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# LEGAL STUDY

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ECO STREETS



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## Company Formation

### Company Legal Form

The suggested Company form is A **limited liability company** due to:

- 1- The advantages that comes along with this form of company
- 2- The facilitations offered by the Egyptian General authority For Investments and Free Zones (GAFI) that will be discussed later
- 3- The large Capital needed by the company which implies a greater risk on other forms of companies



Figure 1 Logo of the GAFI

### Company Activity

The company main activity will be in import and export, mainly importing the needed vehicles, components and spare parts and the type of company has certain legal requirements which are:

- 1- A Tax card
- 2- Registration in the Chamber of Commerce
- 3- Registration in the Commercial Register
- 4- Registration in the register of importers and exporters
- 5- Registration in the Sales Tax Department
- 6- Current account in a bank

Each will be discussed later in Detail.

### Requirements of formation

The requirements of formation is presented in Article 4 Of the Company law issued by the government as law 159 for the year 1981 attached in Appendix I The complete law can be found through [1]

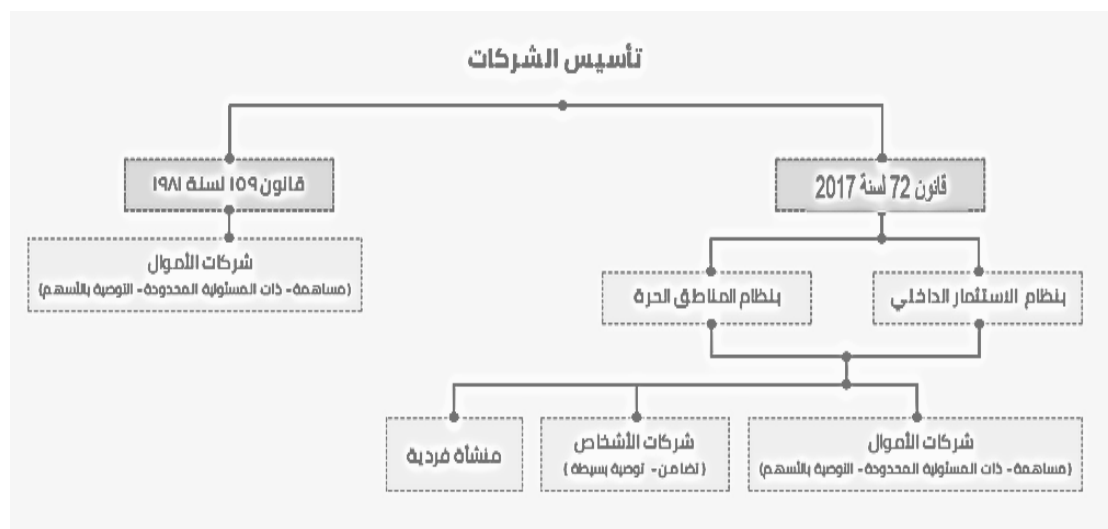


Figure 2 Organization of Company formation

### Formation Procedure

The needed Documents for Creating a LLC are:

- 1- Power of attorney: Issued by each Partner

- 2- Copies of the National IDs of all Partners
- 3- Proof of purchase for the land/building on which the company will be situated

#### Procedure:

- 1- The preliminary contract is used as a guide for the contract
- 2- Make sure the name is not taken by any other company
- 3- The creator or agent then creates a bank account and deposited the capital in it which is then frozen and can't be used
- 4- The bank informs the GAFI which then issues the needed permits.

#### Facilitations offered by GAFI <sup>[3]</sup>



#### Contents of contract

#### A Company In law:

A **company** is a **legal** entity formed by a group of individuals to engage in and operate a business

## Contract law

### The keys of contract law

- 1- The offer
- 2- The acceptance
- 3- The consideration

All partners of the contract must be adults (older than 18 years) and of eligibility to participate and therefor:

- 1- are partners in the capital.
- 2- Share revenues or losses.

## Contract purpose

The purpose of partnership agreement (or partnership contract) is to establish a business enterprise through a legally binding contract between two or more individuals or other legal entities. This partnership agreement designates the rights and responsibilities of each partner or entity involved.

## Contract

According to article (16) of law 159, the contract details are announced by the minister and filed according to the executive regulations. A Sample of an announced Contract for a LLC is attached in Appendix II and the whole contract can be found in [2]

## Commercial laws

### Commercial register

Law number (34) issued in 1976 states that each individual who intends to participate in commercial activity should be registered in commercial registry affiliated to his governorate

### Commercial register requirements

Article (3) attached in appendix I dictates that the individual should be an Egyptian.

