

GUIDE TO GOING GLOBAL CORPORATE

Egypt



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INTRODUCTION

Welcome to the 2023 edition of DLA Piper's *Guide to Going Global – Corporate*.

GUIDE TO GOING GLOBAL SERIES

To compete and be successful today, companies need to develop and scale their businesses globally. Each country presents its own set of unique laws, rules and regulations and business practices that companies must understand to be successful. In order to help clients meet the opportunities and challenges of expanding internationally, we have created a handy set of global guides that cover the basics companies need to know when going into and doing business in new countries. The *Guide to Going Global* series reviews business-relevant corporate, employment, intellectual property and technology, executive compensation, and tax laws in key jurisdictions around the world.

CORPORATE

The *Guide to Going Global – Corporate* has been created based on our research, our experience and feedback we have received from clients in both established and emerging businesses that have expanded internationally. We hope it will be a helpful resource for you.

The *Guide to Going Global – Corporate* covers corporate basics in 54 key jurisdictions across the Americas, Asia Pacific, Europe and the Middle East. We touch on a wide range of corporate issues for companies expanding internationally, including establishing a corporate presence and choice of entity, liability considerations, tax presence and tax filings, capital requirements, the formation process, director, officer and shareholder requirements, registration processes, office lease processes and possible exit strategies.

With more than 600 lawyers, DLA Piper's global Corporate group is one of the largest in the world, with one of the widest geographical footprints of any global law firm and experience across the legal areas companies need as they expand internationally. With both global experience and local knowledge, we partner with our clients wherever they do business to find solutions and manage their risk in relation to their challenges and objectives.

While this guide provides high-level guidance, it is not a substitute for legal advice, and we encourage you to seek advice regarding the specific matters that concern you. If you wish to speak to any of our contributors, you may find their contact details at the end of the guide.

We hope you find this guide valuable, and we welcome your feedback.

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This is a general reference document and should not be relied upon as legal advice. The application and effect of any law or regulation upon a particular situation can vary depending upon the specific facts and circumstances, and so you should consult with a lawyer regarding the impact of any of these regimes in any particular instance.

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EGYPT



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FORM OF ENTITY

Joint Stock Company (JSC)

- A separate legal entity that may be a private company or a public company.
- It may offer its shares to public subscription, issue bonds and convertible securities and offer them to the public.
- The name of a JSC must derive from its purpose and may include the name(s) of any of its shareholders.
- Generally, there are no restrictions on foreign ownership, and the JSC may be wholly owned by foreigners, except for companies operating in Sinai (see below) and companies engaging in activities that are restricted by law for foreigners to participate in, such as:
 - Commercial agency, which requires the company to be wholly owned by Egyptians or persons who have acquired and held Egyptian nationality for at least 10 years
 - Importation activities for trading purposes, which requires that 51 percent of the shareholders must be Egyptians and
 - Acquiring land and/or real estate in Sinai, which requires that the company be wholly owned by Egyptians.
- A company operating in Sinai must be established in the form of a JSC; 55 percent of its shareholders must be Egyptians and it is subject to certain approval requirements. However, the foreign ownership restriction (ie, the requirement that 55 percent of the shareholders be Egyptians) may be waived for companies which conduct implementation of integrated development projects in Sinai, provided that the company has obtained a presidential decree, the required cabinet approval and any required approval of the competent local authorities.
- Managed through a minimum of 3 board members appointed by the general assembly. The board of directors (BoD) is responsible for the company's management and performing the required activities to achieve its purpose. It may delegate powers to 1 or more of its members in order to:

- Perform certain act(s) and oversee certain aspects of the company
 - Exercise some of the BoD's powers and competencies and
 - Undertake the actual management of the company.
- All foreign BoD members must pass a security clearance, but the company can generally be incorporated and conduct business even before such security clearance has been obtained provided that it has submitted a completed application that is pending approval. However, and by way of exception, board members of certain foreign nationalities (routinely subject to change) require the security clearance to be issued prior to starting the entity's business.
 - Foreign employees cannot exceed 10 percent of all employees of the JSC.

Limited Liability Company (LLC)

- A separate legal entity that is a private company and its quotas cannot be listed or traded on any stock exchange
- An LLC may not issue bonds or other financial debentures that are offered to the public
- Quotaholders appoint 1 or more managers to manage the LLC. The manager(s) may act individually or jointly in accordance with the terms of the LLC's articles of incorporation (Aol). Juridical persons can be appointed as a manager of an LLC

One-Person Company (OPC)

- Newly introduced to the Egyptian market (Law No. 4 of 2018 amending the Companies Law).
- Formed by a sole founder, who can be either a natural or a juridical person.
- An OPC's equity cannot be listed or traded on any stock exchange.
- An OPC cannot issue bonds or other financial debentures that are offered to the public.
- Similarly to a JSC and LLC, there are generally no restrictions on foreign ownership except for activities that foreigners are prohibited from participating in (eg. commercial agency, importation activities for trading purposes and acquiring land and/or real estate in Sinai).
- Managed through the founder (ie, sole proprietor) of the company or 1 or more appointed manager(s).
- Companies Law states that the rules governing the LLC are applicable to an OPC, unless otherwise provided.

JSC, LLC and OPC collectively to be called "corporate entities" or "corporations" in some provisions in

this guide.

Corporate entities are subject to the Companies Law. The Companies Law regulates, inter alia, the operations of the company's corporate bodies such as the board of directors/managers, the general assembly and the matters related to the management and control of the company.

Further, depending on the type of the undertaken activities, Corporate entities may be established under the Investment Law No. 72 of 2017 and Executive Regulations in accordance with the Prime Minister's Resolution No. 2310 of 2017 (the Investment Law). In such case, the Companies Law would apply to the extent that the Investment Law is silent to a certain matter.

