Middle East tax handbook
Confidence to turn change into opportunity

Deloitte
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I am pleased to present the new edition of the Deloitte Middle East Tax Handbook – a comprehensive guide to help you keep abreast of regional tax rates and regimes.

Change is the one constant. In today's global tax environment and the fast shifting reality in the Middle East, it is important to be able to lead through uncertainty.

The Deloitte Middle East Tax practice is committed to providing businesses with the clarity, connection and confidence that they need in order to navigate the ever-evolving landscape. Changes in regulation and tax reform continue to rise in the Middle East.

We are in the midst of witnessing the implementation of key initiatives stemming from the Base Erosion and Profit Shifting (BEPS) project developed by the Organization for Economic Co-operation and Development (OECD). Over the last period, major economies in the Middle East have joined the OECD/G20 Inclusive Framework (IF) on BEPS and thus committed to implementing the BEPS minimum standards focusing on countering harmful tax practices, abuse of tax treaties and transfer pricing (TP).

With the commitments made, the TP landscape in the region will fundamentally change over the next couple of months and years along with a plethora of new regulations. Evidence of this sea change is the introduction of the TP Bylaws in the Kingdom of Saudi Arabia (KSA) earlier this year.

Most countries in the Middle East have also signed the Multilateral Convention to Implement Tax Treaty Related Measures (MLI), which will modify and/or complement the existing bilateral tax treaties these countries have in place. This in particular concerns elevated measures aimed at preventing the abusive application of tax treaties and their
benefits respectively, as well as a broadening of the permanent establishment (PE) rules. Further, jurisdictions with no or only nominal tax (NOONs) are required to implement so-called economic substance (ES) legislation aimed at preventing offshore structures or arrangements attracting profits which do not reflect real economic activity in the jurisdiction. The United Arab Emirates and Bahrain issued ES legislation in 2019.

Lastly, the introduction of indirect taxes, especially Value Added Tax (VAT), across the region is ongoing. After the introduction of VAT in KSA and the UAE, Bahrain implemented VAT on 1 January 2019. We are expecting other GCC countries to implement VAT later this year. Due to a number of factors such as strict application of penalties, the application of indirect taxes have proven to be a very contentious area, and will therefore continue to pose real challenges as well as regulatory risks to MENA-based businesses.

In view of the above developments and increased regulation, MENA-based businesses are advised to develop a tax strategy for the region. GCC business executive teams will also need to work closely with their technology partners to agree and implement the right tax technology architecture, especially that building a high performing tax function is critical to tax transformation success. Effective use of technology, including data management, and analytics, is a key piece of this. Deloitte’s tax technologists bring a wealth of technology and tax knowledge, and a disciplined approach, to create added value. All these changes intensify the spotlight on tax leaders and professionals.

We want to gain a deeper understanding of challenging issues facing your business and want to help you to be confident and embrace innovation, leading in the midst of uncertainty. This is how we will find more efficient ways to meet the ever-expanding needs of today, tackle tomorrow’s challenges, and add value.

Nauman Ahmed
Middle East Tax Leader
Recent developments:  
For the latest tax developments relating to Bahrain, see Deloitte tax@hand.

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 limited liability company (WLL) and single person company (SPC). Other legal forms include a branch of a foreign company, partnership, “simple commandite” company and holding company. The minimum capital requirements in the Commercial Companies Law have been reduced for shareholders of a WLL and SPC.

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

Basis:  
There is no corporate tax for most companies in Bahrain, but corporate income tax is levied on the profits of oil, gas and petroleum companies from carrying out exploration, production and refining activities in Bahrain.

Taxable income:  
Oil, gas and petroleum companies are assessed for corporate income tax on their net profits from taxable activities in
Bahrain, calculated as business income less business expenses.

**Taxation of dividends**
No

**Capital gains**
No

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

**Rate**
A tax rate of 46% is levied on net profits (taxable income) of oil, gas and petroleum companies engaged in exploration, extraction, production and refining.

**Surtax**
No

**Alternative minimum tax**
No

**Foreign tax credit**
No

**Participation exemption**
No

**Holding company regime**
No

**Incentives**
No

**Withholding tax**
There are no withholding taxes in Bahrain.

**Other taxes on corporations**

**Capital duty**
No

**Payroll tax**
No

**Real property tax**
No
Social security
For Bahraini nationals, 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. The maximum monthly earnings subject to contributions are capped at BHD 4,000.

