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Middle East Tax handbook 2014

Tailoring tax for your business

2014 Edition

Contents

Foreword

I am pleased to present the 2014 edition of our Middle East Tax Handbook.

One of our closing messages at the 2013 Middle East Tax Conference was to watch this space in the area of transfer pricing. In the last 12 months, it is remarkable to see such significant developments around this aspect of taxation, particularly at OECD level, as part of the Base Erosion and Profit Shifting (BEPS) Action Plan. No one can be in any doubt that we in the Middle East will be impacted by these far-reaching global initiatives.

One of the most pertinent points is the OECD transfer pricing documentation guidelines to enhance transparency for tax authorities and the common template for country-by-country information reporting, which is currently under consultation. Similarly, Foreign Account Tax Compliance Act (FATCA) preparation was at its peak in 2013/2014 and is due to go live in July 2014. Given the range of industries which may be affected by the FATCA compliance and documentation requirements, a bespoke approach is needed.

Important changes to tax regimes have also been taking shape, which will have a lasting impact on the tax landscape of the region. Significant prospective and retrospective changes have been made to the tax legislation in Kuwait, Saudi Arabia and Jordan. Not only are some countries considering the introduction of VAT, countries such as Egypt,(which has introduced sales taxes already) have been reported as considering reform of their current regimes.

The days when the tax function in the Middle East concerned itself with basic metrics are limited and a new era in tax sophistication is dawning. This is driving the demand for specialist in-house tax departments and more being asked and expected of tax advisors. All of us, in industry and the profession, need to heed these developments, and be prepared.

Nauman Ahmed
Middle East Tax leader

Bahrain

Investment basics

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
Residence is not defined. A company engaged in oil, gas or petroleum activities is taxed, regardless of where the company is incorporated.

Basis
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 levied only on oil, gas and petroleum companies engaged in exploration, production and refining.

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 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 value of the property 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.

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

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 value of the property 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.

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 speculation that VAT may be introduced in the future, but this has not been confirmed.

Rates	No
Registration	No
Filing and payment	No

Source of tax law

Bahrain Income Tax Law (Amiri Decree 22/1979)

Tax treaties

Bahrain has concluded both double taxation agreements and foreign trade agreements with a number of countries.

Tax authorities

Ministry of Finance

International organizations

Gulf Cooperation Council

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Egypt

Investment basics

Currency

Egyptian Pound (EGP)

Foreign exchange control

Restrictions are imposed by the Central Bank of Egypt on the import or export of capital and on the repatriation of funds.

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, partnership limited 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; nonresident companies pay tax only on Egyptian-source profits.

Taxable income

Corporate 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 ordinary taxable income that is subject to tax at a rate of 25%, with a deduction allowed for foreign taxes paid overseas up to the amount of tax payable in Egypt. Income from investments in nonresident companies is taxed on the basis of equity accounting if it is deemed to be derived from dividends, interest, royalties, management fees or rental fees.

Capital gains

Capital gains are taxed as part of ordinary taxable income. Capital gains on the sale of shares are subject to tax unless the shares sold are listed on the Egyptian stock exchange. However, under certain conditions, gains on listed shares may be taxed if sold as part of a transaction that transfers 33% or more of the company.

Losses

Losses may be carried forward for five years. The carryback 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 standard rate of 25% applies.

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 taxes on dividends paid to residents or nonresidents.

Interest

Interest paid to a nonresident 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 nonresident company should then submit a subsequent request to the Egyptian Tax Authorities to recover the tax difference within six months from the date of receipt.

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

Royalties

Royalty payments made to a nonresident are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty. An Egyptian-resident payer must withhold 20% tax at source (regardless of any applicable lower rate under a treaty); the nonresident company should then submit a request to the Egyptian tax authorities to recover the tax difference within six 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, 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 taxes on corporations

Capital duty

No

Payroll tax

No

Real property tax

The majority of real property 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 nonresidential property). A residential unit with an annual rental value of less than EGP 24,000 is exempt. The property user pays the tax, which is due in two installments. The annual rental value of real estate is assessed every five years by the tax authorities.

Social security

The social security regime applies only to local nationals, unless a social security agreement with another country applies.

Stamp duty

Stamp duty is charged at various rates and fixed charges. The rate on banking transactions is 0.1% quarterly. The rate is 20% on commercial advertisements and from 0.08% to 10% on insurance premiums. A rate of 0.1% is levied on the trading and sale of securities and is payable by both the buyer and the seller.

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 three methods to determine the transfer price:

1. Comparable uncontrolled price method;
2. Total cost plus profit margin method; and
3. Resale price method, with priority given to the comparable uncontrolled price method. However, if the information needed to apply this method is unavailable, any 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 nondeductible.

Controlled foreign companies

Income from investments in nonresident companies is recognized under the equity method of revenue recognition and is taxed in Egypt if:

1. The Egyptian entity owns more than 10% of the nonresident investee entity;
2. More than 70% of the nonresident company's income is derived from 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 18.75%.

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 four months following the end of the financial year. Tax is assessed on the basis of the information provided in the tax return.

Penalties

Various penalties apply for failure to apply the system of deduction, withholding, collection and remittance of tax; incorrect characterization of an Egyptian entity as a permanent establishment; failure to file a return; and other offenses.

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 nonresident 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
- is an Egyptian national residing abroad but that derives income from Egyptian sources.

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 the income 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 noncommercial 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 realized on sales of unlisted securities are taxable if deemed to be a recurring activity. Gains realized on sale of 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 250,000 per year. Resident employees who derive income from sources other than their original place of employment 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

The majority of real property 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 nonresidential property). A residential unit with an annual rental value of less than EGP 24,000 is exempt. The property user pays the tax, which is due in two installments. The annual rental value of real estate is assessed every five 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, unless a social security agreement with another country applies.

Administration and compliance

Tax year

Calendar 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.

Sales Tax

Taxable transactions

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 rate is 10%-25% on most items.

