Local Version: Egypt
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1  Quick Facts

Here you find general information about Egypt.

Key Strengths

- Standard local version since SAP S/4HANA OP 1511 FPS2, EC 1609, and ECP 1705
- Large customer base in Egypt
- The local version for Egypt supports legal compliance features for various business transactions, enabling businesses to run better.
- It is now operational at most of the top corporations in Egypt, including global business giants across various industries such as private sector, retail, and banking.

Challenges

- The Egyptian legal system is considered the most independent judicial system in the Arab world.
- Legal changes: The Announcement of Legal Change
- Legislative reforms are often unplanned, applied on short notice and in some cases applied retroactively.
- Interpretation of the law is sometimes open and often the technical specification is not always available for development on time.

Legal Compliance

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Language

- The language of justice is Egyptian Arabic.
- All core modules are translated into Arabic.
2 Recommendations and General Information

- Currency: Egyptian Pound (EGP) is the legal reporting currency.
- Accounting Principles/Financial Statements: The new Egyptian accounting standards correspond to a large extent with international standards. A special standard exists for small and medium-sized enterprises to facilitate the preparation of financial statements.
- According to the law, all companies must present to the shareholders during their annual meeting, an audit report, a balance sheet, an income statement and cash flow statement.
- Bank Master Data: IBAN and account number are mandatory for all payment methods.
- The fiscal year runs from 1 July to 30 June.
- Government Report: Arabic is the official language.
- Date Format: DD.MM.YYYY
- Decimal Format: 1,234,567.89
3  Supported Legal Requirements

3.1  Financial Accounting (FI)

3.1.1  General Ledger Accounting

Value Added Tax

- The standard VAT rate is 14%.
- Machinery and equipment used for the purpose of producing a commodity or rendering a service are subject to VAT at the rate 5%.
- Exports of goods or services, as well as goods or services provided by companies located in the free zones are zero-rated.
- Local version Egypt allows you to post documents containing value added tax.
- Tax reporting enables you to prepare VAT return using:
  - SAP S/4HANA for Advanced Compliance Reporting (SAP S/4HANA 1511 FPS2 onwards). For more information on VAT reporting, see Advanced Compliance Reporting for Egypt.
  - VAT return functionality is also available is SAP Localization Hub, advanced compliance reporting service. For more information, see the local version of the service for Egypt.
• VAT return must be submitted on a monthly basis, and the deadline for submitting the return is two months from the end of each tax period, except for the April return that should be submitted by 15 June.
• VAT Registration Number: SAP solutions provide the functionality to add VAT registration numbers in company code data, for business partner, and in your supplier and customer master data
• SAP Localization Hub, tax service helps you determine and calculate applicable country/region-specific indirect taxes. The tax service comes with sample tax determination and calculation content and increases automation in tax-relevant transactions. The tax service also includes a partner framework that allows you to integrate partner tax solutions. for more information, see SAP Localization Hub Tax Service.

Excise Tax

• Under the Egyptian VAT law no. 67 for the year 2016, an excise tax was introduced as special tax rates imposed on certain products and services.
• Excise tax (also called schedule tax or table tax) should be imposed only once on the listed products and services (e.g. professional services, construction services, processed potatoes). Only excise tax is applied on specific listed items, whereas in case of some items (e.g. air conditioners), excise tax as well as normal 14% VAT is applicable.
• Excise tax should not be considered as a recoverable input tax, nor should it be deducted against incurred input VAT, with very limited exceptions.
• The Excise return must be submitted on a monthly basis, and the deadline for submitting the return is two months from the end of each tax period, except for the April return that should be submitted by 15 June.
• SAP Note 2496649

Withholding Tax

• The new law has retained the withholding payments on account of the taxpayer. Moreover, it introduced a new pretax payment system.
• The obliged parties to apply the withholding payments mechanism include government ministries and departments, public sector companies, free zone companies, syndicates, all kinds of non-governmental organizations.
• Withholding payments will be applied to any payments such as commissions, brokerage, purchases, supplies, contracting interest, royalties, and services over LE300 paid to foreign or non-resident bodies are subject to WHT as follows.
• Supporting documentation must be kept for the entries in the books, and receipts are required to be issued for any payments received. The Egyptian Tax Law has stipulated a statute of limitation for a period of five years.
• SAP provides the functionality to generate withholding tax returns statement based on the tax payment code created during monthly clearing cycle.
• The Withholding Tax return must be submitted on a quarterly basis, the deadline for submitting the return is one month from the end of the quarter period.
• SAP Note 2214337
• For more information, see Withholding Tax for Egypt.
Stamp Tax

- Stamp tax is imposed on advertisements at the rate of 20%.
- Stamp Tax return must be submitted within two months from the publication date
- [https://launchpad.support.sap.com/#/notes/2214337](https://launchpad.support.sap.com/#/notes/2214337)
- For more information, see Stamp Tax for Egypt.

Electronic Filing of Tax Returns

The ETA has introduced a new e-filing system for the submission of the Tax returns; hence taxpayers are required to submit their Tax returns (i.e. monthly VAT and/or Excise returns) electronically through the ETA’s website, starting from January 2019.

Company Certificate

- Companies are required to have numerous certificates that are issued by various government ministries.
- These certificates are typically valid for a limited period and must be renewed periodically.
- The company certificate function enables you to create certificates for your company code, to monitor the statuses of your certificates, and to trigger notifications when certificates are approaching expiry or have expired.
- For more information, see Company Certificate.
3.1.2 Accounts Receivable / Payable

Postdated Checks “PDC”

Post-dated check is a check that has a maturity date in the future.

