



13TH ATAIC ANNUAL TECHNICAL CONFERENCE

Communication with taxpayers Upon preparation of a Tax Draft law

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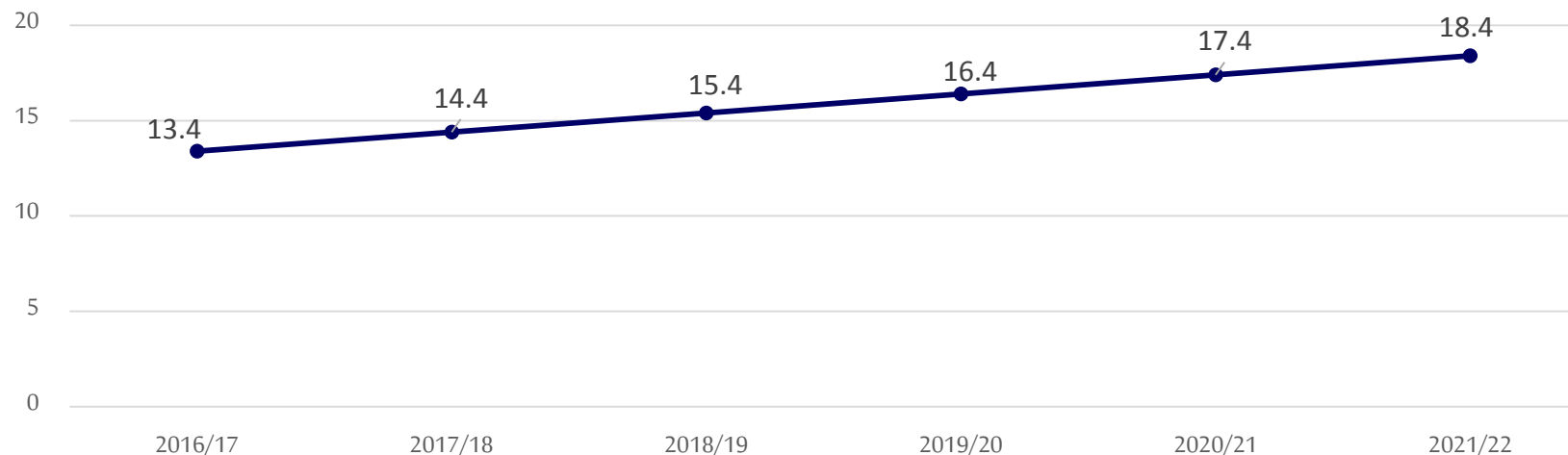
Egypt's Tax Reform Experience

- Mid of 2004, was the beginning of a new tax reform era to enhance Egypt's tax revenues and investments.
- Modernizing the income tax and customs was the main objectives of the reform for example:
 - Reducing the tax rate cut with almost 47% (from 42% to be 20%).
 - Reducing customs tariffs rate from 14.6% to 8.9%.
 - Broadening the tax base through simplifying the tax law and eliminating exemptions and special treatments.

