

Doing Business in Egypt

2008



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1. Introduction

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in over 70 countries throughout the world. Business partners work together through the network to conduct trans-national 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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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 September 2008.

We look forward to helping you do business in Egypt.

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2. Business environment

General Information

Geography

Total Area:	1,001,450 sq km
Land:	995,450 sq km
Water:	6,000 sq km
Land Boundaries:	2,665 km
Coastline:	2,450 km
Populated:	75M – (2007)
Cultivated Land:	34,803 sq km
Ratio of cultivated land to the total area:	3.5%
Ratio of populated land to the total area:	5.5%

Location

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

Geographic Importance:

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

The Nile

Traverses over 1,000 miles within Egypt, from Wadi Halfa in the South to the Mediterranean in the north, divides 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.

Elevation Extremes

Lowest Point: Qattara Depression (-133m)

Highest 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:

Egypt ranked first in the world in the production of sugar cane. Other major crops include wheat, corn, cotton, rice, beans and clover.

Demographics

Total Population:

75 million (June 2007 est.)

Most Populated Governorates:

Cairo (7.8 million), Giza (6.3 million), Sharkiya (5.3 million), Dakahliya (5 million), Beheira (4.7 million)

Age/Structure (2007 est.)

0-14 years:32.2% (male 13,234,428/female 12,631,681)
15-64 years: 63.2% (male 25,688,703/female 25,082,200)
65 years and over: 4.6% (male 1,576,376/female 2,121,648)
Sex Ratio (2007 est.):At birth: 1.05 male(s)/female
Under 15 years:1.048 male(s)/female
15-64 years:1.024 male(s)/female
65 years and over:0.743 male(s)/female
Total population:1.017 male(s)/female
Population Growth Rate: 1.721% (2007 est.)
Population Abroad: 3.9 million (2006 est.)
Foreign Population:0.36% of total population

Ethnic Groups:

Eastern Hamitic Egyptians (98%), Bedouins Nubians and Berbers (1%), Greek, Armenian, and other European primarily Italian and French (1%). There are approximately 10,000 Americans, 3,500 British, 3000 French, 3000 Germans and thousands of other Europeans and Africans living and working in Egypt. There are also many Latin Americans and larger

number of Middle Eastern, who maintain residences and do business in Cairo, plus Asians from India to the Philippines.

Religion: Muslim (mostly Sunni) 90%, Coptic Christian 9% and other 1%

Language: Arabic (official), English and French widely understood and spoken by high educated classes. The Egyptian dialect is the most widely understood of all other Arabic dialects.

Literacy: (Age 15 and over can read and write)

Human Resources:

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

Employment by Economic Activity

Agriculture, Hunting & Fishing	30.60%
Manufacturing	12.90%
Defense & General Administration	9.00%
Wholesale & Retail Trade	8.90%
Health	8.40%
Building & Construction	7.70%
Communication, Transport & Warehousing	5.40%
Brokerage, Realstate, Renting & Business services.....	4.10%
Education	2.20%
Community, Social & Personal Services, International & Regional Organizations & Authorities	2.00%
Restaurants & Hotels	1.20%
Electricity, Gas & Water	0.90%
Mining & Quarrying	0.40%

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

Government



Type: Republic (declared June 18, 1953)

Capital: Cairo

Administrative Divisions: 28 Governorates:

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

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 in November 2005 for a five-year term. The People's assembly has a total of 454 seats of which 444 are filled by popular vote, and the remaining ten 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 that 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 status affairs. The distinction between civil and criminal courts exists in Egypt.

Political System:

Under the 1971 constitution, amended in 1980, 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 executive power rests with the president. The president may take emergency measures, but these must be approved by a referendum within 60 days; he may also dissolve the People's Assembly (the legislative body) prematurely, but a referendum, and elections, must be held within 60 days.

In February 2005, Article 76 of the constitution was amended to allow for multi-candidate presidential elections.

