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 **itida**
Developing
IT in Egypt

Business in Egypt

Your step-by-step guide to
doing business in Egypt



Egypt on





Egypt enjoys working with the world

We are committed to encouraging the world's ICT companies to come and do business in our country. To this end, we are making it as attractive, quick, and easy as possible to set up and run a company here.

In the following pages we provide a step-by-step guide to what to consider when contemplating setting up in Egypt, how to set up a business, and where to go for ongoing support.

We hope you find this guide useful and look forward to welcoming your business to Egypt.



on hand

Encouraging the world's companies

Whether you are thinking about setting up in Egypt or have already decided to invest and want to get on and do it, there is one place to go for help and advice: ITIDA, the Egyptian IT Industry Development Agency. A successful partnership between the Egyptian Ministry of Communications and Information Technology (MCIT) and the private sector, ITIDA is responsible for developing IT in Egypt. A big part of this responsibility is to attract and facilitate direct foreign investments.

From first thoughts through to setting up and developing your business, from help with incorporation to advice on incentives, work permits, customs clearance, and technical approvals – ITIDA is on hand to provide guidance and support.

It's about helping you make the most of the opportunities every step of the way.

In good company

Egypt receives more foreign direct investment than any other country in North Africa. IBM, Oracle, Microsoft, Teleperformance, Vodafone, and Wipro are just some of the leading multinationals that have made substantial investments in Egypt.

In Egypt you can set up a company in 72 hours with as little as US\$200 in capital.

Founding principle of the General Authority for Investment and Free Zones (GAFI)



"Egypt is vital to our Middle East and Africa business, and with a strong base in this dynamic marketplace, we see great e-business potential"

*Stanley Krasnow Chairman for sales operation,
IBM software group*

"Reducing income and corporate taxes and custom duties of course is very positive. A more favorable tax system helps us invest further. We consider Egypt as being even more attractive now"

*Vincenzo Nesci, Chairman, Alcatel-Lucent Egypt
and President Regional Unit Middle East*





on opportunity

Egypt is home to a very welcoming business environment offering both protection and incentives for companies setting up in Egypt.

Modern, liberalized, business-friendly

Under the new legal framework, the Egyptian government allows:

- 100% foreign ownership of companies
- 100% foreign representation on the board of directors
- Full rights of profit and dividend repatriation in any currency
- Protection against expropriation
- Protection against double taxation through international treaties
- Protection against compulsory pricing
- Transfer pricing assessment on the “arm’s length” principle, based on worldwide practices such as competitive free price, the total costs plus profit margin, and the resale price methods.

Exemptions, benefits and other incentives

Under the traditional tax regime, income is taxed at 20% of profits, import duties at 2–32%, and sales tax at 5–10% for services. Payroll taxes range from 10–20%.

Export-oriented companies registered under Law 8 of 2007 can gain certain exemptions and benefits in custom duties and sales tax.

A leading reformer

In the IFC–World Bank Doing Business 2010 report, Egypt rose sharply from 116th to 106th in the ranking on the ease of doing business, driven by regulatory reforms that have made it easier to start and operate a business in the country. The highest personal tax rate, for example, has been cut from 32% to 20%; corporate tax has been more than halved, from 42% to 20%; and tariffs have been simplified and reduced from an average of 14.6% to 6.2%.



on best practice

Intellectual property rights

Egypt is committed to protecting intellectual property rights (IPR). Following the introduction of a new Intellectual Property Law in 2002, the Intellectual Property Rights Office was established to reinforce these changes and administer a national copyright system. In addition, the Office works with national and international organizations to increase awareness and understanding of IPR.

Software piracy in Egypt continues to decrease. In the 2009 Business Software Alliance (BSA) and IDC Global PC Software Piracy Study, Egypt's piracy rating remained at 59% for the second year, despite overall global levels rising in 2009. Since 2003, Egypt's software piracy rates have fallen year after year, by 10% in all.

e-Signature


Egypt recognizes the importance of being able to do business online securely and confidently. To this end, the e-Signature Law was introduced in 2004 together with the regulatory authority, in ITIDA, responsible for overseeing and facilitating the use of e-signatures. This provides the basis for the security of all IT applications, e-commerce, and e-business in Egypt.

Anti-corruption

Egypt's initiatives to reduce corruption range from the Anti-Money Laundering Law of 2002, through the long-running government "Say no to corruption" campaign, multiple anti-corruption agencies, and various monitoring and prosecution authorities.

Together with 140 other countries, Egypt has signed the UN Anti-Corruption Convention.

According to Transparency International's annual Corruption Perception Index, Egypt was ranked 111th out of 180 countries in 2009. In 2010, Egypt was ranked 98th.



"Egypt continues to make significant progress against software piracy, helping to build the country's position as a leading outsourcing destination and improve the wider economy"

Dr. Tarek Kamel
Minister of Communications and Information Technology



on setting up

Quick and easy

Setting up a company in Egypt takes a few simple steps and just a few days.

Following reforms to streamline registration and incorporation, setting up a company now takes just a few days rather than two to three months. With ITIDA at your side to help, you register and incorporate through a central agency: the General Authority for Investment and Free Zones (GAFI).

There are two main steps: pre-registration and registration.

