

HOW Should Tax Registrant deal with Exported Services

First Edition

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**I - Terms used for the
purposes of this guidelines**

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Law	Value Added Tax (VAT) Law No. (67) of 2016 and amendments thereto.
Executive Regulations	The Executive Regulations of the VAT Law No. 67 of 2016, promulgated by Decree of Minister of Finance No. 66 of 2017 and amendments thereto.
Registered taxpayer	A taxpayer registered at Egyptian Tax Authority under the provisions of the Law.
Service Provider	Any natural or legal person who supplies or performs a taxable service.
Exported Service	A service rendered by a person inside the country to its recipient abroad, whether rendered by a person residing in Egypt or having a permanent establishment therein, or not residing in Egypt, but rendered from inside Egypt.
ETA	Egyptian Tax Authority

2- Introduction

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2.1 The Egyptian Tax Authority (ETA)

The ETA is working diligently to enhance effective communication with tax registrant and citizens, and strives, through carefully prepared guidelines, to clearly and transparently explain tax obligations.

2.2 This Guide

This guide aims to clarify the correct concept of exported services in light of the Value Added Tax Law and its Executive Regulations, and to provide tax registrant with the information necessary to understand exported services in order to correctly apply them.

The guide includes a detailed explanation of exported services and clarifies their correct tax treatment.

This guide is intended for companies, economic entities, authorities, and anyone with a tax registration number.

2- Introduction

2.3 Purpose of this Guide

This guideline outlines principles for business-to-business (B2B) transactions under which remote services rendered by a resident company in Egypt to a non-resident business customer are subject to a zero-rate of VAT.

The guideline includes several scenarios to illustrate the situations where a zero-rated tax could be applied to exported services and statutory VAT rates could be applied to domestic services in the context of B2B transactions. The guideline is based upon the VAT Law and the Executive Regulations implementing the Law.

Since this guideline is about cross-border transactions and taxing rights of Egypt and other countries involved in the commercial transaction, internationally applied standards and practices on VAT treatment of such types of services have been used to ensure stability of international commercial transactions.

3- Tax treatment of exported services in Egypt

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3.1 “Place Of Taxation” rules:

In international B2B transactions, and in line with the purpose of imposing VAT as a tax incurred by the final consumer, and to ensure neutrality, the following rules apply to remote services, the provision of which is not necessarily linked to the physical location where the service is performed or the location of the service provider:

- In case of rendering remote services to a customer not located in Egypt, such services would be zero-rated, and taxing rights would be allocated to the country of the non-resident business customer through the reverse charge scheme or according to the tax system of the country where the business customer is a resident, Except for the following:
 1. Services related to immovable property (e.g. real estate) in Egypt.
 2. Services that require the physical presence “of both service provider and Recipient” in Egypt.

3- Tax treatment of exported services in Egypt

Continue/ 3.1 “Place Of Taxation” rules:

- To avoid VAT double taxation on same transactions – by being taxed in Egypt, where the service is exported, and being taxed again in the country of the business customer – the service would be zero-rated, with the service provider entitled for deduction or refund in respect of input VAT on such service, ensuring that no VAT is included in the value of the exported service. The location of the business customer would be the determining factor of place of taxation for B2B supply of services.

3- Tax treatment of exported services in Egypt

3.2 Documents required to classify the service as an exported service:

1. **A written contract detailing the service to prove the transaction between the service provider in Egypt and its recipient abroad:**
 - ✓ Nature of service and detailed description of such service.
 - ✓ Contracting parties (service provider in Egypt and service recipient abroad).
 - ✓ Payment terms.
 - ✓ Contract duration.
2. **An Electronic invoice including detailed data of such service:**
 - ✓ Name and address of the service provider and recipient.
 - ✓ Detailed description of the service rendered.
 - ✓ Value of service.
3. **A copy of the proof of payment of the service value:**
 - ✓ Bank transfers.
 - ✓ Bank statement.
 - ✓ In case of transactions between holding or parent companies and their subsidiaries, adjustments between the two companies could be considered.

