

## Egypt

1. Egypt was first reviewed during the 2017/2018 peer review. This report is supplementary to Egypt's 2017/2018 peer review report (OECD, 2018<sup>[1]</sup>). The first filing obligation for a CbC report in Egypt applies to reporting fiscal years ending on or after the 31 December 2018.

### Summary of key findings

2. Egypt's legal and administrative framework to implement Action 13 meets all applicable terms of reference (OECD, 2017<sup>[2]</sup>), except for the following:

- It is recommended that Egypt take steps to ensure that its definition of Group of Associated Enterprises is in line with the required definition of Group.
- It is recommended that Egypt take steps to ensure that its definition of Egyptian Parented GAE is in line with the required definition of Ultimate Parent Entity and Multinational Enterprise Group.
- It is recommended that Egypt take steps to ensure that its definition of multinational group is in line with the required definition of Multinational Enterprise Group.
- It is recommended that Egypt take steps to ensure that enforcement provisions and monitoring relating to the enforcement of CbCR filing obligations are implemented.

3. It is recommended that Egypt take steps to have qualifying competent authority agreements in effect with jurisdictions of the Inclusive Framework that meet the confidentiality, consistency and appropriate use conditions and with which Egypt has an international exchange of information agreement in effect that allows for the automatic exchange of tax information.

4. It is recommended that Egypt take steps to implement processes or written procedures to ensure that the exchange of information is conducted in a manner consistent with the terms of reference relating to the exchange of information framework ahead of the first exchanges of information.

5. It is recommended that Egypt take steps to ensure that the appropriate use condition is met ahead of the first exchanges of information. This recommendation remains unchanged since the 2017/2018 peer review.

6. It is however noted that Egypt will not be exchanging CbC reports in 2019.

7. The recommendation in the 2017/18 peer review, that Egypt finalise its domestic legal and administrative framework in relation to CbC requirements as soon as possible, is removed.

## Part A: The domestic legal and administrative framework

8. Egypt has Transfer Pricing Guidelines<sup>1</sup> issued by Ministerial Decree<sup>2</sup> in place to implement the BEPS Action 13 minimum standard, establishing filing and reporting obligations.

### *(a) Parent entity filing obligation*

9. Egypt has Transfer Pricing Guidelines issued by ministerial decree which give them the force of law. These guidelines and accompanying manual of guidance<sup>3</sup> impose and detail a CbC filing obligation on Ultimate Parent Entities of MNE Groups which have a consolidated group revenue above a certain threshold.

10. Egypt's Transfer Pricing Guidelines include a definition of Group of Associated Enterprises (GAE), incorporating a definition of Associated enterprise, which includes natural persons. This is not the same as the definition of a group used in the Action 13 minimum standard which determines the members of a group by their inclusion in consolidated financial statements and therefore excludes natural persons. There is a note in the same definition that the meaning of GAE is similar to that of group in the OECD TP Guidelines, as the definition is not the same then this does not work to redefine GAE or to introduce a different definition of group. The practical manual does say that GAE means the same as MNE group but this contradicts the guidelines and cannot override them as it does not have legislative force. It is recommended that Egypt take steps to ensure that its definition of Group of Associated Enterprises is in line with the required definition of Group.

11. Egypt's Transfer Pricing Guidelines include a definition of parent entity which includes the requirement to prepare Consolidated Financial Statements (CFS) under a domestic accounting standard. The Action 13 definitions goes further and includes a parent entity that would be required to prepare CFS if its equity interests were traded on a public securities exchange in its jurisdiction of tax residence. The broader definition is specifically intended to include a wider range of parent entities than just those actually required to produce CFS. It is recommended that Egypt take steps to ensure that its definition of parent entity is in line with the required definition of Ultimate Parent Entity.

12. Egypt's Transfer Pricing Guidelines refer to the filing requirement and specifically the threshold for filing and where a group meets that requirement say "In such a case, a CbCR will be required only if the Egyptian Parented GAE has a foreign subsidiary/subsidiaries". This sentence is intended to restrict the filing requirement to multinational groups. The Action 13 standard definition of MNE group which performs this function includes a group which has enterprises resident in one jurisdiction and subject to tax on the business carried out by a permanent establishment in another jurisdiction. By restricting, the filing only to those groups of enterprises which have subsidiaries overseas this is a narrower obligation than the standard requires. The practical manual explains that the CbCR requirement extends to permanent establishments but this contradicts the guidelines and cannot override them as the manual does not have the force of law. It is recommended that Egypt take steps to ensure that its definition of multinational group is in line with the required definition of Multinational Enterprise Group.

