Egypt

Tax Summaries

2018

ANDERSEN TAX & LEGAL.

Egypt

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Disclaimer.

This document contains summarized information to provide an overview of the tax system in Egypt. Therefore it is intended for general guidance only, and not to be substituted for detailed research or the exercise of professional judgment.

The information in this document is completed, to the best of our knowledge, based on the most recent updates on local tax laws and regulations as of July 2018.

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Forward.

In the last three years Egypt has solidified its position as one of the biggest markets and economies in the Middle East and the Arab world, due to its developed economic, market and social structures and wide labor resources.

In order to enhance economic performance and restore growth, the government has introduced a broad fiscal reform program. Firstly, the Value Added Tax (VAT) system was introduced as a replacement for the General Sales Tax Law, along with an updated version of the Investment Law. Egyptian Companies Law was also amended in order to attract new investments to Egypt, and this was supported by lower customs duties, removal of exchange control restrictions and the floating of the Egyptian pound (EGP).

Although many of these changes aim to simplify the way in which commercial activity is carried out in the country, staying updated with these modifications and comprehending their full impact can be quite a daunting task, particularly since legal and financial mistakes can often have dire repercussions on those who make them. It is therefore necessary to emphasize the importance of working with trusted and experienced legal and tax firms for any specific issues you may have within Egypt.

This guide therefore aims to provide an overview of the Egyptian taxation system, as well as the most common legal forms, which a new company can take. For any legal or tax consultations, or to request a copy of our book "Egypt Land of Opportunities 2018" please contact us on
info@AndersenTaxLegal.com.eg

Country Profile

Area -
Total: 1,001,450 sq. km
Land: 995,450 sq. km
Water: 6,000 sq. km

Land Boundaries -
Total: 2,612 km
Border countries: Gaza Strip 13 km, Israel 208 km, Libya 1,115 km, Sudan 1,276 km

Climate -
Moderate climate throughout the year (Summer °35-°25, Winter -°15 °25 C).

Natural Resources -
Petroleum, natural gas, iron, ore, phosphates, manganese, limestone, gypsum, talc, asbestos, lead, rare earth elements, zinc

Government Structure -
Republic

Currency -
Egyptian Pound EGP

Time Zone -
(UTC + 2)

Establishment -
3200 BC

Geographic Importance -
Egypt controls the Sinai Peninsula, it is the land bridge between Africa and remainder of Eastern Hemisphere; controls the Suez Canal, acts as a sea link between the Indian Ocean and Mediterranean Sea; size, and juxtaposition to Israel, establish its major role in Middle Eastern geopolitics; dependence on upstream neighbors; dominance of Nile basin issues; prone to influxes of refugees from Sudan and the Palestinian territories.

The Capital -
Cairo

The National Day -
23rd of July

Population -
106,207,983

Language -
Arabic is the official language, however, English and French are commonly used in the commercial fields.

Telephone code of Cairo - Giza -
00202

Cities and Ports -
The biggest cities are Greater Cairo, Zagazig, Alexandria, Port Said, Al Mahala Al Kubra, Luxor, Mansoura, Tanta, Asyut, and Menya.

Administrative Division -
The Republic is administratively divided into 27 governorates. The governorates are either completely urban, or a blend of urban and rural areas.

Ports -
There are 43 ports in Egypt due to the extension of the coastlines to the north and east, and the most important ones are Alexandria, Damietta, Suez, Port Said and Safaga.

Official Workdays -
Official workdays in the ministries, government departments and general authorities and local administrative units are Sunday to Thursday leaving Fridays and Saturdays as the official weekend.

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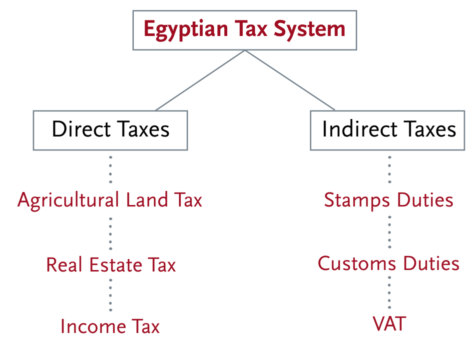
Egyptian Tax System.

