



KSA Tax Updates



KSA Tax Update

1



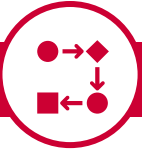
Special Economic Zones
("SEZ")

2



Regional Headquarters

KSA Tax Update



Special Economic Zones ("SEZ")

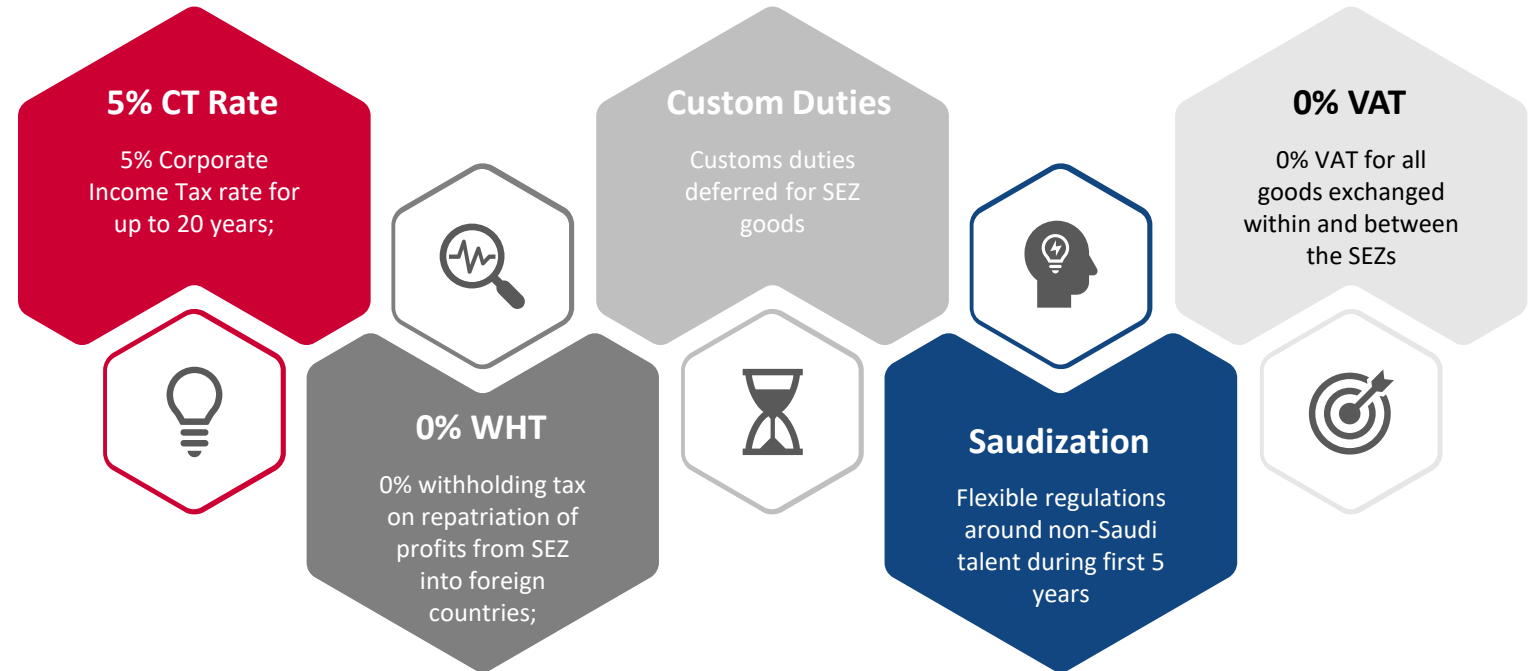
Special Economic Zones ("SEZ")

Driving Economic Growth

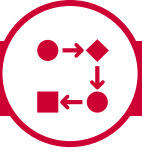
The Saudi government unveiled the creation of four additional Special Economic Zones (SEZs) on April 14, 2023, distributed across different regions of the country.

The objective behind these new SEZs is to provide attractive incentives to businesses considering investment in these zones, with the following being among the most prominent:

it's important to note that authorities have yet to release official documentation regarding Special Economic Zones ("SEZ")



KSA Tax Update



Special Economic Zones (“SEZ”)

Special Economic Zones (“SEZ”)

Driving Economic Growth

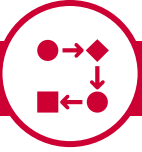
The Saudi government unveiled the creation of four additional Special Economic Zones (SEZs) on April 14, 2023, distributed across different regions of the country.

The objective behind these new SEZs is to provide attractive incentives to businesses considering investment in these zones, with the following being among the most prominent:

These SEZs offer attractive incentives, relaxed regulations, and infrastructure development to encourage investment and economic growth. Here are the names of some of the prominent Special Economic Zones in Saudi Arabia:

- » **King Abdullah Economic City (KAEC):** Located along the Red Sea coast, KAEC is one of the largest and most well-known SEZs in Saudi Arabia. It spans an area of 168 square kilometers and focuses on diverse industries, including logistics, manufacturing, energy, and tourism.
- » **The Knowledge Economic City (KEC):** a large-scale development project located in Medina, Saudi Arabia. It spans an area of approximately 4.8 million square meters and is designed as a knowledge-based hub for education, research, and innovation.
- » **Jazan Economic City (JEC):** Jazan Economic City is a SEZ located in the Jazan Province of Saudi Arabia. It focuses on a range of industries, including energy, petrochemicals, tourism, and light manufacturing. JEC aims to diversify the region's economy and create job opportunities for locals.
- » **Prince Abdulaziz Bin Mousaed Economic City (PABMEC):** located in the northern region of Saudi Arabia, is designed to attract investment in various sectors, including light industries, logistics, and technology. It offers investors incentives, infrastructure support, and proximity to neighboring markets.

