THE TAX POINT.

# Transfer Pricing Country Profile EGYPT

*A decision-oriented overview of EGYPT Transfer Pricing - implications, risks, and strategic considerations*

## 1 EGYPT's Transfer Pricing Framework

Egypt introduced a formal transfer pricing regime under Article 30 of Income Tax Law No. 91 of 2005, with further guidance issued by the Egyptian Tax Authority (ETA) Transfer Pricing Guidelines (2018). The framework is broadly aligned with the OECD Transfer Pricing Guidelines and BEPS Action Plan, particularly Actions 8–10 and 13.

- Egypt applies the arm's length principle to all related-party transactions.
- The regime applies to both domestic and cross-border commercial or financial transactions between related parties.
- The Egyptian Tax Authority (ETA) is the competent authority responsible for enforcement and audits.

### Definition of Related Parties

Article 1 of the Executive Regulations of the Unified Tax Procedure Law No 206 of 2020 issued by Ministerial Decree No. 286 of 2021

- Associations of capital and the person who owns, directly or indirectly at least 50% of the voting rights or management of the corporation or the dividends or capital rights
- Partnerships, general partners and limited partners therein
- Family or affiliated relationships (in certain audit interpretations)
- Any two or more companies in which another person owns or acquired at least 50% of the voting rights or management of the two companies, or of their dividends or capital rights

## 2 Transfer Pricing Methods

- Comparable Uncontrolled Price (CUP)
- Resale Price Method (RPM)
- Cost Plus Method (CPM)
- Transactional Net Margin Method (TNMM)
- Profit Split Method (PSM)

## 3 Transfer Pricing Documentation

### Master & Local File

Total related-party transactions exceed EGP 30 million per tax year.

- Must prepare and maintain both Master File and Local File
- TP Documentation submission deadline: within 2 months after filing the corporate income tax return
- 

Exemption:

- No obligation to prepare Master File & Local File if total related-party transactions ≤ EGP 30 million

### TP Disclosure Forms

Mandatory disclosure of all related-party transactions in the annual CIT return Includes:

- Value of transactions
- Nature of transactions
- Related parties involved

Required for all taxpayers with related-party transactions, even if documentation threshold is not met

Filing:

- Submitted annually with the corporate tax return
- Used by ETA to assess risk and determine whether Master File / Local File is required

### Country by Country Reporting

Applies to Multinational Enterprise (MNE) groups exceeding:

- EGP 3 billion consolidated group revenue (if Egyptian parent entity)
- Otherwise follows OECD threshold: EUR 750 million (for foreign-parented groups)

Requirements:

- CbCR Notification:
- Submitted annually with tax return
- Identifies where CbCR will be filed (or confirms exemption)

CbC Report:

- Filed within 12 months after fiscal year-end

## 4 Key Areas of Focus

- Mandatory documentation and disclosure
- High audit approach
- Intercompany financing transactions
- Emerging areas: cost contribution agreements & potential for future bilateral advance pricing agreements

### Compliance requirements

- Documentation Deadline: Local Files must be submitted within two months following the Corporate Income Tax Return (CITR) submission
- Documentation Threshold: The threshold for preparing TP documentation is EGP 30 million in related-party transactions
- Disclosure: All related-party transactions must be declared in the CITR

## 5 Compliance, Disputes & Outlook

### Penalties:

Failure to comply results in significant financial penalties, generally capped at 3% of the total value of related-party transactions in cases of multiple violations:

- Undeclared Related Party Transactions: 1% of the value of undisclosed transactions.
- Failure to Submit Master File: 3% of the total value of related party transactions.
- Failure to Submit Local File: 3% of the total value of related party transactions.
- Country-by-Country (CbC) Report Non-compliance: 2% of the transaction value.
- Late Filing: Penalties range from EGP 50,000 to EGP 2 million for late filing.

### Dispute

- Audit focus
- Common Dispute Areas: The Egyptian Tax Authority (ETA) challenges functional analyses, risk profiles, and the selection of comparable companies, often leading to profit adjustments

# HOW CAN WE HELP?

## TP Governance and Strategy

*Designing robust frameworks and strategic advisory*

·Economic Substance & TP Policy Design
·TP Policy, Restructuring & Planning
·Value Chain Analysis
 and TP / Tax Optimization
·Intangible Property Structuring

## TP Reporting and Compliance

*Ensuring compliance with evolving regulations*

·TP Documentation (Local File, Master File, TP Disclosure Form)
·Benchmarking Analyses
·Country by Country Reporting
·Permanent Establishment (and profit attribution)

## TP litigation and Controversy

*Protecting your position across the audit lifecycle*

·Mock Tax Audits & Pre-audit Strategy
·Defense File Preparation
·Tax Rulings & Advance Pricing Agreements (APA)
·Mutual Agreement Procedure (MAP)
·Post-audit Assessment & Implementation Support

# GET IN TOUCH

THE TAX POINT.

contactus@thetaxpoint.com

www.thetaxpoint.com

+971 585 854 811

Dubai: The Meydan Grandstand, Level 6th, Dubai, The United Arab Emirates
Abu Dhabi (Meeting Office): Hub71, Al Khatem Tower, 15th floor, Al Maryah Island, Abu Dhabi

At The Tax Point, we support groups operating in the UAE where transfer pricing is not a compliance checkbox, but a strategic control tool.