Upon the termination of their contract, expatriate workers are entitled to a payment equivalent to one half of one month’s wages for each year of service for the first three years and to one month’s wages for each subsequent year, pro-rated for part years.

Stamp duty
Stamp duty is levied on transfers and/or registration of real estate at a rate of 2% of the property value. The rate is discounted to 1.7% if the duty is paid within 60 days following the transaction date.

Transfer tax
No

Other
A 10% levy is imposed on the gross turnover of hotels and first grade restaurants. Typically, the charge is passed on by hotels and restaurants to customers via their bills.

A 10% municipality tax is levied on the rental of commercial property and residential property occupied by expatriates. Bahrain nationals are exempt from municipality tax for the first rented property.

Anti-avoidance rules
There are no anti-avoidance rules or disclosure rules in Bahrain.

Compliance for corporations
Tax year
Calendar year or the year specified in the company’s articles of association.
Consolidated returns
Consolidated returns are not permitted. Each company must file its own return.

Filing requirements
Oil companies are required to file an estimated income tax declaration on or before the 15th day of the third month of the tax year. Tax must be paid in 12 equal monthly installments, with the first installment payable on the 15th day of the fourth month of the tax year.

Penalties
A penalty of 1% of the tax liability is due for each 30 days that the return or payment of tax is outstanding.

Rulings
No

Personal taxation
There is no personal income tax in Bahrain.

Other taxes on individuals
Capital duty
No

Stamp duty
Stamp duty is levied on property transfers at 2% of the value of the property.

Capital acquisitions tax
No

Real property tax
No

Inheritance/estate tax
No

Net wealth/net worth tax
No

Social security
Bahraini nationals are required to make a 7% contribution, which covers old age, disability, death and unemployment. For expatriate employees, the employee's contribution is 1%,
which covers unemployment. The maximum monthly earnings subject to contributions are capped at BHD 4,000.

Other
Excise tax of 100% applies on tobacco products and energy drinks and 50% on soft drinks.

Compliance for individuals
Tax year
Calendar year

Filing and payment
The employer remits social security contributions (both employer and employee portions) monthly.

Penalties
Penalties of between BHD 100 and BHD 500 apply for failure to provide income information and may be doubled for repeated failures.

Value added tax
Taxable transactions
VAT applies on supplies of goods and services as from 1 January 2019 with 2019 being a transitional year (i.e. VAT will be implemented in a phased approach with three registration deadlines and effective dates, see “Registration” below).

Rates
The standard rate is 5%. Certain supplies are zero-rated.

Registration, filing and payment
For the 2019 transitional year, the phased registration deadlines and effective dates are as follows:
• Businesses with annual taxable supplies (including zero-rated supplies) exceeding BHD 5 million were required to register with the National Bureau for Revenue (NBR) by 20 December 2018, with an effective date of 1 January 2019;
• Businesses with annual taxable supplies exceeding BHD 500,000 but not more than BHD 5 million must register no later than 20 June 2019, with an effective date of 1 July 2019; and
• Businesses with annual taxable supplies exceeding BHD 37,500 but not more than BHD 500,000 must register no later than 20 December 2019, with an effective date of 1 January 2020.

Businesses with annual taxable supplies exceeding BHD 18,750 may voluntarily register for VAT from 1 January 2019 or during the 2019 tax year.

**Filing and payment**
Tax returns must be submitted and payments made using the NBR’s online portal and are due by the last day of the month following the end of the tax period. For 2019, taxpayers with annual taxable supplies exceeding BHD 5 million use quarterly tax periods. For all other taxpayers, the first tax period is the six-month period ending 30 June 2019, followed by two quarterly tax periods. During 2020, taxpayers with annual taxable supplies exceeding BHD 3 million will use monthly tax periods, and all other taxable persons will use quarterly tax periods.

**Source of tax law**
Bahrain Income Tax Law (Amiri Decree 22/1979), Bahrain VAT Law (Decree-Law No. (48) for the year 2018 regarding Value Added Tax, Bahrain Executive Regulations (Resolution No. (12) for the year 2018 on the issuance of the Executive Regulations of the Value Added Tax Law issued under Decree-Law No. (48) for the year 2018.

**Tax treaties**
Bahrain has concluded 40 tax treaties.

**Tax authorities**
Ministry of Finance and National Bureau for Revenue.

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Recent developments:
For the latest tax developments relating to Egypt, see Deloitte tax@hand.

