

# DOING BUSINESS

IN EGYPT



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# 1 – INTRODUCTION

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UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 90 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Egypt has been provided by the office of UHY representatives:

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A detailed firm profile for UHY's representation in Egypt can be found in section 8.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at March 2014.

We look forward to helping you do business in Egypt.

## 2 – BUSINESS ENVIRONMENT

### GENERAL INFORMATION

#### GEOGRAPHY

Total area	1,001,450km square
Land	995,450km square
Water	6,000km square
Land boundaries	2,665km
Coastline	2,450km
Populated	86 million (January 2014)
Cultivated land	34,803km square
Ratio of cultivated land to total area	3.5%
Ratio of populated land to total area	5.5%

#### LOCATION

Egypt is as a major trade and crossroads destination between Europe, the Middle East, Africa and west and south Asia. It occupies the north-eastern corner of Africa and has borders with Libya (1,115km) to the west, Sudan (1,273km) to the south, Palestine (Gaza Strip 11km), Israel (266km) and Jordan to the northeast. Its north coast is on the Mediterranean Sea, while the east coast is bounded by the Red Sea. The Suez Canal links the Red Sea to the Mediterranean, a linkage vital to both Egypt and the world.

#### GEOGRAPHIC IMPORTANCE

Egypt possesses a strategic geographic position. It has a land bridge (the Isthmus of Suez) between Africa and Asia, which is in turn traversed by a navigable waterway (the Suez Canal) connecting the Mediterranean Sea with the Indian Ocean (via the Red Sea).

#### THE NILE

The Nile river traverses over 1,000 miles within Egypt, from Wadi Halfa in the south to the Mediterranean in the north, dividing the country into four broad regions – the Western Desert which occupies almost two-thirds of the total area, the Eastern Desert, the Sinai Peninsula, and the Nile Valley and delta, which is the most densely populated region of the country. Egypt is dependent on the Nile for nearly all its water needs.

The vast majority of the remaining land is made up of sparsely inhabited, arid desert. Extensive land reclamation efforts since 1947 have aimed at increasing the area of cultivable land.

Terrain	Vast desert plateau interrupted by Nile valley and delta
Lowest point	Qattara Depression (-133m)
Highest elevation point	Mount Catherine (2,629m)
Climate	Hot, dry summers with moderate winters
Natural resources	Petroleum, natural gas, iron ore, gold, phosphates, manganese, limestone, gypsum, talc, asbestos, lead, zinc, among others
Agricultural crops	Ranked first in the world for the production of sugar cane, with other major crops including wheat, corn, cotton, rice, beans and clover.

**DEMOGRAPHICS**

Total population	84million (January 2014 estimate)
Most populated governorates	Cairo (9million) Giza (7.3 million) Sharkiya (6.3million) Dakahliya (5.7million) Beheira (5.5million)
Population growth rate	25.5% (2012 estimate)
Population abroad	3.9 million (2006 estimate)
Foreign population	0.36% of total population

**TABLE 1***Population age structure (2007 estimate)*

AGE GROUPS	% OF POPULATION
0 – 14 years	31.09% (male 13,832,000/female 26,673,000)
15 – 64 years	64.5% (male 28,100,000/female 27,228,000)
65 years and over	4.41% (male 1,864,000/female 3,782,000)

**TABLE 2***Sex ratio (2007 estimate)*

AGE GROUPS	% OF POPULATION
0-5	1.08 male(s)/female
Under 15 years	1.077 male(s)/female
15 – 64 years	1.032 male(s)/female
65 years and over	.971 male(s)/female
Total population	1.043 male(s)/female

**ETHNIC GROUPS**

Egypt's population is made up of Eastern Hermitic Egyptians (98%), Bedouin Nubians and Berbers (1%), Greeks, Armenians, and other Europeans, primarily Italian and French (1%).

There are approximately 10,000 Americans, 3,500 British, 3,000 French, 3,000 Germans and thousands of other Europeans and Africans living and working in Egypt. There are also many Latin Americans and a larger number of Middle Eastern people who maintain residences and do business in Cairo, as well as Asians from India to the Philippines.

**RELIGION**

The population belong to the following main religions – Muslim (mostly Sunni) 90%, Coptic Christian 9% and other 1%.

## LANGUAGE

The main language is Arabic (official), with English and French widely understood and spoken by the highly educated classes. The Egyptian dialect is the most widely understood of all the Arabic dialects. The literacy rate is 71.4%.

## HUMAN RESOURCES

With a population of over 75 million, Egypt is rich in human resources. Its businessmen are experienced in the markets of neighbouring countries and the country possesses a good mix of unskilled, semi-skilled, skilled and highly qualified labour. Egypt's workforce, close to 22 million, is an excellent source of productive inexpensive labour. The growth of Egypt's labour force has averaged about 2.5% annually in recent years.

**TABLE 3**

*Employment by economic activity*

ACTIVITY	% OF ECONOMY
Agriculture, Hunting & Fishing	30.6%
Manufacturing	12.9%
Defence & General Administration	9.0%
Wholesale & Retail Trade	8.9%
Health	8.4%
Building & Construction	7.7%
Communication, Transport & Warehousing	5.4%
Brokerage, Real estate, Renting & Business services	4.1%
Education	2.2%
Community, Social & Personal Services, International & Regional Organisations & Authorities	2.0%
Restaurants & Hotels	1.2%
Electricity, Gas & Water	0.9%
Mining & Quarrying	0.4%
Other	6.3%

The Egyptian labour market is regulated by the new Unified Labour Law (No. 12, 2003). The new Law comprises 257 articles which address all the legal aspects regulating the Egyptian labour market. A National Council for Wages has been formed to determine minimum wages at a level reflective of the cost of living and a balance between salaries and prices. The Council of wages has set out that minimum annual raises should not be less than 7% of an employee's base salary.

## GOVERNMENT

Egypt is a republic (declared June 18, 1953), with Cairo as its capital.

## ADMINISTRATIVE DIVISIONS

There are 28 Governorates – Al Bahr al Ahmar (Red Sea), Alexandria, Al Wadi Al Gadid, Aswan, Asyut, Beheira, Beni Sweif, Cairo, Dakahliya, Demiatta, Fayoum, Gharbeya, Giza, Ismailiya, Helwan, Kafr El Sheikh, Minuffiyah, Minya, Matrouh, North Sinai, Port Saaid, Qalyubiah, Qina, Sharqiya, Six of October, Suez, Sohag and South Sinai.

## LEGAL SYSTEM

Egypt has a bicameral legislature, made up of the elected People's Assembly (*Maglis al Shaab*) and the Advisory Council (*Maglis al Shoura*). The Advisory Council is a consultative organ, whereas the People's Assembly functions as the main representative law-making body. The last people's Assembly elections were held on 30 June 2013 and the results will remain until the new elections are held, after the election of the new president of Egypt. The People's assembly has a total of 454 seats of which 444 are filled by public vote, and the remaining ten seats are appointed by the president.

## JUDICIAL SYSTEM

The Egyptian judicial code combines elements from the Napoleonic Code, English Common Law and Islamic Law. The Supreme Constitutional Court tops the judicial hierarchy and branches down into the court of appeals and primary and summary tribunals throughout the 28 governorates. Christians and Jews are subject to their own jurisprudence in personal affairs. A distinction between civil and criminal courts exists in Egypt.

## POLITICAL SYSTEM

Under the 2013 constitution, Egypt is an Arab republic with a socialist-democratic system. The constitution states that there should be no discrimination on the grounds of race or religion. The country is divided into 28 governorates, with governors appointed by the president. There is universal suffrage with a voting age of 18.

## THE PRESIDENT

Egypt's temporary head of state Adly Mansour, came after two revolutions in 25 of January 2011 and 30 of June 2013, following the former presidents, Mohamed Hosni Mubarak, and Mohamed Moursy, the next presidential elections are scheduled at 2014 .

## THE CABINET

The Egyptian cabinet consists of 34 ministers. The current cabinet has been appointed since March 2014.

## INTERNATIONAL RELATIONS

Egypt continues to adapt an integrated foreign policy aiming at strengthening and enhancing its relations with its main partners on the international level. Through this policy, Egypt enjoys several opportunities that place it in a position to entrench its past gains and open up new prospects in the future. Egypt is host to 135 embassies and consulates.

# 3 – FOREIGN INVESTMENT

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## LAWS OF BUSINESS

### INVESTMENT LAWS

The Investment Law No. 8 of 1997 and Companies Law No. 159 of 1981 (and their amendments) are two key laws which regulate the investment environment in Egypt.

The Investment Incentives and Guarantees Law 8 of 1997 repealed Investment Law 230 of 1989. This made one authority responsible for investor incentives and guarantees – the General Authority for Investment and Free Zones (GAFI). It also grouped specified activities which would automatically accrue benefits to investors. It allows 100% foreign ownership of ventures and guarantees investors the right to remit income earned in Egypt and to repatriate capital.

Key provisions include:

- A guarantee against confiscation, sequestration and nationalisation
- The right to own land
- The right to maintain foreign currency bank accounts
- Freedom from administrative attachment
- The right to repatriate capital and profits
- Free hiring of Egyptian staff
- The absence of price controls or restrictions
- Equal treatment regardless of nationality.

