Egypt

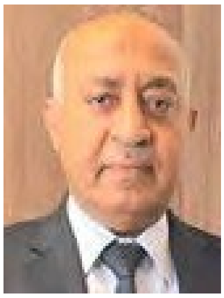
2022

Egypt is a transcontinental country and the most populous nation in the Middle East. The economy of Egypt is one of the most diversified in the region, with sectors such as tourism, agriculture, industry and services at almost equal production levels.

The New Investment Law aims at attracting new investments to Egypt, the key feature of which is the Single Window System, which will apply, and such system unifies and simplifies the procedure and protects investors from bureaucracy. The General Authority for Investment (GAFI) would be the only regulatory authority responsible for the entire procedure and for ultimately issuing licenses for the new projects i.e., the investors will no longer have to deal with multiple parties to obtain their operating license.

Egyptian and foreign investors are entitled to benefit from guarantees and incentives with respect to activities falling under any fields of investment outlined under the Investment Law and its executive regulations (for e.g., manufacturing, agriculture, trade, education, health, transportation, tourism, housing, sports, electricity & power, water, communication, and technology).

The New Investment Law would result in triggering new investments to Egypt; it would be a very good opportunity for KPMG Egypt to provide its professional services to the new investors (for e.g., assist in establishing the new projects and provide our tax compliance and consultancy services).



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Regulatory/Legal

Setting up business

There are no specific restrictions on setting up a business in Egypt. However, some businesses do require a license or permit to operate, for example banks, securities and insurance firms, foreign investment in Sinai, and companies established under the investment law.

Commonly used business entities

The Companies Law 159 of 1981 is the general law which regulates joint stock companies, limited partnerships by shares, limited liability companies, sole shareholders companies, branches of foreign companies and representation (or scientific or liaison) offices of foreign companies in Egypt.

The main characteristics for each form of entity are detailed below:

Egyptian joint stock Company has similar features to that of a standard company elsewhere in the world. The salient features of the Egyptian joint stock company are as follows:

— There should not be less than three founders (who could all be non-residents) nor less than three shareholders at any time.

— The minimum issued share capital of a closed or private joint stock company is EGP 250,000 and that of a company which lists its shares at The Egyptian Stock Exchange is EGP 100,000,000 fully paid.

— A foreign shareholder can sell his shares on the Egyptian Stock Exchange and can repatriate the sale proceeds abroad without any restrictions, including the dividends.

— A joint stock company is managed by a board of directors composed of no less than three. The board of directors is formed by a decision issued by the general meeting of the shareholders. The directors can be selected from the company shareholders or from outsiders. All the directors, including the chairman, can be of foreign nationalities.

— The employees are entitled to receive as profit share at 10% of the profits available for distribution, but with a maximum of 100% of their annual salaries.

Limited Liability Company (LLC) is a closed company where the liability of each of its shareholders (called partners) is limited to the value of their shares (called quotas).The number of partners of a LLC should not be less than two. The shares/ quotas of the LLC cannot be traded on the Stock Exchange. Other key features are as follows:

— LLC cannot be offered through a public offering. Also such companies cannot engage in banking, securities or insurance activities, nor receive deposits from others, or invest funds for the account of others.

— Although the quotas of LLC cannot be traded in the Stock Exchange, any partner can sell their quotas to anyone after offering them to the other partners and such partners declining to buy them.

— Foreigners can own 100% of the equity capital of a LLC.

— LLC is run by a manager or managers whom can be of foreign nationalities.

— The manager(s) is appointed in the company's Incorporation Contract as approved by the partners and has the same legal status as that of the chairman and the managing director in a joint stock company.

Commonly used business entities (contd.)

- There is no minimum capital required and has to be divided into equal quotas and their value should be fully paid.,
- LLC which has a share capital equal to or exceeding the minimum share capital of a closed joint stock company (i.e. EGP 250,000) has to allocate at least 10% of the profits available to distribution to its employees as profit-sharing provided that these profits should not exceed 100% of their annual salaries.
- Each shareholder liability is limited to the value of their shares.

Sole Shareholder Companies have the same features and requirements of LLC Companies except for the Capital as the Minimum capital required for the Sole shareholders companies is 50,000 EGP.

