



## Egyptian Government Policy for **COVID-19** Economic, Financial, and Corporate Support

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# Introduction



## **Presidential Decisions to Support the Egyptian Economy:**

On 22 March 2020, President El-Sisi has announced a dozen of important financial and economic decisions to mitigate the financial implications of COVID-19 on the Egyptian Economy.

### **These decisions include, among others, the following:**

- Allocating EGP 100 billion to finance the country's plan to fight the spread of COVID-19.
- Reducing price of natural gas for industry by USD 4.5.
- Reducing electricity prices for industry by 10 piasters.
- Providing one billion EGP for exporters in March and April 2020 to pay part of their dues and provide 10% additional cash payments to exporters in July 2020.
- Granting final exemption for foreign investors from paying capital gains tax on the sale of listed Egyptian securities and suspending its payment for resident shareholders until 2022.
- Examine sectors most affected by the spread of COVID-19 to provide necessary support.
- Allocating EGP 20 billion from the Central Bank of Egypt ("CBE") to support the Egyptian stock Exchange.

# Table of Contents

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**In this presentation we will summarize the main financial and economic measures taken by the Egyptian government to support following sectors:**

1. Industrial Sector
2. Energy Sector
3. Tourism Sector
4. Banking and Finance
5. Tax Measures
6. Corporate and Investment
7. Export and Import Measures
8. Capital Market
9. Customs Measures
10. Pharmaceutical
11. Employment Law Consideration

# Industrial Sector



## **CBE Financing Initiative to Support the Industrial Sector:**

- On 12 December 2019, the CBE has adopted a financing initiative of EGP 100 billion to support the private industrial companies with annual business revenue ranging from EGP 50 Million to EGP 1 Billion.
- The CBE has however decided on 4 April 2020 to extend the scope of such initiative to also cover private industrial sector companies achieving annual business revenue exceeding EGP 1 Billion (CBE Circular dated 4 April 2020).
- Such financing initiative has been extended by the CBE to also cover companies working on agricultural sector, including agricultural manufacturing companies, and construction companies that are achieving annual business revenue of more than 50 Million EGP (CBE Circulars dated 25 March and 13 May 2020).
- The facilities granted under this initiative shall be used for financing the purchase of raw materials, production requirements, machines and equipment, production lines for the purpose of increasing the production capacity. It also includes payment of payrolls and electricity, natural gas and diesel expenses (CBE Circular dated 27 May 2020).

# Industrial Sector



## Other Measures to Support the Industrial Sector:

- Setting the price of selling natural gas supplied to all other industrial activities at USD 4.5 per million thermal units (Prime Minister Decree No. 744 of 2020 dated 19 March 2020).
- Continue applying the price of selling natural gas supplied for the manufacturing of fertilizers and petrochemicals at USD 4.5 per million British thermal units or according to the price formula included under the contracts (Prime Minister Decree No. 744 of 2020 dated 19 March 2020).
- Reducing the sale prices of electrical energy supplied to industrial activities by 10 piasters per KWh on the ultra-high, high and medium voltage outside and inside peak times (Prime Minister Decree No. 781 of 2020 dated 31 March 2020).

# Energy Sector



- Setting the price of selling natural gas supplied for electricity generation at 3.25 dollars/million British thermal units; whether for electricity companies associated with the Ministry of Electricity and Renewable Energy or other companies (Prime Minister Decree No. 743 of 2020 dated 19 March 2020).
- Ministerial Decree No. 889 of 2020 dated 11 April: Determining the sale price of diesel' ton, as following:
  - EGP 3900 for brick and cement industries.
  - EGP 1500 for food industries that are determined by a decree issued by Minister of Trade and Industry.
  - EGP 2500 for electricity and energy production companies that sell their produced electricity to companies affiliated to the Ministry of Electricity and Renewable Energy.



# Energy Sector



## Setting New Electricity Prices and Relief Measures in Response to COVID-19

Below is a summary of the Financial Relief Measures taken by the Government in relation to the Energy sector, in response to COVID-19 implications:

1. Extending the remaining period determined for the full liberalization of electricity prices to be (5) years instead of (3) years. Accordingly, the full liberalization of the electricity prices shall be achieved in the fiscal year 2024/2025 instead of the fiscal year 2021/2022.
2. Determining the Electricity prices for the next (5) years to provide more transparency and predictability for the investors.
3. Fixing the electricity prices per KWh on the ultra-high, high and medium voltage for a period of (5) years according to the electricity prices determined for the fiscal year 2020/2021.
4. Reducing the sale prices of electricity supplied to industrial activities by 10 piasters per KWh on the ultra-high, high and medium voltage throughout the next 5 years.
5. The Ministry is also planning to fix the price of natural gas supplied for electricity generation plants to be set at 3 dollars/million British thermal units in order to eliminate any additional financial burden on the end consumer.

