

## JETRO Cairo

### Laws & Regulations about Incorporation, Investment, Tax and Labor

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## 1. **Business Incorporation**

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

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

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

### **(A) Joint Stock Companies ("JSC"):**

#### **Overview**

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

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

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

#### **Capital of JSC**

1.6. JSC shall have a minimum issued capital of not less than EGP 250,000 for closed companies which shares are not offered to public and EGP 1,000,000<sup>1</sup> for companies offering their shares to public offering. The law may require higher minimum issued capital for companies working in specific activities, such as securities transactions, currency exchange offices, money transfer and credit rating to be not less than EGP 5,000,000<sup>2</sup>. As per the Companies Law Amendments, a decision to increase the issued capital of a company can now be taken in an ordinary rather than extraordinary shareholders meeting as was required before the amendments<sup>3</sup>.

#### **Shareholders Number and Nationality**

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<sup>1</sup> Article (41) of the executive regulations of the Capital Market Law

<sup>2</sup> Articles (67 bis, 115 and 115 bis) of the Banking Law No. 88 of 2003 and Article (6 bis) of the executive regulations of the Companies Law

<sup>3</sup> Article (3) of the Companies Law Amendments

- 1.7. The minimum number of founder shareholders of a JSC is three founders, and consequently all JSCs shall have at least three shareholders<sup>4</sup> (whether natural or corporate entities) throughout the term of the company with no maximum limit.
- 1.8. Generally speaking, there is no restriction on the nationality of shareholders of a JSC; they can all be non-Egyptians. However, in specific activities the law may require minimum Egyptian shareholding (i.e. commercial distributor).

### **General Assembly Meeting**

- 1.9. General Assembly meetings are divided into:
- Ordinary General Assembly meetings ("OGM"); and
  - Extraordinary General Assembly meetings ("EGM").
- 1.10. Each Shareholder is entitled to attend the General Assembly meetings of shareholders, whether personally or by proxy.

#### *a) Ordinary General Assembly Meeting (OGM)*

- 1.11. Shareholders in an OGM are competent to decide on the following:
- electing and dismissing the members of the board of directors;
  - supervising the works of the board of directors, approving their reports and releasing them from liability;
  - approving the company's budget and the profit and loss account;
  - approving the distribution of dividends; and
  - deciding on all others matters submitted thereto by the board of directors, the competent authority or by shareholders owning not less than 5% of the company's capital, as well as all other matters prescribed by the laws and the company's statutes.
- 1.12. The attendance quorum of the OGM shall be at least a number of shareholders owing one quarter of the company's capital.<sup>5</sup> The company's statutes can provide for a higher percentage provided that it does not exceed half of the capital.
- 1.13. If this minimum attendance quorum was not fulfilled, a second meeting may be called within the 30 days following the first meeting. The second meeting will be deemed validly held whatever the number of the attendees.
- 1.14. The resolutions of the OGM are taken by the absolute majority (50%+1) of the attending shareholders, unless the company's statutes provide for a higher percentage.

#### *b) Extraordinary General Assembly Meeting*

- 1.15. EGM is mainly competent to amend the company' statutes, taking into consideration the following<sup>6</sup>:
- It is not permitted to increase the liabilities of Shareholders.

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<sup>4</sup> Article (8) of the Companies Law

<sup>5</sup> Article (67) of the Companies Law.

<sup>6</sup> Article (68) of the Companies Law.

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

1.16. EGM shall be invited by the board of directors. Unless otherwise stipulated in the Company's' statutes, the EGM will not be validly held unless attended by shareholders representing at least half of the capital. If this minimum quorum is not met, a second meeting will be called within 30 days from the date of the first meeting. The second meeting will be considered valid if attended by a number of Shareholders representing at least one quarter of the capital.

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

### **Board of Directors**

1.18. JSC shall have a board of directors composed of at least three members including the chairman. The first board of directors of the company shall be appointed by the founding shareholders for a period of five years. Whereas, any subsequent board of directors shall be appointed by the general assembly for a period not exceeding three years<sup>7</sup>.

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

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

1.21. Board members of JSCs are entitled to receive bonuses/remunerations. In case the remunerations/bonuses of the board members is determined by a specific percentage of the company's dividends, it shall not exceed 10% of the company's net profit, after deducting the depreciations, the legal and statutory reserve, and after distributing dividends for the shareholders and employees, unless the statutes of the company determine a higher percentage<sup>8</sup>.

### **Distribution of Dividends**

1.22. Shareholders may decide at the OGM to distribute all or part of the company's distributable dividends as per the audited financial statements of the company as long as such distribution will not negatively affect the company's business or its financial obligations vis-a-vis third parties.

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<sup>7</sup> Article (77) of the Companies Law.

<sup>8</sup> Article (88) of the Companies Law

The OGM may decide to distribute profits at any time whether annually or at least every three months in case the company prepares periodical financial statements on a quarterly basis<sup>9</sup>.

- 1.23. It is important to mention that dividends decided to be distributed by the OGM are the net profits of the company after deducting all costs, expenses and required reserves.
- 1.24. Distributed profits are different from the 'distributable profits'. Distributed profits are those profits actually decided to be distributed by virtue of a decision from the OGM with absolute majority (i.e. 50+1%) of the attendees and those represented in the meeting. Whereas, distributable profits are the company's net profits after deducting the realized and accumulated losses and withholding the mandatory legal reserve and the statutory reserve or (if any)<sup>10</sup>.
- 1.25. The board of directors is obliged to deduct from the company's net profits at 5% to fund the legal reserve. The company can stop such deduction when the legal reserve reaches half the amount of the company's capital<sup>11</sup>.
- 1.26. After funding its legal reserve and statutory reserve (if any), the balance of its profits is considered the company's distributable dividends and may be distributed pursuant to a resolution of the general assembly and subject specific priority.
- 1.27. The employees are entitled to at least 10% of the distributed profits provided that it will not exceed the aggregate amount of the employee's annual salaries. Thereafter, an amount equivalent to at least 5% of the net profits shall be distributed to the shareholders<sup>12</sup>.

#### **Right of attending Shareholders Meetings**

- 1.28. Article (59) of the Companies Law states that; each shareholder has the right to attend the general assembly meetings either by themselves or by proxy in writing and the agent must also be a shareholder.

