

Country Guide

Egypt

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GUIDE TO DOING BUSINESS

IN EGYPT

2018

Guide To Doing Business Questionnaire: EGYPT

I. The Country At A Glance

A. What languages are spoken?

Arabic is the official language, while French and English are widely spoken among educated classes.

B. What is the exchange rate for the U.S. dollar, the Euro?

On November 28, 2017 the USD buying price was 17.76 EGP per Dollar.
On November 28, 2017 the Euro buying price was 21.04 EGP per Euro.
Exchange rates are announced by the Central Bank of Egypt on a daily basis.

C. Describe your country's geography, proximity to other countries and climate.

Egypt is located in the north-eastern corner of Africa and south-western Asia. It is bounded on the north by the Mediterranean Sea, on the east by Palestine and Israel, on the south by Sudan, and on the west by Libya. Egypt has a dry climate, and is 94% desert. The population of around 98 Million is concentrated along the Nile Valley and Delta, and the Mediterranean and Red Sea Coasts.

Egypt has a warm climate with year-round sunshine and average temperatures of between 14 and 30°C, and great natural beauty with fantastic scenery-stunning white powdered sugar sandy beaches, coral reefs and desert landscapes, giving rise to great recreational activities. Average low temperatures vary from 9.5 °C in wintertime to 23 °C in summertime and average high temperatures vary from 19 °C in wintertime to 34 °C in summertime. Though temperatures are moderated along the northern coast, the situation changes in the interior, which is away from the moderating northerly winds. Thus, in the central and the southern parts of the country, daytime temperatures are hotter, especially in summers, where average high temperatures can exceed 45 °C in cities such as Qena, Luxor and Aswan. Some mountainous locations in Sinai, such as Saint Catherine, have cooler night temperatures, due to their high elevations.

D. Are there cultural influences or prohibitions on the way business is conducted?

There are no cultural influences or prohibitions on the way business is conducted. Egypt has a rich cultural and historical interest, dating back some five thousand years. The Egyptian people are very friendly, open hearted, and welcoming, many of whom speak some English.

In its annual ranking of Africa's top investment destinations, Rand Merchant Bank Holdings (RMB) placed Egypt as Africa's top investment destination for 2018, overtaking South Africa for the first time in seven years, El Ahram reports. The up-ranking of Egypt to the 1st position is due to "its superior economic activity score and sluggish growth rates in South Africa," according to the report.

The news comes as the Egyptian government enacts deep economic reforms aiming at attracting foreign investment and revamping tourism.

According to the UNCTAD 2016 World Investment Report, Egypt is one of the top five FDI destinations in Africa and the largest recipient in its sub-region. 2015 marked an important improvement with +49% FDI influx (which was particularly oriented towards the banking and telecommunications sector). FDI comes mainly from the EU, the United States and the Arab

countries. The UK is the largest investor in Egypt. FDI is concentrated in the oil sector (although investment has been declining recently), followed by construction, manufacturing, real estate and financial services sectors.

The country is in a geographically strategic location. Moreover, it offers a cheap and relatively qualified labour force. Its growing population constitutes a non-negligible market in the region. Its energy resources are attractive and in addition, the country has in recent years, launched a public works policy (construction of the third metro line, expansion of the port of Sokhna and improvement and renovation of the rail network), which offers many investment opportunities to foreign companies. Finally, government policy for large-scale liberalisation and improving the appeal to foreign investors are encouraging signs for foreign investment.

E. Are there religious influences or prohibitions on the way business is conducted?

There are no religious influences or prohibitions on doing business in Egypt.

F. Explain your country's infrastructure. Be sure to explain which cities have airports, railroad systems, ports, and public transportation.

Egypt has a total of 90 airports. The most prominent of these are the Cairo International Airport, Sharm el Sheikh International Airport, Borg el Arab Airport, Al Nozha Airport, Hurghada Airport and Aswan Airport.

In Egypt there is a very wide variety of train stations in almost every city with the railroad network exceeding 7000 km.

The main ports and terminals are the following: Mediterranean Sea - Alexandria, Damietta, El Dekheila, Port Said; Gulf of Suez – Suez

The main oil terminals are Ain Sukhna terminal, Sidi Kreir terminal

Container port(s) (TEUs): Alexandria (1,108,826), Port Said (East) (2,617,043), Port Said (West).

G. Explain the communication system.

Currently, there are four companies which offer cellular communication service: Orange, Vodafone, Etisalat, and WE. These companies are providing services surpassing voice communication such as 3G and 4G services. The main Internet providers are TE-Data, Orange DSL, Vodafone DSL and Etisalat Egypt.

Egypt's landline provider is Telecom Egypt, which is government-owned.

H. Describe the public services – i.e. water, electricity, gas. Are they publicly or privately owned?

Electricity consumption in Egypt is 143 billion kWh, according to a 2014 estimate.

The ministry in charge of providing electricity is the Ministry of Electricity and Renewable Energy.

The Egyptian Electricity Holding Company (EEHC) is historically a government agency converted to a joint stock company in 2000 with eight subsidiaries carrying out distribution activities and six subsidiaries carrying out generation activities and one for transmission (EETC). The Egyptian Electricity Transmission Company (EETC) is a government transmission company, offtaker and responsible for issuing bids and tenders for construction and operation of power projects.

Egyptian water sector policies are set by several ministries. The Ministry of Water Supply and Sanitation Facilities, created in 2012, took over its functions from the Ministry of Housing, Utilities and Urban Communities that had previously been in charge of the sector. The Ministry of Water Resources and Irrigation (previously called the Ministry of Public Works and Water Resources) is in charge of water resource management and irrigation. The Ministry of Health and Population is responsible for monitoring drinking water quality. The Egyptian Environmental Affairs Agency is responsible for environmental affairs and the assessment and monitoring of water use. The Holding Company for Water and Wastewater, founded by decree in 2004, is responsible for the financial and technical sustainability to the Governorate-based utilities. The Egyptian Water Regulatory Agency (EWRA), established in 2006, is in charge of the economic and technical regulation of utilities.

The Ministry of Water Supply and Sanitation Facilities supervises all institutions in charge of providing water and sanitation services. Broadly speaking, these are two types of institutions: those in charge of investment and those in charge of operation. However, this separation is not always clear-cut, since some companies in charge of operation also carry out investments. The Holding Company for Water and Wastewater (HCWW) and its 26 Affiliated Companies are in charge of operation and maintenance of water and sanitation infrastructure. The Holding Company owns all water and sanitation infrastructure in Egypt. The government's support for private sector participation in water supply and sanitation is focused on build-operate-transfer (BOT) for wastewater treatment plants, through which private finance is mobilized. This approach is limited to Cairo and Alexandria where external donors had become less keen to provide assistance. The first BOT wastewater for US\$160 million for the New Cairo wastewater treatment plant with a capacity of 250,000 m³/day was awarded in 2010 and was due to be completed at the end of 2012. However, the Joint Venture of Orascom and Aqualia from Spain, a subsidiary of FCC, found itself plagued by currency fluctuations and problems in commissioning the plant. The lead advisor for the structuring of the transaction was the International Finance Corporation of the World Bank Group.

The Government of Egypt (GoE) has taken the initiative to introduce a Public Private Partnership (PPP) policy and program through the establishment of the PPP Central Unit within the Ministry of Finance.

As the public face of PPP in Egypt, the PPP Central Unit acts as the PPP center for support and expertise, identifies pilot projects together with responsible Line Ministries, sets national guidelines for implementation, standardizes PPP contracts, provides technical/advisory support to infrastructure Line Ministries and monitors the implementation of PPP projects.

PPP is a long-term contractual relationship between the public sector and the private sector. Law no. 67 – 2010 For Partnerships With The Private Sector In Infrastructure Projects & Public Utilities states the tendering procedures and main clauses of the contract between the Government and the private sector. The fundamental aspects of Egypt's PPP policy framework are the use of performance-based Public Utilities contracts under which the private sector participate in project implementation through participation in one or more aspects of the project's development and implementation, including such project phases as project design, finance, build, operate, manage and/or maintain, provided that the public sector repays for those services after the start of operation.

Under the PPP Contract, the Government retains strategic control of the service, secures new infrastructure projects which generally revert back to the public sector at the end of the contract duration, and allocates project and performance risks to the party(ies) best able to manage or mitigate these risks.

The PPP Central Unit deals with the most experienced firms with respect to structuring of projects, technical and financial studies, and drafting of contracts and tendering documents.

II. General Considerations

A. Investment policies

1. Does the country generally welcome investment? Are there governmental or private agencies devoted to the promotion of investment?

According to the UNCTAD 2016 World Investment Report, Egypt is one of the top five FDI destinations in Africa and the largest recipient in its sub-region. 2015 marked an important improvement with +49% FDI influx (which was particularly orientated towards the banking and telecommunications sector). FDI comes mainly from the EU, the United States and the Arab countries. The UK is the largest investor in Egypt. FDI is concentrated in the oil sector (although investment has been declining recently), followed by construction, manufacturing, real estate and financial services sectors.

Since September 2004, the General Authority for Investment and Free Zones (GAFI) has established an economic program to attract foreign investors, together with an average reduction of 35% customs duty and tariff simplification. Though all the economic sectors are open to domestic and foreign investors, there are some that are especially targeted by the Law, which expressly provides the possibility to execute projects under the BOT (Build, Operate, Transfer) form, in the fields of agriculture, industry, mining, tourism and hospitality, air travel, off-shore shipping transport, goods transport services, oil prospection and drilling, infrastructure for drinking water conveyance, roads, housing and used water recycling. Other sectors are added to this list depending on needs (leasing, venture capital, creation of computer programs and software, etc.). Privatization programs are also open to foreign investors. Some sectors are considered strategic and hence subject to specific legislation: for example, aerospace, defense, and print journalism.

Encouragement of investment, including foreign investment, is a top priority of the GoE. The Government has supported this policy through a series of pro-business reforms, including a third-party contract appeal law prohibiting third party interference in state-investor contracts; a competition law; and a presidential decree reforming Egypt's 1997 Investment Law by trimming customs duties, expanding corporate veil protection, establishing additional fora for resolution of investor-state disputes, and setting the foundation for a true one-stop business registration shop. The Government is launching a Suez Canal Development Zone with simplified regulation and licensing aimed at attracting investors to develop the manufacturing, logistics, and export industries along the Suez Canal.

In 2017 Egypt promulgated a landmark investment law that will modernize and reduce barriers to how international companies invest and operate in Egypt. The measure will expand economic growth, domestic production, exports and foreign investment, and is designed to boost employment opportunities and increase Egypt's competitive edge across the region. The law is also expected to ensure equality of opportunity, empower youth, protect the environment and public health, and enhance good governance and transparency.

The new law stipulates the establishment of an investors' service centre that will act as a one-stop shop for issuing all required licenses, under the supervision of the newly created General Authority for Investment (GAFI), previously the General Authority for Investment and Free Zones.

The GAFI will also develop an “e-incorporation” system to respond to all applications for creation of investment entities.

Measures to ease investment include a “golden license” that will allow the prime minister to issue a single approval that includes all the required business establishment and operating licenses, land allocation and building permits for strategic and national projects deemed key to Egypt’s development.

These reforms should support investors which previously suffered in dealing with state agencies, raising Egypt’s rankings in the World Bank’s Doing Business report, currently occupying the 70th spot out of 190 markets.

The new law also incorporates tax incentives, such as a five-year exemption from stamp duty on all incorporation contracts, as well as on facility and mortgage contracts related to an investment project.

2. What is the rate of inflation?

Core Inflation Rate in Egypt increased 34.86 percent in August of 2017 over the same month in the previous year. Core Inflation Rate in Egypt averaged 10.80 percent from 2008 until 2017, reaching an all time high of 35.26 percent in July of 2017 and a record low of 3.84 percent in September of 2012.

3. Explain any sector exceptions, incentives or restrictions on foreign investment?

For the most part, there are no restrictions on foreign investment, as the new Investment Law no. 72/2017 expressly states that any foreign investor shall receive equal treatment as any Egyptian investor. However, the competent Minister is authorized by that law to issue a decree of special treatment, if the Egyptian investor receives special treatment in the country of the foreign investor, based on the concept of reciprocity.

Sector-specific limitations to investment include restrictions on foreign ownership of agricultural land and on owning land in the Sinai Peninsula. Likewise, the Import Registry Law requires companies or persons wishing to register in the Import Registry to import finished goods for resale in Egypt to be Egyptian citizens or companies 51 percent owned and managed by Egyptians. Finally, only Egyptians can be registred as commercial agents in Egypt.

Undoubtedly, in the simplest terms, Egypt has become a more affordable destination than before - be it as a travel or investment destination. Both will lead to an inflow of foreign currency and Foreign Direct Investment (FDI) into the market and increased economic activity (reducing unemployment, increasing GDP, etc). There is a time lag, however, as investors will only start coming once they feel that the USD: EGP rate has reached stability and that the speculation/high volatility period is coming to an end.

4. Describe de facto restrictions on investment, if any, such as bureaucratic discretion.

Investors report there can be delays of up to several months for legitimate transfers of foreign exchange to be executed, although availability of foreign exchange is improving. Labor rules prevent companies from hiring more than 10 percent non-Egyptians (25 percent in Free Zones), and foreigners are not allowed to operate sole proprietorships. The lack of protection of intellectual property rights (IPR) is a significant hurdle in certain sectors to direct investment in Egypt, which remains on the U.S. Trade Representative’s Special 301 Watch List. A foreign-owned company wishing to import for trading purposes must do so through a majority Egyptian-owned importer.

In most areas of investment, there is no legal difference between foreign and domestic investors and there are no restrictions on full foreign ownership of Egyptian companies. There are some exceptions and these include:

- 1) Import companies where 51% of the shares in joint stock companies and limited liability companies must be owned by Egyptian nationals. The manager responsible for the importation activity must be an Egyptian national.
- 2) Commercial Agency companies acting for foreign companies under commercial agency agreements.
- 3) Security services.
- 4) Investment in Sinai (which requires an Egyptian shareholding threshold).
- 5) The Real Estate Law No 15 of 1963 explicitly prohibits agricultural land from being owned by foreign individuals or corporations. The definition of "agricultural land" covers land in the Nile Valley, the Nile Delta and the Oases.

To carry out any activity in Egypt, foreign investors must either establish a branch or an Egyptian subsidiary. This will typically be either a limited liability or a joint stock company.

5. What are the sizes of the different markets?

Egypt is one of the most developed and diversified economies in the Middle East. Service contributes about 45% of Egyptian GDP, with the finance and insurance, wholesale and retail trade sectors being the key service industries. Agriculture contributes another 15% of GDP while industry, including the manufacturing and mineral extraction sectors, accounts for the rest of GDP.

Other industries include textile, food processing, tourism, chemicals, pharmaceuticals, hydrocarbon, construction, cement, metals and light manufacturing.

6. What types of businesses are conducted in the country?

The most important products of Egyptian industry include cotton yarn, jute yarn and fabrics, wool yarn, refined sugar, sulfuric acid nitrogenous fertilizers, paper, cement, motor-vehicle tires and television receivers. Other industrial activities include the manufacture of iron and steel, the assembling of motor vehicles and the refining of oil (at several locations). Smaller-scale industrial enterprises of significance to the economy include tanning, brewing, and the manufacture of pottery, perfumes, handicrafts, cottonseed oil, flour and other processed foodstuffs, and asphalt. Most industrial activity is centered around Cairo and Alexandria. In the service industry, the largest sector is the tourism sector, which includes hotels and resorts, restaurants, archeological sites and beach resorts and activities.

