



SHARKAWY
& SARHAN

LEGAL UPDATE

VAT Simplified Registration System for Non-resident Suppliers

Background

Prior to the amendments below, non-residents were required to appoint a local tax representative/agent to handle their VAT filings for the selling of goods or provision of services to customers not registered for VAT in Egypt. In practice, this regime was not implemented.

In order to simplify, harmonize and automatize registration procedures, the Value Added Tax Law No. 67 of 2016 (the “VAT Law”) was amended on 26 January 2022 to introduce the Simplified Supplier Registration System (the “SSRS”). This new system requires non-residents to register remotely without appointing a local tax representative/agent in Egypt.

On 11 January 2023, the Executive Regulations of the VAT Law were amended (“ERs Amendment”) to include regulations and procedures for the SSRS.

Key Highlights

1 Registration Procedures

The ERs Amendment provides that non-resident suppliers must register in the SSRS by submitting an online application form through the portal of the Egyptian Tax Authority. We are aware that such online registration is now available. Note that the Tax Authority will automatically register non-resident suppliers if the registration threshold is reached (i.e., annual revenue of EGP 500,000) even if they did not apply for registration.

2 Electronic Distribution Platforms

In addition, the ERs Amendment introduced the Electronic Distribution Platform system (“E-platform”). The E-platform is defined as any online platform that connects the product/service providers with their customers, and through which the product/service is provided.

- if there is a written agreement between the E-platform and the service provider stating that the service provider is the one responsible for collecting and remitting VAT instead of the E-platform;
- if the invoice issued to the customer identifies the service as being offered by the actual service provider and not the E-platform; or
- if the terms and conditions of the E-platform state that the E-platform does not have any role in providing or delivering the service to the customer, and that it is not authorized to collect VAT from service providers.

3 Grace Periods

According to VAT Law, registration in the SSRS is subject to the following grace periods:

- Non-resident suppliers of products must register in the SSRS within six months from the date of establishing the system.
- Non-resident service providers must register in the SSRS within two years from the date of establishing the system.

We understand that the system was launched concurrently with the issuance of the ERs Amendment on 11 January 2023.

4 Penalties

According to the Vat Law, failing to register in the SSRS, or failing to collect and remit VAT is considered tax evasion and is penalized by 3 to 5 years imprisonment, a fine up to EGP 50,000, paying the imposed tax and a delay penalty.

Other than criminal sanctions, the administrative authority can, by request to the public prosecution, limit or restrict the product supplier or service provider from accessing the Egyptian market.

Our General Corporate team welcomes your questions



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