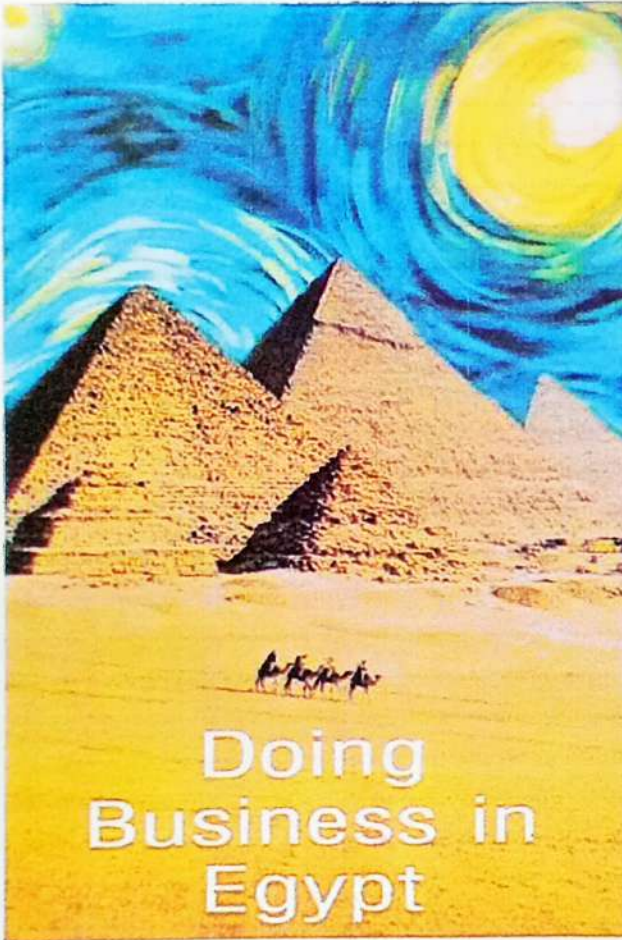




Doing Business in Egypt



2022

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Introduction

Egypt has long been distinguished for its Foreign Direct Investment (FDI) attractive environment; due to its strategic geographical position, low labour costs, skilled workforce, unique tourist potential, substantial energy reserves and large domestic market, which all drove up FDI. Despite the political reforms that lately took place after the 2011 revolution, the current Egyptian government is putting extensive efforts to achieve economic recovery and growth via improving the infrastructure of the country and initiating mega projects, tourism, improvements to economic policy and increasing private sector investments.

This report gives an overview on the current investment environment in Egypt and the newly issued laws and legislations in this regard.

Business Incorporation

The Companies Law No. 159 of 1981 ("**Companies Law**") is the main legislation regulating the forms of legal business entities that could be established by local as well as foreign investors in Egypt. Companies may also be formed under the Investment Law No. 72 of 2017 ("**Investment Law**") or the Capital Market Law No. 92 of 1995 ("**Capital Market Law**"). Such types of business entities are as follows:

- Joint stock companies;
- Limited liability companies;
- Sole shareholder companies;
- Branches of foreign companies; and
- Representative offices.

We will focus in this report on the Joint Stock Companies (JSC) and Limited Liability Companies (LLC) and the rights of the minority shareholders therein.

(A) Joint Stock Companies

Joint Stock Company (JSC) is one of the corporate structures existing in Egypt that is mainly used to establish and operate major projects and investments. The liability of each shareholder in a JSC is limited to the value of its shares in the company.

Joint stock companies are mainly governed by the provisions of the Companies Law and the Capital Market Law. However, JSCs which are incorporated under the Investment Law shall be subject to its provisions.

JSCs are subject to several flexible provisions which help the shareholders to manage their business in Egypt. On the other side, JSC are also required to comply with a strict corporate governance system.

Capital of JSC

JSC shall have a minimum issued capital of not less than EGP 250,000 for closed companies which shares are not offered to public and EGP 1,000,000¹ for companies offering their shares to public offering. The law may require higher minimum issued capital for companies working in specific activities, such as securities transactions, currency exchange offices, money transfer and credit rating.

¹ Article (41) of the executive regulations of the Capital Market Law, issued by virtue of the Ministerial Decree no. 135/1993.

Shareholders Number and Nationality

The minimum number of founder shareholders of a JSC is three founders, and consequently all JSCs shall have at least three shareholders (whether natural or corporate entities) throughout the term of the company with no maximum limit.

Generally speaking, there is no restriction on the nationality of shareholders of a JSC; they can all be non-Egyptians. However, in specific activities the law may require minimum Egyptian shareholding (i.e. importation business, commercial agency, security services companies).

General Assembly Meeting

General Assembly meetings (Shareholders Meetings) are divided into:

- Ordinary General Assembly meetings (OGM); and
- Extraordinary General Assembly meetings (EGM).

Each Shareholder is entitled to attend the General Assembly meetings of shareholders, whether personally or by proxy.