Representative offices of foreign companies can register representative offices in Egypt without any right to practice any trade activity as the Rep. Office shall only be registered for market study purposes. The mother company is obliged to establish a new legal entity within 3 years from the registration of the Rep. office.

Foreign branches, at present, are allowed to carry out construction works or generally works of a contractual nature, manage hotels and manage mutual funds. The key features are as follows:

- The minimum capital requirement for a foreign branch is EGP 5,000 to be paid in one of the foreign convertible currencies.
- The manager of the foreign branch can be of a foreign nationality.
- At least 10% of the net profit of the branch should be allocated to employees as profit-sharing, but the amount of profit-sharing should not exceed 100% of the annual salaries of the employees.
- The net profit of the foreign branch (according to its audited financial statements) can be repatriated abroad if the branch has sufficient foreign currency to do so. This also applies to the capital of the foreign branch. Foreign currency can be purchased from accredited banks in Egypt, or foreign exchange companies at the ruling rates of exchange.

Main legal formalities for the formation of a company or registration of a branch

Branch

Following documents are required:

- The Board of directors resolution of the parent company indicating the approval for registering the company's branch in Egypt.
- A bank Certificate stating that the branch has a foreign currency balance transferred from abroad equals EGP 5,000, as a minimum.
- A copy of the contract concluded between the parent company and the Egyptian company, Egyptian Government or a public sector company.
- The security investigation reports for the company and the foreign manager of the branch.

Main legal formalities for the formation of a company or registration of a branch (contd.)	**Representative office** Following documents are required: — The Board of directors resolution of the parent company indicating the approval for registering the company's rep office in Egypt. — The security investigation reports for the company and the foreign manager of the rep. office. **Company** Following documents are required: — A bank Certificate stating that 25% (at least) of the Company's issued capital is deposited at an Egyptian certified bank in a blocked account, to be released after registering the company in the Commercial Registry. As for LLC, the bank Certificate is not required. — The security investigation report of each foreign shareholder and/or board member. — In case the founder of the company is a foreign corporate body, it should present the following additional documents: – Articles of association and all amendments thereto. – Commercial registration certificate.
Currency/monetary restrictions	Egypt has no foreign exchange restrictions. However, transfers should be made through Egyptian banks provided the supporting documents for any transaction should be presented to the bank in order to approve the transfer.
Regulatory requirements for Financial Services	Banks are regulated by the Central Bank of Egypt (CBE), while companies whose business is related to securities (holding companies, portfolio management companies, etc.) are supervised by the Egyptian Capital Market Authority.

Accounting/Finance for companies and branches of foreign companies

Financial statements	Companies are required to prepare annual financial statements according to the Egyptian accounting standards which are broadly in line with International Financial Reporting Standards.
Audit requirements	Financial statements should be audited by a certified accountant. However banks and mutual funds should have 2 independent auditors to co-audit their financial statements.
Requirements for foreign investors	Foreign founders, board members and directors are subject to security investigation and the General Authority for Investment should receive security clearance for them. They are entitled to reside in Egypt for business after obtaining work and residence permits.

Book year/accounting currency	The accounting year end does not need to coincide with the calendar year and financial statements can be prepared using a functional currency.
Format	Financial statements are based on local Generally Accepted Accounting Principles (GAAP), which largely conforms to International Financial Reporting Standards principles.

