

PANORAMIC  
**CORPORATE  
REORGANISATIONS**

Egypt



 LEXOLOGY

# Corporate Reorganisations

Contributing Editors

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DLA Piper

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## LEGAL AND REGULATORY FRAMEWORK

### Types of transaction

#### What types of transactions are classified as "corporate reorganisations" in your jurisdiction?

Egyptian law does not define, per se, the term "corporate reorganisation" in relation to solvent companies, as such companies do not necessarily suffer financial difficulties that justify their reorganisation.

However, corporate reorganisation typically indicates substantial changes to a company's structure for the purpose of increasing profitability, eliminating inefficiencies and responding to market changes. Certain legal actions may be deemed as acts of corporate reorganisation in accordance with the provisions of the Egyptian Companies Law No. 159 of 1981 and its Executive Regulation, including, inter alia, the following legal actions:

- the increase or decrease of authorised capital;
- the amendment of rights, privileges or restrictions in relation to types of shares or quotas;
- the amendment of a company's purpose, its shareholding structure, its board of directors' composition or its legal form;
- spin-offs and split-offs within the same group of companies related to the same parent company;
- mergers within the same group of related companies;
- the acquisition of assets;
- the transfer of assets between related companies; and
- changing the company's legal form (eg, from a joint stock company to a limited liability company).

Furthermore, as per the Executive Regulation of Capital Market Law No. 95 of 1992 (the CM Law), certain legal actions may be deemed as corporate reorganisations in accordance with the CM Law. This may require notification and/or approval of the Financial Regulatory Authority for these actions, including, inter alia:

- the acquisition of a listed company's shares or voting rights through open market operations, not exceeding one-third of the voting rights or capital;
- the acquisition of a listed company's shares or voting rights through open market operations by non-employees or members of the board of directors;
- the capital restructuring among related companies or a group of related companies that includes a listed company; and
- cases of purchase of treasury shares, reduction of capital by execution of treasury shares or distribution of treasury shares as bonus shares.

**Law stated - 27 February 2025**

### Rate of reorganisations

**Has the number of corporate reorganisations in your jurisdiction increased or decreased this year compared with previous years? If so, what are the key drivers for such change in the number?**

In Egypt, there are currently no publicly available official reports reflecting the actual volume of legal transactions deemed as corporate reorganisations. In practice, companies in Egypt may consider corporate reorganisations to (1) avoid certain legal obligations or restrictions (eg, avoiding higher taxation rates), and (2) to comply with new laws and regulations issued regulating certain sector (eg, technological, industrial, commercial or trading). However, there has been a recent increase regarding the acquisition or sale of assets, stemming from the financial challenges of the new economic landscape, due to the rise of disruptive global events such as the rising tensions in the Middle East whereby affected companies may be forced to consider corporate reorganisation.

**Law stated - 27 February 2025**

### Jurisdiction-specific drivers

**Are there any jurisdiction-specific drivers for undertaking a corporate reorganisation?**

There are certain legislative restrictions regarding foreign nationals investing in: (1) certain sectors in Egypt, including commercial agency, real estate brokerage and importation for the purpose of trade; and (2) geographical zones, such as investing in the region of the Sinai Peninsula.

Many companies may be eligible to benefit from the exceptions provided by the Executive Regulation of the Capital Market Law No. 95 of 1992 (CM Law), as amended by Ministerial Decree No. 2482 of 2025, from the submission of a mandatory public tender offer to the Financial Regulatory Authority, in the event that a company acquires whether directly or indirectly, by itself or through its related parties, more than one-third of the capital in a target company. The Executive Regulation of the CM Law provides many exceptions that may be deemed as corporate reorganisations including, inter alia:

- the implementation of mergers between related parties;
- capital restructuring among related persons or a group of related companies;
- cases of purchase of treasury shares, reduction of capital by execution of treasury shares or distribution of treasury shares as bonus shares;
- in the event of a capital increase, if it is not the result of purchasing subscription rights during the process of the capital increase;
- cases that result in the ownership by a person alone or with their related persons of part or all of the shares or voting rights owned by a major shareholder alone or with their related persons in accordance with economic considerations or necessities approved by the Council of Ministers, up to a maximum of 50% of the shares or voting rights of the company; and
- a capital increase resulting from a debt-to-equity swap.