Under Law 8, investments are approved automatically for projects in 16 distinct fields, effectively creating a 'positive list'. These fields include:

- Land reclamation
- Fish, poultry and animal production
- Industry and mining
- Tourism (covering hotels, motels, tourist villages and transportation)
- Maritime transportation
- Refrigerated transportation for agricultural products and processed food
- Air transportation and related services
- Housing
- Real estate development
- Oil production and related services
- Hospitals and medical centres which offer 10% of their services free of charge.

Some projects still require prior approval from relevant ministries in addition to GAFI. Such projects include areas such as:

- Investments in Sinai
- All military products and related industries
- Tobacco and tobacco products.

Law 15 of 1963 prohibits foreign ownership of areas designated as agricultural lands, except for desert reclamation projects.

In April 2000, new activities were added to the package of incentives to include development of new urban zones, software design and production of electronics, the establishment and management of technology zones, credit rating and factoring services, river transportation activities, management of industrial projects and utilities, and waste collection and treatment projects.



Law 8 of 1997 also establishes that a one-stop shop for investors will be located at the General Authority for Investment and Free Zones (GAFI) to facilitate and simplify approval, registration, licensing and certification of new projects (instead of investors having to approach 25 separate ministries).

Companies Law 159 of 1981 (and its amendments) covers investors in any sector not covered by Law 8 of 1997. This includes shareholders, joint stock and limited liability companies as well as representative and branch offices. It allows for automatic registration of a company upon presentation of the application to the Companies Department and for acquisition of legal status 15 days after annotation in the Commercial Register.

The Administrative Authority can challenge the establishment of the company within ten days of its notification in cases where:

- There is non-compliance with procedures
- The company's objectives contradict laws or public order
- There is a lack of qualifications requisite to operating a business (Article 17 & 18).

Founders of joint stock companies must submit a bank certificate showing a 10% deposit of the issued capital to the Companies Department, to be increased to 25% within three months (Article 32). Where limited liability companies are concerned, the issued capital should be fully paid.

Law 3 of 1998 (amending law 159) provides for the right of petition against denial of incorporation, removes the restriction that 49% of shareholders must be Egyptian, allows 100% foreign representation on the board of directors and redefines accounting standards.

#### ENVIRONMENT LAW 4 OF 1994

Environmental issues in Egypt are governed by Law No. 4 of 1994, which provides for the creation of an agency – the Egyptian Environment Affairs Agency (EEAA). The EEAA formulates general policy and prepares necessary plans for the protection and promotion of the environment. It also follows up on the implementation of such plans.

The law provides for a mandatory environmental review, to be undertaken by the competent administrative authority according to the EEAA's instructions, as part of the approval process for all proposed projects.

The law forbids the handling of hazardous substances and waste or the construction of any establishment for treating such substances without a licence from the competent administrative authority. It is also forbidden to import hazardous waste or to allow its entrance into or passage through Egyptian territories. It is mandatory for all those who produce or handle dangerous materials to take precautions to ensure that no environmental damage shall occur.

#### THE COMMERCIAL REGISTER LAW

The process of registration, whether for agents or companies, is governed by the Commercial Register Law No. 34 of 1976 and its amendments (98/1996). The basic rule is that anyone carrying on a commercial activity must register in the Commercial Register.

The Commercial Register Law provides that all registrations must be renewed every five years. Once a person, company or partnership is registered, it must put its trade name, place of registration and registration number on the front of its premises and on all its correspondence (Article 5 of Commercial Register Law).

#### THE ANTI-TRUST LAW

After a number of years, the Anti-Trust Law No. 3 was passed in January 2005, followed by executive regulations on August 25 2005. The law stipulates that participating in economic activities should not prevent, restrict, or cause damage to free competition. It also stipulates acts which would constitute anti-competitive behaviour.

A public body, called the Anti-Trust Authority, was established and is responsible for receiving notifications, maintaining records regarding economic activities, undertaking research and studies and implementing the requirements articulated by the law.

#### CURRENCY REGULATIONS

The new Law on Central Bank, the Banking Machinery and Exchange No. 88 of 2003 and its Executive Regulations regulate foreign exchange operations in Egypt.

The Executive Regulations list entities authorised to deal in foreign currency. These include almost all banks licensed to operate in Egypt, where banks are permitted to buy foreign currency for their own account. Banks are the only entities allowed to transfer currency abroad. Branches of foreign banks are permitted to deal in local currency as well as foreign currency.

The Law permits the establishment of authorised foreign exchange dealers, who are authorised to buy and sell foreign currency for their own account (Article 37 of the Executive Regulations). However, foreign exchange dealers are not authorised to transfer foreign currency abroad. Individuals or entities may deal in foreign currency but only through licensed banks or foreign exchange dealers.

#### MAINTAINING FOREIGN CURRENCY

Both individuals and legal entities are free to retain any amount of foreign currency, which may be held with any approved bank in Egypt and may be maintained abroad at the owner's discretion. Funds kept in foreign currency amounts may be used in Egypt or remitted overseas.

#### BUYING FOREIGN CURRENCY

The purchase of unlimited amounts of foreign currency from any of the authorised banks or dealers is permitted. Banks and dealers are allowed to sell foreign currency either in cash or by means of wire transfers to individuals, private or public sector companies. Furthermore, banks and dealers are authorised to sell foreign currency to allow for the repatriation of dividends earned on Egyptian stocks and interest from Egyptian bonds. The Executive Regulations of the Law introduced the concept of forward exchange transactions, whereby the purchase or sale of foreign currency, at an exchange rate established at the time of the agreement, can be carried on, with payment and delivery at a specified future date.

### FREE FOREIGN EXCHANGE MARKET

The exchange rate of the Egyptian Pound (EGP) to foreign currencies is subject to the interaction of the supply and demand mechanism in the foreign exchange market in accordance with the rules and regulations issued by the Prime Minister through the Central Bank (Article 112).

### OTHER LAWS, PROCEDURES AND REGULATIONS

#### LAW NO. 101 OF 2012, AND 102 OF 2012

The former present Mohamed Moursy introduced a new law in 2012 which amends some provisions of existing laws including the income tax law, and sales tax law but the Advisory Council (*Maglis al Shoura*) did not approve the sales tax law and amended some articles of the income tax law in 2013.

The principal amendments in the Law are set out below:

- Article no. (8) The bundle of salary and sole proprietor taxes.
- Article no. (53) The new law stipulates that capital income resulting from revaluation is subject to taxes including the acquisitions' profit in case of changing the legislation of the company.
- Article no. (48) An increase of five percent is stated by law of the net annual taxable profit.

#### LAW NO. 120 OF 2008 – ECONOMIC COURTS

The president of Egypt declared law No. 120 of 2008 concerning the establishment of economic courts which specialise in settling large financial disputes between any independent persons concerning, for example, bankruptcy, bank loans and interest etc.

Each appeal court is required to form an economic court to address large financial disputes, excepting those which fall within the jurisdiction of the Council of State (*Conseil d'Etat*).

### DISPUTE SETTLEMENT

There is also a separate judicial system for administrative disputes involving government ministries and agencies. These administrative courts fall within the jurisdiction of the Council of State (*Conseil d'Etat*), which is empowered to hear actions brought by persons challenging the validity of presidential decrees and ministerial decisions, as well as disputes involving contracts with the government. The Council of State also has a Legislative Department which reviews draft legislation and government contracts and renders legal opinions for the government.

Under Article 175 of the Egyptian constitution, the Supreme Constitutional Court is 'vested solely with judicial control over the constitutionality of laws and regulations'. The Constitutional Court also reviews administrative decisions and conflicts of law between the civil and administrative courts.

## ARBITRATION

Most international contracts provide for some form of international arbitration for the settlement of contractual disputes. The Court of Cassation has confirmed on a number of occasions the validity of such arbitration clauses. An Egyptian court will respect an arbitration clause and stay proceedings brought before it. Arbitration may be conducted under any set of rules. One of the most popular set of rules is the International Chamber of Commerce (ICC) rules. Arbitration under the rules of the ICC may be upheld in Egypt or abroad.

## LAND OWNERSHIP REGULATIONS

The ownership of land by foreigners is governed by three laws:

- Law No. 15 of 1963
- Law No. 143 of 1981
- Law No. 230 of 1996.

Law No. 15 and its amendments (Law 104 of 1985) set out provisions that no foreigners, whether natural or legal persons, may acquire agricultural land.

Law No. 143 and its amendments (55/1988, 205/1991, 96/1995) govern the acquisition and ownership of desert land for reclamation. Certain limits are placed on the number of feddans (one feddan equals one hectare approximately) which may be owned by individuals, families, co-operatives, partnerships and corporations. Partnerships are permitted to own 10,000 feddans, provided that an individual shall not own more than 150 feddans. Joint stock companies are permitted to own 50,000 feddans.

Partnerships and joint stock companies may own desert land within these limits, even where foreign partners or shareholders are involved, provided that at least 51% of the capital is owned by Egyptians. However, upon liquidation of the company, the land must revert back to Egyptians. Article 1 of Law No. 143 defines 'desert land' as land two kilometres outside the border of a city.