Registration
Manufacturers and service providers with turnover exceeding EGP 54,000 must register for Sales Tax 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 (2005), Sales Tax Law No. 11 (1991), Real Estate Law No. 196 (2008)

Tax treaties
Egypt has concluded 56 tax treaties.

Tax authorities
Egyptian Tax Authority

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

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Iraq

Investment basics

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 System and in Arabic. Iraqi Unified Accounting Rules do not match International Accounting Standards.

Kurdistan Region tax regime

As a semi-autonomous region in Northern Iraq, the Kurdistan Region has introduced certain laws and practices that diverge from the position in Federal Iraq.

Principal business entities

These are the joint stock company, limited liability company, joint liability company, simple company, sole owner enterprise, representative office and branch office.

Corporate taxation

Residence

An entity is resident if it is incorporated under the laws of Iraq or has its place of management and control in Iraq. An entity is nonresident if it does not meet the criteria for a resident entity.

Basis

A company is taxed on the basis of its net profit.

Taxable income

Tax is levied broadly on all source of income, other than income that is specifically exempt. There is no concept of permanent establishment in Iraq tax law; currently, all income arising in Iraq is taxable in Iraq.

Taxation of dividends

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

Capital gains

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

Losses

Losses are tax deductible and may be carried forward for a maximum of five consecutive years, but no more than 50% of any year's taxable income can be offset and any loss carried forwards may be deducted only from the same source of income from which they are being offset.

Rate

A flat rate of 15% generally applies. However, a 35% rate applies under the oil and gas tax law to companies operating in the oil and gas sector.

A 15% rate also applies to all industries in the Kurdistan Region and a new tax for oil companies operating in the region is under discussion.

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

Incentives

The investment law provides tax holidays and exemptions from import/export taxes for specific approved projects. Free zones exist but are nascent.

Withholding tax

Dividends

Iraq does not levy withholding tax on dividends.

Interest

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

Royalties

Iraq does not levy a specific withholding tax on royalties. See comments regarding tax retentions under “Other.”

Technical service fees

No, but see comments regarding tax retentions under “Other.”

Branch remittance tax

No

Other

Iraq has an extensive tax retention system that applies in respect of payments to nonresidents under contracts that are considered to constitute “trading in” Iraq. The applicable tax retention rates can go up to 10%, depending on the nature of the contract.

Payments made under contracts that fall within the scope of the oil and gas tax law should be subject to withholding tax at a rate of 7%.
The tax authorities recently announced that a withholding tax rate of 3.3% is applicable to payments made contracts that fall outside the scope of the oil and gas tax law. In practice, this rate may vary depending on the industry.

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%.

Personal income tax in the Kurdistan Region is applied at a flat rate of 5% on income exceeding IQD 1 million per month.

Real property tax

No

Social security

The employer deducts 5% from an employee's salary and makes a 12% or 25% contribution of its own.

The social security contributions in the Kurdistan Region are 5% for employees and 12% for employers.

Stamp duty

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

Transfer tax

A tax of between 0% and 6% is levied on the transfer of land, with the rate depending on the value of the transfer.

Anti-avoidance rules

Transfer pricing

There are no specific transfer pricing guidelines, but 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

Disclosure requirements
No

Administration and compliance

Tax year
Calendar year

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

Filing requirements
The corporate tax return must be filed by 31 May following end of the taxable year.

Penalties
Penalties on unpaid or late paid tax are as follows: 5% of the amount outstanding if payment is not made within 21 days of the due date; an additional 5% will apply if the tax still is outstanding after a further 21 days (i.e. 42 days in total). Interest runs from the due date of payment until the date the tax is finally settled.

The tax legislation also provides that penalties of up to 25% may be assessed on the income of taxpayers that fail to maintain appropriate accounting records for tax purposes.

In the Kurdistan Region, penalties on unpaid or late paid tax generally are limited to an amount of 10% of the tax liability, up to a maximum per year of IQD 75,000.

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 their residence status.

Residence
An Iraqi individual who is present in Iraq for at least four months during a tax year is considered a resident. A non-Iraqi individual is deemed to be resident in Iraq if he/she is present for at least four consecutive months or a total of six months during the tax year or if he/she is employed by an Iraqi entity.

Filing status
N/A

Taxable income
Most sources of income are taxable, unless specifically exempted.

Capital gains
Capital gains derived by individuals are treated as income and taxed at the individual's tax rate.

Rates
Progressive rates up to 15% apply.

In the Kurdistan Region, a 5% tax is imposed on salaries exceeding IQD 1 million.

Other taxes on individuals

Capital duty
No

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

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

Social security

The employer deducts 5% from an employee's salary and makes a 12% or 25% contribution of its own.

The social security contributions in the Kurdistan Region are 5% for employees and 12% for employers.

Administration and compliance

Tax year	Calendar year

Filing and payment

Employers are required to withhold taxes on behalf of employees and pay the tax to the tax authorities by the 15th of each month, and to submit annual tax returns on behalf of their employees. The annual employment tax declaration must be made before 31 March of the year following the tax year.

Employment taxes in the Kurdistan Region must be paid before 30 June of the year following the tax year.

Penalties

See above under "Corporate taxation."

Value added tax

Taxable transactions	No
Rates	No

Registration
No

Filing and payment
No

Source of tax law

Federal Iraq
Income Tax law No.113 of 1982, as amended through 2003, along with supporting instructions and circulars issued by the tax authorities.

Kurdistan Region
Income Tax Law No. 5 of 1999.

Tax treaties
Iraq has entered into few material treaties with other jurisdictions. Iraq is a signatory to the Arab Economic Union Council Agreement, although to date, practical application of this agreement in Iraq has been limited.

Tax authorities

Federal Iraq
General Commission of Taxation

Kurdistan Region
Income Tax Directorate

International organizations
Undergoing accession process for WTO

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Jordan

Investment basics

Currency	Jordanian Dinar (JOD)
Foreign exchange control	No

Accounting principles/Financial statements

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 addbacks and distributions to banks and other financial institutions.