A country's taxation regime can significantly impact the amount of investment made within it, particularly from foreign investors who may find it more justifiable to do business in their home towns if tax regimes in a particular country are comparatively higher than their domestic tax rates. It is generally accepted that high taxes have an adverse effect on industry level investment; in particular, high corporate taxes reduce investment by increasing the user cost of capital.

With this in mind, there has been a surge to do business in the Middle East in the last decade, where countries offer tax breaks and incentives which are unparalleled in Europe, the USA and Canada. This guide will focus particularly on taxation in Egypt; however comparisons may be made with other countries for ease of reference.

Egypt introduced its first modern tax laws in 1939 which imposed taxes on business and labour gains (Law No. 14 of 1939) and on agricultural land (Law No. 113 of 1939). The current structure of the Egyptian tax system includes both direct taxes and indirect taxes, as follows:



Today, Egypt offers investors competitive tax rates, with many projects even qualifying for tax breaks for their equipment and land. Furthermore, Egypt has signed double taxation treaties with a large number of countries, making the country all the more appealing as a destination for commercial activity. Although the country does still tax personal income, unlike some of its neighbors, new laws have decreased taxation for the top band of income from 25% to 22.5%, which is significantly lower than countries such as the UK (can reach 45%) and Sweden (can reach 36%).

The New Investment Law which was introduced in 2017 also provides a number of incentives and tax deductions particularly for greenfield investments.

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Corporate Income Tax.

Corporate income tax is to be applied on profits earned during a given taxable period; they are generally applied to companies' operating earnings, after expense depreciations have been deducted from revenues. In Egypt, the tax year is the financial year chosen by the company.

Egyptian corporations are subject to corporate income tax "CIT" on their profits derived from Egypt, as well as on profits derived from outside of Egypt, unless the foreign activities are performed via a permanent establishment outside of Egypt.

Foreign tax paid by a resident entity outside of Egypt for activities subject to tax in Egypt can be deducted from Egyptian tax provided that supporting documents are available. Additionally, foreign branches are subject to tax on their profits derived from Egypt only.

Taxable Base

Taxable profit is to be determined based on the net accounting profit of the company – as per the Egyptian Accounting Standards – and after applying the tax adjustments as per the income tax law and regulations.

Tax Rates

The standard CIT rate effective as of 2015, is 22.5%

This rate changes in certain circumstances, namely:

- 40% of the net taxable profit for (i) Central Bank of Egypt CBE, (ii) Suez Canal Authority and (iii) the Egyptian General Petroleum Corporation EGPC;

- 40.55% of the net taxable profits of oil & gas exploration and production companies (concession companies).

Tax Filing Obligations

An annual corporate income tax return must be filed even there is a tax loss – along with the relevant payment of any tax due. The due date for the tax return is 4 months following the year-end.

Capital gains from sale of assets

Capital gains tax is a type of tax levied on the profits that an investor realizes when he or she sells the capital asset for a price that is higher than the net book price.

Capital gains are subject to tax at the ordinary corporate income tax rates as they are treated as business profits (i.e. not a separate taxable profit).

Trading and capital losses derived from sales of other assets are deductible against taxable capital gains.

Carry Forward Losses

Tax losses can be carried forward for up to 5 years. Losses incurred in long-term contracts may be carried back for an unlimited number of years to offset profits for the same contracts.

It should also be noted that losses incurred outside Egypt cannot be offset against taxable profits generated in Egypt.

Egypt Tax Dispute Cycle

- Corporations and partnerships in Egypt are obligated to submit tax returns within four months following the financial year end. While the individuals are obligated to submit it no later than the 31st March the following year.

- The most recent update of Law 29/2018 explains that the above mentioned deadlines are only applicable to the tax return, without the detailed tax return tables and attachments. The remaining tax return tables and attachments are to be submitted within 60 days following the original deadline of the tax return submission. If however, the tables and documents are not submitted on the specified date, the entire tax return will not be officially considered.

- Egyptian Tax Authority (ETA) has the right to perform the tax assessment within 5 years from the date of submitting the tax return.