On July 14, Law No. 230 of 1996 was issued (superseding Law No. 56 of 1988). The new law allows non-Egyptians to own real estate, whether built on or vacant, with the following conditions:

- Ownership is limited to only two real estate properties throughout Egypt for accommodation purposes of any person and his/her family (family meaning spouses and minors), in addition to the right to own real estate needed for activities licensed by the Egyptian Government
- That the area of each real estate not be in excess of four thousand square meters
- That the real estate is not a historical site.

## LAND OWNERSHIP

The prime minister's Declaration no. 350 of 2007 concerning land ownership for Egyptians and foreigners mentions the following:

- 1) All foundations and companies can own land and properties which are essential for performing their activities, whatever the nationality, residence, or the percentage in capital and shares of the partners and shareholders, except for land and properties in strategic areas which have military importance, western and southern and eastern border lands, the Red and Mediterranean Seas, islands and shores, nature reserves, historical places, and all roads and their interval lands
- 2) All foundations and companies are prohibited to own land or properties in Sinai, Suez, Port Said, or Ismailia
- 3) Except for the stated lands and properties in the previous two points, foundations and companies can use land and properties in Sinai through making usage rights contracts for periods between 1 to 99 years with the right for renewal, on condition of having all the necessary official approvals.

## **FINANCIAL SECTOR REGULATIONS**

### **FINANCIAL SECTOR LIBERALISATION**

Since the early 1990s, the Egyptian financial system, with its three main sectors – the capital market, banking and insurance – has been undergoing ambitious legislative reforms to enhance performance and encourage competition, especially from the private sector.

Since 1993, the government has stopped intervening directly in the financial sector, and instead has been using indirect measures to control monetary aggregates such as bond issues. The government began focusing on reactivating the bond market, creating new financial institutions and building strategic links with international financial institutions.

Serious efforts have also been made to divest state ownership of joint venture and public banks and insurance companies, and increase private sector involvement in the financial sector.

### **INSURANCE LEGISLATION**

In 1995 and 1996, amendments to the Law No. 10 of 1981 were issued to regulate the insurance sector, and since 1996, tariffs on insurance have almost been eliminated, thereby reducing insurance premiums significantly.

Law No. 156 of 1998 and Decree No. 45 of 1999 were promulgated to set a comprehensive legal framework for the supervision and control of the insurance sector in Egypt.

USAID has established several programs with the Ministry of Foreign Trade to provide technical assistance regarding insurance regulations and supervision. The programs were mainly designed to encourage the government in liberalising the sector. The programs also focused on developing social insurance services such as health care and pensions.

### **BANKING LEGISLATION**

The Central Bank of Egypt (CBE), banking sector and currency are governed by Law No. 88 of 2003, regulating the banking system in Egypt.

### **CAPITAL ADEQUACY REQUIREMENTS**

Pursuant to the above Law, the issued and paid-in-full capital of banks should not be less than EGP 500,000,000.

### FOREIGN OWNERSHIP OF BANKS

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

### BANK SECRECY LAW

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

### THE CENTRAL BANK OF EGYPT (CBE) LAW

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

### CAPITAL MARKET LEGISLATION

The Capital Markets Law No. 95 of 1992 regulates the operations of the capital market in Egypt. Under the Capital Market Law, any company intending to issue securities must notify the Capital Market Authority (CMA), which then has three weeks in which to review the proposed securities issuance.

For a public issuance of securities, a company must prepare a prospectus approved by the CMA and must provide the CMA with periodic reports and information relating to such a public issuance.

The Capital Market Law regulates both companies which offer their shares to the public and those which deal in securities. In particular, it regulates the actions of companies engaging in certain types of securities-related activities.

ANY OTHER ACTIVITIES RELATING TO THE FIELD OF SECURITIES MAY BE ADDED TO THIS LIST BY A MINISTERIAL DECREE AFTER OBTAINING THE APPROVAL OF THE CMA.

### REGISTRATION

Joint stock companies can register with the stock exchange in either Cairo or Alexandria. A joint stock company's securities can be listed in either the official or the unofficial register.

### ISSUANCE OF SECURITIES

The capital of joint stock companies and the shares of dormant partners in companies with a limited number of shares shall be divided into nominal shares of equal value. However, a company may issue bearer shares within certain limits and according to specific terms and conditions (Article 1).

### OBLIGATIONS OF LISTED COMPANIES

In order to secure the rights of investors and users of financial statements, listed companies must provide certain information about their financial and business results such as financial statements.

### CENTRAL DEPOSITORY

The new Law on Central Registration and Depository, Law 93 of 2000, was adopted. This law provides for the creation of a licensed Central Depository which issues deeds that can be used instead of material shares.

For the first time, the law introduces the concept of beneficial ownership of shares. Banks and other licensed securities companies are required to enter into agreements with the Central Depository which include certain mandatory provisions. They are required to participate in a special fund which will guarantee settlement of securities transactions.

### INVESTMENT FUNDS

The Capital Markets Law stipulates that an investment fund must take the legal form of a joint stock company. The CMA has the authority to review and object to the members of an investment fund company's Board of Directors, as well as the fund managers. An investment fund must be managed by a specialised investment management company. In February 2014 the law amendments allowed a wider variety of investment funds as follows:

- Real Estate
- Private equity
- Debt instrument

### EMPLOYEE SHAREHOLDERS' ASSOCIATION (ESA)

The Capital Markets Law also introduced the concept of Employee Shareholders Associations, whereby employees of a joint stock company may form an association which owns shares in the joint stock company's capital on behalf of the employees.

### BROKERS' OBLIGATIONS AND RESTRICTIONS

The obligations of and restrictions on brokerage companies are set out by the Executive Regulations of the Capital Market Law, Decree 39 of 1998.

Brokerage companies are bound by fiduciary duties of honesty and integrity. Therefore, brokerage companies are required to disclose any conflict of interest which may exist. Also included in their fiduciary duty is the obligation not to disclose any information regarding clients. Insider trading rules, Article 244 of Decree 39/1998, have been established which stipulate that brokerage companies, their directors and employees are expressly prohibited from engaging in insider trading by using non-public information.

### MORTGAGE LAW

The mortgage law No. 148 of 2001 was passed in 2001 to regulate real estate bank financing. The law, which is geared towards encouraging housing for low and middle-income groups, allows banks to offer subsidised loans for the purchase of houses, as well as administrative and commercial units and the renovation of existing ones. However, it is believed that middle-income families who can afford to pay a monthly instalment not less than EGP 400 will benefit most from the new law. Borrowers will be able to make a 20% down payment and pay off the remainder in instalments over 20–30 years. Under the new law, banks will be able to foreclose on loan defaulters in case they default on payments for between six and nine months. However, for protection of borrowers, the idea of a mortgage guarantee fund is applied by the law (Article 35).

### MONEY LAUNDERING LAW

The People's Assembly approved the Money Laundering Law with all its 20 articles on 22 May 2002. The Law was proposed due to the government's rising concern of the danger of this phenomenon and its detrimental effect on Egypt's economy, as well as from concerns expressed by the OECD Financial Action Task Force (FATF) on Money Laundering regarding the lack of a comprehensive legal regime in Egypt to counter this globally recognised illegal activity. The law provides for the setting up of a unit by the Central Bank of Egypt (CBE) to monitor reports from financial institutions on suspected money laundering deals.

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

### NON-BANK FINANCIAL SERVICES

The non-banking financial sector has witnessed several legislative and institutional developments.

Therefore it plays a great role in economic growth with regard to providing various sources of finance and broadening the base of beneficiaries of the non-banking financial services sector.

In the context of implementing Phase Two of the non-banking financial services sector reform program, 2008/2009 saw the endorsement of Law No. 10 of 2009 on organising control over markets and non-banking financial instruments. The law states that control over non-banking financial services should be unified within the Egyptian Financial Supervisory Authority (EFSA) to enhance the institutional development of the non-banking financial service markets and improve supervision over non-banking financial activities.

This new body is to replace the Egyptian Insurance Supervisory Authority, the Capital Market Authority and the Egyptian Mortgage Finance Authority. The new body, which was enacted on 1 July 2009, acts as the main authority responsible for financial leasing.



## ASSET MANAGEMENT

The Egyptian government has adopted an integrated policy to manage state-owned assets.

This policy aims to improve the economic efficiency of these assets and maximise investments of public enterprise sector companies through adoption of the principles of governance and rules of social responsibility.

The policy of managing state-owned assets and investments is based on three axes, as shown in the following table.

**TABLE 4**

*Three axes for state-owned assets and investments*

AXES	ACTIVITIES
The first axis	Carrying out programs for restructuring, establishing new investments and protecting companies' public funds
The second axis	Broadening participation in the ownership of public enterprise sector assets and companies, as well as public fund's contributions to joint companies
The third axis	Developing the management of companies according to the principles of governance, improving efficiency, and having companies abiding by rules of social responsibility.

## KEY INVESTMENT INDICATORS

The response from investors to changes in Egypt has been remarkable, both in terms of the increase in the number of established companies, as well as expansion by companies already in operation.