Other requirements as the place of institution and social status of partners has to be filed, details can be found in law 34 through [4]

## Social insurance

### Requirements

- 1- Employer registration in social insurance:

Employer insurance shall be compulsory in accordance with Article 5 of Law No. 108 of 1976 can be found through [5] with respect to social insurance for employers and the like, provided that the age of the insured is not less than twenty-one and does not exceed the age of sixty

- 2- Registration of workers in social insurance:

Insurance in accordance with the provisions of the Social Insurance Law No. 79 of 1975 in the National Organization for Social Insurance is compulsory (article (4) of the Social Insurance Law No. 79 of 1975), and the provisions of the above-mentioned law shall apply to workers subject to the provisions of the Labor Law who meet the following conditions:

- a. The age of the insured shall be 18 years and over
- b. The work relationship shall be regular, and the work relationship shall be considered regular if the work practiced by the worker enters by nature in the activity practiced by the employer.
- c. The contract period shall not be less than one year

#### Implications of non-participation in social insurance

In addition to the value of the contributions, the employer is obliged to pay 50% of the contributions which he did not pay as a result of not subscribing for all or some of his workers or performing the contributions on the basis of false wages.

#### Taxes Departments

The Income Tax Law is regulated by Law No. 91 of 2005 which can be found through [6]

The Taxes is no dependant on the form which the company takes but on the activity which it is participating in.

#### Types of taxes

- 1- Income tax
- 2- sales tax
- 3- Payroll tax
- 4- Stamp duty

After the government's decision to exempt new and used electric vehicles from customs duties, Dr. Magdy Abdel Aziz, head of the Egyptian Customs Authority, said that electric cars will be exempted from customs duties, but will be subject to VAT.

#### Bank Relations

##### Bank role:

The general role of commercial banks is to provide financial services to general public and business, ensuring economic and social stability and sustainable growth of the economy. In this respect, credit creation is the most significant function of commercial banks.

##### Bank requirements procedure

Creating a bank account is simple and needs:

- 1- To be of age more than 21
- 2- A Valid National ID
- 3- The capital to deposit in the bank

#### Labour law

##### Definition:

The Labor Code is a set of legal rules governing the relationship of workers with employers, and is a branch of private law that is concerned with regulating the relations of individuals with each other.

Unified Labor Law No. 11 of 2001 article 1 which can be found through [7] States the following:

“In the application of the provisions of this Law, the following terms shall have the meanings indicated:

Each pair:

- a) The Worker: Any natural person employed as a labourer or employee, His supervision.

- b) Employer: Any natural or juridical person who uses a public or a propagandist Pay.
- c) Pay : Whatever workers receive for their work, whether fixed or variable, critics or In kind”

## Requirements

The labor law states enormous rights and duties for each party but to name few:

- a) The right to terminate the employment relationship during the probationary period.
- b) The right to a copy of the employment contract.
- c) The right to social insurance.
- d) The right to remuneration for his work (remuneration as defined by the Labor Law).
- e) The right to weekly, official, annual and sick leave.
- f) The right to work for a period not exceeding the working hours prescribed by law.
- g) The right to overtime pay if the worker is forced to work during the holidays or the number of hours in excess of the working hours specified in accordance with the law.
- h) The right to reciprocity with those in his or her employment grade without discrimination based on color, sex or religion.

## Application & Reinforcement

The company must have regulatory bodies ensuring the application of the labour law and provision will be provided for the departments in the government responsible for it or else punishments will be applied to reinforce applying the law

## Internal rules and regulations

### Laws:

Issued under Article 55 of the Labor Law No. 8 of 1996, the internal rules law states that:

- a) These rules shall be prepared by any institution employing ten or more workers in accordance with the provisions of Article (55) of the Labor Law.
- b) This Regulation is concerned with the provisions pertaining to the organization of work only, especially times and times of work, rest periods, holidays, work violations, penalties, and related matters. Organization of work.

### Purpose

Internal laws and regulations of a company are of great importance as it specifies the chain of management and the specific rules followed by each of the partners and the employees, A Legal Agent will be hired to Draft the necessary internal laws for running the company in a legal and appropriate manner.

## References

- [1] <https://www.gafi.gov.eg/English/MediaCenter/PublishingImages/A%20Companies%20Law%20with%20cover.pdf>
- [2] <https://www.gafi.gov.eg/Arabic/MediaCenter/News/Pages/laws.aspx>
- [3] <https://www.gafi.gov.eg/Arabic/eServices/Pages/limitedcompanies.aspx>
- [4] <https://www.wipo.int/edocs/lexdocs/laws/ar/eg/eg021ar.pdf>
- [5] <http://www.aun.edu.eg/fgaa/laws/79.pdf>
- [6] <http://www.mof.gov.eg/mofgallerysource/arabic/insurance2010.pdf>
- [7] <http://www.gccegypt.org/Uploads/Laws/32145fddf454df.pdf>

## Appendix I

### مادة ٤

الشركة ذات المسؤولية المحدودة هي شركة لا يزيد عدد الشركاء فيها على خمسين شريكا لا يكون كل منهم مسئولا إلا بقدر حصته. ولا يجوز تأسيس الشركة أو زيادة رأس مالها أو الاقتراض لحسابها عن طريق الاكتتاب العام ولا يجوز لها إصدار أسهم أو سندات قابلة للتداول ويكون انتقال حصص الشركاء فيها خاضعا لاسترداد الشركاء طبقا للشروط الخاصة التي يتضمنها عقد الشركة فضلا عن الشروط المقررة في هذا القانون.