B. Diplomatic Relations

1. Explain any established diplomatic relations your country may have.

Egypt maintains diplomatic relations with virtually every country in the World. For decades, relations between Egypt and the United States have been grounded in a

mutual commitment to goals that we share because they are vital for advancing peace, prosperity and stability in the Middle East.

Today, Egypt and the United States are economic and security partners, working together to develop the region and defeat the shared threat posed by global terrorist networks. Egypt remains a force for stability and moderation at a time when large parts of the Middle East and North Africa are experiencing unprecedented security challenges.

The European Union and Egypt have long maintained close and diverse relations, and the EU is one Egypt's main trading partners.

Egypt is a founding member of the League of Arab States, headquartered in Cairo, as well as the African Union, where it plays a central role.

2. Give addresses, and contact information for the embassies or consulates in your country.

US Embassy in Cairo
5 Tawfik Diab Street
Garden City
Cairo
Egypt
T: (20-2) 27973300

German Embassy in Cairo, Egypt
Sharia Berlin (Corner of Hassan Sabri Street)
Zamalek
Cairo
Egypt
T: (+20) 2 27 28 20 00

British Embassy in Cairo
7 Ahmed Ragheb Street
Garden City
Cairo
Egypt
T: (02) 2791.6000

French Embassy in Cairo
29 Charles de Gaulle Street
Giza
Egypt
T: (02) 3567.3200

These are just a few of the many embassies in Egypt.

3. Are there prohibitions or restrictions on certain business dealings with the country?

In general, there are no prohibitions concerning businesses in Egypt, so long as the law is being upheld. Nonetheless, certain businesses cannot be run without government approval, such as the sale and serving of alcoholic beverage, which require a special licence.

4. Explain any travel restrictions to or within the country?

There are generally no travel restrictions, but travel to and within Sinai is highly monitored, with many checkpoints along the way, for security reasons. Some countries currently restrict travel of their citizens to Sinai.

C. Government

1. Explain your country's election system and schedule. Is there an anticipated change in the present government?

Egypt follows a presidential system of Government, with a President elected for a 4-year term. There is a term limit of two terms. In addition, there is an elected Parliament, whose representatives are chosen by the residents of the geographical areas they represent, which serves for five year terms.

Interested presidential candidates must collect the signatures of at least twenty members of Parliament or 25,000 voting citizens from at least fifteen different governorates (with a minimum of at least 1,000 from each governorate). In addition to submitting these signatures, candidates must also present a birth certificate, proof of citizenship, criminal record, certificate of military draft completion, financial disclosure form, and medical examination to establish their eligibility.

The law establishes the Presidential Elections Commission (PEC) as the body to monitor and logistically run elections. As per the law, the duties of the PEC include maintaining voter lists, facilitating the nomination process, vetting the proposed presidential candidates, determining the campaign period and its rules, announcing the dates for voting, facilitating the involvement of the media and civil society groups in election monitoring, counting the votes, and announcing the final election results.

A campaign spending limit of EGP 20 million is set for each candidate and EGP 5 million in the case of runoffs. The law also states that no candidate may receive a donation from an individual person that would amount to more than 2 percent of the spending limit; donations may not be accepted from non-Egyptians, foreign countries, international organizations, or foreign entities. Campaign finances must be kept in a bank account, the details of which are made publicly available.

The law also lays out very specific details regarding the actual voting process and subsequent vote count. Vote results must be announced within 5 days of receipt of vote tallies from polling stations and centers. The victor in a presidential race must win by an absolute majority of valid votes. If no candidate receives an absolute majority, a runoff will take place between the top two candidates.

The current president, Abdelfattah El Sisi, was elected in 2014. The next presidential elections are set to be held in the first half of 2018.

2. Is the present government stable? Briefly explain your country's political history in the last decade.

Despite having been one of the major countries to experience the Arab Spring in 2011, Egypt has avoided the disintegration and civil conflict that has affected Syria, Libya and Yemen. Nonetheless, the government remains vigilant of potential spillover risks from regional instability. Refugees from these conflicts have been welcomed in Egypt, putting

further pressure on the infrastructure. The security forces continue to battle an extremist presence in some parts of the country, especially in the Sinai Peninsula.

After the Revolution of January 2011, which led to the resignation of President Hosni Mubarak after thirty years in power, Egypt went through a tumultuous transition period where the country was run by the Supreme Council of the Armed Forces (SCAF) until presidential elections were held in 2012. Those elections, the first democratic elections in Egypt's history, saw the Muslim Brotherhood ascend to power for the first time. The one-year controversial rule of President Mohamed Morsi was bereft of conflict and instability, which led to the popular uprising of June 2013 and the military coup which overthrew Morsi. Since the election of President Abdelattah El Sisi in May 2014, Egypt's Government has become much more stable.

3. Explain your country's judicial system. Be sure to answer the following questions:

- Is the judicial system generally perceived to be impartial?
- Must disputes be resolved in the country?
- Is there a political method of resolving disputes?
- Are alternative methods of dispute resolution permitted?
- How long does it take to resolve disputes?
- Can foreign judicial decisions be enforced in the country?
- Can decisions from the country be enforced outside the country?
- Are there separate tribunals depending upon the subject matter of the case?
- Are there different legal systems within the country or its political subdivisions?
- Can the investor choose to be subject to the country's jurisdiction or not?

The matter of the impartiality of the courts is a rather popularly debated issue in Egypt. Though people focus on lower court judgments to render their reasons for the courts' impartiality, the Court of Cassation is the benchmark on which such impartiality is measured. If one focuses on the Court of Cassation's rulings, it will be seen that the judicial system is quite impartial.

The Egyptian Civil Procedure Law no. 13 of 1968 in its articles 28 to 35 regulates the territorial jurisdiction of the Egyptian courts to adjudicate disputes. The arbitration law no. 28 of 1994 stipulates in Article 25 that the parties have the freedom to choose the rules applicable to the dispute, as well as the country in which the arbitration procedures are carried out. However, there are exceptions. Article 87 of the Egyptian Commercial Code stipulates, for example, that any dispute arising in relation to contracts of transfer of technology shall be resolved in Egypt under Egyptian law, whether before the national courts or an arbitral tribunal. Land and real property disputes must also be adjudicated in Egypt if the land or property in question is located in Egypt.

In Egypt, alternative dispute resolution, such as arbitration and mediation, is permitted and encouraged. The most prominent dispute settlement centre in Cairo is the Cairo Regional Centre for International Commercial Arbitration (CRCICA), which offers both arbitration and mediation as a form of dispute settlement.

In addition, the General Authority for Investment and Free Zones (GAFI) has a mediation centre, the Investors Dispute Settlement Committee, in which parties can settle their disputes. In the Center, mediators as well as the Center staff, actively manage cases so that they are quickly and efficiently resolved. All parties are expected to assist in bringing about this result. If you are a party to a dispute, you should expect that in the early stage of your dispute, the Center staff will consider whether alternative dispute resolution (mediation) is likely to assist.

The Egyptian Cabinet of Ministers issued Decree Number 2432 on 8 September 2015 (the "Decree"), establishing the ministerial committee for the settlement of disputes of investment contracts. The committee is formed from a selection of senior state officials, ministers and representatives of sovereign entities. The committee is led by the Prime Minister and ministers of the economic group, the Minister of International Cooperation, and the Minister of Justice, as well as representatives of the Egyptian Armed Forces and the Administrative Supervision Authority. The Decree also allows for additional state officials to become members of the committee to observe and supervise topics, if so needed. The committee is empowered to consider and settle disputes referred to it arising from investment contracts to which the state or governmental agencies are a party. The committee will attempt to reach an amicable settlement between the parties of those agreements in a manner that achieves economic equilibrium between the parties, on the basis of applicable laws and the preservation of public funds.

As for the matter of the speed with which judgments are rendered, Egyptian courts take their time rendering judgments, primarily due to a large backlog of cases. Civil cases can take up to five years before first instance courts, given that the Civil Procedures Law and the Law of Evidence are not strictly applied when it comes to time limits and deadlines. Appeals can take between one to two years, on average.

Egypt is a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Hence, foreign arbitral awards can be enforced in Egypt provided they are rendered by a country that is also a signatory to the Convention, and provided that the award is not contrary to public policy in Egypt. By the same token, Egyptian arbitral awards should be enforceable in any country which is a signatory to the Convention.

As for foreign court judgments, they are enforceable in Egypt with respect to a limited number of countries, such as France, with which Egypt has a treaty for the mutual enforcement of court judgments. Otherwise, general enforceability of foreign court judgments is governed by the Civil Procedures Law 13 of 1968 which stipulates that foreign court rulings may be enforced in Egypt based on the concept of reciprocity. The law also stipulates conditions for the enforcement of foreign judgments in Egypt: That the Egyptian courts had no jurisdiction over the dispute and that the jurisdiction of the foreign court that issued the ruling had jurisdiction to issue such a ruling; That the parties to the dispute have been duly notified and properly represented; That the ruling is final and binding according to the law of the state whose courts issued the ruling, and that the ruling is not contrary to Egyptian precedents and to public policy in Egypt.

The concept of reciprocity means that foreign judgments can be enforced to the extent that Egyptian judgments can be enforced in other countries; however, the relevant laws of the country in which enforcement is sought have to be considered.

The Egyptian Court system is based on one legal system (federal courts) composed of a number of tiers: Courts of First Instance, Courts of Appeal, and the Court of Cassation at the apex of the judiciary. The classical dichotomy of public and private law has also resulted in the establishment of the Council of State (Conseil d'Etat), which is a system of administrative courts vested with the power to decide over administrative disputes pertaining to administrative contracts and administrative decrees issued by Government officials and ministries. Appeals of administrative court judgments may be made to the Supreme Administrative Court. The Supreme Constitutional Court was established in 1969 and has exclusive jurisdiction to decide questions regarding the constitutionality of laws and regulations as well as negative and positive conflict of jurisdiction.

The Egyptian Judiciary is comprised of civil, commercial and criminal courts, administrative courts and the Supreme Constitutional Court. Courts may handle different matters depending on the amount in dispute, or the subject of the dispute. For example, there are specialized courts such as the Economic Court, personal status and family courts, national security courts, labour courts, military courts, etc.

Generally, when it comes to the Investor choosing whether to be subject to the jurisdiction of the Egyptian courts, the Law on Civil Procedure comes into play. The only time when an investor can choose whether or not to be subject to the jurisdiction of Egyptian law is in Arbitration.

4. Explain your country's legislative system.

The Parliament of Egypt is currently a unicameral legislature. The Parliament is located in Cairo, Egypt's capital. Under the country's 2014 Constitution, as the legislative branch of the Egyptian state, the Parliament enacts laws, approves the general policy of the State, the general plan for economic and social development and the general budget of the State, supervises the work of the Government, and has the power to vote to impeach the President of the Republic, or replace the Government and its Prime Minister by a vote of no-confidence.

The Parliament is made up of 596 seats, with 448 seats elected through the individual candidacy system, 120 elected through winner-take-all party lists (with quotas for youth, women, Christians, and workers) and 28 selected by the President. With the exception of members selected by the President, Parliament members are elected by the residents of the districts which they represent, with each district having a number of members commensurate with its population.

D. Environmental Considerations

1. What is the public/government attitude toward environmental regulation?

Environmental regulation is extensive, but has not been adequately enforced in the past. However, in recent years the Government has begun paying more attention to preserving the environment, particularly with respect to the pollution of Nile waters, and combatting the effects of climate change by encouraging sustainable forms of energy, such as solar energy and wind farms. Air pollution, due to industry and heavy traffic in large cities, remains a significant problem, although public buses and some taxis now operate using natural gas. Improving the methods of disposal of solid waste, including household garbage, has also been a priority for the Government in recent years.

2. Explain any environmental regulations.

Environmental issues in Egypt are governed by Law No. 4 of 1994. This law provides for the creation of an agency for the protection and promotion of the environment, the Egyptian Environment Affairs Agency (EEAA). The EEAA is responsible for formulating the general policy and to preparing the necessary plans for the protection and promotion of the environment. It should also follow up the implementation of such plans.

The law provides for a mandatory environmental review, to be undertaken by the competent administrative authority according to EEAA's instructions, as part of the approval process for all proposed projects.

The law forbids the handling of hazardous substances and wastes or the construction of any establishment for treating such substances without a license from the competent

administrative authority. It is also forbidden to import hazardous waste or to allow its entrance into or passage through Egyptian territories. It is mandatory for all those who produce or handle dangerous materials to take precautions to ensure that no environmental damage shall occur.

All establishments (industrial and others) are required to ensure that while practicing their activities no leaked or emitted air pollutants (caused by the burning of fuel, etc.) shall exceed the maximum permissible levels. It is also prohibited to incinerate, to dispose of or to treat garbage and solid waste, as well as to spray pesticides or any other chemical compound, unless it is done according to the conditions and safety measures specified in the Executive Regulations of the Law.

Ships of any nationality, offshore platforms and any other companies or agencies authorized to explore or exploit natural marine resources are forbidden to discharge into the territorial sea of Egypt any polluting substances resulting in harm to the water environment.

The Law further provides for a system of incentives to be offered to those who implement environmental protection activities or projects, and sets penalties for those who are in violation of its provisions.

The Egyptian Government has developed an ongoing plan for attacking the country's solid waste, air and water pollution problems. The plan's priorities include: preparing feasibility studies for planned development projects, urging companies to work toward ISO 14000 environmental standards certification and urging the use of scientific management techniques and waste recycling to preserve natural resources.

Egypt is a signatory to various conventions concerning environmental protection, among which are: the Environmental Modification Convention; the African Convention on the Conservation of Nature and Natural Resources; the Vienna Convention for the Protection of the Ozone Layer; the Convention for the Prevention of Pollution from Ships; the Barcelona Convention for the Protection of the Mediterranean Sea against Pollution; the Brussels Convention on Civil Liability for Oil Pollution Damage, and the Moscow Treaty Banning Nuclear Weapon Tests in the Atmosphere.

E. Intellectual Property

- Describe the law for the protection of intellectual property, including trademarks, copyrights, patents and know-how.
- Does the country subscribe to international treaties? Describe.
- Are there substantive prior approvals by national investment boards?
- What are the notarization requirements?
- Are there regulatory guidelines for licenses?
- Are there specific exceptions or requirements relation to a particular product(s)?
- When are royalties from licenses deemed to be excessive?
- Do local antitrust or competition laws apply to licenses?
- What typical agreements do foreign corporations enter into with their wholly owned subsidiaries?

Egypt's primary legislation for IP protection is Law 82 of 2002, which reflects the provisions of the World Trade Organisation Agreement on Trade-Related Aspects of Intellectual Property Rights "TRIPS Agreement", to which Egypt is a signatory. Therefore, the IP Law is in line with the majority of US and European IP legislation. The TRIPS Agreement leaves some grey areas with the expectation that each member country will specify its own requirements – for example, the agreement stipulates that member countries should set out

border and enforcement measures and legislate on the protection of famous marks. However, with the exception of general rules regarding IP enforcement, the IP Law does not specify any border measures and does not clarify what constitutes a famous mark under the law. In most cases, the Trademark Office is reluctant to act without clear ministerial guidelines, which can result in a lack of protection.