Investment basics

Currency
Egyptian Pound (EGP)

Foreign exchange control
Limited restrictions apply to the export of capital and the repatriation of funds.

Accounting principles/financial statements
Corporate taxable profits are calculated primarily according to Egyptian Accounting Standards and adjusted by specific provisions based on the tax law.

Principal business entities
These include the joint stock company, limited liability company, partnership limited by shares, limited and unlimited partnership, branch and representative office of a foreign company, and the single owner limited liability company.

Corporate taxation

Residence
A company is deemed tax resident in Egypt if it is established according to Egyptian law, if its main or actual center of management is in Egypt or if the government or a public juridical person owns more than 50% of its capital.

Basis
Resident companies are taxed on their worldwide income; nonresident companies are taxed only on Egyptian-source income.
Taxable income
Corporate income tax is imposed on the total profits of a company after deducting the necessary and relevant expenses incurred in deriving the profits (the “tax pool”). Statutory payments to employees under profit-sharing rules may not be deducted for corporate income tax purposes and are not subject to the salary tax.

Taxation of dividends
Under a “dividend exemption” (DIVEX) mechanism, 90% of the dividends received by an Egyptian resident parent company from another entity (whether or not resident in Egypt) are exempt from corporate income tax. The mechanism applies where the resident parent holds at least 25% of the shares of the subsidiary for at least two years before the distribution or, if the holding period is not met at the time of the distribution, the parent commits to hold the shares in the subsidiary for two years. If the ownership is less than 25%, the dividends are excluded from the tax pool together with related costs, based on a formula specified in the law.

For resident parent companies receiving dividends from resident subsidiaries that qualify for the DIVEX mechanism, the effective tax on dividends is 22.5% on 10% of the dividend, in addition to the 5% withheld at source by the subsidiary (effective tax rate of 7.25%).

Capital gains
Capital gains derived by a resident or nonresident company from the sale of shares listed on the Egyptian stock exchange are subject to a reduced 10% corporate income tax rate in a separate income tax pool. However, this tax has been “suspended” (i.e. an exemption is granted) until 17 May 2020; the 10% tax will apply on resident and nonresident sellers after that date (subject to the provisions of an applicable tax treaty).

Capital gains derived by a resident or a nonresident entity from the disposal of unlisted shares in Egyptian companies are included in taxable income and taxed at the standard corporate income tax rate.
Losses
Losses may be carried forward for five years (three years for losses derived from trading in shares). The carryback of losses is not permitted, except for losses incurred by a construction company on long-term contracts.

Rate
The standard corporate income tax rate is 22.5%. Companies engaged in the exploration and production of oil and gas are taxed at a rate of 40.55%.

Surtax
No

Alternative minimum tax
No

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

Participation exemption
See under “Taxation of dividends” and “Capital gains.”

Holding company regime
No

Incentives
Projects established under the free zone system are not subject to tax or duties in Egypt.

The investment law provides fiscal incentives for investment projects established after 31 May in the form of a reduction of the net taxable profits. A deduction equal to 50% of the “investment costs” is granted for investments made in geographic locations most urgently in need of development (designated as Sector A); the deduction is 30% of the investment costs for projects established in Sector B (all other areas). The deduction may be utilized over a maximum period of seven years from the date activity commences, and is capped at 80% of the paid-up capital as at that date.
Withholding tax

Dividends
Dividends paid to a resident or a nonresident entity are subject to a 10% withholding tax. The rate is reduced to 5% where the corporate recipient holds more than 25% of the capital or voting rights in the payer company for at least two years. In cross-border situations, the rate may be further reduced under an applicable tax treaty.

Interest
Interest paid to a nonresident is subject to a 20% withholding tax, unless the rate is reduced under an applicable tax treaty. Tax on interest is withheld at source at the domestic rate and the recipient must apply for a refund to benefit from a reduced withholding tax rate under a treaty, unless an advance ruling is obtained. Interest paid to a nonresident on a long-term loan (i.e. a loan with a term of at least 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 an applicable tax treaty. Tax on royalties is withheld at source at the domestic rate and the recipient must apply for a refund to benefit from a reduced withholding tax rate under a treaty, unless an advance ruling is obtained.

Technical service fees
Outbound payments for "services" trigger, in principle, a 20% withholding tax unless otherwise provided in an applicable tax treaty. It is common for the Egyptian tax authorities to reclassify service payments that are suspected to include a right to use "experience," and apply the withholding tax treatment applicable to royalties.

