



## **The Export Rebates Program**

### **July 1, 2020 – June 30, 2023**



**Simplified**

**LYNX Business Bulletin**  
October 2021

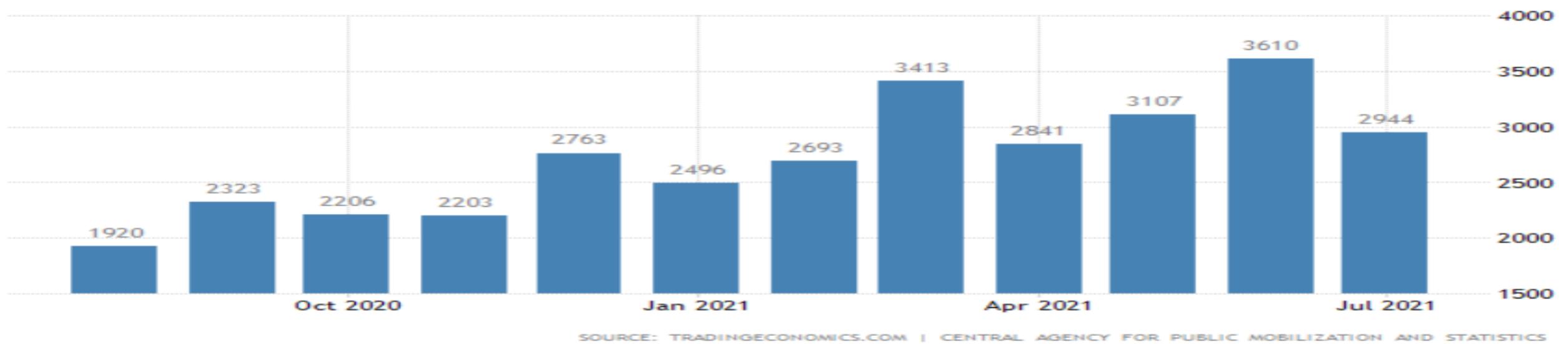
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### Introduction

- On September 9, 2021, the Cabinet of Ministers adopted the new Export Rebates Program which was developed by the Ministry of Trade and Industry in collaboration with affiliated agencies and export councils. This program- which applies on export activities from July 1, 2020 to June 30, 2023- replaces the 2018 program that was heavily criticized by industry stakeholders.
- The release of this program followed the adoption of revised import/export guidelines to and from special economic zones, namely the Suez Canal Economic Zone. These steps fall in line with the Government of Egypt's (GoE) direction to increase export volumes and attract new investments.
- According to the GoE, the new export rebates program aims to enhance economic activity and overcome the negative impact of the Covid-19 pandemic as well as increase the volume of exports. It also seeks to strengthen Egypt's trading position, raise employment rates, localize industrial activities and attract foreign investments.
- Industries benefiting from the program include: food, textiles, construction, agriculture, leather, engineering industries, packaging, and furniture. For the first time pharmaceuticals, cosmetics, and automotive sector will also benefit from the program.
- This program offers 85% cash back as opposed to 40% under the previous program.

Egyptian Exports (USD Million)



### Pillars of the Program

#### Exports infrastructure support 07

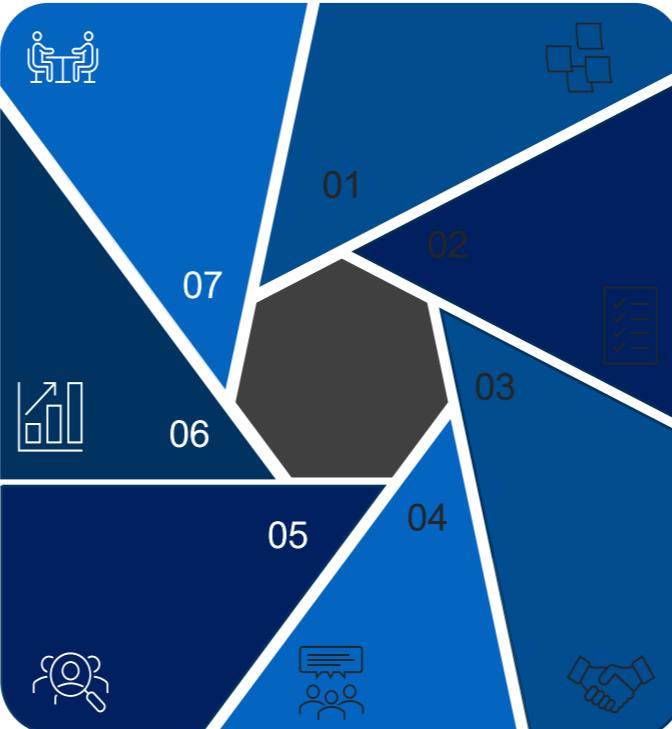
The program allocates a budget for exhibitions, fruit fly control, and roro.

