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Enhancing tax revenues in Egypt: a collaborative journey with the Economic Commission for Africa





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Executive summary

From July 2023 to February 2025, the Economic Commission for Africa (ECA) worked with the Egyptian Tax Authority to support the national tax reform agenda of Egypt. The collaboration was aimed at addressing persistent structural challenges in the tax system, including a low ratio of tax to gross domestic product (GDP), a large informal sector, audit and enforcement gaps, and the preferential treatment of State-owned enterprises.

The intervention by ECA was strategically aligned with Vision 2030, the national sustainable development strategy, and domestic revenue mobilization goals, in particular for Large Taxpayer Centres and high-risk sectors. It was focused on providing technical assistance, policy advisory services and capacity-building. In addition, ECA supported the Egyptian Tax Authority in its efforts to modernize audit methodologies, enhance taxpayer compliance and introduce international standards in financial reporting, cross-border risk assessment and the taxation of State-owned enterprises.

The partnership yielded tangible outcomes. From July 2024 to April 2025, total tax revenue rose by 38 per cent, with significant increases across income tax, corporate tax and value added tax (VAT) collections. The number of tax disputes decreased, in particular at Large Taxpayer Centre 2, where 80 per cent of disputes were resolved. For the first time, tax contributions from publicly owned enterprises doubled, following the implementation of Law No. 159 of 2023, which established equal tax treatment for public and private entities.

Despite the progress, several challenges remain, including complex and fragmented tax legislation, the overuse of incentives, gaps in technical capacity and the limited integration of digital tools. In order to address the gaps, it is recommended that automation accelerates, audit procedures across tax offices are standardized and tax incentives and legal thresholds are reviewed.

The partnership between Egypt and ECA demonstrates the potential of technical assistance and regional collaboration for driving sustainable, equitable and efficient domestic revenue mobilization. Sustaining the momentum will be essential to building a fair, modern and efficient tax system that supports inclusive development and fiscal resilience.

I. Overview of the support programme

The present report provides a comprehensive overview of the role of ECA in supporting tax reform and modernization projects in Egypt, including the main challenges identified, the strategic approach adopted and the actions implemented over the 20-month period from July 2023 to February 2025. It includes a description of the rationale for intervention, the outcomes achieved and recommendations for future areas of focus.

In order to identify the most important gaps and challenges that required immediate action, owing to their large potential to increase tax revenue, the ECA team held numerous meetings and interviews with the various departments of the Egyptian Tax Authority that carry out the main functions of tax administration, including those concerned with inspection and audit, large taxpayers, tax evasion, tax risk, refunds and collections. In addition, interviews were conducted with employees of the tax offices for large, medium and small taxpayers.

Egypt implemented several initiatives and took various steps to achieve its goals in enhancing voluntary compliance by delivering professional, transparent and efficient services, while ensuring a fair and cost-effective approach to revenue collection. As a result of the efforts by the Egyptian Tax Authority and the support of ECA, the Government of Egypt announced Law No. 5 of 2025,¹ introducing incentives and action with the aim of enhancing tax compliance, expanding the tax base, reducing tax disputes and supporting the digital transformation of the country's tax administration in alignment with **Vision 2030** and **domestic revenue mobilization** priorities.

The collaboration contributed to a 38 per cent increase in tax revenue in the period July 2024–April 2025, compared with the same period 12 months earlier, which is equivalent to 1 per cent of GDP;² a reduction in taxpayer disputes and a notable rise in the voluntary filing of tax returns by State-owned enterprises.

¹ For further information, see KPMG, "Egypt: amendments to tax procedures; tax incentives for small businesses", 19 March 2025.

² Egypt, Ministry of Finance, *The Financial Monthly*, vol. 20, No. 7 (May 2025).

The progress made by the Egyptian Tax Authority would not have been possible without the strong commitment of the Head of the Authority and the active engagement of senior officials and departmental managers in driving reform and modernization. The Tax Administration Diagnostic Assessment Tool was as a critical instrument for diagnosing institutional strengths and weaknesses. One of the most important outcomes of the reform process was the modernization of the country's tax administration through business process re-engineering, organizational restructuring and accelerated digital transformation.

Challenges persist in tax administration practices and tax policy issues, however, such as:

- Extensive VAT exemptions: a long list of VAT-exempt goods and services erodes the tax base, creates compliance complexities and undermines revenue neutrality.
- Overuse of tax incentives: generous tax incentives for corporations, especially in special economic zones and free zones, encourage aggressive tax avoidance and contribute to base erosion.
- Insufficient technical capacity: tax officials lack specialized skills and expertise in auditing large taxpayers and high-risk sectors, such as in relation to contracting and the tourism, agriculture, shipping, and information and communications technology (ICT) sectors, and in international accounting standards, transfer pricing, tax treaties and cross-border tax rules.
- Slow implementation of modernization and automation projects: the slow implementation limits the effective use of electronic invoices and receipts, and digital returns, and the lack of integrated databases and real-time data analytics weakens compliance monitoring and risk-based enforcement.
- Outdated tax legislation: tax laws must be reviewed in the light of international tax developments and best practices (for instance, all monetary values that are set out in tax laws have already been eroded, owing to currency depreciation over the past decade).
- Complex and fragmented tax structure: the simplification of the Egyptian direct and indirect tax systems is considered a critical and important step in reducing the number of taxes and eliminating operational redundancies.
- Lack of standardized tax audit procedures and guidance: inconsistent audit practices across tax offices result in unequal treatment, uncertainty among taxpayers and reduced accountability.

II. State of the economy and rationale for reform

Egypt, with a population of 107 million people,³ has the second largest economy in Africa.⁴ Its diverse economic base includes such major sectors as petroleum, textiles, telecommunications, shipping and transportation, tourism and agriculture.

Table 1: Growth rate of economic sectors, financial year 2022/23 (Percentage)

Sector	Growth rate
Health	6.3
Tourism	28.0
Education	5.6
Construction and building	5.2
Suez Canal	18.4
Information and communications technology	16.3
Agriculture	4.1

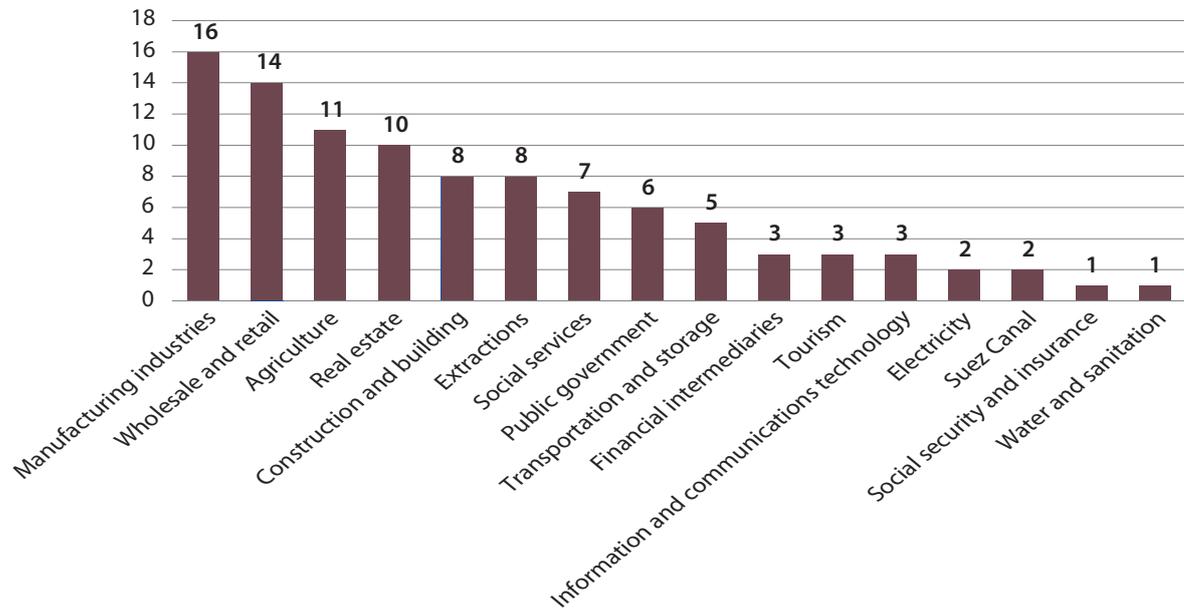
Source: Egypt, General Authority for Investment and Free Zones, "Egypt: facts and figures 2024", 3rd ed. (Cairo, n.d.).

