Egypt’s New Investment Law: Opening Egypt for Business

This year Egypt ratified a landmark investment law that will modernize and reduce barriers to how international companies invest and operate in Egypt. The measure will expand economic growth, domestic production, exports and foreign investment, and is designed to boost employment opportunities and increase Egypt’s competitive edge across the region. The law is also expected to ensure equality of opportunity, empower youth, protect the environment and public health, and enhance good governance and transparency.

**NEW SAFEGUARDS FOR INVESTORS**

The new law guarantees a number of protections for international investors to encourage new development in Egypt:

- Foreign investors will receive the same treatment under law as Egyptian nationals.
- Foreign investors may now be granted preferential treatment, with approval from the Council of Ministers.
- Investments will not be governed by arbitrary procedures or discriminatory decisions.
- Investment projects will not be nationalized.
- No administrative authority can revoke or suspend investment project licenses without proper warning, due process, and time to correct any issues.
- Foreign investors are guaranteed residence in Egypt during the term of a project.
- Investors have the right to transfer their profits abroad.
- Investors’ projects may include up to 10% foreign employees, and up to 20% for investment companies.
- Foreign employees of investment companies have the right to transfer their compensation abroad.

**INCENTIVES TO INVEST**

To help attract global investors, the law contains policies to encourage significant and targeted investments:

- **General Incentives:** Companies will receive a 2% overall customs tax exemption on the value of imported equipment and machinery. They will also be exempted from stamp tax and registration fees on articles of association, mortgages, loan agreements and land contract notarizations related to their investment.
- **Special Incentives:** The new law provides deductions from taxable net profits according to a forthcoming investment map that will identify investment areas as Sectors A and B. Investors will receive a 50% discount off investment costs in Sector A and a 30% discount off investment costs in Sector B for specified priority activities.
- **Additional Incentives:** Egypt’s Council of Ministers may decree additional incentives, which will be awarded by the head of the General Authority for Investment and Free Zones (GAFI). These may include subsidized utilities, the allocation of lands free of charge for strategic activities, and other incentives.
NEW FEATURES OF THE INVESTMENT LAW:

- **Unified Approval**: Companies undertaking strategic or national-interest projects, either as public-private partnerships or related to public utilities, infrastructure, new and renewable energy, roads and ports, are eligible to receive a single approval to cover the establishment, operation, and management of their project. This will include the building licenses and allocation of real estate for the project.

- **Investor Services**: Investors will be able to obtain all licenses from GAFI and will not need to interact with any other authority. GAFI will provide incorporation and post-incorporation services, will collect all fees from applicants, and will decide on completed incorporation applications within one business day of their submission. GAFI will also establish electronic means by which incorporation activities may be conducted. Private sector Approval Offices that are licensed and accredited by GAFI will assist and represent investors before government authorities.

- **Investment Zones**: The Prime Minister may designate geographic areas for specific developments, including logistics, agriculture, and industry. In areas designated for communications and information technology, equipment for these enterprises will not be subject to taxes or customs duties.

- **Investment Map**: GAFI will prepare a map to identify special investment zones, needed investment projects and government-owned land available to investors.

DISPUTE RESOLUTION

- An independent arbitration and mediation center will have the authority to pursue the settlement of investment disputes that arise among investors and state authorities.

- A ministerial committee will be established to review complaints and disputes between investors and state authorities.

- Committees within GAFI will examine complaints against resolutions issued in accordance with this law.


EGYPT'S NEW INVESTMENT LAW: WHAT THEY'RE SAYING

- “Investors can expect reduced bureaucracy and red tape, a clear investment policy and easier access to investment opportunities...[The law offers] greater transparency and accountability and compelling incentives....” – Minister for Investment and International Cooperation Dr. Sahar Nasr, quoted in *The Financial Times*.

- “Successful implementation of these reforms should give greater confidence to foreign investors leading to increased FDI.” – U.S. Department of State, *Investment Climate Statements for 2017*.

- “An industrial licensing law and a new investment law have been passed, and...are critical pieces of legislation necessary to strengthen the business climate, attract investments, and promote growth.” – David Lipton, First Deputy Managing Director and Acting Chair, Executive Board, International Monetary Fund.