Article 69 of Egypt's 2014 Constitution mandates that a "specialized body" be established to ensure IP protection; however, such a body meets only on an ad hoc basis. The Egyptian Customs Authority (ECA) handles IP protection enforcement at the national border and the Ministry of Interior's Department of Investigation handles domestic cases of illegal production. The ECA cannot act unless the trademark owner files a complaint. Moreover, Egypt's Economic Courts often take years to reach a decision on IP infringement cases.

Protection starts by acquiring rights and obtaining official recognition of those rights by the Egyptian Trademarks Office. This is also a prerequisite for any claim of ownership or attempt to initiate enforcement action. The registration of a trademark in Egypt involves the typical procedures, i.e. filing, examination, publication and registration. The typical time frame to complete the registration process is from 12 to 24 months with relatively minimal fees and expenditures for brand owners. The brand owner should complete the process through a local patent agent and should provide the following information and documents:

- 1) name of the applicant
- 2) address of the applicant
- 3) nationality and nature of business of the applicant
- 4) a clear and detailed description of the list of goods and services to which the trademark applies
- 5) a Power of Attorney to the applicant's representative, which is properly legalised if executed outside Egypt or notarised if executed within Egypt.

In practice, the Egyptian Trademark Office employs expert examiners and systems and has been recognised locally as one of the more well-established Government offices and authorities in Egypt. The examiners, however, apply some conservative rules in examination when compared with trademark office examiners in neighbouring countries or in the Middle East region. Challenges that can face applicants vary in type, which can include unexpected provisional refusals, office actions and imposing disclaimers. Therefore, trademark owners are always advised to consult with their local IP attorney at the stage of branding to understand the implications of their selection and ensure that registration properly progresses.

Typically, foreign companies enter into trademark license agreements with their wholly owned subsidiaries in Egypt to allow their subsidiary to use the trademarks and to defend against infringement of such trademarks by third parties in Egypt. An Arabic or bilingual trademark license agreement should be registered at the Trademarks Authority in order to take effect. However, in order for such an agreement to be valid, the licensor must first register the trademarks in question in Egypt or through the World Intellectual Property Organization (WIPO) with protection in Egypt.

With respect to royalties, the Government does not intervene and has not ruled royalties to be excessive in any cases, as far as we know. As for anti-trust law, the provisions of such law have not been applied by the authorities with respect to trademark license agreements.

III. Investment Incentives

- A. Explain any export incentives or guarantees. Be sure to answer the following questions:
- Are there tax incentives for exports?
 - If so, are they limited to certain types of products?
 - Is export financing available from government or private sources?
 - If so, what forms of financing or guarantees are available?
 - Is there any governmental insurance for exports?
 - Must a national be a participant in the enterprise in order for the investor to benefit from these incentives?

The Egyptian Customs Authority (ECA), which operates under the Ministry of Finance, is responsible for clearing merchandise into Egypt. Imported goods may not legally enter Egyptian commerce until the shipment has arrived within the port of entry and the ECA has authorized delivery of the merchandise. Import declarations and corresponding documentation are filed either by the customs broker or by the importer. Standard commercial practice is for a broker to file the entry as an agent of the importer.

There are significant document restrictions; the original sales invoice and two copies of it, the original certificate of origin and two copies of it are required. These two documents must be notarized and legalized by the Egyptian Consulate in the country of origin. For the certificate of origin, it is necessary to specify that the information given is exact and accurate. Further, the packing list, the bill of lading with the name and address of the sender and the number of bills of lading sent are required. Since 1999, The Central Bank of Egypt informed national banks that all letters of credit should be paid 100% in cash by the importer. A complete description of the product content is also required for products for which analyses are compulsory.

The local banking system in Egypt is the main source of finance for Egyptian exports. Export financing is usually short-term and is intended to cover the exporter's working capital during the production period. The period of financing ranges from three or four months to as long as one year. Banks normally do not finance long-term export contracts unless guaranteed by an export guarantee company. The exporter may use loans to finance imported inputs or locally produced ones. Banks prefer to lend exporters the same currency they will receive in payment for its exports to reduce foreign exchange risk.

Egypt has one export guarantee company, the Export Credit Guarantee Company of Egypt (ECGC), established by the Export Development Bank of Egypt, National Investment Bank, Misr Insurance Company, Al Shark Insurance Company, Misr Life Insurance Company and the National Bank of Egypt. It provides guarantees against importer's risk or political risk to Egyptian or foreign exporters who export products that are totally or partially produced in Egypt. The ECGC's guarantee also covers political risk (non-commercial), which includes the following: cancellation of the importer's license by his/her country's authorities; refusal of entry of goods by the importer's government; denial of permission to transit a country's territory; seizure or confiscation of exported goods by the importer's country or the transit country; insolvency of a public-owned importer; or military actions or civil disturbances that affect the importer's assets. The guarantee, on the other hand, does not cover foreign exchange risk and risks pertaining to the nature of the goods. The guarantee can reach up to 80 percent of the importer's outstanding debt. The ECGC receives a 0.5-2 percent premium depending on the importer's country and the product exported. The exporter can then sell the guarantee to his/her bank.

There are no tax incentives specifically for exports. However, the manufacturing and industry sector may enjoy tax incentives under the new Investment Law (see below) and manufacturing companies for export, located in free zones, enjoy a total exemption from tax, and are subject only to a 1% annual fee on the value of their exports.

B. Explain any grants, subsidies or funds your country offers foreign investors. Be sure to answer the following questions:

- Are grants and subsidies restricted by the type of activity?
- What is the process for obtaining approval for these grants or subsidies?
- How long does it take to receive approval?
- Can the investor receive loans from the government or governmental agencies?
- Must a national be a participant in the enterprise in order for the investor to receive these grants or subsidies?

The new Investment Law 72 of 2017 stipulates that a foreign investor shall receive the same treatment as an Egyptian investor. However, the competent minister is entitled to issue a decree of special treatment based on the concept of reciprocity. There are also tax deductions for certain types of projects for a limited period of time (see below). The Council of Ministers may also agree to provide additional incentives to projects, such as contributing to the fees of the technical training of personnel of the project, extending utilities to the project at the State's expense, allocating land to the project free of charge, and refunding half the value of land allocated for industrial projects provided that production commences within two years from taking delivery of the land. The State is also creating several special economic zones throughout the country, most notably the Suez Special Economic Zone, which shall receive additional investment incentives, as well as more free zones, targeting manufacturing primarily for export.

C. Explain any national tax incentives for foreign investors. Be sure to answer the following questions:

- Are the incentives restricted by the type of activity?
- Are the incentives restricted by the duration of the activity?
- What is the process of application?

Certain investment projects commenced after the promulgation of Law 72 of 2017 are eligible to enjoy a 50% discount on their taxable profits for sector A projects, and 30% for Sector B projects, for a period of up to seven years. Sector A projects and Sector B projects consist of specific fields of activity in the industry, manufacturing, agriculture, trade, education, health, transport, tourism, housing, construction, sports, electricity, energy, natural resources, water, communications, and technology sectors, as specified in the Investment Law and the distribution of investment activities as set forth in the Executive Regulations of the Law. Sector A projects are those projects located in certain areas of Egypt as determined by the Investment Map, based on data from the Central Agency for Public Mobilization and Statistics. Sector B projects are those projects located in other parts of Egypt. Application is made at the General Authority for Investment (GAFI) at the time of incorporation of the company which will undertake the project, which must be a new company with new assets which were not used by an existing or previous company. Once GAFI approval is obtained, the tax discounts shall be reflected on the company's tax card.

D. Explain any regional tax incentives open to foreign investors. Be sure to answer the following questions:

- Are there tax incentives for the investor that exists only in certain regions of the country?
- Does the investor need to receive approval to be eligible for these incentives?
- Are the incentives restricted by the type of activity?
- Are the incentives restricted by the duration of the activity?
- What does the process of application involve?

There are tax incentives for projects established in areas in dire need for development, according to the Investment Map. These projects receive a 50% discount on their taxable profits for up to seven years. Approval from GAFI is required. The investment must be in one of the sectors contained in the Investment Law and according to the distribution of investment activities as indicated in the Executive Regulations of the Law.

IV. Financial Facilities

A. Banking/Financial Facilities

- What kind of financial institutions exist?

The Egyptian financial system is primarily composed of banking activities and non-banking financial activities.

Banking activities, as defined in the Egyptian Banking Law, include the acceptance of deposits, obtaining financing and investment of such funds in providing finance and credit facilities, contribution to the share capital of companies, and all activities deemed banking activities in accordance with customary banking practices.

Without prejudice to international agreements and special laws, according to which certain banks may be established, all banks and branches of foreign banks operating and licensed to undertake banking activities in Egypt are regulated by the Egyptian Banking Law and must be licensed by the Central Bank of Egypt (the “CBE”).

Entities carrying out banking activities include conventional banks, Islamic banks, and International Financial Institutions (e.g. EBRD and IFC).

On the other hand, the Capital Markets Law and its Executive Regulations are the main statutes regulating capital markets in Egypt (i.e. non-banking financial activities). The Capital Markets Law regulates companies that offer their shares to the public, as well as those undertaking any securities-related activities provided for in the law. Examples of the said activities include promoting and underwriting of securities, participation in the formation or capital increase of companies that issue securities, brokerage activities and management of portfolios and investment funds.

Entities carrying out non-banking financial activities, such as investment banks, brokerage companies and insurance companies, must be licensed by the Egyptian Financial Supervisory Authority (“EFSA”).

- Must the investor maintain a bank account in the country?

In case the foreign investor is investing in Egypt through the incorporation of a company, such company must have a bank account in Egypt with a duly licensed bank. The opening of this bank account is one of the prerequisites for incorporation of a legal entity in Egypt.

On the other hand, investors investing in securities in Egypt do not have to have bank accounts in Egypt. However, settlement must take place through licensed brokers.

- What are the requirements for opening a bank account?

Banks in Egypt are under the obligation to run a Know-Your-Client procedure before opening a bank account for legal entities and/or natural persons. Both legal entities and natural persons must fill-out a standard bank form with all information relevant thereto. In addition, legal entities and natural persons are required to submit a certain number of documents for the purposes of opening a bank account.

The standard required documents to be submitted by legal entities for the opening of a bank account include:

- 1) The articles of incorporation of the company;
- 2) The commercial registry extract of the company; and
- 3) The tax card of the company

The standard required document to be submitted by natural persons for the opening of a bank account is the identity card or passport.

It is to be noted that additional documents may be required by banks. The additional required documentation varies according to each bank.

- What are the restrictions, if any, on the investor's use of the account?

Generally, there are no major restrictions on the investor's use of the bank account. That said, there are foreign exchange restrictions from time to time in respect of transfer of foreign currency abroad in accordance with the instructions of the Central Bank of Egypt. However, the instructions authorize the banks through which the transfer shall be effected to approve the transfer if it is justified. The required supporting documents depend on the reason for the transfer and the transferring bank.

- What is the type of financial system in the country?

As stated above, the financial system in Egypt is composed of two main sets of activities; banking activities and non-banking financial activities, each of which is regulated and supervised by different regulators, namely the CBE and EFSA respectively.

Both banking and non-banking financial activities are heavily regulated and relatively developed under Egyptian law.

- How is the banking system structured?

As stated above, the entire banking system in Egypt is regulated and supervised by the CBE.

- Is there a stock market?

Yes, the Egyptian Stock Exchange.

- Can the investor receive bank loans?

Yes, generally investors can receive loans subject to the approval of the lending bank in accordance with its credit process.

V. Exchange Controls

A. Business Transactions with Nationals, Residents or Non-Residents

- How are nationals, residents and non-residents defined?

A national is any person having the Egyptian nationality. A resident is any person with a resident visa. A resident for tax purposes is any person who has been present in Egypt for more than 183 consecutive or intermittent days during a 12-month period. As for juridical persons, they are considered residents if they were established in accordance with Egyptian Law or if their center of management is in Egypt.

- Are there restrictions on conducting business with nationals, residents or non-residents?

No.

- Are there reporting requirements?

Generally, there are no reporting requirements.

- Can the investor receive loans from nationals, residents or non-residents?

Yes.

B. Investment Controls

- Are there restrictions on direct investment in the country?

No.

- Are there restrictions on indirect investments in the country?

No.

- Must the investor make declarations regarding the nature of his/her investment?

No.

C. Money Transfer

- Is there free determination of exchange rates?

Yes.

- Are there restrictions on the transfer of money into or out of the country?

Currently, there are no restrictions on the transfer of money into or out of Egypt.

- Are there restrictions on the remittance of profits abroad?

No.

- Are there reporting requirements?

All transfers must be made through accredited banks in Egypt. In accordance with regulations of the Central Bank of Egypt and regulations to combat money laundering, certain information regarding the source of the funds and the reason for the transfer may have to be disclosed to the bank before the transfer is approved.

- Can hard currency be taken out of the country?

The maximum amount of hard currency that may be taken out of the country is US\$ 10,000 or its equivalent in any other currency.

VI. Import/Export Regulations

A. Customs Regulations

- Is the country a member of GATT?

Yes, Egypt has been a member of GATT since 9 May 1970

- Is the country a member of the EEC?

No, Egypt is not a member of the EEC.

- Is the country a party to a regional free trade agreement?

Egypt is a party to the following regional agreements: Agadir Agreement, Common Market for Eastern and Southern Africa Agreement "COMESA", European Union-Egypt Agreement "EU", Greater Arab Free Trade Area "GAFTA", Egypt-Turkey Free Trade Agreement, Qualified Industrial Zones Protocol "QIZ", Egypt- Mercosur Free Trade Agreement, Egypt-EFTA Free Trade Agreement and numerous free and preferential trade agreements with individual Arab countries.

- Does the Customs Department value the goods?

The Customs Authority does not value the goods unless the value declared on the invoices is not accurate and suspicious (i.e. much lower than identical goods). Generally, the Customs Department reviews the value of the goods in order to assess the applicable customs duty. Accordingly, the Customs Authority might not accept the value declared on the invoice and may reassess the value based on the market value of identical goods.

Further, the Egyptian Customs Law No. 66 for the year 1963 (the "Customs Law") provides that without prejudice to international agreements to which Egypt is a party, the value that should be declared for customs purposes shall be the actual value of the goods plus all

actual costs and expenses paid in connection with the arrival of the goods to Egypt. Also, if the value of the goods is determined in a foreign currency, it shall be calculated on the basis of the exchange rate as declared by the Central Bank of Egypt on the date of registering the customs declaration.

- How are goods cleared through customs?

The Egyptian Customs Authority (the “Customs Authority”), which operates under the Egyptian Ministry of Finance, is the authority responsible for clearing imported goods to Egypt.

All goods shipped to Egypt must obtain a customs release certificate (i.e. Certificate of Inspection) issued by the Customs Authority. This certificate is mandatory to release goods; otherwise goods will not be allowed to enter Egypt.

Certain requirements and customs procedures need to be followed in order to legally bring in goods into Egypt.

Registering at the Egyptian Importers’ Registry is a mandatory requirement for importing goods. One of the major conditions to release goods before the Customs Authority is to provide a copy of this registration card, which lists the classifications of goods that shall be imported (i.e. importation license).

Further, and in order to export specific goods to Egypt, manufacturers producing these goods or trademarks owners of these goods must be registered at the Registry of the General Organization for Export and Import Control (“GOEIC”), as a new specific requirement has been issued requiring foreign factories and trademark owners producing certain goods to register with the GOEIC, in order to clear their goods into Egypt for trading purposes. This new requirement is applicable for a wide range of products, including but not limited to dairy and sugar products, dried fruits, cosmetics, dental products, mineral and natural water, soft drinks, soap, detergents, bathtubs, sinks, toilet paper, diapers, towels, cloth, floor and wall tiles, household appliances, furniture, bicycles, motorcycles, watches, toys, shoes, and others.

