EGYPT'S NEW INVESTMENT LAW

A NEW LEGAL FRAMEWORK FOR INVESTMENTS AND INVESTORS

ZULFICAR & PARTNERS LAW FIRM

i. introduction

MOVING FORWARD

In the last few years, Egypt has launched its vision for 2030 and started implementing large-scale economic and structural reforms in the context of an ambitious sustainable development program.

Egypt's plan to attract local and foreign direct investments in its core sectors is at the heart of such development program.

The new Investment Law 72 which came into effect on June 1, 2017 brings new features to the investment landscape and introduces targeted incentives with the objective of making Egypt one of the top investment destinations in the region.

numbers:

the New Investment Law has 5 chapters 94 articles and carries no. 72 of the year 2017

NEW FEATURES

Law 72 is tailored to ensure effective and accelerated administrative procedures through Investors Service Centers which are legally and effectively empowered one-stop-shops.

Law 72 also permits licensed private sector professional Accreditation Offices for the first time to review documents and procedures related to technical and financial conditions of licensing investment projects and issue certificates of compliance.

No more endless delays! Establishing a company within one business day and obtaining all regulatory approvals and licenses are mandatorily easier and faster and will be gradually available online through a newly introduced digital platform.

ENHANCED FEATURES

Different investment schemes are now available offering opportunities and incentives to all investment sectors based on their nature and location.

Legal guarantees and incentives for all investment projects, irrespective whether the investor is Egyptian or foreign.

Efficient and fair ADR mechanisms for dispute resolution enables thes issuance of decisions that are binding on the Administration while the investor retains the right of appeal before the competent courts.

ii. more legal guarantees

FAIR TREATMENT FOR ALL

Under Law 72, all investments are now explicitly guaranteed fair and just treatment without discrimination, and foreign investors may receive preferential treatment, upon Cabinet's approval, if the investor's country gives Egyptian investors similar preferential treatment.

Investments may not be subject to arbitrary, abusive or discriminatory decisions or procedures. Investment projects may not be administratively attached*, sequestrated or frozen, except by a final court order or judgment.

Projects may not be nationalized and title to their assets may not be expropriated, except for the public good and against fair economic value payable in advance without any delay, and transferable without restrictions.

*** Exception is only made for collection of debts due to the Tax and Social Insurance Authorities.**

UP TO 20% FOREIGN LABOR

Foreign investors are now guaranteed residency in Egypt throughout the life of the investment project.

Foreigners may now constitute up to 20% of the labor force in the project and this percentage may increase in strategic projects.

Investment projects may import directly or through third parties their machinery, equipment, raw materials and production requirements without need to register on the Importers Registry, and may export their products without need for registration on the Exporters Registry.

FREE CONVERSION AND REPATRIATION OF PROFITS

Governmental and regulatory authorities may not revoke the investment projects license or suspend it, and may not cancel the land allocation, except after giving notice to the investor of the breach, hearing his views and giving him adequate time to remedy the breach. Moreover, no such decision may be taken without the prior opinion of GAFI. Further the investor retains the right to appeal such decision before the GAFI Appeals Committee and then the courts, if necessary.

Investors are entitled to own, operate, expand and finance their projects in foreign currency transferred from outside Egypt through registered banks without restrictions.

Similarly the Government shall permit foreign investors to freely dispose of their assets, liquidate their projects, convert proceeds in local currency into foreign currency through registered banks and repatriate their profits, sale proceeds and/or their capital, in foreign currency, without restrictions or delays.

iii. investor friendly environment

ISC
IS THE NEW
ONE-STOP-
SHOP

The Investors' Service Center (ISC) is the new One-Stop-Shop.
As an exception to all other laws, the representatives of all licensing authorities in the ISC are subject to GAFI supervision and have all the powers to address all administrative and legal matters, allocate land and issue all licenses to the project company for the life of the investment project.

Fixing time-limits for the ISC to issue licenses: decisions must be taken within a maximum of 60 days from submission of application. In case of no reply within such period, this will be deemed an approval, to be issued by the CEO of GAFI.

Investors can start filing for licenses to their projects before receiving the project land while all costs related to the filing and obtaining the licenses will only be paid upon actual allocation of the project land.

The ISC must notify and motivate all decisions of refusal, and such decisions may be appealed before the GAFI Appeals Committee.

FAST TRACK FOR PROJECT LICENSES

The Accreditation Offices is a new PPP initiative to facilitate issue of licenses and approvals introduced for the first time by Law 72.

Such offices will be licensed by GAFI to review documents required for obtaining licenses for the project, its operations and expansion, to confirm compliance with technical, financial and other requirements under the relevant laws.

The Accreditation Office certificate is an official certificate valid for 1 year and is recognized by ISC and GAFI. Such certificate is deemed final if no justified objection is made within 10 business days from the date of submission. Hence the investors may obtain their licenses and approvals immediately thereafter.

The Executive Regulations will provide details of procedures and timelines with the objective of facilitating and accelerating all approvals and licensing processes. This is now one of the fundamental criteria for performance appraisal of the officers of the ISC and GAFI, for which they will be held accountable.