The President:

Egypt's head of state Mohamed Hosni Mubarak came into power in 1981, following the assassination of former president, Anwar El Sadat. Mubarak was the Commander in Chief of the Air Force in the 1973 Arab-Israeli war and his last post before assuming presidency was Vice-President to President El Sadat. President Hosni Mubarak was re-elected president under the terms of constitutional amendment held September 7, 2005 with 88.6 % of vote. The next presidential election is scheduled for 2011.

The Cabinet:

The Egyptian cabinet consists of 31 ministers. The current cabinet has been appointed since July 9 2004. On December 31, 2005 some cabinet reshuffles took place after the November-December parliamentary elections, which Mubarak's ruling National Democratic Party (NDP) won a two-thirds majority in the 454-member People's Assembly.

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 that en-trench its past gains and opens up new prospects in the future. Egypt is host to 135 embassies and consulates.

Membership in Important International Organizations:

Egypt is a member of ABEDA, ACC, ACCT (associate), AfDB, AFESD, AL, AME, AU, BSEC (observer), CAEU, CTBT, EBRD, ECA, ESCWA, FAO, G-15, G-19, G-24, G-77, IAEA, IBRD, ICAO, ICC, ICRM, IDA, IDB, IFAD, IFC, IFRCS, IHO, ILO, IME, IMO, Inmarsat, Intelsat, Interpol, IOC, IOM, ISO, ITU, MINURSO, MONUC, NAM, OAPEC, OAS (observer), OAU, OIC, OSCE (partner), PCA, UN, UNAMSIL, UNCTAD, UNESCO, UNIDO, UNITAR, UNMIBH, UNMIK, UNMOP, UNOMIG, UNRWA, UNTAET, UPU, WCO, EFTU, WHO, WIPO, WMO, WToO, WTrO

3. Foreign investment

LAWS OF BUSINESS

Investment Laws

Environment Law⁴ of
1994

The Commercial Register
Law

The Anti-Trust Law

Dispute Settlement

Land Ownership
Regulations

Currency Regulations

Investment Laws

Investment Law No. 8 of 1997 and Companies Law No. 159 of 1981 and their amendments are two key laws that regulate the investment environment in Egypt:

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

Key provisions include: the guarantee against confiscation, sequestration and nationalization; 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, absence of price control or restrictions, , and 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 centers that offer 10% of their services free of charge.

Some projects still require prior approval from relevant ministries in addition to GAFI, including investments in Sinai; all military products and

related industries; and 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, establishment and management of technology zones, credit rating, factoring, river transportation activities, management of industrial projects and utilities, and waste collection and treatment projects.

Law 8/1997 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 for new projects instead of having to go to 25 separate ministries.

Companies Law 159 of 1981 and its Amendments covers investors in any sector not covered by Law 8 of 1997; including shareholders, joint stock, and limited liability companies and 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 10 days of its notification in case of non-compliance with procedures; the company's objectives contradict with laws or public order; or 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, and to be increased to 25% within three months (Article 32); as for the limited liability companies, the issued capital should be fully paid.

Law 3 of 1998 amending law 159 provides for the right of petition for 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. This law provides for the creation of an agency for the protection and promotion of the environment, the Egyptian Environment Affairs Agency (EEAA). The EEAA formulates general policy and prepares the 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 EEAA's instructions, as part of the approval process for all proposed projects.

The law forbids the handling of hazardous substances and wastes or the construction of any establishment for treating such substances without a license 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 5 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 of 2005 was passed on 17-1-2005 followed by its Executive regulations on August 25, 2005. The law stipulates that participating in the economic activities should not prevent, restrict, or cause damage to free competition. It also stipulates the acts that would constitute an anti-competitiveness behaviour.

