

Tax procedures in accounting for estimated files

Q: What activities are accounted for under Law 91 in 2005?

A: The activities for which accountability is carried out under Law 91 in 2005 define Article 19

Texts of the articles of the Executive Regulations	Texts of the articles of the Domestic Tax Law
<p>Article (25): In the application of the provision of paragraph 3 of Article 19 of the Law, any purchase made by a resident financier for the purpose of selling movable assets not purchased for personal use, provided that the transaction is for a commercial or industrial purpose, and that the sale takes place within a period of twelve months from the date of purchase, shall be deemed to be a single transaction.</p> <p>Article 26: Mechanical and electrical machinery, provided for in clause 5 of Article 19 of the Law, includes electronic, digital and other machines.</p> <p>Article (26 bis): In the application of the provision of Article 46 bis 1 of the Law, investing in or disposing of securities abroad shall be considered a commercial activity. In the application of the provision of the second paragraph of Article 19 of the Law, profits resulting from investment in securities shall mean the distributions of profits resulting from the ownership of securities and capital gains resulting from their disposal.</p> <p>The exemption provided for in article 46 bis 1 of the Law shall not apply to dividends obtained by a resident natural person from investing securities abroad, whether such person is engaged in a commercial, industrial or any other activity.</p> <p>Article (26 bis 1): In the application of the provisions of Articles 18 and 46 bis 2 of the law, the tax shall be calculated on dividends obtained by a natural person who owns a portfolio of securities and does not deal or whose number of transactions in securities by sale and purchase during the tax period does not exceed 5 million pounds on the basis of withholding tax at a rate of 5% or 10%, as the case</p>	<p>Article (19): The tax applies to the profits of commercial and industrial activity, including:</p> <ol style="list-style-type: none"> 1- Profits of commercial or industrial establishments, mines, quarries and petroleum establishments. 2- Profits of owners of crafts and small activities. 3- Profits realized from any commercial or industrial activity, even if it is limited to one transaction, and the executive regulations thereof shall specify the special rules for what is considered a single transaction in the application of the provisions of this paragraph. 4- Profits realized as a result of the operation or operations carried out by brokers or commission agents, and in general any profit made by any person engaged in brokerage business to buy, sell or rent real estate or any kind of goods, services or movable values. 5- Profits resulting from the lease of a commercial or industrial shop, whether the lease includes all or some of its material or moral elements, as well as profits resulting from the rental of mechanical and electrical machinery, except for agricultural tractors, irrigation machines and their accessories, and machinery and equipment used in agriculture. 6- Profits of transport activity of various kinds. 7- Profits resulting from the division of land for disposal or construction thereof. 8- Profits resulting from the division of land for disposal or construction thereof.

<p>may be, and these distributions shall not be included again when determining the taxable base in accordance with the provision of Article 6 of the law.</p>	<p>9- Profits of land reclamation or cultivation facilities, projects for the exploitation of poultry breeding pens or automatic hatchery, animal breeding pens, livestock breeding and fattening pens with more than twenty heads, and projects of farms and fisheries.</p> <p>The tax also applies to profits resulting from investing in or disposing of securities abroad.</p>
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Q: What are the types of tax accounting for files?

A: There are two methods of tax accounting:

- 1- The first method, which is the method that depends on books, records and documents held by the company and records the revenue, cost and expenses from the documents that are in the possession of the facility and also records the depreciation of fixed assets
- 2- The second method is the discretionary method, which is based on foundations and standards regulated by ministerial decisions and interest instructions based on the articles of the law.

The first of these articles is Article 18 of Law 91 in 2005, which allowed the Minister of Finance to issue simplified accounting systems through the issuance of ministerial instructions and decisions to hold small and micro enterprises accountable, and then we must be exposed to the concept of small and micro enterprises.

Q: How are small and micro enterprises determined? What is the criterion for determining them?

A: Article 78 of Law 91 of 2005 answers this question, which states that small enterprises are those whose invested capital does not exceed EGP 50,000, whose turnover does not exceed EGP 250,000, or whose net profit does not exceed EGP 20,000.

With the inflation of prices and the decline in the price of the currency, the legislator decided to amend this article through Law 206 of 2020 by amending it by Article 38, which amended the turnover to no more than 500,000 while keeping books and records for a period of 5 years, which is the period during which the Tax Authority is allowed to review the tax return.

Note: In the event of loss of the official books that the financier or the taxpayer is obligated to keep (general journal and table book), the new books shall be prepared and documented at the Commercial Register, noting that the entry in these books is made after the end of their last tax review.