SPOT THE INVESTMENT OPPORTUNITY ON THE MAP

A National Investment Map covering all sectors and geographical distribution of potential projects, available land or properties for investment and the relevant investment regime will be issued by GAFI and updated every three years.

GAFI will also issue within 90 days an Investment Guide including all procedures, conditions and timelines for land allocation, approvals and licenses in accordance with Law 72. This will be available on the website of GAFI and will be updated regularly.

FAIR AND EFFICIENT ADR MECHANISMS

Law 72 provides for three ADR mechanisms that ensure efficient and fair resolution of disputes, in addition to protecting the investors, in that final decisions taken are binding on the Administration, while the investor retains the right to appeal such decisions before the competent courts.

The ADR mechanisms include:
(1) *GAFI Appeal Committee*
(2) *the Ministerial Investment Dispute Resolution Committee* for disputes between investors under Law 72 and a Governmental entity or authority or any of its affiliated companies
(3) *the Ministerial Committee for Settlement of Investment Contract Disputes* for settlement of disputes related to such contracts in which a Governmental entity or authority or any of its affiliated companies is a party.

iv. incentives for investing

GENERAL INCENTIVES

All investment projects (other than free zone projects) benefit from General Incentives under Law 72. These incentives include a fixed 2% customs fees on all imported machinery and equipment, exemption from stamp tax and registration fees on all incorporation contracts, finance and mortgage contracts for 5 years from registration on the Commercial Registry.

FIXED 2% CUSTOMES FEES

SPECIAL INCENTIVES

Investment projects established after the effective date of Law 72 are entitled to the following Special Incentives*:

Sector A Project: investment projects executed in the underdeveloped geographical areas specified the Investment Map benefit from a deduction from the taxable net profits, at the rate of 50% calculated on the investment costs of the project.

UP TO 50% TAX DEDUCTIONS

*** To enjoy the Special Incentives the conditions include incorporating a new project company for the investment project within 3 years from the effective date of the Executive Regulations to Law 72, extendable for one year only, and holding of regular and proper books of account.**
***All tax incentives may not exceed 80 % of the paid up capital at the starting date of operation or commencement of activities and for 7 years from such date.**

SPECIAL INCENTIVES

Sector B Projects: benefit from a deduction from the taxable net profits, at the rate of 30% calculated on the investment costs of the project. Sector B Projects qualify as labor-intensive, SMEs, or which rely on or generate renewable energy, as well as strategic or tourist projects determined by the Supreme Council for Investment, electricity production or distribution projects determined by the PM, projects exporting their products outside Egypt, automobile manufacturing and feeder industry, chemical industries, furniture and wood industries, printing, packing, production of anti-biotics, cancer medication and cosmetics or projects involved in food processing, agricultural products, agro-waste management industries, and engineering, metallic, textile and leather industries.

TARGETED SECTORS GET MORE BENEFITS

ADDITIONAL INCENTIVES

The Cabinet may also grant Additional Incentives including: approval of special customs zone for imports and exports of the project, bearing all or part of the cost of connecting utilities to the project after start of operation, reimbursement of 50% of the cost of land allocated for industrial projects if the project starts operation within 2 years from land delivery, training of technical labor at the cost of the Government and allocating land free of charge for strategic projects.

An official certificate of the incentives is issued by GAFI to the investor and is valid against and recognized by all Governmental authorities and it is the only official document required to legally enforce and enjoy the tax incentives.

A PASS-KEY CERTIFICATE TO ENJOY ALL INCENTIVES

MORE INVESTMENT ZONES

v. investment schemes

Law 72 offers a variety of investment schemes:

i) the General Internal Investment Scheme covers investment in all zones and areas except Free Zones.

ii) Investment Zones, such as zones allocated for industrial, agricultural or logistics projects, to be established and developed and managed by a licensed developer.

iii) Technological Investment Zones are developed to host projects in the fields of information technology, communications, design and development of electronic, software, educational technology and related activities.

iv) Free Zones comprise public and private zones, subject to Cabinet approval in either case. A city may also be declared a Free Zone by a special law.

vi. conclusion

Law 72 comes at the right time and conditions:

The EGP is stabilizing

Foreign currency availability is no longer a problem

Inflation is falling

A skilled and qualified labor force is emerging

A diverse consumer market is growing steadily (the biggest in Middle East and Africa)

The Government is determined to execute a serious reform program that addresses the core issues, takes difficult economic policy decisions and mitigates or compensates for the social costs.

In addition, Law 72 is not the only act of legislative and institutional reform. Other laws have been passed, including the Industrial Licensing Law, the Civil Service Law, amendment to the Importers Register Law, and several other laws are currently in the pipeline, including amendments to the Companies Law and the Capital Market Law, as well as a new law on bankruptcy.

Such reforms are all intended to boost investors' confidence in a more transparent, stable and safe investment climate that attracts local and foreign direct investments and efficiently manages and fairly administers all regulatory and licensing aspects of investment projects.

Law 72 provides the legal framework for such investment climate in a manner that is conducive for investors and for sustainable development.

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