Branch remittance tax
Profits realized by a branch or permanent establishment of a foreign company are deemed distributed to the head office within 60 days from the year-end and are subject to the 5% dividend withholding tax, subject to the provisions of an applicable tax treaty.
Other taxes on corporations

Capital duty
No

Payroll tax
No

Real property tax
Most real property in Egypt is subject to a real estate tax. A 10% rate applies on the annual rental value after allowing a 32% deduction to cover related costs for nonresidential property, and a 30% deduction for residential property. Exemptions are provided for nonresidential property that is used for commercial, industrial and administrative purposes with an annual rental value of less than EGP 1,200, and for residential units with an annual rental value of less than EGP 24,000. The user of the property pays the tax, which is due in two installments. The annual rental value of real estate is assessed every five years.

Social security
The social security regime applies only to local nationals, unless a reciprocal social security agreement applies with a foreign national's home country.

Stamp duty
Stamp duty is charged at variable and fixed rates: 0.1% per quarter for banking transactions; 20% on commercial advertisements; and rates ranging from 1.08% to 10.08% on insurance premiums.

The “Stamp tax/Duty” regime applies to the total value of trading in securities (i.e. Egyptian or foreign securities, listed or unlisted), excluding public treasury bills (“T-bills”) and bonds, without any deduction allowed for expenses. The tax is imposed on both the buyer and the seller at a 0.15% rate until 31 May 2019 and a 0.175% rate as from 1 June 2019. However, a 0.3% rate applies to both the buyer and the seller, without any deduction allowed for expenses, in the case of a sale or acquisition of at least 33% of the:

- Shares or voting rights (in terms of number or value) of a resident company or
• Assets or liabilities of a resident company by another resident company, in exchange for shares in the acquiring company. If multiple transactions conducted by one legal person related to a company result in exceeding the 33% limit above during the two years following the first transaction, the seller and buyer are subject to a 0.3% rate on the total amount of the transactions, with the right to offset any stamp duty already paid on such transactions.

Transfer tax
No

Other
Government agencies, partnerships and companies are required to pay a solidarity contribution (to fund the state health insurance scheme) of 0.25% of annual income to the tax authorities when filing the corporate income tax return. The contribution is not considered a deductible cost when calculating taxable profits for corporate income tax purposes.

Anti-avoidance rules
Transfer pricing
Updated transfer pricing guidelines issued in October 2018 are aligned with OECD guidelines and introduce a three-tiered approach to transfer pricing documentation with local file, master file and country-by-country (CbC) reporting requirements for the financial year (FY) ended 31 December 2018 and subsequent years. The CbC reporting requirement applies only to Egyptian-parented groups with at least one foreign subsidiary and annual consolidated group revenue of at least EGP 3 billion.

The updated guidelines also launch an advance pricing agreement (APA) program in Egypt for controlled transactions with associated entities from FY 2020, with the latest date to file the formal request to the tax authorities being 30 June 2019.
**Thin capitalization**
A 4:1 debt-to-equity ratio applies. The tax deduction for any interest on debt exceeding this ratio is disallowed. In addition, the deduction is disallowed for interest paid that exceeds twice the credit and discount rate (announced by the central bank at the beginning of each calendar year).

The interest rate on loans between related parties must be at arm’s length and supported by proper transfer pricing documentation.

**Controlled foreign companies**
Income from investments in nonresident companies is recognized under the equity method of revenue recognition and is taxed in Egypt where the following three conditions are satisfied simultaneously:

- The Egyptian entity owns more than 10% of the nonresident company;
- More than 70% of the nonresident company’s income is derived from dividends, interest, royalties, management fees or rental fees (i.e. “passive income”); and
- The profits of the nonresident company are not subject to tax in its country of residence, are exempt or are subject to a tax rate of less than 75% of the corporate tax rate applicable in Egypt.

**Disclosure requirements**
No

**Other**
A general anti-avoidance rule (GAAR) applies, under which, if any of the principal purposes of a transaction is tax avoidance or tax deferral, the tax authorities may, as the result of a tax audit, adjust the transaction’s tax effects and subject the economic substance of the transaction to tax.

**Compliance for corporations**

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Deloitte | ME tax handbook | Egypt
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. The deadline for filing the transfer pricing master file is the same as the tax return filing date of the ultimate parent company. The local file is due within two months following the date of filing of the tax return. CbC reports are due within one year after the end of the financial year to which the report relates. The first reports are due for the group’s fiscal year ending on 31 December 2018.