Capital gains

Income derived from capital gains generally is exempt, except for capital gains on 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/sectors from investments within 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.

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 nonresident is subject to a 7% withholding tax, unless the rate is reduced under a tax treaty.

Banks and financial institutions, 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 nonresident 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 nonresident 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 nonresident 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

Contracts signed in Jordan are subject to a stamp duty fee of 0.3% of the contract value. Contracts signed with a governmental body or with public shareholding companies are subject to a stamp duty fee of 0.6% of the contract value.

Transfer tax

No

Anti-avoidance rules

Transfer pricing

No

Thin capitalization

Deductions are allowed for interest and profit-sharing paid by nonbanks, nonfinancial companies and nonleasing 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 four months of the end of the accounting period, and tax is payable with the return. In certain cases, tax may be paid by installment.

Penalties
Late payment fees are imposed at 0.4% for each week of delay. A penalty of JD 500 applies for late filing by public 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 nonresident 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 penalty of JOD 50 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 a higher rate applying to certain luxury items. Certain items are exempt.

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 be filed every two months, with tax due paid at that time.

Source of tax law

Income and Sales Tax Law

Tax treaties

Jordan has signed approximately 30 tax treaties.

Tax authorities

Income Tax and Sales Tax Department

International organizations

OECD, WTO

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Kuwait

Investment basics

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;
- under the Foreign Direct Investment Law No. 8 of 2001, as amended by Law No. 116 of 2013; or (4) 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 on 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 all Kuwait sources of income.

Taxable income

Income tax is levied on net profits (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 tax due on such dividends.

Capital gains

Capital gains derived from 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 three years to be offset against future taxable profits. The 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 has merged with another corporate body. 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 for up to 10 years is available under the Foreign Direct Investment Law No. 8 of 2001, as amended by Law No. 116 of 2013.

Withholding tax
Dividends
A 15% withholding tax is levied on dividends distributed by fund managers, Investment custodians and corporate bodies.

Interest	No
Royalties	No
Technical service fees	No
Branch remittance tax	No

Other taxes on corporations

Capital duty	No
Payroll tax	No
Real property tax	No

Social security
Both the employer and Kuwaiti employees make social security contributions based on the employee's salary (up to a ceiling of

KWD 2,750 per month). The contribution rates are 11.5% and 8% 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 nongovernment agencies.

Kuwaiti shareholding companies (both listed and unlisted, 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 the following:
- Materials imported by foreign entities operating in Kuwait: 15% on materials imported from the head office; 10% on materials imported from related companies; and 5% on materials imported from unrelated companies.

- Design work carried out outside Kuwait: 25% on design work conducted by the head office; 20% on design work conducted by related companies; and 15% on design work conducted by unrelated companies.
- Consulting work carried out outside Kuwait: 30% on consulting work conducted in the head office; 25% on consulting work conducted by related companies; and 20% on consulting work 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 normally is the calendar year. However, with the permission of the Director of the Income Tax Department, a taxable entity may 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 three and a half 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 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 will not be considered.

Tax can be settled in a lump sum or can be paid in four installments on the 15th day of the fourth, sixth, ninth 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 installment.

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.

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 8% of salary to the Public Institution for Social Securities; the employer also contributes 11.5%.

Value added tax

Taxable transactions

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

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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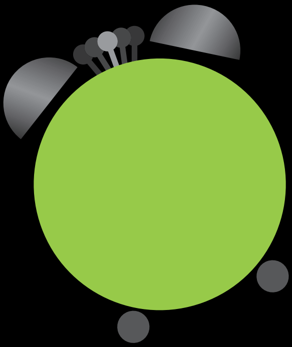

Lebanon

Investment basics

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 company.

Corporate taxation

Residence
An entity is resident if it is registered in accordance with Lebanese law.

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 revenue less eligible expenses, except for insurance companies, public contractors, oil refineries and international transport where taxable income is calculated as a percentage of total revenue.

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 three 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 two years. No capital gains 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 (it is subject only to an annual lump sum tax 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 to a resident or nonresident entity 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; other interest paid is subject to a 10% withholding tax, unless the rate is reduced under a tax treaty.

Royalties

Royalties paid to a nonresident 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 nonresident 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 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 three 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 20,000 per year, of which 2% is the employee share; and
- an end-of-service indemnity scheme equal to 8.5% applicable on total earnings. Contributions are made 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 nonresident).

Thin capitalization
No

Controlled foreign companies
No

Other
A foreign company must obtain approval via a ministerial decree to acquire more than 3,000 square meters in land.

Disclosure requirements
No

Administration and compliance

Tax year

The calendar year is the tax year, 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/calendar year, unless the company has different authorized fiscal year. In that case, the return must be filed within five months from the end of the reporting period.

Penalties

Failure to submit a return is subject to a penalty of 5% per month, capped at 100%; a delay in payment also is subject to a penalty accruing at a rate of 1% (1.5% for withholding tax and VAT) per month. If the tax authorities adjust the tax return, a 20% penalty is imposed on the difference between the net tax owed and the net tax due.

Rulings

No

Personal taxation

Basis

Resident and nonresident individuals are taxed only on Lebanese-source income.

Residence

The current domestic tax law is silent about the period that triggers individual residence; however, an applicable tax treaty may define a period for residency.

Registration as a licensed professional in Lebanon triggers residence; however, a person who is not registered as a professional also can be a resident.

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

Taxable income
Taxable income comprises income from employment and income from a profession, personal establishment or partnership. Personal taxable income does not include dividends or interest.

Capital gains
10%

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

Rates
Progressive rates up to 21%.

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

Social security

There are three 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 20,000 per year of which 2% is the employee share; and
- a termination indemnity scheme equal to 8.5% applicable on total earnings. The contributions are made by the employer.

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

Failure to submit a return is subject to a penalty of 5% per month, capped at 100%; a delay in payment also is subject to a penalty accruing at a rate of 1% (1.5% for withholding tax and VAT) per month. If the tax authorities adjust the tax return, a 20% penalty is imposed on the difference between the net tax owed and the net tax due.

