

## Law of Investment Guarantees and Incentives

### Investment Guarantees:

- 1- All the investments established within the Arab Republic of Egypt shall receive fair and just treatment.
- 2- The State shall ensure to the foreign investor the same treatment granted to the national investor. Under a decree issued by the Cabinet of Ministers, an exception can be made granting the foreign investors a preferential treatment in application of the principle of reciprocity.
- 3- The invested assets shall not be subject to any arbitrary procedures or discriminatory decisions .
- 4- The State shall grant the non-Egyptian investors residence in the Arab Republic of Egypt throughout the term of the Investment Project without prejudice to the provisions of the relevant regulating laws.
- 5- The State shall honor and enforce contracts entered into thereby. The Investment Project set up on a basis of fraud, fraudulent misrepresentation, or corruption may not enjoy the protection, guarantees, privileges, or exemptions established under the provisions of this Law, proof of the foregoing shall be produced by a *res judicata* judgment – delivered by the judicial authority of competent jurisdiction – or by an arbitration award.
- 6- All decisions on investment project affairs shall be reasoned decisions. The parties concerned shall be notified with a service of notice of such decisions.
- 7- The Investment Projects may not be nationalized.
- 8- Assets of Investment Project may not be expropriated unless for public utility and in return for a just compensation to be paid in advance without delay. The value of the compensation shall amount to the fair economic value of the expropriated assets on the preceding day to the

issuance of the expropriation decision. Such compensation shall be freely transferrable.

9- Subject to the situations specified in law, Investment Project may not be sequestrated through administrative procedures, save when warranted by virtue of a final court judgment, nor may it be subject to attachment, save when warranted by virtue of a court order or judgment.

10-Assets of Investment Project may neither be seized nor confiscated nor frozen, save when warranted by virtue of a court order or final judgment, with the exception of tax debts and social insurance subscriptions due to the State; such debts and subscriptions may be collected by all kinds of seizure, without prejudice to the contracts entered into by the State or public juridical persons with Investor.

11-Any administrative body may not issue general regulatory resolutions that add financial or procedural burdens in respect of the setup or operation of the projects governed by this Law, nor may it impose or amend the fees or consideration for services prescribed for the projects, except after having obtained the opinion of the board of directors of GAFI ("GAFI BoD") and upon the approval of both the Council of Ministers and SCI.

12-An administrative body may not revoke or suspend the licenses issued for Investment Project, nor may it reclaim the real property allocated for same, unless it has served a notice on Investor comprising the violations with which Investor is charged, has heard Investor's evidence and has given Investor an adequate grace period to rectify the violations. In all cases, GAFI's opinion shall be obtained before taking any of the actions referred to in the aforementioned paragraph. GAFI shall give its opinion within seven (7) days from the date on which GAFI receives a request to that effect satisfying all prescribed legal procedures. Investor may file a grievance against the aforementioned actions before the committee stated in Article (83) of this Law.

13-Investor shall have the right to set up, launch and expand Investment Project, and shall fund same from abroad without any restrictions and with foreign currencies. Investor shall have the right to own, manage, use and dispose of Investment Project, to make profits from Investment Project, to transfer such profits abroad, to liquidate Investment Project

and to transfer, whether in whole or in part, the proceeds of such liquidation abroad, without prejudice to the rights of third parties.

14-The State shall permit all cash transfers in respect of foreign investment to be freely and promptly transferrable to and from the State using a freely convertible currency. The State shall permit conversion of local currency into a freely usable currency without delay.

15-In case of liquidation, the appropriate administrative bodies shall, within maximum one hundred and twenty (120) days from the date on which the liquidator has filed an application of liquidation enclosing the required documentation, serve on GAFI and the company under liquidation a notice comprising a statement of liabilities of such company. The expiry of this period without notification of such liabilities shall be deemed a discharge on the part of companies under liquidation from said liabilities, without prejudice to the criminal and disciplinary liability of the person responsible for issuing a false statement or the person responsible for the lapse of the aforementioned time limit without replying to the application.

16-Without prejudice to the provisions of the laws, regulations and decrees regulating importation, Investment Project governed by the provisions of this Law shall have the right to import, whether directly or through third parties, the necessary raw materials, production requirements, machinery, spare parts and means of transportation – compatible with nature of business of Investment Project – for the setup, expansion or operation of Investment Project, without the need to be registered in the Register of Importers.

17-Investment Projects, subject to provisions of the Law, shall have the right to export its products, whether directly or through an intermediary, without a license and without the need to be registered in the Register of Exporters.

18-An Investment Project shall have the right to employ foreign workers up to ten percent (10%) of the total number of Investment Project workers. This percentage may be increased up to twenty percent (20%), should employment of national workers having the required qualifications be not possible. For some strategic projects with special significance as listed by a resolution of the SCI, exceptions from the aforementioned

percentages may be made, conditional on providing training to the national labor.

19-Foreign workers in Investment Project shall have the right to transfer their financial dues, in whole or in part, abroad.

