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Tax Certificates: Financing without Debt, or Debt in Disguise?

Why Address this Subject Now?

On August 10, 2026, the President approved a proposal to issue "tax certificates funded by taxpayers and deducted from their future tax obligations, carrying a good and appropriate rate of return, in a manner that contributes to reducing financing needs and, consequently, the debt service bill."[1]

Framed this way, the proposal raises several points that warrant careful scrutiny. **First, it was introduced within the framework of debt, rather than taxation.** The official wording itself focuses on reducing financing needs and the debt service bill, rather than serving any regulatory tax purpose. The announcement was followed by widespread discussion of the instrument as **a quick way out** of debt pressure.

This carries even greater weight given that debt itself was at the center of an intense debate during those same weeks. The external debt service schedule published by the World Bank shows that the Egyptian economy is due to pay some **US$62.8 billion** in principal and interest over the twelve months from April 2026 to March 2027, of which seven billion is interest.[2] The Minister of Finance responded that more than two-thirds of this amount consists of Arab state deposits subject to roll-over agreements, and that the amount falling due on budget entities, including all their branches, during 2026 stands at **US$9.5 billion.**[3]

Second, the idea is not new to Egyptian tax legislation. Since **2005,** the Income Tax Law has contained a provision permitting the issuance of certificates to which taxpayers may subscribe, using

[1] Presidency of the Arab Republic of Egypt, Statement of the Official Spokesperson, 10 August 2026.
[2] Quarterly External Debt Statistics (QEDS) database, jointly maintained by the World Bank and the International Monetary Fund, Table 3: Debt Service Payments on External Debt Outstanding at End-Period, first quarter of 2026.
[3] Statements by the Minister of Finance published on 15 August 2026.

their principal and interest to settle current or future tax obligations. **What is new then is its activation, not the idea itself.**

Third, this activation occurred independently from its own legislative track. An amendment to the Income Tax Law itself was published in the Official Gazette on **28 July 2026**,[4] and the decision on the certificates came **thirteen days later**—standalone rather than part of that amendment. **Amending a law and then activating an existing provision outside of that amendment two weeks later raises questions regarding rule clarity and tax certainty.**

Taken together, these points warrant a closer examination of the instrument. The Egyptian Center for Economic Studies (ECES) has a long-standing interest in this issue: **the sound conduct of public finance policy** remains central to its work and seminars, and its assessment of the economic reform program concluded that **institutional reform is the foundation that cannot be replaced by isolated measures.**[5] Similarly, **the question of debt and potential remedies** has been a recurring theme in its publications—ranging from analyses of external debt service and the economy's external position to examination of debt restructuring options.[6]

We, therefore, examine this instrument below through three questions: Does it meet the principles of sound public policy? What do other countries' experiences show? **And finally, is this a viable solution to the debt problem?**

To What Extent Does the Proposed Certificates Policy Meet the Principles of Sound Public Policy?

Sound public policy is measured against four principles: **economic efficiency, intergenerational equity, social equity, and public acceptance. Under each, key questions remain unresolved.**

- **As for economic efficiency**, the primary consideration is the methodology used to estimate financing needs. The easing of the external burden rested on the fact that the larger part of the amount falling due consists of deposits subject to rollover agreements. **A deposit expected to be rolled over remains within the economy for as long as it is rolled over. Yet, the rollover is a decision in the hands of the depositor, not of the State, and it recurs at every maturity; confidence in it is an expectation, not a guarantee.** And to build an estimate of need on an expectation is different from building it on a guarantee.

  In essence, the instrument is **an advance sale of part of a future year's revenue at a price set today.** In this respect, it resembles a farmer selling a crop before planting it, undertaking to deliver at harvest a quantity agreed in advance: if the season proves abundant, what is

[4] Law No. 151 of 2026 amending certain provisions of the Income Tax Law issued by Law No. 91 of 2005, Official Gazette, Issue No. 30 bis (A), 28 July 2026.

[5] Egyptian Center for Economic Studies, "Egypt's Economic Crises/The Way Out and Possible Solutions," Issue No. 5: "A Year after Egypt's Economic Program"; and the seminar "Making Reforms Happen in Egypt," in collaboration with the Organisation for Economic Co-operation and Development (OECD), 3 July 2019.