As shown in table 1, the sectors with the highest growth rates in 2022/23 were tourism (28.0 per cent), the Suez Canal (18.4 per cent), ICT (16.3 per cent), health (6.3 per cent), education (5.6 per cent), construction and building (5.2 per cent), and agriculture (4.1 per cent). During the same fiscal year, manufacturing industries accounted for 16 per cent of GDP, wholesale and retail trade accounted for 14 per cent, agriculture accounted for 11 per cent, real estate accounted for 10 per cent and construction and building accounted for 8 per cent, as shown in figure 1.

³ Egypt, State Information Service, "CAPMAS: Egypt's population officially reaches 107mn", 2 November 2024.

⁴ Iola Bailey, "African countries with the highest gross domestic product (GDP) in 2025", *Pan-African*, 15 September 2025.

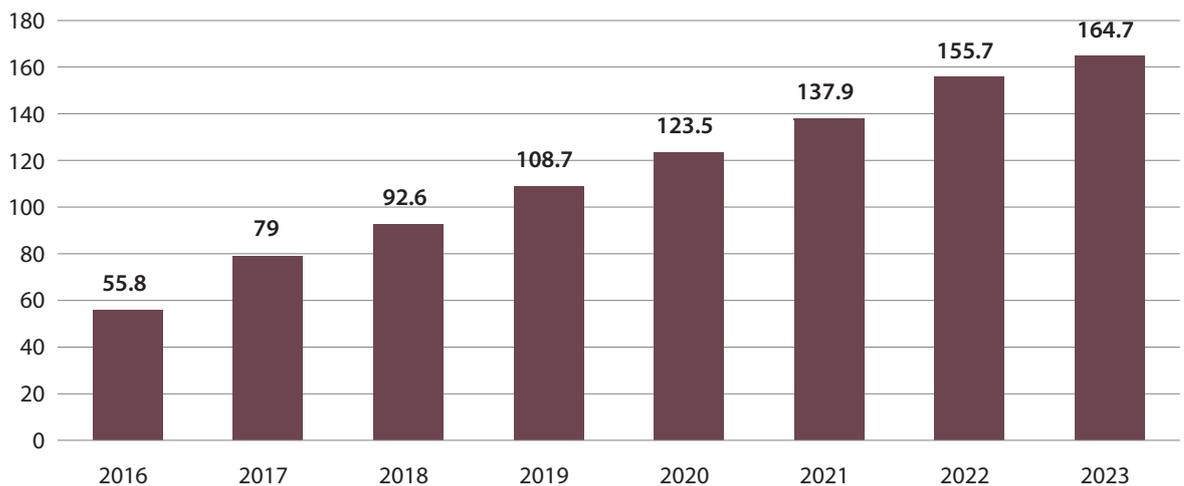
Figure I: Contribution of economic sectors to gross domestic product, 2022/23 (Percentage of gross domestic product)



Source: Egypt, General Authority for Investment and Free Zones, "Egypt: facts and figures 2024", 3rd ed. (Cairo, n.d.).

The Egyptian economy faced several headwinds in the aftermath of the coronavirus disease (COVID-19) pandemic, from a surge in inflation to 35 per cent in 2023,⁵ the devaluation of the Egyptian pound, an increase in the ratio of the fiscal deficit to GDP to 7 per cent in 2023/24,⁶ and rising public debt.

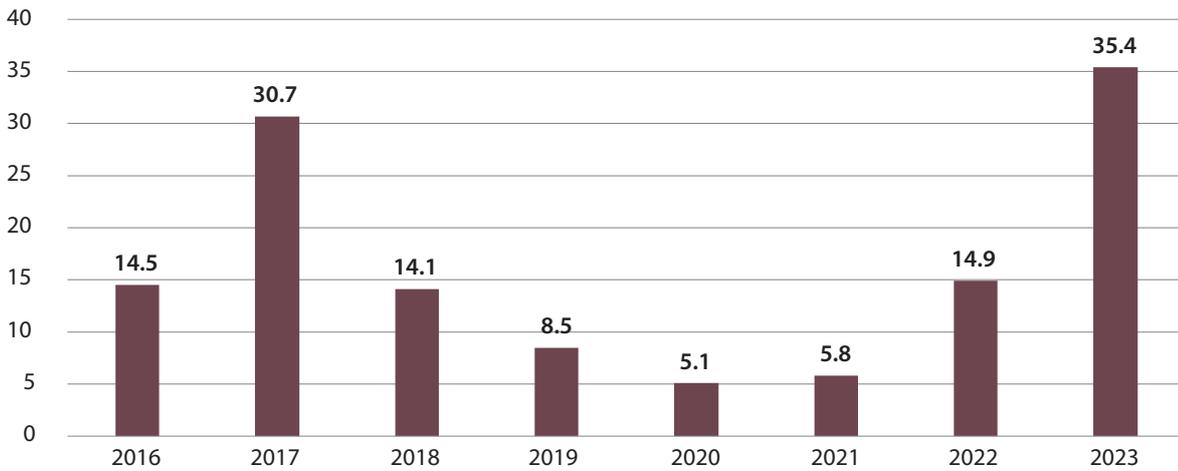
Figure II: Evolution of external debt, 2016–2023 (Billions of United States dollars)



Source: Data for 2020–2023, Central Bank of Egypt, "External debt by type", External Debt. Available at www.cbe.org.eg/en/economic-research/time-series/downloadlist?category=2596CC0C64D5474C865C49E48A24D483 (accessed on 17 November 2025); data for 2016–2019, Central Bank of Egypt, External Position of the Egyptian Economy. Available at www.cbe.org.eg/en/economic-research/economic-reports/external-position-of-egyption-economy.

⁵ Central Bank of Egypt, "Headline and core inflation – February 2024", *Monetary Policy Inflation Note* (Cairo, 2024).

⁶ International Monetary Fund (IMF), "General government net lending/borrowing (% of GDP)", *World Economic Outlook* (October 2025). Available at www.imf.org/external/datamapper/GGXCNL_NGDP@WEO/EGY?zoom=EGY&highlight=EGY (accessed on 15 November 2025).

Figure III: Inflation rate, 2016–2023 (Percentage)

Source: Central Agency for Public Mobilization and Statistics, Monthly Bulletin of Consumer Price Index (CPI) October 2025 (Cairo, 2025).

The simultaneous increase in external debt and inflation in Egypt, as shown in figures II and III, poses serious macroeconomic challenges. From 2016 to 2023, external debt surged threefold, hitting \$164.7 billion, and inflation soared to 35.4 per cent, the highest rate in recent years. That combined pressure has strained fiscal capacity, raised debt servicing costs and diminished the real purchasing power of the Egyptian pound, affecting vulnerable populations.

High external debt exposes the economy to exchange rate volatility and rising global interest rates, which further escalate repayment obligations. Elevated inflation undermines economic stability and investor confidence and weakens the ability of the Government to maintain sustainable public finances.

