



**Investment Guarantees and Incentives**



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# Investment Guarantees



## Investments



Investments enjoy a fair and equitable treatment

## Invested Assets



They are neither subject to any arbitrary measures nor discriminatory decisions.

## Foreign Investor



- Foreign investors receive the same treatment granted by the State to the Egyptian investor.
- Foreign investors are granted residence inside the Arab Republic of Egypt (for a period at least a year but does not exceed project term).
- The number of residence permits depends on a score system encompassing (company object, capital, employed work force, and project site).



**All decisions on any investment project are reasoned decisions that will be served on the parties concerned.**



**General regulatory resolutions that add financial (impose fees) or procedural burdens may not be issued; except after having obtained the opinion of the board of directors of GAFI and upon the approval of both the Council of Ministers and the Supreme Council of Investment "SCI".**



**Any government administrative entity may not revoke or suspend the license-to-operate granted to the investment project, nor may it reclaim the real property allocated for same, unless:**

- It has served a notice on the investor comprising the violations with which the investor is charged.
- It has heard the investor's evidence.
- It has given the investor an adequate grace period not exceeding sixty (60) days to rectify the violations.
- If such grace period expires, while the investor has not rectified the violations, the appropriate administrative entity will, before making a decision in this regard, obtain GAFI's opinion by virtue of a letter comprising all legal actions to be taken, and GAFI will give its opinion within seven (7) days.

Without the need to be registered in the Register of Importers, any investment project governed by the provisions of the Investment Law may import, whether directly or through third parties, the necessary raw materials, production requirements, machinery, and spare parts.



Without a license and without the need to be registered in the Register of Exporters, any investment project governed by the provisions of the Investment Law may export its products.



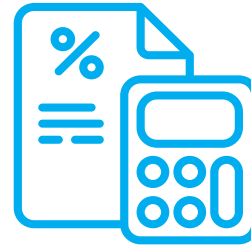
**Any investment project may employ foreign workers:**



- Up to ten percent (**%10**) of the total number of the project workforce.
- This percentage may be increased up to twenty percent (**%20**) of the total number of the project workforce, if employment of national workers having the required qualifications is not possible.



# Investment Incentives



## General Incentives

All investment projects governed by the provisions of the Investment Law will enjoy the general incentives, except for those set up within Free Zones Framework.



A uniform customs duty at two percent (%2) of the value of:

- all imported machinery, equipment, and devices required for setting up the project; and
- all machinery, equipment, and devices imported by companies and establishments operating in public utilities projects, so long as such imported goods are required for setting up or operating such companies and establishments.



Articles of incorporation of companies and establishments, along with credit facility and pledge contracts pertaining to the business thereof, are exempt from stamp duty as well as notarization and publicity fees for a period of five (5) years from the date on which such articles and contracts are entered into the Commercial Register.



Contracts of registration of lands required for setting up companies and establishments are also exempt from the aforementioned duty and fees.



Without having to pay any customs fees, any industrial project governed by the provisions of the Investment Law may import casts, molds, and other similar production requirements.

## Special Incentives

It is a tax incentive obtained by projects established within three (3) years from the date of enforcement of the Executive Regulations of Investment Law No. 72 of 2017:



# 50%

Discount off the investment costs, in the form of a discount off the taxable net profits of investment projects that carry out their activities within the geographic areas of Sector (A) and comprises:

- Suez Canal Economic Zone
- *al-Muthalath al-Dhaby* (Golden Triangle) Economic Zone
- The New Administrative Capital
- The geographic areas designated as most in need of development
  - South of Giza Governorate
  - Upper Egypt governorates
  - The border governorates, including the Red Sea Governorate, south of Safaga
  - Governorates of the Suez Canal region: Port Said, Ismailia and Suez (east of the Canal)

# 30%

Discount off the investment costs, in the form of a discount off the taxable net profits of investment projects that carry out their activities within the geographic areas of Sector (B) and comprises:

the remaining geographic areas of the Republic, in particular, the areas in which elements of development are available.



