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Egypt

Investing In

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This country-specific Q&A provides an overview of investing in laws and regulations applicable in Egypt.

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Egypt: Investing In

1. Please briefly describe the current investment climate in the country and the average volume of foreign direct investments (by value in US dollars and by deal number) over the last three years.

In recent years, Egypt's investment climate has seen significant improvements, making the country an increasingly attractive destination for foreign direct investment ("**FDI**"). Whilst being a signatory to more than 100 bilateral investment treaties, and being a member party of significant international trade agreements such as the Greater Arab Free Trade Area (**GAFTA**), the World Trade Organization (**WTO**) and the African Continental Free Trade Area, the government has implemented several key reforms and initiatives aimed at simplifying regulations, offering generous incentives, and boosting infrastructure to accommodate more economic activities.

One of the most significant steps in this transformation was the enactment of the Investment Law No. 72/2017, which has created a framework of incentives to encourage foreign investment flow into Egypt. This law has paved the way for further legislative reforms, including amendments to the Companies Law and the enactment of a new Bankruptcy Law in 2018, both designed to streamline business registration and facilitate smoother processes for companies to restructure or liquidate when needed. Moreover, Egypt also took steps to modernize its trade regulations with the introduction of a new Customs Law (Law 207 of 2020). This law has brought in a series of important changes, including a single-window system for customs transactions. This system reduces bureaucratic delays and speeds up the clearance process, making it easier for businesses to import and export goods. The law also introduced electronic payments and faster processing for approved companies, which has made Egypt more competitive in global trade.

Another one of the standout changes is the introduction of the "golden license" program, which streamlines the approval process for industrial and infrastructure projects. This program allows businesses to obtain a single approval covering everything from land allocation to project operation, significantly cutting down on bureaucratic hurdles. Additionally, new free zones and updates to investment regulations have made Egypt even more appealing to foreign investors.

In late 2022, Egypt took another important step toward improving its business environment by passing Law 175 of 2022, which made key changes to the Egyptian Competition Law (Law 3 of 2005). These updates simplify the approval process for mergers and acquisitions, making it easier for companies to consolidate and grow in key sectors. The goal is to encourage more investment and attract even more foreign capital, particularly in industries that are seeing rapid growth.

Due to these efforts, Egypt has emerged as the second-largest recipient of Foreign Direct Investment (FDI) in Africa. According to the UNCTAD 2023 World Investment Report, Egypt has attracted over $11.4 billion in FDI in 2022 alone. This impressive figure highlights the growing confidence in the country's economic potential.

In light of the above, in the past three years, Egypt has not only seen a steady increase in the value of FDI, but also a rise in the number of investment deals. These developments highlight the country's improving business environment and its growing appeal as a place for foreign investors looking to tap into new opportunities in a rapidly evolving market.

2. What are the typical forms of Foreign Direct Investments (FDI) in the country: a) greenfield or brownfield projects to build new facilities by foreign companies, b) acquisition of businesses (in asset or stock transactions), c) acquisition of minority interests in existing companies, d) joint ventures, e) other?

Egypt's foreign direct investment (FDI) landscape has seen significant growth and diversification in recent years, thanks to a series of economic reforms and strategic initiatives designed to attract global investors. During this period, Egypt has become a more attractive destination for various forms of investment, reflecting both the country's evolving business environment and its commitment to sustainable economic development.

One of the most noticeable trends has been the rise in greenfield investments. These are projects where foreign companies build entirely new operations from the ground up. This form of investment has been particularly strong in sectors like renewable energy (green hydrogen)[1], as well as infrastructure development. For instance, the

Egyptian government successfully signed the largest foreign direct investment (FDI) deal between Egypt and the United Arab Emirates (UAE). This deal, signed in February 2024, focuses on the development and expansion of the coastal city of Ras El Hekma, with a total investment value of $35 billion. The greenfield project spans an area of 170 million square meters and is expected to attract $150 billion in total investments. The development is anticipated to bring in around 8 million tourists once completed. Additionally, Egypt's share of the project's profits is projected to be approximately 35%.[2]

While greenfield projects have attracted the most attention, brownfield investments, where companies buy and improve existing facilities, are also a significant part of the investment climate. Though less common than greenfield projects, brownfield investments offer a way for foreign companies to tap into established infrastructure and build upon it, whether by expanding or modernizing existing facilities.

Acquisitions remain another key avenue for FDI in Egypt. Foreign investors often choose to acquire local businesses, either through asset transactions or stock transactions. This approach allows foreign companies to quickly gain a presence in the market. A well-known example of this was the acquisition of Tamweely Microfinance Company, the leading non-banking financial services company in Egypt specializing in serving micro, small and medium enterprises, by an international consortium, highlighting the appeal of Egypt's growing financial and microfinance sectors.[3]

Joint ventures have also been a popular form of FDI, especially in industries where local knowledge or regulatory compliance is crucial. For example, in sectors like oil and gas or real estate development, foreign companies often team up with local firms to navigate Egypt's regulatory environment more smoothly. As a matter of fact, almost all Egyptian upstream projects are handled through joint ventures.[4] However, joint ventures exist in other fields too in Egypt, for instance, the recent joint venture between the US company Kellogg's International and Tolaram Singapore, which aimed to create a food manufacturing plant in Egypt.

Another growing trend has been the rise of public-private partnerships (PPPs). In 2024, Public-Private Partnership (PPP) projects are becoming an important part of Egypt's strategy to boost investment and support economic growth. The government is aiming to soon launch six new PPP projects, with investments that could total EGP 27 billion. This demonstrates a growing reliance on private sector involvement to help drive development across the country.[5]

In the previous year, Egypt saw EGP 19.8 billion in investments through PPP agreements. These investments have spanned key sectors such as solid waste management, dry ports, transformer stations, electricity distribution networks, vocational education, and strategic goods warehouses. These projects help improve essential services while also benefiting from the efficiency, expertise, and capital that private companies bring to the table.

