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# ME Tax handbook '12
## Getting to grips with the essentials

Eighty five years in the Middle East

Spring 2012

# Contents

# Algeria

**Currency** Algerian Dinar (DZD)

## Foreign exchange control

The National Board of Investment must first approve any proposed foreign direct investment project.

Foreign investors must partner with an Algerian-owned shareholder, limiting foreign ownership to a maximum of 49%. For importer companies (raw materials, products and goods purchased for resale), a minimum of 30% minimum local participation in the capital is required.

Foreign companies have to register their contracts with a bank in Algeria and appoint a resident tax representative.

Foreign contributions to a company's capital or loans must be registered with the Bank of Algeria through the company's commercial bankers in Algeria. Exchange control approval also is required for remittance of dividends, directors' fees and other related party payments. Dividends may not be remitted from trading companies.

## Accounting principles/financial statements

Accounting principles (SCF) applicable for all commercial companies are in line with IFRS and its framework.

## Principal business entities

These are the public limited liability company (Société Par Actions or SPA) and the private limited liability company (Société à Responsabilité Limitée or SARL).

## Corporate taxation

### Residence

While no definition of residence exists under Algeria's tax laws, a corporation is generally considered resident if it is incorporated in

Algeria. Branches of foreign companies and permanent establishments also are considered resident.

## Basis

Resident and non-resident corporations are subject to tax on their Algeria-source income.

## Taxable income

Corporation tax is computed on net profits derived from Algerian sources.

## Taxation of dividends

Dividends received between Algerian companies are not subject to withholding tax and are exempt from tax in the hands of the recipient.

## Capital gains

In general, capital gains are taxed as ordinary income. For certain assets, 35% relief is given where the assets have been held for up to 3 years, or 70% for longer holding periods.

The following capital gains are exempt from tax or receive special treatment: capital gains realized within a group of companies; unrealized gains from the revaluation of fixed assets if they are booked in a special reserve; and capital gains resulting from mergers, divisions or partial transfers of assets between group companies in Algeria.

Rollover relief is available where a company undertakes to acquire similar assets within 3 years.

## Losses

Tax losses may be carried forward for 4 years. The carryback of losses is not permitted.

### Rate
The rate is 25% for non-tourism companies involved in the services sector and 19% for tourism and production sector companies.

### Surtax
No

### Alternative minimum tax
DZD 5,000 per year is the minimum corporate tax.

### Foreign tax credit
Algerian tax law does not provide for unilateral tax relief. A tax treaty, however, may provide for bilateral relief.

### Participation exemption
See "Taxation of dividends", above.

### Holding company regime
No

### Incentives
The Investment Code is intended to encourage and stimulate productive investment in Algeria. It provides certain general guarantees and incentives. The most significant incentives are a 10-year corporate tax and property tax exemption under some conditions. There also are specific incentives for, e.g., investments by region, investments promoting environmental protection and the oil industry.

## Withholding tax
### Dividends
Dividends and distributions of profit paid to a non-resident company are subject to a 15% withholding tax unless the rate is reduced under an applicable tax treaty.

### Interest
Interest paid to a non-resident is generally subject to a 10% withholding tax. The rate may be reduced under an applicable tax treaty.

### Royalties
The withholding tax on royalties is 24%, unless the rate is reduced under an applicable tax treaty.

### Technical service fees
A 24% withholding tax applies on the gross income derived from any service fee paid abroad by a local company to a foreign company.

### Branch remittance tax
Distributions of profit paid to a non-resident company are subject to a 15% withholding tax unless the rate is reduced under an applicable tax treaty.

### Other
A 24% rate applies to gains on disposals of shares in an Algerian company by a non-resident.

## Other taxes on corporations
### Capital duty
Stamp duty on the formation of a company is 0.5% of the initial capital.

### Payroll tax
No

### Real property tax
Property tax is charged on developed land; tax holidays may be provided for new buildings and those located in specified development areas.

### Social security
Social security tax funds both pensions and health care. The employer pays 26% of gross salary and the employee pays 9% of pre-tax salary.

### Stamp duty
Stamp duty is imposed at varying rates on transactions, including the execution of various documents and deeds.

### Transfer tax
A transfer tax is applicable to land and buildings at a rate of 5% of the value, plus 1% for registration.

### Other
A 3% tax (Taxe de domiciliation bancaire) applies on the importation of services. Assets that may cause environmental damage are assessed for pollution tax. A tax is imposed on enterprises that do not devote 1% of turnover to general training. A 2% tax is levied on turnover (tax on professional activities), subject to a reduced rate if the profit margin is lower than normal.

## Anti-avoidance rules
### Transfer pricing
An arm's length approach to transfer pricing applies. All entities registered with the tax department responsible for multinational companies (the Direction des Grandes Entreprises) must submit documentation to support their transfer pricing practices within 30 days after a request is made by the Algerian tax administration.

### Thin capitalization
No

### Controlled foreign companies
No

### Other
No

### Disclosure requirements
No

## Administration and compliance
### Tax year
The tax year is the calendar year that ends on 31 December.

### Consolidated returns

Algerian companies may elect group treatment where a parent company owns at least 90% of a subsidiary. Although optional, once the election is made, it is binding for at least 4 years. A specific system also applies to companies involved in the hydrocarbon sector.

### Filing requirements

Final tax payments are due by 30 April following the close of the tax year, along with the statutory return and the appropriate financial statements. Large companies must pay provisional tax by 20 March, 20 June and 20 November based on 30% of the previous year's tax liability. For new companies, 5% of paid-up capital is the deemed taxable income. Any withholding tax incurred is treated as a payment of corporate tax.

### Penalties

Penalties apply for late filing, failure to file or filing an incorrect return.

### Rulings

While rulings are not generally available, taxpayers may seek non-binding explanations of tax legislation from the authorities.

## Personal taxation

### Basis

Residents are subject to tax on worldwide income; non-residents are subject to tax only on Algeria-source income.

### Residence

A taxpayer is considered resident by virtue of his/her right to reside or seek employment in Algeria or where it is shown that the individual's center of vital interests is in Algeria.

### Filing status
Spouses are required to file separate tax returns. Separate returns may be filed for dependent children in respect of their independent income.

### Taxable income
Employment income is generally defined as income from all sources.

### Capital gains
For business assets, the same rules apply as for corporations, above. Gains on the disposal of a principal private residence and other personal effects are exempt.

### Deductions and allowances
Allowable deductions include travel expenses, amounts deducted by the employer to pay pensions and mandatory social insurance contributions.

### Rates
Individual income tax is imposed progressively, up to 35% on amounts exceeding DZD 1.44 million per annum. A 15% withholding tax on dividends is a final tax for individuals.

## Other taxes on individuals
### Capital duty
Stamp duty on the formation of a company is 0.5% of initial capital.

### Stamp duty
Stamp duty is imposed at varying rates on transactions, including the execution of various documents and deeds.

### Capital acquisitions tax
No

### Real property tax
An annual property tax is imposed on all developed and undeveloped real estate in Algeria.

### Inheritance/estate tax

Inheritance and gift tax is imposed on the recipient with respect to property located in Algeria that is acquired by inheritance or gift. The rate is 3% for transfers between spouses, offspring or parents; otherwise, the rate is 5%.

### Net wealth/net worth tax

Wealth tax for residents is assessed on a worldwide basis. Wealth is taxed on a progressive scale up to 1.5%. Where an individual has paid a similar tax on non-Algerian assets, it may be deducted from the tax due in Algeria. Non-residents are subject to wealth tax with respect to property deemed or actually located in Algeria.

### Social security

Employees contribute 9% of their pre-tax salaries to fund social security benefits.

## Administration and compliance

### Tax year

The tax year is the calendar year that ends on 31 December.

### Filing and payment

Individual returns are due by 30 April following the close of the tax year. The balance of tax is generally payable on 1 February and 1 June. Tax returns are not required to be completed if a taxpayer’s only source of income is employment income.

### Penalties

Penalties apply for late filing, failure to file or filing an incorrect return.

## Value Added Tax

### Taxable transactions

VAT applies to the supply of most goods and the provision of services in Algeria.

### Rates
The standard rate is 17%, with a reduced rate of 7% applying to various basic items or where no input tax is recoverable (e.g. construction and internet services). Exports are zero rated.

### Registration
Registration is generally required for entities that have an annual turnover of DZD 100,000. A business must register within 30 days of becoming liable.

### Filing and payment
Monthly returns and the tax payable are due by the 20th of the following month.

## Source of tax law
Finance Laws, Tax Code

## Tax treaties
Algeria has concluded more than 20 tax treaties.

## Tax authorities
Direction Générale Des Impôts (DGI); Direction Des Grandes Entreprises (DGE)

## International organizations
UN, OPEC, G-15, IMF

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# Bahrain

**Currency** Bahraini Dinar (BHD)

**Foreign exchange control** No

## Accounting principles/financial statements

IFRS. Financial statements must be filed annually.

## Principal business entities

These are the joint stock company, joint stock company (closed), limited liability company, single person company, general partnership, sole proprietorship, holding company, branch of a foreign company and representative office.

## Corporate taxation

### Residence

There is no corporate tax for most companies in Bahrain, but income tax is levied on the profits of oil companies. Corporate income tax is only levied on oil, gas and petroleum companies engaged in exploration, production and refining, regardless of where the company is incorporated.

### Basis

The tax basis for oil and gas companies is net profits generated in Bahrain.

### Taxable income

Taxable income for oil and gas companies is net profits, which consist of business income less business expenses.

### Taxation of dividends No

### Capital gains No

### Losses

Trading losses may be carried forward indefinitely. The carryback of losses is not permitted (oil companies only).

| | |
|---|---|
| Rate | The rate is 46% on oil companies. |
| Surtax | No |
| Alternative minimum tax | No |
| Foreign tax credit | No |
| Participation exemption | No |
| Holding company regime | No |
| Incentives | No |

**Withholding tax**

| | |
|---|---|
| Dividends | No |
| Interest | No |
| Royalties | No |
| Technical Service Fee | No |
| Branch remittance tax | No |
| Other | No |

**Other taxes on corporations**

| | |
|---|---|
| Capital duty | No |
| Payroll tax | No |
| Real property tax | No |

### Social security
For Bahraini employees, the employer's social insurance contribution is 12%, which covers old age, disability, death and unemployment. For expatriate employees, the employer's social insurance contribution is 3%, which covers employment injuries.

### Stamp duty
Stamp duty is levied on property transfers on the basis of the property value as follows: 1.5% up to BHD 70,000; 2% from BHD 70,001 to BHD 120,000; and 3% for amounts exceeding BHD 120,001 or more.

### Transfer tax
No

### Other
A training levy (1% of Bahraini employees' salaries and 3% on the salaries of expatriate employees) is imposed on companies with more than 50 employees that do not provide training to their employees.

A 10% municipality tax is levied on the rental of commercial property and residential property occupied by expatriates.

## Anti-avoidance rules
### Transfer pricing
No

### Thin capitalization
No

### Controlled foreign companies
No

### Other
No

### Disclosure requirements
No

## Administration and compliance

### Tax year
Calendar year

### Consolidated returns
No

### Filing requirements
Relevant oil companies are required to file an estimated income tax declaration on or before the 15th day of the third month of the tax year. Tax must be paid in 12 monthly installments.

### Penalties
A 1% monthly penalty is imposed for failure to file and pay tax.

### Rulings
No

## Personal taxation

### Basis
No

### Residence
No

### Filing status
No

### Taxable income
No

### Capital gains
No

### Deductions and allowances
No

### Rates
No

## Other taxes on individuals

### Capital duty
No

### Stamp duty
Stamp duty is levied on property transfers on the basis of the property value as follows: 1.5% up to BHD 70,000; 2% from BHD 70,001 to BHD 120,000; and 3% for BHD 120,001 or more.

### Capital acquisitions tax
No

### Real property tax
No

### Inheritance/estate tax
No

### Net wealth/net worth tax
No

### Social security
For Bahraini employees, the employee's contribution is 7%, which covers old age, disability, death and unemployment. For expatriate employees, the employee's contribution is 1%, which covers unemployment.

## Administration and compliance
### Tax year
Calendar year

### Filing and payment
Monthly returns must be filed for social insurance purposes.

### Penalties
Some penalties apply for failure to file the return.

## Value added tax
### Taxable transactions
There is a degree of speculation that VAT may be introduced in the future, but this had not been confirmed at the time of writing.

### Rates
N/A

| | |
|---|---|
| Registration | N/A |
| Filing and payment | N/A |

**Source of tax law**
Bahrain Income Tax Law (Amiri Decree 22/1979)

**Tax treaties**
Bahrain has concluded 27 tax treaties, plus a foreign trade agreement with the U.S.

**Tax authorities**
Ministry of Finance

**International organizations**
Gulf Cooperation Council

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# Egypt

**Currency** Egyptian Pound (EGP)

## Foreign exchange control

No restrictions are imposed on the import or export of capital or on the repatriation of funds (which can be made in any currency).

## Accounting principles/financial statements

Corporate taxable profits are primarily calculated according to Egyptian Accounting Standards and adjusted by certain specific provisions of the tax law.

## Principal business entities

These are the joint stock company, limited liability company, limited partnership by shares, limited partnership, branch and representative office of a foreign company.

## Corporate taxation

### Residence

A company is resident if it is established according to Egyptian law, its main or actual headquarters is in Egypt or it is a company in which the state or a public juridical person owns more than 50% of the capital.

### Basis

Resident companies are taxed on their worldwide income; non-resident companies pay tax only on Egyptian-source profits.

### Taxable income

Corporation tax is imposed on the totality of a company's profits.

### Taxation of dividends

Dividends received from an Egyptian company are not taxable; dividends received from overseas are included in the taxable profit pool that is subject to tax at a rate of 20%, with a deduction allowed for foreign taxes paid overseas up to the amount of tax payable in Egypt. Income from investments in non-resident companies is taxed on the basis of equity accounting if it is deemed to be derived from passive income.

### Capital gains
Capital gains are taxed as part of the normal profit pool.

### Losses
Losses may be carried forward for 5 years. The carry-back of losses is not permitted, except for losses incurred by a construction company on long-term contracts.

### Rate
Companies that are engaged in the exploration and production of oil and gas are taxed at a rate of 40.55%. Otherwise, a progressive rate of corporate tax is applied at 20% for income up to EGP 10 million and 25% for income exceeding that amount.

### Surtax
No

### Alternative minimum tax
No

### Foreign tax credit
Foreign tax paid overseas may be deducted from Egyptian income tax payable, but the deduction may not exceed the total tax payable in Egypt.

### Participation exemption
No

### Holding company regime
No

### Incentives
Projects established under the free zone system enjoy a corporate income tax exemption for the term of the specified project.

## Withholding tax

### Dividends

Egypt does not levy withholding tax on dividends paid to residents or non-residents.

### Interest

Interest paid to a non-resident is subject to a 20% withholding tax, which may be reduced under a tax treaty. The Egyptian-resident payer must withhold 20% tax at source (regardless of any applicable lower rate under a treaty); the non-resident company should then submit a subsequent request to the Egyptian tax authorities to recover the tax difference within 6 months from the date of receipt.

Interest paid under a long-term loan (i.e. exceeding 3 years) is not subject to withholding tax.

### Royalties

Royalty payments made to a non-resident are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty. Resident payer must withhold 20% tax at source (regardless of any applicable lower rate under a treaty); the non-resident company should submit a request to the Egyptian tax authorities to recover the tax difference within 6 months from the date of receipt.

### Technical service fees

The Egyptian tax code does not have any specific withholding tax rules governing technical service fees, although the tax authorities may treat such payments as royalties for withholding tax purposes (and, thus, would be taxable at 20%). The ultimate tax treatment will depend on the scope of services provided and will be determined on a case-by-case basis.

### Branch remittance tax

No

### Other

No

## Other taxes on corporations

### Capital duty
No

### Payroll tax
No

### Real property tax
Under progress.

### Social security
The social security regime applies only to local nationals.

### Stamp duty
Stamp duty is charged at various rates and fixed charges. The rate on banking transactions is 0.04%, 15% on commercial advertisements and from 0.08% to 10% on insurance premiums.

### Transfer tax
No

### Other
Statutory payments to employees under profit-sharing regulations may not be deducted for corporate income tax purposes and are not subject to salary tax.

## Anti-avoidance rules

### Transfer pricing
Related party transactions must be in accordance with the arm's length standard. There are 3 methods to determine the transfer price:

- comparative free price method;
- total cost plus profit margin method; and
- resale price method, with priority given to the comparative free price method. However, if the information needed to apply this method is unavailable, either of the other methods may be used. If none of the methods are deemed suitable by the taxpayer, any method specified under the OECD transfer pricing guidelines will be accepted.

### Thin capitalization
A 4:1 debt-to-equity ratio applies. Any interest exceeding this ratio is non-deductible.

### Controlled foreign companies
Income from investments in non-resident companies is recognized under the equity method of revenue recognition and is taxed in Egypt if the:

1. Egyptian entity owns more than 10% of the non-resident investee entity;
2. More than 70% of the non-resident company's income is derived from passive income (dividends, interest, royalties, management fees or rental fees); and
3. The profits of the investee company are not subject to tax in its country of residence, are exempt or are subject to a tax rate of less than 15%.

### Other
No

### Disclosure requirements
No

## Administration and compliance

### Tax year
Accounting year

### Consolidated returns
Consolidated returns are not permitted; each company must file a separate return.

### Filing requirements
Companies must file a tax return within 4 months following the end of the financial year. Tax is assessed on the basis of the information provided in the tax return.

## Penalties

A fine of no less than EGP 2,000 and not more than EGP 10,000 is due on failing to notify the Egyptian Tax Authority with the activity's commencement date.

A fine of no less than EGP 2,000 and not more than EGP 10,000 for not filing a tax return.

A fine of no less than EGP 2,000 and not more than EGP 10,000 for failure to apply the system of deduction, withholding, collection and remittance of the tax by the legal dates.

In all cases, fines shall be doubled in the case of reoccurrence of the same offence within a three year period. Also due to the wrong characterization of the Egyptian entity as a permanent establishment, the amount of tax included in the return could be less than the finally assessed amount by the Egyptian Tax Authority (ETA) and this could potentially result in the following penalties:

- 5% of the tax due on the amount not included, if it is equal to between 10-20% of the final tax assessed.
- 15% of the tax due on the amount not included, if it is equal to between 20-50% of the final tax assessed.
- 80% of the tax due on the amount not included, if it is more than 50% of the final tax assessed.

Also, a delayed fine could be imposed on the tax payer; this delay fine is calculated on the basis of the credit and discount rate declared by the Central Bank of Egypt on the first of January prior to the date of transaction plus 2%, which will approximately represent a 1% monthly delay fine of assessed tax.

## Rulings

Taxpayers may apply for an advance ruling by submitting a written request and copies of relevant documents to the tax authorities. The tax authorities will issue a decision concerning the request within 60 days.

## Personal taxation

### Basis

Resident and non-resident individuals are taxed only on their Egyptian-source income.

### Residence

An individual is resident if he/she:

- is present in Egypt for more than 183 days in a fiscal year;
- is deemed to have a permanent residence or a local commercial presence in Egypt under executive regulations; or
- any Egyptian national residing abroad but derives income from Egyptian Treasury.

### Filing status

The employer is responsible for withholding and paying the salary tax due to the relevant tax authorities on a monthly basis. However, if the employee is paid from an offshore source, the individual must declare it to the relevant authorities at the end of the year and pay the tax due.

### Taxable income

Taxable income includes income from employment, commercial or industrial activities and non-commercial activities (i.e. professional services). Mandatory profit sharing, pensions and end-of-service bonuses are not subject to salary tax.

### Capital gains

Income derived from the sale of assets in a sole proprietorship becomes part of an individual's taxable base (including the sale of sole proprietorship real estate). If not classified as sole proprietorship assets, real estate gains are subject to a separate tax of 2.5% on the gross proceeds.

Gains on sales of unlisted securities are taxable if deemed to be a recurring activity. Gains on listed securities are exempt from tax.

### Deductions and allowances
Available deductions depend on the type of income. Various allowances are available for items, such as social security contributions and health insurance premiums.

### Rates
Rates are progressive up to 25% on income over EGP 10 million per year. Resident employees who derive income from sources other than their original place of employment and all non-residents are subject to tax at a flat rate of 10%.

## Other taxes on individuals
### Capital duty
No

### Stamp duty
Stamp duty applies at various rates depending on the type of document.

### Capital acquisitions tax
No

### Real property tax
All real estate in Egypt is subject to the real estate tax. The rate is 10% on the annual rental value after allowing a 30% deduction from the rental value to cover related costs for residential property (32% deduction for non-residential property).

A residential unit with an annual rental value less than EGP 6,000 is exempt. The property owner pays the real property tax, which is due in 2 instalments: January and any time before 31 December. The annual rental value of real estate is assessed every 5 years by the tax authorities.