## Special Incentives

### Special incentives of %30 are granted to the following investment projects:

- Labor-intensive projects,
- SMEs;
- Projects depending on or producing new and renewable energy;
- National and strategic projects to be listed under a decree of SCI;
- Tourism projects to be listed under a decree of SCI;
- Electricity generation and distribution projects to be listed under a decree of the Prime Minister, based on a joint proposal of the appropriate minister, the minister concerned with electricity affairs and Minister of Finance;
- Projects exporting products thereof outside the geographic territory of the Arab Republic of Egypt;
- Automotive manufacturing and the supplying industries thereof;
- Wood, furniture, packaging and chemical industries;
- Antibiotics, tumor drugs and cosmetics industries;
- Food, agricultural crops and agricultural waste recycling industries; and
- Engineering, metallurgical, textile and leather industries.

**An investment incentive may not, in all cases, exceed eighty percent (%80) of the capital paid up until the start date of business operation. Furthermore, the discount period may not exceed seven (7) years from the start date of business operation.**





## Special Incentives

### An investment project must, in order to be granted the special incentives, satisfy the following conditions:

- 1- A new company or establishment will be incorporated to launch such investment project;
- 2- The new company or establishment will be incorporated within a period not exceeding three (3) years from the Executive Regulations of Investment Law enforcement date; The period may be renewed for once only upon a decree of the Council of Ministers and pursuant to a proposal of the appropriate minister.
- 3- The company or establishment shall keep regular accounts; should such company or establishment be operating in more than one zone, it may benefit from the percentage prescribed for each zone respectively, provided it keeps separate accounts for each zone respectively;
- 4- Neither shareholders nor partners nor owners of establishments have offered, contributed or used any of the tangible assets of a company or an establishment, existing since the date on which the provisions of this Law come into force, in setting up, incorporating or launching an investment project enjoying the incentives accorded by this Law, nor have they liquidated such company or establishment, within the time period specified in Item 2 of this Article [(12)], for the purpose of setting up a new investment project enjoying the incentives referred to; violation of this condition nullifies said incentives, and accordingly such company or establishment will pay all taxes due; and
- 5- Expansions of existing investment projects may enjoy the special incentives. Expansions in the context of this Article will have the meaning of increasing the capital used by adding new assets that lead to the increase of the productivity of the investment project.

## Special Incentives

### Decrees Issued to Enforce Special Incentives::



- Decrees Issued to Enforce Special Incentives:
- Council of Ministers Decree No. 6 of 2020 on the Terms and Conditions applicable to granting Expansions of Existing Investment Projects the Special Incentives;
- Council of Ministers Decree No. 7 of 2020 Designating Sector (A) Governorates and Areas as the Most in Need of Development;
- Council of Ministers Decree No. 22 of 2020 on Extending Companies and Establishments Incorporation Term, for Enjoying the Special Incentives, as of October 2020 ,29 for Three (3) Years;
- Prime Minister Decree No. 104 of 2022 on the Classification of Investment Activities Subsectors within the Industrial; Tourism; CIT; Petroleum and Natural Resources; Agriculture, Livestock, Poultry, and Fish Production; Transportation Sectors falling within the geographical territories of Sectors (A) and (B);
- Prime Minister Decree No. 981 of 2022 on the Classification of Investment Activities Subsectors within Electricity and Renewable Energy; Education; and Sports Sectors falling within the geographical territories of Sectors (A) and (B); and
- Prime Minister Decree No. 1775 of 2022 on the Classification of Investment Activities Subsector within Health Sector falling within the geographical territories of Sectors (A) and (B).



## Additional Incentives

Upon a decree of the Council of Ministers, the additional incentives may be granted to the projects stipulated in Article (11) of the Investment Law No. 72 of 2017, as follows:



Special customs ports of entry for the investment project importations or exportations will be established, in agreement with Minister of Finance.