#### **Allowing Virtual Attendance and Voting**

- 1.29. During the spread of COVID-19 in 2020, the General Authority for Investment and Free Zones ("GAFI") has decided on 18 March 2020 to allow the Egyptian companies incorporated under the Companies Law no. 159 of 1981 or the Investment Law no. 72 of 2017 to hold and convene board meetings, ordinary and extra-ordinary general assembly meetings via remote audio or video communication techniques; and
- 1.30. The Financial Regulatory Authority (FRA) has also decided to activate the use of electronic means in convening, attending and voting in general assembly meetings.

#### **Equality between shareholders**

- 1.31. According to Article (9) of the Executive Regulations of the Capital Market Law, classes of shares may not be introduced unless they have been provided for under the articles of incorporation of the company.

#### **Pre-emption rights**

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<sup>9</sup> Article (39) of the Companies Law.

<sup>10</sup> Article (194) of the executive regulation of the Companies Law.

<sup>11</sup> Article (40) of the Companies Law and article (192) of its executive regulations.

<sup>12</sup> Article (196) of the executive regulation of the Companies Law.

- 1.32. According to Article (30) of the same Executive Regulations, company's articles of incorporation may include a stipulation regarding the extent of the pre-emptive rights of the present shareholders to subscribe in the shares of capital increase by cash or nominal shares, provided that, this right shall not be limited to specific shareholders other than the others, without prejudice to the rights enjoyed by the preferred shares.

#### **Minority Can Call for Shareholders Meetings**

- 1.33. Article (61) of the Companies Law states that the company's board of directors shall call for an Ordinary General Assembly Meeting ("OGM") if a number of the shareholders that represents at least 5% of the company's capital submitted a request for this regard, otherwise they could resort to the competent administrative authority or the auditor to do so if the board of directors had not called for the OGM during a month from submitting such a request. However, the required percentage – in this case – will be 10% in lieu of 5%.

#### **Participation in Decision Making**

- 1.34. Article (72) of the Companies Law stipulates that each shareholder attending the general assembly meeting can discuss the matters of the agenda of the meeting and to question the auditor and the board members. The board is bound to answer the shareholders' questions to the extent not conflicting with the interests of the company. In the event the shareholder is not satisfied with the answer given he is entitled to ask the general assembly to interfere to solve the matter and the decision of the general assembly on the matter shall be enforceable.

#### **Protection of Minority Rights**

- 1.35. According to Article (76) of the Companies Law, any of the shareholders may object to the decision issued by the general assembly in favour of or in the prejudice of a group of shareholders or which prejudices or aims at procuring special advantages to a member of the board of directors disregarding the interests of the company. Such demand is opened to the shareholder who objected to the decision or who did not attend the meeting for a good reason. The competent administrative authority may represent such shareholders in their request for nullification, if they submit serious cause. The courts may accordingly nullify the decision.
- 1.36. In addition, Article (10) of the Capital Market Law states that the board of the Capital Market Authority, upon a petition on substantive reasons by a number of shareholders owning no less than 5% of the company shares, may suspend the decisions of the general assembly of the company that are taken unfairly in favour of a given group of shareholders, or causing harm to them, or unfairly bringing about a benefit to the members of the BOD or others.

#### **(B) Limited Liability Companies ("LLC")**

- 1.37. A Limited Liability Company is a company with limited liability. It requires a minimum number of two shareholders, while the maximum number of shareholders is not to exceed fifty.
- 1.38. The articles of association of an LLC shall determine the minimum capital of the company and the value of quotas/shares. All quotas must have the same value of no less than EGP 100. The shareholders' liability is limited to the extent of capital contributions.
- 1.39. In general, a limited liability company can conduct all kinds of business activities, with certain exceptions determined under the law (i.e. insurance, banking, receiving deposits or investing funds on behalf of others).

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

**(C) Sole Shareholder Companies**

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

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

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

1.44. The minimum capital of the Sole Shareholder Company shall be EGP 1,000 and required to be fully paid in advance.

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

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

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

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

**(D) Branches of Foreign Companies:**

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

1.49. The branch office does not have an independent legal personality from its parent company. Accordingly, the parent company will be liable for all the obligations and liabilities of the branch.

1.50. The branch can be managed by a foreign manager, and it will be under full control of its parent company.



- 1.51. Branch are not subject to a requirement of a minimum capital investment. However, initial capital investments of at least EGP 5,000 (about USD 162) must be transferred in foreign currency to Egypt through a registered Egyptian bank.
- 1.52. The net profit of a branch is subject to corporate tax at the same rate as Egyptian companies.

#### **(E) Representative Offices**

- 1.53. According to the Egyptian Companies Law, foreign companies are permitted to establish representative offices for the purpose of carrying out market surveys or studying the feasibility of production without entering into any commercial operations activities.
- 1.54. The representative office should be registered with GAFI in the register prepared for such purpose. The application for registration should determine, among others, the name of the foreign companies and its main information and details as well as the type of office to be established in Egypt. The application should be also attached with the following documents:
  - a. A legalised version of the memorandum and articles of the foreign company and a translated summary thereof.
  - b. The resolution issued by the foreign company to establish a representative office in Egypt.
  - c. The name of the office's manager.
- 1.55. According to GAFI Decree no. 742 of 2018, there are certain compliance requirements for representative offices in Egypt ("**Decree**"):
  - 1.55.1. Article One of the Decree provides that representative offices should submit to GAFI an annual report showing the following:
    - a) list of all its employees, their jobs, nationalities, salaries relative to the total amount of the salaries paid by the office;
    - b) the studies performed during the last year and any amendments thereto, and an evidence that the representative office sent these information to its parent company and the decisions taken by the later in this respect.
    - c) Timeline showing the completed part of the studies and what is remaining and the results achieved.
  - 1.55.2. Representative offices will be granted a registration certificate for a period not to exceed one year. The certificate can be renewed taking into consideration the office's compliance with the requirements stipulated in Article One of the Decree.
  - 1.55.3. The Decree provides that *the parent company has to take a decision to open a company or a branch office in Egypt within three (3) years from the date of registering the representative office*. This period can be extended by virtue of a decision from the CEO of GAFI upon submitting acceptable reasons.
  - 1.55.4. Article Three of the Decree reconfirmed what is stipulated under the Companies Law that a representative office is allowed to conduct market studies only and not to perform any other commercial activities. A representative office which violates this mandate has to comply with the law by *opening a company or a branch office within 6 months from being notified with the violation or otherwise its registration will be canceled*.