Upon the arrival of the goods to Egypt, a detailed statement (Customs Declaration) has to be filled and presented to the competent Customs Authority office by the owner of the goods (i.e. Importer), or customs clearance broker. The Customs Declaration has to be accompanied by supporting documents that include all information and specifications related to the goods (i.e. commercial invoice, certificate of origin, packing list, bill of lading, air way bill, importation license, etc...), as well as any required explanation to enable the competent Customs Authority office to issue its decision. The Customs Declaration will be registered with the Customs Authority and shall be given a serial number; after ensuring that all required information has been provided.

Thereafter, the competent Customs Authority office shall inspect all or part of the goods, assess their type, value, origin, and ascertain that the goods comply with the information provided in the Customs Declaration and the supporting documents. In certain cases, goods may also be tested to ensure that they are in conformity with Egyptian standards.

After carrying out all applicable inspections, tests, and after an approval decision is issued for discharging the goods, the Customs Authority then calculates the customs duty and levies in connection with the goods, provides a customs payment application and a receipt to the importer by which the importer is requested to pay the duties and levies, unless the law provides otherwise (i.e. exemptions from customs duties).

After payment has been made, a Certificate of Inspection is issued for finalizing the customs release procedures and the goods are released.

Meanwhile, goods that are imported or exported from free zone projects are not subject to the rules of import or export in Egypt, nor to the customs procedures related to export and import.

- Are there applicable tariffs?

Yes, under the Customs Law, imported goods are subject to tariffs at variable rates depending on the type of goods. However, certain goods are exempt from such customs tariffs by virtue of laws and ministerial decrees. Meanwhile, no customs tariffs apply to exports, unless a special provision dictates otherwise. Goods that are imported or exported by free zone projects are not subject to customs duties.

B. Exports

- Are there restrictions on exports?

Yes, the following restrictions apply:

- 1) The Minister of Foreign Trade and Industry may restrict the export of certain goods depending on the needs of the country.
- 2) Manufactured goods may not be exported unless produced by authorized factories. Egyptian production enterprises' products or goods that hold brand names must be exported through such enterprises (i.e. producers), their authorized representatives or upon their approval.
- 3) Certain goods must obtain a Certificate of Inspection prior to exportation to ensure that they meet the relevant Egyptian standards. The export of such goods must take place within the period stated in the said certificate; otherwise, a new certificate should be obtained.
- 4) Export of petroleum products requires the Egyptian General Petroleum Corporation's (EGPC) approval.

- Are export licenses required?

Yes, an export license is required in order to export goods from Egypt to abroad for trading purposes. Such license is issued upon registering in the Egyptian Exporters' Registry. Companies established under Investment Law No. 72 for the year 2017 (the 'Investment Law') or operating in free zone areas do not need to obtain any license in order to export their produced goods.

- Are there applicable export duties?

As per the Customs Law, generally exported goods are not subject to duties unless a special provision dictates otherwise.

C. Foreign Trade Regulations

- Are there foreign trade regulations on the import or export of goods involved in the business?

Yes, treaties and conventions that Egypt is party to may provide foreign trade regulations subject that those regulations do not contravene with Egyptian laws and regulations.

D. Imports

- Are import licenses required?

Yes, an Importation license is required in order to import goods from abroad to Egypt for trading purposes. Such license is issued upon registering in the Egyptian Importers' Registry. However, companies established under the Investment Law are granted the right to import for the purposes of their incorporation, expansion or operation without being required to register in the Importers' Registry.

- Are there applicable import duties?

Yes, imported goods are subject to customs duties; however, certain imported goods are exempt from such customs tariffs by virtue of laws and ministerial decrees.

- Are there applicable import quotas?

No.

- Are there applicable import barriers?

Registering at the Importers Registry itself is a barrier, as a number of requirements have to be satisfied prior to registering with the said Registry, such as:

- 1) Nationality: Only Egyptian merchants or companies wherein Egyptians own 51% of the shares may engage in importation for commercial purposes.
- 2) Management Nationality: The company's manager or director responsible for importation must be Egyptian.
- 3) Minimum capital: The issued share capital for a joint stock company should not be less than EGP 5 million, and the minimum capital is EGP 2 million for a limited liability company. For individual merchants, the minimum capital should not be less than EGP 500.
- 4) Minimum Turnover: An individual merchant's turnover as evidenced by the last annual tax return shall not be less than EGP 2 million, and as for a company's turnover, it shall not be less than EGP 5 million.

- 5) Engaged in business: An individual merchant must be engaged in business for at least two consecutive years prior to applying for registration, while a limited liability company must have been registered with the Commercial Register for at least one year before applying for an importation license, while a joint stock company may apply for the importation license upon incorporation.
- 6) Security deposit: An individual merchant has to submit a security deposit of EGP 50,000 (whether by letter of guarantee or cash deposit), and for companies the security deposit is EGP 200,000.

Further, and as stated hereinabove, importing certain goods to Egypt requires the foreign supplier to register the factories producing these goods or the trademarks' owners of these goods at the GOEIC.

Lastly, importation of goods by a licensed importer that are executed through documentary collection instruments should be covered by the full value of the imported goods. Banks shall obtain a security deposit at the rate of 100% of the value of the letters of credit.

E. Manufacturing Requirements

- Must the product contain ingredients or components, which are found or produced only in the country?

No, except for certain products which are subject to incentives and tax breaks based on a percentage of local components.

- Will the importation of certain component parts be permitted only if they are to be ultimately incorporated in a final product?

Yes, in certain cases. If the company does not have an Import License allowing it to import goods for sale in Egypt, such goods (raw materials and components) may only be imported for the purpose of incorporating them into a final product manufactured in Egypt.

F. Product Labeling

- Are there applicable labeling or packaging requirements (e.g. multi-lingual notices, safety warnings, listing of ingredients, etc.)?

Generally, all products must be labeled with the data of the product in Arabic language; however, the label may include other languages and certain products may be labeled in English or French, such as equipment, machines and tools. Products must be labeled with clear data and in a way that would be hard to remove.

The standard data that must be on any products is the following:

- 1) Name of the product
- 2) Country of origin,
- 3) Name of the producer, or importer, trade name, address and trademark, if any;
- 4) Production and expiry dates;
- 5) Use and storage instructions;
- 6) Ingredients;

- 7) Weight;
- 8) Any use of preservatives and the percentage of each preservative.

Specific additional requirements may be required, as the case may be, depending on the type of product. Food imports face a number of labeling and packaging requirements.

In addition, in cases where use of the product may harm the health and safety of the consumer, the product must contain guidelines indicating the appropriate way to use the product and methods for preventing any potential harm.

VII. Structures For Doing Business

A. Governmental Participation

- Will the government seek to participate in the ownership or operation of the entity (e.g. depending on the type of activity involved)?

Yes but only in certain fields.

- If so, to what extent?

In the fields of Oil and Gas, the Egyptian Government seeks to participate in the operation of the project by establishing a new Egyptian company with the foreign investor.

- What is the investor's potential liability to partners, investors or others?

The liability of the investor shall be limited to the value of the shares subscribed by him.

- Are there restrictions on capitalization?

No.

- What are the investor's tax consequences? (See also Sections XII and XIII)

Please see the response in Sections XII and XIII.

B. Joint Ventures

- Are joint ventures permitted?

Yes, but only as contractual arrangements. As incorporated entities, they take the form of limited liability companies or partnerships (see below).

- If so, what is the registration or incorporation procedure?
- How long do these procedures take?
- What costs and fees are involved?
- Must a national of the country or a related state, (e.g. the EEC) be a participant, manager or director?
- What is the investor's potential liability?
- Are there restrictions on capitalization?
- What are the investor's tax consequences?

C. Limited Liability Companies

- Are limited liability companies permitted?

Yes.

- If so, how are they registered or incorporated?

Limited liability companies have to be registered at the Commercial Registry and are subject to the supervision and inspection of the General Authority for Investment and Free Zones ("GAFI").

- How long do these procedures take?

The incorporation usually takes two weeks from the date on which all the required documents have been submitted to GAFI.

- What costs and fees are involved?

The Governmental fees vary depending on the capital of the company, as follows:

Description of Expense	Amount of Expense	Paid to
Certification by the Bar Association	0.5% of the issued capital (with a maximum of LE 5000 and a minimum of LE 100), in addition to the stamp tax amounting to LE 20	Bar Association
Registration of the Articles of Incorporation	0.25% of the issued capital (with a maximum of LE 1000 and a minimum of LE 10)	Registry of Deeds
Registration in the Commercial Registry	LE 56	Commercial Registry office
Issuance of Shares in case of Joint Stock Companies	0.05% of the issued capital (with a maximum of LE 10,000)	The Egyptian Financial Supervisory Authority
License	0.2% of the paid up capital with a maximum of LE 2000 and a minimum of LE 24 (this amount is paid annually)	The Chamber of Commerce
Registration in the Traders Union	LE 125 in case the capital is less than LE 500,000 and LE 250 in case the capital is LE 500,000 or more	Traders Union
Incorporation Fees	0.1% of the capital, with a minimum of LE 100 and a maximum of LE 1000	The General Authority for Investment and Free Zones
Service Charges	0.1% of the capital, with a minimum of LE 1000 and a maximum of LE 10,000	The General Authority for Investment and Free Zones

- Must a national of the country or a related state be a participant, manager or director?

For ownership of share capital, no. For LLCs (Limited Liability Companies), there has to be at least one Egyptian Manager. Said requirement is not applicable to the Board of Directors of JSCs (Joint Stock Companies).

- Are there restrictions on capitalization?

For LLCs, there is no minimum capital.

For JSCs, the minimum issued capital required is LE 250,000, of which 10% is to be paid at the time of incorporation, to be increased to 25% within three months, and the remaining amount of the nominal value of the shares is to be paid up within five years.

However, in case of holding companies established for the purposes of stock dealings and investment, the minimum capital is LE 5 million, of which at least 25% must be paid at incorporation. The remaining amount of the issued capital is to be paid up within five years of the date of incorporation according to the procedure and at the rate set by the board of directors. The authorized capital is not to exceed 10 times the issued capital.

- What are the investor's tax consequences?

The profits realized by the company will be subject to the corporate tax at a flat rate of 22.5%

D. Liability Companies, Unlimited

- What are the forms of liability companies?

Not Available.

- How are these companies registered or incorporated?
- How long do these procedures take?
- What costs and fees are involved?
- Must a national of the country be a participant, manager or director?

E. Partnerships, General or Limited

- Are partnerships recognized or permitted?

Yes, General Partnerships and Limited Partnerships.

- Must a national of the country or related state be a partner?

No.

- If so, to what extent?
- What costs and fees are involved?

The Governmental costs may vary depending on the capital of the company as follows:

Description of Expense	Amount of Expense	Paid to
Certification by the Bar Association	0.5% of the issued capital (with a maximum of LE 5000 and a minimum of LE 100), in addition to the stamp amounting to LE 20	Bar Association
Registration of the Establishment Contract	0.25% of the issued capital (with a maximum of LE 1000 and a minimum of LE 10)	Registry of Deeds
Registration in the Commercial Registry	LE 56	Commercial Registry office

- What is the investor's potential liability?

The partners are jointly and severally liable for the obligations contracted in the name of the partnership.

- What are the investor's tax consequences?

The profits realized by the company will be subject to the corporate tax at a flat rate of 22.5%.

F. Partnerships, Undisclosed

- Do undisclosed partnerships exist?

No.

- If so, how are they formed?
- What costs and fees are involved?
- Must a national of the country or a related state be a participant, manager or director?
- What is the investor's potential liability?
- What are the investor's tax consequences?

G. Sole Proprietorships

- Can the investor be a sole proprietor?

Yes.

- How is the sole proprietorship registered or established?

Sole proprietorships are registered with the Commercial Registry.

- How long does this process take?

The process takes one month from the date of submission of all the required documents.

- What costs and fees are involved?

The governmental costs will not exceed LE 500.

- What is the investor's potential liability?

The investor will be personally liable for all obligations contracted in the name of the sole proprietorship.

- Are there restrictions on capitalization?

No. The sole proprietorship has no issued capital.

- What are the investor's tax consequences?

The income tax shall be applicable at the following rates, which are the personal tax rates applied to individuals:

- 1st bracket: up to LE 7,200 per year is exempt from taxes.
- 2nd bracket: from LE 7,200 to LE 30,000 (10%).
- 3rd bracket: from LE 30,000 to LE 45,000 (15%).
- 4th bracket: from LE 45,000 to LE 200,000 (20%).
- 5th bracket: above LE 200,000 (22.5%).

H. Subsidiaries/Branches/Representative Offices

- Can the investor establish a branch, subsidiary or representative office?

Yes.

- If so, how long does registration or incorporation take?

The establishment of a Branch takes 2 weeks from the date in which all the documents are submitted to GAFI.

As for Representative Offices, their establishment takes from 2 to 6 months depending on the nationality of the parent company. The reason for this long duration is that the security agencies run a security clearance procedure before establishment is approved.

- What costs and fees are involved?

The cost of establishment of a Branch is LE 56.
The cost of establishment of a Representative Office is LE 1,000.

- What is the investor's potential liability?

Both the Branch and the Representative Office have no capital; however, the parent company must fund the branch/representative office. A representative office is not allowed to conduct any business. A branch, however, conducts business in Egypt. If the branch fails to fulfill its fiscal or contractual liabilities in Egypt, any attempt to close the branch will

not be approved. If the branch is abandoned without fulfillment of such liabilities, the parent company may be blacklisted and not allowed to reopen a branch in Egypt.

- Must a national of the country be a participant, manager or director?

No.

- Are there restrictions on capitalization?

Both the Representative Office and the Branch have no capital. However, they must be funded by the parent company abroad.

- What are the investor's tax consequences?

The profits realized by a Branch will be subject to the corporate tax at a flat rate of 22.5%. Representative offices are not allowed to conduct business, so they do not pay any income taxes. They only pay payroll taxes on their employee's salaries.

- Are these tax consequences different than those of a local company?

Yes, with respect to Representative offices.

I. Trusts and other Fiduciary Entities

- Are trusts or other fiduciary entities recognized?

No.

- If so, how are each defined?
- What are the legal consequences of a transfer of assets to a trust or fiduciary?
- Can the investor be the grantor, trustee or beneficiary?

VIII. Requirements For The Establishment Of A Business

A. Alien Business Law

- Is the business subject to any alien business law?

No.

- Are there registrations or reporting requirements?

No.

B. Antitrust Laws

- Do the entity's operations comply with anti-trust laws?

Yes.

- Are there filing requirements?

There are filing requirements in cases of acquisitions/mergers taking place in Egypt (ie. between Egyptian entities).

C. Environmental Regulations

- Is the business of the investor subject to environmental regulation?

Yes, depending on the nature of the business.

- If so, are there added costs involved (e.g. audit requirements)?

Yes, depending on the nature of the business.

D. Government Approvals

- Are government approvals required for the anticipated business?

Yes, the approval of the General Authority for Investment and Free Zones (“GAFI”) is required. Approval of other authorities may be required, depending on the nature of the business and the sector it is operating in.

- If so, how long does this process take?

It depends on the type of activity. The timeline for GAFI approval is set forth in Section VII above.

- What fees are involved?

