



# REAL ESTATE **TAX LAWS**

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ANDERSEN IN EGYPT



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## Table of Contents:

<b>Real Estate Tax .....</b>	<b>1</b>
Real Estate Tax Law .....	1
Persons Liable to Pay Real Estate Tax.....	1
Real Estate Tax Rate.....	2
Exemptions from Real Estate Tax .....	2
Practical Example for Calculating Real Estate Tax.....	2
Calculating the Net Annual Rental Value.....	3
Calculating Real Estate Tax.....	3
<b>Real Estate Transactions Tax.....</b>	<b>3</b>
Governing Law .....	3
Liable Parties.....	3
Tax Rate .....	4
Exemptions .....	4
Calculation Example.....	4
<b>Real Estate Wealth Tax.....</b>	<b>5</b>
Scope of the Tax.....	5
Liable Parties.....	6
Tax Rate .....	6
Calculation of Real Estate Wealth Tax .....	6
Conclusion .....	6

## 1- Real Estate Tax (Real Estate Tax Law No. 11 of 1991):

According to the Real Estate Tax Law No. 11 of 1991, as amended, real estate tax is "an annual tax levied on all built real estate properties located within the Republic of Egypt, whether owned by individuals, companies, associations, or public or private entities."

### Real Estate Tax Law:

Real Estate Tax Law No. 11 of 1991, as amended, regulates all provisions of real estate tax, including:

- Definition of real estate tax and its conditions.
- Persons liable to pay real estate tax.
- Bases for calculating real estate tax.
- Real estate tax rates.
- Exemptions from real estate tax.
- Penalties for late payment of real estate tax.
- Procedures for collecting real estate tax.

### Individuals and Entities Responsible for Real Estate Tax Payment:

The Real Estate Tax Law obliges all owners of built real estate properties within the Republic of Egypt to pay real estate tax, including:

- **Individuals:** Owners of residential units, commercial properties, industrial properties, and vacant land.
- **Companies:** Joint-stock companies, limited liability companies, and individual companies.
- **Associations:** Civil associations and public benefit associations.
- **Public Bodies:** Ministries, government agencies, and other public bodies.
- **Private Bodies:** Privately owned entities and Egyptian joint stock companies.

## Real Estate Tax Rate:

The real estate tax rate is set at 10% of the net annual rental value of the property. The net annual rental value of the property is calculated by deducting maintenance and management expenses from the annual rental value of the property.

## Exemptions from Real Estate Tax:

Some properties are exempt from real estate tax, according to Article 11 of the Real Estate Tax Law, including:

- **Residential Units:**
  - Residential units with an area not exceeding 60 square meters.
  - Residential units owned by people with disabilities.
  - Residential units owned by pension recipients, provided the pension value does not exceed 1000 Egyptian pounds.
- **Vacant Land:**
  - Vacant land with an area not exceeding 200 square meters.
  - Vacant land designated for industrial or agricultural projects.
- **Other Properties:**
  - State-owned properties designated for public use.
  - Properties dedicated to worship.
  - Properties owned by educational and health institutions.

## Practical Example for Calculating Real Estate Tax:

Let us suppose that there is a residential property owned by a natural person, with an area of 100 square meters, an annual rental value of 120,000 Egyptian pounds, and maintenance and management expenses of 20,000 Egyptian pounds.

## Calculating the Net Annual Rental Value:

Net Annual Rental Value = (Annual Rental Value) – (Maintenance and Management Expenses)

Net Annual Rental Value = 120,000 - 20,000 = 100,000 Egyptian Pounds.

## Calculating The Real Estate Tax:

Real estate tax = Real estate tax rate × Net annual rental value

Real estate tax = 10% × 100,000 = 10,000 Egyptian pounds

## 2- Real Estate Transactions Tax (Income Tax Law No. 91 of 2005):

Real estate transaction tax, also known as "immovable property transfer tax" in Egypt, is levied on the transfer of ownership of built real estate and vacant land situated within the Egyptian territory. This tax applies regardless of whether the transfer occurs between living individuals or through inheritance. The legal basis for real estate transaction tax is enshrined in Article 108 of the Income Tax Law No. 91 of 2005 and its subsequent amendments.