KSA Tax Update



Regional Headquarters (RHQ)

Regional Headquarters (RHQ)

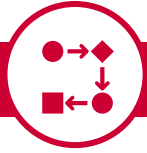
Requirements and Benefits

In 2020, the Kingdom of Saudi Arabia ("KSA") launched the initiative of the Regional Headquarters Program ("RHQ Program"), jointly developed by the Ministry of Investment ("MISA") and the Royal Commission for Riyadh City,

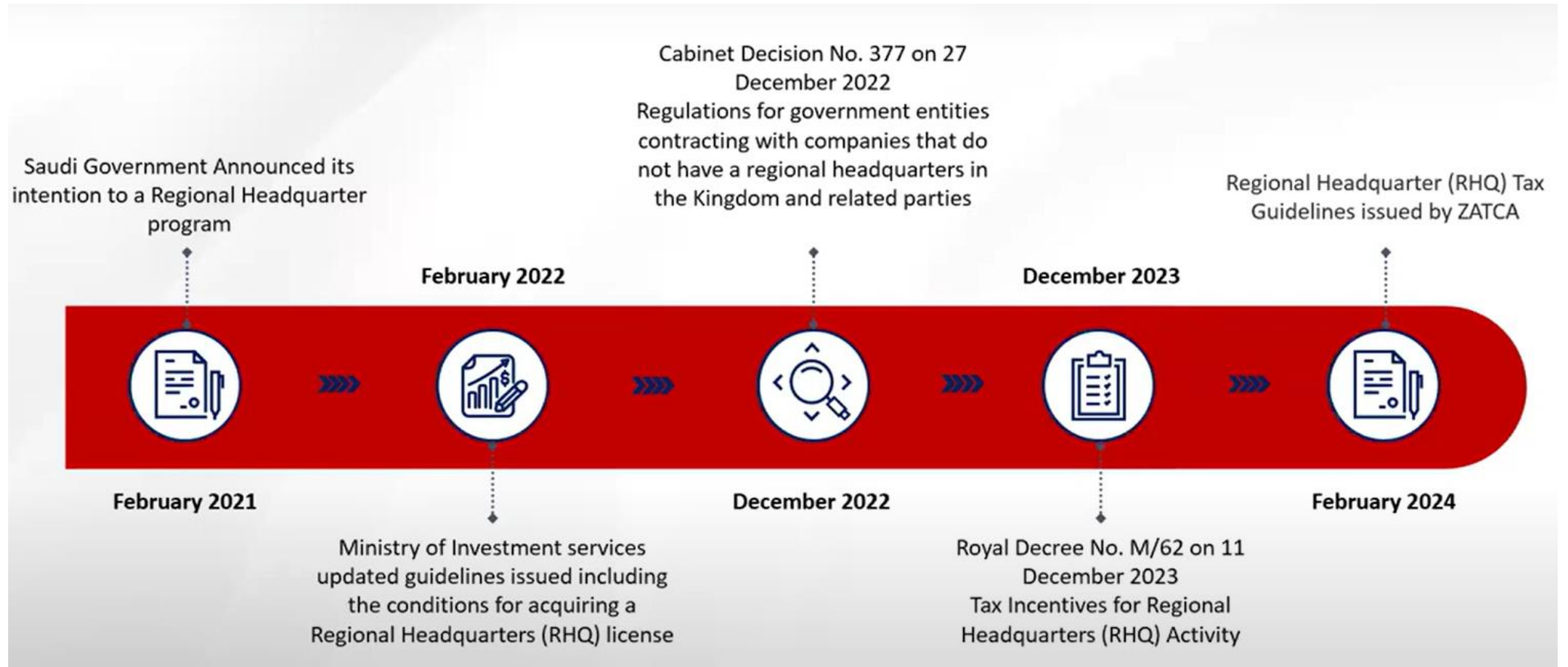
The RHQ Program aims to encourage international entities to have their main presence established in KSA.

- » To acquire this license, entities must operate as registered foreign companies or branches in Saudi Arabia, maintain at least two subsidiaries outside both the Kingdom and their country of incorporation, and maintain a physical presence solely for regional administrative purposes. Commercial activities must be conducted by MISA-licensed affiliates.
- » The RHQ license entails an annual fee of SAR 2,000, with an initial payment of SAR 10,000 in the inaugural year, valid for 1 to 5 years. While commercial activities are prohibited, RHQs can manage tasks such as budgeting, marketing, and strategic planning.
- » RHQs function as strategic support hubs for subsidiaries and affiliates in the MENA region, providing direction and overseeing management operations. Additionally, meeting the mandate to hire 15 employees within the first year of operation, with flexibility in nationality, and the requirement for three C-level executives are crucial for RHQ establishment.
- » The RHQ license has an annual license fee of SAR 2,000 and a one-time service fee of SAR 10,000 (limited to the first year). Additional fee waivers may be applicable for certain application tiers.

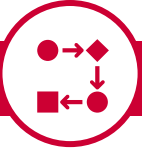
KSA Tax Update



Regional Headquarters (RHQ) - Timeline



KSA Tax Update



Regional Headquarters (RHQ) - Benefits

» Requirements

- » Entities maintaining an **RHQ license** in Saudi Arabia must engage in specific business activities, categorized as **Mandatory** and **Optional**.
- » **Mandatory activities** include providing strategic direction and management functions, such as formulating regional strategy and financial performance review.
- » Additionally, entities must choose three **Optional Activities** from a list including Sales and Marketing Support, Human Resources Management, Training Services, and more.

