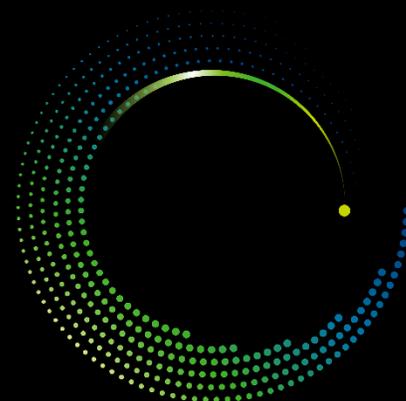


International Tax Libya Highlights 2022

Updated April 2022



Investment basics

Currency: Libyan Dinar (LYD)

Foreign exchange control: Although there is a foreign exchange law, in practice, foreign exchange transactions are allowed.

Accounting principles/financial statements: Libyan CPA standards apply. Financial statements (audited by a Libyan licensed accounting firm) must be filed annually.

Principal business entities: These are the joint stock company, branch, and representative office. A limited liability company is available only to Libyan nationals.

Corporate taxation

Rates

| | |
|---------------------------|-----|
| Corporate income tax rate | 20% |
| Branch tax rate | 20% |
| Capital gains tax rate | 20% |

Residence: An entity established in Libya is considered tax resident in Libya.

Basis: Income generated in Libya from assets held in Libya or work performed in Libya is subject to income tax in Libya. Branches are taxed in the same way as subsidiaries.

Taxable income: Tax is imposed annually on net income accrued during the tax year. Taxable income includes income from business operations, less allowable expenses. Libyan companies and branches of foreign companies are taxed based on submitted tax declarations, supported by audited financial statements, including statements of depreciation and general and administrative expenses.

A “deemed profit” basis of taxation may apply where a foreign entity is not registered at the time of contracting, the entity does not hold statutory books in Libya, or the books are not maintained in accordance with local regulations. The authorities also can assess tax on a deemed profit basis if they consider amounts, margins, etc. inaccurate or out of line with industry norms (e.g., cases involving potential concealment, many intercompany transactions, etc.).

Rate: The corporate income tax rate is 20%.

Surtax: A 4% defense contribution applies in addition to the corporate income tax. A stamp duty of 0.5% also is levied on the total corporate income tax liability.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: Dividends are not taxed in Libya.

Capital gains: Capital gains are treated as income and taxed at the corporate income tax rate.

Losses: Net operating losses generally may be carried forward for five years, and losses incurred by upstream oil and gas companies may be carried forward for 10 years. The carryback of losses is not permitted.

Foreign tax relief: A foreign tax credit generally is not available, unless so provided in an applicable tax treaty.

Participation exemption: There is no participation exemption.

Holding company regime: There is no holding company regime.

Incentives: The promotion of investment law is designed to encourage both domestic and foreign investment in Libya. Tax benefits are granted to companies that can contribute to the diversification of the local economy, the development of rural areas, an increase in employment, etc. Tax exemptions available to companies include: a five-year exemption from income tax; an exemption from tax on distributions and gains arising from a merger, sale, or change in the legal form of the enterprise; an exemption for profits generated from the activities of the enterprise and reinvested; an exemption from customs duties on machinery and equipment; and an exemption from stamp duty. A free zone has been established in Misurata (Qasr Hamad port area).

Compliance for corporations

Tax year: The tax year is the calendar year, although a different year may be used, subject to approval.

Consolidated returns: Consolidated returns generally are not permitted; each entity must file a separate return.

Filing and payment: The annual return must be supported by audited financial statements (a balance sheet, profit and loss statement, and a statement of operations) and filed within four months of the end of the tax year.

Penalties: Penalties apply for failure to file, late filing, or other forms of noncompliance.

Rulings: Rulings are not available.

Individual taxation

| Rates | | |
|----------------------------|-----------------------|----------------------------|
| Individual income tax rate | Taxable annual income | Rate |
| | Up to LYD 12,000 | 5% |
| | Over LYD 12,000 | 10% |
| Capital gains tax rate | | Individual income tax rate |

Residence: The liability to taxation typically is based on the source of income (particularly for non-Libyan nationals); therefore, residence generally is not a key factor in determining tax liability in Libya.

Basis: Individuals are taxed on Libya-source income.

Taxable income: Tax is imposed on salary or wage income (including allowances) derived from employment, professional income, and, in certain circumstances, investment income.

Rates: Payroll tax is imposed at 5% on annual taxable earnings up to LYD 12,000 and at 10% on annual taxable earnings exceeding LYD 12,000. An exemption generally applies for annual income below LYD 1,800 (for a single individual) or LYD 2,400 (for a married adult with no dependent children). Married couples are entitled to an annual exemption of LYD 300 for each minor child. Special rates apply to certain types of professional income. Income earned from commercial activities is subject to a 15% rate and income from handicrafts is taxed at 10%.

Capital gains: Capital gains generally are treated as ordinary income and taxed at the standard rate applicable to the taxpayer.

Deductions and allowances: Limited personal allowances and deductions are granted in calculating taxable income.

Foreign tax relief: A foreign tax credit generally is not available, unless so provided in an applicable tax treaty.

Other: A defense contribution is imposed at 1% on monthly income up to LYD 50; 2% on monthly income up to LYD 100; or 3% for monthly income exceeding LYD 100.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: Individuals are required to file separately. Joint filing is not permissible.

Filing and payment: Tax on employment income is withheld and remitted by the employer at the individual's applicable rate. The due date is 60 days following the end of the month (plus a 15-day grace period).

Penalties: Penalties apply for failure to comply, late filing, or other forms of noncompliance. The penalty starts at 1% for the first month of delay and increases by 1% per month thereafter.

Rulings: Rulings are not available.

Withholding tax

Libya does not impose withholding taxes, other than on interest paid on bank deposits, which is subject to a 5% withholding tax.

Anti-avoidance rules

Transfer pricing: Although Libya does not have formal transfer pricing rules, the tax department has the authority to assess tax on a deemed profit basis under general anti-avoidance provisions where a transaction appears not to be on arm's length terms.

Interest deduction limitations: There are no interest deduction limitation rules.

Controlled foreign companies: There are no controlled foreign company rules.

Hybrids: There are no anti-hybrid rules.

Economic substance requirements: There are no economic substance rules.

Disclosure requirements: There are no disclosure requirements.

Exit tax: There is no exit tax.

General anti-avoidance rule: Libya has a general anti-avoidance rule.

Value added tax

Libya does not levy a VAT or sales tax.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security contributions: Social security contributions are payable both by the employer and the employee. The employer contributes 11.25% (in the case of a foreign company) or 10.5% (in the case of a company with a Libyan participation) of gross wages/salary. The employee's contribution is 3.75%.

Payroll tax: There is no payroll tax.

Capital duty: There is no capital duty.

Real property tax: There is no real property tax.

Transfer tax: There is no transfer tax.

Stamp duty: Stamp duty is levied at varying rates, typically between 1% and 3%, on the execution of documents. There also are certain fixed duties. Stamp duty of 0.5% is levied on payments made to the tax authorities (see "Surtax" under "Corporate taxation," above).

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Tax treaties: Libya has 13 tax treaties in force.

Tax authorities: Tax Department of the Secretariat (Ministry) of Finance

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