



MORSY LAW OFFICE

PAYROLL TAX Q&A

*Wages & salaries tax Egypt
the mechanism for calculating it in light of the instructions
of the Tax Authority and legislative amendments*

*We are care to awareness of our clients and to continue our Role in
providing legal support to clients at all levels,*

*We are pleased to prepare this guide on the mechanisms for
calculating payroll tax, in light of the Egyptian legislative
amendments that occurred to the Income Tax Law No. 91 of 2005
and Law No. 26 of 2020, and finally the amendments on the Income
Tax Law by Law No. 30 of 2023 issued on 15/6/2023 To be a reference
for Human Resources Department.*

*This guide report was prepared based on the instructions issued by
the Egyptian Tax Authority to the Authority's tax officers.*

The method used,

*The method of presenting this guide is in the form of questions and
answers about payroll tax, with a practical examples, simplification
and detailed explanation of some legal concepts.*

*All of what is mentioned in that guide is within the framework of Egyptian
law and workers in Egyptian private sector non-governmental companies.*



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Ask 1: Who is obligated to submit the quarterly return stipulated in item (b) of Article 31 of the Unified Tax Procedures Law No. 206 of 2020?

Ans: Business owners and those obligated to pay taxable revenues, including companies and projects incorporated under the free zone system, shall submit a quarterly return to the competent tax office in January, April, July and October of each year on the form of 4 salaries, indicating the number of employees, their complete data, the total salaries, the amounts deducted under the tax account disbursed during the previous three months, the tax paid for the same period, and any amendments that occur to the employees by increase or decrease.

Ask2: What are the cases in which the financier (employee or worker) is obligated to submit the annual tax return?

Ans: The employee or worker is obligated to submit his annual tax return in the following cases:


- If his income includes revenues from a commercial, industrial or non-commercial professions activity, in addition to salary revenues, and whatever the value of income.
- If his net income from salary revenues or real estate wealth revenues exceeds the amount specified in the exempt segment of the Income Tax Law.

Ask3: What is the tax treatment of salaries?

Ans: The law specified the tax treatment of both regular employment and daily employment, provided that taxable revenues are determined on each part of the year in which the revenue was obtained in proportion to its duration and after converting the monthly income into annual revenue with the application of the exempt segment stipulated in Article (8) of the Income Tax Law and the personal exemption stipulated in item (1) of Article 13 of the same law.

Ask4 : Does the worker/employee have the right to object to the value of the tax deducted from him? To whom should submit his objection?

Ans: Yes, he has the right to do so with a request submitted to the employer that made the deduction within thirty days from the date of receiving the salary, and if the worker does not have work place, he has the right to submit the objection to the competent tax office or the competent appeal committee, as the case may be, during the mentioned period.



Ask5: Does the employer have the right to object to the payroll tax differences resulting from the examination?

Ans: Yes, the employer has the right to object to the tax differences resulting from the examination within thirty days from the date of knowledge of the notification.

"According to the text of Article 55 of the Unified Tax Procedures Law promulgated by Law No. 206 of 2020"

Ask6: What is the tax treatment of the amounts charged by the financier (worker or employee) from other than his original employer?

Ans: The amounts obtained by the financier (whether delegated or undelegated) from an entity other than his original employer are subject to tax on salaries at a rate of 10% peremptory tax without deducting any costs or any other deductions, and accordingly, those who receive these amounts do not enjoy any tax exemptions regarding this amount, and the employer is obligated to supply them to the competent tax authority within the first 15 days of each month. With its obligation to notify his original employer and the Tax Authority of what the person obtained and the tax deducted from him, provided that the original employer is obligated to calculate the tax in accordance with **Article 8 of the Tax Law "Amendments to Law 30 of 2023"**

Ask7: What is the tax treatment of the allowance received by workers for a meal?

Ans: The meal dispensed to employees shall be exempted, provided that this meal is in kind and collective.