Furthermore, companies may revert to corporate reorganisation to avoid tax implications, since Income Tax Law No. 91 of 2005 stipulates that distributed dividends by Egyptian companies to their resident or non-resident shareholders, except for distributions made in the form of bonus shares, shall be subject to a taxable rate of 10% (Withholding Tax Rate).

Accordingly, corporate reorganisation may be initiated by a group of related companies to avoid payment of the Withholding Tax Rate in each level of a group of companies' structure.

**Law stated - 27 February 2025**

## **Structure**

### **How are corporate reorganisations typically structured in your jurisdiction?**

The structuring plan of a corporate reorganisation depends on the chosen method of corporate reorganisation, whether it is a transfer of assets (shares or quotas, or both), merger, acquisition or amendment to the legal status of an entity.

In general, corporate reorganisations are approved by the concerned companies' General Assembly meetings, then certified by the General Authority for Investment and Free Zones.

Additional steps may be required when carrying out certain processes. As an example to said additional steps, joint stock companies are required to obtain the Financial Regulatory Authority's Approval to issue new shares resulting from a merger or a capital increase.

Furthermore, Egyptian Antitrust Law No. 3 of 2005 and its executive regulations, as amended by Law No. 1120 of 2024, have exempted corporate reorganisations such as mergers and acquisitions between related companies from pre-notification to the Egyptian Competition Authority unless the reorganisation process results, directly or indirectly, in a change in control or material influence.

**Law stated - 27 February 2025**

## **Laws and regulations**

### **What are the key laws and regulations to consider when undertaking a corporate reorganisation?**

Key laws and regulations to consider when undertaking a corporate reorganisation include, inter alia, the following:

- Companies Law No. 159 of 1981 and its Executive Regulation;
- Capital Market Law No. 95 of 1992 and its Executive Regulation;
- Income Tax Law No. 91 of 2005 and its Executive Regulation;
- Egyptian Antitrust Law No. 3 of 2005;
- Financial Regulatory Authority Resolution No. 11 of 2014 on the rules of Listing and Delisting of Securities on the Egyptian Stock Exchange;
- Investment Law No. 72 of 2017 and its Executive Regulation;

- Ministerial Decree No. 547 of 2018 on Egyptian Transfer Pricing Guidelines; and
- Unified Tax Procedures Law No. 206 of 2020 and its Executive Regulation.

Law stated - 27 February 2025

### **National authorities**

#### **What are the key national authorities to be conscious of when undertaking a corporate reorganisation and what role does each authority play?**

Various national governmental authorities should be contacted for approvals, certification or inspections during every step of the process of corporate reorganisation.

Procedures to be carried out and documents required for submission in the event of a corporate reorganisation differ depending on the special requirements of each chosen corporate reorganisation method, by which the operation shall be achieved based on the speciality of each corporate reorganisation, taking into account the tax implications.

However, there are key national authorities to be taken into consideration when undertaking most corporate reorganisations:

- the General Authority for Investment and Freezones;
- the Financial Regulatory Authority;
- the Misr for Central Clearing, Depository and Registry;
- the Egyptian Stock Exchange;
- the Egyptian Competition Authority;
- the Egyptian Tax Authority;
- General Organisation for Export and Import Control; and
- Commercial Registrar.

Law stated - 27 February 2025

## **KEY ISSUES**

### **Preparation**

#### **What measures should be taken to best prepare for a corporate reorganisation?**

To ensure the best outcomes while carrying out corporate reorganisation procedures, regardless of the chosen type of corporate reorganisation, full legal, financial and tax due diligence should be conducted to ensure a better position for the company and to anticipate all possible risks that may arise from the corporate reorganisation.

In practice, an initial action plan should be prepared thoroughly by a legal counsel to include all actions to be taken and their duration, to avoid negative results obstructing the desired reorganisation process, while having full knowledge of the laws and regulations and the

application of such laws. The plan should be validated by a tax consultant regarding the efficiency and risk probabilities of a corporate reorganisation.