Moreover, the government is planning to expand the scope of PPPs even further, with new projects in areas like wastewater treatment, vocational schools, wholesale markets, and warehouses. These projects will play a key role in addressing the country's infrastructure needs while offering more opportunities for FDI.

Footnote(s):

1
https://www.state.gov/reports/2023-investment-climate-statements/egypt/

2
https://www.youm7.com/story/2024/8/15/%D9%85%D8%B9%D9%84%D9%88%D9%85%D8%A7%D8%AA-%D8%A7%D9%84%D9%88%D8%B2%D8%B1%D8%A7%D8%A1-%D8%A7%D8%B1%D8%AA%D9%81%D8%A7%D8%B9-%D9%86%D8%B3%D8%A8%D8%A9-%D9%85%D8%B3%D8%A7%D9%87%D9%85%D8%A9-%D8%A7%D9%84%D9%82%D8%B7%D8%A7%D8%B9-%D8%A7%D9%84%D8%AE%D8%A7%D8%B5-%D8%A8%D8%A5%D8%AC%D9%85%D8%A7%D9%84%D9%89-%D8%A7%D9%84%D8%A7%D8%B3%D8%AA%D8%AB%D9%85%D8%A7%D8%B1%D8%A7%D8%AA-%D9%84%D9%8037/6674959

3 SPE Capital, EBRD, TCV and BII acquire Tamweely, the leading Egyptian microfinance player, from Ayady for Investment & Development, NI Capital, and Post for Investment, in a Deal Exceeding EGP 2.5 Billion

4
https://egyptoil-gas.com/features/joint-ventures-aptness-for-upstream-projects/

5
https://www.egypttoday.com/Article/3/135381/Egypt-seeks-to-introduce-6-public-private-partnership-projects-within

3. Are foreign investors allowed to own 100% of a domestic company or business? If not, what is the maximum percentage that a foreign investor can own?

Foreign investors in Egypt are generally allowed to own 100% of the shares of their companies, which is a major benefit for international businesses looking to invest in the country. This is part of Egypt's broader efforts to create a welcoming and competitive investment climate, as outlined in Investment Law No. 72 of 2017. This law ensures that both foreign and domestic investors are treated equally, offering the same rights and protections. Foreign investors can establish and manage their businesses, earn profits and repatriate income, and operate with a level of freedom that creates a transparent and stable business environment.

However, there are a few exceptions to this general rule, especially in sectors that are considered sensitive. For example, foreign ownership may be restricted in areas related to national security, such as certain military industries, strategic infrastructure projects, and media companies. In the banking sector, foreign investors can buy shares, but if they seek to acquire a significant stake, they need approval from the Central Bank of Egypt to ensure the sector remains stable. Similarly, when it comes to real estate, while foreign ownership is allowed, there are some restrictions in place in areas near the borders or in zones deemed critical for national security.[6] Similarly, there are restrictions on having a majority of foreign ownership in companies which have commercial agency activities.

Footnote(s):

[6] Ministry of State and Military Production – Decision 203 0f 2012, article 3

4. Are foreign investors allowed to invest and hold the same class of stock or other equity securities as domestic shareholders? Is it true for both public and private companies?

Foreign investors are generally allowed to participate fully in Egypt's capital markets and can hold the same class of stocks or other equity securities as domestic investors in both public and private companies. There are no significant legal barriers preventing foreign investors from owning shares or other forms of equity in Egyptian companies. Foreigners can own stock in companies listed on the **Egyptian Stock Exchange (EGX)**, which is open to both domestic and international investors. As of March 2023, the EGX had 234 listed companies, and over 385,000 new investors registered to trade on the exchange that year. The government also issues debt instruments in various currencies, such as Egyptian pounds, U.S. dollars, Euros, and Japanese yen, which are available for purchase by foreign and domestic entities alike.

Egypt's regulatory framework governing capital markets, primarily set out in Capital Market Law No. 95 of 1992, the Depository and Central Registry for Securities Law No. 93 of 2000, and the Banking Law No. 94 of 2020, allows foreign investors to engage fully in Egypt's financial sector. These laws grant foreign entities and individuals access to Egypt's capital markets, as well as the ability to participate in services such as underwriting, brokerage, securities management, and venture capital activities.

5. Are domestic businesses organized and managed through domestic companies or primarily offshore companies?

Domestic businesses are organized through domestic companies only; there are no off-shore zones in particular. However, there are free zones (private and public) and special economic zones as well. These free zones and economic zones are not considered to be off-shore companies; however, they have their separate regime and are subject to special tax and customs regimes.

6. What are the forms of domestic companies? Briefly describe the differences. Which form is preferred by domestic shareholders? Which form is preferred by foreign investors/shareholders? What are the reasons for foreign shareholders preferring one form over the other?

There are two types of categories of Companies under Egyptian law; (i) persons companies; and (ii) capital companies. As for persons' companies, they are usually avoided by investors as they do not a corporate veil protection. As for capital companies; there are three types: (a) Joint Stock Companies; (b) Limited Liability Companies (LLCs); and (c) Sole Person Companies. As for the last one (Sole Person Companies), it is also usually avoided by investors due to the fact that such a type of company has some exceptions whereby its corporate veil can be pierced.

Therefore, the main two types that are usually used for investing in Egypt are both the Joint Stock Companies and the LLCs. Please find below a brief description for each type:

Joint Stock Company

A joint stock company in Egypt is a large-scale company structure suitable for businesses that require significant capital investment. It requires at least three founders and is characterized by the division of capital into shares, which can be publicly traded. The minimum required capital for this company type is EGP 250,000. Management is carried out by a board of directors, which can include non-shareholders, and foreign ownership is allowed up to 100%, except for certain restricted industries. Further, shareholders' liability is limited to the value of their shares (corporate veil).

Limited Liability Company (LLC)

A Limited Liability Company (LLC) is a company where the partners' liability is limited to their share in the company's capital (corporate veil). This type of company can have between two and fifty partners and is widely used for small to medium-sized businesses. The company must have a capital determined by the founders, which is fully paid at the time of incorporation. Foreigners can own up to 100% of the LLC, except in sectors restricted to Egyptians. The management is usually handled by one or more directors.