Tax

Approval requirements	Taxpayers are required to register with the General tax authority before they commence their work in Egypt.
Advance tax rulings/ Advance pricing agreements (APA)	Taxpayers can obtain advance tax rulings, for which the normal response time by tax authorities is typically 6 months. Although it can take longer in practice.
Income tax compliance	Egypt has adopted the self-assessment system whereby companies must file their annual tax returns, together with all supporting schedules, before 1 May each year or four months from the financial year-end, as the case may be. The tax return should be signed by the taxpayer and an independent tax accountant. The current income tax rate is 22.5%. Oil & gas exploration and production companies are subject to tax on their net annual taxable income at 40.55%.
Indirect tax compliance	Law No. (3) for the Year 2022, to the effect of amending some provisions of Value Added Tax (VAT) law promulgated by virtue of Law No. 67 of 2016 and the stamp duty law no 111 of the year 1980 This law has been published in the Official Gazette issue No. (3) Bis (E) on January 26, 2022 and shall enter into force as of the day following its publication. **Important note:** upon the issuance of the executive regulations of this law, some interpretation stated hereto may change **First: Amending the VAT law no 67 of the year 2016** 1-1 The obligations of the non-resident and non-registered (according to the second clause of Articles Nos. 17,22 and 30). — The law introduced the following definitions: — Registered Non-Resident Person: is the physical or juridical person who is not deemed a resident of Egypt shall be committed to make registration in the Value Added Tax Inspectorate and calculate the tax upon finalizing the process of selling commodities and upon rendering the imported services to customers not registered in Egypt. — Simplified Suppliers Registration System: is a system that permits the registration of non-resident suppliers at the Tax Authority in a simplified manner to be determined by the executive regulations.

Indirect tax compliance (contd.)

— Every person who is non-resident and non-registered at the Tax Authority in Egypt who sells taxable commodities or renders taxable services to a non-registered person within the country and who does not practice an activity at a stabilized permanent premises must apply to the Authority to be registered pursuant to the Simplified Suppliers Registration System as indicated in the executive regulations.

— The provisions of this Article shall apply to the services during the six months following the enactment of the Simplified Suppliers Registration System ;the matter which shall apply to the commodities during a period that shall not exceed two years from the enforcement date of this system.

— The tax credit on inputs shall not apply to the cases of the Simplified Suppliers Registration System.

— Moreover, this law stipulated that the tax borne by a non-resident person who is registered pursuant to the Simplified Suppliers Registration System for the purpose of practicing his business activity within the country may refund the tax according to the terms and conditions indicated in the executive regulations of this law.

— The tax imposed on the imported commodities shall not be collectible upon their release from the Customs Authority in case it is proven that this tax was collected by the registered non-resident person."

1-2 The treatment of economic Zones of a special nature such as the free zones, cities, markets (according to Articles Nos 6 and 7).

— According to the provisions of this law economic Zones of a special nature shall be treated the same as the free zones, cities, markets.

— Accordingly, the commodities or services exported abroad by the projects of the free zones, cities, markets and the economic Zones of a special nature shall be subject to the tax at the rate of (0%).

— The commodities or services imported to these projects and that are necessary for exercising the licensed activity inside the free zones, cities, markets and the economic Zones of a special nature, with the exception of the passenger cars, shall be subject to the tax at the rate of (0%).

— Tax shall fall due on the imported commodities or the rendered services subject to the tax in accordance with the provisions of this Law, that are provided to the free zones, cities and markets for their domestic consumption within these places.

— Importation of commodities for trading inside the free zones that encompass a whole city, shall be treated as domestic consumption.

— The tax shall also fall due on the taxable commodities or services- in accordance with the provisions of this Law -which are imported from the free zones, cities, markets and the economic Zones of a special nature to the local market inside the country.

— The services and commodities manufactured in the projects of the free zones, cities and commercial zones of special nature shall be treated in the same way as the imported commodities from abroad, upon their withdrawal for domestic consumption or use.

1-3 Reverse Charge Mechanism (according to Articles Nos.17/32)

— The following law introduced Reverse Payment System of VAT: Reverse Payment System of VAT: is a system by virtue of which the commodity or service beneficiary shall be committed to pay the tax directly to the Tax Authority instead of the obligation that lies on the shoulders of the non-resident commodity supplier or service provider as prescribed in this law.

Indirect tax compliance (contd.)

— In case a person who is non-resident and non-registered with the Authority sells within the country to a registered (body/person)a service which is not required for practicing his activity or sells it to a governmental body or a public or economic Authority or any other Authority, then the service beneficiary shall calculate the tax due on that service and pay it to the Authority within thirty days as of the selling date, unless the non-resident did not make registration pursuant to the Simplified Suppliers Registration System.

— Pursuant to this law the corporate bodies who do not sell taxable commodities or render taxable services but who are committed to calculate the tax on the imported services must apply to the Authority for registration according to the Reverse Payment System of VAT.