A public body established called "Anti-Trust Authority" following the competent minister, to be responsible for receiving notification, prepare database and information about the economic activities, undertakes researches and studies, and implement basics and measurements mentioned in 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 authorized 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 authorized foreign exchange dealers, who are authorized to buy and sell foreign currency for their own account (Article 37 of the Executive Regulations). However, foreign exchange dealers are not authorized 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 authorized 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 authorized to sell foreign currency to allow for 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 agreement can be carried on, with payment and delivery at a specified future date.

Free Foreign Exchange Market: the exchange rate of the Egyptian Pounds against foreign currency is subject to the interaction of 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)

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 that 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 and Law No. 230 of 1996.

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

Law No. 143 and its amendments (55/1988, 205/1991, & 96/1995) governs the acquisition and ownership of desert land for reclamation. Certain limits are placed on the number of feddans (one feddan is equal to approximately one hectare) that may be owned by individuals, families, co-operatives, partnerships and corporations. Partnerships are permitted to own 10,000 feddans, provided that the 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 if foreign partners or shareholders are involved, provided that at least 51 percent of the capital is owned by Egyptians. However, upon liquidation of the company, the land must revert to Egyptians. Article 1 of Law No. 143 defines desert land as the land two kilometres outside the border of the 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 or vacant with the following conditions:

That ownership be limited to only two real estate properties throughout Egypt for accommodation purposes of the person and his 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 Declaration no. 350 of 2007 for land ownership for Egyptians and foreigners mentioned:

- 1- All foundations and companies can own lands 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 the strategic areas which have military importance, western and southern and eastern borders lands, red and Mediterranean Seas, islands and shores, natural reserve places, historical places, and all the roads and its intervals lands.
- 2- All foundations and companies are prohibited to own lands or properties in Sinai, Suez, Port Said, or Ismailia.
- 3- Except for the stated lands and properties in previous 2 points, foundations and companies could use lands and properties in Sinai through making usage right contract for period between 1 to 99 years with the right for renewal, on condition of taking all the necessary official approvals.

4. Setting up a Business

BUSINESS INCORPORATION

- **Typical Forms of business structures in Egypt**
- **Other forms of business structures associated with foreign operations**
- **Importers, commercial agents & contractors**

Typical Forms of Business Structures 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 the simple partnerships, whereas the Companies Law regulates in detail joint stock companies, limited partnerships by shares, and limited liability companies. Each of these structures will be discussed below in details.

Sole Proprietorship

Formation

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

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

1. The applicant should be of at least 21 years old
2. The applicant should be of Egyptian nationality unless he or she will carry out his or her activity under the Investment Law (at present law no. 8 of 1997), or will engage in exporting activity.
3. The applicant should use his or her own name as a trade name. This trade name should appear on his or her business firm or shop and its branches (if any), and in all his or her business correspondence.
4. The applicant should provide the Commercial Registration Office with other relevant important data such as the nature of his or 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 from the sole proprietor whose trade capital is L.E.20,000 or more to keep proper accounting books, foreigners can not establish a sole proprietorship except under the law no. 8 of 1997 with a minimum capital equals to L.E. 250,000.

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

- The first L.E. 5,0000%
- More than L.E. 5,000 up to 20,00010%
- More than L.E. 20,000 up to 40,00015%.
- More than L.E 40,00020%.

Simple Partnerships

Formation

The partnership is a kind of a business firm 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 the general partnership all the partners are considered as traders, and are jointly responsible to meet all the business liabilities or obligations without any limits. 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 is 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 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, 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 have 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, the general and limited partnerships are subject to the same tax provisions. The profit of the partnership itself as a legal entity is taxable, and subject to the income tax rate by 20%.

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

Joint Stock Companies

Formation

The Egyptian joint stock company is 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 or her shares, and the shares can be traded in the stock exchange.

The number of founders of a joint stock company should not be less than three founders, 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 on behalf of them) should submit an application to the Companies Department with the following documents required:

1. A list of the founder's 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 nationalities, relevant data is required in authenticated or legalized 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 on 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 within 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 4 to 5 weeks to complete.