Furthermore, said initial action plan should include the governmental authorities to be notified, the initial required documents and the expected time period during which the prerequisite action shall be carried out. Corporate reorganisations require internal declarations of all assets (whether subject to the reorganisation or not) and the legal forms of the entities involved in a corporate reorganisation.

**Law stated - 27 February 2025**

### **Key departments and operational issues**

**What departments of the concerned companies are most involved in corporate reorganisations and what are the most challenging operational issues?**

Corporate reorganisations typically require the involvement of several core departments. The following departments are deemed to be the most important in the process of corporate reorganisations:

- legal department;
- compliance department; and
- finance and tax departments.

Although, corporate reorganisations in Egypt commonly encounter several operational difficulties that have legal implications. The most notable issues can be the regulatory procedures before the General Authority for Investment and Free Zones, the Commercial Registry and other authorities can be lengthy and require strict compliance with documentation and formality requirements. Delays often arise due to valuation approvals, notarisation procedures or the need for supplemental regulatory clarification.

Moreover, ensuring alignment with tax regulations, particularly relating to capital gains and transfer pricing, be complex. Post-reorganisation tax structuring frequently requires careful planning to mitigate risks of reassessment by the tax authority.

**Law stated - 27 February 2025**

### **Employment issues**

**What are the main issues relating to employees and employment contracts to consider in a corporate reorganisation?**

The merger, or acquisition of the establishment shall not result in the termination of the employment contracts of the establishment's employees. As a general rule, both the acquirer/merging company shall be jointly liable with the acquired/merged company for the execution of all obligations arising from these contracts. However, the treatment may differ for each of the aforementioned cases:

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In the event of a merger, the employment contracts of the merged company's employees are typically transferred automatically to the surviving company. However, in practice new employment contracts are usually drafted and concluded for the employees to be transferred to the new surviving company in the merger, taking into consideration that the merged (ie, the company that shall cease to exist upon the completion of the merger procedures) and the merging company (ie, the surviving company in a corporate reorganisation) should be jointly liable in satisfying employees' rights and benefits that were accrued prior to the merging or restructuring of the business, as well as all the obligations arising from the new employment contracts in accordance with the provisions of the Egyptian Labour Law No.14 for 2025 (Labour Law) which preserves employees' acquired rights. The conclusion of a new employment contract shall result in: (1) the seniority benefits attributable to senior employees under the merging companies and (2) the social insurance and pensions benefits not to be interrupted, in accordance with Social Insurance Law No. 148 for 2019.

- An acquisition should not result in the termination of employment contracts of employees under the company subject to the acquisition as the legal personality of the latter shall not cease. Nevertheless, in the event the acquirer chooses to terminate the contracts of the acquired company's employees, the dismissal of employees under the Labour Law mainly depends on whether the employment contract is a definite or an indefinite employment contract. The difference may be observed as follows:
  - Definite employment contracts: an employee may not be dismissed except for committing a gross error. The actions that may be deemed as a gross error are provided under the Labour Law and include, inter alia: impersonation and divulging confidential information. In the event the employment contract is concluded for more than five years, the employee shall be entitled to a compensation amount equivalent to one month's salary for each year of service. However, in the event the employment contract was concluded for less than five years, the employee shall be entitled to compensation equivalent to the salary for the remaining term of the contract or until the employee secures alternative employment, whichever occurs first, in addition to any other entitlements to which the employee may be entitled. However, in the event of termination for gross error, such compensation will not be due.
  - Indefinite employment contracts: either party may terminate the indefinite employment contract, provided that they notify the other party in writing three months prior to termination. However, employers and employees may not terminate an indefinite employment contract except for a lawful reason. If the employer terminates the indefinite-term contract for an unlawful reason, the employee shall have the right to compensation for the damage suffered as a result of this termination, of no less than two months' salary for each year of service. The dismissal of employees by the employer shall take place through the competent labour court.

It is worth highlighting that the process of resignation is heavily regulated under the Labour Law. However, as per the ministerial decree No. 187 of 2025 issued in light of the Labour Law, the provisions regarding the acceptance of employees' resignation do not

apply to cases where both parties to the employment relationship agree to terminate the employment contract amicably, whether the contract is for a fixed term or an indefinite term. Therefore, a mutual termination agreement must be drawn up between the parties, and this agreement must include provisions guaranteeing that the employees receive all their financial entitlements.