Inflows of foreign direct investment have also registered historically unprecedented levels, both in terms of absolute value, as well as in terms of the percentage of GDP.

## 4 – SETTING UP A BUSINESS

### BUSINESS INCORPORATION

#### TYPICAL FORMS OF BUSINESS STRUCTURE IN EGYPT

The kinds of business firms allowed in Egypt are determined by the Law of Commerce No. 17 of 1999 and the Companies Law No. 159 of 1981. The Law of Commerce deals mainly with the sole proprietor and simple partnerships, whereas the Companies Law regulates in detail joint stock companies, limited partnerships by shares and limited liability companies. Each of these structures is discussed below.

### SOLE PROPRIETORSHIP FORMATION

A sole proprietor (or sole trader) is a natural person who engages in a commercial activity on his/her own account.

To be licensed as a sole proprietor, a person should apply to the Commercial Registration Office for registration in the Commercial Register. The important requirements for this registration are:

- 1) The applicant should be of at least 21 years old
- 2) The applicant should be of Egyptian nationality, unless he/she will carry out his/her activity under the Investment Law (law No. 8 of 1997), or will engage in an exporting activity
- 3) The applicant should use his/her own name as a trade name. This trade name should appear on his/her business firm or shop and its branches (if any), and on all his/her business correspondence
- 4) The applicant should provide the Commercial Registration Office with other relevant important data such as the nature of his/her trade or business, the trade capital (no minimum capital is required), the addresses of the main firm, shop or branches (if any) and details of trademarks or copyrights (if any).

### FINANCIAL REQUIREMENTS

The Law of Commerce requires any sole proprietor whose trade capital is EGP 20,000 or more to keep proper accounting books. Foreigners cannot establish a sole proprietorship except under the law No. 8 of 1997 with a minimum capital equalling EGP 250,000.

The annual profit (taxable profit) of the sole proprietor, together with any other taxable income he/she may have from other sources, shall be subject to income tax at the following rates:

The first EGP 5,000	0%
More than EGP 5,000 up to 30,000	10%
More than EGP 30,000 up to 45,000	15%
More than EGP 45,000 up to 250,000	20%
More than EGP 250,000	25%

## SIMPLE PARTNERSHIPS

### FORMATION

The partnership is a kind of a business formed between two or more partners who are usually natural persons. There are two kinds of partnerships – the general partnership and the limited partnership.

In a general partnership, all the partners are considered as traders and are jointly responsible to meet all the business liabilities or obligations without any limits. This means that if the partnership funds cannot meet its liabilities, creditors can recover their debts from the partners' private properties. The general partnership should have a trade name derived from the name(s) of one or more of its partners.

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

- 1) A copy of the partnership deed is published at the Court of First Instance where the partnership head office is located
- 2) The partnership deed is published in one of the daily newspapers of wide circulation
- 3) The partnership deed is registered in the Commercial Register (please refer to commercial registration requirements under the sole proprietor)
- 4) After completing the above registration process, the partnership can start its commercial activity.

### MANAGEMENT

In the limited partnership, at least one of the partners is a general partner who is active and is considered a trader with full responsibility to meet the partnership's liabilities or obligations without any limits. Other partners, who are called limited partners, are inactive or sleeping partners, and their liability in meeting the business liabilities or obligations is limited by the amount of capital they invested in the partnership, and no more. The trade name of the limited partnership is derived from the name(s) of one or more of its general partners.

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

### FINANCIAL REQUIREMENTS

No minimum capital is required. Regarding taxation, general and limited partnerships are subject to the same tax provisions. The profit of the partnership itself as a legal entity is taxable and subject to the income tax rate of 25%.

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

## JOINT STOCK COMPANIES FORMATION

The Egyptian joint stock company is similar in its main features to the same kind of companies existing anywhere else in the world. Thus, it is a regulated company whose capital is divided into shares. The liability of each shareholder is limited to the value of his/her shares and shares can be traded on the stock exchange.

The number of founders of a joint stock company should not be less than three and consequently the number of shareholders cannot go below three at any time.

The shares of a joint stock company, private or public, can be fully owned by foreigners, but they have to pay the value of their shares in the company in foreign convertible currencies.

To form a joint stock company, the founders (or an attorney acting on their behalf) should submit an application to the Companies Department with the following documents:

- 1) A list of the founders' names and details
- 2) For founders who are corporations, a resolution from each corporate body indicating participation in the new company
- 3) For founders who are of foreign nationality, relevant data is required in authenticated or legalised form such as nationality, address, work or activity, documents of incorporation, etc.
- 4) The memorandum of association and the draft of the articles of association of the new company
- 5) A certificate from the Egyptian bank receiving the share capital payments, which shows that each founder and ordinary shareholder has paid at least 25%. This 25% can be paid in two instalments – 10% before applying to the Companies Department and the remaining 15% within three months following the registration of the company in the Commercial Register.

The Companies Department will submit the application and attached documents to a Special Committee for Company Formation which will review the application and the documents. If the application and documents are complete and follow the requirements of the Egyptian law and public order, the Committee will issue a resolution approving the formation of the new company, and accordingly the memorandum and articles of association of the new company are published in the Companies Bulletin.

Subsequently, the founders will apply to the Commercial Registration Office to register the new company in the Commercial Register, after which the company will be fully incorporated and can start its activity. The incorporation of a joint stock company usually takes four to five weeks to complete.

## FINANCIAL REQUIREMENTS

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

The shares of a joint stock company, whether it is a private or a public company, can be traded on the Egyptian Stock Exchange. However, in-kind shares and founders' shares cannot be traded on the Stock Exchange before the lapse of two financial years from the incorporation of the company. A foreign shareholder can sell his shares on the Egyptian Stock Exchange and can repatriate the proceeds of the sale abroad without any restrictions, and free of any taxes or duties.

The accounts of any joint stock company should be audited by an Egyptian-certified auditor appointed by the shareholders in their annual general meeting. Banks and mutual funds should have at least two certified auditors.

The annual net profit of a joint stock company has to be appropriated in accordance with the provisions of the Companies Law and the related executive regulations as follows:

- 1) At least 5% of the net profit is set aside as legal reserve. Adding to this reserve will cease when the amount reaches 50% of the issued share-capital
- 2) At least 5% of the paid-up capital is payable to shareholders (and employees) as a first distribution. Of the remaining profit, a maximum of 10% is deducted as remuneration to the board of directors. The remaining profit may be distributed to the shareholders (and employees) as a second distribution, carried forward to the next year, or set aside in a special reserve account
- 3) The employees are entitled to receive, as part of profit-sharing, 10% of the first and second distributions mentioned above, but to a maximum of 100% of their annual salaries. Therefore, the actual dividends to the shareholders would be the total of the first and second distributions excluding the employees' profit sharing. The dividends are payable to the shareholders free of any taxes or duties
- 4) The dividends of a foreign shareholder can be repatriated abroad through one of the accredited banks in Egypt without any restrictions, and free of any taxes or duties
- 5) The net profit of the joint stock company, adjusted according to the provisions of the tax law, will be subject to the Egyptian corporate tax whose standard rate is approximately 25%. However, profits of the Suez Canal Authority, the Egyptian Petroleum Authority and the Central Bank will be taxed at 40%. Oil and gas exploration and production companies are taxed at 40.55%.

## MANAGEMENT

A joint stock company is managed by a board of directors composed of an odd number, which is not less than three. The board members, including the chairman, can be foreign nationalities. The directors represent the shareholders in managing the company and are therefore considered as attorneys or agents to the shareholders and not as employees of the company.

Joint stock companies are supervised by the Companies Department to ensure their compliance with the Companies Law. However, companies dealing with securities (eg mutual funds, holding, venture capital and portfolio management companies) are supervised by the Capital Market Authority.

## LIMITED PARTNERSHIPS BY SHARES

### FORMATION

The limited partnership by shares, or the 'societe en commandite par actions' as they are called in France, is similar to the joint stock company with the exception that at least one of the founders has unlimited liability in meeting the company's financial liabilities. The company is prohibited from conducting the business of insurance, banking and savings or fund investment on other people's behalf (Article 3 & 5 of the Companies Law).

### MANAGEMENT

The company is managed by the founder(s) of unlimited liability without any direct participation from the other founders or ordinary shareholders of limited liability. The founder(s) of unlimited liability who manages the company is called the 'manager', but his/her legal status is similar to the director of a joint stock company and the provisions applicable to these directors apply as well to the managers of limited partnerships by shares. The name and scope of such a partner manager's authority must be specified in the memorandum of association (Article 111 of the Companies Law).

The company must have a supervisory board made up of at least three persons, whose purpose is to supervise the actions of the manager(s). As such, this supervisory board may not be chosen from the partner manager(s) (Article 112 of the Companies Law).

In cases of the manager's death, the company will dissolve, unless the company deed stipulates that it will continue.

Apart from the specified differences, the provisions relating to joint stock companies will apply to limited partnerships by shares.

### FINANCIAL REQUIREMENTS

The minimum share capital required of a limited partnership by shares is EGP 250,000. The capital is divided into two categories:

- Shares owned by founder partners
- Shares of equal value belonging to shareholders.

