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Government moves to subject sale, purchase of property to tax

The Ministry of Finance stepped up its moves to subject real estate transactions to tax, a trend that comes with parliamentary efforts to issue a law under which a tax will be imposed on closed apartments.

During the period between February and October, the Egyptian Tax Authority (ETA) has counted some 10,000 transactions of buying and selling real estate worth EGP 7.8bn, in preparation for subjecting properties to tax.

Government sources told Daily News Egypt that the tax on these transactions are estimated at EGP 190m.

The sources pointed out that this inventory represents a mere drop in a sea of real estate transactions. Previously, the government estimated the accumulation in the market transactions at over 1 million transactions.

The sources added that the ETA will complete the inventory of the rest of the real estate actions through mechanised programmes across Egypt. The actions targeted by the ETA are the real estate being resold. The tax is expected to be a 2.5% of the sale value. In case one party resells several real estates, they are then subject to income tax of 22.5% on profits from reselling.

The sources said that the financiers are notified of the result of the accounting for the payment of the tax due, and the financiers need to disclose their real estate actions so as not to be subject to delay fines in accordance with Article 42 of the Income Tax Law.

Article 42 provides for a tax of 2.5% is imposed without any further reduction, on the gross revenues from the disposal of constructed real estate or lands within the cities’ boundaries, whether the disposal commenced on the land parcel as it exists or after constructing buildings thereon, whether the disposal is inclusive of the entire real estate or part of it or a residential unit thereof or a unit for any other purpose, and whether the buildings were constructed on land owned by the taxpayer or third parties. The sources said that the ETA is in contact with all parties involved in the registration of real estate and services to access such actions, whether governmental or private.

They explained that the seller and the buyer are committed to cooperate to pay the tax in light of the contract between the parties. Bank balances are subject to seizure in case of non-payment. Several cases have been referred to investigation due to tax evasion.

The Ministry of Finance is currently considering a legislative amendment requiring registration in notary offices to recognise the transfer of ownership. The move comes at a time when MPs say that there is a trend to impose a new real estate tax on closed apartments, in an attempt to force owners to open and lease the apartments to benefit the market. This also comes amid calls for the need to issue new legislations for the notary offices that followed the announcement of the Central Agency for Public Mobilization and Statistics (CAPMAS) on finding 10 million closed apartments.

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Mohamed Akkad, a member of the House of Representatives' Housing Committee, said in previous statements that there are consultations between the parliament and the government to prepare a project to impose a new tax on closed units but called for linking this to the need to encourage real estate registrations.

Business Real estate tax proceeds jump by 455% after applying new tax law

The real estate tax revenue jumped by 455% following the implementation of the new real estate tax law, recording EGP 2bn in the last fiscal year compared to EGP 360m before applying the law, according to Samia Hussein, head of the Real Estate Taxes Authority.

She added that the authority plans to make the tax proceeds about five times larger by 2023. It came during a meeting organised on Friday by the Customs and Tax Committee in the American Chamber in Cairo, headed by Hassan Hegazi.

Hussein revealed that the authority concluded a protocol that will determine the criteria for evaluating the petroleum facilities subject to the new real estate tax law No. 196 of 2008. The new protocol shall be signed by the ministers of finance and petroleum in accordance with the provisions of the law.

She pointed out that the petroleum facilities fall under the facilities of special nature criteria stipulated in Article 13 of the law and its amendments. This article stipulates that special criteria shall be set for evaluating industrial, tourist, and petroleum establishments, airports, seaports, mines, quarries, and similar facilities.

Hussein said the authority has not yet signed the protocol of evaluating tourist establishments due to the bad conditions experienced by the tourism sector, adding that it will be signed when the sector recovers.

On the other hand, the criteria for evaluating the factories have already been agreed by the ministers of finance and industry.

Hussein noted that President Abdel Fattah Al-Sisi instructed the authority to ease the burden on families living in a single building, mostly in the countryside. The house owner can provide a photocopy of his ID and his adult children, so that each apartment inhabited by those children shall be exempted. She added that the law exempts private houses a worth maximum of EGP 2m per unit.

Hussein said the authority considers obligating real estate owners to register their properties compulsory after the authority had reduced the registration fees significantly.

She pointed out the authority has not yet applied any penalties on delay or negligence for registry, but it will do so in the

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