- The tax payer has the right to object on tax authority's assessment within 30 days. In this case the dispute shall be at internal committee stage.

- In case no agreement reached then the dispute can be transferred to specialized committee.

- If no agreement has been reached then the dispute may be transferred to appeal committee through formal appeal by the taxpayer within 30 days

- Taxpayer has to submit a defense report within the appeal committee.

- Appeal committee decision is to be issued with final result.

- If the taxpayer is not in agreement with final appeal committee decision, then he has the right to raise a court case within 60 days. However, the tax due as per appeal committee decision has to be paid in all cases.

- The state council is the governmental court responsible for tax disputes

- In addition, the taxpayer has also the right to try solving the dispute within the tax dispute resolution committee for those disputes within the court.

- According to last update per law 29/2018, the priority of setting due amounts on the tax payer is as follows:

a. Admin and litigation expenses

b. Withholding tax at source

c. Tax due amounts

d. Late payment interest

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Tax on Dividends.

Tax on Dividends was introduced by the Law no. 53 of 2014, and was made effective on the 1st July 2014.

Dividends paid by corporations or partnerships, including companies established under the special economic zone system, to resident juridical persons, nonresident persons or nonresident juridical persons who have a permanent establishment in Egypt shall be subject to tax on dividends.

Tax Rates:

The standard tax rate is 10% without any deductions or exemptions, but this can be reduced to 5% if the following conditions are fulfilled:

- The person holds more than 25% of the distributing company's capital or voting rights, and;

- Shares are held for a period not less than two years.

Profits from foreign branches in Egypt are deemed distributed within 60 days following the financial year-end. Moreover, branch remittance is taxed at a rate of 5%.

The law has granted some exemptions for investment funds, parent companies and holding companies under certain conditions. It should also be noted that dividends in the form of free stocks/shares are not subject to tax on dividends.

If a double taxation treaty exists between Egypt and the home country of the shareholder which provides a reduced tax rate or a tax exemption it should be applied.
Dividends distributed by free zone companies/ projects are not subject to tax on dividends.

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Capital Gains on Securities.

Capital Gains on Securities

Capital gains from the sale of securities realized by resident and none resident persons are subject to tax as follows:

- A 10 % CGT rate will be applied on capital gains realized from securities listed in the Egyptian Stock Exchange (ESE) and from a source in Egypt. **However, this tax has now been suspended until 16 May 2020.**

- The standard CIT rate (i.e. 22.5%) will be applied on gains realized from dealing in securities from an Egyptian source but not listed in the ESE, the capital gains realized abroad and those realized from the sale of shares.

Capital Gain from Revaluation of an Egyptian Entity

Capital gains arising from changes in the legal structure of corporate entities as stipulated in the Income Tax Law No. 91 of 2005, has been amended in 2017 to exclude the following two items:

- Acquisition of 33% or more of the shares or voting rights in terms of number or value of a residential company against shares of the acquired company;

- Acquisition of 33% or more of the assets and liabilities of a residential company by another residential company against shares in the acquired company.

Based on the above, there will be capital gain tax resulting from share swap transactions or shares against assets & liabilities at a rate of 22.5% for non-listed shares, and no deferral of tax will be valid.

Capital gain tax will be suspended for listed shares until 16 May 2020.

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Salary Income Tax.

The tax year here is the calendar year.

Income tax is imposed on the total net income of natural persons (resident and nonresident), and applies to salaries and similar remuneration as follows:

- All earnings due to the taxpayer resulting from work with a third party:

- With or without a contract,

- Periodically or non- periodically,

Whatever the names, forms or reasons for those earnings, whether they are for (i) works performed in Egypt or (ii) from abroad and paid from a source in Egypt.

This includes wages, remunerations, incentives, commissions, grants, overtime, allowances, shares and portions in profits, as well as monetary privileges and allowances.

- Earnings due to the taxpayer from a foreign source for works performed in Egypt.

- Salaries and remunerations for chairmen and members of the board of directors in public sector companies that are not shareholding companies.

- Salaries and remunerations for chairmen and members of the board of directors.