To combat growing economic vulnerabilities, Egypt must boost its domestic revenue efforts, focusing on tax policy and administration. Enhancing tax revenue is crucial to cutting dependence on external borrowing, funding vital public services and creating room for investments that drive growth. By expanding the tax base, addressing gaps in compliance and simplifying tax collection, Egypt can acquire the sustainable resources that it needs in order to stabilize the economy, support development priorities and protect vulnerable groups from future shocks.

III. Tax revenue performance

A. Below average ratios of tax revenue to gross domestic product

The tax-to-GDP ratio in Egypt has been on a downward trend since 2009, reflecting persistent challenges in revenue mobilization. Tax as a share of GDP was 12.5 per cent in 2021/22,⁷ and that figure rises to 14.2 per cent when the tax includes social security.⁸ Both those values are below the African continental average of 16 per cent.⁹ The highest tax-to-GDP ratio that Egypt has recorded since 2002 was 17.4 per cent in 2006,¹⁰ as shown in figure IV, highlighting a long-term decline that underscores the need for comprehensive tax policy and administrative reforms.

Figure V shows that the Egyptian ratio is higher than that of Ethiopia or Nigeria. It has a significant way to go, however, to reach the levels of such countries as Tunisia, the leading African country, at 33 per cent, or Morocco and South Africa, which have ratios of over 25 per cent.¹¹

⁷ Egypt, Ministry of Finance, *The Financial Monthly*.

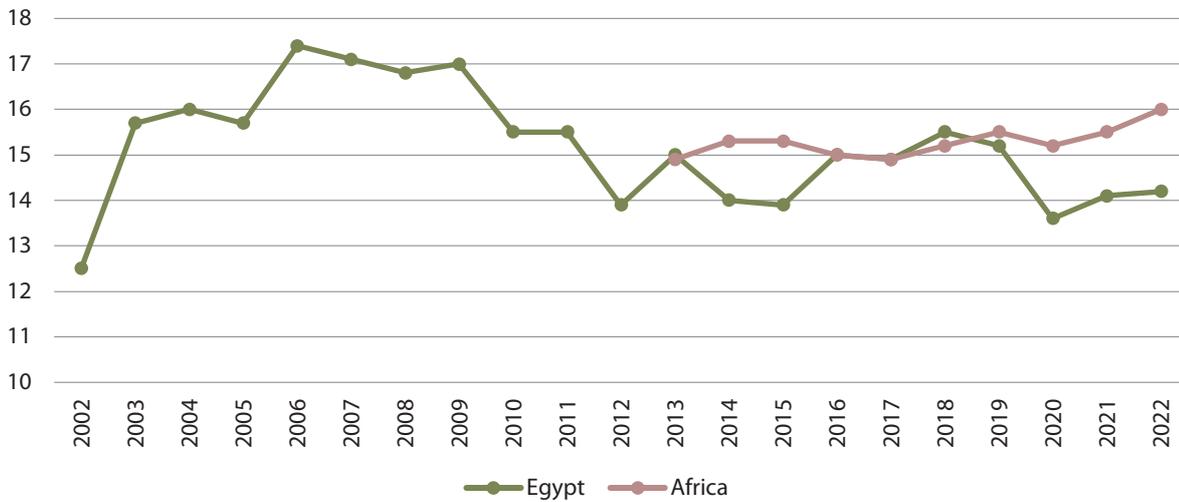
⁸ Organisation for Economic Co-operation and Development, African Union Commission and African Tax Administration Forum, *Revenue Statistics in Africa 2024: Facilitation and Trust as Drivers of Voluntary Tax Compliance in Selected African Tax Administrations* (Paris, OECD Publishing, 2024).

⁹ Ibid.

¹⁰ Ibid.

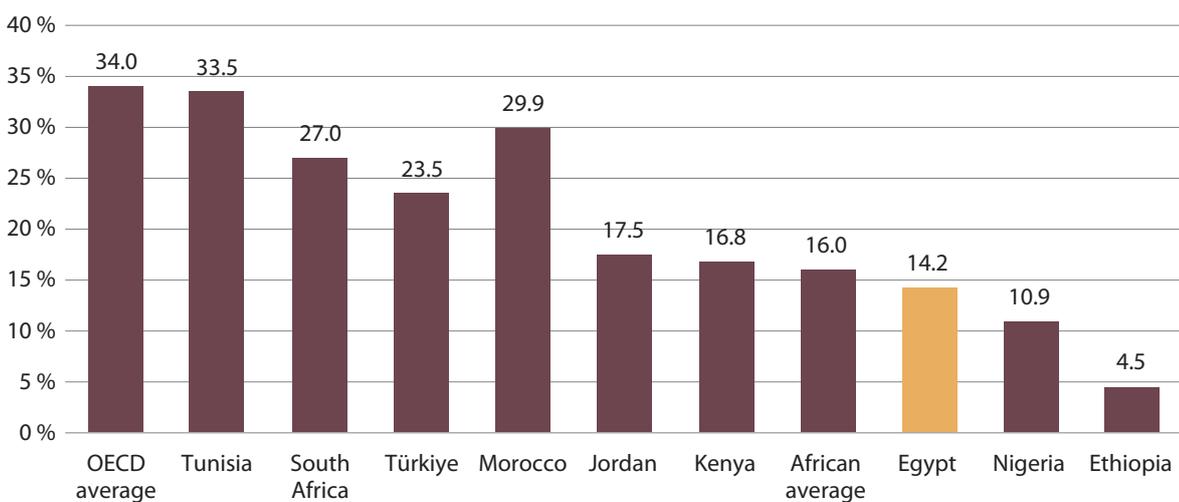
¹¹ Ibid.

Figure IV: Tax revenue, including social security, as a share of gross domestic product, Egypt and Africa (Percentage)



Source: Author, based on Organisation for Economic Co-operation and Development, African Union Commission and African Tax Administration Forum, Revenue Statistics in Africa 2024: Facilitation and Trust as Drivers of Voluntary Tax Compliance in Selected African Tax Administrations (Paris, OECD Publishing, 2024).

Figure V: Tax revenue, including social security, as a share of gross domestic product, selected countries and averages, 2022 (Percentage)



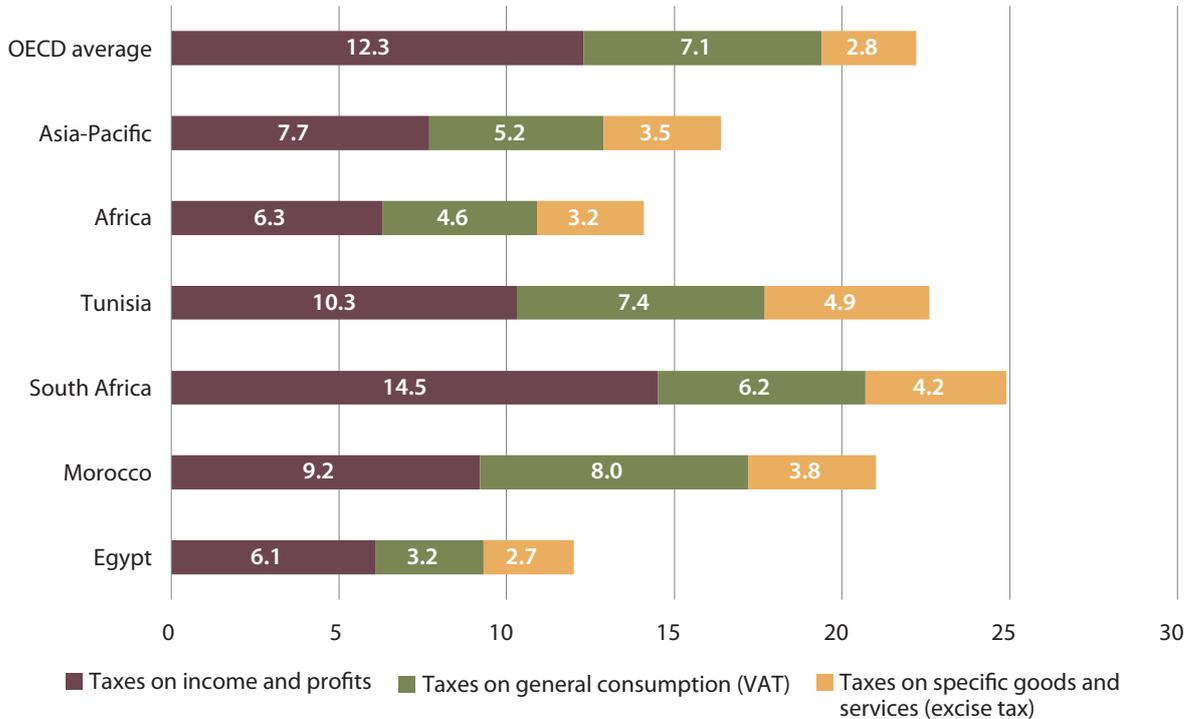
Source: Author, based on OECD, African Union Commission and African Tax Administration Forum, Revenue Statistics in Africa 2024 (see figure IV); South Africa, National Treasury, Tax Statistics 2022: Highlights (Pretoria, 2023); Nigeria, National Bureau of Statistics, “Tax-to-GDP ratio: revised computation” (Abuja, 2023); World Bank, “Tax revenue (% of GDP)”, DataBank, available at <https://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS> (accessed on 18 November 2025); and OECD, “Revenue statistics 2024 – Türkiye” (n.p., n.d.).

