

Vehicle Import Taxes Eased on Egyptians Residing Abroad

By Dr. Moataz Al Mahdy & Zaina Morad

Law No. 174 of 2023 (the “New Law”) provides an initiative whereby, for a limited period of 6 months, Egyptians residing abroad were alleviated of vehicle import fees. The New Law extends these benefits, which were initially introduced last year by virtue of Law No. 161 of 2022 (the “Initial Law”). This mutually beneficial initiative represents an effort by the Egyptian government to treat the shortage of foreign currency, which has become a growing concern amidst the decline of the foreign exchange rate of the Egyptian Pound against the US Dollar.

The New Law was published in the Official Gazette on the 29th of October 2023 and became enforceable on the following day, the 30th of October 2023. The conditions set out in the New Law apply for a period of 3 months from the date of enforcement. The New Law also states that the Cabinet of Ministers may allow the extension of this initiative for another 3 months. Considering the current economic situation, it is likely that this extension will take place in an attempt to continue increasing the supply of foreign currency.

Procedures of the Initiative

The initiative requires the Egyptian expat to pay the total development fee, the Value-Added Tax (VAT), and only 30% of the customs tax value of the vehicle. The key aspect of this total payment is that it must be made in foreign currency to the Ministry of Finance through an interest-free certificate of deposit. This total

payment

is then reimbursed in Egyptian Pounds to the Egyptian expat after 5 years, as per the exchange rate at the time, without interest.

Eligibility Requirements

The eligibility requirements for this initiative are that the individual must (i) hold a valid residency in a foreign country; (ii) be at least 16 years of age; and (iii) have a bank account in a foreign country that has been open for longer than 3 months (certain exemptions apply to this requirement).

In addition, an eligibility requirement is set on second-hand vehicles with regards to the vehicle’s production date. In those cases, the New Law stipulates that the vehicle must not be older than 3 years of its production date at the time of customs release.

Market Reaction

It is key to note that when this initiative was first introduced by the Initial Law it was expected to make the government approximately USD 2.5 billion, according to the Minister of Finance, Mr. Mohamed Maait. However, it fell short, only bringing in close to USD 900 million.

The reason behind the initiative’s relative failure the first time around was because of the stark difference in advantages granted to Egyptian expats in European versus non-European countries. Egyptian expats residing in Europe had a major advantage from the application of the zero customs rule. On the other hand, Egyptians residing in non-European countries were obligated to pay the full customs tax value. Essentially, this was especially discouraging for Egyptians residing in Gulf countries – which form the majority of Egyptians residing abroad as well as a significant portion of the demographic expressing interest in the initiative.

Now, the new law introduces less restrictions and partly alleviates the customs applied on vehicles from non-European countries, which is expected to be significantly more attractive to the Egyptian diaspora – specifically those in the Gulf.



Revised Trading Fees for Financial Instruments and Securities on the Egyptian Stock Exchange

By Omar Sherif, Rokaya Ghoneim and Alexandra Arida

The Egyptian Prime Minister has issued Decree No. 3674 of 2023 (the “Decree”) revising the fees owed to the Egyptian Stock Exchange (the “EGX”) for the provision of services related to the trade of financial instruments and securities (the “Fees”), repealing Decree No. 1013 of 2020 previously regulating the same (the “Repealed Decree”).

The Decree was published in the Official Gazette on 24 September 2023 and has entered into force as of 25 September 2023.

We outline below the main amendments and provisions enacted as follows:

Expanding the Scope of Securities and Financial Instruments Subject to The Fees

In a manner akin to the Repealed Decree, the Decree provides the requisite Fees for services pertaining to the trading of both listed and unlisted securities. Additionally, the Decree broadens the scope of financial instruments subject to the Fees by including future contracts to the same.

Further, and in addition to bonds and debt instruments, which were previously subject to a reduced rate of 50% under the Repealed Decree, the Decree has now included treasury bills traded on the EGX within the ambit of said reduced rate with a maximum Fee of EGP 500 for transactions below EGP 50 million, and a maximum Fee of EGP 1,000 for all remaining transactions.

