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Grant Thornton

# E-commerce - VAT

Your Guide to Navigating New Rules

March 2023

# Egypt amends its rules on VAT for non-resident suppliers in e-commerce transactions

On January 11 2023, the Egyptian Minister of Finance issued Decree No. 24 of 2023 (the Decree) amending aspects of Executive Regulation No. 66 of 2017 of VAT Law No. 67 of 2016 covering VAT on e-commerce transactions by introducing a registration-based collection mechanism for non-resident suppliers (NRS).

The Decree covers the following areas.

## **Electronic distribution platforms**

The Decree introduces a new definition in the Egyptian Tax Code for “electronic distribution platforms” such as visible digital “storefronts” in the form of websites, internet portals, e-stores or internet marketplaces through which suppliers connect with clients.

## **Responsibility for VAT collection**

The electronic distribution platform is not responsible for collecting taxes and remitting them to the Egyptian Tax Authority (ETA) if certain conditions are met.

## **A simplified registration process**

NRS of goods or services, via any electronic channel, should register for VAT through the Simplified Registration Regime (SRR) using the electronic portal of the ETA.

If NRS do not register, the ETA will deem the NRS to be registered from the date their sales in Egypt reach the registration threshold.

## Imported services

Egypt is considered the place of consumption/benefit of any imported services if provided by:

- NRS, or their representative;
- Any electronic means; or
- A resident person in Egypt but provided from outside Egypt.

If the provision of a service does not require the physical presence of the supplier in a specific place, then Egypt is considered the place of supply in the following cases:

- a) The non-registered service recipient is resident in Egypt if proven by details of its address, payment information and digital login;
- b) The service recipient is registered in Egypt; or
- c) The service recipient is a registered or non-registered Egyptian legal entity.

## The reverse-charge mechanism regime on imported services

Law No. 3 of 2022 and its executive regulations introduced the SRR and specified that the obligation to charge VAT on B2C transactions, and the duty of remittance to the ETA, lies with the non-resident supplier.

For B2B transactions, local VAT registered businesses that receive services should apply the reverse-charge mechanism if the non-resident supplier is not registered under the SRR.

Under Law No. 3 of 2022, VAT-exempted businesses (not VAT registered) that receive imported services from non-resident and non-registered suppliers (under the SRR) should register for reverse-charge mechanism purposes, calculate the VAT, and remit it to the ETA within 30 days from the date of receiving the imported services.

## Imported goods

VAT on imported goods is due at customs clearance unless VAT was collected by a non-resident registered supplier under the SRR.

However, the Customs Authority may charge additional VAT and other duties on any amounts not previously subjected to VAT.

## Input VAT refunds

NRS under the SRR are entitled to a refund of input VAT incurred in Egypt on their purchases if they are related to the provision of their main activities.

For more details with respect to this alert or queries on other Tax issues please contact us.

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