



Ministry of Education  
Ministry of Planning, Monitoring and  
Administrative Reform  
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Ministry of Trade and Industry



المجلس الوطني للتنافسية  
Egyptian National Competitiveness Council  
مصرى أفضل من أجل مصر أفضل

*Egyptian Forum for Youth Employment Promotion (Egypt-YEP)*

## **Tax Policy and SMEs: Implications for Competitiveness and Inclusive Growth in Egypt**

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### **Concept**

Small and medium enterprises (SMEs) play a very important role in the development of the Egyptian economy. SMEs dominate Egypt's private sector, accounting for approximately 98% of non-agricultural economic units and 81% of the labour force outside the public sector (Rashid & Sieverding, 2013<sup>1</sup>). Given their size, they are the only engine of growth that can contribute significantly to raising industry's share of employment in GDP (Target 9.2 of the Sustainable Development Goals-SDGs), and to serving as a source of employment generation, especially for young people, thus "promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all" (Target 8 of the SDGs on Decent Work).

Supporting SMEs creation and growth will have social and economic advantages. They serve as a source of employment generation, innovation, competition, economic dynamism which ultimately leads to poverty alleviation. They also enjoy a wider geographical presence than big companies. These two factors give them an edge in terms of contributing to better income distribution and hence sustainable inclusive economic growth.

However Egyptian SMEs have not been able to fully harness these potential gains. They confront many challenges in financing, starting and maintaining a business eco-system. They also face high tax rates, complex tax regulations and negligible business development services, issues that have contributed to a growing informal sector.

The objective of the workshop is to understand the vision of the Ministries of Finance, and Trade and Industry, in promoting the competitiveness of SMEs, and to discuss tax policy measures that will encourage their compliance and hence their sustainability and growth.

Best practices in SME tax incentives and compliance cost reduction measures will be presented in the workshop to help guide the discussion on the changes needed that will promote the creation of SMEs and their growth, and the integration of the shadow economy into the formal sector. The policy recommendations agreed during the event would be presented to the relevant policy makers to be integrated in the forthcoming legislative changes.

The workshop is one of a series of events delivered by the Youth Employment Promotion Forum (Egypt-YEP), one of ENCC specialized sub-councils that engage in public-private consultations. The Egypt-YEP is a multi-stakeholder high level forum of national policy-makers, private businesses, civil society organizations, experts and youth that endeavor to take collective and pragmatic actions to address the pressing challenge of youth unemployment in Egypt. By engaging key stakeholders in a structured dialogue, the forum strives to build consensus and develop joint action plans to be implemented on the ground.

<sup>1</sup> Ali Rashid and Maia Sieverding. 2013. Micro and Small Household Enterprises in Egypt: Potential for Growth and Employment Generation. Economic Research Forum Working Paper, ERF WP831