» Benefits

01 0% CT Rate 0% income tax rate on eligible income (ZATCA is considering a 2.5% rate for Zakat) and a 0% rate for income tax. and zero percent withholding tax on dividends and payments to related or unrelated non-residents for necessary services.	02 Residency Access to the Ajeer Program extended to offer opportunities for dependents of RHQ employees, accompanied by a relaxation in residency regulations, increasing the age limit for male dependents to 25 years.	03 Fee Waivers MISA offers fee waivers for investor services centers and preferential rates for its services.
04 Saudization Companies establishing their headquarters in KSA are granted a 10-year waiver from Saudization requirements.	05 Accreditation Professional accreditation are waived if the entity is already accredited in their home country.	06 Other Support End-to-end services including Business, Personal, Concierge, and Government Tendering.

Note: refer Appendix 1 for full activities list

Prescribed Activities

Ministry of Investment Guidelines



Mandatory Regional Headquarter (RHQ) Activities

- » Provision of strategic direction and management functions including
 - Formulate and monitor the regional strategy;
 - Coordinate strategic alignment;
 - Embed products and/or services in the region;
 - Support acquisitions, mergers, and divestments; and
 - Review financial performance
- » Regional Headquarter (RHQ) management functions include
 - Business planning;
 - Budgeting;
 - Business coordination;
 - Identification of new market opportunities;
 - Monitoring of the regional market, competitors, and operations
 - Marketing plan for the region;
 - Operational and financial reporting
- » Further, such activities must commence within 6 months from the grant of the Regional Headquarters (RHQ) License by the Ministry of Investment



Optional Regional Headquarter (RHQ) Activities

- Sales and Marketing Support;
 - Human Resources, and Personnel Management;
 - Training Services;
 - Financial Management, Foreign Exchange, and Treasury Centre Services;
 - Compliance and Internal Control;
 - Accounting and Auditing;
 - Advisory and Legal;
 - Research and Analysis/ Development;
 - Operations Control and Logistics Supply Chain Management;
 - International Trading;
 - Technical Support or Engineering Assistance;
 - Network Operations for IT Systems;
 - Intellectual Property Rights Management;
 - Production Management; and
 - Sourcing of Raw Materials and Parts
- » The multinational group must commence 3 of the optional activities before the end of the first year of receiving the Regional Headquarter (RHQ) License

Employment Requirements

Ministry of Investment Guidelines

15

Full-time employees should be hired including senior-level employees either locals or expats



3

Senior-level Employees such as executive director and vice-president
Level employees

Other Tax Aspects

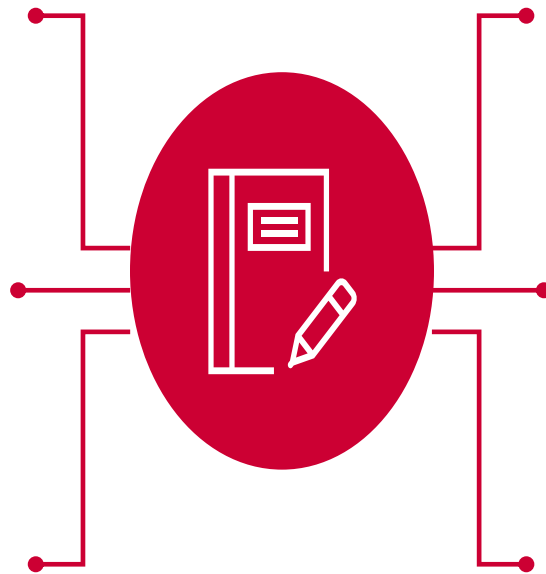
Royal Decree No. M/62 on 11 December 2023 and ZATCA Guidelines on 4 February 2024

Regional Headquarters (RHQ) shall **register** with the Tax Authority (ZATCA)

Financial statements for each tax year including the partial tax year are a mandatory requirement

Regional Headquarters (RHQ) shall file an **annual Tax/Zakat return** as well as an **annual substance requirement report**

Regional Headquarters (RHQ) should maintain **separate accounts** for non-eligible activities



ZATCA has the right to monitor and verify fulfillment of **The Economic Substance Requirement**

Possible to approach **ZATCA** for clarifications/interpretations regarding the application of Law

Penalties and fines outlined in the relevant Tax and Zakat laws shall be applicable to the Regional Headquarter (RHQ)

Economic Substance Requirements

ZATCA Guidelines on 4 February 2024

1. Must hold a valid license issued by the Ministry of Investment and carry out activities within the scope of such license

2. Must have adequate premises that are suitable for its business activities

3. Shall be managed and directed within the KSA including holding of board meetings where strategic decisions are taken

4. Must incur operational expenditures in the KSA which shall be commensurate with the activities of Regional Headquarter (RHQ)