The fees for general incorporation are set forth in Section VII above. Additional fees may apply with respect to additional approvals required, depending on the type of activity.

E. Insurance

- Must the enterprise carry insurance?

In general, no. However, insurance is required with respect to certain types of activities and projects, such as construction projects.

- If so, what kind of risks must be insured?

For construction projects, third party liability and decennial liability insurance is required.

- Is there a state monopoly on insurance?

No.

F. Licenses/Permits

- Are licenses or permits required for the anticipated activity?

This depends on the nature of the activity.

- If so, how does the investor apply for and receive the necessary license or permit?

This depends on the required license. A license is usually sought from the authority responsible for overseeing the type of activity to be undertaken by the company (ie. the Industrial Development Authority, the Tourism Development Authority, the Egyptian Financial Supervisory Authority, the Central Bank, the Egyptian Federation of Construction and Building Contractors, etc.)

- How long does it take to receive the license or permit?

This depends on the license being sought.

IX. Operation Of The Business

A. Advertising

- Are there restrictions on advertising?

The Egyptian Consumer Protection Law obliges the advertiser to provide the consumer with correct information about the product, and not to mislead him. Certain products, such as tobacco, cigarettes, and alcohol, may not be advertised. Advertisements may not contain sexual references or nudity and must generally comply with public policy and morality in Egypt.

B. Attorneys

- Is it necessary to have local counsel?
- How can local counsel be found?
- How much are attorneys fees?

It is not a legal obligation to have legal counsel in Egypt. It is however advisable whenever one is dealing with an unfamiliar legal system, especially when being a foreigner to the country and its legal system.

Legal counsel can be found through various sites over the internet such as Legal 500 and hg.org. Attorneys fees at the prominent law firms catering to international companies range, on average, between \$150 and \$500 per hour, depending on the seniority of the lawyer in question.

C. Bookkeeping Requirements

- Must the investor keep local books of accounts?
- In what form must the investor keep accounts (e.g. GAP, in what language, etc.)?

The Egyptian Companies Law 159 of 1981 governing corporations in Egypt states that each company must have an auditor and must keep regular books and accounts. Accounts must be kept in Arabic and must follow the Egyptian standard accounting system.

The Commercial Code (Law 17 of 1999) also states that merchants must keep books as necessitated by the nature and importance their practice.

D. Business Ethics/Codes

- Are there certain business ethics or codes, which the investor must follow (e.g. GAAP for accountants, etc.)?

There are several ethics codes in Egypt, some of which are binding, others are not necessarily binding. The applicable code of ethics are set forth in the law governing the relevant profession. Lawyers, for example, are subject to the ethics rules contained in the Law Governing the Legal Profession. Other professions such as lawyers and doctors, are subject to ethics rules contained in laws governing their professions.

There is also a set of guidelines related to the principles of corporate governance in Egypt, that apply to shareholders with respect to Joint Stock Companies listed on the Egyptian Stock Exchange.

E. Consumer Protection Laws

- Are there consumer protection laws, which apply to the investor's operations?

Egypt has a consumer protection law, Law 67 of 2002. Said law established the Consumer Protection Agency. It has dealings with investors insofar as the investor deals, directly or indirectly, with customers/consumers.

F. Construction

- What are the costs of construction?
- Are permits required for construction?
- How is authorization to construct obtained?
- How long does it take to receive authorization?
- What fees are involved?

The prices of building materials in Egypt have increased sharply since Egypt floated the Egyptian Pound in November 2016, according to industry experts. It is estimated that the surge in prices could threaten projects, force contractors out of the market and property prices may rise by 30 percent.

The Pound was floated by the Central Bank of Egypt (CBE) to stabilize exchange rates as part of a broader structural and financial reforms program. Since then, the value of the currency has declined by more than 50 percent against the US Dollar to around 17.75 Pounds per Dollar from the pre-floatation peg of 7.88 Pounds per Dollar.

Construction permits are required, and are obtained from the relevant municipality. Regulation of construction permits is set forth in the Egyptian Construction Law of 119 of 2008, and other relevant decrees. Documents required include proof of ownership of the land on which the construction is to be erected, a calculation of the value of the works, engineering blueprints stamped by an accredited Egyptian engineer, and copies of the I.D of the person seeking the permit, amongst other documents. Minimum mandatory insurance is also required, covering third party liability as well as decennial liability.

Additional permits may be required for works of restoration and façade works as well as for other works.

Authorization may take from several weeks to several months. Fees for construction permits vary from one city to another, as well as between villages and major cities, according to the decree issued by the relevant governor.

G. Contracts

- Can the investor freely enter into local contracts?
- Can the law of another country govern the contracts?

According to Egyptian law, the investor is free to enter into local contracts. However, contracts involving the investor conducting business in Egypt can only be implemented if the investor creates a legal entity or branch of a foreign company in Egypt. The law of another country may almost always govern the contract, except with respect to transfer of technology contracts and contracts related to land or real property located in Egypt.

H. Price Controls

- Are there applicable price controls?

Certain product prices are controlled in the Egyptian market, primarily medication, cigarettes, and gas prices. Prices are also fixed for bread and other subsidized goods which are available to lower income citizens in specific quantities each month in the form of rations.

I. Product Registration

- Must the entity register its product?
- If so, how is registration obtained?
- How long does the process take?
- Are there fees involved?

Certain products have to be registered, such as pharmaceuticals and medical devices, cosmetics, food, agricultural products, and chemicals, including pesticides. Registration is obtained by applying to the relevant Ministry, and submitting the required documents, which vary depending on the type of product in question. The length of the registration process and the registration fees vary greatly depending on the type of product and the documents required.

For many imported products, the foreign manufacturer or trademark owner must register the factories and distribution centers eligible to export their products to the Arab Republic of Egypt, to protect against the import of counterfeit products. All factories or trademark owners wishing to export any of the products listed below to Egypt must register at the GOEIC (General Organisation for Export and Import Control).

Documents required for the registration are:

For Factories:

Factories must submit a registration form together with the following documents:

- 1) Certificate of the legal status and the license of the factory
- 2) List of the manufactured products

- 3) The trademark of the products and any trademarks licensed by the trademark owner
- 4) A certificate to prove that the factory has a quality control system, issued by a body recognized by the International Laboratory Accreditation Cooperation (ILAC), or International Accreditation Forum (IAF) or from an Egyptian or foreign governmental body approved by the Ministry of Foreign Trade.

For Trademark Owners:

Trademark Owners must submit a registration form together with the following documents:

- 1) A certificate to prove registration of the trademark and a list of products manufactured under this trademark.
- 2) A certificate from the trademark owner listing the distribution centers which are authorized to distribute products with this trademark.
- 3) A certificate to prove that the trademark owner has a quality control system, issued by a body recognized by the International Laboratory Accreditation Cooperation (ILAC), or International Accreditation Forum (IAF) or from an Egyptian or foreign governmental body approved by the Ministry of Foreign Trade.

List of the products for which registration is required:

- 1) Milk and milk products for retail sale in packages of 2 kg or less
- 2) Preserved and dried fruits for retail sale in packages of 2 kg or less
- 3) Oils and fats for retail sale in packages of 2 kg or less
- 4) Chocolate and food products containing cocoa for retail sale in packages of 2 kg or less
- 5) Sugar confectioneries
- 6) Pastries and food preparations of cereals, bread and bakery products
- 7) Fruit juices for retail sale in packages of 10 kg or less
- 8) Natural, mineral and carbonated water
- 9) Make-up cosmetics, oral and dental care products, deodorants, toiletries and perfume preparations
- 10) Soap and surfactants intended for use as soap, for retail sale
- 11) Floor coverings
- 12) Bath tubs, sinks, wash basins, toilets, toilet seats and covers;
- 13) Toilet paper, cosmetic paper, diapers, and towels
- 14) Tableware, cutlery and kitchenware
- 15) Table glassware
- 16) Reinforced iron
- 17) Household appliances (stoves, fryers, air-conditioners, fans, washing machines, blenders, heaters)
- 18) Home and office furniture
- 19) Regular bicycles, motorbikes, motorized bikes
- 20) Watches
- 21) Lighting devices for home use
- 22) Toys
- 23) Textiles, clothing, furnishing, carpets, blankets and footwear except PPE and medical use clothing
- 24) Carpets
- 25) Footwear

J. Reductions or Return on Capital

- Can capital be repatriated while the corporation is still ongoing?

The Banking Law 88 of 2003 regulates the repatriation of profits and capital. The government has repeatedly emphasized its commitment to maintaining the profit repatriation system to encourage foreign investment in Egypt. The current system for profit repatriation by foreign firms requires banks to open foreign and local currency accounts for foreign investors. The two accounts serve as a channel through which foreign investors process their sales, purchases, dividend collections, and profit repatriation transactions using the bank's posted daily exchange rates. Although currency controls were in effect until recently due to foreign exchange shortages, the CBE has in 2017 removed currency controls and restrictions on repatriation of funds abroad after the country's foreign exchange reserve improved significantly after the float of the Egyptian Pound in November 2016.

K. Sale of Goods

- Are there restrictions on the manner, time or place of sale of goods?

There are no restrictions on the manner, time, or place of sale of goods, subject to the relevant zoning laws and provided the vendor has the necessary permits.

L. Trade Associations

- Are there trade associations the investor can or must join?
- If so, are there fees involved?
- Are there mandatory trade practices?

There are no obligatory trade associations in Egypt that an investor must join. However, certain activities, such as practicing law, accounting, engineering, and the medical and pharmaceutical professions, require registration at the relevant syndicate. Construction work also requires registration at the Egyptian Federation of Construction and Building Contractors (EFCBC). There are several chambers of commerce which the investor may join on a voluntary basis.

X. Cessation Or Termination Of Business

A. Termination

- What are the tax consequences of terminating the business?
- What costs are involved in termination?
- How long does it take to terminate the business?
- How is the investor's particular form of business treated in termination?
- Can the business be terminated without government approval or intervention?
- What are the obligations toward creditors, employees and others upon termination?
- What are the tax consequences of termination?

In order to liquidate a company, the company must pay all its due taxes and provide audited financial statements for the latest years of operation. It must also reach settlements with all employees and close its file at the Social Insurance Authority. The liquidator shall pay off the company's debts, if any, and any remaining assets shall be sold and the proceeds thereof distributed to the shareholders, each in accordance with his/her share in the company. The duration needed to terminate the business and the costs involved depends on the complexity of the business and whether it needs to pay off debts, including taxes, and the time it takes to settle with employees, sell off assets, and to wind up ongoing transactions and activities. Once liquidation is complete, the company's name is struck off from the Commercial Registry. With respect to branches of foreign companies, the closing of the branch will not be approved by the authorities until the branch obtains certificates from the Tax Authority and the Customs Authority evidencing full payment of amounts owed, as well as letters from all contracting parties which the branch was in business with in Egypt, confirming that they have received all their dues and have no claims against the branch.

B. Insolvency/Bankruptcy

- What is the extent of the investor's liability in the event of insolvency or bankruptcy?
- What choices, if any, are available to the investor with regard to the restructuring of the business?

An investor who has filed for bankruptcy, or against whom it has been filed, is no longer entitled to manage his own funds or those of anyone else. The trustee in bankruptcy shall manage the funds and shall repay the creditors insofar as possible.

An investor can restructure his business from one form to another, by fulfilling the requirements as demanded by law and registering the change with the competent authorities. The rights of creditors, however, cannot be prejudiced.

XI. Labor Legislation, Relation, And Supply

A. Employer/Employee Relations

- What laws govern employer/employee relations?

The Labour Law no. 12/2003 and the Social Security Law no. 79/1975

- Are there obligations to train employees?

No.

B. Employment Regulations

- Must the investor hire nationals of the country?

Yes, the ratio between national and foreign employees shall be 9 to 1.

- Is there a minimum wage?

Yes, for the public sector. A minimum wage for the private sector is currently being debated.

- Is there a maximum number of hours an employee can work each week?

Yes, 48 hours per week.

- Is there a minimum number of vacation and sick days to be given?

Yes, 21 days annual leave per year for employees who have spent less than 10 years of service with the employer and 30 days annual leave per year for employees who have 10 years of service or more with the employer and for employees over 50 years of age. As for sick leaves, the employee shall only be entitled to sick leave if he submits a certificate establishing his illness and the number of days of rest suggested by the competent medical authority. The maximum amount of sick leaves is 180 days per year at reduced pay. An employee may also convert his annual leave into sick leave at full pay.

C. Hiring and Firing Requirements

- Must the investor employ a minimum number of people?

No.

- Must the investor employ a minimum number of nationals?

Yes. The investor is only allowed to hire one foreign employee for each nine national employees.

- Must nationals hold certain positions in the company?

Generally, no. However, in limited liability companies, at least one of the managers has to be Egyptian. As for companies performing importation of finished goods for resale in Egypt, the manager responsible for the importation business has to be Egyptian.

- Are there rules to follow in hiring/dismissing personnel (e.g. notice)?

Yes. The employer may not terminate an employee's employment contract unless the employee has committed a grave fault in accordance with the Egyptian Labor Law. In cases of unfair dismissal (i.e. dismissal of an employee who has not committed a grave fault under the Law), the employee will be entitled to compensation at a minimum amount of 2 months full salary for each year of service with the employer.

As for notice, the notice period shall be two months for employees who have spent less than 10 years of service with the employer and 3 months for employees who have spent 10 years of service or more with the employer.

The employee may submit his resignation at any time, and shall abide by the notice periods mentioned hereinabove.

- Does the investor have a continuing obligation towards dismissed employees?

No.

D. Labor Availability

- Is adequate skilled or unskilled labor available for the anticipated business?

This depends on the nature of the anticipated business.

E. Labor Permits

- Are labor permits required?

Yes, for foreign employees.

- If so, how are they obtained?

They are obtained through the employer, from the Labor Permits Office of the Ministry of Labor.

- How long does the process take?

Two to three weeks from the date of submission of all documents to the relevant authority.

- What fees are involved?

LE 5200.

F. Safety Standards

- Are there safety codes that must be followed?

Yes.

G. Unions

- Are unions recognized?

Yes.

- What are the unions in the investor's business?

This depends on the nature of the investor's business.

- What are these unions' political affiliations, if any?

These unions have no political affiliation.

- Is there an obligation on the part of the employer to organize unions?

No.

- Are there mandatory collective bargaining agreements for the business involved?

No.

XII. Tax On Corporations

A. Allowances

- What are the major allowances (e.g. capital cost depreciation)?

Depreciations of the establishment's (company's) assets, bad debts and losses are the major allowances provided under the Egyptian Income Tax Law No. 91 for the year 2005 ("the Tax Law") while calculating the taxable profits of the commercial or industrial activity.

Depreciation of the company's assets, for tax purposes, shall be calculated as follows:

(5%) of the cost of purchasing, construction, development, renovation or reconstruction of any of the buildings, establishments, setups, ships and aircraft, for each tax period.

- 1) (10%) of the cost of purchasing, developing, improving or renewing any of the intangible assets purchased, including goodwill, for each tax period.
- 2) The following two categories of assets shall be depreciated as per the depreciation rates indicated opposite thereto:
 - a) For computers, information systems, IT programs and data storage systems: 50% of the depreciation basis for each tax year;
 - b) For all other assets of the company's activity: 25% of the depreciation basis for each tax year.
 - c) No depreciation shall be calculated for land, works of art, monuments, jewelry and other assets that are not by nature subject to depreciation.

