



LEGAL UPDATE

## LICENSING REQUIREMENTS FOR COMMERCIAL UNITS

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On 7 December 2022, the Supreme Committee for Licensing (the “Committee”) issued several decrees determining the following in application of the commercial units law No. 154 of 2019 (the “Law”)

December 2022

SHARKAWY & SARHAN

1. the licensing fees and technical requirements for commercial units;
2. the commercial units that must obtain prior security clearance;
3. the commercial units that can operate under the notification scheme instead of an operational license;
4. the commercial units that require the appointment of a manager;
5. the documents needed for applying for an operational license;
6. grace periods; and
7. penalties.

The Committee established a sub-committee to respond to inquiries and complaints arising from the application of the Law, its Executive Regulations, and related decrees.<sup>[1]</sup>

The licensing centers are responsible for receiving the complaints and sending them to the sub-committee.

## 1. LICENSING FEES AND TECHNICAL CONDITIONS

1.1 The Committee classified commercial units into two exhaustive lists: (i) commercial units that do not pose a significant degree of risk; and (ii) commercial units that pose a significant degree of risk including hypermarkets and restaurants.<sup>[2]</sup> The decree does not explain what this risk is, or how it is classified.

1.2 The Committee issued general and specific conditions that commercial units must comply with to obtain an operational license.<sup>[3]</sup> These conditions are very detailed and depend on many factors including location, space, activity, and classification of the commercial unit.

1.3 The inspection and licensing fees range from EGP1,000 to 100,000. The amount charged for a licensing fee will generally depend on the location, space and classification of the unit.

## 2. SECURITY CLEARANCE

2.1 Operating certain commercial units requires obtaining a security clearance from the relevant Security Directorate.<sup>[4]</sup> The decree includes an exhaustive list for units that must obtain a security clearance. Activities such as hypermarkets, cafes, shopping stores will require security clearance.

[1] The Supreme Committee for Licensing Decree No. 30 of 2022.

[2] The Supreme Committee for Licensing Decree No. 34 of 2022.

[3] The Supreme Committee for Licensing Decrees No. 39 of 2022 & 40 of 2022.

[4] The Supreme Committee for Licensing Decree No. 37 of 2022.

## 3. NOTIFICATION SCHEME

3.1 The Law allows specific types of commercial units a simple notification regime. This entails notification to the relevant licensing center with the start of operation of the commercial unit without the need to apply for an operational license. Delivery offices, clothing stores, and electronics stores are among the commercial units that can operate under the notification scheme.

## 4. APPOINTING A MANAGER

4.1 Operating certain commercial units requires appointing a manager. The manager must fulfil certain prescribed qualifications.<sup>[1]</sup>

### 4.1.1 Activities requiring appointment of a manager include:

- Hypermarkets
- Cafes
- Cinemas and entertainment facilities
- Parking garages

### 4.1.2 Qualifications Required:

- Not sentenced to a criminal penalty or a penalty restricting freedom in a crime against honor such as theft, forgery, and tax evasion.
- 21 or over.
- Provision of military status.
- For foreign managers, provision of a certificate of good conduct and behavior issued from the consulate of the individual in question in Egypt.

4.2 If the applicant is a company, a certified copy of the incorporation documents, the document determining the legal representative, and a work permit from the manpower authority must also be submitted.

[1] The Supreme Committee for Licensing Decree No. 32 of 2022.

## 5. DOCUMENTS REQUIRED FOR OBTAINING AN OPERATIONAL LICENSE

5.1 To obtain an operational license, a form must be completed and submitted by the company's legal representative attaching to it several documents (See Annex 1).

## 6. GRACE PERIODS

6.1 Non-licensed commercial units located in a licensed building shall submit an application to obtain an operational license or send a notification (as the case may be) within 1 year after the date of these decrees (i.e. 7 December 2022).

6.2 Non-licensed commercial units located in a non-licensed building or in a building which violates the licensing conditions shall adjust its position within 5 years after the date of these decrees (i.e. 7 December 2022).

## 7. PENALTIES

- Fines range between EGP 20,000 to 50,000.
- Imprisonment is set only in case of recidivism.
- The person responsible for the actual management of the commercial unit shall be subject to the same penalties if it can be proved that such person had knowledge of the crime or committed any violation of his obligations which lead to the crime.
- The commercial unit may be closed in any of the following cases: (i) violating any of the licensing schemes' requirements; (ii) violating the transfer of license requirements; (iii) violating the installation of cameras requirement; (iv) exercising the activity outside the limits of the commercial units' location as stated in the license, whether in public roads or pavements; and (v) if exercising the activity resulted in flagrant noise to the neighborhood.

## ANNEX 1

To obtain an operational license, a form must be completed and submitted by the company's legal representative attaching to it the following documents:

1. A copy of the national ID of the legal representative.
2. A copy of the passport if the legal representative is a foreigner. Moreover, a copy of the work permit extracted from the manpower authority.
3. A power of attorney delegating an attorney on behalf of the applicant.
4. A copy of ownership contract / lease agreement (the lease agreement must be notarized by the notary public, valid for at least one year, and it should indicate the type of activity required to be licensed)
5. A copy of the building's construction license.
6. A certificate from the Real-estate Tax Authority stating the date of the construction of the store in the building in case of old buildings.
7. A certified engineering report proving the safety of the construction in case of absence or violating the construction permit. (In this case, temporary licenses may be granted for a maximum of five years until the lapse of this period, or until obtaining the building license).
8. An illustration showing the detailed location of the commercial units.
9. A copy of the company's tax card.
10. An original extract of the company's commercial register.
11. Health certificates for all the employees (for units dealing in foods).

**Our Corporate & Commercial team welcomes your questions**



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