Financial Requirements

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

The shares of a joint stock company, whether it is a private or a public company, can be traded in the Egyptian Stock Exchange. However, in-kind shares and founders shares cannot be traded in the Stock Exchange before the lapse of two financial years from the incorporation of the company. A foreign shareholder can sell his shares in 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 its amount reaches 50% of the issued share-capital.
2. At least 5% of the paid-up capital is payable to shareholders (and employees) as a first distribution. Of the remaining profit, a maximum of 10% is deducted as remuneration to the board of directors. The remaining profit may be distributed to the shareholders (and employees) as a second distribution, carried forward to next year, or set aside in a special reserve account.
3. The employees are entitled to receive, as part of profit-sharing, 10% of the first and second distributions mentioned above, but with a maximum of 100% of their annual salaries. 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 the 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 20%. However, profits of

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

Management

A joint stock company is managed by a board of directors composed of an odd number, which is not less than three. The board members, including the chairman, can be of foreign nationalities. The directors represent the shareholders in managing the company, and therefore are 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 its compliance with the Companies Law. However, companies dealing with securities (e.g. mutual funds, holding, venture capital and portfolio management companies) are supervised by the Capital Market Authority.

Limited Partnerships by Shares

Formation

The limited partnership by shares, or the "societe en commandite par actions" as 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, or savings or investing funds 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 is managing the company is called the "manager", but his or her legal status is similar to the director of the 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 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 case of the manager's death, the company will dissolve, unless the company deed stipulates that it will continue.

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

Financial Requirements

The minimum share capital required of a limited partnership by shares is LE 250,000. The capital is divided into two categories: (1) shares owned by founder partners, and (2) shares of equal value belonging to shareholders. 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 or her shares (called quotas) in the company. The number of partners of a limited liability company cannot be less than two persons and cannot exceed fifty. The shares or quotas of the limited liability company cannot be traded in the stock exchange. The trade name of the limited liability company is usually derived from its object, but may also include the name(s) of one or more of its partners. Additionally, the words "Limited Liability Company" must be included in the name (Article 61 of 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 that 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 in its head office, which must contain the names, nationalities, domiciles and occupations of the partners; the number of shares owned by each partner; the sum paid by each; and the assignment or transfer of shares and related relevant information (Article 275 of the Executive Regulation of the Companies Law).

Limited liability companies cannot raise funds (as capital or as loan) through public offering. Also 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 of the director of the joint stock company, the foreign partner, to be the manager, must obtain a residence visa and his paid up capital should not be less than USD 25,000.

If the number of the partners of a limited liability company exceeds ten, the partners should form a supervisory board consisting of at least three of them. 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, the provisions related to joint stock companies apply to limited liability companies.

Financial Requirements

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

The quotas cannot be traded in the stock exchange, however, any partner can sell his or her quotas to outsiders, given that he has already offered them to the other partners and they declined to buy them.

If a foreign partner(s) in a limited liability company wishes to repatriate his or her capital out of Egypt, he or she has to sell his or her quotas or liquidate the company (if he or 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 will realize 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 (i.e.

LE 250 000) has to allocate at least 10% of the profit to be distributed among its partners to its employees as profit-sharing, but with a maximum of 100% of their annual salaries.

Other Forms of Business Structures Associated with Foreign Operations

In addition to the above, there are 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, hotels management, commercial, financial and industrial activities or generally to execute works of 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 at the Commercial Register, the foreign branch must also be registered at the centralized register of foreign companies kept at the Companies Department.

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

The remuneration of the manager is subject to an income tax called the salary tax whose rate is progressive ranging between 10% and 20%. If the manager is of Egyptian nationality, then he or she should enroll himself or herself 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 arrangement with Egypt.

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

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

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

The net profit of the foreign branch will be subject to the Egyptian corporate tax at the rate of 20%.