There are other entity types in Egypt but the ones listed above are the most commonly used.

Branch of a Foreign Corporation (Branch)

- Not a separate legal entity.
- Foreign corporations can conduct business in Egypt via a local branch.
- A foreign-based company (ie, parent company) can establish a branch in Egypt by registering with the General Authority for Investment and Free Zones (GAFI) as a foreign company carrying on business in Egypt.
- A branch must be formed for the purpose of implementing specific public or private sector agreements in Egypt.
- 1 or more branch managers, whether Egyptian or foreign, must be appointed to run the business activities in Egypt.
- Business name must contain the name of a foreign-based company

Representative Office (RO)

- Not a separate legal entity.
- Can only be used for studying the feasibility of production or carry out market surveys.
- Cannot engage in any commercial activities or execute agreements with third parties on behalf of a foreign

company.

¹ Companies Law no.159 of /1981 and its Executive Regulations No. 96 of 1982 as amended (the "Companies Law").

ENTITY SET UP

JSC

- Minimum of 3 shareholders is required with no maximum limit; can be a natural or juridical person (given that it has in its purposes the establishment of such company).

Foreign shareholders in JSC are permitted. Foreign shareholders must pass security clearance.

- Taxed on its annual net profits and on its distributed dividends.
- Typical charter documents include:
 - Articles of Association (AoA)
 - Bylaws
 - Organizational board resolutions
 - General assembly resolutions
 - MCDR (as defined below) registration certificate
 - and Commercial register.

In an effort to achieve dematerialization by moving to replace materialized share certificates (ie, physical shares) with centralized electronic book keeping, the amendments recently introduced to the Companies Law require all existing JSCs to register and deposit their shares with Misr ("Misr" means "Egypt" in the Arabic language) for Central Clearing, Depository and Registry (the MCDR).

- BoD has overall day-to-day management responsibility.

LLC

- Minimum of 2 quotaholders and a maximum of 50 quotaholders
- Taxed on its annual net profits and on its distributed dividends
- Typical charter documents include:
 - Articles of incorporation (Aoi)
 - General assembly resolutions and

- Commercial register.
- The company's Aol sets forth how the business is to be managed. It must be managed by 1 or more managers appointed from its quotaholders or from third parties.

OPC

- Wholly owned by 1 person; can be a natural or juridical person.
- Taxed on its annual net profits and on its distributed dividends.
- Typical charter documents include:
 - Aol
 - Founder's resolutions and
 - Commercial register.
- Founder has overall management responsibility in person or through appointed manager(s).

Branch

- No partners are required.
- GAFI approval is required to establish a branch, and it must be registered with the Commercial Registration Department (CRD).
- Typical charter documents include:
 - Commercial register and
 - A foreign-based company's resolution of establishing a branch in Egypt.
- A branch must comply with applicable companies, taxation, labor, social insurance law and foreign exchange control regulations.

RO

- No partners are required.
- A parent company submits an application to establish RO to GAFI, and it must be registered with the CRD.
- Such application must specify the foreign parent company's name, nationality, purpose, capital, head office location abroad, Egyptian branch (if any) and the type of the RO required to be established in Egypt, its purpose and permanent/temporary address.
- All the aforementioned are to be attached with:

- The parent company's bylaws, AoA and a translation of their summary
- The resolution of the parent company approving the establishment of the RO in Egypt
- The name of the RO's manager or temporary agent and
- The proper fees.
- Typically, a charter document includes:
 - Commercial register and
 - A parent company's resolution of establishing an RO in Egypt.
- RO must comply with applicable taxation, labor and social insurance law, and foreign exchange control regulations.

MINIMUM CAPITAL REQUIREMENT

JSC

Minimum capital required is EGP250,000. However, the minimum capital of a JSC may vary depending on the company's activity and the decrees issued regulating such activity. In respect of the JSCs whose shares are offered to public subscription, the required minimum capital is EGP500,000.

LLC

No minimum capital requirement. It is determined by the quotaholders in the company's Aol.

OPC

Minimum capital required is EGP1,000.

Branch

Not applicable. The foreign-based company shall only deposit an amount equivalent to EGP5,000.

RO

Not applicable. The parent company shall only deposit an amount equivalent to EGP5,000.

LEGAL LIABILITY

JSC

Liability of JSC's shareholders remains limited to the value of their shares in a company, and they are generally not liable for the debts of a JSC.

LLC

Quotaholders are generally not liable for the debts of an LLC aside from their individual contributions.

OPC

Founder is generally not liable for the debts of an OPC aside from their contribution to an OPC, unless:

- Founder liquidates or suspends company's activity in bad faith prior to the end of its term or purpose
- Founder enters into agreements under company's name prior to incorporation, where such agreements were not essential for incorporation or
- Personal and company funds of the founder were comingled.

Branch

A foreign-based company is generally liable for the debts and other financial dues on a branch.

RO

The parent company is generally liable for the debts of the RO noting that the RO must not engage in any type of taxable commercial activities to avoid immediate termination of its registration.

