

SETTING UP BUSINESS IN EGYPT



General Aspects

Location: northeast corner of the African Continent

Area: 110,879 sq km.

Land: 1,001,450 km².

Neighbors: The country borders Libya to the west, the Gaza Strip and Israel to the east, and Sudan to the south..

Population: 90 million.

Capital City: Cairo.

Government: Republic.

National Day: the revolution day 25th January, 6th October

Egypt is a transcontinental country spanning the northeast corner of Africa and southwest corner of Asia, via a land bridge formed by the Sinai Peninsula. Most of its territory of 1,010,000 square kilometers (390,000 sq mi) lies within the Nile Valley of North Africa and is bordered by the Mediterranean Sea to the north, the Gaza Strip and Israel to the northeast, the Gulf of Aqaba to the east, the Red Sea to the east and south, Sudan to the south and Libya to the west.

Legal Forms of Business Entities

| Legal form | Feature |
|--|--|
| Limited liability company (LLC) | Limited liability companies are formed when there are a small projects that doesn't need a big finance such as service activities, also the name of the company can be derived from any partner's name and there is no limit for the minimum capital to establish it. LLCs are also liable only for their capital investment. |
| Joint stock company | In the joint stock companies the founders must not be less than three and they are liable only for the value of their shares and its capital is divided in to shares accordingly and it can be acquired by all foreigners and usually it takes from four to five weeks to complete all procedures to start the activity for the joint-stock company. |
| Branch office | Un like the representative offices foreign companies allowed to establish a branch office in the country and can go with commercial operation if the company has a contract with a private sector party to perform work in Egypt. A branch office has no initial capital requirement. |
| Representative office: | Foreign companies are allowed or have the right to establish a representative office but only for the objective of making market surveys or feasibility studies and not allowed to enter any commercial operations |

Organizational Questions

| Topic | Feature |
|--------------------------------------|--|
| Limited Partnership | A limited partnership may have 2 types of partners, general or limited partners. General partners are fully liable for debts of the partnership whilst limited partners are liable up to the extent of their investment in the partnership |
| Partnership limited by shares | The limited partnership by shares looks like the joint-stock companies in its establishing but the difference is at least one of the founders must be liable for all the company liabilities and financials. |
| Bank Account | When applying to have a bank account, companies must have ID Tax register and commercial registration. |

Employment

| Topic | Feature |
|-------------------|--|
| Labour Law | <p>Employees that spend one complete year in service are allowed to have annual vacation days of 21 days and its increased when he/she spend 10 years in service or reach age of 50 years.</p> <p>In case of termination by the employer, the employees are entitled to 2 months paid notice period and an end-of-service pay equivalent to 2 months pay for each year in service of the employer. The Egyptian labour law prohibits termination of employees without reasonable justification excluding race, gender, religion,...etc.</p> <p>Local staff must not be less than 75-90% of total staff depending on the company type .</p> |



| | |
|------------------------|---|
| Social system | <p>Legal Holidays</p> <p>7-Jan Coptic Christmas Day 13-Jan Prophet Mohamed's birthday 25-Jan Revolution Day January 25 13-Apr Easter 25-Apr Sinai Liberation Day 1-May Labor Day 23-Jul Revolution Day July 23 17-18-19-Jul Eid el Fetr 22-23-24-25-Sept Eid Al Adha 3-Oct Arafat day 14-Oct Islamic new year 23-Dec Prophet Mohamed's Birthday</p> <p><i>(note that the last item is repeated twice because the Islamic calendar is shorter)</i></p> |
| Social Security | <p>Employer maximum contribution is 702 EGP/month Employee maximum contribution is 343 EGP/month</p> |

Taxation

| Tax | Feature | Remarks | | | | | | | | | | | | | | | |
|-----------------------------|--|-----------|----|---------------|-----|----------------|-----|-----------------|-----|------------------|-------|--|----|-----|-----|-----|-----|
| Corporate Income Tax | <p>Exploration and production of oil and gas companies taxed with rate of 40.55 %.</p> <p>Other companies are taxed at a rate of 22.5%.</p> <p>The central bank of Egypt, the Suez Canal and the general authority for petroleum are taxed at a rate of 40%.</p> <p>There are currently five income brackets defining the Egyptian progressive personal income tax system, with the first bracket up to EGP 6500 tax exempted.</p> | | | | | | | | | | | | | | | | |
| Personal Income Tax | <p>Income (EGP)</p> <table border="1"> <tr> <td>0 to 6500</td> <td>0%</td> </tr> <tr> <td>6501 to 30000</td> <td>10%</td> </tr> <tr> <td>30001 to 45000</td> <td>15%</td> </tr> <tr> <td>45001 to 200000</td> <td>20%</td> </tr> <tr> <td>More than 200000</td> <td>22.5%</td> </tr> </table> | 0 to 6500 | 0% | 6501 to 30000 | 10% | 30001 to 45000 | 15% | 45001 to 200000 | 20% | More than 200000 | 22.5% | <p>Tax rate</p> <table border="1"> <tr> <td>0%</td> </tr> <tr> <td>10%</td> </tr> <tr> <td>15%</td> </tr> <tr> <td>20%</td> </tr> <tr> <td>25%</td> </tr> </table> <p>Income tax law is expected to be amended within a few months to decrease the maximum tax rate to 22.5%</p> | 0% | 10% | 15% | 20% | 25% |
| 0 to 6500 | 0% | | | | | | | | | | | | | | | | |
| 6501 to 30000 | 10% | | | | | | | | | | | | | | | | |
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| 25% | | | | | | | | | | | | | | | | | |

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| Value Added Tax (VAT) | <p>A VAT law 67 of 2016 . Apply from September 2016. The general rate are as follows:</p> <p>1- 13% from the effective date until 30 June 2017.</p> <p>2- 14% effective from 1 July 2017</p> |
| Real Property Tax | <p>All properties are subject to real estate tax; A tax rate of 10% is levied of the annual rental value of immovable property. A 50% deduction is allowed so as to cover the residential costs for properties and a 50% deduction is allowed for nonresidential properties.</p> |
| Non-resident Taxation | <p>Non-residents are liable only for their income derived from Egyptian sources or income in exchange for work performed in Egypt.</p> |



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