Penalties
Various penalties apply for failure to apply the system of withholding, collection and remittance of tax; failure to file a return; and other offenses.

Interest is calculated at 2% above the annual credit and discount rate announced by the central bank.

If the amounts included in the tax return are less than the final assessed tax amount, an additional penalty may be imposed based on the difference between the amounts included in the return and those in the assessment. The rate is 5% if the difference ranges from 10%-20%; 15% if the difference is above 20% and up to 50%; and 40% if the difference exceeds 50%.

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

Basis
A resident individual is taxable on his/her worldwide income if Egypt is the “center of his/her commercial interests.” A nonresident individual is taxed only on his/her 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 abode in Egypt; or is an Egyptian national performing his/her work duties abroad but being paid for these duties from an Egyptian source.

Filing status
Each individual must file an annual return. Spouses are not permitted to file a joint return.

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

Capital gains
Capital gains realized by a resident or nonresident individual on the sale of listed shares of Egyptian companies are subject to a 10% income tax rate in a separate income tax pool. However, this tax is temporarily suspended until 17 May 2020.

Capital gains realized on the sale of unlisted shares of Egyptian companies by resident or nonresident individuals are subject to progressive tax rates up to 22.5%.

Income derived from the sale of assets in a sole proprietorship becomes part of an individual's taxable base (including the sale of a sole proprietorship's real estate). If owned as a personal asset and not classified as sole proprietorship assets, real estate sales are subject to a separate 2.5% tax on the gross proceeds.
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
Progressive rates up to 22.5% are levied on all types of income derived by individuals (including income from employment). A tax deduction is available for three of the brackets: the deduction is 85% for individuals who derive annual income greater than EGP 8,000 and up to EGP 30,000; 45% for individuals who derive annual income greater than EGP 30,000 and up to EGP 45,000; and 7.5% for individuals who derive annual income over EGP 45,000 and up to EGP 200,000. Only one of these tax deductions will be allowed annually, based on the highest tax bracket to which the taxpayer is subject.

Resident employees who derive income from a secondary employer are subject to tax at a 10% flat rate.

Dividend income received by resident individuals is taxed at a rate of 10%; the rate is reduced to 5% if the individual holds more than 25% of the capital or voting rights of the distributing entity for at least two years.

For capital gains tax rates, see “Capital gains.”

Other taxes on individuals
Capital duty No
Stamp duty See “Stamp duty” under “Other taxes on corporations.”
Capital acquisitions tax No
Real property tax
Most real property in Egypt is subject to a real estate tax. A 10% rate applies on the annual rental value after allowing a 32% deduction to cover related costs for nonresidential
property, and a 30% deduction for residential property. Exemptions are provided for nonresidential property that is used for commercial, industrial and administrative purposes with an annual rental value of less than EGP 1,200, and for residential units with an annual rental value of less than EGP 24,000. The user of the property pays the tax, which is due in two installments. The annual rental value of real estate is assessed every five years.

**Inheritance/estate tax**
No

**Net wealth/net worth tax**
No

**Social security**
The social security regime applies only to local nationals, unless a reciprocal social security agreement applies with a foreign national's home country.

**Compliance for individuals**
**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 pay tax based on the declaration.

The employer is responsible for withholding and paying salary tax to the tax authorities on a monthly basis. However, if the employee is paid from an offshore source, the employee must declare his/her income and benefits for the entire year and pay the applicable tax to the tax authorities with the annual income tax return before 31 January of the following year.

**Penalties**
A penalty of no less than EGP 5,000 and no more than EGP 20,000 is imposed for failure to file a tax return. If the amounts included in the tax return are less than the final assessed tax amount, an additional penalty may be imposed.
based on the difference between the amounts included in the return and those in the assessment. The rate is 5% if the difference ranges from 10%-20%; 15% if the difference is over 20% and up to 50%; and 40% if the difference exceeds 50%.

**Value added tax**

**Taxable transactions**

VAT generally applies to the supply of all goods and services. Services are broadly defined as anything that is not classified as a “good,” which means that intellectual property rights, consultancy services and management services, etc. will be subject to VAT. Input VAT may be offset against output VAT on most items other than items subject to tax at a “schedule rate,” (see under “Rates,” below). Schedule rates are lower than the standard rate but the VAT paid is noncreditable and nonrefundable.