Taxable Base:

The net taxable amount is determined based on the gross salaries (cash and/or in-kind benefits) after deducting the following allowances:

- An annual personal exemption of EGP 7,000;

- Social insurance and other contributions to be deducted according to the provision of the social insurance laws or any alternative systems;

- Employees' contribution to private insurance funds established in accordance with the provisions of Law No. 54 of 1975*

- Premiums of life and health insurance on the taxpayer and any insurance premiums for pension entitlement*

*For items 3 and 4 above, entitlements should not exceed 15% of the net income or EGP 10,000, whichever is **less**.

- The following collective allowance in-kind:

a. Meals distributed to the workers
b. Collective transportation of workers or equivalent transportation cost
c. Health care
d. Tools and uniforms necessary for performing the work
e. Housing provided by the employer to the workers for performing their work

- Workers' share in the profits, to be distributed according to the law;

Tax Rates:

The applicable salary tax brackets as of the 1st July 2018 are as follows:

All amounts in EGP annually

First bracket: Up to 8,000 ($449)	Exempted
Second bracket: More than 8,000 ($449), up to 30,000 ($1,682)	10%
Third bracket: More than 30,000 ($1,682), up to 45,000 ($2,523)	15%
Fourth bracket: More than 45,000 ($2,523), up to 200,000 ($11,213)	20%
Fifth bracket: More than 200,000 ($11,213)	22.5%

A tax credit has also been applied as of the 1st July 2018. This tax credit is calculated on the total annual taxable amount (bracket) as follows:

- For those whose income is in the second bracket, the tax credit rate will be 85%

- For those whose income is in the third bracket, the tax credit rate will be 45%;

- As for those whose income is in the fourth bracket, the tax credit rate will be (7.5%).

- For those whose income is in the fifth bracket (i.e. more than EGP 200,000 annually), no tax credit is granted.

In addition to the above the government has recently provided more support for disabled employees by increasing annual personal exemption by 50%.

Social Insurance:

There are social insurance contribution obligations for both employer and employees as follows (Monthly in EGP):

Social Insurance (as of July 2018)					
	Maximum Amount	Company Share		Employee Share	
		Rate	Amount	Rate	Amount
Basic Salary	1,510 ($84)	26%	392.6 ($22)	14%	211.4 ($12)
Variable Salary	3,360 ($188)	24%	806.4 ($45)	11%	369.6 ($21)

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Withholding Tax.

Onshore

A withholding tax, also called a retention tax, is a legal requirement for the payer of an item of income to withhold or deduct tax from the payment, and pay that tax to the government instead. Typically the withholding tax is treated as a payment on account of the recipient's final tax liability.
In Egypt, withholding on local payments of a value more than EGP 300 (per invoice) will be applicable, the amount of which will vary depending on the type of activity as follows:

- Supplies/contracting **0.5%**

- Services **2%**

- Professional fees (individual) **5%**

- Commission **5%**

Additionally, amounts paid by sole proprietorships or any legal entities to any natural person as a commission or a brokerage fee that is not relevant to the work performed will also be subject to 20% tax without any deduction.

Offshore

Tax Rates:

For payments made to non-residents for services performed in or outside the country, a standard rate of tax is charged at 20% and is applicable to the following:

- Yields and interest;

- The government, local governmental units, public entities, public sector companies and public business sector and private sector will be exempted from taxes due on loan interests obtained from abroad. The private sector will also be entitled to this exemption on condition that the loan period is at least for three years.

- Royalties;
- Service charges;
- Sportsmen or artist activity charges, whether paid directly or through any entity.

Withholding tax on payments to non-residents is not applicable for the following services:

- Transportation
- Shipping
- Insurance
- Training
- Participation in conferences and exhibitions
- Registration in foreign stock markets
- Direct advertising campaigns
- Hotel accommodations and like
- Services related to religious activities

If a DTT exists which provides a lower withholding tax rate, the rate within the DTT should be applied.