Upon the investment project becoming operational, the State pays, whether in whole or in part, the expenses incurred by the investor in course of providing utilities to the premises of the investment project.



The State pays a part of the expenses incurred in course of providing personnel technical training.



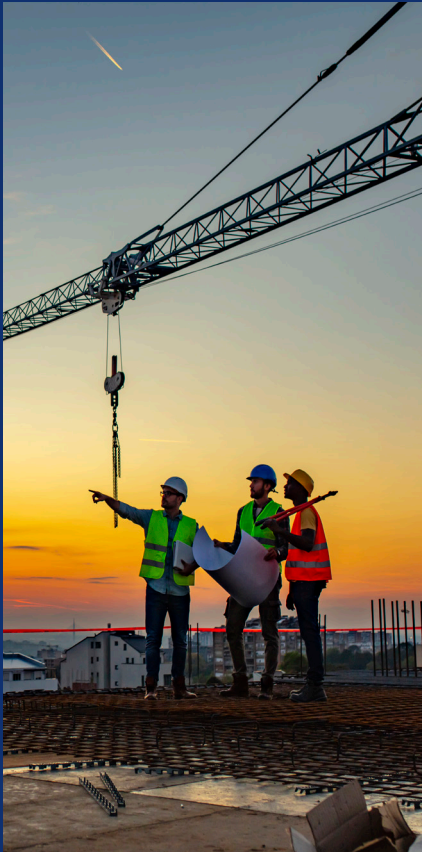
Fifty percent (%50) of the value of the land allocated for the industrial projects will be refunded, if production starts within two (2) years from the date on which the land is handed over.



Lands free of charge will be allocated to some strategic activities in accordance with the legally prescribed rules in this respect.

Non-tax incentives may, when necessary, be created, subject to a decree of the Council of Ministers based on a proposal of the appropriate minister.

## Additional Incentives



### An investment project must, in order to be granted the additional incentives, satisfy the following conditions:

The Executive Regulations of the Investment Law encompasses the conditions for the investment projects to enjoy the additional incentives, among which:

- The Arab Republic of Egypt is one of the principal places of production of products in which such projects specialize.
- Such projects, in course of financing, depend on foreign cash transferred from abroad in accordance with the rules specified by the CBE.
- Such projects export abroad no less than fifty percent (%50) of their products.
- The activity of a company includes operation in any cutting-edge modern technology field and cutting-edge technology transfer into Egypt.
- The local component is strongly included in the products of the project.
- The activity of the company is based on research conclusions reached through research projects carried out inside the Arab Republic of Egypt.





## Golden License

- In accordance with Article (20) of the Investment Law, the comprehensive approval ("Golden License") is, upon a decree of the Council of Ministers, granted to the companies incorporated to launch:



Strategic or national projects that contribute to the achievement of development



Partnership projects between the private sector and the State, in the fields of public utilities and infrastructure, new or renewable energy, roads, transportation or ports

- The company is granted the comprehensive approval to set up, operate, and manage the project, including:



Building permits



Allocation of buildings necessary for the project



The Golden License is self-executing requiring no further action.

- In application of Article (20) of the Investment Law No. 72 of 2017, Prime Minister Decree No. 1156 of 2020 on the establishment of the Golden License Unit in GAFI was issued. Such unit has the competence to assess the applications submitted by the companies incorporated to set up strategic or national projects; verify the fulfillment of the controls and requirements stipulated in the provisions of the Investment Law and its Executive Regulations; coordinate with all the competent authorities, and present the applications to the Council of Ministers to issue a decree in their regard.

