



SETTING UP BUSINESS IN
EGYPT
2023



General Aspects

Egypt, “officially the Arab Republic of Egypt” has a recorded history that dates from approximately 3200 BC. Egypt is situated in the heart of the Middle East connecting Asia and Africa continents. The official currency is the Egyptian Pound. The Population is around 110 million people, and the Official language is Arabic.

Egypt has made a remarkable economic progress during the recent years; However, CO-VID-19 pandemic, the Egyptian economic growth has been strong and resilient during the pandemic. Recently, The Egyptian Government’s has released reforms and policies that are focusing on economic recovery and growth through the following five

channels:

- Mega infrastructure projects
- Tourism
- improvements to economic policies and Treasury.
- Increasing private sector investments.
- Attracting GCC investments.

Legal Forms of Business Entities

Legal form	Feature	Remarks
Joint Stock Company (JSC)	<p>Shareholders: A Joint Stock Company must be established with at least 3 (three) shareholders at all times which may be judicial or natural persons. As a general rule, the company may be fully owned by foreign investors with the exception of some activities explicitly mentioned by law and requires a specific percentage of Egyptian national ownership.</p> <p>Capital Requirement: The minimum capital of a JSC is EGP 250,000 (two hundred and fifty thousand Egyptian Pounds). A JSC shall be incorporated upon depositing at least 10% of its issued capital, and subsequently, this percentage must be increased to 25% within 3 (three) months from the date of issuing its commercial register. The remaining amount of the issued capital must be paid within a period of 5 (five) years from the date of establishment. However, a higher capital may be required for specific activities such as importation for trading activity.</p> <p>Management of the company: A Joint Stock Company is managed by a board of directors which is composed of at least 3 (three) members who is in charge of the daily operation of the company. They may be judicial or natural persons. They could also be foreigners or Egyptians.</p> <p>Depository of shares at the Central Securities Depository System Joint Stock Companies are required to register at Central Securities Depository System through Misr Central Clearing Depository and Registry (M.C.D.R) upon registration of the company in commercial register. The Shareholders must deposit their shares in one of custodians companies which are listed at (M.C.D.R).</p>	<p>As a general rule, Joint Stock Companies do not have any restrictions regarding their activity.</p> <p>Shares can be transferred easily, the JSC can be listed publicly on the stock exchange and enjoys a high market reputation.</p>

Limited Liability Company (LLC)	<p>Partners: A limited liability company is established with at least 2 (two) partners which may be judicial or natural persons. The company could be fully owned by foreigners with the exceptions of some activities explicitly mentioned by law and requires a specific percentage for Egyptians.</p> <p>Capital Requirement: For limited liability company, there is no minimum capital required for its incorporation with the exception of certain activities, a minimum required capital is required such as importation for trade or</p> <p>Management of the company: A limited liability company is managed by one or managers who in charge of the daily operation of the company. There is no restriction on the nationality of the managers unless for certain activities which an Egyptian manager is required such as importation for trade or Export .</p>	<p>A Limited Liability Company is permitted to engage in all business activities with the exception of banking, insurance, saving, receiving or investment of funds for the favor of third parties, or any other activity explicitly restricted by law.</p>
Representative office (Ro)	<p>The representative office in Egypt should submit at the beginning of each year a statement including its employees' name, their jobs, nationalities, their salaries, the total of their salaries, the percentage of the Egyptian employees' salaries, its marketing study that was conducted during the year as well as a prove the marketing research was sent to its Parent Company, the decisions made by the Parent Company for the work exerted during the year.</p> <p>The representative office should submit to the General Authority For Investment (GAFI) the Parent Company's decision to establish a legal entity in Egypt (a subsidiary such as a limited liability / joint stock company) or a branch within three years from the date of registration of the representative office in Egypt.</p> <p>The representative office in Egypt shall submit a time frame for the completed and remaining researches, and the conclusion of those researches.</p> <p>Furthermore, the representative office shall be accorded a registration certificate from the date of its registration that shall not exceed a year which is renewed annually for three years.</p> <p>It is permissible for the Head of GAFI to prolong the above mentioned duration provided that the representative office submit reasonable explanations for such prolongation.</p>	<p>The activity of a representative office is limited to conducting market study without performing any commercial activity.</p> <p>A foreign company is allowed to establish a representative office or a scientific office in Egypt to carry out a market study.</p> <p>A representative office is managed by a manager which his/her authorised powers are determined by its parent company.</p>
Foreign Branch	<p>Capital Requirement: The minimum capital required to establish a branch is EGP 5,000 (five thousand Egyptian pounds).</p> <p>Management of the branch: A foreign branch is managed by one or more managers and are responsible for its daily operation. Their authorized powers are conferred by the parent company.</p>	<p>A foreign company could operate in Egypt by establishing a foreign branch. The purpose of a branch is limited to implementing a specific contract in Egypt.</p>