Establishing a branch of a foreign company in Egypt requires registration in the Commercial Registration Office. To register a branch of a foreign company, this company should first be awarded a contract to perform works in Egypt, such as a contract for construction works, hotel management, oil exploration, and 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 recognized Arabic translation thereof.
2. A legalized copy of the memorandum and articles of association of the foreign company with a recognized Arabic translation thereof.
3. A legalized copy of the foreign company's board of directors' resolution to establish a branch in Egypt with a statement that the company has no other branches in Egypt.
4. Appoint a manager for the branch.
5. A certificate from one of the accredited banks in Egypt stating that the foreign company has transferred to the bank an amount in a foreign convertible currency equal to at least L.E. 5000 to be the branch's capital, and that this amount is deposited in a blocked account.
6. In case of construction works, a document indicating that the foreign company has been registered in the Egyptian Federation for Erection and Building Contractors as a correspondent.
7. A copy of the rental contract of the office of the branch in Egypt.

The registration fees of a foreign branch are about LE 2,500 but it varies according to number of documents which should be translated and approved from the administration party. This is exclusive of the professional fees of an attorney. The establishment of a foreign branch usually takes about 2 to 3 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 to manufacture or carry out business in Egypt, but without actually performing by themselves 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.

However, 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 the royalty on the foreign pharmaceutical products, which are manufactured by Egyptian pharmaceutical companies by license from 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 by themselves.

The manager of the representation, liaison, or scientific office can be a foreigner. But 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 the royalties and promotion allowances accruing thereto as indicated above in meeting their expenses or part thereof.

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

However, the royalty accruing to the scientific offices of pharmaceutical companies is subject to a withholding tax at the rate of 20% or at a reduced rate if there is a tax treaty with the country of the foreign company, but the

taxpayer in this case 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 as promotion allowance.

On the other hand, the managers and employees of these offices are subject to the salary tax on the salaries and other remunerations they receive.

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

1. A legalized copy of the memorandum and articles of association of the foreign company with a recognized translation thereof.
2. A legalized copy of the company's board of directors' resolution to establish a representative office in Egypt to study the Egyptian market and explore production possibilities without being engaged in any trading or profit-oriented activities.
3. Appoint a manager for the representative office.
4. A certificate from one of the accredited banks in Egypt stating that the foreign company has a convertible foreign currency balance (no minimum amount is required) and that the currency has been transferred from abroad.
5. A certified cheque for L.E. 1000 as registration fees in the name of the Ministry of Foreign Trade.
6. A copy of the rental contract of the representative office in Egypt.
7. Registration of a representative office usually takes about one month to complete.

Franchising

A franchise is an agreement by which the owner of an intellectual right, a potential property, or a brand product who is 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 just sell the brand

product within a designated area for a remuneration which is commonly called a license fee or a royalty.

The license 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 specific period of time, or it can take the form of a percentage of the turnover or sales realized by the franchisee during a specific period of time, or it may combine between these two forms of remuneration.

A new law for Intellectual Property Rights No. 82 of 2002 was passed on June 2002; the new law applied 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 Madrid international convention protecting trade and industrial marks.

According to the income tax law, royalties, license 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 "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 should be met: (Article 2)

1. He or she should be registered in the Commercial Register, and should have a tax card.
2. He or she should be of Egyptian nationality and if his or her Egyptian nationality was acquired, then at least ten years should have elapsed since acquiring it.
3. He or she should have carried commercial activities for at least two consecutive years (there are some exceptions to this rule).

4. He or she should have a clean criminal record.
5. He or she should not have been bankrupt, or if he or she was bankrupt, has now been rehabilitated.
6. His or her business capital amount should not be less than L.E. 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 or her leaving the civil service.
8. He or she should not be a member of the parliament, the advisory council, a local municipality, or fully engaged in political work, unless he has been undertaken such activities before being a member of such councils.

