

GLOBAL
EMPLOYER
GUIDE
EGYPT





Basic Country Facts

Full name

- Junhuriyah Misr al-Arabiyah (Arab Republic of Egypt)

Capital

- Cairo

Main Languages

- Egyptian Arabic
- English

Population

- 98.42 million

Monetary unit

- Egyptian Pound (EGP)

Internet domain

- .eg

International dialing code

- +20

Currency

- Egyptian Pound (EGP)

STATUTORY LABOR REQUIREMENTS

Probation Period

- Employees in Egypt are typically hired with an initial probationary period.
- The length of the probation period is fixed by contract and, by law, cannot exceed three months.

Annual Leave

- According to the Labor Law in Egypt, the duration of the employees' annual leave is 21 days per year provided they have worked one year for the employer.
- For employees who have worked for more than 10 years, serving at least one or more employers, the annual leave is 30 days.

Public Holidays

- Orthodox Christmas Day (7th January)
- January 25 Revolution Day (25th January)
- National Police Day (25th January)
- Sham Ennessim
- Sinai Liberation Day (25th April)
- Labor Day (1st May)
- Eid al-Fitr
- Uprising in Egypt (30th June)
- Revolution Day (23rd July)
- Eid al-Adha
- Islamic New Year
- Armed Forces Day (6th October)
- Prophet's Birthday

Maternity Leave

- Female employees are generally entitled to 90 days of paid maternity leave.
- This is predicated upon serving at her current job for a minimum of 10 months
- Under most contracts, women are only eligible for maternity leave twice within 5 years.



Paternity Leave

- Labor Law does not provide provisions for paternity leave.

Sick Leave

- An employee with proven record of sickness is entitled to a paid sick leave at the rate of 75% of his/her salary upon which social insurance payments are calculated; for a period of 90 days, to be increased to 85% for the following 90 days.
- Sick leaves are payable up to 180 days.

Work Hours

- A full work week is generally considered five 8-hour work days in Egypt, from Sunday through Thursday (to a maximum of six full days, which would generally add Saturday as the sixth).

Overtime

- Article 85 of the Labor Law stipulates that working overtime must be with the explicit agreement of the employer while the total working hours during a day must not exceed 10 hours.
- This usually means that the employee is only entitled to two hours of overtime pay.
- The minimum premiums are set at 35% of the normal pay for overtime work during daylight and 70% for work at nighttime; 100% for work performed on days off and holidays.

Notice Period

- A two months' notice period shall be sent to the employee if his/her service with the employer has been less than 10 years
- A three months' notice period shall be sent in case the employee's service with the employer has been more than 10 years.

Severance

- With regards to terminations for economic reasons, the severance allowance must be equal to one month's wage for each of the first five years of service, and one-and-a-half months for each subsequent year
- In case of termination of an indefinite period employment contract by the employer without a justified cause, the employer shall be liable to compensation of the employee: no less than two months' full salary for each year of service in addition to entitlements such as accrued leaves, bonuses etc.

