



# Doing Business in Egypt 2025

**A Tax and Legal Guide**



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# Welcome to this guide

01

## **Your journey begins, location, presence, objectives and operations.**

Egypt has maintained notable economic progress in recent years, although its GDP growth rate for FY 2023/24 declined to 2.4%, down from 3.8% in the previous fiscal year. This slowdown is attributed to ongoing geopolitical tensions, high inflation, and elevated global interest rates. Despite these challenges, sectors such as communications and information technology, tourism, wholesale and retail trade, and transport and storage demonstrated positive growth.

The government has implemented prudent macroeconomic measures and structural reforms aimed at bolstering economic resilience and stability. These efforts have contributed to fostering a favorable environment for both innovation and foreign direct investment (FDI).

Furthermore, Egypt's improved ranking in the Global Knowledge Index reflects significant advancements in education and innovation.

PwC Egypt leverages in-depth knowledge of the Egyptian economy, tax regulations, local business standards, and customs, complemented by extensive resources, comprehensive coverage, and rigorous quality assurance. As part of a global network, we integrate a coherent international vision with a strong local identity.

This guide is designed to provide an introduction to the taxation and legal aspects of doing business in Egypt, with a particular focus on the perspective of inbound investors.

We hope you find this guide valuable.

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# Introduction

## Overview

Egypt, officially the Arab Republic of Egypt, has a recorded history dating back to approximately 3200 BC.

The population of Egypt is around 100 million, making it the most populous country in the Middle East.

**The Egyptian Government's current policies focus on economic recovery and growth through the following channels:**

Mega infrastructure projects	Tourism	Improvements to economic policy
Increasing private sector investments	Attracting GCC investments	

Sectors identified by the government as key areas of focus for foreign investors in the short to medium term include energy, construction and real estate, transportation, and telecommunications.

The currency of Egypt is the Egyptian pound (EGP). Following the flotation of the Egyptian pound in March 2024, the Central Bank of Egypt has relaxed restrictions and limitations on the transfer of foreign currencies.

Arabic is the primary language of Egypt, though most international business professionals speak English, French, or both.

## Incentives for foreign investors

The Investment Law No. 72/2017 (referred to herein as the "Investment Law"), issued on 31 May 2017, replaced the previous Investment Guarantees and Incentives Law No. 8/1997. The Investment Law introduced new incentives for investors, with its Executive Regulations following in October 2017.

The Investment Law introduced notable amendments such as returning back the private free zone which was previously abolished. Moreover, it provides several incentives such as tax incentives, unified customs rate and free lands, for specific type of projects.

The Green Hydrogen Incentives Law, enacted in January 2024, offers significant tax and non-tax incentives for green hydrogen production projects.

## Simplified Vendor Registration System

Any non-resident and unregistered person who does not operate through a permanent establishment in Egypt but sells goods or provides services to unregistered persons inside the country

**i.e.**

business-to-customer transactions, referred to herein as “B2C” transactions



is required to register under the Simplified Vendor Registration System.

## Legal and regulatory framework

Egypt is a civil law country with a legal system rooted in Islamic Shari’a and Napoleonic Codes.

Islamic Shari’a is historically more relevant in personal matters, while commercial activities are governed by specific legislation.

**The key laws governing the establishment of legal entities include:**

The Investment Law No. 72/2017

The Companies Law No. 159/1981, as amended in 2018 by Law No. 4/2018

The Capital Market Law No. 95/1992 and its Executive Regulations

The Antitrust Law No. 3/2005



The Constitution of 2014 is the supreme legislative source, followed by relevant laws and their executive regulations, which serve to clarify, complement, and explain the legislation.

**The court system in Egypt is set as follows:**

01

### **Common Court System**

Comprising three tiers:

Courts of First Instance, Courts of Appeal and Court of Cassation. These courts handle disputes between private persons and entities.

02

### **Administrative Courts (State Council)**

Handle disputes involving the government or any of its bodies/authorities acting in a sovereign capacity.

03

### **Courts of Special Jurisdiction**

Supreme Constitutional Court, Economic Courts, Family Courts and Military Courts.

**As in other civil law systems, while judicial precedents are not legally binding, previous decisions have persuasive authority. Certain courts may be de facto bound by the principles and precedents set by:**



The Court of Cassation for civil, commercial, and criminal matters



The Supreme Administrative Court for administrative and public law matters

# Establishing a Business in Egypt

## Forms of business

The main forms of legal entities to establish a business in Egypt are:

### 1. Joint stock company (JSC)

While certain activities, such as industrial projects, may require specific permits or licences, like approval from the International Development Association (IDA) after the entity is formed, there are generally no limitations on the objectives of a JSC, as long as they do not violate public order or morality in Egypt.

## 1.1

### Shareholders

A JSC must be established with at least three shareholders at all times, who may be natural or juridical persons. As a general rule, a JSC can be fully owned by foreign investors, except for certain activities explicitly outlined by law that require a specific percentage of Egyptian national ownership.

## 1.2

### Capital Requirement

The minimum capital required for a JSC is EGP 250,000 (two hundred and fifty thousand Egyptian Pounds). Incorporation occurs upon depositing at least 10% of the issued capital, which must be increased to 25% within three months from the date of issuing the commercial registration. The remaining issued capital must be paid within five years from the date of incorporation. However, higher capital requirements may apply to specific activities, such as importation for trading purposes.







## 1.3

### **Management**

A JSC is managed by a Board of Directors, which must comprise at least three members responsible for the company's daily operations. Board members may be natural or juridical persons, and can be either Egyptians or non-Egyptians, except for activities that legally require the appointment of Egyptian nationals (e.g., commercial agency).

Depository and Registration of JSC Shares at Misr for Central Clearing, Depository, and Registry (MCDR) JSCs are required to register with MCDR upon the company's registration in the commercial register. Shareholders must deposit their shares with a custodian company listed with MCDR.

## **2. Limited liability company (LLC)**

An LLC is permitted to engage in all business activities except for banking, insurance, saving, receiving, or investing funds on behalf of third parties, as well as any other activities explicitly restricted by law.

## 2.1

### **Quota-Holders**

An LLC must be established with at least two quota-holders, who may be natural or juridical persons. The LLC can be fully owned by non-Egyptians, except for specific activities explicitly mentioned by law that require a certain percentage of Egyptian ownership.

## 2.2

### **Capital Requirement**

In general, there is no minimum capital requirement for the incorporation of an LLC, except for certain activities such as importation for trading purposes.

## 2.3

### **Management**

An LLC is managed by one or more managers responsible for the company's daily operations. There are no nationality restrictions for managers, except in cases where specific activities (e.g., importation for trading) require the appointment of an Egyptian manager.



### 3. Foreign Branch

The activities of a Representative Office (RO) are limited to conducting market studies and do not include any commercial operations.

A foreign company is allowed to establish an RO or a scientific office in Egypt for the purpose of carrying out a market study.

#### 3.1

##### Management

An RO is managed by a manager, whose authorized powers are determined by the parent company.

#### 3.2

##### RO Compliance Requirements

ROs in Egypt must submit an annual report to the General Authority for Investment and Free Zones (GAFI) at the beginning of each year. This report should include:

Detailed information on all employees

Findings from the market study

Decisions made by the parent company in relation to the market study

A timeline for any remaining studies

The parent company must decide whether to establish a legal entity or a branch in Egypt within three (3) years from the date of the RO's registration.

An RO will be issued a registration certificate upon registration, valid for one year. This certificate must be renewed annually, subject to the RO's compliance with applicable laws and regulations.



## **4. Foreign Branch**

A foreign company could operate in Egypt by establishing a foreign branch. The purpose of the branch is limited to executing a specific contract within Egypt.

### **4.1**

#### **Capital Requirement**

The minimum capital required to establish a branch is EGP 5,000 (five thousand Egyptian pounds).

### **4.2**

#### **Management of the Branch**

A foreign branch is managed by one or more managers responsible for daily operations. Their authorized powers are granted by the parent company.

## **5. Sole Partnership Company (SPC)**

SPCs share many features with LLCs.

### **5.1**

#### **Partner**

An SPC must have one partner at all times, who may be a natural or juridical person. The partner may be Egyptian or a foreigner. However, certain activities may only be conducted if the SPC is fully owned by Egyptians.

### **5.2**

#### **Capital Requirement**

Management of the Branch

A foreign branch is managed by one or more managers responsible for daily operations. Their authorized powers are granted by the parent company.

### **5.3**

#### **Management of the Company**

The day-to-day management of an SPC may be assigned to one or more managers. Managers can be Egyptian or foreign, unless the SPC's activities require Egyptian nationality.

## 5.4

### Process and Timeline for Establishment Incorporation Process

The following are the main steps for incorporating a new company in Egypt (e.g., JSC, LLC, SPC):



#### Issuance of a Non-Confusion Certificate

Obtain a certificate from the Commercial Registry confirming that the company name does not conflict with any other registered company.



#### Preparation and Review of Articles of Association

Draft and review the company's Articles of Association through the General Authority for Investment and Free Zones (GAFI).



#### Opening a Bank Account

Open a bank account in the name of the new company (under incorporation).



#### Security Clearance

Apply for security clearance for any non-Egyptian founder, shareholder, board member, or manager.



#### Authentication and Notarisation

Authenticate and notarise the Articles of Association.



#### Issuance of Required Registrations

Obtain the Commercial Registration, Tax Card, and VAT Certificate.

## 5.5

### Final Considerations

As outlined above, and in conjunction with the standard incorporation process, each form of business has its own prerequisites that must be carefully considered during establishment.

## 5.6

### Profit Repatriation

According to Central Bank Law No. 194 of 2020, any person is entitled to transfer foreign currency into or out of Egypt, provided that such transfers are:

**A**

conducted through institutions duly licenced in Egypt to undertake such services

**B**

in accordance with the rules and decrees issued by the Board of Directors of the Central Bank of Egypt (CBE)

Hence, in general, there are no restrictions on the repatriation of profits as long as the required supporting documentation is provided.

## 5.7

### Increase/Reduction of Capital

A company's capital is approved by the General Authority for Investment and Free Zones (GAFI) at the time of incorporation. It is permissible to increase or reduce the capital post-incorporation, based on the company's needs and subject to GAFI's approval.

## 5.8

### Foreign Investment Reporting Requirements

Any corporate entity in Egypt with direct or indirect foreign investment is required to submit the following reports to GAFI:

#### Quarterly Financial Reports

These must be submitted within a maximum of 45 days from the end of each quarter.

#### Annual Report

This must be submitted within a maximum of four months following the end of the company's financial year.

#### Occasional Reports

These are required for any changes related to the company's capital, objectives, shareholding structure, or Board of Directors. Such reports must be submitted within 30 days of the change.