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

1. The partnership or company should be registered in the Commercial Register. For partnerships, the commercial registration should have taken place since at least one year, and the capital of the partnership should not be less than L.E. 15,000, but if its capital is L.E. 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 (d), (e), (g), and (h) 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 at the "Commercial Agents Record" or "Intermediaries Register" at the Ministry of Foreign Trade.

Registration in the record requires also the submission of the commercial agency contract showing the nature of 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. On the other hand, the commercial agent must keep proper books of account and record 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 the 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 this case 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. Financial Sector Regulations

Financial Sector Liberalization	Capital Market Legislation
Insurance Legislation	Mortgage Law
Banking Legislation	Money Laundering Law

Financial Sector Liberalization

Since the early nineties, 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 is currently focusing on reactivating the bond market, creating new financial institutions and building strategic links with international financial institutions.

Serious efforts are also being done 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 been almost eliminated, thereby reducing insurance premiums significantly.

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

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

Banking Legislation

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

Capital Adequacy Requirements

Pursuant to the above Law, the issued and paid in full capital of banks

should not be less than LE 500,000,000 (Five Hundred Million Egyptian Pounds).

Foreign Ownership of Banks

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

Bank Secrecy Law

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

The Central Bank of Egypt (CBE) Law

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

Capital Market Legislation

The Capital Markets Law No. 95/1992 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 3 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.

Areas Covered

The Capital Market Law regulates both companies that offer their shares to the public and those that 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, the 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 the users of financial statements, listed companies must provide certain information about their financial and business results such as Financial statements.

Central Depository

A new Law on Central Registration and Depository, Law 93/2000, was adopted. This law provides for the creation of a licensed Central Depository that is to issue deeds that will be able to be used instead of material shares. For the first time, the law introduces a concept of beneficial ownership of shares. Banks and other licensed securities companies are required to enter into agreements with the Central Depository that include certain mandatory provisions. They are required to participate in a special fund that 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 specialized investment management company.

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 that 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 39/1998.

Brokerage companies are bound by fiduciary duties of honesty and integrity. Therefore, brokerage companies are required to disclose any conflict of interest that may exist. Also included in their fiduciary duty is the obligation not to disclose any information regarding their 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 of low and middle-income groups, allows banks to offer subsidized loans for the purchase of houses as well as administrative and commercial units and renovating existing ones. However, it is believed that middle-income families who can afford to pay a monthly installment not less than LE400 will benefit most from the new law. Borrowers will be able to make a 20% down payment and pay off the remainder in installments 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 May 22nd, 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, 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 recognized illegal activity. The law provides for setting up a unit by the Central Bank of Egypt (CBE) to monitor reports from the financial institutions on the suspected money laundering deals.

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

6. Labour

LABOR REGULATIONS

Egyptian Labour	Leaves
Employment Contracts	Employees' Benefits
Employer's File	Special Requirements for Foreign Residents
Records Stated in Labour Law	The Unemployment Insurance Law
Termination of Employment	Social Insurance Contributions

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 percent of the total work force for unskilled or semiskilled workers. For skilled workers the limit of Egyptian labour is 25 percent. Also total compensation of foreign employees must not exceed 35 percent of the total payroll of the establishment.

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

Employment Contracts

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

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

An employment contract may be drawn up for a fixed-term or indefinite period of time. In case the employee and the employer continue in

implementing a fixed-term contract after its term, such shall be considered as a renewal of the contract for an indefinite term.

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

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

Contract Period

The legislator regulates a maximum of five years for a fixed contract. If the employer and employee agree on 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 upon time period, which is a three-month prior notice.

Employer's File

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

Records Stated in Labour Law

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

Disabled Record

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

Foreigners' Record

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

Financial Penalties Record

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

Termination of Employment

Duration of Probation

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

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

Dismissal & Termination

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

Leaves

Annual Leaves

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

Accidental Leave

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

Sick Leave

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

Official Leaves (Public Holidays)

According to ministerial decree No. 112/2003 regarding identification of the official leaves, which are fully paid.