Egypt has signed over 50 DTTs with the following countries:

Albania	Ireland	Sweden
Czech Republic	Morocco	Yugoslavia
Indonesia	South Africa	Canada
Malaysia	United Kingdom	Greece
Russian Federation	Belarus	Kuwait
Turkey	France	Palestine
Algeria	Japan	Switzerland
Denmark	Netherlands	China
Iraq	Spain	Hungary
Malta	United States	Lebanon
Serbia and Montenegro	Belgium	Poland
Ukraine	Germany	Syria
Austria	Jordan	Cyprus
Ethiopia	Norway	India
Italy	Sudan	Libya
Mauritius	Yemen	Romania
Singapore	Bulgaria	Tunisia
United Arab Emirates	Georgia	Slovakia
Bahrain	Korea (South)	Saudi Arabia
Finland	Pakistan	

Despite this, a ministerial decree issued in 2009, coming into effect from the 1st January 2010, highlighted that even if a DTT exists, the resident company should deduct the full 20% and then approach the Egyptian tax authority to refund the difference between the domestic rate and the treaty rate.

Starting from the 1st January 2013, free zone companies/projects are also legally obliged to apply withholding tax on the non-residents.

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Value Added Tax "VAT".

On September 7th 2016 the Egyptian government implemented a fully-fledged VAT scheme which took over the general sales tax regime previously in place.

The Law has become effective as of September 8th 2016.

What is VAT?

VAT is an attempt to tax businesses at each stage of the supply chain from raw material to a product that is utilized by the consumer. As the good moves up through the supply chain, the tax is charged incrementally by every business that uses the material or product.

VAT is applicable to services as well as goods, i.e. hotel stays, restaurant meals, legal advice, and the like.

Tax Rates

Standard VAT rate of 14% applies to most of goods and services.

Machinery and equipment used in producing taxable or non- taxable goods or rendering services are subject to a 5% VAT.

Exported goods and services are subject to a 0% VAT.

Certain products are subject to different rates/ amount per unit (excise tax), and certain products and services are subject to both excise tax and the VAT.

Registration Threshold

Any individual or juridical person who sold taxable goods or services during the 12 months prior to the 7th September 2016 with a turnover of at least EGP 500,000 (equivalent to US$ 28,250) must register for the VAT within 30 days.

Voluntary registration is allowed for individual/ juridical persons who have not yet reached this threshold.

VAT Returns

A monthly return should be filed for the VAT and/ or the excise (table) tax due within two months following the tax accounting month, except for April which should be filed no later than 15 June each year.

The return must be filed even if no sales are made within the tax period.

If the tax return is not filed before the deadline, the Egyptian Tax Authority has the right to make their own assessment.

Tax Deductions

These can be made for input tax.

Input tax is the VAT incurred or charged to the registrant when he purchases or imports goods and services, directly or indirectly related to the sale of goods and services subject to VAT.

When calculating the tax, the following should be deducted from the tax due on the sales value:

- Tax paid on sales returned.

- Tax charged on inputs. This includes the tax charged to the goods and services sold by the owner through all distribution phases.

Items not eligible for tax credit

- Items in the table subject to this tax or in-puts of goods and services subject to this tax;

- Input tax included in the cost items;

- Exempted goods and services.

Reverse Charge

These are applicable to services rendered by those who do not reside in Egypt.

If a non-resident person not registered with the ETA renders a taxable service to a person not registered in Egypt:

In this scenario, the service provider must appoint a representative to fulfill his TAX duties including registration, payment of VAT, the additional tax and any other taxes due according to the law.

OR

Egyptian resident receiving the service will have to fulfill these obligations for him without breaching his right to reimburse the tax payments made from the nonresident service provider later.

Nonresident person, not registered with the ETA renders a service to:

- VAT registrant not necessary for their activity

- Governmental entity, general authority, or economic authority

If this person does not have a representative in Egypt, the Egyptian resident receiving the service will have to fulfill these obligations for him without breaching his right to reimburse the tax payments made from the later.

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Stamp Duty Tax.