Ordinary General Assembly Meeting (OGM)

Shareholders in an OGM are competent to decide on the following:

- electing and dismissing the members of the board of directors;
- supervising the works of the board of directors, approving their reports and releasing them from liability;
- approving the company's budget and the profit and loss account;
- approving the distribution of dividends; and
- deciding on all others matters submitted thereto by the board of directors, the competent authority or by shareholders owning not less than 5% of the company's capital, as well as all other matters prescribed by the laws and the company's statutes.

The attendance quorum of the OGM shall be at least a number of shareholders owning one quarter of the company's capital. The company's statutes can provide for a higher percentage provided that it does not exceed half of the capital.

If this minimum attendance quorum was not fulfilled, a second meeting may be called within the 30 days following the first meeting. The second meeting will be deemed validly held whatever the number of the attendees.

The resolutions of the OGM are taken by the absolute majority (50%+1) of the attending shareholders, unless the company's statutes provide for a higher percentage.

Extraordinary General Assembly Meeting (EGM)

EGM is mainly competent to amend the company's statutes, taking into consideration the following:

- It is not permitted to increase the liabilities of Shareholders.
- It not permitted to change the main purpose of the company except with the prior approval of the competent authority. However, it is allowed to add further related and supplementary purposes to the original one.
- The extraordinary General Assembly has the power to increase or decrease the duration of the company or to dissolve it before its maturity.

The attendance quorum of the EGM shall be at least half of the company's capital. If this minimum attendance quorum was not fulfilled, a second meeting may be called within the 30 days following the first meeting. The second meeting will be deemed validly held if attended by the shareholders owning a least one quarter of the company's capital.

EGM resolutions should be taken by a majority of two-thirds of the shares represented in the meeting. However, in case the decision of the assembly is relating to the increasing or decreasing of the capital, the dissolution of the company before its maturity, its merging or changing of its main purpose, it shall be issued by a majority of three-quarters of the shares represented in the meeting.

Board of Directors

JSC shall have a board of directors composed of at least three members including the chairman. The first board of directors of the company shall be appointed by the founding shareholders for a period of five years. Whereas, any subsequent board of directors shall be appointed by the general assembly for a period not exceeding three years.

Other than the authorities reserved by law or by the company's statutes to the general assembly, the board of directors shall have all the powers necessary to manage the company and to undertake its day-to-day business as well as to represent it vis-à-vis third parties.

Generally speaking, there is no nationality requirement for the board members of a JSC. However, foreigner directors are required to pass the security check run by the regulatory authorities. Also, in specific activities, the law necessitates the Egyptian nationality of the board members. For example, the board members/managers of companies working on importation, commercial agencies, and security services must be of Egyptian nationality.

Board members of JSCs are entitled to receive bonuses/remunerations. In case the remunerations/bonuses of the board members are determined by a specific percentage of the company's dividends, it shall not exceed 10% of the company's net profit, after deducting the depreciations, the legal and statutory reserve, and after distributing dividends for the shareholders and employees.

Distribution of Dividends

Shareholders may decide at the OGM to distribute all or part of the company's distributable dividends as per the audited financial statements of the company as long as such distribution will not negatively affect the company's business or its financial obligations vis-a-vis third parties. The OGM may decide to distribute profits at any time whether annually or at least every three months in case the company prepares periodical financial statements on a quarterly basis.

It is important to mention that dividends decided to be distributed by the OGM are the net profits of the company after deducting all costs, expenses and required reserves.

Distributed profits are different from the 'distributable profits'. Distributed profits are those profits actually decided to be distributed by virtue of a decision from the OGM with absolute majority (i.e. 50+1%) of the attendees and those represented in the meeting. Distributable profits are the company's net profits after deducting the realized and accumulated losses and withholding the mandatory legal reserve and the statutory reserve or (if any).

The employees are entitled to at least 10% of the distributed profits and not exceeding the aggregate amount of the employee's annual salaries. Thereafter, an amount equivalent to at least 5% of the net profits shall be distributed to the shareholders.

Right of attending Shareholders Meetings

Each shareholder has the right to attend the general assembly meetings either by themselves or by proxy.

Virtual Attendance and Voting

During the spread of COVID-19 in 2020, the General Authority for Free Zones and Investment ("GAFI") has decided on 18 March 2020 to allow the Egyptian companies incorporated under the Companies Law or the Investment Law to hold and convene board meetings, ordinary and extra-ordinary general assembly meetings via remote audio or video communication techniques.

The Financial Regulatory Authority (FRA) has also decided to activate the use of electronic means in convening, attending and voting in general assembly meetings.

Pre-emption Rights

According to Article (96) of the executive regulations of the Companies Law, issued by virtue of the Ministerial Decree no. 96 of 1982, the company's articles of incorporation shall include a stipulation regarding the extent of the pre-emptive rights of the present shareholders to subscribe in the shares of capital increase by cash or nominal shares, provided that, this right shall not be limited to specific shareholders other than the others, without prejudice to the rights enjoyed by the preferred shares.

Minority Can Call for Shareholders Meetings

The company's board of directors shall call for an OGM meeting if at least 5% of the company's shareholders submitted a request for this regard.