TAX PRESENCE

Corporations

- Corporate entity is subject to income tax at the rate of 22.5 percent of its annual net profits.
- Employees' salaries are subject to income tax.
- Dividends withholding: 10 percent of the distributed dividends, where the distributing company is not listed on the Egyptian Exchange (EGX), and 5 percent of the distributed dividends if the distributing company is listed on the Egyptian Exchange. However, it should be noted that Egyptian tax residents holding and parent companies might be subject to a special tax treatment in this regard.
- Corporate entities must make social insurance contributions from both employers and employees.
- Corporate entities, which sell goods or provide services that are subject to value-added tax (VAT) according to the VAT Law no. 67 of 2016, and whose annual turnover exceeds the amount of EGP500,000, must be registered with the Egyptian Tax Authorities (ETA) for VAT purposes. By way of exception to the abovementioned threshold, corporate entities may apply to be registered for VAT purposes even if their turnover does not exceed said threshold provided that:
 - Their annual turnover during the 12 months prior to filing the registration application must not be less than EGP150,000 or its paid-up capital must not be less than EGP50,000

- They have registered physical office space through which they perform their registered activity and
- They have a valid tax card.
- VAT at the rate of 14 percent, generally, is applied to all taxable local and imported goods and services, except:
 - Those specifically exempted by the VAT Law
 - Machinery and equipment used in the production of such goods and services which shall be levied at 5 percent – however, a tax relief may be granted for machinery purchased for the purpose of industrial production provided the satisfaction of certain conditions, and
 - All other products listed in the annex to the VAT Law which specifies the percentage of tax levied on them.

Branch

- The annual income of the branch of nonresident companies is subject to income tax at the rate of 22.5 percent of its annual net profits, and the remaining portion of the income is subject to 10 percent (dividends' tax) which shall be payable within 2 months from the end of the fiscal year, regardless the actual repatriation of profit to the headquarters.
- Branch employees' salaries are subject to an income tax.
- The branch pays social insurance contributions from both the employers and employees.
- Branches, which sell goods or provide services subject to VAT and whose annual turnover exceeds the amount of EGP500,000, must be registered with the ETA for VAT purposes.
- VAT at the rate of 14 percent, generally, is applied to all taxable local and imported goods and services, except:
 - Those specifically exempted by the VAT Law
 - Machinery and equipment used in the production of such goods and services which shall be levied at 5 percent – however, a tax relief may be granted for machinery purchased for the purpose of industrial production provided the satisfaction of certain conditions, and
 - All other products listed in the annex to the VAT Law, which specifies the percentage of tax levied on them.

RO

An RO's employees are subject to income tax and social insurance contributions from both employers and employees.

INCORPORATION PROCESS

Corporate entities, branches and ROs require an approval from the GAFI or the Financial Regulatory Authority (FRA), in case of capital market activities, to establish them after submitting required documents. Moreover, they must be registered with the CRD.

Work and residence permits for foreign employees, managers or officers must be obtained prior to starting any work in Egypt.

BUSINESS RECOGNITION

JSC

Well regarded and widely used.

LLC

Well regarded and widely used.

OPC

New entity form based on an attractive single founder structure.

Branch

Regularly used where there is a foreign company which requires a specific contract to be carried out in Egypt.

RO

Regularly used where the goal is to carry out market exploration and analysis as opposed to carrying out commercial activities.

SHAREHOLDER MEETING REQUIREMENTS

JSC

- The shareholders supervise the management of the company through the general assembly. The general assembly shall be held upon the invitation of the company's chairman and shall be divided into an ordinary general assembly (OGM) and extraordinary general assembly (EGM), each of which shall have its competences
- Each shareholder shall have the right to attend the general assembly whether in person or by proxy by virtue of a written power of attorney or authorization. The shareholder who is not a member of the company's BoD shall not be entitled to appoint a board member to attend the general assembly on their behalf.
- The meeting of the general assembly shall be held at least once every financial year within the 3 months

succeeding the end of the financial year of the company. The attendance and voting quorums of the OGM and EGM are determined in the AoA of the company in accordance with the Companies Law.

- The OGM is held to:
 - Approve the appointment and removal of the board member(s) Supervise and release the board member(s) from liability Approve the financial statements
 - Approve the BoD's report regarding the company's activity Approve the distribution of dividends and
 - Decide on the matters proposed by any of the board members, GAFI or shareholders holding 5 percent of the capital of the JSC.
- The EGM is held to:
 - Decide on any amendment of the AoA of the company, taking into consideration the restrictions provided under the Companies Law
 - Consider the dissolution or continuation of the company in case its losses amounted to half the value of the shareholders' rights according to the recent financial statements and
 - Issue preferential shares and increase the capital.

LLC

- Similar to a JSC, the quotaholders of an LLC supervise the management of the company through the general assembly (ie, the OGM and EGM, each of which shall have its competences). The general assembly shall be held upon the invitation of quotaholders representing at least 1/4 of the company's capital.
- Each quotaholder shall have the right to attend the general assembly whether in person or by proxy by virtue of a written power of attorney or authorization. Quotaholders shall be entitled to appoint a third party (who is not a manager) to attend the general assembly on their behalf unless otherwise is provided under the Aol of the company.
- The meeting of the general assembly shall be held at least once every year during the 3 months succeeding the end of the financial year of the company. The attendance and voting quorums of the OGM and EGM are determined in the Aol of the company in accordance with the Companies Law.
- The OGM shall be held to:
 - Supervise and release the manager(s) from liability Approve the financial statements. (Preferred to be held by an EGM.)
 - Approve the managers' report on the company's activity Approve the distribution of dividends and
 - Decide on the matters proposed by any of the manager(s), GAFI or quotaholders holding 5 percent

of the capital of the LLC.

- The EGM shall be held to:
 - Decide on any amendment of the Aol of the company (eg, approve the appointment and removal of the manager(s)), taking into consideration the restrictions provided under the Companies Law
 - Consider the dissolution or continuation of the company in case its losses amounted to half the value of the quotaholders' quotas according to the recent financial statements and
 - Increase the capital.