In Egypt, postdated checks are a common form of payment. You can enter postdated checks receivable in SAP system as they arrive and process them as they become due.

Unlike bills of exchange or promissory notes, postdated checks normally cannot be endorsed. Typically, companies keep them until the maturity date.

In SAP, postdated checks are processed using the bill of exchange functions.

SAP Note 2214337

For more information, see Postdated Checks.

Vendor Certificate

This functionality enables you to capture various certificate validity periods of your vendors. Vendors with expired certificates can be blocked from being involved in business activities within the system and can be unblocked when they submit a valid certificate.

For more information, see Vendor Certificate.
3.2 Sales and Distribution (SD)

Official Document Numbering

- Unique sequential numbers are required to identify sales invoices/documents (Customer Invoice, Outgoing Credit Memo, Outgoing Debit Memo)
- This numbering is at company code level.
- SAP note 2615358

3.3 Material Management (MM)

Letter of Credit and Bank Guarantee

- The product covers the incoming and outgoing LC processes for MM, as well as the outgoing BG processes for SD
- The scope of the product is very limited to cover the requirements in companies where they want to track only the LC and BG operations in small and medium size.
- The features:
- Letter of Credit Request (or without request)
- Assign to one POs/SOs
- Manage the LC/BG amount limit for each user
- Maintain the essential dates and validity
- Maintain the shipment information
- Assign to a cost object (cost/profit center)
- Maintain the bank information (advising and issuing bank)
- Manage the Bank Facility amount
- Maintain the required documents from bank
- Maintain the payment terms (at sight or deferred)
- Print out the LC/BG request (bank format)
- Workflow on LC/BG request approval process.
- refer to LC request
- LC/BG information (LC/BG bank number, bank charges, ... etc.)
- Manage many times of amendments
- LC/BG margin (retention amount)
4 Human Capital Management Requirements and Payroll for Egypt

4.1 Personal Administration

- Additional fields for personal data, including:
  - First, Second, Third and Last name (Full Arabic Name)
  - Nationality, Other nationalities
  - Place of birth, Country of birth
  - Marital status
  - Religion
  - Number of Children
- Additional Personnel IDs, like National ID
- Additional address, bank and Dependents details
- Additional Military Service Information, like Service Period, Service Status, Service Reasons, and Service Unit
- Allowances Eligibility Workbench
  - Grant allowance based on pre-defined rules
  - Define rules based on employee personal data, job specification, service duration, etc...
  - Determine how many times a salary component can be paid in a period.
  - Apply a common eligibility checking rule to restrict the availability of the salary component.
- Information about Social Insurance contribution Enrollment, like Date, Social Insurance Number, Social Insurance Office and Exemption Reason
- Employee specific Tax information and exemption

4.2 Time Management

Annual Leave (paid)

- 21 days for every years of service on the first (10) Years of services
- 30 days for more than (10) years of services
- Eligibility condition
  - After (6) Months of service
  - Employees over the 50 Years old eligible for 30 days
- Unauthorized absence is deducted from accruals
- Annual Leave Provision calculated (Quota / 12 months X Daily Rate)
Sick Leave (paid, partial paid, unpaid) - Every 3 years of service

- The employee is entitled for a full paid of (30) days.
- The employee is entitled for (75%) of his/her salary for the next 240 days
- The employee is entitled for Unpaid leave of (90) days.

Maternity (paid)

Female employees are entitled for 3 months (90 days)

Feeding Hour

Female employees are entitled for a one hour of break daily for 18 months after getting birth

4.3 Payroll

- Standard wage types defined as per Egypt norms such as: Basic pay, S.I. Contribution Base and different allowances
- Payroll rounding and rounding recovery
- End of service calculation per UAE labor law including provisioning calculation
- Overtime calculation
- Net deductions and Arrears
- Off-cycle payroll, including for advance leave payments, including all recovery options and scenarios
- Social Insurance Calculation of Employee and Employer contribution and Employee deduction
- Income Tax
  - Monthly income tax calculation
Detect the taxable wage types that form the Tax pool.
- Reduce the tax pool by the employee social insurance share and other exemptions.
- Rounded annual net income when calculating the tax to the nearest ten pounds less
- Multiply the remaining amount by 12.
- Calculate the taxes per slot and add them together.
- When salary changes during the physical year, the calculation of the base shall be adjusted from the date of change based on the new or old base, whichever is less.
- Annual settlement should be done in the last period of payroll; this annual settlement will be done by the payroll.
- Retroactive calculation for any changes of Tax Rate or amount of tax slates during the year
- Annual Tax Settlement will be done once every year with December Payroll Run
- All the taxable amounts to be summed
- Calculate the annual tax
- Sum all paid taxes amounts for the 12 months
- The difference to be added/deducted to December payroll. Or, it can be also settled on January of the year after
- Rounded annual net income when calculating the tax to the nearest ten pounds less

### 4.4 Reporting

- Social Insurance Form (1): Enrollment to Contribution
- Social Insurance Form (6): Stop the Contribution
- Social Insurance Form (2): Total Registered Employees in S.I Report
- Taxes Quarterly Report Generator
5 Information Repositories

- MENA Localization Special Interest Group - [SIG Jam Page](#)
- SAP Globalization Services Local and Language Versions for SAP Products
- The latest legal changes delivered under: [The Announcement of Legal Change](#)
- Oman local version documentation [SAP S/4HANA OP, SAP ERP HCM](#)
- SW components
  - FIN Incidents: FI-LOC-FI-EG
  - Payroll Incidents: PY-EG
  - HR Incidents: PA-PA-EG
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