



Egypt – August 2018

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Egypt finance ministry extends deadline for payment of real estate tax

Egypt's Minister of Finance Mohamed Maeet has extended the deadline for the payment of real estate taxes without late fees until 15 October, a statement by the ministry announced on Thursday.

The ministry warned that this would be the only extension of a deadline that was set to expire on 15 August, saying fines for delays will be imposed on those who fail to meet it.

It added that the deadline extension is to alleviate crowding at the ministry's tax payment departments.

Minister of Finance Mohamed Maeet said earlier this week that real estate tax law has been in effect since 2013 and that the government aims to use the revenues to improve local developments, fix the sewage system, and offer affordable housing.

According to the website of the ministry's real estate tax authority, property owners, but not tenants, must pay the tax on any non-empty land. The tax amounts to 10 percent of the annual rental value of the property, after deducting 30 percent in expenses for personal housing and 32 percent for non-personal housing.

Private houses priced below EGP 2 million (approx \$110,000) as well as commercial and administrative units whose annual rent is estimated below EGP 1,200 (approx \$67) are exempt.

Tax evaders will be fined between EGP 1,000 and 5,000 (approx. \$55 - \$280) and are required to pay the equivalent of the tax in compensation.

Violators, including those who submit fake documents or abstain from submitting necessary exemption documents, will be fined between EGP 200 and 2,000 (approx \$11-\$112).

Egypt's Real Estate Tax Authority releases booklet outlining conditions for exemption

The Egyptian Real Estate Tax Authority has released a booklet outlining the conditions for exempting privately owned homes from real estate taxes, according to a statement by the Ministry of Finance.

The booklet states that private residential units with a net rental value less than EGP 24,000 annually, as well as homes valued at less than EGP 2 million pounds, qualify for exemption.

The owner of a residential unit and their family are exempted upon presenting the ownership contract, public utilities document and a photocopy of the national identification card.

The booklet clarifies that a family in this case should consist of a father, mother and their underage children.

International Property Tax Institute

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Since its introduction in 2008, the implementation of property taxes in Egypt has been repeatedly postponed in recent years, but is now deemed crucial to curbing a widening state budget deficit.

Property taxes are expected to bring in around EGP 5.4 billion in additional government revenues in the 2018/19 fiscal revenues.

Advertising Campaign Motivating Citizens to Pay Property Taxes

An advertising campaign for Egypt's Real Estate Taxation Authority (RTA) has drawn the people's attention calling on citizens to start paying taxes before mid-August.

Although the current law has been in force for nearly a decade now, but it has undergone many amendments that have hindered its work, which means this would be a new experience for many Egyptians.

"I think many citizens will respond to the advertising campaign," said Ashraf al-Arabi, former head of the RTA and current MP.

According to the law issued in 2008, the rental value of the properties is estimated once every five years. The annual tax value, which is calculated at 10 percent of the rental value of the property, is determined based on this procedure, excluding maintenance expenses.

The law has raised controversy among citizens in light of the fact that real estate represents a refuge for the Egyptian families' investments and it has overcome several amendments. The most recent of these amendments was the 2014 taxable benefit according to the first estimate as of July 2013, provided that this assessment continues until the end of December 2018.

Head of the RTA Samia Hussein said in a statement that property owners who are entitled to tax will be subject to penalties for delay if they don't inform the RTA of their properties before August 15.

Real estates that are prepared to be leased in summer are one of the most important havens for Egyptian families who invest in their properties during this period of the year. Therefore, the RTA tried to attract this category by announcing the possibility of paying the tax on the northern coast units and remote areas at the Authority's headquarters in Cairo instead of doing so in a coastal governorate.

According to data by the country's Ministry of Planning, real estate activities accounted for about 10.5 percent of the country's GDP in the fiscal year 2016-2017.

However, not all real estates in Egypt are taxable. The law exempts private housing units with an annual rental value of more than EGP 24,000 per year (about \$1,300), commercial and industrial units with an annual rental value of more than EGP12,000 and other facilities such as educational institutions and non-profit hospitals.

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