

Law No. 72 of 2017 in regards to issuing the New Investment Law

Source: Law No. 72 of 2017, Issue no. 21 (bis) (g) of the Official Gazette dated 31 May 2017

The long-awaited New Investment Law is a welcomed introduction, with a strong focus on providing the necessary tools in order to encourage and assure local and foreign investors. The law also focuses on providing incentives and assistance to projects involved in development activities, in addition to SMEs and infrastructure projects. Examples of the main developments the law introduces include; tax incentives for projects operating in certain geographical areas, or carrying out certain activities, and the introduction of several new offices and services to facilitate and expedite the investment process in Egypt. Other developments include the creation of a new Arbitration and Mediation Center for investors.

Part 1: Definitions

Chapter 2- Purposes and Objectives of Investment

Article 2 provides the objectives of the law, and the principles governing investment in Egypt as a whole. Some examples include:

- The government providing assistance to emerging companies and Small and Medium Enterprises (SMEs), with the purpose of enabling and nurturing small investors and youth.
- Ensuring fair competition, protecting consumers and prohibiting monopolization.
- Considering the stakeholders' interests in regards to the general community, in addition to preserving the environment and public health.

Part 2: Investment Incentives and Guarantees

Chapter 1-Investment Guarantees

Article 4 explicitly prohibits the nationalization of any investment projects, unless it is in the public interest to do so. In which case fair compensation must be offered. The article also prohibits the freezing or confiscating of any investments projects' assets without a court order or final judgment.

Article 8 allows investment projects to employ foreign employees making up to 10% of their workforce. The limit may be adjusted to up to 20% of a project's workforce, if they are unable to fill the positions with skilled local labour.

Chapter 2- Investment Incentives

There are three types of Investment Incentives offered, General, Special and Additional.

1. General Incentives

Article 10 exempts Investment projects from Stamp Duty, Certification fees and many other Registration Expenses for a period of 5 years from incorporation.

The article also applies a unified flat customs rate of 2% on all machinery and equipment deemed necessary for the project's establishment.

2. Special Incentives

Article 11 offers reductions in the taxation rate on net profits, to be divided into 2 categories. These exemptions can only be valid for a maximum of 7 years after a project commences with its activities, and only applies to projects incorporating within 3 years of the passing of this law.

- 1- A 50% reduction can be claimed by investment projects set up in Zone A (defined in the Executive Regulations). This Zone consists of the geographic locations deemed the most in need of development.
- 2- A 30% reduction is offered to projects outside of Zone A, that work in certain sectors including:
 - SMES
 - Energy and Renewables
 - Tourism
 - Export
 - Nutrition and Agriculture Production

3. Additional Incentives

Article 13 offers the following incentives to projects.

- Allocating specific customs gates for projects' imports and exports with approval from the Minister of Finance.
- Government participation in costs of introducing utilities to land allocated to investment projects after the project becomes operational.
- Partial Government participation in the costs of offering technical training to employees.
- A refund with the value of 50% of the land purchased from the government for establishing industrial project if the project is operational within 2 years of receiving the land.
- Allocating free land for specific strategic projects.

The incentives are applicable in addition to the incentives offered in Articles 11 and 12.

Chapter 3- Corporate Social Responsibility

Article 15 offers incentives to encourage investors to allocate funding towards realising the goals of inclusive and sustainable development. Examples of projects helping realise such goals include:

- 1- Projects working on preserving the environment.
- 2- Projects offering health, educational, social, or cultural development services.
- 3- Projects offering Technical and Vocational training, research grants and awareness campaigns targeting improving production standards.
- 4- Projects offering Scientific Research and training.

Investment Projects are allowed to allocate up to 10% of their net profits to such projects. That amount is deductible from the net taxable profits in regards to the investment project's annual Corporate Tax.

Part 3: Investment Schemes

Chapter 2- Investment Map

Article 20 Introduces a one-stop approval system for strategic and national investment projects, or for Public-Private Partnerships (PPPs) involved in projects establishing public utilities and

services, developing infrastructure, renewable energy or building transportation, roads and ports. This approval includes construction permits, land allocation and operational permits all through one application and license. This scheme is applicable in addition to any other investment schemes or incentives in this law.

Chapter 3- Investors' Services Center

Article 21 expands on the one-stop approval system, and introduces a services Center tasked with centralising all of an investment projects' interactions with governmental authorities into one body. This Center, run by the General Authority for Free Zones and Investment (GAFI), offers many services including issuing licenses, incorporation services, capital modification facilitation, ratification and certification services, in addition to liquidation solutions.

Accreditation offices

Article 22 allows the introduction of Accreditation Offices, certified and accredited by GAFI, which can represent investors in dealings with authorities. These offices can assist in obtaining necessary licenses and permits for investors, and can issue an accreditation certificate, which proves and guarantees an investment project's full legal compliance, and its fulfilment of the necessary requirements for its operations.