Sole Partnership Company (SPC)	<p>Partner: A sole partnership company is established with one partner at all times which may be judicial or natural person. The partner may be foreigner or Egyptian unless the activity of the company requires a certain percentage of Egyptian national ownership.</p> <p>Capital Requirement: To establish a sole partnership companies, a minimum capital of EGP 50,000 (fifty thousand Egyptian pound is required.</p> <p>Management of the company: The company is managed by one of more managers who are entrusted with the daily operation of the company and they may be foreigner of Egyptian unless the activity of the company requires an Egyptian manager.</p>	<p>The sole partnership company was introduced in 2018 in the amendments of the companies' law No. 4 of 2018. This Company has the same feature as a limited liability company.</p>
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Incorporation process

The steps to establish a new legal entity in Egypt are as follows:

- Prepare, review and authenticate the company's Article of Association from GAFI.
- Open a bank account for the company being established
- Prepare and submit the security check application for the foreign shareholders / partners and the board members / managers.
- Notarize the Article of Association.
- Issuing the Commercial Register and tax card.

The Companies Law no.159 1981 sets out the rules of corporate companies. The General Authority for Investment "GAFI" approves the nature and purpose of the company to be included in the companies' articles of association. If company established in Free Zones or according to the investments laws, specific requirements apply.

New Obligations required:

According to the Egyptian law, any company with direct or indirect foreign investment is required to submit a financial quarter form on GAFI's Portal 45 days maximum at the end of every quarter. Additionally, there is an annual form which must be submitted within 4 months maximum of the end of the company's financial year. Any late submitted reports could be subjected to fine not exceeding EGP 50,000.

Legal Forms of Business Entities - Unincorporated Businesses

Legal form	Feature	Remarks
General Partnership	<p>Requirements: can be set up by at least two businesspersons and must be registered with the Ministry of Finance, in compliance with the commercial and civil laws in the country. In a general partnership, the owners have the same rights and must consider the responsibilities and the debts in an equal manner.</p> <p>Management of the company: The company is managed by one or two managers that they have several liability extended to their personal assets.</p>	<p>Professional services providers can operate only with Tax ID without issuing commercial register.</p> <p>In case commercial business/ substance, the commercial residentary is mandatory to establish the company.</p>

<p>Limited Partnership</p>	<p>Requirements: At least general partner and any number of limited partners the. Limited partners are responsible for the debts registered in the firm up to their ownership share.</p> <p>Limited partnership can be registered in the same manner as a general one</p> <p>Management of the company: The company is managed by the general partner where he will also has have several corporate liability extends to his personal assets.</p>	<p>More applicable to professional services providers</p>
<p>Sole Proprietorship</p>	<p>Investors can establish a sole proprietorship company as an individual. Company become independent from the individual and should has separate account. Company is obliged to register in the commercial register with the regulatory authority,</p> <p>A sole proprietorship is established by a single natural person and is considered by law a merchant. The law stipulates that a person who wants to engage in trade must have reached the age of twenty-one and be fully qualified .</p>	



