Different Types of Companies According to the Egyptian Law

Highlight

Understanding how the law differs between various companies has become vital given its direct impact on Egypt's corporate and investment sectors. Consequently, foreign enterprises wishing to enter the Egyptian market need to be aware of such differentiations. Accordingly, a foreign business aiming for a permanent presence can establish a Limited Liability Company ("**LLC**") or a Joint Stock Company ("**JSC**"). Conversely, if the said company is seeking a temporary presence, they can establish a Foreign Branch Office or a Foreign Representative Office.

Generally, investment in Egypt is subject to Egyptian Commercial Law. However, if the entity invests in specific fields, the Investment Law provisions and its benefits might apply.

This brief highlights the key differences between various types of companies regulated by law no. 159 of 1981 (the "**Law**") promulgating the law of **JSC**'s, Partnerships Limited by Shares ("**PLS**"), and **LLC**'s. It is worth mentioning that the **Law** was amended once under law no. 4 of 2018.

Types of companies

According to the **Law**, the four types of companies are as follows:

1. **JSC**;
2. **PLS**;
3. **LLC**; and
4. One Person Company ("**OPC**"). This type of company must have its head office located in Egypt or conduct its main activity therein.

Accordingly, a status template is laid down for every type of company by ministerial decree. Every model/template shall include conditions required by the **Law** or regulations besides the founding partners' terms and conditions that do not violate the governing law.

Key provisions

I. **Main characters defining each type of company**

1. According to the **Law**, **JSC** capital is divided into shares of equal value. The share should not be less than one pound and cannot exceed one thousand pounds or the equivalent in foreign currencies.
2. **PLS** are companies whose capital consists of interests owned by one or more partners (jointly liable). Additionally, its shares are of equal value, which is subscribed for by one or more shareholders and can be traded in the manner prescribed by the **Law**.
3. **LLC** is characterized by its limited number of partners that should not exceed fifty partners. Therefore, their liability is limited to the value of their shares. Additionally, increasing the company's capital and issuing negotiable shares or bonds is not permitted through public subscription. In addition, an **LLC'**s capital is determined by the partners in the Memorandum of Association of the company and is divided into equal shares.

4. **OPC**'s are companies whose capital is wholly owned by one person, whether natural or legal. Additionally, it shall have a name derived from its purpose or founder. The name thereof shall be followed by indicating that it is a limited liability one-person company and shall be placed on the head office, branches, and all correspondence. Furthermore, **OPC** can be established by every natural or legal person abiding by the purposes of its establishment. As mentioned, this type is a limited liability company. If the founder of the **OPC** is one of the public entities, approval of the Cabinet or the Competent Minister is required. Moreover, according to the **Law**, this type of company shall not conduct any of the following actions:
    i. Incorporating a sole proprietorship
    ii. public subscription upon the incorporation thereof or increase of the capital thereof;
    iii. dividing the capital into negotiable shares;
    iv. borrowing through issuing negotiable securities; and
    v. conducting the activities of insurance, banks, savings, deposit-taking, or investment funds for the account of a third party.

II. Similarities and standard provisions applied to all types of companies

It is worth mentioning that provisions regulating a **JSC** shall also apply to a **PLS** except for Articles (37), (77), (91), (92) and (93) subject to specific provisions stipulated for the latter.

On the other hand, managers and directors of a **PLS** and an **LLC** shall have the same responsibilities as founders and members of the Board of Directors of **JSC.** Accordingly, provisions concerning auditor, inventory and financial statements in **JSC** shall also apply to an **LLC** and an **OPC**.

Moreover, according to Article (8) of the **Law**, except for the **OPC**, the founding partners cannot be less than three in **JSC** and no less than two in the other types of companies. Therefore, if the number of the partners is below the minimum requirement, the company shall be deemed dissolved, unless (i) the company takes the initiative to meet the requirements no later than six months; or (ii) the remaining partners request, within the said period, to convert the company into a one-person company. However, the remaining partners cannot make such a request in case (i) the company carries out one of the activities prohibited for the **OPC** following Article (129) bis2 of the **Law**; and/or (ii) the remaining partner is an **OPC**.

Finally, it is worth noting that if **JSC, PLS,** and **LLC** are Egyptian or Foreign and conduct their main activity in Egypt, they may merge, upon a ministerial decree of the Competent Minister, with an Egyptian **JSC** to form a new Egyptian company.