OPC

Not applicable, as the founder supervises the management of the company and has all powers of the general assembly. The founder of the company has the authority to decide on all company matters and, in particular, the following:

- Amendment of the Aol of the company
- Liquidation or dissolution of the company
- Increase or decrease the capital of the company, taking into consideration the minimum required capital for the OPC as provided under the Executive Regulations
- Merging of the company and its transformation into another form of company and
- Appointment of 1 or more managers of the company and decide their competencies and authorities.

All actions of the founder shall not be effective before a third party prior to its annotation in the commercial register.

Branch

Not applicable for this jurisdiction.

RO

Not applicable for this jurisdiction.

BOARD OF DIRECTOR MEETING REQUIREMENTS

JSC

At least 3 BoD members must attend the meeting. The BoD shall meet at the invitation of its chairman or the majority of its members in case of a vacancy of the position of the chairman.

A third of the board members may submit a written request to the chairman to hold a meeting. If the chairman

fails to invite the board within 10 days from the date of submitting the request, they shall invite the board to a meeting themselves and notify GAFI with such meeting. The meeting may be held outside the company's headquarter or by means of teleconference, video conference or circulation, including electronic signature, in accordance with the regulations specified by the Companies Law.

LLC

A BoD meeting is not applicable under the Egyptian Laws for LLCs, but the quotaholders appoint manager(s) to manage a company. If the number of quotaholders is more than 10, control must be entrusted to a Board of Control (BoC) consisting of at least 3 quotaholders (non-managers) as determined in the Aol. Such BoC may require manager(s) to present reports, audit the books and documents of a company, take an inventory of treasury and financial stocks and request to show that the company validly exists and is in good standing. Moreover, the BoC controls financial statements of the company and annual report, develops a distribution of profits strategy and sends its report to quotaholders not less than 15 days before the next general assembly's meeting.

OPC

Not applicable for this jurisdiction. However, the founder appoints manager(s) to manage the company, determines their authorities and ratifies their signatures. Such manager(s) shall represent the company before courts and third parties and shall be responsible before the founder.

Branch

Not applicable for this jurisdiction.

RO

Not applicable for this jurisdiction.

ANNUAL COMPANY TAX RETURNS

Corporations

Annually file enterprise tax returns with tax authorities in addition to the required schedules and data within 60 days subsequent to the filing due date. By way of exception to the aforementioned, the Income Tax Law no. 91 of 2005 provides for certain circumstances whereby the company shall be exempted from the obligation of submitting the tax returns. In regards to VAT, Corporate Entities are generally required to file tax returns on monthly basis.

Branch

Annually file enterprise tax returns with tax authorities in addition to the required schedules and data within 60 days subsequent to the filing due date. By way of exception to the aforementioned, the Income Tax Law provides for certain circumstances whereby the branch shall be exempted from the obligation of submitting the tax returns. In regards to VAT, branches are generally required to file tax returns on monthly basis.

RO

Filing enterprise tax returns with tax authorities is not applicable for ROs under Egyptian laws as they cannot be engaged in commercial activities.

BUSINESS REGISTRATION FILING REQUIREMENTS

Corporations

Corporate entities require initial registration. They shall be registered in the commercial registry office by virtue of the establishment certificate issued by GAFI.

According to the Companies Law, GAFI is required to issue an establishment certificate upon being notified by the Corporate Entities provided that the required documents are attached to the establishment notification.

There are additional obligations to file yearly audited financial statements as well as amendments to bylaws, Aol(s) and AoA(s) each time they are made.

Branch

A branch's establishment requires an initial approval from GAFI and must be registered in the CRD. Moreover, it must annually (within 3 months from the lapse of its financial year) submit to GAFI:

- A copy of its financial statements and an audit report
- Names and nationalities of its manager(s)
- Number, nationalities, titles and total payroll of its employees and determine the payroll of the Egyptian employees and
- Its profits and the distributed proportion to its employees.

RO

An RO's establishment requires an initial approval from GAFI and must be registered in the CRD. Its registration certificate shall be issued for a period not exceeding 1 year and shall be subject to an annual renewal provided that the RO must be obliged to annually (at the beginning of each financial year) submit to GAFI (as may be requested):

- Employee names, titles, nationalities and total payroll and determine the ratio of the Egyptian employees' payroll
- Additional information concerning the RO's activities during the financial year and any amendments in relation thereto
- Evidence that the parent company has been notified with the aforementioned
- Decisions of the parent company in relation to the activities undertaken by the RO during the financial year and
- A timeline schedule for the pending and finalized studies required to be done by the RO.

BUSINESS EXPANSION

JSC

- Minimum 3 shareholders with no maximum limit.
- No need to change as business expands.
- If number of shareholders drops to be fewer than the minimum required number of persons, the entity may convert to an OPC corporation or increase the number of shareholders to no fewer than 3 natural or juridical persons.

LLC

- Minimum of 2 and maximum of 50 quotaholders.
- If number of quotaholders exceeds 50 persons, must convert to a JSC corporation or decrease the number of quotaholders to 50 persons.
- If number of quotaholders drops to be fewer than the minimum required number of persons, must convert to an OPC corporation or increase the number of quotaholders to 2 persons.

OPC

Used exclusively for a sole proprietor entity. The whole structure of this type of company is based on 1 founder. Therefore, if more than 1 natural or juridical person becomes a founder in an OPC, the entity must convert to an LLC or JSC as applicable.

Branch

No need to change as business expands, to the extent that the purpose remains within the scope of activities mentioned in the commercial register.

RO

Not applicable for this jurisdiction, as ROs are prohibited from engaging in commercial activity.

EXIT STRATEGY

Corporations

Shareholders', quotaholders' or founder's meeting approval (ie, the general assembly resolution) or court decision on dissolution and winding up of an entity. Liquidator(s) will be assigned to run the liquidation process.