On 6 June 2020 the Ministry of Electricity and Renewable Energy has issued Decree # 100/2020 determining new electricity prices for the period from 1<sup>st</sup> July 2020 until 1<sup>st</sup> July 2024. This Decree comes in light of the Government Plan to completely liberalize the electricity prices by the end of fiscal year 2024/2025.

# Tourism Sector



- Adopting a new financing initiative to support tourism companies and establishments by EGP 50 billion for the purpose of financing the renovation of hotels, floating hotels and touristic transport fleet (CBE Circular dated 8 January 2020).
- Continue suspending the permissions of establishing new tourism companies for a period of one year starting from February 2020 (Ministerial Decree No. 72 of 2020 dated 22 January).
- Continue suspending the permissions of opening new branches of existing tourism companies for a period of 6 months starting from March 2020 (Ministerial Decree No. 250 of 2020 dated 26 February).
- Granting 2 year credit facilities to certain tourism activities for the purpose of paying employees' wages, fulfilling their obligations to suppliers and performing the maintenance services (CBE Circular dated 23 March 2020).



# Banking and Finance



- **CBE Circular dated 15 March 2020:**
- Determining certain precautionary measures to counter the effects of COVID-19 Virus, ensuring the safety and security of the banking sector and facilitate banking transactions and services.
- These measures include, inter alia, the following:
  - Providing all available credits for the importation of necessary products and for the payroll requirements.
  - Postponing the re-payment of facilities by SMEs for 6 months without imposing any additional interests or delay fees.
  - Encouraging the use of bank transfers and E-Payments rather than cash.

# Banking and Finance



- **CBE Circular dated 16 March 2020:**
- Postponing all customers' credit liabilities for a period of 6 months without imposing any interests or delay fees.
- The CBE has thereafter issued, on 16 April 2020, an explanatory circular regulating the payment of such interests after the abovementioned suspension period.
- The CBE decided that these interests shall be capitalised to the remaining balance of the loan in order to be paid together according to the new payment schedule of the loan.
- Therefore, banks cannot claim these interests to be paid as a lump sum upon the end of such suspension period.

# Banking and Finance



- **CBE Circular dated 19 March 2020:** Decreasing the interest rate imposed on the loans and facilities granted to the beneficiaries of the Private Industrial Sector Initiative and the Tourism Initiative to support the renovation of hotels, floating hotels and transport fleet to be 8% (instead of the 10%).

This new interest rate applies on the previous and new beneficiaries of such initiatives as of the date of issuance of this Circular.

- **CBE Circular dated 20 March 2020:** Taking other precautionary measures to counter the effects of COVID-19 virus, including measures relating to electronic payments via mobile phones, bank cards and internet banking services.
- **CBE Circular dated 22 March 2020:** Exempting all local transfers in EGP from all fees and commissions for a period of 3 months in order to encourage the use of bank transfers instead of cash payments.

# Banking and Finance



- **CBE Circular dated 29 March 2020:** Setting maximum limits for cash deposits and withdrawals as an interim measure to counter the effects of COVID-19. These limits are as following:
  - EGP 10,000 per day for deposits and withdrawals by individuals;
  - EGP 50,000 per day for companies (except for companies' withdrawals for payroll requirements).
  - EGP 5,000 per day for ATMs' deposits and withdrawals.
- **CBE Circular dated 22 April 2020:** Increasing the maximum limits for cash deposits and withdrawals by individuals, which are set out by the Circular of 29 March 2020, to be as following:
  - EGP 50,000 per day for deposits and withdrawals by individuals;
  - EGP 20,000 per day for deposits and withdrawals by individuals on ATMs.

# Tax Measures



- **Tax Authority Circular No. 47 of 2020**
- Allowing the following sectors, which are strongly affected by COVID-19, to pay their income taxes due for 2019 in three installments without incurring any delay interest.
  - Aviation/air transportation sector.
  - Tourism sector.
  - Hotel sector.
  - Journalism and media sector.
  - Industrial sector (except food, drugs and detergents sectors).
  - Communications and IT sector (except those companies licensed to provide land lines and cell phones services).
  - Sports sector activities.
  - Hospitals.
  - Cars distribution and transportations activities.
  - Construction sector.
- Such three installments shall be paid as following: 20% in April, 30% in May and 50% in June 2020.

# Tax Measures



- **Law No. 24 of 2020** issued on 7 May 2020 authorizing the Cabinet of Ministers to take a number of financial relief measures to mitigate the implications of COVID-19 on the most affected business sectors.
- This Law came into force retroactively as of 31 March 2020.