Q: What are the annual tax returns issued based on the decision of the Minister of Finance in accordance with the authority delegated to him by law?

Notebook	Appreciation		
	Cars		
105	103	101	Normal person
106	104	102	Legal Person

Ministerial Decree No. 414 was issued in 2009, but it has not been implemented and has no impact on the ground.

Then followed by Ministerial Decree No. 54 of 2012 to hold small enterprises accountable, which is applied to commercial, industrial and service activity, so that the invested capital **does not exceed one million pounds** and the number of workers **does not exceed 50 workers**.

This decision was in line with Article 18 of Law 91, which granted the Minister of Finance the right to establish simplified accounting systems for estimated cases.

Article 94 of Law 91 of 2005 deals with the principles and rules for selecting the annual examination sample, which is issued by the decision of the Minister.

(These rules include turnover .. percentage of total profit .. cases of annual losses, final stop and death) and it included book and estimated cases, but this article was amended by Law 11 of 2013, where all estimated cases came out of the sample examination and became examined annually and the sample examination was limited to book cases only.

There was Instruction No. 9 of 2009 on tax accounting, which caused a problem in the tax community, as it stated that in the absence of documents supporting costs and expenses, the turnover is the net profit and taxable base, and due to the illogic of these instructions, the solution of these files or their accounts has stopped and these files have accumulated before the appeal committees and in the various court arenas, which had an impact on the outcome of the public treasury, then followed by Resolution 54 of 2012. To solve this crisis, he divided the estimated files into three categories:

The first category: companies and establishments whose capital does not exceed one million pounds and the number of workers does not exceed 50 workers, and the turnover is within one million pounds.

The second category: companies with a capital of not more than one million and the number of workers does not exceed 50 workers and their turnover is from one million to 2 million.

Third category: Companies with a capital of not more than one million and the number of workers does not exceed 50 workers and the turnover is more than 2 million.

Category I Accounting:

To account for this category, instructions No. 12 of 2012 were issued consisting of 27 papers covering all activities, instructions No. 42 of 2012 were issued, as well as instructions No. 30 of 2013, and several accounting agreements were concluded for some activities such as accounting for gold activity and pharmacists, and instructions 86 of 2022 were issued to account for automotive activity.

The tax return includes Schedule No. 3 for individual cases, and Schedule No. 2 for companies to account for this category.

Net profit	Net Profit Ratio	Number of working days	Daily Sales
	According to the instructions of each activity	310 days (majority of activities)	
	According to the instructions of each activity	155 days barbers	
	According to the instructions of each activity	360 Days Restaurants	

Note that it is the related persons (husband, wife, children, assets and branches) as well as companies that have people associated with other files, where these transactions must be determined precisely to know the neutral price of those transactions.

It is noted that there are companies whose turnover exceeds many millions and do not have documents to prove their expenses, such as contracting companies and real estate investment, and accordingly the Minister of Finance Decree No. 172 of 2005 was issued to amend Article 114 of the Executive Regulations, where this amendment includes estimating the revenue and its cost to reach the total profit and then allocate general and administrative expenses under the company's documents to reach the net profit and tax base.

If it should be noted that any expense that is classified or described as a cost item will not be adopted as an expense of general expenses, for example

Goods in stock estimated at 60,000 EGP

Turnover of goods 4 times

And a total percentage of 25% or 20%

If sales = $75 \div (60,000 \times 4 \times 100)$ or 80/100

Hence, we have the turnover and its cost to get a total profit.

The general expenses supported by documents are then subtracted.

Periodical Book No. 11 of 2015 was issued to confirm this statement.

In 2020, instructions No. 65 were issued to account for the aforementioned cases (above one million pounds) with a direct net profit rate after the Tax Authority studied many files and cases whose turnover exceeds one million pounds, and it was stated in the front of these instructions (after presentation to the Minister of Finance) that they are considered implicitly approved by the minister, and it is also possible to deviate from these instructions with the approval of the head of the mission or the internal committee, with a statement of the reasons for this exit.

Instructions No. 86 of 2012 were subsequently issued, which are special instructions for accounting for automotive activity.

It is noted when conducting an examination of the estimated files, that a discussion is held for the financier, inspecting the stores and its location, as well as referring to the deduction and collection data under the tax account on the computer, as well as reviewing the contracting data, as well as reviewing customs data to know the value of the imported goods, as well as any data or documents that the examining officer can obtain so that he can hold the financier fair and genuinely accountable.

God grants success

Ansi Kamal Alghamri

