

Doing Business in Egypt

2011



1. Preface

This guide has been prepared by **Moore Stephens Egypt**, an independent member of **Moore Stephens International**. It is designed to provide information on a number of subjects important to those considering investing or doing business in **Egypt**.

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This guide is one of a series of country profiles compiled for use by **Moore Stephens International** member firms' clients and professional staff. Copies may be downloaded online from **Moore Stephens Egypt** or any of our independent member firms websites.

Doing Business in **Egypt** has been designed for the information of readers. Whilst every effort has been made to ensure accuracy, information contained in this booklet may not be comprehensive and recipients should not act upon it without seeking professional advice. Facts and figures as presented are correct at the time of writing.

Up-to-date advice and general assistance on **Egypt** matters can be obtained from **Moore Stephens Egypt**; contact details can be found at the end of this guide.

July, 2011

2. Fact Sheet

Geography	
Location	Egypt stands as a major trade and crossroads destination between Europe, the Middle East, Africa and west and south Asia. It occupies the north Eastern corner of Africa, bordered by Libya (1,115km) to the west, Sudan (1,273 km) to the south, Palestine (Gaza Strip 11km), Israel (266 km) and Jordan to the northeast. Its north coast is on the Mediterranean Sea, while the eastern coast is bounded by the Red Sea. The Suez Canal links the Red Sea to the Mediterranean- a linkage vital to both Egypt and the world.
Area	1,001,450 sq km
Land	995,450 sq km
Coastline	2,450 km
Climate	Hot, dry summers with moderate winters

Terrain	Vast desert plateau interrupted by Nile valley and delta.
Time zone	+ 2 GMT
People	
Population	82 million
Ethnic groups	Egyptian, Bedouin Arab, Nubian
Religion	Muslim 90%, Coptic Christian 9%, other Christian 1%.
Language	Arabic (official), English, French
Government	
Country name	Arab Republic of Egypt
Government type	Republic.
Capital	Cairo
Administrative divisions	28 Governorates: Al Bahr al Ahmar (Red Sea), Alexandria, Al Wadi Al Gadid, Aswan, Asyut, Beheira, Beni Sweif, Cairo, Dakahliya, Demiatta, Fayoum, Gharbeya, Giza, Ismailiya, Helwan, Kafr El Sheikh, Minuffiyah, Minya, Matrouh, North Sinai, Port Saaid, Qalyubiah, Qina, Sharqiya, Six of October, Suez, Sohag and

	South Sinai.
Political situation	The government of Egypt, as of February 11, 2011, is a republic under military rule after the President of Egypt stepped down following several days of protests. Legislative power is vested in both the government and the People's Assembly.
Economy	
GDP – per capita	\$6,200 (2010 est.)
GDP – real growth rate	2.6% (2010-2011 est.)
Labour force	26.1 million (2010 est.)
Unemployment	9.7% (2010 est.)
Currency (code)	Egyptian Pound EGP

3. Business Entities and Accounting:

The kinds of business firms allowed in Egypt are determined by the Law of Commerce No. 17 of 1999 and the Companies Law No. 159 of 1981.

Sole Proprietorship Formation

A sole proprietor / trader are a natural person, who engages in a commercial activity for his or her own account. The person should apply to the Commercial Registration Office for registration in the Commercial Register. The important requirements for this registration are:

1. The applicant should be of at least 21 years old.
2. The applicant should be of Egyptian nationality unless he or she will carry out his or her activity under the Investment Law, or will engage in exporting activity.
3. The applicant should use his or her own name as a trade name. This trade name should appear on his or her business firm or shop and its branches (if any), and in all his or her business correspondence.
4. No minimum capital is required, the addresses of the main firm, shop or branches (if any) and details of trademarks or copyrights (if any).

Financial Requirements

The Law of Commerce requires from the sole proprietor whose trade capital is L.E.20, 000 or more to keep proper accounting books, foreigners cannot establish a sole proprietorship except under the law no. 8 of 1997 with a minimum capital equals to L.E. 250,000.

The annual profit (taxable profit) of the sole proprietor, together with any other taxable incomes he or she may have from other sources, shall be

Subject to the income tax:

The first L.E. 5,000 0%

More than L.E. 5,000 up to 20,000 10%

More than L.E. 20,000 up to 40,000 15%

More than L.E 40,000 20%

Simple Partnerships Formation

The partnership is formed between two or more partners who are usually natural persons. There are two kinds of partnerships: **general partnership and limited partnership**. In the general partnership all the partners are considered as traders, and are jointly responsible to meet all the business liabilities or obligations without any limits. The general

partnership should have a trade name derived from the name(s) of one or more of its partners.

