



# Doing Business in EGYPT



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# 1.

## About Andersen Global

### Andersen Global

**Andersen Global®** was established in 2013 as an association of legally separate, independent member firms, with a worldwide presence and comprised of professionals that share a common background and the same vision no matter the location where they are.

Our growth is a byproduct of the outstanding client service delivered by our people, the best professionals in the industry and our objective isn't to be the biggest firm, it is to provide best-in-class client services in seamless fashion across the globe.

Outstanding client service has and will continue to be our top priority.

Our professionals are selected based on quality, like-mindedness, and commitment to client service and each and every one of the professionals that are a part of Andersen Global share our core values.

Andersen Global was established to create an enduring place – ONE FIRM where clients across the globe are afforded the best, most comprehensive tax and legal services provided by skilled staff with the highest standards.

Outstanding client service has and will continue to be our top priority.





## 2.

# Country Highlights

Egypt has one of the longest histories of any country, tracing its heritage along the Nile Delta back to the 6th–4th millennia BCE. Considered a cradle of civilization, Ancient Egypt saw some of the earliest developments of writing, agriculture, urbanization, organized religion and central government. Iconic monuments such as the Giza Necropolis and its Great Sphinx, as well the ruins of Memphis, Thebes, Karnak, and the Valley of the Kings, reflect this legacy and remain a significant focus of scientific and popular interest. Egypt's long and rich cultural heritage is an integral part of its national identity, which reflects its unique transcontinental location being simultaneously Mediterranean, Middle Eastern and North African.

Egypt has one of the longest histories of any country, tracing its heritage along the Nile Delta back to the 6th–4th millennia BCE.

- Net International Reserve Position: 40.7 (USD billion)
- Net Foreign Direct Investment: 1.4 (USD billion)
- Net FDI Inflows/GDP: 0.4% (USD billion)
- Population: 102,674,145
- Currency: EGP



# 3.

## Business Climate

No doubt that Egypt is recognized as an attractive market to invest in, thanks to its unique mix of demographics and commercial links to the broader world, strategic location at the gateway of trade and commerce for Southern Europe as well as Africa and the Middle East. A population of over 83 million makes it the largest Arab country, in addition to that the government ability to apply new packages of incentives to the new and old investors.

As a part of its ongoing efforts to make Egypt the most attractive investment destination in the MENA region, the government has clarified the tax code, corporate tax rates and personal tax rates are 22.5%, while the sales tax/VAT rate is 14%.

The Arab Republic of Egypt, is a transcontinental country spanning the northeast corner of Africa and southwest corner of Asia via a land bridge formed by the Sinai Peninsula. It is bordered by the Mediterranean Sea to the north, the Gaza Strip (Palestine) and Israel to the northeast, the Red Sea to the east, Sudan to the south and Libya to the west. The Gulf of Aqaba in the northeast separates Egypt from Jordan and Saudi Arabia. Cairo is the capital and largest city of Egypt, while Alexandria, the second-largest city, is an important industrial and tourist hub at the Mediterranean coast. At approximately 100 million inhabitants, Egypt is the 14th most populated country in the world.

To improve Egypt's standing as a global manufacturing hub, the custom tariff ranged