## Applicants, to be granted the Golden License, must meet the following terms and conditions:

Prime Minister Decree No. 2300 of 2022 was issued to amend the Executive Regulations of Investment Law to facilitate applying for the Comprehensive Approval (Golden License) by companies:



Companies must be in the form of an Egyptian joint-stock company or a limited liability company in accordance with the provisions of the Investment Law, or Joint Stock Companies, Partnerships Limited by Shares, Limited Liability Companies and Single Member Companies enacted by Law No.159 of 1981, provided that the issued capital of joint stock companies and the capital of limited liability company may not be less than **20%** of the investment costs of the project. Moreover, companies will provide evidence of financial solvency for the implementation of the project, and in all cases, the company must be incorporated after the date of enforcement of the aforementioned Investment Law;



Companies must submit a preliminary feasibility study on the project prepared by a reputable and licensed national or international consultancy firms;



Companies must submit a schedule for implementing the project;



Companies must submit an acknowledgment of the provision of all utilities of the infrastructure (roads- water- sewage- electricity- communications- waste management); and



They must submit an acknowledgment of all requirements and controls pertaining the company's activity in accordance with laws and regulations regulating thereof.



## Conditions for Classifying Investment Project as Strategic or National:

Council of Ministers Decree No. 56 of 2022 was issued to set out the terms and conditions for classifying any investment project as strategic or national as follows:



The project must contribute to increasing exports by exporting abroad at least fifty percent (**%50**) of its products per annum, within a period up to three (**3**) years as of the start date of business operation;



The project source of finance must be foreign money transferred from abroad via one of the Egyptian banks;



The project must target the decrease of imports, industrial domestication, as well as deepening local components in its products, provided that the percentage of local components in its products, including raw materials and production requirements, be at least fifty percent (**%50**). Such percentage will be calculated by subtracting the value of the imported components from product cost;



The project must be set up in one of the most in need of development areas listed under Council of Ministers Decree No. **7** of 2020;



The project must contribute to transferring and domesticating modern cutting-edge technology to Egypt as well as fostering innovation, development, and scientific research;



The project must be one of the projects aimed at providing strategic goods to Egypt, thus reducing their importation;



The project must be a national labor-intensive project, as set out in Article (11) of the Executive Regulations of the Investment Law.



The project must contribute in limiting environmental impacts, reducing heat and gas emissions, and improving the climate, as determined by the Minister concerned with environmental affairs.



# Investor Social Responsibility

In realizing the goals of comprehensive and sustainable development, investor may allocate a percentage of his/her annual profits for creating of a social development system, apart from the investment project of investor, through participation in any or all of the following:

1. Take the necessary measures to protect and improve the environment, or improve environmental conditions in the community and address various environmental problems, including, for example, the following:



- Providing mechanisms for waste recycling;
- Utilizing treatment plants to reuse water;
- Utilizing new and renewable energy;
- Disposing of wastes safely; and
- Reducing emissions of greenhouse gases and any projects in order to adapt to climate changes impacts.



## 2. Provide services or programs in fields of healthcare, social or culture care, or in any other field of development, by:



- Providing job opportunities to persons with special needs;
- Sponsoring youth and sport activities;
- Sponsoring (scientific, artistic and sportive) talents and innovators;
- Participating in poor families care programs, and improving citizens livelihood;
- Funding (i) awareness-raising campaigns aimed at the promotion of safe emigration and the prevention of illegal emigration; and (ii) training and qualification programs, in the area of providing positive alternatives to illegal emigration, such as entrepreneurship programs or training for employment at various industrial and service sectors inside Egypt or elsewhere, particularly in the targeted governorates in which such phenomenon is common, in cooperation with the Ministry of Youth and Sports, the Ministry of Labor Force and the Ministry of State for Emigration and Egyptian Expatriate Affairs.

## 3. Support technical education, or fund research, studies and awareness-raising campaigns aiming at developing and improving production, in agreement with one of the universities or scientific research institutions, whether internally or abroad.



## 4. Conduct training and scientific research in a way that would update technology used in production, and conduct studies aiming at improving the environment and preventing adverse environmental impacts.




The sums of money, of no more than ten percent (%10) of investor's annual net profits, paid by the investors in any of the fields listed in the previous paragraph will be deemed from among the deductible cost and expense stipulated under Item 8 of Article (23) of the Income Tax Law, enacted by Law No. 91 of 2005.








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