B. Low income and indirect taxes compared with peer countries

As illustrated in figure VI, the tax revenue structure in Egypt indicates that direct taxes, on income and profits, indirect taxes, on goods and services, and excise taxes are significantly lower than those in peer countries and compared with global benchmarks. Income and profit taxes account for only 6.1 per cent of GDP, which is below African counterparts, such as Morocco (9.2 per cent), Tunisia (10.3 per cent) and, especially, South Afri-

ca (14.5 per cent).¹² It would, therefore, seem that there is a limited capacity to mobilize revenue through progressive taxation, reflecting challenges in efforts to broaden the tax base, tax compliance and policy design.

Figure VI: Structure of tax revenue in selected regions and countries (Percentage of gross domestic product)



Source: Author, based on OECD, African Union Commission and African Tax Administration Forum, *Revenue Statistics in Africa 2024* (see figure IV).

Indirect taxes, such as VAT and excise duties, as a proportion of GDP, are also falling short, compared with peer countries. Egyptian VAT revenue accounts for 3.2 per cent of GDP, one of the lowest proportions when compared with Morocco (8.0 per cent), Tunisia (7.4 per cent) and the average for the Organisation for Economic Co-operation and Development (OECD) (7.1 per cent).¹³ Excise tax revenue is also relatively low (2.7 per cent) and, although it is close to the OECD average (2.8 per cent), it remains lower than that of several African countries.¹⁴

C. Doing business indicators

The Doing Business project of the World Bank is an assessment of the regulatory environments of countries across 10 indicators, providing a comprehensive overview of each country's conduciveness to business operations. In the 2020 evaluation, Egypt was

¹² Ibid.

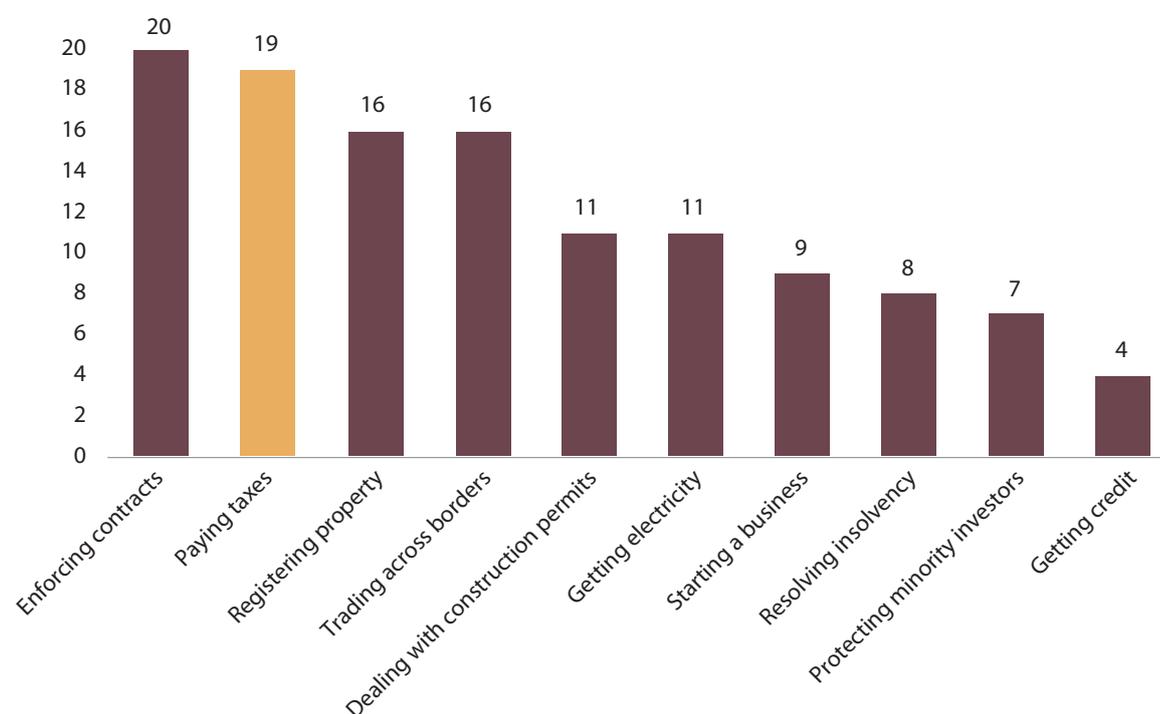
¹³ Ibid.

¹⁴ Ibid.

ranked 114th globally, reflecting significant variation in its performance across the indicators.¹⁵ Figure VII presents the ranking of Egypt among 20 Arab States for each individual metric, highlighting areas of excellence and notable challenges. The ranking system not only depicts the overall position of Egypt but also underscores its strengths in such areas as access to credit and investor protection, and its weaknesses in such areas as tax compliance and contract enforcement, which are critical factors influencing the business climate and investment appeal within the region.

Egypt performed above average for the “Getting credit” and “Protecting minority investors” indicators, with scores of 65 out of 100, respectively, suggesting that financial institutions in the country are accessible and that there are legal protections in place for shareholders, factors that enhance investor confidence. In addition, Egypt scored relatively well for the “Starting a business” and “Dealing with construction permits” indicators, with 88 and 71 out of 100, respectively, indicating that, although the processes may not be the most streamlined globally, they are still relatively accessible compared with many other countries.

Figure VII: Ranking of Egypt among 20 Arab countries for the indicators of the Doing Business project, 2020



Source: World Bank, *Doing Business 2020: Region Profile – Arab World* (Washington, D.C., 2020).

¹⁵ World Bank, *Doing Business 2020: Region Profile – Arab World* (Washington, D.C., 2020).

Conversely, Egypt had its worst scores for the “Paying taxes”, “Trading across borders” and “Enforcing contracts” indicators, at 55, 42 and 40 out of 100, respectively. The scores highlight serious challenges in tax compliance, customs procedures and the legal system, which can deter foreign investment and slow domestic business growth.

Table 2: Rankings of selected countries, out of 20 Arab countries, for the “Paying taxes” indicator of the Doing Business project, 2020

Countries	Ranking
Algeria	20
Egypt	19
Tunisia	12
Jordan	8
Saudi Arabia	7
Morocco	5

Source: World Bank, *Doing Business 2020: Region Profile – Arab World* (Washington, D.C., 2020).