Investments

Topic	Feature	Remarks
Investment Law	The Egyptian Investment Law No.72 of year 2017 was enacted and promulgated on 31 May 2017, and its related executive regulations was enacted in October 2017. According to Decree No. 96 promulgated on 17 June 2020, the period of the said law was extended to another 3 (years) starting from 29 October 2020. The Law allows companies established pursuant to it to benefit from a set of incentives, equal opportunities and enhances competitiveness to avoid monopolisation. It also focuses on simplifying the incorporation process and all corporate procedures through electronic systems.	<p>The Investment Law no. 72/2017" abolishing and replacing the former Law no. 8/1997. The Law sets out certain activities under which a company could be established and benefit from the incentives. The list is not exclusive and could include additional activities by virtue of a ministerial decree. The executive regulations stipulates the following activities:</p> <ul style="list-style-type: none"> • Industrial activities: (including product lines, architecture designs, utilities, cinema production, and industrial development except for tobacco & wine industry); • Agriculture and animal, poultry and fish production; • Trade sector (projects targeting to develop the internal investment); • Education sector; • Health sector; • Transportation sector; • Tourism; • Housing, construction & building; • Sports; • Electricity & Power; • Petroleum; • Water Sector; • Communication & information technology.
Money repatriation	No restriction on money transfer to foreign entities/ individuals. Applicable withholding tax of 10% if company paying dividends is not public and reduced to 5% if company paying dividends is listed in the stock exchange in Egypt.	<p>Withholding tax is fixed no matter the receiver is an individual or company. Also, no matter if receiver is resident or non-resident.</p> <p>Recently, Companies paying dividends should find the hard currency if want to transfer the money outside the country</p>

Organizational Questions

Topic	Feature	Remarks
Commercial Register	The Commercial Registry in Egypt is in charge with registering limited liability companies, joint stocks, foreign branches, representative offices in compliance with the provisions of the Corporate & Commercial Law and the Egyptian Investment Law. There are several types of documents necessary for company incorporation with the Commercial Registry in Egypt, and once accepted, the authority will issue the unique identification number of the enterprise. The Commercial Registry in Egypt accepts the name of the company as soon as it has been admitted by the GAFI. Among the responsibilities of the Commercial Registry in Egypt. GAFI in Egypt will verify if all the conditions have been met and then will issue the registration number of the company. The next step in opening your business in Egypt is to apply for tax purposes and other mandatory social contributions.	Main documents required : <ul style="list-style-type: none"> • The Articles of Association and the Memorandum are prepared; • the board of directors is appointed; • information about the shareholders of the company is offered; • details about the business address is provided; • information about the share capital is offered.
Increase / reduce the Capital	The company's capital is approved by the General Authority For Investment at the incorporation date. It's permissible to increase or reduce it following the incorporation based on the company's needs and after acquiring GAFI's approval	Increase / reduce the capital requires holding an extra ordinary assembly meeting.
Profit repatriation	There are no restrictions on repatriation of profits as long as supporting documentation can be provided.	Taxes on dividends apply (Discussed further in the taxes section)
Closing business	The main procedures : <ul style="list-style-type: none"> • The company will convene an extraordinary general assembly meeting to put the company under liquidation and appoint the liquidator. • Authenticating the minutes of meeting from GAFI. • Putting the company under liquidation and registering the liquidator's name in the commercial register. • Finalizing the liquidation process. • Deregistering the company from the commercial register. • Closing the tax and social insurance files. • The customs authority, tax authority and social insurance authority will be notified by GAFI and the liquidator that the company became under liquidation and those authorities. 	For Rep offices and foreign branches extra notification required to be sent to GAFI.