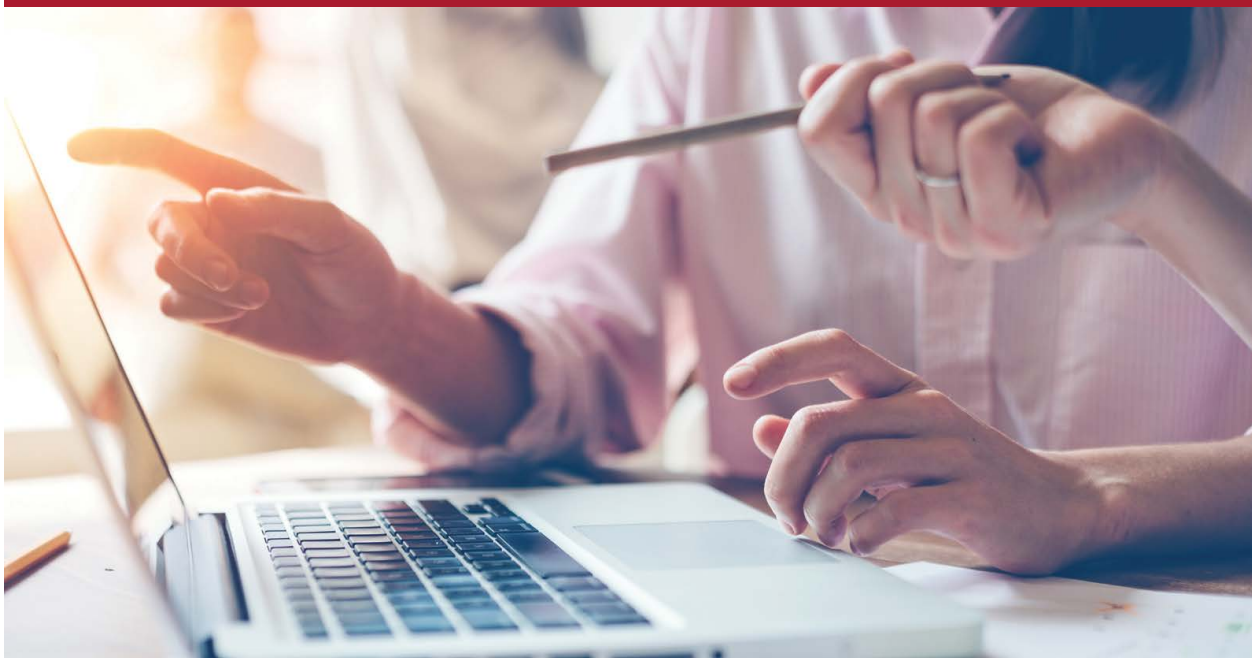


Egypt has grown increasingly reliant on imports over a very long period of time, and has, as a result, maintained an external trade deficit for most of the past six decades.

from 0% to 30%, according to the Degree of manufacturing and from 0% to 10% on the imported machines.

### International Trade

Egypt has grown increasingly reliant on imports over a very long period of time, and has, as a result, maintained an external trade deficit for most of the past six decades. The deficit, however, grew considerably between



1974 and 1984, as a result of President Sadat's open-door policy that encouraged imports and reached USD \$4.86 billion in 1980. This sharp rise was fueled by the infusion of large amounts of foreign aid following the signing of the Camp David peace accords with Israel in 1978 and the rise in oil revenue. Imports dropped for a brief period between 1984 and 1986, due to the shortage of foreign exchange coupled with debt repayments. Since 1986, imports have been on the rise, increasing from USD \$11.74 billion in 1995 to USD \$15.8 billion in 1999, when exports totaled USD \$4.6 billion. Thus, with exports remaining steady at around USD \$4.5 billion, Egypt has continued to maintain its trade deficit. Since 1998, the government has attempted to discourage imports by tightening trade financing and controlling the amounts of foreign currency in the country. Coupled with higher oil prices, the policy of lowering imports succeeded in reducing the deficit in 2000. However, imports are likely to continue outpacing exports due to the widespread lack of most raw materials, especially those

needed by the construction and industrial sectors.

Egypt imports a wide variety of goods, especially capital goods such as machinery and equipment, necessary for its economic and infrastructure development. Food has traditionally accounted for 20% of Egypt's imports, but chemicals, wood products and fuels are also imported. Before 1973, one-third of Egypt's imports came from the former Eastern European bloc, or Comecon countries, as part of Egypt's alliance with the Soviet Union. After the signing of the Camp David accords, Egypt's new pro-Western orientation was coupled with a shift in trading partners. Today, the European Union, especially Germany, Italy and France, supplies more than 40% of Egypt's imports, while the United States accounts for 15-20% of total imports.

Between 1960 and 1980, agricultural products made up the bulk of exports, accounting for 71% of the total. That percentage dropped significantly in the

1990s, reaching 20% of total exports in 1995, according to the EIU. On the other hand, the export of fuel, minerals, and metal rose sharply over that same period, from eight percent in 1960 to 41% in 1995. The export of manufactured goods has also risen since the 1990s, from USD \$2.9 million in 1993 to USD \$3.4 million in 1998. This increase has been mainly the result of the growth in clothing and textile production, which accounted for 14% of total exports in 1998. The value of exports has been steady since 1997, reaching USD \$4.6 billion in 1999. The failure to expand exports has been blamed on a number of factors: state bureaucracy and red tape, lack of competitiveness in the exchange rate market, the shortage of modern technology and low industrial capacity. Additionally, the inadequate marketing experience of Egyptian exporters has left them ill-equipped to compete successfully in the export business.

Egypt's main export partners are the European Union, mainly Italy, the United Kingdom, and Germany, and the United States. Before 1973, Egypt exported some 55% of its goods to communist countries then in the sphere of influence of the Soviet Union. Since the early 1990s, Egypt has gradually regained its influential role in the region, which it had lost after the signing of the 1978 Camp David Accords, and its exports to neighboring Arab countries have increased.

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Egypt has been a member of the World Trade Organization (WTO) since 1995. The effects of the implementation of membership requirements remain unclear. While the agreement secures better access to developing markets, there is rising concern about its impact on the protected sectors of the economy, namely the industrial and agricultural sectors. The lifting of state protection might make these sectors more competitive but could also lead to a huge increase in the country's import bill.