Failure to comply with these reporting requirements may subject the company to a fine not exceeding EGP 50,000.

## **Egyptian Investment Law**

The Investment Law No. 72 of 2017 allows companies established under its framework to benefit from a range of incentives, ensures equal opportunities, and enhances competitiveness to prevent monopolization.

The law also focuses on simplifying the incorporation process and all corporate procedures through electronic systems.

The Investment Law covers various sectors, including: Industrial activities, Trade, Healthcare, Agriculture, Education, Transportation, Tourism, Housing, construction, and building, Sports, Electricity and power, Petroleum, Water, Communication and IT, etc.

In 2023, the Egyptian Parliament issued Law No. 160 of 2023 with the aim of creating a more appealing and trustworthy environment for investors. This law introduces amendments to the current Investment Law.

According to the Cabinet Resolution dated January 3, 2024, the eligibility of investment projects to benefit from incentives has been extended for an additional three years, starting from October 2023.

### **Tax Incentives Under the Investment Law**

According to Article 12 of the Investment Law, for a company to benefit from tax incentives, it must be established within three years from the issuance of the law's executive regulations. However, this period can be extended by a decision from the Prime Minister.

As per Law No. 160 (attached below), the Prime Minister has the authority to extend this period for an additional term, with a maximum extension of up to nine years. Based on our understanding, which has been confirmed with GAFI, companies will be able to benefit from these incentives until 2029.



## Investment Systems

The Investment Law governs various investment systems, classified based on the project's area and activity.

**The classifications are as follows:**

### A

#### **Internal Investment**

Strategic projects that contribute to community development in areas such as public utilities, infrastructure, new and renewable energy, roads, transportation, and ports may be granted a single approval for both the establishment and operation of the project. This approval is enforceable without any further procedures.

Approval is granted by a resolution of the Council of Ministers and may include specific incentives outlined in the Investment Law.

### B

#### **Investment Zones**

In certain developing areas, the Prime Minister may issue resolutions to establish specialized investment zones across various sectors. The resolution will specify the location, the permitted activities, and any other applicable conditions.

Investment zones benefit from the incentives and guarantees provided under the Investment Law. Each investment zone is managed by a Board of Directors responsible for granting licences to compliant investors.

### C

#### **Technological Zones**

The Prime Minister may, upon the proposal of the competent minister, authorize the establishment of technological zones in the fields of communication and information technology.

All tools, equipment, and machinery required for licenced activities will be exempt from taxes and customs duties and will benefit from special incentives.

### D

#### **Free Zones**

In addition to Public Free Zones, the Investment Law reinstated Private Free Zones, established upon the issuance of a Prime Ministerial decree. Each free zone comprises several projects engaged in similar activities.





### The following industries are prohibited from operating within free zones:

Petroleum industry  
(excluding refining)

Alcoholic substances

Weapons, ammunition, and  
explosives

Under Law No. 160 of 2023, it is now permissible, with the approval of the Supreme Council of Energy, to establish projects related to the following industries within free zones:

Petroleum manufacturing

Fertilizer production

Energy-intensive industries

Liquefaction and transportation of natural gas

Iron and steel manufacturing

## Energy-Intensive Industries

Imported goods into the free zone are exempt from customs duties and VAT.

Necessary equipment imported into Egypt for industrial purposes shall benefit from a suspension of customs duties, as per the amendments in Law No. 3.

### The projects established in the free zone are subject to the following fees:

#### Free Zone Fees:

**1% or 2%**

of the goods' value/gross revenues,  
depending on the nature of the project.

#### Annual Fees

1/1000 of the capital, with a maximum amount  
of EGP

**100,000**



# E

## Economic Zones

The economic zone of a special nature is governed by a specific law (i.e., Law No. 83 of 2002) and overseen by a single governing body (i.e., the Economic Zone Authority), which supervises its implementation and handles investment matters within the zone. This body is responsible for carrying out all government mandates and issuing the necessary licences.

The aim of economic zones is to form integrated industrial and economic segments and serve as international business hubs.

All machinery, equipment, devices, raw materials, spare parts, and production requirements are exempt from customs duties and other duties, including cars and vehicles necessary for the project's activity.

VAT does not apply to products and services produced within the zone. No additional fees or stamp taxes will be levied

## Investor's Services Centre

To facilitate the process of obtaining all the approvals, permits, and licences required by investors for their investment projects, an administrative unit has been established within GAFI and its branches under the name "Investor Service Centre" (the "Centre"). This Centre hosts representatives from all relevant authorities and provides incorporation, post-incorporation services, and permits electronically for all types of legal entities, whether subject to the Companies Law or the Investment Law.

The Centre shall examine the submitted investment application and issue a decision

within a maximum of 60 days from the date of the investor's submission of the application along with all required documents. If this period expires without a decision being issued, the investor's application shall be deemed accepted.

Regarding approvals and permits, the Investment Law stipulates a grace period of two business days for the Centre's representatives to request any additional documentation from the investor, starting from the date of submission of the application and documents. If no request is made within this period, the application shall be deemed compliant.





## Accreditation Offices

One of the investment facilitation methods introduced by the Investment Law is the establishment of Accreditation Offices. The primary purpose of these offices is to ensure the swift issuance of certificates required to confirm the status of investment projects.

### Such offices must be:

**A** established in the form of a Joint Stock Company (JSC)

**B** duly licenced by GAFI as an Accreditation Office

The Accreditation Office shall have the right, at its own responsibility, to issue a certificate of accreditation to the investor, indicating the status of conditions required to be satisfied by the investment project.

### This certificate of accreditation shall be:

01. valid for one year;
02. accepted by all other competent authorities unless these authorities have a valid reason for rejection
03. deemed an official instrument.

## Investment Guarantees

The Investment Law provides the following guarantees for all investment projects, irrespective of the governing law:

All investors shall receive fair and equal treatment.

Foreign investors (whether shareholders, founders, or owners) will be granted a residence permit throughout the duration of their investment project.

Investors must receive proper justification for any investment-related decisions.

Invested funds cannot be seized except by virtue of a final court judgment.

Licences issued for investment projects shall not be revoked or suspended, and real estate properties allocated to the investment project shall not be reclaimed without prior warning to the investor specifying the violation committed. Additionally, a grace period must be granted to rectify the breach before any action is taken.

Foreign investors shall have the right to establish, expand, and fund their investments from abroad using foreign currencies.

Investors are entitled to own, manage, use, and dispose of the project. They may also generate profits and transfer these profits abroad.

Liquidation procedures shall be facilitated and finalized within 120 days from the date the liquidator submits an application.

Investors subject to the Investment Law may import necessary raw materials, equipment, spare parts, machinery, and production supplies suitable for their activities without being registered in the Importers Register. Furthermore, they may export their products without registration in the Exporters Register.

Investors have the right to appoint expatriates up to a maximum of 10% of the total workforce. This rate may increase to 20% if it is not possible to appoint national workers with the requisite qualifications. Additionally, certain strategic projects may be exempt from this quota.



## Investment Incentives

The Investment Law provides several incentives, some of which are general and applicable to all projects established under the Investment Law, while others are special incentives applicable only to investment projects in specific activities.

### **A. General Incentives:**

The following general incentives apply to all investment projects established under the Investment Law, except for free zone projects:

- 01.** The articles of association, loan agreements, and pledge contracts are exempt from stamp duty tax, notarisation, and publication fees for five years from the date of company registration. Additionally, the registration of the project land contract is exempt from registration fees.
- 02.** A unified customs duty rate of 2% of the value of all imported equipment necessary for establishing the project. (A decree has been issued to reduce this 2% rate to 0% for technological zones.)
- 03.** A 10% Corporate Income Tax (CIT) deduction on corporate social responsibility expenses, calculated from the annual net profit.



## **B. Special Incentives:**

Depending on the location of the investment project and the satisfaction of specific conditions, the investor may be granted a discount of 30% or 50%, calculated based on the investment setup cost (as defined in the Investment Law). This discount shall not exceed seven years from the date of commencing the activity. Furthermore, in all cases, investment incentives shall not exceed 80% of the paid-up capital of the project until the start of the activity. Additional decrees have been issued to specify the types of projects and investment areas eligible for these discounts.

Moreover, Law No. 160 of 2023 introduced a new cash incentive for investments, applicable to both new projects and the expansion of ongoing projects related to industrial activities covered by the existing special incentives program. This incentive allows investors to reclaim a percentage of taxes paid on income generated from business operations, ranging from 35% to 55%

### **To qualify for this incentive, project owners must meet the following conditions:**

- 01.** At least 50% of the project funds must consist of foreign currency sourced from abroad.
- 02.** The activity must commence within six years from 26 July 2023. The Egyptian Cabinet may extend this period by an additional six years.

The Egyptian Ministry of Finance must issue refunds related to the new cash incentive within 45 days from the cut-off date of tax return filing (typically due four months after the end of the financial year). Failure to meet this deadline will result in the government being liable for a late payment fee, payable to the investor.





### **C. Additional Incentives:**

By virtue of a decision issued by the Cabinet, certain investment projects may be granted additional incentives, provided they commence operations within six years from the effective date (i.e., June 1, 2017)

#### **and meet one or more of the following conditions:**

- 01.** Egypt is one of the project's principal places of business.
- 02.** The primary source of project funds is foreign currency transferred from abroad.
- 03.** At least 50% of the project's production is exported.
- 04.** The project's activities involve the transfer of advanced technology to Egypt.

#### **The additional incentives include:**

- 01.** Allowing the investment project to have its own dedicated customs gates for imports and exports.
- 02.** The government covering, in whole or in part, the utilities costs of the real estate property dedicated to the investment project upon commencement of operations.
- 03.** Government contribution to the costs of employees' technical training.
- 04.** A refund of 50% of the value of the land allocated for industrial projects that 10. commenced activity within two years from the date of receiving the land.
- 05.** Allocation of land free of charge for certain strategic activities prescribed by law.



**Green Hydrogen Law No. 2 of FY 2024 (referred to herein as the “Green Hydrogen Law”) was introduced in Egypt to boost investment in green hydrogen and related sectors. It offers substantial incentives, including:**

- 01.** A tax refund of 33% to 55% of paid income tax.
- 02.** VAT exemptions on essential equipment and materials.
- 03.** Potential exemptions from real estate tax, stamp duties, fees, and customs duties on necessary imports.

**To qualify for these benefits, projects must meet the following criteria:**

- 01.** Be operational within five years.
- 02.** Be funded with at least 70% foreign investment.
- 03.** Ensure at least 20% local content.
- 04.** Include technology transfer and training program.

