

Law No. 95 Of The Year 1995

Concerning

Financial Lease

As Amended by Law No. 16/2001

And Prime Minister's Decree No. 498/2002

In the name of the People;

The President of the Republic;

The People's Assembly issued the following Law and we hereby promulgate it into Law;

Part – I

General Provisions

Article : 1

The following terms shall denote the meaning indicated next to each of them:

Concerned Minister : Minister of Economy and Foreign Trade.

Concerned Administrative Authority : Ministry of Economy and Foreign Trade.

Lessor¹ : Associations of capital as licensed to exercise the financial leasing activity according to the provisions of the present Law, once they fulfil the requirement of ability to assume their targeted activity in the light of the volume of their capital. providing such capital shall not be less than half a million Egyptian pounds, according to the rules and procedures to be

¹ Substituted as per Law No. 16/2001.

determined in the executive statutes of the present Law.

The lessor may be a bank if it is licensed therefor by the Board of the Central Bank of Egypt, according to the conditions and terms to be determined in the licensing decision.

Contract : The financial lease contract.

Supplier : The party from which the lessor receives properties which are subject of a financial lease contract.

Contractor : The party constructing installations which are subject of a financial lease contract.

Property / properties² : All realty or physical or moral movable which is subject of a financial lease contract, once it is necessary for exercising a productive commodity activity, or a service activity of the lessee, according to the rules to be issued by a decree of the concerned minister.

Lessee : A party possessing a property based on a financial lease contract.

Article : 2

In applying the provisions of this Law, the following shall be considered a financial lease :

- 1) All contract by virtue of which the lessor is committed to lease, to a lessee, movable properties owned thereby or received by the lessor from the supplier on the basis of a certain contract, in this case the lease shall be in return for a rental value to be agreed upon between the lessor and the lessee.
- 2)³ All contract by virtue of which the lessor is committed to lease to the lessee realties or installations owned by the lessor or established at his

² Substituted as per Law No. 16/2001.

expense with the aim of leasing them to the lessee, according to the conditions, terms, specifications, and rental value to be determined in the contract.

- 3) All contract by virtue of which the lessor is committed to lease to the lessee a property under financial lease if the ownership of this property has devolved to the lessor from the lessee by virtue of a contract the enforcement of which is based on concluding the financial lease contract.

Article : 3

The concerned administrative authority shall provide a register for recording the lessors, and another register for recording the financial lease contracts which are concluded or enforced in Egypt, or if one of the parties to these contracts is resident in Egypt, and also for recording therein the sale contracts which are concluded based thereon, as well as any modification to these contracts. The recorded entries shall determine the leased property, and indicate the parties to the contract as well as their quality in respect of this property, in addition to the contract period and the data indicated in the sale contracts.

The executive statutes of this Law shall determine the provisions and procedures of recording⁴ in the foregoing two registers, as well as the documents, papers, and other complementing data as required for recording therein, and also the procedures of amending or nullifying the recorded entry.

The executive statutes of this Law shall determine the fees for recording⁵ in the lessors register, which shall not exceed three thousand pounds, as well as the fees for modifying the recorded entry, which shall not exceed one thousand pounds. The executive statutes shall also determine the fees for recording in the register of contracts, which shall not exceed fifty pounds, and the fees for requesting a copy of the entry⁶ in the foregoing two registers as well as the modifications introduced thereto, which shall not exceed twenty pounds.

Every person shall have the right to request a copy of the data of the recorded entry in the foregoing two registers, after paying the fees prescribed therefor.

³ Substituted as per Law No. 16/2001.

⁴ Chapter (2) of the executive statutes from article 6 to article 24.

⁵ Chapter (5) of the executive statutes, article 36.

⁶ Chapter (5) of the executive statutes, article 36.

Article : 4

The lessor shall have the right of being recorded in the register of importers, concerning the properties imported thereby for the purpose of leasing them under the system of financial lease, along with excepting the lessor in this case from the condition of the Egyptian nationality concerning the ownership of the capital and the board membership as prescribed in the laws reorganizing the register of importers and companies. A lessor who is recorded in the register of lessors shall have the right of being recorded in the Commercial register.

Article : 5

The lessee shall have the right of choosing to buy the property leased thereto, wholly or part of it, at the time and price determined in the contract, providing that in determining the price, the rental amounts paid thereby shall be taken into consideration, subject to the provisions of the two laws organizing the possession of built realties and vacant lands by non-Egyptians, and the prohibition of possessing agricultural lands by foreigners. In case he chooses not to buy the leased property, he shall have the right of returning it to the lessor, or renewing the lease, according to the conditions to be agreed upon between the two parties.