### Inheritance/estate tax
No

### Net wealth/net worth tax
No

### Social security
The social security regime applies only to local nationals.

## Administration and compliance
### Tax year
Calender year

### Filing and payment
Individuals must submit a declaration of income before 1 April following the end of the tax year and must pay tax based on the declaration. Employment income is taxed by withholding at source.

### Penalties
A penalty of EGP 10,000 is imposed in cases of tax evasion, and the original tax remains due.

## General sales tax
### Taxable transactions
General sales tax applies to the supply of most goods and the provision of services. It should be noted that sales tax does not operate in a similar manner to VAT and input sales tax represents a cost to the majority of businesses.

### Rates
The standard GST rate is 10% but other rates can apply.

### Registration
Manufacturers and service providers with turnover exceeding EGP 54,000 must register for GST purposes. Wholesalers and retailers are required to register where turnover exceeds EGP 150,000.

### Filing and payment
All companies must prepare and file a monthly sales tax return with the relevant sales tax authority.

## Source of tax law
Income Tax Law, Law 91 of 2005, Sales Tax Law No. 11 of 1991, Real Estate Law No. 196 of 2008.

## Tax treaties
Egypt has concluded 51 tax treaties.

## Tax authorities
Egyptian Tax Authority

## International organizations
African Union, Arab League, Group of 77, UN

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# Iran

**Currency** Iranian Rials (IRR)

**Foreign exchange control** No

## Accounting principles/financial statements

IAS/IFRS. Financial statements must be prepared annually.

## Principal business entities

These are the public and private limited liability company, partnership and branch of a foreign corporation

## Corporate taxation

### Residence

A company is considered to be Iranian if it is established under the Commerce Act of Iran.

### Basis

Iranian entities (both corporate and branch entities) are subject to tax on their worldwide income. Non-Iranian entities are subject to tax on income earned or received in Iran.

### Taxable income

Corporation tax is imposed on business profits, interest and discounts, rents, royalties, remunerations or other profits from property, and net consideration in respect of trade goodwill. Expenses incurred for the production of income are tax deductible.

### Taxation of dividends

Dividends received from companies registered in Iran are exempt from corporation tax. Dividends received from non-Iranian companies are subject to corporation tax at the normal corporate rate.

### Capital gains

There is no separate capital gains tax in Iran but only gains related to fixed assets (equipment and Machinery, tools, furniture) are included in ordinary income and taxed at the main corporate rate of 25%.

## Real property tax
The final transfer of real estate properties as well as the transfer of goodwill are subject to taxation. In the case of real estate, the basis of taxation is 5% of the taxable value, while in goodwill the basis of taxation is 2% of the value received by the owner or possessor of goodwill.

## Losses
Tax losses can be carried forward and set off against taxable income of subsequent years without any time limit.

## Tax rate
Companies, which includes all kind of corporate bodies, are subject to corporation tax at a fixed rate of 25%.

Certain types of income (i.e. dividends, interest, royalty, license and rent) for foreigners residing abroad are subject to a special defense contribution between the range of 5% to 7.5%, respectively.

## Surtax
No

## Alternative minimum tax
No

## Foreign tax credit
Relief for taxes paid abroad is granted against due Iran tax in the form of a tax credit. The relief is given unilaterally regardless of the existence of a tax treaty. When a treaty applies, the treaty provisions apply if more beneficial.

## Participation exemption
No

## Incentives
Iran has a number of free trade and special economic zones which offer various tax and foreign investment incentives for foreign investors.

## Withholding tax

### Dividends

Dividends paid to residents or non-residents (individuals and companies) are not subject to withholding tax.

### Interest

There is no withholding tax on interest and fees paid to Iranian banking, cooperative funds and authorized non-bank credit institutions. Interest paid to non-residents is subject to withholding tax of 5%.

### Royalties

Royalties paid to non-residents are subject to a final withholding tax of 5% to 7.5% relating to Royalties receiver, 5% relating to Government and Industrial receiver and 7.5% relating to other entities.

### Branch remittance tax

No

## Other taxes on corporations

### Stamp duty

Capital duty is payable on authorized share capital and the issuance of shares at a rate of 0.2%. Sales of shares related to listed companies are subject to tax at a flat rate of 0.5% and shares transfer related to other companies are subject to 4% of the face value of the shares.

### Payroll tax

Employers are required to withhold personal tax on the salaries of employees at progressive rates up to 35%.

### Real property municipal tax

Tax is imposed annually on the governmental value of immovable property.

### Social security

Employers must make social insurance contributions amounting to

23% of gross salary. Additionally, employees are required to make a contribution of 7% of gross salary. The base for social security is capped at 7 times the amount of the minimum wage per Iranian labor law (approximately USD 1,650 per month).

### Transfer tax
Transfer of immovable property is subject to transfer fees of 5% calculated on the special value of the property as estimated by the Iranian National Tax administration.

## Anti-avoidance rules
### Transfer pricing
The arm's length principle requires that transactions between related parties be carried out at market value and on normal commercial terms.

### Thin capitalization
No

### Controlled foreign companies
No

### Other
Under a general anti-avoidance provision, any artificial/fictitious transaction may be disregarded and the Commissioner of Income Tax may assess tax on the taxpayer in question.

### Disclosure requirements
No

## Administration and compliance
### Tax year
The tax year runs from 22 March to 21 March of the following year. However, companies may use a reporting period in line with their accounting year if different.

### Consolidated returns
Taxation on a consolidated basis is not permitted and each company is required to submit a separate return.

### Filing requirements
Tax returns must be filed within 4 months of the year end.

### Penalties
A fixed penalty of 2.5% of the tax due per month is imposed for late payment of tax.

### Rulings
Advanced tax rulings are not available.

## Personal taxation
### Basis
Resident individuals are subject to income tax on their worldwide income. Non-resident individuals are taxed only on their Iran-source income.

### Residence
An individual is resident in Iran if he/she stays in Iran for a period or periods exceeding a total of 183 days in the tax year.

### Filing status
Each individual is assessed on a separate basis. Joint assessment for couples is not possible.

### Taxable income
Personal income tax is imposed on business profits, income from an office or employment, discounts, pensions, charges or annuities, rents, royalties, remuneration or other profits from property and net consideration in respect of trade goodwill. Expenses incurred for the production of income are tax deductible.

### Capital gains
There is no capital gains tax applicable for individuals, shares transfer or Real Estate transfer.

### Deductions and allowances

The most important personal deductions are: donations to approved charities; social insurance fund contributions (and similar contributions paid abroad); life insurance premiums; pension plan contributions; and medical fund contributions.

### Rates

Income in excess of IRR 58,250,000 is taxed at progressive tax rates up to 35%.

## Other taxes on individuals

### Capital duty

No

### Stamp duty

See "Corporate taxation".

### Capital acquisitions tax

No

### Real property tax

See "Corporate taxation".

### Inheritance/estate tax

Inheritance tax shall be imposed on the transfer of property on death, where either the deceased or the heirs are domiciled in Iran, or in respect of property which is situated in Iran. In the case of foreign nationals, as well as in other cases, any part of the deceased person’s properties and property rights that are situated in Iran shall entirely be subject to tax at the rates provided in Article 20 of the present Act in respect of the heirs.

### Net wealth/net worth tax

No

## Residence rules

A person is considered resident for tax purposes if he:

- Has an occupation in Iran during the tax year.
- Is living in Iran for 183 days or more in the tax year.

## Administration and compliance

### Tax year

22 March to 21 March of the following year

### Filing and payment

Employers are to withhold tax on salaries paid to individuals and pay it to the tax authority on a monthly basis. All individuals (or their employer) are required to submit an annual tax return by 22 July the following year end.

### Penalties

See "Corporate taxation".

## Value added tax

### Taxable transactions

VAT is levied on the sale of goods, the provision of services and the importation of goods from outside Iran.

### Rate

The standard rate was 3%. It has been announced that VAT is to increase at a rate of 1% from 2011 to 2015, increasing to 5% in 2012 and up to 8% in 2015.

### Registration

All product or services should be registered for VAT.

### Filing and payment

The deadline for submission of quarterly VAT returns is the 15th after the second month following the relevant period. Payments of VAT must be made by the same date.

## Source of tax law

Direct Income Tax Law, Special Defense Contribution Law, VAT Law.

## Tax treaties

Iran has concluded more than 42 tax treaties including Germany, France, Armenia, South Africa, Kazakhstan, Turkmenistan, Lebanon, Georgia, Ukraine, Belarus, Syria, Sri Lanka, Russia, China, Switzerland, Pakistan, Austria, Uzbekistan, Turkey, Tunis, Kyrgyzstan, Spain, Poland, Bulgaria, Venezuela, Bahrain, Jordon, Malaysia, Croatia, Bosnia and Herzegovina, Qatar, Indonesia, Tajikistan, Kuwait, Zimbabwe, Indonesia, Malaysia, Romania, Sudan, Oman, Algeria and Indonesia.

**Books of account**

Both public and private joint stock companies are required to maintain, in the Persian language, the journal, ledger, inventory and copy book of merchants. These books serve as the basis for determining the company's tax liability and failure to keep them strictly in accordance with the legal requirements may result in the tax authorities making their own determination of what the company's tax liability should be. According to the Tax Act, accounts should comply with National Accounting Standards which are similar to IAS.

**Tax authorities** Iranian National Tax administration (INTA).

**Auditing**

According to new Laws and Regulations, all companies and foreign branch should be audited by one audit firm that would be a member of Iranian Association of Certified Public Accountants (IACPA).

**Free zone**

Iran has a number of industrial and trade free zones which include: Kish, Qeshm, Chahbahar, Arvand, Anzali, Sahand and Astara. The free zones typically offer tax exemption for 20 years.

**Deloitte contact**

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# Iraq

**Currency** Iraqi Dinar (IQD)

**Foreign exchange control** Limited

## Accounting principles/financial statements

Registered entities must prepare annual financial statements, with Iraqi Dinars as the accounting currency, in accordance with the Iraqi Uniform Accounting Principles and in Arabic. Iraqi Unified Accounting Rules do not match with International Accounting Standards.

## Kurdistan Region tax regime

As a semi-autonomous region in Northern Iraq, the Kurdistan Region has introduced certain laws and practices which divert from the position in Federal Iraq. We have sought to include in this document the key differences in legislation and practice between Federal Iraq and Kurdistan Region.

## Principal business entities

There are seven corporate forms in Iraq:

- Branch office
- Representative office
- Joint stock company
- Limited liability company
- Joint liability company
- Simple company
- Sole owner enterprise

## Corporate taxation

### Residence

Resident entities are those which are incorporated under the laws of Iraq or have their place of management and control in Iraq. Non-residents are those which do not meet the criteria for resident entities.

## Permanent establishment

There is no concept of "Permanent Establishment" in Iraqi tax law. Currently, all income "arising in Iraq" is taxable in Iraq.

| | |
|---|---|
| **Basis** | Net profit |

## Taxable income

Tax is levied broadly on sources, other than income which is specifically exempt.

## Taxation of dividends

Dividends received by an Iraqi entity are generally not subject to tax, provided the profit out of which the dividends were paid has been subject to tax in Iraq.

## Capital gains

Gains derived from the sale of assets should be included in the ordinary income and taxed at the normal corporate tax rate.

## Losses

Losses are tax deductible and can be carried forward for a maximum of five consecutive years, provided that no more than half of any year's taxable income can be offset and any loss carried forward is only deducted from the same source of income from which it is being offset.

## Rate

Generally, a 15% flat rate is applicable. A separate oil and gas tax law was passed in 2010, which provides for a higher rate of corporate income tax of 35% for companies operating in the oil and gas sector. The oil and gas tax law is supported by implementing Regulations – Instructions Number 5 of 2011 - which define specific activities which fall within the scope of the oil and gas law.

## Kurdistan Region

A flat rate of 15% is applicable to all industries. The Kurdistan

Region tax authority has suggested that they do not intend to apply the Oil and Gas Law which was introduced in Federal Iraq.

| | |
|---|---|
| **Surtax** | No |
| **Alternative minimum tax** | No |
| **Foreign tax credit** | No |
| **Participation exemption** | No |
| **Holding company regime** | No |

### Incentives
The Investment law gives tax holidays and exemption from import/export for specific approved project. Free zones exist but are nascent.

## Withholding tax

| | |
|---|---|
| **Dividends** | No |

### Interest
Any person making payments of interest or similar payments from within Iraq to a lender outside of Iraq must withhold and remit 15%.

| | |
|---|---|
| **Royalties** | No |
| **Branch remittance tax** | No |

### Management fees
No (but see comments below regarding tax retentions).
We note that there is an extensive tax retention system which applies in respect of payments to non-residents under contracts which are considered to be "trading in" Iraq.  Applicable rates of tax retentions vary, depending on the nature of the contract, up to a maximum rate of 10%.

Payments made under contracts which fall under the scope of the oil and gas tax law should be subject to withholding tax at a rate of 7%.

### Kurdistan Region

In practice tax retentions are not consistently applied in Kurdistan, other than on payments made by the public sector which often include a 5% tax retention.

## Other taxes on corporations

### Capital duty

No

### Payroll tax

Employers are required to calculate, withhold and remit employees' personal income tax. Tax is levied at progressive rates up to 15%.

### Intellectual property tax

No

### Real property tax

See "Other" section, below.

### Social security

5% deduction from employee's salary and a 12% contribution from the employer. For foreign companies, the employer's contribution is 25% of an individual's salary.

**For Kurdistan Region** the social security contributions are 12% for employers and 5% for employees.

### Stamp duty

The stamp duty law provides for *de minimis* payments on specific procedures and documents and 0.2% stamp duty on contracts of fixed value.

### Transfer tax

Rates of 0% - 6% on transfer of land, depending upon value of transfer.

## Anti-avoidance rules

### Transfer pricing

There are currently no specific transfer pricing guidelines. However, the Iraq tax authorities reserve the right to adjust the taxable profits of an entity if they consider the amounts recorded to be unreasonable.

| | |
|---|---|
| **Thin capitalization** | No |
| **Controlled foreign companies** | No |
| **Other** | No |
| **Disclosure requirements** | No |

## Administration and compliance

| | |
|---|---|
| **Tax year** | Calendar year |
| **Tax period (minimum and maximum)** | No |
| **Consolidated returns** | No |

### Filing requirements

Corporate tax returns should be filed by 31 May following the year-end.

### Penalties

Penalties on unpaid/late paid tax are levied as follows: 5% of the amount outstanding, if payment is not made within 21 days of the due date. A further 5% will apply if the tax is outstanding after a further 21 days (i.e. 42 days in total). In addition, interest will also run from the due date of payment, until the date the tax is finally settled.

In addition, the tax legislation provides that penalties of up to 25% could be assessed on the income of taxpayers which fail to maintain appropriate accounting records for tax purposes.

### Kurdistan Region

Penalties on unpaid/late paid tax are levied as follows: a penalty of 10% from the tax amount per year applies for late filing up to a maximum per year of IQD 75,000 (approx. 64 USD).

### Rulings

No

## Personal Taxation

### Basis

Iraqi nationals who are resident in Iraq are taxable on their worldwide income. Non-Iraqi nationals are subject to tax on their income arising in Iraq, irrespective of the individual's residence status.

### Residence

An Iraqi individual who is resident in Iraq for at least four months during a tax year; or a non-Iraqi individual who resides in Iraq for at least four consecutive or six total months during the tax year or who is employed by an Iraqi entity.

### Filing status

By law, all taxable persons are required to submit a tax return before March 31, in the following year of assessment.

Employers are required to withhold taxes and pay the tax to the tax authorities on a monthly basis. There are monthly and annual filing requirements.

### Kurdistan Region

All taxable persons are required to submit a tax return before June 30, in the following year of assessment. Employers have similar obligations to those in Federal Iraq.

### Taxable income

Almost all sources of income, unless otherwise exempted.

### Capital gains

Treated as income and taxed

### Rates
Individual income tax is calculated at progressive rates up to 15%.

### Kurdistan Region
There are variations in the Kurdistan Region, notably tax should be imposed on salaries exceeding one million Iraqi dinars at a flat rate of 5%.

## Other taxes on individuals

| | |
|---|---|
| Capital duty | No |
| Stamp duty | Yes, as per corporate |
| Capital acquisitions tax | No |
| Real property tax | Yes |
| Inheritance/estate tax | No |
| Net wealth/net worth tax | No |
| Social security | Yes, as mentioned above |

## Administration and compliance

| | |
|---|---|
| Tax year | Calendar year |

### Filing and payment
Employer calculates, withholds, and remits, or self assessment.

### Penalties
Please see the comments from section “Corporate taxation”.

## Value added tax

| | |
|---|---|
| Taxable transactions | No |
| Rates | No |

**Registration** No

**Filing and payment** No

## Source of tax law

### Federal Iraq

The Income Tax law No.113 of 1982, as amended through 2003, together with supporting instructions and circulars issued by the tax authority.

### Kurdistan Region

The Kurdistan Region law of Income Tax law No. 5 of 1999.

**Tax treaties** Very few signed.

## Tax authorities

### Federal Iraq

General Commission of Taxation.

### Kurdistan Region

Income Tax Directorate.

## Free zones

Yes, nascent. More planned.

## Business registration

Required, through Ministry of Trade. One of seven corporate forms.

## International organizations

Undergoing accession process for WTO.

## Deloitte contact

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# Jordan

| | |
|---|---|
| **Currency** | Jordanian Dinar (JOD) |
| **Foreign exchange control** | No |

## Accounting principles/Financial statements

IFRS. Financial statements must be filed annually.

## Principal business entities

These are the public and private shareholding company, Limited Liability Company, partnership and branch of a foreign entity.

## Corporate taxation

### Residence

Jordanian tax law does not define residence for tax purposes, but a company that is registered in Jordan is deemed to be resident. For a foreign entity to operate for any period of time in Jordan, i.e. even one day, it must be established and registered with the authorities.

### Basis

Resident companies are taxable on income sourced in Jordan.

### Taxable income

Income derived from Jordan or from Jordanian sources is taxable.

### Taxation of dividends

Dividends distributed by a resident company generally are exempt from tax, with special rules regarding add-backs and distributions to banks and other financial institutions.

### Capital gains

The law generally exempts income from capital gains except for capital gains of assets subject to depreciation, intangible assets (e.g. goodwill) and capital gains recognized by banks, financial institutions, financial brokerage companies, insurance companies and juristic persons conducting financial lease activities. Capital gains realized by other companies or sectors from investments inside Jordan are exempt from income tax.

### Losses

Losses may be carried forward indefinitely.
The carryback of losses is not permitted.

### Rate

The tax rate is 14%, with a 30% rate for banks. A 24% rate applies to primary telecommunications companies, insurance companies, financial brokerage companies and financial institutions, including money exchange companies and juristic persons conducting financial leasing activities.

### Surtax
No

### Alternative minimum tax
No

### Foreign tax credit
No

### Participation exemption
No

### Holding company regime
No

### Incentives

The Investment Promotion Law provides up to a 75% exemption for 10 years for certain sectors.

Some service sector exports are wholly exempt from tax until 2015. This includes computer services, economic feasibility studies, legal consultancy services, engineering, accounting and auditing. Exported consulting services provided for public administration, financial management, human resources management and production management also are exempt.

## Withholding tax

### Dividends

No, but see Islamic financing considerations under "interest", below.

### Interest

Interest paid to a non-resident is subject to a 7% withholding tax unless the rate is reduced under a tax treaty.

Banks and financial institutions and licensed companies permitted to accept deposits and specialized lending institutions in Jordan are required to withhold 5% on interest from deposits, commissions and profit participations of Islamic banks in the investment of such deposits. Such withholding is considered a final tax for individuals and a payment on account for a corporate taxpayer.

### Royalties

Royalties paid to a non-resident are subject to a 7% withholding tax unless the rate is reduced under a tax treaty.

### Technical service fees

Technical service fees paid to a non-resident are subject to a 7% withholding tax unless the rate is reduced under a tax treaty.

### Branch remittance tax

No

### Other

Management fees paid to a non-resident are subject to a 7% withholding tax unless the rate is reduced under a tax treaty. Fees paid to local service providers are subject to a withholding income tax of 5%. This tax is considered as a payment on account for the service providers and can be offset against their annual income tax liability when filing their annual income tax return.

## Other taxes on corporations

### Capital duty

No

### Payroll tax
Payroll tax is withheld by the employer from monthly compensation at progressive rates ranging from 7% to 14%.

### Real property tax
A property tax is levied at a rate of 15% of the estimated annual rental value.

### Social security
The employer contributes 12.25% of an employee's salary and the employee contributes 6.5%. However, the maximum salary subject to social security contributions is JOD 5,000. The employer is required to withhold and report contributions on a monthly basis.