However, subject to the taxpayer's request and maintaining regular records, 30% of the cost of the machinery and equipment used in production may be deducted, whether those assets are new or used, at the first tax period of using the assets. The depreciation basis stipulated above shall be calculated for that period after the deduction of the said 30%.

Bad debts are deductible if the company provides a report from an external auditor certifying the following:

- 1) The company is maintaining regular accounting records;
- 2) The debt is related to the company's activity;
- 3) The debt appeared in the company's records;
- 4) The company has taken the necessary actions to collect the debt.

➤ Losses

If the closing accounts of any year show losses, then such loss shall be deducted from the profits of the following year. If part of the loss still remains thereafter, it shall be carried forward yearly to the following years until the fifth year only and no part of the loss shall be carried forward into any year thereafter.

- What are the major deductible items?
 - 1) Interest on business loans, regardless of their value, after deducting the non-taxable or legally exempt credit interest.
 - 2) Depreciation of the company's assets, as stipulated hereinabove.
 - 3) Fees and taxes paid by the company, except for corporate tax.
 - 4) Social insurance contributions paid by employers in favor of their employees.
 - 5) Amounts deducted annually by the company from their finances or profits for the account of special savings, pension funds or others, established in accordance with the Private Insurance Funds Law No. 54 of 1975, or the Alternative Private Social Insurance Systems Law No. 64 of 1980, or according to the company' scheme that has its own special regulations or terms, provided that the amount deducted does not exceed (20%) of the total salaries of the employees.
 - 6) Donations paid to government, local associations and other public legal entities, whatever their value.
 - 7) Donations and aid paid to Egyptian organizations and associations registered in accordance with the provisions of their respective regulatory laws, as well as to educational institutions and hospitals subject to governmental supervision, and Egyptian scientific research institutions, provided that the donations do not exceed 10% of the taxpayer's annual net profit.
 - 8) Financial penalties and indemnities borne by the taxpayer resulting from his/her contractual liabilities.
- What are the major expenses that are excluded from deductibility?
 - 1) Debt interest paid by the company for loans and overdrafts whose ratio is more than 4:1. However, this provision does not apply to banks and insurance companies as well as those companies engaged in financing activities.
 - 2) Amounts set as provisions, except for the following: (i) 80% of the loans provisions made by banks and (ii) insurance companies provisions.

- 3) Distributed shares of profits and dividends, as well as attendance fees paid to shareholders for attending the company's general assemblies.
- 4) Remuneration and allowances paid to the company's board of directors.
- 5) Employees' profit shares as distributed per the Companies Law.
- 6) Different types of reserves and allowances.
- 7) Fines, financial penalties and indemnities resulting from a felony or misdemeanor, imposed against the taxpayer or any of his affiliates.
- 8) Income tax imposed by the Tax Law.
- 9) Interest paid on loans, which exceed double the credit and discount rate declared by the Central Bank of Egypt (the "CBE") at the beginning of the calendar year in which the tax period ends.
- 10) Interest on all types of loans and debts paid to non-taxable or tax exempt natural persons. However, interest on bonds submitted for public subscription is not included.
- 11) Financing and investment costs related to revenues that are tax exempt income.

B. Calculation of Taxes

- How is the taxable base determined?

Corporate income tax is imposed on (i) companies that are resident in Egypt on all profits realized from Egypt and abroad (i.e. worldwide); and (ii) companies that are non-resident in Egypt with regard to profits realized through a permanent establishment in Egypt.

The current corporate income tax rate in Egypt is 22.5% of the net annual profits, except for oil and gas exploration and production companies, whose profits are subject to tax at a rate of 40.55%, while profits of the Suez Canal Authority, the Egyptian General Petroleum Corporation, and the Central Bank of Egypt are taxable at a rate of 40%.

Profits from commercial and industrial activity shall be determined based on the (i) revenue resulting from all commercial and industrial operations, (ii) profits from the sale of the company's assets, (iii) profits realized from compensation received by the company due to depreciation or acquisition of any of its assets or financial instruments, and (iv) profits realized from liquidation during the tax period, after deducting all costs and expenses needed to realize such profits.

The taxable commercial and industrial net profit is determined based on the gross profit after deducting all costs and expenses needed to realize such profits. The deductible costs and expenses must be:

- a) Related to the commercial or industrial activity of the company and essential for carrying out its activity.
- b) Real and supported by documents, except for costs and expenses which commonly have no supporting documents.

C. Capital Gains Tax

- What are the federal or national tax rates on capital gains?

In Egypt, the Tax Law has unified the ceiling of the corporate and individual income taxes. Further, in Egypt there is no federal, national, regional or state tax; all corporate bodies are subject to the same federal corporate tax.

Capital gains realized by a resident/non-resident company from the sale of shares are subject to tax.

Sale of listed shares: Capital gains realized from the sale of listed shares at the Egyptian Stock Exchange are subject to 10% corporate tax, without deducting any cost. However, the said capital gains tax has been suspended in Egypt until May 17, 2020.

Sale of unlisted shares: Capital gains realized from the sale of unlisted shares are subject to the regular corporate tax rate (22.5%).

- What are the regional or state taxes on capital gains?
Not applicable.
- What are the municipal or local taxes on capital gains?
Not applicable.

D. Filing and Payment Requirements

- When must the corporation file its tax return, if any?

A company must file its annual tax returns before the first of May of each year or within four months following the end its financial year.

- When must the corporation pay its taxes?

The company is obliged to pay the due tax on the same day the tax return is filed.

- Are taxes paid in installments or annually?

In general, taxes in Egypt may be paid early either through advance payments or withholding on the account of tax.

Advance Payments mean that the taxpayer pays an advance amount from the due tax, at a rate of 60% based on any of the following:

- 1) Last tax return;

- 2) An estimated tax as determined by the taxpayer for the year in which the taxpayer wishes to apply the advance payments, if the taxpayer has not submitted any tax return before or if the tax return submitted by the taxpayer in respect of the previous tax period includes a loss.

The taxpayer shall, according to the advance payments, pay the percentage provided hereinabove in three equal payments, each to be paid by no later than June 30, September 30 and December 31 of each year. The taxpayer, after paying the second advance payment, shall notify the tax authority to reduce or not to pay the third advance payment if it becomes apparent to the taxpayer that the profits for the whole year will be less than the estimated profits for the year before. Further, the number of the advance payments may be reduced when the remaining period, after submitting the request mentioned hereinabove, is shorter than twelve months, provided that each payment is paid to the competent tax office.

Advance Payments paid according to this system must be settled when submitting the annual tax return. The taxpayer must pay the remaining portion of the due tax stated in the tax return, after deducting the advance payments already paid in addition to an annual interest calculated according to the credit and discount rate declared by the Central Bank of Egypt less 2%, excluding the fraction of a month.

- Withholding on the account of tax takes place with an Egyptian company is liable to withhold an amount between 0.05% up to 5% from all payments made to other Egyptian companies or individuals on account of the tax payable by such other companies or individuals. Such tax is to be withheld and remitted to the Tax Authority on account of the taxpayer. Companies shall withhold this percentage on the account of the corporate tax related to other companies extending services in Egypt. However, payments, including interest, service fees and royalties, paid by Egyptian companies to nonresidents for services provided by the latter (i.e. cross border transactions) shall be subject to a withholding tax at the rate of 20%, but reduced rates may apply by virtue of double taxation treaties between Egypt and other countries.

E. Miscellaneous Taxes Due

- Is there a tax on capital?
No.

- Is there a business license tax?

There is no general business license tax. Certain types of activities are subject to licenses, which are obtained subject to a fee.

- Is there an apprenticeship tax?
No.

- Is there a training tax?
No.

- Are there other taxes?

1) Stamp Tax

Stamp tax is governed by the Egyptian Stamp Tax Law No. 111 for the year 1980 (the ‘Stamp Tax Law’). Stamp tax is generally imposed on all Company documents, transactions, contracts, agreements, receipts and other documentation. There are two distinct types of stamp tax: (i) nominal stamp tax and (ii) proportional stamp tax.

Each type of document or contract is subject to a nominal stamp tax on each page, which is usually at a rate of 0.90 EGP. All such nominal stamp taxes are borne by the company. However, certain documents and transactions are subject to a proportional stamp tax calculated on the value of the transaction or the debt represented by the instrument issued and the party to bear such stamp tax differs in each case.

For example, bank facilities, loans and borrowings are subject to an annual proportional stamp tax at the rate of 0.4%. The bank is required to remit the said Stamp Tax within seven days following the end of each quarter; the tax is borne equally by the bank and the client.

Advertisement is subject to stamp tax at a 20% tax rate. Companies are required to remit the stamp tax on the total cost of any advertisements within two month from the publication date.

In addition, there is an Engineering Syndicate Stamp Tax that applies on all contracts, drawings and engineering designs at the rate of 1- 1.5/ 1000 maximum, paid by the party performing the work or supply.

Accordingly, Stamp Tax is charged at various rates and fixed charges depending on the nature of the transaction being executed, and whether it is subject to nominal or proportional Stamp Tax.

2) Property tax

Property tax is imposed on all buildings in Egypt. The tax rate is 10% on the annual rental value of the taxable buildings after the deduction of 30% to cover the cost for residential properties and 32% for nonresidential properties. A residential property is tax exempt if the annual rental value is less than EGP 24,000 and a non-residential property is exempt if the annual rental value is less than EGP 1,200. The tax is borne by the user of the property, whether the owner, lessee, or beneficiary, and is due in January of each year. The tax is collected in two equal installments (at the end of June and the end of December of the same year).

- What are the filing and payment requirements?
Please see above.

F. Registration Duties

- Are there registration duties due upon the incorporation of a company?

Yes, there are a number of fees and duties payable, including a percentage of the company’s capital, upon registration of a new company.

- Are there registration duties due upon an increase in capital?

No.

- Are there registration duties due upon the transfer of the company's shares?

Yes, there is a proportional stamp duty on the purchase or sale of all types of securities whether such securities are Egyptian or foreign securities, listed or unlisted, without deducting any costs, to be borne by both the seller and buyer as follows:

- 1) 1.25 per thousand to be borne by the buyer and 1.25 per thousand to be borne the seller until 31 May 2018.
- 2) 1.50 per thousand to be borne by the buyer and 1.50 per thousand to be borne the seller as of 1 June 2018 until 31 May 2019.
- 3) 1.75 per thousand to be borne by the buyer and 1.75 per thousand to be borne the seller as of 1 June 2019.

In addition, there is a proportional stamp duty of three per thousand without deducting any costs, which is levied on both the acquisition and sale side of the same transaction, per one of the following conditions:

- 1) If the transaction involves 33% or more of the shares in terms of the value or voting rights, for a resident company.
- 2) If the transaction involves 33% or more of the assets or liabilities of a resident company by another resident company, in exchange for shares in the purchasing company.

Moreover, if the total of purchases or sales of securities made by an entity for one target company reaches the 33% threshold within two years from the date of the first purchase, then in such case, the acquisition or sale, whichever occurs, will be subject to a tax of three per thousand to be borne by each of the seller and the buyer, after taking into consideration deduction for any tax previously paid.

This tax shall not be considered a deductible cost from the corporate income tax base. Furthermore, Misr for Central Clearing, Depository & Registry Company ("MCCDR") or any other entity responsible for the settlement of the transactions is liable to withhold the tax and remit it to the Tax Authority. MCCDR or the responsible party for settlement will be responsible jointly with the seller or buyer for such tax, along with any related penalty.

- Are there registration duties due upon a transfer of corporate assets?

Yes, please refer to the Stamp Tax section above.

- Are there any other registration duties due?

No.

G. Sales Tax or other Turnover Tax

- What is the system of sales tax (e.g. V.A.T., cumulative)?

A new Value Added Tax Law No. 67 for the year 2016 (the "VAT Law") was introduced to replace the former Sales Tax Law No. 11 for the year 1991. The new VAT Law imposes the Value Added Tax ("VAT") which is an indirect tax levied on all commodities and services, whether locally produced or imported from abroad, at each stage of their supply chain, unless otherwise exempt by a special provision.

- Is input tax creditable against output tax?

Input VAT may be offset against output VAT. The VAT Law entitles the ability to offset VAT previously paid on input of such commodities and services, so that the final consumer ultimately bears the VAT.

- What are the tax rates?

The standard VAT rate is 14%, except for machinery and equipment used in production of goods or services, which is subject to a rate of 5% (except for buses & passenger cars, which are subject to the standard fixed rate). The VAT Law also imposes an alternative Schedule Tax on a certain number of goods and services at different rates depending on the nature of the good or service.

There are certain commodities and services listed in a schedule attached to the VAT Law which are subject to both a general VAT and a Schedule Tax at different rates, while a number of commodities and services listed in a schedule attached to the VAT Law are subject only to the tax referred to in the schedule.

Notwithstanding the above, exported commodities and services are subject to a zero VAT rate, as well as commodities and services imported by free zone projects for the purpose of carrying out their licensed business inside the free zone (except for passenger cars).

The VAT Law has exempted 57 commodities and services (listed in an annex attached to the VAT Law) from VAT.

- What are the filing and payment requirements?

VAT and Schedule Tax returns, as the case may be, must be filed within two months following the end of the relevant month, except for the month of April, where the return must be filed by June 15. The taxpayer must calculate and report to the tax authority a monthly return of the due VAT and Schedule Tax, as the case may be. Payment has to be paid on the same date of filing the tax return.

In order to be considered a taxpayer according to the VAT Law, all individuals or entities with annual commercial revenue exceeding EGP 500,000 (the "Registration Threshold") during the 12 months preceding the enforcement of the VAT Law are required to register with the tax authority within 30 days from reaching the Registration Threshold.

All importers, service providers, exporters or distributors of a taxable commodity or service are required to be registered with the tax authority regardless of whether they reached the Registration Threshold or not.

Individuals and entities who reached the Registration Threshold without registration will be considered, by law, as a taxpayer and be subject to the provision of the VAT Law starting from the date on which they actually reach the Registration Threshold, without prejudice to the tax evasion penalties provided by the VAT Law.

In addition, non-resident persons who sell taxable commodities or provide taxable services to a resident non-registered person and do not carry an activity through a permanent establishment in Egypt, shall appoint a representative or agent in Egypt who shall be responsible for paying the VAT and the Schedule Tax. Otherwise, the resident person shall be responsible for paying the due taxes without prejudice to its right of recourse against the non-resident to collect the paid taxes.

H. Social Security and Welfare System Contributions

- Are social security contributions due?

Yes, social insurance contributions are required, from both the employer and the employee. Social insurance contributions are only for Egyptian employees, however foreign employees may be subject to social insurance provided that there is reciprocal social insurance treatment with the country of which the employee is a national under a Social Insurance Treaty.

- Are retirement or pension contributions due?

A percentage of the social insurance contributions includes retirement/ pension contributions.

The Egyptian social insurance system comprises the following insurance:

- 1) Old Age, disability, and death insurance.
- 2) Work accidents insurance.
- 3) Medical insurance.
- 4) Unemployment insurance.
- 5) Social patronage (care) insurance for retirees.

- Are unemployment insurance contributions due?

A percentage of the social insurance contributions includes provisions for unemployment.

- What are the filing and payment requirements for any such contribution?

Social insurance contributions are calculated on the employee's basic and variable salary. The percentages of social insurance payments on the basic salary are different from those based on variable salary. With regard to the basic salary, social insurance contributions amount to 40% of the basic salary (26% to be paid by the employer and 14% to be deducted from the employee's basic salary). There is a cap for the basic salary that is subject to social insurance contributions, as determined annually by the Ministry of Social Solidarity (currently amounting to EGP 1370). Any amount beyond such cap will be considered part of the variable salary.