Fees Payment Timeframe

The Decree provides that the Fees are to be paid by both the seller and the buyer of the traded securities and financial instruments.

Said Fees are to be collected by the brokerage company responsible for executing the transaction and subsequently paid to the EGX within a period of three working days from the date of execution of the transaction on the EGX.

Market Reaction

Several market players operating in companies in the financial market have welcomed the above amendments and decrease in the Fees for EGX transactions.

111 YEARS

Increased VAT Rates on Cigarettes, Tobacco and Tobacco Mix (Mu'assel)

By Omar Sherif, Rokaya Ghoneim and Alexandra Arida

In light of the increasing inflation in Egypt, the Egyptian Parliament has amended the value-added tax ("VAT") Law No. 67 for the year 2016 (the "VAT Law") by enacting Law No. 117 of 2023 (the "VAT Law Amendment"), which increases the VAT rates applicable on all types of tobacco, cigarettes and Mu'assel.

The VAT Law Amendment was published in the Official Gazette on 4 November 2023 and has entered into force as of 5 November 2023. The VAT Law Amendment amends schedule one of the VAT Law and is seen as a positive step towards eliminating the increasing black market on smoke products.

The key highlights of the VAT Law Amendment can be summarized as follows:

Adjustments to VAT Rates Applicable to Tobacco Products

The VAT Law Amendment has increased the minimum threshold of tobacco product prices, which are now subject to additional VAT rates. In this regard, raw unmanufactured tobacco is now subject to a 75% VAT with a minimum of EGP 60 per kilogram; up from the previous EGP 30 per kilogram.

Additionally, cigarettes locally manufactured and sold to end consumers remain subject to a 50% VAT, in addition to: (i) EGP 4.5 per packet at a price of EGP 31 or less, increasing from EGP 4 per packet; and (ii) EGP 7 per packet at a price between EGP 31 and EGP 45 as well as imported cigarettes not exceeding EGP 45, increasing from the previous EGP 6.5 per packet.

Adjustments to VAT Rates on Tobacco Mix (Mu'assel)

The VAT Law Amendment has further increased the VAT rates applicable to products such as syrupy tobacco mix (mu'assel), whether imported or locally manufactured. In this regard, a 25% increase has been imposed on imported Mu'assel (now at 225%) while those locally produced are subject to a 25% increase (now at 190%).

Annual Increases

Furthermore, the VAT Law Amendment introduces an annual increase of 12% on the above thresholds for a duration of five years commencing from the date enactment of the VAT Law Amendment. Said annual increase may be reduced by the Cabinet, by recommendation of the Minister of Finance, taking into consideration an assessment of the development of the actual production cost influencing the selling price of tobacco products on end consumers.

Market Reaction

Dr. Fakhri El-Fiqi, the Head of the House's Planning and Budget Committee, [indicated](#) that the implementation of the VAT Law Amendment is projected to contribute to saving up to EGP 8 billion annually in the state budget.



A step towards Sustainability: Establishment of the National Council for Green Hydrogen and its Derivatives

By Mariam Fahmy and Malak Mounir

With Egypt hosting the 27th Conference of the Parties to the United Nations Framework Convention on Climate Change (“COP27”) last year and discussing its “2050 Climate Change Strategy”, it has witnessed a surge of concentrated governmental efforts to boost environmental sustainability, including the introduction of Green Hydrogen. Green Hydrogen and its derivatives are potential power sources aimed at the reduction of carbon emissions. That said, the issuance of the Prime Minister’s Decree No. 3445 of 2023 (the “Decree”) for the establishment of the National Council for Green Hydrogen and its derivatives (the “Council”) presents a focal point in said strategy.

The Decree has introduced the establishment of the Council, followed by outlining (i) the Council’s mandate; (ii) the frequency and quorum of validity of its meetings; (iii) the authority and bindingness of the Council’s decisions; and (iv) the technical secretariat and its duties.