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 turnover exceeds USD 100,000 for four consecutive quarters must register for VAT purposes; otherwise registration is voluntary from the starting date of the activity.

Filing and payment
VAT returns must be filed and tax must be 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, 30 of which are in effect.

Tax authorities
Ministry of Finance

International organizations
IMF, UN, Arab League, Arab Monetary Fund

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Libya

Investment basics

Currency

Libyan Dinar (LYD)

Foreign exchange control

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

Accounting principles/financial statements

Libyan CPA standards, although most entities apply International Financial Reporting Standards (IFRS). Financial statements (audited by a Libyan licensed accounting firm) must be filed annually.

Principal business entities

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

Corporate taxation

Residence

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

Basis

Any income generated in Libya from assets held in Libya or work performed therein should be subject to income tax in Libya.

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

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

Taxation of dividends
Dividends are not taxed in Libya.

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

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

Rate
20%

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

Alternative minimum tax
No, but because the tax authorities can challenge transactions that do not appear to be on arm’s length terms, etc., deemed profit taxation has a similar result in Libya.

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

Participation exemption

No

Holding company regime

No

Incentives

Law No. 9 of 2010 (Promotion of Investment) is designed to encourage the investment of national and foreign capital in Libya. The law provides tax benefits to companies that can contribute to the diversification of the local economy, the development of rural areas, the increase of employment, etc.

The tax exemptions applicable to companies registered/governed by Law No. 9 include: an exemption from customs duties on machinery and equipment; a five-year exemption from income tax; an exemption from tax on dividend distributions and profits generated as a result of merging, selling, dividing or changing the legal form of the enterprise; an exemption for profits generated from the activity of the enterprise if they are reinvested; and an exemption from stamp duty.

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) generally are taxed as ordinary income on the basis the asset is held/used in Libya.

Technical service fees

Income from work performed in Libya is considered Libyan source income and is subject to tax accordingly.

Branch remittance tax

No

Other taxes on corporations

Capital duty

No

Payroll tax

The employer is responsible for withholding and remitting payroll tax.

Social security

Social security contributions must be made by the employer at a rate of 11.25% for foreign companies and at a rate of 10.50% for companies with a Libyan participation, calculated on gross wages and salary. The employee contributes 3.75%.

Stamp duty

Stamp duty is levied at varying rates (there are certain fixed duties as well), typically between 1% and 3%, on the execution of documents. Stamp duty of 0.5% is levied on 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 under the general anti-avoidance provisions.

Thin capitalization

No

Controlled foreign companies
No

Other
Libya has a general anti-avoidance rule.

Disclosure requirements
No

Administration and compliance

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

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

Filing requirements
The annual return must be supported by audited financial statements (a balance sheet, profit and loss statement and a statement of operations). The financial statements must be audited by a Libyan licensed accounting firm.

The return must be filed within four months of the end of the tax year.

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

Rulings
No

Personal taxation

Basis
Individuals are taxed on Libya-source income.

Residence

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

Filing status

N/A

Taxable income

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

Capital gains

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

Deductions and allowances

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

Rates

The payroll tax rates are as follows: annual taxable income of less than LYD 12,000 is subject to a 5% tax rate and annual taxable income above LYD 12,001 is subject to a 10% rate. An exemption generally applies for income below LYD 1,800 (for a single individual) or LYD 2,400 (for a married adult who has no dependent children). In addition, married individuals have an exemption of LYD 300 for every minor child. Special rates apply to certain professional income.

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 contributes 11.25% (in the case of a foreign company) or 10.50% (in the case of a company with a Libyan participation) of gross wages/salary/etc., 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 other noncompliance.

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 and Regulations of Income tax No. 7 of 2010, Stamp Law No. 12 of 2004 and Law No. 8 of 2012

Tax treaties

Libya has approximately 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

Investment basics

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. Mauritanian entities are taxed based on the territoriality principle.

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

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

Taxation of dividends
Dividends received by a Mauritian corporate shareholder are excluded from the taxable base provided the dividends were subject to withholding tax.

Capital gains

Capital gains are treated as ordinary income and are subject to corporate income tax of 25%. However, the tax implications may be different if the entity commits to reinvest the proceeds to acquire new fixed assets in Mauritania within three years of the fiscal year after the year of the sale.

Losses

Tax losses may be carried forward for five years from the end of the loss-making accounting period. The carryback of losses is not permitted.

Rate

The standard corporate tax rate is 25%.

As from 1 January 2013, a nonresident entity that does not have a permanent establishment in Mauritania, but that sells goods or provides services in Mauritania can elect to be subject to simplified taxation by way of withholding. The applicable rates are 7% and 15% of the contract value for the sale of goods and the provision of services, respectively.

A simplified tax regime is available for oil and gas subcontractors executing contracts that have a term of less than 12 months. 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 (IMF) at a rate of 2.5% of turnover. There is a tax minimum payment of MRO 750,000.

Foreign tax credit

A foreign tax credit generally is not available.

Participation exemption	No
Holding company regime	No

Incentives
Exemptions and benefits may apply when a specific agreement is concluded with the government.

Withholding tax
Dividends
Dividends paid to an entity (whether resident or nonresident) are subject to a 10% withholding tax.

Interest
Interest paid to an entity (whether resident or nonresident) is subject to a 10% withholding tax.

Royalties
Royalties paid to a nonresident are subject to a 3% withholding tax.

Technical service fees
Technical service fees paid to an entity (whether resident or nonresident) are subject to 3% withholding tax.

Branch remittance tax
Branch remittances are subject to a 10% withholding tax.

Other taxes on corporations
Capital duty	No

Payroll tax
See under “Personal taxation” below.

Real property tax	No

Social security

An employer is required to remit social security contributions in respect of an employee's gross salary at a rate of 15% (capped at a monthly base of MRO 70,000).

