

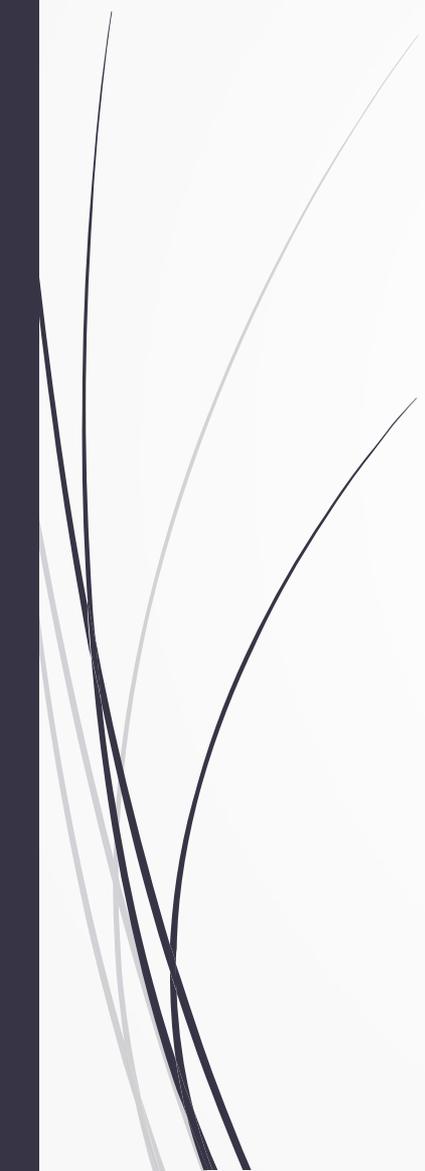


Introduction To The Egyptian Tax Law

Presented by: Dr. Ashraf Hanna

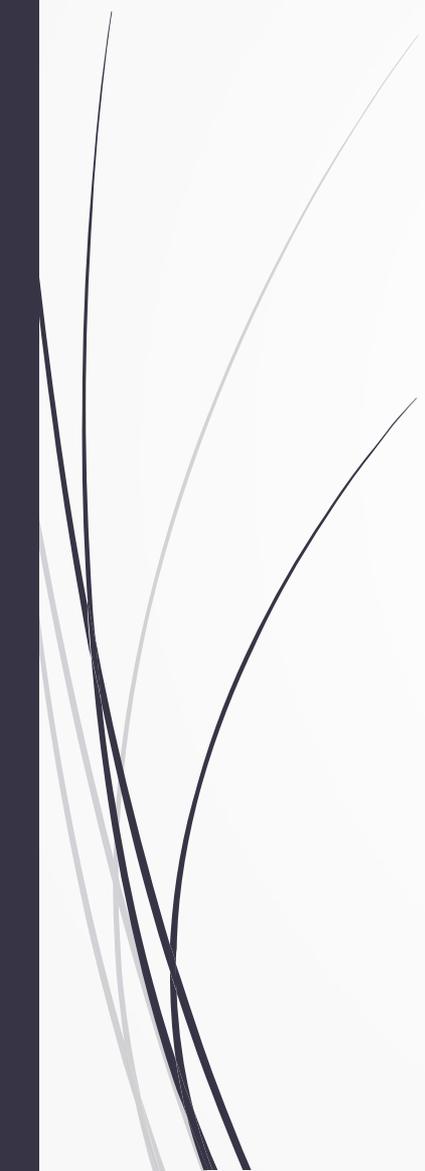


History of Taxes on revenue in Egypt

- Taxes on revenue were first introduced in Egypt with the promulgation of Law 14 in 1939.**
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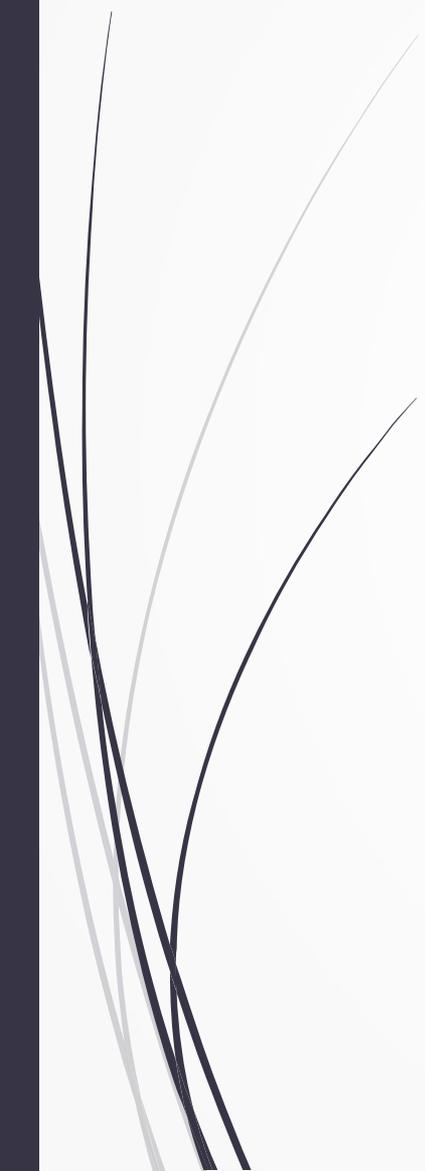


Our experience of the past 66 years with revenue taxation has resulted in the following:

- More than 250 000 tax cases still to be resolved by the civil courts, with taxpayers unwilling to deal directly with the tax administration, instead seeking intervention by the courts.
 - More than 19 billion pounds of taxes that are officially due remain uncollected.
 - There is widespread mistrust between the taxpayers and the tax administration.
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Our experience of the past 66 years with revenue taxation has resulted in the following: (cont.)

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- In spite of the exemptions that have been granted by the tax law and the investment law, foreign investment in Egypt is declining and taxation in Egypt is considered to be a major obstacle to the country's development plan.
 - Widespread tax evasion has become generally, and even officially, acknowledged.



Clearly, a solution to this problem was urgently needed for the benefit of the nation's taxpayers, investors and economy. It was also clear that this solution would require fundamental changes to the taxation system in Egypt.

As a result, the new Egyptian tax law was introduced, not only in the form of new provisions to supersede and replace other provisions of the old tax law. The new law is intended to finally close the book on Egypt's previous experience with taxation by setting up a new system, based on a new and more acceptable philosophy of tax collection in Egypt.

Part I:

The new tax law is meant to provide a clean break with the past. Accordingly, its first articles introduce some fundamental changes:

- The new law supersedes the existing tax law, including Article (1) of the Development Duty Law and the articles of tax exemption of the Investments Incentives and Guarantees Law, and replaces their high tax rate and limited period tax exemptions with a more reasonable tax rate law.

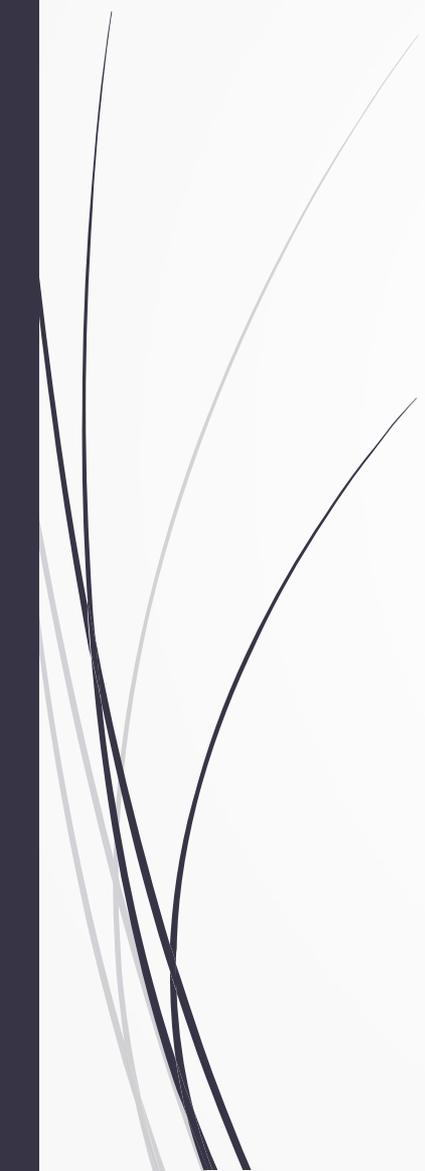


The new tax law is meant to provide a clean break with the past. Accordingly, its first articles introduce some fundamental changes: (cont.)