Therefore, if the employer pays a cash amount for the meal to one of the employees without others, it is considered a cash advantage and is included in the base subject to payroll tax and is borne by the person to whom it was disbursed. **"This is pursuant to paragraph (a), item 5 of Article 13 of the Law"**.

Ask8: What is the tax treatment of the allowance received by employees for not benefiting from the mass transportation benefit determined by the company for workers under Law No. 91 of 2005?


Ans: The benefit of mass transport of workers or its equivalent shall be exempted from its cost, provided that this benefit is in kind and collective.

The exemption shall be forfeited if the company disburses amounts to any of the employees in the form of a cash allowance in exchange for the benefit of mass transport, this amount is considered a cash advantage for those who receive it and is subject to tax on salaries and the like.

(Section 13, Section 5, paragraph (b) of the Law)

Ask9: What is the tax treatment of the profits that are legally determined to be distributed by employees?

Ans: The share of employees shall be exempted from the profits that are determined to be distributed in accordance with the law, taking into account that this share is not considered one of the costs to be deducted for the company when determining the tax base for it, **in other words, it is exempt as a payroll tax**, but it is calculated within the annual tax base of the company. **(Article 13, item 6)**



Ans10: What is the tax treatment of the chairmen and members of the boards of directors of membership bonuses and allowances in capital companies?

Ans: The law does not include a provision stating that the membership bonuses and allowances received by the chairmen and members of the board of directors in capital companies are subject to tax on salaries or other taxes, **taking into account that these allowances and bonuses are not considered costs that must be deducted when determining the company's tax base.**

(Item 4 of Article 52 of Law No. 91 of 2005).

Ask11: What is the tax treatment for the shareholders' chairmen and members of the boards of directors of dividends distributed and the attendance paid to shareholders on the occasion of attending the general assembly under the provisions of Law No. 91 of 2005?

Ans: The law does not deal with the subjection of these shares or dividends distributed or in return for attendance to tax on salaries or other taxes, taking into account that the dividends distributed and the consideration for attendance paid to shareholders on the occasion of attending the general assembly is not considered one of the costs deductibles when determining the tax base for the company.

Legislative wisdom


The legislative wisdom is due to the exit of this category from being subject to payroll tax that they do not fall under the career ladder and are not appointed as employees of the company, as the members of the Board of Directors are subject to the control of their salaries and remuneration to the authority of shareholders, Therefore, the law requires that the call for a general assembly meeting include a detailed disclosure of the remuneration of the members of the board of directors and that a report be placed at the disposal of the shareholders that includes all the amounts obtained by the chairman of the board of directors and each member of the board in the fiscal year, whatever its form, whether it is a salary, financial reward, fees, allowances, or what he received from them as a commission the in-kind benefits he obtains.

Ask13: What is the tax treatment of the salaries and bonuses received by the chairmen, members of the boards of directors and managers in capital companies for administrative work?

Ans: According to the law, what the chairmen, members of boards of directors and managers of capital companies receive in return for their administrative work shall be subject to tax on salaries, like the rest of the employees, without specifying a maximum limit for these amounts or the number of such members.

Ask14: What is the tax treatment of the salaries and bonuses received by the chairmen and members of the boards of directors in public sector companies and the public business sector from non-shareholders?

Ans: The salaries and bonuses received by the chairmen and members of the boards of directors in public sector companies and the public business sector from non-shareholders shall be subject to tax on salaries, like the rest of the taxable workers.



Legislative wisdom

The legislative wisdom in the difference between workers in public sector companies and the public business sector other money companies is that public sector companies and the public business sector are government companies and all those who belong to work in them from leadership positions are appointed by the government in exchange for a job contract for the benefit of the state in another words, he assumes a leading position not in a free capacity but in a subordinate capacity to the state.

Ask15: What is the tax treatment of what employees receive in cash consideration for the leave balance disbursed to them on the occasion of the end of service in the event of resignation, referral to pension or death?


Ans: The cash consideration for the balance of leaves disbursed to employees on the occasion of the end of service, whether for reasons of resignation, death or referral to pension, is exempted from being subject to tax on salaries (in accordance with Law 232 of 1996).