In essence, foreign and domestic investors usually incorporate an LLC whenever the project is not capital-intensive. On the other hand, foreign and domestic investors would prefer incorporating a joint stock company if the project is capital-intensive or whenever it is required by law to incorporate such a form to obtain a certain license (i.e., financial services license; or electricity production license…etc.)

7. What are the requirements for forming a company? Which governmental entities have to give approvals? What is the process for forming/incorporating a domestic company? What is a required capitalization for forming/incorporating a company? How long does it take to form a domestic company? How many shareholders is the company required to have? Is the list of shareholders publicly available?

Which governmental entities have to give approvals?

Usually, it is GAFI the entity responsible for forming a company. In addition, there might be need to register the company in certain commercial chambers for certain industries.

What is the process for forming/incorporating a domestic company?

It is a straightforward process. In this regard, usually what is needed is the issuance of PoAs by the founders in favor of a law firm to start the process. An auditor has to be appointed as well. Otherwise, the remainder issues are just information that needs to be filled out such as the number and identity of managers or Board Member, the activity of the company, the address of the company (no lease agreement is needed at the time of incorporation) and the capital of the company as well.

What is a required capitalization for forming/incorporating a company?

There is no minimum capital for Limited Liability Company. As for the Joint Stock Company, the minimum issued capital is EGP 250,000 (around USD 5,000) to be paid-up within a period of five (5) years.

In all cases, a higher capital (whether for an LLC or a Joint Stock Company) might be required if the company formed will be applying for a certain license or permit.

How long does it take to form a domestic company?

Around 5-7 business days. This period can be shortened to 2-3 business days in the event that extra fees are paid to GAFI (around USD 200). This is to access the VIP track for incorporation.

How many shareholders is the company required to have?

The minimum is 2 shareholders for LLCs and 3 shareholders for Joint Stock Companies.

Is the list of shareholders publicly available?

No. There is no formal record that is publicly available for showing the shareholders of a company.

8. What are the requirements and necessary governmental approvals for a foreign investor acquiring shares in a private company? What about for an acquisition of assets?

For a foreign investor acquiring shares in a private company or acquiring assets in Egypt, certain regulatory requirements and governmental approvals must be met under the new pre-merger control regime established by Law No. 175 of 2022 and its implementing Executive Regulation (ER) published in April 2024. Under this regime, the Egyptian Competition Authority (ECA) is empowered to review and approve transactions that exceed specific thresholds to ensure they do not harm competition in the Egyptian market. In the case of acquiring shares, if the transaction meets the prescribed thresholds, such as a combined turnover or assets in Egypt exceeding EGP 900 million, or global turnover or assets exceeding EGP 7.5 billion, the foreign investor must notify the ECA for pre-approval.

A key consideration in these transactions is whether the investor would acquire “material influence” over the target company, which typically occurs if the investor obtains more than 25% of the shares or voting rights, or has special voting rights or board representation that influences the target’s strategic decisions. In such cases, the acquirer must submit a detailed notification to the ECA before completing the transaction. The ECA then assesses the potential competitive impact, considering factors such as market concentration, barriers to entry, and possible harm to consumers or innovation. The transaction cannot proceed without ECA approval, and once notified, the ECA will publish a brief of the transaction for public comment.

In addition to the ECA approval, if the transaction involves sectors regulated by Egypt’s Financial Regulatory Authority (FRA), such as financial services or securities, the FRA must also be notified. The FRA must consult with the ECA before issuing its approval. The notification process requires the submission of documents in Arabic. Furthermore, while the ECA has a set review period, practical issues such as incomplete submissions or delays in confirming a “complete” filing may extend the timeline. Overall, foreign investors seeking to acquire shares or assets in Egypt must carefully navigate the ECA’s pre-merger control process to ensure compliance with competition law and obtain the necessary approvals before finalizing any transaction.

In addition, the foreign investors would need to go through a process of security clearances as well.

As for the asset acquisitions, the above restrictions do not apply.

9. Does a foreign investor need approval to acquire shares in a public company on a domestic stock market? What about acquiring shares of a public company in a direct (private) transaction from another shareholder?

Foreign investors in Egypt must comply with specific regulatory requirements when acquiring shares in public companies, whether through the domestic stock market or in direct (private) transactions with other shareholders.

For acquisitions in the domestic stock market, foreign investors are allowed to purchase shares in public companies listed on the Egyptian Stock Exchange. However, if an investor intends to acquire 5% or more of the shares in a public company, they must notify the Egyptian Financial Regulatory Authority (FRA). Additionally, foreign investors are required to disclose their ownership stake and any changes to it, in order to comply with market regulations and maintain fair trading practices. While foreign investors can generally own up to 100% of the shares in most public companies, there may be restrictions in certain sectors, such as telecommunications and banking, due to national security or public interest concerns.

When acquiring shares in a direct (private) transaction from another shareholder, foreign investors may also need approval from the company’s board of directors, depending on the company’s internal governance rules and bylaws. [7]This is particularly important if the acquisition leads to a significant change in the company’s ownership structure. In cases where the acquisition results in owning 5% or more but less than 10% of the company’s shares, the investor must notify the FRA within a maximum of fifteen (15) days from the date of his ownership of this percentage[8], similar to public market acquisitions. Furthermore, the investor must comply with any internal policies of the company regarding share transfers, which may include rights of first refusal or other shareholder agreements.

Furthermore, it is prohibited to directly or indirectly acquire 10% or more of the issued capital or voting rights, or to increase ownership by 5% or any multiple of 5% (e.g., 10%, 15%, 20%, etc.), regardless of whether this increase happens in a single transaction or through multiple transactions, without first obtaining prior approval from the FRA.[9]

Footnote(s):

[7] Article 118 of the Law No. 159 of 1981 and article 274 of the Executive regulations of such law.