- ▶ All profits realized from activities that have been hidden from the tax authority in the past will be exempted from tax and related fines and interest penalties, under certain conditions. First, the taxpayer must not have been previously registered with the tax authority. Second, the taxpayer must file a tax return for the latest fiscal year that provides a complete and accurate overview of his or her economic activities



The new tax law is meant to provide a clean break with the past. Accordingly, its first articles introduce some fundamental changes: (cont.)

- ▶ It mandates that all lawsuits before the courts prior to September 30, 2004 are to be reconciled and closed, if the tax basis owed does not exceed 10,000 LE.
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The new tax law is meant to provide a clean break with the past. Accordingly, its first articles introduce some fundamental changes: (cont.)

All other existing disputes between the tax authority and the taxpayers, including those before the courts, are to be reconciled and closed according to the following payment by the taxpayer:

- 10% of the tax, and other amount due related on the tax basis in cases where the tax basis is equal to or less than 100,000LE;
- 25% of the tax, and other amount due related on the tax basis in cases where the tax basis exceeds 100,000LE but is less than 500,000LE;
- 40% of the tax, and other amount due related on the tax basis in cases where the tax basis exceeds 500,000LE.

The new tax law is meant to provide a clean break with the past. Accordingly, its first articles introduce some fundamental changes: (cont.)

The new law lightens the tax burden by allowing corporations to deduct the interest due on loans they have obtained from banks, to a minimum and a maximum rate of the equity account from the fiscal years 2005 to 2008 as follows:

Fiscal Year	Equity	Allowed Interest
2005	1	8
2006	1	7
2007	1	6
2008	1	5
2009	1	4

Part II:

The general conditions of the new tax law, which are outlined in Articles 1 to 5, conform to both the International Accounting Standards (IAS) and the Conventions for the Avoidance of Double Taxation and Tax Evasion.

Descriptive terms that contribute to a more accurate determination of the tax basis are an important part of the new law. These terms, which include “Place of the Tax Resources”, “Place of the Tax Payments” and “Responsible Person” are introduced for the first time in the new law, adding greater transparency in tax assessment. Other terms that permit the new law to be applied with greater precision and fairness, include the following:

➤ Connected Persons:

- by definition, any person that is connected with a taxpayer in a manner that is considered material in the determination of the tax basis, such as:
 - a spouse, or in the case of a firm, the headquarters and the branch offices;
 - a direct or indirect owner of at least a 50% interest in the shares of a company, or voting rights equal in value or number;
 - partners (including silent partners);
 - a second company, in which the same person owns at least 50% Interest, whether of shares or voting rights.



➔ **Commandant Companies:**

are companies that are set up by persons among themselves, without completing the official procedures of establishment and notarization of companies.

➔ **Project:**

The economic body that practices the principal activity in Egypt or abroad, with the permanent establishment being considered either related to or part of it.

➔ **Objective Price:**

The price used to conclude a transaction between unconnected persons, which is determined according to market rates.



➤ **Royalties:**

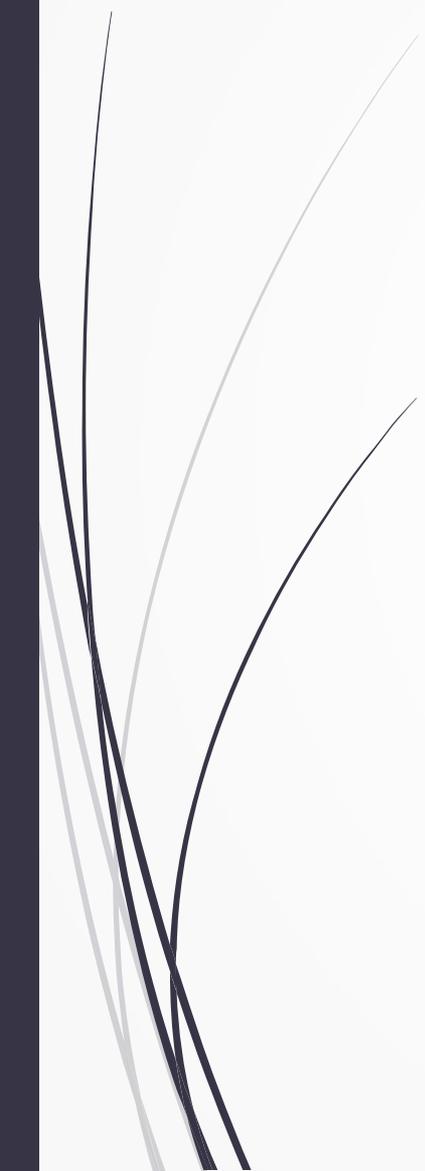
any amount to be paid as a consideration for the use of, or the right to use, a publication related to artistic or scientific work, patents, trademarks, industrial designs, plans, formulae, or industrial or commercial equipment or industrial, commercial and scientific information.



Residents: Natural persons are considered residents when:

- Egypt is their primary place of residence, i.e. they have resided in Egypt for a period longer than a total of 183 days in one calendar year.
- They are Egyptians working abroad but earning their salaries from the Egyptian public treasury.

Moral persons (corporations) are considered residents when:

- They have been established according to Egyptian law.
 - The executive headquarters are located in Egypt.
 - The Egyptian state or a public sector corporation owns more than 50% of their capital.
- 

Tax assessments:

The territoriality basis in tax assessment applies to revenues realized from any resources in Egypt that include:

- Revenues realized from services rendered in Egypt including salaries.
- Payment made by an employer who is resident in Egypt, even if the work is to be done abroad.
- Income realized as the result of activities executed by technicians in Egypt.
- Income realized by nonresidents from work carried out in Egypt.
- Capital gains realized from transactions involving the properties of a permanent establishment in Egypt.

Tax assessments: (cont.)

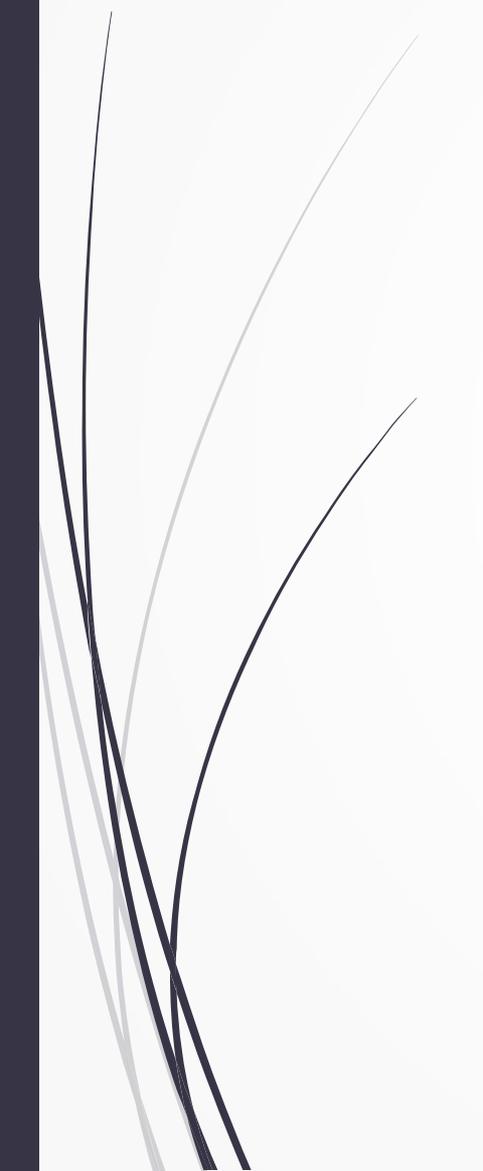
- Income realized from the usage of and other transactions related to real estate located in Egypt.
- Dividends of shares of Egyptian resident companies.
- Profits received from Egyptian resident companies.
- Interest paid by the Egyptian government, a public sector company, an Egyptian resident person and/or permanent establishment in Egypt, even if its owner is residing abroad.
- Rental value, license fees and royalties paid by an Egyptian resident or by a permanent establishment located in Egypt, even if its owner is residing abroad.
- Income realized from any other sources in Egypt.