After concluding the partnership agreement, the following is required to complete registration:

1. A copy of the partnership deed is registered at the Court.
2. The partnership deed is published in one daily newspaper.
3. The partnership deed is registered in the Commercial Register
4. After completing the above registration, the partnership can start its commercial activity.

Management

In the limited partnership at least one of the partners is a general partner who is active and is considered a trader with full responsibility to meet the partnerships' liabilities or obligations without any limits. Other partners, who are called limited partners, are inactive or sleeping partners, and their liability in meeting the business liabilities or obligations is limited by the amount of capital invested. The trade name of the limited partnership is derived from the name(s) of one or more of its general partners.

Foreigners can participate in partnerships, but they do not have the right to manage the partnership nor to sign on its behalf, and their share in its capital cannot exceed 49%.

Financial Requirements

No minimum capital is required, regarding taxation, the general and limited partnerships are subject to the same tax provisions. **The profit of the partnership itself as a legal entity is taxable, and subject to the income tax rate by 20%.**

Registration of a partnership requires concluding an agreement (the deed) between the partners determining the partnership capital and the share of each partner (general or limited), the object (activity) of the partnership, its duration, and the appropriation of its profits or losses, etc.

Joint Stock Companies Formation

The Egyptian joint stock company is a regulated company whose capital is divided into shares, the liability of each shareholder is limited to the value of his or her shares, and the shares can be traded in the stock exchange. The number of founders of a joint

stock company should not be less than three founders. The shares of a joint stock company, private or public, can be fully owned by foreigners, but paid in foreign convertible currencies. To form a joint stock company, the founders (or an attorney) should submit an application to the Investment Authority with the following documents:

1. A list of the founder's names and details.
2. For founders who are corporations, a resolution indicating participation in the new company.
3. For founders who are of foreign nationalities, relevant data is required in legalised form such as nationality, address, work or activity, documents of incorporation, etc.
4. The memorandum of association and the draft of the articles of association of the new company.
5. A certificate from the Egyptian bank receiving the share capital payments, which shows that each founder and shareholder has paid at least 25% ,can be paid on two instalments: 10% before applying, and the remaining 15% within three months following the registration in the Commercial Register. If the application and documents are complete a resolution approving the formation of the new company is issued, and the memorandum and articles of association are published in the Companies Bulletin. Subsequently, the founders will apply to the

Commercial Registration Office, after which the company will be fully incorporated and can start its activity. The incorporation of a joint stock company usually takes 2 to 3 weeks to complete.

Financial Requirements

The minimum issued share-capital of private joint stock company (i.e. the company which does not offer its shares for public subscription) is LE 250 000, and that of a company which offers its shares (or part thereof) to public is LE 1000, 000 of which at least 50% must be subscribed by the founders. At least 25% of the share-capital is to be paid during foundation and the rest over a maximum of three years.

The accounts of any joint stock company should be audited by an Egyptian certified auditor appointed by the shareholders in their annual general meeting.

Banks and mutual funds should have at least two certified auditors. The annual net profit of a joint stock company has to be appropriated in accordance with the provisions of the Companies Law as follows:

1. At least 5% of the net profit is set aside as legal reserve; adding to this reserve will cease when its amount reaches 50% of the issued share-capital.

2. At least 5% of the paid-up capital is payable to shareholders (and employees) as a first distribution. Of the remaining profit, a maximum of 10% is deducted as remuneration to the board of directors. The remaining profit may be distributed to the shareholders (and employees) as a second distribution, carried forward to next year, or set aside in a special reserve account.

3. The employees are entitled to receive, as part of profit-sharing, 10% of the first and second distributions mentioned above, but with a maximum of 100% of their annual salaries. The dividends are payable to the shareholders free of taxes.

4. The dividends of the foreign shareholder can be repatriated abroad through one of the accredited banks in Egypt without any restrictions, and free of any taxes.

The net profit will be subject to the Egyptian corporate tax whose standard rate is 20%.