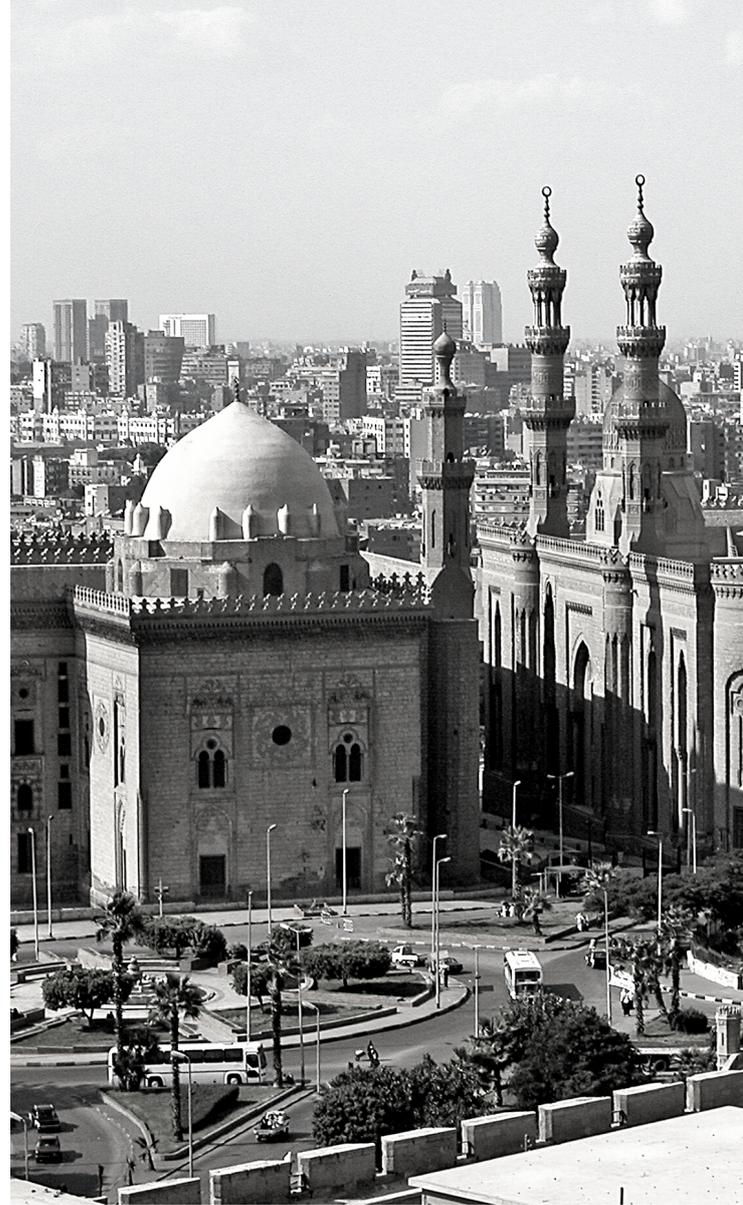
13th Month

- 13th month pay is not mandatory in Egypt

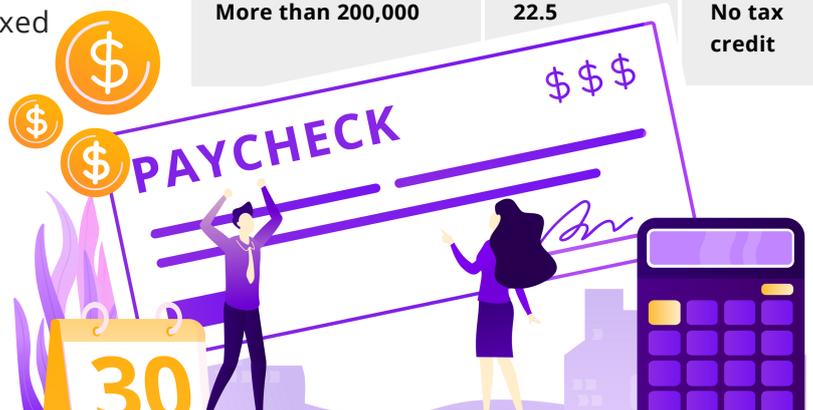


Income Tax

- Income tax is imposed on the following sources of income:
 - Worldwide income from employment or dependent services paid by the Egyptian government or any Egyptian public organization, regardless of the employee's residence, the place where services are rendered or the place of payment
 - Egyptian-source income paid by Egyptian or foreign companies or by private sector enterprises to any employee resident in Egypt or resident abroad, in return for services rendered in Egypt (pension payments are excluded)
 - Non-Egyptian-source income paid to a resident employee or individual if Egypt is the location of the headquarters of the individual's commercial, industrial or professional activity
- Under the law, persons are deemed to be residents of the country where they have a permanent domicile.
- A person who resides in Egypt for a period exceeding 183 days during a calendar year is deemed to be resident in Egypt for tax purposes.
- Nonresident individuals and expatriate experts (as defined) are generally taxed on Egyptian-source income only.