## **2. Business Liquidation**

2.1. The Companies Law specifies certain procedures for liquidating a company in Egypt:

**(a) Holding an Extra-ordinary General Assembly Meeting (“EGM”)**

An EGM meeting should be held by the company to approve the following resolutions:

- Liquidating the Company.
- Appointing a liquidator, and identifying his responsibilities and fees.
- Ascertaining a timeline for the completion of the liquidation responsibilities.
- Appointing an auditor who would be responsible for preparing the liquidation financial statements.

2.2. The decision to liquidate the company shall be made by a majority of – at least - 75% of the shareholders attending the EGM.

**(b) Settling Companies Liabilities and Preparing Liquidation Report & Financial Statements**

2.3. The appointed liquidator will be responsible for publishing the liquidation decision of the company’s in the official gazette and annotate it under the Commercial Register of the company. From the date of announcing the commencement of the liquidation process, the shareholders and the managers will have no authority to manage the company or make decision, and no further business should be undertaken by the Company.

2.4. The liquidator will be responsible for notifying the authorities about the company’s liquidation (i.e. notifying the tax authority, social insurance authority..etc).

2.5. During the liquidation period, the liquidator should sell the assets of the company, settle its debts (i.e. tax and social insurance liabilities), pay employees’ entitlements and finalize/settle any on-going disputes (i.e. court cases, arbitration cases).

2.6. The liquidator shall prepare a final report with respect to the liquidation responsibilities/tasks which were undertaken during the liquidation period, and the auditor shall prepare final liquidation financial statements showing the outcomes of the liquidation process.

**(c) Holding an Ordinary General Assembly Meeting (“OGM”)**

2.7. After undertaking the abovementioned procedures, an OGM should be held to approve the following resolutions:

- Approving the final report of the liquidator concerning the tasks and procedures which were undertaken by the liquidator with respect to the liquidation process.
- Approving the liquidation financial statements (as prepared by the auditor).
- Approving the outcome of the liquidation process and distribute the liquidation revenue (if any) among the shareholders.
- De-register the company from the Commercial Registry.

- Publish the end of the liquidation process and the de-registration of the Company in the newspaper.

2.8. In the normal course of business, the liquidation process takes one year.

### **3. Investment Laws & Regulations**

- 3.1. The Investment Law no. 72 for 2017 was ratified and officially published on the 31<sup>st</sup> of May 2017 (“**New Investment Law**”) to cancel and replace the previous Investment Law no. 8 for 1997. The new investment law was amended by the Amendment Law no. 160 for 2023. The aim of the new Investment Law and its Amendment Law is generally to attract new investments to Egypt through offering further incentives and guarantees, removing obstacles and streamlining the procedure.
- 3.2. The New Investment Law kept most of the amendments introduced under the previous Investment Law no. 8 of 1997, in addition to consolidating many of the investment rules that were scattered under different laws and regulations. The law offered new non-tax incentives and investment protection guarantees, added new rules for state-land allocation, set new out-of-courts forums to amicably settle investor-state disputes, and authorized the General Authority for Investment and Free Zones (GAFI) to act as a one-stop-shop for all investment related licensing procedures.
- 3.3. The New Investment Law introduces a new tax reduction system for investment in certain geographical areas as well as investment in specific sectors. Only new companies established after the issuance of the law can benefit from this tax credit system.
- 3.4. The law allows again the establishment of privately-owned free zones after being banned by virtue of the 2015 amendments to the previous Investment Law no. 8 of 1997.

#### **(A) Investment Guarantees**

- 3.5. The law assured the following guarantees to all types of investments in Egypt:
  - a) Fair and equitable treatment to both foreign and Egyptian investors. The Cabinet has the authority, subject to reciprocity, to grant foreign investment, a more favourable treatment.
  - b) Invested money will not be subject to any coercive or discriminatory measures.
  - c) Foreign investors will be given a residence permit throughout the term of their investment project.
  - d) Investment is protected against nationalization. Expropriation is allowed only for public interest and against fair market value compensation to be paid in advance and without delay.
  - e) Seizure of money is only allowed by virtue of a court judgment, except for tax and social insurance contribution dues.
  - f) Licenses given and state-owned land or property allocated to an investment project may not be withdrawn unless the following pre-steps are taken:
    - (B) Giving the investor a prior notice.
    - (C) Giving the investor a grace period to rectify the defect.
    - (D) Obtaining the approval of GAFI.
  - g) The right to repatriate profits outside Egypt and receive foreign funds to finance the project without restriction.
  - h) Facilitating liquidation procedure to be finalized within 120 days.
  - i) Importation of machines, equipment, raw materials needed for the purpose of establishing, expanding or operating the investment project does not require obtaining an importation license.

- j) Expats can be employed up to 10% of the total number of employees; this percentage can be increased to 20% if local employees do not have the required qualifications. Expats have the right to repatriate all their money outside Egypt. An exemption can be obtained from these percentages for strategic projects.

## (B) Investment Incentives

- 3.6. Incentives given to projects under the New Investment Law are divided into three types, (1) general, (2) special, and (3) additional incentives. The Amendment Law decided a number of new incentives and widened the scope of application of other incentives.

### General Incentives

- 3.7. All investment projects, except free zone projects, shall enjoy the following incentives:
- a) Registration of the constitutional documents of a company, loan agreements, pledge contracts as well as the registration of the land needed for setting the project are exempted from stamp duty tax and notary public fees for a period of 5 years from the date of registering the company.
  - b) A unified flat customs duty rate of 2% on all machines and equipment needed for the establishment of the project.