5. Must generate revenues from all the eligible activities in the KSA

6. Must have one director that resident in the KSA

7. Must employ adequate number of full-time employees in a tax year and in proportion to level of activities carried out

8. Regional Headquarter (RHQ) employees must have requisite qualifications and skills necessary to execute their duties

Non-Compliance with Economic Substance Requirements

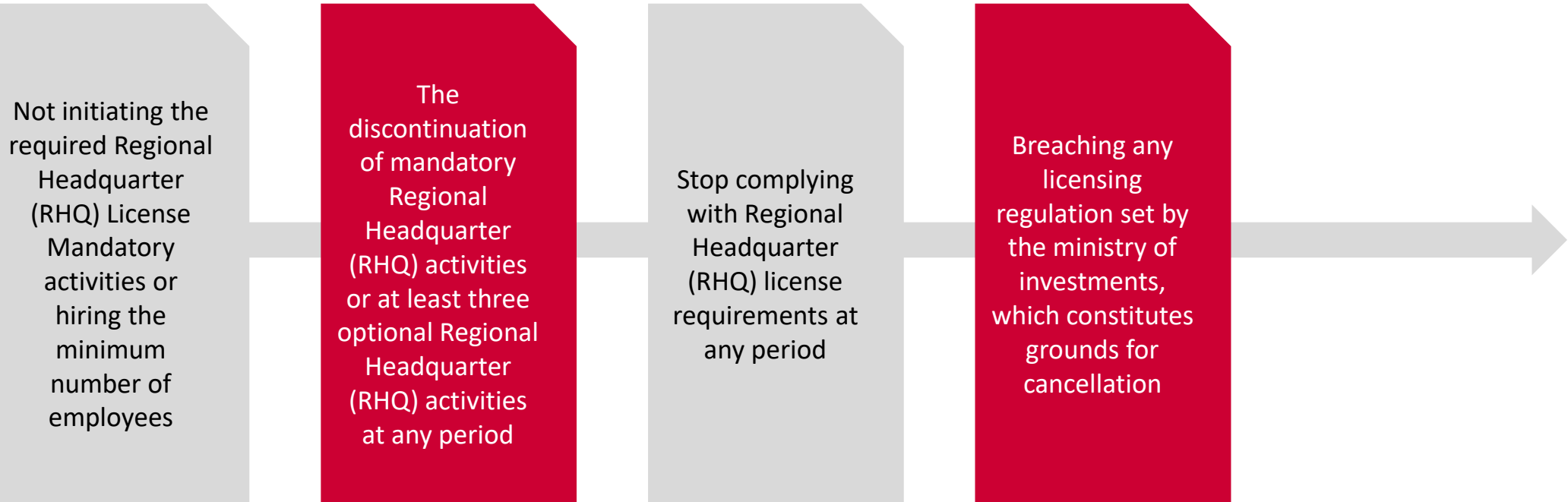
Royal Decree no. m/62 on 11 December 2023 and ZATCA Guidelines on 4 February 2024



- » Failure to comply with Economic substance requirements during the duration of the RHQ license will result in the following:
 - ZATCA shall grant the regional headquarters a corrective period of 90 days from the notice date and in the event of Failure to remedy a **SAR 100,000** fine is imposed, and 90 days correction period from the date of imposing the fine is granted
 - In case the violation is not remedied within 90 days, or the violation is repeated within 3 years, a **SAR 400,000** fine is imposed provided the violation is remedied within 90 days from the date of imposing the fine
 - If the violation is not remedied after the third 90-day period, tax incentives are to be put on hold

Cancellation of License

Ministry of Investment Guidelines



Exceptions

Cabinet Decision No. 377 on 27 December 2022

Direct Exemptions

The government can engage with entities that do not have regional headquarters in KSA in the following cases:

- If the project's estimated cost is less than 1 million SAR
- If the project is to be implemented outside KSA

Public Bidding Exception

The government can accept bidding from multinational companies that do not have regional headquarters in the following cases:

- The absence of more than one technically acceptable proposal
- The proposal is the best offer after the overall technical evaluation and is financially lower by (25%) or more compared to the value of the second-best proposal

Governmental Bid Invitation

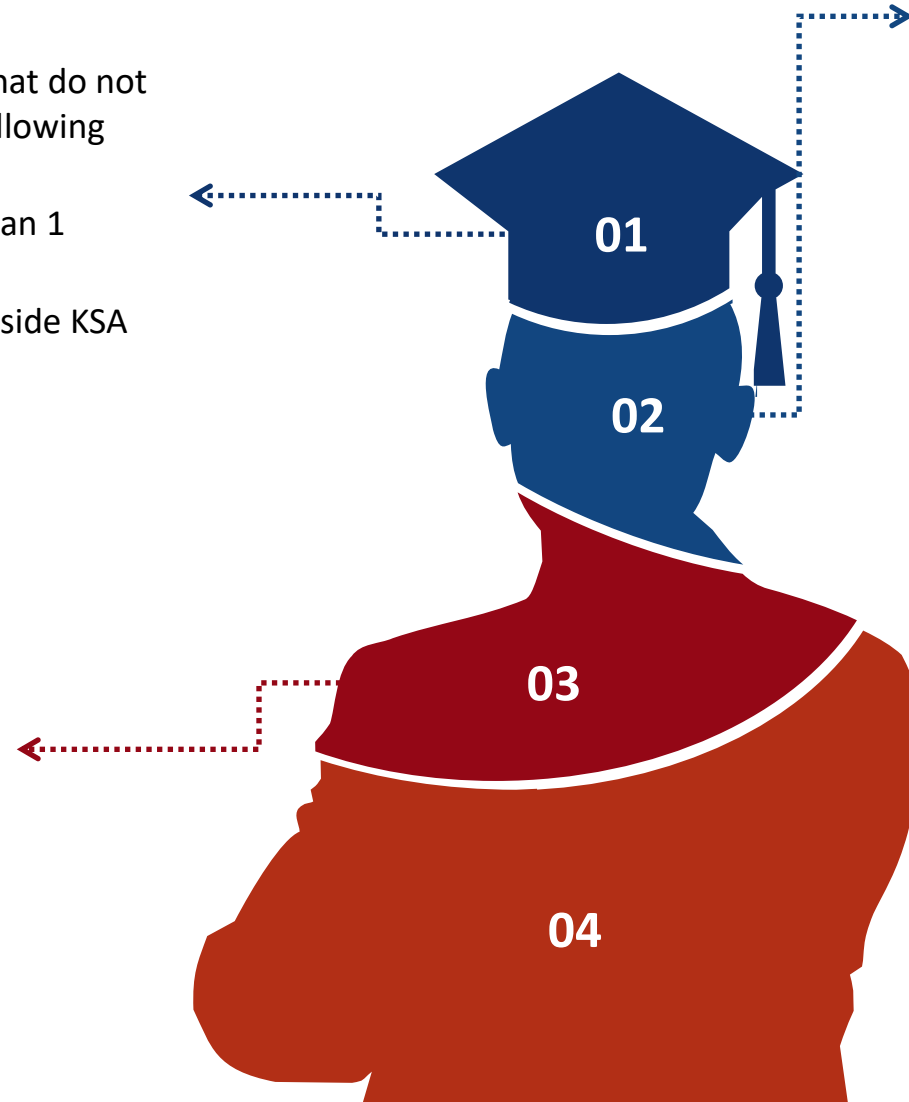
The government can invite multinational companies that do not have regional headquarters in the following cases:

- The absence of more than one qualified competitor having regional headquarter in KSA
- In emergency cases

Direct Contracting

Government Agencies can invite multinational companies for direct contracting only in two cases:

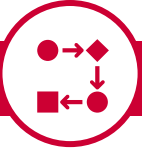
- If the works or procurements are exclusively available from the company or related party without a Regional Headquarter (RHQ) in KSA, or
- In emergency cases





New Zakat Bylaw

KSA Tax Update - New Zakat Bylaw



Background Summary

- » On 21 March 2024, Saudi Arabia's Minister of Finance approved the new Executive Regulations for Zakat Collection (Bylaws) under Ministerial Resolution No. 1007.
- » Published by ZATCA on 22 March 2024, the Bylaws aim to clarify zakat regulations, particularly calculation methods, and consolidate previous regulations for sectors like financing, insurance, and investment funds. Applicable from 1 January 2024, they can also apply to earlier fiscal years under specific conditions.

Key Considerations

01

The Bylaws clarify important zakat concepts, including zakat residency, trading investments, and development properties.

02

Provisions and Liabilities Includes payables, equivalents, equity elements, and provisions. Stricter rules for shareholder loans. Long-term debts include employee benefits and vacation provisions.

03

New Deductibles introduces raw materials, statutory deposits, and treasury bills in employee savings plans under specific conditions. Government receivables can be deducted.

04

Zakat base calculations aligns with financial statements' closing balances, with separate net adjustments to profit/loss. Noncurrent payables finance noncurrent assets.

05

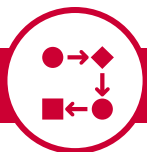
Liabilities calculation adds current liabilities against deductible assets; deducts noncurrent liabilities against nondeductible assets. Excess current liabilities are added to the zakat base. Provision charges and taxes/zakat paid are allowable expenses.

06

Assessment and Limits updates minimum and maximum limits for the zakat base. Provides alternative methods for foreign investments and funds. Zakat assessment based on shareholders' percentages at fiscal year-end.

Note: refer Appendix 1 for full deadlines list

KSA Tax Update - New Zakat law



New Zakat Treatment

» Zakat Transfer Pricing:

» The TP guidelines will be applied on qualified persons for Zakat starting from the financial year which starts on or after 1st January 2024. In addition, the advanced pricing agreements “APA” will be applied to both Zakat and income tax qualified persons starting from the financial year/tax period which starts on or after 1st January 2024.

» The decision will be applied on two phases:

- a. Phase 1: Zakat qualified persons except for investment funds
- b. Phase 2: Zakat qualified persons including investment funds

Implementation phases	Aggregated value of related party transactions		
	≤SAR48m	>SAR48m	≥SAR100m
Phase 1* 1 January 2024	Not applicable	Voluntary	Mandatory
Phase 2** 1 January 2027	Not applicable	Mandatory	Mandatory

*Investment funds are exempted from compliance obligations in Phase 1.

**Investment funds are included as covered entities in Phase 2.

» The table illustrated summarize the compliancy for TP documentation for Zakat payers after the decision.

TP compliance for all Zakat payers	After The Amendments	
	Preparation	Submission
Local File	•	Upon the ZATCA's request
Master File	•	Upon the ZATCA's request
CBC Report*	•	•
CBC notification**	•	•

* For Saudi Arabian headquartered groups with consolidated revenue exceeding SAR3.2b

** For entities that are part of a multinational group filing CbCR.



Amendments to CT Law

Main points



Withholding taxes

Draft Income Tax law

Type of payment made	Rate
Management fee	10%
Royalties	15%
Dividend Distributed	5%
Rent	5%
Return on Loans	5%
Insurance/Reinsurance	5%
Technical & Consulting Services	10%
Other services	10%
Transactions with preferred tax regime	20%

Current Income Tax Law

Type of payment made	Rate
Management fee	20%
Royalties	15%
Dividend Distributed	5%
Rent	5%
Return on Loans	5%
Insurance/Reinsurance	5%
Technical & Consulting Services	5%
Airline Tickets/Air or Sea Freight	5%
International Telecommunication Services	5%

Other considerations – Draft income tax law

Anti-tax avoidance procedures:

- » ZATCA is authorized by article 10 to a. Disregard any transaction that lacks any substance or an economic, commercial, or legal basis. b. Reclassify and modify any transaction that lacks substantive content. c. deny benefits if principal purpose test is failed.

BEPS pillar 2

- » article 10 also subject the transaction with foreign entities resides in preferred tax jurisdictions to special tax provisions in relation to deductible expenses, depreciation, withholding tax rates and transfer pricing.