Earned income (EGP)	Tax rate on bracket (%)	Tax credit
From 0 to 8,000	0	N/A
8,000 to 30,000	10	85%
30,000 to 45,000	15	45%
45,000 to 200,000	20	7.5%
More than 200,000	22.5	No tax credit



Social Security

- Social insurance contributions are levied only on Egyptian nationals with full-time employment.
- An employee pays 14% on monthly base salary up to EGP1,670, and 11% on monthly amounts exceeding this amount or on other payments, including overtime or representation allowances, up to EGP4,040.
- Egyptian monthly social security contributions are based on two components: basic salary and variable salary.
- The amounts paid to the concerned social insurance offices should be in accordance with the following:

Employee	Basic	Variable
Salary maximum	EGP 1,670	EGP 4,040
Maximum contribution	EGP 211	EGP 444
Rate	14%	11%

- There is no payroll tax other than the employer's social security contributions.
- The amounts paid to the concerned social insurance offices should be in accordance with the following:

Employee	Basic	Variable
Salary maximum	EGP 1,510	EGP 4,040
Maximum contribution	EGP 393	EGP 970
Rate	26%	24%

- In addition to the above, any managers/board of directors whose names are included in the commercial register of the company will be socially insured as employers and would be subject to social insurance at a flat rate of 15% of the total maximum basic and the variable salary thresholds above (i.e. EGP 5,550).



Deductible Expenses

Employment Expenses

- Social insurance contributions and others, as retained according to the provisions of the Egyptian Social Insurance Law, or any alternative systems established according to the provisions of Law no. 64 of the year 1980 on alternative private social insurance systems are deductible.
- Employees' contributions to the private insurance funds established according to the provisions of the law on private insurance funds, promulgated by Law no. 54 for the year 1975, are deductible

Personal Deductions

- The total deductible amount for the employees' contribution to the private insurance funds, the premiums of life and health insurance, and the insurance premiums for pension entitlement cannot exceed 15% of the net revenue or EGP 10,000, whichever is lower.
- No further deduction of the same contributions and premiums should be repeated from any other industrial, commercial or non-commercial, or real estate income.

Personal Allowance

- Every resident individual (employee) is allowed EGP 7,000 of the taxable amount earned per annum as a personal allowance starting from 1 September 2013 (previously EGP 4,000).
- There is also the first EGP 6,500 in the first tax bracket that is subject to 0% tax, which applies to all resident individuals.

Business deductions

- All expenses shall be deducted under the following conditions:
 - They shall be connected with the commercial or industrial activity of the establishment and necessary for exercising that activity.
 - They shall be true and supported documentarily, with the exception of the costs and expenses that are not customarily established by documents.



Deductible Expenses

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Immigration

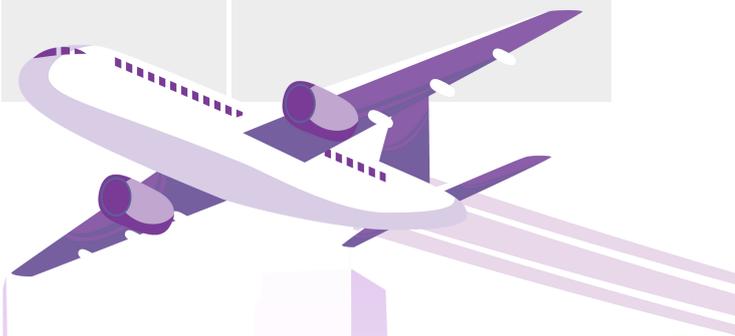
- If a foreign visitor wants to work in Egypt on a full-time basis, under Egyptian labor law, he or she needs to obtain a work permit.
- Work permits are granted to expatriates by the Ministry of Manpower and Immigration on an individual basis.
- A work permit is granted for one year.
- The work permit may be renewed annually up to a maximum of five years unless exceptional approval is received from the Ministry of Manpower and Immigration.
- The renewal of the work permit usually takes from 10 to 15 working days, depending on the employee's nationality
- The following criteria are considered for applicants who will work on full-time basis:
 - The applicant should have a legal entity in Egypt through which the applicant applies for enrollment.
 - The applicant's position should add value to the Egyptian legal entity (that is, he or she should be an expert in his or her area of specification, because ordinary positions, such as administrative positions, are not acceptable for enrollment).
 - The applicant should have at least three years of relevant experience in the same position that he or she will be holding in the Egyptian legal entity.
 - The Egyptian legal entity should comply with the labor ratio of 9:1 (that is, nine Egyptian full-time employed and socially insured employees for each expatriate employee).