### *(b) Scope and timing of parent entity filing*

13. The first filing obligation for a CbC report in Egypt commences in respect of fiscal years ending on or after 31 December 2018. The CbC report must be filed within 12 months of the last day of the fiscal year of the MNE Group.

14. No inconsistencies were identified with respect to the scope and timing of parent entity filing.

***(c) Limitation on local filing obligation***

15. Egypt does not have a local filing requirement.

***(d) Limitation on local filing in case of surrogate filing***

16. Egypt does not have a local filing requirement.

***(e) Effective implementation***

17. Egypt does not have a legal mechanisms in place to enforce compliance with the minimum standard: the Transfer Pricing Guidelines refer to failure to submit documentation resulting in a higher risk rating and a commensurately greater chance of selection for audit but no direct penalties. It is recommended that Egypt take steps to ensure that enforcement provisions and monitoring relating to the enforcement of CbCR filing obligations are implemented.

18. Egypt does not have a process to take appropriate measures in case it is notified by another jurisdiction that such other jurisdiction has reason to believe that an error may have led to incorrect or incomplete information reporting by a Reporting Entity or that there is non-compliance of a Reporting Entity with respect to its obligation to file a CbC report. As no exchange of CbC reports has yet occurred no recommendation is made but this aspect will be further monitored.

***Conclusion***

19. The recommendation in the 2017/18 peer review, that Egypt finalise its domestic legal and administrative framework in relation to CbC requirements as soon as possible, is removed.

20. Egypt's domestic legal framework meets all applicable terms of reference, except for the following:

- It is recommended that Egypt take steps to ensure that its definition of group is in line with the required definition of Group.
- It is recommended that Egypt take steps to ensure that its definition of parent entity is in line with the required definition of Ultimate Parent Entity.
- It is recommended that Egypt take steps to ensure that its definition of multinational group is in line with the required definition of Multinational Enterprise Group.
- It is recommended that Egypt take steps to ensure that enforcement provisions and monitoring relating to the enforcement of CbCR filing obligations are implemented.

## **Part B: The exchange of information framework**

***(a) Exchange of information framework***

21. As of 31 May 2019, Egypt has no bilateral relationships in place for the exchange of CbC reports. It is recommended that Egypt take steps to have qualifying competent authority agreements in effect with jurisdictions of the Inclusive Framework that meet the confidentiality, consistency and appropriate use conditions and with which Egypt has an

international exchange of information agreement in effect that allows for the automatic exchange of tax information.

***(b) Content of information exchanged***

22. Egypt does not have processes or written procedures in place that are intended to ensure that each of the mandatory fields of information required in the CbC reporting template are present in the information exchanged.

***(c) Completeness of exchanges***

23. Egypt does not have processes or written procedures in place that are intended to ensure that CbC reports are exchanged with all tax jurisdictions listed in Table 1 of a CbC report with which it should exchange information as per the relevant QCAA.

***(d) Timeliness of exchanges***

24. Egypt does not have processes or written procedures in place that are intended to ensure that the information to be exchanged is transmitted to the relevant jurisdictions in accordance with the timelines provided for in the relevant QCAs.

***(e) Temporary suspension of exchange or termination of QCAA***

25. Egypt does not have processes or written procedures in place that are intended to ensure that a temporary suspension of the exchange of information or termination of a relevant QCAA would be carried out only as per the conditions set out in the relevant QCAA.

***(f) Consultation with other Competent Authority before determining systemic failure or significant non-compliance***

26. Egypt does not have processes or written procedures in place that are intended to ensure that its Competent Authority consults with the other Competent Authority before making a determination of systemic failure or significant non-compliance with the terms of the relevant QCAA by that other Competent Authority.

