

Cairo Team
Tax practice
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Team leaders

Ziad Bahaa-Eldin
ziad.bahaeldin@belex.com
Phone: +202 25867503

Giuseppe Manzo
giuseppe.manzo@belex.com
Phone: +39 02 771131



Authors

Mostafa Elfar
mostafa.elfar@belex.com
Phone: +39 02 771131

Omar El Shafei
omar.elshafei@belex.com
Phone: +202 25867503

Egypt's second tax facilities package: more details for taxpayers, but is it enough?

1. Introduction: has it become law yet?

In the first week of June, the media began circulating explanatory memoranda and drafts of Egypt's Ministry of Finance ("MoF") second tax facilities package ("Package 2"), first announced in December 2025. So far, Package 2 includes seven amendments concerning income tax, value added tax, stamp duty, and tax dispute settlement committees.

Here's a look at what Package 2 has to offer.

2. Income tax measures: participation exemptions, long-term financing advantages and public listing incentives

- a. **Favourable conditional treatment of dividends**: Package 2 proposes a full exemption from corporate income tax ("CIT") at the recipient level for intra-group dividends, replacing the current exemption of only 90% of dividends. Dividends will be subject to withholding tax ("WHT") only once, regardless of the number of upstream distributions.
- b. **Reduced capital gains tax on unlisted shareholdings**: Taxpayers' acquisition costs will be adjusted for inflation, resulting in a lower tax base for capital gains tax purposes (currently 22.5%) on the sale of shareholdings in Egyptian entities not listed on the Egyptian Stock Exchange ("EGX"). The sale of those shareholdings will also be exempt from stamp duty.
- c. **Capital gains tax exemption on listed shareholdings**: Taxpayers resident in Egypt may also be exempt from capital gains tax (currently 10%) on the sale of EGX-listed shares. Transactions involving EGX-listed shares will instead be subject to stamp duty, regardless of Egyptian tax residence, at rates of 0.05% for buyers and 0.05% for sellers.

- d. **Reintroduction of WHT exemption on interest payments:** Egypt-based borrowers may be exempt from WHT (currently 20%) on interest payments to non-resident lenders if the loan meets certain conditions. These include that it is used to finance a national infrastructure project, has a tenor of at least 5 years, and is between parties that are not related for Egyptian tax purposes.
- e. **Relaxation of debt-to-equity limits:** Under the same conditions described in point d. above, Egypt-based borrowers financing a national infrastructure project may apply a debt-to-equity ratio of 4:1 (rather than the current 3:1).
- f. **Incentives for EGX listing:** Companies listing on the EGX may benefit from a 15% CIT deduction for 3 years (renewable once). The incentive applies to listed companies with a valuation of at least EGP 50 bn and at least 20% of their shares free-floating, or at least EGP 10 bn for larger companies.

3. VAT measures: cash is king!

- a. **Extended VAT suspension:** Purchasers of machinery and equipment for industrial use may benefit from a 4-year VAT suspension, pending review and approval of a full VAT exemption by the Egyptian Tax Authority (“ETA”). Sellers will also obtain exceptional rights to deduct input VAT.
- b. **Simplified refunds:** VAT refunds arising from excess input VAT will be simplified to boost taxpayers’ liquidity, including for SMEs, by allowing refunds for non-exporters with excess input VAT that has been carried forward for only 3–4 months, rather than the current minimum 6 months.
- c. **Reduction of indirect tax distortions:** Package 2 envisages: (a) standard 14% VAT on soap and cleaning detergents (currently 5%); (b) 5% VAT on medical equipment and machinery (currently 14%); (c) standard 14% VAT on rentals of administrative units used for business purposes; and (d) unified development fees on white and black cement.

As a refresher, in 2025 and 2026 the ETA issued three circulars and instructions covering: (a) the use of input VAT to offset other tax debts; (b) the simplification of the refund process for excess input VAT; and (c) the alignment of the ETA’s interpretation of exported services with international VAT standards.

4. Dispute settlement measures: yet another round of mandates!

Tax dispute settlement committees: The mandate of tax dispute settlement committees will be renewed until 31 December 2026 to handle all ongoing tax and customs disputes, whether before internal committees, appeal committees or the administrative courts.

5. Looking ahead: where do things stand?

Egypt's legislative process for tax laws starts with technical approvals in the budgeting committee. This is followed by a vote in a plenary session of Egypt's House of Representatives ("HoR"). If approved, the legislation is referred to the President for signature and comes into force only once published in the Egyptian Official Gazette. We expect the HoR to approve the Package 2 measures before its summer recess in July 2026.



Cairo Team

The team is a constellation of skills in different practice areas, with a focus on Egypt.

Ziad Bahaa-Eldin
Banking & Finance

Rana El Kahwagy
Public International Law

Giuseppe Manzo
Corporate

Farah Kassem
Corporate

Gianfranco Veneziano
Corporate

Ahmed Kassem
Corporate

Shorouk Hesham Genena
Corporate

Rinad Mikhail
Corporate

Mostafa Moussa
Banking & Finance

Nadine Noaman
Corporate

Mostafa Elfar
Tax

Abdelrahman Rashad
Corporate

Omar El Shafei
Tax