The American University in Cairo
Financial Policies and Procedures

Policy : Tax Withholding
Policy Number : FPP-DISB-003
Date Issued : Active   Effective Date: September 1, 1984
Date Revised : September 1, 2005
Responsible Official   : Controller
Approved By : VP Finance

Definitions

Tax Withholding
The process of implementing the Egyptian Tax Law on payments made to suppliers of goods and services by deducting a given percentage from such payments as a down payment of tax due.

Quarterly Reports
Each quarter the amount of tax withheld by the University should be paid to the Tax Office thru Form 41.

Foreigners
A one-time 20% tax is collected thru deduction from payments due to foreigners for each time work is done in Egypt for amounts greater than L.E. 300 or its Dollar equivalent.

Purpose
This policy is intended basically to assure compliance with Egyptian tax withholding requirements, and provide tax withholding awareness to all University personnel.

Policy Statement
The American University in Cairo complies with Egyptian law and thus requires all its employees to transact business only with third parties who are either Egyptians or resident foreigners who hold a valid tax ID. Dealing with suppliers of goods or services who do not hold a tax ID is discouraged and should be avoided. Payments for supplies of goods or services should always be made net of tax withheld. Amounts of taxes withheld should be reported and paid promptly according to law.

Policy Guidelines

Withholding Rates
According to Egyptian tax law, all payments made to a third party who is either an Egyptian national or a resident foreigner, for goods and services, the amount of which is in excess of LE10 or its Dollar equivalent, is subject to tax withholding according to the current rates:

- 0.5% for purchases of supplies if the invoice total is greater than LE300
- 2% for non professional services if the payment is greater than LE300
- 5% for payments to professionals such as lawyers, physicians, architects, script editors, consultants and the like if the amount payable is greater than LE100

Manual Warrants submitted to the Disbursements Services Office should show the amount of tax to be withheld in accordance with the above rates.

Departmental Responsibility
Departments making a payment to a supplier of goods or services are required to ensure prior to dealing with a vendor that such vendor does hold a valid Tax ID. According to Tax Law, it is prohibited to deal with vendors who do not have Tax ID.
Departments should provide the Controller’s Office the tax particulars for each vendor they transact business with (tax file number, tax ID number, and name of tax department for filing withholding).

Quarterly Reporting
The Controller’s Office should ensure the prompt payment of all tax withheld for a given quarter thru the forms provided for that purpose. Payment should not be made before the reconciliation of the Tax Withholding
Withholding Receipts

The Disbursement Office will issue a receipt for each tax amount withheld and deliver those receipts along with the check to the vendor. However, upon request, the vendor may ask the Disbursement Office to issue an annual statement certifying the amounts held.

Tax Holiday and Exemption

Vendors should submit documentary evidence if they enjoy a tax holiday or and if they are tax-exempt.

Payment to Local Agents of Foreign Suppliers of Goods

The law stipulates that if the invoice is issued by a local representation office or agent for a foreign supplier of goods, tax withholding rates should be applied on the total of the invoice. However, if the invoice shows the agent’s commission separately, tax withholding will be applied to the commission amount only.