

EGYPT¹

I. Overview of Country

Egypt is a republic, with a mixed civil code and Islamic law legal system. The constitutionality of laws is determined by the Supreme Constitutional Court. The country recognizes many different forms of association. In the case of for-profit organizations, the laws recognize representative offices, branch offices, joint-stock companies, and limited liability companies. Egypt also recognizes two different forms of not-for profit organizations: associations and non-governmental institutions. The laws governing not-for profit organizations in Egypt are recognized as being among the world's most restrictive, and a new draft NGO law is currently being considered for introduction later in 2015.² Each of these categories of organization will be discussed in further detail below.

II. Registration Procedures

A. For-Profit Organizations³

a. Laws

Egypt recognizes multiple different forms of for-profit organizations including representative offices, branch offices, joint stock companies and limited liability companies. All of these are subject to the Companies Law,⁴ which is the general law of application. The Companies Law prescribes all corporate governance rules and regulations, regulates management and control issues and fiduciary duty and fiscal policies, together with operation of the company's corporate requirements such as board of director's meetings, ordinary general meetings and extraordinary general meetings. However, depending on the types of activities, companies may also be formed either under the Investment Incentives and Guarantees Law (the "Investment Law"),⁵ or the Capital Market Law.⁶ Representative offices may also be required to be formed under the Commercial Agency Law.⁷

1. Registration Process for Joint-Stock Companies

¹ The following memorandum was prepared by pro bono counsel for the ABA Center for Human Rights. It is intended as background information only and should not be relied upon as legal advice on a particular case. The views expressed herein have not been approved by the House of Delegates or the Board of Governors of the American Bar Association, and, accordingly, should not be construed as representing the policy of the American Bar Association.

² The International Center for Not-for-Profit Law, *NGO Law Monitor: Egypt*, available at <http://www.icnl.org/research/monitor/egypt.html>.

³ See generally The World Bank, *Doing Business in Egypt 2014: Understanding Regulations for Small and Medium-Size Enterprises* (2013) at p.18 et seq., available at <http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Subnational-Reports/DB14-Egypt.pdf>.

⁴ The Companies Law, No. 159 of 1981 (Egypt), available at [http://en.jurisprida.org/index.php/Law:Law_No.159/198_\(eg\)](http://en.jurisprida.org/index.php/Law:Law_No.159/198_(eg)) (in English).

⁵ The Investment Incentives and Guarantees Law, No. 8 of 1997 (Egypt), available at <http://www.egypt.gov.eg/english/laws/> (in English).

⁶ The Capital Market Law, No. 92 of 1995 (Egypt), available at http://www.imolin.org/doc/amlid/Egypt/Egypt_Capital_Market_Law_1992.pdf. (in English).

⁷ Commercial Agency Law, No. 120 of 1982 (Egypt).

As discussed above, depending on the type of activity, different corporations may be governed by different laws. Joint-stock companies are defined as, “a company the capital of which consists of the part or more than what belongs to one or more joint partners, and of shares of equal values subscribed in by one or more shareholders, and are negotiable in the manner demonstrated by the law.”⁸

In the case of joint-stock companies, the most common corporate form in Egypt, the company’s founders only need to notify the Companies Department of the General Authority for Investment and Free Zones (GAFI) of the pending formation of a company. This notification should be accompanied by:

- Articles of association and statute;
- Certificate from authorized bank to the effect that required capital has been deposited;
- Receipt of payment of incorporation fees.

This generally takes two days. When the articles of association are submitted, GAFI must ratify them and issue a certificate of incorporation approving the establishment of the company. This certificate is issued within 24 hours. Thereafter, the applicant submits the application to the Commercial Register Office in order to have the company registered in the Commercial Register. The cost of obtaining the required certificate of non-confusion from the Commercial Registry to reserve the company name is 25 Egyptian pounds. The cost of obtaining a bank certificate from an authorized bank is between 300 and 600 Egyptian pounds.⁹

The documents that must be submitted to the Department of Companies are: original certificate of non-confusion; original bank certificate of opening an account with an authorized bank; a copy of the powers of attorney from the founders to their representatives; a copy of the founders’ identity cards or passports; original certificate indicating the company’s auditor is listed at the registry of accountants and auditors; the application provided by the GAFI; and the stamped articles of association.¹⁰

Within 15 days if there is no objection, the Department of Companies responsible publishes the notice of incorporation in the Investment Gazette at the company's expense.¹¹ The Companies Department may object within 10 days from the date of the company’s registration with the Commercial Registration Department if:

- the articles of association or statutes deviate from the models with respect to mandatory requirements or violate any law;
- the objectives of the company violate any law or public order; or
- one of the founders is not qualified to be a founder pursuant to the law.

If the founders do not rectify the grounds for the Companies Department’s objection within 15 days of receipt of the notification of objection, the newly registered company will be taken off the Commercial Register. This registration is good for 5 years. Upon incorporation, the company can complete tax registration and obtain a tax card. The company can then choose to register for sales

⁸ The Companies Law, *supra* note 3 at art. 3.

⁹ World Bank Group, “Doing Business 2015: Going Beyond Efficiency – Economy Profile: Egypt,” at 20 (2014), available at <http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Profiles/Country/EGY.pdf>

¹⁰ *Id* at 21. The total fee depends on the total capital value. *See id.* at 21.

¹¹ According to the World Bank “Doing Business” Report, the process of incorporation in Egypt takes 5 days. *Ibid.*, at 20-22.

tax, or is obliged to do so if already in production with sales in excess of 54,000 Egyptian pounds.¹² A company file is opened in order that the organization can register employees with the National Authority of Social Insurance. There are various documentary requirements.¹³

Joint stock companies may not employ more than 10% of its work force as foreigners or pay them more than 20% of the total payroll, with the exception of foreigners serving on the board of directors. Foreign employees working for a joint stock company must have obtained work and residence permits prior to commencing work in Egypt. The Egyptian Financial Supervisory Authority (EFSA) must be informed of the issuance of any stocks or bonds, and the stocks or bonds must only be issued if the EFSA has not objected within three weeks of the notification.¹⁴ Generally, the minimum issued capital required is EGP250,000. 10% of the capital must be paid at the time of incorporation, 15% must be paid within three months of incorporation, and the remaining 75% must be paid within five years of incorporation.¹⁵

i. Deregistration Process and Redress Mechanisms

Article 8 of the Company Law provides that if the number of founder partners in shareholder companies falls below a stipulated number, the company is considered to be legally dissolved if remedial action is not taken within six months.¹⁶ Pursuant to Article 68(c) of the Company Law, the Extraordinary General Assembly has the power to dissolve the company before expiration of its term.¹⁷ If losses of the company reach half the issued share capital, the Extraordinary General Assembly will consider dissolution of the company.¹⁸ In respect of commandite companies with shares, the company shall be dissolved on the death of the partner charged with its management unless it is prescribed otherwise. Article 137 of the Company Law provides that every company after its dissolution is considered to be in a state of liquidation.¹⁹

In case a court order is issued ordering the dissolution, the court shall indicate the mode of liquidation and will nominate the liquidator and fix his remuneration.²⁰

Note that in accordance with Article 31 of the Capital Market Law, the Authority's Board of Directors may dissolve the board of a company and appoint a commissioner to manage the company pending appointment of a new board, in the event of an "emerging danger" affecting the stability of the capital market company's shareholders interest, or the interest of the people who are dealing with the company.²¹

2. Registration Process for Representative Offices

¹² *Id.* at 22.

¹³ *Id.* at 23.

¹⁴ Practical Law, *Doing business in Egypt* (Feb. 1, 2015), available at <http://us.practicallaw.com/3-500-5425>.

¹⁵ *Id.*

¹⁶ *Id.* at art 8.

¹⁷ *Id.* at art. 68(c).

¹⁸ *Id.* at art. 69.

¹⁹ *Id.* at art. 137.

²⁰ Info-Prod Research (Middle East) Ltd., *Egypt Business Forms and Structures*, available at <http://www.infoprod.co.il/country/egypt2b.htm>.

²¹ The Capital Market Law, No. 92 of 1995, *supra* note 5 at art. 31.

According to Article 184 of the Company Law, representative offices are required to concord their forms in compliance with the provisions of that law.²² A foreign company may establish a representative office in Egypt for the purposes of performing market study and research for the benefit of a foreign company.

A representative office must be registered with GAFI, which has authority over the application of the Investment Law.²³ Bank representative offices must be registered with the Central Bank of Egypt. If an office is designated as a “technical” representative office, it must be registered with the Ministry responsible for its field of activity. For example, a technical office relating to pharmaceuticals must be registered with the Ministry of Health.²⁴

i. Deregistration Process and Redress Mechanisms (if different than above)

The Company Law includes no different provision for representative offices than mentioned above, i.e. that apply to other corporate forms.

3. Registration Process for Branch Offices

An overseas corporation may establish an Egyptian branch office to undertake certain commercial activity. Other than in respect of corporate governance issues, the branch office is treated as an Egyptian company.²⁵ Irrespective of legal form, a foreign corporation carrying out commercial, financial, industrial, or contracting activity in Egypt has to be registered as a branch in the Commercial Registry and GAFI.²⁶

In accordance with Article 184 and as mentioned above in relation to representative offices, branch offices shall concord their forms in compliance with the law.

i. Deregistration Process and Redress Mechanisms (if different than above)

The Company Law includes no different provision for representative offices than mentioned above, i.e. that apply to other corporate forms.

Article 172 of the Company Law provides that the “executive regulation indicates the provisions applicable to branches of foreign companies and their similar in case of liquidation of the foreign company or cessation of practice of its branches in Egypt.”²⁷

4. Registration Process for Limited Liability Companies

²² The Companies Law, *supra* note 3 at art. 184.

²³ The Investment Law, *supra* note 4.