However, profits of the Suez Canal Authority, the Egyptian Petroleum Authority and the Central Bank will be taxed at 40%. Oil and Gas exploration and production companies are taxed at 40.55%.

Management

A joint stock company is managed by a board of directors composed of an odd number, which is not less than three. The board members, including the chairman, can be of foreign nationalities. Joint stock companies are supervised by the Companies Department to ensure its compliance with the Companies Law. However, companies dealing with securities (e.g. mutual funds, holding, venture capital and portfolio management companies) are supervised by the Egyptian Financial Supervisory Authority.

Limited Partnerships by Shares Formation

The limited partnership by shares, is similar to the joint stock company with the exception that at least one of the founders has unlimited liability in meeting the company's financial liabilities. The company is prohibited from conducting the business of insurance, banking, or savings or investing funds on other people.

Management

The Company is managed by the founder(s) of unlimited liability. The founder(s) of unlimited liability who is managing the company is called the "manager". The name and scope of such partner manager's authority must be specified in the Memorandum of Association.

The company must have a Supervisory Board made up of at least three persons, whose purpose is to supervise the actions of the manager(s). As such, this Supervisory Board may not be chosen from the partner manager(s).

In case of the manager's death, the company will dissolve, unless the company deed stipulates that it will continue. Apart from the above differences, the provisions related to joint stock companies will apply to limited partnerships by shares.

Financial Requirements

The minimum share capital required of a limited partnership by shares is LE 250,000. The capital is divided into two categories: (1) shares owned by founder partners, and (2) shares of equal value belonging to shareholders.

Limited Liability Companies Formation

The Egyptian limited liability company is a closed company where the liability of each of its partners is limited to the value of his or her shares (Called quotas) in the company. The number of partners of a limited liability company cannot be less than two persons and cannot exceed fifty. The shares or quotas of the limited liability company cannot be traded in the stock exchange. The trade name of the limited liability company is usually derived from its object, but may also include the name(s) of one or more of its partners. Additionally, the words "Limited Liability Company" must be included in the name. The company is incorporated once it is registered in the Commercial Register. The company must also maintain a Register of Partners in its head office, which must contain the names, nationalities, domiciles and occupations of the partners; the number of shares owned by each partner; the sum paid by each; and the assignment or transfer of shares and related relevant information.

Management

The management of a limited liability company may be assigned to one or more managers. At least one manager must be of Egyptian nationality. The manager(s) shall have full authority to represent the company; unless such authority is limited by the Memorandum of Association. The foreign partner, to be the manager, must obtain a residence visa and his paid up capital should not be less than USD 25,000. If the number of the partners of a limited liability company exceeds ten, the partners should form a supervisory board consisting of at least three of them.

Financial Requirements

The minimum equity capital of a limited liability company is L.E. 200. The equity capital should be fully paid up on foundation. The nominal value of the share or quota cannot be less than L.E. 100. A limited liability company which has a share-capital equal to or exceeding the minimum share-capital of a closed joint stock company (i.e. LE 250, 000) has to allocate at least 10% of the profit to be distributed among its partners to its employees as profit-sharing, but with a maximum of 100% of their annual salaries.

Foreign Branches

Foreign companies are allowed to open branches in Egypt to carry out construction works, hotels management, commercial, financial and industrial activities or generally to execute works of contractual nature. Following approval of the registration application, must register office in the Commercial Register, also registered at the centralised register of foreign companies kept at the Companies Department.

A manager should be appointed by the foreign company to manage its branch in Egypt, and to legally represent it in all matters related to its activity and existence. The manager can be of a foreign nationality. The remuneration of the manager is subject to salary tax whose rate is progressive ranging between 10% and 20%. The foreign branch should keep proper books of account as required by law, and should issue annual financial statements which should be audited by a certified Egyptian auditor.

At least 10% of the net profit of the branch should be allocated to employees as profit-sharing, but the amount of profit-sharing should not exceed 100% of the annual salaries of the employees. The net profit of the foreign branch can easily be repatriated

abroad if the branch has acquired enough foreign currency to do so. This also applies to the capital of the foreign branch. **The net profit of the foreign branch will be subject to the Egyptian corporate tax at the rate of 20%.**

Afterwards, the foreign company, or its attorney, will apply to the competent commercial registration office for registration of a branch with the following documents:

1. A copy of the contract awarded to the foreign company to perform works in Egypt with a recognised Arabic translation thereof.
2. A legalised copy of the memorandum and articles of association of the foreign company with a recognised Arabic translation thereof.
3. A legalised copy of the foreign company's board of directors' resolution to establish a branch in Egypt with a statement that the company has no other branches in Egypt.
4. Appoint a manager for the branch.
5. A certificate from one of the accredited banks in Egypt stating that the foreign company has transferred to the bank an amount in a foreign convertible currency equal to at least L.E. 5000 to be the branch's capital, and that this amount is deposited in a blocked account.