Stamp duty

No

Transfer tax

No

Other

Various indirect taxes 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, but if the interest rate applied by the company exceeds the official rate of the central bank, the additional interest is disallowed for corporate tax purposes.

Controlled foreign companies

No

Disclosure requirements

No

Administration and compliance

Tax year

The calendar year is typically the fiscal year.

Consolidated returns

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

Filing requirements

During the course of the fiscal year, two installments should be made. The tax return must be filed by 31 March of the year following the fiscal year, with any balance of tax paid by 30 April.

Penalties

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

Rulings

No

Personal taxation

Basis

Personal income tax is applicable for both Mauritanian nationals, and non-Mauritanian nationals who have Mauritanian source income. Non-Mauritanian nationals also are subject to tax on the salary paid outside of Mauritania in respect of work performed in Mauritania.

Residence

There is no specific definition of residence for personal income tax purposes.

Filing status

N/A

Taxable income

Personal income tax is levied on salaries and related benefits and allowances paid by public and private entities to the extent the work is carried out in Mauritania, regardless of whether the employer or beneficiary is resident in Mauritania.

Capital gains
The disposal of property held by an individual is subject to tax in Mauritania.

Deductions and allowances
Various deductions are allowed including mandatory social security, pensions and contributions.

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 for social security is 1% of monthly salary (capped at a monthly base of MRO 70,000). This should be withheld from the salary in the monthly payroll.

Administration and compliance

Tax year	Calendar year

Filing and payment

The employer is required to make monthly and annual tax filings in respect of 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 should be filed for the year before 15 February of the of the following year.

Generally, no separate personal/individual tax filing is required.

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 telecommunications services.

Registration

Entities are required to register for VAT purposes within 10 days of the date of incorporation or the date activities commence.

Filing and payment

Companies are required to file VAT returns and pay VAT on a monthly basis by the end of the following month.

Source of tax law

General Tax Code

Tax treaties

Mauritania has only concluded two tax treaties (France and Senegal). A multilateral treaty has been concluded with the Maghreb Union Countries.

Tax authorities

Mauritanian Tax Authorities "Direction Generale des Impots"

International organizations

WTO, UNCTAD, WHO

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Oman

Investment basics

Currency

Omani Riyal (OMR)

Foreign exchange control

The Sultanate of Oman has a free economy. 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. US companies, however, can own up to 100% of the capital under a free trade agreement between the US 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 types of PE, the provision of consultancy and other services in Oman for 90 days or more in the aggregate within a 12-month period and dependent agents.

Taxable income

Taxable income is gross income for the tax year after deducting expenses and/or making adjustments for disallowed expenses or exemptions.

Taxation of dividends

Dividends received by a company from another company are not taxable, but dividends received from an overseas foreign company are subject to tax.

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 such gains. Gains from the sale of local listed shares, however, are exempt.

Losses

Losses may be carried forward and set off against taxable income for five years. However, losses incurred during a tax holiday period may be carried forward indefinitely. The carryback of losses is not permitted.

Rate

A flat 12% rate applies to all businesses, including branches and PEs of foreign companies, with taxable income exceeding OMR 30,000. Income from the sale of petroleum is 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 five-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 incentives include a five-year exemption from income tax following the date of incorporation 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 an additional period (not exceeding five 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 or the 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

No

Others

Foreign companies that do not have a PE in Oman and that derive Omani-source income through management fees, consideration for the use or the right to use computer software and consideration for R&D 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

The employer must contribute an amount equal to 9.5% of the monthly salary of its Omani employees for social security (covering old age, disability and death); and 1% of the monthly salary 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

Thin capitalization rules require a debt-to-equity ratio not exceeding 2:1 for interest to be deductible.

Controlled foreign companies

No

Other

If a related party transaction results in a lower income or higher costs, the transaction may be set aside and the taxable income will be computed as if the transactions were with unrelated parties.

Disclosure requirements

Related party transactions must be disclosed.

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 usually are 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 of the PEs and the amount of tax payable will be based on the aggregate of the taxable income of the PEs.

Filing requirements

Companies must file a provisional tax return within three months following the end of the accounting year and make a payment of the estimated tax. An annual income tax return, accompanied by audited financial statements, must be filed by within six months of the end of the accounting year, and any tax due must be paid at that time.

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 noncompliance, including an additional assessment of up to 50% of the value of the tax payable by the corporation.

Rulings

Rulings generally 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
Inheritance/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
Oman does not levy a VAT or sales tax.

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 24 income tax treaties and three 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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Palestinian Territories

Investment basics

Currency
New Israeli Shekel (NIS)

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 nonresidents can hold bank accounts in any currency.

Accounting principles/financial statements
IAS/IFRS is required for 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 taxable income in Palestine computed in accordance with the tax law.

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 the gains realized from trading in equity securities and bonds. Taxable income of resident persons and companies includes foreign income derived from their funds or deposits in Palestine.

Taxable income is computed on an accrual basis, except for interest and commissions on doubtful debts of financial institutions, which are taxable on a cash basis. Taxable income of certain professions is computed on a cash basis in accordance with directives issued by the tax director.

Taxation of dividends
Dividends received from resident entities 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 is exempt.

Losses
Taxable losses may be carried forward for five years, but may not be carried back. Taxable 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; however, the general practice of the tax department is to exempt revaluation gains.

Rate
The corporate tax for resident and nonresident entities is 15% on net income up to NIS 125,000, and 20% on net income in excess of that amount.

The general tax rules apply to insurance companies as financial institutions, except that life insurance premiums are taxed at a flat rate of 5% of premiums.
Surtax

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 distributed by a resident entity.

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.

Technical service fees
Payments made as technical service fees are subject to a 10% withholding tax.

Branch remittance tax
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.

Social security
No

Stamp duty
No

Transfer tax
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 returns of incorporated entities: audited financial statements and related notes; and reconciliation between financial income and taxable income approved by a licensed auditor.