**These measures include, inter alia, the following:**

1. Grant three months grace period for filing tax returns (renewable one time for the same period).
  2. Grant three months grace period for the payment of due taxes (renewable one time for the same period). No delay fee of additional tax will apply during this grace period.
- These measures shall apply in respect of the following taxes:
    - Income and corporate taxes.
    - Value added taxes (VAT).
    - Real estate taxes.



# Tax Measures



- **The Law authorizes the Cabinet of Ministers to take the following measures:**
  1. Grant three month grace period for payment of social insurance contributions for a period of three months (renewable one time for the same period). No delay fee will apply during this period.
  2. Allow for the settlement of due social insurance contributions in monthly installments over a three months period (renewable one time for the same period).
- **Pre-conditions To Benefit From The New Measures:**
  - In order for an entity to benefit from the above relief measures, the entity must keep its employees and not to adopt any layoff or redundancy nor to reduce their basic salaries.
  - An entity that has already adopted redundancy or layoff measures can benefit from the new financial measures adopted under the Law if it restored the laid off employees and their basic salaries.

# Tax Measures



## New Tax in the Pipeline to Fund COVID-19 Confronting Measures

- On 20 May 2020, the Council of Ministers has approved a draft law imposing a 1% tax on all employees' salaries to contribute in financing part of the financial implications of COVID-19.
- This tax should be deduced from the net income of all employees working in the State, whether in public or private sectors, starting from 1<sup>st</sup> of July 2020 for a period of 12 months.
- This draft Law also imposes 0.5% tax on the net monthly pensions, during the same mentioned period.
- Employees with net income not exceeding EGP 2,000 per month are exempted from paying such new tax. The Cabinet may also exempt employees who are working in certain sectors which are heavily affected by COVID-19.

## **Purpose of The New Tax**

- This new Tax will be applied for a temporary period of 12 months in order to be used to confront the financial implications of COVID-19, by providing financial aid and support to the economic and production sectors which are negatively affected by the pandemic.

# Corporate & Investment



- **Prime Minister Decree No. 7 of 2020 dated 16 February:**
- Determining certain geographical locations as included under 'Zone A' for the application of Article 11 of the Investment Law No. 72 of 2017. These locations are considered as in most need for development (i.e. underdeveloped locations).
- **These locations are as following:**
  - South of Giza governorate;
  - Governorates affiliated to the Suez Canal which are Port Said, Ismailia, Suez (east of the canal);
  - Border governorates, including the Red Sea governorate from south Safaga; and
  - Upper Egypt governorates.

# Corporate & Investment



- **New Requirement to Disclose Ultimate Beneficial Owners:**
- On 1<sup>st</sup> of March 2020, Ministerial Decree No. 41/2020 was issued to amend the Executive Regulations of the Commercial Register Law No. 34/1976 to require all companies in Egypt to disclose the ultimate beneficial owners who have actual ownership or control over the company.
- Companies are required by virtue of this Decree to create a special book for recording the names and data of the ultimate beneficiaries and to notify the competent Commercial Register Office of any legal arrangement that lead to such ownership/control immediately upon its occurrence.
- Competent authorities will have the right to inspect companies' books upon request.

# Corporate & Investment



## Using of Electronic Means to Hold and Vote in General Assembly Meetings

- **The General Authority for Investment and Free Zones (GAFI)** has decided on 18 March 2020 to allow Egyptian companies incorporated under the Companies Law No. 159 of 1981 or the Investment Law No. 72 of 2017 to hold and convene board meetings, ordinary and extra-ordinary general assembly meetings via remote audio or video communication techniques; and
- Obliging GAFI to authenticate the minutes of the above mentioned meetings without any comments on the convention or attendance method, without prejudice to the other legal requirements.
- **The Financial Regulatory Authority (FRA)** has also decided to activate the use of electronic means in convening, attending and voting in general assembly meetings.

# Export and Import Measures

**On 26 March 2020, the National Food Safety Authority has issued Decree No. 3 of 2020 deciding the following:**

- Examine only 25% of the imported food raw materials (factories production requirements) included in the needs cards for factories; or industrial requirements included in the investment cards for factories certified by the National Food Safety Authority (“**NFSA**”) as included in "White List".
- Examining only 25% of the finished food products which are subject to the NFSA Decree No. 2/2020, provided that they are subject to pre-inspection before shipment and are accompanied by an accredited inspection certificate from any of the licensed companies with NFSA.