Hence, we will delve into the key highlights of the Decree as follows:

Members of the Council

The Council is presided by the Prime Minister (the “Chairman”), and the members of the Council consists of several ministers, including Minister of Electricity and Renewable Energy, Minister of Petroleum and Mineral Resources, Minister of Justice, Minister of Environment, Minister of Finance and Minister of Transportation. In addition, the following persons are also members of the Council:

- Head of the Suez Canal Authority.
- Head of the General Authority for Suez Canal Economic Zone.
- First Assistant to the Prime Minister.
- Chief Executive Officer of the General Authority for Investment and Free Zones.
- Chief Executive Officer of the Sovereign Fund of Egypt
- Representative of the Ministry of Defense

The Council, by virtue of the Decree, is permitted to invite other ministers, governors, and heads of governmental authorities to attend the Council’s meetings, or request assistance as the members deem appropriate.

The Council shall convene upon an invitation from the Chairman at least once every quarter.

The Council’s Mandate

The Council’s primary objective is to increase and consolidate the efforts of stimulating investments in the Green Hydrogen and its derivatives industry, as an integral step towards sustainable development.

The Council is responsible for the supervision of the execution of the State’s Green Hydrogen strategies and to approve its suggestions and plans. The Council coordinates between ministries and concerned governmental authorities in order to harmonize and ease the Green Hydrogen investment process. Finally, the Council reviews legislation and rules regulating and governing Green Hydrogen and its derivatives and suggests any amendments thereto.

By virtue of the Decree, all ministries and competent authorities are committed to implementing the policies, strategies and plans instilled by the Council.



The Council shall have a Technical Secretariat (the “Secretariat”). The Secretariat shall be headed by the First Assistant to the Prime Minister and representatives of the member Ministers shall also be members to the Secretariat. The Prime Minister shall issue a decree forming the Secretariat.

Market Reaction

According to Dr. Mohamed Shaker, the Minister of Electricity and Renewable Energy, the establishment of the Council presents a crucial step in [the country’s sustainable development strategy](#). As the government aims, by 2050, to produce Green Hydrogen at the lowest global cost, Ambassador Christian Berger, Head of the EU delegation, has highlighted that the establishment of the Council is an [advancement in Egypt’s 2050 Climate Change Strategy](#) and recognized EU’s reserved funds in support of the Council.



Tax Law Amendment Eases Burden on Low-Income Earners

By Omar Sherif, Rokaya Ghoneim and Zaina Morad

The Income Tax Law No. 91 of 2005 (the “Income Tax Law”) has been amended by Law No. 175 of 2023 (the “Amendments”) whereby the tax exemption limit has been raised and tax brackets have been adjusted.

The Amendment was enacted by the House of Representatives and published in the Official Gazette on 30 October 2023, becoming enforceable the following day on 31 October 2023.

The Amendment aims to alleviate the tax burden on low-income earners and to allow for a more progressive and equitable approach to tax distribution.

We highlight below the main aspects of the Amendment as follows:

Key Amendments

One of the key changes introduced by the Amendment is the increase of the tax exemption limit from EGP 21,000 to EGP 30,000. As such, all those with annual net incomes below EGP 30,000 will not be subject to income tax.

The Amendment further eliminates the 2.5% tax bracket previously introduced in 2020, with the lowest bracket becoming 10%, applicable on net incomes between EGP 30,000 and EGP 45,000.

The amendments to the new income tax brackets have shifted the income brackets in favor of those with lower net annual incomes. In this regard, those with an net income of more than: (i) EGP 45,000 to EGP 60,000 are now subject to a 15% income tax rate; (ii) EGP 60,000 to EGP 200,000 are now subject to 20%; (iii) EGP 200,000 to EGP 400,000 are now subject to 22.5%; (iv) EGP 400,000 to EGP 1.2 million are now subject to EGP 25%; and (v) EGP 1.2 million and above are subject to 27.5%.