### Special Incentives (Tax Deduction)

- 3.8. Article 11 of the Investment Law provides for special incentive in the form of a deduction from the net taxable profits for newly established companies. The percentage of the deduction depends on the zone in which the project locates. Zone A will benefit from a deduction of 50% and Zone B will benefit from a deduction of 30%.
- 3.9. 'Zone A' covers the geographical locations that are in most need for development (underdeveloped locations), and 'Zone B' covers the rest of Egypt for projects working in certain activities.
- 3.10. The Executive Regulations of the Investment Law issued by virtue of the Prime Ministerial Decree no. 2310 for 2017 ("**Executive Regulations**") clarified what are the areas covered by each zone as following:

**Zone A:** the Suez Canal Special Economic Zone, the Golden Triangle Special Economic Zone, the New Administrative Capital and the other areas that are in most need for development as decided by the Prime Minister. A Prime Ministerial Decree no. 7 of 2020 has been thereafter issued to determine further geographical locations as included under 'Zone A', as following:

- South of Giza governorate;
- Governorates affiliated to the Suez Canal which are Port Said, Ismailia, Suez (east of the canal);
- Border governorates, including the Red Sea governorate from south Safaga; and
- Upper Egypt' governorates.

**Zone B:** all geographical areas other than those of Zone A, for projects working in specific sectors, including food manufacturing, labour incentive projects, SMEs, renewable energy and electricity projects, vehicle industry, tourism projects and agricultural, engineering and exporting projects.

- 3.11. According to Article 11 of the Investment Law, the 30% and 50% incentive will be calculated from the investment cost of the project, and in all cases will not exceed 80% of the paid-up capital of the project until the start of its operation.
- 3.12. Investment cost is defined to be the sum of the following:
- 1- equity fund,
  - 2- long term loans used to finance the establishment of the movable and immovable assets of the project, on the condition that it will be repaid in cash; and
  - 3- working capital.
- 3.13. The incentive amount will be deducted from the net taxable profit of the project. The deduction can be accrued for a maximum duration of 7 years as of the operation date of the project.
- 3.14. Benefiting from this new tax deduction system is subject to the following conditions:
- (a) Establishing a new company before October 2026.
  - (b) Not to use the assets of any existing company or liquidate an existing company for the purpose of establishing a new company to benefit from the tax reduction system.
  - (c) Keeping regular and accurate books.

#### **Additional Incentives**

- 3.15. The following additional incentives can be granted to strategic investment projects working in certain sectors (including food products) upon a decision from the Cabinet:
- Allowing the project to have its own customs gates for its imports and exports.
  - Government to share part of the cost of attaching utilities to the land allocated to the project.
  - Government to share part of the cost of the technical training of the employees.
  - Refunding half the price of the land allocated to the industrial project in case it succeeded in starting production within two years from having the land allocated.
  - Allocating free land for specific strategic projects.
  - Exempting projects from paying the fees of using project's allocated land for a maximum of 10 years from the operation date of the project (after presenting the matter to the Minister).
  - Exempting projects from contributing to the costs of establishing the infrastructure, and the public services and utilities of up to 50% of such cost (by virtue of a decision from the Prime Minister).
  - Allowing the public treasury to bear a percentage not exceeding (50%) of project's consumption of the public utilities for a period not exceeding ten years.
- 3.16. In order to benefit from these additional incentives, the project company should have started operation of the project plus meeting one of the following conditions:
- 1- Finance its project through foreign currency from resources outside Egypt.
  - 2- Export at least 50% of its production.
  - 3- increase the local component of their products by not less than 50% according to the IDA requirements.
- 3.17. A certificate will be issued by GAFI for those projects benefiting from the special and the additional incentives after inspecting the project.

#### **Investment Incentives for Expansions of Existing Projects**

- 3.18. The expansions of existing projects in Egypt has been granted the same special and additional investment incentives as the newly established projects under the New Investment Law. Expansion means increasing the capital used in the project by adding new assets to increase the production capacity.
- 3.19. In order to enjoy the same tax and additional incentives, the expansion of an existing project will have to fulfil the following conditions:
1. The expansion should be in one of these sectors specified under the Investment Law and its Executive Regulations: manufacturing, agriculture, trade, education, health, transportation, tourism, housing, construction, sports, electricity, energy, natural resources, water, telecommunication and technology.
  2. The Expansion shall take place after the enforcement of the Decree, i.e., after 8 March 2020.
  3. The expansion shall include adding new assets to the existing project which results in increasing its production capacity.
  4. The expansion shall have its separate accounts and financial statements.

### **(C) Reporting Requirements for Foreign Investments**

- 3.20. GAFI is now allowed, by virtue of an amendment to the New Investment Law in 2019<sup>13</sup>, to request information and data relating to the assets of direct and indirect foreign investments from public and private entities for statistical purposes. Such collection of information will be in accordance with the applicable international practices and without prejudice to the national security and the rights of privacy and confidentiality as well as the protection of third parties' rights.
- 3.21. The executive regulation of the New Investment Law has been also amended in 2019 by virtue of Decree # 2731 of 2019 ("**Decree**") by adding two new Articles (126 bis and 126 bis/A) to determine certain details to the FDI reporting requirement and setting out the timeframe and deadline for such reporting requirement upon public and private entities.
- 3.22. According to the Decree, private entities are required to submit to GAFI:
- 1) quarterly reports within maximum 45 days from the end of each calendar quarter (i.e. before the end of March, June, September, and December); and
  - 2) 2- annual reports within 4 months following the end of the fiscal year. Companies are also required to report any changes to their capital, objective, shareholding structure or the board of directors' structure within 30 days.
- 3.23. The required forms and questionnaires to be filled by the relevant entities have been prepared and published in the Official Gazette by virtue of the Prime Ministerial Decree no. 2732 of 2019. These forms and questionnaires are required to be filled by any means including the electronic ones. Online submission is also available through GAFI website.
- 3.24. According to Article 91 bis of the Investment Law, companies which do not comply with the FDI reporting requirement will be subject to a fine of no more than EGP 50,000. This fine will be imposed on the manager of the company if proven to be aware of the non-compliance and contributed thereto due to her or his managerial position.

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<sup>13</sup> By virtue of Law No. 141 of 2019.