This law aims to position Egypt as a leader in sustainable energy, fostering both economic growth and environmental sustainability. Additionally, a 10% Corporate Income Tax (CIT) deduction on corporate social responsibility expenses is allowed, calculated from the annual net profit.





## Customs and VAT for Equipment

### Reduced Customs Rate

A unified customs rate of 2% applies to imported tools, equipment, and machinery necessary for the establishment of new businesses. This rate is reduced to 0% for projects located in technological zones.

### Value Added Tax (VAT)

Law No. 3 of 2022 suspended the payment of VAT on machinery and equipment, whether imported or purchased from the local market for industrial purposes, for a period of one year from the date of customs release or local purchase. This period may be extended by a maximum of one additional year. It is important to note that this suspension does not apply to non-industrial companies.

Upon confirmation by the Egyptian Tax Authority (ETA) that the machinery and equipment were used in industrial production during the specified period, they shall be exempt from VAT. However, if the period ends without the machinery and equipment being utilized in industrial production, VAT and any additional taxes will become payable.

It is also important to note that refunds on machinery and equipment are no longer applicable. Instead, VAT paid on inputs is deductible or can be settled if the company's activities are subject to VAT or schedule tax.

### Simplified Incorporation Procedures

GAFI shall decide upon incorporation request no later than one business day from the date of submission.



Each legal entity shall be assigned one official unified number for dealings with all governmental sectors.



The transfer of incorporation shares within the first two financial years is permitted after obtaining approval from the competent minister.



## **Land Allocation**

Competent administrative authorities shall prepare and submit to GAFI a detailed map of all lands available for investment, updated every six months. The disposal of such lands shall occur upon the investor's request or following an invitation from GAFI. The application for land allocation must be submitted by the investor to GAFI.

Disposal methods include sale, rental, lease-to-own, or licensing for use.

Land may be allocated free of charge to investors meeting certain criteria, by virtue of a presidential decree, in exchange for a monetary guarantee not exceeding 5% of the project's investment costs. This guarantee will be refunded three years after the commencement of activity.

## **General Authority for Investment and Free Zones (GAFI)**

GAFI, as the competent authority for regulating and promoting investment and executing the Investment Law and the Companies Law, shall publish an annual list of companies benefiting from the incentives and government lands stipulated in the Investment Law.

Investment areas shall benefit from the incentives and guarantees outlined above. Each investment area will be managed by a board of directors, which holds the authority to grant licences to compliant investors.

The Investment Law grants the Cabinet the authority to approve certain projects related to infrastructure and renewable energy, provided these projects are of strategic importance. The conditions for obtaining such approvals are determined by the Cabinet.

## **Supreme Investment Council**

A Supreme Council shall be established, headed by the President, to take all necessary actions to improve the investment climate.

This includes legislative reform, approving investment policies and plans, monitoring the implementation of investment program, highlighting investment opportunities, and identifying solutions for investment-related challenges.

The Council is also responsible for resolving disputes that may arise between different governmental authorities regarding investment issues.

The resolutions of this Council are binding on all governmental authorities.

## **Amendments to Egypt's Importer's Register Law**

On 29 October 2023, Law No. 173 of 2023 (referred to as the "Law") was officially enacted and published in the Official Gazette. This amendment to the Importer's Register Law introduces significant changes, including the eligibility of foreign investors for registration. The amendment came into effect the day after its publication, on 30 October 2023.

## Eligible Entities for Importer's Register Registration:

The Importer's Register Law now permits the following entities to register:

Joint-stock  
companies

Partnerships  
limited by shares

Limited liability  
companies

General  
partnerships

Importantly, these entities are now eligible for registration even if foreign partners hold ownership stakes exceeding 51%.

### Duration of Registration

Under the new regulations, the maximum registration period shall not exceed 10 years. Extensions are possible, subject to a Cabinet decision based on recommendations from the responsible minister overseeing foreign trade affairs. Additional terms may be granted upon approval.

### Closing a Business

For Joint Stock Companies (JSCs) and Limited Liability Companies (LLCs), a liquidator must be appointed to finalize the liquidation process.

#### The steps are summarized as follows:

- Convene an extraordinary general assembly meeting to place the company under liquidation and appoint the liquidator.
- Authenticate the minutes of the meeting with GAFI.
- Register the company's liquidation status and the liquidator's name in the Commercial Register.
- Finalize the liquidation process.
- Deregister the company from the Commercial Register.
- Close the tax and social insurance files.
- GAFI will notify the Customs Authority, Tax Authority, and Social Insurance Authority that the company is under liquidation.





## For Foreign Branches



Prepare and submit the required documents to GAFI and the Commercial Register Office



Obtain approval from the Commercial Register for deregistering the branch



Obtain GAFI's approval for deregistration



Deregister the branch from the Commercial Register



Obtain an official extract from the Commercial Register confirming the deregistration

## For Representative Offices

1

Prepare and submit the required documents to GAFI

2

Obtain a certificate from GAFI confirming the closure of the Representative Office

3

Notify the competent authorities/entities with the certificate indicating the closure





## Key Considerations

- There are several alternative forms of entities available to investors.
- Certain restrictions apply concerning Egyptian stakeholders and management.
- The time required and the processes involved in establishing a business vary depending on the type of entity being formed.
- The Investment Law, along with GAFT's operations, is designed to streamline these processes and provide incentives.

## Deductions

**Deductions are allowed for expenses, including but not limited to the following:**

01

Interest on business loans, or the portion of a loan used for business purposes, provided that certain conditions are fulfilled.

02

Tax depreciation and taxes paid and borne, except for those paid or payable under Egyptian income tax law (referred to herein as “the Income Tax Law”).

03

Social insurance premiums paid on behalf of workers and the company.

04

Private savings or pension plans, not exceeding 20% of the total salaries of the workers per year.

05

Insurance premiums against the ill health of the business owner, up to a maximum of EGP 3,000 per year or 15% of total income, whichever is lower.

06

Donations to the Egyptian Government, local administrative units, and other public juridical persons.

**Deductions are not allowed for specific expenses, including but not limited to the following:**

- Reserves and provisions (unless realized).
- Financial fines and penalties.
- Income tax payable.
- Loan interest exceeding twice the credit and discount rate announced by the Central Bank of Egypt or interest not compliant with thin capitalization rules and/or the arm's length principle.

## Permanent Establishment (PE)

A Permanent Establishment (PE) refers to every fixed place of business through which all or part of the projects of a non-resident person in Egypt are executed.

**This includes, but is not limited to, the following:**

01

Headquarters

02

Branches

03

Buildings used  
as sales outlets

04

Factories

05

Factories

06

Workshops

07

Mines, oilfields, gas  
wells, quarries, or any  
other places for the  
extraction of natural  
resources, including  
timber or any other  
products from forests

08

Farms or nurseries

09

Building sites, construction or  
assembly projects, installations,  
or supervisory activities  
associated with any of the  
above, lasting for a period of 90  
days or more in aggregate  
during any 12-month period

**Service PE:** The concept of a Service PE has been newly introduced into Egyptian income tax law as one of the PE tests.

A Service PE shall exist if a non-resident entity provides services (including planning, supervisory, or consultancy activities) to a project or related projects in Egypt for an aggregate period of 90 days during any 12-month period.

According to the amended tax law, a Service PE will be triggered if the non-resident provides services through its employees or other individuals/entities engaged by the non-resident.



**Agency PE:** The definition has been broadened to provide further clarification on PE triggers in Egypt, including:

A person working in Egypt on behalf of a foreign enterprise as an independent agent who acts exclusively or almost exclusively for that enterprise shall not be considered independent and will trigger a PE for the non-resident.

A person working for an affiliated project who has the authority to conclude contracts in the name of the project will trigger a PE unless their activities are limited to the purchase of goods/merchandise for the project, provided that such a person habitually concludes contracts or usually plays the principal role in concluding contracts that are routinely finalized without substantial modification by the project.

**Insurance PE:** An Insurance PE has been introduced for non-resident entities that collect premiums or provide insurance or reinsurance services in Egypt, unless these services are performed by an independent agent.

There are certain limitations to PE exclusions, which may increase the risk of PE triggers for non-residents. One of the most significant limitations introduced is the "Closely Related Person" provision. Under this provision, activities performed by different closely related persons must be combined and analyzed on an aggregated basis to determine whether they can be classified as preparatory or auxiliary in nature.

Additionally, a person working on behalf of a non-resident company in Egypt will create a PE for the non-resident company if such a person has the authority or power to conclude or ratify contracts in the name of the company. This will not apply if their activities are limited to purchasing commodities or goods for the non-resident company.



## Losses

Prior-year losses can be used to reduce the taxable profit of a company in subsequent years. In other words, if there is a remaining portion of a loss incurred, it can be carried forward annually to the following years. Losses can be carried forward for up to five years.

**The carry-forward of tax losses will be denied if the following conditions are collectively met within five years:**

01

A change in the company's ownership occurs, and the percentage of ownership change exceeds 50% of the company's shares, quotas, or voting rights.

02

The company's activities are changed.

03

The company is either a Joint Stock Company or a Company Limited by Shares, and its shares are not listed on the Egyptian Stock Exchange.

If any of the above-mentioned conditions are not met, the company retains the right to carry forward the losses, provided these conditions, or any of them, do not occur over the subsequent three years.

It is important to note that capital gains (i.e., gains arising from the sale of securities) should not be offset against operational carried-forward tax losses. Please refer to the "Capital Gains and Losses on Securities" section for more information.

## Withholding Tax (WHT)

Any Egyptian entity is liable for WHT on payments exceeding EGP 300 made to any local supplier of goods or services at the time of payment.

### Payments to Local Entities:

The WHT rates applicable to local payments for services and supplies are as follows:

Contracting and supplying:

1%

All types of services:

3%

Commissions:

5%

## Withholding Tax (WHT) (cont'd)

These WHT payments are considered prepayments of the provider's or supplier's income tax liability. The amounts received are included in the provider's or supplier's taxable income and are subject to income tax at the prescribed rates. However, a tax credit is provided for the WHT already paid, which is offset against the total tax liability.

### 1. Payments Made to Non-Residents

Egyptian resident companies making payments of interest, royalties, or service fees to non-resident entities are generally subject to WHT in Egypt at a rate of 20% at the time of making such payments.

However, the 20% WHT rate may be reduced or eliminated under the provisions of a relevant Double Tax Treaty (DTT) signed between Egypt and the country where the payment recipient is a tax resident, if applicable.

It is worth noting that in the past, interest payments on loans with a term of three years or more were exempt from WHT. This exemption was abolished as of 16 June 2023.

### 2. Dividend Distributions

Dividend distributions made by an Egyptian resident company to resident or non-resident individuals or companies are subject to WHT at a rate of 10% in Egypt, provided the distributing company is not listed on the Egyptian Stock Exchange.