6. In case of construction works, a document indicating that the foreign company has been registered in the Egyptian Federation for Erection and Building Contractors as a correspondent.

7. A copy of the rental contract of the office of the branch in Egypt.

Representation Offices

Foreign companies can establish in Egypt representation, liaison, or scientific offices. The object of such offices is limited to studying the Egyptian market and exploring the possibility to manufacture or carry out business in Egypt, but without performing any commercial activity, or any activity which may generate income. Representation, liaison, or scientific offices should be registered at the Companies Department before they are allowed to work in Egypt. **However, the royalty accruing to the scientific offices of pharmaceutical companies is subject to a withholding tax at the rate of 20% or at a reduced rate if there is a tax treaty with the country of the foreign company.** On the other hand, the managers and employees of these offices are subject to the salary tax on the salaries and other remunerations they receive. To register a representative office, the concerned foreign

company, or its attorney, should submit an application to this effect to the Investment Authority with the following documents:

1. A legalised copy of the memorandum and articles of association of the foreign company with a recognised translation thereof.
2. A legalised copy of the company's board of directors' resolution to establish a representative office in Egypt to study the Egyptian market and explore production possibilities without being engaged in any trading or profit-oriented activities.
3. Appoint a manager for the representative office.
4. A certificate from one of the accredited banks in Egypt stating that the foreign company has a convertible foreign currency balance (no minimum amount is required) and that the currency has been transferred from abroad.
5. A certified cheque for L.E. 1, 000 as registration fees in the name of the Ministry of Foreign Trade.
6. A copy of the rental contract of the representative office in Egypt.
7. Registration of a representative office usually takes about one month to complete.

4. Business laws:

Insurance Legislation

In 1995 and 1996, amendments to the Law No. 10 of 1981 were issued to regulate the insurance sector, and since 1996 tariffs on insurance have been almost eliminated, thereby reducing insurance premiums significantly. Law No. 156 of 1998 and Decree No.45 of 1999 were promulgated to set a comprehensive legal framework for the supervision and control of the insurance sector in Egypt. USAID has established several programs with the Ministry of Foreign Trade to provide technical assistance regarding insurance regulations and supervision. The programs were mainly designed to encourage the government in liberalising the sector. The programs also focused on developing social insurance services such as health care and pensions.

Banking Legislation

The CBE, Banking sector, and currency are governed by Law No. 88/2003, regulating the banking system in Egypt.

Capital Adequacy Requirements

Pursuant to the above Law, the issued and paid in full capital of banks should not be less than LE 500,000,000 (Five Hundred Million Egyptian Pounds).

Foreign Ownership of Banks

Egyptians and non-Egyptians have the right to acquire shares in banks; however, such should be without prejudice to the provisions of the above Law. However, individual or entity's ownership of over 10% of the bank's issued capital or any other percentage resulting in the actual control of the bank is not permitted without the approval of the CBE.

Bank Secrecy Law

The above Law governs the obligation of banks not to disclose information relating to their customers' accounts, deposits, safe deposit boxes and transactions, in the absence of either the written permission of the customer, his legal representative, a delegated agent, or a decision rendered by a competent judicial or arbitration tribunal.

The Central Bank of Egypt (CBE) Law

The aforementioned Law (No. 88/2003) regulates the activities of the Central Bank of Egypt. The law addresses the independence of the Central Bank of Egypt (CBE) and its supervisory authorities regarding inter-banks activities. According to the law, the CBE's paid in capital is LE 1 billion and The bank is a public legal entity reporting to the President of Egypt. The law identifies the CBE's responsibilities in several areas including supervision of payment systems, management of international reserves and management of external debt.

Capital Market Legislation

The Egyptian Financial Supervisory Authority is a public Authority, having a legal status, established in accordance to law 10 of the year 2009.