#### 4. Return of Privately-Owned Free Zones

- 4.1. Privately-owned free zone projects are allowed again under the New Investment Law after their cancellation by virtue of the 2015 amendments of the previous Investment Law no. 8 of 1997. Projects in free zones are not subject to applicable tax and customs laws in Egypt. They are rather subject to the following fees<sup>14</sup>:
- 4.2. *Projects in Public Free Zones:*
- A fee of 2% of the value of goods imported by storage projects on CIF basis, and 1% of the goods exported by manufacturing and assembling projects on FOB basis.
  - A fee of 1% of the total revenue of projects that do not export or import products.
- 4.3. *Projects in Privately-Owned Zones:*
- A fee of 1% of the total revenue achieved from exporting its products outside Egypt for manufacturing and assembling projects, and 2% in case of exporting these products inside Egypt.
  - A fee of 2% of the total revenue of projects working in projects other than manufacturing and assembling.
- 4.4. Projects in both, public free zones and private free zones shall pay an annual service fee to GAFI , according to the below percentages, subject to a maximum of EGP 100,000, as following:<sup>15</sup>
- half per thousand of the issued capital for industrial and assembly projects; and
  - one per thousand of the issued capital for the storage, service projects and those licensed to practice multiple activities.

#### 5. Taxation

##### **Unified Tax Procedures Law**

- 5.1. On 19 October 2020, the Unified Tax Procedures Law No. 206 of 2020 (the “Law”) was issued to introduce unified tax procedures of assessment and collection of the direct and indirect taxes. The Law also establishes the legal basis for the transformation to the new tax e-system and aligns with the current dynamic digital economy.
- 5.2. The main features of the Unified Tax Law are as the following:
1. **Tax Documents Can Be Submitted in Any Language:** All documents, records and information related to taxes can be submitted in any language, provided that a certified translation from an accredited translator is attached.
  2. **Tax Registration Number:** Every taxpayer shall have a unified tax registration number for all types of taxes. Taxpayers must include the unified tax registration number in all correspondences and transactions.

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<sup>14</sup> Article (41) of the New Investment Law

<sup>15</sup> Article (107) of the Executive Regulations of the New Investment Law.

3. **Tax Return:** The tax return filing deadlines have been amended as follows:
  - Monthly VAT return with a deadline of month following the end of the tax period.
  - Quarterly payroll tax return.
4. **Transfer Pricing:** Taxpayers engaged in commercial or financial related party transactions of EGP 8 million or more should submit the three-following documents.
  - a. Master file to provide an overview of the group's business operations as a whole.
  - b. Local file to provide information on an entity level regarding its business activities. There should be one local file per entity on an annual basis.
  - c. Country by Country Report (CbCR) to showcase the global allocation of revenues, income taxes paid, capital and retained earnings per jurisdiction. It also shows the key economic activities of the entities of the group. Taxpayers who fail to disclose their related party transactions will be subject to a penalty ranging from 1% to 3% imposed on the total value of the related party transaction in the respective year.
5. **Tax Refund:** The Law obliges the Egyptian Tax Authority ("ETA") to remit tax refunds within 45 days from the date a refund request is submitted. Otherwise, the ETA will have to pay late payment interest.
6. **Advance Ruling:** Taxpayers can file an advance ruling to get the ETA's opinion on any transaction/ arrangement with a considerable tax impact. The relevant department of the ETA will have 30 days to respond.
7. **E-System:** Companies and other legal and natural persons selling a product or providing a service should register all their purchases and sales on the electronic system. Documents can be submitted in an electronic form. An electronic signature will have the same authenticity as a written signature.
8. **Tax Clearance Certificate:** Taxpayers who intend to refund any overpaid amounts from the ETA should obtain a tax clearance certificate from the ETA confirming that there are no outstanding taxes due. The ETA should issue the certificate within 40 days from the date of submission of the request.
9. **Exchange of Information:** The ETA has the right to exchange information with countries that have tax treaties with Egypt, as well as with government agencies, public bodies, trade unions and associations for tax purposes and law enforcement, without breaching the commercial, industrial or professional confidentiality of the taxpayer.
10. **Tax Appeals:** The Law states that the appeal request must include precisely all disputed aspects of the tax assessment and the substantial reasons of the appeal. Appeals that do not include details of the disputed items will be disregarded.
11. **Confidentiality:** The Law maintained the confidential nature of the information of the taxpayers and prohibited tax employees from the disclosure of any information related to taxpayers.
12. **Penalties:** A new range of penalties are introduced for non-compliance with tax laws, as well as new tax evasion settlement procedures. The penalties include fines and imprisonment from 6 months to 3 years.



**Income Tax Law**

5.3. The Unified Corporate and Income Tax Law no. 91 of 2005 is governing taxes in Egypt (“**Tax Law**”).

**(A) Corporate Income Tax**

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

5.5. Corporate Tax is imposed on:

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

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

- Profits from a commercial or industrial activity.
- Income from the use and disposal of buildings or assets.
- Amounts received on shares of associations of capital.
- Yield paid by the government, local government units, public juridical persons.
- Rental amounts, license fees, royalties received.
- Income from any other activity performed in Egypt

**(B) Income Taxes**

5.7. According to the Tax Law an annual tax shall be imposed on the total net income of resident and non-resident natural persons in respect of their incomes earned in Egypt.

5.8. On 30 October 2023, a significant amendment has been introduced to the Egyptian Income Tax Law No. 91/2005, by virtue of Law No. 175/2023.

