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In the presence of the Minister of Finance ... “Parliamentarians” discuss the “income and stamp” tax amendments



In its plenary session on May 29, the parliament discussed two draft laws amending certain provisions of the Stamp Tax and the Income Tax Laws submitted by Government, with the Minister of Finance present during the discussions.

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Our Views

The parliament discussed two draft laws submitted by the Government amending the stamp tax (requiring an increase in certain fees that cover a number of goods and activities, especially in the tourism sector), and introducing new amendments to the income tax law.

The new amendments and their timing raise a number of pressing questions:

1- Was a cost-benefit analysis used for these new taxes and fees before presenting them to the parliament for approval, which the Ministry of Finance will certainly receive, as has recurrently happened several times before? In other words, was the expected benefit properly calculated against what Egypt loses in terms of tourism revenues and negative reputation?

2- Has the timing of these proposals been studied, given the difficult economic conditions the country is going through? Have any objections or questions over timing been raised?

3- Was there proper coordination with the Minister of Tourism and the Prime Ministry regarding these fees and taxes before issuing them? Especially with Egypt's focus on tourism, which could solve the problems of foreign currency shortage, should security approvals and other institutional weaknesses are addressed properly.

4- Were the private sector in the tourism industry across its various fields contacted to learn about the impact of these new fees on tourism? This point is an integral part of the first point related to the cost-benefit analysis.

5- The Ministry of Finance stated that the new fees will not affect low-income segments. Is this true, given that the commodities subject to fees increase include “coffee” for example, which is consumed by a significant proportion of the Egyptian society. Also, the one-percent increase in insurance fees for land, marine and air transport will reflect on commodity prices in general, and hence the population at large will be impacted by it.

6- Is it wise to introduce new amendments to the income tax law, even if they are on the right path towards social justice? This goes against the idea of tax stability, which is a key factor in attracting direct investment; as investors will be unable to calculate its cost and carry out feasibility studies,

particularly that this law has been amended several times since its issuance.

7- When increasing the personal tax exemption limit in the amendments, from EGP 9,000 to EGP 15,000, has the effect on inflation been taken into account?

8- The new tax amendments introduced a new bracket at a rate of 27.5 percent for individuals whose annual net income exceeds one million pounds. Emphasizing the idea of tax justice, do citizens receive services commensurate with this tax increase, similar to countries that impose high taxes?

9- The new income tax amendments provided for the establishment of a higher council for taxes headed by the Prime Minister. This council had previously been stipulated under the law issued in 2005 by a decision of the President of the Republic, and a presidential decree was actually issued in 2010 in this respect but has yet to be implemented. Where is this council? Having a higher tax council that sets tax policies and follows up on their implementation outside the authority of the Minister of Finance is crucial to achieving tax stability.

10- Finally, and most importantly, for how long will the Ministry of Finance operate independently from the Government, the state's economic situation, and the critical stage it is going through? The Ministry of Finance is not just an ordinary ministry with a budget, it is rather responsible for speeding up the national economy. As such, it has the flexibility to change its policies at the right times to suit what the country needs to achieve growth, create employment, and stimulate economic activity.

Unfortunately, the biggest focus of the Ministry of Finance now is on achieving a primary surplus in the budget, as if it is a goal in itself, not paying attention to the shrinking economic activity that Egypt has been witnessing for two years, and the resulting shrinking role of the private sector. It must also have sufficient flexibility to change its policies.

We hope the Government and Parliament have an answer and a transparent study of these questions before discussing and approving these proposals.

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