Branch

Parent company must submit a declaration to GAFI together with other required documents, stating its decision to close a local branch.

RO

Parent company must submit a declaration to GAFI together with other required documents, stating its decision to close the RO.

A new comprehensive bankruptcy code has been adopted and implemented that codifies and organizes the liquidation process of an entity incorporated in the Arab Republic of Egypt.

ANNUAL CORPORATE MAINTENANCE REQUIREMENTS

JSC

Annual shareholders' meeting (ie, the general assembly meeting) to approve appointment of independent financial auditor, financial statements and limit liability of and hold the board harmless when it acts within the scope of its authority. The meeting should be held at least once every year during the 3 months succeeding the end of the financial year of the company.

LLC

Annual quotaholders' meeting (ie, the general assembly meeting) to approve appointment of independent financial auditor, financial statements and limit liability of and hold the manager(s) harmless when they act within the scope of their authority. The meeting should be held at least once every year during the 3 months succeeding the end of the financial year of the company.

OPC

A founder has all powers of a general assembly; therefore, they annually submit audited financials, appoint an independent auditor and name managers.

Branch

A branch must annually submit a copy of its financial statements and an audit report; names and nationalities of its manager(s); and number, nationalities, titles and total payroll of its employees and determine the payroll of the Egyptian employees, its profits and the proportion of the profit that was distributed to its employees to GAFI.

RO

An RO must annually submit to GAFI (as may be may requested), at the beginning of each financial year:

- Its employees' names, titles, nationalities, total payroll and determine the ratio of the Egyptian employees' payroll
- Any additional information regarding RO's activities during the financial year and any amendments in

relation thereto

- Evidence that the parent company has been notified with the aforementioned
- Decisions of the parent company in relation to the activities undertaken by the RO during the financial year and
- A timeline schedule for the pending and finalized studies required to be done by the RO.

DIRECTOR / OFFICER REQUIREMENTS

JSC

- Minimum of 3 board members appointed by the general assembly for 3 years. As an exception, the term of the first appointed BoD can be 5 years from the date of incorporation.
- Management is typically named by the BoD,
- The BoD usually appoints, among its members, a chairman and vice-chairman to the company. The chairman represents the company before courts.
- The powers and responsibilities of the company's chairman, executive chairman, board members and employees are usually provided under the company's AoA and its internal bylaws.

LLC

- At least 1 manager is required who is appointed for the first time by the quotaholders.
- The manager(s) shall have the responsibility to represent the company, unless otherwise provided under the company's Aol.
- The removal of the manager(s) shall be by virtue an EGM resolution. Such resolution is issued by the numerical majority of 3/4 of the quotas represented at the meeting.

OPC

A founder can be a manager or can appoint manager(s).

Branch

One or more managers must be appointed to run the business activities in Egypt.

RO

At least 1 manager. A manager does not need to be an Egyptian national.

For more information on directors' duties, see our [Global Guide to Directors' Duties](#).

LOCAL CORPORATE SECRETARY REQUIREMENT

Not applicable for this jurisdiction.

LOCAL LEGAL OR ADMIN REPRESENTATIVE REQUIREMENT

The Egyptian laws provide for local representative requirements in regards to certain activities including, inter alia, the following:

- Importation activities for trading purposes: Manager(s) of the company conducting the importation activity and 51 percent of its shareholders must be Egyptians
- Commercial agency activities: Manager(s) and board members of the JSC participating in such activity are required to be Egyptians or have held Egyptian nationality for at least 10 years. Additionally, it should be wholly owned by Egyptians or persons who have held Egyptian nationality for at least 10 years
- Acquiring lands and/or real estates' in Sinai: The company is required to be wholly owned by Egyptians and
- Operating in Sinai: The company must be established in the form of JSC and 55 percent of its shareholders must be Egyptians.

Further, with regard to the Egyptian employees' ratio in Egyptian companies, the Companies Law provides that the number of the Egyptian employees should not be less than 90 percent of the manpower in corporate entities.

LOCAL OFFICE LEASE REQUIREMENT

An owned or leased registered physical office space is required for all types of entities.

OTHER PHYSICAL PRESENCE REQUIREMENTS

Corporations

Corporate entities and their branches must have a registered office in Egypt.

Branch

Must have a registered office in Egypt.

RO

Must have a registered office in Egypt.

SUFFICIENCY OF VIRTUAL OFFICE

A physical presence is necessary for all types of entities.

PROVISION OF LOCAL REGISTERED ADDRESS BY LAW FIRM OR THIRD-PARTY SERVICE PROVIDER

Not applicable for this jurisdiction.

PROVISION OF LOCAL DIRECTOR OR CORPORATE SECRETARY BY LAW FIRM OR THIRD-PARTY SERVICE PROVIDER

Not available in this jurisdiction.

NATIONALITY OR RESIDENCY REQUIREMENTS FOR SHAREHOLDERS, DIRECTORS AND OFFICERS

Shareholders/quotaholders/founders

- There are no restrictions on foreign ownership. A company may be wholly owned by foreigners except in the event that the company participates in any activity that is restricted for foreigners by law – for example:
 - A commercial agency which is required to be wholly owned by Egyptians or persons who have held Egyptian nationality for at least 10 years
 - Importation activities for trading purposes whereby 51 percent of the shareholders must be Egyptians and
 - Acquiring of lands and/or real estate in Sinai whereby the company is required to be wholly owned by Egyptians.
- Security clearance must be obtained for foreign shareholders, quotaholders and founders.
- For foreign companies operating in Sinai and/or acquiring lands/real estate, certain security clearances may be required.