Merger and demerger

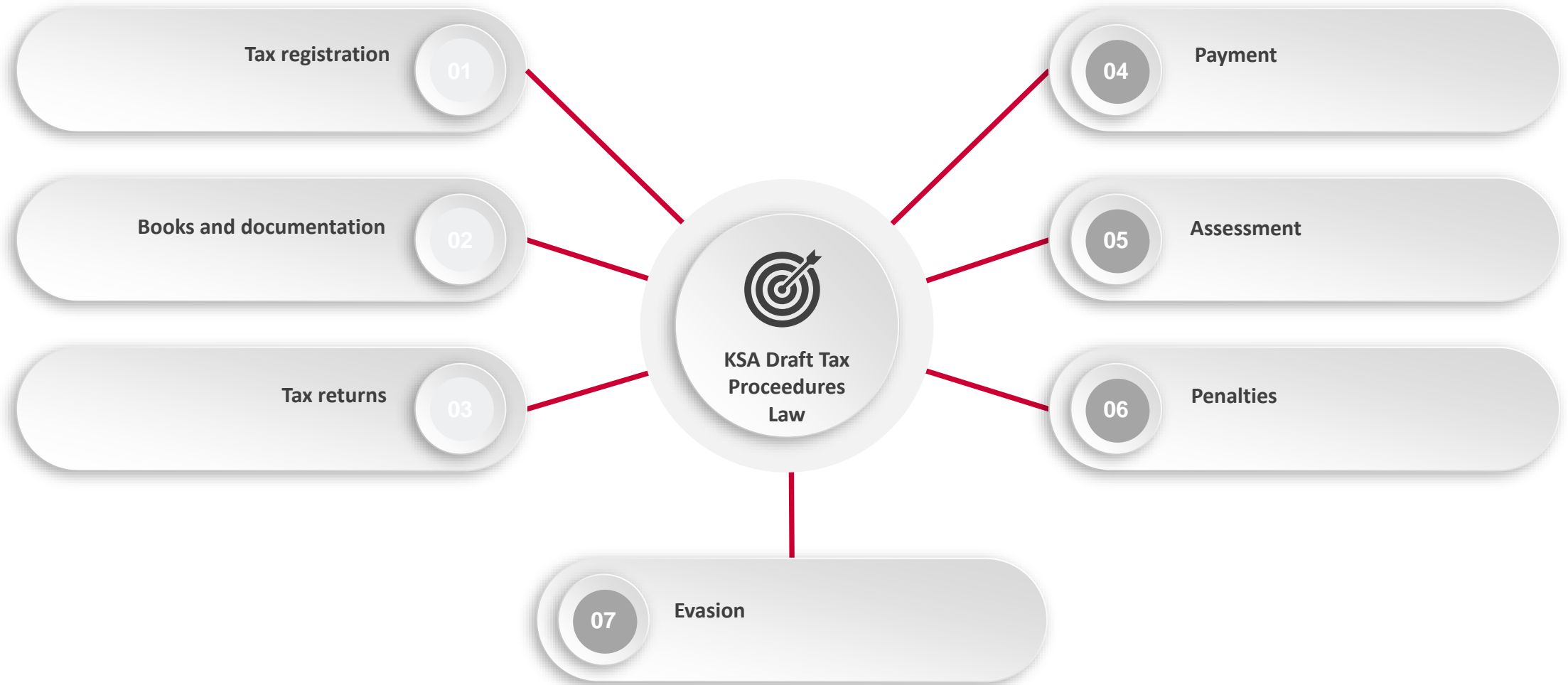
- » income realized from merger and demerger transactions is not subject to tax in KSA subject to certain limitations, such as the PPT test to ascertain the transaction's goal and economic substance. As a result of M&A, issuing shares to non-residents would be regarded as a payout of profit and be liable to WHT on dividends.

Capital gains for non-listed

- » Joint liability between the seller and target company for tax due on capital gains.

Main points

Draft Zakat and Tax Procedures Law

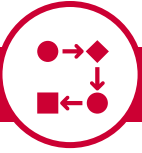




Qatar Tax Updates



Qatar Tax Update – Changes on Executive Regulations



PE Criteria

- Significant changes introduced to the criteria for PE
- **New exclusions** for **preparatory** and **auxiliary activities** that do not constitute a PE have been established
- These changes are accompanied by **anti-fragmentation** and **anti-avoidance provisions**



Insurance Activities

- Certain foreign insurance companies collecting premiums from Qatar or insuring Qatari risks may now be considered to have a PE in Qatar
- This change could significantly impact non-Qatari insurance companies operating in the region



Registration Requirements

- Entities engaged in preparatory and auxiliary activities, even without PE, may now be required to **register and notify the General Tax Authority (GTA)** and obtaining a Taxpayer Identification Number through Dhareeba



Further Changes:



Expenses incurred for the purposes of the PE's or branch's business are deductible if they qualify as 'real expenses'. Moreover, specific items are listed as non-deductible if paid to the head office or any related party

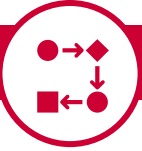


There is a new requirement to report Core Income Generating Activities (CIGA) conducted in Qatar. The amended ERs provide criteria for this reporting, focusing on revenue, assets, and operational management aspects



The State of Qatar, through its Ministry of Finance, has recently entered into two distinct Double Tax Treaty Agreements (DTTAs) with both the Kingdom of Saudi Arabia and the United Arab Emirates. On 23 April 2024, Qatar and Bangladesh signed an income tax treaty and an investment protection agreement

Qatar Tax Update – General Update



Law No. 11 of 2022 ('amended Tax Law') on 2nd February 2023 Notes To Be Considered

Reporting

The amendments now mandate that entities must report their essential operational metrics to the GTA in Qatar. Failure to meet these substance requirements will incur a penalty equivalent to 15% of net income

Expansion of Tax Scope

Qatar is adopting the OECD's global minimum tax rules, which set a minimum tax rate on the global income of multinational corporations. This aims to curb profit shifting and ensure that companies pay a fair share of taxes in each jurisdiction where they operate

Global Minimum Tax

Qatar is adopting the OECD's global minimum tax rules, which set a minimum tax rate on the global income of multinational corporations. This aims to curb profit shifting and ensure that companies pay a fair share of taxes in each jurisdiction where they operate

The definition of Permanent Establishment (PE): now includes having a fixed place of business and generating income or profit. This revised definition diverges somewhat from the OECD's PE definition and considerably broadens the criteria for determining a PE, necessitating thorough evaluation.