Figure 3 Article 4 of law 159

### مادة ١٦

يصدر بقرار من الوزير المختص نموذج لعقد إنشاء كل نوع من أنواع الشركات أو نظامها. ويشتمل كل نموذج على كافة البيانات والشروط التي يتطلبها القانون أو اللوائح في هذا الشأن، كما يبين الشروط والأوضاع التي يجوز للشركاء المؤسسين أن يأخذوا بها أو يحدفوها من النموذج، كما يكون لهم إضافة أية شروط أخرى لا تتنافى مع أحكام القانون أو اللوائح. ولا يجوز الخروج على أحكام النموذج - في غير الأحوال - سالفه الذكر.

Article 16 of law 1594 Figure

### مادة ٣

يُشترط فيمن يقيد في السجل التجاري ان يكون مصرياً حاصلاً على ترخيص بمزاولة التجارة من الغرفة التجارية المختصة .

Figure5 Article 3 of law 79





قطاع الشركات القانونية  
لإدارة المركزية للشركات القانونية للتأسيس والشركات  
الإدارة العامة للعمود وقرارات التأسيس

### عقد تأسيس شركة

#### شركة ذات مسئولية محدودة

خاضعة لأحكام شركات المساهمة وشركات التوصية بالأسهم والشركات ذات المسئولية المحدودة وشركات  
الشخص الواحد الصادر بالقانون رقم ١٥٩ لسنة ١٩٨١

تم إبرام هذا العقد في يوم الموافق / / بين كل من :-

م	الاسم	الجنسية	تاريخ الميلاد	إثبات الشخصية	الإقامة
١					
٢					

#### تمهيد

في إطار أحكام القانون المصري اتفق الموقعون على هذا العقد على تأسيس شركة  
مصرية ذات مسئولية محدودة ، وتأسيساً على ذلك تقدموا بهذا العقد الى الهيئة العامة للاستثمار والمناطق الحرة  
(ويشار إليها فيما بعد باسم "الجهة الإدارية") ، وقد قامت بإجراء المراجعة اللازمة له .  
ويقر الموقعون على هذا العقد بأنه قد توافرت فيهم الأهلية اللازمة لتأسيس الشركة ، وبأنه لم يسبق صدور أحكام  
عليهم بعقوبة جنائية أو جنحة مخلة بالشرف أو بعقوبة من العقوبات المشار إليها في المواد (٨٩)، (١٦٢) ،  
(١٦٣) ، (١٦٤) من قانون الشركات ، وأنهم غير محظور عليهم تأسيس شركات طبقاً لأحكام القانون .  
وقد اتفق المؤسسون على الالتزام بأحكام هذا العقد وأحكام القانون المصري وبصفة خاصة قانون شركات  
المساهمة وشركات التوصية بالأسهم والشركات ذات المسئولية المحدودة وشركات الشخص الواحد الصادر  
بالقانون رقم ١٥٩ لسنة ١٩٨١ ويشار إليه فيما بعد باسم "قانون الشركات " ولائحته التنفيذية .

#### مادة (١)

يخبر التمهيد السابق جزء لا يتجزأ من هذا العقد

#### مادة (٢)

اسم الشركة:- شركة ذات مسئولية محدودة.

#### مادة (٣)

غرض الشركة هو -

وذلك دون الإخلال بأحكام القوانين واللوائح والقرارات السارية ، وبشرط استصدار التراخيص اللازمة لممارسة  
هذه الأنشطة .

ويجوز للشركة أن تشترك بأي وجه من الوجوه مع الشركات وغيرها التي تزاوِل أعمالاً شبيهة بأعمالها أو التي قد  
تعاونها على تحقيق غرضها في مصر أو في الخارج ، كما يجوز لها أن تندمج فيها أو تشتريها أو تلحقها بها وذلك  
طبقاً لأحكام القانون .

<sup>١</sup> يراعى ألا يقل عدد الشركاء عن اثنين ولا يزيد عددهم عن خمسين ، عملاً بمحكم المادة (٤) من قانون الشركات والمادة (٥٩) من لائحته التنفيذية .