— The corporate bodies who are subject to the Reverse Payment System of VAT and who import services must calculate the tax due on these services and remit it to the Tax Authority within thirty days from the date of rendering the service unless the person who is non-resident and non-registered with the Authority who renders the service is registered in the Tax Authority pursuant to the Simplified Suppliers Registration System.

1-4 Refunding the tax (according to Article No. 30).

— According to the provisions of this law the clause pertaining to refunding the tax imposed on commodities and services shall be amended as follows: "The Tax previously settled or charged to the exported commodities and services, whether exported in its original state or included as a component in other commodities or services, not exceeding the credit balance of the commodities and services to which the tax credit apply."

— Taking into account that this law has changed the eligibility of refunding the tax imposed on the machinery and equipment used in manufacturing or rendering taxable commodity or service by introducing a new Article to the VAT law No. 28-Bis which stipulates that "The remittance of the tax due on the machinery and equipment imported from abroad or purchased from the local market for the factories and manufacturing units to be used in the industrial production shall be suspended for one year from the date of their custom release or from the date of purchasing them from the local market, as the case may be, this period may be prolonged for other period or periods according to justifiable reasons acceptable by the Authority in a manner that they shall not exceed one year as a maximum .In the event that it became evident to the Tax Authority that these machinery and equipment were used in the industrial production during this period they shall be exempted from the aforementioned tax in this case their disposal for any purposes other than for which they are exempted are prohibited during the five years following the exemption before notifying the Tax Authority and remitting the due tax according to its working condition, value, tax rate prevailing on the date of payment.

— In case the period aforementioned lapsed before using these machinery and equipment in the industrial production then the tax and additional tax shall fall due from the date of the custom release of these machinery and equipment or from the date of purchasing them from the local market until the payment date, as the case may be.

Indirect tax compliance (contd.)

1-5 Refund of the value added tax and schedule tax due to the Tax Authority under the tax account (according to Article No. 31).

— According to the provisions of this law, Ministries, Authorities, Government bodies, Municipal units, general bodies and other general corporate bodies are committed to remit the schedule tax due from them directly to the Tax Authority within ten days from their maturity date. These bodies shall also be committed to remit (20%) of the value added tax due therefrom immediately to the Tax Authority within the specified period under the tax account; in this case the Tax Authority may not request the taxpayer to collect what was remitted pursuant to the executive regulations.

— The Tax shall be settled for the imported commodities during the stage of their release from the Customs Authority, according to the procedures prescribed for settling the customs duty, and the final release for such commodities may not take place before the payment of the tax due in full unless it becomes evident that the non-resident registered has collected the tax imposed on the imported commodities which are being released from the Customs.

— The head of the Tax Authority or his delegate may temporally release (for a three month period) the incoming shipments imported for the production process or for practicing the business activity according to the guarantees that the Customs Authority, deems appropriate, until the concerned person provides the Tax Authority with the necessary documents to study whether he is entitled to the exemption during the said period or must settle the due tax as well as the additional tax which shall be computed starting from the date of the custom release of these shipment

1-6 Tax refunding to the foreigners leaving the Egyptian territory (according to Article No. 30 Bis).

— Foreigners leaving the Egyptian territory, whose residence did not exceed three months, shall be entitled to reclaim the tax previously paid to the registered seller related to the purchases of taxable goods, provided that the amount of the relevant invoice must not be less than one thousand five hundred Egyptian pounds, and that their purchases are to be taken with them when leaving the Country. The executive regulations specify the controls of applying this Article.

1-7 Amendments introduced to the commodities and services listed in the schedule attached to the Value Added Tax Law.

— Some of these amendments on the first schedule:

    — Serial No. 15 (new)
    "Brand; Trademark and the relation with the customers (components of the business premises or place) at 10% of the rental or sale value as the case may be. The tax due thereon shall be at 10% of this value

— Some of these amendments on the list of exempted goods/services schedule:

    — Legumes, grains, table salt, manufactured spices, and freight services, including what is imported from them.

    — Specific governmental ads.

1-8 Imposing value added tax on Advertising services. (Fifth Article).

— According to the provisions of this law advertising services shall be subject to the Value Added tax at the rate of 14%.