The founder partners have unlimited liability, while the shareholders' liability is limited to the value of their respective shares (Article 3 of the Companies Law).

## LIMITED LIABILITY COMPANIES

### FORMATION

The Egyptian limited liability company is a closed company where the liability of each of its partners is limited to the value of his/her shares (called quotas) in the company. The number of partners of a limited liability company cannot be less than two persons and cannot exceed fifty.

The shares or quotas of the limited liability company cannot be traded on the stock exchange. The trade name of the limited liability company is usually derived from its object, but may also include the name(s) of one or more of its partners. Additionally, the words 'Limited Liability Company' must be included in the name (Article 61 of the Ministerial Decision Implementing the Commercial Companies Law.)

The founding shareholders of the company must submit an application requesting permission to incorporate a limited liability company. The ministerial decision implementing the Commercial Companies Law outlines the mandatory provisions which must be included in the memorandum of association.

The company is incorporated once it is registered in the Commercial Register. The company must also maintain a register of partners at its head office, which must contain:

- The names, nationalities, domiciles and occupations of the partners
- The number of shares owned by each partner
- The sum paid by each
- The assignment or transfer of shares and related relevant information (Article 275 of the Executive Regulation of the Companies Law).

Limited liability companies cannot raise funds (as capital or as loan) through a public offering. Such companies may conduct a variety of business activities, with the exception of insurance, banking, savings, receiving deposits or investing funds on behalf of others (Article 5 of the Companies Law).

#### MANAGEMENT

The management of a limited liability company may be assigned to one or more managers. At least one manager must be of Egyptian nationality (Article 281 of the Ministerial Decision Implementing the Companies Law). The manager(s) must be named in the memorandum of association but need not be a shareholder(s). The manager(s) may be appointed for a definite term (which must be specified in the memorandum of association) or for an indefinite term. The manager(s) shall have full authority to represent the company, unless such authority is limited by the memorandum of association.

The manager of the limited liability company has the same legal status as the director of a joint stock company. A foreign partner, to be the manager, must obtain a residence visa and his paid-up capital should not be less than USD 25,000.

If the number of the partners of a limited liability company exceeds ten, the partners should form a supervisory board consisting of at least three of them. The supervisory board has the right to check the accounting records of the company, ask the managers to provide reports upon request, count the company's cash and other assets and review the company's financial statements before being submitted to the partners' general meeting.

Apart from the above, provisions relating to joint stock companies apply to limited liability companies.

#### FINANCIAL REQUIREMENTS

The minimum equity capital of a limited liability company is EGP 200. The equity capital should be fully paid up on foundation. The nominal value of the share or quota cannot be less than EGP 100.

The quotas cannot be traded on the stock exchange. However, any partner can sell his/her quotas to outsiders, if he/she has already offered them to the other partners and they have declined to buy them.

If a foreign partner(s) in a limited liability company wishes to repatriate his/her capital out of Egypt, he/she has to sell his/her quotas or liquidate the company (if he/she actually owns all or most of it), deposit the proceeds of sale or liquidation in an account at one of the accredited banks in Egypt, and the bank can then realise the required repatriation of the funds, free of any taxes or duties.

A limited liability company which has a share capital equal to or exceeding the minimum share-capital of a closed joint stock company (ie EGP 250, 000) has to allocate at least 10% of the profit to be distributed among its partners and to its employees as profit-sharing, but to a maximum of 100% of their annual salaries.

## **OTHER FORMS OF BUSINESS STRUCTURE ASSOCIATED WITH FOREIGN OPERATIONS**

In addition to the types of business already listed, there are some other forms of business incorporation associated with foreign operations such as representation offices, foreign branches and franchising.

### **FOREIGN BRANCHES**

Foreign companies are allowed to open branches in Egypt to carry out construction works, hotel management, commercial, financial and industrial activities or generally to execute works of a contractual nature.

Following approval of the registration application, all foreign companies conducting activities in Egypt must register their office in the Commercial Register. Once registered in the Commercial Register, the foreign branch must also be registered at the centralised register of foreign companies kept at the Companies Department.

A manager should be appointed by the foreign company to manage its branch in Egypt, and to legally represent it in all matters related to its activity and existence. The manager can be of foreign nationality. The manager may delegate others who are professionals or specialists to handle matters of a complicated or specialised nature, such as taxes and legal disputes.

The remuneration of the manager is subject to an income tax called the salary tax, which has a progressive rate ranging between 10% and 20%. If the manager is of Egyptian nationality, then he/she should enrol themselves in the state social insurance system as an employee. Enrolling in the social insurance system applies also to foreigners whose countries have reciprocal social insurance arrangements with Egypt.

The foreign branch should keep proper books of accounts as required by law and should issue annual financial statements which should be audited by a certified Egyptian auditor.

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

The net profit of the foreign branch can easily be repatriated abroad if the branch has acquired enough foreign currency to do so. This also applies to the capital of the foreign branch.



The net profit of the foreign branch will be subject to the Egyptian corporate tax at the rate of 25%.

Establishing a branch of a foreign company in Egypt requires registration at the Commercial Registration Office. To register a branch of a foreign company, the company should first be awarded a contract to perform works in Egypt, such as a contract for construction works, hotel management, oil exploration or the like.

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

- 1) A copy of the contract awarded to the foreign company to perform works in Egypt with a recognised Arabic translation thereof
- 2) A legalised copy of the memorandum and articles of association of the foreign company with a recognised Arabic translation thereof
- 3) A legalised copy of the foreign company's board of directors' resolution to establish a branch in Egypt with a statement that the company has no other branches in Egypt
- 4) Details about the appointment of a manager for the branch
- 5) A certificate from one of the accredited banks in Egypt stating that the foreign company has transferred to the bank an amount in a foreign convertible currency equal to at least EGP 5000 to be the branch's capital, and that this amount is deposited in a blocked account
- 6) In case of construction works, a document indicating that the foreign company has been registered in the Egyptian Federation for Erection and Building Contractors as a correspondent
- 7) A copy of the rental contract of the office of the branch in Egypt.

The registration fees of a foreign branch are about EGP 2,500 but it varies according to the number of documents which need to be translated and approved from the administration party. The fee is exclusive of the professional fees of an attorney. The establishment of a foreign branch usually takes about two to three months to complete.

#### REPRESENTATION OFFICES

Foreign companies can establish in Egypt representation, liaison or scientific offices. The object of such offices is limited to studying the Egyptian market and exploring the possibility for their companies of manufacturing or carrying out business in Egypt, but without actually performing any kind of commercial activity, including commercial agency work, or performing any activity which may generate income.

Representation, liaison, or scientific offices should be registered at the Companies Department before they are allowed to work in Egypt.

Foreign pharmaceutical companies may apply to the Ministry of Health to open scientific offices in Egypt and if the Ministry of Health approves their request, they may register their scientific offices at the Imports and Exports Control Authority (under the Ministry of Foreign Trade), instead of the Companies Department. This kind of registration allows scientific offices of pharmaceutical companies to make promotions in Egypt for their pharmaceutical products. Such scientific offices may also receive, on behalf of their companies, royalties on foreign pharmaceutical products which are manufactured by Egyptian pharmaceutical companies by licence of the foreign companies. Scientific offices may also receive a promotion allowance from the Egyptian pharmaceutical companies if they make the necessary promotions for the locally manufactured products.

The manager of the representation, liaison, or scientific office can be a foreigner. However, the manager of a scientific office of a pharmaceutical company, which is registered at the Imports and Exports Authority, must be an Egyptian who is a licensed member of one of the medical professions in Egypt.

There is no minimum capital for a representation, liaison, or scientific office, but the funds required to establish any such office and to run it should be transferred from abroad in foreign convertible currency and deposited at one of the accredited banks in Egypt. However, scientific offices of pharmaceutical companies are allowed to use any royalties and promotion allowances (as indicated above) in meeting their expenses or part thereof.

Since representation, liaison, and scientific offices cannot exercise any commercial activity that can generate income, they are not subject to corporate tax and their employees do not enjoy any profit-sharing rights.

However, royalties accruing to the scientific offices of pharmaceutical companies are subject to a withholding tax at the rate of 20% or at a reduced rate if there is a tax treaty with the country of the foreign company. In this case, the taxpayer would be the foreign pharmaceutical company itself and not its scientific office. Promotion allowances received by the scientific offices are not subject to the corporate tax, as long as the total annual current expenses of the office exceed what it receives in promotion allowances. On the other hand, the managers and employees of these offices are subject to salary tax on the salaries and other remunerations they receive.

To register a representative office, the concerned foreign company, or its attorney, should submit an application to the Companies Department (or the Imports and Exports Control Authority in the case of scientific offices of pharmaceutical companies) with the following documents:

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

6) A copy of the rental contract of the representative office in Egypt

Registration of a representative office usually takes about one month to complete.

### FRANCHISING

A franchise is an agreement by which the owner of an intellectual right, a potential property or a brand product, called the 'franchisor', gives another person called the 'franchisee' the exclusive right to use or exploit this intellectual right or property, or to produce or sell the brand product within a designated area for a remuneration which is commonly called a licence fee or a royalty.

