



ECA POLICY BRIEF

Enhancing tax revenue in Egypt: building a modern and efficient system

Introduction

The economy of Egypt faced numerous challenges in the aftermath of the coronavirus disease (COVID-19) pandemic and amid ongoing conflict in the Middle East. Specifically, the inflation rate rose to 35.7 per cent in 2024,¹ the ratio of fiscal deficit to gross domestic product (GDP) reached 12.4 per cent in 2025,² and public debt surged to 86.6 per cent of GDP in 2025.³

To address such growing fiscal vulnerability, Egypt needs to strengthen domestic revenue mobilization by improving tax collection and modernizing tax administration. Expanding tax revenue is essential to reduce reliance on external borrowing, finance basic public services and create fiscal space for investment, with a view to promoting inclusive and sustainable growth.

Recognizing the importance of stronger domestic resource mobilization, the Economic Commission for Africa (ECA) partnered with the Egyptian Tax Authority from 2023

to 2025 to advance comprehensive tax reform. The partnership was focused on strengthening technical capacity, modernizing audit practices and aligning the country's tax administration with international standards. The present policy brief is aimed at highlighting the work undertaken by ECA to assist Egypt in addressing tax challenges and contains recommendations on how to go about deepening reform efforts.

Main facts and challenges

The country's tax-to-GDP ratio has been on a downward trend since 2009, reflecting persistent challenges in revenue mobilization. The ratio of tax receipts to GDP (including social contributions) stood at 14.2 per cent in 2022, well below the average of 34 per cent for members of the Organisation for Economic Co-operation and Development, and even below the African average of 16 per cent (see figure).⁴

1 Central Bank of Egypt, "Headline and core inflation- February 2024" (Cairo, 2024).

2 International Monetary Fund. (2025, October). Fiscal Monitor: Spending smarter—How efficient and well-allocated is public spending? Washington, DC: IMF. (Accessed on February 2026). Available at: <https://www.imf.org/-/media/files/publications/fiscal-monitor/2025/october/english/text.pdf>

3 Ibid, "General government gross debt: Percent of GDP – 2025" Available at https://www.imf.org/external/datamapper/GGXWDG_NGDP@WEO/EGY?zoom=EGY&highlight=EGY (accessed on 15 October, 2025).

4 Organisation for Economic Co-operation and Development (OECD), "Revenue statistics in Africa 2024 – Egypt" (Paris, OECD Publishing, 2024). Available at https://www.oecd.org/en/publications/revenue-statistics-in-africa-2024_78e9af3a-en/support-materials.html.

specialized auditing and compliance, in particular in such high-growth and high-risk sectors as tourism, real estate, shipping, agriculture and construction. The training was also centred on international taxation issues, including tax evasion, transfer pricing and cross-border risk assessment.

In addition, ECA contributed to the rollout of Law No. 159 of 2023, which ended preferential tax treatment of State-owned enterprises. The assistance provided by ECA centred on enabling auditors to understand and apply the new rules uniformly, especially in evaluating the tax returns of State-owned enterprises and in identifying formerly overlooked deductions and liabilities. ECA worked closely

advancing automation and fully integrating digital tools such as e-invoicing and risk-based compliance monitoring. Simplifying and consolidating tax legislation would reduce administrative burdens and improve transparency. In addition, a comprehensive review of tax incentives and exemptions would help to ensure that benefits align with national development goals.

At the institutional level, it would be very important to build national capacity in such specialized areas as international taxation, International Financial Reporting Standards and sector-specific auditing. Such capacity should be institutionalized within the Egyptian Tax

Year-over-year increase in tax revenue (selected categories)

Tax revenue categories	FY 2023/2024 (Millions of Egyptian pounds)	FY 2024/2025 (Millions of Egyptian pounds)	Year-over-year increase (Percentage)
Payroll tax	117 483	155 689	33
Personal income tax	80 800	106 637	32
Value-added tax	532 862	739 418	39
Stamp tax	34 439	44 393	29

Source: Egypt, Ministry of Finance, Monthly Financial Report, vol. 20, No. 5.

Abbreviation: FY, fiscal year.

with large taxpayer centres to harmonize audit practices and promote consistency in enforcement. In the first half of the fiscal year 2024/2025, revenue from State-owned enterprises rose by over 1 billion Egyptian pounds (a 58 per cent increase). In addition, total tax revenue increased by 38 per cent from fiscal year 2023/2024 to fiscal year 2024/2025, from 1.24 to 1.71 trillion Egyptian pounds. Indeed, several categories of tax revenue experienced particularly noteworthy increases (see table). All the above indicate that a transformative step has been taken towards fiscal equity and accountability.⁷