The Authority shall be responsible for supervising and regulating non-banking financial markets and instruments, including the Capital Market, the Exchange, and all activities related to Insurance Services, Mortgage Finance, Financial Leasing, Factoring and Securitization.

Mortgage Law

The mortgage law No. 148 of 2001 was passed in 2001 to regulate real estate bank financing. The law, which is geared towards encouraging housing of low and middle-income groups, allows banks to offer subsidised loans for the purchase of houses as well as administrative and commercial units and renovating existing ones. However, it is believed that middle-income families who can afford to pay a monthly instalment not less than LE400 will benefit most from the new law. Borrowers will be able to make a 20% down payment and pay off the remainder in instalments over 20-30 years. Under the new law, banks will be able to foreclose on loan defaulters in case they default on payments for between six and nine months. However, for protection of borrowers the idea of a mortgage guarantee fund is applied by the law.

Money Laundering Law

The People's Assembly approved the Money Laundering Law, the Law was proposed due to the government's rising concern of the danger of this phenomenon and its detrimental effect on Egypt's economy; as well as, concerns expressed by the

OECD Financial Action Task Force (FATF) on Money Laundering regarding the lack of a comprehensive legal regime in Egypt to counter this globally recognised illegal activity. The law provides for setting up a unit by the Central Bank of Egypt (CBE) to monitor reports from the financial institutions on the suspected money laundering deals.

The law stipulates that financial institutions should hold books, which record their domestic and international money dealings coupled with full information that shed lights on these dealings. According to the law, the institution should keep the books for five years at least as of the date when the dealings were concluded. The institution is held responsible for putting such books and records at the disposal of judicial authorities concerned with the enactment of the law whenever they are requested.

5. Employment Regulation & regulations

Egyptian Labour

Approximately one-third of the workforce in Egypt is employed in agriculture. An estimated 47% of Egypt's economic and social establishments are in the Cairo and Alexandria governorates, which host 25% of the labour force. The number of non-Egyptian

employees in any establishment must not exceed 10% of the total work force for unskilled or semiskilled workers. For skilled workers the limit of Egyptian labour is 25%. Also total compensation of foreign employees must not exceed 35% of the total payroll of the establishment. The Egyptian labour market is regulated by the new unified Labour Law No.12 for 2003. The new Law comprises 257 articles that address all the legal aspects regulating the Egyptian labour market. The new law aims at increasing the private sector involvement and at the same time achieving a balance between employees' and employers' rights. Amongst the most important issues that the new law addresses is the right of an employer to fire an employee and the conditions pertaining to this as well as granting employees the right to carry out a peaceful strike according to controls and procedures prescribed in the new law.

Employment Contracts

Employment contracts are required to be in writing, in triplicate and in Arabic language. 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. If an employee is hired on probation, the

employment contract should indicate the probationary period, which cannot exceed three months. An employment contract may be drawn up for a fixed-term or indefinite period of time. In case the employee and the employer continue in implementing a fixed-term contract after its term, such shall be considered as a renewal of the contract for an indefinite term. It is necessary that both the employer and employee agree on essential matters in the law concerning wages, job description, and contract period. It is also important to state the kind of work, which the employee is obliged to do and the entity to which he/she is questionable if work is not performed.

Contract Period

The legislator regulates a maximum of five years for a fixed contract. If the employer and employee agree on longer employment duration, then the latter has the right to terminate the contract after the initial five years, without receiving compensation; however, the employer must be notified within an agreed upon time period, which is a three-month prior notice.

Employer's File

Article 77 of the Law No. 12/2003 states that the employer should establish a file for each of his/her employees where he/she shall detail the employee's name, occupation, level of skills, educational degree, his address, military status, social status, date of appointment, wage and changes in wage, penalties imposed, leaves obtained, and finally the date of service termination and the reasons for it.

Records Stated in Labour Law

The Labour Law obliges the employer to present the following records to the Ministry of Manpower and

Migration:

Disabled Record

Regarding the employment of disabled individuals according to Law No. 39 of 1975, which entails qualifications and employment of the disabled, this law obliges private sector employers, whose number of workers equals to or exceeds fifty employees, to employ 5% of the total number of workers from the disabled as recommended by the Manpower Offices.

Foreigners' Record

In an attempt to enforce control on employing foreigners, the ministry obliges organisations employing foreigners to make a record including identifies personal information.

