

# Governance of the Egyptian Tax Authority through Digital Transformation Projects



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In the modern era, digital transformation is no longer an option; it has become an absolute necessity to achieve sustainable development and enhance the competitiveness of national economies. In this context, Egypt is pursuing comprehensive reforms across various sectors by adopting modern information and communication technologies. Among these efforts is the development of the tax system, which serves as a cornerstone for financing the economy and promoting social justice. The Egyptian Tax Authority (ETA) stands as a prominent example in this regard, striving to achieve effective governance through digital transformation projects launched in recent years. These initiatives reflect the state's commitment to digital transformation as a fundamental goal in realizing Egypt's Vision 2030.

## I. Framework for Governance and Digital Transformation

The Egyptian Constitution has established a set of principles to guide the achievement of economic goals. It emphasizes the importance of transparency, governance, and a fair taxation system, while recognizing informatization as the foundation of the national economy. This highlights the significance of adopting a fair and transparent tax system that enhances the state's ability to achieve tax justice—an outcome attainable only through effective reform policies that rely on the latest technological systems.

Egypt's Vision 2030 aligns with this direction, emphasizing the efficiency and effectiveness of public institutions, private sector organizations, and civil society through governance, adherence to laws and regulations, and institutional frameworks ensuring transparency, accountability, and anti-corruption measures.

To meet the demands of the modern era, Egypt has launched a national project to establish an information infrastructure linking all government entities. This project aims to provide services to citizens more efficiently, combat corruption, and safeguard the rights of both citizens and the state.

Egypt's experience in modernizing and digitizing the tax system exemplifies these efforts. The initiative relies on an integrated approach, including:

- Legislative Development: Updating legal frameworks to support digital transformation.
- Workplace Improvement: Enhancing working environments and procedures.
- Reengineering Tax Procedures: Modernizing processes and digitizing them.
- Establishing Technological Support: Creating specialized entities like e-Finance (Financial Facility Management Company) and e-Tax (Tax Solutions Operating Company) to implement these projects.

Notably, the Unified Tax Procedures Law No. 206 of 2020 was enacted as a legislative backbone for ETA's digital transformation projects. This law grants legal validity to digital documents and records exchanged through ETA's electronic system, mandating taxpayers to register on the platform and submit tax returns, invoices, and other documents electronically with certified digital signatures. Additionally, the ETA reexamined and reengineered its work systems and technical procedures to ensure automation that enhances governance.

## II. Successful Models of Digital Transformation Projects at ETA

As part of efforts to achieve integration between the government, businesses, and individuals to reach the desired goals, the Egyptian Tax Authority has successfully established strong partnerships with leading companies specializing in the automation of tax systems. These partnerships have resulted in the implementation of several pioneering projects in the field of digital transformation, including: the Core Tax Administration System (SAP), the Electronic Invoicing System, the E-Receipt System, the Unified Payroll Tax Calculation System, the Citizen Incentive System for

Enhancing and Regulating VAT Collection, and other digital initiatives.

### 1. Core Tax Administration System

The Core Tax Administration System represents a significant advancement in Egypt's tax operations, aligning with global developments in modern tax systems where digitalization plays a crucial role. ETA implemented a comprehensive project to simplify and streamline tax procedures by reengineering them according to international standards and automating them. This includes 16 main functions and 48 sub-functions covering all tax-related activities, from taxpayer registration to tax payment. The system uses risk-based auditing by comparing sales and purchase invoices submitted with VAT and income tax returns, integrated with external and internal data from Egyptian state databases. This ensures tax fairness, enhances oversight of the tax community, and identifies cases of partial or total tax evasion.

### 2- The Electronic Invoicing and E-Receipt Systems

The Egyptian Tax Authority (ETA) launched the Electronic Invoicing System to govern transactions between businesses (B2B). Taxpayers were gradually mandated to adopt the system through eight phases, achieving full compliance by the end of 2022. Additionally, the E-Receipt System was introduced in July 2022 to regulate transactions between businesses and end consumers (B2C). The system's rollout is ongoing based on the strategy outlined in Ministerial Decree No. 38 of 2024, with full implementation expected by December 2025.

The successful implementation of both systems is evident, as over 1.16 billion documents have been processed through the Electronic Invoicing System. Meanwhile, the E-Receipt System, still in its deployment phase, has processed more than 590 million electronic receipts since its inception.

These systems contribute to:

Integrating the Informal Economy: Bringing it into the formal economy.

Accurate Taxpayer Data: Providing a clearer and more accurate picture of the tax community.

Tax Justice: Ensuring fair tax collection and safeguarding state treasury rights.

Additionally, the systems have generated extensive digital data on transactions within the tax community, enhancing the ETA's ability to analyze



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data, track economic trends, identify taxpayer risks, reduce tax leakage, and increase tax revenue.

The Unified Payroll Tax Calculation System

This is the first government system of its kind in Egypt, designed to calculate payroll taxes in accordance with applicable laws and regulations, under the supervision of the ETA and the Ministry of Finance.

### 3- Standardization: Unify and simplify procedures for payroll tax calculations

Transparency: Enable state employees across all sectors to access their salary details and governmental deductions (e.g., taxes, social insurance, and universal health insurance).