Table 2 shows that the “Paying taxes” indicator remains one the weakest areas for Egypt compared with other Arab countries. With a ranking of nineteenth in 2020, it was significantly behind most of its regional counterparts. Its position near the bottom indicates that businesses continued to face substantial administrative and financial burdens in meeting tax obligations, including lengthy compliance times, complex filing procedures and, potentially, inefficient digital systems.

D. National plan to modernize tax administration

In 2020, the Council of Ministers of Egypt endorsed a medium-term revenue strategy, prepared by the Ministry of Finance. Guided by the Prime Minister and the Minister of Finance, a series of integrated projects were introduced, the first major milestone of which was the re-engineering of tax procedures. The initiatives were anchored in the Tax Administration Diagnostic Assessment Tool framework of the International Monetary Fund (IMF), which serves as a global benchmark for assessing and strengthening the efficiency and effectiveness of tax systems. The foundational phase was aimed at aligning the country’s tax procedures with international standards and laying the groundwork for broader institutional and policy reforms.

The overall goal of the reforms was to enhance the efficiency, transparency and institutional performance of the Egyptian Tax Authority by modernizing operations, improving taxpayer services and strengthening compliance. In addition, prioritization was given to infrastructure development, capacity-building and legal modernization as part of the country’s broader economic reform agenda.

The tax modernization project aligns with the digital transformation agenda of Egypt through the adoption of modern technologies and harmonization with international standards, contributing to better revenue mobilization and governance. Despite progress, such as the launch of an integrated tax core system and the restructuring of the tax authority's functions, challenges persist, in particular in enforcement and international compliance. The ongoing integration of VAT and income tax systems under the integrated tax core system marks an important step towards greater operational efficiency.

The project has yet to achieve its full potential in terms of increased tax revenue. Although the country has made strides in such areas as procedural reform, automation, organizational restructuring and digital invoicing, there was only a modest overall impact on revenue collection prior to the involvement of ECA. Several factors contribute to the challenge, including the large informal economy, preferential treatment for State-owned enterprises, limited taxpayer compliance and structural weaknesses in enforcement and audit capacity. Furthermore, although new systems and technologies have been introduced, their full integration into daily tax operations and decision-making processes is uneven across various departments and administrative regions.

E. Mobilization of domestic resources

The Egyptian authorities are considering several policy options to enhance domestic resource mobilization,¹⁶ including the introduction of a carbon tax, to support a reduction in emissions and align with the carbon border adjustment mechanism of the European Union, and the adoption of a withholding tax on sales from free zones to the domestic market, which is aimed at curbing revenue leakages and promoting greater tax equity.

The authorities agreed to restrain the introduction of new tax incentive proposals, despite the planned establishment of a free zone in the Ras El-Hekma region, and will use the opportunity to replace the current fragmented system of corporate income tax incentives with a transparent, coherent and efficient framework. The new incentive structure will be embedded solely within a forthcoming law on income tax, which is currently being drafted with technical assistance from IMF.

¹⁶ For further information see IMF, *Arab Republic of Egypt*, IMF Country Report, No. 24/274 (Washington, D.C., 2024).

IV. Evaluation of Egyptian tax policy and administration

A review of Egyptian tax policy and administration reveals a series of deeply rooted challenges that impede the efficiency, fairness and effectiveness of the tax system. Given that tax revenue accounts for more than 70 per cent¹⁷ of government income and that Egypt is endeavouring to balance fiscal consolidation with increasing demands for investment in human development, infrastructure and social protection, tax revenue is crucial. In pursuit of those goals, the Government has prioritized broadening the tax base and privatizing State-owned enterprises in order to create fiscal space and enhance support for vulnerable households.

Despite more than two decades of reform initiatives, the persistently low tax-to-GDP ratio reflects both policy deficiencies and administrative weaknesses, underlining the urgent need for a more strategic and coordinated tax reform agenda.

A. Tax policy

Tax policy is a foundational pillar of the broader economic reform agenda of Egypt. The current policy framework continues to face structural and strategic challenges that limit its effectiveness and equity. The challenges do not exist in isolation and they directly shape the way in which tax administration functions and, ultimately, the practical implementation of reforms.

Large size of the informal sector. One of the most pressing policy issues is the large size of the informal economy. A significant portion of economic activity, in particular in such sectors as agriculture, construction, and retail, operates outside the formal tax net. Unregistered businesses and individuals not only evade taxation but also perpetuate a culture of non-compliance. Consequently, the formal sector bears a disproportionate tax burden, which discourages investment and deepens inequality. Addressing informal-

¹⁷ Egypt, Ministry of Finance, and United Nations Children's Fund, "Spotlight on children in the 2023/2024 budget", Budget Transparency Brief, No.9 (Cairo, 2022).

ity requires gradual formalization through simplified registration processes, targeted incentives and public awareness campaigns that promote voluntary compliance.

Complex tax codes. Closely related to informality is the complexity of the tax code. Egypt was ranked 114th in the 2020 Doing Business project, which is the lowest ranking compared with peer countries in the region. In addition, as previously mentioned, paying taxes is the second factor that has the highest negative impact on doing business in Egypt. Over the years, numerous amendments and overlapping policies have created a fragmented and inconsistent framework. The complexity poses a particular challenge for small and medium-sized enterprises, which struggle to navigate corporate income tax, VAT and personal income tax rules. The result is higher compliance costs, increased rates of inadvertent non-compliance and growing mistrust in the system. Simplifying and harmonizing tax procedures would reduce administrative burdens and promote greater transparency and fairness.

Tax evasion. Another significant policy concern is tax evasion, especially in sectors that are cash-driven or loosely regulated, such as tourism, real estate, construction and professional services. Businesses and individuals frequently underreport income, manipulate financial records or engage in transactions that are not officially recorded or reported. Such practices distort market competition and undermine confidence in public institutions. An effective response includes enhancing data analytics and digital tools to identify risky behaviour, increasing audit capacity and establishing a transparent review of current penalty schemes to promote a culture of compliance.

Generous tax incentives and exemptions. Intended to attract investment or promote specific sectors, tax incentives and exemptions are frequently applied without rigorous cost-benefit analysis. Free zones, State-owned enterprises and such sectors as oil and gas often benefit from generous tax advantages that are not available across the economy, which creates imbalances, erodes the tax base and distorts competition. Rationalizing tax incentives through transparent evaluation frameworks is critical to restoring fairness and ensuring fiscal sustainability.

B. Administration and operations

The tax system in Egypt faces substantial administrative constraints, including the following.

Lack of expertise. A major challenge is the limited capacity and technical expertise of tax officials, many of whom are not adequately trained to conduct complex audits or engage with multinational corporations on such issues as transfer pricing or cross-border transactions, resulting in the limited effectiveness of tax enforcement and significant revenue losses.

Absence of standardized audit guidance. Although the same laws and regulations are applied nationwide, interpretation and enforcement can vary significantly from one tax office to another. The inconsistency not only undermines fairness and predictability for taxpayers but also weakens institutional credibility. Establishing clear, centralized audit protocols and guidance, and ensuring consistent application through training and oversight, is essential for improving the quality and uniformity of tax administration.

V. Capacity-building

As Egypt advances its national reform agenda underpinned by fiscal sustainability, economic diversification and the empowerment of the private sector, the need to strengthen tax administration has become increasingly important. Domestic resource mobilization is the cornerstone of the country's ability to finance critical public goods, from infrastructure and education, to healthcare and targeted subsidies for vulnerable populations. Long-standing policy and administrative weaknesses, however, including a low and stagnant tax-to-GDP ratio, persistent informality, weak audit coverage and inconsistent enforcement of tax laws, continue to impede progress.

In response, the Egyptian Tax Authority, in partnership with ECA, conducted 12 technical assistance workshops focused on the country's most pressing audit and compliance challenges. The workshops were not generic training sessions; they were strategically selected on the basis of evidence of revenue risk, administrative gaps and alignment with the country's broader reform objectives.