Chapter 4- Investment Schemes In Free Zones

Article 33 introduces the return of Privately-Owned Free Zones, after ending the scheme for a period of 2 years.

Article 41 determines the fees to be paid by investment projects operating in Free Zones as follows:

Public Free Zone Investment Projects

- 1- A 2% fee on the total value of imported goods for projects operating storage activities on a CIF basis, and a 1% fee on the total value of exported goods for projects involved in manufacturing and assembling activities on a FOB basis.
- 2- A 1% fee on total annual revenues of projects, which do not import or export products as a primary activity.

Private Free Zone Investment Projects

- 1- A fee of 1% on the total revenues generated from product exports for projects involved in manufacturing and assembling activities.
- 2- For other projects (not involved in manufacturing and assembling activities), the fee is raised to 2%.

Both Public and Private Free Zone Investment Projects are subject to a GAFI annual service fee valued at 0.001% of the project's capital, with a maximum value of 100,000 EGP.

Part 4: Investment Affairs Relevant Authorities

Articles 68-81 offer detailed descriptions of all the governmental authorities (GAFI and the Supreme Council for Investments) involved in the investment process. The articles highlight these authorities' composition, powers, purposes, funding sources and responsibilities.

Part 5: Investment Dispute Resolution

Chapter 2- Ministerial Committee for Investments Dispute Resolution

Article 85 creates a Ministerial Committee for Investments Dispute Resolution to manage any requests, complaints or disputes arising between investors and governmental authorities.

Chapter 4- Egyptian Center for Arbitration and Mediation

Article 90 and 91 create a new Arbitration and Mediation Center (The Egyptian Center for Arbitration and Mediation), that investors will have the option of choosing as a preferred forum for dispute resolution. Investors can choose to use the Center's services instead of, or in addition to, traditional dispute resolution methods. The Center provides services in regards to resolving any disputes arising, either between investors amongst themselves, or between investors and public or private governmental authorities.

Egyptian Financial Supervisory Authority, Board of Directors Decision No. 76 of 2017

Source: Egyptian Gazette, Issue 148, dated 2 July 2017

This decision is an amendment to EFSA's Board of Directors Decision no. 11 of 2014, in regards to the rules governing listing and delisting of financial papers on the Egyptian Stock Exchange (EGX)

Article 1's content replaces the first paragraph of Article 35 of EFSA's Board of Directors Decision no. 11 of 2014. The Article states that all companies listed on the GX must issue a summary consisting of a Board of Directors report, annual financial statements and any relevant clarifications, and an Auditor's report with any observations made by EFSA (if applicable). This summary with all of its required information must be published clearly in two Egyptian daily newspapers, with at least one publication being in Arabic. The summary must be published at least 21 days prior to a General Assembly being held, to allow a sufficient period of time for the statements to be ratified before they are presented to EFSA and the EGX's administration. The publication must also include Companies' Stand Alone financial statements, and consolidated statements for Companies where required. If any changes are introduced a company's Stand-Alone or consolidated financial statements, the company is obliged to publish the amended statements within one week of the changes being approved by a General Assembly in the same two newspapers initially published in.

Egyptian Financial Supervisory Authority, Board of Directors Decision No. 68 of 2017

Source: Egyptian Gazette, Issue 150, dated 4 July 2017

The decision is in regards to amending the regulations in regards to companies' use of special reserve as set out in Annex 1 of EFSA's Board of Directors Decision no. 27 of 2017.

Article 1 allows Commercial Insurance and Cooperative Insurance companies to use special reserves within the Accountancy guidelines set out Annex 1 of EFSA's Board of Directors Decision no. 27 of 2017. The use of the special reserves is subject to prior approval from EFSA, and the reserve must only be used for one of the following purposes:

1. Extinguishing retained losses incurred by the company before the date of the foreign currency exchange rate flotation that took place on 3/11/2016.
2. Covering losses incurred as a result of the difference in foreign currency exchange rate, if the company incurred a net loss during the period.
3. In any other cases where the company requests the use of the reserves (with the exception of capital increase), if a valid reason is provided by the company.

Article 2 allows collective insurance companies to use the special reserve mentioned above. The use of the special reserves is subject to prior approval from EFSA, and the reserve must only be used for one of the following purposes:

1. Using the section of the special reserves financed by foreign currency exchange rates (if applicable), to pay off interest-free loans before the date of flotation (3/11/2016).
2. Using the section of the special reserves financed by foreign currency exchange rates to extinguish retained losses arising before the date of flotation (3/11/2016).
3. Covering losses incurred as a result of the difference in foreign currency exchange rate, if the company incurred a net loss during the period.
4. In any other cases where the company requests the use of the reserves (with the exception of capital increase), if a valid reason is provided by the company.

In all circumstances, the special reserves mentioned in the law must not be used to distribute dividends amongst shareholders.