

**Cairo Team**  
**Tax practice**  
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## Egypt's second tax facilities package: if not another amnesty, what's in it for taxpayers?

### Cairo Team



### Team leaders

Ziad Bahaa-Eldin  
[ziad.bahaaeldin@belex.com](mailto:ziad.bahaaeldin@belex.com)  
Phone: +202 25867503

Giuseppe Manzo  
[giuseppe.manzo@belex.com](mailto:giuseppe.manzo@belex.com)  
Phone: +39 02 771131



### Author

Mostafa Elfar  
[mostafa.elfar@belex.com](mailto:mostafa.elfar@belex.com)  
Phone: +39 02 771131

Omar El Shafei  
[Omar.elshafei@belex.com](mailto:Omar.elshafei@belex.com)  
Phone: +202 25867503

### 1. Introduction: is this the final tax facilities package?

On 3 December, Egypt's Ministry of Finance ("MoF") unveiled the main features of the second tax facilities package ("Package 2"). Unlike the first package, Package 2 is designed to make it easier for compliant taxpayers to do business. More measures could be coming, as the MoF also announced that a third and fourth package are expected from 2026 onwards. For now, Package 2 is awaiting legislative amendments and instructions from the Egyptian tax authority ("ETA") before it can take effect, expected by June 2026.

Here is a look at what Package 2 offers.

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

- a. **WHT exemption on domestic dividends**: Dividends paid between two Egyptian entities – currently subject to 10% or 5% withholding tax ("WHT") – may be exempt from WHT if the recipient is a qualifying 'holding company' (to be defined) and owns the required minimum shareholding (to be determined) in the paying entity.
- b. **Capital gains tax exemption on unlisted shareholdings**: Taxpayers resident in Egypt may be exempt from capital gains tax (currently 22.5%) on the sale of shareholdings in another Egyptian entity not listed on the Egyptian Stock Exchange ("EGX"). This measure is still under review by Egypt's Financial Regulatory Authority.

- 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. As for transactions involving non-resident taxpayers, a stamp duty is expected to be introduced on transactions involving resident taxpayers, with the rate yet to be determined.
- 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 is for a 'strategic project' (to be defined).
- e. **Relaxation of debt-to-equity limits:** Egypt-based borrowers may be exempt from the usual debt-to-equity ratio (currently 3:1) when engaging in a 'strategic project' (to be defined).
- f. **Incentives for EGX listing:** Companies listing on the EGX may benefit from tax breaks for 3 years (renewable once). The incentives will be linked to trading volumes, investment expansions and costs. This measure, too, is still under review by Egypt's Financial Regulatory Authority.
- g. **Bad debts deductibility:** Taxpayers may deduct a minimum amount of bad debts without having to go through cumbersome procedures.

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### 3. VAT measures: cash is king!

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- a. **Extended VAT suspension:** Machinery and equipment for industrial use may benefit from a 4-year VAT suspension (up from the current 1 year), pending ETA inspection for full exemption.
- b. **Simplified refunds:** VAT refunds arising from excess input VAT will be simplified to boost liquidity for taxpayers, including SMEs, by allowing:
  - i. 1-week refunds for taxpayers on the ETA's whitelist of compliant taxpayers; and
  - ii. refunds for non-exporters with excess input VAT that has been carried forward for only 3-4 months (under current rules, such excess must be carried forward for at least 6 months).
- c. **Offsetting of tax debts:** ETA Instructions 46/2025 – issued under Package 2 – set out how taxpayers can use input VAT to offset other tax debts (e.g., salary tax, corporate income tax, and stamp duties). This departs from

the ETA's earlier practice, which required taxpayers to go through the standard – and often cumbersome – VAT refund process before using input VAT to settle other tax liabilities.

- d. **End of exported services deviations:** ETA Instructions 45/2025 – issued under Package 2 – bring the treatment of 'exported services' in line with international VAT standards – a long-overdue fix to past practices that had sparked major disputes.
- e. **Reduction of indirect tax distortions:** Package 2 envisages: (a) a standard 14% VAT rate on soap and cleaning detergents (currently taxed at 5%); (b) a 5% VAT rate on medical equipment and machinery (currently 14%); and (c) unified development fees on white and black cement.

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#### **4. Dispute settlement measures: yet another round of mandates, but now with a long-awaited whitelist for compliant taxpayers!**

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- a. **Tax dispute settlement committees:** The mandate of tax dispute settlement committees will be renewed to handle all ongoing tax and customs disputes.
- b. **Whitelist of compliant taxpayers:** A whitelist of compliant taxpayers (criteria to be defined) will give priority access to ETA services, such as advance rulings, hotline support, and VAT refunds.
- c. **Efficient transfer pricing audits:** Transfer pricing audits will be separated from general income tax audits. A specialised appeals committee within the ETA will be established to resolve transfer pricing disputes.

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#### **5. Conclusion: share your thoughts – we are your voice!**

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Package 2 promises significant benefits for taxpayers, but key questions remain about the conditions under which it will take effect. With the MoF opening a public consultation on Package 2, **we invite you to share your thoughts and questions, which we can communicate on your behalf to the MoF – helping ensure that Package 2 truly supports your business in Egypt.** Egypt's parliament will not convene **before January 2026** to consider the necessary legislative amendments. In the meantime, we will keep you updated on all developments as they unfold.

**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  
*Competition*

Giuseppe Manzo  
*Corporate*

Marwan Elbanna  
*Corporate*

Gianfranco Veneziano  
*Corporate*

Farah Kassem  
*Corporate*

Shorouk Hesham Genena  
*Corporate*

Ahmed Kassem  
*Corporate*

Mostafa Moussa  
*Banking & Finance*

Rinad Mikhail  
*Corporate*

Mostafa Elfar  
*Tax*

Nadine Noaman  
*Corporate*

Omar El Shafei  
*Tax*

Abdelrahman Rashad  
*Corporate*