**Law stated - 27 February 2025**

### **Employment issues**

#### **What are the main issues relating to pensions and other benefits to consider in a corporate reorganisation?**

With regard to a merger between related companies, new employment contracts may be drafted for the transferred employees to the new surviving company in a merger, taking into consideration (1) seniority benefits such as annual leave, financial entitlements and the conditions of terminating the employment contract and (2) the pensions benefit under the social insurance.

**Law stated - 27 February 2025**

### **Financial assistance**

#### **Is financial assistance prohibited or restricted in your jurisdiction?**

The provision of financial assistance by a private company to fund the acquisition of shares in another company and, in particular, a subsidiary company is not a restricted practice under Egyptian law, and is commonly concluded by virtue of a shareholders' loan agreement or current account.

Furthermore, in accordance with the Executive Regulation of the Companies Law No. 159 of 1981, a company may acquire its treasury shares in one of the following cases:

- in the event of capital reduction;
- if the acquisition is for the purpose of implementing a system of rewarding or motivating employees or managers; and
- if a company's articles of association or articles of incorporation require the company's approval for the transfer of ownership of shares and the company does not grant said approval and acquires these shares.

**Law stated - 27 February 2025**

### **Common problems**

#### **What are the most commonly overlooked issues or frequently asked questions in a corporate reorganisation?**

In practice, there are common issues considered by a company involved in the process of corporate reorganisation:

- the tax implications of a corporate reorganisation, such as the transfer pricing in the event of transactions made between related companies (eg, the acquisition of cross-border securities);
- the debt-to-equity swap, with a possibility of providing additional rights and management control to one shareholder by virtue of equity;
- the transfer or termination of employees and their indemnification thereto, whereas the old and new employers (surviving company) shall be jointly liable in satisfying employees' rights that were accrued before the transfer or restructuring of the business as well as all the obligations arising from the transferred employment contracts;
- the assets and business evaluation by the Economic Performance Sector of the General Authority for Investment and Free Zones prior to any corporate reorganisation, for which approval shall be required to undertake the corporate reorganisation; and
- the total cost of a corporate reorganisation, which should be necessarily expected as per the tax consultant's report and advice.

**Law stated - 27 February 2025**

## ACCOUNTING AND TAX

### **Accounting and valuation**

#### **How will the corporate reorganisation be treated from an accounting perspective? How are target assets and businesses valued?**

In a corporate reorganisation, all assets or businesses under consideration are required to be valued by the Economic Performance Sector of the General Authority for Investment and Free Zones.

In the event where a listed company wishes to sell shares exceeding 10% of its equity or purchase shares exceeding 10% of the equity of a listed company, an independent financial adviser registered with the Financial Regulatory Authority shall issue a fair value study in this regard.

Essentially, all corporate reorganisation methods require the company's auditor to be involved in a corporate reorganisation to diligently and efficiently prepare all the requested documents by the authorities from an accounting perspective, as per the Egyptian Accounting Standards, issued by virtue of Decision of the Central Auditing Organisation No. 732 of 2020, including bank transfer statements (of the movement resulting from loan agreements between related parties, of related cash deposits, of company distributed and non-distributed profits and of recent approved capital increase or decrease) and the audited financial statements related to a financial year or several financial years.

**Law stated - 27 February 2025**

## Tax issues

### What tax issues need to be considered? What are the tax implications of carrying out a corporate reorganisation?

As a general rule, the tax implication varies depending on the chosen corporate reorganisation, the implications of which shall be necessarily covered or anticipated by the company's tax consultants, prior to initiating the corporate reorganisation procedures.

Moreover, under the Income Tax Law No. 91 of 2005 (Income Tax Law), if related companies place conditions in their commercial or financial transactions that differ from those between unrelated companies, which shall reduce the tax base or transfer its burden from one taxable company to another exempt or non-taxable company, the Egyptian Tax Authority shall determine the taxable profit on the basis of the neutral price.

Therefore, the Transfer Pricing Decree was adopted in 2018 to provide new tax guidelines when a cross-border transaction between related companies is to be concluded, triggering the submission of specific documents by the concerned companies. According to the Executive Regulation of the Income Tax Law, the neutral price may be determined by virtue of one of the following methods:

- the comparative free price method;
- the total cost added to the profit margin method;
- the resale price method;
- the profit distribution method; or
- the net transaction profit margin.