5.9. According to the Income Tax Law, individual income tax rates are progressive and subject to gradual rates ranging from 10% to 27.5% depending on the amount of the annual income. Pursuant to Article 8 of the Income Tax Law (as amended), the current applicable income brackets and their corresponding tax rates are as follows:

Income Tax Rate	Annual net income not exceeding EGP 600,000	Annual net income of more than EGP 600,000 and up to EGP 700,000	Annual net income of more than EGP 700,000 and up to EGP 800,000	Annual net income of more than EGP 800,000 and up to EGP 900,000	Annual net income of more than EGP 900,000 and up to EGP 1,200,000	Annual net income of more than EGP 1,200,000
<b>0%</b>	From EGP 1 to EGP 30,000	–	–	–	–	–
<b>10%</b>	From EGP 30,001 to EGP 45,000	From EGP 30,001 to EGP 45,000	–	–	–	–

<b>15%</b>	From EGP 45,001 to EGP 60,000	From EGP 45,001 to EGP 60,000	From EGP 1 to EGP 60,000	–	–	–
<b>20%</b>	From EGP 60,001 to EGP 200,000	From EGP 60,001 to EGP 200,000	From EGP 60,001 to EGP 200,000	From EGP 1 to EGP 200,000	–	–
<b>22.5%</b>	From EGP 200,001 to EGP 400,000	From EGP 200,001 to EGP 400,000	From EGP 200,001 to EGP 400,000	From EGP 200,001 to EGP 400,000	From EGP 1 to EGP 400,000	
<b>25%</b>	More than EGP 400,000	More than EGP 400,000	More than EGP 400,000	More than EGP 400,000	More than EGP 400,000	From EGP 1 to EGP 1,200,000
<b>27.5%</b>	–	–	–	–	–	More than EGP 1,200,000

5.10. It is worth mentioning that the above tax rates shall be applied on salaries and their equivalents. Whereas; these rates shall start to be applicable on the revenues resulting from industrial and commercial activities, non-commercial professions and real estate wealth starting from the tax period ending after the publication date of the Amendment.

#### **(C) Capital Gains Tax on Shares**

5.11. The capital gains realized from the disposal of listed shares for tax residents are subject to capital gain tax at the rate of 10%. However, this tax is suspended until the end of 2021. Whereas, for non-residents, the capital gains realized from the disposal of listed shares shall be permanently exempted from the capital gain tax. Capital gains realised by a resident or non-resident shareholders from the sale of unlisted shares are subject to the standard corporate tax rate of (22.5%).

#### **(D) Dividend Income Tax**

5.12. Dividend distributions by unlisted companies are now subject to a 10% withholding tax, while dividends made by listed companies are subject to a 5% rate.

#### **(E) Value Added Tax (VAT)**

5.13. The standard rate of the VAT imposed according to the VAT Law no. 67 of 2016 ("VAT Law") is 14% applicable on all goods and services. Nonetheless, as per Article (3) of the VAT Law and Article (4)(2) of its Executive Regulations, VAT will apply with a reduced rate of 5% on machines and equipment used for the sole purpose of producing goods or providing services, whether they are imported or locally procured. This includes machines and equipment which form a complete production line including all its components, regardless they are imported in whole or in part. However, spare parts and tools used for the installation of the machines and equipment are subject to the general VAT rate of 14%.

5.14. The value of the goods or services that should be reported by the taxpayer to the authorities and upon which the VAT rate will be calculated ("**Taxable Value**") is the actually paid or

payable price of the concerned good or service<sup>16</sup>. The Taxable Value shall include all incidental fees and expenses payable by the purchaser or the importer, such as commissions, packaging, transportation and insurance fees.

- 5.15. For imported equipment, the Taxable Value will also include the imposed customs duty as well as any other imposed taxes or fees.
- 5.16. In case of related parties' transactions, the Taxable Value shall not be less than the market value on the basis of the arm's length standard.

## **6. Dispute Settlement**

- 6.1. Egypt is an ADR-friendly country. It supports various types of out-of-court dispute settlements, especially mediation. The Egyptian legal system is a civil one where the judiciary is independent from the government. The courts would normally accept to enforce foreign judgements, however this must be done through an exequatur which could be obtained via following the same procedures of initiating a lawsuit before the Egyptian courts, in addition to several other conditions, including ensuring reciprocity between the Egyptian and foreign country's courts and verifying the competence of the court rendering the judgment.
- 6.2. Egypt is a signatory of the 1958 New York Convention on the Enforcement of Arbitral Awards; the 1965 Washington Convention on the Settlement of Investment Disputes between States and the Nationals of Other States; and the 1974 Convention on the Settlement of Investment Disputes between the Arab States and Nationals of Other States.
- 6.3. An award issued pursuant to arbitration that took place outside Egypt may be enforced in Egypt if it is either covered by one of the international conventions to which Egypt is party or it satisfies the conditions set out in Egypt's Arbitration Law 27 of 1994 which provides for the arbitration of domestic and international commercial disputes and limited challenges of arbitration awards in the Egyptian judicial system. The Arbitration Law was amended in 1997 to include disputes between public enterprises and the private sector<sup>17</sup>.
- 6.4. Additionally, the New Investment Law provided for the establishment of a new arbitration and mediation center under the name of the "Egyptian Center for Arbitration and Mediation". The center is said to be an independent entity having its headquarter in Cairo.
- 6.5. An investor can choose to settle its dispute with other investors or with the Government before this center and according to its arbitration or mediation rules. The center will be managed by a board of five (5) directors with required expertise and qualifications who will be appointed by the Prime Minister. The board members will be appointed for five years and they may not be dismissed throughout their tenure for any reason except for health inability. The board will be responsible for issuing the articles of association of the center as well as its arbitration and mediation rules.
- 6.6. The New Investment Law also established two dispute resolution committees as following:
  - i. the "Ministerial Committee for the Settlement of Investment Disputes". This committee is empowered to settle any dispute between the investors and the State or any of its governmental or administrative bodies or affiliated companies.

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<sup>16</sup> Article (10) of the VAT Law

<sup>17</sup> Extracted from <https://www.export.gov/article?id=Egypt-Dispute-Settlement>

- ii. the "Ministerial Committee for the Settlement of Investment Contracts Disputes". This committee is responsible for settling any disputes arising from investment contracts in which the State or any of its governmental or administrative bodies or affiliated companies is a party.