A. Areas of focus

The following interrelated factors informed the design of the workshops.

Focus on Large Taxpayer Centres. Large taxpayers account for a disproportionate share of total tax revenue – in Africa, they accounted for 64 per cent of tax revenue in 2019¹⁸ – and often operate across multiple jurisdictions and sectors. Ensuring that audit teams in Large Taxpayer Centres – the administrative tax offices that are concerned with the largest taxpayers in the country – have the tools to interpret complex financial data, enforce international standards and detect evasion is critical. Workshops on the International Financial Reporting Standards, cross-border risk assessment and transfer pricing directly respond to those needs and help to modernize audit methodology in Egypt in line with global best practices. Enhancing the audit capabilities of the Large

¹⁸ For more information, see OECD, *Tax Morale II: Building Trust between Tax Administrations and Large Businesses* (Paris, OECD Publishing, 2022).

Taxpayer Centres improves the efficiency of revenue collection and reduces dependency on ad hoc enforcement. In addition, it builds trust with compliant taxpayers through fair and more predictable audit practices.

Sector-based risk targeting. The workshops were targeted at high-risk, high-revenue sectors, such as tourism, real estate and construction industries, which are prone to tax evasion, owing to their cash-based operations, complex subcontracting and underreporting of income. The sectors are vital for GDP and employment: for example, the manufacturing sector accounted for 16 per cent of GDP in 2022/23.¹⁹ The tax performance of that sector has lagged, however, owing to outdated audit practices and the inconsistent application of accounting standards. Similarly, high-growth sectors, such as tourism (28 per cent growth) and ICT (16 per cent),²⁰ pose audit challenges, owing to their cash intensity and intangible value creation. Although real estate and construction contribute significantly to GDP, they remain difficult to regulate, owing to valuation gaps and fragmented operations. Addressing sector-specific risks improves horizontal equity (the equal treatment of taxpayers that have a similar ability to pay), reduces revenue leakage and supports macroeconomic planning through more accurate and predictable data.

Integration of global standards. As Egypt deepens its economic integration and seeks to attract foreign investment, alignment with international financial and tax standards becomes essential. Workshops on the International Financial Reporting Standards, the Standard for Automatic Exchange of Financial Account Information in Tax Matters, the Foreign Account Tax Compliance Act, transfer pricing, and base erosion and profit shifting helped the Egyptian Tax Authority to prepare for the emerging global tax order. The adoption of those standards reflects the country's commitment to international cooperation and transparency. Alignment with international norms improves the attractiveness of Egypt to global investors, helps to reduce illicit financial flows and positions the country to benefit from global tax initiatives, such as the global minimum tax regime of the Group of 20.

Enforcement of competitive neutrality and compliance by State-owned enterprises.

The taxation of State-owned enterprises has long represented a structural imbalance in the Egyptian tax system. Historically exempt or loosely regulated, public enterprises have contributed relatively little in taxes, despite their dominant market positions. Workshops on taxing such enterprises were designed to promote competitiveness through the equal treatment of public and private entities, in line with OECD principles of competitive neutrality. The approach supports recent privatization and liberalization efforts and strengthens the overall fiscal base. Bringing State-owned enterprises into the tax net signals institutional accountability, creates a more level playing field and directly supports fiscal consolidation by unlocking a new source of voluntary compliance and revenue.

¹⁹ Egypt, General Authority for Investment and Free Zones, "Egypt: facts and figures 2024", 3rd ed. (Cairo, n.d.).

²⁰ Ibid.

Strengthening national audit and evasion control. As tax evasion schemes grow more sophisticated, through the use of offshore accounts, shell companies and opaque financial arrangements, traditional audit methods often prove insufficient. Workshops on the detection of tax evasion and anti-money laundering techniques were designed to modernize the tax administration's investigative tools and strengthen inter-agency coordination, in particular given the rise in cross-border capital flows. Strengthening risk-based auditing and inter-agency intelligence enhances the ability of the State to prevent and detect illicit financial flows and prosecute those responsible for them, bolstering both fiscal integrity and public trust. The ECA technical assistance was structured with a view to building the capacity of tax officials in strategic, high-risk sectors, improving audit methodologies and preparing the Egyptian Tax Authority to enforce global standards. The workshops were, therefore, not only technical in nature but also strategically aligned with national reform priorities and international obligations.

B. Workshops

The content and outcomes of the capacity-building workshops are described in the following paragraphs.

1. Workshops on the International Financial Reporting Standards

Held in July and August 2023, workshops focused on aligning financial and tax reporting using the International Financial Reporting Standards were targeted at Large Taxpayer Centres 1 and 2. Given that large taxpayers are obliged to adopt those standards for financial disclosures, the need to integrate the standards into tax audits has become crucial. During the sessions, participants were introduced to concepts concerning adjustments, and the implications for the calculation of taxable income were explained.

Participants developed their understanding of accounting treatments and ability to identify common areas in which financial and tax reporting diverge. The workshops included emphasis on the ways in which disclosures based on the International Financial Reporting Standards can uncover hidden tax risks, such as deferred revenue recognition or off-balance-sheet liabilities. As a result, tax auditors can conduct more informed and nuanced audits, in particular when assessing the accounts of large corporations with complex structures.

In addition, the training helped tax auditors to use international standards to select audit cases. The improved targeting of audits on the basis of accounting red flags is expected to increase the efficiency and effectiveness of audit operations significantly. Overall, the workshops laid the foundation for the modernization of the country's audit methodology by aligning it with global standards.

2. Workshops on tax evasion detection and procedures

Workshops aimed at equipping officials who specialize in combating tax evasion with advanced tools to detect and address the practice were held in January and February 2024. With the rise of cross-border transactions and financial globalization, Egyptian tax auditors must learn how to monitor sophisticated evasion schemes, including the use of offshore entities and tax havens.

The training covered essential international frameworks, such as the Standard for Automatic Exchange of Financial Account Information in Tax Matters and the Foreign Account Tax Compliance Act, offering a practical guide on accessing and interpreting global financial data. Emphasis was placed on using third-party information to detect hidden income streams and identify shell companies.

In addition, participants were taught anti-money laundering techniques and OECD best practices for countering tax evasion. The workshops were designed to improve the knowledge, skills and coordination of stakeholders combating financial crime and money laundering and to educate tax officials on the detection and prevention of tax evasion and money laundering. By gaining a deeper understanding of illicit financial flows, participants enhanced their audit capabilities in high-risk sectors, boosted inter-agency cooperation and established the Egyptian Tax Authority as a trusted authority in international tax enforcement.

3. Workshop on cross-border risk assessment

In February 2024, at the offices of Large Taxpayer Centre 2, a workshop was held on managing tax risks associated with cross-border transactions. As Egypt becomes more integrated into global markets, its tax officials must confidently audit multinational enterprises operating within and outside the country.

The training was focused on arm's length pricing – the principle that transactions between related companies should be priced as if they were between independent parties – and the essentials of documentation for transfer pricing. Auditors learned to detect the manipulation of transfer prices, which companies could employ to shift profits across jurisdictions and reduce their tax liabilities in Egypt.

Participants learned techniques for constructing taxpayer risk profiles, which will allow the tax authority to prioritize audits of companies with high exposure to transfer pricing abuses. The workshop played a critical role in preparing Egyptian auditors in Large Taxpayer Centre 2 to enforce compliance with the principles related to base erosion and profit shifting.

4. Workshop on the taxation of the tourism sector

A workshop on the tourism sector, which is considered one of the most vital economic sectors of the country, was held in May 2024 for Large Taxpayer Centres 3 and 4. It was focused on both VAT and income tax compliance for hotels, tour operators and hospitality businesses. Tax officials learned about auditing sector-specific revenue streams, identifying non-compliant behaviours and evaluating the accuracy of VAT claims. Special attention was paid to identifying underreported revenue from foreign clients and third-party services.

