Law No. 91 of 2005 and subsequent amendments of Laws No. 101 of 2012, 11 of 2013, 53 of 2014 & 96 of 2015.

<sup>4</sup> Foreign-sourced income is not subject to tax in Egypt that is interest income from non-local sources and not resulted from the employment relationship.

<sup>5</sup> Personal exemption is a deduction, which is granted to all employees as per the provisions of the Egyptian Tax Law.



**03**

# **Special considerations for short term assignments**

# 3 Special considerations for short-term assignments

For the purposes of this publication, a short-term assignment is defined as an assignment that lasts for less than 1 year.

## 3.1 Residency rules

### Are there special residency considerations for short-term assignments

Employees are required to obtain a residency permit and obtain a work permit.

## 3.2 Payroll considerations

### Are there special payroll considerations for short-term assignments?

No. However, non-resident employees who spend less than 183 days are taxed on Egyptian source income only while residents who spend more than 183 days are taxed on their total income earned from Egypt or outside Egypt so long as Egypt is the center of their commercial or industrial or professional activities.

According to the declared tax segments which are: From EGP 1 to EGP 15,000 is 0 % for the net income that not exceed 600 k EGP.

| Tax Rate | Net Income that not exceed 600 EGP. | Net Income that exceed 600 k and not exceed 700 k EGP. | Net Income that exceed 700 k and not exceed 800 k EGP. | Net Income that exceed 800 k and not exceed 900 k EGP. | Net Income that exceed 900 k and not exceed 1M EGP. | Net Income that exceed 1M EGP. | Tax Rate                      |
|----------|-------------------------------------|--------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------|--------------------------------|-------------------------------|
| 0.00%    | From 1 EGP to 15 k EGP.             |                                                        |                                                        |                                                        |                                                     |                                |                               |
| 2.50%    | More than 15 k to 30 k EGP.         | From 1 EGP to 30 k EGP.                                |                                                        |                                                        |                                                     |                                |                               |
| 10%      | More than 30 k to 45 k EGP.         | More than 30 k to 45 k EGP.                            | From 1 EGP to 45 k EGP.                                |                                                        |                                                     |                                |                               |
| 15%      | More than 45 k to 60 k EGP.         | More than 45 k to 60 k EGP.                            | More than 45 k to 60 k EGP.                            | From 1                                                 |                                                     |                                |                               |
| 20%      | More than 60 k to 200 k EGP.        | More than 60 k to 200 k EGP.                           | More than 60 k to 200 k EGP.                           | More than 60 k to 200 k EGP.                           | From 1 EGP                                          | 20%                            |                               |
| 22.50%   | More than 200 k to 400 k EGP.       | More than 200 k to 400 k EGP.                          | More than 200 k to 400 k EGP.                          | More than 200 k to                                     | 22.50%                                              | More than 200 k to 400 k EGP.  | More than 200 k to 400 k EGP. |
| 25%      | More than 400 k EGP.                | More than 400 k EGP.                                   | More than 400 k EGP.                                   | More than 400 k EGP.                                   | More than 400 k EGP.                                | More than 400 k EGP.           | 25%                           |

### 3.3 Taxable income

#### What income will be taxed during short-term assignments?

Non-resident employees who spend less than 183 days are taxed on Egyptian source income only while residents who spend more than 183 days are taxed on their total income earned from Egypt or outside Egypt so long as Egypt is the center of their commercial or industrial or professional activities.

### 3.4 Additional considerations

#### Are there any additional considerations that should be considered before initiating a short-term assignment in Egypt?

No.



**04**

# **Other taxes and levies**

## 4 Other taxes and levies

### 4.1 Social security tax

Are there social security/social insurance taxes in Egypt? If so, what are the rates for employers and employees?

#### Employer and employee 2021

| Type of insurance           | Paid by employee | Paid by employer | Total         |
|-----------------------------|------------------|------------------|---------------|
| Aging, disability and death | 9 %              | 12 %             | 21 %          |
| Health insurance            | 1%               | 3.25 %           | 4.25 %        |
| Work injuries               | -                | 1.5 % - 2 %      | 1.5 % - 2 %   |
| Unemployment                | -                | 1 %              | 1 %           |
| End of service bonus        | 1 %              | 1 %              | 2 %           |
| Total Contributions         | 11%              | 18.75%-19.25%    | 29.75%-30.25% |

Social security contributions are levied on employees who are Egyptian nationals and foreigners who're working in Egypt and subject to the Egyptian labor law provisions.

Salaries are subjected to Social insurance and the monthly ceiling of salaries that are subject to social insurance starting from first of January 2020 is EGP 1000 per month as a minimum insurable salary and EGP 7000 as a Maximum insurable salary.

The monthly maximum and minimum ceiling will be increased by 15% on the first of January of every year for seven years, and after that the annual increment will be according to the announced inflation rate from the Central Bank of Egypt "CBE". Accordingly, the monthly max. insurable salary is EGP 8100 and the Minimum insurable salary is EGP 1200 starting from January 2021.

And there are some allowances will not be considered as an insurable salary like (meal, housing, transportation and travel allowance and the allowances on which the employee bear for the work

requirements) provided that the total of these exempted allowances shouldn't exceed 30% of the insurable salary.

