

DOING BUSINESS IN EGYPT



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- **COST AND NUMBER OF DAYS FOR OPENING A COMPANY**
Cost \$2,000 : \$5,000 and Regulatory formation procedures require period ranged from 5: 12 days depend on type of entity (the L.L.C and partnership will gain lower number and lower cost).
- Egypt ranked the third country in Middle east and gulf regions after Tunisia and Saudi Arabia in ease of start up depend on days of formation (As per World bank Doing business report), L.L.C may not have a required minimum paid in capital
- **COST AND NUMBER OF DAYS FOR CLOSING A COMPANY** \$1000 - \$1,500, 90 working days
- **COST AND NUMBER OF DAYS FOR REGISTERING PROPERTY** The cost includes tax and legal charges (exclude brokering fees:2.5%) it will be ranged from 2.5% to 3% from property cost including fees,including transfer taxes and any other payment to the property registry, public agencies or lawyers. And take 15 working days.
- **COUNTRY RISK LEVEL CLASSIFICATION:** In 2019 Organization for Economic Co-operation and Development (OECD) officially announced that Egypt's risk classification has dropped from six to five, a milestone resulting from government efforts to enhance Egypt's investment situation
- **ANNUAL GDP PER CAPITA (2019)** \$3,047
- **TOTAL COUNTRY GDP (2019)** 2020: \$ 363 billion , (2019 :\$ 303.2 billion)
- **GDP GROWTH 2018-2021** vary from 5.5% : 3.5% (inflation decreased from(5% in 2010 to 3.65% 2020),
- **SPECIAL ZONES IN THE COUNTRY** There are nine Public Free Zones in Egypt located in Alexandria (Amrya), Cairo (Nasr City), Port Said, Suez, Ismailia, Damietta, Shebeen ALKoum, Qeft, and Media Zone in City of 6th October.
- **RECOMMENDATION FOR INVESTMENT :** whole sale and retail trade, agriculture and fishery ,mining and manufacturing industries , Tourism , property investment , Chemical and fertilizers ,Cargo ,shipping and logistics .
- **BUSINESS CLIMATE** The Egyptian rate of growth is expected to increase 2% in 2021

TAXES IN Egypt



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- **TAX RATE-PERSONS-** Personal exemption is \$ 576, tax rate is phased based on income growth 2.5% TO 25% increased gradually from a \$955 (exempted in lower tan \$ 39,000 net income) with phase out rule that exclude lower rate at higher income (over one million may be taxed by 22.5% up to \$25,500 (400,000 EGP) and the remaining net income taxed at 25%
- **TAX RATE-COMPANIES-** 22.5% fixed rate AND (.025 % :1 % flat tax rate applied to revenues without deductions for SMEs as per SMEs law 152) depend on revenues volume (law 152 provide many incentives to SMEs other than tax rate)
- **NON-RESIDENTS TAX-** for those with no permanent residence in Egypt ,Certain interest and royalties are subject to flat tax rate (including such as royalties , franchising and patent) of 20 % (WITHHOLDING TAX) for non-resident companies provide service to domestic company without permitting any deductions against .
- **5 YEARS FOR LOSSES COMPENSATION-** 5 YEARS CARRY FORWARD LOSS RULE is permitted
- **EXEMPTIONS-**As per Tax law 91 some activities are expected(land reclamation , Profits of poultry production companies, beekeeping, livestock projects and fattening, and fisheries and fish farms companies for a period of ten years from the date of practicing the activity
- **TOTAL SOCIAL SECURITY-HOUSING-PENSION RATE-** 18.75 % employer payment and 11% employees' deductible share
- **TAX EXEMPTIONS:-** As per law investment law 172 issued on 2017 (up to 30% to 50% of cost of investment is considered as exemption from tax profit to provide incentive for investors by exempting specific amount of cost of investment from taxable profit for specific entities (for ex. manufacturing of food and agriculture , high capacity projects ,pharmaceutical , wood industries , tourism and SMEs) and certain activities are exempted as per 91 law Such as (fishing ,livestock ,poultry production company
- **TAX ON PROPERTY-** 2.5% registry tax as transfer or disposition tax , or (in companies) capital gain taxed subject to ordinary rate 22.5%
- **TAX ON INTEREST-** N/A
- **TAX ON DIVIDENDS-** 10%
- **VAT RATE-** 14% VAT unless specific activities which defined per law as Scheduled Activities which taxed applying specific flat rate for each activity (For ex ,construction contractor 5%)

The question is what is the tax benefit from using free zone ?

- Egypt's generous tax incentives to projects in free zones, including a corporate income tax holiday and VAT tax , only these project may assign withhold payroll tax in normal rates from its employees ,Tax holidays to projects in free zone are linked to an export share requirement. The stated objectives are to enhance exports and increase foreign currency reserves.

What is the most attractive business industry or activities nowadays in Egypt and effect of interest on growth ?

Those industries with a bright turn over or rate of growth in Egypt with incentives in starting business are as follow :

- 1- Manufacturing (especially textiles industry)
- 2- Fruit and AGRO industries (agriculture Products, exporting and manufacturing)and maritime agencies
- 3- Fishing industries
- 4- Wood industries
- 5- Franchising (food , restaurant) due to increasing demand linked to number of 110 million citizens of consummated goods and commodities (most of Chinese market and Korea) .
- 6-Chemical and fertilizers due to agriculture sector growth and incentives
- 7-Cargo ,shipping and logistics due to suez canal

The government is keep reducing the interest rate and giving incentive promotional loans to manufacturing industries which reduce to 5% interest rate which is very attractive to companies, government also have incentives for those investing in property investment which resulted in growth in real estate sector that has large growth in last couple of years related especially to those who can register as contractor with governmental agencies