Participation in Decision Making

Each shareholder attending the general assembly meeting can discuss the matters of the agenda of the meeting and to question the auditor and the board members. The board is bound to answer the shareholders' questions to the extent not conflicting with the interests of the company. In the event the shareholder is not satisfied with the answer given he is entitled to ask the general assembly to interfere to solve the matter and the decision of the general assembly on the matter shall be enforceable.

Protection of Minority Rights

Any of the shareholders may object to the resolution issued by the general assembly in favor of or in prejudice to a group of shareholders or which prejudices or aims at procuring special advantages to a member of the board of directors disregarding the interests of the company. A shareholder can also request the competent authority or the court to annul such resolution.

(B) Limited Liability Companies

A Limited Liability Company is a company with limited liability. It requires a minimum number of two shareholders, while the maximum number of shareholders is not to exceed fifty.

The articles of association of an LLC shall determine the minimum capital of the company and the value of quotas/shares. All quotas must have the same value. The shareholders' liability is limited to the extent of capital contributions. In general, a limited liability company can conduct all kinds of business activities, with certain exceptions determined under the law (i.e. insurance, banking, receiving deposits or investing funds on behalf of others).

According to the Companies Law, the rules applied to the general assembly and the board of directors of JSCs shall apply to LLCs.

(C) Sole Shareholder Companies

In January 2018, a substantial amendment has been introduced to the Companies Law by virtue of Law no. 4 of 2018 to allow for the first time the incorporation of Sole Shareholder Companies or what is known as sole proprietorship.

It is now allowed for any natural or legal person to solely incorporate a Sole Shareholder Company, with no restrictions in relation to the nationality of the single shareholder. A requirement to have one Egyptian manager may however apply.

Subject to certain variations, all provisions applying to limited liability companies will apply to the single-shareholder companies. The Sole Shareholder companies take the same form and structure of the Limited Liability Companies. Therefore, the sole shareholder enjoys the same legal protection provided for LLCs as the company constitutes an independent legal entity and its finances are separate from those of the sole shareholder.

The minimum capital of the Sole Shareholder Company shall be EGP 50,000 and required to be fully paid in advance.

The single-shareholder company is authorized to do all kind of businesses with exception to certain activities, such as public subscription, issuing any kind of securities including shares, operating in the field of financial services, insurance or banking, or establish another single-shareholder company.

The advantages of a single-shareholder company include, inter alia, the following:

- a) The limited liability protection for the owner as the company constitutes an independent legal entity and its finances are separate from those of its owner. This separation can however be pierced in case of fraud or mingling between the owner's personal funds and those of the company.
- b) The owner will be empowered alone to hold general meetings, take decisions relating to increase or decrease of its capital, appoint and replace managers as well as convert the company to another type or liquidate it.

For incorporation, an application should be submitted to GAFI together with the memorandum and articles of associations.

(D) Branches of Foreign Companies

Branch offices in Egypt are set up if a foreign company has a contract(s) with an Egyptian private or public sector. The purpose of the branch will be to perform the work under such contract(s) in Egypt. The branch office may engage in commercial, financial, industrial and contractual activities within the scope of the contract entered into.

Branch offices are not subject to a requirement of a minimum capital investment. However, initial capital investments of at least EGP 10,000 must be transferred in foreign currency to Egypt through a registered Egyptian bank.

The branch office does not have an independent legal personality from its parent company. Accordingly, the parent company will be liable for all the obligations and liabilities of the branch. The branch can be managed by a foreign manager, and it will be under full control of its parent company. The net profit of a branch is subject to corporate tax at the same rate as Egyptian companies.

(E) Representative Offices

According to the Egyptian Companies Law, foreign companies are permitted to establish representative offices for the purpose of carrying out market surveys or studying the feasibility of production without entering into any commercial operations activities. The representative office should be registered with GAFI in the register prepared for such purpose. The application for registration should determine, among others, the name of the foreign companies and its main information and details as well as the type of office to be established in Egypt. The application should be also attached with the following documents:

- a. A legalised version of the memorandum and articles of the foreign company and a translated summary thereof.

- b. The resolution issued by the foreign company to establish a representative office in Egypt.
- c. The name of the office's manager and his authorities.

According to GAFI Decree no. 742 of 2018, there are certain compliance requirements for representative offices in Egypt ("Decree"), including that representative offices should submit to GAFI an annual report showing the following:

- a) list of all its employees, their jobs, nationalities, salaries relative to the total amount of the salaries paid by the office;
- b) the studies performed during every year, and evidence that the representative office sent this information to its parent company and the decisions taken by the later in this respect; and
- c) Timeline showing the completed part of the studies and what is remaining and the results achieved.

Representative offices will be granted a registration certificate for a period not to exceed one year. The certificate can be renewed. The Decree provides that the parent company has to take a decision to open a company or a branch office in Egypt within three (3) years from the date of registering the representative office.