Directors and officers

JSC

- All board members may be non-Egyptians including the chairman and the managing director.
- Security clearance must be obtained for foreign board members.
- Work and residence permits for foreign employees including the board members must be obtained if they

will reside and work in Egypt.

- An entity may conduct business while its security clearances are pending. However, and by way of exception, some foreign nationalities (routinely subject to change) require the security clearance to be issued prior to starting the entity's business. The time required to obtain the security clearance is subject to the discretion of the competent authority after the submission of all requested documents.
- There are some restrictions regarding the appointment of directors of some activities under the Egyptian laws which require the managers to be Egyptians such as importation for trade purposes and commercial agency.

LLC

- A company must be managed by manager(s) appointed by quotaholders whether Egyptians or foreigners.
- Security clearance for a foreign manager(s) must be obtained.
- An entity may conduct business while its security clearances are pending. However, and by way of exception, some foreign nationalities (routinely subject to change) require the security clearance to be issued first prior to starting the entity's business. The time required to obtain the security clearance is subject to the discretion of the competent authority after the submission of all requested documents.
- Work and residence permits for foreign manager(s) must be obtained.
- There are some restrictions regarding the appointment of directors and some activities under the Egyptian laws require the managers to be Egyptians (eg. importation for trade purposes and commercial agency).

OPC

- A company must be managed by manager(s) appointed by a founder. The manager does not need to be an Egyptian national.
- Security clearance for foreign manager(s) must be obtained.
- An entity may conduct business while its security clearances are pending. However, and by way of exception, some foreign nationalities (routinely subject to change) require the security clearance to be issued first prior to starting the entity's business. The time required to obtain the security clearance is subject to the discretion of the competent authority after the submission of all requested documents.
- Work and residence permits for foreign manager(s) and employees must be obtained.
- There are some restrictions regarding the appointment of directors and some activities under the Egyptian laws require the managers to be Egyptians (eg. importation for trade purposes and commercial agency).

Branch

- A branch must be managed by a manager(s); the manager does not need to be an Egyptian national.
- Security clearance must be obtained for foreign manager(s).
- Work and residence permits must be obtained for foreign manager(s).

RO

- An RO must be managed by a manager(s); the manager does not need to be an Egyptian national.
- Security clearance must be obtained for foreign manager(s).
- Work and residence permits must be obtained for foreign manager(s).

RESTRICTIONS REGARDING APPOINTMENT OF NOMINEE SHAREHOLDERS OR DIRECTORS

Corporations

None with respect to shareholders, quotaholders and founders except that all foreigners must obtain security clearance.

There are some restrictions regarding appointment of directors, such as no minors, insolvent persons or persons with criminal records.

Branch

A security clearance must be obtained for foreign-based companies.

There are some restrictions regarding appointments of managers, such as no minors, insolvent persons or persons with criminal records.

RO

Security clearance must be obtained for parent company.

There are some restrictions regarding appointment of managers, such as no minors, insolvent persons or persons with criminal records.

SUMMARY OF DIRECTOR'S, OFFICER'S AND SHAREHOLDER'S AUTHORITY AND LIMITATIONS THEREOF

Corporations

JSC's chairman, vice-chairman, managing director and, in case of LLCs and OPCs, their respective manager(s) shall represent and manage the company.

JSC

The Companies Law and AoA may reserve certain powers to the general assembly meeting, such as approving the financial statements, appointment and resignation of board members and amending AoA. All other powers, unless otherwise required by law, will be attributed to the BoD.

LLC

The Companies Law and AoI may reserve certain powers to the general assembly meeting, such as approving the financial statements, appointment and removal of managers, and amending of AoI.

Unless otherwise required by applicable law, all other powers will be attributed to managers.

OPC

Founder of an OPC reserves all powers of a general assembly meeting and may appoint and remove manager(s).

Branch

Manager(s) represent a branch and run it under supervision and guidance of foreign-based company and in accordance with applicable Egyptian Law.

RO

Manager(s) represent the RO and operate it under supervision and guidance of a parent company and in accordance with applicable Egyptian law.

PUBLIC DISCLOSURE OF IDENTITY OF DIRECTORS, OFFICERS AND SHAREHOLDERS

JSC

Identities of the board members and officers of the company are disclosed in a company's commercial register. Where a company is a publicly listed company on the Egyptian Stock Exchange, identities of shareholders are publicly disclosed. Identities of shareholders of private, non-listed companies are not publicly disclosed.

LLC

Identities of quotaholders and manager(s) are disclosed in a company's commercial register.

OPC

Identities of a founder and a manager(s) are disclosed in a company's commercial register.

Branch

Identities of a foreign-based company and its manager(s) are disclosed in a company's commercial register.

RO

Identities of a parent company and its manager(s) are disclosed in a company's commercial register.

MINIMUM AND MAXIMUM NUMBER OF DIRECTORS AND SHAREHOLDERS

JSC

Minimum of 3 shareholders and no maximum is required.

Minimum of 3 board members.

LLC

- Minimum of 2 quotaholders and a maximum of 50.
- If number of quotaholders is more than 10, control must be entrusted to a BoC, consisting of at least 3 quotaholders (non-managers).
- Minimum 1 manager.

OPC

- Wholly owned by 1 person; can be a natural or juridical person.
- Founder has overall management responsibility and may appoint manager(s).

Branch

- Shareholders are not applicable.
- At least 1 manager.

RO

- Shareholders are not applicable.
- One manager.

MINIMUM NUMBER OF SHAREHOLDERS REQUIRED

Please refer to Section ([Minimum and Maximum Number of Directors and Shareholders](#)) above.