Administration and compliance
Tax year
The tax year generally is the calendar year. Approval must be obtained to use a 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 tax 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 four months of the end of the tax year. If the tax return is filed within one month of the end of the tax year, a discount of 4% is given on the balance of tax as per the self-assessment (after deducting tax advances made on which a discount was previously given), or a discount of 2% is given if the tax return is submitted during the second or third month after the end of the year.

Penalties
A penalty equal to 3% of the tax liability per month, up to a maximum of 20%, is imposed for the late payment of tax. The minimum penalty is NIS 3,000 for corporations. Penalties at 2% per month also apply for the late payment of payroll and withholding tax.

Rulings
No

Personal taxation
Basis
Palestinian residents and nonresidents are taxed only on income sourced in Palestine.

Residence
Residence may be established as follows:
- a Palestinian individual who has resided and maintained his/her principal business activities in Palestine for 120 days during the year; or

- a non-Palestinian individual who has resided in 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 unless approved by the tax department.

Taxable income

Taxable income comprises income from all sources (unless specifically exempt by law), less allowable expenses incurred in the production of the 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 is exempt.

Deductions and allowances

Individual income is reduced by a standard deduction of NIS 30,000 per year. There is a one-time deduction of NIS 30,000 for the purchase of a residence, or NIS 4,000 per year in interest deductions on a home mortgage for a maximum period of 10 years. A university education deduction of NIS 6,000 per year is granted for up to two dependents in university. Up to 10% of an individual's salary is tax-exempt as a transportation cost.

Rates

Individual income tax is charged at progressive rates from 5% to 20%. The first NIS 40,000 is taxed at 5%, the next NIS 40,000 at 10%, the third NIS 45,000 at 15% and the remainder at 20%.

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 income tax liability and 40% is deducted as an expense 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 four months of the end of the tax year.

Penalties
Penalties are imposed for a late payment of tax.

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 16%. Certain transactions are zero-rated or exempt. For financial institutions, VAT is levied at a rate of 16% on gross salaries and on taxable income. VAT paid on salaries is not deductible in the computation of VAT on taxable income. VAT paid on salaries and on taxable income is deductible 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 on a monthly basis or other basis as required.

Source of tax law

Income Tax Law No. 8 of 2011

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

Investment basics

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 body corporate 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. A 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, income derived from contracts wholly or partly performed in Qatar, income from real estate in Qatar, fees paid for services performed for a head office, branch or related company, and income derived from the exploration, extraction or exploitation of natural resources 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. Foreign companies selling shares in Qatar-based companies will be subject to tax at 10% on the gain.

Losses
Losses may be carried forward for up to three years. The carry back 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 Qatari Added tax or 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 nonresident 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 antiavoidance 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 six 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 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 some speculation that VAT may be introduced in the future.

Rates
N/A

Registration
N/A

Filing and payment
N/A

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

Tax treaties
Qatar has concluded more than 40 tax treaties.

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

International organizations
Arab League, GCC

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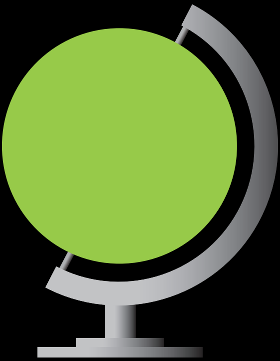

Saudi Arabia

Investment basics

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 in Saudi Arabia 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 nonresident 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 a Saudi's share. Citizens of Gulf Cooperation Council countries are treated as Saudis.

The tax base for a resident corporation is the non-Saudi's share of income subject to tax from any activity in Saudi Arabia, less allowable expenses. The tax base for a nonresident 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

The rate is 20% on a non-Saudi's share in a resident corporation and on income derived by a nonresident from a PE in Saudi Arabia. The rate on taxpayers working in the exploitation of natural gas sector is 30%, and the rate on taxpayers engaged in the production of oil and hydrocarbons is 85%.

Zakat is assessed at 2.5% on the Zakat base of a Saudi shareholder.

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

- there is a minimum holding of 10%;
- the investment is held for no less than one year; and
- the income of the subsidiary was subject to tax in Saudi Arabia. Limited rules also exist for groups wholly subject to Zakat.

Incentives

The Saudi government grants 10-year tax incentives on investments in the following six underdeveloped provinces in Saudi Arabia: Hail, Jizan, Abha, Northern Border, Najran and 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 nonresident, unless the rate is reduced under a tax treaty.

Interest

A 5% withholding tax is levied on interest paid to a nonresident, unless the rate is reduced under a tax treaty.

Royalties

A 15% withholding tax is levied on royalties paid to a nonresident, 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 nonresident, 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

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. The 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 support a different date.

A taxpayer may use a different tax year in the following circumstances:
- the different year was approved by the Directorate before 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 exceeds SAR 1 million before the deduction of expenses must have the accuracy of the return certified by a licensed certified accountant. Additionally, audited financial statements must be filed with the Ministry of Commerce within six 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, nonresidents 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 he/she either 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

Only individuals that carry on a business or profession must file.

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.

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 speculation that VAT may be introduced in the future, but this has not been confirmed.

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 signed 33 tax treaties. Treaty benefits can be obtained through either the refund method or the relief at source method. However, documentation requirements are different under these methods.

Tax authorities
Department of Zakat and Income Tax (DZIT)

International organizations
GCC, WTO

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South Sudan

Investment basics

Currency

South Sudanese Pound (SSP)

Foreign exchange control

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

Accounting principles/Financial statements

Financial statements must be presented in accordance with applicable relevant laws and IFRS, unless otherwise allowed by the relevant authorities.

Principal business entities

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

Corporate taxation

Residence

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

A registered entity in South Sudan is classified as a small, medium or large private enterprise. Small enterprises are restricted to South Sudanese nationals. Medium and large private enterprises must have at least a 31% South Sudanese interest (except for local branches of foreign companies.

Basis

Resident companies are liable to tax on their worldwide income; nonresident companies pay tax only on South Sudan- source profits.

Taxable income

Taxable income generally consists of worldwide income for resident companies, less expenditure incurred wholly and exclusively in the production of the income for the year.