Industrial Projects

The Industrial Development Authority

A new law no. 95 of 2018 was issued to regulate the Industrial Development Authority (IDA). The IDA shall be responsible for managing the industrial sector in Egypt, being allowed to implement industrial policies and targeted development plans. The Law comes in line with the efforts of the government to support the industrial sector as a locomotive of economic development, which necessitated the re-organization of the IDA to play its main role in supporting the industrial development.

The IDA becomes the only authority competent with granting industrial facilities, licenses and approvals necessary for the operation of industrial facilities. This makes it easier for investors in the industrial sector to access licenses and approvals at the IDA as a one-stop shop.

The Law regulates the work of the Industrial Zones Support Fund (Fund). The Fund shall support the establishment, construction and development of the industrial zones in Egypt.

Industrial Land Allocation

The IDA Law regulates the allocation of the industrial land needed for the establishment of industrial projects. The Law defined an 'industrial project' eligible to be allocated as an industrial land to be "any facility, company or industrial place of any size, performing a physical or chemical transformation of the raw material, or making changes to any product, including assembly, classification, packaging, sorting, recycling, or other activities and processes, specified by a decision of the competent minister".

Allocation of industrial land could be in the form of sale, rent, hire-purchase or usufruct, and should be in accordance with the provisions of Chapter 4 of the Law.

The allocation of the industrial land shall be granted in accordance with the industrial plan of the state, the size of the industrial project, the nature of its activity and the value of the invested funds.

The IDA makes available the information and maps of all industrial lands available for allocation and those that have been allocated already.

For the purposes of industrial development and in areas to be designated by a decision of the President after the approval of the Council of Ministers, free allocation of state owned land maybe granted for manufacturers who meet specific technical and financial requirements to be decided by the Council of

Ministers. The investor in this case will be required to pay a cash guarantee not exceeding five percent (5%) of the investment cost of the project to be recovered after 3 years from the commencement of actual production of the project.

The executive regulations of the IDA law were issued in 2021 with detailed rules on the procedures of allocation of industrial lands by governmental authorities, pricing and bidding procedures.

Industrial Licensing

The Law on Simplification of Industrial Licensing Procedures was issued by virtue of Law no. 15 of 2017 (the "Law") which came into effect on 3rd of May 2017. The Law is a major step toward streamlining the licensing procedures which is one of the chronic challenges facing the industrial sector in Egypt. The Law overrides the antiquated Industry Law no. 21 of 1958 and Industrial and Commercial Workshops Law no. 453 of 1954.

According to the Law, the license of the Industrial Development Authority (IDA) became the sole license required for establishing and operating an industrial facility. The Law explicitly provides that no approvals or licenses shall be required from any other authority.

The Law applies on all industrial facilities inside and outside the industrial zones including free zones and investment zones (regulated under the Investment Law). The Law shall apply also on warehouses, showrooms and sale points annexed to an industrial facility.

An industrial facility is defined as any factory, company or workshop, whatever its size, which carries out one of the following activities:

- Physical or chemical transformation process to raw materials.
- Changing any product, including, assembling, packaging, sorting, recycling or other processes determined by the Minister of Industry.

Two Types of Licenses

The law categorizes industrial facilities into low risk and high risk. For the first time, low risk facilities shall be established by simple notification to the IDA subject to subsequent inspection and a grace period in case of non-compliance. On the other side, high risk facilities as well as facilities established in certain geographical areas shall require a prior approval from the IDA.

License by simple notification

The IDA shall determine the forms of the notification as well as the information and documents required to be submitted therewith. The IDA is explicitly mandated to give the applicant a written confirmation in the same day upon receiving the notification and its supporting documents. Such confirmation shall be the license upon which the facility can officially operate.

The IDA is required to inspect the facility within 90 days from receiving the notification. In case of non-compliance it shall give the facility 180 days to rectify or complete the missing requirements. This period can be extended once for another 180 days. The facility will be closed in case of non-compliance within the grace period.

Except as determined by the Minister of Environment, low risk industrial facilities are exempted from submitting the environmental assessment study required under the Environment Law.

License by Prior Approval

High risk projects and facilities established in certain geographical areas require the prior approvals of the IDA in order to be established and to operate.

To control bureaucracy, the Law provides for short periods during which the IDA is mandated to review the application and issue its decision. IDA shall review the application and confirm its completeness within 14 days from its receipt. It will then have another 30 days to approve or reject to issue the license. Reasons for the rejection must be disclosed. Non-reply by the IDA during the said periods shall be considered a rejection. In this case, the applicant can file a complaint before the special objection committee formed by the IDA Law.

The IDA Law allows the issuance of a 'temporary license' of 1 year to be renewed for 3 years in case the requirements which are not met by the high-risk project are considered as 'insignificant'. The special "Licensing Requirements Committee" shall determine which requirements are considered 'insignificant'.

Licensing Requirements Committee

The IDA Law provides for the establishment of a special committee to be responsible for identifying all the requirements for obtaining the industrial license, including the environment, the safety and civil defense requirements. This committee will further categorize these requirements according to their significance and impact from the safety and environmental perspective. The IDA Law requires all governmental entities to cooperate with the committee in identifying their requirements for the establishment and operation of an industrial entity.