➤ Permanent Establishments

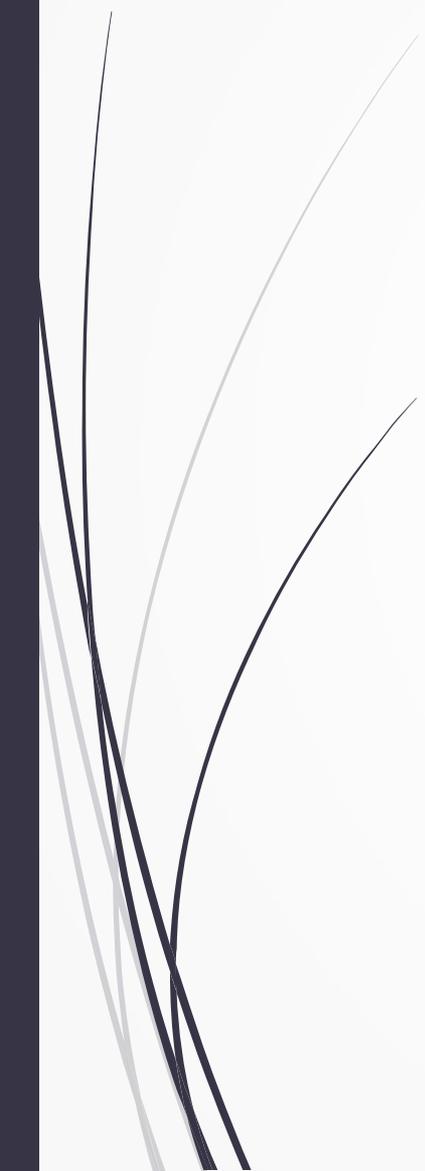
The permanent establishment of a project is the place in which the entire or part of the project is executed.

This includes:

- Management offices;
 - Branch offices;
 - Permanent sales showroom;
 - Other offices;
 - Factories and workshops;
 - Wells and mines;
 - Farms or plantations;
 - Building or construction or installation or assembly sites, and the sites of any related supervisory activities.
- 

The term “permanent establishment” does not include:

- Facilities used for the purpose of storage, temporary display, or delivery of goods or merchandise belonging to the enterprise.
- A stock of goods or merchandise belonging to the enterprise for the purpose of storage, display or delivery.
- A stock of goods or merchandise belonging to the enterprise for the purpose of processing by another enterprise.
- A fixed place of business maintained for the purpose of purchasing goods or merchandise, or of collecting information for the enterprise.
- A fixed place of business maintained for the purpose of carrying out on behalf of the enterprise any other activity of a preparatory or auxiliary character.

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- A fixed place of business maintained for any combination of activities mentioned above, provided that the overall activity of the fixed place of business is of a preparatory or auxiliary character.
 - An agent or broker or any other independent agency executing industrial or trading work on behalf of a foreign company, unless it is proven that this broker or agent has devoted most of the taxable period in fulfilling the purpose of the foreign company.
 - The control by a nonresident company over a resident company does not necessarily mean that the resident company has become a permanent establishment of the nonresident company.

Part III:

We will summarize the provisions of the new tax law in the form of questions and answers:

Q: What benefits does the new law bring to employees?

Description	Exemption	Tax
1- Exemption for family burdens		
Single Married Married + children women	LE 5000	
2- Special employee exemption	LE 4000	
3- Tax rates		
LE 5001 : LE 20000		10%
LE 20001: LE 40000		15%
LE 40000 and above		20%
4- Development duty		Canceled
5- Special allowances	Up to 210% of the basic salary	-
6- Tax on guest employees		10%
7- Life and health insurance	Up to 15% of the net income or LE 3000.- /year, whichever is greater	
8- Non-monetary fringe benefits provided to all employees, which are related to meals, transportation, medical treatment, clothing and housing.	Exempted.	
9. Employees' share of profits	Exempted.	



► Q: What is the tax treatment of corporate and individual income realized abroad?

A: Resident natural persons and non-resident ‘moral persons’, in other words, corporations, will only be taxed on their net income realized in Egypt. In contrast, resident ‘moral persons’, or corporations, will be taxed on their net income realized in Egypt and abroad.



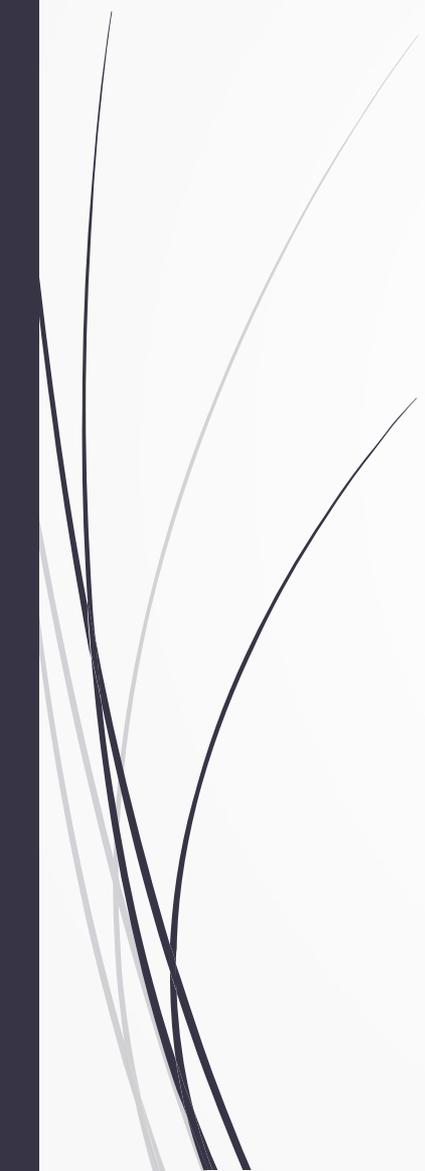
➔ Q: What is the tax treatment of ‘natural persons companies’, i.e. partnerships, including partnerships with a silent partner?

A: The new tax law treats natural persons companies as corporations, based on the fact that both types of businesses operate according to the same economic and financial principles. The tax is imposed on the results, or income realized by the businesses, rather on their legal status. Therefore, the tax imposed on natural persons companies is imposed at the rate of 20% of the realized net income, the same rate that is imposed on corporate realized net income.



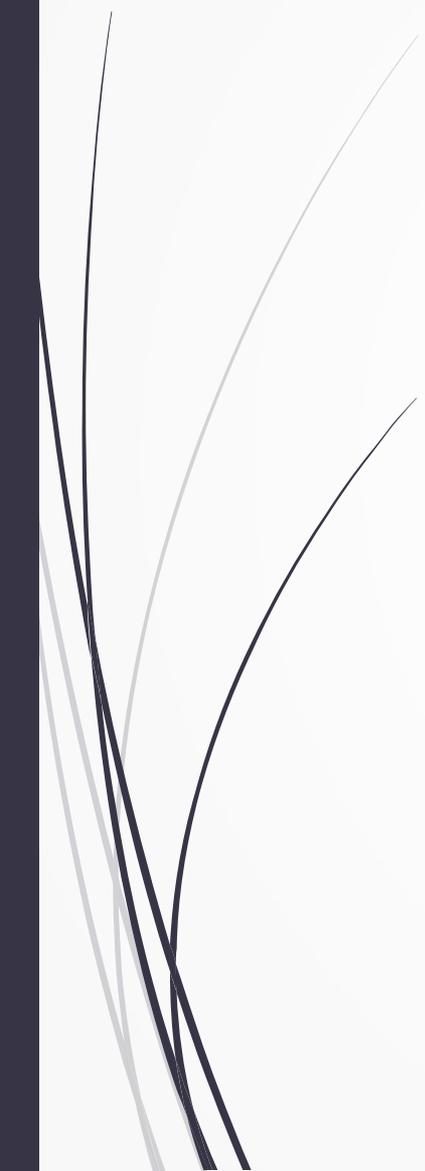
➤ What tax exemptions are available under the new law?