### Governing Law:

The Income Tax Law No. 91 of 2005, along with its amendments, serves as the overarching framework governing the implementation and application of real estate transaction tax in Egypt. This law outlines the fundamental principles, regulations, and procedures associated with this tax.

### Liable Parties:

The obligation to pay real estate transaction tax falls upon all parties involved in the transfer of ownership of real estate or vacant land within Egypt. This includes:

- **Seller:** The individual or entity transferring ownership of the property to the buyer.

- **Buyer:** The individual or entity receiving ownership of the property from the seller.
- **Property Heir:** The individual inheriting ownership of the property through a succession process.

### Tax Rate:

The real estate transaction tax rate is currently set at 2.5% of the total value of the transferred property, applicable to both the seller and the buyer. This means that the tax burden is shared equally between the two parties.

### Exemptions:

Certain real estate transactions are exempt from real estate transaction tax, as stipulated in Article 110 of the Income Tax Law. These exemptions include:

- **Sale between Family Members:** The transfer of real estate between spouses, children, and grandchildren is exempt from real estate transaction tax.
- **Investment Purposes:** The sale of real estate for investment purposes is exempt from real estate transaction tax, provided the buyer commits to constructing the property within two years of the purchase date.
- **Humanitarian Cases:** In specific humanitarian circumstances, such as selling property to settle medical debts or provide shelter for a needy family, real estate transaction tax may be waived.

### Calculation Example:

Consider a residential property sold for 1,000,000 Egyptian pounds.

#### **Seller's Real Estate Transaction Tax:**

Seller's Tax = (Real Estate Transaction Tax Rate) × (Property Value)

Seller's Tax = 2.5% × 1,000,000 = 25,000 Egyptian pounds

### Buyer's Real Estate Transaction Tax:

Buyer's Tax = (Real Estate Transaction Tax Rate) × (Property Value)

Buyer's Tax = 2.5% × 1,000,000 = 25,000 Egyptian pounds

### 3- Real Estate Wealth Tax (Income Tax Law No. 91 of 2005)

Real estate wealth tax, also known as property tax in Egypt, is a levy imposed on individuals and entities that own and rent out residential units, vacation units, or commercial properties located within the Republic of Egypt. This tax applies to both furnished and unfurnished rentals, regardless of the lease term.

#### Scope of the Tax:

The real estate wealth tax encompasses all rental income derived from the following types of properties:

- **Residential Units:** Apartments, houses, and villas rented out for residential purposes.
- **Vacation Units:** Properties rented out for short-term stays during vacation periods.
- **Commercial Properties:** Shops, offices, and warehouses rented out for commercial activities.

#### Liable Parties:

The real estate wealth tax is obligatory for all individuals and entities that generate rental income from properties located within Egypt. This includes:

- **Individuals:** Owners of residential units, commercial properties, industrial properties, and vacant land.
- **Companies:** Joint-stock companies, limited liability companies, and individual companies.
- **Associations:** Civil associations and public benefit associations.
- **Private Entities:** Privately owned entities and Egyptian joint stock companies.

## Tax Rate:

The real estate wealth tax rate is progressive, ranging from 10% to 27.5%, depending on the net profit bracket.

## Calculation of Real Estate Wealth Tax:

The calculation of real estate wealth tax involves the following steps:

1. **Determine Gross Rental Income:** This is the total rental income received from the property during the tax period.
2. **Deduct Allowable Expenses:** Subtract 50% from the gross rental income to account for estimated expenses and maintenance costs. This leaves you with the net profit.
3. **Apply Progressive Tax Rate:** Apply the corresponding tax rate from the progressive tax brackets to the net profit.

## Conclusion:

Understanding Egypt's real estate tax framework is crucial for property owners and investors. The Real Estate Tax Law No. 11 of 1991 outlines the annual tax obligations for built properties, including rates and exemptions. The Income Tax Law No. 91 of 2005 governs both the real estate transaction tax and wealth tax, detailing responsibilities, rates, and exemptions for property transfers and rental income. Familiarity with these laws ensures compliance and informed financial planning for real estate stakeholders.



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