REMOVAL OF DIRECTORS OR OFFICERS

Corporate entities

Generally, shareholders, quotaholders or founders may remove directors or managers at any time by virtue of a

decision issued by the general assembly, or they can resign. Managers and directors who are appointed in accordance with a labor contract governed by Labor law cannot be removed unless in accordance with the Labor Law.

With regard to LLCs, the removal of the manager(s) shall be by virtue an EGM resolution. Such resolution shall be issued by the numerical majority of 3/4 of the quotas represented at the meeting.

Branch

A foreign-based company can remove manager(s) at any time and subject to applicable provisions of labor law (if appointed in accordance with a labor contract that is governed by labor law).

RO

A parent company can remove manager(s) at any time and subject to applicable provisions of labor law (if appointed in accordance with a labor contract that is governed by labor law).

REQUIRED AND OPTIONAL OFFICERS

JSC

Minimum of 3 board members. The general assembly meeting must be attended by at least 3 board members. A company's AoA may provide the number of BoD meetings to be held per year.

LLC

At least 1 manager is required who is appointed for the first time by the quotaholders. If the number of quotaholders is more than 10, then control must be entrusted to a BoC, consisting of a minimum of 3 quotaholders as determined in the AoI. No minimum number of meetings per year.

OPC

Not applicable for this jurisdiction. However, the founder appoints manager(s) to manage the company, determines their authorities and ratifies their signatures. Such manager(s) will represent the company before courts and third parties and be responsible to the founder.

Branch

Not applicable for this jurisdiction.

RO

Not applicable for this jurisdiction.

BOARD MEETING REQUIREMENTS

Please refer to "[Board of Director Meeting Requirements.](#)"

QUORUM REQUIREMENTS FOR SHAREHOLDER AND BOARD MEETINGS

In conjunction with the "Shareholders Meeting Requirements" and "Annual Corporate Maintenance Requirements" sections, the required quorum for shareholder, quotaholders or founders and BoD meeting is as follows:

JSC

Shareholders:

- Ordinary general assembly meeting (OGM):
 - Shareholders representing at least 1/4 of the company's capital must attend the OGM. The AoA of the company may stipulate a higher mandatory attendance not exceeding 50 percent of shareholders (ie, the company's capital). If this minimum is not met at a first meeting, the OGM will be called to a second meeting within 30 days after the first meeting.
 - The invitation of the first meeting may determine the date of the second meeting (if the required minimum attendance of the shareholders is not met) unless otherwise is provided under the AoA of the company.
 - A second meeting will be deemed valid regardless the number of shares represented in the meeting.
 - Resolutions of the OGM shall be issued by an absolute majority of the shares represented at the meeting (50 percent plus 1 share of the attending shareholders).
 - The OGM must be attended by a minimum of 3 board members.

Extra-ordinary general assembly meeting (EGM):

- The provisions regulating the OGM under the Companies Law apply to the EGM and take into consideration the following:
 - The company's BoD may invite the EGM to be held upon the request of the shareholders representing at least 10 percent of the company's capital provided that such shareholders must deposit their shares at the company's headquarter or in any approved bank. The shares should not be withdrawn except after dismissal of the EGM. If the board does not convoke the EGM within 1 month from the date of submitting the request, the applicants may recourse to GAFI which will address the invitation itself.
 - Shareholders representing at least half of the company's capital must attend the EGM. If this minimum quorum is not present in a first meeting, then shareholders are invited to a second meeting to be held within 30 days from the date of a first meeting.
 - A second meeting will be considered valid if attended by a number of shareholders representing at least 1/4 of the company's capital
 - Resolutions of the EGM are issued by a majority of 2/3 of the shares represented in the meeting.

- If the resolution relates to the increase of the authorized capital, the diminution of the capital, the dissolution of the company before its term, changing its purpose or its merging or splitting, the voting majority shall be 3/4 of the shares represented in the meeting.
- The EGM must be attended by a minimum of 3 board members.

LLC

Quotaholders:

- Ordinary general assembly meeting (OGM):
 - Quotaholders representing at least half of capital must attend an OGM (unless the AoI of the company stipulates a higher proportion). If this minimum is not met at a first meeting, then an OGM will be called to a second meeting within 30 days after the first meeting.
 - A second meeting will be deemed valid regardless of the represented number of shares.
 - Resolutions of the OGM shall be issued by an absolute majority of the quotas represented at the meeting (50 percent plus 1 quota of the attending quotaholders).
 - The OGM must be attended by at least 1 manager and the auditor.
- Extra-ordinary general assembly meeting (EGM):
 - Shareholders representing at least half of capital must attend the EGM. If this minimum quorum is not present in a first meeting, then shareholders are invited to a second meeting to be held within 30 days from the date of a first meeting.
 - A second meeting will be considered valid if attended by a number of shareholders representing at least 1/4 of capital. Every shareholder or quotaholder in JSC or LLC is entitled to attend the general assembly, personally or by a written proxy (ie, written power of attorney or authorization).

Every Shareholder in JSC or LLC is entitled to attend the general assembly of shareholders, personally or by written proxy.

OPC

Not applicable for this jurisdiction.

Branch

Not applicable for this jurisdiction.

RO

Not applicable for this jurisdiction.

MUST A BANK ACCOUNT BE OPENED PRIOR TO INCORPORATION, AND MUST THE BANK ACCOUNT BE LOCAL?

Corporations

Yes.

Branch

Yes.

RO

Yes.

AUDITING OF LOCAL FINANCIALS. IF SO, MUST THE AUDITOR BE LOCATED IN LOCAL JURISDICTION, AND MUST THE COMPANY'S BOOKS BE KEPT LOCALLY?

Corporations

Applicable to this jurisdiction. The provisions relating to the auditor of the JSCs shall also apply to LLCs and OPCs. In this regard, the company must appoint 1 or more certified auditors by its general assembly.