Aside from the above, the Income Tax Law also stipulates that the capital gains resulting from revaluation shall be taxed in the event of a change in the legal form of a company, including, inter alia, a merger of two related companies, dividing a resident company into two or more resident companies, changing the legal form of a limited liability company to a joint-stock company or vice versa. In this regard, the concerned company may postpone its taxation if the assets and liabilities are recognised at their book value on the date of the change of legal form for the purposes of calculating tax, and if the depreciation of the assets and the carryover of provisions and reserves are calculated in accordance with the rules established before such change.

Additionally, It is worth noting that capital gains realised from the disposal of securities listed on the Egyptian Stock Exchange, as well as capital gains realised from the disposal of securities of resident Egyptian companies not listed on the Egyptian Stock Exchange, whether listed or non-listed abroad are considered as taxable income under the Income Tax Law as follows:

- the disposal of listed companies' shares is subject to a 10% capital gains tax rate. It is worth noting that this tax is not implemented by the Egyptian Tax Authority.
- however, for non-listed companies, the capital gains tax rate shall be determined based on the net value of the profits in the securities portfolio of the seller realised at the end of the tax year based on the difference between the selling price, exchange or any other form of disposal of the securities or shares, and their acquisition cost, after deducting the brokerage commission.

## CONSENT AND APPROVALS

### External consent and approvals

#### What external consent and approvals will be required for the corporate reorganisation?

Depending on the chosen method of corporate reorganisation, the following external approvals or consents, or both, may be required:

- the General Authority for Investment and Free Zones' certification and approval of related company resolutions in relation to the corporate reorganisation;
- the Financial Regulatory Authority's approval on the exemption from providing a mandatory public tender offer in the case of a corporate restructuring between related companies, if applicable;
- the Misr for Central Clearing, Depository and Registry approval on the transfer of shares;
- the Egyptian Stock Exchange declarations and final approval for the execution of the transfer of shares in a joint-stock company, if applicable; and
- in the event of a pledge, the right to sell the pledged securities and financial instruments shall be subject to the bank or financial institution's approval.

Law stated - 27 February 2025

### Internal consent and approvals

#### What internal corporate consent and approvals will be required for the corporate reorganisation?

As a general rule, corporate reorganisation shall be approved by the shareholders of the concerned company by virtue of a general assembly meeting.

Moreover, in the event of capital increase, a pre-emptive right of the old shareholders in subscribing to the shares of the capital increase with nominal cash shares can be mandatory.

Aside from the above, the concerned companies' articles of incorporation may stipulate additional required internal corporate consents and approvals.

Law stated - 27 February 2025

## ASSETS

### Shared assets

#### How are shared assets and services used by the target company or business typically treated?

All shared assets and services by a company involved in a corporate reorganisation shall be necessarily subject to the prior evaluation of the whole business in the event of a corporate reorganisation, which is to be concluded by the Economic Performance Sector of the General Authority for Investment and Free Zones. Therefore, it is worth noting that the shared assets and services shall be taken into consideration during the planning process of the reorganisation by the tax experts, legal counsel and auditors to determine their viability.

Egyptian civil law provides that a company involved in a corporate reorganisation, and in particular a merger, may demand the division of shared assets. The agreement governing the shared assets may not prohibit the division for a period exceeding five years. If the term does not exceed said period, the agreement shall be executed in the right of the partner and successor.

**Law stated - 27 February 2025**

### **Transferring assets**

#### **Are there any restrictions on transferring assets to related companies? If not, are there measures that can be taken to allow such a transfer?**

There are restrictions on commercial transactions made by and between related companies if related companies implement conditions in their commercial or financial transactions that differ from those between unrelated companies, with an objective to reduce the tax base or transfer its burden from one taxable company to another exempt or non-taxable company. Therefore, the Egyptian Tax Authority (ETA) shall be entitled to determine the taxable profit based on the neutral price of the relevant transaction, which shall be deemed as transfer pricing of transactions concluded between related companies under common ownership or control.