### Stamp duty
An ad valorem stamp duty of 0.3% is levied on certain documents.

### Transfer tax
No

### Other
No

## Anti-avoidance rules
### Transfer pricing
No

### Thin capitalization
Deductions are allowed for interest and profit-sharing paid by non-banks, non-financial companies and non-leasing companies that do not exceed certain ratios representing the total debt to paid-in capital or the average of the owner's equity, whichever is greater.

### Controlled foreign companies
No

### Other
No

### Disclosure requirements
No

## Administration and compliance

### Tax year
Calendar year

### Consolidated returns
Consolidated returns are not permitted; each company must file its own return.

### Filling requirements
Companies must file a tax return within 4 months of the end of the accounting period, and tax is payable with the return. In certain cases, tax may be paid by installments.

### Penalties
Late payment fees are imposed at 0.4% for each week of delay. A JD 500 penalty applies for late filing by public shareholding companies and private shareholding companies. If the income tax due as declared in the return is less than the actual amount due, shortage fees ranging from 15% to 80% of the difference will be imposed.

### Rulings
No

## Personal taxation

### Basis
Resident and non-resident individuals are taxed only on income sourced in Jordan.

### Residence
An individual present in Jordan for 183 days or more in a calendar year is treated as a resident for tax purposes.

### Filing status
Joint assessment of spouses may be requested.

### Taxable income
Income from employment in Jordan is taxable.

### Capital gains
Jordan does not tax capital gains.

### Deductions and allowances
Deductions and allowances are determined at JOD 12,000 for a single person and JOD 24,000 for a family.

### Rates
Tax is levied at progressive rates from 7% to 14%.

## Other taxes on individuals
### Capital duty
No

### Stamp duty
No

### Capital acquisitions tax
No

### Real property tax
A property tax is levied at a rate of 15% of the estimated annual rental value.

### Inheritance/estate tax
No

### Net wealth/net worth tax
No

### Social security
The employee contribution is 6.5%, which is withheld and reported by the employer on a monthly basis. The maximum salary subject to social security contributions is JOD 5,000.

## Administration and compliance
### Tax year
Calendar year

### Filling and payment
Individual tax returns are due by 30 April following the end of the tax year, and any tax due is payable with the return.

### Penalties

Late payment fees are imposed at 0.4% for each week of delay. A JOD 50 penalty applies for late filing, and, if the income tax due as declared in the return is less than the actual amount due, shortage fees ranging from 15% to 80% of the difference will be imposed.

## Value added tax

### Taxable transactions

Jordan levies a sales tax on supplies of manufacturers, importers and suppliers of services.

### Rates

The standard rate is 16%, with supplementary special tax applying to certain luxury items.

### Registration

Businesses with an annual taxable turnover of more than JOD 30,000 must register for sales tax purposes.

### Filing and payment

A sales tax return must normally be filed every 2 months, with tax due paid at the time.

## Source of tax law

Income and Sales Tax Law

## Tax treaties

Jordan has signed about 30 tax treaties.

## Tax authorities

Income Tax and Sales Tax Department

## International organizations

Income Tax and Sales Department

## Deloitte contact

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# Kuwait

**Currency** Kuwaiti Dinars (KWD)

**Foreign exchange control** No

## Accounting principles/financial statements

IFRS. Financial statements must be filed annually.

## Principal business entities

Under the Commercial Companies Law of 1960, as amended, the following types of entities can be formed: limited liability company (WLL), shareholding company (KSC) and partnership. Foreign entities can carry out business:

- under the sponsorship of a registered Kuwaiti merchant;
- through a WLL or KSC; or
- under the Foreign Direct Investment Law No. 8 of 2001;
- through branches in the Kuwait Free Trade Zone (KFTZ).

## Corporate taxation

### Residence

The taxable presence of a foreign entity is determined by whether it carries on a trade or business in Kuwait and not on whether it has a permanent establishment or place of business in Kuwait.

### Basis

In practice, the income tax law is applied only to foreign entities carrying on a trade or business in Kuwait, with the exception of entities that are registered in Gulf Cooperation Council (GCC) countries and fully owned by Kuwaiti/GCC citizens. Although the term "taxable activities" is explained in the law, the term "carrying on a trade or business in Kuwait" is interpreted in the broadest sense by the tax authorities, generally to mean activities that give rise to any Kuwait sources of income.

### Taxable income

Income tax is levied on the net profit (i.e. revenue less allowable expenses) earned from the carrying on of a trade or business in

Kuwait. Royalties and franchise, license, patent, trademark and copyright fees received by overseas foreign entities from Kuwait are subject to income tax in Kuwait. A tax exemption is possible for profits earned by entities from trading operations on the Kuwait stock exchange, whether directly or through portfolios of investment funds.

## Taxation of dividends

Dividends paid by investment fund managers or investment trustees to foreign companies are subject to a 15% tax, which must be withheld at source and forwarded to the Kuwait tax department as an advance payment of the tax due on such dividends.

## Capital gains

Capital gains on the sale of assets are treated as normal business profits and are subject to income tax at the standard rate of 15%.

## Losses

Losses arising in any taxable period may be carried forward for 3 years to be offset against future taxable profits. Carryforward losses will not be permitted if

- the entity ceases its activities in Kuwait (unless the cessation is mandatory);
- the tax return indicates that there is no revenue arising from the company's main activities;
- the corporate entity is liquidated;
- the legal status of the corporate body is changed;
- the corporate body merged with another one. Tax losses may not be carried back.

| | |
|---|---|
| **Rate** | 15% |
| **Surtax** | No |
| **Alternative minimum tax** | No |
| **Foreign tax credit** | No |

| | |
|---|---|
| **Participation exemption** | No |
| **Holding company regime** | No |

### Incentives
A tax exemption from 2 to 10 years is available under the Foreign Direct Investment Law No. 8 of 2001.

## Withholding tax
### Dividends
A 15% withholding tax is levied on dividends, to be distributed by the fund managers, investment custodians, and corporate bodies.

| | |
|---|---|
| **Interest** | No |
| **Royalties** | No |
| **Technical service fees** | No |
| **Branch remittance tax** | No |
| **Other** | No |

## Other taxes on corporations

| | |
|---|---|
| **Capital duty** | No |
| **Payroll tax** | No |
| **Real property tax** | No |

### Social security
Social security for Kuwaiti employees is payable by both the employer and the employee based on the employee's salary (up to a ceiling of KWD 2,500 per month). The contribution rates are 11% and 7% of the employee's salary for the employer and the employee, respectively.

## Stamp duty

No

## Transfer tax

No

## Other

All entities operating in Kuwait are required to retain 5% of the total contract value from a contractor or subcontractor until the contractor or subcontractor settles his tax liabilities with the Kuwait tax authorities and obtains a certificate from the authorities. KSCs (listed and closed) are required to pay 1% of their profits after the transfer of the statutory reserve and the offset of losses brought forward to the Kuwait Foundation for the Advancement of Science to support scientific progress.

Kuwaiti shareholding companies listed on the KSE are required to pay a 2.5% annual tax on net profits under Law No. 19 of 2000, relating to the support of employment in non-government agencies.

Kuwaiti shareholding companies (both listed and non-listed, but excluding government companies) are required to pay 1% of net profits for Zakat/contribution to the state's budget. The company has an option whether to consider the 1% as Zakat or the contribution to the state's budget.

# Anti-avoidance rules

## Transfer pricing

The tax authorities deem the following profit margins on

- materials imported by foreign entities operating in Kuwait: 10% to 15% on materials imported from the head office; 6.5% to 10% on materials imported from related companies; and 3.5% to 6.5% on materials imported from different companies.
- design works carried out outside Kuwait: 20% to 25% on the design works conducted in the head office; 15% to 20% on the design works conducted by related companies; 10% to 15% on the design works conducted by unrelated companies.

- consulting works carried out outside Kuwait: 25% to 30% on the consulting works conducted in the head office; 20% to 25% on the consulting works conducted by related companies; 15% to 20% on the consulting works conducted by unrelated companies.

### Thin capitalization
No

### Controlled foreign companies
No

### Other
The maximum deduction for head office expenses for foreign companies operating in Kuwait through a local agent is 1.5% and 1% for foreign companies that are shareholders in a KSC or WLL.

### Disclosure requirements
No

## Administration and compliance

### Tax year
The taxable period is normally the calendar year. However, a taxable entity may, with permission from the Director of the Income Tax Department, keep its books on a different basis (e.g. if the overseas parent follows a financial year-end other than 31 December).

### Consolidated returns
Consolidated returns are not permitted; each company must file a separate return.

### Filing requirements
The tax declaration for each taxable period must be submitted within 3 1/2 months of the end of the taxable period. A foreign entity can request an extension of up to 60 days for filing the tax declaration provided that a request for an extension is submitted on or before the 15th of the second month following the end of the taxable period; otherwise, the request would not be considered.

Tax must be paid in 4 instalments on the 15th day of the 4th, 6th, 9th and 12th month following the end of the tax year. If an extension is granted, no tax payment is necessary until the declaration is filed. However, payment must then be made for the first and second instalment.

### Penalties

Delays in the submission of the tax declaration are subject to penalties at the rate of 1% of the tax payable for each 30 days of delay or part thereof. A penalty also is charged for delay in payment of tax, at the rate of 1% of the tax due for each 30 days delay or part thereof.

### Rulings

No

## Personal taxation

### Basis

There is no personal income tax (employment tax) in Kuwait

### Residence

No

### Filing status

No

### Taxable income

No

### Capital gains

No

### Deductions and allowances

No

### Rates

No

## Other taxes on individuals

### Capital duty

No

### Stamp duty

No

| | |
|---|---|
| **Capital acquisitions tax** | No |
| **Real property tax** | No |
| **Inheritance/estate tax** | No |
| **Net wealth/net worth tax** | No |

### Social security

Kuwaiti employees must contribute 7.5% of salary to the Public Institution for Social Securities; the employer also contributes 11%.

## Administration and compliance

| | |
|---|---|
| **Tax year** | No |
| **Filing and payment** | No |
| **Penalties** | No |

## Value added tax

### Taxable transactions

There is a degree of speculation that VAT may be introduced in the future, but this had not been confirmed at the time of writing.

| | |
|---|---|
| **Rates** | N/A |
| **Registration** | N/A |
| **Filing and payment** | N/A |

## Source of tax law

Amiri Decree No. 3 of 1955 amended by Law No. 2 of 2008, the supplementary resolutions and circulars; Law No. 19 of 2000, relating to the national labor support tax; Law No. 46 of 2006, regarding Zakat and contribution to the state's budget.

## Tax treaties

Kuwait has more than 40 tax treaties in force.

## Tax authorities

Department of Income Tax

## International organizations

GCC, WTO

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# Lebanon

**Currency** Lebanese Pound (LBP)

**Foreign exchange control** No

## Accounting principles/Financial statements

IFRS. Financial statements must be prepared annually.

## Principal business entities

These are the limited liability company, joint stock company, partnership and branch of a foreign entity.

## Corporate taxation

### Residence

An entity is resident if it is registered in accordance with the Commercial Regulations applicable in Lebanon.

### Basis

An entity is subject to tax in Lebanon on income generated from activities in or through Lebanon.

### Taxable income

Income tax is levied on taxable income related to all business activities, unless exempt by law. Taxable income is calculated as revenues less eligible expenses except for insurance companies, public contractors and oil refineries where taxable income is calculated as a percentage of total revenues.

### Taxation of dividends

Dividends received from a Lebanese or foreign entity are taxable at a rate of 10%, although a reduced rate of 5% applies if certain conditions are satisfied.

### Capital gains

Capital gains derived from the disposal of tangible and intangible assets and financial instruments are taxed at a rate of 10%.

### Losses
Taxable losses may be carried forward for 3 years. The carryback of losses is not permitted.

| | |
|---|---|
| **Rate** | 15% |
| **Surtax** | No |
| **Alternative minimum tax** | No |
| **Foreign tax credit** | No |
| **Participation exemption** | No |

### Holding company regime
Holding companies are exempt from tax on profits and tax on dividend distributions. They are subject to a tax on capital capped at LBP 5 million a year. Capital gains derived from the sale of an investment in a Lebanese subsidiary or associate are exempt if the investment is are held for more than 2 years. No capital gain tax applies on gains derived from the disposal of an investment in a foreign subsidiary.

### Incentives
Various incentives are granted for eligible investments. An offshore company is exempt from tax on profits and dividend distributions (they are only subject to an annual lump sum amount of LBP 1 million). An offshore company may only carry on activities outside Lebanon or through the free zone and may invest in Lebanese treasury bills, but it may not carry on banking or insurance activities.

## Withholding tax
### Dividends
Dividends paid are subject to a 10% withholding tax unless the rate is reduced under a tax treaty, or certain conditions related to the listing of the company's shares are satisfied, in which case the dividends benefit from a 50% reduction in tax.

### Interest
Interest paid on bank deposits or bonds is subject to a 5% withholding tax; Interest paid is subject to a rate of 10% unless it is reduced under a tax treaty.

### Royalties
Royalties paid to a non-resident are subject to a 7.5% withholding tax unless the rate is reduced under a tax treaty.

### Technical service fees
Technical or management fees paid to a non-resident are subject to a 7.5% withholding tax unless the rate is reduced under a tax treaty.

### Branch remittance tax
In addition to being subject to the normal corporate income tax rate, profits generated by a branch of a foreign entity are subject to an additional 10% tax.

### Other
No

## Other taxes on corporations

### Capital duty
A one-time stamp duty is levied on an increase in the capital of a company at an average cost of around LBP 6,000 per million.

### Payroll tax
Payroll tax is applied on tax brackets ranging between 2% for the lowest bracket to 20% for the bracket in excess of USD 80,000 a year. The employer withholds these amounts from the salary and remits the tax to the authorities on a quarterly basis.

### Real property tax
A tax is levied on rental income from Lebanese real property at rates ranging between 4% and 14%. See also “Transfer tax”, below.

### Social security
There are 3 mandatory social security schemes:
- a family scheme equal to 6% of earnings up to USD 12,000 per year;
- a medical scheme equal to 9% of earnings up to USD 12,000 per year of which 2% is the employee share; and
- an end-of-service indemnity scheme equal to 8.5% applicable on total earnings. These contributions are paid by the employer.

### Stamp duty
A stamp duty of 0.3% is levied on most contracts.

### Transfer tax
A 6% tax is levied on the transfer of real estate.

### Other
No

## Anti-avoidance rules
### Transfer pricing
The arm's length principle applies to determine the taxable base of related party transactions (both resident and non-resident).

### Thin capitalization
No

### Controlled foreign companies
No

### Other
Foreign ownership in a company owning more than 3,000 square meters of land must obtain approval via a ministerial decree.

### Disclosure requirements
No

## Administration and compliance
### Tax year
The calendar year applies, although exceptions are made when a parent company has a special fiscal year.

### Consolidated returns
Consolidated returns are not permitted; each company must file a separate return.

### Filling requirements
The tax return must be submitted by 31 May of the year following the fiscal year, unless the company has a different authorized fiscal year. In that case, the return must be filed within 5 months from the end of the reporting period.

### Penalties
Penalties range from 5% per month up to 100%, plus a delayed tax payment penalty accruing at a rate of 1% (1.5% for withholding tax and VAT) per month.

### Rulings
No

## Personal taxation
### Basis
Resident and non-resident individuals are taxed only on Lebanese-source income.

### Residence
An individual is resident if he/she resides in Lebanon for more than 183 days in a year..

### Filing status
Married persons are taxed separately; joint assessment is not permitted.

### Taxable income
Taxable income comprises income from employment, income from a profession, business income and investment income.

### Capital gains
10%

### Deductions and allowances
Family deductions are granted in computing taxable income.

### Rates
Wages and salaries are taxed at progressive rates up to 20% (see above). The business income of an individual is taxed at progressive rates up to 21%. Dividend income and other income from movable capital are taxed at 10%.

## Other taxes on individuals
### Capital duty
No

### Stamp duty
A stamp duty of 0.3% is levied on most contracts.

### Capital acquisitions tax
No

### Real property tax
An annual real property tax is levied.

### Inheritance/estate tax
Inheritance tax is levied at rates ranging from 12% to 45%, depending on the level of family connection.

### Net wealth/net worth tax
No

## Administration and compliance
### Tax year
Calendar year

### Filing and payment
Tax is assessed on a preceding year basis. An individual is required to submit a return and pay any tax due by 31 March of the year following the tax year.

### Penalties
Penalties range from 5% per month up to 100%, plus a delayed tax payment penalty accruing at a rate of 1% per month.

## Value added tax

### Taxable transactions

VAT applies to most transactions involving goods and services.

### Rates

The standard rate is 10%. Basic foods, health and educational, financial, insurance and banking services and the leasing of residential property are exempt.

### Registration

Companies whose annual turnover exceeds USD 100,000 are required to register for VAT purposes. Registration is voluntary where turnover is below this amount.

### Filing and payment

VAT returns must be filed and tax paid on a quarterly basis.

## Source of tax law

Income Tax Law, Tax procedures and VAT law.

## Tax treaties

Lebanon has concluded 33 tax treaties of which 30 are currently enforced.

## Tax authorities

Ministry of Finance

## International organizations

IMF, UN, Arab League, Arab Monetary Fund

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# Libya

**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, although most entities apply International Financial Reporting Standards (IFRS). Financial statements must be filed annually.

## Principal business entities

These are the joint stock company, a branch and representative office of a foreign company.

## Corporate taxation

### Residence

An entity established in Libya is considered tax resident.

### Basis

The tax basis is income generated in Libya, unless it is agreed that the local entity is responsible/liable to pay tax from the income arising from management fees.

### 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 on the basis of their submitted tax declarations, duly supported by audited financial statements, including statements of depreciation and general and administrative expenses.

### Taxation of dividends

No

### Capital gains

Capital gains are treated as income and taxed at the standard rate.

### Losses
Net operating losses may be carried forward for 5 years; the carryback of losses is not permitted.

### Rate
20%

### Surtax
A 4% defence contribution is due in addition to the corporate income tax. A stamp duty of 0.5% is also levied on the total corporate income tax liability.

### Alternative minimum tax
No

### Foreign tax credit
No

### Participation exemption
No

### Holding company regime
No

### Incentives
A 5-year tax holiday may be granted under the Law for the Promotion of Investment Foreign Capital, which may be extended for an additional 3 years. A free zone has been established in Misurata (Qasr Hamad port area).

## Withholding tax
### Dividends
No

### Interest
Interest paid on bank deposits is subject to a 5% tax.

### Royalties
Royalties (except those derived from the oil and gas sector) are taxed as ordinary income.

### Technical service fees
No

### Branch remittance tax
No

## Other taxes on corporations

### Capital duty
No

### Payroll tax
The employer is responsible for withholding and remitting individual income tax at the employee's applicable rate.

### Real property tax
No

### Social security
Social security contributions must be made by both the employer and the employee. The employer pays 11.25% of gross wages and salaries, while the employee contributes 3.75%.

### Stamp duty
Stamp duty is levied at varying rates, typically between 1% and 1.5%, on the execution of documents. Stamp duty of 0.5% is levied on all payments made to the tax authorities.

### Transfer tax
No

### Other
No

## Anti-avoidance rules

### Transfer pricing
Although Libya does not have formal transfer pricing rules, the tax department has authority to assess tax on a deemed profit basis.

### Thin capitalization
No

### Controlled foreign companies
No

### Other
No

### Disclosure requirements
No

## Administration and compliance

### Tax year

The tax year is the calendar year, although a different year may be used.

### Consolidated returns

Consolidated returns are not permitted; each company must file a separate return.

### Filing requirements

The annual return must be supported by audited financial statements, the balance sheet, profit and loss statement and an operations statement. The return must be filed within 4 months of the end of the tax year.

### Penalties

Penalties apply for failure to file, late filing or other forms of non-compliance.

### Rulings

No

## Personal taxation

### Basis

Individuals are taxed on Libya sources of income at progressive rates.

### Residence

An individual is deemed to be resident if he/she is present in Libya for more than 6 months during the tax year, even if presence is not continuous. Residence is also established if an individual's main interests are in Libya, even if the 6-month requirement is not met.

### Filing status

A woman who is widowed or divorced is treated as the head of household for tax filing purposes.

### Taxable income
Tax is levied on salary or wage income derived from employment, professional income and investment income.

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

### Deductions and allowances
Various personal allowances and deductions are granted in calculating taxable income.

### Rates
The annual tax rates are as follows: first LYD 12,000, 5% and income exceeding that amount, 10%. Professional income is taxed at rates between 15% and 30%. The overseas income of residents is taxed at 20%.