Additionally, dividend distributions made by listed Egyptian companies to tax residents or non-residents are subject to WHT at a flat rate of 5%.

It is notable that the WHT applied in Egypt on dividend distributions made by Egyptian resident companies to non-resident entities may be further reduced or eliminated under the provisions of a relevant DTT concluded between Egypt and the country where the dividend recipient is a tax resident, if applicable.

### 3. Participation Exemption Rule:

Dividend income received by Egyptian resident companies from resident or non-resident entities is subject to the participation exemption rule, whereby 90% of the dividend income received is exempt from Corporate Income Tax (CIT). Consequently, only 10% of the dividend income is taxable, resulting in an effective CIT rate of 2.25%, provided the participation exemption conditions are met. If the participation exemption rule does not apply, dividend income received from an Egyptian company will not be subject to CIT, provided that the associated costs are not deductible for CIT purposes.

It is important to note that, as of 16 June 2023, the tax due on dividends paid by a resident distributor to a resident entity shall be deducted from the tax payable (i.e., a tax offset) on dividends distributed by the resident entity to a third resident entity, provided certain conditions are met and according to a specific formula. The executive regulations for these provisions have not yet been issued.

## Capital gains tax (“CGT”)

### Capital gains on securities

#### 01. Sale of listed securities:

Capital gains realized from the sale of Egyptian Stock Exchange (EGX) listed Egyptian securities by resident shareholders are subject to 10% capital gains tax (“CGT”).

On the other hand, in case of non-resident shareholders, capital gains realized on the sale of EGX listed securities should be exempt from CGT.

Also, as of 16 June, 2023, capital gains realised upon a share swap between an EGX listed and a non-listed company is exempt. In case of sale of such shares, the acquisition cost before the swap will be the base to calculate the capital gain tax base.

#### 02. Sale of EGX unlisted securities:

Capital gains realized from the sale of EGX unlisted Egyptian securities by both resident and non-resident shareholders, are subject to CGT at the rate of 22.5% in Egypt. However, such tax may be eliminated as per the provisions of a relevant DTT (if any) in case the supporting documents are provided.

The CGT guidelines (referred to herein as the “Guidelines”) relating to the sale of shares by non-residents, were introduced in December 2020.

The Guidelines set down the required procedures and documentation for CGT filing by non-residents, along with the financial penalties and legal sanctions for non-compliance.

Moreover, in case of individual shareholders, the capital gains realized from the sale of unlisted securities should be subject to personal income tax (“PIT”) at tax brackets with the highest being 27.5%, as tackled in the PIT section.



It's worth mentioning that the newly amended tax law 30 introduces a range of tax incentives for capital gains relevant to EGX listed shares and establishes specific regulations, outlined below:

### **If shares are offered on the EGX for the first time (IPO):**

A. Within two years from the date of issuance of the revised tax law (before June 15, 2025),

**50%**

of the actual capital gains will be exempt.

While, after two years, only

**25%**

of the capital gains will be exempt from taxation.

B. If additional tranches of shares are offered after the issuance date of the revised tax law (after June 15, 2023),

**25%**

of the realized capital gains will not be subject to capital gains tax, provided certain conditions are met.

### **EGX trading incentives:**

Additional cost (capped by 0.5% of both selling and buying transactions) would be allowed as a deductible cost, thus decreasing gains subject to tax on capital gains.

Under certain constraints and limitations, a natural person will be allowed to reduce capital gains by cost equivalent to interest cost calculated based on shares acquisition cost and Central Bank of Egypt's interest rate.

## **03. Capital losses on securities**

Capital losses realized from the sale of securities can be offset against the capital gains arising during the same tax year from the sale of securities to the extent that they both arise in the same tax year.

Excess capital losses which are not utilized during a tax year can be carried forward for three years, and offset against capital gains from the sale of shares.





#### **04. Non-compliance penalties**

Non reporting of capital gains tax will result in an annual delay fine. This fine is calculated based on the credit and discount rate announced by the Central Bank of Egypt (currently 27.75%) plus 2%, divided by 12, for each month or part of a month of delay.

#### **05. Payroll / Personal income tax (“PIT”)**

This tax is withheld at source on payments to Egyptians and foreign nationals working in Egypt, regardless of the source of payment, as well as on payments made by an Egyptian source regardless of where the work is performed.

Tax is imposed on the total net income of resident individuals for income earned in Egypt and income earned outside Egypt if their center of commercial, industrial, or professional activities is in Egypt.

Investment income, such as dividends and capital gains, realized by Egyptian tax residents from foreign sources (e.g., investments abroad) is taxable in Egypt, as it is classified under the Income Tax as commercial income.

Tax is also imposed on the income of non-resident individuals for income earned in Egypt.

#### **06. Rates of tax**

Employees / individuals are taxed according to progressive tax brackets and are entitled to an annual exemption of EGP

**20,000.**

Non-resident employees are subject to the same tax brackets and also qualify for the annual exemption.

The tax payable is calculated based on the rates specified for each bracket with the highest being 27.5% for taxpayers with annual incomes exceeding EGP 1.2 million.

## 07. Taxable employment income

Taxable income is defined as payments from employment, including salaries, wages, overtime, bonuses, paid leave, commissions, profit shares, and all cash and in-kind benefits. Reimbursements for expenses related to spouses and dependents are also considered taxable income. Additionally, school tuition fees, long-term living expenses, and overseas or hardship allowances are subject to taxation.

**The Income Tax Law exempts (subject to meeting certain conditions) certain payments and benefits provided to individuals, including:**



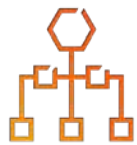
Severance pay



Meals distributed to workers



Employees' contributions to special insurance funds



End-of-service payments and pensions



Employees' contributions to Social Insurance

## 08. Administration

Egyptian resident employers are required to withhold the tax payable from employees' salaries based on the PIT rates and remit it to the tax authority within 15 days following the end of the month in which the payment was made.

Resident companies must also submit quarterly salary returns to the tax authority, along with an annual reconciliation return, which must be filed by the end of January each year.

If the employer is not resident in Egypt or does not have a center or establishment in Egypt, the obligation to pay the tax shifts to the employee. In such cases, the employee must calculate their Egyptian tax liability and submit an individual tax return to the relevant tax district office, before end of January or before his departure (if it is sooner).

Employees are required to file their individual tax returns annually during the period starting the 1st of January until the 31st of March of each year.



# Value Added Tax (VAT)

## 1 General Overview

Effective July 1, 2017, the VAT rate increased to 14%, applicable to goods and services (note that certain types of goods / services are subject to specific VAT / excise tax rates provided per the VAT law).

As previously mentioned, machinery and equipment used in the production of goods or the provision of services, should subject to a reduced VAT rate of 5%, excluding buses and passenger cars, provided that certain criteria are met. It is worth noting that VAT on equipment and machines as relevant to industrial projects is suspended upon fulfillment of certain conditions, as previously explained.

VAT is applied to a broader range of goods and services. However, a number of basic goods and services that affect low-income earners are exempt, along with other exemptions specified in the VAT law.

## 2 Registration Requirements

A

Businesses supplying taxable goods and services that reach the VAT registration threshold (i.e. EGP 500,000 within any 12-month) under the VAT law are obligated to register within 30 days from the date of surpassing the threshold.

B

The tax inspectorate must notify the taxpayer of their registration status within 14 days following the submission of the registration application. The taxpayer is subject to the provisions of the VAT Law from the date of registration.

C

Any producer, provider, or importer of goods or services subject to the schedule tax must register under the VAT Law, regardless of their sales volume, production level, or turnover.



## Below is the VAT treatment applicable to common type of transactions

### 01

#### Machinery and equipment's

Suspension of VAT:

VAT is suspended on machinery and equipment, whether imported or purchased from the local market, intended for "industrial purposes" for a period of one year from the date of customs release or purchase. This period may be extended for a maximum of one additional year. It is important to note that this suspension does not apply to service-providing companies.

Exemption from VAT:

If the Egyptian Tax Authority (ETA) verifies that the machinery and equipment were used for their intended purpose of "industrial production" within the specified period, they should be exempt from VAT.

If the specified period ends without the machinery or equipment being used in industrial production, VAT and the relevant delay taxes become due from the date of purchase or customs release until the payment date.

### 02

#### Simplified Vendor Registration System

Any non-resident and unregistered individual or entity that does not operate through a permanent establishment but sells goods or provides services to unregistered persons (i.e. individual) within Egypt ("B2C" transactions) is required to register under the simplified vendor registration system.

1

Non-resident entities registered under the simplified vendor registration system are not permitted to deduct input VAT. However, they may refund input VAT that is essential for conducting their activities.

2

## 3 VAT on B2C transactions

Non-resident entities offering services directly to consumers (B2C) must adhere to the following:

### 01

#### **Simplified VAT Registration:**

Non-resident service providers must register for VAT using the simplified vendor registration system with the ETA.

### 02

#### **VAT Collection and Remittance Process:**

Upon registration, non-resident entities should collect the applicable VAT on their B2C transactions and remit it to the ETA.

## 4 Voluntary Registration:

Non-resident entities may opt for voluntary registration under the simplified VAT registration system. If they choose this option:

**A.** They must collect and remit VAT on their services.

**B.** The service recipient (the business) will no longer be responsible for calculating or settling the VAT.

### 01

#### **Filing a simplified VAT return:**

the return should be filed and to remit the collected VAT to the ETA on a monthly basis.

### 02

#### **Currency of payment:**

Invoices related to goods or services issued and collected in foreign currency (i.e. USD, GBP and Euro) should be remitted to the ETA in the same foreign currency through the ETA's portal.

## 5 VAT on Business-to-Business (B2B) Services

For services provided to businesses (B2B), the following should typically apply (unless the non-resident service provider chooses to voluntarily register under the simplified vendor registration system, as mentioned above):



#### **Reverse Charge Mechanism:**

The responsibility for paying VAT shifts to the service recipient (the business receiving the service) under the reverse charge mechanism. The recipient calculates and remits the VAT on behalf of the non-resident provider.

## 6 Advertising Services

As of 1 Feb 2022, Advertising services provided by an Egyptian entity should be subject to VAT at the standard rate of 14%, with limited exceptions.

## 7 Sale / rental of RE properties

Buildings / RE properties having a commercial identity should be subject to a schedule tax of 10%. This tax is calculated on 10% of the rental and/or selling value as the tax base.

## 8 Exemptions

The new amendments also revised the provisions for certain goods and services, but specific details about these exemptions were not provided in the text.