Taxation of dividends

Dividends received from a resident company are considered South Sudan-source income and are included in business profits. However, dividends paid out of already-taxed profits are exempt.

Capital gains

Capital gains are included in taxable income subject to corporate tax.

Losses

Losses may be carried forward and set off against taxable income for up to five years. The carryback of losses is not permitted.

Rate

The corporate tax rate depends on the classification of the company: the rate is 10% for small enterprises, 15% for medium-size enterprises and 20% for large enterprises.

Surtax

No

Alternative minimum tax

No

Foreign tax credit

A foreign tax credit is granted to a resident taxpayer that earns profits from business activities outside South Sudan through a permanent establishment and pays foreign tax on such income. The foreign tax credit is the foreign tax or the South Sudan tax applied to the 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 on a case-by-case basis, including concessions for machinery and equipment in qualified investment priority areas, capital and deductible annual allowances, certain depreciation and access to land for investment.

Withholding tax

Dividends

A final withholding tax of 10% is levied on the gross payment of dividends, regardless of whether the recipient is a resident or nonresident.

Interest

A final withholding tax of 10% is levied on the gross payment of interest, regardless of whether the recipient is a resident or nonresident.

Royalties

A final withholding tax of 10% is levied on the gross payment of royalties, regardless of whether the recipient is a resident or nonresident.

Technical service fees

No

Branch remittance tax

No

Other

A final withholding tax of 10% is levied on the gross payment of rent, regardless of whether the recipient is a resident or nonresident.

Other taxes on corporations

Capital duty

No

Payroll tax

An employer must withhold tax from an employee's wages (including bonuses and allowances) for the appropriate payroll period. The first monthly average of SSP 300 is exempt; the rate is 10% for SSP 301 to SSP 5,000; and 15% for SSP 5,001 and over.

Real property tax

There is no legislation, although, in practice, rates vary by locality.

Social security

There is no legislation, although, in practice, the employer must contribute an amount equal to 17% of the monthly salary of their Sudanese and expatriate employees for social security and the employee contributes 8%.

Stamp duty

No

Transfer tax

No

Other

All goods brought in or that enter South Sudan are subject to an advance payment of business profit tax at a flat rate of 4%. The tax is based on the customs value of the goods and is paid at the port of entry. A taxpayer that is required to file a tax return and that has made an advance payment on imported goods may obtain a credit against the amount of tax owed for the taxable year.

Anti-avoidance rules

Transfer pricing

The arm's length principle applies to all transactions. The difference between the arm's length price and the transfer price must be included in the taxable profit. The price used in conjunction with asset transactions or contract obligations between related persons is the transfer price. However, the arm's length price will be determined under the comparable uncontrolled price method and when this is not possible, the resale price method or the cost-plus method.

Thin capitalization

No

Controlled foreign companies	No
Other	No
Disclosure requirements	No

Administration and compliance

Tax year

Calendar year, unless the tax authorities approve a different tax year.

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 1 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, the taxpayer must make an advance payment of income tax on a quarterly basis.

Penalties

A penalty of 5% each month accrues on any amount of tax unpaid by the due date. Interest on unpaid tax accrues at the rate of 120% of the commercial rate as from the last due date to the date of payment. An additional charge of 5% of the reported tax liability, up to a maximum of 25%, is levied for failure to submit a return.

Rulings

A binding ruling will be available if 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 worldwide income derived from employment, entrepreneurial activities, leasing income and personal income. Nonresident individuals are taxed only on South Sudan-source income.

Residence

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

Filing status

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

Taxable income

Employment income is taxable unless otherwise exempt. Income from entrepreneurial activities, leasing income, dividends, 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 year is available on employment income. A deduction is granted from gross income in an amount up to 8% of gross wages paid by an employee to a funded pension scheme approved by the government.

Rates

Progressive rates from 0% to 15% apply to personal income.

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

There is no legislation, although, in practice, Sudanese and expatriate private sector employees must contribute 8% of their monthly salary for social security purposes and the employer contributes 17%.

Administration and compliance

Tax year

Calendar year

Filing and payment

The tax return must be filed, and any tax due must be paid, on or before 1 April of the year following the tax period. Generally, employers are responsible for withholding and paying the salary tax due to the tax authorities on a monthly basis. A resident individual engaged in any entrepreneurial activities or receiving leasing income must make an advance payment of income tax on a quarterly basis.

Penalties

A penalty of 5% each month accrues on any amount of tax unpaid by the due date. Interest on unpaid tax accrues at the rate of 120% of the commercial rate as from the last due date to the date of payment.

An additional charge of 5% of the reported tax liability, up to a maximum of 25%, is levied for failure to submit a return.

Value added tax

Taxable transactions

As from May 2013, sales tax applies to the production of goods in South Sudan, the importation of goods into South Sudan and the provision of specified services.

Rates
The rate on importers and producers of goods is 0% for small enterprises and 5% for medium and large enterprises. The taxable basis is the value of the goods of services, depending on whether the entity is a small, medium or large business. A fixed 5% rate applies to hotel, restaurant and bar services.

Registration
There is no separate registration required for sales tax purposes.

Filing and payment
The tax return is due no later than the 15th day of the month following the action that gave rise to the tax liability. Payment of sales tax on imported goods is due prior to importation, or no later than the time of import at the border.

Source of tax law
Taxation Act of 2009, Taxation Amendment Act of 2012, Companies Act of 2012 and Investment Promotion Act of 2009

Tax treaties
South Sudan has not concluded any tax treaties.

Tax authorities
Directorate of Taxation

International organizations
African Union (AU) and United Nations (UN)

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Sudan

Investment basics

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, VAT 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 two preceding basis periods for a period exceeding, in total, 12 months.

Basis

Resident companies are liable to tax on their worldwide income, while nonresident 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 nonresident 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 five 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.

A 3% social development tax applies to 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 Minister 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 upon the recommendation of the Minister 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

Sudan does not levy withholding tax on dividends.