# Capital Market

- **Allocating EGP 20 billion to Support the Stock Exchange**
- The President has decided on 22 March 2020 to allocate EGP 20 billion from the CBE to support the Egyptian Stock Exchange against COVID-19 financial implications.
- **Taking Certain Relief Measures against COVID-19 Implications**
- The Financial Regulatory Authority (“FRA”) has also announced a number of initiatives and precautionary measures to fight COVID-19 implications and mitigate its adverse consequences on the stakeholders’ dealings and transactions in non-banking financial markets.
- For Further details regarding FRA’ Initiatives and Measures, please visit the following link: [http://www.fra.gov.eg/jtags/efsa\\_en/media/Initiatives.pdf](http://www.fra.gov.eg/jtags/efsa_en/media/Initiatives.pdf)

# Customs

- **The Damietta Authority** has issued a decision on 5 May 2020 to grant a package of incentives to encourage investors to trade transit goods at the Damietta Port.
- Amendment of Article (1) of the Authority's Decree No.904/2018 regarding the determination of an appropriate storage period to be as follows:
- Collection for additional storage service fees for quantities of goods that exceed (45) days from the date of unloading goods and (60) days for transit goods.
- Exempting the following categories from paying the above mentioned fees:
  - Exports of Egyptian products
  - Wheats imported in the name of General Authority for Supply Commodities or the General Company for Silos and storage.
  - Goods transported by rail.
  - Goods transported by river transportation.
  - Transit goods.

# Pharmaceutical

**An internal circular dated 31 March 2020 issued by the Egyptian Drug Authority ("EDA") taking certain measures to facilitate and speed up the importation procedures of drugs and pharmaceutical raw materials as following:**

- Issuing import approvals for pharmaceutical materials, once, for the quantity specified by the shipping company for total and partial shipment so that approvals for the same item are not repeated.
- Allowing operation with expired quality certifications issued for factories of active ingredients (API) for six months.
- Exempting companies from registering any documents as following:
  - accepting quality certifications issued for factories of active ingredients (GMP) without notarization, for a period of six months.
  - Accepting contractual relations between foreign raw materials factories and the foreign supplier via e-mail without providing the origin of the letter, provided that an email should be received from the factory prior to the release of the shipment and not as a condition for issuing the import approval.
  - Submitting the originals of the requested certificates such as analysis certificate or health certificates, without notarization, before releasing the shipment and not as a condition for issuing the import approval.
- **These abovementioned measures shall be applicable for a period of two months.**

# Employment Law

## What to do if an employee is infected with COVID-19?

### First: Report to the authorities

- If one of your employees is diagnosed with COVID-19 or exposed to someone with COVID-19, you, as the employer, or the responsible manager of the entity, is required to report the case to the competent Health Office.
- The Ministry of Health issued Decree No. 145 for 2020 to consider COVID-19 as one of the infectious diseases listed in Law No. 137 for 1958 regulating the Health Precautionary Measures to Combat Infectious Diseases (the “Law”).
- According to Article 12 of the Law, if a person is tested positive for one of the infectious diseases listed in the Law (COVID-19 is one of them) or is suspected to have infectious, the health authorities have to be reported about such case immediately.
- Article 13 provided that the manager of a company will be responsible for doing such reporting.
- Violating the Law is penalized with a fine and or imprisonment for a period of two months.

# Employment Law

## Second: Comply with Occupational Safety and Health Measure

- According to the Egyptian Labor Law (“ELL”), companies are required to take all necessary occupational safety and health (OSH) measures to protect their employees from the danger of infection with bacteria, viruses, fungi, parasites and the rest of biological risks in case the nature of the work exposes the employees to infection.
- Employers are also required in this respect to:
  - ✓ Provide the employees with care service including conduction of medical analyses and examinations depending on the number of employees.
  - ✓ Provide first aid measures, medical attention and treatment depending on the number of employees.
  - ✓ Provide periodic medical examination of employees exposed to the risk of any occupational diseases.
  - ✓ Inform employees of the dangers they are exposed to in case of non-observance of protective measures.
- The OSH authorities are currently making intensive inspections on companies to ensure compliance with the OSH measures, so you need to be ready to receive such possible inspection visits at any time.

# Employment Law

## **Third: Follow the MOH Guide regarding COVID-19 Preventive Measures**

- The Egyptian Ministry of Health (“MOH”) issued a Guide for Protection from COVID-19, among the measure required to be taken by entities are the following:
- Prepare a place at the site for isolation of infected people.
- Close any gathering areas or food courts/dining rooms at the site.
- Oblige every person inside the site to put a face mask.
- Apply hygiene and social distancing measures.
- Prepare list of all visitors to the entity.
- Conduct temperature checks for all employees and visitors.
- Encourage employees not come to work if they are feeling unwell (e.g., coughing, sneezing, fever or runny nose).
- Review sick-leave policies to encourage employees to stay home when ill, to reduce transmission to others.
- Provide clean hand washing facilities and alcohol-based hand cleansers in multiple locations throughout the building.
- Factories are allowed to work 24 hours on the conditions that workers are divided into day and night shifts.
- Increase the number of transportation buses or transportation trips for workers.





**Thank You**