Ask16: what extent is the pension assignee who works for any other entity after being referred to the pension entitled to enjoy the exemptions mentioned in *Articles 13.8 of Law No. 91 of 2005* for the amounts he receives from his employer or not?

Ans: The worker who joins a job after being referred to the pension, what he receives in return for his work is subject to tax on salaries like the rest of the workers and enjoys the exempted segment and personal exemption in accordance with the law, *taking into account that the pension he receives remains not subject to tax and the entity in which he works is considered his original employer.*

Ask17: What is the tax treatment of what a worker/employee receives from his employer under special laws?

Ans: According to *the text of Article 13*, which stipulates without prejudice to the exemptions contained in the special laws, if it is decided to grant the worker any allowances under special laws with the provision for exemption under these laws, *the Tax Authority is obligated to exempt him from payroll tax.*



Ask18: What is the rate charged on net income subject to tax on salaries and equivalents?

Ans: Tax rate according to the provisions of Article 8 of the Income Tax Law No. 91 of 2005 as amended by Law No. 97 of 2018 issued on 23/6/2018


<i>Statement</i>	<i>Tax price</i>	<i>Tax Discount Rate</i>
The first segment is more than 8000 EGP	Zero	Zero
The second segment is more than 8000 EGP up to 30000 EGP	%10	%85
The third segment is more than 30000 EGP up to 45000 EGP	%15	%45
The fourth segment is more than 45,000 to 200,000 EGP	%20	%7,5
The fifth segment is more than 200000 EGP	%22,5

According to the tax deduction granted in accordance with the law of the last legislative amendment 30 of 2023, "employment earnings tax" is according to the highest segment in which the financier is located, and this discount may not be granted to those subjects to the fifth category.

The price imposed in accordance with the provisions of *Article 8 of Law 91 of 2005 as amended by Law No. 30 of 2023*:

Tax Rate	Net income that did not exceed EGP 600,000	Net income exceeded EGP 600,000 and did not exceed EGP 700,000	Net income exceeded EGP 700,000 and did not exceed EGP 800,000	Net income exceeded 800,000 EGP and did not exceed 900,000 EGP	Net income exceeded 900,000 EGP and did not exceed 1000,000 EGP	Net income of more than one million pounds
%0,00	From 1 EGP To 15000 EGP					
2,50	More than 15,000 EGP to 30,000EGP	From 1 EGP To 30,000EGP				
%10	More than 30,000EGP to 40,000EGP	More than 30,000EGP to 45,000EGP	From 1 EGP To 45,000EGP			
%15	More than 45,000 EGP to 60,000 EGP	More than 45,000EGP to 60,000 EGP	More than 45,000 EGP to 60,000 EGP	From 1 EGP To 60,000 EGP		
%20	More than 60,000 EGP to 200,000 EGP	More than 60,000 EGP to 200,000 EGP	More than 60,000 EGP to 200,000 EGP	More than 60,000 EGP to 200,000 EGP	From 1 EGP To 200,000EGP	
%22,5	More than 200,000 EGP to 400,000 EGP	More than 60,000 EGP to 200,000 EGP	More than 200,000 EGP to 400,000 EGP	More than 200,000 EGP to 400,000 EGP	More than 200,000 EGP to 400,000 EGP	From 1 EGP To 400,000 EGP
%25	More than 400,000 EGP	More than 400,000 EGP	More than 400,000 EGP	More than 400,000 EGP	More than 400,000 EGP	EGP to 1,200,000 1
%27,5	More than 1,200,000

The total annual net income when calculating the tax is rounded to the nearest ten pounds less, the previous adjustments apply to the income realized from commercial or industrial activity, revenues from non-commercial professions or revenues from real estate wealth.



Ask19: What is the percentage of the delay due if the business owners or those obligated to pay the revenue do not supply it within the legal time? when the due date's?