Residence Visas

- Ordinary visas are issued for a period of five years to foreign nationals who are married to Egyptians or who were born in Egypt or Palestine.
- Special visas are issued to foreign nationals for political reasons or to individuals who have provided beneficial services to Egypt. The duration of this visa is 10 years, and it is renewable for similar durations.



Type of Visa/ Permits	Documentation	Validity	Eligibility
Work Permit	<ul style="list-style-type: none"> • A valid passport • 7 recent passport sized photographs • Copy of university degree • Certificates of experience • Results of medical tests including HIV test • Copy of birth and marriage certificates if dependents are included in the application • Copy of a job offer letter 	1 year (can be renewed up to a maximum of 5 years)	<ul style="list-style-type: none"> • The applicant should have a legal entity in Egypt • The applicant's position should add value to the Egyptian legal entity • The applicant should have at least three years of relevant experience in the same position that he or she will be holding in the Egyptian legal entity • The Egyptian legal entity should comply with the labor ratio of 9:1
Ordinary Residence Visa	<ul style="list-style-type: none"> • Valid passport • Passport-sized photos • Completed application forms • Proof of financial means for residency • Copy of birth and marriage certificates if dependents are included in the application • Results of medical tests 	5 years	<ul style="list-style-type: none"> • Ordinary visas are for foreign nationals who are married to Egyptians or who were born in Egypt or Palestine
Special Residence Visa	<ul style="list-style-type: none"> • Valid passport • Passport-sized photos • Completed application forms • Proof of financial means for residency • Copy of birth and marriage certificates if dependents are included in the application • Results of medical tests 	10 years	<ul style="list-style-type: none"> • Special visas are issued to foreign nationals for political reasons or to individuals who have provided beneficial services to Egypt



Value Added Tax (VAT)

- Egypt introduced a Value Added Tax (VAT) regime on 8 September 2016, replacing a 10% Sales Tax.
- The VAT system follows the OECD-model, with tax due and reclaimable throughout the production chain until the final consumer.
- VAT is termed Al Dareeba Ala el Qema Al Modafa locally and is administered by the Ministry of Finance.

VAT Rates

Standard Rates	10%
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Withholding Tax

Dividends

- Dividends paid to a resident or a nonresident entity are subject to a 10% withholding tax
- The rate is reduced to 5% where the corporate recipient holds more than 25% of the capital or voting rights in the payer company for at least 2 years
- The rate is further reduced under tax treaties

Interest

- Interest paid to a nonresident is subject to a 20% withholding tax, unless the rate is reduced under an applicable tax treaty
- Tax on interest is withheld at source at the domestic rate and the recipient must apply for a refund to benefit from a reduced withholding tax rate