#### Room for increase in rebates 06

Companies are granted additional support when they increase their export volumes.

#### Additional freight support 05

Additional rebates for air freight as well as for shipping to Africa are provided.



#### 04 - Enhancing Access to Africa and other targeted markets

50% additional rebates are granted on exports to targeted markets including Africa.

#### 01 - Deepening the industry and local added value

The local added value (LVA) of products benefitting from the program must be at a minimum of 30%. The value of support increases with the percentage of the LVA.

#### 02 - Development of Upper Egypt, the border areas, Damietta Furniture City, and Al-Rubiki City

Companies in these areas are granted an additional 50% rebates on their exports.

#### 03 - Development of Suez Canal Economic Zone

Exports by factories located in the SCZone are granted same rebate percentages as those falling within Egyptian territories.

### Eligibility

- All establishments that undertake exporting activities and have export development programs are eligible to apply for export rebates from the Export Development Fund. The criteria for eligibility also include the following requirements:
  - The company must have a valid quality certificate.
  - The certificate must be issued from a body registered at the Egyptian General Organization for Standardization and Quality.
  - The certificate must be registered at the Egyptian General Organization for Standardization and Quality.
- Trading companies receive the same treatment as the manufacturing company that owns them, provided that proof of their business relationship is presented.
- Companies that use toll manufacturing also receive the same treatment as manufacturing companies, provided that proof of toll manufacturing is presented. Such companies must submit:
  - A copy of the notarized contract between both parties,
  - Quality certificate for the factory.
- Companies that undertake export activities for the first time must submit their budget and tax declaration. Their dues are disbursed at the end of each year for a period of 2 years.
- Companies that have been exporting products for three consecutive years must submit their documents as proof of export activities upon which, 100% of their dues are disbursed in accordance with relevant rules and regulations.

### Program Highlights

- The disbursement of funds will take the form of 85% cash back and 15% settlement against outstanding dues with different government agencies (i.e taxes, energy, etc...).
- The minimum percentage of local added value is 30%, to be calculated per the provisions of *Law # 5/2015 Concerning the Preference of Egyptian Products in Government Contracts*.
- Support ratios are calculated based on the local added value, and increase relatively.
- Factories operating in the Suez Canal Economic Zone are granted the same treatment as those located in industrial zones.
- The percentage of support for large exporters is calculated differently from that of small and medium exporters.

### Freight and Shipping Incentives

- Granting exports to Africa 80% of the shipping cost for all exported items, except for the following products: petroleum and its derivatives, commodities subject to export duty, previously imported commodities, natural raw materials such as marble blocks - granite blocks, raw aluminium, agricultural commodities excluded from support such as beans - lentils - maize - wheat - barley - fodder – sugar.)
- Additional support for exporters using air freight; calculated per ton.
- Exports bearing Egyptian trademarks are granted an additional 2% of the basic rebates' percentage.