Financial Penalties Record

An employer shall make entry of the financial penalties imposed on employees in a special register, detailing the reasons why such penalties were imposed.

Termination of Employment

Duration of Probation

The probation labour contract should not exceed three months neither shall an employee be appointed under probation more than once for the same employer.

A probation contract is a conditional labour contract, in case the employee proves unsuitable for the job during the allotted period; thus, allowing the employer to cancel the contract.

Dismissal & Termination

Article 69 of the Labour Law lists the grounds under which an employee may be dismissed. An employee may not be dismissed until the matter is brought before a committee with judicial powers at the Ministry of Manpower and Migration. The committee shall decide the request for dismissal brought to it within (15) days from the date of the first session and its decision shall be final. However, the employer may thereafter dismiss an employee and the employee retains the right to challenge the dismissal in court.

Leaves

Annual Leaves

An employee is entitled to a minimum annual paid leave of 21 days every one full year of service and proportionally if his period of service is less than one year. This annual leave is increased to one month after the employee has worked for 10 consecutive years or is over 50 years old. In addition, every employee is entitled to full pay for official holidays designated by the Ministry of Manpower and Immigration, not to exceed 13 days a year.

Accidental Leave

Accidental leave is the leave taken by an employee, as a result of unexpected circumstances.

Sick Leave

The Labour Law provides that an employee whose sickness is established and determined by the concerned medical responsible is entitled to sick leave, and shall be compensated according to the Social Insurance Law.

Official Leaves (Public Holidays)

According to ministerial decree No. 112/2003 regarding identification of the official leaves, which are fully paid. Performing Pilgrimage or Visiting Jerusalem Regarding religious respects, Article No. 53 of the new Labour Law stated that an employee who has spent five consecutive years in the service has the right to full paid leave for a period not exceeding one month for performing pilgrimage or to visit Jerusalem and such a leave shall be enjoyed only once during the period of service.

Maternity and Child Care Leave

A female having spent 10 months in the service of an employer shall be entitled to a maternity leave of 90

days with full wage payment including the period preceding giving birth.

Employees' Benefits

The Social Security System and Public Health Insurance

Social security is a public program designed to protect individuals and their families from income losses due to unemployment, old age, sickness, or death and to improve their welfare through public services (e.g. Medical Care).

All private sector companies in Egypt are required to provide free health care for their Egyptian employees either through the Medical Insurance Plan of the Ministry of Social Insurance or privately. They are also required to contribute to the Pension Insurance Fund of the Ministry of Social Affairs and Insurance.

Other Benefits

Annual Increment

Employees are entitled to a periodical annual increment of not be less than (7%) of the basic salary on which the social insurance subscriptions are calculated. This until the National Council for Wages issues the decisions regulating the payment of that increment.

Overtime Pay

The minimum overtime premiums are 35% of normal pay for overtime worked during daylight, 70% for that worked at night, and 100 per/cent on rest days and 200% on official holidays. Production incentive bonuses are tax-free.

Profit Sharing

Employees of a Joint Stock Company, Limited Liability Company, or Foreign Branch are entitled to a share in the distributable profits. The share is fixed at an amount not less than 10% of distributable profits and not more than the total annual salaries of the employees.

Bonuses

There is no obligation to pay annual bonuses.
Special Requirements for Foreign Residents

Visas

Tourists and visitors are generally permitted to enter the country with a minimum of immigration formalities. Except for nationals from certain

countries who must obtain visa from the Egyptian Consulate in the country where they live, most visitors require temporary visas to enter Egypt. These are issued at ports.

Tourist Visas

Tourist visas are issued to foreign nationals visiting Egypt for recreational purposes or to foreign nationals whose stay in Egypt will not exceed three months. It is possible to renew this visa for similar durations.

Temporary Visas

Temporary visas are issued to foreign nationals who are entering Egypt for reasons other than recreational purposes and whose stay will exceed three months but will not exceed one year.

Work Permits

All Egyptian workers, except part-time or temporary staff, must obtain work certificates. 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.

The Unemployment Insurance Law

The unemployment insurance law, officially known as the Emergency Subsidy Fund Law No. 156 of 2002, establishes a fund to compensate workers/employees whose wages are suspended due to firm closure or downsizing. The Fund's resources will come from a 1 per cent deduction from the base salaries of the government sector, public enterprises and private sector employees in firms with over 30 workers, a government contribution, and other donations.