## Other taxes on individuals

### Capital duty
No

### Stamp duty
Stamp duty is levied at varying rates.

### Capital acquisitions tax
No

### Real property tax
No

### Inheritance/estate tax
No

### Net wealth/net worth tax
No

### Social security
Social security contributions must be made by both the employer and the employee. The employer pays 11.25% of gross wages and salaries, while the employee contributes 3.75%.

## Administration and compliance

### Tax year
Calendar year

### Filing and payment
Tax on employment income is withheld and remitted by the employer at the individual's applicable rate.

### Penalties
Penalties apply for failure to comply, late filing or non-filing.

## Value added tax

### Taxable transactions
Libya does not levy a VAT or sales tax.

### Rates
No

### Registration
No

### Filing and payment
No

## Source of tax law
Income Tax Law No. 7 of 2010

## Tax treaties
Libya has around 10 tax treaties.

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

## International organizations
UN, Arab League, Arab Maghrib Union, Sahel and Sahara States, African Union

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# Mauritania

**Currency** Mauritanian Ouguiya (MRO)

**Foreign exchange control** No

## Accounting principles/financial statements

Mauritanian GAAP. Financial statements must be filed annually.

## Principal business entities

These are the limited company (SA), limited liability company, private limited company (SARL), general or limited partnership and branch of a foreign company.

## Corporate taxation

### Residence

There is no definition of 'residence' in the Mauritanian tax law.

### Basis

Mauritania operates a territorial tax system. Companies (both resident and non-resident) are generally subject to corporate tax only on income generated from activities carried on in Mauritania.

### Taxable income

A company is taxed on the difference between its trading income and expenditure. Expenses incurred in the operation of a business are generally deductible, unless specifically excluded. Expenses that may not be deducted include penalties, fines and depreciation in excess of the tax law rates.

### Capital gains

Capital gains are treated as an ordinary income and subject to corporate income tax at 25%. However, if the entity commits to reinvest the capital gain within 3 years as from the year when the gain arose, the capital gain should be tax exempt.

### Losses
Tax losses may be carried forward for 5 years from the end of the loss-making accounting period.

### Rate
The standard corporate tax rate is 25% under the common tax regime.

There is a special tax regime called "Simplified Tax Regime" applicable only to contractors working for oil and gas companies operating in Mauritania. Taxation under this regime is based on a deemed profit of 16%.

### Surtax
No

### Alternative minimum tax
Entities are liable to pay minimum flat rate tax on industrial and commercial profit at a rate of 4% of the turnover from the previous financial year. There is a minimum payment of MRO 700,000.

### Foreign tax credit
A foreign tax credit is only available to the extent provided in a tax treaty.

### Participation exemption
No

### Holding company regime
No

### Incentives
Exemptions and benefits may apply when the companies have a specific agreement with the government.

## Withholding tax
### Dividends
Dividends paid to a non-resident are subject to a 10% withholding tax.

### Interest
Interest paid to a non-resident is subject to a 10% withholding tax.

### Royalties
No, but the royalties are taxed under the category of non-commercial profits at the rate of 30%.

### Branch remittance tax
Branch remittance to a non-resident is subject to a 10% withholding tax.

## Other taxes on corporations

| | |
|---|---|
| **Capital duty** | No |
| **Payroll tax** | No |
| **Real property tax** | No |

### Social security
An employer is required to pay social contributions on the basis of an employee's gross salary at a rate of 13% (capped at a monthly amount of MRO 70,000)

| | |
|---|---|
| **Stamp duty** | No |
| **Transfer tax** | No |

### Other
There are other various indirect taxes which apply depending on the activity / sector.

## Anti-avoidance rules
### Transfer pricing
There are no formal transfer pricing regulations in Mauritania; however, a transaction between related parties should be made at arm's length.

### Thin capitalization
No. However, the deduction of shareholder's interest is limited to rates provided by the Central Bank of Mauritania. If the interest rate applied by the company exceeds the official rate of the Central Bank, the additional interest is disallowed.

### Controlled foreign companies
No

### Other
No

### Disclosure requirements
No

## Administration and compliance

### Tax year
The fiscal year is normally the calendar year.

### Consolidated returns
Consolidated returns are not permitted; each company must file a separate tax return.

### Filing requirements
The filing and payment deadline is within 3 months from the financial year end (i.e. if the financial year is a calendar year, the filling and payment will be on 31 March).

### Penalties
Penalties are imposed on late filing and payment at 10% of the amount payable when the delay is less than 2 months and 25% of the amount payable when the delay is more than 2 months.

### Rulings
No

## Personal taxation

### Basis
Personal income tax is applicable for both Mauritania nationals, and non-Mauritanian nationals who have Mauritania-sourced income.

Additionally, non-Mauritanian nationals are subject to tax on the salary paid outside of Mauritania in respect of the work performed in Mauritania.

## Residence

There is no specific definition of residence for personal income tax purposes under the current legislation.

## Filing status

The employer is required to make both monthly and annual filing for its employees. One monthly wage withholding tax return is filed by the employer to report the total income, total tax withheld and total number of employees for the given month and an annual tax deduction schedule for the year before 15 February of the following year.

## Taxable income

Personal income tax is applicable on salaries and the related benefits and allowances paid by the public and private entities to the extent the paid work is carried out in Mauritania irrespective of whether the employer or the beneficiary are resident or not in Mauritania.

## Capital gains

Disposal of property by an individual is subject to tax in Mauritania.

## Deductions and allowances

Various deductions are allowed including mandatory social security, pensions contributions, a monthly amount of MRO 30,000. Allowances other than housing, transport and "responsibility" allowances in addition, to family allowances are also allowed for deductions.

## Rates

Rates are progressive up to 30%.

## Other taxes on individuals

| | |
|---|---|
| **Capital duty** | No |
| **Stamp duty** | No |
| **Capital acquisitions tax** | No |
| **Real property tax** | No |
| **Inheritance/estate tax** | No |
| **Net wealth/net worth tax** | No |

### Social security

The employee's contribution is 1% of the monthly salary (capped at MRO 70,000). This should be withheld from his/her salary in the monthly payroll.

## Administration and compliance

| | |
|---|---|
| **Tax year** | Calendar year |

### Filing and payment

The employer is required to make both monthly and annual filing for its employees. One monthly wage withholding tax return is filed by the employer to report the total income, total tax withheld and total number of employees for the given month and an annual tax deduction schedule for the year before 15 February of the following year.

### Penalties

Penalties are imposed on late filing and payment at 10% of the amount payable when the delay is less than 2 months and 25% of the amount payable when the delay is more than 2 months.

## Value added tax

### Taxable transactions

VAT is levied on the supply of goods and services and on import transactions.

### Rates

The standard rate of VAT is 14%. A higher rate of 18% applies to petroleum products and telecommunication services.

### Registration

Entities are required to register for VAT purposes with the tax authorities within 10 days from the date of incorporation/the date of the start of activity. The return and tax are due by the 15th day of the following month at the latest.

### Filing and payment

Companies are required to file VAT returns and pay VAT on a monthly basis.

## Source of tax law

General Tax Code

## Tax treaties

Mauritania has only concluded 2 tax treaties with France and Senegal.

## Tax authorities

Mauritanian Tax Authorities “Direction Générale des Impôts”.

## International organizations

WTO, UNCTAD, WHO.

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# Morocco

**Currency** Moroccan Dirham (MAD)

**Foreign exchange control** No

## Accounting principles/financial statements

Moroccan GAAP. However, listed companies, banks and insurances must maintain books according to IFRS.

Financial statements must be filed annually.

## Principal business entities

These are the limited company (SA), limited liability company (SARL), private limited company, general or limited partnership and branch of a foreign company.

## Corporate taxation

### Residence

A company is resident if it is incorporated in Morocco or its place of activities is in Morocco.

### Basis

Morocco operates a territorial tax system. Companies (both resident and non-resident) are generally subject to corporate tax only on income generated from activities carried on in Morocco. A foreign corporation is subject to tax on income arising in Morocco if it has, or is deemed to have, a permanent establishment in Morocco.

### Taxable income

A company is taxed on the difference between its trading income and expenditure. Expenses incurred in the operation of the business are generally deductible, unless specifically excluded. Expenses that are not permitted include penalties, fines, interest on shareholder loans where the stock is not fully paid up and interest on shareholder loans in excess of the official annual interest rate.

## Taxation of dividends

Dividends received by a corporate shareholder must be included in the business profits of the recipient, but the dividends are 100% deductible when computing taxable income.

## Capital gains

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

## Losses

Tax losses may be carried forward for 4 years from the end of the loss-making accounting period. However, the portion of losses that relate to depreciation may be carried forward indefinitely. Losses may not be carried back.

## Rate

The normal corporate rate is 30%, with a 37% rate applying to leasing companies and credit institutions.

A foreign contractor carrying out engineering, construction or assembly projects or projects relating to industrial or technical installations may opt to be taxed at a rate of 8% calculated on the total contract price, net of VAT and similar taxes.

## Surtax

No

## Alternative minimum tax

The tax payable by a company must be at a rate of at least 0.5%, regardless of the amount of taxable profits, calculated on turnover. Also this tax is payable in the event of losses.

## Foreign tax credit

A foreign tax credit is only available to the extent provided in an applicable tax treaty.

**Participation exemption** See under "Taxation of dividends".

## Holding company regime

Under the offshore holding company regime, companies can be established in financial centers, provided the exchange office is notified within 30 days of the date of registration in the trade register. The main tax advantages available to offshore holding companies are:

- a corporation tax of USD 500 on their activities for the first 15 years;
- a tax exemption on dividend distributions and the transfer of profits abroad;
- an exemption from VAT; and
- the same customs advantages and employee rules that are available to offshore banks.

## Incentives

Morocco offers incentives designed to encourage Moroccan and foreign investors. Incentives include an exemption from the business tax for the first 5 years of operations; and an exemption from corporate income tax for companies exporting goods and services for the first 5 years of operation, subsequently, a reduced rate of 17.5% applies in respect of export sales. Companies operating in specific provinces or economically deprived zones are entitled to a reduced corporate tax rate of 22.5% for the first 5 years of operation. This rate should be increased by 2.5 points per year until it reaches 30% by 2015.

There are free zones in Tangiers, and the Tangiers offshore financial center is open to all international banks and financial establishments that have obtained prior authorization from the Ministry of Finance. Banks operating in the offshore financial center are entitled to an exemption from registration fees and stamp duty on their initial share capital and subsequent increases, and on the acquisition of premises for setting up a head office and branches, provided the premises are retained for at least 10 years; an exemption from VAT; an exemption from the business tax and urban tax on the title of buildings occupied by the head office or agency; an annual corporation tax of either 10% or USD 25,000 for the first 15 years; an exemption from tax in respect of dividend distributions and share proceeds transfers; and customs duty exemptions.

Companies established in the zone "Casablance Finance City" are entitled to a corporate tax exemption on sales turnover made in foreign currency and on capital gains arising from the transfer of foreign securities for a period of 5 years as of the start of the tax year in which the company obtained this status. After the expiration of this period, an 8.75% corporate tax rate should apply.

As of January 2011, small companies whose turnover is less than MAD 3,000,000 (about EUR 270,000) will be subject to CIT at a rate of 15%.

## Withholding tax

### Dividends

Dividends paid to a non-resident are subject to a 10% withholding tax unless the rate is reduced under a tax treaty.

### Interest

Interest paid to a non-resident is subject to a 10% withholding tax unless the rate is reduced under a tax treaty.

### Royalties

Royalties paid to a non-resident are subject to a 10% withholding tax unless the rate is reduced under a tax treaty.

### Branch remittance tax
A 10% branch remittance tax is imposed on profits remitted to the head office of a non-resident.

### Technical Service Fees
Technical fees are subject to withholding tax at a rate of 10%.

## Other taxes on corporations
### Capital duty
No

### Payroll tax
Payroll tax is imposed on the gross monthly remuneration of employees at a rate of 1.6%.

### Real property tax
No, but see under "Other".

### Social security
An employer is required to register its employees with the Social Fund and pay social security tax on the basis of an employee's gross salary.

### Stamp duty
Legal documents are subject to stamp duty at a rate up to MAD 1,000.

### Transfer tax
A 6% registration duty and a 1% real estate tax are levied at the time real property is acquired.

### Other
A 3% registration duty is levied on the sale of shares in non-listed companies.

Legal entities carrying on business activities in Morocco are subject to a business tax, which is based on the rental value of buildings, premises, etc., used for the business, and levied at rates of 10%, 20% or 30% of the rental value depending on the entity's business.

Municipal tax is levied at a rate of 10.5% of the rental value of real estate assets situated within urban districts and 6.5% of the rental value of real estate assets in peripheral zones of urban districts.

## Anti-avoidance rules

### Transfer pricing

There is no formal legislation of transfer pricing in Morocco. However, transactions between related parties should be at arm's length. Two methodologies are used by the tax authorities: the comparable uncontrolled price method and direct assessment based on available information.

### Thin capitalization

No, but the deduction of interest on shareholder loans is limited to rates provided by Bank Al Maghreb (the central bank), with the difference disallowed as a deduction for corporate tax purposes.

### Controlled foreign companies

No

### Other

No, but information on transactions involving dependent entities should be maintained at the level of the Moroccan resident entity.

### Disclosure requirements

No, but information on transactions involving dependent entities should be maintained at the level of the Moroccan resident entity.

## Administration and compliance

### Tax year

The calendar year is normally the fiscal year, although a company may opt for a different fiscal year.

### Consolidated returns

Consolidated returns are not permitted; each company must file a separate return.

## Filing requirements

Accounts for income tax purposes must be filed within 3 months after the end of the relevant accounting period. Corporate tax is payable in 4 equal instalments based on the prior year's assessment. The actual amount payable is adjusted in the 3 months following the end of the accounting period.

Foreign companies that have elected for the 8% default taxation must submit a declaration of their turnover before 1 April following each calendar year.

## Penalties

Interest and penalties apply for late filing, failure to file or filing an incorrect return.

## Rulings

No

# Personal taxation

## Basis

Resident individuals are taxed on their worldwide income; non-residents are taxed only on Moroccan-source income.

## Residence

The following individuals are resident in Morocco for tax purposes:

- those who are habitually resident in Morocco;
- those who are present in Morocco for a minimum of 183 days within a given year, whether or not continuously; and
- individuals whose professional activities or center of economic interests are located in Morocco.

## Filing status

Joint filing is not permitted; each individual must file a separate return.

## Taxable income

All compensation received by an individual is taxable, including salaries and wages, allowances, pensions, annuities, and all other employment benefits, investment income, property income and income derived from the carrying out of a business or profession.

## Capital gains

Capital gains derived from the disposal of immovable property are generally subject to tax as part of the personal income of the individual at a rate of 20%.

## Deductions and allowances

Various deductions and personal allowances are available in computing taxable income.

| | |
|---|---|
| **Rates** | Rates are progressive up to 38%. |

# Other taxes on individuals

| | |
|---|---|
| **Capital duty** | No |
| **Stamp duty** | No |
| **Capital acquisitions tax** | No |

## Real property tax

The municipalities levy an annual urban property tax on the owner of property used for dwelling purposes. The rates are progressive from 0.025% to 0.5%.

## Inheritance/estate tax

There is no inheritance tax, but gift tax may be levied at a flat rate of 20%.

### Net wealth/net worth tax
No

### Social security
See under "Other taxes on corporations".

## Administration and compliance

### Tax year
Calendar year

### Filing and payment
The global income tax return, when applicable, must be filed before 1 March of each year in the place where the taxpayer has his/her habitual residence or main business.

### Penalties
Interest and penalties apply for late filing, failure to file or filing an incorrect return.

## Value added tax

### Taxable transactions
VAT is levied on all industrial, commercial and craft activities, on services rendered in Morocco and on import transactions.

### Rates
The standard rate of VAT is 20%, with reduced rates of 7%, 10% and 14% applying to certain transactions.

### Registration
All persons subject to VAT should register for VAT purposes within 30 days as of the start of their operations. .

### Filing and payment
VAT returns generally must be filed on a monthly basis.

**Source of tax law**
General Tax Code

**Tax treaties**
Morocco has concluded 34 tax treaties.

**Tax authorities**
Direction Générale des Impôts

**International organizations**
UN, WTO

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# Oman

**Currency** Omani Riyal (OMR)

## Foreign exchange control

Although administrative procedures must be followed, there are no exchange controls on inward or outward investment or on the repatriation of capital or profits, either by nationals or members of the expatriate population.

## Accounting principles/Financial statements

A business registered in Oman must maintain full accounting records in accordance with IFRS.

## Principal business entities

These are the joint stock company (general or closed), limited liability company (LLC), partnership (general or limited), joint venture and branch of a foreign company.

An Omani LLC may be established with Omani share capital participation. Non-Omani nationals wishing to engage in a trade or business in Oman, or to acquire an interest in the capital of an Omani company, must obtain a license from the Ministry of Commerce and Industry.

A foreign business is required to register with the tax authorities by filing a declaration of business particulars and supporting documents. Under current practice, Omani nationals must hold at least 30% of the capital of an Omani company, but waivers allow for up to 100% foreign participation if the project has a minimum capital of OMR 500,000 and contributes to the development of the national economy. U.S. companies, however, can own up to 100% of the capital under a free trade agreement between the U.S. and Oman.

## Corporate taxation

### Residence

Residence is not defined in Oman for corporate tax purposes.

## Basis
Omani companies are subject to tax on worldwide income with a foreign tax credit granted for certain taxes paid overseas. The permanent establishment (PE) rules include, among other PE types, the provision of consultancy and other services in Oman for 90 adays or more in the aggregate within a 12-month period, and dependent agents.

## Taxable income
Taxable income is the gross income for the tax year after deducting the expenses or allowing any deductions or set-off or any exemption under the tax law or any other law in the Sultanate of Oman.

## Taxation of dividends
Dividends received by a company from another company are not taxable.

## Capital gains
Capital gains derived from the sale of fixed assets and acquired intangible assets are taxed at the same rates as ordinary income. There is no special tax treatment of profits derived from the sale of fixed assets and acquired intangible assets.

## Losses
Losses may be carried forward and set off against taxable income for 5 years; losses may not be carried back. No loss may be deducted or carried forward if incurred from carrying on any tax-exempt business unless incurred during a tax exemption period granted under Article 118 of the Income Tax Law (in which case, such loss generally may be carried forward indefinitely).

## Rate
A flat 12% rate applies to all businesses, including branches and PEs of foreign companies. Income from the sale of petroleum remains subject to a special provisional rate of 55%.

## Surtax
No

## Alternative minimum tax
No

## Foreign tax credit
The tax authorities may allow a credit for foreign taxes paid on a case-by-case basis. For certain taxes paid overseas, the credit may be granted up to the amount of the Omani tax liability regardless of whether Oman has concluded a tax treaty with the source country.

## Participation exemption
No

## Holding company regime
No

## Incentives
The Law for Unified Industrial Organization of Gulf Cooperation Council Countries provides certain incentives to licensed industrial installations on the recommendation of the Industrial Development Committee. Incentives include a 5-year exemption from all taxes, and a total or partial exemption from customs duties on manufacturing equipment imported by local industries and raw materials and semi-manufactured goods used in industrial operations.

Additional tax holiday incentives include a 5-year exemption from income tax following the incorporation date for companies engaged in activities such as mining; export of locally manufactured or processed products; operation of hotels and tourist villages; farming and processing of farm products including animals and the processing or manufacturing of animal products and agricultural activities; fishing and fish processing, farming and breeding; education (university, college or higher institutes, private schools, nurseries or training colleges and institutes); and medical care by establishing private hospitals. This exemption may be renewed for a further period (not exceeding 5 years) subject to the approval of the Financial Affairs and Energy Resources Council.

## Withholding tax

### Dividends

Oman does not levy withholding tax on dividends.

### Interest

Oman does not levy withholding tax on interest.

### Royalties

Foreign companies without a PE in Oman that derive Omani-source royalties are subject to a 10% withholding tax on the gross royalty, withheld by the Omani payer and remitted to the tax authorities. The definition of royalties includes, among other payments, those for the use/right to use software, intellectual property rights, patents, trademarks, drawings and equipment rentals.

### Technical service fees

Oman does not levy withholding taxes on technical service fees.

### Branch remittance tax

Oman does not impose a branch remittance tax.

### Others

Foreign companies that do not have a PE in Oman and that derive Omani-source income through management fees, consideration for the use/right to use computer software and consideration for research and development, are subject to a 10% withholding tax on the gross amount, which is withheld by the Omani entity and remitted to the tax authorities.

## Other taxes on corporations

### Capital duty

No

### Payroll tax

No, but see under “Social security”.

### Real property tax
No

### Social security
Employers must contribute an amount equal to 9.5% of the monthly salaries of their Omani employees for social security (covering old age, disability and death); and 1% of the monthly salaries for industrial illnesses and injuries. The contributions are required for Omani employees between the ages of 15 and 59 who are permanently employed in the private sector. A unified system of insurance protection coverage is in effect for Gulf Co-operation Council (GCC) citizens working in other GCC countries.

