



Transfer Pricing Implications of Article (3) of Law No. 5 of 2025 – Tax Facilitations Package

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Introduction

On February 12, 2025, Law No. 5 of 2025, part of the "Tax Facilitations Package," was published in the Official Gazette. The law concerns the regularization and settlement of the tax status of certain taxpayers, including those who have not submitted their tax returns for any period from 2020 up to the periods prior to the law's effective date, and those who have submitted their tax returns but need to amend them due to oversight, error, or omitted data.

This alert summarizes Article (3) of law No. 5 of 2025, summarizing the implications on the delayed/ non-submission of Transfer Pricing ("TP") documentation reports for financial years from 2020 up to the periods prior to the law's effective date.

Background

Article (13) of the Unified Tax Procedures Law ("UTPL") for the year 2020, introduced transfer pricing specific penalties that range from 1% to 3% of the value of intercompany transactions in which a taxpayer engaged within the relevant taxable year for 1) Non-disclosure of the related party transactions in the annual income tax return; and 2) Failure to submit the Master File, the Local file, or the CbC report/notification within specified deadlines.

Article (3) of Law No. 5 of 2025

Article (3) of the Law addresses certain aspects of Transfer Pricing compliance requirements, specifically:

- **Non-Filing of TP Documentation:** Taxpayers who have not submitted their TP Documentation (i.e., Master file, Local file, and Country-by-Country ('CbC') report/notification) for any tax period from FY2020 up to the periods prior to the effective date of this law have the right to submit their Documentation within six months from the law's effective date.
- **Amendment of TP Documentation or Tax Returns:** Taxpayers who have submitted their TP Documentation or CIT returns for the aforementioned tax periods have the right to submit amended returns in case of oversight, error, or omitted data, without incurring delay fines or additional tax.

Consequently, the penalties stipulated in the UTPL will not apply, provided that the aforementioned returns/TP documentation stipulated in this article are submitted within six months from the law's effective date.

Transfer Pricing Implications - Checkpoint

- Have you filled in your Corporate Tax Return ("CTR") transfer pricing disclosure correctly? | Check Your CTR Transfer Pricing Disclosure (Schedule 508).
- Have you filled in all the three-tiered TP Documentation? All data, sections, information, and rules fulfilled? | Check Your Transfer Pricing Documentation fulfillment.

Recommendations

Based on Article (3) of Law No. 5 of 2025, the following is recommended:

- **Expedite Preparation of Transfer Pricing Documentation:** It is strongly advised to expedite the preparation of transfer pricing documentation (i.e., Master file, Local file, and Country-by-Country ('CbC') report/notification) for the period from 2020 up to the periods prior to the law's effective date, which have not been submitted within the legal deadlines, within the timeframe specified in the law.
- **Complete or Amend Schedule 508:** It is recommended to complete or amend Schedule 508 in the CIT return related to the disclosure of related party transactions, if incomplete or containing errors.

Taxpayers should take advantage of the waiver of financial penalties and sanctions stipulated in the law, provided that the required returns and documentation are submitted within six months from the law's effective date.

In conclusion

This tax facilitation package assists taxpayers in regularizing their tax status and avoiding penalties. Companies operating in Egypt should make every effort to utilize these facilitations.

Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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