Social Insurance Contributions

Employers must pay social insurance contributions to the Ministry of Social Insurance and Social Affairs with respect to their Egyptian employees. Egyptian employees also are liable for contributions. Employees' contributions are withheld by the employer from the employees' salaries and wages each month and paid to the ministry; together with the employer's own contributions, within the first two weeks of the following month.

6. Taxation

The Egyptian Cabinet approved a new unified corporate and income tax law on November 24, 2004. The new tax law (No.91/2005) was passed on June 8, 2005. It basically replaces Law 157 of 1981 and its successive amendments. It also replaces law 187 of 1993. It is effective starting July 1, 2005 for personal income. The corporate income tax will be effective starting January 1st, 2005.

Tax Exemptions of the New Tax Law (91/2005)

General Tax Exemptions

1. Profits of land reclamation or cultivation establishments for a period of 10 years.
2. Profits of establishments of poultry production, bees breeding, cattle breeding, fattening pens, fisheries and trawlers projects for a period of 10 years.
3. Profits of securities investment listed in the Egyptian Stock Exchange.
4. Interests of all kinds of debentures and finance bonds listed in the Egyptian Stock Exchange.
5. Dividends of the shares of the capital of the joint stock, limited liability companies and partnerships limited by shares obtained by individuals.

6. Dividends of the investment securities issued by the investment funds.
7. Returns from deposits, savings accounts and so on in Egyptian banks.
8. Profits realised from the new projects established by finance from the Social Fund for Development for a period of 5 years.
9. Interest on loans and credit facilities obtained by the government from sources abroad.
10. Interests obtained on securities issued by the Central Bank of Egypt.
11. Revenues from writing and translating religious, scientific, cultural and literary books and articles.
12. Revenues of members of teaching staff in the universities, institutes and others as realised from their books & compilations.
13. Revenues of members of the plastic artists association from production of works of photography, sculpture and carving arts.
14. Revenues of free professionals that are registered as active members of professional syndicates in their field of specialisation for a 3-year period.

Tax Exempted Entities

1. Ministries and government administrations
2. Non-profit educational establishments
3. Non-governmental organisations established according to law 84 of 2002
4. Non-profit entities that are exercising social, scientific, sporting or cultural activities
5. Profits of private insurance funds under law 54 of 1975
6. International organisations

Tax Rates

Corporate Income Rates

Most Firms 20%

Suez Canal Profits 40%

Egyptian Petroleum Authority 40%

Central Bank of Egypt 40%

Oil Exploration & Production Companies 40.55%

Deductible costs and expenses:

1. Interests on loans according to some tax regulations.
2. Depreciation of the establishment assets according to some tax regulations.
3. Duties & taxes borne by the establishment except for corporate tax.

4. Social insurance premiums settled to the National Social Insurance Authority in favour of the workers or in favour of the establishment's owner.
5. Amounts that the establishment deducts annually from its funds or profits, up to and not exceeding 20% of total salaries and wages of the workers, on the account of private saving, pension funds or others according to the Private Insurance Funds Law 54/1975 or Law 64/1980.
6. Insurance premiums against disability or disease, which shall not exceed LE3000.
7. Donations and aids to the government and Egyptian non-governmental institutions with the maximum of 10% of the net profit.
8. Financial penalties as a result of contractual liability.

Costs and expenses that are not considered deductible:

1. Reserves
2. Financial fines and penalties against the taxpayer
3. Income tax payable according to the current law
4. Interests settled on loans, which exceed twofold, the credit and discount rates announced by the Central Bank

5. Interests on loans and debts paid to tax exempted entities.

Personal Income Rates

The new law has unified the ceiling of tax exemption of both single and married employees with children.

The first L.E. 5,000 0%

More than L.E. 5,000 up to 20,000 10%

More than L.E. 20,000 up to 40,000 15%

More than L.E 40,000 20%

Note: Pensions and Severance Pay are not taxed

Personal Income tax exemptions are on the following:

1. An Amount of LE 4,000 as an annual personal exemption for the taxpayer.
2. Social Insurance
3. Employees' contributions to the private insurance funds established according to the Private Insurance Funds Law 54/1975
4. Life and health insurance premiums
5. Collective allowances
6. Workers' share in the profits to be distributed
7. All that is obtained by members of diplomatic or consular corporations.