[8] Article 3 Decision of the FRA No. 178 of 2024.

[9] Article 3 Decision of the FRA No. 178 of 2024.

10. Is there a requirement for a mandatory tender offer if an investor acquired a certain percentage of shares of a public company?

In Egypt, when an investor acquires a specific percentage of shares in a public company, a mandatory tender offer may be required. Public company takeovers are typically executed through a public tender offer, which can either be voluntary or mandatory.

A mandatory tender offer is triggered when an investor, either individually or in collaboration with others, obtains 33.33% or more of the voting shares or securities of the target company. This requirement extends to all ordinary shares, voting rights, and convertible securities.

The obligation to launch a mandatory tender offer arises under several circumstances. For instance, if an investor already holds between 33.33% and 50% of the shares, acquiring an additional 5% within 12 months will trigger the requirement. Similar rules apply when ownership exceeds 50% but remains under 75%. If the investor surpasses 75% ownership, a mandatory offer is also triggered.[10]

If a shareholder, alone or through related persons, acquires 90% or more of the capital and voting rights in a company subject to the provisions of this chapter; any other shareholder holding 3% or a group of shareholders, numbering at least 100, representing at least 2% of the freely tradable shares, may request the FRA, within twelve (12) months following the acquisition of the majority stake referred to, to notify them of a tender offer to purchase minority shares.[11]

The Financial Regulatory Authority (FRA) must approve the offer, and the bidder is required to submit a draft memorandum and proof of funds from a certified bank in Egypt. In cases where the bidder plans to keep the company listed on the Egyptian Stock Exchange (EGX), the mandatory offer must cover 100% of the company's shares, with a minimum free float of 10% to comply with EGX listing rules. Therefore, acquiring a qualifying percentage of shares in a public company in Egypt will necessitate a mandatory tender offer as part of the regulatory framework governing such transactions.

There are certain cases where a person who acquires a significant stake in a public joint-stock company is exempted from submitting a mandatory tender offer, if they notify the FRA and there is no objection within fifteen (15) days from the date of such a notification. These exceptions include:

- **Automatic Exceptions:**

Transfers of shares between family members or branches, inheritance, gifts, transfer of mortgaged securities to banks to settle debts, acquisition by a financial institution to guarantee underwriting, if all shareholders agree to the sale, and transfers of shares of subsidiaries of state-owned holding companies.

- **Exceptions Requiring FRA Approval:**

Mergers, restructuring of capital between related parties, transactions related to treasury shares, capital increases (provided it is not due to the purchase of subscription rights), acquisitions of shares from a major shareholder without their consent, and acquisition of a portion of a major shareholder's shares for economic reasons with the approval of the Cabinet of Ministers.[12]

Footnote(s):

[10] Article 353 of the Executive Regulations of the Law No. 95 of 1992.

[11] Article 257 of the Executive Regulations of the Law No. 95 of 1992.

[12] Article 356 of the Executive Regulations of the Law No. 95 of 1992.

11. What is the approval process for building a new facility in the country (in a greenfield or brownfield project)?

To establish a new project in Egypt, whether it is a greenfield or brownfield project, the approval process depends on the type of facility that will be built. If it is an industrial facility, it will depend on whether such a facility is located inside an Industrial Zone or not or inside a Free Zone or an Economic Zone.

In all events, specific permits for land use, environmental assessments, and construction approvals might be needed depending on the nature of the project and its location as well. These approvals are typically managed by local authorities and other relevant governmental agencies.

12. Can an investor do a transaction in the country in any currency or only in domestic currency? a) Is there an approval requirement (e.g. through Central Bank or another governmental agency) to use foreign currency in

the country to pay: i. in an acquisition, or, ii. to pay to contractors, or, iii. to pay salaries of employees? b) Is there a limit on the amount of foreign currency in any transaction or series of related transactions? i. Is there an approval requirement and a limit on how much foreign currency a foreign investor can transfer into the country? ii. Is there an approval requirement and a limit on how much domestic currency a foreign investor can buy in the country? iii. Can an investor buy domestic currency outside of the country and transfer it into the country to pay for an acquisition or to third parties for goods or services or to pay salaries of employees?

In Egypt, transactions within the country are primarily conducted in **Egyptian pounds (EGP)**, as indicated by article 212 of the CBE Law number 194 of the year 2020. However, foreign investors in Egypt have the right to establish, expand, and finance their investment projects using foreign currency, without facing any restrictions.[13] They are also entitled to own, manage, and control their investments, as well as to generate profits and transfer those profits abroad. Furthermore, investors can liquidate their projects and transfer the entire or part of the liquidation proceeds out of Egypt, as long as it does not infringe upon the rights of others. The Egyptian government ensures that foreign investors can freely transfer funds related to their investments, both into and out of the country, in convertible currencies. The state also allows for the conversion of local currency into freely usable foreign currency without delay.

To use foreign currency for transactions in Egypt, such as paying for acquisitions, contractors, or employee salaries, **approval from the Central Bank of Egypt (CBE)** might be required. This will depend mostly on the executive regulations to be issued for the new CBE Law. At the current moment, this issue is a bit of a grey area somehow, especially for companies located outside the free zones/economic zones.

Foreign investors must typically engage with banks or entities that are authorized to facilitate foreign exchange transactions. These transactions can only occur through channels approved by the CBE, and are subject to rules outlined by the Board of Directors of the CBE.

Footnote(s):

[13] Article 6 of the Investment Law number 72 of 2017.

13. Are there approval requirements for a foreign investor for transferring domestic currency or foreign currency out of the country? Whose approval is required? How long does it take to get the approval? Are there limitations on the amount of foreign or domestic currency that can be transferred out of the country? Is the approval required for each transfer or can it be granted for all future transfers?

Pursuant to article 212 of the CBE Law No. 194 of the year 2020, both individuals and legal entities have the right to hold and possess foreign currency, and they are allowed to engage in any foreign exchange activities, including transferring funds in and out of the country. These transactions must be conducted through banks or other entities authorized by the Egyptian authorities, following the rules and procedures set by the relevant governing body.