The main direct taxes applicable in Egypt are:

## Corporate Income Tax

- The applicable type of tax is the Tax on Corporate tax of the income tax law # 91 of 2005.
- The corporate tax is one of the direct taxes that the company should declare the net taxable profit on an annual base and pay the corporate tax to the Egyptian Tax Authority (ETA) at the rate of 22.5%, on an annual base.
- The taxable profit can be determined based on the accounting net profit/ losses prepared in accordance with the Egyptian Accounting Standards, and amended by applying the provision of the Egyptian Tax Law and its executive regulations (i.e. tax adjustments within the tax return, such as depreciation, provisions, bad debts, debit interest, etc.).

- The company has the right to forward losses to five years/carried back losses.
- An annual CTR should be presented to the ETA. The deadline of the tax return, and the tax payment, if any, is no later than four months of company fiscal year end.

## Tax Agenda

- An annual CTR should be presented to the ETA. The deadline of the tax return – and the tax payment, if any – is no later than four months of company fiscal year end.
- When calculating the tax due with the tax return, one will be able to deduct any foreign tax paid abroad and any withholding on payment withheld by the client (or alternatively, the advance tax payment to the ETA and its related interests).
- In case the company will not be able to finalize the tax return within the above mentioned grace period, then the company may present an extension request to the ETA before 15 days of the deadline of the tax return (i.e. 15 April) if the fiscal year ended in December 31 and pay the initial tax, then the tax return extended for additional 60 days.
- The tax return should be signed and stamped the representative of the company (as per the Commercial Register) and a Chartered Accountant as well.





## Tax on Dividends

- Tax on dividends is applied to any dividends declared and paid to the share/stockholders. The standard tax rate is 10%.
- However, it could be reduced to be 5% in case of being a listed in the Egyptian stock market.

## Tax Agenda

- A due date to pay the tax on dividends should be paid to the tax authority within one month of paying the dividends to the shareholders in order to avoid any delay interests.

## Salary/Payroll Tax

- The applicable type of tax is the tax on salaries and the income tax law #91 of 2005.
- The tax rates are progressive rates from 0% to 25% of the annual salary taxable amount.
- The company has to calculate the monthly salary tax and payment to the ETA each month.
- The company has to provide quarterly salary tax reporting to the ETA on form #4 salary tax, during January, April, July and October each year.

- The company has to provide annual salary tax reconciliation and settlement with the ETA, during January of the following year.

## Tax Agenda

- Monthly salary tax calculation and payment to the ETA
  - The payment should not exceed 15 days following each month.
- Quarterly salary tax reporting\* to the ETA on *form # 4 salary tax*, during January, April, July and October each year
- Annual salary tax reconciliation and settlement with the ETA, during January of the following year

## Social Insurance

There are two social insurance contributions on salaries for the employee/s, as follows:

- Employee share, which should be calculated and deducted from the salary
- Employer share, which is considered as a cost on the company
- The share to which the employer commits 18.75% of the insured's monthly wages with a maximum of 9,400 EGP monthly.

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\*The quarterly salary income tax report is a mandatory one by law, however there is no penalties for not presenting them. But it is recommended to do so in order to increase your credibility with the tax office.



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## Social Insurance (Effective 2022)

	Ceiling Amount (EGP)	Company Share		Employee Share	
Basic Salary	1400-9400	18.75%	1,518.75	11%	891
Total	9,400		1,518.75		891

## Tax Agenda

- Form #2 Social Insurance to be presented to the Social Insurance Office for registration, along with the appropriate supporting documents
- Form #1 Social Insurance to register a new employee
- Form #6 Social Insurance to de-register an existing employee
- Form #1 Social Insurance to be presented to the Social Insurance Office on a semiannual base

Social Insurance law has been amended by law No 148 for year 2019 and will be applied on January 1, 2020.

Social Insurance (Effective 1 January 2020)	Company Share	Employee Share
Insurance of old age and disability and death	12%	9%
Work injury insurance	1.50%	—
Disease insurance	3.25%	1%
Unemployment insurance	1%	—
Reward	1%	1%
Total	18.75%	11%

## Contractor Social Insurance (CSI)

- The CSI is a mechanism covering the casual labor/workers in the contracting companies.
- The CSI rate, as per the ministerial decree #152 of 2019, is 22% (used to be 18%) of the estimated casual labor/workers' wages, which is based on the nature of the contract itself.
- The estimated casual labor/workers' wages are vary from 1% to 65% of the contract price.
- The contract will be in the range from 10% to 15%.