Heavy Industry Licenses

Licenses for heavy industry projects (like steel and cement projects) can be granted. Selection among the competing financially and technically qualified investors shall be according to the most favorable offer from an economic stance as determined by the Cabinet, rather than through a bidding process.

Energy Prices for Industrial Projects

Natural Gas Prices

The Prime Minister issued Decree No. 743/2020 determining the price of selling natural gas supplied for electricity generation at 3.25 dollars/million British thermal units; whether for electricity companies associated with the Ministry of Electricity and Renewable Energy or other Companies.

Natural Gas Prices for Fertilizers and Petrochemicals Industries

On 19 March 2020, the Prime Minister issued Decree No. 744/ 2020 deciding to:

- a) continue applying the price of selling natural gas supplied for the manufacturing of fertilizers and petrochemicals at USD 4.5 per million British thermal units or according to the price formula included under the contracts; and
- b) Setting the price of selling natural gas supplied to all other industrial activities at USD 4.5 per million thermal units.

Reducing the Sale Price of Electricity

On 31 March 2020, the Prime Minister issued Decree No. 781/2020 reducing the sale price of electrical energy supplied to industrial activities by 10 piasters per KWh on the ultra-high, high and medium voltage outside and inside peak. The Government will bear such reduction in an effort to support the industrial sector.

Labour & Employment

Employment and labour relationships in Egypt are regulated by the Egyptian Labour Law No. 12/2003 and relevant Decrees. The Labour Law organizes all legal aspects related to the Egyptian labour environment.

All individual employment contracts must be written in Arabic, in three copies; one copy for the employer, one for the employee, and the third shall be submitted to the competent Social Insurance Office.

Non-Egyptians are not allowed to work in Egypt unless they obtain work permits from the Manpower Authority. As a general rule, non-Egyptian workforce shall not exceed 10% of the total workforce in any establishment; subject to some exceptions provided for under the Investment Law in case the establishment has been subject to such law.

The employer shall establish the internal regulations and disciplinary sanctions, clarifying the work rules and the disciplinary sanctions approved by the competent administrative authority.

Types of Employment Contracts

Under the Labour Law, employment contracts can be drawn up for a definite or indefinite period of time. Definite period employment contracts expire automatically upon the lapse of its term. However, if the employee and employer continue in implementing a definite period contract after the expiration of its term, this shall be considered as an automatic renewal of the contract for an indefinite term. This provision does not apply to employment contracts signed with foreign employees.

If the employer and employee agree on employment duration of more than five years, then the employee shall have the right to terminate the contract after the initial five years, without receiving compensation; provided that the employee must notify the employer of his intention to terminate at least three months before the termination date.

An employment contract may be renewed after the expiration of its duration by an express agreement between both parties for one or several periods.

Dismissal and Termination

Under the Labour Law, the contract of employment can be terminated, in certain circumstances, including the following:

1. The expiry of a fixed-term contract.
2. The completion of the task/project for which the contract was concluded.
3. Employee's inefficiency.
4. Employee commits a gross misconduct that justifies dismissal.

In general, it is within the employer's rights to terminate so long as the termination does not breach Article (120) of the Law which states that "race, sex, social status, family obligations, pregnancy, religion or political views, among others, are insufficient grounds for termination". Compensation will be paid for the harm caused because of the unfair termination.

The legal grounds for terminating the employment contracts under the Labour Law vary depending on (i) the type of the employment contract, including whether it is a definite or indefinite period contract; and (ii) the circumstances surrounding the termination.

- a) For definite period contracts, Article (104) of the Labour Law provides that a fixed term employment contract expires automatically upon the lapse of its term. If an employer wishes to terminate a fixed term contract earlier, it will have to pay the employee his wage for the remainder of the contractual term.
- b) For indefinite period contracts, pursuant to Article (110) of the Labour Law, the employer can terminate an indefinite term contract based one of two grounds:
 - Employee is deemed inefficient or has not been sufficiently productive; or
 - Employee has committed gross misconduct that justifies dismissal.

Terminating an indefinite term contract requires a prior written termination notice. Pursuant to Article (69) of the Labour Law, the employer cannot dismiss the employee unless she/he commits a gross mistake; the following acts are examples of what shall be considered a gross mistake:

- If the employee has assumed a false identity or submitted false documents;
- If the employee commits an error which results in material losses for the employer provided that the employer reports the incident to the competent authorities within 24 hours of his awareness of said incident;
- If the employee repeatedly fails to comply with the rules and regulations set to ensure the safety of both the employees and the company given that said rules and regulations are written and publicized in a noticeable place;
- If the employee is absent, without any legitimate justification, for a period of more than twenty (20) non-consecutive days during the same year, or more than ten (10) consecutive days. In said event, the employer shall serve a registered written termination notification with acknowledgement of receipt to the employee ten (10) days subsequent to his absence in the first case and five (5) days subsequent to his absence in the second case;
- If it is established that the employee is in breach of his fiduciary duties causing severe damage to the company;
- If the employee competes with the employer in the same field of activity; or
- If, during the working hours, the employee is in an evident state of drunkenness or affected by the use of intoxicating substance.

