

Latest Amendments in Income Tax Law in Egypt

Law No. 26/2020

The income tax in Egypt applies to any natural person - Egyptian or foreigner - on their income from Egyptian sources, whether this income is a salary, from a self-employment, rent collections or fees for services.

The Ministry of Finance in Egypt has made many amendments to the Income Tax law to achieve the social justice. Latest amendment to this Law was issued on May 07,2020.

Based on this amendment, the first EGP15000 that the taxpayer earn annually in Egypt is tax-free, in addition, he will enjoy amount of EGP9000 as personal allowance.

There is also another benefit has been added to this law, as there is classifying of the income levels to six brackets, according to which we can determine the rate of the tax that will be deducted. As shown in the following table:

Tax rate	Income less than EGP 600,000	Income more than EGP 600,000 and less than EGP 700,000	Income more than EGP 700,000 less than EGP 800,000	Income more than EGP 800,000 less than EGP 900,000	Income more than EGP 900,000 less than EGP 1000,000	Income more than EGP 1000,000
0%	EGP1-15,000	-	-	-	-	-
2.5%	EGP15,001-30,000	EGP1-30,000	-	-	-	-
10%	EGP30,001-45000	EGP30,001-45000	EGP1-45,000	-	-	-
15%	EGP45001-60,000	EGP45001-60,000	EGP45001-60,000	EGP1-60,000	-	-

20%	EGP60,001-200,000	EGP60,001-200,000	EGP60,001-200,000	EGP60,001-200,000	-	-
22.5%	EGP200,001-400,000	EGP200,001-400,000	EGP200,001-400,000	EGP200,001-400,000	EGP1-400,000	EGP1-400,000
25%	EGP400,001-600,000	EGP400,01-700,000	EGP400,01-800,000	EGP400,01-900,000	EGP400,01-Million	EGP400,01-above

Practical case:

For instance, if an employee's salary is EGP30,000 per month, here is How we calculate his income tax.

$$\text{EGP}30,000 \times 12 = \text{EGP}360,000$$

Based on his annual income, he will be in the first bracket, therefore the calculation will be as following:

$$\text{EGP}360,000 - \text{EGP}9000 \text{ (Personal Allowance)} = \text{EGP}351,000$$

Tax rate	First bracket	Salary	Tax
0%	EGP1-15,000	EGP15,000*0%	EGP0
2.5%	EGP15,001-30,000	EGP15,000*2.5%	EGP375
10%	EGP30,000-45000	EGP15,000*10%	EGP1,500
15%	EGP45,001-60,000	EGP15,000*15%	EGP2,250
20%	EGP60,001-200,000	EGP200,000*20%	EGP40,000
22.5%	EGP200,001-400,000	EGP91,000*22.5%	EGP20,475
Total Annual tax			EGP64,600

According to the above calculation the monthly tax deduction for this employee will be: $\text{EGP}64,600/12 = \text{EGP}5383.3$.

If you would like more information about this topic, please feel free to contact us.

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