A: The new law exempts certain types of income from tax, including:





Revenues earned by natural persons:

- ▶ Income from bonds or treasury bills of whatever kind, which are registered in the stock exchange commission and are issued by the government or corporations;
 - ▶ Returns on their investments in securities that are registered in the Stock Exchange Commission. However, any losses realized from such investments cannot be deducted from tax, or carried forward;
 - ▶ Dividends from shares in the capital of stockholder companies;
 - ▶ Dividends from participation in the capital of limited liability companies;
 - ▶ Returns on bank deposits and saving accounts, as well as investment and saving certificates issued by banks.
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Revenues earned by moral persons (cont.)

- ➔ Profits realized by establishments involved in land reclamation or cultivation, for a period of 10 years from the date such activities are initiated;
- ➔ Profits realized from livestock breeding, including poultry breeding, fisheries, and fishing boats, for a period of ten years beginning on the date such activities are initiated;
- ➔ Revenues from the cultivation of desert lands for a period of ten years, commencing from the date the land is considered productive;

Revenues earned by moral persons: (cont.)

- ▶ Profits realized by new projects established through financing from the Social Fund for Development, the exemption being applied only to the profits resulting from this financing, for a period of five years, beginning from the date the project is initiated;
- ▶ Income from educational institutions operating under the supervision of the government;
- ▶ Revenues realized from the authorship or translation of books and religious, scientific, cultural and literary articles that are not produced in audio and/or visual forms;
- ▶ Revenues realized by artists from their works in photography, sculpture and carving;

Revenues earned by moral persons: (cont.)

- ▶ Income of self-employed professionals who are registered members in professional syndicates in the field of their specialization, for a period of three years after the date they begin to exercise their profession independently;

- ▶ Income of non-profit organizations within the limits of their social, scientific or sporting activities.



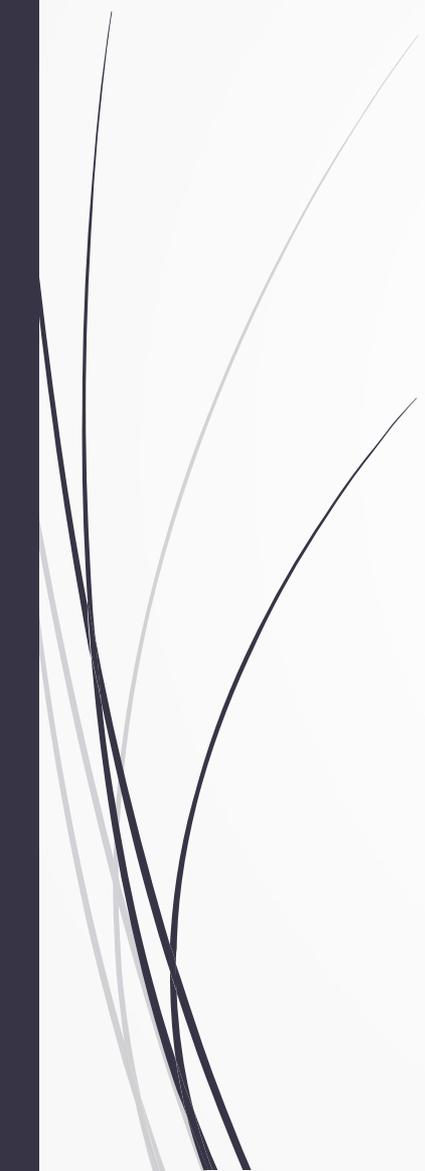
Q: What about the tax exemptions of existing companies?

► **A:** The new tax law has canceled all tax exemptions that had been granted by the Investment Law to some new projects and not others, depending on factors such as location of the project, rather than on the type of production. However, exemptions that have already been granted to existing projects will continue until the date of expiry. The new law replaces the old tax exemptions with a more widely-applied system of deductions, including customs tariffs and sales tax on capital goods, and by a decrease in the tax rate. The new law aims to rectify the perceived injustices of the Investment Law, especially as the old exemptions failed to achieve their purpose, of providing an effective incentive for investment.



Q: What is the tax treatment of companies that are established according to the investment law, but which have not yet been granted the tax exemption?

A: Companies that obtained the approval of the investment authority before the implementation of the new tax law and have not started production will be granted the exemption, on condition that they begin production within three years of the implementation of the new tax law.





► Q: What's new in the relationship between taxpayers and the tax authority in the new tax law?

► A: A number of confidence-building measures are included in the new tax law, intended to create a more cooperative and trusting relationship between taxpayers and the authority. For example:

► Tax returns will be accepted and presumed to be accurate;

► Tax auditors will not be permitted to reject the taxpayer's accounting books and records;

► Tax returns will be inspected on a sample basis;

► Taxpayers will have the right to modify or correct their tax return;

► Taxpayers will have the right to obtain a refund of any excess tax payments they have made.

► Taxpayers will have the right to make payments of their tax in advance, and by doing so, they will be exempted from having to apply the withholding tax system.

➤ Q: What are the benefits of the new tax law?

A: - The tax rate will be decreased from 42% to 20% of the taxable profit. This will simplify the procedures of tax assessment, tax collection and any related litigation.

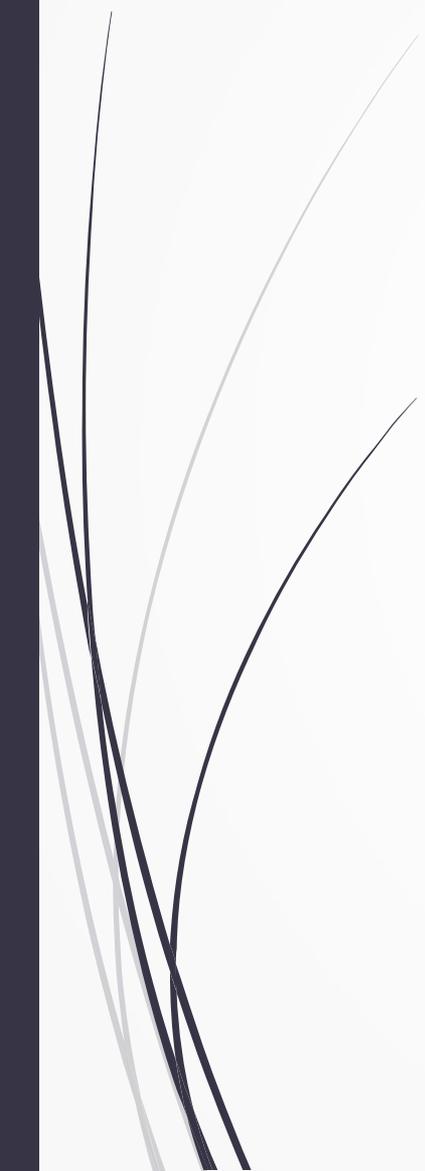
Costs and depreciation of assets will be calculated based on international standards, as follows:

- 5% annually on buildings, fixtures, ships and airplanes;
- 10% annually on the cost of developing intangible assets, including goodwill;
- 50% annually on computers and data storage equipment;
- 25% annually on other assets;
- A 30% deduction is allowed on investment in the acquisition of new or used machines and equipment, in the first taxable period in which these assets are used;
- License fees will be amortized at the annual rate of 10%.



Q: What is the tax treatment of bad debts?

