

Cairo Team

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Amendment to Egypt's VAT law regarding e-commerce**1. Introduction**

The recent Decree 24/2023¹ (“**Decree**”) issued by the Egyptian Minister of Finance amended the Executive Regulations² (“**ER**”) of the Value Added Tax Law³ (“**VAT Law**”). The amendment aligns the ER with the VAT Law following the major amendment in January 2022.⁴ Both amendments detailed the Simplified Vendor Registration Regime (“**SVRR**”), which is aimed at:⁵ (a) making it simpler for non-residents to comply with VAT rules, (b) cracking down on VAT evasion and thereby increasing tax revenues, and (c) creating a level playing field for businesses in Egypt.⁶

This newsletter thus addresses how the recent changes to indirect taxes affect non-resident e-commerce businesses (e.g., online sellers of goods/services, marketplaces, and platforms).

2. Definitions and scope of the SVRR

The obligation to register under the SVRR⁷ applies to non-resident suppliers of goods⁸ or services⁹ (“**Non-Resident Supplier**”) that supply final consumers directly¹⁰ or through an electronic distribution platform (“**EDP**”). By registering,¹¹ a Non-Resident Supplier becomes a taxable person for VAT purposes. A Non-Resident Supplier that fails to register is deemed registered in the SVRR whenever sales in Egypt in a year exceed

¹ Ministry of Finance Decree 24/2023, Egyptian Gazette No. 9(*cont.*)(*b*), 11 January 2023.

² Ministry of Finance Decree 66/2017, Egyptian Gazette No. 55(*cont.*)(*a*), 7 March 2017.

³ Value Added Tax Law 67/2016, Official Gazette No. 35(*bis*)(*c*), 7 September 2016.

⁴ Law 3/2022, Official Gazette No. 9(*bis*)(*b*), 11 January 2023.

⁵ The local representative regime in place before the SVRR did not prove successful, as most of the non-resident service suppliers failed to meet to the compliance requirements.

⁶ The ER was supplemented by the VAT guidelines for digital services and other remote services provided by non-residents issued by the Minister of Finance with Decree 160/2023 on 22 March 2023.

⁷ Art. 17(1) of the VAT Law.

⁸ Art. 17(3) of the VAT Law requires Non-Resident Suppliers of goods to become SVRR-registered within two years from the enactment date of the SVRR.

⁹ Art. 17(3) of the VAT Law requires Non-Resident Suppliers of services to become SVRR-registered within six months from the enactment date of the SVRR. However, based on the VAT guidelines issued by the Ministry of Finance, the deadline is three months from the issuance date (i.e., 22 June 2023).

¹⁰ Non-residents can register on the ETA’s portal; the ETA has also published three English guides on YouTube on: (a) how to create an account on the website; (b) how to register under the SVRR; and (c) how to submit a simplified VAT return.

¹¹ Art. 21 of the ER details the registration procedure.

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the registration threshold of EGP 500,000¹² (approx. EUR 15,250 or USD 16,400).

3. Taxable event and VAT collection under the SVRR

The VAT application on imports of goods under the new SVRR creates confusion. For imported goods, the VAT due is collected either:¹³ (a) at customs when releasing the goods; or (b) via the SVRR, whereby the Non-Resident Supplier is responsible for collection and remission to the Egyptian tax authority (“ETA”).¹⁴

For imports of services from a Non-Resident Supplier, Egypt is considered the place of supply for VAT purposes¹⁵ whenever the recipient resides in Egypt (thus Egyptian VAT must be charged).¹⁶ The ER details¹⁷ the criteria to determine residence in Egypt of individuals who import services.

4. Taxable event and VAT collection for EDPs

The responsibility for collecting the VAT from suppliers whose services are imported via an EDP before remitting the VAT to the ETA¹⁸ generally lies on that EDP. However, an EDP can avoid responsibility for collecting and remitting the VAT if all the following apply:¹⁹

- The EDP has a written agreement with the service supplier, whereby the latter is responsible for remitting the VAT.
- The invoice or receipt issued to the unregistered recipient: (a) specifies the nature of the service, and (b) specifies that the person transacting via the EDP is the service supplier.

¹² Art. 16(1) of the VAT Law. Non-Resident Suppliers that do not register may be subject to the financial and criminal penalties under the VAT Law and Unified Tax Procedures Law 206/2020. Additionally, the Minister of Finance may ask the Public Prosecution Office to ban or restrict their access to the Egyptian market, under Art. 67-bis of the VAT Law.

¹³ Art. 5(6) of the VAT Law and Item 3 of Art. 7 of the ER.

¹⁴ If the taxable base declared under the SVRR is below the customs calculation base, the Egyptian Customs Authority must collect the difference in VAT and other taxes and fees due.

¹⁵ Art. 5(3) of the VAT Law and Item 4 of Art. 7 of the ER.

¹⁶ A service recipient is deemed to reside in Egypt when the service recipient: (a) is a private individual (i.e., unregistered for VAT purposes) resident in Egypt; (b) is a taxable person registered for VAT purposes in Egypt; or (c) is a governmental or non-governmental entity, or any other entity, whether registered or unregistered for VAT purposes.

¹⁷ A recipient's residence in Egypt is evidenced in data collected by the EDP, e.g.: (a) residence details (e.g., billing/home address); (b) payment details (e.g., credit card/bank account details); and (c) online access details (e.g., country code for mobile number or landline number, or IP address).

¹⁸ Art. 7-bis1 of the ER addresses cases in which data based on which an EDP collected and remitted the VAT to the ETA were inaccurate and, hence, the remitted VAT was below the required amount: The ER relieves the EDP from paying uncollected VAT if the EDP: (a) collected and remitted the VAT based on the data provided by the service supplier or any third party; (b) had no previous knowledge of any underreporting of values; and (c) could not have noticed any underreporting in ordinary circumstances.

¹⁹ Art. 7-bis of the ER.



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- The general T&C governing the EDP state that the EDP: (a) does not deliver the service to the recipient, (b) is not entitled to collect VAT from the suppliers that use the EDP, and (c) has no role in completing the service supply to recipients.

5. Right to refund input VAT incurred on purchases

SVRR-registered Non-Resident Suppliers are entitled to a VAT refund²⁰ – within 45 days²¹ – on purchases necessary to carry on their businesses in Egypt²² if: (a) the ETA has already collected the VAT to be refunded, and (b) the refund amount does not exceed the Non-Resident Supplier’s credit with the ETA. SVRR-registered Non-Resident Suppliers are not entitled to deduct their input VAT from VAT collected on sales.²³



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

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²⁰ Item 5 of Art. 30 of the VAT Law.

²¹ From the date of submitting supporting documentation.

²² Item 4 of Art. 37 of the ER.

²³ Item 4 of Art. 22(3) of the VAT Law and Item 4 of Art. 28(2) of the ER.