Ans: Due for the delay from the day following the end of the deadline specified for supply and is calculated on the basis of the credit and deduction rate. announced by the Central Bank "Corridor" plus 2%.

Ask20: Does the worker/employee who works for a year enjoy the exemptions prescribed through the exempted segment? Is the personal exemption complete or in proportion to the period of obtaining the revenue?

Ans: The working financier / employee who works for one year enjoys the tax exemptions mentioned in the period of the year during which he worked, taking into account that the personal exemption is attributed and the exempted segment is not placed, while the exempted segment is deducted from the net income after converting it to annual net income.

(In application of the provisions of Articles 8-13 of the Law)

Ask21: Who is responsible for supplying the tax to the Authority?

Ans: The responsibility for supplying the tax to the tax authority falls on the employers (employer) who are obligated to pay the taxable revenues by withholding an amount of what they have to pay under the tax account in accordance with what is determined by the executive regulations of the law, and the supply to the competent tax office is made within the first fifteen days of each month and the payments that are withheld in the previous month.


Note,

The case where the employer or taxable payer is non-resident or hasn't a company in Egypt, The responsibility for supplying the tax lies with the taxable revenue beneficiary.

Ask22: What are the employer's obligations towards the Tax Authority? And his obligation towards the employee or worker?

Ans: Employer's obligations to the Tax Authority:

- 1- Withholding the amounts he must pay under the tax account and supplying it within 15 days of the next month.
- 2- Business owners shall be obliged to pay the tax differences arising upon examination without prejudice to their right of recourse against the taxpayer for what he owes.
- 3- Submit a quarterly declaration on 1/1, 1/4, 1/7, 1/10, to the Tax Authority.
- 4- The employer's obligations towards the employee / worker are to give the taxpayer, upon his request, a statement indicating his name, the amount and type of income and the value of the withheld tax.



Ask23: What is the penalty in case of delay in submitting the tax return?

Ans: A fine of not less than three thousand Egyptian pounds and not exceeding fifty thousand Egyptian pounds in the event of delay in submitting the tax return not exceeding sixty days.
And the fine of not less than fifty thousand Egyptian pounds and not exceeding two million Egyptian pounds in the event of failure to submit the tax return if it exceeds the period of sixty days.
(*Unified Tax Procedures Law No. 206 of 2020 and its amendments, Articles 69/70*).

Ask33: What is the tax treatment of special allowances that are decided to be granted to the employee/worker who is not subject to the Civil Service Law when calculating the tax on salaries?

Ans: Such bonuses shall enjoy exemption from payroll tax.
(The legal basis Article 13 of the law includes a provision that "without prejudice to other tax exemptions prescribed by special laws, these bonuses have been exempted from tax under an explicit provision in the laws that decided to grant)

Ask34: What is the tax treatment of members of the diplomatic and consular corps, international organizations and other foreign diplomatic representatives in the field of their official work?

Ans: The members of these international organizations shall enjoy tax exemption from salaries within the scope of their official work, provided that reciprocity and within the limits of such treatment.
(*Article 13, item 7 of the law*).

Ask35: What is the tax treatment of what employees in embassies, consulates and international organizations in the Arab Republic of Egypt receive?

Ans: They are subject to tax treatment on salaries and the like, as well as their performance of service in Egypt, subject to the provisions of double taxation avoidance agreements. (*Where the law did not include an exemption for workers in embassies, consulates and international organizations who are not members of the diplomatic and consular corps and international organizations*)

Ask36: What are the limits of the exemption prescribed for the contributions of employees in private insurance funds that are incorporated in accordance with the provisions of the Private Insurance Funds Law No. 54 of 1975 and the life insurance premiums and health insurance on the financier for his benefit or the benefit of his wife or minor children, any insurance premiums for pension entitlement?

