

A draft law on some incentives and tax facilities for projects whose annual turnover does not exceed twenty million pounds

(Chapter I)

General definitions and provisions.

(Article I)

In the application of the provisions of this Law, the following terms and expressions shall have the meaning assigned to each of them:

- 1- Projects subject to the provisions of this law: Projects whose annual turnover does not exceed twenty million pounds that request to benefit from the provisions of this law, including professional activities, whether they are tax registered on the date of its entry into force or not.
- 2- Authority: Egyptian Tax Authority.
- 3- For tax law: income tax law or value-added tax.

(Article II)

Without prejudice to the rules and procedures stipulated in the Tax Law, the volume of business of the project subject to the provisions of this Law shall be determined in accordance with any of the following criteria:

- 1- Data of the last final tax assessment of the project registered with the Authority on the date of entry into force of this Law.
- 2- Data of the first tax return submitted by the project registered with the Authority and has not been taxed until the date of entry into force of this Law.
- 3- Data of the declaration submitted by the project that registers taxes after the date of entry into force of this Law.
- 4- Data is available through the electronic invoice system or electronic receipt.

(Article III)

To benefit from the incentives and tax facilities provided for in this Law, the following shall be required:

- 1- Obligation to submit the declarations stipulated in Article XII of this Law within the legal deadlines.
- 2- Joining the Authority's electronic systems, including the electronic invoice or electronic receipt, in accordance with the stages of obligation issued by a decision of the Chairman of the Authority, and issuing the prescribed invoices or receipts.

(Article IV)

The provisions of this Law shall not apply to the following cases:

- 1- Career consulting activities in which at least 90% of their annual turnover verifies the provision of career counseling to one or two people.
- 2 - Projects that carry out any act or behavior with the intention of entering under the umbrella of this law unjustly, including the division or division of the existing activity without an economic justification, and the burden of proof of this fall on the Authority.

By the decision of the Minister of Finance, some activities may be exempted from item (1) of this Article.

(Article V)

Projects subject to the provisions of this Law may not withdraw from the application to benefit from its provisions before the lapse of five years commencing from the day following the submission of the application for benefit.

(Article VI)

Unless a special provision is provided for in this Law in the Tax Law or the Unified Tax Procedures Law promulgated by Law No. 206 of 2020, as the case may be, shall apply.

(Chapter II)

Tax incentive

(Article VII)

Projects subject to the provisions of this Law shall be exempted from the development fee of the State's financial resources, stamp tax, notarization and registration fees for contracts of incorporation of companies and establishments, credit facilities contracts, mortgages related to their business and other guarantees submitted by them to obtain financing, as well as land registration contracts necessary for the establishment of such projects.

(Article VIII)

Capital gains resulting from the disposal of fixed assets, machinery or production equipment for projects subject to the provisions of this Law shall be exempt from the tax payable on such profits.

(Article IX)

Dividends resulting from the activity of enterprises subject to the provisions of this Law shall not be subject to the tax prescribed on such distributions in accordance with the Law Regulating Income Tax.

(Article X)

The income tax payable on projects subject to the provisions of this Law shall be determined as follows:

- 1- (0.4%) of the turnover for projects whose annual turnover is less than five hundred thousand pounds.
- 2- (0.5%) of the turnover for projects with an annual turnover of five hundred thousand pounds and less than two million pounds.
- 3- (0.75%) for projects with an annual turnover of two million pounds and less than three million pounds.
- 4- (1%) of the turnover for projects with an annual turnover of three million pounds and less than 15 million pounds.
- 5- (1.5%) of the turnover for projects with an annual turnover of EGP 15 mn and not exceeding EGP 20 mn.

In the event that the annual turnover of the project exceeds twenty million pounds for any year within a period of five years from the date of the request to benefit from the provisions of this law by a percentage not exceeding 20% and for one time, the project shall continue to benefit from these provisions in accordance with the tax rate prescribed in item (5) of this article, and if the annual turnover of the project exceeds this percentage or repeats its achievement during the mentioned period, the project's benefit from the provisions of this law shall end from the following year.

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(Chapter III)

Tax Facilitation

(Article XI)

Projects subject to the provisions of this Law shall not be subject to the system of deduction or advance payments under the tax account provided for in the Income Tax Law promulgated by Law No. 91 of 2005.

(Article XII)

Enterprises subject to the provisions of this Law shall have a separate form of the annual tax return for their commercial, industrial or professional activity, to be determined by a decision of the Minister of Finance based on the proposal of the Chairman of the Authority, and submitted on the same dates stipulated in the aforementioned Unified Tax Procedures Law, as for the VAT tax return, it shall be submitted every three months on the form prepared for this purpose during the month following the end of this period accompanied by the payment of tax.

The obligation of enterprises subject to the provisions of this Law with regard to payroll tax and the like shall be limited to the submission of the annual tax settlement return provided for in the aforementioned Unified Tax Procedures Law in conjunction with the payment of tax.

The examination of tax returns for projects subject to the provisions of this Law shall be after the lapse of five years from the date of the application to benefit from the provisions of this Law, at the level of income tax and value-added tax.

(Article XIII)

Projects subject to the provisions of this law shall be exempted from keeping the records, books and documents stipulated in the Unified Tax Procedures Law promulgated by Law No. 206 of 2020, and shall comply with the simplified systems of records, books, documents and procedures issued by a decision of the Minister of Finance based on the proposal of the head of the Authority.

(Chapter IV)

Final provisions

(Article XIV)

The Minister of Finance shall issue the necessary decisions to implement the provisions of this Law within one month from the date of its entry into force.

(Article XV)

Articles (27), (29), (31), and the first paragraph of Article (81), (85), (86), (87), (93), (94), (95), (96), (97), (98), (99) are hereby repealed. From the Law on the Development of the Medium, Small and Micro Enterprises promulgated by Law No. 152 of 2020.

(Article XVI)

This Law will be published in the Official Gazette and shall come into force on the first of the month following the date of its publication.

This law shall be stamped up with the seal of the State and shall be enforced as one of its laws.