Domestic Transactions:

However, while individuals and businesses can freely manage their foreign currency, all domestic transactions within Egypt must be conducted in Egyptian pounds (EGP). Exceptions to this rule are allowed in cases where there is an international agreement that stipulates the use of foreign currency, when another law permits it, or when a specific decision is made by the relevant authorities to allow foreign currency usage for particular transactions. This will further depend mostly on the executive regulations to be issued for the new CBE Law. At the current moment, this issue is a bit of a grey area somehow, especially for companies located outside the free zones/economic zones.

14. Is there a tax or duty on foreign currency conversion?

There is no tax or duty on foreign currency conversion within Egypt.

15. Is there a tax or duty on bringing foreign or domestic currency into the country?

For foreign investors bringing currency into Egypt, there are generally no taxes or duties on the amounts they bring in, whether it's foreign cash or Egyptian pounds. This means that investors can enter the country with their funds without incurring additional costs or fees related to currency. However, it's important for investors to declare any amounts exceeding $10,000 USD[14] (or its equivalent in other foreign currencies) to customs authorities.[15]

Footnote(s):

[14] CBE Law number 194 of 2020, article 213.

[15] https://www.customs.gov.eg/Legislations/Travel_Tourism/Passengers

16. Is there a difference in tax treatment between acquisition of assets or shares (e.g. a stamp duty)?

Yes, there is a notable difference in the tax treatment between the acquisition of assets and shares in Egypt, particularly regarding stamp duty and capital gains tax, as outlined in the amendments to the Income Tax Law No. 91 of 2005 and the Stamp Tax Law No. 111 of 1980, introduced by Law No. 199 of 2020.

For the acquisition of assets such as real estate, the transaction is generally subject to stamp duty, which is typically 3% of the transaction or market value, whichever is higher. This rate applies to real estate transfers and is largely unchanged by the recent amendments. Additionally, VAT may be applicable in certain asset acquisitions, particularly for goods or business-related assets, but real estate transactions are generally exempt. Capital gains tax, however, is not typically applied to the transfer of real estate assets unless it is sold at a profit, in which case the seller may be liable for capital gains tax, which is typically 10% on real estate transactions.

On the other hand, the acquisition of shares is subject to a more complex tax structure. Under the amendments introduced by Law No. 199 of 2020, capital gains tax on the sale of listed securities is set at 10% for residents, though this tax was suspended until December 2021, with the tax applying to transactions from January 2022 onwards. For unlisted securities, the tax rate is 22.5%. In addition to capital gains tax, the stamp duty for the transfer of shares depends on the residency status of the parties involved. Non-residents are subject to 0.125% stamp duty on both the buyer and the seller, while residents face a lower rate of 0.05% for each party. If the transaction involves the transfer of more than 33% of the company's shares, the stamp duty rate increases to 0.3% for both the buyer and the seller. The new law also clarifies that stamp duty does not apply to share transactions occurring on the same day.

Overall, the tax treatment for the acquisition of assets and shares differs in Egypt, with asset transactions being subject to a higher stamp duty (especially for real estate) and generally not incurring capital gains tax unless sold at a profit. Conversely, share transactions are subject to both capital gains tax (for listed shares) and stamp duty, with specific rates depending on residency and the size of the transaction.

17. When is a stamp duty required to be paid?

In Egypt, stamp duty is governed by Law No. 111 of 1980 and its amendment Law No. 199 of 2020. Stamp duty is required on various types of transactions, primarily involving documents related to financial, legal, and property dealings. Stamp duty majorly applies in the sale or transfer of securities, including shares, bonds, and other financial instruments. For securities traded on the Egyptian stock exchange, the stamp duty is 0.125% of the transaction value, while for unlisted securities, the duty is 0.5%.

Additionally, stamp duty is applied to contracts and agreements, such as sales contracts, leases, and financing agreements, with rates depending on the value of the contract. For example, the sale of real estate, including land and buildings, also attracts stamp duty based on the value of the property. When forming or registering a company in Egypt, documents like the memorandum of association and articles of incorporation are subject to stamp duty, as are documents related to mortgages, pledges, and guarantees. Legal documents processed through courts or notarized by public notaries, such as inheritance agreements or property transfer documents, are also subject to stamp duty.

The amendment in 2020 introduced changes to the stamp duty on securities trading, lowering the rate for securities listed on the stock exchange and clarifying provisions for electronic transactions. Generally, stamp duty is paid at the time a document is signed, notarized, or registered, and the parties involved are responsible for ensuring the payment is made. Some exemptions may apply to certain transactions, depending on the nature of the document or the parties involved, but in most cases, the duty is a mandatory part of legal and financial processes in Egypt.

18. Are shares in private domestic companies easily transferable? Can the shares be held outside of the home jurisdiction? What approval does a foreign investor need to transfer shares to another foreign or domestic shareholder? Are

changes in shareholding publicly reported or publicly available?

The Egyptian Capital Markets Law (Law 95 of 1992) and its amendments, including the most recent in February 2018, and relevant regulations govern Egypt's capital markets. While shares in private domestic companies in Egypt are transferable, the process involves regulatory compliance and may require approvals depending on the nature of the transaction. Foreign investors can hold shares outside their home jurisdiction but must adhere to both local and international regulations.

Generally speaking, shares in private domestic companies can be held outside of Egypt, subject to the laws governing the transfer of shares and foreign investment in Egypt. There are no general restrictions that prevent foreign investors from holding shares in Egyptian companies abroad, but there may be reporting requirements under Egyptian foreign exchange control laws and for tax purpose.

Moreover, changes in shareholding in private companies are not publicly reported in Egypt. Unlike public companies, which are required to report shareholder changes to the Egyptian Exchange (EGX) and the Egyptian Financial Regulatory Authority (FRA), private companies do not have a legal obligation to publicly disclose changes in ownership, it should however be reflected in their commercial registry.