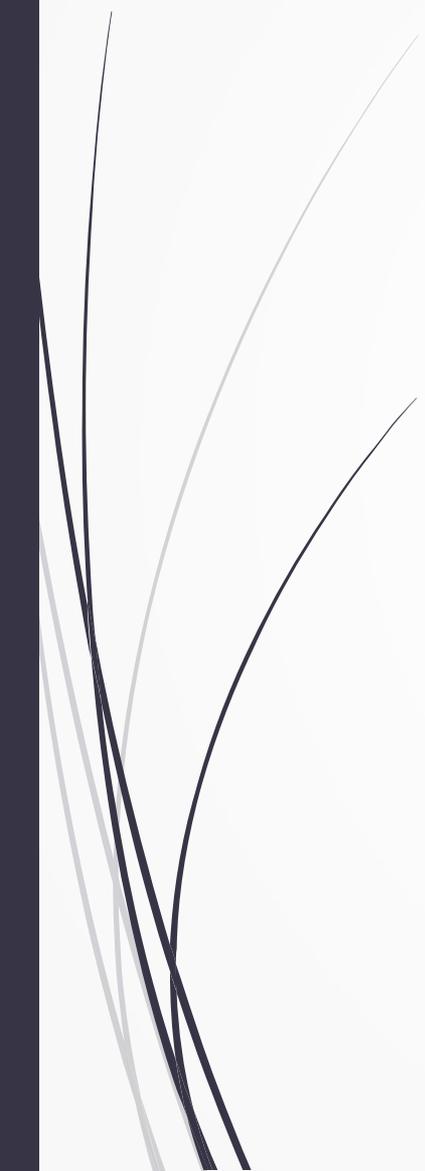
A: - Bad debts are considered deductible costs under specific conditions:

- ▶ The company is keeping proper accounting books;
 - ▶ The debt is connected with the activities of the company;
 - ▶ The counter-account of the debt was prerecorded in the company's accounting books;
 - ▶ The company has undertaken procedures to collect the debt during at least 18 months after its maturity, and has been unable to recover the amount of the debt.
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Q: What is the tax treatment of capital gains that result from a merger?

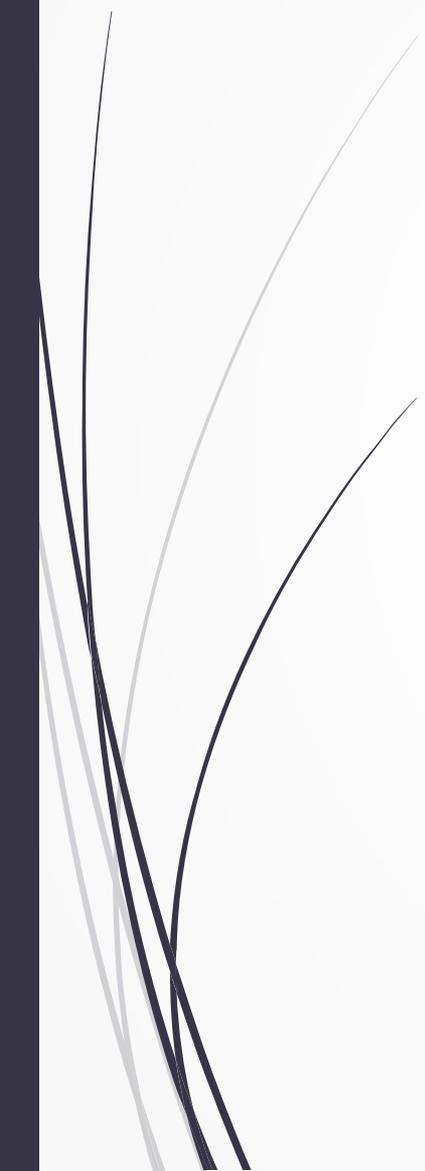
A: Capital gains resulting from a change in the legal status of a company, including a merger with another company by the exchange of stocks, will not be included in the income statement and therefore will not be liable to tax, on condition that the new book value is recorded on the date in which the legal status of the company is changed.





Q: What is the tax treatment of in-kind shares in a stock company?

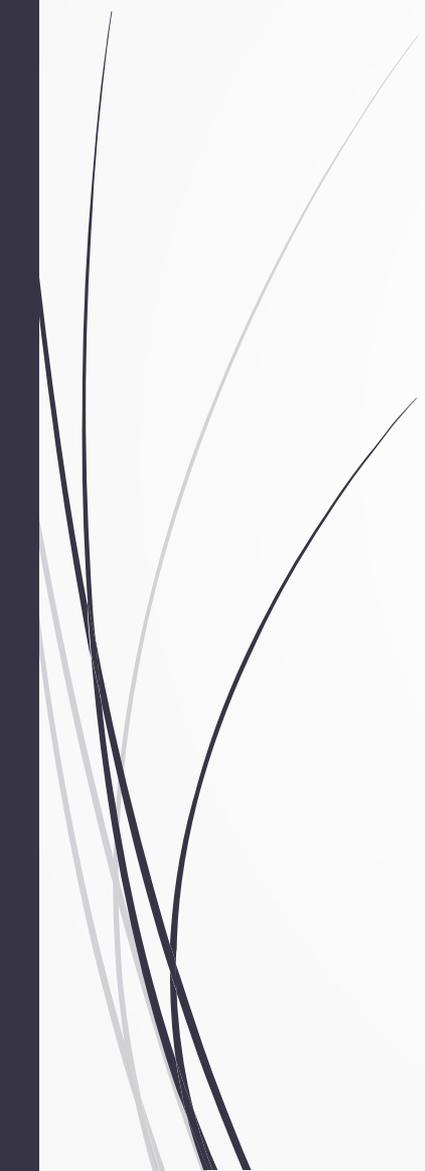
➡ A: There will be no tax on profits realized from a reevaluation of the assets of a sole proprietorship that is being presented as in-kind share in the capital of a stock company, as long as the stocks that are exchanged for the in-kind share have become nominal, and also, on condition that they are not released for a period of five years.





➔ **Q: What are the forms which a change of legal status can take?**

A: A change in legal status occurs when two or more companies merge, or a resident company splits into two or more resident companies. Also, a company's legal status changes when it is transformed from a sole proprietorship into a corporation or vice versa, or when one company acquires 50% or more shares or voting rights in another company, whether in terms of quantity or value.





Q: What is the tax treatment of profits realized from long-term contracts?

A: Profits from long-term contracts will be calculated based on the percentage of completion of the work executed during each taxable period.

This calculation will be based on the actual cost incurred during the taxable period as a ratio of the estimated cost, which will then be converted to a percentage of the value of the contract.

Losses of the taxable period may be carried back to offset profits realized in previous years, without, however, exceeding those profits.



Q: What is the tax imposed on real estate transactions?

A: Tax will be calculated at the rate of 2.5% of the sale value of the real estate.

Q: Who is eligible to keep regular accounting books and records?

A: A natural person is eligible to keep regular accounting books and records if he or she has:

- Invested capital valued at LE 50 000.- or more;
- Annual turnover valued at LE 250 000.- or more;
- Net income of LE 20 000.- or more.



Q: What are the deadlines for filing tax returns?

A: Before April 1st, for natural persons;
Before May 1st, for corporations.

Q: Does a taxpayer have the right to obtain a refund of excess taxes that were paid in advance?

A: Yes, the tax authority must refund such payments within (45) days from the date the taxpayer has applied for this tax refund. If not, a delay interest must be paid by the tax authority on the credit balance.



Q: Is it possible to obtain an installment plan for the settlement of taxes due?

A: Yes, however the period of the installments must not exceed the number of taxable years on which the tax has become due.

In special cases, where the President of the Tax Authority finds that the taxpayer is insolvent, he may agree to allow the taxpayer a longer period to pay the installments, on condition that the new period will not exceed double the taxable years on which the tax is due.

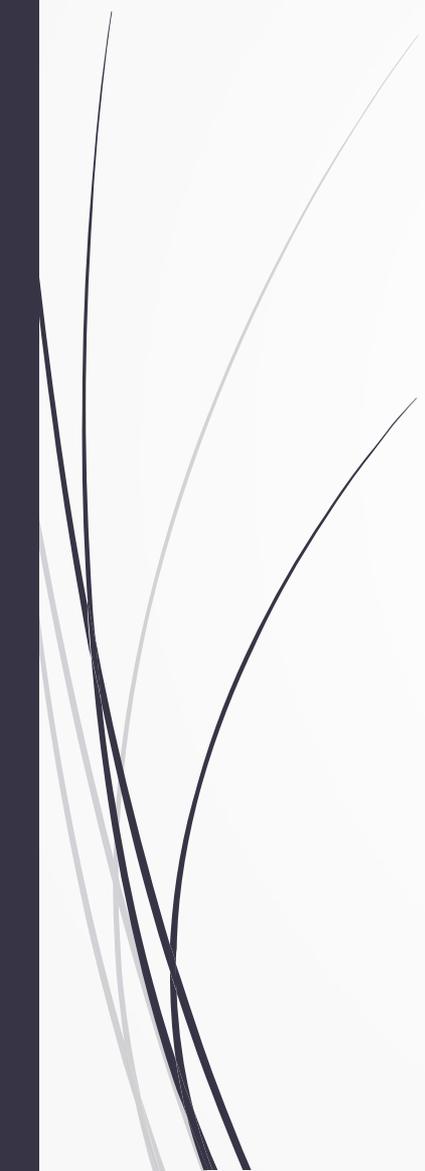


Q: How does one apply to settle the tax in advance?