Indirect tax compliance (contd.)

1-9 Penalties for Violation Acts (according to Articles Nos 50 and 67Bis).

— According to the provisions of this law the taxpayer shall pay to the Tax Authority an amount equivalent to 1% of the tax value and the due schedule tax of not less than one thousand Egyptian Pounds and not exceeding ten thousand Egyptian Pounds in addition to the due tax, schedule tax and additional tax in case he violates the provisions, procedures or rules stipulated in this Law without the violation act being one of the tax evasion actions stipulated therein.

— The following cases shall be considered as a violation of the provisions of this law:

1. Discovery of shortage or surplus in the commodities kept in the free zones and markets in violation to the provisions of the Customs Law.
2. Not notifying the Authority of the changes that occurred in the data detailed in the registration application within the specified date.
3. Violating the provisions, procedures or rules stipulated in this law. The amount of the penalty or fine shall be doubled in case of committing any of the aforementioned acts during three years.

— According to the provisions of this law and without prejudice to the penalties stipulated in this law or any other law, in case the registered non-resident person did not fulfill any of the obligations prescribed by this law; the minister may request from the public prosecution to issue an order preventing or banning the importation and entry of commodities to the Egyptian market until the registered person fulfills this obligation and its resulting consequences. The competent bodies must implement this order upon its issuance.

Second: Amending the stamp duty law no 111 of the year 1980

— According to the provisions of this law Article No. (60) of Stamp Tax Law promulgated by law No. 111 of 1980 (which is related to the imposition of a tax at the rate of 20% of the advertising fee) shall be revoked.

— Article No.(64) promulgated by law No. 111 of 1980 (which is related to the imposition of certain exemptions from taxation; shall be revoked.

Stamp duty

— As per the law no (3) of the year 2022, the stamp duty on ads at 20% was waived as of 27 Jan 2022

— As per the law 199 of the year 2020:

  — The sale of listed /unlisted securities is subject to stamp tax at 1.25 per thousand is applied on the non-resident seller and the non-resident buyer

  — The sale of listed / unlisted securities is subject to stamp tax at .5 per thousand is applied on the resident seller and the resident buyer until Dec 31, 2021 and effective Jan 1, 2022 the tax on listed securities only was waived.

Other tax compliance

Salary Tax

An employee's income is subject to Salary Tax (income will include salary, bonuses, overtime, and other related benefits paid onshore or offshore) less some specific exemptions (mainly employees' social insurance contributions and collective benefits in-kind). Salary Tax rates are:

Figures in EGP						
Tax Rate	**Net income that does not exceed EGP 600,000**	**Net income that exceeded 600 thousand and did not exceed 700 thousand**	**Net income that exceeded 700 thousand and did not exceed 800 thousand**	**Net income that exceeded 800 thousand and did not exceed 900 thousand**	**Net income that exceeded 900 thousand and did not exceed one**	**Net income exceeding one million**
0%	From 1 pound to 15,000					
2.5%	More than 15 thousand to 30 thousand	From 1 pounds to 30 thousand				
10%	More than 30 thousand to 45 thousand	More than 30 thousand to 45 thousand	From 1 pounds to 45 thousand			
15%	More than 45 thousand to 60 thousand	More than 45 thousand to 60 thousand	More than 45 thousand to 60 thousand	From 1 pounds to 60 thousand		
20%	More than 60 thousand to 200 thousand	More than 60 thousand to 200 thousand	More than 60 thousand to 200 thousand	More than 60 thousand to 200 thousand	From 1 pounds to 200 thousand	
22.5%	More than 200 thousand to 400 thousand	More than 200 thousand to 400 thousand	More than 200 thousand to 400 thousand	More than 200 thousand to 400 thousand	More than 200 thousand to 400 thousand	From 1 pounds to 400 thousand
25%	More than 400 thousand	More than 400 thousand	More than 400 thousand	More than 400 thousand	More than 400 thousand	More than 400 thousand

The employer is required to compute employees' salary tax on a monthly basis, withhold tax at source and then remit this to the tax authority within the first 15 days of the month following the month of salary payment. In case the employer has no permanent establishment in Egypt or it is non-resident for tax purposes in Egypt, then the employee himself is obliged to submit an annual salary tax form which outlines the total payments and total tax liability.