However, these changes may be recorded in the company's internal registers and must be reported to the General Authority for Investment and Free Zones (GAFI) in case of foreign investors' involvement or other regulatory requirements. These records are not typically accessible to the public unless there is a legal requirement.

19. Is there a mandatory FDI filing? With which agency is it required to be made? How long does it take to obtain an FDI approval? Under what circumstances is the mandatory FDI filing required to be made? If a mandatory filing is not required, can a transaction be reviewed by a governmental authority and be blocked? If a transaction is outside of the home jurisdiction (e.g. a global transaction where shares of a foreign incorporated parent company are being bought by another foreign company, but the parent company that's been acquired has a subsidiary in your jurisdiction), could such a transaction trigger a mandatory FDI filing in your jurisdiction? Can a governmental authority in such a transaction prohibit the indirect transfer of control of the subsidiary?

In Egypt, foreign companies with operations involving foreign shareholders are required to submit mandatory Foreign Direct Investment (FDI) filings under Law No. 141/2019, which amends the Investment Law No. 72/2017. These filings must be submitted quarterly and provide comprehensive data on foreign investment activities, including shareholder structures, capital, equity transactions, and the flow of foreign investments into Egypt. The General Authority for Investment and Free Zones (GAFI), the principal government body overseeing foreign investment, is responsible for receiving and processing these filings. Companies submit their filings through GAFI's Investor Service Center (ISC), which acts as a one-stop-shop for investment-related services.

The filing is required in the following situations: when a company operates in Egypt with foreign shareholders, when there is a transaction involving foreign shareholders or related parties, and on a quarterly basis for all companies with foreign investment. Exceptions apply to certain sectors, such as upstream exploration companies under Production Sharing Agreements (PSAs). While not every transaction requires an FDI filing, GAFI and other competent authorities retain the power to review transactions for national security or policy concerns. In cases where a transaction might affect Egypt's strategic or economic interests, GAFI may block or impose conditions on the investment.

20. What are typical exit transactions for foreign companies?

When foreign investors decide to exit their investments in Egypt, several strategies come into play. However, it is important to note that there is limited verified data available to conclusively determine the exit transactions typically used. Despite this, based on Egypt's recent efforts to attract foreign investment, and the fact that it is signatory to key conventions such as the ICSID Convention, which facilitates the resolution of investment disputes through arbitration. we can infer the common exit transactions used by foreign investors in the country.

Acquisitions are perhaps a common exit strategy. In these cases, larger companies often acquire smaller foreign-invested firms to expand their market share, especially in sectors like technology and telecommunications. While Initial Public Offerings (IPOs) can be an exit option, they are relatively less common due to the regulatory hurdles and market conditions. The process of listing on the Egyptian Exchange (EGX) can be complicated and often requires meeting significant requirements set by the Financial Regulatory Authority (FRA). However, for companies with substantial growth, this remains an option, even if it is less popular compared to acquisitions or private equity buyouts.

Another common exit strategy is divestiture, where foreign investors may choose to sell off specific business units or assets rather than exit the entire market. This allows them to streamline operations while maintaining a degree of market presence. In cases where a business is no longer viable, liquidation is an exit strategy for some foreign investors. The process, which involves selling assets and settling debts before closing the business, has been made more structured and transparent with the 2018 bankruptcy law, giving companies a clearer path to exit when insolvency is inevitable.

21. Do private companies prefer to pursue an IPO? i. on a domestic stock market, or ii. on a foreign stock market? iii. If foreign, which one?

Determining whether private companies in Egypt prefer to pursue an Initial Public Offering (IPO) on a domestic stock market or a foreign one is difficult, as there is a lack of verified data on investor preferences. However, based on current trends and market conditions, it seems that most private companies in Egypt opt to list their IPOs on the Egyptian Exchange (EGX), although some do consider foreign markets depending on their specific goals and capital needs.

The EGX remains the primary choice for many Egyptian businesses due to its local investor base, which provides a strong, familiar market for companies looking to raise capital. Listing on the EGX also means operating within the regulatory environment governed by the Financial Regulatory Authority (FRA), which many companies find easier to navigate compared to foreign markets. Additionally, being listed on the EGX enhances a company's visibility and credibility in the local market, potentially attracting more business opportunities and strengthening their reputation.

Despite the preference for domestic listings, some private Egyptian companies do look to foreign stock markets for their IPOs. This tends to happen when a company is seeking larger capital raises or desires broader international exposure. For instance, exchanges like the New York Stock Exchange (NYSE) and the London Stock Exchange (LSE) are attractive because of their large pool of institutional investors and the ability to tap into global capital markets. Listing abroad can also appeal to international investors who may be unfamiliar with the Egyptian market but are interested in emerging market opportunities.

If Egyptian companies do choose to list abroad, the NYSE is often the preferred option due to its large institutional investor base, while the LSE is seen as an appealing choice for companies looking to attract European investors, given its reputation for regulatory transparency.

As an interesting side note, since 2021, Egypt has allowed the establishment of Special Purpose Acquisition Companies (SPACs). These are unique investment vehicles designed to acquire existing businesses across various sectors. What makes SPACs particularly interesting is that they raise funds through a private offering, targeting qualified investors, to finance acquisitions. The twist is that these companies must complete their acquisition within two years of being listed on the stock exchange. The process offers three routes for acquisitions: taking full control of a company, acquiring a controlling stake, or gaining a majority of voting rights. This initiative is a part of Egypt's efforts to attract foreign investment and enhance its capital markets, offering a streamlined path for investors and businesses looking to expand quickly in the region.[15]

Footnote(s):

[15] FRA Decision Number 140 and 148 of 2024

22. Do M&A/Investment/JV agreements typically provide for dispute resolution in domestic courts or through international arbitration?

Typically, these M&A, Investment and JV Agreements resort to institutional arbitration and not domestic courts in Egypt. The arbitration could be either locally administrated through CRCICA or internationally administrated through ICC, LCIA, or DIAC.