### Stamp duty
No

### Transfer tax
No

### Other
Municipalities may impose certain consumption taxes.

## Anti-avoidance rules

### Transfer pricing
Pricing between related entities should be on an arm's length basis.

### Thin capitalization
No

### Controlled foreign companies
No

### Other
The tax authorities are empowered to void or alter the tax consequences of any transaction that they have reasonable cause to believe was entered into to avoid or reduce tax liability. This does not apply to the transfer of a business by an individual or group of individuals to a company established for this purpose. If a company carries out a transaction with a related party that was intended to reduce the company's taxable income, the income arising from the

transaction is deemed to be income that would have arisen had the parties been dealing at arm's length.

### Disclosure requirements

No

## Administration and compliance

### Tax year

The tax year is the calendar year, which taxpayers generally are expected to use as their accounting year in drafting financial statements (a different accounting year is acceptable if followed consistently). On start-up, taxpayers may be able to use an opening account period of 12 months or a maximum period up to 18 months. Accounts are usually maintained in OMR but also may be maintained in foreign currency, subject to the approval of the Director of Taxation.

### Consolidated returns

Consolidated returns are not permitted; each company must file its own return. A foreign person that has multiple PEs in Oman must file a tax return that covers all PEs and the amount of tax payable will be based on the aggregate of the PEs' taxable income.

### Filing requirements

Companies must file a provisional tax return by the end of the 3rd month following the accounting year-end and make a payment of the estimated tax. An annual income tax return must be filed by the end of the 6th month following the end of the accounting year, together with the balance of tax due. An extension of the filing or payment date may be obtained in certain cases.

### Penalties

Failure to present a declaration of income to the Office of the Director of Taxation may lead to an arbitrary assessment and penalties. Delay in the payment of income tax normally results in additional tax calculated at 1% per month on the outstanding amount. The Director of Taxation may impose other penalties in the event of non-compliance, including an additional assessment of up to 50% of the value of the tax payable by the corporation.

### Rulings
In general, rulings are not issued, although they can be obtained for the application of withholding taxes.

## Personal taxation

| | |
|---|---|
| **Basis** | No |
| **Residence** | No |
| **Filing status** | No |
| **Taxable income** | No |
| **Capital gains** | No |
| **Deductions and allowances** | No |
| **Rates** | No |

## Other taxes on individuals

| | |
|---|---|
| **Capital duty** | No |

### Stamp duty
Stamp duty applies only to the acquisition of real estate at the rate of 3% of the sales value.

| | |
|---|---|
| **Capital acquisitions tax** | No |
| **Real property tax** | No |

### Inheritence/estate tax
No

### Net wealth/net worth tax
No

### Social security
Omani private sector employees who are between 15 and 59 years of age must contribute 6.5% of their monthly salary for social security purposes (old age, disability and death).

## Administration and compliance

### Tax year
No

### Filing and payment
No

### Penalties
No

## Value added tax

### Taxable transactions
There is a degree of speculation that VAT may be introduced in the future, but this had not been confirmed at the time of writing.

### Rates
No

### Registration
No

### Filing and payment
No

## Source of tax law
Law of Income on Companies No. 28/2009; Commercial Companies Law No. 4/1974; Social Securities Law; Law for Unified Industrial Organization of Gulf Cooperation Council Countries; Foreign Business and Investment Law; Law of Organizing and Encouraging Industry and Mining.

## Tax treaties
Oman has 22 income tax treaties and 4 air transport tax treaties.

## Tax authorities
Ministry of Finance and Secretariat General for Taxation

## International organizations
GCC, UNCTAD, UNIDO, WCO, WTO

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# Pakistan

**Currency** Pakistan Rupee (PKR)

## Foreign exchange control

Foreign exchange regulations are issued and administered by the State Bank of Pakistan. There generally are no restrictions on the repatriation of income or capital.

## Accounting principles/financial statements

IFRS and Companies Ordinance, 1984. All public companies and private limited companies with paid-up capital of PKR 7.5 million or more must file annual financial statements with the Securities and Exchange Commission of Pakistan.

## Principal business entities

These are the limited liability company, partnership and branch of a foreign entity.

## Corporate taxation

### Residence

An entity is resident if it is registered under the laws of Pakistan or its management and control is situated wholly in Pakistan.

### Basis

Resident entities are taxed on worldwide business income; non-residents pay tax only on Pakistan-source income.

### Taxable income

Income generally is taxed under 5 "heads of income", i.e. income from business, rental income, capital gains, salary income and income from other sources. Business income of a resident entity or a permanent establishment (PE) of a non-resident entity is either taxed on a presumptive/final taxation basis for specified types of income or on a net taxable income basis. The normal mode of taxation is based on net taxable income, although for non-residents without having a PE, the final taxation regime applies on royalty, technical fee, shipping and air transport income. Non-residents can opt for taxation under the final regime with respect to income from certain construction, assembly and similar projects. Under the final taxation regime, gross income is charged to tax at a flat rate without any deductions for expenditure or allowances. Net taxable income under the normal tax regime is computed after deducting the allowable expenses from gross income. Resident taxpayers, with the exception of companies, in certain cases, are taxed under the final taxation regime in respect of income from dividends, property rentals, construction contracts, trading, commercial imports/exports, and brokerage and commissions.

## Taxation of dividends

A resident entity pays tax at the rate of 10% on dividend income. A non-resident person pays 10% tax on Pakistan-source dividends or at a reduced rate if so provided in the relevant tax treaty. Intercorporate dividends are not taxed if group taxation is opted. Dividends from power generation projects and insurance companies are taxed at reduced rates.

## Capital gains

Capital gains generally are taxed at the normal corporate tax rate. Gains derived from the sale of capital assets held for more than 1 year are reduced by 25% for tax purposes and, therefore, 75% of the net gains are taxable at the rate of 35% for corporate bodies, and 20% or 25% for individuals and others, respectively.

Capital gains from the disposal of listed securities have been subject to tax since July 2010. For tax year 2012, listed securities held for less than 6 months are taxed at a rate of 10%; if the shares are held for more than 6 months but less than 12 months, the rate is 8%; and where shares are held for more than 1 year, the gains are not taxable. Companies and certain other taxpayers are required to pay advance tax on such gains on a quarterly basis.

## Losses

Business losses (except losses from a speculative business) can be set off against taxable income earned during the same tax year under any head of income. Excess losses can be carried forward for up to 6 tax years following the tax year in which the loss arises. Losses from a speculative business and capital losses can be carried forward to the subsequent 6 tax years for set off against speculative business income and capital gains. Losses relating to disposal of specific securities, including listed shares and securities, can be set off against respective gains of the same year. Such losses cannot be carried forward. Business losses cannot be offset against income that is taxed under the final taxation regime.

## Rate

The corporate tax rate is 35% of the net taxable income. For a small company the corporate tax rate is 25%.

## Surtax

No

## Alternative minimum tax

A turnover tax of 1% on the declared turnover by a resident company and other specified resident taxpayers is applicable. Minimum tax is applicable where taxpayer suffers losses or the tax yield on income is less than 1% of turnover.

## Foreign tax credit

A resident entity can claim a credit for income tax paid outside Pakistan in respect of its foreign-source income against its tax liability in Pakistan. The amount of the credit is the lesser of the income tax paid abroad or the Pakistan tax payable on the foreign-source income.

## Participation exemption

No

## Holding company regime

No, but see under “Consolidated returns”, below.

## Incentives

To encourage investment in alternative energy power generation, a first year allowance of 90% of the cost of plant, machinery and equipment is available. In addition, profits and gains from electricity power generation projects set up in Pakistan are exempt from tax in certain cases.

Accelerated depreciation is available for setting up industrial undertakings in rural and under-developed areas.

A tax credit equal to 10% of the amount invested for the replacement or modernization of plant and machinery is available for investments made between 1 July 2010 and 30 June 2015.

A credit equal to 15% of the tax liability is granted to companies that opt to be listed on a registered stock exchange in Pakistan. A tax credit equal to 100% of tax payable is available to 100% equity financed new corporate industrial undertakings established between 1 July 2011 and 30 June 2016 provided certain conditions are satisfied.

Industrial undertakings established before 1 July 2011 are also allowed a tax credit for investment relating to the modernization or replacement of plant and machinery or where they expand using 100% equity financing between 1 July 2011 and 30 June 2016. The credit is allowed against tax payable in the proportion of the total investment and the equity investment.

## Withholding tax

### Dividends

A 10% withholding tax is levied on dividends unless the rate is reduced under a tax treaty.

### Interest

A 20% withholding tax is levied on interest paid to a non-resident unless the rate is reduced under a tax treaty. Interest payment to a non-resident that does not have a PE in Pakistan is subject to tax withholding at 10% of the gross amount paid.

### Royalties

Royalties paid to a non-resident are subject to a 15% withholding tax unless the rate is reduced under a tax treaty.

### Technical service fees

Technical service fees paid to a non-resident are subject to a 15% withholding tax unless the rate is reduced under a tax treaty.

### Branch remittance tax

The remittance of profits to a head office abroad are treated as dividends, attracting a 10% withholding tax on the remittance.

### Other

A 6% withholding tax is imposed on construction contracts and contracts for advertising services provided by TV satellite channels; the rate is 10% for advertising services provided by a non-resident media company; and 5% on the payment of insurance premiums. These rates generally apply to income subject to the final taxation regime. For other payments to non-residents, a general withholding tax rate of 20% applies.

## Other taxes on corporations

### Capital duty

A capital authorization fee is levied at varying rates depending on the authorized capital.

### Payroll tax

Payroll tax is levied on different slabs of income at rates ranging from 1.5% to 20% if the annual salary exceeds PKR 350,000. The employer deducts tax from the salary payment and remits that amount to the government on behalf of the employee.

### Real property tax

Property tax is levied at the provincial level.

### Social security

The employer contributes up to 6% of wages to the Social Security Institution on behalf of the employee. No contribution is due on wages in excess of PKR 400 per day or PKR 10,000 per month.

### Stamp duty

Stamp duty is payable on the issuance and transfer of shares at rates of 0.5% and 1.5%, respectively, of the face value of the shares, subject to a minimum of PKR 1. If the shares are transferred to or through a central depository company, the duty is applied at a rate of 0.10% of the face value of the shares.

### Transfer tax

Subject to certain conditions, a 5% tax is levied on the gross sales price of property or goods sold by auction.

### Other

No

## Anti-avoidance rules

### Transfer pricing

Under the anti-avoidance rules, the tax authorities are authorized to distribute, apportion or allocate income, deductions or tax credits between associated companies to reflect income that would have been realized in accordance with the arm's length principle. Pakistan tax law provides 4 methods for determining the arm's length result.

### Thin capitalization

Where a foreign controlled resident company and branch of a non-resident, other than a bank or financial institution, has a foreign debt-to-equity ratio exceeding 3:1 at any time during a tax year, no deduction will be allowed in respect of the interest on the portion that exceeds the 3:1 ratio.

### Controlled foreign companies

No

### Other
The tax authorities may recharacterize a transaction that was entered into to avoid tax or where the transaction does not have substance, or it may disregard a transaction that has no economic substance.

### Disclosure requirements
Corporate tax payers are required to submit audited financial statements along with return of income.

## Administration and compliance
### Tax year
The law provides for 2 types of tax years: a normal tax year (for the period ending 30 June) and a special tax year (i.e. a tax year other than the normal year that has been approved by the tax authorities).

### Consolidated returns
Holding companies and subsidiaries of a wholly owned group may opt to be taxed as a single fiscal unit under the group taxation concept.

### Filing requirements
For a company whose tax year ends between 1 January and 30 June, the tax return is due by 31 December. In all other cases, the return is due by 30 September following the end of the tax year.

### Penalties
The penalty for failure to file a tax return is 0.1% of the amount of the tax payable for each day of default. The minimum penalty is PKR 5,000 and the maximum is 25% of the amount of tax payable.

### Rulings
A non-resident may obtain an advance ruling on the tax implications of any transaction or contract.

## Personal taxation

### Basis

Income tax is payable by salaried and non-salaried individuals if taxable income exceeds PKR 350,000. Tax is payable on the basis of different slab rates.

### Residence

An individual is considered resident for a tax year if he/she is in Pakistan for 183 days or more in that tax year. A non-resident individual is taxable with respect to his Pakistan source income whereas a resident person is taxed with respect to his worldwide income, with certain exceptions.

### Filing status

Joint returns are not permitted; each individual must file a separate return. Individuals having a taxable income of PKR 1 million or more during the tax year also are required to file a statement of wealth and wealth reconciliation statement as at 30 June.

### Taxable income

As with corporations, taxable income is divided into 5 heads of income, which include income from employment (i.e. salary), income from the exercise of a profession, income from property, capital gains and other income.

### Capital gains

Capital gains are taxed as a head of income at the applicable personal income tax rate. Capital gains on the disposal of listed shares and securities are taxed in the same manner as for companies.

### Deductions and allowances

Deductions and allowances are available for the non-salaried class. Zakat is allowed as a deduction for both salaried and non-salaried individuals.

### Rates
Rates for the salaried class are in the range of 1.5% to 20%, and for business individuals from 7.5% to 25%.

## Other taxes on individuals:

| | |
|---|---|
| **Capital duty** | No |
| **Stamp duty** | No |
| **Capital acquisitions tax** | No |

### Real property tax
A property tax is levied at the provincial level.

| | |
|---|---|
| **Inheritance/estate tax** | No |
| **Net wealth/net worth tax** | No |

### Social security
The employer must contribute to the Social Security Institution on behalf of the employee up to 6% of wages. No contribution is due on wages in excess of PKR 400 per day or PKR 10,000 per month.

## Administration and compliance

### Tax year
Normally a fiscal year is from July to June. A tax payer is allowed to apply for any other period of 12 months to be used as a special tax year.

### Filing and payment
Tax returns must be filed by 31 August appearing after the end of tax year ended on 30 June.

### Penalties
The penalty for failure to file a tax return is 0.1% of the amount of the tax payable for each day of default. The minimum penalty is PKR 5,000 and the maximum is 25% of the amount of tax payable.

## Value added tax

### Taxable transactions

Sales Tax is levied on the supply and import of goods and on specified services.

Federal Excise Duty (FED) is also chargeable on certain services.

### Rates

The standard sales tax rate is 16%. FED is chargeable at varying rates.

### Registration

Registration is mandatory for manufacturers if turnover exceeds PKR 5 million and for retailers if the value of supplies exceeds PKR 5 million.

### Filing and payment

Sales tax returns and payments must be made on a monthly basis.

## Source of tax law

Income Tax Ordinance 2001, Income Tax Rules 2002, Sales Tax Act 1990, Federal Excise Act, 2005 and Sindh Sales Tax on Services Act, 2011 and other Provincial Sales Tax Ordinances on Services.

## Tax treaties

Pakistan has concluded 57 tax treaties to date.

## Tax authorities

Federal Board of Revenue, Provincial Revenue Authorities.

## International organizations

WTO

## Deloitte contact

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# Palestinian Ruled Territories

### Currency
New Israeli Shekel (NIS) and neighboring currencies in circulation.

### Foreign exchange control
None, and there are no restrictions on the import or export of capital. Repatriation payments can be made in any currency. Both residents and non-residents can hold bank accounts in any currency.

### Accounting principles/financial statements
IAS/IFRS is required by financial service entities and companies listed on the Palestine stock exchange. Financial statements must be prepared annually. Semi-annual financial statements must be prepared for financial institutions and listed companies.

### Principal business entities
These are the public shareholding company, private shareholding company with limited liability, partnership, sole proprietorship and branch of a foreign corporation.

### Corporate taxation
#### Residence
A corporation is resident if it is incorporated in Palestine or managed and controlled in Palestine.

#### Basis
Residents and legal entities, including branches of foreign entities, are taxed on their local taxable income.

#### Taxable income
Corporate tax is imposed on a company's net profits, which consist of business/trading income, passive income (except for dividends received from resident companies), and 75% of gains derived from trading in equity securities and bonds. The taxable income of resident persons and companies include foreign income derived from funds or deposits in Palestine.

## Taxation of dividends

Dividends received from resident companies are exempt from tax.

## Capital gains

Capital gains are taxed at regular rates; however 25% of the capital gains derived from the sale of investments in equity securities and bonds are exempt.

## Losses

Taxable losses may be carried forward for 5 years, but cannot be carried back. Carried forward losses do not include unrealized losses from revaluations or losses arising from transactions originally tax exempt. The law is silent with regard to revaluation gains.

## Rate

The corporate tax is 15% for both resident and non-resident entities. The general tax rules apply to insurance companies as financial institutions, except for life insurance premiums which are taxed at a flat rate of 5% of premiums.

## Surtax
No

## Alternative minimum tax
No

## Foreign tax credit
No

## Participation exemption
No

## Holding company regime
No

## Incentives

Certain entities are granted tax incentives if approved by the agency for the encouragement of investment. Incentives are in the form of tax rate reductions for specified periods of time.

## Withholding tax

### Dividends

Withholding tax is not levied on dividends.

### Interest

Interest paid to a resident or nonresident is subject to a 5% withholding tax.

### Royalties

Royalties paid to a resident are subject to a 5% withholding tax. The rate is 10% for payments to a nonresident.

### Branch remittance tax

No

### Other

No

## Other taxes on corporations

### Capital duty

No

### Payroll tax

There is no payroll tax on corporations. Salaries are taxed at the level of the individual.

### Real property tax

Tax on property is levied at a rate of 17% of the assessed value of rental income. 60% of the property tax is set off against tax liability and 40% deducted in computing taxable income.

### Social security

No

### Stamp duty

No

### Transfer tax

No

### Other

No

## Anti-avoidance rules

| | |
|---|---|
| **Transfer pricing** | No |
| **Thin capitalization** | No |
| **Controlled foreign companies** | No |
| **Other** | No |

### Disclosure requirements

The following documents should be attached to the income tax return of incorporated entities: audited financial statements and related notes; and reconciliation between financial income and taxable income approved by the licensed auditor.

## Administration and compliance

### Tax year

The tax year is generally the calendar year; approval must be obtained to use a different fiscal year.

### Consolidated returns

Consolidated returns are not permitted; each company must file a separate tax return.

### Filing requirements

A self assessment regime applies. Advance payment on account of liabilities for the year must be made, and the timing and incentives for early payment are determined based on directives issued by the Minister of Finance.

The tax return must be filed within 4 months of the end of the tax year. If the tax return is filed within 1 month of the end of the tax year a discount of 4% is given on the balance of tax as per the the self-assessment (after deducting tax advances made on which a discount was previously given) or a discount of 2% if the tax return was submitted during the second and third months after the end of the year.

### Penalties
Penalties equal to 3% of the tax liability per month may apply up to a maximum of 20%.

### Rulings
No

## Personal taxation
### Basis
Palestinian residents and non-residents are taxed only on income sourced in Palestine.

### Residence
Residence may be established as follows:

- a Palestinian individual who has resided and maintained principal business activities in Palestine for 120 days during the year; or
- a non-Palestinian individual who has resided and had a principal business activity in Palestine for 183 days during the year.

### Filing status
Each individual must file a return; joint filing is not permitted.

### Taxable income
Income comprises income from all sources, unless exempt by law, less allowable expenses incurred in the production of income and the standard deduction (see under "Deductions and allowances").

### Capital gains
Capital gains are taxed at regular rates; however 25% of the capital gains derived from the sale of investments in equity securities and bonds are exempt.

### Deductions and allowances
Individual income is reduced by a standard deduction of USD 7,200 per year. There is a 1-time deduction of USD 5,000 for the purchase of a residence or USD 2,000 in interest on a home mortgage.

### Rates
Individual income tax is charged at progressive rates from 5% to 15%.

## Other taxes on individuals

| | |
|---|---|
| **Capital duty** | No |
| **Stamp duty** | No |
| **Capital acquisitions tax** | No |

### Real property tax
Tax on property is levied at a rate of 17% of the assessed value of rental income. 60% of the property tax is set off against tax liability and 40% deducted in computing taxable income.

| | |
|---|---|
| **Inheritance/estate tax** | No |
| **Net wealth/net worth tax** | No |
| **Social security** | No |

## Administration and compliance:

| | |
|---|---|
| **Tax year** | Calendar year |

### Filing and payment
Tax on employment income is withheld by the employer and remitted to the tax authorities. Self-employed individuals and employed individuals with income from other sources must file a self-assessment return within 4 months of the end of the tax year.

### Penalties
3% of the tax liability per month up to a maximum of 20%.

## Value added tax

### Taxable transactions

VAT is levied on the sale of goods and the provision of services, and on imports.