Stamp tax was issued by law number 111 of 1980 and its amendment, and as of August 2006, the major stamp taxable amounts are as follows:

- 0.4% on loans and credit facilities by Egyptian Banks. It is calculated as 0.1% on the highest credit balance per quarter to be calculated (50% on the bank and the other 50% on the customer);

- 20% on advertising

- 15%, 20% and 60% on profits from bets, lotteries and the like;

- 2.4% on local payments by a governmental authority/unit;

- Different rates for the supply and consumption of water, electricity and gas.

A proportional stamp duty will also be imposed on the purchase or sale of all securities, regardless of whether such securities are Egyptian or foreign, listed or unlisted, without deducting any costs as follows:

- 2.5 per thousand to be borne by both seller and buyer and divided between both equally as of 20th June 2017 until 31st May 2018;

- 3 per thousand to be borne by seller and buyer and divided between both equally as of 1st June 2018 until the 31st May 2019;

- 3.5 per thousand to be borne by both seller and buyer and divided between both equally as of 1st June 2019.

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Other Tax Matters.

Transfer Pricing and BEPS

Egyptian tax law contains specific tax provisions relating to transfer pricing based on the arm's-length principle starting from the issuance of the income tax law No. 91 of 2005.
The tax authorities may adjust the income of an enterprise if its taxable income in Egypt is reduced as a result of contractual provisions that differ from those that would be agreed upon by unrelated parties.

However, according to Egyptian tax law, it is possible to enter into arrangements in advance with the tax department regarding a transfer pricing policy (advance pricing agreement (APA)).

An APA ensures that transfer prices will not be challenged after the tax return is submitted and, accordingly, eliminates exposure to penalties and interest on the late payment of taxes resulting from adjustments of transfer prices. The ETA, in association with the OECD, has issued Transfer Pricing Guidelines. These guidelines advise the taxpayers on the application of the arm's-length principle in pricing their intragroup transactions, as well as outlining the documentation taxpayers should maintain as evidence to demonstrate their compliance with the arms-length principle.

In 2016, Egypt signed the Base Erosion & Profit Shifting (BEPS) inclusive framework to be BEPS associate country by signing; Egypt is committing to apply the four minimum action plan standards per BEPS as follows:

- Action 5 - Harmful tax practices

- Action 6 - Treaty abuse

- Action 13 - Country by Country Reporting (CbCR)

- Action 14 - Dispute resolution

N.B: Egypt has not yet signed the exchange of information agreements on CbCR or mutual administrative assistance on tax matters.

Foreign exchange Controls

Egypt has a free market exchange system. Exchange rates are determined by supply and demand, without interference from the Central Bank or the Ministry of Finance.

Debt-to-equity rules

The Egyptian tax law includes thin-capitalization rules with respect to the deduction of interest on loans, which applies if the debt-to-equity ratio exceeds 4:1. The ratio applies to all debts owed to related and unrelated parties as well as to loans obtained from financial institutions. The limitation does not apply however, to banks and insurance and leasing companies.

In case the debt exceeds such ratio, then the excess interest would not be considered a tax-deductible cost.

1 2

Free Zone Tax.

Free zones, existed in Egypt since more than twenty years, are an economic tool which can be used by a given country to contribute to its economic development, and the Egyptian government has become more attune to their benefits in recent years. Free zones typically help economies by establishing export oriented industries, attracting modern technology, providing employment opportunities and maximizing foreign currency revenues. These advantages are achieved by incentives such as customs and tax exemptions.

With this in mind, the Egyptian government has set up a number of public and private free zones within the country which foreign investors can take advantage of, particularly within the fields of textiles, petrochemicals, transport and logistics, and pharmaceuticals.

Those who initiate activity within one of these free zones will enjoy a number of exemptions. The law permits the following exemptions for free zones:

- Projects established in the free zones and their profits shall not subject to the provisions of the laws of taxes and duties applicable in Egypt (so long as such projects limit their activities to that included in their practice activity license).

- Goods exported abroad or imported by free zones projects to exercise their activities shall not be subject to import or export rules, or customs procedures related to exports and imports. They shall also not be subject to customs taxes, VAT or any other taxes or duties.

- Except for passenger cars, all equipment, supplies, machines and transportation vehicles necessary to exercise the activity licensed for the projects in free zones shall not subject to customs taxes, VAT or any other taxes or duties.