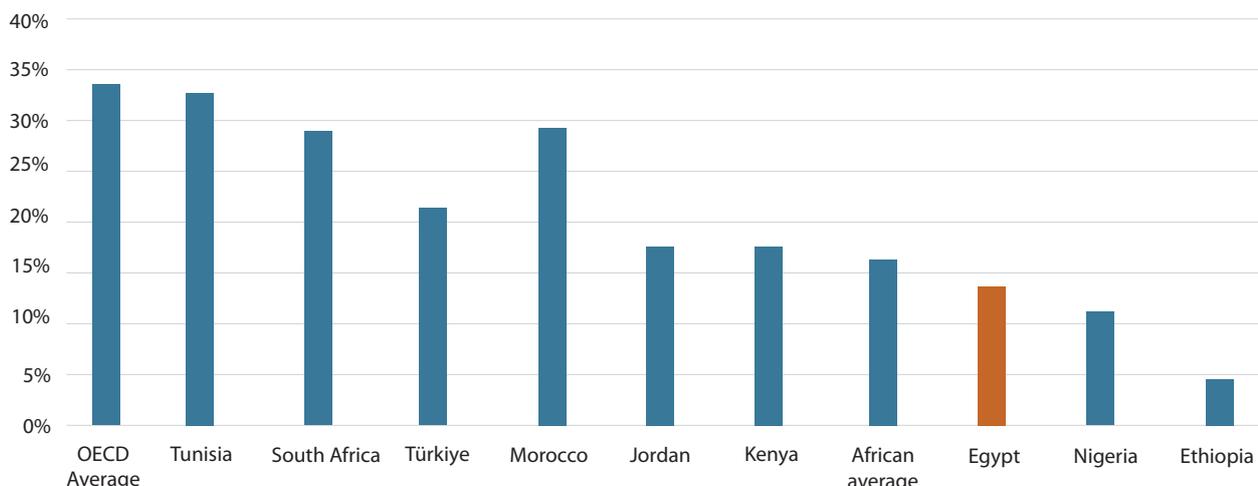
Recommendations and the way forward

Egypt has considerable potential to strengthen domestic revenue mobilization to support inclusive growth and reduce reliance on external financing. To consolidate recent gains, Egypt needs to continue its efforts to enhance access to finance and to modernize the administrative procedures of its tax system through digitalization by, for example,

Authority to ensure its sustainability in the long term. Formalizing the informal economy through simplified tax regimes and improved taxpayer services would strengthen the tax base while increasing equity. At the same time, continuing efforts to develop and adopt unified auditing guidance would reduce inconsistency among offices and enhance trust in the system.

⁷ Egypt, Ministry of Finance, Monthly Financial Report, vol. 20, No. 5 (Cairo, March 2025). Available at <https://assets.mof.gov.eg/files/9933fb30-3af3-11f0-9b34-a70d7f016915.pdf> (in Arabic only).

Tax-to-GDP ratio, including social security contributions, 2022 (percentage)



Sources: Author, based on Organisation for Economic Co-operation and Development (OECD), 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); 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.).

Under its medium-term revenue strategy, which was endorsed by the Egyptian Council of Ministers on 31 December 2020, Egypt launched a comprehensive reform of the Egyptian Tax Authority to modernize tax administration in alignment with international standards.⁵ Under the direction of the Prime Minister and the Minister of Finance, a series of integrated projects was initiated, with the first significant milestone being the re-engineering of tax procedures. Despite those efforts, structural issues and administrative gaps have persisted.

I. Structural issues

The country’s tax system continues to face structural and operational challenges. The large informal sector, constituting 66.7 per cent of total employment in 2020,⁶ remains outside the tax net and constrains the country’s fiscal space. Complex and outdated tax codes, with numerous exemptions and overlapping provisions, raise compliance costs and discourage investment. The excessive use of tax incentives, often without precise cost-

benefit analysis, contributes to base erosion and distorts competition.

II. Administrative gaps

On the administrative side, audit practices remain fragmented, with inconsistency across tax offices leading to unequal treatment of taxpayers. The technical capacity of tax officials, in particular those working in such specialized areas as International Financial Reporting Standards, transfer pricing and sector-based audits, is still limited. At the same time, digital transformation projects – such as the roll-out of electronic invoicing and e-receipts, and real-time compliance monitoring – have been delayed, which has undermined the effectiveness of modernization efforts. These challenges continue to constrain the ability of Egypt to raise domestic revenue sustainably and improve the efficiency of its tax system.

Policy support from the Economic Commission for Africa

The engagement with Egypt undertaken by ECA has combined technical assistance and institutional capacity-building. Between July 2023 and October 2025, ECA organized a series of 12 training workshops, targeting more than 200 officers and senior managers (40 of whom were women). The workshops were aimed at addressing gaps in

⁵ Stoyan E Markov and others “Arabic Republic of Egypt: Egyptian Tax Authority- maintaining momentum in the implementation of the medium-term revenue strategy (MTRS)” (International Monetary Fund, April 2024).

⁶ OECD, International Labour Organization and United Nations Development Programme, Informality and Structural Transformation in Egypt, Iraq, and Jordan: A Framework for Assessing Policy Responses in the MENA Region (Paris, OECD Publishing, 2024).