**Rates**

The standard rate is 14%. Lower schedule rates can apply on goods or services that are specifically listed in the table attached to the VAT law as e.g. construction services, professional services, etc.

The VAT law contains a list of 57 categories of goods and services that are exempt. These include: basic food products; provision of natural gas; transmission and distribution of electricity; banking services and other regulated nonbanking financial services and insurance services; rental of residential or nonresidential properties; and health and education services. In addition, certain Egyptian state bodies and entities are exempt from VAT, as well as entities exempted by virtue of an international agreement or special law.

Exports of goods or services, and goods or services provided by companies located in the free zones are zero-rated.

Certain goods and services are specified as “tabled items” that are subject to a special rate, and their providers are not allowed to offset input VAT against output VAT. These items
include professional services, petroleum products, media productions, etc. Construction contracts also are included in the table, but input VAT paid to subcontractors may be offset against output VAT on the same projects.

Other goods and services are denoted as “double taxed” items and are subject to the general rate as well as the “table rate;” these include cars, home appliances, air conditioning equipment and mobile telecommunication services.

**Registration**

Resident providers of goods or services must register for VAT purposes only if their annual revenue is at least EGP 500,000. Voluntary registration is possible below this limit. No minimum registration threshold exists for providers of tabled or double taxed items. Importers of taxable goods or services for trading purposes, exporters, distribution agents of taxable goods or services, as well as manufacturers or importers of goods and services subject to the schedule tax, are required to register for VAT irrespective of the level of their turnover.

**Filing and payment**

All companies with annual revenue of at least EGP 500,000 must prepare and file a monthly VAT return with the relevant Egyptian tax authorities. A reverse charge mechanism applies on imported taxable goods and services from nonresident suppliers to a non-VAT-registered resident consumer (B2C transactions) or to a VAT-registered resident customer (B2B transactions).

**Source of tax law**


**Tax treaties**

Egypt has concluded more than 60 bilateral tax treaties. Egypt signed the OECD multilateral instrument on 7 June 2017. For
further information on Egypt’s tax treaty network, visit Deloitte International Tax Source.

**Tax authorities**
Egyptian Tax Authority

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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 IQD as the accounting currency, in accordance with the Iraqi Uniform Accounting System, and in Arabic. The Iraqi Unified Accounting System does 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 differ 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 sources of income, other than income that is specifically exempt. There is no concept of
permanent establishment in Iraq tax law; 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 up to five consecutive years, but no more than 50% of any year’s taxable income may be offset, and any losses carried forward may be offset only against the same source of income from which the original loss arose. The carryback of losses is not permitted.

Rate
A flat rate of 15% generally applies, but a 35% rate applies to companies operating in the oil and gas sector.

A 15% rate applies to all industries in the Kurdistan Region.

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
Interest paid to a nonresident should be subject to withholding tax of 15% of the gross payment.

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 subcontractors 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 are subject to a 7% withholding tax. Payments that fall outside of the scope of the oil and gas tax law generally are subject to withholding tax at rates of 3% to 3.3%. In practice, the rate may vary depending on the industry.

Tax retentions are not consistently applied in the Kurdistan region, 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. See “Rates” under “Personal taxation,” below.

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 certain procedures and documents, and a 0.2% stamp duty on contracts of fixed value.

Anti-avoidance rules
Transfer pricing
There are no specific transfer pricing rules, 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

Compliance for corporations
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 the end of the taxable year. In the Kurdistan Region, the deadline for corporate income tax filing is 30 June following the 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% penalty if the tax is outstanding after a further 21 days (i.e. 42 days in total). Interest runs from the payment due date until the date the tax is finally settled.

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, late filing of the tax return may attract a penalty of 5% per month, up to a maximum of 100% of the tax liability for large taxpayers.

Penalties for late filing are calculated as 10% of the tax liability. This amount is capped at IQD 75,000 per year for small companies (the cap should not apply to taxpayers considered to be “large”). The tax authorities have discretion to assess additional penalties ranging from 10% to 25% on the assessed profit for late filing, although this is not consistently applied.

Rulings

Personal taxation

Basis
Iraqi nationals who are resident in Iraq are taxable on their worldwide income. Non-Iraqi nationals are subject to tax on 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
An 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**
See below under “Filing and payment.”