Interest

A final withholding tax of 7% is imposed on interest payments made to a nonresident company.

Royalties

A final withholding tax of 15% is imposed on royalty payments made to a nonresident 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 a nonresident subcontractor 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 nonresident 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 a Sudanese employee 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, but 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 nonresident 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 three 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 nonbinding 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. Nonresidents 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 two 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 duty is 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 generally is 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 three 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 17%, with a special 30% rate 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 six tax treaties.

Tax authorities

Ministry of Finance & 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

Investment basics

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 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 nonresident corporation, however, are subject to tax upon distribution in Syria at a rate of 7.5%.

Capital gains
Capital gains derived by a company 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 five 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; 15% for insurance companies 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.

A temporary reconstruction fee of 5% is imposed on all direct and indirect taxes (except payroll tax).

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 nonresident is subject to a 7.5% withholding tax.

Royalties
Royalties paid to a nonresident 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
Tax must be paid to the Commission on Financial Markets and Securities on an initial public offering or a subsequent capital increase. 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% to 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 generally is 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 (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 payment of tax 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 are not taxable in Syria.

Wages and salaries tax is imposed on an individual who derives income

- from a private treasury if he/she is 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 levied at progressive rates ranging from 5% to 22%, with the first SYP 10,000 exempt.

Other taxes on individuals
Capital duty
No

Stamp duty
Stamp duty generally is 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 payment of tax up to 30% of the tax liability (10% for each year for up to three 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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UAE

Investment basics

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 five of the seven Emirates (i.e. Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Qaiwan, Ras Al Khaimah and Fujairah), but currently are 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
There are no withholding taxes in the UAE.

Other taxes on corporations

Capital duty	No
Payroll tax	No

Real property tax
A transfer charge is levied on the transfer of real property. The rate varies according to the local jurisdiction.

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 certain hotel and leisure 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 within 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
There are no compliance obligations on companies in the UAE.

Personal taxation
Basis
Individuals are not taxed on their income.

Other taxes on individuals
Capital duty
No

Stamp duty
No

Capital acquisitions tax
No

Real property tax
A transfer charge is levied on the transfer of real estate property. The rate varies according to the local jurisdiction.

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

There are no compliance obligations on individuals in the UAE.

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.

Source of tax law

Income tax decrees issued by five of the seven Emirates (Dubai, Sharjah, Abu Dhabi, Ajman and Fujairah) make up the UAE tax laws.

Tax treaties

The UAE has concluded around 60 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

Investment basics

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 Yemen and carry out its services or commercial business in Yemen. The shareholding may be increased up to 100% for companies set up under Free Zone Law No. 4/1993 and Investment Law No. 15 of 2010.

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 the capital is owned by the state or a public legal person) in Yemen or is a concession company operating in Yemen.

Basis
The tax law classifies taxpayers as large, medium and small-sized and a special regime applies to small and "micro" firms. A resident company is liable to tax on worldwide profits. A nonresident 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

Corporation tax is imposed on taxable income, which consists of income from manufacturing, services and trading activities, less allowable deductions.

Capital gains

Capital gains are taxed as normal business income and subject to tax at the normal corporate rate.

Losses

Losses may be carried forward up to five 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 telecommunications 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 Investment law is 15%.

Small firms (i.e. firms whose annual turnover is more than YER 1.5 million but less than YER 20 million and that have between three and nine employees) are subject to progressive rates ranging from 10% to 20%, depending on the type of activities.

Micro entities (i.e. entities whose annual turnover is less than YER 1.5 million and that have fewer than three 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 income tax law abolished all incentives and exemptions available under other laws, although 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 five years of a mining sector project when the investment exceeds USD 150 million.

Incentives offered on early tax return filing range from 1.5% to 0.5%.

Withholding tax
Dividends
No withholding tax is levied on dividends paid to a resident entity, but dividends paid to a nonresident entity are taxed at a rate of 10%.

Interest
No withholding tax is levied on interest paid to a foreign bank approved by the Yemeni central bank; otherwise, the rate is 10%.

Royalties

A 10% withholding tax applies on payments made to a nonresident in respect of commissions, patents, trademarks and copyright royalties.

Technical service fees

A 10% withholding tax applies on fees paid for the transfer or use of technology/licenses, payments for technical know-how and administrative knowledge and service fees paid to a nonresident. The 10% rate also applies to payments made to a resident or nonresident in respect of brokerage and commissions. The rate is 3% for fees paid to resident technical and professional services providers.

Branch remittance tax

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 salary and remits it to the government on behalf of the employee. A company also is 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 one month's rent and a 1% tax 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 (ministries, departments, public and semi-public establishments) 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; methodologies for establishing the arm’s length price have been introduced in executive regulations.

Thin capitalization
The thin capitalization rules set a general debt-to-equity ratio of 70:30. If interest is paid to an affiliated party, the loan interest amount may not exceed the prevailing international rates or the central bank rate, plus 4%. Interest exceeding these amounts is nondeductible.

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 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 losses; 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, failing to maintain regular accounts, etc.

Rulings

No

Personal taxation

Basis

Resident individuals are taxed on worldwide income; nonresidents are taxed only on income earned from Yemen.

Residence

An individual is resident in Yemen for a tax year if he/she is 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

Each individual must file a return (if so required); joint returns are not permitted.

Taxable income

Resident individuals are taxed on income from employment or commercial or industrial activities and noncommercial activities (i.e. the exercise of a profession) earned inside Yemen, as well as foreign-source income. 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 nonresident from a PE in Yemen and salaries, rewards and allowances paid to the chairman, members of the administration board and managers of capital associations.

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 the following: YER 10,000 plus 6% of gross salary being employee's social security contribution and allowances up to YER 65,000 maximum.

Rates

The rate is 10% to 15% for resident salaried individuals and a flat rate of 20% for nonresidents.

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 one 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
The tax return must be submitted to the tax authorities within 120 days from the end of the tax year.

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 responsible for tax payment 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

A 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 of 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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