Employee Empowerment: Provide a secure online portal where employees can create accounts to request payslips, ensuring encrypted and highly secure data.

Benefits

Transparency Across Stakeholders: Enhance transparency between employees, employers, the ETA, social insurance entities, and universal health insurance.

Unified Data Sources: Create a single, unified system with standardized rules and criteria for tax and deduction calculations.

Data Security: Implement advanced encryption and data protection measures to safeguard the system's databases.

This system enhances trust and accountability among all stakeholders while promoting tax compliance and ensuring data security at the highest standards.

### Third: The Impact of Governance and Digital Transformation on the Egyptian Tax Authority

Governance and digital transformation have a significant impact on achieving the desired radical re-

forms in the tax system. This is achieved through the following pillars:

**Pillar One:** Expanding the Tax Base to Strengthen Social Justice The Egyptian Tax Authority has adopted a horizontal expansion strategy to increase the tax base, identify, and include the informal economy. This is to avoid increasing the tax burden on taxpayers, and to obligate those who have defaulted on their national duty to pay the due tax in application of the principle of tax justice, as the growth of informal economy activities has a very negative impact on achieving the principles of tax justice and transparency. Hence, the importance of digital transformation and information linkage with other revenue agencies such as real estate taxes, customs, land registration, and social insurance, among others, to improve and support efforts to identify the informal economy and thus double tax revenues and increase the efficiency of audit and inventory work.

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The primary objective of the system is to standardize and simplify procedures for calculating payroll taxes, enhance tax compliance, and enable all state employees across various sectors to access details of their salaries and the amounts of governmental deductions.”

Integrity, Transparency, Accountability, Public Participation, Equality, and Justice Instilling the taxpayer's conviction in the fairness and integrity of the tax systems, which encourages voluntary tax performance and enhances trust between taxpayers on the one hand and the tax authority on the other, by enabling

the taxpayer to submit their tax return and pay the due tax through simplified procedures that can be carried out through the authority's website and paying the tax using the prescribed applications and approved electronic payment methods. Digital transformation results in the simplification of procedures, including the procedures for submitting tax returns, as the information is available to the authority through electronic systems, which encourages taxpayers to voluntarily submit their returns and pay the due tax. Also, providing applications that enable taxpayers to send their requests, suggestions, and complaints easily and simply, and conducting evaluations and facilitating the means and tools of surveys and polls to measure the level of taxpayer satisfaction with the authority's services, all of which enhances public participation in the field of taxes. Here, the pivotal role of digitization appears in raising awareness and motivating citizens to participate actively, which maximizes belonging and a sense of responsibility by participating in nation-building and achieving sustainable development.

**Pillar Three:** Governance, Digital Transformation, and the Use of Technology, Information, and Effective Public Participation in the Field of Taxes (Awareness and Participatory Path) In light of the advanced tax systems' reliance on the information provided by citizens regarding violations of tax law, which leads to the collection of taxes due to the state, the authority has seen the need for communication channels to report tax violations. Within the same framework and in order to create a new tax culture, the authority decided to establish a system to encourage citizens to request tax invoices with the aim of controlling and maximizing the collection of value-added tax by providing material and in-kind incentives that encourage the citizen to request a receipt or invoice from stores and shops, in

light of the efforts to integrate the informal economy into the formal system.

**Pillar Four:** Combating Tax Evasion and Avoidance and Enhancing Information Exchange

There is no doubt that tax evasion and avoidance are global phenomena, not limited to developing countries. This underscores the necessity of fostering cooperation between tax administrations worldwide to address this universal challenge.

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The Egyptian Tax Authority has adopted a horizontal expansion strategy to increase the tax base and integrate the informal economy, thereby avoiding additional tax burdens on current taxpayers. This strategy aims to ensure that those who have neglected their national duty fulfill their tax obligations, in alignment with the principle of tax justice.”

Moreover, the principles of tax justice and governance heavily rely on combating tax evasion, given the negative impact this phenomenon has on both the economy and the government.

To effectively tackle this issue, comprehensive reform of the tax administration is required. In this regard, the Egyptian tax system possesses a robust legislative framework that enables efficient combat against tax evasion and avoidance. The tax administration has adopted automated systems to identify and detect instances of tax evasion, allowing for necessary actions to be taken to safeguard public treasury rights.

**Pillar Five:** Digitalization Optimizes Human Resources Utilization

Automated systems, with their ability to streamline tax operations, reduce the time needed for these processes, and identify high-risk and critical files requiring examination and review, ultimately focus efforts on priority cases. This prevents wasted time and enhances the efficiency of human resources, ensuring their optimal utilization.

Thus, the digital transformation of the Egyptian Tax Authority represents a critical step toward modernizing the tax system and achieving equity and fairness among citizens. By leveraging technology to develop tax infrastructure, significant achievements have been realized, including improving the business environment, expanding the tax base, and combating tax evasion.

Digital transformation has also provided a substantial opportunity to encourage citizens to comply with tax obligations, contributing to increased tax revenues and enhancing the state's capacity to deliver better services to citizens in the future. These efforts are expected to foster transparency, achieve sustainable economic growth, and ultimately improve the quality of life for Egyptian citizens.