The auditor has, at all times, the right to examine all the books, registers and documents of the company and to demand information and explanations which is deemed to be essential for the fulfillment of the auditor's duties.

Branch

The provisions relating to the auditor of the JSCs shall apply to a branch.

RO

Not applicable for this jurisdiction.

REQUIREMENT REGARDING PAR VALUE OF STOCK

JSC

Minimum par value per share is EGPI and maximum EGPI,000.

LLC

Quotas must be equal in value.

OPC

Single founder with all equity issued to be of equal value.

Branch

Not applicable for this jurisdiction.

RO

Not applicable for this jurisdiction.

INCREASING OF CAPITALIZATION IF NEEDED

Corporations

Capital may be increased any time after incorporation. It requires an EGM's resolution and must be reflected in the AoI or AoA of the company and its commercial register. In case of a JSC, if the capital increase is within the authorized capital, such increase will not require an EGM's resolution and could be made by virtue of a BoD resolution.

Branch

Not applicable for this jurisdiction.

RO

Not applicable for this jurisdiction.

SUMMARY OF HOW FUNDS CAN BE REPATRIATED FROM YOUR JURISDICTION (IE DIVIDENDS OR REDEMPTION)

No restrictions on the repatriation of funds of all entities outside of Egypt. Banking regulations will apply including Anti-Money Laundering requirements and providing legitimate reason for any transfer as may be required.

However, it is worth noting that the exportation of EGP is prohibited if it exceeds an amount of EGP5,000. Accordingly, funds exceeding the aforementioned EGP amount must be converted into any foreign free hard currency prior to repatriation.

RESTRICTIONS ON TRANSFERABILITY OF SHARES

JSC

Shares may generally be transferred between shareholders or third parties, provided that the transfer of the

in-kind shares is not made by founding shareholders within the first 2 financial years of the company and before the publication of the relevant financial statements and other related documents. By way of exception, subscribed shares may be assigned or transferred between the shareholders or to a board member if such subscribed shares are to be presented as a guarantee for their company's management, or from 1 of the board member's heirs to other shareholders except when there is restriction on the transferability in the AoA (eg, the pre-emption right).

For the transfer of shares to be complete in accordance with Egyptian law, the Egyptian Stock Exchange (EGX) and MCDR must be notified.

LLC

Quotas may generally be transferred between quotaholders or third parties without the other quotaholders having the right of redemption of such transferred quotas unless provided otherwise under the company's Aol. The company's Aol may provide that such transfer should be made by virtue of a written agreement which should be notarized at the notary public office.

Unless otherwise agreed in the Aol, there is a preemptive right for existing quotaholders to buy quotas offered for sale.

The quotaholder wishing to sell or transfer quotas is obliged to first notify the manager(s) of the company of the desire and the terms of the quota transfer or sale agreement, and then notify the other quotaholders who can then either exercise their right to substitute the buyer or waive such right.

OPC

A founder can transfer or sell equity to any person (ie, natural or juridical person) via a written agreement. If a founder transfers or sells the equity to more than 1 person, then a company must be registered as an LLC or JSC as applicable within 90 days from the date of transfer or sale. In any case, the transfer of equity will not be valid unless registered in the company's commercial register.

Branch

Not applicable for this jurisdiction.

RO

Not applicable for this jurisdiction.

OBTAINING A NAME AND NAMING REQUIREMENTS

In general, a corporation may have any name that is not currently used by another company or that infringes on an existing registered trademark or trade name or cause confusion or misunderstanding to the company's purpose or nature. An entity may submit its chosen name to GAFI for pre-approval.

JSC

A company's name can be derived from its purpose (ie, refer to its activity) or from the names of its shareholders. A Joint Stock Company must have the words "Joint Stock Company" or "JSC" as part of its name.

LLC

A company's name can be derived from its purpose or from a name of its quotaholders or any one of them. A limited liability company must have the words "Limited Liability Company" or "LLC" as part of its name.

OPC

A company's name may be derived from its purpose or from a name of its founder.

Branch

A branch must have the same name as a foreign-based company. The phrase "a branch of (name of foreign-based company)" must be added to a branch's name.

RO

An RO must have the same name as a foreign-based company. The phrase "an RO of (name of foreign-based company)" must be added to an RO's name.

SUMMARY OF "KNOW YOUR CLIENT" REQUIREMENTS

Not applicable for this jurisdiction.

APPROVAL REQUIREMENTS FOR AMENDING CHARTER DOCUMENT

Approval from GAFI and the FRA is required as applicable.

LICENSES REQUIRED TO CONDUCT BUSINESS IN JURISDICTION

Corporations

Egyptian law may provide for certain types of activities which require licenses, such as importation of goods for trade purposes, tourism and operating in Sinai.

LLC

LLC companies cannot engage in:

- Banking activities
- Deposit taking Insurance business
- Investment funds of third parties Savings and
- Any other activity restricted by virtue of the provisions of law.

OPC

OPC companies cannot engage in:

- Banking

- Deposit taking Insurance business
- Investment funds of third parties Savings
- Incorporation of an OPC
- Public subscription (whether upon its incorporation or increasing its capital)
- Division of the company's capital into exchangeable shares and
- Borrow by issuing tradable securities.

Branch

A branch must be formed for the purpose of conducting specific public or private sector agreements in Egypt. Only certain types of activities require license, such as construction and building.

RO

An RO may not conduct commercial activities or execute agreements with third parties on behalf of a foreign company and can only conduct studying activities such as studying the feasibility of production or carrying out market surveys.

PROCESS OF PURCHASING AND UTILIZING A SHELF COMPANY

Not applicable for this jurisdiction.

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