The ETA shall verify the proper application of the fair market value by related persons in their transactions with respect to the exchange of goods, services, raw materials, capital equipment, the distribution of shared expenses, royalty returns and other commercial or financial transactions that are carried out.

The Transfer Pricing Decree No.78 of 2023 issued by the ETA provides that the transfer pricing guidelines shall be the main reference when testing the application of the arm's-length principle in relation to the commercial and financial transactions between related parties. The guidelines shall be applicable to all related companies' transactions.

**Law stated - 27 February 2025**

### **Transferring assets**

#### **Can assets be transferred for less than their market value?**

As a general rule, the valuation of assets depends primarily on whether the company is listed or non-listed on the Egyptian Stock Exchange (EGX).

- With respect to listed companies, the Financial Regulatory Authority's (FRA) Resolution No. 11 of 2014 on the rules of listing and Delisting of Securities on the EGX as amended by Resolution No. 26 of 2026 provides the following:

- companies with securities listed on the EGX that intend, either independently or through any of their subsidiaries or entities under their effective control, to dispose of, by way of sale, any real estate, long-term tangible or intangible assets, or shares owned by them in non-listed or listed companies on the EGX, where the proposed sale price exceed or falls below 10% from the previous session's closing price, and where the estimated value of the proposed disposal represents 10% or more of the company's equity, based on its most recent standalone or consolidated annual or periodic financial statements, as applicable, are required to submit to the EGX a fair value study of the assets proposed to be sold. This study must be prepared, depending on the nature of the asset to be disposed of, by an independent financial adviser, real estate appraiser, or machinery and equipment valuer registered with the FRA as applicable, and shall be accompanied by a review report from the company's external auditor, as well as the board of directors' minutes approving the study, which the EGX will subsequently publish as a summary on its website and trading screens.
- companies with securities listed on the EGX that intend, either independently or through their subsidiaries or entities under their effective control, to acquire shares of a company not listed on the EGX, or any real estate or other long-term assets, whether tangible or intangible, representing 10% or more of the equity of the listed company, as per its latest standalone or consolidated annual or periodic financial statements, shall submit to the EGX a fair value study of the assets or shares to be acquired. This study shall be prepared, depending on the nature of the assets to be acquired, by an independent financial adviser, real estate appraiser, or machinery and equipment appraiser, as applicable, registered with the FRA. The study must be accompanied by a report from the listed company's auditor and minutes of its board meeting approving the valuation study.

It is worth highlighting that a listed company, after obtaining prior approval from its extraordinary general assembly and without prejudice to the aforementioned conditions, may acquire shares of non-listed companies whose fair value, according to a report by an independent financial adviser, is equal to or greater than (100%) of the market value of the company whose securities are listed on the stock exchange on the date of acquisition.

- As for non-listed companies, the aforementioned restrictions don't apply. Accordingly, non-listed companies may dispose or purchase assets without FRA controls. However, there are other controls that may be taken into consideration, which include:
  - if related parties enter into financial transactions with terms that differ from those between unrelated parties, thereby reducing the tax base or shifting the tax burden from a taxable person to an exempt or non-taxable one, the Egyptian tax authority may determine the taxable profit based on the arm's length rate in accordance with one of the methods of calculation provided by the executive regulations of Law No. 91 of 2005 (eg, Resale Price Method or Comparable Uncontrolled Price); and
  - in the event the disposal or purchase of assets has taken place through a merger between two or more companies, a financial valuation of each

company shall be made by the economic performance sector of the general authority for investment and free zones.

Law stated - 27 February 2025

## FORMALITIES

### Date of reorganisation

**Can a corporate reorganisation be backdated or deemed to have already taken place, for example, from the start of the financial year?**

Under Egyptian law, a corporate reorganisation may not be backdated or have taken place retroactively, as its procedures shall start on the effective date of the first action taken for the submission of any documentation and may not differ from its actual execution date. In addition, certain competent authorities may consider any act related to a backdated corporate reorganisation as an act of intentional fraud or providing misleading information, which may result in the payment of fines or the non-implementation of the corporate reorganisation, or both.