A: The new tax law provides taxpayers with the option to settle the tax in the form of advance payments, rather than withholding tax.

According to this system the taxpayer will make an advance payment of up to 60% of the tax that is expected to be due on the taxable year, based on the taxpayer's last return. The taxpayer should settle the tax in three advance payments, on June 30, September 30 and December 31.

These advance payment will be deducted from the tax due upon filing the tax return, and the remaining balance will then have to be paid.



A taxpayer may choose to replace this system with the withholding tax system, as long as he or she has applied the system of advance payments for at least one year previously, and settled the tax due in accordance with the law, if he or she applies to the directorate at least 90 days before the beginning of the fiscal year.

The taxpayer may be exempted from the application of this system if he or she has realized taxable losses for two consecutive years, or if the legal status of the company has changed.



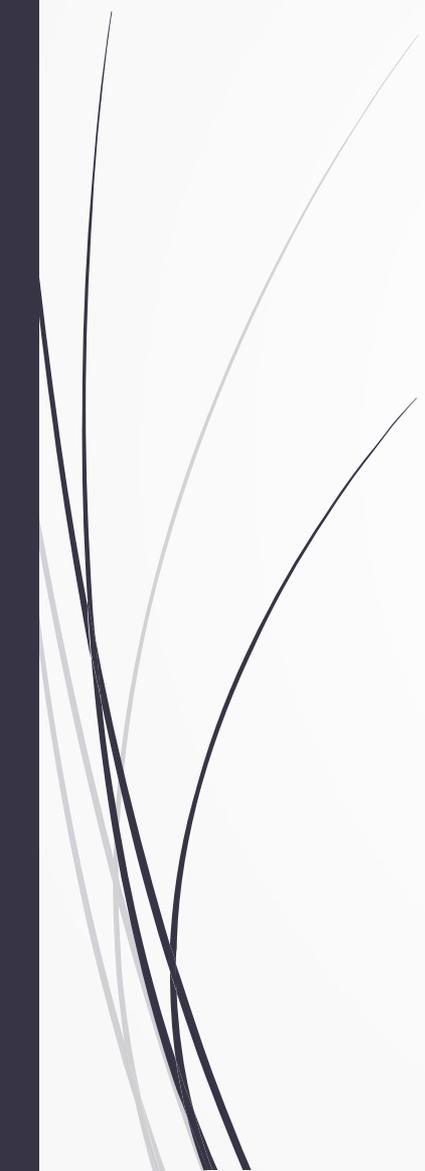
Q: What tax rate will be applied to the income realized by natural persons?

A: Under the new law, there will be three tax brackets:

The first tax bracket refers to income between LE 5,000 and LE 20,000 and will be taxed at the rate of 10%.

The second tax bracket refers to income greater than LE 20,000 and up to LE 40,000; it will be taxed at the rate of 15%.

The third tax bracket refers to income in excess of LE 40,000; it will be taxed at the rate of 20%.





Q: When will the new law take effect?

A: The new law will apply to employees as of the beginning of the month following the date it was published. In other words, it will become effective as of July 1, 2005.

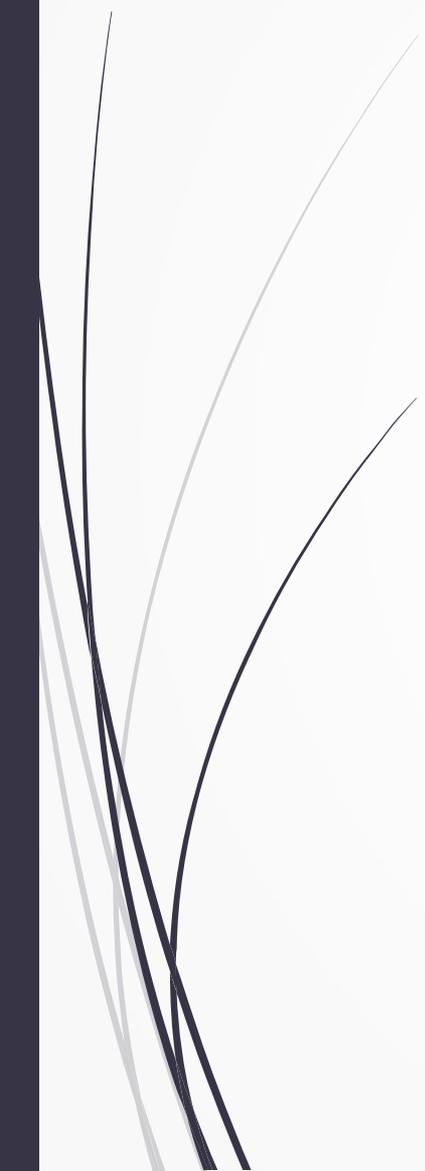
It will be applied to natural persons companies, i.e. partnerships, upon the beginning of the fiscal year, in other words, on January 1, 2005.

The law will become effective on corporations during the first fiscal year that will start in a period in 2004 and ends on December 31, 2005 or on the fiscal year starts on January 1, 2005.



**Application of the new tax law
Ministerial decree No. 534**
The percentage to be collected out of the value of the imports on account of the tax from the private law companies according to the provisions of article (67) of the income tax law no. 91/2005

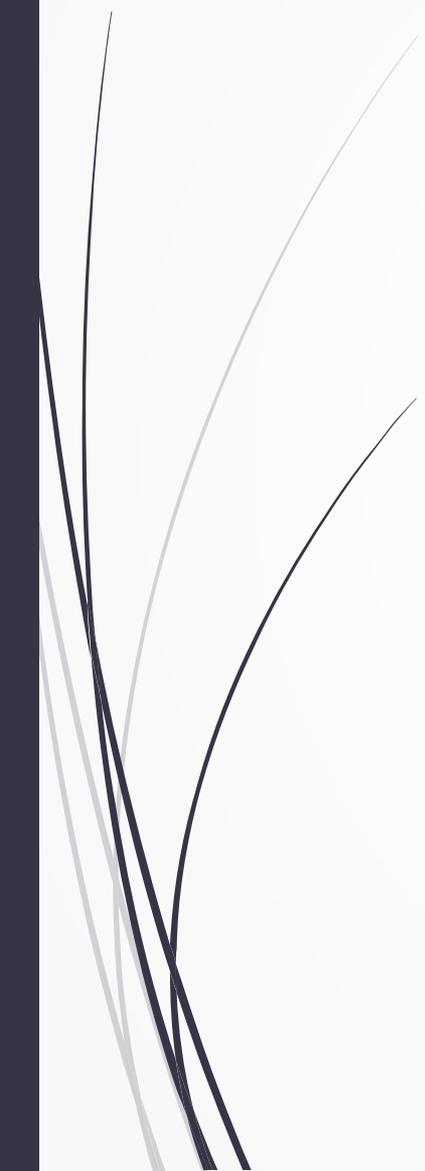
- ▶ The customs administration shall collect from the private law persons a percentage at a rate of half percent of the value of the imports on account of the tax on the commercial and industrial activity or the corporate tax due on the juridical persons.

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- ▶ The abovementioned amounts should be handed over to the respective tax administration every quarterly (April, July, October, January).



- ▶ **Application of the new tax law ministerial decree No. 535/2005**

Determining the entities and establishment That are committed to withhold amounts on tax account according to the provisions of article (59) item 2 of the income tax law 91/2005





➤ The following entities are committed to withhold amounts on tax accounts once their annual turnover exceeds two hundred and fifty thousand pounds:

- Contracting & Suppliers
- Export Offices
- Commercial agents
- Travel Agencies
- Tourist transport offices
- Television, the article & Radio production companies.
- Industrial companies registered in the register of industry.