The company's share of social insurance is 18.75% or 19.25% based on the risk degree of work nature from the insurable salary and the Employee's share is 11%.

### 4.2 Gift, wealth, estate, and/or inheritance tax

Are there any gift, wealth, estate, and/or inheritance taxes in Egypt?

VAT Law has been implemented on September 2016.

### 4.3 Real estate tax

Are there real estate taxes in Egypt?

Yes.



## 4.4 Sales/VAT tax

### Are there sales and/or value-added taxes in Egypt?

Yes. The government is moving towards the application of the VAT system. However, it will be discussed soon in the parliament.

## 4.5 Unemployment tax

### Are there unemployment taxes in Egypt?

No.

## 4.6 Other taxes

Are there additional taxes in Egypt that may be relevant to the general assignee? For example, customs tax, excise tax, stamp tax, and so on.

### Land tax

Under the real estate tax.

### Payroll tax

Yes (salary tax or individual income tax).

### Foreign Financial Assets

Is there a requirement to declare/report offshore assets (e.g. foreign financial accounts, securities) to the country/territory's fiscal or banking authorities?

We haven't enough knowledge regarding this inquire so you may consultate the legal advisor for this topic.



**05**

# **Immigration**

# 5 Immigration

**Following is an overview of the concept of Egypt's immigration system for skilled labor.**

(e.g., which steps are required, authorities involved, in-country/territory and foreign consular processes, review/draft flow chart illustrating the process).

## 5.1 International Business Travel/Short-Term Assignments

**Describe (a) which nationalities may enter Egypt as non-visa national, (b) which activities they may perform and (c) the maximum length of stay.**

- All nationalities shall enter Egypt with entry Visa, it depends on the nationality/ purpose to differentiate the steps required for the entry visa.
- The expatriates shall obtain work permits for practicing any types of assignments in Egypt “ short or long term assignments”

**Describe (a) the regulatory framework for business travelers being visa nationals (especially the applicable visa type), (b) which activities they may perform under this visa type and the (c) maximum length of stay.**

The Expatriate shall start the work permit process with obtaining the entry visa abroad as the secondment process shall start in Egypt and the approval of the entry visa shall be forwarded to the Airport or to the Egyptian consulate abroad based on the nationality of the expatriate.

- The Entry Visa shall be obtained for the purpose of work in Egypt except for certain professions which is not allowed for foreigners such as “Marketing, Law, Audit and Sales”
- The work permit could be renewed each year depending on the work status and the approval of the competent authorities

**Outline the process for obtaining the visa type(s) named above and describe (a) the required documents (including any legalization or translation requirements), (b) process steps, (c) processing time and (d) location of application.**

- The entry visa shall be obtained upon starting of the secondment process.
- The process and the documents required depend on the nationality of the expatriate

**Are there any visa waiver programs or specific visa categories for technical support staff on short-term assignments?**

All The visas required for work permits are the same..

## 5.2 Long-Term Assignments

**What are the main work permit categories for long-term assignments to Egypt In this context please outline whether a local employment contract is required for the specific permit type.**

No several categories for the work permit and an Original Legalized Employment Contract is (required only for the South East Asian, African employees) and it shall be legalized by the Egyptian Consulate abroad).

**Provide a general process overview to obtain a work and residence permit for long- term assignments (including processing times and maximum validation of the permit).**

- Work and residence permit shall be obtained after the approval of the Immigration and Manpower Authorities along with appropriate security investigation for the expatriate.
- The process may take approximately 2 weeks from submission of the application.

**Is there a minimum salary requirement to obtain a long term work and residence permit for assignments? Can allowances be taken into account for the salary?**

N/A.

**Is there a fast-track process which could expedite the visa/ work permit?**

N/A.

**At what stage is the employee permitted to start working when applying for a long-term work and residence permit (assignees/ local hire)?**

The employee shall start working from the date of his arrival with the entry visa indicating working purpose.

**Can a short term permit/ business visa be transferred to a long term permit in Egypt?**

The work permit obtained for the short term assignments as the same as the work permit obtained for the long-term assignments and could be renewed each year.

**Is it possible to renew work and residence permits?**

Yes.

**Is there a quota or system or a labor market test in place?**

Applicable labor ratio 10/1, however, exception may be applied according to the approval of the Minister of Manpower.

## **5.3 General Immigration Related Questions**

**Would it be possible to bring family members to Egypt?**

Yes.

**Is it possible to obtain a permanent residence permit?**

No.

**What if circumstances change after the Work and Residence application process? The expatriate shall comply their application with the new circumstances, if needed. How long can a permit holder leave Egypt without their permit becoming invalid?**

No certain conditions applied on the permit holder to leave, meanwhile, the employer should cancel the work permit accordingly.

**Must immigration permissions be cancelled by the end of the assignment/employment?**

Yes.

**Are there any penalties for individuals and/or companies in place for non-compliance with immigration law?**

Yes.

## 5.4 Other Important Items

List any other important items to note, or common obstacles faced, in Egypt when it comes to the immigration processes.

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