Employment

Topic	Feature	Remarks
<p>Work Permits</p>	<p>All Egyptian workers, except part-time or temporary staff, must obtain work certificates.</p> <p>Foreigners interested in employment in Egypt have to obtain work permits and follow the corresponding regulations issued by the Ministry of Manpower and Migration in this regard. After a work permit is obtained, the foreign national's visa (whether tourist or temporary) is converted into a work visa, with the same duration as the work permit.</p> <p>Work permits are easier to obtain for technical staff than for unskilled or semi-skilled workers. Work permits are usually granted to foreigners for a period of one or less than one year. It may also be issued for a period exceeding one year after settling the relative fee for the requested period.</p>	<p>No specific restrictions for workers by nationalities. Requirements for worker permit:</p> <ul style="list-style-type: none"> • A valid passport (with valid Egyptian residence status) • 7 passport-size photos • Two copies of your employer's incorporation contract • Two copies of your Tax ID card (which you will likely need to obtain from another office - officials at the Ministry of Manpower should be able to direct you to the correct location if this is the case) • Two copies of your academic qualifications • A copy of the commercial register (from your employer) • Any licenses required for practicing your profession A memorandum from your employer explaining why it is necessary to hire a foreigner rather than a qualified Egyptian citizen • Approval from the Authority related to your profession • A representative from your employer who will "sponsor" your work permit • Proof of test showing you are free of HIV/AIDs • Approval from Egypt's State Security Service showing that you are not a threat to national security or public safety
<p>Labour law</p>	<p>Employment contracts are required to be in writing, with three copies maintained in Arabic. The employer, employee and social insurance office each keep one copy of the employment contract, which must include certain information as specified in the Labour Law.</p> <p>If an employee is hired on probation, the employment contract should indicate the probationary period, which cannot exceed three months. Neither shall an employee be appointed under probation more than once for the same employer.</p> <p>As per the Labour Law, employees should not work more than eight hours a day or 48 hours over a six day working week. It is common practice that private sector employees work 5 days a week, usually Sunday to Thursday. The number of working hours may be increased to 9 hours a day including a one hour break.</p> <p>An employee is entitled to a minimum annual paid leave of 21 days for every full year of service and a proportional amount if the period of service is less than one year (eligible to be used after 6 months of employment). This annual leave is increased to 30 days after the employee has worked for 10 consecutive years or is over 50 years old.</p>	

Social system	<p>On 1st of Jan 2020, a consolidated pension and social insurance law (Law no. 148 for year 2019) have been applied to workers in Egypt's private and public sectors, executive regulations will provide further details on implementation of the law.</p> <p>This system applies to all companies which by nature are most likely using seasonal and temporary workers who are usually not socially insured in carrying out certain assignments. Those workers are to be registered under the competent contractual social insurance office, in which the company is responsible for paying the percentage applicable to the given assignment to the concerned social insurance office.</p>	<p>The employee contribution percentage is 11% of the total social insurance salary.</p> <p>The employer contribution percentage is 18.75% of the total social insurance salary.</p>
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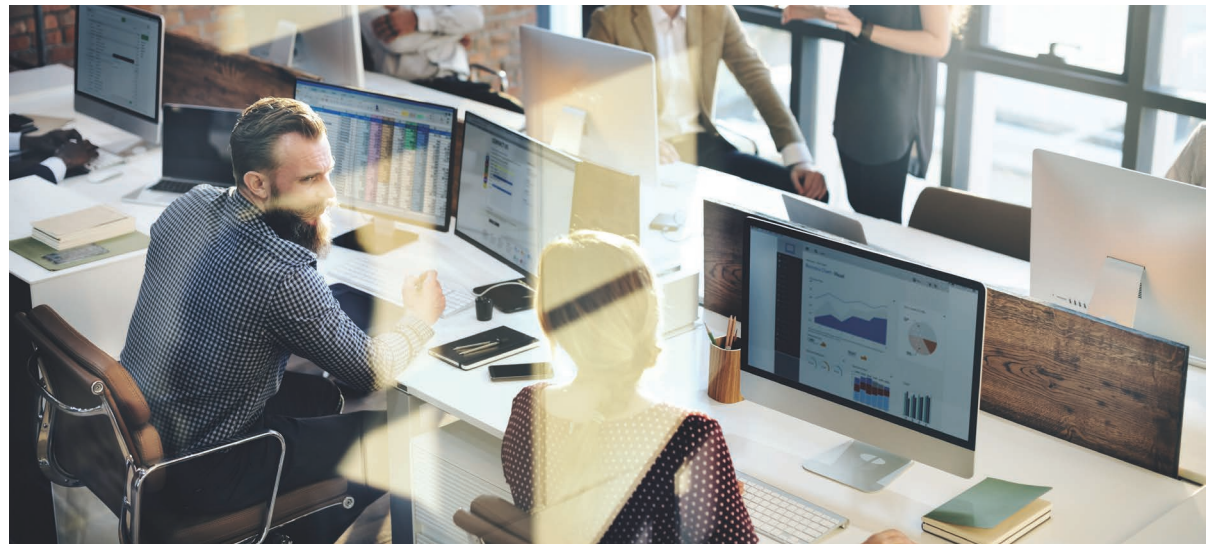
Taxation