As a result of the training, auditors are better prepared to manage and control tax risks in a sector that is prone to cash transactions, seasonal earnings and complex supplier arrangements. The training has already contributed to better compliance outcomes in tourism-related audits.

5. Workshop on the taxation of the real estate and construction sectors

A workshop on tax risks associated with the real estate and construction sectors was held in June 2024 for Large Taxpayer Centres 3 and 4. The sectors are often characterized by cash-based operations, long-term contracts and irregular income recognition.

Participants explored methods for auditing property transactions, including the valuation of capital gains, recognizing construction income and identifying VAT underreporting. Auditors were trained to detect tax evasion patterns specific to speculative real estate development and subcontracting chains. In addition, participants were introduced to modern tools for tracing financial flows within complex construction projects and the importance of reviewing contract structures to determine tax obligations accurately.

6. Workshops on the taxation of State-owned enterprises

Between September 2024 and February 2025, three workshops were delivered to tax auditors and financial managers from State-owned enterprises to improve the assessment and enforcement of corporate tax compliance. Emphasis was placed on the principle of equal tax treatment of public and private entities. Participants were introduced to tools for reviewing tax returns of State-owned enterprises, identifying tax gaps and ensuring accurate deductions and disclosures.

A step-by-step methodology was provided for conducting tax audits in complex government-related entities, and internal workflow improvements for better coordination among audit teams were highlighted. The efforts have already led to a first wave of voluntary compliance by State-owned enterprises, marking a major shift in public sector transparency and accountability.

C. Advisory services to the Large Taxpayer Centres

As part of its ongoing commitment to advancing domestic resource mobilization in Africa, experts from ECA provided strategic technical support to the Egyptian Tax Authority, with specific emphasis on enhancing tax administration functions and improving the overall policy environment. The support was focused on strengthening the operations of the Large Taxpayer Centres, which play a pivotal role in the oversight of the most significant and complex taxpayers in Egypt.

ECA engaged with the heads of Large Taxpayer Centres 1 and 2 through direct consultations, technical workshops and ongoing needs assessments. The interactions revealed operational fragmentation and varying interpretations of tax procedures across the Centres, leading to inconsistencies in the treatment of taxpayers. As a result, ECA developed and delivered a tailored set of recommendations aimed at standardizing practices, streamlining audit workflows and fostering a more uniform approach to compliance management.

A critical turning point in the collaboration was the technical coordination meeting which was attended by senior tax officials, audit unit leaders and policy advisors from the two Large Taxpayer Centres and other regional offices. The objective was to create a structured forum for peer learning, technical clarification and institutional alignment.

Through interactive sessions and case-based discussions, participants were able: to share challenges and successful practices in auditing large and complex corporate structures; to harmonize audit methodologies for critical risk areas in direct and indirect taxes, such as transfer pricing, deferred tax assets and sector-specific income streams; and to clarify differences in the application of audit procedures, in particular when legislative reforms had resulted in new obligations or the end of exemptions.

The initiative helped to reduce administrative fragmentation and contributed to a more cohesive operational culture within the Egyptian tax administration, strengthening vertical and horizontal coordination between central and regional tax offices.

VI. Major outcomes

The assistance from ECA extended beyond the workshops and coordination of advisory sessions to encompass substantive policy and procedural reforms. The outcomes underscore the pivotal role of ECA support in enabling the Egyptian Tax Authority to adopt international best practices, strengthen compliance and enhance revenue mobilization with greater fairness and efficiency. Significant achievements are described in the following paragraphs.

A. Standardization of tax treatment across Large Taxpayer Centres

A major outcome was the harmonization of audit procedures and the interpretation of tax rules and regulations across Large Taxpayer Centres 1 and 2. By encouraging the elimination of discrepancies in the treatment of similar taxpayers by different offices, the recommendations by ECA aimed to enhance transparency, fairness and predictability, thereby strengthening taxpayer trust and reducing the likelihood of disputes.

B. Support for the implementation of Law No. 159 of 2023

ECA provided technical guidance to support the implementation of Law No. 159 of 2023, a landmark piece of legislation which resulted in the abolition of preferential tax treatment for State-owned enterprises. The reform represents a major policy shift towards tax equity and a level playing field for public and private sector entities. The assistance from ECA was focused on helping auditors to understand and apply the new rules uniformly, especially in evaluating tax returns of State-owned enterprises and identifying previously overlooked deductions and liabilities.

C. Policy modernization to address economic realities

ECA provided advice on the revision of outdated tax thresholds and policy instruments. It recommended raising VAT registration thresholds in the light of the currency devaluation and rising transaction costs; adjusting excise tax monetary brackets to reflect better the effects of inflation and consumption patterns; and updating documentation on transfer pricing and compliance rules to reflect evolving international standards and business practices.

The updates are aimed at aligning the tax system in Egypt with domestic economic conditions and international best practices, ensuring that it remains an effective tool for revenue collection without stifling investment or growth.

D. Coherent and sustainable reform approach

The support from ECA was provided as part of a holistic approach, combining capacity-building, technical dialogue and policy advice, with a view to enhancing the structural integrity and institutional capability of the Egyptian tax system. By investing in both people and processes, the collaboration has contributed to a recent ministerial initiative on the first phase of incentives, which includes the following aspects:

- Uniform tax rulings and guidelines, through the creation of a centralized unit for issuing uniform tax rulings, supported by a comprehensive principles guide.
- Modernized audit procedures, through the introduction of a risk-based audit system to minimize the need for exhaustive audits across all taxpayers.
- Simplified tax regime, to facilitate compliance for small and medium-sized enterprises and encourage voluntary registration and reporting.
- Greater consistency and fairness in tax administration, through better institutional coherence across tax offices and standardized procedures and interpretations.
- Support for legislative reforms to promote tax neutrality, reduce distortions and expand the revenue base sustainably.
- Enhanced institutional credibility, by building the capacity of the tax authority to function as a transparent, resilient and internationally aligned revenue authority in a rapidly globalizing economic environment.

E. Learning and development

The cooperation between ECA and the Egyptian Tax Authority has played a pivotal role in strengthening tax administration through targeted technical assistance and regional cooperation. A major benefit of the support was the creation of a collaborative envi-

ronment in which tax officials from various Large Taxpayer Centres engaged in shared learning, which led to a common understanding of legal interpretations and operational procedures across the Centres. In addition, the workshops enabled those responsible for training within the tax administration system to identify skilled participants who themselves could become in-house trainers, ensuring long-term institutional capacity-building and internal knowledge transfer.

F. Significant increase in tax revenue

Table 3 shows the tax revenue performance for the period July 2024–April 2025. Tax revenue increased by 38 per cent compared with the period 12 months earlier,²¹ providing strong evidence of the tangible impact of the technical and policy assistance from ECA to the Egyptian Tax Authority. The growth reflects not only the country’s economic recovery but also the adoption of modernized tax procedures and enhanced audit methodologies that were introduced and institutionalized through the targeted interventions of ECA.

Table 3: Tax revenue, July 2023–April 2024 and July 2024–April 2025 (Millions of Egyptian pounds)

	July 2023–April 2024	July 2024–April 2025	Change (percentage)
Tax revenue	1 241 326	1 709 975	38
Payroll tax	117 483	155 689	33
Personal income tax	80 800	106 637	32
Corporate income tax	170 868	214 016	25
Value added tax	532 862	739 418	39
Stamp tax	34 439	44 393	29

Source: Author, based on Egypt, Ministry of Finance, *The Financial Monthly*, vol. 20, No. 7 (May 2025).