In all cases, the contract shall not be renewed implicitly nor shall it be extended whether the lessee is notified of the expiry of the contract period, or has not been notified thereof.

Article : 6

Subject to the rights of the state, the lessee, or third parties - effective the date of recording in the register - may not plead vis-a-vis the lessor any right that contradicts with the data of the financial lease contract which was recorded according to the provisions of article (3) of this Law.

Part – II

Financial Lease Contracts

Article : 7

The owner of any project - before concluding a financial lease contract - may negotiate directly with the supplier or the contractor concerning the specifications of the property necessary for his project, or the method of making or establishing it, on the basis of a prior written approval by the leasing party. This approval shall comprise the matters in respect of which the negotiations will take place between the owner of the project and the supplier or the contractor.

The executive statutes of this Law shall indicate the provisions related to the approval and the matters subject of negotiations⁷.

Article : 8

If a financial lease contract is concluded and the lessor authorizes the lessee to receive the property subject of the contract, directly from the supplier or the contractor, such receipt of the property shall be according to the terms and specifications agreed upon, and by virtue of a report recording the conditions of the leased property, and the defects in it, if any.

The lessee may refuse to receive the leased property if the supplier or the contractor refrains from drawing up a receipt report according to the provision of the previous clause.

The lessee shall be accountable vis-a-vis the lessor for any data mentioned about the property in the receipt report.

Article : 9

The lessee shall be committed to use, ensure the maintenance of, and repair the property leased thereto, in conformity with the purposes they have been prepared for, and according to the recognized technical norms and instructions

⁷ Article (4) of the executive statutes.

as contracted for, concerning the technical specifications to be observed, whether determined by the lessee, the producer, the supplier, or the contractor⁸.

The lessee shall also notify the lessor of all emergent impediments to the leased properties. Preventing total or partial benefit thereof, in accordance with the procedures prescribed in the contract concerning such properties. In all cases, the provisions of article No. (341) of the penal code shall apply to this contract.

Article : 10

The lessee shall bear the civil liability ensuing from the harms and damages caused by the leased property, according to the provisions of the civil code.

The Lessor shall bear the consequences of the destruction of the leased property once the lessee has nothing to do at all with that destruction. The two parties may agree that the lessee shall bear the consequences of the destruction of the leased property. The lessor may stipulate insuring the lease property to guarantee obtaining the rental value for the rest of the contract period and the price determined therein⁹.

Article : 11

The lessee shall settle the rental amount agreed upon in the lease contract according to the conditions and dates set forth in it. Neither determining the rental value, nor the elements of such determination shall be restricted by the provisions prescribed in any other law¹⁰.

Agreement may also be reached on the lessor's entitlement to the whole rental value, even if the lessee has not profited from the leased property, as long as the reason is not attributable to the lessor.

Article : 12

The leased movable property shall continue to maintain its nature, even if the lessee might have annexed or affixed it to some realty.

⁸ Substituted as per Law No. 16/2001.

⁹ Substituted as per Law No. 16/2001.

¹⁰ Substituted as per Law No. 16/2001.

If the lessee buys the leased property, its ownership shall not devolve thereto except after settling the full price as determined in the contract.

Article : 13

The lessee may have remedy directly over the supplier or contractor, in all court actions which are held for the lessor in respect of the contract concluded between him and the supplier or the contractor, with the exception of court actions to rescind the contract, subject, however, to all rights of the lessor in having remedy over the supplier or the contractor in this respect.

Article : 14 ¹¹

The Lessor shall be responsible for his deeds or acts that lead to enabling the supplier, the contractor, or third parties to challenge the Lessee in any manner, in his benefit by the properties leased thereto.

The Lessor shall be accountable for his deeds or acts that lead to error in selecting the leased properties unless the lessee has declared having duly surveyed and received these properties according to the contract conditions.

Article : 15

The lessor may assign the contract to another lessor. Assigning the contract to other lessors shall not be valid vis-a-vis the lessee except from the date he is notified thereof.

Such assignment shall not result in any detriment to the rights and guarantees prescribed for the lessee by virtue of the contract¹².

Article : 16

The lessee may - with the approval of the lessor - assign the contract to another lessee, and in this case the original lessee shall guarantee the assignee in implementing his obligations resulting from the contract, unless the lessor approves otherwise.

¹¹ Substituted as per Law No. 16/2001.

¹² Substituted as per Law No. 16/2001.

The assignee shall pay directly to the lessor the rental value which is payable according to the contract, from the date the lessor notifies him of approving this assignment. The assignee shall not invoke, vis-a-vis the lessor, the rental amounts he might have already paid before that date.

