Overview

In May 2002, Parliament approved the Special Economic Zones (SEZ) Law No. 83 of 2002, which provided for the establishment of special zones for industrial, agricultural or service activities designed specifically with the export market in mind. The law allows firms operating in these zones to import capital equipment, raw materials and intermediate goods duty-free. Companies established in the new zones will also be subject to lower corporate taxes and exempt from sales and indirect taxes. They will also operate under more flexible labor regulations and enjoy other incentives. The law’s executive regulations were issued in September 2002.

Currently, one special economic zone is operational in the North West Gulf of Suez; it is managed by the General Authority for the Special Economic Zone North West Gulf of Suez.

Main Provisions

The special economic zones and the authorities that manage them are established by a Presidential Decree. The aim of each authority is to encourage investment (in the economic zone under its responsibility) toward the establishment of projects that are able to compete with comparable ones abroad.

Each special economic zone has a special customs and tax administration system established by its board of directors with the approval of the Minister of Finance.

Incentives and guarantees offered to projects operating in SEZs include the following:

- The projects operating in economic zones may not be subject to nationalization, nor may they be subject to sequestration, freezing of assets or confiscation (except by a judicial judgment). Projects are entitled to decide on the prices of their products and services without governmental interference.
- Projects may terminate the employment contracts of employees in the special economic zones according to terms simpler than those generally prevailing under the Egyptian Labor Law. Projects are also permitted to establish a special system for the social insurance of terminated employees.
- Each project’s income tax is 10 per cent of its net income, with the exception of the income derived from the salaries of project employees, which is taxed at a rate of 5 per cent.
Profits derived from bonds and loans to establishments in the special economic zones are exempt from taxes; and no sales tax, duty or other direct or indirect taxes may be imposed on them.

The machines, raw materials, spare parts and components necessary for the authorized activities in the SEZs may be imported without permit and are exempt from customs tax, sales tax and all other taxes and duties. The products of those establishments may be exported without permit. They are subject to the customs tax, sales tax and other taxes and duties only on the imported components of those products when they enter the local Egyptian market.