The breakdown of tax components illustrates the effectiveness of the support from ECA. VAT revenue rose by 39 per cent, driven by reforms in VAT compliance and audit practices developed in partnership with ECA experts. Payroll tax and personal income tax revenue increased by 33 per cent and 32 per cent, respectively, as a result of improved oversight, the use of digital tools and modernization initiatives. Corporate income tax collections grew by 25 per cent, reflecting stronger audit capacity and refined taxpayer segmentation in the Large Taxpayer Centres, which ECA technical assistance and reform recommendations directly supported.

²¹ Egypt, Ministry of Finance, *The Financial Monthly*.

G. Improved compliance and a breakthrough with State-owned enterprises

Strengthened audit practices in high-risk sectors, such as tourism and cement, led to more accurate tax assessments; greater taxpayer compliance; fewer tax disputes and reduced revenue leakage, including the resolution of, for example, 80 per cent of income tax disputes at Large Taxpayer Centre 2; and, by July 2024, the closure of 100 per cent of income tax and VAT files under review.

The technical assistance provided by ECA has been instrumental in strengthening tax collection, in particular with respect to State-owned enterprises. In the fiscal year 2024/25, Egypt reached a pivotal moment in its economic development, achieving an unprecedented increase, of more than 67 billion Egyptian pounds, in annual tax revenue from State-owned enterprises, accounting for 0.37 per cent of GDP for the fiscal year,²² and underscoring the effectiveness of recent reforms.

This remarkable outcome was made possible not only through strengthened enforcement measures and enhanced compliance but also thanks to the dedicated efforts of the Egyptian Tax Authority, supported by technical assistance from ECA. The collaboration has significantly improved the capacity for managing complex corporate taxpayers, further reinforcing the country's commitment to sound financial governance.

It is important to recognize, however, that the full implementation of Law No. 159 of 2023, which establishes the framework for taxing public enterprises, remains contingent on the issuance of additional regulations and executive decrees by the Cabinet. The continued development and implementation of those measures will be vital for sustaining and building upon the progress.

H. South-South cooperation

By organizing joint training sessions for 40 Egyptian and 156 Sudanese tax officials, ECA facilitated South-South cooperation within North African countries, fostering regional knowledge exchange and promoting shared approaches to tax.

²² Egypt, Ministry of Finance, "Report on taxes paid by public entities within the framework of competitive neutrality" (n.p., n.d.). Available at <https://assets.mof.gov.eg/files/3fd96070-a06f-11f0-b768-83a49cffd7cb.pdf> (in Arabic).

VII. Remaining challenges and the way forward

In its ongoing effort to modernize tax administration and align it with the national sustainable development strategy, Vision 2030, and the country's domestic revenue mobilization strategy, the Egyptian Tax Authority has made measurable strides in expanding the tax base, improving voluntary compliance and enhancing audit capabilities. One of the most notable outcomes is the launch of the country's first structured scheme of incentives to encourage compliance, reduce disputes and support digital transformation through the implementation of electronic invoicing and tax return automation.

Despite that momentum, significant policy and administrative challenges continue to hinder the full creation of a fair, efficient and modern tax system. The persistence of extensive VAT exemptions, a proliferation of sector-specific tax incentives and outdated monetary thresholds in tax legislation contribute to revenue leakage and unequal tax treatment. Furthermore, the audit and enforcement capabilities of the Egyptian Tax Authority, in particular in relation to large taxpayers and specialized sectors, such as tourism, agriculture, contracting and ICT, require further development. The need to accelerate the integration of electronic invoice platforms, risk engines and compliance monitoring systems has become more urgent than ever.

A comprehensive review of existing tax incentives and exemptions must be carried out in order to eliminate inefficiencies and align benefits with economic policy goals. Moreover, the simplification of the direct and indirect tax systems should be prioritized, with a view to reducing the burden on taxpayers and operational redundancies. In addition, legal reforms should reflect currency depreciation and international best practices, ensuring monetary thresholds and obligations reflect current economic realities.

The modernization of audit practices must be accompanied by the standardization of audit procedures across tax authority offices, in order to reduce discrepancies, promote legal certainty and ensure the fair treatment of all taxpayers. Institutionalizing ongoing training, especially in international taxation, the International Financial Reporting Standards and transfer pricing, is essential to maintaining a high standard of professionalism.

Moreover, the formalization of the informal economy through simplified tax regimes, better taxpayer services and targeted outreach can contribute to efforts to broaden the base while enhancing equity.

To overcome the remaining challenges, the way forward should be guided by the following measures:

- Specialized training programmes for tax officials based on their roles and office mandates, with a focus on institutionalizing high-level technical training for Large Taxpayer Centres in such areas as international financial reporting standards, sector-specific taxation, including agriculture, shipping and international transportation, transfer pricing and international audit standards, in order to enhance audit quality, consistency and risk-based enforcement.
- Acceleration of automation and data integration, ensuring the interoperability of electronic invoice systems, taxpayer registries and tools for risk profiling, in order to improve audit targeting and reduce manual workloads.
- Tax simplification initiative to consolidate tax laws, reduce the number of taxes and streamline compliance procedures.
- Strategic review of tax incentives and exemptions, in order to eliminate inefficiencies, achieve alignment with fiscal objectives and support inclusive economic growth.
- Review of legal frameworks and thresholds, in order to reflect inflation, currency devaluation and international standards, ensuring relevance and effectiveness in the current economic context.
- Introduction of a compliance risk management strategy, using artificial intelligence and analytics for the early detection of high-risk behaviours, in particular in multinational enterprises and high-value sectors.
- Enforcement of standardized tax audit procedures guidance, in order to ensure consistency in the way in which audits are conducted, reduce ambiguity for auditors and taxpayers and minimize the risk of arbitrary assessments.

VIII. Conclusion

Despite notable progress, the tax-to-GDP ratio in Egypt remains below the African average and lags behind that of peer countries. The gap is particularly concerning, given the rise in public spending that is driven by social support measures aimed at improving living standards and achieving the Sustainable Development Goals by 2030. To help Egypt to tackle its macroeconomic challenges through the more efficient mobilization of domestic resources, ECA provided technical assistance to the Egyptian Tax Authority in 2024 and 2025.

At the request of the Ministry of Finance, ECA reviewed the current state of tax reform to identify the major gaps in administration and collaborated closely with the tax administration to analyse policy shortcomings and operational constraints, in order to provide a set of targeted recommendations and practical capacity-building workshops to advance the reform agenda. Tax experts engaged through ECA programmes addressed challenges through a combination of legal, institutional and technological reforms. The series of capacity-building workshops and advisory services were strategically selected on the basis of evidence of revenue risk, administrative gaps and alignment with broader national reform objectives.

The support provided by ECA went beyond workshops and training coordination and encompassed substantive policy and procedural reforms. The assistance was focused on building institutional capacity, reducing tax evasion, modernizing audit methodologies, standardizing tax procedures and promoting voluntary compliance, in particular among State-owned enterprises. The interventions have contributed to measurable results in revenue collection, sectoral compliance and the taxation of State-owned enterprises for the first time.

Although the surge in tax revenue between July 2024 and April 2025 reflects important gains, sustained improvements will require the deeper integration of audit reforms, digital tools and standardized procedures across all tax offices. A continued emphasis on technical capacity-building, especially in the Large Taxpayer Centres, will be essential.

Strengthening institutional coordination, enhancing audit tools and scaling up training in such areas as transfer pricing and sector-specific tax risks will be critical to maintaining momentum.

The collaboration between ECA and the Egyptian Tax Authority demonstrates that targeted, evidence-based support can translate into operational gains. Embedding tax reform will be vital to achieving the goals of Vision 2030. By advancing the policy priorities described in the present report with continued support from ECA and other development partners, Egypt can ensure that its tax system becomes a cornerstone of inclusive economic growth, public trust and long-term fiscal resilience.