In the event of an illegitimate termination by the employer, compensation has to be paid to the employee. The amount of compensation shall not be less than two months of the employee's comprehensive salary for each year of service, in addition to the employee's other legally entitled dues.

Work Regulations Affecting Foreigners and Residence Visas

(A) Foreigners Work Permits

On 16 July 2019, Decree no. 146 of 2019 was published in the Official Gazette regulating the procedures and requirements of granting work permits to foreigners (the "Decree").

According to the Decree, foreigners are required to obtain work permits from the competent ministry and from the manpower directorates affiliated thereto.

▪ Conditions

In order to obtain the work permit, the foreigner shall satisfy the following conditions:

- 1) The Foreigner shall have a minimum of 3 years of experience.
- 2) The work permit is obtained in accordance with the applicable laws and regulations.
- 3) Non-competition between the country's need for foreign expertise and Egyptian employees
- 4) The actual need of the employer to the foreign employees.
- 5) Employer hiring foreign technical workers must assign two Egyptians to work as assistants.
- 6) Preference is made to foreigners born and permanently residing in Egypt.

▪ Total Number of Foreign Workers

Under the Decree, the total number of foreign workers in any entity, even if it had several branches, may not exceed 10% of the total number of insured Egyptian workers.

▪ Exceptions to the Foreigners' Work Permits

According to the Decree, there are 8 categories of foreigners exempted from obtaining work permits:

- 1) Foreigners exempted under an international treaty.
- 2) Foreign admin employees working in embassies of foreign countries.
- 3) Foreign correspondents working in Egypt.
- 4) Foreign clerics.
- 5) Foreign workers on Egyptian ships outside the Egyptian territorial water.
- 6) Foreign workers in The Commonwealth International War Graves Commission.
- 7) Foreign experts and members of research institutions operating in architectural and ancient Egyptian monuments.
- 8) Foreign investors who have obtained residence of an investor in accordance with provisions of Investment Law.

Moreover, foreigners whose work/task does not exceed few days are required to obtain the prior written approval of the Ministry of Manpower before performing their work/task in Egypt in addition to paying a fee amounting to 10% of their remuneration for each work/task performed in Egypt with a minimum amount of EGP 8,000 and a cap of EGP 50,000.

▪ Obligations on Employers Using Foreigners

Under the Decree, an employer hiring foreign workers is required to keep the competent administration updated with detailed information of the foreign workers employed in the establishment on an ongoing basis.

▪ Number of Foreign Workers (in Managerial Positions) Allowed in Egyptian Companies

In order to extract a work permit for a foreigner to work in a managerial position in an Egyptian company incorporated under the Companies Law no. 159 of 1981, certain requirements relating to the capital of the company should be met.

Below is a table summarizing the number of foreigners permitted to work in managerial positions in the Egyptian companies and the related capital requirement.

Type of Company	Number of Foreigners	Capital Requirement	Foreigner's Position
Joint Stock Company	1 Foreigner	At least \$35,000	- Shareholder;
	Up to 3 Foreigners	At least \$50,000	- Board member;
	Maximum 6 Foreigners	More than \$100,000	or - Chairman.
Limited Liability Company	1 Foreigner	At least \$35,000	- Quota-holder; or
	Up to 3 Foreigners	\$50,000 or more	- Manager.
	Maximum 6 Foreigners	At least \$100,000 to be fully paid	
Sole Shareholder Company	(a) In case the founder or the owner of the company is a natural person		
	Number of Foreigners	Capital Requirement	Foreigner's Position
	1 Foreigner	At least \$ 35,000	- Owner of the business; or
	2 Foreigners	At least \$50,000	- Manager
	Maximum 3 Foreigners	At least \$100,000	One of them should be the owner of the business.

(b) In case the founder or the owner of the company is a legal entity		
Number of Foreigners	Capital Requirement	Foreigner's Position
Maximum 2 Foreigners	At least \$50,000	Manager

(B) GAFI's "Points Based System" for Residence Permits of Non-Egyptian Investors

On 1st of October 2020, GAFI issued important rules adopting "points-based system" for the issuance of residence permits – of up to continuous five years - for foreign investors in Egypt. The residence permits – according to GAFI's new rules – can be granted to shareholders, partners, business owners, board members and managers.

The criteria considered and points calculation for the issuance of residence permits are the following:

- The scope of activities of the project (score up to 20%).
- The amount of the paid-in capital of the project (score up to 30%).
- The number of employees in the project (score up to 30%).
- The location of the project (score up to 20%).