Performing Pilgrimage or Visiting Jerusalem

Regarding religious respects, Article No. 53 of the new Labour Law stated

that an employee who has spent five consecutive years in the service have the right to full paid leave for a period not exceeding one month for performing pilgrimage or to visit Jerusalem and such a leave shall be enjoyed only once during the period of service.

Maternity and Child Care Leave

A female having spent 10 months in the service of an employer shall be entitled to a maternity leave of 90 days with full wage payment including the period preceding giving birth.

Employees' Benefits

The Social Security System and Public Health Insurance

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

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

Other Benefits

1. Annual Increment

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

2. Overtime Pay

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

3. 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.

4. Bonuses

There is no obligation to pay annual bonuses.

Special Requirements for Foreign Residents

Visas

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

1. 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.

2. Temporary Visas

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

Work Permits

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

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

The Unemployment Insurance Law

The unemployment insurance law, officially known as the Emergency Subsidy Fund Law No. 156 of 2002, establishes a fund to compensate workers/employees whose wages are suspended due to firm closure or downsizing. The Fund's resources will come from a 1 percent 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.

7. Taxation

**Tax Exemptions of The
New Tax Law (91/2005)**

Tax Rates

General Stipulations

**The New Tax Law and
Investment Law 8/1997**

Debt to Equity

**Treatment of Foreigners and
Foreign Branches**

**Treaties for the Prevention
of Double Taxation**

Withholding Tax

Royalties

Sales Tax

The Egyptian Cabinet approved a new unified corporate and income tax law on November 24, 2004. The new tax law (No.91/2005) was passed on June 8, 2005. It basically replaces Law 157 of 1981 and its successive amendments. It also replaces law 187 of 1993.

It is effective starting July 1, 2005 for personal income. The corporate income tax will be effective starting January 1st, 2005.

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

General Tax Exemptions

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

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

Tax Exempted Entities

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

Tax Rates

Corporate Income Rates

New Law	Tax
Most Firms	20%
Suez Canal Profits	40%
Egyptian Petroleum Authority	40%
Central Bank of Egypt	40%
Oil Exploration & Production Companies	40.55%

Deductible costs and expenses:

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

Costs and expenses that are not considered deductible:

1. Reserves
2. Financial fines and penalties against the taxpayer
3. Income tax payable according to the current law

4. Interests settled on loans, which exceed twofold the credit and discount rates announced by the Central Bank
5. Interests on loans and debts paid to tax exempted entities

Personal Income Rates

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

New Law	Tax
LE 1 - 5,000.....	0%
LE 5,001 – 20,000	10%
LE 20,001 – 40,000	15%
LE 40,001 +	20%

Note: Pensions and Severance Pay are not taxed

Personal Income tax exemptions are on the following:

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

Taxation of Non-Commercial Profession:

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

These include the following:

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

Deductible Costs:

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

Total exemption given to the taxpayer shall not exceed 15% of the net income or LE3, 000 whichever is more but not exceeding the actual amount paid.

Donations that are granted to the government, NGOs, educational establishments and hospitals are deducted from the new revenues provided that they shall not exceed 10% of the annual net revenue.

General Stipulations

1. Amounts paid to non- residents in Egypt paid by residents or non-residents having permanent establishments in Egypt are taxed at 20%, without deducting any costs from them.
2. Bond yield by the Ministry of Finance in favour of CBE shall be taxable at 32% without deduction of any costs.
3. The foreign tax paid by a resident company on its profits that are incurred abroad shall be deducted from the tax payable by it according to the law. While losses incurred abroad shall not be deducted from the tax paid in Egypt.
4. The law has exempted royalties that serve manufacturing activities.
5. Total exemption for the profit distribution of Egyptian companies to non-resident individuals and companies.
6. The law taxes the profits of resident Egyptian corporations regardless of the location of their activities whether inside Egypt or offshore.
7. Profit that an International company or shareholder makes from profits generated by a local subsidiary is not subject to taxes.
8. The deduction of bad debts is allowed after submission of a report by one of the accountants or auditors indicating fulfilment of certain conditions.
9. Losses may be carried forward and applied against future profits for up to 5 years.
10. The new tax law cancels the state's financial resources development duty.