Ans: The contributions of employees in private insurance funds incorporated in accordance with the provisions of the Private Insurance Funds *Law No. 54 of 1975* shall be exempted, as well as life insurance premiums and health insurance for his benefit or for the benefit of his wife or minor children, or any insurance premiums for pension entitlement, provided that the total amount of what the financier is exempted from does not exceed 15% of the net income or 10,000 pounds, whichever is less, and the same contributions and premiums may not be exempted from any other income.
(*Article 13 items 3/4/6 of the law*).



Ask37: What is the value of community participation that is deducted from the total salary in accordance with the provisions of *Law 4 of 2021*?

Ans: Five out of ten thousand Egyptian pounds of the total monthly salary.

Ask38: What are the obligations of the entity regarding the data of its employees?

Ans: The entity is obligated to include in the 4 salaries form, which is currently available on the automated system of the authority, all the data of the entity's employees (name, national number - insurance number - withholding tax - paid tax), noting that the application of the automated system will be generalized to include all payroll tax financiers, starting from the fiscal year 2022.

Ask39: What are the wages subject to social insurance?

Ans: According to *Law 148 of 2019 and Periodical Book No. 4 of 2020*, which determine the minimum and maximum wage for the insurance contribution as follows:

<i>Year</i>	<i>Annual Minimum</i>	<i>Annual Maximum</i>
Jan. 2020	12000	84000
January 2021	14400	97200
January 2022	16800	112800
January 2023	20400	130800
January 2024	24000	151200
January 2025	27600	174000
January 2026	32400	200400
Jan2027	38400	231600

Ask40: What is the worker's / employee share in social insurance?

Ans: The worker's / employee share at 11% of the value of the comprehensive wage according to the minimum and maximum schedule previous mentioned.

Ask41: What is the date of deduction of the worker's/employee share in social insurance in the case of appointment?

Ans: The worker's/employee share in social insurance shall be deducted from the month next the date of appointment.

Ask42: What is the company's position of the worker's/employee share in social insurance upon dismissal or leaving work?

Ans: The worker's share in social insurance is calculated for the month in which he left work or was dismissed.

Payroll tax calculation steps

The mechanism of calculating income tax for employees of capital companies (joint stock / limited liability ..) according to the Egyptian Tax Authority

Illustrative example for 2021

<i>Statement</i>	<i>Value</i>
Basic salary	9000
Incentive	7500
Transfer allowance	1100
Nature of work allowance	1000
Additional Wages	500
Additional social allowance	10
Total	19,110

- The basic salary includes (1000 pounds) special bonuses stipulated by laws until 2013.
- The employee is subject to *the Social Insurance Law No. 148 of 2019*.
- The employee pays an amount of 100 EGP subscription to a health insurance fund.
- An amount of 1000 pounds as a life insurance premium for the benefit of his wife and minor children.
- An amount of 80 pounds per month as an insurance premium on the life of his wife for his benefit.
- Seconded in one of the other entities to work part-time and receives an amount of 2000 pounds per month.

The value of the tax due on that employee is calculated by the following steps:

The first step is to calculate the total annual salary by converting the monthly salary to an annual salary in accordance with the provisions of *Article (10) of the Income Tax Law No. 91 of 2005*:

<i>Statement</i>	<i>Monthly wage</i>	<i>Total in 12 months</i>
Basic wage	9000	108,000
Incentives	7500	90,000
Transfer allowance	1,100	13,200
Nature of work allowance	1000	12000
Additional Wages	500	6000
Additional social allowance	10	120

Total annual salary amount and capacity 229,320 EGP

Second Step: Calculating the worker's share in social insurance:

In accordance with the provisions of *Law No. 148 of 2019* and *Periodical Book 4 of 2020*, which specifies the minimum and maximum annual wage contribution for the year 2021 with values of 14,400 as a minimum and a maximum of 97,200.