### Rates

The standard VAT rate is 14.5%. Certain transactions are zero-rated or exempt. For financial institutions, VAT is levied at the rate of 14.5% on gross salaries and on taxable income. VAT paid on salaries may not be deducted in the computation of VAT on taxable income, although VAT paid on salaries and on taxable income may be deducted for income tax purposes.

### Registration

All entities and individuals must register for VAT purposes; there is no minimum threshold.

### Filing and payment

A VAT return generally must be filed monthly or other basis as required.

## Source of tax law

Income Tax Law No. 17 of 2004 as amended in 2008

## Tax treaties

There are no tax treaties.

## Tax authorities

Income Tax Authority; VAT Authority; Ministry of Finance

## International organizations

None

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# Qatar

**Currency** Qatari Riyal (QAR)

**Foreign exchange control** No

## Accounting principles/Financial statements

IFRS and IFRS for small- and medium-sized enterprises

## Principal business entities

These are the limited liability company, public shareholding company and branch of a foreign company. Other forms of business include the simple partnership, joint partnership, limited share partnership and joint venture.

## Corporate taxation

### Residence

A corporate body is resident in Qatar if it is incorporated under Qatari law, if its head office is in Qatar or if its place of effective management is in Qatar. Every taxpayer carrying on activities in Qatar must submit an application for a tax card to the Tax Department within 30 days from the commencement of activities.

### Basis

Tax is imposed on a taxpayer's income arising from activities in Qatar.

### Taxable income

The main categories of taxable income include gross income derived from activities carried out in Qatar, gross income derived from contracts wholly or partly performed in Qatar, gross income from real estate in Qatar, consideration for services paid to a head office, branch or related company, interest on loans obtained in Qatar, and gross income from the exploration, extraction or exploitation of natural resources situated in Qatar.

Allowable expenses include the cost of raw materials, consumables and services required for carrying out the activities, interest on loans used in the activities (except interest paid to a related party), salaries, wages and similar payments made to employees, rent, insurance premiums, bad debts and depreciation (according to certain rates).

## Taxation of dividends

No

## Capital gains

Capital gains derived by a company are included in taxable income and taxed at the income tax rate.

## Losses

Losses may be carried forward for up to 3 years. The carryback of losses is not permitted.

## Rate

The general tax rate is a flat 10%, with a 35% rate applying to oil and gas operations. Petroleum activities include exploration operations; developing fields; drilling, completing and repairing wells; producing and processing petroleum; filtering of impurities; storing, transporting, loading and shipping; constructing or operating related energy and water facilities or housing or other facilities, establishments or equipment necessary for petroleum activities; and services necessary to achieve any of the above activities, including all administrative and complementary activities.

Gross income of Qatari and Gulf Cooperation Council (GCC) nationals who are resident in Qatar is exempt from tax.

## Surtax

No

## Alternative minimum tax

No

## Foreign tax credit

No

## Participation exemption

No

## Holding company regime
No

## Incentives
These include tax holidays, foreign capital investment incentives and incentives related to the Qatar Financial Center (QFC) and the Qatar Science and Technology Park (QSTP).

Under the QFC regime, income is taxable at a flat rate of 10%. Wholly Qatar government-owned QFC entities are exempt (there is no exemption for QFC entities that are wholly owned by Qatari or GCC nationals). Only local-source profits are taxable. QFC entities are not subject to withholding taxes.

The QSTP is the only free zone in Qatar. Capital of companies registered in the QSTP can be wholly owned by foreign investors and allowed to trade directly in Qatar without a local agent. QSTP entities with a standard license are not taxed and companies can import goods and services free from customs duties.

## Withholding tax
### Dividends
Qatar does not levy withholding tax on dividends.

### Interest
Interest, with certain exceptions, is subject to a 7% withholding tax.

### Royalties
Royalties are subject to a 5% withholding tax.

### Technical service fees
Technical service fees paid to a non-resident are subject to a 5% withholding tax.

## Branch remittance tax
No

### Other

A 7% withholding tax applies to commissions, brokerage fees, directors' fees; attendance fees; and for other services performed in whole or in part in Qatar.

A retention tax of 3% of the contract value or the final payment (whichever is higher) applies to payments made to a branch registered for a particular project (temporary branch).

## Other taxes on corporations

### Capital duty
No

### Payroll tax
No

### Real property tax
No

### Social security

For Qatari employees, the employer must contribute 10% of basic salary each month.

### Stamp duty
No

### Transfer tax
No

## Anti-avoidance rules

### Transfer pricing

A general anti-avoidance rule gives the tax department the power to apply an arm's length price in certain situations.

### Thin capitalization

There are no specific thin capitalization rules, but interest payments made by a permanent establishment to its head office and related parties are not deductible for tax purposes.

### Controlled foreign companies
No

### Other
No

### Disclosure requirements
No

## Administration and compliance

### Tax year
The tax year is the calendar year, but a taxpayer may apply to prepare its financial statements for a 12-month period ending on a date other than 31 December. The first accounting period may be more or less than 12 months, but it should not be less than 6 months or more than 18 months.

### Consolidated returns
Consolidated returns are not permitted; each company must file a separate return.

### Filing requirements
Taxpayers are required to submit an annual income tax return and pay tax by the end of the fourth month after the company's financial year-end.

### Penalties
Failure to file a tax return by the deadline leads to a penalty of QAR 100 per day, up to a maximum of QAR 36,000. Failure to pay tax due by the deadline leads to a penalty of 1.5% of the amount of tax due per month of delay or part thereof, up to the amount of tax due.

### Rulings
No

## Personal taxation

### Basis
There is no personal income tax on employee wages. Individuals are taxed only on Qatari-source income derived from a business activity and, hence, are taxable under the rules for companies. Gross income of Qatari and GCC nationals resident in Qatar is exempt from tax.

### Residence
An individual is resident in Qatar if he/she has a permanent home in Qatar; has been in Qatar for more than 183 consecutive or separate days during any 12- month period or his/her center of vital interests is in Qatar.

### Filing status
N/A

### Taxable income
N/A

### Capital gains
Capital gains on the disposal of real estate and securities derived by an individual are exempt from tax provided the real estate and securities are not part of the assets of a taxable activity.

### Deductions and allowances
No

### Rates
No

## Other taxes on individuals

### Capital duty
No

### Stamp duty
No

### Capital acquisitions tax
No

### Real property tax
No

### Inheritance/estate tax
No

### Net wealth/net worth tax
No

### Social security
No, unless a Qatari national is an employee that has a pension scheme, in which case the employee must make a pension contribution equal to 5% of the basic salary each month.

## Administration and compliance

### Tax year
N/A

### Filing and payment
N/A

### Penalties
N/A

## Value added tax

### Taxable transactions
There is a degree of speculation that VAT may be introduced in the future, but this had not been confirmed at the time of writing.

### Rates
N/A

### Registration
N/A

### Filing and payment
N/A

## Source of tax law
Law No. 21 of 2009 and Qatar Financial Center Tax Regulations.

## Tax treaties
Qatar has concluded more than 40 tax treaties.

## Tax authorities
Ministry of Finance – Public Revenues and Taxes Department and Qatar Financial Centre

## International organizations
Arab League, GCC

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# Saudi Arabia

**Currency** Saudi Riyal (SAR)

**Foreign exchange control** No

## Accounting principles/Financial statements

Saudi Organization of Certified Public Accountants (SOCPA) standards. If an issue is not covered by SOCPA standards, IFRS is the standard (and is used by banks).

## Principal business entities

These are the limited liability company, joint stock company and branch of a foreign entity.

## Corporate taxation

### Residence

A corporation is resident if it is registered in accordance with the Regulations for Companies in Saudi Arabia or if it is headquartered in the Kingdom.

### Basis

A resident corporation is taxed on income arising in the Kingdom. A non-resident carrying out activities in the Kingdom through a permanent establishment (PE) is taxed on income arising from or related to the PE.

### Taxable income

Income tax is levied on a non-Saudi's share in a resident corporation; Zakat is levied on the Saudi's share. Citizens of Gulf Cooperation Council countries are treated as Saudis.

The tax base for a resident corporation is the non-Saudi partner's share of income subject to tax from any activity in Saudi Arabia less allowable expenses. The tax base for a non-resident carrying out activities in Saudi Arabia through a PE is the income arising from the activities of the PE less allowable expenses.

## Taxation of dividends
Dividends received are taxed as income.

## Capital gains
A 20% capital gains tax is imposed on the disposal of shares in a resident company. Capital gains on the disposal of shares traded on the Saudi stock exchange are exempt if the shares were acquired after 2004.

## Losses
Tax losses may be carried forward indefinitely provided the maximum amount deducted in each tax year does not exceed 25% of the annual profits as per the tax return. The carryforward of losses is not allowed for companies that had a change in ownership or control of 50% or more, except for losses arising following the change in ownership that meet the criteria for loss carryforwards.

## Rate
20% on a non-Saudi's share in a resident corporation and on income derived by a non-resident from a permanent establishment in Saudi Arabia. The rate on taxpayers working in the exploitation of natural gas sector is 30%, and that on taxpayers engaged in the production of oil and hydrocarbons is 85%. A Saudi national’s share of net equity in a Saudi corporation is subject to 2.5%.

## Surtax
No

## Alternative minimum tax
No

## Foreign tax credit
No

## Participation exemption
No

### Holding company regime

The profits of a Saudi resident subsidiary remitted to its Saudi resident holding company will not be taxed provided that

- there is a minimum holding of 10%;
- the investment is held for not less than 1 year; and
- the income in the subsidiary was subject to tax in Saudi Arabia. Limited rules also exist for groups wholly subject to Zakat.

### Incentives

The Saudi government grants a 10-year tax incentives on investments in the following six underdeveloped provinces in Saudi Arabia: Hail, Jizan, Abha, Northern Border, Najran, Al-Jouf. Investors will be granted a tax credit against the annual tax payable in respect of certain costs incurred on Saudi employees.

## Withholding tax

### Dividends

A 5% withholding tax is levied on dividends paid to a non-resident unless the rate is reduced under a tax treaty.

### Interest

A 5% withholding tax is levied on interest paid to a non-resident unless the rate is reduced under a tax treaty.

### Royalties

A 15% withholding tax is levied on royalties paid to a non-resident unless the rate is reduced under a tax treaty.

### Technical service fees

A 5% (15% for related parties) withholding tax is levied on technical service fees paid to a non-resident unless the rate is reduced under a tax treaty.

### Branch remittance tax

A 5% tax is imposed on the remittance of profits abroad.

## Other taxes on corporations

### Capital duty
No

### Payroll tax
No

### Real property tax
No

### Social security
For Saudi employees, the employer must contribute 9% of the employee's salary to the General Organization for Social Insurance (GOSI), and the employee contributes 9%. The employer also pays accident insurance equal to 2% of salary for both Saudi and non-Saudi employees.

### Stamp duty
No

### Transfer tax
No

### Other
No

## Anti-avoidance rules

### Transfer pricing
Although there are no formal transfer pricing rules, if the value of goods or services provided by related parties exceeds prices used by independent parties, the tax authorities can make an adjustment to ensure that the value reflects an arm's length value.

### Thin capitalization
The deduction of interest expense is limited to the lower of the actual expense or interest income plus 50% of taxable income before interest income and interest expense. Additionally, in accordance with the Companies Regulations, if the accumulated losses of a company exceed 50% of its share capital, a shareholders' meeting must be called to determine whether to continue the business. This resolution must be published in the Official Gazette.

### Controlled foreign companies

No

### Other

There is a general anti-avoidance provision in the tax law.

### Disclosure requirements

No

## Administration and compliance

### Tax year

The tax year is the state's fiscal year. The taxable year of a taxpayer starts from the date it obtains a commercial registration or license unless other documents are produced that support another date. A taxpayer may use a different tax year in the following circumstances:

- the taxpayer uses a different year approved by the Directorate prior to the effective date of the income tax regulations;
- the taxpayer uses a Gregorian financial year; or
- the taxpayer is a member of a group of companies or a branch of a foreign company that uses a different financial year.

### Consolidated returns

Consolidated returns may be filed only for Zakat and only in the case of wholly owned subsidiaries. Consolidated returns are not permitted for income tax purposes.

### Filing requirements

Tax returns for a corporation must be filed with the tax authorities within 120 days from the fiscal year end. For partnerships, the deadline is 60 days. Taxpayers whose taxable income before expense deductions exceeds SAR 1 million require a certification on the correctness of the return by a licensed certified accountant. Additionally, audited financial statements must be filed with the Ministry of Commerce within 6 months of the year end.

### Penalties
The penalties for failure to file the tax return are the higher of 1% of revenue up to a maximum of SAR 20,000 or between 5% and 25% of the unsettled tax, depending on the length of the delay. In addition, there is a fine of 1% of the unsettled tax for every 30 days' delay in settlement.

### Rulings
No

## Personal taxation
### Basis
There is no personal income tax (employment tax) in Saudi Arabia; however, non-residents conducting business in the Kingdom or deriving income from a PE in Saudi Arabia are taxed as described above.

### Residence
An individual is resident in Saudi Arabia for a tax year if either he/she has a permanent residence in the Kingdom and is present in the Kingdom for a period that in total is not less than 30 days in the tax year; or is present in the Kingdom for a period that is not less than 183 days in the tax year.

### Filing status
No, except for individuals that carry on a business or profession, who are subject to the same rules as companies.

### Taxable income
No, except for individuals that carry on a business or profession, who are subject to the same rules as companies.

### Capital gains
A 20% capital gains tax is imposed on the disposal of shares in a resident company. Capital gains on the disposal of shares traded on the Saudi stock exchange are exempt if the shares were acquired after 2004.

### Deductions and allowances
No, except for individuals that carry on a business or profession, who are subject to the same rules as companies.

### Rates
Individuals carrying on a business or profession are taxed at the same rate as companies, i.e. 20%.

## Other taxes on individuals

| | |
|---|---|
| **Capital duty** | No |
| **Stamp duty** | No |
| **Capital acquisitions tax** | No |
| **Real property tax** | No |
| **Inheritance/estate tax** | No |

### Net wealth/net worth tax
Zakat is levied on the registered businesses of Saudis.

### Social security
Saudi employees must contribute 9% of salary to GOSI; the employer also contributes 9%.

## Administration and compliance

| | |
|---|---|
| **Tax year** | No |
| **Filing and payment** | No |
| **Penalties** | No |

## Value added tax

### Taxable transactions

There is a degree of speculation that VAT may be introduced in the future, but this had not been confirmed at the time of writing.

| | |
|---|---|
| **Rates** | N/A |
| **Registration** | N/A |
| **Filing and payment** | N/A |

## Source of tax law

Income Tax Regulations (Muharram 1425 H - March 2004)

## Tax treaties

Saudi Arabia has 14 tax treaties in force.

## Tax authorities

Department of Zakat and Income Tax (DZIT)

## International organizations

GCC, WTO

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# South Sudan

| | |
|---|---|
| **Currency** | South Sudanese Pound (SSP) |

## Accounting principles/Financial statements

Financial statements must be prepared annually and filed with the Directorate of Taxation.

## Principal business entities

These are the public or private limited liability company, joint venture company, partnership and branch of a local or foreign company.

There are no restrictions on foreign investment in South Sudan. No local participation is needed for establishing a foreign owned business in South Sudan. However, in practice, a company in South Sudan must have at least 25% Sudanese interest.

## Corporate taxation

### Residence

A company, a partnership or other entity which is established in South Sudan or has its place of effective management in South Sudan.

Local and foreign businesses are required to register with the tax authorities for corporate tax, withholding tax and social security/pension.

### Basis

Resident companies are liable to tax on their worldwide income, while non-resident companies only pay tax on profits derived from South Sudan source income.

### Taxable income

Taxable income generally consists of all worldwide income for resident companies (for non-resident companies, business profits derived from South Sudan) less any expenditure wholly and exclusively incurred in the production of the income for the year as may be permitted by tax legislation.

## Taxation of dividends

Dividends received from resident companies are considered as South Sudan source income and are included in business profits. However, dividends are exempted from tax if tax was already withheld.

## Capital gains

Capital gains are considered as South Sudan source income which shall be included in the taxable income subject to corporate tax.

## Losses

Losses shall be carried forward and set off against taxable income for not more than five years after the end of the tax year in which the loss was incurred; losses cannot be carried back.

## Rate

Corporate tax rates in South Sudan, which will be in effect beginning January 1, 2012, are specified according to the classification of the companies. The rate is 10% for small business/enterprises, 15% for medium business/enterprises and 20% for large business/enterprises.

For this purpose, the classification of the business entity depends on its revenue for the year as follows: small business – if the revenue is up to SSP 1 million; medium business – if the revenue is up to SSP 5 million; and large business – if the revenue is more than SSP 5 million.

## Surtax

No

## Alternative minimum tax

No

### Foreign tax credit

A foreign tax credit shall be allowed to a resident taxpayer who derives profit from business activities outside South Sudan through a permanent establishment outside South Sudan and who pays tax on that profit to any other country. The foreign tax credit is the foreign tax or the South Sudan tax applied to that part of the foreign source income liable to tax in South Sudan, whichever is less.

### Participation exemption

No

### Holding company regime

No

### Incentives

Various investment incentives are available to foreign investors, including concessions in machinery and equipment for qualified investment priority areas, capital allowances, deductible annual allowance, other annual depreciation allowance and access to land for investment. Note that there should be at least 30% Sudanese interest to qualify for incentives under the Investment Promotion Act.

## Withholding tax

### Dividends

A final withholding tax at a rate of 10% of the amount of payment at the time of payment shall be imposed, regardless of whether the beneficiary is a resident or not.

### Interest

A final withholding tax at a rate of 10% of the amount of payment at the time of payment shall be imposed, regardless of whether the beneficiary is a resident or not.

### Royalties

A final withholding tax at a rate of 10% of the amount of payment at the time of payment shall be imposed, regardless of whether the beneficiary is a resident or not.

### Rent
Under the proposed Taxation Act (Amendment) Bill, rental payment shall be subject to a final withholding tax at a rate of 10% of the amount of payment at the time that payment shall be imposed, regardless of whether the beneficiary is a resident or not.

### Other
There is no specific provision on the taxation of other income payments made by resident to non-resident companies.

### Branch remittance tax
No

## Other taxes on corporations

### Advance payment of income tax on imported goods
All goods brought in or entered into South Sudan shall be subjected to an advance payment of business profit. The tax rate is 2% on all processed food items, 4% on all other goods and 6% on vehicles of all kinds. The tax shall be based on the customs value and it shall be paid at the port of entry.

However, under the proposed amendment of the Taxation Act, all goods entered into South Sudan shall be subject to a fixed rate of 3%.

A taxpayer who is required to file a tax return and who has made an advance payment on imported goods may obtain credit against the amount of tax owed for the taxable year.

### Excise tax
The tax shall apply to the production of excisable goods in South Sudan; the importation of excisable goods into South Sudan and the provision of excisable services in South Sudan. Rates vary from 5% to 20% depending on the excisable goods.

### Capital duty
No

### Payroll tax
An employer shall withhold tax from an employee's wages for the appropriate payroll period. The tax rates shall be as follows: the first monthly average of SSP 300 is 0%, from SSP 301 – 5,000 is 10% and from SSP 5,001 and above is 15%.

### Real property tax
There is no legislation yet.

### Social security
There is no legislation yet. However, in practice, employers must contribute an amount equal to 17% of the monthly salaries of their Sudanese and expatriate employees for social security.

### Stamp duty
There is no legislation yet.

### Transfer tax
No

### Zakat
There is no legislation yet.

## Anti-avoidance rules
### Transfer pricing
The difference between the arm's length price and the transfer price shall be included in the taxable profit.

The price used in conjunction with asset transactions or contract obligations between related persons shall be the transfer price. On the other hand, the arm's length price shall be determined under the comparable uncontrolled price method and when this is not possible, the resale price method or the cost-plus method shall be used.

### Thin capitalization
No

### Controlled foreign companies

No

### Other

The arm's length principle applies to all transactions.

### Disclosure requirements

No

## Administration and compliance

### Tax year

Calendar year unless a different tax year is approved by the tax authorities.

### Consolidated returns

Consolidated returns are not permitted; each company must file a separate return.

### Filing requirements

A corporate taxpayer must file an annual return based on its income for the tax year. The return is due on or before 1st April of the year following the tax period. The taxpayer's audited financial statements, together with any final tax due, must accompany the tax return.

In addition, taxpayers shall remit an advance payment of income tax on a quarterly basis.

### Penalties

A penalty of 5% each month shall accrue on any amount of tax unpaid by the due date.

An interest on such unpaid tax shall accrue at the rate of 120% of the commercial rate from the last due date to the date of payment. In case of failure to file the return, an additional charge of 5% of reported tax liability to a maximum of 25% shall be levied on the taxpayer.

### Rulings

A binding ruling is applicable in South Sudan provided that the taxpayer has made a full and true disclosure of the nature of all aspects of the transaction relevant to the ruling.