The licence fee or royalty can take the form of a fixed amount of money payable by the franchisee to the franchisor for using the right during a specified period of time, or it can take the form of a percentage of the turnover or sales realised by the franchisee during a specified period of time, or it may combine these two forms of remuneration.

A new law for Intellectual Property Rights No. 82 of 2002 was passed in June 2002. The new law applies the rules of the Trade Related Aspects of Intellectual Property Rights Agreement (TRIPS Agreement) and makes protection of intellectual profits under a franchise agreement more secure. Being a member of the World Intellectual Property Organization (WIPO), Egypt is a signatory to a number of major international agreements such as the Madrid international convention protecting trade and industrial marks.

According to income tax law, royalties, licence fees or payments for know-how and the like are subject to the royalty tax at the rate of 20% without any deductions for costs or expenses. However, if the recipient of the royalty or the like is a resident of a country which has a tax treaty with Egypt, the tax rate is usually reduced.

### IMPORTERS, COMMERCIAL AGENTS & CONTRACTORS

Importation for trading purposes and commercial agency activity are both restricted to Egyptians or business firms wholly owned by Egyptians. Further details on the activities of importers, commercial agents and contractors are given below.

### IMPORTATION FOR TRADING PURPOSES

Law no. 121 of 1982 on the 'Importers Register' requires that any natural or legal person wishing to import goods for trading purposes should, first of all, be registered in the Importers Register.

To register a natural person in the 'Importers Register', the following requirements (Article 2) should be met:

- 1) He/she should be registered in the Commercial Register and should have a tax card
- 2) He/she should be of Egyptian nationality and if his/her Egyptian nationality was acquired, then at least ten years should have elapsed since acquiring it
- 3) He/she should have carried out commercial activities for at least two consecutive years (there are some exceptions to this rule)
- 4) He/she should have a clean criminal record
- 5) He/she should not have been bankrupt, or if he/she was bankrupt, they have now been rehabilitated
- 6) His/her business capital amount should not be less than EGP 10,000 (with some exceptions)

- 7) If the person has been a civil servant performing works related to commercial activities, then at least two years should have elapsed since his/her leaving the civil service
- 8) He/she should not be a member of the parliament, the advisory council, a local municipality, or fully engaged in political work, unless he/she has undertaken such activities before being a member of such councils.

To register a partnership or a company in the 'Importers Register' the following requirements (Article 2) should be met:

- 1) The partnership or company should be registered in the Commercial Register. For partnerships, the commercial registration should have taken place more than at least one year ago, and the capital of the partnership should not be less than EGP 15,000. If its capital is EGP 20,000 or more, then it is exempted from the one- year condition
- 2) Its head office must be in Egypt
- 3) Its object should include importation for trading purposes
- 4) All the partners and managers of partnerships and all the managers of companies must be of Egyptian nationality, or at least ten years should have elapsed since acquiring it
- 5) The general partners of partnerships and the managers of companies must meet the requirements applicable to natural persons.

Limited liability companies are treated the same as partnerships for registration purposes.

Importation of materials for manufacturing purposes, and importation of capital assets such as machines and transport means to be used in the activity of the business firm and not for trade, can be carried out directly by the concerned business firm without the involvement of a registered importer.

### COMMERCIAL AGENTS

Law no. 120 of 1982 regulates commercial agencies. According to the law, foreign companies wishing to engage in any type of consulting or other services, or to tender on government agency bids (except sales to the Ministry of Defence) may do so only through a registered local agent or intermediary.

A foreign company cannot establish in Egypt a scientific, technical, or consulting office or any similar kind of offices unless it appoints an Egyptian commercial agent. Also, any foreign company wishing to store its goods in Egypt for the purpose of selling or distributing them must appoint an Egyptian commercial agent to carry out these activities.

To work as a commercial agent or intermediary, the person must be either an Egyptian national or an Egyptian juristic entity whose name has been registered in the 'Commercial Agents Record' or 'Intermediaries Register' at the Ministry of Foreign Trade.

Registration in the record also requires the submission of the commercial agency contract showing the nature of the work of the commercial agent, and the responsibilities of the principal and the agent, the percentage of the agency commission, the conditions for paying it to the agent and the currency of payment. Registration in the 'Commercial Agents Record' must be renewed every five years. Furthermore, the Commercial Agencies Law requires that each agency agreement contain a specific obligation by the foreign principal to inform the appropriate Egyptian embassy or consulate (in the foreign principal's home country) of any amendments to the agreement.

Principals must report to the tax department details of payments of commissions made to commercial agents and intermediaries within one month of each payment. The commercial agent must also keep proper books of account and records therein all the commissions received and the banks in which they are deposited.

#### FOREIGN CONTRACTORS

As already mentioned, if a foreign contracting/construction company is awarded a contract to perform works in Egypt, it must register a branch and appoint a manager for this branch. If the owner of the works requires that the works be executed by a joint venture or a consortium made of two or more contractors, then the foreign contractors in the joint venture or consortium would still be required to register branches in Egypt.

Alternatively, a foreign contracting /construction company may choose to establish an Egyptian company in Egypt, usually in the form of a joint stock company or limited liability company. In these cases, the foreign company would not be required to obtain a local contract to be able to establish the company, but can establish the company then search for works in Egypt. Usually foreign contracting /construction companies seek to establish the Egyptian company together with well-known Egyptian contracting /construction companies for better penetration into the Egyptian market, and to secure better cooperation and expertise in performing the local works.

## 5 – LABOUR

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### LABOUR REGULATIONS

#### EGYPTIAN LABOUR

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

The number of non-Egyptian employees in any establishment must not exceed 10% of the total work force for unskilled or semi-skilled workers. For skilled workers, the limit of non-Egyptian labour is 25%. Also, total compensation of foreign employees must not exceed 35% of the total payroll of the establishment.

The Egyptian labour market is regulated by the new unified Labour Law No. 12 for 2003. The new Law comprises 257 articles which address all the legal aspects regulating the Egyptian labour market. The new law aims to increase private sector involvement and at the same time achieve a balance between employees' and employers' rights. Amongst the most important issues which the new law addresses is the right of an employer to fire an employee and the conditions pertaining to this, as well as granting employees the right to carry out peaceful strikes according to controls and procedures prescribed in the new law.

#### EMPLOYMENT CONTRACTS

Employment contracts are required to be in writing, in triplicate and in Arabic. The employer, employee and social insurance office each keep one copy of the employment contract, which must include certain information as specified in the Labour Law.

If an employee is hired on probation, the employment contract should indicate the probationary period, which cannot exceed three months.

An employment contract may be drawn up for a fixed-term or indefinite period of time. In cases where the employee and the employer continue to implement a fixed-term contract after its term, this shall be considered as a renewal of the contract for an indefinite term.

It is necessary that both the employer and employee agree on essential matters in the law concerning wages, job description and contract period.

It is also important to state the kind of work which the employee is obliged to do and the entity to which he/she must answer if work is not performed.

#### CONTRACT PERIOD

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

**EMPLOYER'S FILE**

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

**RECORDS STATED IN THE LABOUR LAW**

The Labour Law obliges the employer to present the records listed below to the Ministry of Manpower and Migration.

**DISABLED RECORD**

Regarding the employment of disabled individuals according to Law No. 39 of 1975, which sets out qualifications and employment of the disabled, this law obliges private sector employers, whose number of workers equals or exceeds 50 employees, to employ 5% of the total number of workers from the disabled as recommended by the Manpower Office.

**FOREIGNERS' RECORD**

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

**FINANCIAL PENALTIES RECORD**

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

**TERMINATION OF EMPLOYMENT****DURATION OF PROBATION**

The probation labour contract should not exceed three months. An employee shall not be appointed under probation more than once for the same employer.

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

**DISMISSAL & TERMINATION**

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

**LEAVE****ANNUAL LEAVE**

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

**ACCIDENTAL LEAVE**

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

**SICK LEAVE**

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

**OFFICIAL LEAVE (PUBLIC HOLIDAYS)**

The ministerial decree No. 112 2003 sets out official leave days, which are fully paid.

**PERFORMING PILGRIMAGE OR VISITING JERUSALEM**

With regards to religious observance, Article No. 53 of the new Labour Law states that an employee who has spent five consecutive years in the service of an employer has the right to fully paid leave for a period not exceeding one month for performing pilgrimage or to visit Jerusalem and such leave shall be enjoyed only once during the period of service.

**MATERNITY AND CHILD CARE LEAVE**

A female having spent ten months in the service of an employer shall be entitled to maternity leave of 90 days (including the period preceding the birth) with full wage payment.

**EMPLOYEES' BENEFITS****SOCIAL SECURITY SYSTEM AND PUBLIC HEALTH INSURANCE**

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

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

**OTHER BENEFITS****ANNUAL INCREMENT**

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

**OVERTIME PAY**

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



## PROFIT SHARING

Employees of a joint stock company, limited liability company or foreign branch are entitled to a share in the distributable profits. The share is fixed at an amount not less than 10% of distributable profits and not more than the total annual salaries of the employees.

## BONUSES

There is no obligation to pay annual bonuses.