The articles of incorporation of the companies and establishments as well as the loan and mortgage contracts related to their works shall be exempted from stamp duty and notarization and registration fees for 5 years from the date of registering in the Commercial Registry. Contracts for the registration of land necessary for establishing the companies and establishments within the private free zone system, shall also be exempt from the aforementioned taxes and fees.

Those who choose to take advantage of the many free zones which Egypt has to offer will incur the following charges:

1. Charges for services rendered by GAFI:

Free zones companies pay charges for services at an annual rate of 0.5% of the project investment costs at a minimum amount of US $ 100 and maximum of US $ 1,000 or its equivalent in foreign currency.

- Financial guarantee to cover the project liabilities:

Prior to the issuance of the resolution licensing for commercial activity, the companies should provide GAFI with a financial guarantee to cover its liabilities either in cash or through a letter of guarantee issued by a bank registered in CBE. The value of the letter shall be determined as follows:

- For industrial projects: 1% of the project investment costs at a minimum of US $ 5,000 and maximum of US $ 50,000.

- For storage projects: 2% of the project investment costs at a minimum of US $ 10,000 and maximum of US $ 100,000.

- For other projects: 1% of the project investment costs at a minimum of US $ 10,000 and maximum of US $ 100,000.

2. Annual charges:

- For industrial projects: 1% of the value added to their products.

- For storage projects: 1% of the commodity value upon the entry of the commodity (cost, insurance, freight) on their entry.

- For service projects: 1% of total realized annual revenues to GAFI as per the accounts approved by a public accountant.

Special Economic Zones

Special Economic Zones are particular type of modern free zone. In 2002, the Government of Egypt enacted Law No. 83 for the year 2002 for establishing Economic Zones of a Special Nature which covers the North-West Gulf of Suez Special Economic Zone (SEZone), located in the Suez Governorate in the Sokhna area. SEZone is the first economic zone with a special nature to be established in Egypt under this law.

The development of SEZone is intended to provide an attractive environment for medium and light industries as well as logistics services, thus enhancing economic activity in the region and creating new employment opportunities.

The following exemptions can be enjoyed in SEZones:

Incentives:

- 10% corporate tax rate.

- 5% personal income tax rate.

- All imports are 100% exempt from duties and VAT.

- Market access using Egypt Trade agreements like (QIZ, COMESA, EFTA, Agadir, EU and Gafta accessing 1.8 + billion customers through multi-trade agreements).

- Upon export to the local market, duties and sales tax/VAT are paid on imported components only.

- One-stop shop that provides the body with a single-point authority over other government agencies in core areas.

- Access to a specialized dispute settlement center.

- Access to a competitive production center in the Middle East-North Africa for many sectors.

- The General Authority for Economic Zone North West Gulf of Suez has a supreme committee that supervises the taxation system in the SEZONE.

- The General Authority for Economic Zone North West Gulf of Suez has a special customs service under the supervision of a Supreme Customs Committee.

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Company Formation in Egypt.

Below you will find an overview of the most common legal forms that a company can take within Egypt, including individual companies which were introduced in the latest amendments of the Companies Law No. 159.

One Person Company	Branch	L.L.C	Joint stock company
Any natural or juridical person may establish a company individually which will be considered a limited liability company.	A foreign company may register a branch office in Egypt if the company has a contract with an Egyptian private or public sector party to perform work in Egypt.	This type of company is usually formed for small projects that do not require major financing such as companies involved in internal trade and services activities.	Joint stock companies are among the most commonly used legal vehicles in Egypt and are usually used in those cases where there is a manufacturing project to be established in Egypt that requires major investments.
Formation: The establishment of a one person company requires one partner who may be a natural or juridical person. The owner shall appoint one or more directors for the company, specify their competencies and approve their signatures. The manager or the person designated by the founder of the company shall represent the company before the courts and others. The manager or managers shall be responsible for the management of the company before the owner.	Formation: No Requirements. The branch office may be managed by a branch manager(s) who does not need to be an Egyptian national(s).	Formation: A limited liability requires a minimum of two (2) partners and a maximum number of fifty (50) partners. There are no restrictions as to the nationality of the partners. A limited liability company may have any number of managers, one of whom must be Egyptian. The powers of each manager shall be shall be specified in the commercial register.	Formation: The establishment of a joint stock company requires a minimum of three (3) shareholders. There are no restrictions regarding the nationality of the shareholders. A joint stock company is managed by a board of directors. The board of directors of a joint stock company must be composed of at least three (3) directors of any nationality.
Capital: The minimum capital should be paid in full upon application for incorporation.	Capital: There are no capital requirements but a deposit of 5000 EGP or its equivalent of the foreign currency.	Capital: The minimum capital should be paid in full upon application for incorporation.	Capital: The minimum capital requirement is EGP 250,000 Note: Subscribers are obliged to subscribe to 10% of the issued capital during the formation of the company and such subscription should reach 25% during the three (3) months after formation. The remainder of the capital should be subscribed to within a period of five (5) years.