Law stated - 27 February 2025

### Documentation

**What documentation is required or advisable in a corporate reorganisation?**

As a general rule, it has been established that the documentation required in a corporate reorganisation varies based on the purpose of the reorganisation and the type of reorganisation chosen to fulfil its desired outcomes and intended purposes. Therefore, the documents required shall be fundamentally distinguished on the basis of (1) the intended purpose, (2) the desired outcomes, (3) the approvals and permits to be obtained and (4) the governmental authorities to be informed, taking into account that even though the same authority may be notified for completion and to satisfy different methods of corporate reorganisation, the same authority may request the submission of different documents or data, or both.

However, the following documents are commonly requested in all corporate reorganisations, by most of the governmental authorities and their internal committees responsible for providing approval:

- the company's articles of association or articles of incorporation and its subsequent certified amendments;
- the company's commercial register;
- the company's financial statements for the financial years based upon which the corporate reorganisation shall be made, with the company auditor's reports attached to it; and
- all related agreements upon which the corporate reorganisation is based.

Law stated - 27 February 2025

### **Representations, warranties and indemnities**

**Should representations, warranties or indemnities be given by the parties in a corporate reorganisation? If so, which are most common?**

Corporate reorganisations are mainly concluded between related companies or a group of related companies and their subsidiaries across multiple levels. Therefore, the parties involved in a corporate reorganisation shall not be legally required to give representation, warranties or indemnities. However, these may be presented and provided as an option, depending on internal discussions at high levels of senior management.

Law stated - 27 February 2025

### **Assets versus going concern**

**Does it make any difference whether assets or a business as a going concern are transferred?**

It is important to distinguish between the two types of deals as follows.

Where assets are the subject of a transfer between related companies in a corporate reorganisation, it shall be deemed as an asset deal whereby the related companies shall continue to exist and operate fully and independently. Assets that may be subject to a sale or purchase deal may include, inter alia:

- equipment;
- machinery;
- securities;
- intellectual property;
- real estate; and
- services.

Such sale/purchase deals shall require many approvals that may differ depending on the assets to be acquired.

Assets that may be subject to a sale or purchase deal may include, inter alia:

- equipment;
- machinery;
- securities;
- intellectual property;
- real estate; and
- services.

If a business is the subject of a transfer between related companies in a corporate reorganisation deemed as a corporate deal, a company shall transfer its whole business.

- The Industrial Development Authority in the event of transfer of industrial factories;
- The Customs Authority in the event of importation of an asset; and
- The National Telecommunications Regulatory Authority in the event of the acquisition of machinery that may comprise any communication components.

Where a business is the subject of a transfer between related companies in a corporate reorganisation, it shall be deemed as a corporate deal where a company shall transfer its whole business.

Therefore, it constitutes a transfer of all assets and liabilities of a company entailing the transfer of licences, capital, assets, real estate, intellectual property, machinery, equipment and liabilities. Accordingly, a company shall be transferred in its integrity to another related company through: (1) a merger (the merged company shall be dissolved and transferred in whole to the surviving company); or (2) an acquisition (a company shall be acquired by another related company).

The distinction between transfer of assets and transfer business shall be reflected in the tax implications as per the Income Tax Law, the amount of procedures to be achieved through multiple competent authorities and the satisfaction of approvals requirements.

It is worth noting, the purchase of a joint stock company's shares shall require approvals, such as Misr for Central Clearing, Depository and Registry's approval, the Egyptian Stock Exchange's declaration and approval, Financial Regulatory Authority's approval, in addition to the shareholders' approval by virtue of a General Assembly meeting.

The planning process includes a number of different procedures for the transfer of the whole business and its licences thereof with a higher cost than the transfer of an asset. These procedures include, inter alia:

- the valuation of the merged and merging companies by the economic performance sector of the general authority for investment and free zones;
- the transfer of employees to the surviving company; and
- the transfer of the industrial register and the industrial licence in the event the merged or acquired company exercises industrial activities.

It is important to highlight that asset deals are typically subject to value added tax, which does not apply to business deals. Moreover, asset deals relating to immovable property are not subject to real estate disposal tax.

**Law stated - 27 February 2025**

### **Types of entity**

Explain the key differences between public, private, government or non-profit entities to consider when undertaking a corporate reorganisation.