### Allocated Rebates Ratios



#### Textiles, Garments and Upholstery

Internal Region	Free Zone
<b>2% - 18%</b>	<b>1% - 13%</b>



#### Agricultural Produce

Internal Region	Free Zone
<b>8% - 15%</b>	<b>7% - 11%</b>



#### Food Industry

Allocated rebates increases with the increase of the local added value with a minimum of 30%

Internal Region	Free Zone
<b>4% - 15%</b>	<b>3% - 11%</b>



#### Furniture

Allocated subsidy for some products increases with the increase of the local added value with a minimum of 30%

Internal Region	Free Zone
<b>4% - 15%</b>	<b>3% - 11%</b>



#### Leather Products

Internal Region	Free Zone
<b>7% - 18%</b>	<b>5% - 13%</b>



#### Construction Materials, Refractories and Steel

Internal Region	Free Zone
<b>4% - 15%</b>	<b>3% - 11%</b>



#### Engineering Industries

Allocated rebates increases with the increase of the local added value with a minimum of 30%

Internal Region	Free Zone
<b>10% - 18%</b>	<b>7% - 13%</b>



#### Books and Packaging

Allocated rebates increases with the increase of the local added value with a minimum of 30%

Internal Region	Free Zone
<b>3% - 15%</b>	<b>2% - 11%</b>



#### Medical Industry, Pharmaceuticals and Cosmetics

Allocated rebates increases with the increase of the local added value with a minimum of 30%

Internal Region	Free Zone
<b>3% - 18%</b>	<b>2% - 13%</b>



## Automotive Industry

The export rebates program of the automotive industry is effective for 7 years. It takes into consideration four pillars; (1) production volumes, (2) exports, (3) local added value (minimum 45% for passenger vehicles and 55% for commercial vehicles), and (4) type of engine technology. The incentive base is 18% for industrial zones and 15% for free zones. The incentive percentage increases as manufacturers achieve more of the above-mentioned pillars through increasing exports, increasing local added value, and using greener technologies.

Local automotive manufacturers receive additional incentives for presenting:

- Emissions certificate Euro 3 (0.5%)
- Emissions certificate Euro 4 (1.5%)
- Emissions certificate Euro 5 (3%)

Additional incentives are granted based on the increase in the volumes of exports and production. The additional incentives support begins at 15% with a cap of 50%.

Exports of passenger vehicles (HS Code 8703) and commercial vehicles (HS Code 8704) are granted a basic rate of 18% according to the percentage of the local component, with a minimum of 45% for passenger cars, 55% for commercial cars, in addition to additional percentages linked to the factory's achievement of the four pillars referred to previously.

### Additional support % based on the increase in production and exports volumes

Production volume	Additional support	Exports volume	Additional support
<b>8000-10000</b>		<b>1-1000</b>	
<b>10001-13000</b>	<b>%15</b>	<b>1001-3000</b>	<b>%15</b>
<b>13001-16000</b>	<b>%20</b>	<b>3001-6000</b>	<b>%20</b>
<b>16001-19000</b>	<b>%25</b>	<b>6001-9000</b>	<b>%25</b>
<b>19001-23000</b>	<b>%30</b>	<b>9001-13000</b>	<b>%30</b>
<b>23001-28000</b>	<b>%35</b>	<b>13001-18000</b>	<b>%35</b>
<b>28001-34000</b>	<b>%40</b>	<b>18001-24000</b>	<b>%40</b>
<b>34001-40000</b>	<b>%45</b>	<b>24001-30000</b>	<b>%45</b>
<b>40000&lt;</b>	<b>%50</b>	<b>30000&lt;</b>	<b>%50</b>

## Targeted Markets



- An additional 50% support is granted to Egyptian exports to the following ‘targeted markets’: China, Hong Kong, Taiwan, Azerbaijan, Armenia, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Moldova, Turkmenistan, Uzbekistan, Ukraine, Brazil, Mexico, Colombia, Argentina, Peru, Venezuela, Chile, Guatemala, Ecuador, Cuba, Bolivia, Haiti, Dominican Republic, Honduras, Paraguay, Uruguay, El Salvador, Nicaragua, Costa Rica, Panama, Puerto Rico, Guadalupe, Martinique, French Guyana, St. Martin, St. Barthelemy, Australia, New Zealand, Japan, South Korea, Canada, Indonesia, and Vietnam.
- An additional 50% incentive - to the original export rebate- is granted to exports to other African countries.

# Thank you

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