As for the variable salary, the percentage of social insurance contributions calculated on the variable salary amounts to 35% (24% to be paid by the employer and 11% to be deducted from the employee's variable salary). There is also a cap on the variable salary on which social insurance calculations are made (currently amounting to EGP 2430). The variable salary includes any payments made to the employees in return for their work beyond the cap of the basic salary, as well as, in particular: any performance incentives or bonuses,

sales commissions, overtime wages, and any other allowances. However, certain kinds of allowances are excluded from the scope of the variable salary, such as transportation allowance, travel allowance, attendance of meetings allowance, housing allowance, clothing allowance, and car allowance.

Upon the employee's appointment, the company is obliged to open a file for each employee at the competent office of the Social Insurance Authority, even if the employee is within the probation period.

I. Special Tax Schemes

- Are there particular tax consequences of doing business in the country?

Yes, free zone projects (i.e. companies established in free zone areas) enjoy different special incentives in the form of tax exemptions from the tax on net profits. In addition, free zone companies enjoy a five-year exemption from stamp duty on all incorporation contracts, facility and mortgage agreements relevant to the investment. The exemption extends to the registration fees of the land of the company.

Representative offices established in Egypt are not liable to pay any corporate tax, since they are not performing any commercial activities in Egypt. However, a representative office is liable to withhold the income tax due from its employees' salaries and remit the tax to the Tax Authority.

J. Tax on Profits

- What are the federal or national income tax rates on profits?

As mentioned previously hereinabove, there are no regional or municipal levels in Egypt; only a federal level.

All corporate bodies are subject to the same corporate tax at the rate of 22.5% of the net annual taxable profits, except for oil and gas exploration and production companies, whose profits are taxed at a rate of 40.55%. In addition, the profits of the Suez Canal Authority, the Egyptian General Petroleum Corporation, and the Central Bank of Egypt are taxable at a rate of 40%.

- What are the regional or state tax rates on profits?

Not applicable.

- What are the municipal or local tax rates on profits?

Not applicable.

K. Tax Treaties

- Are there any applicable tax treaties?

Yes, Egypt has a wide network of double taxation treaties with many, if not most, countries.

- Are there any rules against treaty shopping?

There are no rules in Egypt against treaty- shopping.

L. Territoriality Rules

- Where is the corporation subject to tax?

A corporation is subject to tax if it is residing in Egypt and established in accordance with Egyptian law, or has its headquarters in Egypt (i.e. having a permanent establishment in Egypt), or is a corporation in which the State or a public juridical persons own more than 50% of its capital.

- Is the corporation subject to tax on its worldwide income?

Resident corporations are taxed on their worldwide income; nonresident corporations are taxed only on income realized in Egypt.

M. Treatment of Tax Losses

- How are corporate tax losses treated?

Tax losses in Egypt can be carried forward for five years, and three years for losses incurred on trading of shares. No losses can be carried back thereafter, except for losses incurred on long-term projects.

N. Wealth Tax

- Is there an applicable wealth tax?

There are no wealth taxes in Egypt.

O. Withholding Taxes

- What are the rates of withholding tax on dividends?

Dividends paid to a resident or non-resident company are subject to a 10% withholding tax; however, dividends provided in the form of free shares are not subject to tax. A lower tax rate of 5% applies where the ownership in the distributing company exceeds 25% of the capital or voting rights, provided that the shares have been held for two years.

- What are the rates of withholding tax on royalties?

Royalty payments made to a non-resident are subject to a 20% withholding tax, unless the rate is reduced by virtue of an applicable double taxation treaty between Egypt and the relevant country.

- What are the rates of withholding tax on interest?

Interest paid to a non-resident are subject to a 20% withholding tax, unless the rate is reduced by virtue of an applicable double taxation treaty between Egypt and the relevant country. A tax exemption shall apply on interest paid for a long-term loan or financial facility with a term of at least 3 years.

- What are the rates of withholding tax on profits realized by a foreign corporation?

Payments, including interest, services fees and royalties, paid by Egyptian individuals, companies or non-resident companies having a permanent establishment in Egypt to non-residents/ foreigners for services provided by the latter shall be subject to a withholding tax at the rate of 20%. Reduced rates may apply by virtue of an applicable double taxation treaty.

XIII. Tax on Individuals

A. Allowances

- What are the major allowances?

The Income Tax Law provides for various allowances for each source of income. Generally, tax on income covers four sources of income: (i) income from salaries and wages; (ii) income from commercial and industrial activity; (iii) income from non-commercial professions; (iv) income realized from real estate.

The Income Tax Law sets out the expenses and costs (i.e. allowances) that may be recognized by taxpayers at the time of submitting their tax returns. The following allowances may be deducted, and are exempt from taxes:

- 1) As regards income from salaries and wages, the following are tax exempt:
 - a) An annual personal deduction of EGP 7000;
 - b) Social insurance contributions and any other payments that are deducted according to the provisions of the Egyptian Social Insurance Law No. 79 for the year 1975 (the "Social Insurance Law");
 - c) Employees' subscriptions in private insurance funds established in accordance with the Egyptian Private Insurance Funds Law No. 54 for the year 1975, provided that the exemption shall not exceed 15% of the net revenue or EGP 10,000, whichever is less;
 - d) Life and medical insurance premiums for the benefit of the taxpayer, or in favor of his/her spouse or minor children, as well as any insurance premiums for pension entitlement provided that the exemption shall not exceed 15% of the net revenue or EGP 10,000, whichever is less;
 - e) Certain collective in kind benefits, such as: (i) meals provided to employees; (ii) collective transportation of employees; (iii) medical care; (iv) work tools and uniform; and (v) housing provided by the employer to employees, in connection with the performance of the work;

- f) Employees' profit share in employer's profits, as distributed per the Companies Law;
 - g) Amounts received by members of the diplomatic corps, consulates and international organizations, and other diplomatic representatives and foreigners, in connection with their work subject to reciprocity;
 - h) Pensions and end of service bonuses.
- 2) As for income from commercial and industrial activity, the following costs and expenses are deductible:
- a) Interest on business loans, regardless of their value, after deducting the nontaxable credit interest;
 - b) Insurance premiums paid by the taxpayer against his/her disability or death or to acquire money, provided that the amount of the premium is not more than EGP 3000 per annum;
 - c) Donations paid to Government associations, local associations and other public legal entities, whatever their value;
 - d) Donations and aid paid to Egyptian organizations and associations registered in accordance with the provisions of their respective regulatory laws, as well as to educational institutions and hospitals subject to governmental supervision, and Egyptian scientific research institutions, provided that the donations do not exceed 10% of the taxpayer's annual net income;
 - e) Financial penalties and compensation borne by the taxpayer resulting from his/her contractual liabilities;

4)3) As for income from non-commercial professions, the following costs and expenses are deductible:

- a) Registration fees, annual subscriptions and profession exercising fees;
- b) Taxes paid by the taxpayer in the course of practicing his/her profession, other than the taxes payable in accordance with the Income Tax Law;
- c) Amount paid by the taxpayer to his/her syndicate in accordance with its pension system;
- d) Life and health insurance premiums for the benefit of the taxpayer, his/her spouse and minor children, provided that the exemption does not exceed EGP 3,000 annually;
- e) Donations granted to Governmental bodies, registered Egyptian foundations, educational institutions and hospitals, subject that the donations do not exceed 10% of the taxpayer's annual net profit;
- f) All necessary costs and expenses paid for earning revenues may be deducted based on proper books of account and supported with related documents (i.e.

receipts). However, for costs and expenses that customarily have no supporting documents, the deduction will be limited to 10%.

5)4) The following shall be exempt from taxes:

- a) Revenues from writing and translating religious, scientific, cultural and literary books and articles.
- b) Revenues of members of teaching staff in universities, institutes and others as realized from their books and compilations.
- c) Revenues of members of artists associations from production of works of photography, sculpture and carving arts.
- d) Revenues of independent professionals (ie. lawyers, accountants, etc.) that are registered as active members of the Syndicate in their field of specialization, for a 3-year period.

6)5) As for income realized from real estate, the following costs and expenses are deductible:

50% of the rental value of properties shall be deducted as maintenance expenses.

B. Calculation of Taxes

- How is the taxable base determined?

Generally, tax is imposed on the total net annual income of natural persons resident in Egypt for income earned in Egypt, as well as for income earned outside Egypt, if Egypt is the center of their commercial, industrial or professional activities. Tax is also imposed on non-resident individuals for their income earned in Egypt.

Under this principle, a natural person shall be considered an Egyptian resident and subject to taxes if he/she either (i) has a permanent domicile in Egypt, (ii) resides in Egypt for more than 183 continuous or interrupted days within a 12 -period, (iii) is an Egyptian national who performs his/her duties outside Egypt but the source of his income is the Egyptian treasury.

The calculation of the taxable base is determined based on the total net annual profits or revenues of the taxpayer from each category of income realized during the preceding year, as follows:

1) Income from salaries and wages

Revenues included in the taxable base shall be determined for each part of a year in which any taxable revenue was earned, in proportion to a year, and based on the monthly revenue after transferring it to annual revenue. Payments made in lieu of vacations, and allowances stated hereinabove are excluded while calculating the tax base.

In addition, the Tax Law provides that any amounts earned by residents from entities other than their original employer are subject to a tax rate of 10%.

2) Income from commercial and industrial activity

The taxable commercial and industrial net profit is determined on the basis of the gross profit after deducting all costs and expenses made to realize such profits.

3) Income from non-commercial professions

Revenues included in the taxable base shall be determined annually on the basis of the net revenues during the preceding year, after deducting all costs and expenses necessary for carrying out the profession.

4) Income realized from real estate

The taxable revenue is determined on the actual rental value, reduced by 50% to cover all costs and expenses.

C. Capital Gains Tax

- Are capital gains taxable?

Yes, capital gains realized by individuals resulting from the sale of shares, whether they are resident or nonresident, are subject to tax.

The tax rate on capital gains generated from the sale of listed shares at the Egyptian Stock Exchange shall be 10% without deducting any costs. However, the application of this capital gains tax has been suspended in Egypt until May 17, 2020. The tax rate on capital gains generated from the sale of unlisted shares shall be subject to the regular progressive income tax rates (see Section M below).

A separate tax of 2.5% is imposed on the gross proceeds derived from the disposal of real estate or lands within the boundaries of Egyptian cities.

D. Filing and Payment Requirements

- When must the individual file a tax return, if any?

Each individual must file his/her annual tax return before the first of April of each year following the end of the tax period of the previous year. However, under the Egyptian Tax Law, it is the responsibility of the employer to calculate and withhold the tax due from the employees' salaries on a monthly basis and remit it to the Tax Authority within fifteen (15) days following the month in which the payment has been made. The employer is required to file quarterly tax returns (on January, April, July and October), which set forth the total number of the employees, the total payments made to them, the total deductions and the total tax paid. If the employer is not resident in Egypt, the said obligation shall transfer to the employee, who shall calculate his/her taxes and include his salary income in his annual tax return.

- When must the individual pay his/her taxes?

Taxes must be paid on the same day in which the tax return is filed, ie. by April 1 of each year.

E. Inheritance and Gift Tax

- Does the individuals' presence in the country subject him/her to inheritance or gift tax?

No taxes are applicable on inheritances and gifts in Egypt.

- What kinds of assets are subject to tax?

Not applicable.

- What are the tax rates?

Not applicable.

- Are allowances available?

Not applicable.

- What are the payment and filing requirements?

Not applicable.

F. Miscellaneous Taxes Due

- What are the miscellaneous taxes to which the individual may be subject?
- What are the filing and payment requirements?

1) Stamp duty

Pursuant to the Stamp Tax Law all contracts, agreements, transactions, receipts and other documentation (including land registrations, property transfers and banking transactions) are subject to Stamp Tax, whether nominal or proportional.

Nominal Stamp Tax is mainly imposed on legal documents, typically contracts, at the rate of 0.90 EGP per page; all such nominal stamp taxes are borne by the individual. The proportional Stamp Tax is imposed on the values of certain financial transactions at prescribed rates. For example: bank facilities, loans and borrowings are subject to an annual proportional tax at the rate of 0.4%. The bank is required to remit the said Stamp Tax within seven days following the end of each quarter; the tax is borne equally by the bank and the client.

In addition, there is an Engineering Syndicate Stamp Tax that applies on all contracts, drawings and engineering designs at the rate of 1- 1.5/ 1000 maximum, paid by the party performing the work or supply.

Accordingly, the Stamp Tax is charged at various rates and fixed charges depending on the nature of the transaction being executed, and whether it is subject to nominal or proportional Stamp Tax.

2) Property tax

Property tax is imposed on all buildings in Egypt. The tax rate is 10% on the annual rental value of the taxable buildings after the deduction of 30% to cover the cost for residential properties and 32% to cover the cost for nonresidential properties.

A residential property is tax exempt if the annual rental value is less than EGP 24,000 and a non-residential property is exempt if the annual rental value is less than EGP 1,200.

The tax is borne by the user of the property, whether the owner, lessee, or beneficiary, and is due in January of each year.

The tax is collected in two equal installments (at the end of June and the end of December of the same year).

3) Value Added Tax ("VAT")

The new VAT Law was recently issued in Egypt. The tax applies to the sale of goods and certain types of services, whether locally or imported from abroad, at each stage of their supply chain, unless otherwise exempt. The standard VAT rate is 14%. The VAT Law also imposed a schedule tax at different rates on a certain number of goods and services, which are subject to the schedule tax at different rates depending on the nature of the good or service.

The VAT Law requires all individuals engaged in the sale of taxable goods or services with annual revenue exceeding EGP 500,000 ("Registration Threshold"), as well as any importer, exporter, producer, distributor or service provider of taxable goods or services, regardless of whether they reached the Registration Threshold or not, to register with the Tax Authority for the purpose of VAT.

The registered taxpayer must calculate the applicable VAT on a monthly basis, and file tax returns and pay the VAT due within a maximum of two months from the end of the relevant month, except for the month of April, for which the tax return should be filed by June 15.

G. Real Estate/Habitation Tax

- Is the individual subject to real estate or habitation tax?

Yes, individuals are subject to real estate tax as provided hereinabove.

H. Sales Tax

- Does the individual pay sales tax?

The Sales Tax was recently abolished in Egypt and replaced by the VAT. The VAT applies to the sale of goods and certain types of services. Individuals pay VAT upon the purchase/consumption of any taxable goods or services.

I. Social Security and Welfare System Contributions

- Are contributions to social security due?

Yes, social insurance contributions are required, from both the employer and the employee. Social insurance contributions are only for Egyptian employees; however foreign employees may be subject to social insurance provided that there is reciprocal social insurance treatment with the country of which the employee is a national under a Social Insurance Treaty.

- Are contributions to the welfare system due?

No.

- If so, what are the payment and filing requirements?

Social insurance contributions are calculated on the employee's basic and variable salary. The percentages of social insurance payments on the basic salary are different from those based on variable salary. With regard to the basic salary, social insurance contributions amount to 40% of the basic salary (26% to be paid by the employer and 14% to be deducted from the employee's basic salary). There is a cap for the basic salary that is subject to social insurance contributions, as determined annually by the Ministry of Social Solidarity (currently amounting to EGP 1370). Any amount beyond such cap will be considered part of the variable salary.