²⁴ Lex Mundi, *Guide to Doing Business Egypt (prepared by Shalakany Law Office)* March 2012 at p.6, available at www.lexmundi.com/Document.asp?DocID=4291.

²⁵ The Companies Law, *supra* note 3 at Part VI; art. 184.

²⁶ *Lex Mundi*, *supra* note 9 at p. 8.

²⁷ The Companies Law, *supra* note 3 at art. 172.

An Egyptian limited liability company is a closed company where the liability of each of its shareholders is limited to the value of their shares in the company. The Companies Law applies to limited liability companies having their head offices in Egypt or exercising in it their principal activities.²⁸

Limited liability companies have to be registered in the Commercial Registry and are subject to the supervision and inspection of GAFI. Any amendments to the articles of incorporation and by-laws must be reported to and approved by GAFI.²⁹ Article 29 of the Companies Law provides that “The foundation of the limited liability Company will not be complete unless all the cost shares are distributed in the act of constitution of the company between the partners, and their amounts are paid in full.”³⁰

i. Deregistration Process and Redress Mechanisms (if different than above)

Article 129 of the Company Law provides for dissolution of limited liability companies. In case of loss of half the capital of the company, the directors are required to submit to the General Assembly an order for dissolution of the company. If the loss entails the decrease of capital below the limit prescribed by the executive regulation, any interested party may demand the dissolution of the company.³¹

Otherwise, the Company Law includes no different provision for limited liability companies than mentioned above, i.e. that apply to other corporate forms.

b. Case Law
(Did not look for case law)

B. Not-For Profit Organizations

a. Laws

Associations, foundations and not-for profit companies are all recognized under Egyptian law. All of these are subject to the Law on Non-Governmental Organizations (“NGO Law”).³² This law distinguishes between associations, non-governmental institutions, and trade unions. November 10, 2014 was the deadline for “all entities conducting civil society activities” in Egypt to register under the NGO Law. In July 2014, the Minister of Social Solidarity now indicated that those groups not so registering would be subject to investigation and possible prosecution.³³ Mandatory registration, the prohibition of informal, unregistered associations, and the overly vague nature of

²⁸ The Companies Law, *supra* note 4 art. 1.

²⁹ *Lex Mundi*, *supra* note 23 at p. 5.

³⁰ The Companies Law, *supra* note 4 art. 29.

³¹ *Id.* at art. 129.

³² Law on Non-Governmental Organizations, No. 84 of 2002 (Egypt), *available at* <http://www.icnl.org/research/library/files/Egypt/law84-2002-En.pdf>.

³³ *NGO Law Monitor: Egypt*, *supra* note 1. Article 4 of the Presidential declaration on the NGO Law provides that “any private quarter shall be prohibited to exercise any activity that falls within the purposes of associations and non-governmental institutions, without taking the form of the associations or non-governmental institutions, according to the provisions of the [NGO] law.” *See* Official Journal – Issue 22-Bis (A) – Dated 5th June, 2002, Law No.84 Of The Year 2002 On Non-Governmental Organizations (Association and Non-Governmental Institutions) Art. 4, *available at* <http://www.icnl.org/research/library/files/Egypt/law84-2002-En.pdf>.

grounds for denial of registration all invite exercise of excessive government discretion and constitute barriers to entry.³⁴

Article 75 of the 2014 Constitution provides for the right of citizens to form non-governmental organizations. Such organizations shall be allowed to freely engage in activities without the interference of administrative agencies, except by judicial ruling. The establishment or continuance of non-governmental organizations and institutions whose structure and activities are operated and conducted in secret is forbidden.³⁵

A more restrictive draft NGO law was released in June 2014 however adoption of the same has been deferred until after parliamentary elections take place in 2015. In the meantime, the Ministry of Social Solidarity has expanded implementation of the existing NGO Law, requiring all entities engaged in “civic society activities” to register under the law.³⁶ Human rights groups have criticized the recent direction taken by the Ministry of Social Solidarity, as contravening the spirit and letter of the Constitution and aiming to nationalize civil society groups and make them quasi-governmental adjuncts.³⁷

1. Registration Process for Associations

Associations are overwhelmingly the most common non-profit organizational form in Egypt. Article 2 of the NGO Law provides that non-Egyptians may participate in the membership of the association according to prescribed rules – it is not specifically provided that non-Egyptians may found associations.³⁸ There must be at least ten people to form an association and its purpose cannot be for profit.³⁹ The association must have a written charter that is signed by all founders and must be headquartered in Egypt. The law delineates what must be in the charter, which must be filed with the association’s application for registration with the Ministry of Social Solidarity. The NGO Law requires the association statute to include:

- The name of the association, which should be derived from its purpose in such a way as to avoid any confusion with any other association operating in the same geographical jurisdiction.
- Type, field of activity and geographical jurisdiction of association.
- Address of premises elected as a headquarters of the association.
- Name, surname, age, nationality, vocation and place of residence of each of the founding members.
- Resources and method of utilization and disposal.
- Representative bodies of the association, terms of reference for each, method of reelecting, discharging and annulling or suspending membership as well as the quorum necessary for valid meetings and valid resolutions.

³⁴ *Id.*

³⁵ Constitution of The Arab Republic of Egypt 2014, *available at* <http://www.sis.gov.eg/Newvr/Dustor-en001.pdf>.

³⁶ *Id.*

³⁷ Cairo Institute for Human Rights Studies, *Memorandum to the President from the CIHRS on the Constitution, Law, and the Emancipation of Civil Society* (Aug. 27, 2014), *available at* <http://www.cihrs.org/?p=9097&lang=en>.

³⁸ NGO Law, *supra* note 31 at Art. 2.

³⁹ *Id.* Art. 1.

- System and conditions of membership and rights and obligations of members, particularly each member's right to have access to the association's documents, attend and cast vote on the General Assembly.⁴⁰
- Financial control system.
- Rules of amending the association's statutes and setting up branches, cases of termination and parties to which the association's property will devolve in such cases.
- A statement specifying the competent person to apply for an association to acquire a public-benefits capacity.
- A statement specifying the founders' assembly representative authorized to conduct foundation procedures.

The application to register requires:

- 2 copies of the statute signed by all founders.
- A declaration by each of the founding members, purporting that conditions set forth under this law are satisfied.
- Occupancy receipt for the association's premises.

The NGO Law requires that all organizations be registered in order to operate, and includes vague grounds for denial of registration. Registration can be denied on the basis of subjective and arbitrary decision-making, for example because it "threaten[s] the national unity" or runs "against public order and attitudes."⁴¹

The Ministry of Social Solidarity has 60 days to register or reject an application for registration. If no correspondence is forthcoming, the application will automatically be registered and the association will be recognized under the law at the lapse of 60 days. If the application is rejected because one of the objectives is prohibited under Article 11 of the NGO Law, the founders may challenge the decision in court within 60 days of notification. Article 11 prohibits the following activities to be conducted by associations:⁴²

- Forming military or para-military formations or detachments.
- Threatening national unity, violate public order or morality or advocate discrimination against citizens, an account of sex, origin, color, language, religion or creed.
- Practicing any political or trade union activity exclusively restricted to political parties and trade unions.
- Seeking profit or practicing any profit-oriented activity. However, adopting commercial controls to generate such income that contributes to the realization of the association's purposes shall not be considered a contravening activity.

Chapter 5 of the NGO Law deals with so-called "Associations of Public Benefit," to which all of the provisions for regular associations apply, absent particular contrary provision. All associations "visualizing the realization of a general interest" may be vested with the quality of

⁴⁰ Article 24 of the NGO Law provides that the General Assembly shall be formed of active members who have been in its membership for at least six months, and fulfilled the obligations imposed on them according to the association's articles of association.

⁴¹ *NGO Law Monitor: Egypt, supra* note 1.

⁴² Law on NGOs, *supra* note 31 at art. 11. See also Executive Statute Of the Law on Non-Governmental Societies And Organizations (Implementing Regulation for Law 84 of 2002; Ministry of Social Affairs Decree 178 of 2002), Art. 24, *available at* <http://www.icnl.org/research/library/files/Egypt/law178-2002-En.pdf>.

public benefit, a status conferred by decree of the President of the Republic. This decree will also stipulate the privileges enjoyed by the organization.⁴³

The criteria for attaining public benefit status are not clearly defined and the President's decision is not clearly guided by objective standards.⁴⁴ Associations of public benefit are subject to the administrative authority's control comprising examination of the association's works, including checking for conformity with the laws, regulations, and articles of incorporation of the association.⁴⁵ Article 71 of the NGO Law provides that the Minister of Social Affairs shall establish a fund to support Associations and Non-Governmental Institutions set up in accordance with the law.⁴⁶ According to Article 51 of the NGO Law, public benefit organizations have access to direct government funding. In practice, many public benefit organizations have had close political links to the ruling party or President.⁴⁷

Article 18 of the Executive Regulation to the NGO Law provides that a non-Egyptian founder of a society shall have a permanent or temporary residence in Egypt, in addition to fulfilling the other conditions associated with that role.⁴⁸

i. Deregistration process and redress mechanisms

Under Article 6 of the NGO Law, the Administrative Authority may, if it transpires that during the aforementioned 60 day period that the association's purposes comprise an activity prohibited under Article 11 of the said law, refuse to register the association. A substantial written decision of the same shall be notified to the representative of the group of founders, within the 60 day period. Article 7 of the NGO Law provides for the establishment of committees to examine litigations arising between associations and administrative authorities, in order to provide for amicable settlement.⁴⁹ Such committees shall issue decisions within 60 days of receipt of the case, by a majority and with the appointment chairman having the casting vote, if required.⁵⁰ A competent court may consider the dispute only after the committee procedure has been exhausted, or if the 60 day period referred to has elapsed. The party filing the case with the competent court has 60 days to do so, from either the decision of the committee or expiration of the first 60 day period.⁵¹

Independently of the above, the administrative authority may object to "whatever it considers as violating the law" (i.e., the NGO Law) in the association's articles of incorporation, or as regards the founders, without the same preventing registration. However, if the association fails to address the objection, for which written reason must be provided, the administrative authority "shall raise litigation" to the committee. The administrative authority has the power to request that the competent court order removal of the violation and temporarily suspend the association's activity pending a merits decision. The NGO Law also includes provision for the administrative

⁴³ *Id.* Art. 50.