Article : 17

The lessor in the cases prescribed in the two previous articles - shall take the procedures of annotating the assignment in the register provided for recording the financial lease contracts with the concerned administrative authority, in accordance with the rules and procedures prescribed in the executive statutes of this Law.

The assignment may not be invoked vis-a-vis a third party except from the date the assignment is annotated in the register according to the provisions of the previous clause.

Article : 18

The provisions on legal extension of the lease contract or the provisions on determination of the rental value as prescribed in the laws regulating the landlord-tenant relation, shall not apply to the lease contracts concerning built realties and agricultural lands to be concluded according to the provisions of this Law.

Part – III

Expiry Of The Financial Lease Contract

Article : 19¹³

The contract shall be considered automatically rescinded without need for addressing a warning or taking juridical procedures in any of the following cases:

- A) Failure of the Lessee to settle the rental amount agreed upon at the dates and according to the conditions agreed upon in the contract, with the lapse of thirty days from these dates, unless the contract provides for a longer period.
- B) A judgement of the Lessor's bankruptcy or declaration of his insolvency. In this case, the leased properties shall not be included in the bankruptcy properties, nor in the general guarantee for creditors.

It is permissible to the Bankruptcy trustee to notify the lessor with a registered letter within thirty days from the sentence issued to declare the bankruptcy of his wish to continue the contract. In that case the contract shall continue to exist providing the rental value shall be paid on the due dates of payment.

- C) Taking liquidation procedures vis a vis the Lessee if the latter is a juridical person, whether it is a mandatory or optional liquidation, unless it is because of merger, and providing it shall not prejudice the lessor's rights as prescribed in the contract.
- D) Decease of the Lessee or joint partner in lessee partnerships unless the heirs or the new joint partner requests completing the execution of the contract, within thirty days from the date of decease.

Article : 20

On termination of the contract by rescission or for any other reason, without its renewal, and without the lessee buying the leased property, the

¹³ Substituted as per Law No. 16/2001.

lessee, his heirs, the rest of partners, the bankruptcy trustee, or the liquidator in bankruptcy, according to each case, shall deliver to the lessor the leased properties in their condition as agreed upon in the contract. If the lessee or the others refrain from delivering the properties, the lessor may submit a petition to the Summary matter judge at the court of jurisdiction to issue a writ of delivery. The procedures and provisions prescribed in article (194) of the Civil and Commercial Procedure Law shall be followed in connection with that petition. A writ of delivery shall be issued if the petition is coupled with the contract, an evidence of its termination, and the name and place of the party committed to deliver¹⁴.

Whoever is concerned may file a complaint against this writ, either by objecting thereto in front of the bailiff whenever determined to execute the writ, or by the normal way of filing the case within three days from the date he is notified thereof. In either case, the justice issuing the writ shall alone have the jurisdiction to consider the complaint summarily.

The court justice may, upon the request of the complainant, halt the writ against which the complaint is filed, until he issues a final ruling in the complaint. The judge shall pass his judgment in the complaint, supporting, amending, or canceling the writ.

Article : 21

The lease contract shall be considered rescinded by force of Law, if the leased property is wholly destroyed. If the destruction is due to a fault of the lessee, he shall continue to pay the rental amount or the price as agreed upon within the dates prescribed therefor, along with considering the deposit amounts which the lessor may have obtained.

If the destruction is due to a third party's fault, each of the lessor and lessee shall have the right to have remedy over the third party for compensation if so necessary.

Article : 22

The court ruling rescinding or annulling the contract concluded between the supplier or contractor and the lessor shall not result in any effect on the lease contracts concluded between the lessor and the lessee. However, the supplier or contractor may have remedy directly over the lessee, involving the

¹⁴ Substituted as per Law No. 16/2001.

latter vis-a-vis the lessor resulting from the court ruling rescinding or annulling the contract with him, within the limits and not exceeding the lessee's obligations vis-a-vis the lessor.

If the court ruling is restricted to reducing the selling price, for defects or imperfection in making the property, the lease premiums and the selling price agreed upon in the lease contract shall be reduced in the same ratio of the reduction made in the price, unless otherwise was agreed upon.

Part – IV

Accounting Rules And Tax Treatment

Article : 23

The financial lease operations shall be subject to the accounting rules and standards to be decreed by the concerned minister in agreement with the Minister of Finance.

Article : 24¹⁵

The Lessor shall have the right to depreciate the value of the leased properties according to usual practices, as well as the nature of the property being depreciated, regardless of the period of the lease contract concerning these properties.