Market Reaction

The members of the Planning and Budget Committee at the House of Representatives **emphasized** that this more progressive tax system, specifically the increase of the tax exemption limit, is expected to benefit approximately 13 million low-income earners within both the private and public sector. It is anticipated that this law will be met positively by the public, specifically by low-income earners, seeing as this amendment eases their tax burden significantly.

SHALAKANY

111 YEARS

The Replacement of the tables of the Combating Narcotic Abuse and Illegal Drug Trade Law

By Sherry El Shalakany and Mohamed Nour

On the 9th of September 2023, the Egyptian Drug Authority (the “EDA”) issued Decree No. 600 for the year 2023 (the “Decree”) replacing the tables attached to Law No. 182 for the year 1960 regarding Combating Narcotic Abuse and Illegal Drug Trade (the “Law”).

We shall delve into the key highlights of the Decree as follows:

Key highlights of the Decree

Since the issuance of the Law, which has been in effect since 1960, it has been noted that all the decrees amending the tables of the Law did not follow a single standard, whether by not unifying the general form of the tables, the method and counting the chemicals included therein from a formal and scientific perspective, as well as the lack of application of the form of the tables to their content.

In addition, some tables, such as Table No. (2), regarding formulations excluded from the restrictions applied to narcotic substances, remained without inspection or review, despite the fact that contained formulations were no longer used and outdated by technological and scientific development in the field of pharmaceutical formulations.

It was also noted that the tables were not compatible with the international lists. On the other hand, a system of listing the chemical structure was introduced and distinguishes the chemical compound (the chemical substance) and is an integral part in the composition of this compound, by which, it is possible to anticipate the tremendous technological development committed by perpetrators by intervening to change the chemical composition of synthetic drugs by removing them from under the umbrella of criminalization, which

represents

a serious threat to the entire society.

Based on the above, the Decree aims to achieve the following:

- Reviews Inspecting auditing the terminology, technical, linguistic terms and scientific names of the materials listed in the tables, by unifying the method of writing all the names of the chemicals and deleting the names that have no scientific basis;
- Unifies the listing method in the tables according to a unified standard that includes the method of numbering, while approaching the tables in international lists;
- Develops a flexible mechanism by having a digital copy of the tables to keep pace with the rapid development that constantly occurs in chemicals and their derivatives, and to facilitate the research for all those dealing with these tables, whether from a technical or legal perspective;
- Considering not to affect the lawsuits pending before the courts or prosecution offices.
- Subjecting the synthetic drugs in Table 1 Category B to the aggravated criminalization due to their negative impact on the society, which requires an aggravating factor for all criminal forms related to it and included in the provisions of the aforementioned law.

Brief on Tables contents

- Table 1 is divided into categories A and B covering 136 narcotic substances including, *inter alia*, Cocaine and Heroin.
- Table 2 states five preparations exempted from some restrictions on narcotic substances including but not limited to, cocaine preparations whose percentage does not exceed 0.1%.
- In addition, table 3 includes substances and their preparations that contain an amount exceeding 100 milligrams per dose and whose concentration in one preparation exceeds 2.5% unless otherwise stated. As such, table 3, second category includes substances and their preparations that contain an amount



exceeding 100 milligrams per dose and at least an equivalent amount of methylcellulose unless otherwise stated. Table 3, third and fourth categories include 65 substances with their materials, salts and isotopes including, *inter alia*, Ethchlorvynol, Pipradrol and Mazindol.

- Table 4 is tackling the maximum quantity of narcotic substances that may not be exceeded in one prescription. There are 38 narcotic substances included in the table, by way of illustration, Morphine with 600 milligrams as the maximum dose per prescription.

- Finally, table 5 states five plants that are not permitted for planting, e.g., Cannabis. In contrast, table 6 in the Decree specifies parts of plants excluded of table 5.

The Decree has entered into effect on the 10th of September 2023.

Market Reaction

The Decree seeks to reduce the abuse and trafficking of narcotic substances, to achieve protection of society.

