



## Egypt

### Introduction

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

- Egypt is their place of habitual abode
- Individuals are 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 payroll (public or private)

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### Key messages

There is no threshold/minimum number of days that exempts the employee from the requirements to file and pay tax in Egypt. To the extent that the individual qualifies for relief in terms of the dependent personal services article of an applicable double tax treaty, there will be no tax liability. The treaty exemption will not apply if the Egyptian entity is the individual's economic employer.

## Introduction (continued)

Based on the previously stated conditions, resident employees will be taxed on their total compensation derived as a result of an employment relationship, whether paid from Egypt or from outside Egypt. Additionally, they will be taxed at the normal tax rates as follows:

- All taxpayers are entitled to 5,000 Egyptian pounds (EGP) zero-rated tax.
- Ten percent is applicable to taxable income between EGP5,001 and 20,000.
- Fifteen percent is applicable to taxable income between EGP20,001 and EGP40,000.
- Twenty percent is applicable to taxable income in excess of EGP40,000.

Nonresident employees will be subject to tax on Egyptian-sourced income at the 10 percent tax rate without any deductions.

- Income is considered Egyptian source in the following cases:
  - Income for services performed within Egypt, including income from salaries and wages.
  - Income paid by an Egyptian-resident employer, even if the service is performed outside Egypt.
  - Income generated from an Egyptian permanent establishment.
  - Income from other business activities performed inside Egypt.

It is the employer's responsibility to withhold and remit the tax to the tax authority on a monthly basis within 15 days following the month of payment.

Income tax is levied at progressive rates on an individual's taxable income for the year, which is calculated by subtracting allowable deductions from the total assessable income.

## Income tax

### Liability for income tax

A person's liability for Egyptian tax is determined by residence status.

A person can be a resident or a nonresident for Egyptian tax purposes. A resident of Egypt is an individual who meets the residency rules set out above. If the residency rules are not met, the employee will not be resident for tax purposes in Egypt and will be taxed at 10 percent on total Egyptian-sourced income without any deductions.

### Tax trigger points

There is no threshold/minimum number of days that exempts the employee from the requirements to file and pay tax in Egypt. To the extent that the individual qualifies for relief in terms of the dependent personal services article of an applicable double tax treaty, there will be no tax liability. The treaty exemption will not apply if the Egyptian entity is the individual's economic employer.

### Types of taxable income

Total compensation, including allowances as well as all fringe benefits, will be subject to tax in Egypt. Foreign-sourced income that is not related to the employment relationship is not subject to tax in Egypt.

### Tax rates

- All taxpayers are entitled to EGP5,000 zero-rated tax.
- Ten percent is applicable to taxable income between EGP5,001 and EGP20,000.
- Fifteen percent is applicable to taxable income between EGP20,001 and EGP40,000.
- Twenty percent is applicable to taxable income in excess of EGP40,000.

## Social security

### Liability for social security

Social Insurance Law 79 of 1975 covers Egyptian employees as well as foreign employees whose countries have treaties with Egypt for reciprocal social insurance treatment.

Employers are required to withhold the employees' social insurance contributions from their salaries and to remit them together with the employer's contributions to the Social Insurance Organization on a monthly basis. The salaries and related benefits or emoluments are divided, for social insurance purposes, into a basic salary and variable elements. The maximum insured sum of the basic salary is at present EGP850 per month (approximately USD144), and the maximum insured sum of the variable elements is at present EGP900 per month (approximately USD153). Variable elements include the remainder of the basic salary if it is in excess of EGP850 per month as well as overtime payments, bonuses, representation allowances, and similar emoluments.

Expatriates are not required to pay social insurance. Instead, employers are required to pay 3 percent of the expatriate's salary to cover work injuries. Expatriates are required to pay social insurance only if required under the terms of a totalization agreement concluded between Egypt and the employee's home country.

## Compliance obligations

### Employee compliance obligations

It is the employer's responsibility to file a quarterly tax return within one month following the end of each quarter. Employees are required to file tax returns only if they have income other than employment income in Egypt or the employer has no legal presence or permanent establishment in Egypt.

### Employer reporting and withholding requirements

It is the employer's responsibility to withhold and remit the tax to the tax authority within 15 days following the month of payment. Employees are required to report their income to the tax authority and remit the tax due on their income only if they have income other than employment income in Egypt or the employer has no legal presence or permanent establishment in Egypt.

## Other

### Work permit/visa requirements

A visa must be applied for before the individual enters Egypt. The type of visa required will depend on the purpose of the individual's entry into Egypt. Additionally, employees are required to obtain work permits in order to start working in Egypt per the requirements of the labor law.

### Double taxation treaties

Egypt has entered into double taxation treaties with more than 45 countries.

### Permanent establishment implications

There is the potential that a permanent establishment could be created as a result of extended business travel, but this would be dependent on the level of authority the employee has and other factors.

### Indirect taxes

General sales tax (GST) is applied at 10 percent. GST registration is required.

### Transfer pricing

Egypt has a transfer pricing regime.

- The tax authority can adjust transactions between related parties if they involve conditions that would not be included in transactions between nonrelated parties.
- This also will apply in the case of transactions whose purpose is to shift the tax burden to tax-exempt entities.
- The transfer pricing guideline was issued by the Ministry of Finance at the end of 2010.

A transfer pricing implication could arise to the extent that the employee is being paid by an entity in one jurisdiction but performing services for the benefit of the entity in another jurisdiction, in other words, a cross-border benefit is being provided. This would also be dependent on the nature and complexity of the services performed.

### Local data privacy requirements

Egypt has data privacy laws.

### Exchange control

There are no exchange control restrictions in Egypt. All transactions should be made through one of the country's accredited banks.

### Nondeductible costs for assignees

Nondeductible costs for assignees include contributions by an employer to non-Egyptian pension funds and hypothetical tax.

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