In addition to the said depreciation, and all the costs deductible from the result of operations, the lessor may deduct from his taxable profits the appropriations earmarked for facing sure specific financial losses or burdens of undetermined value, providing these appropriations shall be recorded in the Company's accounts and shall be used for the purpose they were formed for. If they are used for other than such purposes, or the purpose no longer exists, they shall be included in the Company's revenues in the first fiscal year to follow. In all cases, the total of these appropriations shall not exceed (5%) of the Company's net profit.

Article : 25

The rental value payable during the year of tax assessment shall be considered part of the costs deductible from the profits of the lessee, according to the applicable fiscal legislations.

The lessee shall include in a vivid form, in the profit and loss account the rental value payable in implementation of the lease contract, along with indicating whether the leased property is a movable property or a realty. He shall also include in the explanations complementing the balance sheet

¹⁵ Substituted as per Law No. 16/2001.

statement, the lease contracts he concluded and the rental amounts paid thereby for each lease contract, and the remaining balance of these amounts.

Article : 26¹⁶

The rental amounts payable to the lessor shall not be subject to the Services Tax prescribed in the General Sales Tax Law as promulgated by Law No. 11 of the year 1991.

In exception to any other Law, the lessors's profits realized from motorcycles and passenger cars financial lease contracts shall not be subject to the income tax.

Contracts of possession of leased properties, as concluded according to the provisions of item (3) of article (2) of the present Law shall be exempted from the notarization, registration and entry fees, with the Real Estate Notarization Office.

Provisions on deduction, addition, and collection, and other systems of retention at source for account of taxation shall not apply to the rental amounts payable to the lessor, nor to the price determined in the contract.

Article : 27

Taxes and customs duties - according to the systems in force - shall be payable on equipment and other related imports which are imported for lease purposes according to the provisions of this Law.

In terms of taxes and customs duties prescribed on this equipment, the lessor shall be treated on equal footing with the treatment legally prescribed for the lessee, throughout the lease period.

In case of revoking or rescinding the lease contract, or terminating its period, without the lessee using his right to purchase, these taxes and duties shall be payable.

¹⁶ Substituted as per Law No. 16/2001.

Article : 28

Taxes and customs duties which were paid on properties imported for lease purposes according to the provisions of this Law shall be refunded if these properties are re-exported, after deducting 20% for each year lapsing from the date of releasing such property. Fractions of the year shall be considered a whole year.

Article : 29¹⁷

If the acquisition, circulation, or operating of the leased property necessitates obtaining a license from Traffic Department or any other administrative quarter, obtaining such license shall be from the concerned traffic department or the other administrative quarter to which belongs the domicile of the lessee or the head office of his activity, upon a request to be submitted thereby and by the lessor to which a copy of the contract shall be attached.

The license shall be issued in the name of the lessor and it shall be mentioned in it that the property is held by the lessee by virtue of the contract, and that he is using it personally or by means of his subordinates.

The Lessee shall bear all taxes and fees prescribed legally on obtaining and renewing the license. He shall also pay the obligatory insurance premiums, and other obligations entailed on the possession of the leased property.

Article : 29 Bis¹⁸

The concerned minister shall issue a decree determining the financial standards to be followed by the lessor, particularly the following :

- The ceiling of the value of his dealings with one lessee.
- Rules of balancing between his assets and liabilities,
- The ceiling of the ratio of debts to proprietary rights,
- Rules of providing the appropriations for bad debts”

Article : 30¹⁹

Cancelled as per Law No. 8/1997

¹⁸ Added as per Law No. 16/2001.

N.B. The Full Text of Article (3) of Law No. 16/2001 :

Existing quarter practicing the financial lease activity shall harmonize their situations according to the provisions of the present Law within a period not exceeding six months from the date this Law comes into force. The concerned minister may extend that period for another similar period.

These quarters shall not exercise the financial lease activity during the period of harmonizing their situations, in violation of the provisions of the present Law.

The two previous clauses shall not apply to the contracts recorded with the administrative quarter before the date the present Law comes into force, as they shall continue to exist and produce their effects pending expiry of the period remaining therefor.

The Full Text of Article (1) of the Prime Minister's Decree No. 498/2002 :

The period granted to the quarters exercising the financial lease activity and existing on the date Law No.16 of the year 2001 concerning the amendment of certain provisions of the said Law No. 95 of the year 1995 comes into force, shall be extended for a period of six months effective 11 November 2001, in order to harmonize their situations in conformity with the Law provisions.

¹⁹ Cancelled as per Law No. 8/1997.

Part – V

S a n c t i o n s

Article : 31

No physical or juridical person, who is not recorded in the register of lessors, shall use the term financial lease or its synonyms thereof in his address, nor shall he exercise financial lease operations.