## Personal taxation

### Basis

Resident individuals are subject to tax on income from entrepreneurial activities, estate lease income and personal income from sources within and outside South Sudan. Further, such income is taxable in the hands of non-resident individuals from sources within South Sudan.

### Residence

An individual who is domiciled in South Sudan or physically present in South Sudan for 183 days or more in any tax period.

### Filing status

Generally, employers are responsible for withholding and paying the salary tax due to the relevant tax authority on a monthly basis. South Sudanese persons working abroad should declare and pay the relevant tax on their compensation abroad on an annual basis to the relevant tax authority.

### Taxable income

Employment income is generally taxable unless otherwise exempt. Income from entrepreneurial activity, estate lease income, dividend, interest, capital gains and other investment income also are taxable.

### Capital gains

Capital gains are included as part of gross income subject to personal tax.

### Deductions and allowances

Personal relief of SSP 3,600 per annum is available on employment income.

There shall be allowed as a deduction from gross income a contribution in an amount up to 8% of gross wages paid by employees to funded pension schemes approved by the Government of South Sudan.

### Rates

Progressive rates from 10% to 15% apply to personal income. The tax rates shall be as follows: the first monthly average of SSP 300 is 0%, from SSP 301 – 5,000 is 10% and from SSP 5,001 and above is 15%.

## Other taxes on individuals

### Advance payment of income tax on imported goods

Refer to the "Corporate Taxation".

### Excise tax

The tax shall apply to individuals carrying out any entrepreneurial activities who are involved in the production of excisable goods in South Sudan; the importation of excisable goods into South Sudan and the provision of excisable services in South Sudan.

### Capital duty

No

### Stamp duty

There is no legislation yet.

### Capital acquisitions tax

No

### Real property tax

There is no legislation yet.

### Inheritance/estate tax

No

### Net wealth/net worth tax

No

### Social security

There is no legislation yet. However, in practice, Sudanese and expatriate private sector employees must contribute 8% of their monthly salary for social security purposes.

## Administration and compliance

| | |
|---|---|
| **Tax year** | Calendar year |

### Filing and payment

Submission of tax returns shall be on or before 1st April of the year following the tax period.

A resident individual engaged in any entrepreneurial activity or receiving estate lease income shall remit an advance payment of income tax on a quarterly basis.

### Penalties

See rules under “Corporate Taxation”.

## Value added tax

There is no legislation yet.

However, under the proposed Taxation Act (Amendment) Bill, sales tax shall apply to the production of goods in South Sudan, the importation of goods into South Sudan and specified services. The sales tax shall be 0% for small business/enterprises and 5% for medium and large business/enterprises based on the value of the goods or services.

### Filing and payment

Submission of tax returns shall be not later than the 15th day of the month following the action which gave cause for the tax liability.

## Source of tax law

Taxation Act of 2009 and Investment Promotion Act of 2009

## Tax authorities

Directorate of Taxation

## International organizations

African Union (AU) and United Nations (UN)

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# Sudan

**Currency** Sudanese Pound (SDG)

## Foreign exchange Control

There are no exchange controls, but banks must report significant foreign exchange transactions to the Central Bank.

## Accounting principles/Financial statements

IAS/IFRS. Financial statements must be prepared annually and filed with the Taxation Chamber.

## Principal business entities

These are the public or private limited liability company, joint venture company and branch of a local or foreign company.

## Corporate taxation

### Residence

A company is deemed to be resident in Sudan if it is incorporated in Sudan under the Companies Act 1925 or if the management and control of its affairs are exercised in Sudan in the relevant tax year. Local and foreign businesses are required to register with the tax authorities for corporate tax, value added tax and payroll tax purposes. An unregistered foreign entity will be deemed to be resident in Sudan if:

- present in Sudan for a period or periods exceeding in total 183 days of the basis period; or
- present in Sudan in the relevant basis period and the 2 preceding basis periods for a period exceeding, in total, 12 months.

### Basis

Resident companies are liable to tax on their worldwide income, while non-resident companies only pay tax on profits derived from a Sudanese source.

### Taxable income

Taxable income generally consists of all worldwide income for resident companies (all Sudanese-source income for non-resident companies), less expenditure incurred wholly and exclusively in the production of the income for the year, as may be permitted by tax legislation.

## Taxation of dividends
Qualifying dividends received from taxable profits are not taxable.

## Capital gains
The rates are 5% on gains from the sale of lands and buildings, 2.5% on gains from the sale of vehicles and 2% on gains from the sale of securities, shares and bonds, subject to certain exceptions.

## Losses
Losses may be carried forward and set off against taxable income for not more than 5 years after the end of the tax year in which the loss was incurred. The carryback of losses is not permitted.

## Rate
Corporate tax rates in Sudan differ, depending on the business activities of the company: 0% for agricultural activities; 10% for industrial activities; 15% for commercial and service activities, real estate rental companies, and banks, insurance and fund management companies; 30% for cigarette and tobacco companies; and 35% for companies engaged in the exploration, extraction and distribution of oil and gas, and their subcontractors. Additionally, a 3% social development tax applies for all companies exempt from tax under the Investment Encouragement Act or any other act.

## Surtax
No

## Alternative minimum tax
No

## Foreign tax credit
Foreign tax paid on income taxable in Sudan may be deducted from taxable income subject to the approval of the Ministry of Finance.

As a domestic method of relief, the Ministry of Finance may exempt from tax foreign income already taxed in the source country. Double taxation relief also is provided under tax treaties.

### Participation exemption
No

### Holding company regime
No

### Incentives
Various investment incentives are available to foreign investors on the recommendation of the Ministry of Finance, including import concessions, tax exemptions for exported products, corporate tax exemptions, carryforward of losses incurred during the exemption period for qualifying companies and the use of government lands.

## Withholding tax
### Dividends
No

### Interest
A final withholding tax of 7% is imposed on interest payments made to a non-resident company.

### Royalties
A final withholding tax of 15% is imposed on royalty payments made to a non-resident company.

### Technical service fees
A 15% final withholding tax applies to payments made for technical services.

### Branch remittance tax
No

### Others
A 15% final withholding tax is levied on payments made to non-resident subcontractors for management consulting fees. Imports of goods are subject to a 2% creditable withholding tax

if paid by a resident company. A 7% final withholding tax applies to payments from resident companies to non-resident subcontractors for interest and any other services. A 5% creditable withholding tax applies to payments from resident companies to entities registered in Sudan as a branch of a foreign company. A final tax of 10% is imposed on rental payments exceeding SDG 3,000.

## Other taxes on corporations

### Capital duty
No

### Payroll tax
No

### Real property tax
Rates vary by locality.

### Social security
An employer must contribute an amount equal to 17% of the monthly salary of Sudanese and expatriate employees for social security.

### Stamp duty
Stamp duty has a wide application in Sudan and the rates vary depending on the type of instrument.

### Transfer tax
The transfer of shares in a company is subject to a 2% tax.

### Other
Zakat at a rate of 2.5% applies on the working capital of a company owned by Muslim shareholders.

## Anti-avoidance rules

### Transfer pricing
There are no specific transfer pricing rules. The tax authorities are empowered to adjust or alter the tax consequences of any

transaction that they have reasonable cause to believe was arranged to result in the resident and non-resident having either no profit or less than ordinary profits.

### Thin capitalization
There are no specific thin capitalization rules, but transactions are required to be conducted at arm's length.

### Controlled foreign companies
No

### Other
The arm's length principle applies to all transactions.

### Disclosure requirements
No

## Administration and compliance

### Tax year
Calendar year, although a company may adopt any year-end. All taxable income is assessed in the fiscal year in which the company's accounting year ends. In general, the tax period is 12 months.

### Consolidated returns
Consolidated returns are not permitted; each company must file a separate return.

### Filing requirements
A corporate taxpayer must file an annual return based on its income for the accounting year. The return is due within 3 1/2 months following the end of the accounting year. The taxpayer's audited financial statements, together with the tax due, must accompany the tax return.

### Penalties
Failure to present a declaration of income to the Office of the Taxation Chamber will lead to an additional tax not more than 3 times the tax due. Delay in submission of an income tax return

results in a penalty of SDG 10 per day or, according to the discretion of the General Secretary, not exceeding 5% of the total tax liability.

### Rulings

Rulings generally are not issued, but a taxpayer may request a non-binding opinion from the Taxation Chamber on the interpretation of the tax law or administrative procedures.

## Personal taxation

### Basis

Residents are subject to tax on business profits, leasing income and personal income from sources within and outside Sudan. Non-residents are taxed only on Sudan-source income.

### Residence

An individual will be deemed to be resident in Sudan if:

- present in Sudan for a period or periods exceeding in total 183 days of the basis period; or
- present in Sudan in the relevant basis period and the 2 preceding basis periods for a period exceeding, in total, 12 months.

### Filing status

Each individual must file a return; joint filing is not permitted.

### Taxable income

Employment income is generally taxable unless otherwise exempt. Business profits earned by an individual from a trade or profession or leasing and other investment income also are taxable.

### Capital gains

The rates are 5% for gains on the sale of lands and buildings, 2.5% for gains on the sale of vehicles and 2% on gains from the sale of securities, shares and bonds, subject to certain exceptions.

### Deductions and allowances

Personal relief of SDG 9,090 per annum is available on personal income (for resident individuals). The income tax rules provide additional deductions for personal income. For business and professional profits, the first SDG 300 is exempt from tax. The first SDG 3,000 of leasing income is exempt.

### Rates

Progressive rates from 5% to 15% apply to personal income and business and professional profits. The rate on income from leasing is 10%.

## Other taxes on individuals

### Capital duty

No

### Stamp duty

Stamp duties are charged by both federal and state governments on various commercial and legal documents, such as transfers of deeds, insurance policies and bills of exchange.

### Capital acquisitions tax

No

### Real property tax

Rates vary by locality.

### Inheritance/estate tax

No

### Net wealth/net worth tax

No

### Social security

Sudanese and expatriate private sector employees must contribute 8% of their monthly salary for social security purposes.

## Administration and compliance

### Tax year

Calendar year

### Filing and payment

The employer is generally responsible for withholding and paying salary tax due to the relevant tax authority on a monthly basis. Sudanese persons working abroad should declare and pay the relevant tax on their compensation on an annual basis to the relevant tax authority.

Filing and payment are due at the end of every month for resident employees and at the end of every fiscal year for Sudanese citizens working abroad.

### Penalties

Failure to present a declaration of income to the Office of the Taxation Chamber will lead to an additional tax not more than 3 times the tax due. Delay in submission of an income tax return results in a penalty of SDG 10 per day or, according to the discretion of the General Secretary, not exceeding 5% of the total tax liability.

## Value added tax

### Taxable transactions

VAT applies to the supply of most goods and the provision of services, including importation of goods and services into Sudan.

### Rates

The standard VAT rate is 15%, with a special rate of 30% imposed on telecommunication services. Certain activities are exempt from VAT.

### Registration

Registration is compulsory for all companies in Sudan. A person who is not charged with registration may voluntarily apply for registration.

### Filing and payment
VAT returns and any related payments are due by the 15th day of the following month.

## Source of tax law
Income Tax Act, Value Added Tax Act, Social Securities Act and Investment Encouragement Act.

## Tax treaties
Sudan has 6 tax treaties.

## Tax authorities
Ministry of Finance and National Economy; Taxation Chamber.

## International organizations
African Development Bank Group (AfDB), Arab Fund for Economic and Social Development (AFESD), Islamic Development Bank (IDB), United Nations Conference on Trade and Development (UNCTAD), Common Market for Eastern and Southern Africa (COMESA).

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# Syria

**Currency** Syrian Pound (SYP)

## Foreign exchange Control

Foreign currency may not be transferred abroad unless it was originally imported from outside Syria

## Accounting principles/Financial statements

Corporations use Syrian GAAP. Banks, insurance companies, investment companies established under Legislative Decree No. 8 and all companies supervised by the Syrian Commission of Financial Markets and Securities use IAS and IFRS. Financial statements must be filed annually. Semi-annual and quarterly statements must be filed by banks, insurance companies and companies supervised by the Commission.

## Principal business entities

These are the limited liability company, joint stock company, general partnership, limited partnership, company limited by shares, joint venture and branch of a foreign company.

## Corporate taxation

### Residence

An entity whose principal activities are administered through Syria, an entity that adopts Syria as its headquarters and branches or offices of foreign companies that operate in Syria are considered resident for tax purposes.

### Basis

An entity is liable for Syrian tax on income arising from Syrian sources or activities, regardless of residence status. Income derived from non-Syrian sources or activities is not taxable in Syria.

### Taxable income

Income tax applies to the profits of companies, including the disposal of business assets.

## Taxation of dividends

Dividends paid by a Syrian corporation on previously taxed income are not subsequently taxed upon distribution to another company. Dividends paid by a non-resident corporation, however, are subject to tax upon distribution in Syria at a rate of 7.5%.

## Capital gains

Capital gains derived by companies are included in taxable income and taxed at the normal corporate tax rate, except for gains on real property, which are subject to tax at a rate ranging between 15% and 30% of the registered value.

## Losses

Losses may be carried forward for 5 years. The carryback of losses is not permitted.

## Rate

Rates are progressive from 10% to 28%. Specific rates include: 22% for joint stock companies; 14% for joint stock companies and 15% for insurance companies that offer at least 51% of their shares to the public; and 25% for private banks and insurance companies.

## Surtax

A local administration tax is imposed that varies between 4% and 10%, depending on the region.

## Alternative minimum tax

No

## Foreign tax credit

No

## Participation exemption

No

## Holding company regime

No

### Incentives
Incentives are granted under the investment laws, in free zones, for certain industrial projects and for tourism.

## Withholding tax
### Dividends
Dividends paid by a Syrian corporation from previously taxed income are exempt from tax upon distribution.

### Interest
Interest paid to a non-resident is subject to a 7.5% withholding tax.

### Royalties
Royalties paid to a non-resident are subject to a 5% withholding income tax, as well as a 2% withholding payroll tax.

### Technical service fees
Technical service fees are subject to a withholding tax of 7% (5% as income tax and 2% as payroll tax).

### Branch remittance tax
No

### Other
No

## Other taxes on corporations
### Capital duty
Upon an initial public offering or a subsequent capital increase, tax must be paid to the Commission on Financial Markets and Securities. The tax is calculated as the sum of SYP 250,000, plus 0.1% of the publicly issued capital, up to a maximum of SYP 1 million. A stamp fee of 0.4% % of the capital also must be paid upon the establishment and registration of the corporation. The stamp fee is reduced by 50% if the company offers more than 50% of its shares to the public.

### Payroll tax
The employer must withhold 5%-22% of salary.

### Real property tax
Tax on real estate ranges from 14% to 60%, depending on the type of property.

### Social security
The employer is required to make social insurance contributions amounting to 14% of payroll costs to cover old age, disability and death benefits. The employer also must contribute 3% of payroll to the work injury benefits scheme and 0.1% to a lump-sum disability benefits fund. Hence, the overall employer contribution to social security is 17.1%.

### Stamp duty
Stamp duty is generally imposed on transactions, such as the formation of corporations, the execution of documents, licenses, contracts, etc., at rates ranging from 0.4% to 0.7%.

### Transfer tax
Transfer tax varies according to the type of property and type of ownership transfer.

### Other
No

## Anti-avoidance rules
### Transfer pricing
No

### Thin capitalization
No

### Controlled foreign companies
No

### Other
No

### Disclosure requirements
No

## Administration and compliance

### Tax year
Calendar year

### Consolidated returns
Consolidated returns are not permitted; each company must file a separate return.

### Filing requirements
The tax return for limited liability and joint stock companies must be submitted by 31 May; the deadline is 31 March for other types of companies. Payment of tax is due within 30 days of the filing deadline.

Payroll withholding tax must be submitted by the employer on a semi-annual basis.

### Penalties
A penalty is assessed for late payments 30 days after the filing date at a rate of 10% annually, up to 30% of the tax liability.

### Rulings
No

## Personal taxation

### Basis
An individual is liable for Syrian tax on income arising from sources or activities in Syria, regardless of his/her residence status in Syria. Income derived from non-Syrian sources or activities is not taxable in Syria. Wages and salaries tax is imposed on an individual who derives income:

- from a private treasury if he/she is a Syrian resident or if the amount paid is compensation for services provided; or
- from a public treasury, regardless of residence status in Syria.

### Residence
A national of Syria or an Arab or foreign person legally residing in Syria are considered resident for tax purposes.

### Filing status
Each individual must file his/her own return; joint filing is not permitted.

### Taxable income
Gross income is based on the actual amount of salaries and wages, special assigned amounts, bonuses and all monetary or in-kind benefits.

### Capital gains
There is no specific capital gains tax for individuals. Tax is paid on the sale or disposition of property at rates that vary depending on the type of transaction.

### Deductions and allowances
Deductions are allowed for certain expenses, such as work travel and business expenses.

### Rates
Tax is progressive from 5% to 22%, with the first SYP 6,010 exempt.

## Other taxes on individuals
### Capital duty
No

### Stamp duty
Stamp duty is generally imposed on the execution of documents, licenses, contracts, etc., at rates ranging from 0.4% to 0.7%.

### Capital acquisitions tax
No

### Real property tax
Tax on real estate proceeds (estimated rental amount) ranges from 14% to 60%, depending on the type of property.

### Inheritance/estate tax
Inheritance and gift tax ranges from 5% to 75%.

### Net wealth/net worth tax
No

### Social security
An employee's share of the social security contribution is 7% of basic salary.

## Administration and compliance
### Tax year
Calendar year

### Filing and payment
An individual must submit an annual return by 31 March and pay any tax due at that time.

### Penalties
A penalty is assessed for late payments 30 days after the filing date and may be imposed up to 30% of the tax liability (10% for each year for up to 3 years).

## Value added tax
### Taxable transactions
While there is no VAT in Syria, consumption taxes are imposed on certain services and imported luxury goods.

### Rates
1.5% to 40%

### Registration
Taxpayers are required to register for consumption tax purposes.

### Filing and payment

Tax is withheld by the party providing a service or Customs (for imported services) and paid on a monthly basis to the Ministry of Finance.

### Source of tax law Income

Income Tax Law 24, ratified by Laws No. 51 and 60.

### Tax treaties

Syria has concluded more than 20 tax treaties.

### Tax authorities

Ministry of Finance

### International organizations

OAPEC, OIC, GAFTA

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# Tunisia

**Currency** Tunisian Dinar (TND)

## Foreign exchange Control

Foreign- owned companies and branches of foreign companies may freely repatriate profits provided applicable taxes have been paid. Certain transfers, however, must be approved by the Central Bank.

## Accounting principles/financial statements

Tunisian Accounting Standards are used. Financial statements must be filed annually.

## Principal business entities

These are the joint stock company, limited liability company, partnership and branch of a foreign corporation. A permanent establishment may be opened with the authorization of the Trade Office.

## Corporate taxation

### Residence

Tunisia does not have a definition of residence for tax purposes

### Basis

Tunisia operates a territorial system under which all income derived in Tunisia is subject to tax.

### Taxable income

Profits derived from the operation of a business in Tunisia are subject to tax after the deduction of allowable expenses.

### Taxation of dividends

Dividends distributed by Tunisian companies are not subject to tax in Tunisia.

### Capital gains

Capital gains are taxed as ordinary income and subject to the corporate income tax rate applicable to the company.

### Losses
Net operating losses may be carried forward up to 4 years. Losses resulting from depreciation may be carried forward indefinitely. The carryback of losses is not permitted.

### Rate
The normal rate is 30%; a 35% rate applies to certain banking and financial institutions, investment companies, insurance and reinsurance companies, factoring companies, and telecom companies. The rate is 50% for companies operating in the hydrocarbons sector. A lower rate of 10% applies to agricultural, health, handicraft companies and education activities.

### Surtax
No

### Alternative minimum tax
A minimum corporate income tax equal to 0.1% of gross turnover (other than turnover from exports) applies to most companies with a cap floor of TND 200 for companies subject to a tax rate of 10% and TND 350 for companies subject to a tax rate of 30% or more.

### Foreign tax credit
No

### Participation exemption
See under "Taxation of dividends".

### Holding company regime
No

### Incentives
Incentives are available for new investments mainly in the agricultural, industrial, service, tourism sectors and for exports. Incentives can include a partial or full exemption from corporate and income tax, import VAT, consumption tax and customs duties. Tax relief also may be obtained for reinvested earnings and profits. A full tax exemption for the first 10 years is granted for investments in the agriculture sector, projects implemented in regional

development zones and exports. Export income earned by wholly exporting companies established after 1 January 2013, will be subject to taxation at 10%.

## Withholding tax

### Dividends

Tunisia does not impose withholding tax on dividends.

### Interest

Interest payments made to a non-resident are subject to a 20% withholding tax (5% if paid to a bank) unless the rate is reduced under a tax treaty.

