



**Cairo Team, 3 June 2020**



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**Amendments to tax law: increased personal income tax rates for individuals**

**1. Introduction**

On 7 May, Law No. 26/2020<sup>1</sup> (“**Law**”) amended Income Tax Law No. 91/2005<sup>2</sup> (“**ITL**”). The Law, among other things, amends the personal income tax (“**PIT**”) brackets.

The Law aims to boost the PIT’s progressiveness and reduce tax burdens on lower income individuals. Besides introducing new PIT brackets and widening existing ones, the amendment: **(a) sets a new formula to calculate the PIT due based on taxable income; (b) increases PIT exemption on salaries between EGP 7,000 and 9,000; and (c) abolishes the tax credit regime introduced on PITs in 2017.**

**2. What are the new rates?**

The most notable increase is the rate for the highest bracket – from 22.5% to 25%.

Bracket no.	PIT bracket (EGP)	PIT rate (%)
1 <sup>st</sup>	0–15,000	0
2 <sup>nd</sup>	15,000–30,000	2.5
3 <sup>rd</sup>	30,000–45,000	10
4 <sup>th</sup>	45,000–60,000	15
5 <sup>th</sup>	60,000–200,000	20
6 <sup>th</sup>	200,000–400,000	22.5
7 <sup>th</sup>	400,000+	25

<sup>1</sup> Law No. 26/2020, Official Gazette, Issue No. 19 (cont.), 7 May 2020.

<sup>2</sup> Income Tax Law No. 91/2005, Official Gazette, Issue No. 23-*bis*, 9 June 2005.

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The brackets apply after considering the rules below, which limit the ability of individuals with annual incomes above EGP 600,000 from accessing lower PIT brackets when calculating progressively the PIT due. The limit depends on the individual's annual taxable income as follows:

Individual's annual taxable income (EGP)	No access to PIT rate in bracket
600,000–700,000	1 <sup>st</sup>
700,000–800,000	1 <sup>st</sup> and 2 <sup>nd</sup>
800,000–900,000	1 <sup>st</sup> , 2 <sup>nd</sup> , and 3 <sup>rd</sup>
900,000–1,000,000	1 <sup>st</sup> , 2 <sup>nd</sup> , 3 <sup>rd</sup> , and 4 <sup>th</sup>
1,000,000+	1 <sup>st</sup> , 2 <sup>nd</sup> , 3 <sup>rd</sup> , 4 <sup>th</sup> , and 5 <sup>th</sup>

### 3. What should you note?

1. In relation to salaries, payroll/finance departments should apply the new rates as of 1 July.
2. For individuals who carry on a business, carry out professional work or have real estate revenue, this amendment is effective for PIT payable for the year ending 31 December 2020.



#### Cairo Team

The team comprises professionals with expertise in different practice areas. Please send any queries on the above to the local Covid-19 task force email hotline: [Covid19-Egypt@belex.com](mailto:Covid19-Egypt@belex.com)