Taxation of Non-Commercial Professions:

A wider range of professions shall be taxed, under the title “non-commercial professions”, for example doctors and lawyers. However, they would enjoy a 3-year tax exemption.

These include the following:

1. Legal Profession
2. Medicine
3. Engineering
4. Journalism
5. Composition of scientific and literary compilations
6. Accountancy and auditing
7. Translation
8. Expertise
9. Religious reading and recitations
10. Drawing, sculpture and calligraphy
11. Singing, music playing and composing, dancing, acting and filmmaking.
12. Modelling
13. Customs clearance.

Deductible Costs:

1. Registration fees & fees for exercising the professions
2. Other taxes in the course of exercising the profession
3. Pension scheme amounts
4. Life and health insurance.

Total allowable costs given to the taxpayer under items 3 & 4 above should not exceed LE3, 000 per a fiscal year or the net taxable revenue whichever is lower.

Donations that are granted to the government, NGOs, educational establishments and hospitals are allowable tax expenses provided that they shall not exceed 10% of the annual net taxable revenue.

General Stipulations

1. Amounts paid to non-residents in Egypt paid by residents or non-residents having permanent establishments in Egypt are taxed at 20%, without deducting any costs from them.
2. Bond yield by the Ministry of Finance in favour of CBE shall be taxable at 32% without deduction of any costs.
3. The foreign tax paid by a resident company on its profits that are incurred abroad shall be deducted from the tax payable by it according to the law. While losses incurred abroad shall not be deducted from the tax paid in Egypt.
4. The law has exempted royalties that serve manufacturing activities.
5. Total exemption for the profit distribution of Egyptian companies to non-resident individuals and companies.

6. The law taxes the profits of resident Egyptian corporations regardless of the location of their activities whether inside Egypt or offshore.
7. Profit that an International company or shareholder makes from profits generated by a local subsidiary is not subject to taxes.
8. The deduction of bad debts is allowed after submission of a report by one of the accountants or auditors indicating fulfilment of certain conditions.
9. Losses may be carried forward and applied against future profits for up to 5 years.
10. The new tax law cancels the state's financial resources development duty.

The New Tax Law and Investment Law 8/1997 Law 91/2005 has revoked articles 16, 17, 18, 19, 21, 22, 23-bis, 24, 25 and 26 of the Investment Guarantees and Incentives Law 8 of 1997. These articles mostly exempted certain industrial and commercial activities (Hotels and tourist projects, reclamation of desert lands...etc.) for a period of 5 years.

Moreover, it exempted new industrial zones and the new urban communities as well as the remote areas and new projects financed by the Social Fund for Development for a period of 10 years. They exempted any establishment outside the old valley for a period of 20 years.

Under the new tax law, exemptions as prescribed in the said articles shall remain valid for companies and establishments whose exemption period started before the effective date of the law, until the end of the period determined.

Furthermore, companies and establishments that were created according to the provisions of Investment Law 8 of 1997 but have not yet started production until the effective date of the present law shall conditionally begin exercising their activity or production within a period not exceeding 3 years from the effective date of the law in order to be granted the exemptions.

Withholding Tax

Withholding payments will be applied to any payments such as commissions, brokerage, purchases, supplies, contracting or services over LE300 paid to private sector entities.

Activity Rate

Contracting & Supplies 0.5%

Services 2%

Professional fees & Commissions 5%

Withholding payments will be applied to non-commercial professions at 5% for each amount more than LE100.

Amounts paid by sole proprietorships or any legal entities to any natural person as a commission or a brokerage fee that is not related to his/her activities performed will be subject to tax at 20% without any deduction.

Free zones projects are clearly obliged to withhold the taxes due on their employees and suppliers and remit such amounts to the tax authority.

Royalties

The new law had defined royalties as amounts paid, whatever their kind, against using or the right to use the copyrights concerning a literary, artistic or scientific work, including movies, and any patent, trade mark, design, pattern, plan, secret formula or process, or against using or the right to use industrial, commercial, or scientific equipment, or information connected with industrial, commercial, or scientific expertise.

Payments to non-resident entities or individuals are subject to tax at the rate of 20% without any deductions except for know-how fees or designing fees for servicing the Egyptian industry.

Sales Tax

The tax rate for goods ranges from a 10% general rate ranging up to 50% for certain specified goods. The services tax ranges from 5-10%.

7. Member Firm Contact Details

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