### Royalties

Royalty payments made to a non-resident generally are subject to a 15% withholding tax unless the rate is reduced under a tax treaty.

### Technical service fees

Technical service fees paid to a non-resident generally are subject to a 15% withholding tax unless the rate is reduced under a tax treaty.

### Branch remittance tax

No

### Other

Unless exempt under a tax treaty, gains derived by a non-resident from the sale of shares is subject to a 5% withholding tax. The taxpayer can opt to have the gain taxed at a rate of 30% of the gain, in which case the 5% withholding tax will be deductible.

## Other taxes on corporations

### Capital duty

A TND 100 registration duty is levied on each contribution of capital or increase in capital.

### Payroll tax

An employer is required to pay a professional training tax at a rate of 1% of gross salary in the manufacturing industry, and 2% for other activities. In addition, a contribution must be made to the social housing fund at a rate of 1% of gross salary. Both taxes are due before the 28th of the month.

## Real property tax

The transfer of real property located in Tunisia is subject to various registration fees, such as a 5% transfer tax, a 3% tax for unregistered property and a 1% tax for the land conservation authority.

## Social security

An employer must withhold and pay social security contributions on behalf of the employee at a rate of 9.18% of the total monthly gross remuneration. The employer's social security part is at 16.57%. A workplace accident contribution is due at rates ranging from 0.4% to 4%.

Contribution to the retirement fund is not compulsory and is fixed at 9% on the difference between the gross wages and 6 times the minimum guaranteed wage, of which 2/3 is paid by the employer and 1/3 by the employee.

## Stamp duty

Stamp duty is levied on the majority of contracts, agreements and documents that are subject to registration, as well as on administrative and private documents relating to a business. The rates of stamp duty vary depending on the nature of the transaction.

## Transfer tax

The transfer of real property located in Tunisia is subject to a 5% transfer tax (see also under "Real property tax").

## Other

A tax on industrial, commercial or professional establishment is due at a rate of 0.2% of turnover up to a maximum of TND 100,000.

## Anti-avoidance rules

### Transfer pricing

If the price in a related party transaction does not correspond to a market price, the price will be adjusted.

| | |
|---|---|
| **Thin capitalization** | No |
| **Controlled foreign companies** | No |
| **Other** | No |
| **Disclosure requirements** | No |

## Administration and compliance

### Tax year

The tax year is the calendar year, although a company can request another 12-month period.

### Consolidated returns

A group of companies may opt to file a consolidated tax return provided approval is obtained from the Ministry of Finance and the following requirements are met:

- the parent company is quoted on the Tunisian stock exchange (or commits to go public before the end of the year following the first year of application for a consolidated tax return);
- the parent company holds directly or indirectly at least 75% of the share capital of each subsidiary in the group;
- the financial statements of the companies in the group are certified by an external auditor;
- the group companies all have the same tax year and accounting period; and
- all companies in the group are subject to corporate income tax.

### Filing requirements

The tax return must be filed before 25 March or before the 25th day of the third month following the closing date if that is different from 31 December. Companies must make advance payments of tax before the 28th day of the sixth, ninth and 12th month following the end of the financial year, with each payment equivalent to 30% of the corporate income tax of the previous year. Advance tax paid may be credited against the final corporate tax liability for the year.

### Penalties

Late payment penalties are imposed at the following rates: 0.5% per month or fraction thereof if the tax due is paid voluntarily (i.e. without intervention of the tax authorities), and 1.25% per month or fraction thereof if the tax authorities have to intervene. For withholding taxes, the penalty for failure to withhold or report is equal to the amount of non-withheld tax; the amount can double for a subsequent offense.

### Rulings

No

## Personal taxation

### Basis

Residents are subject to tax on worldwide income; non-residents are subject to tax only on most Tunisian-source income.

### Residence

An individual is resident in Tunisia if he/she has a main residence in Tunisia or is present in Tunisia for at least 183 days in the relevant calendar year.

### Filing status

Joint tax returns are not allowed; each taxpayer must file his/her own return.

### Taxable income

Income tax is assessed on the total annual income derived from Tunisia or abroad if the foreign income was not subject to tax in the source country.

### Capital gains
Capital gains are taxed as ordinary income. The rate is 10% if the seller holds the property for less than 10 years and 5% if the property is held longer than 10 years.

Unless exempt under a tax treaty, gains derived by a non-resident from the sale of shares is subject to a 2.5% withholding tax applied to the sales price. The taxpayer can opt to have the gain taxed at a rate of 10% of the gain, in which case the 2.5% withholding tax will be deductible.

### Deductions and allowances
Various deductions are available, such as interest incurred on certain loans, life insurance payments and grants to the National Solidarity Fund. Family allowances also are available.

### Rates
Individual income tax is levied at progressive rates up to 35%. However, foreign national workers in certain sectors (e.g. export enterprises, offshore banks and hydrocarbon exploitation) can opt to pay a lump sum tax of 20% of gross salary.

## Other taxes on individuals
### Capital duty
No

### Stamp duty
Stamp duty is levied on the majority of contracts, agreements and documents that are subject to registration, as well as on administrative and private documents relating to a business. The rates of stamp duty vary depending on the nature of the transaction.

### Capital acquisitions tax
No

### Real property tax

The transfer of real property located in Tunisia is subject to various registration fees, such as a 5% transfer tax, a 3% tax for unregistered property and a 1% tax for the land conservation authority.

### Inheritance/estate tax

Inheritance and gift tax is calculated at rates ranging from 2.5% to 35% depending on the decree of succession.

### Net wealth/net worth tax

No

### Social security

Social security contributions are required at a rate of 9.18% of the total monthly remuneration. The employer must withhold and pay the contribution on behalf of the employee.

## Administration and compliance

### Tax year

Calendar year

### Filing and payment

Individuals carrying out a trade must file by 25 April and service providers and those carrying on an industrial activity or a non-commercial profession by 25 May. Salaried employees and pensioners must file by 5 December. Individuals deriving income from movable capital, land and foreign sources must file an annual return by 25 February.

### Penalties

Late payment penalties are assessed at the following rates: 0.5% per month or fraction thereof if the tax due is paid voluntarily (i.e. without intervention of the tax authorities), and 1.25% per month or fraction thereof if the tax authorities have to intervene. For withholding taxes, the penalty for failure to withhold or report is equal to the amount of non-withheld tax; the amount can double for a subsequent offense.

## Value added tax

### Taxable transactions

VAT is levied on the supply of goods and services and the import of certain goods.

### Rates

The standard rate is 18%, with reduced rates of 6% and 12%. Exports are zero-rated.

### Registration

VAT registration is required upon the establishment of a company in Tunisia.

### Filing and payment

VAT returns and payments of tax are due monthly, by the 28th of the following month for companies and by the 15th of the following month for individuals.

## Source of tax law

Individual and Corporate Income Tax Code of 1989; Tax Rights and Procedures Code of 2000; VAT Code of 1988; Investment Incentives Code 1993, Capital and stamp duties Code 1993.

## Tax treaties

Tunisia has concluded 48 tax treaties.

## Tax authorities

Ministry of Finance and its departments and administrations/Inland Revenue

## International organizations

OECD

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# UAE

**Currency** UAE Dirham (AED)

**Foreign exchange control** No

## Accounting principles/financial statements

IAS/IFRS. Financial statements must be prepared annually.

## Principal business entities

These are the limited liability company, private/public joint stock company, branch and representative office.

Foreigners generally may only own up to 49% of a UAE-registered company, although they may increase their shareholding to 100% in respect of companies set up in free trade zones.

## Corporate taxation

### Residence

In practice, a company that is incorporated in the UAE is considered resident provided it can establish that:

- all of the shares of the company are beneficially owned by residents of the UAE; or
- all or substantially all of the company's income is derived by the company from the active conduct of a trade or business other than an investment business in the UAE; and
- all or substantially all of the value of the company's property is attributable to property used in that trade or business.

### Basis

Income tax decrees have been issued by 5 of the 7 Emirates (i.e. Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Qaiwan, Ras Al Khaimah and Fujairah), but are currently only enforced on the income of oil and gas exploration and production companies, branches of foreign banks and certain petrochemical companies under specific government concession agreements, at flat rates of 50%/55% (Dubai/Abu Dhabi).

### Taxable income
There are no taxes imposed on the income of companies, except for oil and gas exploration and production companies and branches of foreign banks.

| | |
|---|---|
| **Taxation of dividends** | No |
| **Capital gains** | No |
| **Losses** | N/A |

### Rate
Branches of foreign banks are taxed at rates agreed with the ruler of the Emirate in which they operate, generally at a flat rate of 20%. As noted above, oil and gas exploration and production companies are taxed at flat rates of 50%/55% (Dubai/Abu Dhabi).

| | |
|---|---|
| **Surtax** | No |
| **Alternative minimum tax** | No |
| **Foreign tax credit** | No |
| **Participation exemption** | No |
| **Holding company regime** | No |

### Incentives
The UAE offers several free trade zones with renewable 50-year tax holidays and exemption from import duty on goods brought into that free zone.

## Withholding tax

| | |
|---|---|
| **Dividends** | No |
| **Interest** | No |

### Royalties
No

### Branch remittance tax
No

## Other taxes on corporations

### Capital duty
No

### Payroll tax
No

### Real property tax
A transfer charge of 2% generally is levied on the transfer of real property.

### Social security
The UAE does not impose social security taxes on foreign workers. Employer pension contributions for national employees are 12.5% of the “contribution calculation salary”. In addition, national employee contributions are levied at 5% of the contribution calculation salary.

### Stamp duty
No

### Transfer tax
No, but see "Real property tax", above.

### Other
Municipal taxes are imposed on hotel services and property rentals. Annual rental income of residential and commercial tenants is taxed at 5% and 10%, respectively.

## Anti-avoidance rules

### Transfer pricing
No

### Thin capitalization
No

### Controlled foreign companies
No

### Other
No

### Disclosure requirements
Annual financial statements must be filed with the Ministry of Commerce by companies and branches located outside the free trade zones. Entities located inside a free trade zone report to the free zone authority of the relevant zone. These entities have never officially been requested to file or report financial statements to any ministry/authority located outside the free zone.

## Administration and compliance

### Tax year
N/A

### Consolidated returns
N/A

### Filing requirements
N/A

### Penalties
N/A

### Rulings
No

## Personal taxation

### Basis
Individuals are not taxed on their income.

### Residence
N/A

### Filing status
N/A

### Taxable income
N/A

### Capital gains
N/A

### Deductions and allowances
N/A

### Rates
N/A

## Other taxes on individuals

### Capital duty
No

### Stamp duty
No

### Capital acquisitions tax
No

### Real property tax
A transfer charge of 2% generally is levied on the transfer of real estate property.

### Inheritance/estate tax
There is no inheritance tax regime. Inheritance, in the absence of a will, is dealt with in accordance with Islamic Sharia'a principles.

### Net wealth/net worth tax
No

### Social security
See above under section "Other taxes on corporations".

## Administration and compliance

### Tax year
N/A

### Filing and payment
N/A

### Penalties
N/A

## Value added tax

### Taxable transactions
There is some speculation that VAT may be introduced in the future, but this has not been confirmed at the time of writing.

### Rates
N/A

### Registration
N/A

Filing and payment N/A

**Source of tax law**
Income tax decrees issued by 5 of the 7 Emirates (Dubai, Sharjah, Abu Dhabi, Ajman and Fujairah) make up the UAE tax laws.

**Tax treaties**
The UAE has concluded more than 45 income tax treaties.

**Tax authorities**
Ministry of Finance

**International organizations**
OECD, WTO, Gulf Co-Operation Council (GCC), League of Arab States, Organization of the Islamic Conference, Islamic Development Bank, OPEC and OAPEC.

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# Yemen

| | |
|---|---|
| **Currency** | Yemeni Riyal (YER) |
| **Foreign exchange control** | No |

## Accounting principles/Financial statements

IFRS is the standard. Banks use IFRS and instructions issued by the Central Bank.

## Principal business entities

These are the joint stock company, limited liability company, limited partnership by shares, limited partnership and branch of a foreign entity.

A foreigner may own up to 100% of a local company registered in accordance with the Regulations for Companies in the Republic of Yemen and carry out services or commercial business in Yemen.

## Corporate taxation

### Residence

A corporation is resident in Yemen if it is registered in accordance with the Regulations for Companies, is headquartered in Yemen, has its place of business or management in Yemen, is an economic sector unit (50% of capital owned by the state or a public legal person) in Yemen or is a concession company operating in Yemen.

### Basis

Taxpayers are classified as large, medium and small-size taxpayers, with a special regime applying to small and "micro" firms. A resident company is liable to tax on its worldwide profits. A non-resident is subject to tax only on Yemen-source profits.

### Taxable income

Corporation tax is imposed on taxable income, which consists of income from manufacturing, services and trading activities, less allowable deductions.

## Taxation of dividends

Dividend income received by a legal entity from a public company is exempt from tax.

## Capital gains

Capital gains are taxed as normal business income and subject to tax at the corporate rate.

## Losses

Losses may be carried forward up to 5 years. The carryback of losses is allowed only on long-term contracts accounted for under the percentage-of-completion method.

## Rate

The standard corporate tax rate is 20%. A 50% rate applies to mobile phone services providers, and the rate is 35% for international telecom services providers, cigarette manufacturers and importers.

Concession companies engaged in the exploitation of oil and gas are required to pay a fixed tax, normally 3% on expenditure incurred during the exploration phase as per the relevant Production Sharing Agreement (PSA). The rate on investment projects registered under the 2010 Investment law is 15%.

Small firms (i.e. those whose annual turnover is more than YER 1.5 million but less than YER 20 million and that have between 3 and 9 employees) are subject to progressive rates ranging from 10% to 20%, depending on the type of activities.

Micro entities, i.e. resident entities with annual turnover of less than YER 1.5 million and that have fewer than 3 employees, are exempt from tax.

## Surtax

No

### Alternative minimum tax

No

### Foreign tax credit

A foreign tax credit is available to the extent of tax paid overseas.

### Participation exemption

No

### Holding company regime

No

### Incentives

The 2010 tax law abolished all incentives and exemptions available under other laws; however, exemptions granted under the previous investment law remain in effect until the exemption period expires. The 2010 law provides for accelerated depreciation at a rate of 40% of the cost of assets in the first year of use, in addition to normal depreciation. A special tax stabilization agreement applies to the first 5 years of a mining project when the investment exceeds USD 150 million. Incentives are granted for the early filing of a tax return.

## Withholding tax

### Dividends

Yemen does not levy withholding tax on dividends.

### Interest

No withholding tax is levied on interest paid to foreign banks approved by the Yemeni Central Bank; otherwise, the rate is 10%.

### Royalties

A 10% withholding tax applies on payments made to a non-resident in respect of patents, trademarks and copyright royalties, and fees for the transfer or use of technology/licenses. The 10% rate also applies to payments made to a resident or non-resident in respect of brokerage and commissions.

### Technical service fees
A 10% withholding tax applies on service fees paid to a non-resident, with a 3% rate applying where the technical or professional service provider is a resident of Yemen.

### Branch remittance tax
No

### Other
No

## Other taxes on corporations
### Capital duty
No

### Payroll tax
Payroll tax is imposed on slabs of income at rates ranging from 10% to 20%; however, the progressive rate on the salaries of resident employees ceases at 15%. The employer deducts tax from the payment of salary and remits that amount to the government treasury on behalf of the employee. Companies also are required to pay a vocational training fund (education cess) fee equal to 1% of total payroll to the Ministry of Vocation Training.

### Real property tax
An annual tax is levied on the rental value of real property in an amount equal to 1 month's rent and a tax of 1% is levied on income from the sale of land and constructed property and land prepared for construction.

### Social security
The employer must contribute 9% of a national or foreign employee's salary to the General Corporation for Social Security (GCSS); the employee contributes 6%.

### Stamp duty
No

### Transfer tax
No

### Other

Government agencies are required to withhold 10% from payments made to subcontractors pending receipt of a tax clearance certificate issued by the Tax Department.

## Anti-avoidance rules

### Transfer pricing

The arm's length principle applies and methodologies for establishing the arm's length price have been introduced in executive regulations.

### Thin capitalization

A general debt-to-equity ratio of 70:30 applies. If interest is paid to an affiliated party, the loan interest amount may not exceed prevailing international rates or the Central Bank of Yemen rate, plus 4%. Interest exceeding these amounts is non-deductible.

### Controlled foreign companies

No

### Other

No

### Disclosure requirements

No

## Administration and compliance

### Tax year

The calendar year generally applies, although a taxpayer can select the 12-month period that applies for accounting purposes.

### Consolidated returns

Consolidated returns are not permitted; each company must file its own return.

### Filing requirements

The self-assessment system applies, under which a taxpayer must determine its own tax base and calculate tax due. The taxpayer is required to pay the amount due based on the return. All taxpayers (even if exempt) must submit a tax return. The tax authorities have the right to audit selected returns and issue an additional assessment.

Tax returns for a corporation must be filed by 30 April or within 120 days from the end of the tax year. Tax declarations must be certified by a licensed chartered accountant and be accompanied by audited financial statements.

An entity withholding tax at source must remit the amount due to the tax authorities within 15 days from the date payment is made.

### Penalties

The penalty for submitting a late return is 2% of the tax payable for each month for an entity reporting profits; from YER 1 million to YER 5 million for large taxpayers incurring a loss; YER 200,000 for medium-size taxpayers; and 2% of exempted tax per month for exempt entities or a fixed amount in the event of a loss. The penalty for evasion is 100% to 150% of the tax evaded. Fines also are imposed for filing an incomplete return, for failing to keep regular accounts, etc.

### Rulings

No

## Personal taxation

### Basis

Income subject to salaries and wages tax includes income received by an employee for work performed outside Yemen for a resident employer, income received by a non-resident from a PE in Yemen and salaries, rewards and allowances paid to the chairman, members of the administration board and managers of capital associations.

## Residence

An individual is resident in Yemen for a tax year if he/she has a permanent place of residence in Yemen; has resided in Yemen for a period of not less than 183 days; or if a Yemeni national works abroad and obtains income from Yemen.

## Filing status

Where applicable, the employer deducts tax on salaries and wages at source and files a joint return on a monthly basis. If the employer is a non-resident, the employee is required to submit the return on a monthly basis.

## Taxable income

A resident individual is taxed on income from employment or commercial or industrial activities, and non-commercial activities (i.e. exercise of a profession earned inside Yemen), as well as income from a foreign source. Non-residents are taxed only on income earned from Yemen. Individuals are exempt from tax on income from treasury bonds, interest from bank deposits, savings in post offices and income from shares in public and shareholding companies.

## Capital gains

No

## Deductions and allowances

Deductions and allowances available on monthly salary income include YER 10,000, plus 6% of the gross salary, being an employee's social security contribution and allowances up to a maximum of YER 65,000.

## Rates

The rate is 10% to 15% for resident salaried individuals and 20% for non-residents.

# Other taxes on individuals

## Capital duty

No

## Stamp duty
No

## Capital acquisitions tax
No

## Real property tax
An annual tax is levied on the rental value equal to 1 month's rent and a tax of 1% is levied on income from the sale of land and constructed property and land prepared for construction.

## Inheritance/estate tax
No

## Net wealth/net worth tax
Zakat is levied on net worth at 2.5%.

## Social security
An employee (whether a national or foreign) must contribute 6% of salary to the GCSS. A foreign employee is allowed to withdraw the total contribution, subject to a deduction of 20% as a service charge, made by the employee and the employer to GCSS.

# Administration and compliance

## Tax year
Calendar year

## Filing and payment
Tax returns must be submitted to the tax authorities within 120 days from the end of the tax year with a tax declaration showing the profits or losses, accompanied by supporting documentation. The taxpayer must submit the declaration even if the determination of the profits was based on an estimation.

For salaried individuals, the employer withholds tax from wages and pays it to the tax authorities within the first 10 days of the following month. The employee is also responsible for tax collection and depositing it with the tax authorities where the income is from a foreign source.

### Penalties

The penalty for failure to file a tax return is 2% of the tax payable for each month of delay.

## Value added tax

### Taxable transactions

Yemen operates a General Sales Tax (GST) system.

### Rates

The general rate is 5%, although a 10% rate applies to telecommunications and GSM services.

### Registration

Companies whose annual turnover exceeds YER 50 million or its equivalent are required to register for sales tax purposes. Registration is voluntary where turnover is below this amount.

### Filing and payment

The registered entity must submit a declaration of its sales taxes for each month within the first 21 days of the following month.

## Source of tax law

Income Tax Regulations (Law No. 17 for 2010)

## Tax treaties

Yemen has a number of tax treaties in force.

## Tax authorities

Yemeni Tax Authority

## International organizations

GCC, WTO (in process)

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