⁴⁴ *NGO Law Monitor: Egypt, supra* note 1.

⁴⁵ Executive Statute of the NGO Law, *supra* note 41, Art. 52. Day to day responsibility for this task lies with inspectors appointed by the Minister of Social Affairs.

⁴⁶ *Id.* Art. 71.

⁴⁷ *NGO Law Monitor: Egypt, supra* note 1.

⁴⁸ Executive Statute Of the NGO Law *supra* note 41, Art. 18.

⁴⁹ *Id.* Art. 7.

⁵⁰ More detailed procedural rules for these committees are included in the Executive Statute of the NGO Law.

⁵¹ *Id.*

authority to request an association to withdraw a decision which the administrative authority considers to be a violation of the law or its articles of association. Failure to comply with such a request within a period of 15 days gives the administrative authority grounds to raise the matter with a committee constituted under Article 7 of the NGO Law.⁵² The action may then be subject to adjudication by a competent court.

Chapter 4 of the NGO Law provides for dissolution of associations. In addition to voluntary dissolution under Article 41, the Minister of Social Affairs may issue a substantiated decision to dissolve an association in the following cases:

- Disposing of its property and funds or appropriating them for other than the purposes it was established for;
- Acquiring funds from, or sending funds to a foreign quarter, in violation of Article 17, clause 2 of the NGO Law;
- Committing a serious violation of the law, or the public order or morals;
- Joining, participating in, or affiliating to a club, association, authority, or organization whose seat is located outside the Arab Republic of Egypt (abroad) in violation of the provision of Article 6 of the NGO Law;
- Establishing that the reality of its purposes is targeting or exercising one of the activities banned in Article 11 of the NGO Law.
- Collecting donations in violation of Article 17, clause 1 of the NGO Law.⁵³

The Association is to be provided with an opportunity to have its statements on the matter heard.

Dissolution in these circumstances is practically achieved by the appointment of one or more liquidators for a period and remuneration to be determined thereby. The Minister of Social Affairs can, in the following two cases and instead of dissolving the association, issue a decree revoking the violating disposal or clause, halting the activity, or discharging the board of directors:

- Non-convening the General Assembly for two consecutive years, or failure to convene when called to meet in implementation of the provision of Article 40, clause 2 of the NGO Law;
- Failure to amend the association's articles of incorporation and harmonize its situation according to the provisions of the NGO Law.

An association and any member thereof may challenge the immediately foregoing before the Administrative Court, any decision of which is made without the award of expenses.⁵⁴ Pursuant to Article 43 of the NGO Law, the period within which a liquidation of an association may occur can be extended for "another period" by decision of the General Union for Associations and Non-Governmental Institutions.⁵⁵ In the absence of provision in the articles of incorporation, the proceeds of the liquidation shall devolve to the Fund for Support of Associations and Non-Governmental Institutions.⁵⁶ The members of a dissolved association may not continue its activity

⁵² Executive Statute Of the NGO Law *supra* note 41, Art 23.

⁵³ *Id.* Art. 42. The Minister of Social Affairs may also dissolve the board of directors if the board has not convened a meeting of the General Assembly for two successive years. *Id.*, Art. 92.

⁵⁴ *Id.*

⁵⁵ *Id.* Art 43.

⁵⁶ *Id.* Art 45.

or dispose of its funds and property, or participate in the activity of an association that is already dissolved.

Regarding “associations of public benefit,” Article 53 of the NGO Law provides that if it “transpires to the administrative authority that serious errors have occurred affecting the realization of the purposes of the association of public benefit, the exercise of its activities, or the implementation of the plans or projects assigned to it,” the Minister of Social Affairs may take any of the following actions:

- Discontinue the activity of the project assigned to the association, temporarily, pending removal of the contravention;
- Withdrawing the project assigned to the association;
- Removing the board of the association and appointing a mandatory until calling a meeting of the general assembly within at most three months from the date of his appointment to elect a new board of directors, after consulting the view of the General Union of Associations and Non-Governmental Institutions.

It has been noted that grounds for dissolution are overly vague, inviting the exercise of excessive government discretion and thus constituting a barrier to activities.⁵⁷ Such vague grounds include subscribing to or joining any club, organization, society or authority outside Egypt without first informing the administrative authority, and threatening the national unity, public order, or public attitude.⁵⁸

2. Registration Process for Non-Governmental Institutions

Foreign non-governmental organizations may be licensed to exercise the activities of associations and non-governmental institutions that are subject to the provisions of the NGO Law. Such a result is achieved by the Minister of Social Affairs issuing a license according to an agreement concluded by the Ministry of Foreign Affairs and the relevant organizations. Pursuant to Article 3 of the Executive Statute Of the Law on Non-Governmental Societies and Organizations, foreign non-governmental organizations “may request permission” of the Ministry of Foreign Affairs to exercise activities of non-governmental societies and organizations in Egypt.⁵⁹ Before approval of such a request can be granted, the Ministry of Social Affairs must provide a view within a period of fifteen days.⁶⁰ Any subsequent agreement to permit said activities must indicate the kind of activity to be exercised, means of finance, geographical limits, and period during which the foreign organization is authorized to exercise the activity.⁶¹ Parties may contest the decision of the Minister of Social Affairs before the Administrative court.⁶² Note that Egypt’s law requiring formal registration is accompanied by legislation criminalizing activities of unregistered groups.⁶³

⁵⁷ *NGO Law Monitor: Egypt*, *supra* note 1.

⁵⁸ *Id.*

⁵⁹ Executive Statute Of the NGO Law *supra* note 41, Art. 3.

⁶⁰ *Id.* Art. 4.

⁶¹ *Id.* Art. 5.

⁶² *Id.* Art. 53.

⁶³ The Observatory for the Protection of Human Rights Defenders, *Violations of the right of NGOs to funding: from harassment to criminalization* (Annual Report, 2013), at p.28, available at www.omct.org/files/2013/02/.../obs_annual_report_2013_uk_web.pdf.

Part 8 of the Executive Statute of the NGO Law applies to “non-governmental organizations,”⁶⁴ with Article 116 thereof providing that non-governmental organizations shall be established by appropriating a property for specified or unspecified period for the realization of a non-profit purpose, sufficient and suitable for realizing the purposes of the non-governmental organization.⁶⁵ If the non-governmental organization wishes to increase its capital by appropriating property from non-founders, it must submit an application for approval to the Minister of Social Affairs.⁶⁶

Part II of the NGO Law deals with non-governmental institutions. All above provisions applying to associations also apply to non-governmental institutions, unless otherwise provided for in the NGO Law.⁶⁷ Particularly, a non-governmental institution is established by “appropriate (sic) a fund for a definite or indefinite period for the realization of purpose other than physical profit.”⁶⁸ The provisions of Article 11 in relation to purposes, rights, and obligations of associations also apply to non-governmental institutions.⁶⁹

Establishing a non-governmental institution shall be realized by one founder or a group of founders among natural or juridical persons or both together. The founders shall set relevant articles of incorporation comprising the following information in particular:

- Name of the institution, the geographical scope of its work, and its head office in the Arab Republic of Egypt.
- The purpose the institution is established for its realization.
- A detailed statement of the funds appropriated for the realization of the institution’s purpose.
- The organization of the institution’s administration including the method of appointing the Head and members of the Board of Trustees, and the method of appointing the Director.⁷⁰

The non-governmental institution may also be established by an official document, or a declared will, either of which is considered as good as the articles of incorporation of the institution, providing it comprises the data prescribed above.⁷¹

The juridical personality of a non-governmental institution shall be established on the day following registration of its articles of incorporation, or other instrument considered to be as good as the same. Registration is effected with the administrative authority on the request of the founder of the institution, head of the Board of Trustees, or person appointed to execute the legacy.⁷²

i. Deregistration process and redress mechanisms

⁶⁴ These organizations are afforded the same privileges and exemptions as non-governmental associations, further to Article 136 of the Executive Statute Of the NGO Law, *supra* note 41.

⁶⁵ *Id.*, Art. 116. The property may be realty or moveable.

⁶⁶ *Id.*, Art. 135.

⁶⁷ NGO Law Art. 55.

⁶⁸ *Id.* Art. 56.

⁶⁹ *Id.*

⁷⁰ Executive Statute Of the Law on Non-Governmental Societies And Organizations *supra* note 50, Art. 121.

⁷¹ *Id.* Art. 57. The Executive Statute of the NGO Law includes model articles of association, which non-governmental organizations may follow and apply.

⁷² *Id.* Art 59.

Article 63 of the NGO Law provides that a non-governmental institution may be dissolved by a substantiated decree of the Minister of Social Affairs, after consulting the view of the general federation and calling the institution to hear its statements, in case of providing serious evidences that the institution is exercising a banned activity of those prescribed by Article 11 of the NGO Law, i.e.