One Person Company	Branch	L.L.C	Joint stock company
Required Documents: 1. Preparation of the Articles of Incorporation of the Company. 2.Power of attorney from the founder of the company. 3. Copy of the founder's ID. 4. If the owner is a legal entity, then copy of the articles of incorporation of the said entity will be required. 5. Certificate of non-confusion. 6. Approval from the founder of the one person company, in the form of a board resolution or a shareholders' meeting resolution. This document must be legalized by the Egyptian Consulate at your end. 7. Certificate from an authorized Egyptian bank that the capital of the company has been deposited in full. 8. Ownership or lease contract to prove the existence of a premises for the company.	Required Documents: 1. A letter from the director of the Commercial Register office addressing the head of the investment service complex. 2. Copy of the mother company's statutes. 3. A copy of the decision issued by the mother company abroad to open a branch in Egypt. 4. A copy of the decision issued by the mother company abroad to appoint a branch Manager in Egypt. 5. A copy of the resolution issued by the mother company abroad stating that no other branch has previously been opened in Egypt. 6. A copy of a bank certificate proving the transfer of EGP 5,000 (five thousand Egyptian pounds) in foregin currency at the official bank rate, in the name of the branch. 7. A copy of the lease contract or the title deed of the premises. 8. A copy of the construction contract or agreement concluded for the execution of any operation in Egypt. The contract should state a set objective, duration and value. • All documents should be translated and notarized by the Egyptian embassy abroad as well as the Egyptian Ministry of Foreign Affairs. • For construction contracts related to construction activities, a certificate of pre-qualification must be submitted proving experience in the field requested to be registered. The certificate should be presented in English and coupled with a certified Arabic translation.	Required Documents: 1. Company's articles of incorporation. 2.Power of attorney from each partner, or each shareholder. 3. Copy of each partner/shareholder's ID. 4. If any of the partner's is a legal entity, then a copy of the their articles of incorporation will be required. 5. Certificate of non-confusion 6. The approval of the legal entity partners of the establishment of the limited liability company, in the form of a board resolution or a shareholders' meeting resolution. This document must be legalized by the Egyptian Consulate at your end. 7. Certificate from an authorized Egyptian bank that the capital of the company has been deposited in full. 8. Ownership or lease contract to prove the existence of a premises for the company.	Required Documents: 1. Preparation of the Articles of Incorporation of the Company. 2.Power of attorney from each partner, or each shareholder. 3. Copy of each partner/shareholder's ID. 4. If any of the partner's is a legal entity, then a copy of the their articles of incorporation will be required. 5. Certificate of non-confusion 6. The approval of the legal entity partners of the establishment of the limited liability company, in the form of a board resolution or a shareholders' meeting resolution. This document must be legalized by the Egyptian Consulate at your end. 7. Certificate from an authorized Egyptian bank that the capital of the company has been deposited 10% of the issued capital 8. Ownership or lease contract to prove the existence of a premises for the company.

Note: All the documents incoming from abroad must be translated, legalized by the Egyptian Consulate in the country of origin and the Egyptian Ministry of Foreign Affairs. The translation must be also authenticated.

All companies must also hire a permanent lawyer and accountant.

Prepared by

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