



Saleh, Barsoum & Abdel Aziz

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## The New Tax Incentive Package Comes into Effect

Welcome to Grant Thornton Egypt – Saleh, Barsoum & Abdel Aziz newsletter, which aims to keep you updated on latest developments and industry-related insights.

## Introduction

Recognizing the crucial role that small and medium enterprises (SMEs) play in economic development - creating job opportunities, fostering innovation, and contributing to GDP - the Egyptian government has taken proactive steps to eliminate tax-related barriers that hinder their growth. These measures aim to alleviate financial burdens, enhance business stability, and integrate the informal economy into the formal sector.

In line with this commitment, the Ministry of Finance, in collaboration with the Egyptian Tax Authority, has introduced a package of tax relief initiatives, some of which apply to SMEs and others which apply to all taxpayers, as relevant. These reforms have been enacted through three new laws, officially published in the Official Gazette on February 12, 2025.

## First : Law No. 5 of 2025: Settlement of Tax Status for Taxpayers

### Tax registration and exemption from previous Tax audits

- The law provides an opportunity for unregistered taxpayers to register within three months of its enactment without being held accountable for prior tax periods.
- This exemption applies only if no prior tax procedures had been initiated against the applicant before the law came into effect.
- To complete the registration process, taxpayers must submit all required documents through electronic tax platforms.

### Submission of Past-Due Tax Returns

- Taxpayers can submit overdue tax returns for previous periods since 2020 without incurring penalties.
- Tax returns can be amended without being subject to delay fees or additional taxes for the period between the original and amended submissions.

### Settling Tax Disputes

- Taxpayers who have undergone deemed assessments by the Tax Authority for tax periods ending before January 1, 2020, can request to settle tax disputes by paying 30% of the due tax as per the tax return for each disputed period. Alternatively, they can pay an amount equal to the tax due based on the last prior agreement on the disputed period(s), plus 40% in certain cases.
- Taxpayers with tax periods under audit based on orderly books and accounts before January 1, 2020, can submit a request to settle disputes for these periods under any stage of controversy, in exchange the Egyptian Tax Authority will waive (100%) of the late payment fees or the additional tax and additional amounts, provided that the taxpayer pays the full principal amount of the tax within three months from the date of submitting the dispute settlement request.
- The possibility of paying the dues in quarterly installments without interest.
- Exemption from previous tax penalties when complying with the new tax return requirements.
- To benefit from this mechanism, persons or taxpayers must submit a request to the tax authority to settle the disputes within three months from the date the law's enactment.

### Tax accounting facilitations on the disposal of real estate or unlisted securities

- Allowing individuals who have conducted real estate disposals or disposed of unlisted securities on the stock exchange, and do not engage in any other income-taxable activities, during the last 5 years, to settle the due taxes and enjoy an exemption from late payment fees.

## Second: Law No.6 of 2025: Tax Incentives & Facilitations for Small & Medium Enterprises

### Businesses covered under the Law

- The law applies to businesses with annual revenues not exceeding EGP 20 million, including professional activities.
- Eligibility includes both tax-registered and non-registered businesses at the time of the law's enactment.
- Revenue is determined based on multiple criteria, including:

- The latest final tax assessment for registered businesses.
- The most recent filed tax return for businesses that have not yet been taxed.

### **Tax Exemptions**

To ease the financial burden on SMEs, the law grants several tax exemptions, including:

- o Exempting businesses from establishment fees, documentation fees, and stamp tax.
- o Exempting capital gains resulting from the sale of fixed assets or production equipment from taxes.
- o Exempting dividends distribution from taxes imposed on income profits.

### **Reduced Tax System**

- o The law specifies taxes ranging between 0.4% and 1.5% as a percentage of the turnover depending on the turnover volume.
- o The business continues to benefit from the provisions, even if its turnover volume increases once by up to 20% within five years.

### **Standalone Tax Return Form**

- o Businesses covered under this law shall have an independent form for the annual tax return for their commercial, industrial or professional activities.

### **Legal Obligations**

- o Adopt the e-invoicing and e-receipt systems.
- o Maintain simplified accounting records, with an exemption from traditional bookkeeping requirements.

## **Third: Law No. 7 of 2025: Amendments to the Unified Tax Procedures Law**

The law includes adding new articles to the Tax Procedures Law No. 206 of 2020, in order to achieve the following objectives:

As part of its ongoing tax reform efforts, Law No. 7 of 2025 introduces amendments to Law No. 206 of 2020 on Unified Tax Procedures. These changes aim to enhance tax compliance, provide clearer legal frameworks, and create a fairer taxation system for businesses and individuals.

### **Capping Late Payment Penalties and Additional Taxes**

The law establishes a maximum limit on late payment penalties and additional taxes, ensuring that they do not exceed 100% of the original tax liability.

### **Settlement of Tax-Related Offenses**

Tax offenses can now be settled out of court by paying compensation ranging from half the minimum fine up to twice that amount, provided the settlement occurs before criminal proceedings begin.

A settlement after a final court ruling is also possible, requiring compensation equivalent to four times the minimum fine.

### **In conclusion**

These new laws reflect Egypt's commitment to supporting small and medium-sized enterprises (SMEs) while creating a more business-friendly tax environment. By simplifying tax procedures and offering attractive incentives, the government aims to attract more investments, enhance tax compliance, and drive economic growth.

### **Let's talk**

For a deeper discussion of how these issues might affect your business, please contact:

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