Qatar Tax Update - VAT

Introduction of VAT	Qatar is set to introduce a Value Added Tax (VAT) in 2024. The VAT will impact most sales of goods and services, with some exceptions like financial services and insurance. Businesses will need to adapt by possibly restructuring their pricing and accounting systems to accommodate VAT compliance and claims for input tax credits
VAT Registration	Mandatory - businesses with taxable supplies exceeding QAR 375,000 Voluntary registration - businesses with taxable supplies exceeding QAR 187,500 Non-resident businesses making supplies subject to Qatar VAT must also register
5% VAT Rate (expected)	Most sales of goods and services
0% VAT Rate (expected)	International transportation Specific areas, such as healthcare and education Goods and services exported outside Qatar International transportation The supply of crude oil/natural gas The first supply of residential real estate
Exempt (expected)	Financial Services Real estate transactions Basic food items Export and international transportation Education and healthcare services

Qatar Tax Update

Withholding Tax

Withholding tax of 5% at the source:

- Royalties, benefits, commissions; and
- consideration for services paid to non-residents for activities not related to a permanent establishment in Qatar

WHT does not apply to dividends or payments to non-residents for the purchase of goods

WHT is withheld and remitted to the authority before the 16th day of the month following the month in which the withholding occurred

Withholding Tax Obligation Dues, interest, commissions, and fees for services rendered wholly or partially in the Qatar are subject to final withholding tax, paid by the following individuals or entities:

- Natural persons engaged in activities in the state of Qatar
- Legal persons residing in the State of Qatar
- Ministries and other government entities
- Public institutions and establishments
- Permanent establishments in the State of Qatar owned by non-residents

Transfer Pricing Disclosure Form

Applicable when annual turnover or total assets exceed QAR 10 million for the declaration year, and the taxpayer engages in domestic and/or cross-border related party transactions

Must be filed concurrently with the corporate income tax return, within 4 months from the end of the financial year or accounting period

Qatar Tax Update

Master File & Local File This requirement applies when the annual turnover or total assets exceed QAR 50 million for the relevant declaration year, and the taxpayer is involved in cross-border related party transactions

Submission deadline: Within 60 days of the due date for filing the tax return

The formats for the Master File and Local File generally adhere to the OECD Action Plan 13 three-tier documentation standards. However, additional details may be required according to guidelines issued by the General Tax Authority (GTA)

Country-by-country reporting (CBCR) These requirements are applicable when a multinational group's consolidated revenue surpasses QAR 3 billion in the previous financial year. The Ultimate Parent Entity (UPE) or Surrogate Parent Entity (SPE) domiciled in Qatar is obligated to comply with Country-by-Country Reporting (CBCR) requirements

At present, the Country-by-Country (CBC) notification and CBCR filing requirements are not enforced for multinational groups whose headquarters are located outside Qatar

The CBC notification must be submitted by the conclusion of the reporting entity's fiscal year. The CBC report itself is required to be filed within 12 months following the end of the reporting entity's fiscal year

Qatar Tax – Corporate Tax

Income Tax	<p>As per the Income Tax Law promulgated by Law No. (24) of 2018:</p> <p>Tax Rate: The income tax rate for the tax year is 10% of the taxpayer's taxable income</p> <p>Income Tax Application: Income tax in Qatar applies to income sourced within the country, with specific exemptions. Generally, Qatar-sourced income earned by individuals or resident corporate entities is subject to a 10% tax rate</p> <p>Exemptions: The law exempts:</p> <ul style="list-style-type: none">- Ministries, government bodies, public authorities, and corporations.- International organizations and their offices and branches operating in Qatar- Salaries, wages, allowances, and similar payments. Gross income from legacies and inheritance
Special Tax Rate	Entities in the oil and gas sector, and those involved in agreements related to petrochemical industries or petroleum operations with government entities, are subject to a tax rate of no less than 35%
Existing Agreements	Tax rates specified in agreements concluded before the law's entry into force apply. If the agreement does not specify a tax rate, a minimum tax rate of 35% applies



Oman Tax Updates



Oman Tax Update



1. Introduction of Income Tax: Oman plans to implement an **income tax for high-wage earners** starting in 2025. This move is significant as it marks the first time a GCC country is imposing such a tax on individual incomes. The threshold for what constitutes a high wage is still under evaluation. The government aims to diversify its revenue sources and reduce reliance on oil income



2. Double Tax Treaty with Russia: On 8 June 2023, Oman and Russia **signed a Double Tax Treaty (DTT)**. This was ratified by Royal Decree (RD 89/2023) on 27 December 2023 and published in the Official Gazette on 31 December 2023. The DTT will come into effect on 1 January 2024, following ratification and notification by both countries.



3. On 28 December 2023, the Oman Tax Authority (OTA) announced the unavailability of the AEOI portal due to a system rebuild. They also extended the Country by Country reporting (CbCr) notification deadline, originally due by 31 December 2023, for taxpayers with a year ending on the same day.



Further announcements:

01.

The deadline for CbCR notifications was extended until the AEOI portal becomes accessible

02.

The portal is now available, requiring re-registration and submission of CbCR notifications

03.