- Forming military or paramilitary detachments or formations;
- Threatening national unity, violating public order or morals, or calling for discrimination between citizens because of race, origin, color, language, religion, or creed.
- The exercise of any political activity shall be restricted to political parties according to the Law on Parties, and exercising any unionist activity shall be restricted to the unions according to the Trade Unions Law,
- Visualizing the realizing of profit or exercising an activity aimed at this purpose. Following commercial controls to realize a yield contribution to the realization of the association's purposes shall not be considered a violating activity.⁷³

Dissolution of a non-governmental organization takes place following appointment of one or more liquidators. The Minister of Social Affairs has broad discretion in any of the above cases to issue a decree revoking the contravening disposal, removing the cause of violation, discharging the board of trustees, or halting the activity of the institution. All concerned parties can contest the decision of the Minister of Social Affairs, before the Administrative court, according to the "procedures and dates determined therefor" and without being restricted by Article 7 of the NGO Law, as referred to above in respect of associations.⁷⁴ Members of the board of trustees and founders of the non-governmental institution have "concerned party" status regarding proceedings in this field. Funds and property resulting from the liquidation of the non-governmental institution shall devolve to the Fund for Support of Associations and Non-Governmental Institutions.⁷⁵

As an illustration of relevant events, on April 27, 2009 the Egyptian Organisation for Human Rights (EOHR) received written notification from the Ministry of Solidarity and Social Justice threatening it with dissolution and closure on the basis of Articles 42 and 17 of Law No. 84, in response to organization of a conference event on human rights.⁷⁶

b. Case Law
(Did not research case law)

C. Analytical Comparison

From the information discussed above, there is some evidence that corporations and NGOs are treated differently under the laws of Egypt. In addition to the different ministries that each entity has to file with, the time limit imposed to automatically register the entity is quite significant. In the case of joint-stock companies, they are automatically registered within 15 days of submitting the application whereas it takes 60 days for an association to be automatically

⁷³ *Id.* Art. 63. See also Executive Statute Of the NGO Law *supra* note 41 at Art. 141.

⁷⁴ *Id.*

⁷⁵ *Id.* at Part - 11.

⁷⁶ The Observatory for the Protection of Human Rights Defenders, *supra* note 62, at p. 48.

registered. Furthermore, the corporation registration does not specifically name what must be in the articles of association which must be submitted, but in the case of associations there is a very extensive list of what must be included in the statute. An association is banned from practicing political or trade union activities explicitly, but a joint-stock company is merely banned from engaging in any illegal activities or disrupting public order. The citizenship requirements are also different. Board members in corporations can be non-Egyptians but only members in associations can be non-Egyptians.

III. Tax Laws

A. For-Profit Organizations

a. Laws

Limited liability companies and joint stock companies in Egypt are subject to tax on company profits. The net profits of a foreign branch office are subject to corporate tax at the same rate as Egyptian companies. Because a representative office is not involved in any commercial activities, it does not realize any profits and as such is not subject to taxation.⁷⁷ The applicable laws are the Income Tax Law 91 of 2005, together with the executive regulations applying thereto, and the General Sales Tax Law 11 of 1991, together with subsidiary laws.⁷⁸

A business entity is tax resident in Egypt if any of the following apply: It is established under Egyptian law; its principal or actual head office and management are located in Egypt; the Egyptian state or any public legal body owns more than 50% of its capital.⁷⁹ Legal persons must pay an annual 20% tax on their total net profits from activities undertaken by an Egyptian entity. In addition, the profits from oil and gas exploitation and production companies are subject to tax at the rate of 40.55%.⁸⁰ Egyptian corporations are subject to corporate profits tax on their profits derived from Egypt, as well as on profits derived from abroad, unless the foreign activities are performed through a permanent establishment located abroad. Foreign companies resident in Egypt are subject to tax only on their profits derived from Egypt.⁸¹

A number of new tax provisions were introduced in 2014. These include increasing the flat corporate tax rate from 20% to 25% and the imposition of a new tax rate of 10% on dividends (reduced under certain circumstances to 5%).⁸² Imported goods are subject to import duties and sales tax at variable rates, depending on the type of goods.⁸³ The capital gains tax rate is

⁷⁷ Lex Mundi, *supra* note 23 at p. 10.

⁷⁸ Income Tax Law No. 91 of 2005, *available at*

<http://www.mof.gov.eg/MOFGallerySource/english/IncomeTaxLaw.pdf> (in English); Executive Regulations of the Income Tax Law n. 91 of 2005, *available at*

<http://www.mof.gov.eg/MOFGallerySource/english/ERsIncomeTax.pdf> (in English); General Sales Tax Law No(11) of the year 1991, *available at* http://www.salestax.gov.eg/lawpdf_e/etaxlaw1.pdf (in English); Law no. (11) of 2002 On the explanation of certain provisions of General Sales Tax Law n. 11 of 1991, *available at* http://www.salestax.gov.eg/lawpdf_e/etaxlaw11of%202002.pdf (in English);

⁷⁹ Practical Law, *supra* note 13.

⁸⁰ *Id.*

⁸¹ Ernst & Young, *2014 Worldwide Corporate Tax Guide Egypt*, Part B, *available at*

<http://www.ey.com/GL/en/Services/Tax/Worldwide-Corporate-Tax-Guide---XMLQS?preview&XmlUrl=/ec1images/taxguides/WCTG-2014/WCTG-EG.xml>.

⁸² *Id.*

⁸³ *Id.*

25%, as is the branch tax rate.⁸⁴ A withholding tax rate of 20% is applied to interest, royalties from patents, and certain services provided by nonresident entities.⁸⁵

Corporate income tax is based on taxable profits computed in accordance with generally accepted accounting and commercial principles, modified for tax purposes by certain statutory provisions primarily concerning depreciation, provisions, inventory valuation, intercompany transactions and expenses.⁸⁶ Associated or related companies in a group are taxed separately for corporate income tax purposes.⁸⁷ Bad debts are deductible costs if the company provides a report from an external auditor certifying the company is maintaining regular accounting records, the debt is related to the company's activity, the debt should appear in the company's records, and the company should take the necessary action to collect the debt.⁸⁸

The Egyptian tax law contains provisions for transfer pricing. The transfer pricing provisions are based on the arm's length principle. Under these provisions, the tax authorities may adjust the income of an enterprise if its taxable income in Egypt is reduced as a result of contractual provisions that differ from those that would be agreed to by unrelated parties. However, it is now possible to enter into arrangements with the tax department to agree a transfer pricing policy in advance (Advance Pricing Arrangement). This provides assurances that transfer prices will not be challenged after the tax return is submitted, with the consequent exposure to penalties and interest on late paid taxes.⁸⁹

The Investment Law sets the framework for the establishment and management of general free zones in Egypt. These are created pursuant to Cabinet decrees.⁹⁰ GAFI sets the policies for free zones and establishes the conditions for granting licenses for entities to operate in the free zones.⁹¹ Free zone projects are not subject to taxes.⁹² In addition to general free zones, GAFI may set up private free zones.

Annual tax returns, together with all supporting schedules and the original financial statements, must be filed by companies before 1st May of each year, or four months after the end of the financial year. Taxpayers may file a request for an extension of the due date for

⁸⁴ Tax on capital gains is calculated at the ordinary corporate profits tax rates in the same manner as ordinary business profits and is not calculated separately. Trading and capital losses derived from sales of other assets are deductible against taxable capital gains. Ernst & Young, *supra* note 80 at Part B.

⁸⁵ Ernst & Young, *supra* note 80 at Part B. Withholdings do not apply to payments relating to transportation, shipping, insurance, training, conference participation and exhibition, registration in foreign stock markets, and advertising campaigns. Dividends of Egyptian companies are not subject to withholding because they are paid out of corporate profits that are taxed under the normal rules.

⁸⁶ *Id.* at Part C. Interest paid on loans and overdrafts with respect to a company's activities is deductible after offsetting interest income. See PKF, *Egypt Tax Guide 2013*, at p.2, available at <http://www.pkf.com/media/1954356/egypt%20pkf%20tax%20guide%202013.pdf>

⁸⁷ Egyptian law does not contain a concept of group assessment under which group losses may be offset against profits within a group of companies. Ernst & Young, *supra* note 80 at Part C.

⁸⁸ PFK, *supra* note 85, at p.3. Depreciation is deductible for tax purposes and may be calculated using either the straight-line or declining-balance method.

⁸⁹ *Id.*

⁹⁰ Lex Mundi, *supra* note 23 at p. 12.

⁹¹ *Id.*

⁹² *Id.* An annual fee of 1% is payable.

filing the tax return if the estimated amount of tax is paid at the time of the request.⁹³ An extension of up to 60 days may be granted. An amended tax return can be filed within 30 days after the original due date.⁹⁴ Any tax due must be paid when the tax return is filed.⁹⁵

According to the World Bank, Egypt is ranked 149 out of 189 global economies on the ease of paying taxes.⁹⁶ The World Bank also reports that since 2010, Egypt has made it more costly for companies to pay tax by increasing the corporate income tax rate.⁹⁷ There are two committee levels established by law – an internal and appeals committee. The decision of the Appeals Committee is final and binding on the taxpayer, unless a case is appealed to court within 30 days of receiving the decision. Treaties concluded between Egypt and other countries regulate the credit for taxes paid abroad on income subject to corporate income tax in Egypt.⁹⁸

b. Case Law

(Did not research case law)

B. Not-For Profit Organizations

a. Laws

Further to Article 13 of the NGO Law, associations benefit from the following privileges in respect of tax:

- Exemption from registration and booking fees otherwise payable in all kinds of contracts where the association is a party such as ownership or mortgage contracts, or other real rights, as well as legalizing signatures;
- Exemption from stamp duty and taxes imposed in future on all...delegations, correspondence, printed matter, registers, and others;
- Exemption from customs taxes and other duties imposed on the association's imports of tools, machines, equipment, apparatuses, articles and production requisites, as well as presents, donations, gifts, and assistance received from abroad, by virtue of a decree of the Prime Minister upon the proposal of the Minister of Social Affairs and recommendation of the Minister of Finance providing these objects are necessary for its basic activity. Disposing of durable objects which are determined by decree of the Minister of Social Affairs in agreement with the Minister of Finance before the lapse of five years, shall be prohibited, unless the customs taxes and dues payable thereon have been settled;
- Exemption of built realties owned by the association from all real taxes;
- A 25% reduction in the costs of transport of equipment and machines by railways;

⁹³ A request for an extension must be filed at least 15 days before the due date.

