REGISTRATION OF FACTORIES & TRADMARK-OWNER COMPANIES

A Guide to Decrees 43 and 44

Dcode EFC's
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1. PREFACE

The Ministry of Trade & Industry's Ministerial Decree no. 43/2016, and later its amendment 44/2019 allow certain imported products (HS Codes) of entering the Egyptian market, only if the importing companies have the original manufacturer/bearer of the trademark registered at the General Organization for Export and Import Control (GOEIC). Following its issuance, importing companies have consistently reported specific challenges pertinent to the processes stipulated in the decree. In this document, we provide a guide to explain the registration process under decree no. 43/2016 and its recent amendment no. 44/2019, the required documents as well as Dcode EFC's commentary, all within the current macro-economic context.

2. MACRO-ECONOMIC CONTEXT

Egypt's macroeconomic setting has undergone a major transformation in recent years. Measures undertaken by GoE, since 2016, can be divided into two paths: 1) immediate measures focusing on curbing government finances and addressing foreign exchange shortages; and 2) measures focusing on enhancing the business environment and aiming at facilitating private sector's operations and increasing Foreign Direct Investments (FDI).

On the fiscal front, reform measures received a head start with the enactment of the Value-Added Tax (VAT) law in September 2016. This law increased the standard tax rate from 10% to 13% in FY 2016/17 and 14% thereafter. It also included the taxation of a range of previously exempted products & services. Moreover, the streamlining of fuel and electricity subsidies represented a crucial part of the fiscal reform program whereby fuel prices were raised by an average 296.5%[1] between 2016 and 2019 and electricity tariffs were raised by an average of 163.7[2]% during the same period. Water prices were also increased by up to 50% and 46.5% in July 2017 and July 2018, respectively. Other measures included **raising custom tariffs** to range between 40-60% on some luxury imports in December 2016 and **raising customs on a large number of imported goods** from 5% to up to 40% in September 2018.

On the monetary front, and after a long history of controlling the foreign exchange market to hedge against imported inflation, the Central Bank of Egypt (CBE) shift to a fully floated currency boosted investors' confidence. However, the adjustment is challenging and has caused a lot of short-term disruption in the market. For corporations that generate foreign currency surplus, like exporters of goods and services, the sharp depreciation of the Egyptian Pound (EGP) that followed the floatation has augmented their earnings and improved their competitiveness in the global market. On the other hand, production and operational costs have hiked significantly for companies reliant on imported inputs and services. The inflationary impact of the EGP depreciation also put an upward pressure on labour costs and other locally procured inputs. Nevertheless, in the long run all stakeholders started benefiting from the better functioning foreign exchange market and improved availability of foreign currencies. Foreign currency deposit and withdrawal limits were first introduced in 2011 after the political turmoil affected key foreign currency sources (tourism, exports and foreign investments). The

[1] Simple average of Octane 80, Octane 92, Octane 95, Diesel, Butane cylinders and Natural Gas for cars

[2] Simple average of electricity tariffs for residential, industrial and commercial uses