- It is the owner's responsibility to make sure that the contractor paid the appropriate CSI to the authorities by providing a CSI certificate to the owner of the project before paying the Contractor's invoice/s.

### Reporting

Each invoice accepted and approved for payment by the owner should be notified to the social insurance office in order to pay the appropriate CSI, and to obtain a CSI Certificate to be presented to the owner in order to release the payment to the contractor.



## Withholding Tax

- The applicable type of tax is the Withholding Tax.
- It is applied on royalties, interests, services and/or charges for the activity of a sportsman or artist, whether paid directly or through any entity outside of Egypt.
- The tax rate is 20% of the total transaction.
- The WHT should be paid to the ETA within the following working day after the payment to the non-resident on form #11 WHT.
- Agreements the prevention of double taxation is applied by the ETA.

## Tax Agenda

- As per article #56 of the Income Tax Law #91 of 2005, whenever an Egyptian company applied the WHT on a non-resident company, the WHT should be paid to the ETA within the following working day after the payment to the non-resident on form #11 WHT.

## Withholding on Payment

- The applicable type of tax is the withholding on payment.



- It is applied on any local vendor or service provider, unless the local vendor or service provider is applying the advance tax payment system.
- When dealing with a resident company, you will need to deduct the following percentage from their invoice/s excluding VAT:
  - 1% on supplies/contracting activities
  - 3% on services (and professional firms)
  - 5% professional activities (individual only)
- There is quarterly withholding on payment and reporting to the tax authority.

\*In case of a tax treaty between Egypt and the home country of the recipient, the tax treaty should be applied.

## Tax Agenda

- A quarterly withholding on payment report and payment should be presented to the ETA on April, July, October and January each year (form #41 WHT).
- A reporting about the transactions, which less than 300 EGP in transaction and the total transactions during the quarter year are more than 300 EGP.

## Value Added Tax (VAT)

- The applicable type of tax is the Value Added Tax by law #67 of 2016.
- The standard VAT rate of 14% should be applied to activities.
- Individuals have the right to deduct the in-put VAT from the out-put VAT and settle the difference to the tax office on a monthly basis.

- There are monthly VAT return, even with nil sales, and VAT payment, if any.
- Advertising invoices are subject to VAT rate 14% on invoice till January 26, 2022.
- Branding and customer contact are subjected to VAT rate 10% of the rental or sales value, and the tax due on it is 10% (meaning that the tax on the branding and customer contact is 1%) from as of January 27, 2022.

Individuals have the right to refund of tax on machinery and equipment in the first VAT return.

## Tax Agenda

- A monthly VAT return should be filed for the VAT and or the table tax due within a month following the tax accounting month.



\*The contracting service classified as a table service is subjected to a table rate of 5%. Individuals do not have the right to deduct the in-put VAT from the out-put VAT.

- The return must be filed, even if no sales are made within the tax period.

## Stamp Duty Tax

The stamp tax is a tax-deductible cost from the corporate tax perspective.

### Tax Agenda

- As per article #61 of the Stamp Tax Law #111 of 1980, the stamp tax should be paid within a month from the date of the advertising.

## Related Party Transaction

The income tax law No. 91 of 2005 has introduced the arm's length principle, when having a transaction between related parties or associate persons, stating the necessity that taxpayers should comply with Article no. 30 of the income tax law and Article no. 38 & no. 39 of the executive regulation.

## Labor Office Fees

This fee is to be paid to the labor office - as per law #156 of 2002 - and it represents 1% of basic salaries of the establishments using 30 employees or more. It is paid in respect to the un-employment cases.

## Contribution on the Comprehensive Health Insurance

- The applicable type of fees by law #2 of 2018.

- The contribution rate of 0.0025% should be applied on gross revenues.

- The contribution is not a tax-deductible cost from the corporate tax perspective.

### Agenda

- This contribution to be paid with the annual corporate tax return by the companies.



## 5.

# Establishing a Business

There are two main laws governing registering a company in Egypt as follows:

- Egyptian companies Law no. 159 of 1981 and its amendments
- Egyptian investment Law no. 72 of 2017 and its amendments

The types of companies as per the Egyptian law which are as follows:

- One-person company (OPC)
- Limited Liability Company (LLC)
- A company limited by shares
- Joint-stock Company
- Partnership Company
- Limited Partnership Company
- Sole proprietorship

## 6.

# Employment Affairs

The Ministry of Manpower on foreigners work in Egypt issued Decree no. 146/2019 providing for new rules on foreigners working in Egypt. The new decree states that foreigners may work in Egypt, only if the foreigner is legally authorized to stay in Egypt for the purpose of work and has a work permit obtained from the Ministry of Manpower or its affiliated offices.





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