⁹⁴ *Id.* at Part B.

⁹⁵ A late penalty is imposed at a rate of 2% plus the credit and discount rate set by the Central Bank of Egypt in January of each year. *Id.* at Part B.

⁹⁶ World Bank Group, *supra* note 10 at p.64.

⁹⁷ *Id.* at p.65.

⁹⁸ PFK, *supra* note 85, at p.3.

- A special telephone tariff of subscriptions and calls as are...for home. A decree of the administrative authority shall be issued determining the associations to which this tariff shall apply;
- A 50% reduction on the consumption of water, electricity, and natural gas as produced by public organizations, public sector companies, or any government authority, shall be granted;
- Considering the donations extended to the associations, as a commission on the income of the donor up to and not exceeding (10%) of it.

The foregoing provisions apply to Associations of Public Benefit, by virtue of Article 48 of the NGO Law. Article 55 of the NGO Law provides for the same treatment for non-governmental institutions.⁹⁹

b. Case Law

(I did not research case law)

C. Analytical comparison

Whereas the Egyptian authorities have increased tax rates applying to companies and thus made it more expensive for those organizations to do business in Egypt, considerable incentives and accommodations still exist, including free zones which have tax free status. Certain foreign corporations receive parity treatment with Egyptian companies when it comes to tax, and others fare even better. Although Egyptian law provides for tax privileges for associations and non-governmental organizations, some of these are dependent on the exercise of discretion on the part of government departments, which no clear and objective criteria articulated to govern the same. Consequently, non-governmental organizations are in a vulnerable position vis-à-vis possible withdrawal or denial of tax-favored status based upon subjective actions.

IV. Financial Transaction Laws

A. For-Profit Organizations

a. Laws

i. Foreign Investment/Foreign Funding Laws

Recent reforms have targeted an increase in foreign investment in Egypt.¹⁰⁰ To carry out any activity in Egypt, foreign investors must either establish a branch or an Egyptian subsidiary entity. In free zones, goods imported by free zone projects in exercise of their activities are not subject to import rules or customs procedures, nor are they subject to customs taxes, sales taxes, or any other taxes or duties.¹⁰¹ Egypt has signed bilateral conventions with more than

⁹⁹ Law on NGOs, *supra* note 31 at Art. 55.

¹⁰⁰ The Wall Street Journal, *Egypt Draws Foreign Investment as Economic Reforms Kick In* (Mar. 12, 2015), available at <http://www.wsj.com/articles/egypt-draws-foreign-investment-as-economic-reforms-kick-in-1426153329>.

¹⁰¹ KPMG, *Doing Business in Egypt* (2010) p. 7, available at <https://www.kpmg.com/EG/en/issuesandinsights/Documents/Issues-Insights%20PDFs/Doing%20Business%20in%20Egypt.pdf>.

one hundred countries which provide a measure of protection and privileges for foreign investors.¹⁰²

Discrimination against foreign companies vis-a-vis their Egyptian contemporaries has been noted by large financial institutions, although foreign entities are permitted to acquire a majority interest in a domestic Egyptian company.¹⁰³ In most sectors, there is no legal difference between foreign and domestic investors.¹⁰⁴

The Investment Law provides guarantees against full or partial expropriation of real estate.¹⁰⁵ Since 2004, the Egyptian government has been promoting foreign direct investments, although the results of this campaign are rather modest. The taxation and customs red-tape, as well as the rigidity of the labor law causes foreign direct investment to come only from big multinational companies.¹⁰⁶ Egypt has several schemes intended to attract foreign direct investment into special economic and trade zones. GAFI implements Egypt's policies and procedures to facilitate doing business, including maintaining Egypt's "one-stop shop" for investors.¹⁰⁷ Labor rules prevent companies from hiring more than 10% non-Egyptians (25% in Free Zones), and foreigners are not allowed to operate sole proprietorships or simple partnerships.¹⁰⁸

The Investment Law was designed to encourage domestic and foreign investment in targeted economic sectors. The law allows 100 percent foreign ownership of investment projects and guarantees the right to remit income earned in Egypt and to repatriate capital. Other key provisions include: guarantees against confiscation, sequestration, and nationalization; the right to own land; the right to maintain foreign-currency bank accounts; freedom from administrative attachment; the right to repatriate capital and profits; and equal treatment regardless of nationality.¹⁰⁹

The banking sector is hostile to foreign investment, with the Central Bank of Egypt not having issued a new commercial banking license since 1979.¹¹⁰ Likewise, foreign insurance firms can only enter the Egyptian insurance market through purchase of a

¹⁰² UNCTAD, *International Investment Agreements Navigator*, available at <http://investmentpolicyhub.unctad.org/IIA>. For example, The 1992 U.S.-Egypt Bilateral Investment Treaty provides for free transfer of dividends, royalties, compensation for expropriation, payments arising out of an investment dispute, contract payments, and proceeds from sales. The U.S.-Egypt Bilateral Investment Treaty also allows an investor to take a dispute directly to binding third-party arbitration. U.S. Department of State, *Diplomacy in Action* (June 2014) at p. 7, 9, available at <http://www.state.gov/documents/organization/227163.pdf>.

¹⁰³ Santander, *Egypt: Foreign Investment* (Mar. 2015), available at <https://en.santandertrade.com/establish-overseas/egypt/foreign-investment>.

¹⁰⁴ Special requirements exist for foreign investment in particular sectors, such as upstream oil and gas development, where joint ventures are required. U.S. Department of State, *Diplomacy in Action* (June 2014), *supra* note 101.

¹⁰⁵ *Id.*

¹⁰⁶ *Id.*

¹⁰⁷ U.S. Department of State, *supra* note 101 at p.1.

¹⁰⁸ *Id.*

¹⁰⁹ *Id.*, at p.4.

¹¹⁰ *Id.* at p.2.

stake in an existing insurance company.¹¹¹ The oil and gas industry is much friendlier towards foreign investment.¹¹²

The Company Law applies to domestic and foreign investment in sectors not covered by the Investment Law. Public Enterprise Law 203 of 1991 permits sales of state enterprises to foreign entities.¹¹³ The 1998 Tenders Law 89 contains preferences for Egyptian over foreign contractors, providing that priority is to be given to the former if their bids do not exceed the lowest foreign bid by more than 15 percent.¹¹⁴ Pursuant to Capital Markets Law 95 of 1992, foreign investors can buy shares on the Egyptian Stock Exchange on the same basis as local investors.¹¹⁵ Land/Real Estate Law 15 of 1963 explicitly prohibits foreign individual or corporate ownership of certain agricultural land.¹¹⁶ Insurance Law 156 of 1998 removes a 49 percent ceiling on foreign ownership of insurance companies, allows privatization of state-owned insurance companies, and abolishes a ban on foreign nationals serving as corporate officers.¹¹⁷

Banking Law 88 of 2003 regulates the repatriation of profits and capital. The government has repeatedly emphasized its commitment to maintaining the profit repatriation system to encourage foreign investment in Egypt.¹¹⁸ The Capital Market Law 95 of 1992 grants foreigners full access to capital markets, and authorizes establishment of Egyptian and foreign companies to provide underwriting of subscriptions, brokerage services, securities and mutual funds management, clearance and settlement of security transactions, and venture capital activities. Trading across borders requires 8 documents, 12 days, US\$625, and 10 documents for exports, 15 days and US\$790 for imports.¹¹⁹

ii. Political Contribution Laws

The Investment Law contains no provisions prohibiting or regulating political contributions. Likewise, the 2014 Constitution is silent on this matter.

Article 101 of the Company Law states that no shareholder company is allowed to offer “any subvention of any kind to a political party. Else the subvention will be null.” Furthermore, the provision goes on to say that “[T]he company is not allowed to contribute in any financial year, more than 7% of the average of its profits during the precedent five years, unless such

¹¹¹ *Id.*

¹¹² *Id.*, at p.2.

¹¹³ *Id.*, at p.5.

¹¹⁴ *Id.*

¹¹⁵ *Id.*

¹¹⁶ *Id.* Prime Ministerial Decree No. 548 of 2005 removed restrictions on foreign property ownership in a number of tourist and new urban areas.

¹¹⁷ *Id.*

¹¹⁸ *Id.*, at p.8.

¹¹⁹ The World Bank, *Doing Business in Egypt 2014: Understanding Regulations for Small and Medium-Size Enterprises* (2013) at p.2, available at <http://www.doingbusiness.org/~media/GIAWB/Doing%20Business/Documents/Subnational-Reports/DB14-Egypt.pdf>.

contribution is for social purposes for the manpower in it, or a government organ, or a public organisation.¹²⁰

- b. Case Law
(Did not research case law)

B. Not-For Profit Organizations

- a. Laws
 - i. Foreign Investment/Foreign Funding Laws

The NGO Law restricts the right of non-governmental organizations to join with non-Egyptian non-governmental organizations, and “to communicate with non-governmental or intergovernmental organizations” without prior governmental approval. Moreover, the law threatens with dissolution those non-governmental organizations that interact with foreign organizations without prior approval.¹²¹

Under Article 16 of the NGO Law, associations may join, participate with or be affiliated to a club, association, authority, or organization whose head office is located outside the Arab Republic of Egypt (abroad), and to exercise an activity that does not contradict with its purposes providing it shall notify the administrative authority thereof...that a period of sixty days from the date of notification shall lapse without a written objection therefrom.¹²²

The NGO Law prohibits any association from receiving foreign funds – whether from foreign individuals or from foreign authorities (including their representatives inside Egypt) – without advance approval from the Minister of Social Solidarity and Justice as to both the donation and terms thereof.¹²³ Securing ministerial approval may take months if not years; in many cases the Ministry simply fails to respond at all. Moreover, the failure to secure prior approval may lead to dissolution and criminal penalties, including imprisonment. In early 2012, for example, the Egyptian government brought charges against more than 40 Egyptian and foreign NGO employees for use of foreign funds in NGOs without prior approval.¹²⁴ Article 62 of the NGO Law stipulates that non-governmental institutions may receive funds from third parties after securing approval from the Minister of Social Affairs, both as to the funding itself and the conditions set by the donor.¹²⁵

The U.N. Committee on Economic, Social, and Cultural Rights (CESCR) recognized the problem with the abovementioned funding restrictions when it expressed “deep concern” with Egyptian law giving “the Government control over the right of NGOs to manage their own activities, including seeking external funding.”¹²⁶ The CESCR recommended that Egypt

¹²⁰ For purpose of the validity of the contribution, a decision of the board of administration should be issued on basis of a permission of the General Assembly, if it surpasses 1000 Egyptian pounds.