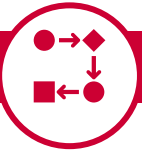
The OTA confirmed no fines or penalties for delays caused by the portal's unavailability



Egypt Tax Updates



Egypt Tax Update



E-Invoicing System in Egypt

- » Starting from 1 October 2021, all government bodies **must accept only electronic invoices from suppliers**
- » By 1 April 2023, electronic invoices are mandatory for proving costs in tax returns and VAT deductions
- » Companies must support expenses with electronic invoices for corporate tax deductibility
- » **Electronic invoices start in July 2023, followed by electronic receipts in January 2025**

Dividends Distribution from Listed Egyptian Companies

- » Incur **flat 5% WHT** for both resident and non-resident shareholders
- » **Share registered and traded on the Egyptian Exchange (EGX)**

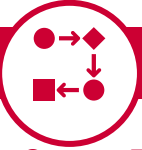
Dividends Distribution from Non-Listed Egyptian Companies

- » Incur **flat 10% WHT** for both resident and non-resident shareholders

Returns from Funds

- » Gains and returns from eligible funds received by juridical persons are subject to a **flat tax rate of 15%**
- » The **investment cost related to these gains is considered non-deductible expenses** and calculation methodology will be specified by the executive regulations
- » This applies for financial years ending after 15 June 2023

Egypt Tax Update



Stamp Tax on EGX Listed Shares

- » Effective from 1 January 2022, stamp tax on transactions involving less than 33% of EGX-listed shares is exempt for resident investors
- » Non-resident investors - reduced rate of 0.125% for similar transactions
- » Spot transactions on the EGX are fully exempt from stamp tax

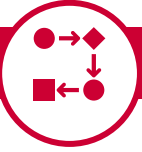
Stamp Tax on EGX Unlisted Shares

- » Resident investors trading unlisted shares in Egypt face a stamp tax of 0.05% on total proceeds for transactions involving less than 33% of shares
- » **Non-resident investors** are subject to a **0.125% stamp tax** under similar conditions
- » **T-bills and T-bonds are exempt from stamp tax**

Capital Gains Tax (CGT) on EGX Listed Shares

- » Capital gains from shares listed on the EGX are taxed at a rate of 10% for resident shareholders
- » Non-resident shareholders are permanently exempt from CGT, including on Treasury bonds (T-bonds)
- » If the shares were offered on the EGX for the first time: within two years of the newly amended law;
 - Before June 15, 2025: 50% of realized capital gains are not subject to tax
 - After June 15, 2025: 25% of realized capital gains are not subject to tax

Egypt Tax Update



Egyptian Income Tax Law (No. 91 2005)

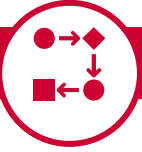
In June 2023, additional amendments were introduced (Law No. 30 of 2023)

- An additional tax bracket of 27.5% applies to individuals with annual earnings exceeding 1.2 million Egyptian pounds (EGP)
- The tax will be levied on returns received from investment funds
- Specific capital gains reliefs are available provided certain criteria are met

Recent amendments have introduced changes to the payroll tax calculation for employees receiving salaries from a non-principal employer, as follows:

- The non-principal employer is obligated to withhold 10% as an initial payroll tax, which should be settled by the principal employer, from payments made to resident individuals and remit it to the relevant tax authority within the first 15 days of each month
- The non-principal employer must inform both the principal employer and the tax authority of the amounts received by the individual and the tax deducted

Transfer Pricing Guidelines



Updates by the Egyptian Tax Authority (ETA)

Ministerial Resolution No. 52 of 2024:

- Increases the threshold for Transfer Pricing (TP) documentation requirements from EGP 8 million to EGP 15 million
- Requires submission of master file, local file, and CbCR/notification for related party transactions exceeding EGP 8 million annually

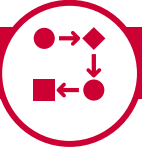
CbCR Requirements:

- CbCRs must be filed within 12 months after the end of the relevant fiscal year.
- CbCR notifications are due by the end of each fiscal year

Master and Local File Deadlines:

- Taxpayers with related party transactions totaling more than EGP 8 million in a fiscal year must submit their local file within two months of filing their income tax return (CTR)
- If an amended CTR is filed within one month of the original CTR, the local file must be submitted within two months of filing the amended CTR
- If a taxpayer requests an extension for the CTR, the local file deadline will be adjusted to two months after the amended CTR is filed
- The master file must be submitted before the deadline set by the UPE country; if no deadline is specified, it must be submitted by the same deadline as the local file in Egypt
- Entities affiliated with a free zone parent or holding company must prepare and submit the master file concurrently with the local file

Transfer Pricing Guidelines



Updates by the Egyptian Tax Authority (ETA)

Ministerial Resolution No. 52 of 2024:

- Increases the threshold for Transfer Pricing (TP) documentation requirements from EGP 8 million to EGP 15 million
- Requires submission of master file, local file, and CbCR/notification for related party transactions exceeding EGP 8 million annually

Local File Compilation Procedure:

- **Identify Controlled Transactions:** Recognize and understand the nature of controlled transactions
- **Select Transfer Pricing Method:** Choose the most appropriate transfer pricing method
- **Apply Pricing Method:** Implement the selected transfer pricing method
- **Determine Arm's-Length Amount:** Establish the arm's-length amount and set up a review process for future changes

Additional Updates:

- **Dividends:** Dividends are no longer considered related-party transactions, simplifying compliance for many businesses
- **Balance Sheet Transactions:** Clear guidelines are provided on disclosing balance sheet transactions and minimum documentation requirements, enhancing transparency.
- **Joint Ventures and Free Zone Entities:** Definitions and obligations for these entities regarding master file submissions are clarified

Thank you