## 9 Input VAT recovery

Registrants providing taxable goods or services are entitled to deduct the input VAT incurred on all their VAT inputs.

Any credit balance reported in the VAT return will be carried forward to subsequent periods until the amount is fully recovered.

Companies are only allowed to deduct input VAT depending on the availability of e-invoices received, as of July 2023

## 10 VAT exempt goods / services

There are some exempt commodities and services, such as dairy products, transactions with local banks (regulated by the CBE), educational services and transportations for passengers (with the exception of touristic transport services, air-conditioned transport among governorates and rental of private cars).

## 11 Administration

- VAT returns must be submitted a monthly basis.
- Taxpayers must register through the ETA's website to be able to submit their VAT returns through the portal (hard copy tax returns are no longer acceptable).



## Customs duty

Customs duty is the responsibility of the individual or entity importing goods into Egypt.

### There are two main types of importation in Egypt:



#### Temporary Importation:

A contractor intending to re-export equipment after the expiration of a contract may import the equipment into Egypt and pay an annual fee.

A rate of 2% of the customs duty amount is imposed monthly, up to a maximum of 20% annually, for each year or part of a year that the equipment remains in Egypt (before re-export). This arrangement is valid for a one-year period and may be renewed with the approval of the Customs Authority.

Also, Customs tax amounting to (1%) of the stipulated customs tax on the date of the temporary release shall be collected for every month or part thereof, with a maximum of 10% annually for equipment, new and renewable energy components and their spare parts.



#### Final Release:

Customs duties on imported goods are applied at varying rates depending on the Harmonized system (“HS”) code of the good(s).

- Average rates of duties range from 0% to 60% of the cost, insurance, and freight (CIF) value.
- Higher rate (up to 135%) are applied on passenger cars, luxury consumer goods, nonessential items, and alcoholic beverages.
- With regards to the importation of machines and equipment to be used for industrial purposes, the rate of custom duty that applies in this case ranges from 0% to 5%, depending on the HS code.

### Special Considerations

The Egyptian government demonstrates flexibility in allowing the importation of second-hand equipment to encourage foreign investment and support industrial growth.

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The Egyptian government demonstrates flexibility in allowing the importation of second-hand equipment to encourage foreign investment and support industrial growth.

## Free trade agreements

Customs duties on imported goods may be eliminated or reduced based on the country of origin of the goods. Egypt has signed several free trade agreements to facilitate such reductions or exemptions.

Examples of the most notable agreements include:

### The European Union (EU) Free Trade Agreement:

Under this agreement, the presence of a EUR.1 certificate (along with other required documentation to confirm the country of origin) can result in a 0% customs duty rate for eligible goods imported from EU member states.

### The Greater Arab Free Trade Area (GAFTA):

Established in 1997, GAFTA is a free trade zone formed by the GCC countries, Egypt, Iraq, Lebanon, Libya, Morocco, Sudan, Syria, and Tunisia. Goods originating from one of these countries should not be subject to customs duty.

## 1. Stamp tax

**There are two distinct types of taxes:**

Nominal Stamp Tax, which is imposed on certain documents, regardless of their value; at the rate of approx EGP 1 per paper per each copy of the document and, Proportional Stamp Tax, which is imposed at prescribed rates on the values of certain transactions.

**The main situations in which stamp tax can arise are:**

- Land registration/property transfers/transfer of deeds (including lease agreements)
- Banking Transactions
- Payments by Governmental Bodies
- Securities' sale transactions
- Insurance

## 2. Stamp tax on banking transactions

The stamp tax on bank loans applies to Egyptian banks and branches of foreign banks operating in Egypt, with the exception of non-resident banks.

**This tax is imposed at a rate of 4 per thousand (0.4%) annually and is calculated on:**

The opening balance of each quarter during the year.

The amount utilized from the credit facilities granted by banks during each quarter.

The stamp tax is payable within seven days following the end of each quarter.

## 3. Stamp tax on sale/purchase of securities

The stamp tax is imposed on the total proceeds generated from the sale of any type of securities, whether Egyptian or foreign, listed or unlisted. The tax is calculated without deducting any associated costs (i.e. value of the transaction, which should be determined at fair market value ("FMV")).



There are very limited exemptions provided in the stamp tax law.

**In such case, the buyer and seller each should apply the stamp duty on the total proceeds based on the following rates (for the sale transaction less than 33%):**

In case of non-resident buyer/seller  
(listed or unlisted shares on the EGX),

**0.125%**

In case of resident buyer/seller  
(unlisted shares)

**0.05%**

while listed shares are exempt from stamp tax.

However, if the sale transaction exceeds 33% within 2 years, then such transaction would be considered as an acquisition transaction, thus should be subject to 0.3% stamp tax. The 0.3% is imposed on each of the buyer and the seller

**i.e.**  
a total of 0.6%



**with respect to the acquisition or existing investment, where either of the following conditions is met:**

It is worth noting, that this type of stamp tax is non-deductible for corporate income tax purposes.



#### 4. Other types of stamp tax

Payments made by governmental entities are subject to a 2.4% stamp tax (with certain exemptions), and it should be borne by the recipient, by means of withholding.

There are other types of stamp taxes, which are imposed at nominal rates and others that are imposed at proportional rates, depending on the nature of the transaction that has been undertaken and /or the document being exercised.

**Other stamp taxes include the following:**

**1%**

on each life insurance premium premium on illnesses, bodily injuries or related civil liability, and on compulsory insurance premiums of any kind

**10%**

of the insurance consideration for land, river, sea, and air transport, with a minimum of one pound

**10%**

on each premium of other insurances and the consideration of these insurances, including insurance against war risks, with a minimum of one pound

**0.8%**

annually, on total insurance premiums received by insurance companies should be borne and paid by insurance companies

#### Real estate tax

Real estate tax is levied on all constructed real estate units across the country with annual rental value exceeding EGP 1,200 for commercial units, and EGP 24,000 for residential units. The tax rate is 10% of the annual rental value of the taxable real estate.

Committees, called “assessment committees”, are formed by the ETA, to be responsible for assessing the market value of the constructed real estate units. The assessment shall be based on a qualitative classification of these real estate units, according to the building standard, the geographical position and the annexed utilities. The annual assessment is applicable for a five year term and then reassessment procedures will be initiated from one year to three years before the end of each term.

In determining the annual rental value, a certain percentage (which differs for residential and non-residential / commercial realities) can be reduced for allowable deductible expenses which are borne by the taxpayer for maintenance, etc.

The tax is assessed in January of each year and can be collected in two equal installments at the end of June and December of the same year. Nevertheless, the taxpayer has the option to pay the whole tax amount on the date of the first installment (i.e. at the end of June).

## Non-compliance penalties

The new law stated financial penalties that should apply if the taxpayer failed to comply with the tax laws, mainly Income Tax, VAT, and Stamp Tax (in addition to a delay fine that should also apply for each month late in paying the taxes due).

### The financial penalties are as follows:

#### Penalty of EGP 3K up to EGP 50K applicable in the below cases:

Non-compliance with the deadlines of submitting the different types of tax returns (such as: corporate income tax, payroll tax, VAT, and state development tax) for a period not exceeding 60 days from the tax return due date.



Including false information in the tax returns.



Non-cooperation during tax audits.



Non-compliance with Transfer Pricing three-tier filing requirements.

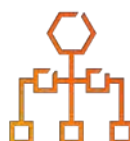


The above-mentioned penalty could be doubled or tripled in case of recurrence.

#### Penalty of EGP 50K up to EGP 2 million applicable in the below cases:



Non submission of tax returns for a period exceeding 60 days following their due date.



The above-mentioned penalty could be doubled or tripled in case of recurrence within a three year period.

#### Penalty of EGP 20K up to EGP 100K applicable in the below cases:



The taxpayer not notifying the ETA of change(s) in the company's tax registration information within a period of 30 days of such change.

## Transfer pricing (“TP”)

Transfer pricing in Egypt is governed by Income Tax Law No.91 of 2005, Article (30) and its Executive Regulations, Articles (38), (39) and (40), the Egyptian Transfer Pricing Guidelines, and the Unified Tax Procedures Law, Law No 206 and its amendments under Law No. 211 of 2020, and its executive regulations - together referred to herein as “the Law”. The Law defines the arm’s length principle, related parties, the transfer pricing methods that are allowed to be used in determining the arm’s length price, together with compliance requirements and associated non-compliance penalties.

Specifically, in November 2010, the ETA issued the first version of the Egyptian Transfer Pricing Guidelines (ETPG), which provide a practical guide to the application of Article (30) of the Income Tax Law No.91 of 2005 and its executive regulations (Articles 38, 39 and 40). The Guidelines emphasize the arm’s-length principle, comparability methods, the selection of appropriate transfer pricing methods, and documentation requirements, while also recommending consultation of the OECD Guidelines for additional insights.

In October of 2018, an updated version of the ETPG was released. The update was intended to refresh the 2010 ETPG, and to

align the documentation requirements with the BEPS Action 13 three-tiered documentation. The updated ETPG introduced a three-tiered approach to transfer pricing documentation, which includes the mandatory filing of a Master File, Local File, and Country-by-Country Reporting (CbCR), in alignment with the documentation requirements under BEPS Action 13. These changes aim to streamline and improve compliance with TP documentation requirements, reduce compliance burdens on taxpayers, and achieve consistency with global documentation standards.

Additionally, the 2018 ETPG introduced a formal Advance Pricing Agreements (“APAs”) which forms a part of a broader strategy to enhance tax compliance, provide certainty to taxpayers, and prevent disputes related to Transfer Pricing.

In October 2020, the Unified Tax Procedures Law was released, mandating taxpayers engaged in related party transactions with a total value of EGP 8 million or more in a given taxable year to prepare and submit a transfer pricing Local File and Master File. This threshold was subsequently raised to EGP 15 million by Ministerial Decree No. 52 of 2024, effective February 22, 2024.







**It also introduced penalties for non-compliance with the Transfer Pricing three-tier filing requirements (Master file, Local file, and CbCR) in Egypt as follows:**

**1%**

of the value of undisclosed related party transactions within the TP disclosure of the annual corporate tax return of the taxpayer;

**3%**

of the value of the related party transactions in case of not submitting the local file.

**3%**

of the value of the related party transactions in case of not submitting the master file.

**2%**

of the value of the related party transactions in case of not submitting the CbCR or the CbCR notification.

In case of multiple breaches to the above listed TP filing requirements, the penalty shall not exceed 3% of the value of the related party transactions.



## The three-tiered documentation

# A

### Master File:

Taxpayers engaged in related party transactions of EGP 15 million or more are required to prepare and submit a Master File. This file provides comprehensive information about the Multinationals enterprises (MNEs) global business operations, location of key intangibles, key intercompany arrangements and associated transfer pricing policies.