¹²¹ International Center for Not-for-Profit Law (ICNL) & World Movement for Democracy Secretariat at the National Endowment for Democracy (NED), *Defending Civil Society Report* (June 2012, 2nd ed.) at p.22, available at www.defendingcivilsociety.org/.../reports/DCS_Report_Second_Edition.

¹²² Law on NGOs, *supra* note 31 at art. 16.

¹²³ Law on NGOs, *supra* note 31 at art. 17; Executive Statute Of the NGO Law *supra* note 41 at Art. 62. A limited exception exists for “scientific and technical books, magazines, publications, and brochures.”

¹²⁴ *Id.* at p.26.

¹²⁵ Article 58 of the Executive Statute of the NGO Law prescribes the information that must be included in a request for approval. Executive Statute Of the NGO Law *supra* note 41 at Art. 58.

¹²⁶ *Id.* at p.48.

amend or repeal its law imposing such controls, which are contrary to its obligations under the International Covenant on Economic, Social, and Cultural Rights.¹²⁷ In expressing concern that failure to obtain prior authorization from the authorities to receive and use funds from abroad could lead to criminal prosecution, the Human Rights Committee has called upon Egypt to review its legislation and practices in this field.¹²⁸ A draft law of October 2012 failed to include provision to remove the requirement that non-Egyptian non-governmental bodies obtain authorization to continue their activities.¹²⁹

On July 6, 2011, the Minister of Solidarity warned civil society organisations and NGOs against “[...] any attempt to seek foreign funds” and said he considered any direct funding provided by the United States to Egyptian NGOs a violation of Egypt’s sovereignty. During the summer of 2011, in a move considered to be an attempt to collect incriminating evidence against these organizations, he also announced that he had asked the Central Bank of Egypt to inform him of all banking transactions on accounts held by NGOs in Egypt.¹³⁰ Following a number of raids on NGO offices in December 2011, a list of 43 individuals facing possible prosecution for “illegal acquisition of foreign funds” was made public. All individuals named were employed by local or international NGOs, and the subsequent initiation of judicial proceedings against them demonstrates the Egyptian authorities’ desire to sanction members of Egyptian or foreign organisations who receive funds from American or European sources to finance their activities.¹³¹

Article 56 of the Executive Statute to the NGO Law provides that associations have the right to receive donations within Egypt from natural persons – Egyptians or foreigners, or from Egyptian juridical persons, whatever the nature of the donated property/fund. Receipt of donations from foreign organizations or bodies is conditional upon the authorization of those donors in respect of their activities in Egypt, and notification of the donation to the government.¹³² Raising donations from the public requires the approval of the administrative quarter, and in the event of approval being give, the association must submit receipts and accounting to the government.¹³³

ii. Political Contribution Laws

The NGO Law prohibits organizations covered thereby engaging in “political activities,” and organizations have reported that this has been used to limit NGO advocacy activity. Regulations indicate that prohibited political activities include “advocating the program of one of the political parties, contributing to electoral campaigns, and putting forth candidates for office.”¹³⁴ Furthermore, spending any funds and moneys to support the activity of one of the parties, or publicizing for its candidates, is prohibited.¹³⁵

¹²⁷ The Observatory for the Protection of Human Rights Defenders, *supra* note 62 at p.21.

¹²⁸ Human Rights Committee, *Concluding Observations – Egypt*, UN Document CCPR/CO/76/EGY, Nov. 28, 2002, para. 21.

¹²⁹ The Observatory for the Protection of Human Rights Defenders, *supra* note 62 at p.37.

¹³⁰ *Id.*

¹³¹ *Id.*

¹³² Executive Statute Of the NGO Law *supra* note 41 at Art. 56.

¹³³ *Id.* at Art. 57.

¹³⁴ *NGO Law Monitor: Egypt*, *supra* note 1, citing Executive Statute Of the NGO Law *supra* note 41 at Art. 25.

¹³⁵ Executive Statute Of the NGO Law *supra* note 41 at Art. 25.

An example cited by the International Center for Not-for-Profit Law is the Egyptian Association Against Torture, which the Administrative Judiciary Court refused to register because the court decided the association's mission advocating for the elimination of torture in police stations and prisons was a "political activity."¹³⁶ Criminal defamation laws have also been used to silence critics of the Government.¹³⁷

b. Case Law

(I did not research case law.)

C. Analytical Comparison

In general terms, financial transaction laws are favorable for foreign corporations. Foreigners may hold a majority interest in an Egyptian corporation, and the Investment Law and others contain significant protections for investors, including maintenance of a profit repatriation system to overseas locations. Although some restrictions on foreigners exist, particularly in the banking sector and regarding sole proprietorships and simple partnerships, for very many purposes foreigners and Egyptians are treated alike in respect of financial transactions laws. In respect of political contribution laws, only the Company Law makes any provision and stipulates a numerical percentage contribution that can be made after previously establishing a *prima facie* prohibition on shareholder companies making political contributions. Furthermore, in defined circumstances the maximum contribution provided can be exceeded.

In contrast, Egyptian law places heavy restrictions and prohibitions on non-governmental organizations when it comes to financial transactions and political contributions. Non-governmental organizations are prohibited from receiving funds from overseas absent ministerial approval, the conditions for granting of the same are unclear and subject to selective application. Distinct from the welcoming environment experienced by for-profit organizations seeking to bring funds into Egypt, non-governmental organizations face possible criminal sanctions for the same and government minister have publicly threatened organizations in this sector if they seek or receive funding from abroad. Non-governmental organizations cannot even solicit funding within Egypt without governmental approval, and the governmental and banks share information on non-governmental organizations' affairs for the purposes of enforcing the law. Finally, in distinct contrast to the situation of corporations, non-governmental organizations are absolutely prohibited from engaging in political activities, with the range of prohibited activities being unclearly and amorously defined.

V. Auditing/Reporting Requirements

A. For-Profit Organizations

a. Laws

Corruption is pervasive at all levels of Egyptian society. Giving and accepting bribes are criminal acts in Egypt, but corruption laws have not been consistently enforced.¹³⁸

Corruption and bribery are particularly reported in dealing with public services, customs, taxes, public utilities, and procurement. A series of civil cases have been brought against private companies which concluded contracts with the Mubarak regime

¹³⁶ *NGO Law Monitor: Egypt, supra* note 1.

¹³⁷ *NGO Law Monitor: Egypt, supra* note 1.

¹³⁸ U.S. Department of State, *Diplomacy in Action* (June 2014), *supra* note 101 at p.16.

for the purchase of state-owned assets, as part of the regime's privatization drive.¹³⁹ The new 2014 Constitution provides for the establishment of an Anti-Corruption Commission to focus on dealing with conflicts of interests, standards of integrity, and government transparency.¹⁴⁰

Company Law Article 157 stipulates that any interested party may inspect the registers, documents, minutes, and reports relating to the company, however a request for the same can be refused if it is deemed that it will harm the company.¹⁴¹

Article 158 of the Company Law provides the competent administrative authority with the right to demand inspection of the company (in all forms) with regard to any grave infractions imputed to the members of the administrative boards, or to the auditors of accounts, in the fulfillment of their functions prescribed by the law or system, if any reasons are extant demonstrating the existence of such infractions.¹⁴² Decision making power here lies with a committee formed by the Minister of Economy, including an auditor from the Central Audit Agency. "Serious motives" justifying adoption of the measure must be demonstrated by evidence. The committee may order inspection of the actions and registers of the company.¹⁴³

- b. Case Law
(I did not research case law)

B. Not-For Profit Organizations

- a. Laws

The NGO Law facilitates governmental interference in the internal affairs of associations, including the ability of the administrative authority to call a General Assembly meeting.¹⁴⁴

As confirmed above, associations subject to the NGO Law are exempt from registration and booking fees payable by associations in all kinds of contracts where it is a party such as the ownership or mortgage contracts, or other real rights, as well as fees for legalizing the signatures.¹⁴⁵

In accordance with Article 20 of NGO Law, state officials as determined by decree of the Minister of Social Affairs may enter the branch or offices of the association for the purposes of reviewing its register in accordance with the procedure referred to in the Executive Statute to the NGO Law.¹⁴⁶

Under Article 9 of the NGO Law, any concerned party has the right to access a summary of the registration of an association's articles of incorporation to obtain a copy thereof.¹⁴⁷

¹³⁹ *Id.*, at p. 17.

¹⁴⁰ U.S. Department of State, *Diplomacy in Action* (June 2014), *supra* note 101 at p.17.

¹⁴¹ The Companies Law, *supra* note 3 at art. 3.

¹⁴² The Companies Law, *supra* note 3 at art. 158.