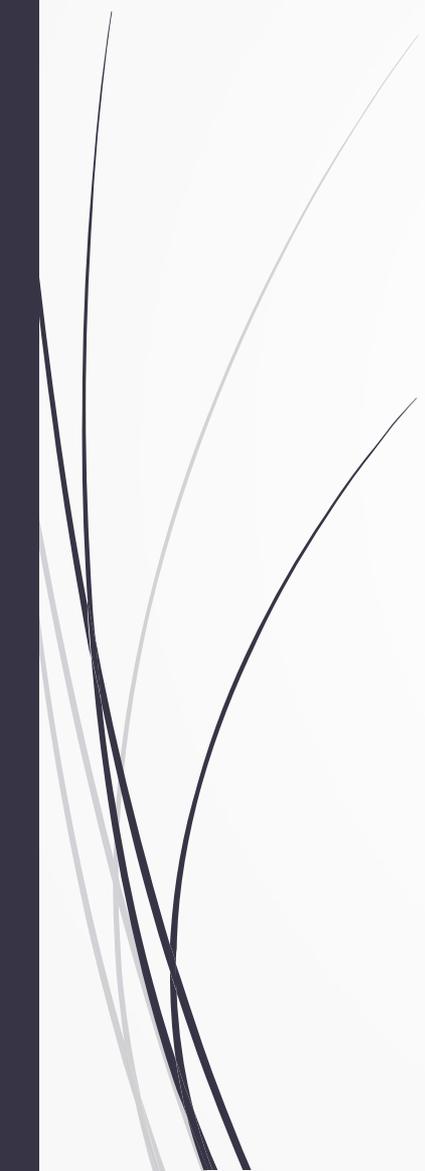


► **Application of the new tax law ministerial
decree no. 537/2005**

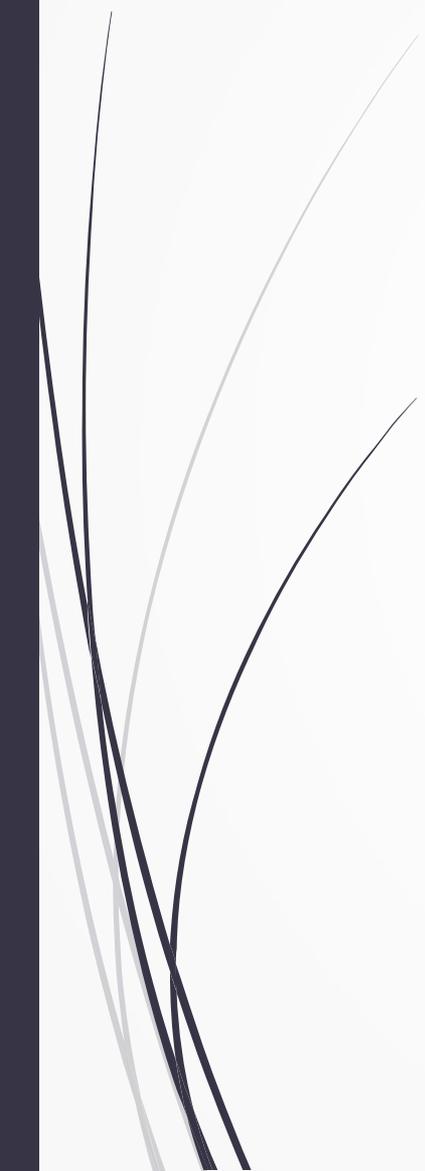
**Determining the aspects of the commercial
and industrial activities in respect of
which the system of the withholding tax
according to article 59 of the tax law
91/2005**



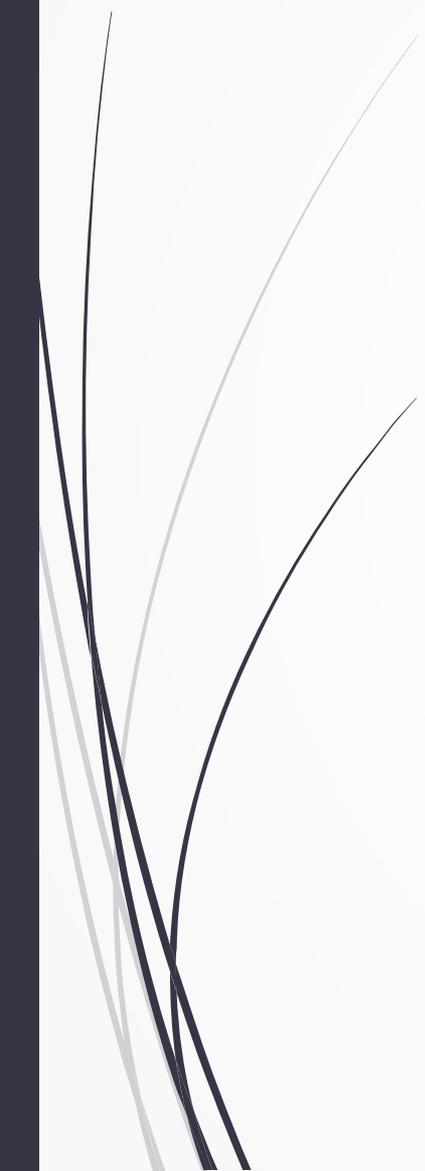
All entities mentioned in Item 1 of article 59 of the law as:



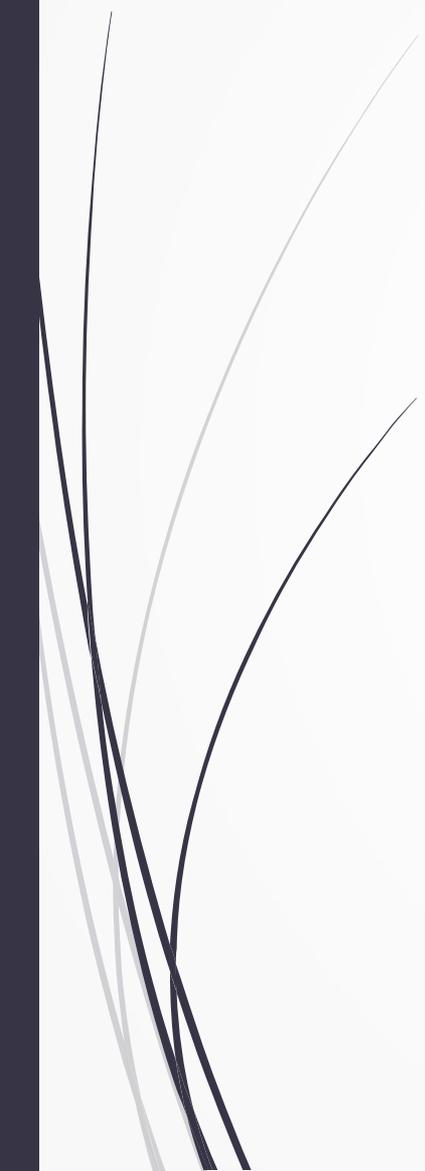
The government ministers and departments, the local government units, the public authorities, the national economic or service organizations, the public sector companies and units, the public business sector companies, the associations of capital, the establishments and companies subject to the investment laws, the partnerships with a capital exceeding fifty thousand pounds whatever their legal form, the companies established by virtue of special laws, the companies and projects established under the free zone system,



