

On July 15th, the Official Gazette published the MSME Development Law No. 152 of 2020, replacing the previous Small Enterprises Law No. 141 of 2004 and widening its scope.


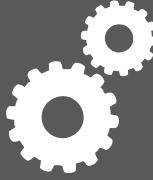



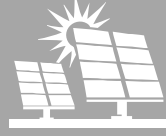
MSMES: DEFINITION*

| | Annual Turnover (EGP) | Newly Established Enterprise** Capital (EGP) Manufacturing Sector | Newly Established Enterprise** Capital (EGP) Non-Manufacturing Sector |
|---------------|-----------------------|---|---|
| Micro | < 1 mn | < 50 K | < 50 K |
| Small | 1 mn - < 50 mn | 50 K - < 5 mn | 50 K - < 3 mn |
| Medium | 50 mn - < 200 mn | 5 mn - < 15 mn | 3 mn - < 5 mn |

* Flexible amendment of thresholds by a Prime Ministerial Decree.

** Established, registered or started operations for 2 years.

INCENTIVES: ELIGIBLE ENTERPRISES

| | |
|---|--|
|  Informal enterprises applying to formalize |  Manufacturing enterprises that are increasing local components or renovating production technology |
|  Entrepreneurial enterprises (Innovative enterprises operating for < 7 years*) |  Serving agricultural and animal production |
|  IT or related sectors, digital transformation and AI |  New and renewable energy |

* MSMEDA Board of Directors is to issue clarification.

NON-TAX FINANCIAL INCENTIVES*

| | | |
|--|--|---|
|  Free, discounted or partial cost reimbursement for allocation of land. |  Financial incentives from the State Budget (up to 0.3% of the GDP, min. of EGP 1.5 bn annually). |  Partial or total reimbursement of the cost of participation in exhibitions. |
|  Full or partial reimbursement or postponed payment of infrastructure cost (utilities installation). |  Facilitated financing against allocated property. |  Conditional financial incentives to NBFIs investing in entrepreneurial enterprises. |
|  Cost-sharing of workers' technical training. |  Facilitation of social security procedures, costs and commercial registration.** |  Exemption of patent registration fees. |

* Some incentives are applicable to incubators and accelerators and MSME support institutions establishing industrial, production, vocational or service parks with slots for MSEs.

** Micro enterprises only.

TAX INCENTIVES

|  Simplified income tax regime and bookkeeping rules |  MSMEs can opt out of this tax regime if they have realized losses |  Dividends distribution in one-person companies is not subject to income tax | Turnover (EGP) | Income Tax |
|--|---|--|-----------------|-------------------|
| | | | < 250 k | EGP 1 K |
| | | | 250 k - < 500 k | EGP 2.5 K |
| | | | 500 k - < 1 mn | EGP 5 K |
| | | | 1 mn - < 2 mn | 0.50% of turnover |
| | | | 2 mn - < 3 mn | 0.75% of turnover |
| | | | 3 mn - < 10 mn | 1% of turnover*** |
|  Unified custom duty rate of 2% on imported machinery required for establishment |  Tax exemption of capital gains resulting from sale of assets/ machinery* |  Possible partial or full exemption of property tax on buildings** | | |