Options for legal structure of companies

Type	Eligibility criterion
Sole proprietorship	<ul style="list-style-type: none"> Engages in a commercial activity for his or her own account Egyptian nationality unless business under the Investment Law, or an exporting activity
Simple partnership	<ul style="list-style-type: none"> No minimum capital required; profit of the partnership itself as a legal entity is not taxable Firm formed between two or more partners Foreigners can participate in partnerships but their share capital cannot exceed 49%
Limited partnership by shares	<ul style="list-style-type: none"> Minimum share capital – US\$45,000 At least one of the founders has unlimited liability; rest same as a joint stock company Prohibited from conducting the business if insurance, banking or investing funds Each manager shares, each not less than US\$1,000, should be reserved, and cannot be disposed of as long as the unlimited founder is a manager of the company
Limited liability company	<ul style="list-style-type: none"> Minimum share capital – US\$350 Managed by one or more managers, of which at least one must be an Egyptian 2 to 50 shareholders; a supervisory council to be formed if more than 10 shareholders Profits distributed to employees when the capital reaches US\$45,000
Joint stock company	<ul style="list-style-type: none"> Minimum share capital – US\$45,000 for private and US\$90,000 for public companies Minimum of three founding shareholders; managed by a board of directors Minimum legal reserve of at least 5% of the paid-in capital Legally allocate to the employees an amount (“employee bonus”) equal to a minimum of 10% of the distributed profits and a maximum of the aggregate annual salaries

Source: GAFI – *Conversion rate US\$1 = 5.5 EGP (as on March 17, 2008)

Pre-registration

During this stage, you need to do five things:

- First, decide the legal structure of the company – see options on page 8
- Second, ensure that the company to be set up complies with the ICT company laws
- Third, notify GAFI that you intend to set up a business in Egypt and obtain a comprehensive incorporation package from them
- Fourth, obtain a certificate for approval of the company's name from the Commercial Registry
- And fifth, make the guarantee deposit in a bank and issue the power of attorney.

This stage should only take a few days.

Registration

During this stage, you need to:

- Verify documents
- Pay fees (see below)
- Gain approval from the state notary
- Complete commercial registry
- Become a Chamber of Commerce member
- Assume legal responsibility and juridical personality on the date of registration
- Obtain tax cards and social security for employees after registration.

This stage takes seven to nine working days.

Registration fees

Type of fee	Authority	Amount
Authentication	– Lawyer's syndicate	– 0.5% of the issued capital up to US\$900
Notarization	– Public Notary	– 0.0025% of the issued capital up to US\$90
Commercial registry	– Commercial registration	– US\$9-18 (for any form)
Publishing in the <i>Investment Gazette</i>	– The Legal Department of Authority	– Sole proprietorships: US\$35 – Partnerships (all three types): US\$150 – Joint stock company: US\$720
Tax license	– The Investment Tax Department	– Sole proprietorships: Nil – Simple partnership: US\$16 – Limited partnership & limited liability: US\$160 – Joint stock company: US\$320
Issuing shares (joint stock and partnerships limited by share)	– The General Authority for Capital Market	– 0.05% with a maximum of US\$1,800
Evaluating a corporeal share for inland investment	– GAFI	– 0.2% of the corporeal share between US\$900 and US\$1,800

Source: GAFI – *Conversion rate US\$1 = 5.5 EGP (as on March 17, 2008)

on employment

Relations between employers and employees in Egypt are regulated by the Labor Law 12/2003. This law is designed to increase the involvement of the private sector in the economy while balancing the rights of employees and employers.

Here are the key points:

Contracts

Contracts must be written in triplicate and in Arabic.

Hiring

Employees can either be hired for a definite period or for an indefinite period.

If the contract is for a definite period, it can be terminated for two reasons – either normal termination or gross default. The employer has to go to court to prove gross default. Contracts for a definite period can be extended by written agreement, otherwise they are converted into contracts for an indefinite period.

If the contract is for an indefinite period, it can be terminated either for gross default or for justified business downsizing. If it is for business downsizing, the case needs to be submitted and approved by the Ministry of Manpower.

Probation

A three-month probation period in the first year of employment gives both employer and employee the option to end the contract with no notice required.

Employee profiles

Employers must maintain a full profile for each employee.

Penalties /offenses

Employers must display the list of penalties/offenses that can lead to termination of an employee contract.

Social insurance

The employer contributes 14% of a basic salary and the employee contributes 26%, up to a maximum salary amount of 775 EGP per month.

The employer contributes 24% of a variable salary and the employee contributes 11%, up to a maximum salary amount of 7,500 EGP per year.

Minimum wage

The minimum wage is 108 EGP per month, according to the Social Insurance Law.

Overtime pay

Overtime pay is 35% of the monthly gross during normal daytime shifts and 70% for nighttime shifts. On Fridays and holidays, it is 100% plus one day off as compensation.

Training bonds

The employer can ask the employee to sign a training bond, which is enforceable in a court of law.

The women regulation list

Under the women regulation list:

- Women are not allowed to work from 7pm to 7am (applies to industrial organizations and construction projects; does not apply to supervisory jobs)
- Women are not allowed to do certain types of jobs such as mining
- Women have equal rights in typical work situations
- Employers must pay for transportation to and from work for women working nightshifts.

Maternity leave

A woman who has worked ten months for an employer is entitled to 90 days of maternity leave with full salary. She is entitled to this maternity leave no more than twice while she is working for the employer. She has the right to one hour's daily rest for breast-feeding during the 24 months following the birth of her child. She cannot be dismissed while on maternity leave. In an organization of more than 50 employees, she is entitled to unpaid leave of up to two years.

Days off

Employees are entitled to one day off each week.

Annual leave

Employees are entitled to a minimum annual paid leave of 21 days every one full year of service.

Public holidays

There are ten official public holidays, which are fully paid.

Sick leave

Employees are entitled to up to 30 days of paid sick leave each three years. They are then entitled to 75% of their salary for the next eight months.

Casual leave

Casual leave should not exceed six days a year, with a maximum of two days each time.

Next steps

We invite you to invest in your success in Egypt and welcome the opportunity to help you in any way we can.

If you have any questions or would like to take the next step in setting up a business in Egypt, we're here to help.

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