All person violating this prohibition shall be liable to a fine penalty of not less than five thousand pounds and not exceeding ten thousand Pounds. A court ruling may also be passed closing down the place and such closure shall become mandatory in case of recurrence.

Article : 32

Whoever violates the provisions of this Law shall be liable to a fine penalty of not less than five thousand pounds and not exceeding twenty thousand pounds.

Article : 33

Subject to any more stringent penalty, whoever changes the features of the leased property, or its descriptions as recorded in the register provided for the purpose, or obliterates the data recording the quality of the lessor in relation to this property, shall be liable to imprisonment for a period of not less than three months, and a fine of not less than five thousand pounds, and not exceeding twenty thousand pounds, or either penalty.

Article : 34

Civil servants in the concerned administrative authority who fill the positions to be determined by a decree of the Minister of Justice, in agreement with the concerned minister shall have the power of Law officers in respect of crimes taking place in violation of the provisions of this Law.

Toward fulfilling such duty, they shall have the right of access to all registers, books, documents and data, at the premises of the lessor or lessee and they shall submit to these Law officers all data and extracts, as well as copies of the documents to be required thereby for this purpose.

Article : 35

The concerned minister shall issue the executive statutes of this Law within sixty days from the date this Law comes into force.

Article : 36

The present Law shall be published in the Official Journal and shall come into force effective the first of the month next to the lapse of sixty days from the date of publishing the Law.

This Law shall receive the Seal of the State and shall come into force as one of its laws.

Issued at the Presidency of the Republic on 3 Moharram 1416 (Hejira Year) corresponding to 1 June, 1995 (Calendar Year).

Hosni Mubarak

Ministry Of Economy And Foreign Trade
Decree No. 846 Of The Year 1995
Promulgating The
Executive Statutes
Of Law No. 95/1995 Concerning
Financial Lease
As Amended By Decrees Nos. 962/1996, 473/1997 and 1799/2002

The Minister of Economy and Foreign Trade;
On thoroughly reviewing Trade Law;
The Penal Code;
The Civil Code;
The Civil and Commercial Procedures Law;
Law No. 57 of the year 1939 concerning Trade Marks and Data;
Law No. 11 of the year 1940 concerning the Sale and Mortgage of Trade Stores;
Law No. 114 of the year 1946 reorganizing Real Estate Notarization;
Law No. 121 of the year 1947 concerning the Rental of Places and the
Reorganization of Relation Between Lessors and Lessees;
Law No. 132 of the year 1949 on Letters Patents and Industrial Drawings and
Models;
Law No. 55 of the year 1951 concerning Trade Names;
Law No. 163 of the year 1957 promulgating Banks and Credit Law;
Law No. 15 of the year 1963 banning the Possession of Agricultural Lands by
Foreigners;
Law No. 66 of the year 1963 promulgating Customs Law;
Law No. 66 of the year 1973 promulgating Traffic Law;
Law No. 120 of the year 1975 concerning the Central Bank of Egypt, and the
Banking Machinery;
Law No. 34 of the year 1976 concerning the Commercial Register;
Law No. 136 of the year 1981 concerning Certain Provisions Governing the
Rental and Sale of Places and the Reorganization of Lessor-Lessee Relation;
Law No. 143 of the year 1981 concerning Desert Lands;
Law No. 157 of the year 1981 promulgating Income Tax Law²⁰;
Law No. 159 of the year 1981 promulgating the Law on Joint Stock Companies,
Partnerships Limited by Shares, and Limited Liability Companies;
Law No. 120 of the year 1982 concerning Trade Agents;

²⁰ Amended as per Law No. 187/1993.

Law No. 121 of the year 1982 concerning the Register Of Importers;
Law No. 186 of the year 1986 concerning the Reorganization of Customs Exemptions;
Law No. 56 of the year 1988 concerning the Possession of Built Realities and Vacant Lands by Non-Egyptians;
Law No. 230 of the year 1988 promulgating Investment Law²¹;
Law No. 95 of the year 1992 promulgating Capital Market Law;
Law No. 95 of the year 1995 concerning Financial Lease;
And upon the consulted view of the State Council;

DECREES THE FOLLOWING

Article : 1

The provisions of the Executive Statutes for Law No. 95 of the year 1995 concerning financial lease, as attached, shall come into force.

Article : 2

The present decree shall be published in the Egyptian Wakayeh / Government Bulletin, and shall come into force as of the day following the date of its publication.

Issued on 12 December, 1995.

**Minister of Economy and Foreign Trade
Mahmoud Mohamed Mahmoud**

²¹ Cancelled as per Law No. 8/1997.