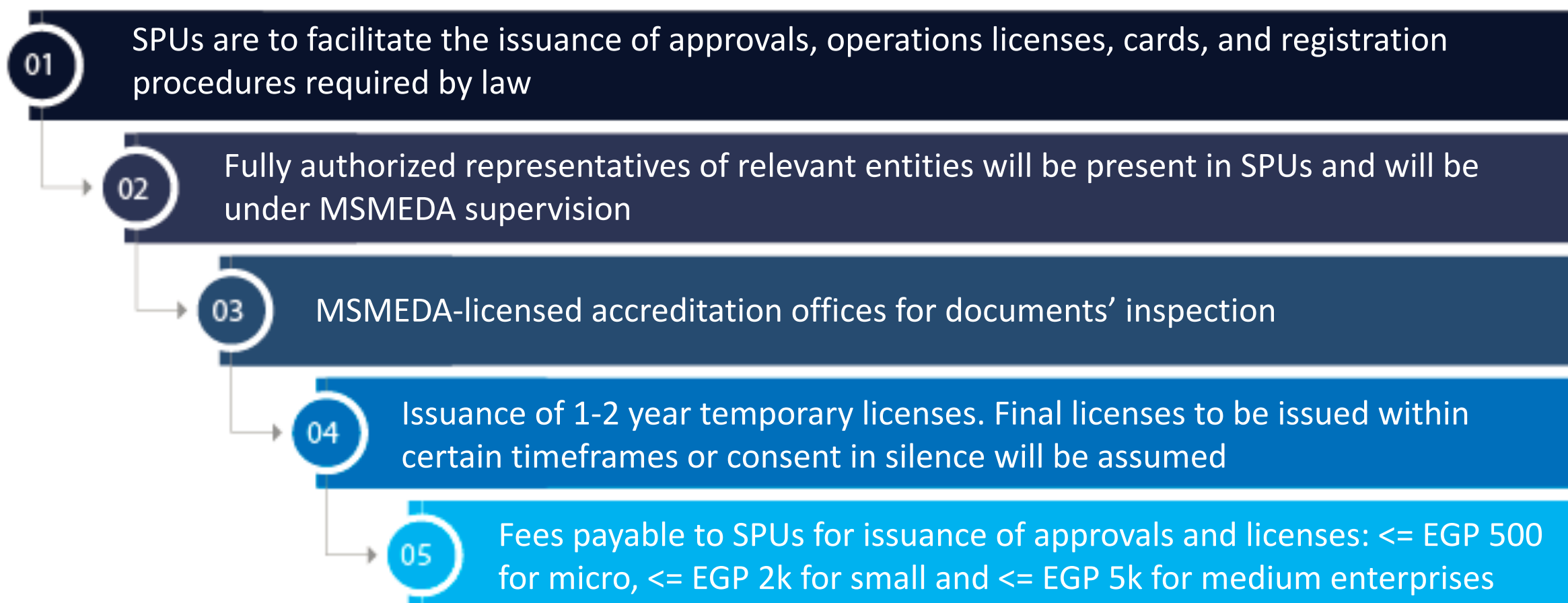
*If the proceeds are used to purchase new production machinery or equipment within a year

**For MSEs only, for a defined period of time

*** For 5 years.

NON-FINANCIAL INCENTIVES


A. Establishment of MSME Service Provision Units (SPUs) in MSMEDA and GAFI offices



B. Land Allocation


30% of unutilized land in industrial zones among others* shall be allocated to MSMEs


Pertinent authorities shall be responsible for the land utilities and planning


Information and maps on available land shall be made available at SPUs


Allowing industrial parks serving agri. & animal production on agricultural land


If land is purchased by MSEs, price should be limited to utilities' installation cost


Usufruct contracts against an annual charge of 5% of the estimated buying cost


Facilitation of payment for the land allocation (e.g. installments...etc)

*In addition to touristic areas, urban communities, agricultural reclamation lands (as relevant).

NON-FINANCIAL INCENTIVES (CONT'D)

C. Public Procurement

Public entities' contracts allocation:

- No less than 20% to medium enterprises, and
- No less than 20% to MSEs



Contracts include purchase of goods, services, works, consultancies and art works

Preferential contracts with MSMEs can be used



Certain tenders can be exclusive for MSEs

INFORMAL SECTOR

A. Licensing

Temporary 5-year license to operating informal enterprises* applying to formalize**

Temporary license fees: <= EGP 1k for micro, <= EGP 5k for small and <= EGP 10k for medium enterprises

*With the exception of informal enterprises with major health, safety, security or environment hazards

**Applying to formalize within one year of the law enforcement; a period extendible by the MSMEDA and the Prime Minister.

B. Incentives to formalize



* MSEs only.

**During the temporary license period, excluding tax evasion felonies for tax registered enterprises.

***That are not already tax registered.

MSME DEVELOPMENT AGENCY (MSMEDA)



Direct reporting to the
Prime Minister



Flexible
administrative rules



Registering MSMEs &
issuing incentives
certificates



Must be consulted
when drafting relevant
laws

MSMEDA SERVICES

Financing



- MSMEs
- Certain financial institutions
- Incubators and accelerators



Information



- Investment opportunities in governorates
- Enterprise risk
- Production techniques
- Marketing
- Franchising
- Service providers

Support



- Preliminary feasibility studies
- Consulting on sourcing equipment, machinery and supplies.
- Simplified guidelines on dealing with public entities
- Participation in exhibitions
- Provision of training
- Preserving heritage

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