All private entities are governed by a specific set of rules and provisions, in particular in accordance with the companies Law No.159 of 1981 or the investment law No. 72 of 2017, whereas the general authority for investment and free zones is the main governmental authority charged with all corporate governance requirements of such private companies, including, inter alia, corporate reorganisations and their approvals.

Publicly traded entities are also governed by a specific set of rules, particularly, these entities are governed by capital markets Law No. 95 of 1992, listing and delisting rules which were issued by the financial regulatory authority's (FRA) Resolution No. 11 of 2014, as well as other FRA resolutions concerning mandatory disclosures for publicly traded companies.

Government entities (ie, governmental authorities, public sector companies owned wholly or partially by the state or one of its authorities) are governed by Public Sector Companies Law No. 203 of 1991 (the Public Sector Law) and its Executive Regulation. Holding companies may be divided and merged by virtue of a decision issued by the prime minister, based on the proposal of the competent minister, and their subsidiaries may be divided and merged by a decision of the board of directors of the company or holding companies and the general assemblies of merged, merging or divided companies, as the case may be. In addition to the Public Sector Law, the provisions of the Companies Law regarding mergers apply to merger cases for public entities.

Non-profit entities are subject to the provisions of Civil Work Law No. 149 of 2019 and its Executive Regulation, which stipulates that all corporate reorganisation requests shall be presented to the ministry concerned with the affairs of associations and civil work, the fund to support the projects of associations and civil institutions, the Central Unit for Associations and Civil Work and its sub-units.

**Law stated - 27 February 2025**

### **Post-reorganisation steps**

#### **Do any filings or other post-reorganisation steps need to be taken after the corporate reorganisation?**

Generally, the involvement and the notification of governmental authorities is required to be made prior to and during the corporate reorganisation, to satisfy the necessary approvals and requirements of the corporate reorganisation.

However, Egyptian Antitrust Law No. 3 of 2005 and its executive regulations, as amended by Law No. 1120 of 2024, have exempted corporate reorganisations, such as mergers and acquisitions between related companies, from the pre-notification of the Egyptian Competition Authority unless the reorganisation process results, directly or indirectly, in a change in the control or material influence.

Furthermore, certain reorganisations require post-reorganisation procedures. More specifically, in the event where a joint stock company is increasing its authorised capital and issuing new shares, the company shall be required to reflect its newly issued shares in the Misr for Central Clearing, Depository and Register.

**Law stated - 27 February 2025**

## UPDATE AND TRENDS

**Hot topics**

**What are your predictions for next year and how will these impact corporate reorganisations in your jurisdiction (for example, expected trends or pending legislation)?**

New laws and resolutions have been issued recently that are relevant to the reorganisation of companies that include, inter alia:

- Law No. 14 of 2025 (New Labour Law), which relates to corporate reorganisations in cases of liquidation or downsizing for economic reasons, the New Labour Law mandates specific notification processes during downsizing, and the transfer of employees during mergers or acquisitions.
- Prime Minister Decree No. 3725 of 2025, regarding the amendment of the framework for Egyptian Auditing and Assurance Standards (EAAS): this amendment increases documentation requirements in certain areas, including accounting estimates, fraud risk assessment, going-concern evaluations, and provides for in-depth audit for listed companies. This new EAAS framework shall take effect on 1 January 2027, replacing the old EAAS framework issued in 2008.
- The Financial Regulatory Authority (FRA) has adopted a new resolution, No. 26 of 2026, which amends the listing and delisting rules issued by Resolution No. 11 of 2014. The new resolution has amended many existing provisions and has introduced new provisions to FRA Resolution No.11 of 2014 provisions include, inter alia:
  - amending procedures for the sale and purchase of assets of a listed company, including the sale of shares in other companies;
  - amending procedures of capital increases for listed companies as well as the change of purpose for listed companies;
  - amending procedures for the listing and delisting of companies on the Egyptian Stock Exchange (EGX); and
  - introducing an exception to the requirements for the merger of a company listed on the EGX with a non-listed company in the event the assets of the non-listed company have a higher net value than the market value of the listed company. This exception entails that in the event the listed company is partly or wholly owned by the non-listed company, the transaction shall be exempted from the requirements provided under the Listing Rules.

**Law stated - 27 February 2025**