**Taxable income**
Most sources of income are taxable, unless specifically exempt.

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

**Deductions and allowances**
The federal Iraq income tax law provides for various deductions and allowances in calculating taxable income.

In the Kurdistan Region, individuals are entitled to a tax-free legal allowance of IQD 1 million per month.

**Rates**
In federal Iraq, employment taxes are applied at progressive rates up to 15%.

In the Kurdistan Region, a 5% tax is imposed on basic salary plus any allowances in excess of 30% of the basic salary.

**Other taxes on individuals**

**Capital duty**
No

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

**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.

Compliance for individuals

Filing and payment
Employers are required to withhold taxes on behalf of employees and pay the tax to the tax authorities by the 15th day 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.

In the Kurdistan Region, taxes withheld from employees should be remitted on a quarterly basis. The withheld taxes along with the quarterly employment tax returns are required to be submitted within 21 days following the end of the quarter.

The annual employment tax declaration must be made before 1 March of the year following the tax year.

Penalties
Penalties on unpaid or late paid employment taxes for both federal Iraq and the Kurdistan Region are as follows: 5% of the amount outstanding if payment is not made within 21 days of the due date; an additional 5% penalty if the tax still is outstanding after a further 21 days (i.e. 42 days in total).

Interest on late paid taxes is applied at a rate of 11% per annum on the amount outstanding in federal Iraq. In the
Kurdistan Region, interest on late paid tax is applied at a rate of 1.5% per month.

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, along with supporting instructions and circulars issued by the tax authorities.

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

Tax authorities

Federal Iraq
General Commission of Taxation

Kurdistan Region
Income Tax Directorate

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Jordan

**Investment basics**

**Currency**
Jordanian Dinar (JOD)

**Foreign exchange control**
No

**Accounting principles/Financial statements**
IFRS applies. 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, even for 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 Jordanian sources is taxable.

**Taxation of dividends**
A. Dividends and shares distributed by Jordanian resident entities to other entities are exempt from income tax. However, dividends received by banks, primary telecommunication companies, basic material mining companies, insurance companies, reinsurance companies, brokerage companies, financial companies and legal persons
B. If a company wholly or partly owns at least 10% of the capital of another company, it is not permissible to charge the profits of the company owning the company owned by more than 10% of the amount of its profits in such profits.

**Capital gains**
Capital gains derived from Jordanian sources are exempt from income tax except for those realized (i) on depreciable assets; (ii) from the sale of shares in a legal entity; and (iii) from the sale of shares in information technology institutions and companies that are realized after 15 years from the date of their establishment or 1 January 2019, whichever is earlier.

**Losses**
Losses approved by the tax authorities may be carried forward for up to five years. The carryback of losses is not permitted.

**Rate**
The standard corporate income tax rate for most sectors is 20%. The rate is 35% for banks and 24% for primary telecommunications companies, electricity generation and distribution companies, mining companies, insurance and reinsurance companies, financial brokerage companies and financial institutions and juristic persons conducting financial leasing activities.

Reduced corporate income tax rates apply for the industrial sector for the period 2019-2023. The rate is 15% for 2019 (10% for pharmaceutical and clothing manufacturing companies) and increases annually until it reaches 20% (the standard rate) in 2024.

In addition to the corporate income tax, as from 1 January 2019, companies are subject to a new “national contribution tax” ranging from 1% to 7%, which is collected by the tax authorities and will be used to repay Jordan’s public debt.

The following table summarizes the 2019 corporate income tax and national contribution tax rates for the various sectors:
### Sector Tax Rates 2019

<table>
<thead>
<tr>
<th>Sector</th>
<th>2019 Corporate income tax rate</th>
<th>2019 National contribution tax rate</th>
<th>Total 2019 tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks</td>
<td>35%</td>
<td>3%</td>
<td>38%</td>
</tr>
<tr>
<td>Electricity distribution and generation companies</td>
<td>24%</td>
<td>3%</td>
<td>27%</td>
</tr>
<tr>
<td>Basic material mining companies</td>
<td>24%</td>
<td>7%</td>
<td>31%</td>
</tr>
<tr>
<td>Financial brokerage companies, financial companies and legal persons engaged in financial leasing activities</td>
<td>24%</td>
<td>4%</td>
<td>28%</td>
</tr>
<tr>
<td>Telecommunications, insurance and reinsurance companies</td>
<td>24%</td>
<td>2%</td>
<td>26%</td>
</tr>
<tr>
<td>Drug and clothes manufacturing companies</td>
<td>10%</td>
<td>1%</td>
<td>11%</td>
</tr>
<tr>
<td>Other industrial companies</td>
<td>15%</td>
<td>1%</td>
<td>16%</td>
</tr>
<tr>
<td>Other sectors (standard rate)</td>
<td>20%</td>
<td>1%</td>
<td>21%</td>
</tr>
</tbody>
</table>