[6] Egyptian Center for Economic Studies, "Views on the Crisis": Issue No. 9, "Servicing Egypt's External Debt," 9 April 2020; Issue No. 29, "Egypt's External Position," 18 January 2021; and Issue No. 31, "Seeking Ground in a Bottomless Sea: Addressing Misconceptions About External Debt in Egypt," 22 March 2021; and the "Economic Issues" series: "Is It Time to Consider Restructuring Egypt's External Debt?", July 2023 (in Arabic).

handed over is a small share of what was reaped; if it proves lean, most of the harvest goes to meeting the undertaking. The Treasury does the same with its revenue: it collects an amount today and undertakes to give up, when the term falls due, a larger amount out of its taxes. The difference between the two amounts is **the price of acceleration, and it is fixed, whatever happens**; the revenue from which the deduction will be made, by contrast, **is not fixed**: it grows if prices and activity grow, and it falters if they do not. If it grows faster than the price of acceleration, the transaction is profitable for the Treasury; if it grows more slowly, it is a loss. **Its worth, then, is not known on the day of issuance.** And the return, whatever its size, remains **two-sided by necessity: an advantage in the subscriber's hand and a cost item in the Treasury's ledger, and the figure is one and the same.**

- **Regarding intergenerational equity**, this instrument does not change the amount the taxpayer pays; what changes is **who spends it, and when. The principle is that future generations should retain the right to decide for themselves how to use their own money,** as that right belongs to them, not their predecessors. Nor is the effect confined to distant generations; it appears in **one budget in particular: the one in which the certificate falls due.** When that year arrives, the Government finds its revenue already spent, while its obligations such as wages, health, education and subsidies remain fully due.

  This issue is further compounded by shifting macroeconomic realities: external conditions may shift and a need may arise that was never accounted for, and **policies change with economic circumstances**, so that the same budget finds itself called upon to meet what was not anticipated, its money having been spent before it ever reached it. And if money is spent before the year arrives, that is not borrowing from the future so much as **a decision taken on the future's behalf, which brings it closer to expropriation.** Should issuance be repeated year after year, it turns from an exceptional measure into **a standing lien on revenue not yet collected.**

- **Regarding social equity, the question is who is able to take part.** Subscribing to an instrument of this kind requires three conditions together: surplus liquidity, stability in sales that allows that liquidity to be locked up, and the capacity to bear the cost of tying it up. These conditions are met by a limited segment of large taxpayers, rather than small and medium-sized enterprises whose liquidity is bound to their daily operating cycle. **The return itself thus becomes a privilege**: it reaches those who hold a surplus, and does not reach those who do not. Nor does a small denomination change this: **the constraint lies not in the size of the certificate, but in the ability to immobilize money for a full term.**

  It is noteworthy that the legislator had expressly excluded, in February 2025, enterprises whose annual turnover does not exceed EGP 20 million from the "withholding and advance payments on account of tax" system, **placing that exclusion in a chapter entitled "Tax Facilitations."**[7] That an instrument of **remunerated** advance payment, whose benefit is confined to those holding a surplus, should then be introduced eighteen months later **turns**

[7] Law No. 6 of 2025, Chapter Three, "Tax Facilitations," Official Gazette, Issue No. 6 bis (F), 12 February 2025.

the facilitation into something closer to a penalty: the small enterprise was exempted from paying early, and thereby deprived of the return on paying early, while the advantage remained with those able to pay.

A less visible effect follows from this : the companies able to subscribe are, for the most part, the companies with **pricing power** in their markets. If subscription is financed by passing the cost of liquidity through to prices, the burden of an instrument that is **optional on its face** ends with a consumer who neither subscribed nor was asked.

- **As for public acceptance, the key lies in clarity and transparency.** Acceptance is not built by mere announcement, but by setting out the reasons and identifying **who benefits, who does not, and how those who do not are compensated.** So far, the principle has been announced and the details left open, and the details here are what determine everything. No binding regulation has yet been issued: none that settles whether the return will be tied to **a published benchmark** or left to **administrative discretion**; none that sets a ceiling on total issuance; none that answers, and this is the most serious point of all, what happens if a taxpayer subscribes for more than their actual liability; and none that makes clear where the proceeds are to be recorded, whether under tax revenue or under financing sources.

  Nor has any timeframe been set within which that regulation is to be issued. Regulatory ambiguity carries a cost that does not wait for implementation: when a principle is announced and its details delayed, enterprises act on the worst-case scenario and price accordingly, so that the effect of the instrument begins before the instrument itself does. The decision also comes alongside increases in the prices of essential services, adding further to the burdens borne by citizens.

What Do Other Countries' Experiences Show?

Tax certificates are not among the established instruments of public finance, nor do they carry a standard classification in the recognized accounting frameworks. And the closest thing to them that has been tried carries a question mark: either it did not last, or it was rejected outright.