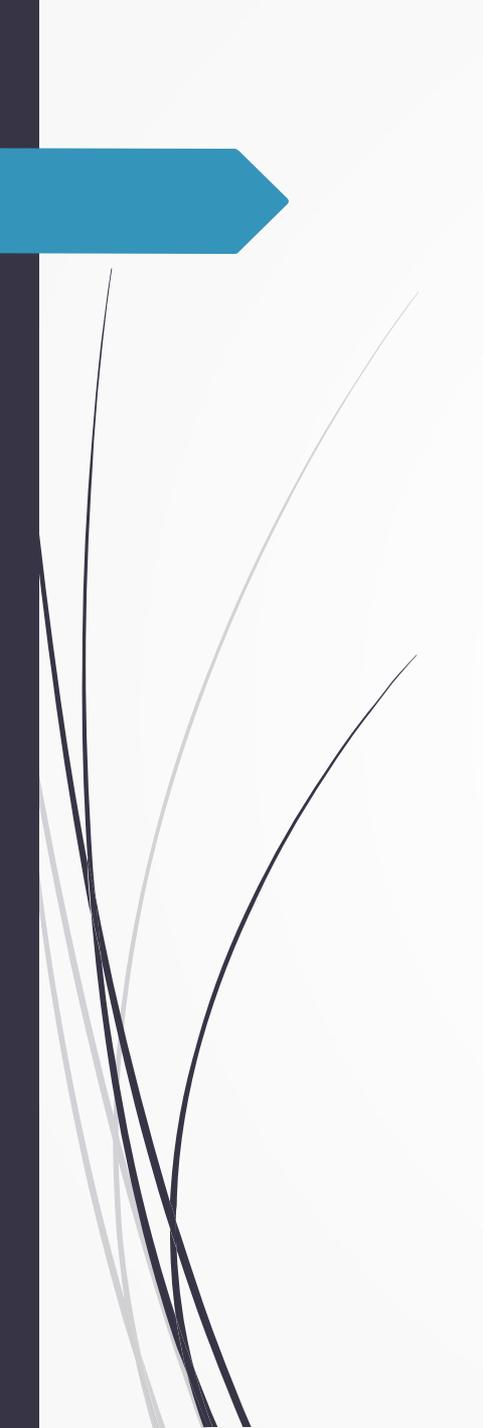
the foreign companies branches, the drug stores, the import offices, the cooperative societies, the press institutions, the educational institutes, the syndicates, leagues, clubs, youths centers, unions, hospitals, hotels, all kinds of kinds of non – governmental organizations, the professional and foreign representative offices, the movie production establishments, the theatres and entertainment places and the private insurance funds established by virtue of law no. 54 for the year 1975 or any other law.



The abovementioned entities should withhold the tax from the private sector entities at the rates mentioned hereunder to be handed over to the respective tax administration every quarter (January, April, July, October).



The percentage of the taxes withheld in implementation of the provision of article 59 of the law 91/2005 are as follows:-



Serial	Activity	Percentage
1	Contracting works and supplies	0.5%
2	Purchases	0.5%
3	<u>Services</u>	
	A- Services	2%
	B- Amount paid by the cooperative societies for transport by cars to their members in return for transport by vehicles	0.5%
	C- Commission agency to brokerage	5%
	E- All discounts, grants and commissions granted by oil companies to their distributors	2%
4	Professional fees	5%



Application of the tax on salaries

- ▶ **Q.: What are the general conditions that apply in the determination of the taxable salaries?**

A.1- The new laws apply the concepts of:

- ▶ Residence.
- ▶ Source of the income



2- Article (2) of the general conditions of the law has defined the residence of the natural persons as follows:-

a- If he has a permanent domicile in Egypt.

b- The person that is residing in Egypt for a period longer than 183 continuous or interrupted days within twelve months.

c- The Egyptian who performs his job abroad and obtain his income from an Egyptian treasury.



3- Article (3) of the general conditions of the law has determined the income to be realized from Egyptian treasury as follows:-

a- The income realized from providing services in Egypt.

b-The income which is paid by an employer residing in Egypt, even if the work is performed abroad.

c- The income realized from works performed by a non-resident through a permanent establishment in Egypt.



Q.: What are the special conditions that apply in the determination of the tax basis?

1- Income subject to tax :

- All income realized by the tax payer for his work for third parties with or without contract, periodically or non periodically, whether they are as a return of works preformed in Egypt or abroad and paid by a source in Egypt including wages, remunerations, incentives, shares and portions in profits, as well as the monetary privileges and allowances in –kind of all types.



2- Determination of income not subject to tax:

A- Pensions

B- End of services remuneration.

C- Compensations for vacations.

3- Exemption and deductions:

- Items 1 : 6 of article 13 of the law provide:-

1- An amount of 4,000 pounds, an annual personal exemption for the taxpayer;

2- Social insurance and other contributions to be deducted according to the provisions of the social insurance laws or any other alternative systems;

3- Employees' contributions to the private insurance funds established according to the provisions of the Private Insurance Funds Law as promulgated by law No.54 for the year 1975;



4- Premiums of Life and health insurance on the taxpayer in his favor or in favor of the spouse or minor children, and any insurance premiums for pension entitlement;

5- The following collective allowance in-kind:

a) Meals distributed to the workers;

b) Collective transportation of workers or equivalent transportation cost;

c) Health care;

d) Tools and uniforms necessary for performing the work;

e) Tenements provided by the employer to the workers for performing their work;

6- Workers' share in the profits to be distributed according to the law;



With regard to items (3 and 4), it is stipulated that the total exemption accorded to the taxpayer shall not exceed 15% of the net income or three thousand pounds, whichever is more, which shall not be re-exempted from any other income

4- Tax rates

-	:	LE 5000	Exemption
LE 5000	:	LE 20000	10 %
LE 20000	:	LE 40000	15 %
More than	:	LE 40000	20%

Tax is assessed at the rate of 10% on income without any deductions when obtained by:-

- Non – resident taxpayer.
- Income realized by resident taxpayer from entities other than their principle employers.



5- Tax treatment of the amounts obtained by members of the board:

Amounts obtained by the chairman and members of the board in form of salaries, remunerations for their administrative work are subject to the salaries tax.

6- Obligations to withhold the tax:-

A- Employers Obligations

- Payment of the tax differences which may result from the tax inspection. They may withhold this difference from the employees.
- Filing a declaration in quarterly basis on 1/1, 1/4, 1/7, 1/10.
- Issue a certificate to the employee which may include:-
 - The employee name.
 - Amount and description of the income earned.
 - The amount of the taxes withheld.



B- Delay interests

- The tax is due within 15 days following to the month in which the salaries were paid.
- In case of delay in handing over the tax in due time, an interest equal to the rate prescribed by the Central Bank of Egypt + 2% will be due.

7- Tax declaration

Those having salaries as sole source of income are exempted from filing the annual tax return.



Q.: What is the tax treatment of the cash and /or in kind benefits according to the executive regulation to the law:-

- The cash and/or in kind benefits are defined as the employees cash/in kind earnings without being a compensation for actual payment which represent an additional privilege.
- The benefits are determined as follows:-

1- Company cars: The benefits related to the cars which are owned or rented by the company to be allocated for the usage of an employee is determined at the rate of 20% of the cost of the fuel, insurance, maintenance related to this cars.

2- Mobiles:

The benefit is determined at the rate of 20% of the cost related.



3- Loans by the employers

In case of loans without interest or at interest less than 7% the benefit is determined at the rate of 7% or at the difference between 7% and the interest rate of the loan.

4- Insurance

The benefit is determined at the value of the premium paid by the employer.

5- Company's share

The benefit is determined at the difference between the fair market value of the share and the value for which the employee has obtained this share at the date of acquisition.

Calculation of the salaries tax
According to the tax Law 91/2005

Description

- Entire earning of salaries an like payments, allowances, remunerations	XX	
- Cash and/or in kind benefits (article 9)	XX	
Total		XXXX

Deduct

Income exempted according to laws

- Social allowances	X	
- Special allowances added to the basic salary	X	
- Special allowances not added to the basic salary	X	

Income exempted to article 13 of the tax law

- Annual personal exemption	4000	
- Social insurance contribution (item 2 of article 13 of the tax law)	X	
Total		XXXX

Net income (based on which the following is calculated)

- Premium paid by employees in private insurance funds according to law 54/1975 (item 3 of article 13 of the law)	X	
- Life and health insurance premium in favor of the employee and family (item 4 of article 13 of the law)	X	
- Premium of the health insurance (item 4 of article 13 of the law)	X	
Total		XXXX

Note: The amount exempted in item (3+4) should not exceed 15% of the net income or LE 3000, whichever is more or the actual payment

Taxable salary		XXXX
<u>Less:</u> Amount deducted according to article (7) of the law		(5000)
Tax Basis		XXXX

Tax is calculated in accordance with article 8 of the law as follows:

First Bracket		LE 15000 x 10%
Second Bracket		LE 20000 x 10%
Third Bracket	what's exceeding	LE 35000 x 20%