## **New Approval Required for Government Contracts and Arbitration Agreements**

### **A. Agreeing to Arbitrate**

- 6.7. The Egyptian Arbitration Law allows governmental entities to agree on arbitration in administrative contracts after obtaining the approval of the competent minister.
- 6.8. However, a Prime Ministerial Decree no. 2592 of 2020 ("**Decree**") has been recently issued to add another layer of approvals for all agreements to arbitrate whether in administrative or business contracts, by prohibiting all governmental entities and state-owned companies from concluding any contract with a foreign investor or agreeing to arbitrate without first referring the matter to the Higher Authority for Studying and Opining on International Arbitration Cases ("**Authority**").
- 6.9. The Authority was established by virtue of the Prime Minister Decree No. 1062 for 2019. The Decree however changed its name to be the "Higher Authority for Arbitration and International Disputes" and expanded its authorities from just opining on state investment and commercial arbitration cases to include, among others:
  - reviewing contracts concluded between a foreign investor and any governmental entities and companies wholly or partially owned by the state; and
  - drafting the arbitration clause in such contracts as well as other 'governing clauses' such as those related to force majeure and the change of law.
- 6.10. The Decree prohibits all governmental entities and companies wholly or partially owned by the state from taking any of the following actions without referring the matter to the Authority:
  - concluding or amending any contract with a foreign investor;
  - agreeing to arbitrate; or
  - taking any measure or action in relation to any arbitration dispute.
- 6.11. Accordingly, all governmental entities are now prevented from signing any contract that includes an arbitration clause without referring the matter first to the Authority. The same applies on any company in which a governmental entity is a shareholder.

### **B. Handling Arbitration Disputes**

- 6.12. Governmental entities and state-owned companies became disallowed to take any measure or action in relation to any arbitration dispute without taking the opinion of the Authority. The Authority is charged in this respect with the following:
  - Approve the legal counsels, international experts, and the arbitrators who will be involved in arbitration cases.
  - Provide advice and opinion regarding the defence strategy, the defence adequacy and the sufficiency of evidence.
  - Assess the expected award and its impact.
  - Offer all needed legal support as may be requested by legal counsels.
  - Approve the costs and legal fees pertaining to arbitration cases.

- Suggest amicable settlement and lead negotiations with counterparties.

6.13. Accordingly, private counterparties who intend to enter into settlement negotiations with the government to resolve an arbitration dispute or conclude a settlement agreement have to ensure that the matter is first referred to the Authority in order to avoid any enforcement risk.

## **7. Labour & Employment**

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

7.2. According to Article (32) of the Labour Law, all individual employment contracts must be written in Arabic, in three copies; one copy for the employer, one for the employee, and the third shall be submitted to the competent Social Insurance Office.

7.3. Article (28) of the Labour Law states that foreigners are not allowed to work in Egypt unless they obtain work permits from the Competent Manpower Authority. As a rule, foreign workforce shall not exceed 10% of the total workforce in any establishment; subject to some exceptions provided for under the New Investment Law has the establishment been subject to such law.

7.4. According to Article (58) of the Labour Law, the employer shall establish the Internal Regulations and disciplinary sanctions, clarifying the work regulations and the disciplinary sanctions approved by the competent administrative authority, and in accordance with the law. In case of the employment has ten or more workers, the employer shall place these regulations in a conspicuous place

### **(A) Types of Employment Contracts**

7.5. Under the Labor Law, employment contracts can be drawn up for a definite or indefinite period of time.

#### **Definite Period Employment Contracts**

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

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

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

#### **Indefinite Period Employment Contracts**

7.9. Employment contracts may be concluded either for indefinite term or for performing specific work/project.

**(B) Dismissal & Termination**

- 7.10. Article (104) of the Labour Law states that fixed-term employment contract shall expire at the end of its term. If the contract is concluded for more than five years, the employee may terminate it without compensation - at the expiry of five years - after informing the employer three months prior to the termination.
- 7.11. According to Article (120) of the Labour Law, the following grounds are considered illegitimate and inadequate justifications for terminating the employment contract:
- Race, sex, social status, family obligations, pregnancy, religion or political views;
  - An employee's affiliation to a union, or his participation in the union's activities if it is within the framework of the laws;
  - An employee that has formerly, currently or seeking to represent his fellow employees;
  - Submitting or filing, individually or jointly, a complaint against the employer protesting against the violation of laws, regulations or employment contracts;
  - Sequestration of employees' dues at the employer; and/or
  - The employee's exercising his right to the leaves outlined above.
- 7.12. In the event of an illegitimate termination by one of the parties to the contract, the party terminating the contract shall compensate the other party for the damage incurred as a result of the unlawful termination; Article (122) Labour Law. If the employer terminates the contract unlawfully, the employee has the right to claim compensation. The amount of compensation is to be determined by the court and shall not be less than two months of the employee's comprehensive salary for each year of service, in addition to the employee's other legally entitled dues; Article (122) Labour Law.
- 7.13. Pursuant to Article (69) of the Labour Law, the employer cannot dismiss the employee unless he commits a gross mistake; the following acts are examples of what shall be considered a gross mistake:
- If the employee has assumed a false identity or submitted false documents;
  - If the employee commits an error which results in material losses for the employer provided that the employer reports the incident to the competent authorities within 24 hours of his awareness of said incident;
  - If the employee repeatedly fails to comply with the rules and regulations set to ensure the safety of both the employees and the company given that said rules and regulations are written and publicized in a noticeable place;
  - If the employee is absent, without any legitimate justification, for a period of more than twenty (20) non-consecutive days during the same year, or more than ten (10) consecutive days. In said event, the employer shall serve a registered written termination notification with acknowledgement of receipt to the employee ten (10) days subsequent to his absence in the first case and five (5) days subsequent to his absence in the second case;
  - If it is established that the employee is in breach of his fiduciary duties causing severe damage to the company;
  - If the employee competes with the employer in the same field of activity;
  - If, during the working hours, the employee is in an evident state of drunkenness or affected by the use of intoxicating substance; or
  - If it is established that the employee has committed an act of aggression against the employer or the general director, or commits a serious act of aggression against any of his superiors during working hours or as a result of work.