- **In Italy**, the Chamber of Deputies adopted in May 2019 a motion requiring the government to examine the issuance of small-denomination government paper against which tax liabilities could be offset. Within three days the Ministry of Economy and Finance had denied in writing that there was any need for issuances of this kind, and the President of the European Central Bank settled the matter in a phrase that captures the whole difficulty: "They are either money, and then they are illegal, or they are debt, and then the stock of debt goes up… I don't think there is a third possibility." The instrument was never issued.[8]
- **In the United Kingdom**, a comparable instrument operated for forty-two years, but the legislator answered the classification question explicitly: the Treasury issued it under **its**

[8] Italian Chamber of Deputies, Motion 1-00013, session of 28 May 2019; Italian Ministry of Economy and Finance, Press Release No. 106, 31 May 2019; and European Central Bank, transcript of the press conference of 6 June 2019.

borrowing power, and its proceeds were paid into the **National Loans Fund.** New purchases were then closed in 2017.[9]

- **Hong Kong is the most tightly governed of these experiences**: the return is **reviewed periodically and published**, and is calculated on the average twelve-month deposit rate at the note-issuing banks, which means that pricing has **a published benchmark** against which taxpayer and observer alike can measure it. Indeed, on ordinary certificates, interest is earned only if the certificate is actually used to pay tax.[10]
- **Greece is the most instructive of these cases**, because it reaches the same objective **without issuing an instrument at all:** a compulsory advance payment assessed with the return and then credited, together with a discount for early settlement. In both cases the state pays nothing: it either takes by obligation, or gives up part of what is owed to it; no paper is issued, and no liability is created. Indeed, when pressure on corporate liquidity intensified in 2020, it did the opposite of what is now proposed: **it reduced what it takes.**[11]

What these experiences have in common is that the instrument, wherever it existed, remained limited in effect and was never relied upon to address the burden of debt.

Is this the Solution to the Debt Problem?

The debt problem does not begin at repayment; it begins at the decision that created it. Debt is the outcome of investment decisions and spending priorities; and where these are not matched by a return sufficient to service them, the burden accumulates however its timing is rearranged. Treatment, therefore, begins with **a review of those decisions, and a measurement of the return on what is spent**, a theme ECES has continued to address in its research papers and seminars, concluding that gradual institutional reform requires **a genuine review of the State's priorities and a review of government expenditure items,**[12] **including how the investment decision itself is taken.**

This instrument does not come near the spending or investment decision that created the debt; it merely rearranges the timing of existing revenue without creating any new revenue. And that is precisely the warning ECES has raised before: the resort to **"parallel solutions on a continuous basis, to circumvent institutional weakness rather than to resolve it."**[13]

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[9] United Kingdom National Loans Act 1968, Section 12; Finance Act 1982, Section 145; and the notice closing the Certificate of Tax Deposit scheme issued by HM Revenue and Customs (HMRC) in November 2017.
[10] Inland Revenue Department, Hong Kong: Tax Reserve Certificates, rules for calculating the return and the conditions for earning it.
[11] Articles 68 and 71 of the Greek Income Tax Code, Law 4172/2013; Article 18 of Law 4714/2020 (Greek Official Gazette, Issue A/148, 31 July 2020); and Article 119 of Law 4799/2021.
[12] Egyptian Center for Economic Studies, "Egypt's Economic Crises/The Way Out and Possible Solutions," Issue No. 5: "A Year after Egypt's Economic Program." On institutional reform, the Center has also published "Institutional Reform in Egypt: The Elusive Obvious," Working Paper No. 188, July 2017 (in Arabic); "The State's Administrative Apparatus in Egypt: Concept, Challenges, and a Vision for Development," Working Paper No. 205, September 2019 (in Arabic); the discussion session "Institutional Reform Efforts: Goals & Achievements," 17 May 2017; and the seminar "International Experiences of Institutional Reform," 24 January 2023.
[13] Egyptian Center for Economic Studies, "Egypt's Economic Crises/The Way Out and Possible Solutions," Issue No. 5: "A Year after Egypt's Economic Program."

And here the further danger appears. An instrument that provides immediate liquidity may tempt an expansion of obligation rather than its restraint, turning from a means of relief into **an additional door to borrowing:** what is available today grows larger, and the reckoning is deferred to a budget still to come. In that event, the instrument will not have treated the problem; it will have **widened its scope. And a review of the decision that created the obligation is the only way out of the vicious circle of debt and poverty.**