As for the variable salary, the percentage of social insurance contributions calculated on the variable salary amounts to 35% (24% to be paid by the employer and 11% to be deducted from the employee's variable salary). There is also a cap for the variable salary on which social insurance contributions are payable (currently amounting to EGP 2430). The variable salary includes any payments made to employees in return for their work beyond the cap of the basic salary, as well as, in particular: any performance incentives or bonuses, sales commissions, overtime wages, and any other allowances. However, certain kinds of allowances are excluded from the scope of the variable salary, such as transportation allowance, travel allowance, attendance of meetings allowance, housing allowance, clothing allowance, and car allowance.

J. Stock Option, Profit Sharing and Savings Plans

- Is there taxation of stock option plans?

Income tax shall be imposed on stocks granted to employees for free or for a value less than its market value. The value of the benefit on which the taxes is determined shall be computed based on the difference between the stock market value and the option price on the day of vesting. However, no tax shall be imposed if there is any restriction in the grant limiting the employee to sell or dispose of the stock until the release of the restriction.

No taxes shall be due upon granting or awarding the stock option, while taxes shall be imposed upon exercise (vesting) of the stock option.

- Is there taxation of profit sharing plans?

The Employee share in his/her employer's profits distributed as per the law is tax exempt.

- Is there taxation of savings plans?

Savings plans are not taxable.

K. Taxation of Benefits in Kind

- What is the rate of taxation on benefits in kind (e.g. automobile, housing and utilities, education, etc.)?

In general, the Income Tax Law provides that all benefits, whether in cash or in kind, granted to employees shall be subject to income tax; however, the law provides tax exemptions on certain collective in-kind benefits, such as:

- 1) Meals provided to employees;
- 2) Collective transportation provided to employees, or its equivalent;
- 3) Medical care.
- 4) Utilities and uniforms necessary for work.
- 5) Housing provided to employees on the occasion of work.

The criteria on which the above in-kind benefits are exempt, is that the said benefits are granted to all the company's employees and not to a specific employee that represent a personal benefit. Accordingly, if the in-kind benefits are not one of the above benefits granted to all the company's employees and are not reimbursement for work expenses, than they shall be subject to income tax.

L. Taxes on Dividends

- Are dividends taxable regardless of their form?

No, dividends provided in the form of free shares are not subject to tax, while dividends realized in Egypt distributed by corporate bodies to natural shareholders (whether resident or nonresident individuals) are taxable at the rate of 10%, without deducting any cost. A lower tax rate of 5% applies where the ownership in the distributing entity exceeds 25% of the capital or voting rights, provided that the shares have been held for two years.

M. Tax on Income

- What are the federal or national tax rates on income for residents?

There are no regional or municipal levels in Egypt. The Income Tax Law unifies the tax rates that apply on all resident individuals (i.e. natural persons).

The tax rates on the net annual income of natural persons are as follows:

- Amount of EGP 7,200 and below: 0% (exempt);
- Amounts above EGP 7,200 to 30,000: 10%,
- Amounts above EGP 30,000 to 45,000: 15%,
- Amounts above EGP 45,000 to 200,000: 20%
- Amounts above EGP 200,000: 22.5%.

- What are the federal or national tax rates on income for non-residents?

Nonresidents are subject to a flat tax of 20% withheld at source for income from interest, royalties, and services. The rate may be reduced by means of a Tax Treaty between Egypt and the country of which the non-resident is a citizen.

- What are the regional or state tax rates on income for residents?

Not applicable.

- What are the regional or state tax rates on income for non-residents?

Not applicable.

- What are the municipal or local tax rates on income for residents?

Not applicable.

- What are the municipal or local tax rates on income for non-residents?

Not applicable.

N. Tax Treaties

- Are there any applicable tax treaties?

Egypt has a wide network of double taxation treaties with many, if not most, countries

- Are there any rules against treaty shopping?

There are no rules in Egypt against treaty- shopping.

O. Territoriality Rules

- Where is the individual subject to tax?

The individual is subject to tax in Egypt if (i) he/she is a resident of Egypt (i.e. has a permanent domicile in Egypt and Egypt is the center of their activity, or resides in Egypt for more than 183 continuous or interrupted days within a 12-month period), and earns income from inside or outside Egypt, or (ii) he/she is not a resident of Egypt but earns income from Egypt.

- Is the individual subject to tax on his/her worldwide income?

Resident individuals will be subject to tax on their worldwide income. Nonresident individuals will be subject to tax only on income realized in Egypt and only on certain types of income, most notably royalties and payment for services.

P. Wealth Tax

- Is the individual subject to tax based upon his/her wealth?

No, there is no wealth tax in Egypt.

- If so, what are the rates?

Not applicable.

- Are there any allowances available?

Not applicable.

- What are the payment and filing requirements?

Not applicable.

Q. Withholding Tax

- Is salary subject to a withholding tax at the source?

Egyptian resident employers are required to withhold the tax due from the employees' salaries according to the aforementioned income tax rates, and remit it to the Income Tax Authority within fifteen (15) days following the month in which the payment has been made. However, if the employer is not resident in Egypt, the employee must calculate the income and pay the tax as part of his annual income tax return.

- What is the treatment of residents as compared to non-residents?

1) Payments made to residents:

Payments, such as commission, brokerage fees, supply, purchase, contracting or service fees that are more than EGP 300 made to any private sector person, whether individual or entity, are subject to a withholding tax at a rate not exceeding 5% (i.e. 0.5% on contracting and supplying, 2% on services, 5% on commissions and brokerage fees). In addition, any payments over EGP 100 made to non-commercial professionals (i.e. lawyers, accountants, engineers, etc.) are subject to withholding tax at a rate of 5%. Any payment made to an individual as a commission or brokerage fee that is not relevant to his/her profession, shall be subject to a withholding tax at the rate of 20%.

This obligation applies to payments made by governmental bodies, public sector companies, free zone companies, syndicates, and all kinds of non-governmental bodies (i.e. private entities). Nevertheless, the Income Tax Law provides an exemption from the said withholding if the beneficiary of the income can obtain a letter from the Income

Tax Authority which states that the relevant private sector person has proper records and pays the due income taxes in advance.

2) Payments made to nonresidents:

Payments, including interest, services fees and royalties, paid by Egyptian individuals, companies or non-resident entities having a permanent establishment in Egypt to non-residents for services provided by the latter (i.e. cross border transactions) shall be subject to a withholding tax at the rate of 20%. A tax exemption shall apply on interest paid by residents for loans or credit facilities granted by nonresident entities if the duration of the loan or the financial facility is for at least three years.

However, reduced rates may apply by virtue of an applicable double taxation treaty between Egypt and the country of whom the nonresident is a citizen.

XIV. Tax On Other Legal Bodies

Please note that in Egypt taxes apply to only two types of bodies:

- individuals (natural persons); and
- juristic persons.

Thus, this section is not applicable.

A. Allowances

- What are the major allowances (e.g. capital cost depreciation)?

Not applicable.

- What are the major deductible items?

Not applicable.

- What are the major expenses that are excluded from deductibility?

Not applicable.

B. Calculation of Taxes

- How is the taxable base determined?

Not applicable.

C. Capital Gains

- What are the federal or national tax rates on capital gains?

Not applicable.

- What are the regional or state taxes on capital gains?

Not applicable.

- What are the municipal or local taxes on capital gains?

Not applicable.

D. Filing and Payment Requirements

- When must the entity file a tax return, if any?

Not applicable.

- When must the entity pay its taxes?

Not applicable.

- Are taxes paid in installments or annually?

Not applicable.

E. Miscellaneous Taxes

- Are other taxes due?

Not applicable.

- What are the filing and payment requirements?

Not applicable.

F. Registration Duties

- Are there registration duties or fees due upon the setting up of the legal body?

Not applicable.

- Are there registration duties or fees due upon a change in the capital of the legal body?

Not applicable.

- Are there registration duties due upon the transfer of capital?

Not applicable.

- Are there registration duties due upon a transfer of assets?

Not applicable.

- Are there any other registration duties due?

Not applicable.

G. Sales Tax or other Turnover Tax

- Is the legal body subject to sales tax or any other turnover tax (e.g. VAT., cumulative)?

Not applicable.

- Is input tax creditable against output tax?

Not applicable.

- What are the tax rates?

Not applicable.

- What are the filing and payment requirements?

Not applicable.

H. Social Security and Welfare System Contributions

- Are social security contributions due?

Not applicable.

- Are retirement or pension contributions due?

Not applicable.

- Are unemployment insurance contributions due?

Not applicable.

- What are the filing and payment requirements for any such contribution?

Not applicable.

I. Special Tax Themes

- Are there particular tax consequences of doing business in the country under the form of the particular legal body?

Not applicable.

J. Tax on Profits

- What are the federal or national income tax rates on profits?

Not applicable.

- What are the regional or state tax rates on profits?

Not applicable.

- What are the municipal or local tax rates on profits?

Not applicable.

K. Tax Treaties

- Are there any applicable tax treaties?

Not applicable.

- Are there any rules against treaty-shopping?

Not applicable.

L. Territoriality Rules

- Where is the legal body subject to tax?

Not applicable.

- Is the legal body subject to tax on its worldwide income?

Not applicable.

M. Treatment of Tax Losses

- How are tax losses treated?

Not applicable.

N. Wealth Tax

- Is there an applicable wealth tax?

Not applicable.

O. Withholding Taxes

- What are the rates of withholding tax on the legal body's activities?

Not applicable.

XV. General Tax Considerations

A. Taxes Generally

- Is there a generally accepted way of structuring the company or other entity so as to insure the desired tax consequences?

No.

- Is there an advance tax ruling that can be used to validate or invalidate the chosen form of doing business?

No.

- Is there a general anti-tax avoidance system?

No.

- Can the chosen form of business be treated as a deferent form for tax purposes?

No.

XVI. Immigration Requirements

A. Immigration Controls

- Are there immigration quotas?

No.

- Are vaccinations required?

No.

- Are medical certificates required?

Generally, no. However, if applying for a Labor Permit, a negative HIV test result is required.

- Are entry permits required?

Yes.

- If so, must you apply for an entry permit before entering the country?

This depends on the nationality of the person entering the country. Many nationalities are allowed to apply for a tourist visa at the airport upon arrival to Egypt. For other nationalities, visitors to Egypt must obtain a visa from one of the Egyptian diplomatic missions abroad. For other types of visas, the person must apply for a visa before coming to Egypt.

- Are exit permits required?

No.

- Are re-entry permits required?

Yes, unless the visa is a valid multiple entry visa.

B. Immigration Requirements/Formalities

- Is a residence permit required?

For work and for long stays (i.e. beyond six months), a residence permit is required.

- If so, does the investor have to apply for one before entering the country?

The investor may apply for a residence permit either before or after entering the country.

- What information must be supplied to the immigration authorities?

The information varies depending on the reason for obtaining the residence permit.

- How long does it take to receive authorization?

Two to three weeks from the date of submission of all the required documents to the authorities.

C. Visas

- Is a visa required for travel or stay in the country?

Yes.

- If so, for how long is the visa valid?

Non-resident visas are valid for 3 to 6 months.

- How does the investor apply for a visa?

The investor may apply for a visa from one of the Egyptian diplomatic missions in the investor's country of residence unless the investor is a citizen of one of the visa exempt countries or countries that are eligible for visa on arrival (which can be purchased at the airport upon arrival in Egypt).

- What documents are required?

- 1) A passport valid for at least six months.
- 2) Two personal photos with a white background.
- 3) Filling in a visa application.
- 4) A photocopy of the residence card in the foreign country (if applicable).

- How long does it take to receive a visa?

Two to three weeks if applying from abroad. Visas are issued instantly for those eligible to purchase visas on arrival.

- What fees are involved?

For Single-entry visas: US\$ 25.

For Multiple-entry visas: US\$ 35.

XVII. Expatriate Employees

A. Cost of Living and Immigration

- How does the cost of living compare to that in the investor's home country?

The answer to this question depends on the investor's home country. However, the average cost of living in Egypt will be around US\$ 700 per month.

- What is the rate of inflation?
The current inflation rate on a yearly basis is 32.95%.

B. Drivers' Licenses

- Must the investor obtain a driver's license for that country?

No.

- How does the investor obtain a driver's license?

If the investor holds a foreign driving license from another country issued in accordance with the 1968 Vienna Convention, the investor will be eligible to obtain a driving license in Egypt for the same duration of the foreign license without any further examination in Egypt.

- What fees are involved?

Around LE 500.

- Is an examination, either practical or written, required?

An examination is only required if the investor does not hold a foreign driving license from another country, issued in accordance with the 1968 Vienna Convention.

C. Education

- What types of schools are available for the investor's family?

Private schools.

- What fees are involved?

From EGP 50,000 to EGP 450,000 per year.

- What is required for enrollment?

This varies from one school to another and may also depend on the previous education of the investor's child.

- Can the investor or company receive a tax benefit?

No.

D. Housing

- What type of housing is available for the investor?
The investor may either rent or buy property in Egypt.
- Can the investor own property?
Yes.
- Must the investor have housing before entering the country?
No.
- Can the investor subsidize housing and receive a tax benefit?
No.

E. Importing Personal Possessions

- How can the investor import personal belongings?
The investor may import personal belongings through any airline or shipping company.
- Are import duties payable?
Yes, in most cases.
- Are there requirements for clearing the belongings through customs?
This depends on the nature and volume of the goods.

F. Medical Care

- What level of medical care is available?
There is private and national health care of all types.
- Is there national health care?
Yes.

G. Moving Costs

- What costs are involved in moving?
This depends on the requirements of each individual.
- Can the investor receive any tax allowances?
No.

H. Tax Liability

- What is the expatriate's tax liability? (See also Section XIII)

Please see Section XIII.

- What are the allowances?

The first LE 7200 of income per year is tax exempt. Certain types of insurance and other payments may also be tax-deductible.

- Are there any applicable tax treaties?

Yes, depending on the nationality of the investor. Egypt has tax treaties with most countries.

I. Work Contracts

- Does the investor need a work contract to work in the country?

Yes.

- If so, does the contract have to be for a certain duration, for the performance of a specific job or for a specific position?

Any type of employment contract with an Egyptian entity will be sufficient.

- Does the contract have to be with a national or resident of the country or related state?

Yes.

J. Work Permits

- Does the investor need a work permit to work in the country?

Yes.

- How and where does the investor apply for the permit?

The employer shall submit the documents to the work permits office of the Ministry of Labor in the area in which the company where the investor will be working is located. However, depending on the activity of the company, the documents may alternatively be submitted to the General Authority for Investment and Free Zones (GAFI) or to the Egyptian General Petroleum Corporation (EGPC).

- What documents are required?

The answer to this question depends on the type of establishment in which the investor will be working. However, generally, the following documents will be required:

- 1) A letter requesting the authority's approval to appoint the investor.
- 2) A letter issued by the establishment listing the foreign employees working for said establishment and another one listing the Egyptian employees working for the establishment.
- 3) The incorporation documents of the establishment.
- 4) A delegation letter executed in favor of the person who will undertake all necessary procedures on behalf of the establishment.
- 5) 6 passport-size photos of the investor.
- 6) A copy of the investor's passport.
- 7) Experience Certificate of the Investor.
- 8) Negative HIV test results of the investor.

- What fees are involved?

LE 5200.

- How long does it take to receive the permit?

Two to three weeks.

- For how long is the permit valid?

The permit is valid for one year and may be renewed for subsequent periods of one year.