23. How long does a typical contract dispute case take in domestic courts for a final resolution?

In Egypt, the time it takes to resolve a typical contract dispute in domestic courts can vary widely, depending on the case's complexity, the court handling it, and any procedural delays. On average, cases can take anywhere from nine months to several years. Simpler cases might be resolved faster, while complex disputes can stretch out, especially if they involve multiple parties or extensive evidence.

The type of court matters too. Economic Courts, which specialize in commercial matters, typically resolve cases in six months to two years. However, Commercial Courts, with their heavy caseloads, often take one to three years, or longer. Delays can also occur due to procedural steps, such as gathering evidence and the potential for appeals.

While recent reforms have aimed at improving efficiency, like specialized courts and electronic services; challenges remain, including backlogs and bureaucratic delays. Based on that, while some cases may be settled relatively quickly, most will take a year or more, with more complex cases potentially lasting much longer.

24. Are domestic courts reliable in enforcing foreign investors rights under agreements and under the law?

In Egypt, the reliability of domestic courts when it comes to enforcing foreign investor rights under agreements and the law is a bit of a complex notion. On paper, Egypt has a solid legal system based on civil law, which is inspired by the French model. This means the country has a well-established set of written commercial and contractual laws that should, in theory, provide foreign investors with the tools to enforce their rights and resolve disputes. However, when it comes to actual practice, there are some challenges and uncertainties.

One of the main reasons for this is the pace of the judicial process. The Egyptian court system, while independent by law, can be slow and bogged down by bureaucracy. Cases can drag on for years, which is particularly frustrating for foreign investors who are looking for a quick resolution. The country has economic courts that specialize in private sector and commercial disputes, but even these specialized courts can face delays.

On the flip side, the legal system does have provisions to protect foreign investors' rights. For example, Egypt tends to respect international arbitration clauses in contracts, which is a positive sign for foreign investors. The Egyptian Court of Cassation, for instance, has often upheld the validity of arbitration clauses in cases involving foreign parties. This makes arbitration a popular alternative for resolving disputes, as it avoids the lengthy and sometimes unpredictable judicial process.

But even when it comes to international arbitration, enforcing the decisions in Egypt is not always straightforward. If a foreign investor wants to enforce an arbitral award or a foreign court judgment, they must go through a process called exequatur. This essentially means seeking permission from Egyptian courts to have the foreign ruling recognized and enforced in Egypt. However, this process is not automatic. It requires that the Egyptian court will review the foreign judgment/award to ensure it doesn't clash with Egyptian public policy, which could further delay the process.

As for Egypt's own domestic dispute resolution mechanisms, Egypt has a Ministerial Committee on Investment Contract Disputes, which is designed to help settle disputes arising from contracts involving the government or its agencies. This committee aims to avoid court involvement altogether, providing an alternative route to resolving disputes. There's also a Complaint Committee that handles issues related to the implementation of Egypt's Investment Law. While these mechanisms have been helpful in settling cases, businesses often find them slow and ineffective, especially when it comes to enforcing financial settlements.

Foreign investors who have taken disputes to court in Egypt over the past decade generally report that most cases end up being settled; although it's hard to quantify how many. For those seeking arbitration or international dispute resolution, the local courts are largely supportive in recognizing and enforcing foreign arbitral awards, which is a positive sign.

25. Are there instances of abuse of foreign investors? How are cases of investor abuse handled?

Foreign investors in Egypt have occasionally faced challenges that can be seen as instances of abuse or unfair treatment, though these cases are typically handled through formal dispute resolution mechanisms rather than through extrajudicial actions. The Egyptian government has acknowledged the importance of improving the investment climate and has undertaken several economic reforms to address issues that have historically hindered private sector growth. However, significant obstacles remain, particularly concerning bureaucratic inefficiencies, and sometimes inconsistent enforcement of regulations.

While the legal frameworks are in place to protect investors, challenges persist. The country's economic reforms, though promising, are not always swiftly implemented, and the process of dealing with government-related disputes can still be cumbersome.

However, while instances of abuse or mistreatment of foreign investors in Egypt are not common, they are not unheard of, particularly due to bureaucratic inefficiencies and inconsistent enforcement of regulations. Nonetheless, the country's legal frameworks, including international arbitration mechanisms and dedicated investment dispute committees, provide foreign investors with avenues to address grievances. As Egypt continues its economic reforms, the situation may improve, but investors will likely still face challenges until these reforms take full effect.

26. Are international arbitral awards recognized and enforced in your country?

Yes, international arbitral awards are indeed recognized and enforced in Egypt. More specifically, Egypt is a signatory to several international conventions that facilitate the recognition and enforcement of foreign arbitral awards, particularly the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, which lays the foundation for Egypt's participation in the global arbitration system. This convention ensures that arbitral awards issued in other member countries can generally be enforced in Egypt, provided they meet specific criteria.

However, there are circumstances in which Egypt may refuse to recognize or enforce an arbitral award. Under the terms of the New York Convention, the party against whom an award is invoked may request its non-enforcement, but only if they can present solid evidence to the Egyptian authorities that the award violates certain conditions. These exceptions are meant to ensure that awards are consistent with the host country's public policy and other essential legal principles. In practice, however, Egypt is generally reluctant to refuse enforcement of foreign arbitral awards unless there is compelling justification.

On the national level, Egypt's Arbitration Law No. 27 of 1994 provides additional support for the recognition and enforcement of international arbitral awards. Article 55 of this law states that awards rendered by arbitrators under this framework have the status of final judgments and are enforceable. This demonstrates Egypt's commitment to ensuring that arbitration awards, whether domestic or international, are taken seriously in the judicial system. It also reflects how Egyptian law aligns with international norms to maintain a predictable environment for investors and businesses.

Beyond national law, Egypt's participation in international treaties further solidifies its stance on recognizing and enforcing foreign arbitral awards. The country is also a party to the 1965 Washington Convention on the Settlement of Investment Disputes and the 1974 Arab States Convention, both of which govern disputes between states and foreign nationals. Under these agreements, awards arising from arbitrations conducted in accordance with these treaties can be enforced in Egypt, assuming they meet certain legal conditions outlined in the conventions and local laws.