The New Tax Law and Investment Law 8/1997

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

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

Under the new tax law, exemptions as prescribed in the said articles shall remain valid for companies and establishments whose exemption period

started before the effective date of the law, until the end of the period determined.

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

Debt to Equity

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

Treatment of Foreigners and Foreign Branches

Resident foreigners (i.e. staying in Egypt for more than 183 days in a calendar year) get same tax treatment as locals. On the other hand, non-resident foreigners get a different treatment. Non-resident foreign employees are taxed at a rate of 10% without any deductions. Foreign branches get same local corporate tax treatment.

Treaties for the Prevention of Double Taxation

Egypt has concluded treaties for the prevention of double taxation with a number of countries, including: 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 the withholding payments on account of the taxpayer. Moreover it introduced a new pre-tax payment system. The obliged parties to apply the withholding payments mechanism include government ministries and departments, public sector companies, free zone companies, syndicates, all kinds of non-governmental organizations. Withholding payments will be applied to any payments such as commissions, brokerage, purchases, supplies, contracting or services over LE300 paid to private sector entities. A ministerial decree will be issued to

determine the withholding payment rate that should not be exceeding 5% of the payment as follows:

Activity	New Rate
Contracting & Supplies	0.5%
Services	2%
Professional fees & Commissions.....	5%

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

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 tax rate of 20% shall be applied to the amounts paid by the individual companies or any legal entities resident in Egypt to non-residents without any deductions. These amounts include interests, royalties (except those related to manufacturing), and services, payments for athletic activity and for artists.

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

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

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

Royalties

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

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

Sales Tax

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

8. Accounting & reporting

Accounting standards

Public and private companies with shares traded on the Stock Exchange are required to prepare their separate & consolidated accounts in accordance with adopted International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs). Other companies are required to adopt Egyptian standards that are based on IFRS, 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 that 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, 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 exposures 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. In addition, in certain circumstances, if an overseas parent prepares and publishes group accounts that include the Egyptian holding company. 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 group's, 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, and;

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.

9. UHY firms in Egypt

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10. UHY offices worldwide

For contact details of UHY offices worldwide, or for details on how to contact the UHY executive office, please visit www.uhy.com

Appendix 1

Sources of information:

Source	Telephone	Fax	E-Mail	Website
Ministry of Information	(202)574-6927/ 575-7400	(202)574-6978	rtu2@idsc.gov.eg	www.minfo.gov.eg
Ministry of Defense and Military production	(202)403-2159 / 403-2158 / 403-2155	(202)291-6227	mod@idsc.gov.eg	www.mmc.gov.eg
Ministry of Foreign Affairs	(202)574-6862/1	(202)574-7839	minexter@idsc1.gov.eg	www.mfa.gov.eg
Ministry of Finance	(202)686-1200/300/600/700	(202)686-1861	mofinance@idsc1.gov.eg	www.mof.gov.eg
Ministry of Manpower and Emigration	(202)260-9361	(202)260-9891	mwlabor@idsc1.gov.eg	www.manpower.gov.eg
Ministry of Investment	(202)405-56255 / 405-5628	(202)405-5635	Not Available	www.investment.gov.eg
Ministry of International Cooperation	(202)391-0008, 391-0278	(202)390-8159	ministers@idsc.gov.eg	www.mic.gov.eg
Ministry of Health and Population	(202)794-1507, 795-1821	(202)795-3966	moh@idsc.gov.eg	www.mo hp.gov.eg
Ministry of Trade and Industry	(202)792-1194,794-3600	(202)795-5025	Not Available	www.moft.gov.eg