Non-resident employees (stayed in Egypt for less than 183 days) are subject to normal salary tax rates determined above.

Withholding Tax

Withholding tax of 20% is imposed on royalties, interests, and fees paid to non-resident companies for services performed by them to Egyptian companies in Egypt (this should be reviewed on a case by case basis based on the agreements in place). However, this withholding tax does not apply to payments related to some activities (e.g., training) and in cases where the recipient is a resident of a country which has a tax treaty with Egypt (in such case the Double Taxation Avoidance Agreement (DTAA) overrides the domestic tax law).

Dividends

— Dividends distributed by corporate bodies, including companies established under special economic zones system, to a non-resident natural person and to a resident/non-resident corporate bodies, including profits of non-resident persons realized through a permanent establishment in Egypt, shall be taxable at 10% without deducting any costs.

— A lower tax rate of 5% applies without deducting any costs in the company is listed in the Egyptian Stock Exchange.

— The provision of the Double Tax Treaties (DTT) should be considered, in case of dividends paid to non-resident corporate bodies.

Other tax compliance (contd.)

Capital Gains Tax

— Capital gains realized by resident and a non-resident corporate body from the disposal of securities or quota which are not listed in the Egyptian Stock Exchange are subject to tax without any deductions at 22.5% tax rate.

— As per the law no 199 of the year 2020:

1. Regarding the resident individual/corporate bodies

   Capital gains realized from trading in securities which are listed in the Egyptian Stock Exchange shall be subject to tax at 10% without any deductions against costs. However, such provision was suspended many times from the date of enactment of the relevant law until December 31, 2021. The sale of securities shall not subject to stamp tax (.5 per thousands) as of 1 Jan 2022.

2. Regarding the non-resident individual/corporate bodies

   Capital gains realized from trading in securities which are listed in the Egyptian Stock Exchange shall be subject to tax at 10% without any deductions against costs. However, such provision was suspended many times from the date of enactment of the relevant law until May 16, 2020, and as per the law no 199 of the year 2020;

   — The tax due on the period from May 17 until September 1, 2020 is waived;

   — No tax shall be imposed as of October 1, 2020

Director's liability to tax

Chairman, board of directors and the managers of corporations are subject to salary tax for their administrative work's payments. However, any other payments, which are not related to the administrative work, are not considered as a tax deductible expense for income tax purposes.

Property Tax

— Property tax is imposed on all buildings in Egypt. Tax is borne by the owner whether a natural person or a corporate body.

— The tax rate is 10% on the annual rental value of the taxable buildings after the deduction of 32% (30% for residential units) allowed for maintenance.

— Free zone units are also subject to property tax.

— A residential property is tax exempt if annual rental value is less than EGP 24,000 and a non-residential property is exempt if the annual rental value is less than EGP 1,200.

— For owners of the non-residential units, the tax paid will be considered as a deductible expenses for corporate tax purposes.

— The tax is due as from the first of July 2013 and afterwards, it will be due as from January of each year.

— Tax is collected on two equal installments (the end of June and the end of December of the same year).

— Interest is paid for the late of payment of the tax due within the due dates at 2% plus the discount rate declared by the Central Bank of Egypt.

— Taxpayers are required to file a tax return and failure to do so will expose the taxpayer to pay a penalty which should not be less than EGP 200 and not exceeding EGP 2,000.

Social Insurance

On salaries; in August 2019 the government issued a social law no.148 for the year 2020, this law will be valid starting from first of January 2021. based on this law all the S.I. laws issued before will be canceled. Herein the most important points of the new law;

— Salaries are subjected to Social insurance and the monthly ceiling of salaries that are subject to social insurance starting from first of January 2020 is EGP 1000 per month as a minimum insurable salary and EGP 7000 as a Maximum insurable salary.