3- Tax treatment of exported services in Egypt

Exported services are zero-rated, with the entitlement to get a refund in respect of input tax on such exported services.

To find out documents required for VAT refund, visit the following link:

https://www.eta.gov.eg/sites/default/files/2025-03/eta-tax-refund-required_docs.v1.3.pdf

4- Examples of cases relating to exported services and tax treatment of such cases

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- These examples are based upon certain assumptions and do not cover all possible cases in practice.
- In case of any ambiguity or discrepancy resulting from the understanding or application of such examples, rules governing exported services stipulated under the Law and the Executive Regulations implementing the Law shall prevail when determining tax treatment.
- Service providers registered for VAT in Egypt must bear responsibility of ensuring compliance with correct tax treatment and must exercise due diligence while accurately applying such treatment, since application is their responsibility.
- It is always assumed that the parties to a transaction are companies engaged in real commercial activities, with no intention of tax evasion or tax avoidance. If any transaction turned out to be intended for tax avoidance, provisions of Article 54 of the Value Added Tax Law shall apply.

4- Examples of cases relating to exported services and tax treatment of such cases

- For more clarity for service providers in Egypt, the following set of examples illustrate the application of the above-mentioned principles as well as related VAT treatment.
- Furthermore, it is assumed that services described in these scenarios are those that can be rendered remotely, i.e. their use is not necessarily linked to the location where the supply of service takes place or the location where the service provider is, unless specifically stated otherwise.

In all of the following cases, Company A is a company within Egypt that is registered for VAT and rendering services to customers:

4- Examples of cases relating to exported services and tax treatment of such cases

- I. Company A contracted with Company B; a company located in another country. The contract stipulates that Company A shall render advertising or marketing services to Company B within Egypt.

- **VAT treatment:**

- ✓ **Company A:**

- The advertising or marketing service rendered by Company A is an exported service subject to a zero rate of VAT.

- ✓ **Company B:**

- The country in which Company B is located has VAT taxing rights over the service.
- Company B would apply the reverse charge mechanism to account for the VAT if required in the country where it is located.

4- Examples of cases relating to exported services and tax treatment of such cases

2. Company A contracted to render a service to Company B; a company located in another country. The contract requires Company A to render the service to Company C, an Egyptian-based establishment “a fixed business center” of Company B (a branch of Company B). In this scenario, Business Customer B has a fixed business center (branch) in Egypt and would be the actual user of the service rendered by Company A. It is clearly specified in the contract (the agreement) that Company C is the recipient and user of the service.

▪ VAT treatment:

✓ Company A:

- The service rendered by company A is a local service and is therefore subject to tax at statutory tax rates. Company A would account for such tax levied on the supply of the service to Company C.

✓ Company B:

- Although Company B pays the consideration for the supply of service from Company A to Company C, such amounts transferred from abroad and place of residence of Company B would not affect VAT treatment of such service considered as being a local service.

✓ Company C:

- If Company B charges Company C for the cost of the service, then Company C would apply the reverse charge mechanism in Egypt at statutory tax rates on the amount paid to Company B for the service rendered, with the application of tax deduction or adjustment rules as per the provisions of the Law.

4- Examples of cases relating to exported services and tax treatment of such cases

3. Company A is contracted to render a service to Company B; a company located in another country. Company B has operations in several countries, including Company C, a VAT registered company in Egypt. Company B controls which of those operations have access to the service rendered by Company A. Ultimately, Company A would render some services under the contract “the agreement” to Company C.

▪ VAT treatment:

✓ Company A:

- This service rendered by company A is an exported service subject to a zero rate of VAT, as the business customer(B) is located in another country.

✓ Company B:

- The country in which Company B is located has VAT taxing rights over the service.
- Company B would apply the reverse charge mechanism to account for VAT if required in the country where it is located. Company B is deemed to have rendered the service to Company C and is paid for such service from Company C.