## SPECIAL REQUIREMENTS FOR FOREIGN RESIDENTS

### VISAS

Tourists and visitors are generally permitted to enter the country with a minimum of immigration formalities. Except for nationals from certain countries who must obtain a visa from the Egyptian Consulate in the country where they live, most visitors require temporary visas to enter Egypt. These are issued at ports.

### TOURIST VISAS

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

### TEMPORARY VISAS

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

### WORK PERMITS

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

Foreigners interested in employment in Egypt have to obtain work permits and follow the corresponding regulations issued by the Ministry of Manpower and Migration in this regard. After a work permit is obtained, the foreign national's visa (whether tourist or temporary) is converted into a work visa, with the same duration as the work permit.

## INSURANCE

### THE UNEMPLOYMENT INSURANCE LAW

The unemployment insurance law, officially known as the Emergency Subsidy Fund Law No. 156 of 2002, establishes a fund to compensate workers/employees whose wages are suspended due to firm closure or downsizing.

The Fund's resources come from a 1% deduction from the base salaries of the government sector, public enterprises and private sector employees in firms with over 30 workers, a government contribution and other donations.

### SOCIAL INSURANCE CONTRIBUTIONS

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

## 6 – TAXATION

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The Egyptian Cabinet approved a new unified corporate and income tax law on 24 November 2004.

The new tax law (No. 91 2005) was passed on 8 June 2005 and its amendments on 18 May 2013. It basically replaces Law 157 of 1981 and its successive amendments. It also replaces law 187 of 1993.

The law was effective starting 1 June 2013.

### TAX EXEMPTIONS OF THE NEW TAX LAW (NO. 91 2005)

#### GENERAL TAX EXEMPTIONS

The following types of income are exempt from tax:

- 1) Profits of land reclamation or cultivation establishments for a period of ten years
- 2) Profits of establishments of poultry production, bee keeping, cattle breeding, fattening pens, fisheries and trawler projects for a period of 10 years
- 3) Profits of securities investments listed on the Egyptian stock exchange
- 4) Interests of all kinds of debentures and finance bonds listed on the Egyptian stock exchange
- 5) Dividends of the shares of the capital of joint stock, limited liability companies and partnerships limited by shares obtained by individuals
- 6) Dividends of the investment securities issued by investment funds
- 7) Returns from deposits, savings accounts and so on in Egyptian banks
- 8) Profits realised from new projects established by finance from the Social Fund for Development for a period of five years
- 9) Interest on loans and credit facilities obtained by the government from sources abroad
- 10) Interests obtained on securities issued by the Central Bank of Egypt
- 11) Revenues from writing and translating religious, scientific, cultural and literary books and articles
- 12) Revenues of members of teaching staff in universities, institutes and others as realised from their books and compilations
- 13) Revenues of members of the plastic artists association from production of works of photography, sculpture and carving arts
- 14) Revenues of free professionals who are registered as active members of professional syndicates in their field of specialisation for a three-year period.

#### TAX EXEMPTED ENTITIES

The following types of entity are exempt from tax:

- 1) Ministries and government administrations
- 2) Not-for-profit educational establishments
- 3) Non-governmental organisations established according to law 84 of 2002
- 4) Not-for-profit entities which are engaged in social, scientific, sporting or cultural activities
- 5) Profits of private insurance funds under law 54 of 1975
- 6) International organisations.

## TAX RATES

### CORPORATE INCOME RATES

TABLE 5

*Corporate income tax rates*

DESCRIPTION	TAX %
Most firms	25%
Suez Canal profits	40%
Egyptian Petroleum Authority	40%
Central Bank of Egypt	40%
Oil exploration & production companies	40.55%

Deductible costs and expenses are as follows:

- 1) Interests on loans according to certain tax regulations
- 2) Depreciation of establishment assets according to certain tax regulations
- 3) Duties & taxes borne by the establishment except for corporate tax
- 4) Social insurance premiums settled to the National Social Insurance Authority in favour of workers or in favour of the establishment's owner
- 5) Amounts an establishment deducts annually from its funds or profits, up to and not exceeding 20% of total salaries and wages of the workers, on account of private savings, pension funds or others according to the Private Insurance Funds Law 54 of 1975 or Law 64 of 1980
- 6) Insurance premiums against disability or disease, which shall not exceed EGP 3000
- 7) Donations and aid to the government and Egyptian non-governmental institutions with a maximum of 10% of the net profit
- 8) Financial penalties as a result of contractual liability.

Costs and expenses which are not considered deductible are as follows:

- 1) Reserves
- 2) Financial fines and penalties against the taxpayer
- 3) Income tax payable according to the current law
- 4) Interest settled on loans which exceed two-fold the credit and discount rates announced by the Central Bank
- 5) Interest on loans and debts paid to tax exempted entities.

### PERSONAL INCOME RATES

The new law has unified the ceiling of tax exemption for both single and married employees with children and the rates are as follows:

The first EGP 5,000	0%
More than EGP 5,000 up to 30,000	10%
More than EGP 30,000 up to 45,000	15%
More than EGP 45,000 up to 250,000	20%
More than EGP 250,000	25%

Note: Pensions and severance pay are not taxed.

There are personal income tax exemptions on the following:

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

#### TAXATION OF NON-COMMERCIAL PROFESSIONS:

A wider range of professions shall be taxed under the title 'non-commercial professions', for example doctors and lawyers. These professions enjoy a three-year tax exemption and include the following:

- Legal profession
- Medicine
- Engineering
- Journalism
- Composition of scientific and literary compilations
- Accountancy and auditing
- Translation
- Expertise
- Religious reading and recitations
- Drawing, sculpture and calligraphy
- Singing, music playing and composing, dancing, acting and filmmaking
- Modelling
- Customs clearance.

Deductible costs are as follows:

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

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

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

#### GENERAL STIPULATIONS

- 1) Amounts paid to non-residents in Egypt paid by residents or non-residents having permanent establishments in Egypt are taxed at 20%, without deducting any costs from them
- 2) Bond yields by the Ministry of Finance in favour of the CBE shall be taxable at 32% without deduction of any costs

- 3) The foreign tax paid by a resident company on profits which are incurred abroad shall be deducted from the tax payable by it according to the law. However, losses incurred abroad shall not be deducted from the tax paid in Egypt
- 4) The law has exempted royalties which serve manufacturing activities
- 5) There is a total exemption for the profit distribution of Egyptian companies to non-resident individuals and companies
- 6) The law taxes the profits of resident Egyptian corporations regardless of the location of their activities, whether inside Egypt or offshore
- 7) Profit which an international company or shareholder makes from profits generated by a local subsidiary is not subject to taxes
- 8) Deduction of bad debts is allowed after submission of a report by one of the accountants or auditors indicating fulfilment of certain conditions
- 9) Losses may be carried forward and applied against future profits for up to five years
- 10) The new tax law cancels the state's financial resources development duty.

#### THE NEW TAX LAW AND INVESTMENT LAW 8/1997

Law 91 of 2005 and its amendments have revoked articles 16, 17, 18, 19, 21, 22, 23-bis, 24, 25 and 26 of the Investment Guarantees and Incentives Law 8 of 1997. These articles mostly exempted certain industrial and commercial activities (hotels and tourist projects, reclamation of desert lands etc.) for a period of five years.

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

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

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

#### DEBT TO EQUITY

The law allows deductibility of interests at a debt to equity starting at 8:1 for the year 2005, then reducing each year to reach 4:1 by 2009.

#### TREATMENT OF FOREIGNERS AND FOREIGN BRANCHES

The new tax law amendments (treated the non-resident foreigners and the resident in the same bundle).

## TREATIES FOR THE PREVENTION OF DOUBLE TAXATION

Egypt has concluded treaties for the prevention of double taxation with a number of countries, including those listed below:

Austria, Bahrain, Belarus, Belgium, Bulgaria, Canada, China, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Holland, Hungary, India, Indonesia, Iraq, Italy, Japan, Jordan, Korea, Lebanon, Libya, Malta, Morocco, Norway, Pakistan, Palestine, Romania, Russia, Singapore, Serbia & Montenegro, South Africa, Sudan, Sweden, Switzerland, Syria, Tunisia, Turkey, UAE, Ukraine, the United Kingdom, the United States & Yemen.

In the absence of a tax treaty, unilateral tax relief is available by way of deduction rather than by a tax credit.

## WITHHOLDING TAX

### WITHHOLDING PAYMENTS ON ACCOUNT OF TAX – ONSHORE PAYMENTS

The new law has retained withholding payments on account of the taxpayer. Moreover, it introduced a new pre-tax payment system. The parties obliged to apply the withholding payments mechanism include government ministries and departments, public sector companies, free zone companies, syndicates and all kinds of non-governmental organisations.

Withholding payments will be applied to any payments, such as commissions, brokerage, purchases, supplies, contracting or services, over EGP 300 paid to private sector entities.

A ministerial decree will be issued to determine the withholding payment rate which should not exceed 5% of the payment, as shown in the following table.

**TABLE 6**

*Withholding payment rates*

ACTIVITY	RATE
Contracting and supplies	0.5%
Services	2%
Professional fees and commissions	5%

Withholding payments will be applied to non-commercial professions at 5% for each amount more than EGP 100.