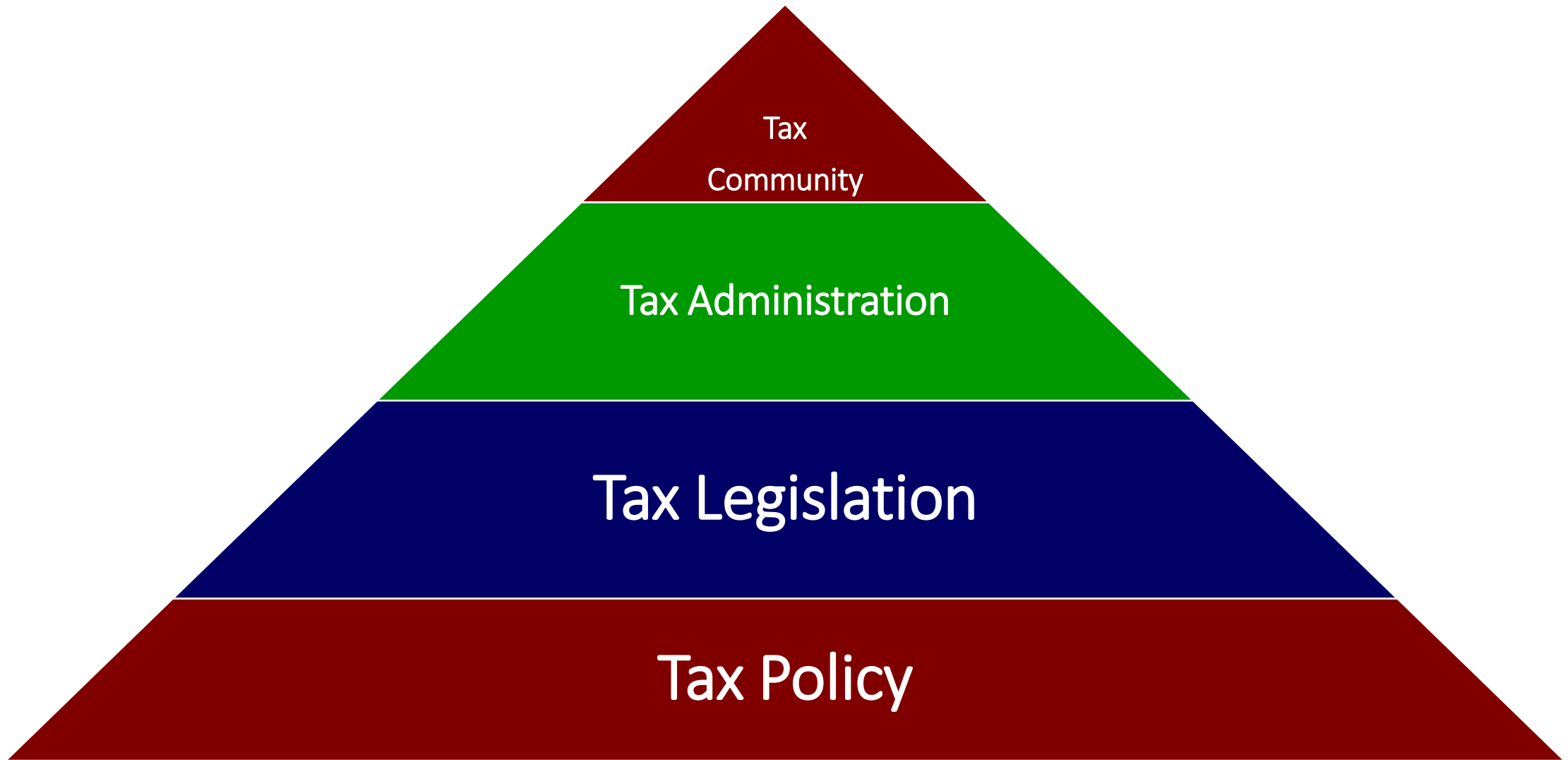
Vision 2022

- Ministry of Finance aims at setting a stable policy on both short and long term, to achieve fiscal, economic and social objectives of the Tax, and raise tax revenues through increasing tax revenues ratio to GDP by 1% annually, to reach approximately 18.5% by FY 2021/22*.

Tax Revenue ratio to GDP in the context of Proposed Reforms



Egypt's Tax Reform Pillars



Vision 2022

1. **GST reform by moving to a modern full-fledged VAT system to broaden the tax base and mediate the faults in the current GST law.**
2. **Tax dispute resolution law: a new law has been approved by the State Council to clear the pending disputes between the Tax Authority and the taxpayers, and to embed to a new culture of trust and transparency between the taxpayers and the Tax Authority.**
3. **A new regime for Small and Micro enterprises (“SMEs”) is in progress: develop a fair and effective tax system for micro and small enterprises which comprises both VAT and Income tax which emphasize the use of invoices and develop a system which moves from cash to credit economy.**
4. **A new Customs Law and its executive regulations is drafted to reform customs and protect the national industry from unfair competition.**
5. **Income Tax Law review for more clarity and transparency.**

Introduction

- Egypt applied indirect taxes a long time ago since it imposed royalties on TVs in the sixties then imposed excise taxes in the seventies followed by consumption tax in the eighties which ultimately developed into a sales tax in the early nineties.
- Egyptian officials surveyed and scrutinized different tax systems applied in different parts of the world to select a system that best suits Egypt.

The General Sales Tax

- Thus, Egypt imposed General Sales Tax (GST) by virtue of Law No. 11 of 1991 issued on May.2.1991 on manufacturers and importers and some services renderers. On Jul.01.2001, Egypt extended the application of tax to include wholesalers and retailers according to law No. 17.2001
- GST which has been applied till Sep 07.2016 is a value added tax but not a full-fledged VAT since it has been partially applied.

The General Sales Tax

- **GST is generally applied on all manufacturing goods unless otherwise specified in exempt goods tables. That is to say, the general rule is general application on all manufacturing goods and the exception is exemption**
- **That is in contrast to services which are currently included under sales tax law where the general rule is not to subject all services and the exception is to subject a limited number of services listed in table (2) attached thereto where only 17 services are subject to tax.**

VAT

- **As for Vat it subjects all good and services unless otherwise specified in exempt goods and services table with a deduction of taxes on direct and indirect inputs of goods and services by virtue of tax invoices, an option which has not been observed in GST where deduction of tax was only allowed for the inputs of taxable goods and not indirect inputs as well as inputs of services.**

Why VAT?

- **Actual application of GST law revealed critical issues and due to the urgent need for increasing revenues for State Budget to overcome its boasting deficit and in response to the demands of the civil society including:**
 - Accountant and Auditors Association
 - Egyptian Tax Association
 - Egyptian Industries Association
 - Trade Chambers Federation
 - Others

Communication with Taxpayers

- Law No.67 of 2016 has been issued on Sep. 07.2016 to apply VAT and such law is a product of a long communication process with all taxpayers, associations and federations concerned with the law as well as conferences held for such communication. Meetings even included large companies to agree on the most suitable framework for value added tax as fizzy drinks global companies, tobacco companies, construction federation, businessmen associations and others.

Communication with Taxpayers

- **Such conferences, meetings and consultations with all stakeholders resulted in responses to their inputs and insights regarding the draft law to resolve such issues that obstruct the tax registrants such as cessation of seizure actions as long as there is a dispute in court as well as forming committees to cordially solve problems faced by investors with a view of achieving stability of financial transactions within the tax community.**
- **In other words, ETA is now mainly depending on communication with all stakeholders which is its new business methodology.**

Other forms of communications

- Other forms of communication, however, are coordination with technical accounting offices for consultations regarding tackling tax issues which might result in conflicts between ETA and taxpayers. ETA staff is trained on banking transactions in banks to observe the interests of taxpayers together with the national interests of the state budget. ETA also communicates with the tourism business to provide necessary tax facilitations due to the recession faced by such sector.

Other forms of communications

- **ETA holds conferences and seminars in universities to connect the academic aspect of the Egyptian tax regime with the practical aspect.**
- **There is a full coordination between ETA and Consumer Protection Agency to best serve Egyptian citizens where any complaint lodged especially regarding tax invoices abuses are going to be duly reviewed and necessary actions are taken**

Conclusion

- **In conclusion, social dialogue and social partnerships are very essential upon drafting any law since any inputs and views from any stakeholder are utilized to pave the way for sustainable development and enhancing investments as well as streamlining application of the law**



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Thank you

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