✓ Company C:

- Would apply the reverse charge mechanism in Egypt at statutory tax rates on the amount paid to Company (B) for the service rendered.

4- Examples of cases relating to exported services and tax treatment of such cases

4. Company A is contracted to render a service to Company B; a company located in another country. The contract requires Company A to render the service to a third party, Company C, a VAT-registered company in Egypt that is not related party to Company B (other than branches).

Assuming that this service is not related to immovable property in Egypt and does not require the physical presence of both the service provider and the recipient in Egypt.

In this scenario, Company C may pay Company B a consideration under an agreement between them however not known to Company A.

- **VAT treatment:**

- ✓ **Company A:**

- The service rendered by company A is an exported service subject to a zero rate of VAT, as the business customer (B) is located in another country.

- ✓ **Company B:**

- The country in which Company B is located has VAT taxing rights for the service.
- Company B would apply the reverse charge scheme to account for VAT if required in the country where it is located. Company B is deemed to have rendered the service to Company C and is paid for such service from Company C.

- ✓ **Company C:**

- Would apply the reverse charge scheme in Egypt at statutory tax rates on the amount paid to Company (B) for the service rendered.

4- Examples of cases relating to exported services and tax treatment of such cases

5. Company B is an international security company located outside Egypt. An Egyptian property owner contracted with Company B to render security services for a building he has in Egypt. Company B then subcontracts rendering of such services (closed-circuit television monitoring (CCTV monitoring) to Company A.

- **VAT treatment:**

- ✓ **Company A:**

- The service rendered by company A is a local service subject to VAT at the general rate, as it relates to immovable property (real estate) in Egypt.

4- Examples of cases relating to exported services and tax treatment of such cases

6. Company A is contracted to render a service to Company B; a company located in another country. The contract requires Company A to render the service to Company C; another company located outside Egypt.

▪ **VAT treatment:**

✓ **Company A:**

- This service rendered by company A is an exported service subject to a zero rate of VAT, as the business customer (B) is located in another country.

✓ **Company B:**

- The country in which Company B is located has VAT taxing rights over the service.
- Company B would apply the reverse charge scheme to account for VAT if required in the country where it is located.

✓ **Company C:**

- If the company pays amounts to Company B, Company C would apply the reverse charge scheme to account for VAT if required in the country where it is located.

4- Examples of cases relating to exported services and tax treatment of such cases

7. Company A is contracted to render a service to Company B; a company located in another country. The contract stipulates that Company A shall render repair and maintenance services (after-sales services) for products sold by Company B and shall install spare parts for such products. The products are located in Egypt.

- **VAT treatment:**

- ✓ **Company A:**

- The service rendered by the company is a local service and is therefore subject to tax at statutory tax rates.
- Here, nature of the supply differs from that which can be rendered remotely, as it requires actual performance at a specific location as well as physical presence of both supplier and recipient. Therefore, VAT taxing rights accrues to the place where the service is actually performed.

4- Examples of cases relating to exported services and tax treatment of such cases

8. Company A is contracted to render a service to Company B; a company located in another country that is hosting an event in Egypt for some of its Egyptian clients. Part of this event is a tour service operated by Company A and attended by representatives of Company B and its Egyptian clients. Company B has contracted with Company A to render such service, and Company B bears its costs.

- **VAT treatment:**

- ✓ **Company A:**

- The service rendered by company A is a local service subject to VAT at statutory tax rates.
- In this case, nature of the supply differs from that which can be rendered remotely, as it requires actual performance at a specific location as well as physical presence of both supplier and recipient. Therefore, VAT taxing rights accrues to the place where the service is actually performed.

Dear Taxpayer

- The above examples are for illustrative purposes. In case of any ambiguity regarding determination of tax treatment of services similar in nature to services referred to in this guideline, such ambiguity shall be considered by Tax Research and Policy Sector “Value Added”.
- In all cases, documents set forth in Article (5) of the Executive Regulations shall be provided in accordance with controls and requirements set forth in such article.