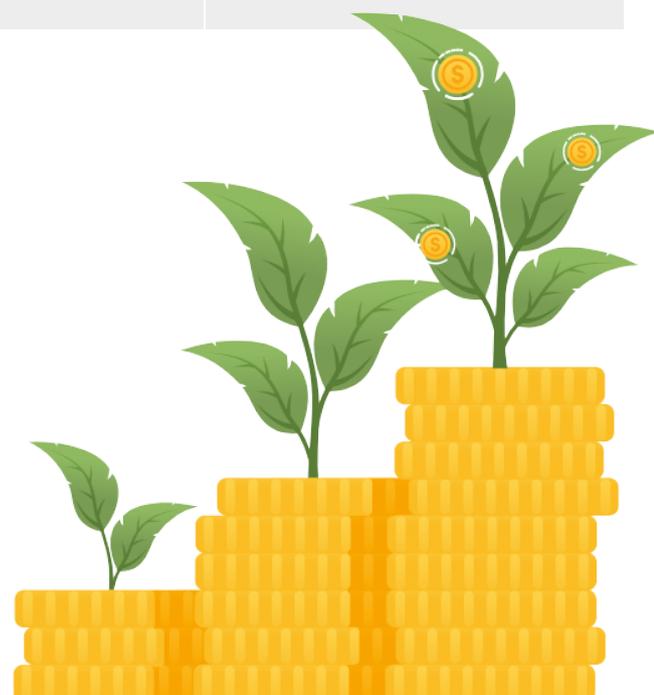
Royalties

- Royalty payments made to a nonresident are subject to a 20% withholding tax, unless the rate is reduced under an applicable tax treaty
- Tax on royalties is withheld at source at the domestic rate and the recipient must apply for a refund to benefit from a reduced rate under a treaty

Technical Service Fees

- Outbound payments for “services” trigger, in principle a 20% withholding tax unless otherwise provided in an applicable tax treaty

WHT	
Dividends	<ul style="list-style-type: none">• Standard = 10%• Reduced Rate = 5%
Interest	<ul style="list-style-type: none">• 20%
Royalties	<ul style="list-style-type: none">• 20%
Technical Service Fees	<ul style="list-style-type: none">• 20%



Termination

- In case of termination of a definite period employment contract by the employer at any time within its term, without a justified cause, the employer shall be liable to cover full wage which the employee would have been entitled to throughout the entire period of the contract.
- Applicable notice period shall be as agreed upon in the definite period employment contract.
- A two months' notice period shall be sent to the employee if his/her service with the employer has been less than 10 years; a three months' notice period shall be sent in case the employee's service with the employer has been more than 10 years.
- Employer is not entitled to terminate employment contract unless employee breaches the contract by committing a "grave fault" (Article 69, Labor Law).
- "Grave fault" constitutes the following:
 - Assumption of false identity or submission of forged documents;
 - Continuous violation of safety instructions;
 - Absence from work for more than 20 non-consecutive or 10 consecutive days in a given one year;
 - Disclosure of the employer's secrets causing material loss;
 - Competition with the employer in the same line of work;
 - Intoxicated state during working hours;
 - Assault of the employer, general manager or any of the superiors;
 - Professional incompetence
- In case an employee is unfairly dismissed, he/she is eligible for claim of compensation.
- Such compensation is decided and identified by the competent court but must not be less than two months' full wages for each year of service; in case of a definite term agreement, the salary for the remainder of the contract period.



Statutory Benefits

- These are mandatory benefits as postulated by law
- These include probationary period, annual leave, public holidays, sick leave, maternity leave, overtime pay, notice period, and severance pay
- Statutory benefits also include social security benefits