# B

### Local File:

Taxpayers engaged in related party transactions of EGP 15 million or more must also prepare a Local File. This file contains detailed information of an entity's related party transactions and financial results.

# C

### CbCR:

The CbCR requires MNEs to disclose detailed financial and operational information for each jurisdiction in which they operate, including information pertaining to allocation of income, taxes paid, and economic activities across jurisdictions.

Group entities must file a notification about the reporting entity before the end of the reporting fiscal year, so that they notify the ETA on the reporting entity, fiscal year to which the report relates and the Jurisdiction in which the CbCR will be filed.

## The thresholds for CbCR are outlined in the ETPG as follows:

### Egyptian-parented groups with foreign subsidiaries

must prepare and file a CbCR if their annual consolidated group revenue equals or exceeds EGP 3 billion

### Egyptian subsidiaries of foreign-parented groups

are subject to the OECD threshold of €750 million and must file reports in the jurisdiction where the ultimate parent entity resides. They are only required to submit CbCR notification forms to the ETA in that case

## Documentation filing deadlines

The Master File must be prepared in accordance with the ultimate parent Master File submission date and made available to the ETA in due course. If the parent entity does not have deadline obligations in its home country, the Master File should be submitted alongside the Local File.

The Local File is required to be submitted to the ETA within two months following the filing of the tax return.

CbCR must be filed with ETA no later than 12 months after the last day of the fiscal year to which the CbCR relates. Whereas, CbCR notifications must be submitted no later than the last day of the fiscal year to which the CbCR pertains.

Entities operating in free zones must prepare and submit CbCR notifications if they are consolidated and included in the CbCR submitted by the ultimate parent entity.

## Base Erosion and Profit Shifting (“BEPS”)

It is notable that Egypt joined the BEPS Project that was launched by the member states of the OECD and the G20 countries. Such initiative aimed at stopping multinational companies from evading taxes, and aggressive tax planning and profit shifting acts. Hence, “Aligning the tax outcomes with value creation” is the main objective of the BEPS project.

Egypt signed the IF agreement in FY 2017 with the OECD; which entails the adoption of four minimum standard actions as a necessity in a specific time-frame agreed upon with the OECD.

### The four minimum standard actions are as follows:

#### Harmful tax practices:

01

This action focuses on the harmful tax competition in light of the tax systems such as preferential tax regimes as well as tax havens.

## Advance Pricing Agreement (“APA”)

The APA system provides Egyptian taxpayers with the benefit of agreeing in advance with the ETA on the methods to be followed by the taxpayer to determine arm’s length arrangements acceptable for tax purposes when it comes to related party transactions.

The APA program delivers benefits to the taxpayers such as the certainty on TP methods, tax outcomes, increased transparency and reduced risks of audit and penalties.

The APA program was introduced for the first time in Egypt in 2018. To date, the ETA decided to restrict its application to the unilateral APA(s) and to introduce the bilateral and multilateral APA(s) in the future.

The option to apply for the APA is open to all the taxpayers subject to the provisions of the law including the Permanent establishments (“PE”).

The process of applying for and concluding the unilateral APA may take between 3 to 6 months and this may vary according to the case at hand.



## **Base Erosion and Profit Shifting (“BEPS”)...(cont’d)**

### **Treaty abuse:**

**01**

This action includes specific measures that aim at combating the abuse of double tax treaties to avoid taxation. This includes the Limitation of Benefits (“LoB”) test which mainly limits benefiting from treaty provisions in case the taxpayer failed to meet certain requirements (such as substances, etc.); and the Principal Purpose Test (“PPT”) which denies the treaty benefits if ‘one’ of the principal purposes of such transaction/arrangement was to avoid tax.

### **TP documentation:**

**02**

Transfer pricing is one of the main issues that the BEPS project aimed to focus on. This action introduced a three tiered approach for proper transfer pricing documentation; comprising the local file, master file and the country by country reporting (please refer to the Transfer pricing section, for further details).

### **Dispute resolution:**

**03**

The main purpose of this action is to introduce the mechanisms/procedures that would facilitate the process of dispute resolution between taxpayers and tax authorities, via adopting an exchange of information mechanism that would help to interact with the relevant authorities to gather information about taxpayers and to determine the country which has the taxation rights under certain transactions/structures.

## **Multilateral instrument (“MLI”)**

The MLI was put in place by the OECD as a mechanism to apply the changes that resulted from the BEPS project into actual application through updating the DTT network automatically. This means that countries that sign the MLI will adopt the changes that are made to the DTT articles without having to re-negotiate those treaties. Its main purpose is to apply the changes brought by the BEPS project into action on a global level simultaneously so that international tax standards would become gradually unified. Egypt had signed the MLI in 2017; which was then ratified and has become effective as of 1st of January 2021. Egypt has opted to apply the PPT, accordingly, if the ETA views that the main purpose of a specific arrangement/transaction or structure is to avail of a tax advantage, then treaty benefits would be denied.

## **General Anti Avoidance Rules (“GAAR”)**

The GAAR is a tool to manage the risk of tax avoidance and combat abusive tax arbitrage arrangements, and was introduced in Egypt in 2014, before Egypt becoming a member of the BEPS project. It was mainly introduced to strengthen the ETA’s anti-avoidance strategy and help it tackle abusive tax avoidance schemes. The primary objective of the GAAR is to deter taxpayers from entering into abusive arrangements for the purpose of obtaining a tax advantage without having proper business rationale or substance in place; hence, similar to the PPT test that was later introduced by the BEPS Project. Under the GAAR rules, the ETA has the right to disregard a transaction/structure, if its main purpose was revealed to get a tax advantage or tax treaty benefits.



# Pillar Two

## Background

On 1 July 2021 and 8 October 2021, the Organisation for Economic Cooperation and Development (OECD) Inclusive Framework (IF) issued a 'Statement' focused on addressing the remaining key challenges of BEPS arising from the digitalization of the global economy.

The Statement proposed a 'Two Pillar' Solution, comprised of (i) Pillar One which aims to ensure a fairer distribution of taxing rights is established with respect to the profits of large multinational enterprises ("MNEs"); and (ii) Pillar Two which implements a new global minimum Effective Tax Rate (ETR) of 15% for MNEs.

## Pillar Two

Pillar Two aims to ensure an appropriate level of tax is paid by MNEs through a series of measures aimed at modernising the international tax system for modern businesses. The Subject to Tax Rule (STTR) and the Global Anti-Base Erosion (GloBE) are the two components of Pillar Two. Under Pillar the GloBE, the IF members have agreed to enact a jurisdictional-level minimum tax system with minimum effective tax rate (ETR) of 15%. Companies with global turnover above EUR 750m will be within the scope of Pillar Two, with headquarter jurisdictions retaining the option to apply the rules to smaller, domestic MNEs.

## STTR

The STTR is a treaty based rule applicable to intra-group payments from source countries that are subject to low nominal tax rates in the country of the payee. The STTR focuses on where a source developing country has given up taxing rights on certain outbound intra-group payments, and it should be able to recover some of those rights where the income in question is taxed in the state of the payee at a nominal rate below 9%. The STTR applies to interest, royalties and a defined set of other payments made between 'connected persons', including services.

The OECD IF members have committed to adopt the STTR when requested by other IF members that are developing countries, as well as developed countries. In October 2023, the OECD IF issued a multilateral instrument ("MLI") that brings into effect the STTR by allowing for multiple bilateral tax treaties to be amended at the same time. Applicability Of the STTR expected to be commence in the near future.

## GloBE

The GloBE Rules are designed to ensure that in-scope MNE Groups are subject to a minimum level of tax on the income arising in each jurisdiction where they operate.

Over 140 countries have committed to implementing the GloBE measures, and for the rules to have effect, individual jurisdictions must implement them into domestic law.

The GloBE Rules require implementation into domestic law by individual countries before they become effective. The rules came into effect on 1 January 2024, and over 30 countries have introduced tax rules that put into force a 15% effective tax rate on in scope entities, as well as over 100 being expected to also introduce rules that will come into effect in 2024 or 2025.

In brief, the GloBE Rules have been designed with an objective of accommodating a diverse range of tax systems, including different tax consolidation rules, income allocation and entity classification rules, as well as rules for specific business structures such as joint ventures and minority interests.

The GloBE Rules contemplate three different mechanisms for assessing tax on a MNE's income, and MNEs will have to comply with the filing requirements for each applicable rule.

The first opportunity to collect the top up tax is the so called Qualified Domestic Minimum Top-up Tax (QDMTT) which gives the choice for the low tax jurisdiction itself to collect the tax (relating to this country). Second in line is the so called Income Inclusion Rule (IIR), which generally imposes tax on the parent entities within the MNE group to the extent that the foreign subsidiaries of the Group are taxed at a rate less than 15% (after the application of the QDMTT in their respective countries, if any).

These two mechanisms are accompanied by a 'backstop' rule, known as the Undertaxed Profits Rule (UTPR) which permits the collection of any remaining Top-up Tax via allowance of tax deductions (after QDMTT and IIR are applied) globally by any country where the MNE is active, meaning where there are people and/or tangible assets on the ground. Under certain conditions, the QDMTT could be elevated to a safe harbor

that switches off the IIR and UTPR in other jurisdictions.

### Status of Pillar Two in Egypt

As a member of the OECD IF, Egypt has committed to implement Pillar Two. However, no official announcement has yet been made on how and when Egypt will be implementing Pillar Two.

## What to expect?

Whilst Egypt levies corporate income tax at a rate of 22.5%, there is currently no visibility as to how the Pillar Two rules are expected to interact with the domestic tax rules in Egypt and further details should be expected in the near future once Egypt makes an official announcement on its implementation plan.

However, even if the rules will not be implemented in Egypt for 2024, Egypt headquartered MNEs with consolidated subsidiaries in at least one implementing jurisdiction, may still be required to undertake the GloBE calculations for all the jurisdictions and may have specific compliance requirements. Further guidance is expected from the OECD with respect to filing obligations / location of submission of the GloBE Information Return (GIR), in cases where the ultimate parent entity jurisdiction such as Egypt does not implement the rules in 2024.

As per the existing Pillar Two administrative guidance, where a MNE is headquartered in a location that has not implemented the rules, GIR filing would be made in a different location, i.e. the location of a 'designated filing entity', where the MNE has operations and the respective location has implemented the rules earlier than the MNE's headquarter location.

## Audit and Financial Reporting Guidelines

### A. Auditor Appointment

During the incorporation process, it is mandatory for a company to state the name of the auditor who will perform the audit in its Article of Association. Certain types of businesses, including banks and insurance companies, are required to have two auditors mentioned in their Articles of Association.