The rules adopted by GAFI target the project which work in specific activities as follows:

- New and renewable energy activities.
- Heavy industries determined by the Industrial Development Authority (IDA), technology industries excluding assembly and programming, pharmaceuticals, and food industries.
- Educational activities under university education level.
- Integrated development projects (tourism, manufacturing, agricultural projects).
- Reclamation and cultivation of lands of not less than 500 feddans.
- Establishment of hospitals.
- Tourism activities (i.e. establishment and operation of hotels and tourist resorts of a minimum capacity of 500 rooms).
- Essential utility projects (i.e. water and sewage, electricity, roads, telecommunications, metro lines).
- Petroleum projects.
- Integrated water desalination projects.
- Free zone projects with an export capacity exceeding 80%.

Taxation

Corporate Income Tax

Companies are liable for corporate tax at a flat rate of 22.5%, although there are different rates for the Suez Canal Authority, the Egyptian Petroleum Authority, the Central Bank of Egypt, and oil and gas exploratory and production companies.

Corporate Tax is imposed on:

- Companies that are resident in Egypt on all profits realized from Egypt and abroad.
- Companies that are non-resident in Egypt with regard to profits realized through a permanent establishment in Egypt.

The income of a company may include any, or all, of the following:

- Profits from a commercial or industrial activity.
- Income from the use and disposal of buildings or assets.

- Amounts received on shares of associations of capital.
- Yield paid by the government, local government units, public juridical persons.
- Rental amounts, license fees, royalties received.
- Income from any other activity performed in Egypt

Income Taxes

According to the Tax Law an annual tax shall be imposed on the total net income of resident and non-resident natural persons in respect of their incomes earned in Egypt. The tax rates are articulated under Article (8) of the law as follows:

Income Tax Rate	Annual net income not exceeding EGP 600,000	Annual net income more than EGP 600,000 and up to EGP 700,000	Annual net income more than EGP 700,000 and up to EGP 800,000	Annual net income more than EGP 800,000 and up to EGP 900,000	Annual net income more than EGP 900,000 and up to EGP 1,000,000	Annual net income more than EGP 1,000,000
0%	From EGP 1 to EGP 15,000	-	-	-	-	-
2.5%	From EGP 15,001 to EGP 30,000	From EGP 1 to EGP 30,000	-	-	-	-
10%	From EGP 30,001 to EGP 45,000	From EGP 30,001 to EGP 45,000	From EGP 1 to EGP 45,000	-	-	-
15%	From EGP 45,001 to EGP 60,000	From EGP 45,001 to EGP 60,000	From EGP 45,001 to EGP 60,000	EGP 1 to EGP 60,000	-	-
20%	From EGP 60,001 to EGP 200,000	From EGP 60,001 to EGP 200,000	From EGP 60,001 to EGP 200,000	From EGP 60,001 to EGP 200,000	EGP 1 to EGP 200,000	-
22.5%	From EGP 200,001 to EGP 400,000	From EGP 200,001 to EGP 400,000	From EGP 200,001 to EGP 400,000	From EGP 200,001 to EGP 400,000	From EGP 200,001 to EGP 400,000	From EGP 1 to EGP 400,000
25%	More than EGP 400,000	More than EGP 400,000	More than EGP 400,000	More than EGP 400,000	More than EGP 400,000	More than EGP 400,000

Capital Gains Tax on Shares

The capital gains realized from the disposal of listed shares for tax residents are subject to capital gain tax at the rate of 10%, noting that this tax was suspended until the end of 2021. Capital gains realised from the sale of unlisted shares (of resident or non-resident) shall be subject to 22.5%.

Dividend Income Tax

Dividend distributions by unlisted companies are now subject to a 10% withholding tax.

Value Added Tax (VAT)

The standard rate of the VAT imposed according to the VAT Law no. 67 of 2016 ("VAT Law") is 14% applicable on all goods and services. Nonetheless, VAT will apply with a reduced rate of 5% on machines and equipment used for the sole purpose of producing goods or providing services, whether they are imported or locally procured. This includes machines and equipment which form a complete production line including all its components. Spare parts and tools used for the installation of the machines and equipment are subject to the general VAT rate of 14%.

The value of the goods or services that should be reported by the taxpayer to the authorities and upon which the VAT rate will be calculated ("Taxable Value") is the actually paid or payable price of the concerned good or service². The Taxable Value shall include all incidental fees and expenses payable by the purchaser or the importer, such as commissions, packaging, transportation and insurance fees.

In case of related parties' transactions, the Taxable Value shall not be less than the market value on the basis of the arm's length standard.

New Unified Tax Procedures Law

On 19 October 2020, the Unified Tax Procedures Law No. 206 of 2020 was issued to introduce unified tax procedures of assessment and collection of the direct and indirect taxes. The Law also establishes the new tax electronic system to align with the digital economy.

General Customs & Tariff

New Customs Law

In November 2020, a new Customs Law no. 207 of 2020 ("Customs Law") has been issued to replace the previous Customs Law No. 63/1966 and the Customs Exemptions Law no. 186 for the year 1986. The new Customs Law aims to improve the customs system in Egypt whereby customs procedures will be expedited and simplified.