Statutory Benefits

Probationary Period

Annual Leave

Public Holidays

Maternity Leave

Sick Leave

Overtime Pay

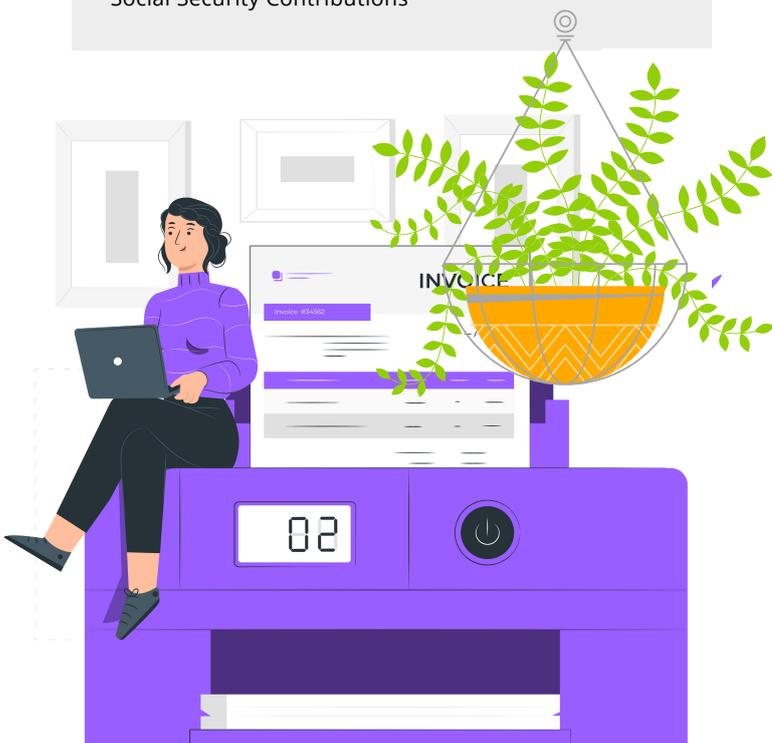
Notice Period

Severance Pay

Social Security Contributions

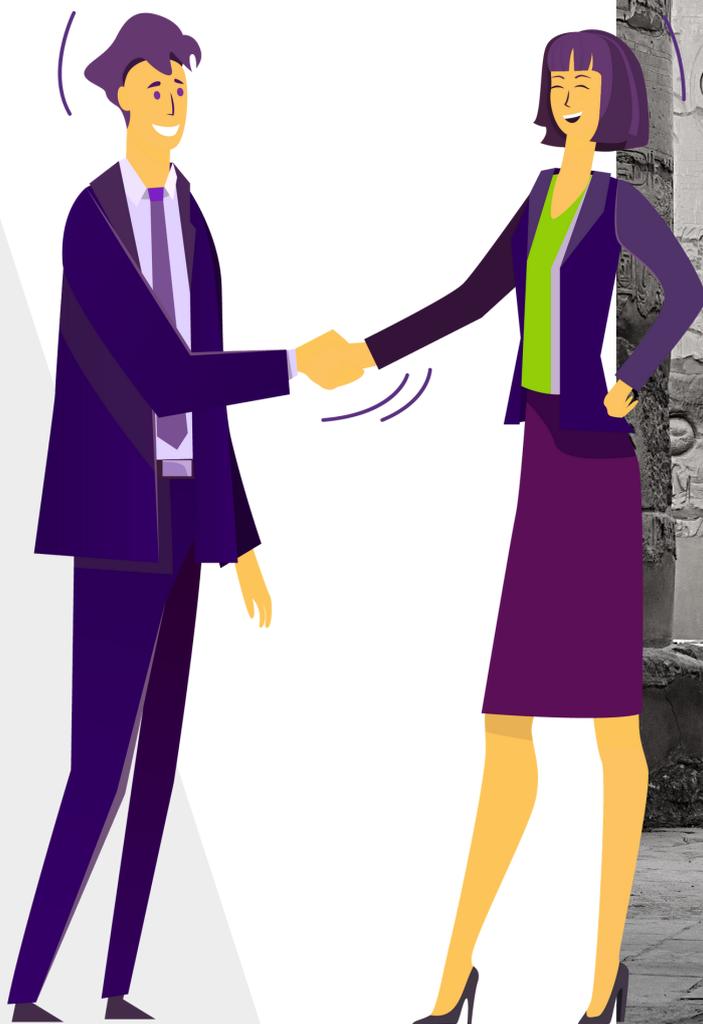
Payments and Invoicing

- The tax year in Egypt is the calendar year.
- Married persons are taxed separately, not jointly, on all types of income.
- Individuals engaged in business or professional activities must notify the tax authorities within 30 days of starting such activities and within 30 days after ceasing activities or relocating.
- They are also required to obtain a tax identification card.
- Individuals deriving noncommercial profits, regardless of the amount, must submit annual tax returns and pay tax before 1 April for income derived in the preceding calendar year.
- Employees are not required to submit annual returns for their employment income.
- Companies must withhold monthly tax from the salaries of employees and remit such amounts to the tax authorities.
- Nonresidents with commercial and industrial activities operating as partnerships must file annual tax returns within four months after the end of the financial year or within 30 days after the cessation of their activities.
- Tax becomes due and is payable within 30 days after receipt of a notice of final tax assessment from the tax authorities.
- If individuals fail to pay the tax due before the due date, a delay penalty applies until the date of payment.
- The delay penalty is imposed at a rate of 2% plus the credit and discount rate set each January by the Central Bank of Egypt.



Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Egypt ranked 114th in the World in 2019 in terms of ease of doing business.



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