An auditor registered in the Registry of Accountants & Auditors (RAA) must be appointed by the general assembly of shareholders.

### B. Financial Year:

Financial statements and tax returns should typically be prepared annually for each financial year, which is usually a 12-month period. However, if a company is incorporated more than 7 days after the start of its financial year, it is allowed to have an extended financial year of up to 23 months. This provision allows flexibility for companies that are incorporated outside the usual financial year timeframe.

### C. Filing Accounts:

Filing accounts must be prepared in accordance with the Egyptian Accounting Standards and submitted to the following authorities: the Egyptian Stock Market (mandatory for banks), the General Authority for Investment (there are no filing fees associated with these submissions) and Free Zones (GAFI), and the ETA.

Additionally, certain businesses, such as banks, are required to publish their annual financial statements in two national newspapers. These statements should be prepared in accordance with the Egyptian Accounting Principles. However, International Financial Accounting & Reporting Standards may be used for internal management purposes only.

### D. Legal Books

To comply with the legal requirements, it is essential to maintain local books and records in handwritten Arabic. Electronic recording of the books and registers is also permitted. It is important to keep supporting documentation for all entries.

### E. Statutory financial statements :

Statutory financial statements in accordance with the Egyptian Accounting Standards (EAS) must be issued at least once a year.

### F. Alignment with IFRS

EAS has made significant progress in aligning with IFRS, particularly with the recent amendments.

Amendments worth mentioning, include Egyptian Accounting Standard No. (10) for fixed assets and Egyptian Accounting Standard No. (23) for intangible assets. These amendments, reissued in 2023, allowing for the use of the revaluation model in subsequent measurements of fixed assets and intangible assets. Furthermore, amendments related to the use of fair value in investment property standards have been introduced, bringing EAS closer to IFRS standards.

It is important to note that there are certain updates in IFRS that have not yet been adopted by EAS.



## Key Considerations

- In Egypt, companies are generally liable to corporate income tax (“CIT”) at a flat rate of 22.5%
- Taxpayers should submit their tax returns electronically through self-assessment. An e-invoicing system came into effect as of April 1, 2023 .
- In Egypt, there are different aspects that should be considered to determine the PE status. Residency position is determined based on several criteria that should be taken into consideration.
- Generally, PIT is withheld on payments made to Egyptians and foreign nationals against work performed in Egypt and it is taxed at progressive tax brackets .
- Businesses that reach the threshold (i.e. EGP 500K) are obligated to register on the Egyptian VAT system. VAT is charged at a 14% rate (exemptions apply) and, it is reported on a self-assessment basis. A simplified vendor registration system and reverse charge mechanism are in place in Egypt.
- Customs duty, stamp tax, and real estate tax are all levied in Egypt subject to different mechanisms and separate conditions .
- Disclosure requirements are in place for related party transactions and a three-tiered approach to transfer pricing documentation must be complied with.



# Additional legal considerations

## **Employment law Employment contract**

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

### **The labour contract should include the following contents:**

Name of the company and the employer “himself or the representative” and the address of the workplace.

Name and personal details of the employee (name, address, date of birth, place of birth, ID, qualifications).

Compensation (salary, bonuses, annual raises, benefits).

Duration of the contract and its renewal regulations.

Working hours, days off, leave.

Confidentiality agreements and code of ethics, if any.

Regulation for termination of the contract.

## **Probation period**

If an employee is hired on probation, the employment contract should indicate the probationary period, which cannot exceed three months. Neither shall an employee be appointed under probation more than once for the same employer.

## Types of employment contract

### 01

An indefinite employment contract is a contract which is not restricted to a limited period and does not have an expiration date (i.e. only includes the starting date). If the period of a definite employment contract expires and the company does not renew or terminate it before its end date, the contract automatically becomes an indefinite contract (with no end date). This applies to Egyptian employees.

### 02

A definite employment contract is a contract which is issued for a definite period of time, has a start and an end date and will be terminated with the expiry of its period, although it may be renewed by express agreement between the two parties for one or more other periods through a new definite period contract according to Article No.106 from the Labour Law No.12 for year 2003.

## Working hours

As per the Labour Law, employees should not work more than eight hours a day or 48 hours over a six-day working week.

It is common practice that private sector employees work 5 days a week, usually Sunday to Thursday. The number of working hours may be increased to 9 hours a day including a one hour break.

### Annual leave

An employee is entitled to a minimum annual paid leave of 21 days for every full year of service and a proportional amount if the period of service is less than one year (eligible to be used after 6 months of employment). This annual leave is increased to 30 days after the employee has worked for 10 consecutive years or is over 50 years old.

### Public leave

In addition, every employee is entitled to full pay for official holidays designated by the Ministry of Manpower and Immigration

If employees are required to work during official holidays, the employees are entitled to overtime (paid at twice their normal rate). The weekly days off and the official holidays shall not be counted as part of the annual leave.

The employer is not entitled to terminate the employee's service due to sickness, unless the employee is absent due to sickness for more than 180 days in a year. After the employee utilizes all his entitled sick leave, a governmental medical committee should evaluate the employee's ability to work. The committee takes the final decision related to the employee's ability to work or not.

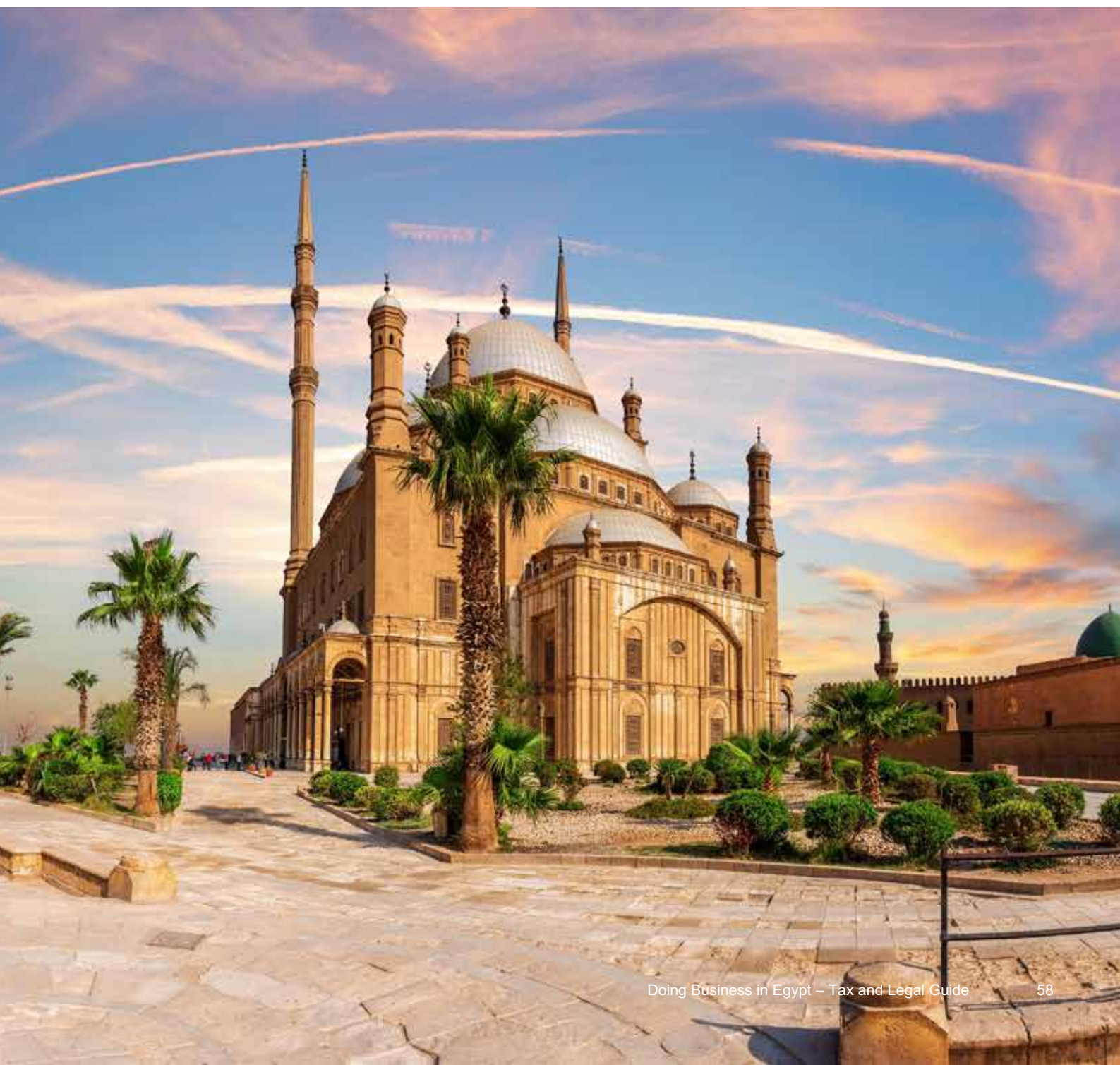
## **Performing pilgrimage or visiting Jerusalem**

Regarding religious respects, the 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 entire period of service.

## **Maternity and child care leave**

A female having spent 10 months in the service of an employer or more shall be entitled to a maternity leave of 90 days with full wage payment including the period preceding giving birth. The female employee is not entitled to this maternity leave for more than twice during her working period.

During the 24 months following the date of child birth, she has the right to be excused from work for one hour daily for feeding her child.



# Benefits/ Rights

## The social security system

On 1st of Jan 2020, a consolidated pension and social insurance law was applied to workers in Egypt's private and public sectors.

### Contributions are required at the following rates:

#### Employee contributions

The employee contribution percentage is 11% of the total social insurance salary

Starting January FY25, the Social Insurance Authority has increased the current Social Insurance Salary maximum Ceiling to (EGP 14,500) and the minimum social insurance salary to (EGP 2,300)

#### Employer contributions

The employer contribution percentage is 18.75% of the total social insurance salary.

In addition to the above, any managers/board of directors whose names are included in the commercial register of the company will be socially insured as employers and would be subject to social insurance at a flat rate of 21% of the total maximum wage

i.e.  
EGP 12,600 in 2024



## Contractual social security system

This system applies to all companies which by nature are most likely using seasonal and temporary workers who are usually not socially insured in carrying out certain assignments. Those workers are to be registered under the competent contractual social insurance office, in which the company is responsible for paying the percentage applicable to the given assignment to the concerned social insurance office.

### Annual increment

Employees are entitled to a periodical annual increment of not less than (3%) of the employee's social insurance salary, in which the calculated minimum mandatory increase should not be less than EGP 60.