**(C) Data Protection Law from an Employment & HR Perspective**

- 7.14. The Egyptian Data Protection Law No. 151/2020 (the “**Law**”) came into effect in October 2020. The executive regulation of the Law is expected to be issued soon. Companies are given twelve 12-month grace period from the date of the executive regulations to fully comply with the Law.
- 7.15. Companies, however, are required to immediately adhere to a proper data protection compliance system with respect to personal data they collect or process. Employees’ data is an extremely significant part that must not be overlooked when setting up a data protection compliance system.
- 7.16. Employees’ data is generally the information collected by companies in job applications, recruitment files, HR files, staff’s medical files, and anything else collected, stored, recorded or gathered by the company and contains personal information about the employees.
- 7.17. Companies must adhere to a proper data protection compliance system with respect to employees and HR data. This compliance system must cover the following:
- **Background Checking & Screening:** ensure compliance with the Law when running background checking and screening on newly hired employees.
  - **Data Subject’s Consent:** obtain employees’ proper consents on collecting, storing and/or processing their personal data.
  - **Employment Contracts:** update employment contracts and ensure that employees are aware of the data collection, processing and/or transfer conducted by the company.
  - **Data Protection Policy:** announce a data protection policy or code of conduct and make sure that employees understand the implications of the Law on their personal information.
  - **Cross-border HR Data Transfer:** adopt cross-borders data transfer system for the transfer of employees and HR data to the global database of the company or other entities (*i.e. payroll and HR services companies*) or the access to this database by HR management and executives from other sites.
  - **Social Security Law Compliance:** ensure data protection compliance with respect to employees’ medical reports, documents relating to health condition, drug tests and other documents and data relating to social security (*i.e. information relating to employee’s retirement and pensions*).
  - **Labor Law Compliance:** ensure that compliance with the Law will not prejudice company’s obligations under labor laws, *i.e.*, the obligation to build HR files for employees, make it accessible to specific persons and maintain such files for specific durations.
  - **Disciplinary Investigation Data:** adopt an effective mechanism to maintain and protect employees and HR data collected, processed and/or disclosed during disciplinary investigations.
  - **DPO or HR Team:** coordinate internally between the Data Protection Officer (DPO) and HR team and designate their responsibilities and duties in relation to the implementation of the Law.

- **Reporting Breaches:** adopt an efficient reporting and risk exposure system in events of inappropriate use or leakage of data or other breaches.

## 8. Work Regulations Affecting Foreigners and Residence Visas

### (A) Foreigners Work Permits

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

8.2. According to the Decree, foreigners are required to obtain work permits from the competent ministry and from the manpower directorates affiliated thereto or from the offices established by the Ministry for such purpose in other entities.

#### ▪ **Conditions**

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

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

8.4. In addition, the Decree require the foreign worker to have a professional license, such professional license only for professions requiring a special license for its practice.

#### ▪ **Total Number of Foreign Workers**

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

#### ▪ **Fees for Issuing Work Permits**

8.6. The Decree increases the fees of issuing work permits and requires its payment through the electronic payment means.

#### ▪ **Exceptions to the Foreigners Work Permits**

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

- 1) Foreigners exempted under an international treaty;
- 2) Foreign admin employees working in embassies of foreign countries;
- 3) Foreign correspondents working in Egypt;
- 4) Foreign clerics;
- 5) Foreign workers on Egyptian ships outside the Egyptian territorial water;
- 6) Foreign workers in The Commonwealth International War Graves Commission;
- 7) Foreign experts and members of research institutions operating in architectural and ancient Egyptian monuments;



- 8) Foreign investors who have obtained residence of an investor in accordance with provisions of Investment Law.

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

▪ **Obligations on Employers Using Foreigners**

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

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

8.10. In order to extract a work permit for a foreigner to work in a managerial position in an Egyptian company incorporated under the Companies Law no. 159 of 1981, certain requirements relating to the capital of the company should be met. This is according to an internal circular issued by the Ministry of Manpower in this respect.

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

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

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

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

- 8.12. On the 1<sup>st</sup> of October 2020, GAFI issued important rules adopting the "points-based system" for the issuance of residence permits – of up to continuous five years - for foreign investors in Egypt.
- 8.13. The residence permits – according to GAFI's new rules – can be granted to shareholders, partners, business owners, board members and managers.
- 8.14. The criteria considered and points calculation for the issuance of residence permits are the following:
- The scope of activities of the project (score up to 20%).
  - The amount of the paid-in capital of the project (score up to 30%).
  - The number of employees in the project (score up to 30%).
  - The location of the project (score up to 20%).
- 8.15. The rules adopted by GAFI target the project which work in specific activities as follows:
- New and renewable energy activities.
  - Heavy industries determined by the Industrial Development Authority (IDA), technology industries excluding assembly and programming, pharmaceuticals, and food industries.
  - Educational activities under university education level.
  - Integrated development projects (tourism, manufacturing, agricultural projects).
  - Reclamation and cultivation of lands of not less than 500 feddans.
  - Establishment of hospitals.
  - Tourism activities (i.e. establishment and operation of hotels and tourist resorts of a minimum capacity of 500 rooms).
  - Essential utility projects (i.e. water and sewage, electricity, roads, telecommunications, and metro lines).
  - Petroleum projects.
  - Integrated water desalination projects.
  - Free zone projects with an export capacity exceeding 80%.

## 9. Social Insurance

- 9.1. A new social insurance law was issued in Egypt in 2019 under the name of the Comprehensive Social Insurance Law No. 148/2019 ("New Law") with an effective date in January 2020. The Executive Regulation of the Law was issued on 4 October 2021 by virtue of Decree 2437/2021.
- 9.2. Under the New Law the following categories will be covered and benefit from its schemes:
- Public sector employees.
  - Employees of state owned companies.
  - Private sector employees.

- Employers, business owners and directors.
  - Egyptians outside Egypt (optional).
  - Expats inside Egypt.
  - Employees with irregular employment relationship (i.e. seasonal employees, street vendors, house-keepers/servants...etc).
- 9.3. Pursuant to the New Law, the covered persons shall benefit from the following insurance schemes:
- Old age, disability and death.
  - Work injuries.
  - Illness/sickness.
  - Unemployment.
- 9.4. The New Law allocated the payment of the monthly contributions between the employer and the employee in the private sector according to below percentages which will be calculated based on the social insurance salary of the employee:

Insurance Scheme	Employer's Contribution	Employee's Contribution
Old age, disability and death	12%	9%
Work injuries	1.5%	NA
Illness	3.25%	1%
Unemployment	1%	NA

- 9.5. The New Law put obligations on employers to disclose correct and accurate information to the representatives of the social insurance authority regarding the number of employees they hire and the actual salaries paid to the employees. The social insurance authority will also have access to the tax files of the employers in order to obtain correct information in relation to employees' salaries. Such measures will be adopted by the social insurance authority to prevent employers' evasion of their obligations under the New Law.