For foreign awards to be enforceable in Egypt, the Dispute Settlement Law (Law No. 27 of 1994) requires that the award must either fall under one of the international conventions Egypt has ratified or meet specific requirements set out in Egyptian domestic law. This includes ensuring that the award does not contravene Egyptian public policy, which can be a barrier to enforcement in certain situations. The law also provides a process for limited challenges to arbitration awards within the Egyptian court system, ensuring that the recognition and enforcement of awards are handled with due consideration for both international norms and local legal principles.

The process for enforcing foreign arbitral awards in Egypt involves several steps, which include the submission of the award to the Cairo Court of Appeals. First, the unsuccessful party must be notified of the award through a court bailiff, and the award, along with necessary documents like the arbitration agreement and certified translations, must be deposited with the court registry. The Arbitration Office at the Ministry of Justice then reviews the case to ensure the award does not involve issues that conflict with Egyptian public policy, such as matters related to family law, criminal law, or real estate proprietary rights.

If the office approves the deposit, the case proceeds to the next stage, where an exequatur order must be obtained from the court. This order is essential for the formal enforcement of the award in Egypt and can only be granted after ensuring the award does not violate local laws or public policy. The Cairo Court of Appeals will review the case, taking into account factors like whether the award has been properly notified, if any actions have been filed to set it aside, and whether it conflicts with prior Egyptian judgments. If the exequatur is granted, the award becomes enforceable in Egypt, allowing the winning party to take the necessary steps to collect the award or seek its implementation.

Despite these provisions, Egyptian courts can be cautious when it comes to recognizing awards that have been set aside or nullified at the place of arbitration. If the award has been challenged and annulled in the jurisdiction where it was issued, Egypt is unlikely to enforce it, reflecting the principle that the legitimacy of an award is tied to its compliance with the arbitration process at its origin.

On another note, in the case where someone is seeking to enforce a foreign arbitral award in Egypt, obtaining an exequatur is a crucial step. The process generally takes between 120 to 150 days, provided there are no challenges to the award, and the party seeking enforcement has followed the necessary procedures. However, a party dissatisfied with the exequatur decision can appeal the court's ruling within 30 days.

27. Are there foreign investment protection treaties in place between your country and major other countries?

Egypt has made significant strides in creating a favorable environment for foreign investment, with a strong focus on legal protections and dispute resolution mechanisms. This commitment is demonstrated by the country's participation in a wide range of international agreements and its extensive network of bilateral investment treaties (BITs) with major economies. These efforts help to reassure foreign investors that their investments will be well protected.

A key pillar of Egypt's approach to foreign investment is its adherence to major international conventions. For instance, Egypt became a member of the International Centre for Settlement of Investment Disputes (ICSID) in 1971), allowing investors to resolve any conflicts with the host country in a neutral and impartial setting, without relying solely on the local judicial system.

In addition to ICSID, Egypt has also ratified other important international agreements, including the 1958 New York Convention on the Enforcement of Arbitral Awards and the 1965 Washington Convention on Investment Disputes. These conventions ensure that any arbitral decisions made in disputes involving foreign investors are enforceable across borders, which is a crucial factor for global investors who want to be assured that their rights will be respected regardless of the country they are doing business in.

Internally, Egypt has reinforced its commitment to protecting foreign investment through its Investment Law (Law 72 of 2017). This law not only provides a clear framework for foreign investors but also affirms their right to resolve disputes through various channels, including international arbitration under ICSID or the Regional Centre for International Commercial Arbitration in Cairo. These options provide foreign investors with a sense of security, knowing that they have multiple avenues to address grievances in a transparent and impartial way.

Egypt's extensive network of bilateral investment treaties is another cornerstone of its strategy to attract foreign investment. The country has signed over 100 BITs, including with some of the world's largest economies, like the United States. These treaties offer essential protections for foreign investors, such as safeguards against expropriation without compensation and prohibitions on discriminatory treatment. For investors, this means they can invest in Egypt with the confidence that their investments will be protected from unfair government actions or changes in the regulatory landscape. This approach is reinforced by Egypt's membership in influential trade organizations, including the World Trade Organization (WTO), the African Continental Free Trade Area (AfCFTA), and the Greater Arab Free Trade Area (GAFTA), which further integrate the country into the global economic system. Not to mention, Egypt is currently part of 56 international investment treaties that are in force, which specifically address the terms and conditions governing foreign investment between Egypt and its partner countries.

Additionally, Egypt's BITs typically include provisions for fair and equitable treatment (FET), ensuring that foreign investors are treated with transparency, fairness and consistency. This provision is critical in establishing trust and ensuring that foreign capital is treated the same way as domestic investments. Furthermore, many of Egypt's treaties include Most-Favored-Nation (MFN) clauses, which guarantee that foreign investors will not be disadvantaged compared to investors from other countries. This creates a level playing field, further boosting investor confidence.

One of the most important aspects of Egypt's investment framework is its focus on dispute resolution mechanisms. Many of Egypt's BITs include provisions for arbitration, allowing foreign investors to settle conflicts outside of the Egyptian courts. Through bodies like ICSID and the Regional Centre for International Commercial Arbitration, Egypt offers a neutral, impartial venue for resolving disputes.

While Egypt's overall investment climate is highly welcoming, certain sectors, such as oil, gas, and real estate, have specific regulations that require foreign investors to form joint ventures with Egyptian entities. This ensures that foreign capital is integrated into critical industries while allowing Egypt to maintain control over its key resources. These regulations do not significantly hinder foreign investment; rather, they provide a framework for collaboration that benefits both foreign investors and local businesses.

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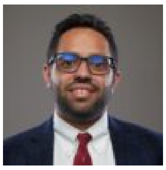
Ibrahim Shehata **Partner**	is@shehatalaw.com	
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