### Overtime pay

The minimum overtime premiums are 35 percent of normal pay for overtime worked during daylight, 70 percent for that worked at night, and 100 percent on weekends and 200 percent on official holidays

### Bonuses

There is no obligation to pay annual bonuses.

## Minimum wage

As of 1 July 2024, the minimum wage is 6000 EGP per month. It is worth noting that the National Wage Council, regularly, issues an announcement to determine the minimum wage for each year.

## Recruitment resources

**There are two key types of labour available for recruitment:**

- 1** Readily available number of new graduates who are looking for new jobs
- 2** A number of employees who wish to leave their original employers looking for better advantages and benefits

Usually, foreign companies use professional firms to undertake a market survey and guide the employer on how to ensure competitive advantage among competitors recruiting in the same field.

**Other commonly used methods for recruitment are as follows:**

Web advertisement

Selecting resumes through professional sites

Using external recruitment agencies

Internal referrals

## Unions

There are professional syndicate unions representing the labour rights in the private sector to bargain with the government in different areas, for example:

Annual salary increase

Special salary increase

Minimum level of wages

The labour disputes between employers and employees.

## Employee profit share

**10%** of the profit distributed should be paid to the company's employees on account of employees' profit sharing; capped at 100% of the total gross salaries and wages.

Employees' profit share should be exempt from PT on hands of the employees, provided that the amount paid aligns with the thresholds (i.e. 10% or 100% of total salaries and wages), and is paid out of distributed dividends (i.e., not a P&L expense).



# Termination of employment

## During probation period

The probation period should not exceed three months and neither shall an employee appointed under probation more than once.

In case the employee proves unsuitable for the job during the allotted period. This allows the employer to cancel the contract during the period.

## Dismissal under “Definite” contract

The employer has the right to terminate the employment contract upon its expiry without any indemnity to be paid to the employee. In the event of dismissing the employee within the period of the contract, the employee will be entitled to compensation equal to the equivalent salary of the remaining period of his/her signed contract.

To illustrate, if the contract is issued for one year and the employer decides to terminate the hiring after 8 months, he has to pay the remaining 4 months' salary in the contract.

## Dismissal under “Indefinite” employment contract

Any of the two parties may terminate the contract at any time in case the contract is indefinite, taking into consideration,

proper notice time, proper working conditions, stating reasons whether on the employer's or employee's behalf.

The employer may not dismiss the worker unless certain reasons apply.

An employee is entitled to 60 days' notice period for dismissal if his period of service does not exceed 10 years, and 90 days' notice period if that period exceeds 10 years. (Should the employer desire to dismiss the employee without giving him the relative notice period, the employee shall receive two or three month's salary payment instead of such notice). Court decisions have tended to award payments of not less than the wage of two months' salary for each year of employment for unjustified dismissal.

## Legal obligations

There are other legal obligations to consider, including the legal annual increase and profit share. Under the profit share, 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.

However, Limited Liability Companies with capital less than EGP 250,000 are not subject to this distribution of profit share.





## Customary benefits

Customary benefits that can be paid to employees and varies from one company to another include the following:

Fellowship fund	Allowances	Profit share	Stock options
Tuition reimbursement	Private medical insurance	Bonus or performance pay	

## Foreign employees

As a general rule, any foreign employee working in Egypt whether for a long or short term should obtain a work permit. An Egyptian legal entity must sponsor the foreign employee and respect the ratio prescribed by law which is 10 Egyptian employees for every foreign employee.

The foreigner's qualification and expertise must be adequate for the position and must have an experience certificate for the latest 3 (three) years in the same profession.

There should be a real need of the foreign expertise in the Egyptian market. In order to hire a foreign employee, the company must hire two Egyptian employees.

# Work residency for board members of a joint stock company and managers of a limited liability company

## Work Residency for the Board Members

Under the companies' Law, the board of directors of a JSC should either have a percentage in the shares of the company or be a representative of one of the shareholders of the company. Moreover, the following capital should be paid in the bank account as follows:

For the appointment of a foreign board member, the capital should be USD

**35,000**

For the appointment of 3 (three) foreign board members, the capital should be USD

**50,000**

For the appointment of 6 (six) foreign board members, the capital should be USD

**100,000**

Whilst for the LLC, a work residency of the managers mentioned in its commercial register is issued when the following capital is deposited in a bank account in Egypt:

For the appointment of a foreign manager, the capital should be USD

**35,000**

For the appointment of 3 (three) foreign managers, the capital should be USD

**50,000**

For the appointment of 6 (six) foreign managers, the capital should be USD

**100,000**  
or more

The board members in a JSC and managers in an LLC are not included within the ratio (i.e. 10:1) as the above-mentioned requirements must be adhered to issue their work residency.



## Introduction of the Health Insurance System in Egypt

The new healthcare system is being implemented over six phases.

The health insurance system is financed through several sources and among them are the following:

A contribution of 0.25% of total annual revenues to be paid by all entities and such contribution cannot be deducted as an expense for corporate income tax purposes.

EGP 0.75 of the value of each pack of cigarettes sold (local/foreign) and such value shall be increased every three years until it reaches EGP 1.50.

10% of the value of each unit sold from tobacco cut-filler products (other than cigarettes).

Fees, ranging between EGP 1,000 and EGP 15,000, paid by hospitals, medical clinics, treatment centers, pharmacies and pharmaceutical companies to subscribe to the new health insurance system.

Individuals who wish to benefit from the health insurance system are required to pay a subscription fee, depending on the category they fall in, as detailed below:

- The employer will pay a subscription of 4% of the employee's total comprehensive salary (regardless of the maximum ceiling of the social insurance salary) and the employee will pay a 1% of that portion to reach a total of 5%.
- The employee will pay a subscription of 3% of the above-mentioned total comprehensive salary to insure his wife in case of her unemployment (or no stable fixed income).
- Business owners or self-employed professionals or Egyptians working abroad will pay a subscription of 5% of the portion of salary/ wage subject to social insurance or of their income reported in the income tax return, whichever is greater.
- The foreign expats residing in Egypt may also be allowed to subscribe in the new health insurance system, according to certain conditions and in case there is a reciprocal treatment with their home country.

The above mentioned subscription fees will only be paid when the new health insurance system is applied in the relevant governorate (i.e. for example, no fees should be paid by Cairo citizens/individuals until the last phase of implementation of the system). The party collecting such subscription fees will be required to submit them within 30 days from the date of collection.

Any non-compliance with the new health insurance system may result in financial or criminal penalties.



## Key Considerations

- As a general rule, any foreign employee working in Egypt whether for a long or short term should obtain a work permit and certain conditions must be met.
- Employees have the right to enjoy several benefits which include but are not limited to social security, minimum wage, unions etc.
- There are prerequisite legal obligations on the employer where foreign individuals are employed in Egypt.
- A new healthcare system was introduced in Egypt over six phases that local entities should comply with.



# Key Tax Indicators in Egypt

Tax Indicators	Resident	Non-Resident *
<b>Companies</b>		
Income Tax	General tax rate is 22.5%. For companies engaged in exploration and production of oil and gas, the tax rate is 40.55%. The Suez Canal Authority, the Egyptian Petroleum Authority and the Central Bank of Egypt, the tax rate is 40%.	Not applicable, unless the foreign company has a permanent establishment in Egypt (refer to comments opposite).
Tax on Capital Gains	Generally, 10% if shares are listed on the EGX.  For EGX unlisted shares, the capital gains are subject to 22.5% tax.	Generally, non-resident are exempt from CGT on gains realised from the sale of listed shares on the EGX.  For EGX unlisted shares, the gains are taxed at 22.5%.
Value-Added Tax	A standard rate of 14%, other VAT or excise tax rates are provided in the VAT Law	Every non-resident and unregistered person who does not practice an activity through a PE in Egypt and sell goods or provide services to a person who is not registered inside the country, is obliged to apply for registration under the simplified vendor registration system.
<b>Individuals</b>		
Individual Marginal Tax Rate (Max)	Progressive rates of up to 27.5%.	Progressive rates of up to 27.5%.
Basis of Taxation	Worldwide income	Egyptian-source income only
<b>Withholding Tax</b>		
Dividends	10% from unlisted shares 5% from listed shares	10% from unlisted shares 5% from listed shares
Interest	Not applicable	20%
Royalties	Not applicable	20%
Management Service Fees	3% local WHT (advance payments for CIT purposes)	20%
<b>Customs</b>	Goods : 0% to 60% depending on the specific nature of the goods. Tobacco products are subject to specific customs duties based on the quantity/ weight.	
<b>Exchange controls</b>	Theoretically, there are no foreign exchange controls in Egypt. In practice there may be constraints on cash and cheque deposits in other currency. Due to the current circumstances, this should be further confirmed with the relevant bank.	

Tax Indicators	Resident	Non-Resident *
Thin capitalisation	A 4:1 debt to equity ratio applies for the year 2023, for the years 2024-2027: The debt-to-equity ratio will be 3:1, Lastly, 2028 and onwards 2:1. Any interest on debt exceeding this ratio will be disallowed (in addition to other conditions that would be met).	
Transfer pricing	Related party transactions must be carried out at arm's length terms and conditions.	
Double tax treaties	Albania, Algeria, Austria, Bahrain, Belarus, Belgium, Bulgaria, Canada, China, Cyprus, Czech Republic, Denmark, Ethiopia, Finland, France, Georgia, Germany, Greece, Hungary, India, Indonesia, Iraq, Ireland, Italy, Japan, Jordan, South Korea, Kuwait, Lebanon, Libya, Macedonia, Malaysia, Malta, Mauritius, Morocco, Netherlands, Norway, Oman (not enforced yet), Pakistan, Palestinian Territories, Poland, Qatar (not enforced yet) Romania, Russia, Saudi Arabia, Serbia & Montenegro, Singapore, South Africa, Spain, Sudan, Sweden, Switzerland, Syria, Tunisia, Turkey, Ukraine, United Arab Emirates, United Kingdom, United States, Uzbekistan and Yemen.	
Treaties awaiting conclusion or ratification	Armenia, Croatia, Mongolia, Slovakia, Slovenia, Thailand, Vietnam.	

\* Not tax resident in Egypt and no permanent establishment in the Egypt.



# About PwC Middle East

# 07

We are one of the fastest growing PwC member firms globally and the largest professional services firm in the Middle East.

Our tailored solutions help clients meet the challenges and opportunities of doing business in the Middle East and beyond.

We've experience in diverse industries, including government, energy, financial services, retail, construction, manufacturing, telecoms and more. Our clients in the Middle East include leading public and private companies, governments, banks and more. More than 50 employees from our worldwide network are on secondment to the Middle East firm, bringing global perspectives and support to our clients in the region.

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## 10,800+

People including 450 partners, in 12 countries

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# 08

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