— The monthly maximum ceiling will be increased by 15% on the first of January of every year for seven years .,And after that the annual increment will be according to the announced inflation rate from the Central Bank of Egypt "CBE". Accordingly, the monthly max. insurable salary is EGP 8100 and the Minimum insurable salary is EGP 1200 starting from January 2021,

— The employee may ask for extra pension from the social insurance Authority incase his salary exceed the extra wage can be subscribed shouldn't exceed the 100% of the maximum insurable salary .And in this case the employee is committed to contribute by 10% from the excessive salary and there 're no employer share.

— And there are some allowances will not considered as an insurable salary like (meal, housing, transportation and travel allowance and the allowances on which the employee bear for the work requirements) provided that the total of these exempted allowances shouldn't exceed 25% of the insurable salary.

— The company's share of social insurance is 18.75% from the insurable salary and the Employee's share is 11%.

— The foreigners that working in Egypt and subjected to the labor law, will be subject to the social insurance law like the Egyptians otherwise there's a consent agreement .

— The employer is required to compute employees' social insurance contributions on a monthly basis, employer shares at source and then remit all of the contributions due to the competent social Insurance office within the first 15 days of the month following the month of salary payment.

On construction contracts

Constructions contracts are subject to social insurance at specified rates, on a case by case basis. The awarding party and the contractor are considered jointly responsible for settling the social insurance obligations due on the project.

The awarding party shall be committed to notify the S.I authority of the contractor's name, address and data about the operation within three days before the commencement of work and not paying any dues to him before he provides the documents supporting the payment of contributions pertaining to these works.

The contractor shall inform the competent contracting social insurance office, where the contracting operation lies within its area, of each contracting operation carried out by the contractor before its implementation and of each change that occurs to the size of such operation. Such notification shall be attached to a copy of the contracting agreement.

The contractor is required to deduct 11% of the employees' salaries and remit it on monthly basis.

Social Insurance (contd.)

The contractor shall pay to the competent contracting social insurance office, the contribution due for each payment or payable extract at no later than the beginning of the month following the receipt of the payment or extract notification. In case of delay He shall be obligated to pay an additional monthly amount calculated at a rate equal to the average return on Treasury issues of bills and bonds in the month preceding the month in which the payment is required plus 2%. Exemption is granted if payment is made within fifteen days from the due date of the payment.

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Double Taxation Avoidance Agreements (DTAA)

Egypt has wide DTAA network with as many as 61 countries, including, USA, UK, Ireland, Spain, Netherlands, Switzerland, Albania, Algeria, Bahrain, Belarus, Belgium, Bulgaria, Canada, China, Germany, Greece, Iraq, South Africa, Spain, Russia, Singapore, Kuwait, UAE, Saudi Arabia, Qatar to name a few.

Transfer pricing

Egypt was one of the first countries in the Middle East and North Africa to introduce specific transfer pricing rules in its tax code, and the first to release transfer pricing guidelines in Arabic. At the end of Oct 2018, Egyptian tax authority introduced first part of the transfer pricing guidelines, similar to the Organization for Economic Co-operation and Development (OECD) model.

The first part mainly discussed the basis of the arm's length principle, the arm's length pricing methods and the importance of documentation. The Egyptian Transfer Pricing Guidelines and the amended executive regulations of the income tax law explicitly list the following benchmarking methods:

Traditional transaction methods:

— Comparable Uncontrolled Price (CUP) method

— Resale Price (RP) method

— Cost plus (CP) method Transactional profit methods:

— Profit Split (PS) method

— Transactional Net Margin Method (TNMM) Other methods:

— Global Formulary Apportionment.

The updated Egyptian Transfer pricing Guidelines, which will be mandatory from the financial year 2018:

— A three-tiered transfer pricing documentation is required by the Egyptian tax authority "Master file, Local File and CBCR (Country by Country Report)".

— The transfer pricing documentation should be submitted to the tax authority on an annual basis.

— The local file is required to be submitted to the tax authority's transfer pricing department two months following the date of filing the tax return.

— Master file should be prepared in accordance to the group's ultimate parent's tax return filing date since it relates to the group as a whole.

— The CBCR should in general be submitted within one year following the close of the relevant financial year that it covers. However, it should be noted that only Egyptian parent companies, will be required to file a CBCR with The Egyptian tax authority if the group for which a taxpayer resident in Egypt is the mother company achieved an annual consolidated group revenue of equal to or exceeding EGP 3 billion.