Since the value of the annual wage amounted to 229,320 EGP, it has exceeded the maximum limit, so the worker's share in the insurance contribution is calculated as follows:

$$\begin{aligned} &\text{The maximum insurance contribution} \times \text{the percentage of the employee/worker share} \\ &97,200 \times 11\% = 10,692 \text{ EGP} \end{aligned}$$

Third Step: Calculating the Relative Stamp on the Salary:

In accordance with the provisions of *Article (79) of Law No. 111 of 1980* as amended by *Law No. (143) of 2006*, the relative stamp tax is calculated as follows:

The total amount obtained by the employee annually is 229,320 pounds, so the tax category is (3 per thousand) for more than 10,000 pounds, and the stamp tax calculation base is as follows:

<i>Salary statement</i>	<i>Total</i>	<i>Partial</i>
Total Employee Earned Yearly (1)	229,320	
Bonuses added to the basic salary (1100 by 12)		13,200
Additional social allowance (10 by 12)		120
Worker's share in social insurance		10,692
Total Discount (2)	24,012	
Proportional stamp tax base (1-2) (3)	205,308	
	Deduct from it	
Segment up to (8 per thousand) tax value (10000 – 50 times 0,008 equals 70,6 (4)		10000
The rest at (3 per thousand) VAT 189,308 times 0,003 equals 585,924 (5)		195,308
Total Proportional Stamp Tax (4+5)	665,52	

Fourth Step: Calculating the value of the tax due on the tax base of 229,320 EGP in accordance with the provisions of Articles (8, 9, 13) of the Income Tax Law No. 91 of 2005:

Statement	Monthly wage	Total in 12 months
Basic wage	9000	108,000
Incentives	7500	90,000
Transfer allowance	1,100	13,200
Nature of work allowance	1000	12000
Additional Wages	500	6000
Additional social allowance	10	120
Total Annual Maturity		229,320EGP
Deduct from it		
Special allowances established by laws until 2013	1000	12000
Social allowance	10	120
Personal exemption Article 13/1		9000
Share of the employee/worker in social insurance		10,692
Total Exemptions		31,812
Net Revenue		197,508
Net income deducted from the contribution of a health insurance fund article (13/3) of the law = 100 by 12 = 1200 (1) Life insurance of the employee/worker article (13/4) of the law = 1000× 12 = 12000 (2)		10000 Total (1 + 2) Article 13 13,200 and since it is more than 10,000, so the less amount of 10,000 is deducted
Total Relative Stamp Tax		Total (1 + 2) Article 13 13,200 and since it is more than 10,000, so the less amount of 10,000 is deducted
Total Discount		665,52
To become the tax base after deduction	Zero	10,665,524
Tax base	375	186,842,476

Adherent	1500	The first segment (15000) at a price (zero)
	2250	Second segment (15,000) at 2.5%
Total tax due	25,368	The third segment (15000) at a price of 10%
Total Monthly Tax	29,493	Fourth segment (15000) at 15% price
Share of the employee/worker in social insurance	$12 \div 29,493$	Fifth Segment 126,842 at 20%

Note:

We would like to point out that there is a personal exemption enjoyed by persons with disabilities with a total of 13,500 in accordance with the provisions of Article 23 of the Law on the Rights of Persons with Disabilities promulgated by Law No. (10) of 2018.

Fifth Step: Tax treatment of the amounts received by the employee from another independent party:

In accordance with the provisions of *Article 11 of Law 91 of 2005*, it is calculated according to the following criterion:

The value of the annual wage = the value of the monthly wage × during the period of work

Illustrative example = $2000 \times 12 = 24000$ pounds

The value of the annual wage is 229,320 EGP

Since the value of what he receives from the independent party does not exceed 50% of the value of the annual wage from his original employer, it is subject to a definitive rate of 10% and is not included in the settlement statements of his original employer, and the value of the tax is supplied on the form prepared for that.

Step Six: Calculating the value of community participation for the Fund for the Families of Martyrs, War Wounded and Terrorist Operations in accordance with the provisions of Law 4 of 2021

The following accounting standard is subject to the following standard: Value of community participation = total wage multiplied by the contribution ratio

$$= 229,320 \times 0,0005 = 114,66$$

If you seek advice and legal support in tax matters, please contact us at e-mail: office@morsylaw.com

We hope the content has helped you.