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

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

### WITHHOLDING TAXES AT SOURCE – OFFSHORE PAYMENTS

A new legislation published in 4 January 2009 requires all entities (companies or any legal entities resident) in Egypt to apply a withholding tax system of 20% of payments abroad for interest, royalties, or services (except those related to the industry by a ministerial decision), payments for athletic activity and for artists. This is regardless of the conditions of tax treaties. According to the legislation, the entity abroad, and to benefit from any discounted rate of a treaty, shall be required to apply by itself or through a delegated person to the local tax authority for claiming a tax refund.

The government, local governmental units and public entities will be exempted from taxes due on loan interests obtained from abroad.

The private sector, public sector companies and public business sector will be entitled to this exemption on condition that the loan period is at least for three years.

### ROYALTIES

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

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

### SALES TAX

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

## 7 – ACCOUNTING & REPORTING

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### ACCOUNTING STANDARDS

Public and private companies with shares traded on the stock exchange are required to prepare their separate and consolidated accounts in accordance with adopted International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs).

Other companies are required to adopt Egyptian standards based on IFRSs, for accounting periods beginning on or after 1 January 2007.

### PERIOD-END ACCOUNTS

Every Egyptian company registered under the Act is required to prepare a set of accounts which give a true and fair view of its profit or loss for the year and of its state of affairs at the year end. Annual accounts generally include:

- A directors' report
- An audit report
- An income statement
- A balance sheet
- A statement of changes in equity
- A cash flow statement
- Comprehensive notes to the accounts.

Most of these notes present in more detail the figures in the balance sheet, the income statement and cash flow statement. In addition, and where applicable, the notes to the financial statements may include:

- A statement concerning any significant doubts surrounding a business' ability to continue as a going concern
- Details of significant post-balance sheet events
- Details of material transactions with related parties including the directors
- The identity of the ultimate controlling party of the company
- Details of policies on, and exposure to, exchange rate, interest rate, liquidity and market value risks.

If an Egyptian company is a parent company, consolidated accounts must also be prepared, although there are exemptions from this requirement for certain medium-sized and small private companies. Comparative figures should also be given for almost all items and analysis given in the year-end financial statements.

All of the above requirements apply equally to LLPs except that no directors' report (nor any equivalent report) is required. The accounts must be provided to each shareholder or member of a limited company or LLP, although there are regulations permitting a quoted company to send only a summary financial statement to its members.

### AUDIT REQUIREMENTS

The Act requires that the annual accounts include a report from suitably qualified, registered auditors to the shareholders (or members of an LLP) stating in particular whether or not, in the auditors' opinion:



- The balance sheet gives a true and fair view of the company's (and groups', if applicable) state of affairs
- The profit and loss account gives a true and fair view of the company's (or group's, as applicable) profit or loss for the year
- The directors' report is consistent with the financial statements.

In appropriate circumstances, dormant and some small private companies and LLPs may be exempt from the requirement to have their accounts audited. Audits are nevertheless often required by:

- Providers of finance
- Business owners preferring to obtain the assurance of an audit
- Regulatory or trade bodies.

#### FILING OF THE ACCOUNTS

All public and private companies and LLPs must place a copy of their annual accounts on the public record by filing them with the Registrar of Companies. The filed accounts must be identical to those sent to the shareholders.

## 8 – UHY REPRESENTATION IN EGYPT

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# UHY KHALED ELFAKHRANI & CO EGYPT



## CONTACT DETAILS

UHY Khaled Elfakhrani & Co  
October Trade Center  
6th of October Central service Road  
Building 2 – Forth floor – office 42  
Cairo  
Egypt  
Tel: +202 383 60233  
www.uhy-eg.com

Year established: 1991  
PCAOB registered?: Yes  
Number of partners: 2  
Total staff: 16

## CONTACTS

Liaison contact: Khaled Elfakhrani  
Position: Managing Partner  
Email: k.elfakhrani@uhy-eg.com

## BRIEF DESCRIPTION OF FIRM

UHY Khaled Elfakhrani & Co. is a professional partnership specialising in assurance, accountancy, taxation, management consultancy, and business advisory services. Our clients include corporations, limited liability companies, partnerships and NGOs.

Plans for expansion include new branches in Taba and Hurghada, Red Sea and establishing practices in Oman, Qatar, Sudan and Libya.

## SERVICE AREAS

Audit  
Bookkeeping  
Taxation  
Management consultancy  
Financial advisory  
Transactions service  
Business advisory  
Arbitration & Litigation support

## SPECIALIST SERVICE AREAS

Assurance & Internal control Advisory  
IFRS reporting & Support service  
Bookkeeping, and payroll services  
Corporate secretariat services  
Compliance advisory and support  
Feasibility studies, and business planning  
Due diligence and assets valuation  
Assets Management and tracking systems  
Financial & Management training providers  
Fair Value studies  
Tax Audits  
HR Advisory  
Restructuring, Mergers & Acquisitions



The network  
for doing  
business



## PRINCIPAL OPERATING SECTORS

Hotels, tourism & health care  
Construction, Development & real estate  
Investments and Fund management  
Education & not-for-profit organisations  
Oil And Gas services  
Agriculture  
Sporting Clubs  
Broadcasting, Publishing & Media production  
Manufacturing  
Trading  
Information technology

## LANGUAGES

Arabic, English, French.

## CURRENT PRINCIPAL CLIENTS

Orascom Hotels & Development  
PEGAS NONWOVENS EGYPT LLC  
PSG International a.s Egypt branch  
Egypt Centre of Cardiology Co.  
Consulting Center for Vitreo & Retinal S.A.E  
Islamic Chamber of Commerce & Industry ICCI  
Khalil Farms & Nursery  
City School International  
Citadel Azur Hotel  
Orascom Development & Management  
Youth Sporting Club - New Cairo  
Premium Trading  
Soma bay Group  
Logics Ware  
American Bar Association (Egypt)  
Vitapanini  
Sunseeker

## OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

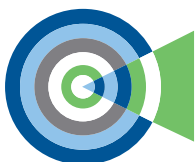
Jordan, UAE, Libya, Bahrain, Cyprus, Lebanon and Switzerland

## BRIEF HISTORY OF FIRM

UHY Khaled Elfakhani & Co, founded in 1991, has an office in Cairo with 16 staff including two partners. The firm uses the trading name 'House of Accountancy' and the managing partner is Khaled Elfakhani.

Turnover is represented by audit work (25%), bookkeeping (20%), tax services (15%), management consultancy (25%) and computer consultancy (15%). Our key clients are in hotels and tourism, health care, construction and real estate, investment, education, information technology and not-for-profit sectors.

UHY Khaled Elfakhani & Co has knowledge of professional regulations in most of the Arabic-speaking countries – the managing partner is a member of an Egyptian government committee working on the World Trade Organisation's



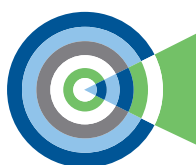


General Agreement on Trade in Services (GATS), and a member of the Arabic Federation of Accountants & Auditors.

The firm also has a majority stake in the Arab Association for Consultancy & Training and an extensive programme of training for its staff. Mr. Khaled elfakhrani is an ex director to the Egyptian society for accountants and auditors, and has been recently appointed as an accountancy and financial expert to Egyptian Economic courts.

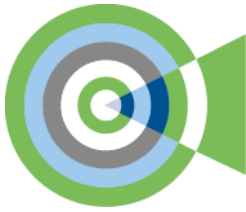
The firm has cross-border links through its own assignments or its clients' operations in Jordan, Mauritius, Morocco, Oman, Saudi Arabia, Switzerland, UAE and Yemen.

The firm joined UHY in 2007, changing its name to add the UHY initials shortly thereafter.



## APPENDIX 1 – GOVERNMENT CONTACT DETAILS

SOURCE	TELEPHONE	EMAIL	WEBSITE
Ministry of Information	+20 2 574-6927 / 575-7400	rtu2@idsc.gov.eg	www.minfo.gov.eg
Ministry of Defence and Military production	+20 2 403-2159 / 403-2158 / 403-2155	mod@idsc.gov.eg	www.mmc.gov.eg
Ministry of Foreign Affairs	+20 2 574-6862/1	minexter@idsc1.gov.eg	www.mfa.gov.eg
Ministry of Finance	+ 20 2 686-1200 /300/600/700	mofinance@idsc1.gov.eg	www.mof.gov.eg
Ministry of Manpower and Emigration	+20 2 260-9361	mwlabor@idsc1.gov.eg	www.manpower.gov.eg
Ministry of Investment	+20 2 405-56255 / 405-5628	contact-moi@investment.gov.eg	www.investment.gov.eg
Ministry of International Cooperation	+20 2 391-0008 / 391-0278	ministers@idsc.gov.eg	www.mic.gov.eg
Ministry of Health and Population	+20 2 794-1507 / 795-1821	moh@idsc.gov.eg	www.mohe.gov.eg
Ministry of Trade and Industry	+20 2 792-1194 / 794-3600	mti@mfti.gov.eg	www.moft.gov.eg



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## LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

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