***(g) Format for information exchange***

27. Egypt has not confirmed the format that will be used for the international exchange of CbC reports.

***(h) Method for transmission***

28. Egypt has not confirmed its methods for encryption and electronic data transmission.

***Conclusion***

29. The recommendation in the 2017/2018 peer review for Egypt to take steps to have QCAs in effect with jurisdictions of the Inclusive Framework which meet the confidentiality, consistency and appropriate use prerequisites and with which Egypt has an international exchange of information agreement in effect that allows for the automatic exchange of tax information remains in place.

30. Further, it is recommended that Egypt take steps to implement processes or written procedures to ensure that the exchange of information is conducted in a manner consistent with the terms of reference relating to the exchange of information framework ahead of its first exchanges of information. It is however noted that Egypt will not be exchanging CbC reports in 2019.

## Part C: Appropriate use

31. Egypt does not yet have measures in place relating to appropriate use. No changes were identified in respect of appropriate use. The recommendation in the 2017/2018 peer review for Egypt to take steps to have measures in place relating to appropriate use ahead of the first exchanges of information remains in place. It is however noted that Egypt will not be exchanging CbC reports in 2019.

32. No information or peer input was received for the reviewed jurisdiction in respect of appropriate use.

### ***Conclusion***

33. There is no change to the conclusion in relation to the appropriate use for Egypt since the previous peer review. The recommendation for Egypt to take steps to ensure that the appropriate use condition is met ahead of its first exchanges of information remain in place.

34. It is however noted that Egypt will not be exchanging CbC reports in 2019.

## Summary of recommendations on the implementation of Country-by-Country Reporting

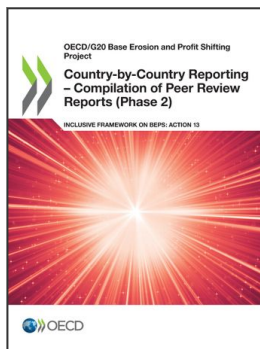
Aspect of the implementation that should be improved		Recommendation for improvement
Part A	Domestic legal and administrative framework	It is recommended that Egypt finalise its domestic legal and administrative framework in relation to CbC requirements as soon as possible. Specifically it is recommended that: <ul style="list-style-type: none"> <li>• Egypt take steps to ensure that its definition of Group of Associated Enterprises is in line with the required definition of Group.</li> <li>• Egypt take steps to ensure that its definition of Egyptian Parented GAE is in line with the required definition of Ultimate Parent Entity and Multinational Enterprise Group.</li> <li>• Egypt take steps to ensure that its definition of multinational group is in line with the required definition of Multinational Enterprise Group.</li> <li>• Egypt take steps to ensure that enforcement provisions and monitoring relating to the enforcement of CbCR filing obligations are implemented.</li> </ul>
Part B	Exchange of information framework	It is recommended that Egypt take steps to have qualifying competent authority agreements in effect with jurisdictions of the Inclusive Framework that meet the confidentiality, consistency and appropriate use conditions and with which Egypt has an international exchange of information agreement in effect that allows for the automatic exchange of tax information
Part B	Exchange of information framework	It is recommended that Egypt take steps to implement the necessary processes or written procedures to ensure that the exchange of information is conducted in a manner consistent with the terms of reference relating to the exchange of information framework.
Part C	Appropriate use	It is recommended that Egypt take steps to ensure that the appropriate use condition is met ahead of the first exchanges of information.

## Notes

<sup>1</sup> [www.mof.gov.eg/MOFGallerySource/English/PDF/Egyptian-Transfer-Pricing-EN-Guidelines-2018.pdf](http://www.mof.gov.eg/MOFGallerySource/English/PDF/Egyptian-Transfer-Pricing-EN-Guidelines-2018.pdf).

<sup>2</sup> [www.incometax.gov.eg/pdf/karar-221-2018.pdf](http://www.incometax.gov.eg/pdf/karar-221-2018.pdf).

<sup>3</sup> [www.incometax.gov.eg/TransferPricing1.asp](http://www.incometax.gov.eg/TransferPricing1.asp).



From:

## Country-by-Country Reporting – Compilation of Peer Review Reports (Phase 2)

Inclusive Framework on BEPS: Action 13

Access the complete publication at:

<https://doi.org/10.1787/f9bf1157-en>

### Please cite this chapter as:

OECD (2019), “Egypt”, in *Country-by-Country Reporting – Compilation of Peer Review Reports (Phase 2): Inclusive Framework on BEPS: Action 13*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/92be2876-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.