Tax	Feature	Remarks
Corporate income tax	<p>In Egypt, companies are generally liable for corporate income tax ("CIT") at a flat rate of 22.5%; excluding the Suez Canal Authority, the Egyptian Petroleum Authority and the Central Bank of Egypt, which are liable for CIT at the rate of 40%; as well as the companies operating in the oil and gas exploration and production activities; which are liable for CIT at the rate of 40.55% in Egypt.</p> <p>Corporate income tax is imposed on:</p> <ul style="list-style-type: none"> • Companies that are resident in Egypt on all profits realized from Egypt and abroad. • Companies that are non-resident in Egypt with regard to profits realized through a permanent establishment in Egypt. 	<p>The income of a company may include any, or all, of the following:</p> <ul style="list-style-type: none"> • Profits from a commercial and/or industrial activity. • Income from the use and/or disposal of buildings or assets. • Amounts received on shares of associations of capital yield paid by the government, local government units, public juridical persons. • Rental amounts, license fees, royalties received. • Income from any other activity performed in Egypt.
Tax return and tax payments	<p>Companies are required to submit a tax return within four months of the end of their financial year where they are required to assess the amount due in the form of a self-assessment.</p> <p>Corporate taxpayers are likely to have a credit balance arising from local withholding taxes suffered (see further details in the Withholding tax section). Credit is given for such advance payments made on the taxpayer's behalf against the total tax liability arising from the tax return. The balance of the tax is due and payable on the date on which the return is submitted.</p>	<p>Taxpayers have the right to submit an amended corporate income tax return within one year of the original submission date. However, in case of tax evasion or receiving a tax audit notification from the Egyptian tax authority ("ETA"), the taxpayers would not be entitled to submit such amended return.</p> <p>In case the amended tax return provides a lower tax due than the original return, the taxpayer should submit a refund request to the ETA. The ETA will review the case and respond to the taxpayer within six months of the request's submission date.</p>

E-filing of corporate income tax returns	<p>The Egyptian tax authority (“ETA”) has applied the electronic filing (“e-filing”) of income tax returns on a compulsory basis. Taxpayers (Both companies and individuals) are required to submit their income tax returns electronically on the ETA’s website; whereby, the hard copies are no longer acceptable by the ETA.</p> <p>Taxpayers are accordingly required to register on the ETA’s website to create an account and to obtain a username, password and a specific code to be provided to their tax advisor(s). Following the registration process, taxpayers shall prepare their annual income tax returns on the ETA’s website, and then have them reviewed/ verified by their tax advisor(s). Prior to electronically submitting the income tax return(s), both the taxpayer and the tax advisor are required to sign-off the income tax return.</p> <p>Registered Not for profit organizations also are obliged to register on the ETA tax portal to report transactions, however, they are still exempted from the corporate tax within the range of operation exempted by law.</p>	<p>Upon submitting the income tax return, the taxpayer will be required to pay the tax due through one of the following methods:</p> <ul style="list-style-type: none"> • Bank transfer through the taxpayer’s own bank; or • Using smart card to pay/ transfer the tax due to the ETA; or • Through the banks/ the National Post Authority with which the ETA has specific agreements.
Tax losses	<p>Prior year losses can be used to reduce the taxable profit of a company in a subsequent year. In other words, if there is a remaining portion of a loss incurred, it can be transferred annually to the following years. Losses can be carried forward for up to 5 years. However, the company should not be able to bring forward losses if a change in its ownership has taken place and the following three conditions are all met:</p> <ul style="list-style-type: none"> • If the percentage of change of ownership exceeds 50% of shares, quotes, or voting rights of the company, and • The company’s activities are changed, and • The company is either a Joint Stock Company or a Company Limited by Shares whose shares are not listed on the Egyptian Stock Exchange. 	<p>If any of the mentioned conditions is not met, the company would still have the right to carry forward its losses. No Carry back relief is allowed.</p>