¹⁴³ *Id.*

¹⁴⁴ *NGO Law Monitor: Egypt*, *supra* note 1.

¹⁴⁵ Law on NGOs, *supra* note 32 at art. 13.

¹⁴⁶ Law on NGOs, *supra* note 32 at art. 20.

¹⁴⁷ Law on NGOs, *supra* note 32 at art. 9.

Article 21 of the NGO Law provides that associations shall have an annual balance sheet, recording its accounts and including donations and their source. If revenues exceed twenty thousand Egyptian Pounds, the board of directors shall submit a closing account to an accountant recorded in the Accounting Auditors Register coupled with the relevant supporting documents to examine it. A report thereon must be submitted at least a month before holding the General Assembly meeting.¹⁴⁸ The association must deposit its cash funds with a bank or saving fund, in the name by which it was registered, and is “prohibited to join in financial speculations.”¹⁴⁹

Article 26 of the NGO Law provides that a copy of the papers tabled before the General Assembly shall be sent to the Administrative Authority at least fifteen days prior to convening the Assembly. Furthermore, the Administrative Authority must be notified with a copy of the minutes of the General Assembly within thirty days.¹⁵⁰ An absolute majority of members is required to constitute a valid General Assembly meeting.¹⁵¹ Simultaneous board membership and working for pay for the association is not permitted.¹⁵² Absent contrary provision in the articles of incorporation of the association, the Minister of Social Affairs may appoint a mandatory who shall have the jurisdictions of the board of directors, if the board of directors falls beneath the number required to hold a valid meeting.¹⁵³

Pursuant to Article 52 of the NGO Law, Associations of Public Benefit are subject to similar Administrative Authority oversight, with regards to control and examination of the association’s work.¹⁵⁴ The Minister of Social Affairs has wide powers that may be exercised in the event that the Administrative Authority identifies “serious errors ...affecting the realization of the purposes of the association.”¹⁵⁵

Associations are prohibited from appropriating lodging places for a number of different groups, including persons with special needs, without a license from the administrative quarter.¹⁵⁶ Pursuant to Article 48 of the Executive Statute to the NGO Law, an association, once juridical personality has been attained, may carry out any activity that leads to the realization of its purposes in development of society. A finite list of such purposes is provided, and if an association wishes to add new fields of activity, it must submit a request to the government for permission to do so.¹⁵⁷ An association must also obtain permission from the Ministry of Social Affairs to import equipment or production materials required for its basic activities, and even if the same is approved the decision must then be approved by an additional government minister and also the Prime Minister.¹⁵⁸

In accordance with Article 61 of the Executive Statute of the NGO Law, associations must maintain certain documentation, correspondence, and registers at their head offices, including the

¹⁴⁸ *Id.* at art. 21.

¹⁴⁹ *Id.* at art. 22.

¹⁵⁰ *Id.* at art. 26.

¹⁵¹ *Id.* at art. 28.

¹⁵² *Id.* at art. 36.

¹⁵³ *Id.* at art. 40. Similar provision is made in Article 60 of the NGO Law with regards to non-governmental institutions. *Id.* at art. 60, providing for the Administrative Authority assuming the charge for the appointment of the Board of trustees of the non-governmental institution.

¹⁵⁴ *Id.* at art. 52.

¹⁵⁵ *Id.* at art. 53.

¹⁵⁶ *Id.* at art. 54.

¹⁵⁷ Executive Statute Of the NGO Law *supra* note 41 at Art. 48.

¹⁵⁸ *Id.* at Art. 50.

name of every member, their home addresses, and telephone numbers. The Minister of Social Affairs has the power to decide on parties who have the right to review the association's registers.¹⁵⁹ Article 138 of the Executive Statute of the NGO Law provides that the non-governmental organization may, on approval of the administrative quarter, "content itself with preparing a periodical statement of the revenues, expenses, and aspects of spending instead of the annual balance sheet if the nature of its property justify that."¹⁶⁰

Case Law

(I did not research case law)

C. Analytical Comparison

Whereas Egyptian law is rather scant in respect of auditing and reporting requirements for for-profit organizations, extensive provisions facilitate government interference in the internal affairs of non-profit organizations. Companies may prevent the inspection of their internal records where the same will harm the entity, and even where government bodies wish to carry out inspection, such a request is adjudicated upon by another government department with evidence demonstrating just cause being required.

In contrast, state officials are provided with the legal right not only to enter into non-profit organizations' premises to inspect documentation, the public is also given *prima facie* inspection rights. The law creates an obligation on non-profit organizations to provide government agencies with documentation and further gives the government power to appoint persons to specifically participate in the running of non-governmental organizations' affairs. Egyptian law is also inflexible and restrictive vis-à-vis non-profit organizations as in the event such an organization wishes to supplement its purposes, without specification of what constitutes a new purposes, permission must be obtained from the government. This is capable of being used abusively and to minimize the remit of non-profit organizations' work where deemed contrary to government interests. Finally, ministerial power to dictate who may review internal non-profit organizations' documents, together with legal obligations requiring non-profit organizations to maintain membership lists including full names and addresses of members, places both said members and the organization in a position of vulnerability that has no comparable provision applicable to for-profit organizations.

VI. Penalties for Non-Compliance

A. For-Profit Organizations

a. Laws

The general rule in Egyptian legislation is that only natural persons can be criminally prosecuted.¹⁶¹ Criminal acts are attributed to the legal representatives of the company. Egyptian law does, however, recognize the possibility of civil liability of juridical persons. Penalties that can be imposed on companies as juridical persons are those which are regarded in the law as incidental or complimentary.¹⁶² Acts or admissions of individuals are not attributed to the

¹⁵⁹ *Id.* at Art. 63.

¹⁶⁰ *Id.* at Art. 138.

¹⁶¹ Lex Mundi, *Criminal Liability of Corporations (prepared by Shalakany Law Office)* 2008 at p.1., available at www.lexmundi.com/Document.asp?DocID=1063.

¹⁶² *Id.* at p.2.

company for which they act in a professional capacity. Possible civil sanctions include cancellation of a license or official closure of work premises.¹⁶³

Egypt does not have a bankruptcy law per se, but Commercial Law 17 of 1999 includes a chapter on bankruptcy. The terms of the bankruptcy chapter are silent or ambiguous on several key issues that are crucial to the reduction of settlement risks.¹⁶⁴ The Egyptian judicial system functions extremely slowly, and cases can remain in the system for several years.¹⁶⁵

Although the legal rules and procedures regarding the enforcement of contracts are similar across Egypt, their administration by the fifteen individual courts varies because it is the prerogative of the head of each court.¹⁶⁶

Article 162 of the Company Law provides for penalties that may be imposed upon individuals for offenses listed therein. Article 162 of the Company Law makes the following provision for penalties:

Without prejudice to severer penalties enacted by other laws, anyone of the following personalities will be liable to a penalty of imprisonment during a period not less than two years, and to a fine not less than 2000 Egyptian pounds and not more than 10000 Egyptian pounds which the infractor should personally support, or by one of these two penalties:

- 1) Whoever mentions intentionally in publications on the issue of shares or of stocks, false data, or contradictory to this law or its executive regulation and whoever subscribes these publications, in execution of these provisions.
- 2) Any founder in the act of the limited liability company who presents false declarations relating to distribution of the parts of the capital between the partners or regarding the acquittal of their values although he is aware of the reality of the situation.
- 3) Whoever of the partners effects the valuation of parts in kind at more than their real value by fraud.
- 4) Any founder or manager who dispatches an invitation to the public for subscription in stocks of whatever kind to the account of a limited liability company, or who presents such stocks for subscription in the company.
- 5) Any member of a board of administration who distributes profits or interests contrarily to the provisions of this law or the statutes of the company, and any controller who sanctions such distribution.
- 6) Any controller or worker in his office who intentionally makes a false report on the result of his verification of such facts in the report he presents to the General Assembly according to the provisions of this law.
- 7) Any public official who discloses a secret, known by reason of his work or intentionally mentions in his report incorrect data or purposely records or omits, in such report, facts affecting its result.
- 8) Whoever forges in the registers of the company or purposely records in them unsound statements or prepares or presents reports to the General Assembly containing false statements which were of a nature that affected the decision of the assembly.

¹⁶³ *Id.* at p.4.

¹⁶⁴ *Id.*, at p.9.

¹⁶⁵ *Id.*

¹⁶⁶ The World Bank, *supra* note 10 at p.4; 35 et seq.

Failure to adhere to the terms of inspection ordered render the delinquent party liable to penalties under Article 163 of the Company Law. It is provided in Article 163 of the Company Law that:

Without prejudice to severer penalties prescribed by other laws, any person who commits any of the following acts, will be penalised by a fine not less than 2000 Egyptian pounds and not more than 10000 Egyptian pounds:

- 1) Whoever disposes of foundation parts, or shares differently to the rules laid down by the present law.
- 2) Whoever is nominated as member in the board of administration of a shareholder company or a delegated member for its management or continues to be in its membership or be appointed controller in it in discord of the prohibitions contained in this law, and every member delegated for administration in contravention of the prohibitions enacted by this law, and every delegated member for administration in a company in which any of these contraventions occur.
- 3) Any member of a board of administration who is in default in the presentation of the shares concerning his eligibility for administration in the manner prescribed in this law, in course of 60 days from the date of his notification of the decision of his appointment, and also who is in default of presentation of the declarations he is bound to present, or who willfully omits some of the data which the board of administration should make reports thereon, and also any member of the board of administration who records in the reports of the company unsound data or willfully withholds their mention.
- 4) Whoever contravenes the provisions regarding the ratio of Egyptian boards of administration in Companies or of their workmen or of wages.
- 5) Whoever contravenes any of the compulsive provisions in this law.
- 6) Whoever willfully abstains from enabling the controllers or staff of the competent administrative authority delegated for consultation of the books or documents which they are entitled to investigate according to the provisions of this law.
- 7) Whoever of the members of the board of administration willfully impedes the convocation of the General Assembly.

