



PERMANENT ESTABLISHMENT IN EGYPT: BRANCH OR SUBSIDIARY?

DEFINITION OF A PERMANENT ESTABLISHMENT

Permanent establishment refers to a company formed under one of the laws governing, participating, or executing any kind of business in Egypt and registered in one of the authorized commercial registers. The company must have a taxation card even if exempted.

DEFINITION AND MAIN DIFFERENCES BETWEEN A BRANCH AND A SUBSIDIARY

The main differences between a branch and a subsidiary is that a subsidiary is a form of a regular company owned by another company (can be a foreign company), while a branch has no capital issued but only a headquarters and a current account.

TAX AND ACCOUNTING OBLIGATIONS

A company must:

- Keep duly registered books to record the total monthly activity of the company (journal - stocktaking register);
- Deduct the due tax levied on workers' salaries and pay such taxes to the manager of the competent tax department not later than the first 15 days of the month following the deduction;
- Deduct withholding taxes from each amount exceeding three hundred Egyptian Pounds paid by the facility to any person of private sector as a commission or a brokerage or for purchase, supply, contracting, or services and pay such deduction to the Tax Authority using Form No. (41/Deduction & Collection) every three months, meaning every January, April, July and October each year;
- Deduct a percentage of 5% withholding for taxes from each amount exceeding one hundred Egyptian Pounds paid to the non-commercial professionals and pay such deducted amounts to the Tax Authority using Form No. (41/Deduction & Collection) every three months; and
- Serve a notice on the tax department affiliated to the Real Estate Taxation Department in the Governorate where the facility owns a real estate property, whether at the time of purchasing, selling or otherwise disposing of such property, within two months of the date of purchase or sale.
- A taxpayer, who establishes a branch, an office or an agency of the facility; moves its premises to another place; or change anything with respect to the activity or the facility, shall notify its Tax Directorate within thirty days of the date of the change and pay the annual taxes based on the market value of the real estate property.
- A taxpayer registered with the Tax Authority shall submit a tax return for each month showing its sales of taxable, exempted and non-taxable commodities and services and the tax due on sale. Such tax return shall also include its purchases of commodities for which taxes may be deducted and the deductible taxes will be paid within one month of the month for which it submitted the tax return if the commodities are listed



in Schedule (1) attached to the Law, or within two months if such commodities are not listed in Schedule (1) attached to the Law.

- The company publishing an advertisement shall be obliged to pay 15% of the advertisement costs to the competent tax directorate within two months of the advertisement's date.

REGISTRATION FORMALITIES

Based on the nature of the incorporated law the company will format the following documents and shall submit them to the relevant commercial register:

- Powers of attorney from all founders or partners that cover the powers to incorporate a company.
- Copies of ID (national number) or passports of founders or partners.
- Bank certificate proving that 10% of the issued capital has been deposited.
- Copy of the Bar Association card for the lawyer who signs the Articles of Incorporation.
- Title deed of the project location (or declaration to submit the title deed within a year as of the date of registration at the Commercial Register).
- Commercial Register-approved certificate of non-confusion of the trademark.

STANDARD LEGAL OBLIGATIONS AND FORMALITIES FOR A BRANCH

Application submitted to commercial register office with a copy of:

- Statute of the mother company abroad.
- Decision issued by the mother company abroad to open a branch and appoint a branch manager in Egypt and that no other branch has previously been in Egypt.
- Bank certificate proving the transfer of what is equivalent to LE 5000 in free currency at the official rate under the name of the branch.
- Lease contract or the title deed of the premises.
- Construction contract or agreement concluded for the execution of any operation in Egypt state a set objective, duration, and value.

All documents should be translated and notarized by the Egyptian embassy abroad as well as the Egyptian ministry of Foreign Affairs.