Withholding tax ("WHT")	<p>Payments made to Local Entities</p> <p>Any Egyptian entity has a liability for WHT against any payments in excess of EGP 300 made to any local supplier of goods or services at the time of payment. The rates of WHT applicable to local payments for local services and supplies are as follows:</p> <ul style="list-style-type: none"> • Contracting and supplying 1% • All types of services 3% • Commissions 5% <p>These payments of WHT are prepayments of the provider's/ supplier's liability to Income Tax. The amounts received are included in the individual or corporate person's income and subject to income tax under the prescribed rates. However, a tax credit is provided for the WHT already paid against the total tax liability.</p> <p>Payments made to Non-Residents</p> <p>Egyptian resident companies making payments of interests, royalties or services to non-resident ones, should generally be subject to WHT in Egypt at the rate of 20%, at the time of making such payments. However, the 20% WHT rate applied on such payments may be reduced or even eliminated as per the provisions of the relevant double tax treaty ("DTT") signed between Egypt and the country where the recipient of such payment is resident (if any).</p>	<p>Based on which, dividend distributions made by an Egyptian resident company to resident/non-resident individuals or companies, are subject to WHT at the rate of 10% in Egypt, provided they are unlisted on the Egyptian stock exchange. Additionally, dividend distributions made by Egyptian listed companies to tax residents or non-residents are subject to WHT at a flat rate of 5%.</p>
Personal income tax	<p>In general, this tax is withheld at source from payments to Egyptians and foreign nationals working in Egypt. A tax is imposed on the total net income of the resident individuals for income earned in Egypt as well as the income earned outside Egypt for resident individuals whose center of commercial, industrial or professional activities is in Egypt. Investment income (i.e. dividends and capital gains) realized by Egyptian tax residents from sources outside Egypt (i.e. from their investments abroad) is taxable in Egypt, as it's defined, under the Egyptian income tax law, as a commercial income. Tax is also imposed on the income of non-resident individuals for their income earned in Egypt. Based on the law no.26 for the year 2020, the personal income tax brackets have increased up to maximum 25% for individuals whose annual income exceed 1 Million EGP.</p>	<p>Employees are taxed according to the following brackets; and are entitled to annual salary tax exemptions (EGP 9,000). Non-resident employees are subject to tax at the same tax brackets mentioned above with also the annual exemption of EGP 9,000. The tax due is to be calculated at the rate noted for each bracket, and the tax credits should apply accordingly to the relevant income bracket for the taxpayer.</p>

Value Added Tax (VAT)	<p>On 8 September 2016, the VAT Law was issued under the Law no. 67 of 2016. It is an indirect tax on the domestic consumption of goods and services, at each phase of the supply chain. The law enforced two different types of taxes which are the VAT and the schedule tax/excise tax. The VAT standard rate is 14% (the rate was 13% from the date of law enforcement till July 2017), it is levied on all the taxable goods and services; except for some others exempted. On the other hand, the Schedule Tax is levied only once on specific goods and services.</p>	<p>The standard VAT rate, as of the 1 July, became 14%, applicable on all goods and services, except for machinery and equipment used for production purposes, which are subject to a 5% VAT (although buses and passenger cars are subject to different tax rates). Exported goods and services are subjected to 0%. The threshold for registration is EGP 500,000 of the annual turnover.</p>
Stamp Tax	<p>There are two distinct types of taxes: Nominal Stamp Tax, which is imposed on certain documents, regardless of their value; at the rate of EGP 0.9 per paper. (Please note that the USD equivalent of EGP 0.9 amount depends on the daily CBE conversion rate, due to the flotation of the Egyptian pound); and, Proportional Stamp Tax, which is imposed at prescribed rates on the values of certain financial transactions.</p>	<p>The main situations in which stamp tax can arise are:</p> <ul style="list-style-type: none"> • Land registration/property transfers/transfer of deeds(including lease agreements) • Banking Transactions • Payments by Governmental Bodies • Securities' sale transactions.





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