Any person who has any relation with the affairs of the company may be questioned under oath.¹⁶⁷ The company may be liable for costs of inspection in the event infractions of the law are discovered.¹⁶⁸ In relevant circumstances, the General Assembly may decide the dismissal of the members of the board of administration and bringing an action against them for their responsibility for a breach of the law.¹⁶⁹

Part VI of the Company Law applies to Branches and Offices of Foreign Companies in Egypt, i.e. those which do not have in Egypt the main center of their administration or principal activities. In accordance with Article 166 of the Company Law, foreign companies must observe the formalities of commercial registration laid down.

Article 8 of the Investment Law provides that companies or establishments shall not be nationalized nor shall their property be confiscated.¹⁷⁰

¹⁶⁷ *Id.* at art. 159.

¹⁶⁸ *Id.* at art. 160.

¹⁶⁹ *Id.*

¹⁷⁰ The Investment Law, *supra* note 4 at art. 8.

B. Not-For Profit Organizations

a. Laws

Conducting activities as an unregistered association, conducting activities that threaten the national unity, and receiving foreign funds without prior governmental approval are all examples of violations that could lead to the imposition of sanctions, including imprisonment.¹⁷¹ In Egypt, non-respect of the obligation to register may result in a prison sentence of up to one year in duration.¹⁷² Obtaining funds without authorization and as required by the NGO Law is punishable by a prison sentence of up to six months and a fine of up to 2,000 Egyptian pounds.¹⁷³

Penal Code Article 78 provides for expanded penalties on anyone who accepts foreign funds in order to conduct activities deemed harmful to Egypt's national interests and unity.¹⁷⁴ A life imprisonment sentence and a steep fine may be handed to anyone receiving funds or other foreign source support with intent to "harm the national interest," "compromise national unity," or "breach security or public peace."¹⁷⁵ The amorphous nature of the language used in Article 78 raises the possibility of prosecution where an organization is critical of governmental activities.

Pursuant to Article 2 of the NGO Law, a person against whom a final court ruling sentencing him to criminal or custodial penalty for a misdemeanor case of moral turpitude and dishonesty, shall not participate in founding an association, unless he has been rehabilitated.¹⁷⁶

Regarding "associations of public benefit," Article 53 of the NGO Law provides that if it "transpires to the administrative authority that serious errors have occurred affecting the realization of the purposes of the association of public benefit, the exercise of its activities, or the implementation of the plans or projects assigned to it," the Minister of Social Affairs may take any of the following actions:

- Discontinue the activity of the project assigned to the association, temporarily, pending removal of the contravention;
- Withdrawing the project assigned to the association;
- Removing the board of the association and appointing a mandatory until calling a meeting of the general assembly within at most three months from the date of his appointment to elect a new board of directors, after consulting the view of the General Union of Associations and Non-Governmental Institutions.

Part V of the NGO Law provides specifically for penalties, and is subject to any stricter penalty prescribed in the Penal Code or elsewhere. The following shall be punished with imprisonment of not more than a year and/or a fine not exceeding ten thousand Egyptian pounds: (1) establishing an association whose activity is "clandestine," and (2) the assumption of activities proscribed in

¹⁷¹ NGO Law Monitor, *supra* note 1.

¹⁷² The Observatory for the Protection of Human Rights Defenders, *supra* note 62 at p. 31.

¹⁷³ *Id.* at p. 48.

¹⁷⁴ *Id.*

¹⁷⁵ *Id.* The provisions impose the same penalty of a life sentence on anyone who gives or offers such support, or "facilitates" its receipt.

¹⁷⁶ Law on NGOs, *supra* note 31 at Art. 2.

Article 11 paragraphs 1-3 of the NGO Law. If the activity is exercised in the name of the association, the court “shall rule dissolving the association.”¹⁷⁷

A prison sentence of not more than six months and/or a fine not exceeding two thousand Egyptian pounds shall be the consequence of a number of additionally stipulated actions viz: (1) including establishment of an entity to carry out the activities of associations or non-governmental institutions without following the provisions of the NGO Law; (2) engaging in such activities despite a court ruling or decision suspending or dissolving an association or non-governmental institution; (3) receiving funds from abroad, sending funds abroad, collecting donations without administrative authority approval, in the actual or fraudulent capacity of chairman or member; (4) spending the funds of an association or non-governmental institution for personal purposes or in speculative financial operations; and (5) disposal of funds of an association or non-governmental organization despite a court order of dissolution and liquidation, without the liquidator’s written order.¹⁷⁸

The following actions result in a penalty of imprisonment of not more than three months and/or a fine of not more than one thousand Egyptian pounds: (1) the assumption of activities of the association or non-governmental institution before completing its registration, with the exception of founding work; (2) all member of the Board of the association or non-governmental institution, or among its directors who by his deed contributed to its annexation, participation or affiliation to a club, association, organization, or body whose head office is outside the Arab Republic of Egypt (abroad), without notifying the administrative authority or despite its objection; (3) a liquidator who distributes the property and funds of the association or non-governmental organization in violation of the NGO Law; and (4) all members of the board of an association of public benefit who by his deed contributes to merging the association in another without the approval of the administrative authority.¹⁷⁹

More broadly, the Egyptian authorities have sought to silence NGOs with conspiracy theories of foreign interference in domestic affairs.¹⁸⁰ In addition to constraining organizational funding and enabling government interference, registration under the NGO Law renders organizations vulnerable to harsh penalties.¹⁸¹

C. Analytical comparison

Penalty provisions exist for both for-profit and non-profit organizations in respect of legal violations. Whereas the maximum sanction under the Company Law exceeds that under the NGO Law, the circumstances giving rise to penalties of incarceration and/or a fine are much more elaborate for non-profit organizations and for ostensibly minor infractions. Furthermore and reflecting a common theme throughout this note with regards to non-profit organizations, the vague language used provides for the possibility of subjective application of laws to punish non-profit organizations for work carried out. Significant discretion is afforded to government officials in application of the laws.

D. Statistics on actual penalties for each group (if, available)

¹⁷⁷ *Id.* Art. 76.

¹⁷⁸ *Id.*

¹⁷⁹ *Id.*

¹⁸⁰ *Id.* at p. 61.

¹⁸¹ NGO Law Monitor, *supra* note 1.

(I did not locate any statistics during my research.)

OVERVIEW CHART

Although not exhaustive of all the similarities and differences discussed in the above sections, this is to help highlight some of the biggest differences or similarities.

Please identify 3-4 of the main issues discussed above for each category.

Issue	For-Profit Organizations	Not-For Profit Organizations	Similarities
Registration Procedures	<p>Filing is with the Companies Department.</p> <p>15 days for automatic registration.</p> <p>Unspecified requirements in respect of information that must be included in articles of association.</p> <p>Board members can be non-Egyptians.</p>	<p>Filing is with Ministry of Social Solidarity.</p> <p>60 days for automatic registration.</p> <p>Specific and elaborate provisions regarding information that must be included in the articles of association.</p> <p>Only ordinary members of associations can be non-Egyptians.</p>	Both involve filing requirements
Tax Laws	<p>Recent developments have increased rates of tax applying to corporations.</p> <p>Considerable incentives and accommodations exist to encourage for-profit organizations to invest – including tax breaks and tax free zones.</p>	<p>The law provides tax privileges for no-profit organizations, but some of these are dependent on exercise of ministerial discretion.</p> <p>There are no clear, objective criteria on the basis of which government</p>	Specific provision is made for both categories in respect of tax laws.

		departments are to adjudicate whether a non-profit organization qualified for tax privileges.	
Financial Transaction Laws	<p>Non-Egyptians may hold a majority interest in Egyptian corporations.</p> <p>The Investment Law includes significant protections for foreign investors.</p> <p>In spite of some sectorial limitations, such as in banking, in most cases Egyptians and non-Egyptians have parity treatment.</p> <p>The Company Law includes both a <i>prima facie</i> prohibition regarding political activities, and also a percentage maximal contribution that may be made, which itself is subject to exception in defined circumstances.</p>	<p>Heavy restrictions are placed on non-profit organizations in respect of financial transactions and political contributions.</p> <p>Ministerial approval based on unclear reasons is required to receive funds from abroad.</p> <p>Possible criminal sanctions for legal infractions and record of ministerial threats to non-profit organizations in respect of funding from overseas.</p> <p>Prohibition on solicitation of domestic funds without government permission.</p> <p>Absolute prohibition from engagement in political activities, the range of which is unclearly and amorphously described.</p>	The law regulates both types of organization specifically.
Auditing/Reporting Requirements	<p>Limited provisions uncovered in research.</p> <p>Ability to prevent access to corporate documentation on demonstration of harm flowing from the same. Even ministerial inspection requires</p>	<p>Extensive legal provisions facilitating governmental interference.</p> <p>Rights of entry to premises for government, and rights for government to provide for public</p>	

	evidence justifying the same and adjudication by a different government department.	<p>access to information, including names and addresses of member of the organization.</p> <p>Government power to appoint person(s) to participate in running of the organization.</p> <p>Permission required to modify organizational purposes, with no clarity when this provision will apply. Susceptible to abuse.</p>	
Penalties	Provision in Companies Law for maximum custodial sentence of more than two years.	<p>Maximum custodial sentence under NGO Law of one year.</p> <p>More extensive and elaborate list of situations attracting punishment of incarceration and/or a monetary fine, for ostensibly minor issues.</p> <p>Vague language, significant discretion to government officials in application of laws.</p>	Both types of organization are potentially subject to penalties for violation of the law. Ministerial discretion has a role in each case