The application of the new Customs Law is without prejudice to the provisions of the international treaties to which Egypt is a party, the Special Economic Zones Law and the New Investment Law, as well as the exemptions provisions granted by other laws.

Below is a summary of the main provisions of the new Customs Law:

- a) The implementation of an integrated electronic platform (single window system) to facilitate the customs clearance process. Such single window shall provide all services related to clearance of cargos including the dealings related to the Customs Authority, the General Organization for Import and Export Control (GOEIC), the ports' authorities, GAFI and all concerned authorities in this respect.
- b) The persons dealing with the Customs Authority are allowed to submit documents and data and exchange them using the electronic methods without prejudice to the Electronic Signature Law no. 15/2004.
- c) The customs duty imposed on machinery, equipment, devices and production lines or parts thereof, which are imported for production projects and which are not benefiting from any customs exemption or reduction, may be paid in installments for a period not exceeding one

² Article (10) of the VAT Law

year against paying an additional tax of 1.5% of the value of the unpaid customs tax for each month or part thereof.³

- d) Offering a pre-query service to whoever deals with the Customs Authority, against a determined fee, to clarify and explain any matter relating to the customs clearance process and its related dealings.
- e) The Customs Authority is authorised to track the imported cargos which are offered for sale via electronic websites as well as the cargos which are transported inside the country under the indirect transit system.
- f) It shall also monitor and ensure the protection of the intellectual property rights relating to the imported, exported or transit cargos.
- g) The collection of 5% customs duty from the value of the imported machinery, equipment, device and production lines, which are necessary for the establishment of projects in accordance with the Companies Law, projects established in the new urban communities, as well as hotel and tourism projects.
- h) The Customs Law also provides for certain exemptions for some imported goods and raw materials and regulate the temporary release of goods.

Import & Export Procedures

Importation License

According to the Importer Registry Law No. 121 for 1982, importers shall be registered at the General Organization for Import and Export ("GOEIC") and obtain an importation license therefrom.

In order for a company to obtain an importation license, it has to meet the following conditions:

- a) The capital of the company has to be a minimum of EGP 2 Million in case it is an LLC or EGP 5 million in case it is a JSC.
- b) A minimum business turnover of at least EGP 5 Million during the year preceding the submission of the application for the license (as recorded in the tax return).
- c) At least 51% of the company's shares must be owned by an Egyptian entity/individual.

Advance Cargo Information System

In implementation to the new Customs Law, the Egyptian Customs Authority has started to implement a new advance Cargo information (ACI) system. The initial phase of its implementation has started on the 1st of April 2021. This system shall enter into a fully and mandatory application starting from the 1st of October 2021, as per the Minister of Finance Decree no. 328 of 2021.

According to this new ACI system, the seller or the exporter of record will be required to upload the commercial and shipping documents prior to the departure of the shipment on a portal called "Cargo" via the following: <https://help.cargox.digital/en/user-manual/registration/new-company-registration/>

Whereas, the Consignee or the importer of record will be required to:

1. create an account for themselves and identify all of their overseas suppliers.
2. submit information related to each shipment prior to its departure from Origin, through a portal called "Nafeza", via the following link: <https://www.nafeza.gov.eg/en>
3. verify the documents uploaded from the shipper and information submitted for this shipment.

The Customs Authority shall, within 48 hours, reply back with either a rejection (along with reason) or acceptance (along with ACID number). This ACID number needs to be mentioned on all commercial and

³ Article 15 of the new Customs Law.

shipping documents. Any shipment arriving to Egypt without having a valid ACID number, will be subject to re-export.

This new ACI system aims to prevent the importation of goods with unknown origin; facilitate the release of goods upon their arrival and promote the use of electronic documents instead of the hard ones.⁴

Dispute Settlement

Egypt is an ADR-friendly country. It supports various types of out-of-court dispute settlements, especially mediation. The Egyptian legal system is a civil one where the judiciary is independent from the government.

The courts would normally accept to enforce foreign judgments, however this must be done through an exequatur which could be obtained via following the same procedures of initiating a lawsuit before the Egyptian courts, in addition to several other conditions, including ensuring reciprocity between the Egyptian and foreign country's courts and verifying the competence of the court rendering the judgment.

Egypt is a signatory of the 1958 New York Convention on the Enforcement of Arbitral Awards; the 1965 Washington Convention on the Settlement of Investment Disputes between States and the Nationals of Other States; and the 1974 Convention on the Settlement of Investment Disputes between the Arab States and Nationals of Other States.

An award issued pursuant to arbitration that took place outside Egypt may be enforced in Egypt if it is either covered by one of the international conventions to which Egypt is party or it satisfies the conditions set out in Egypt's Arbitration Law 27 of 1994 which provides for the arbitration of domestic and international commercial disputes and limited challenges of arbitration awards in the Egyptian judicial system. The Arbitration Law was amended in 1997 to include disputes between public enterprises and the private sector.

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⁴ For further information regarding the new ACI system, please refer to the following link: [ACI-User-Guide-English-Final2.pdf \(nafa.gov.eg\)](#)