### **Investment Incentives**

#### **A. General Incentives:**

All Investment Projects governed by the provisions of this Law, exception being made for Investment Projects set up under the Free Zone System, shall enjoy the following incentives:

1. Memoranda of incorporation of companies and establishments, along with credit facility and pledge contracts pertaining to the business thereof, shall be exempt from stamp duty as well as notarization and publicity fees for a period of five (5) years from the date on which such memoranda and contracts are entered in the Commercial Register.
2. Contracts of registration of lands required for formation of companies and establishments shall be exempt from the aforementioned duty and fees.
3. The provisions, on the collection of a uniform customs duty at two percent (2%) of the value of all imported machinery, equipment and devices required for formation of companies or establishments, as stipulated in Article (4) of Law on the Regulation of Customs Exemptions enacted by Law No. 186 of 1986, shall apply to the companies and the establishments governed by the provisions of this Law. This uniform customs duty shall apply to all machinery, equipment and devices imported by companies and establishments, operating on public utility projects, and required for the formation or completion thereof.
4. Without prejudice to the provisions of temporary release stipulated in the Customs Law enacted by Law No. 66 of 1963, Investment Projects of industrial nature, governed by the provisions of this Law, may import casts, molds and other similar production requirements,

subject to no customs fees; however, such imported items shall be for the purpose of temporary use in manufacturing the products of said Investment Projects, and shall be repatriated thereafter. Said temporary release and repatriation shall be effected by virtue of the arrival documents, provided the documents of admission and reshipment are entered in ad hoc registers at GAFI designated for that purpose; this shall be in coordination with the Ministry of Finance.

### **B. Special Incentives :**

Projects set up, after the coming into force of this Law, in accordance with the investment map shall be granted an investment incentive, in the form of a discount off the taxable net profits, as follows:

- 1. A fifty-percent (50%) discount off the investment costs of Sector(A):** This sector comprises the geographic areas designated as most in need of development, based on the investment map, the data and statistics issued by the Central Agency for Public Mobilization and Statistics ("CAPMS") and the distribution of investment activities in such areas as specified by the Executive Regulations of this Law.
- 2. A thirty-percent (30%) discount off the investment costs of Sector (B):**

This sector covers the remaining geographic areas of the Republic, as per the distribution of investment activities, in respect of the following projects:

- Labor-intensive projects, subject to the controls prescribed in the Executive Regulations of this Law;
- SMEs (Small and Medium Enterprises);
- Projects depending on or producing new and renewable energy;
- National and strategic projects to be listed under a resolution of the SCI;
- Tourism projects to be listed under a resolution of the 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, printing, 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.

Pursuant to the provisions of the Income Tax Law enacted by Law No. 91 of 2005, an investment incentive may not, in all cases, exceed eighty percent (80%) of the capital paid up until the date on which engagement in the activity starts. The discount period may not exceed seven (7) years from the date on which engagement in the activity starts.

**Conditions to enjoy special incentives:**

An Investment Project shall, in order for it to enjoy the Special Incentives, satisfy the following conditions:

1. A new company or establishment shall be incorporated to launch such Investment Project;
2. Said new company or establishment shall be incorporated within a period not exceeding three (3) years from the Executive Regulations enforcement date; upon a resolution of the Council of Ministers and pursuant to a proposal of the Appropriate Minister, such period may be renewed for once only;
3. Said new 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; and
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 of this Law; violation of this condition nullifies said incentives, and accordingly such company or establishment shall pay all taxes due.

**C. Additional Incentives :**

1. Permission to establish special customs ports of entry for Investment Project importations or exportations, in agreement with Minister of Finance;
2. Upon Investment Project becoming operational, payment, whether in whole or in part, by the State for the expenses incurred by Investor in course of providing utilities to the premises of Investment Project;
3. Payment by the State for a part of the expenses incurred in course of providing personnel technical training;
4. Refund at fifty percent (50%) of the value of the land allocated for the industrial projects, should production start within two (2) years from the date on which the land was handed over;
5. Allocation of lands free of charge to some strategic activities in accordance with the legally prescribed rules in this respect.

**Conditions for additional incentives**

In order for companies and establishments to be granted the Special Incentives stipulated in Article (13) of the Investment Law, they must have started production or engaged in activity, as the case may be, in accordance with the report approved by GAFI, and shall satisfy one of the following conditions:

- 1) The Arab Republic of Egypt is one of the principal places of production of products in which such companies and establishment specialize, or the principal place of the products in which such companies and establishments specialize is the Arab Republic of Egypt;
- 2) Such companies and establishments, in course of financing their projects, depend on foreign cash transferred from abroad through an Egyptian bank in accordance with the rules specified by CBE BoD;

- 3) Such companies and establishments export abroad no less than fifty percent (50%) of their products;
- 4) The activity of a company or an establishment includes operation in any cutting-edge modern technology field and cutting-edge technology transfer into Egypt, and support of industries supplying such field or transfer;
- 5) The local component is strongly included in the products of an Investment Project, provided that the percentage of local components, including raw materials and production requirements, in the products of the Investment Project, is no less than fifty percent (50%), in accordance with the applicable rules of the Industrial Development Authority;
- 6) The activity of a company or an establishment is based on research conclusions reached through research projects carried out inside the Arab Republic of Egypt.