— After the master file clause (In case the ultimate parent is resident in Egypt or there is obligation to the non-resident ultimate parent to submit this master file in its country, the such master file should be submitted the same deadline of the local file).

— The CbCr notification should be submitted before the fiscal year-end of the taxpayer.

Transfer pricing (contd.)

— As per the unified law of tax procedures, the Taxpayer is exempted from submitting the master file and the local file in case its related party transactions do not exceed EGP 8 million.

Comprehensive health insurance

Takaful Contribution in Accordance With The Comprehensive Health Insurance Law no. 2 of 2018.

— The comprehensive health insurance law has been issued recently which obligated companies to calculate 2 .5% per thousand from its annual revenues and remit such contributions to the competent authority.

— Moreover, these contributions are not considered as tax deductible costs for corporate income tax purposes.

— The comprehensive health insurance law will be applied based on the Geographical distributions on six phases;

— The first phase commenced with the Canal Governorates (Ismailia – Port Said –Suez).

— The health insurance Authority setup a database to be applicable on the beneficiaries of the law provisions and connected with the NOSI and Department of Civil status.

— To be eligible, for the comprehensive health insurance service the beneficiary shall be subscribed and paid the contributions due starting from the date of the execution of law in his governance.

Comprehensive health insurance

Schedule (no.1) insured employees contributions and dependents

Type	Contributions	Dependents
the employees subject to the social insurance law	1% from the insurable salary	3% on the non-worker spouse or with no fixed salary, 1% on every dependent or child maximum two, 1.5% thereafter in children .
The insured employees and persons of equivalent status are subject to the social insurance law for the employers.	5% from the insurable salary or from the salary according to the tax return or the ceiling insurable salary whichever is greater	
Freelancers (who are not subject to the above mentioned points)		
The Egyptian employees who work abroad.		

Raising fund in honor of martyrs, victims,injured and missed soldiers and their relatives in security, terrorist and marital operations

— **The Egyptian Parliament issued a law authenticated by the Egyptian President to raise fund in honor of martyrs, soldiers and their relatives in the security and terrorist operations.**

— Egypt grants the injured and victims marital soldiers and their relatives the privileges to receive the national services from education, club subscriptions, cultural activities .. etc. ". with free subscriptions and renewal fees.

— A five percent of ten thousand (5/10,000) shall be deducted on monthly basis from the workers in private and public sector starting from March 2021, except the irregular or daily paid employment. Such deducted percent should be remitted to the Ministry of Finance ten days after the end of each calendar month

— A five Egyptian pound tax imposed on the services or documents that issued or submitted by the Public Entities and Authorities and its companies, also the companies completely owned by Egypt or its share exceed 50% upon the stakeholders request;

Tax regime at a glance

Corporate tax rate	22.5%
Capital gains tax rate	22.5%
Capital gains tax rate on listed securities	10% and on hold until 16 May 2020
Branches/Permanent Establishments	22.5% in case of registered branches or PE. There should be a contract in place between either the company as a private sector company and the government or with another private sector company in order to establish a branch in Egypt. Alternatively, it is possible to establish a fully owned foreign subsidiary in Egypt.
Personal income tax	Progressive up to 22.5%
Alternate minimum tax	NA
Withholding tax	
Royalties and technical fees	20%
Interest	20%
Dividends	10% tax rate. A lower tax rate of 5% applies without deducting any costs where ownership in the distributing entity exceeds 25% of the share capital or voting rights, provided the participation is held for minimum 2-year period
Commissions, attendance fees and other services	NA
Carry forward of losses	5 years; loss carryback is allowed in case of long term contracts e.g. contracting activities
Tax year	Either fiscal or calendar based on the company's policy
CFC and Thin Capitalization rules	Interest deduction is limited to four times the total annual average of the shareholders equity
Tax treaty network	61 countries
Wealth tax, estate tax, gift tax	NA
Indirect taxes	
Sales tax/VAT	The standard rate is 14%, export is subject to VAT at 0%, machinery and equipment is subject to 5% VAT (except for buses and passenger cars that are subject to the standard rate)
Customs general rate	0% to 60%