

Guarantees in the new law

Guarantees have been expanded compared to the ones in the previous law as follow:

- The investment project may not be nationalized.
- The investment project may not be confiscated unless for public interest and in return for an immediate and fair compensation. The compensation shall be equivalent to the economic value of the money confiscated in the day before the issuance of the confiscation decision. Moreover, compensations are transferable without any limitations.
- Guardianship may not be imposed on the project via an administrative decision, unless with a final judgment as well as it may not be freeze unless with an order or a judgment.
- Money of the investment projects may not be seized or confiscated or freeze unless with a judgment or a final judicial order.
- Any administrative body cannot issue general regulative decisions may add financial or procedural burdens related to the establishment or operation of projects subject to provisions of this law, or impose fees, or charge services or amendments without taking the opinion of GAFI's BOD and the approval of both the Cabinet and Supreme Council of Investment.
- The administrative bodies may not cancel the issued licenses of the investment project, or suspend it or withdraw the real-state allocated to the project without warning the investor with the alleged violations and hear the investor's view point and provide an appropriate time to correct the violation.
- The opinion of the BOD of GAFI must be taken before issuing any decisions in this regard. GAFI may show its opinion during seven days starting from receiving the request fulfilled all the prescribed legal procedures.
- All decisions related to the affairs of the investment project are caused and stakeholders shall be notified.
- The invested money are not subject to arbitrary or discriminatory decisions.

New guarantees stated in the new investment law related to foreign investor and Is the new investment law guarantees market exit of the investor (liquidation)

- All investments established in Arab Republic of Egypt enjoy fair and equal treatment.
- Non-Egyptian investors are granted a residency in Egypt during the time of the project.
- The State respects and enforces its signed contracts.
- The investor has the right to establish, set up and expand the investment project as well as fund it from outside without being subject to limitations and with the foreign currency. The investor can own, manage, use, dispose, attain the profits, transfer the profits outside the country, liquidate the project and transfer all or part of the liquidation outcome without breaching the rights of others.
- The State allows all money transactions related to foreign investment transfer to the home land or to outside the country to be performed freely and without delay in a convertible currency. Moreover, the State allows freely conversion of the national currency into usable currency without delay.
- The investment project can import by itself or through others its requirements which are needed for its establishment, or for its expansion process or for operation. Imported items include raw materials, production requisites, equipment, spare parts and appropriate means of transportation. All previous actions can be conducted without the need to be registered in the Importers register. The projects can export its products by itself or by intermediation without the need of license or to be registered in the exporters register.

liquidation:

* In cases of liquidation the competent administrative bodies commit to notify GAFI and the company under liquidation of its commitments during a period of 120 days as a maximum which starts from the date of submitting the liquidation request by the liquidator and the required documents shall be attached to the request.

By the end of this period -120 days- if these commitments were not stated it shall be considered a discharge of the company under liquidation, without breaching the criminal and disciplinary liability of the person in charge of issuing the

statement contrary to the reality or who is responsible for missing the due date without responding to the request

Incentives stipulated in the new investment law

First General incentives:

It is a group of incentives maintained from the old law as mentioned below:

- Exemption from stamp duty, notarization fees of the Articles of Incorporation of companies and corporate, credit facility agreements and mortgage contracts related to its business.

- Exemption is valid for five years starting from the registration date of the company in the Commercial Register even if it operated in a date prior to the implementation of this law.

- Land registration contracts necessary to establish companies and corporate are exempted from tax and aforementioned fees.

- Imports of the investment project including devices and equipment necessary to establish and operate the project are liable to a unified customs tax estimated %2 (two per cent) of the value.

- It is allowed to import moldings and other production requisites of similar nature to be used for a temporary period in the manufacturing process without customs fees and can be re-exported outside the country.

Second special incentives:

it is a percentage of deduction from net profits subject to tax base.

conditions to be obliged to receive the special incentives:

1. A new company or corporate is incorporated to start an investment business.
2. The company or the corporate is incorporated during maximum of three years starting from the date of the Executive Regulations enforcement.
3. The company or the corporate maintains regular accounts. If the company or the corporate operates in more than one area it has the right to take advantage of the percentage prescribed for each area only if each area has a separate accounts.

Third extra incentives:

it is a group of incentives might be granted by a Cabinet decision

companies and corporate which enjoy tax exemption before the issuance of this law:

The new investment law includes a clear statement clarifying that its provisions do not violate the privileges, tax exemptions and other stipulated incentives and guarantees of the companies and existed facilities at the time of enforcing the new law. These companies and corporate can keep these privileges, exemptions, guarantees and incentives until its due dates as per their regulating legislation and agreements.

How much is the discount rate of the tax base related to the group of incentives in the law ? What are the base behind the discount rate What are the validity of the special incentives?

Discount percentage:

50% and 30% discount from the taxable container.

1- 50% discount on the investment costs of sector (a) and includes:

A) The economic zone of the Suez Canal, the economic zone of the Golden Triangle, and other areas most in need of development, which shall be determined by a decision of the Council of Ministers which shall be characterized by the following:

1) Low levels of economic development and domestic output and an increase in the size of the informal sector.

2) Low levels of employment, job opportunities and high unemployment.

3) The following social indicators:

- A clear increase in population density.

- Low quality of education and increased illiteracy.

- Low level of health services.

- High poverty rates.

2- 30% discount for Sector B:

Including the rest of the Republic in the regions that enjoy the availability of development and contribute to attract investments to exploit the development opportunities available for development and adjacent areas, for the following investment projects:

- Employment-intensive projects A labor-intensive investment project, in the application of the provisions of the investment law referred to above, shall be deemed to be the following:

(1) The number of employees shall not be less than (500) Egyptian workers according to the fixed in the social insurance form of the employer.

2) The cost of direct wages should increase to 30% of the total operating cost.

The investment cost of the project is the cost of establishing an investment project, namely equity, plus long-term liabilities, which invest in the establishment or construction of tangible fixed assets

(Intangible), non-tangible (non-tangible) assets provided that they are paid in cash and working capital.

- Medium and small enterprises.

- Projects that depend on or produce new or renewable energy.

- National and strategic projects to be determined by a decision of the Supreme Council

- Tourist projects, which are determined by a decision of the Supreme Council

- Electricity production and distribution projects, which shall be determined by a decision of the Prime Minister based on a joint offer by the competent minister, the minister concerned with electricity affairs and the Minister of Finance.

- Projects that export at least 50% of their production outside the geographical region of the Arab Republic of Egypt.

- Automotive industry and feeder industries.

- Wood, furniture, printing, packaging and chemical industries

- Manufacture of antibiotics, oncology drugs and cosmetics.

- Food industries, agricultural crops and recycling of agricultural wastes

- Engineering, metal, textile and leather industries.

- ICT-related industries.

Duration of incentives:

The discount period shall not exceed seven years from the date of commencement of the activity.