### Surtax
No

### Alternative minimum tax
No

### Foreign tax credit
No

### Participation exemption
No

### Holding company regime
No

### Incentives
Tax incentives are available, including for certain companies registered in “development zones.”

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Withholding tax

Dividends
No, but see Islamic financing considerations under “Interest,” below.

Interest
The withholding tax on interest paid to a nonresident is 10%. The rate may be 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 7% on interest from deposits, commissions and profit participations of Islamic banks in the investment of such deposits (5% for payments to individuals). Such withholding is considered a final tax for individuals and a payment on account for legal persons.

Royalties
The withholding tax on royalties paid to a nonresident is 10%. The rate may be reduced under a tax treaty.

Technical service fees
The withholding tax on technical service fees paid to a nonresident is 10%. The rate may be reduced under a tax treaty.

Branch remittance tax
The income tax law that was published on 2 December 2018 and effective from 1 January 2019 does not address whether branch remittances are taxable, and the government is expected to provide additional instructions on this matter.

Other
Management fees paid to a nonresident are subject to a 10% withholding tax, unless the rate is reduced under a tax treaty.

Fees paid to local providers of certain services are subject to a withholding tax of 5%. This tax is considered a payment on
account for the service providers and may be offset against their annual income tax liability when filing their annual income tax returns for periods up to four years from the date of withholding.

**Other taxes on corporations**

**Capital duty**
No

**Payroll tax**
Payroll tax is withheld by the employer from monthly compensation at progressive rates ranging from 5% to 30%.

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

**Social security**
The employer contributes 14.25% of an employee's salary and the employee contributes 7.5%. The maximum monthly salary subject to social security contributions is JOD 3,328. 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**
Jordan does not have a formal transfer pricing regime or documentation requirements. However, the tax law requires all transactions between related parties to be based on arm’s length terms.
Thin capitalization
All interest and “murabaha” (a form of Islamic financing) profits paid or accrued to unrelated persons are fully tax deductible. Interest and murabaha profits paid or due to related persons (including capitalized interest) on debt exceeding a 3:1 debt to equity ratio (i.e. total debt to paid-up capital or the average equity interest, whichever is greater) cannot be deducted or carried forward.

Controlled foreign companies
No

Disclosure requirements
No

Compliance for corporations
Tax year
Calendar year or fiscal 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 in installments.

Penalties
Late payment fees are imposed at 0.4% for each week of delay. A penalty of JOD 1,000 applies for late filing by public and private shareholding companies; the penalty is JOD 300 for other types of companies.

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
Most income of individuals is subject to tax.

Capital gains
Jordan does not tax capital gains except for those realized (i) on depreciable assets; (ii) from the sale of shares in a legal entity; and (iii) from the sale of shares in information technology institutions and companies that are realized after 15 years from the date of their establishment or 1 January 2019, whichever is earlier.

Deductions and allowances
Personal and family exemptions are JOD 10,000 and JOD 20,000 per year for 2019 and JOD 9,000 and JOD 18,000 per year for 2020 and later years, respectively.

For 2020 and thereafter, an individual will be entitled to an additional exemption of JOD 1,000, and additional exemptions of JOD 1,000 for a spouse and JOD 1,000 for each child (up to a maximum of three children) to cover medical, education, rent and housing loans interest and murabaha profits.

Invoices and documents under the name of each beneficiary should be maintained to support the additional exemptions.

Nonresident Jordanians can benefit from the family exemptions if the nonresident is responsible for the family members’ support.

Individuals with special needs are granted an additional exemption of JOD 2,000 per year.
Rates
The rates of tax on the annual taxable income of individuals are as follows:
First JOD 5,000 5%
JOD 5,001 to JOD 10,000 10%
JOD 10,001 to JOD 15,000 15%
JOD 15,001 to JOD 20,000 20%
JOD 20,001 to JOD 1,000,000 25%
Over JOD 1,000,000 30%

As from 1 January 2019, an additional 1% national contribution tax applies for individuals on taxable income (after deducting the related exemptions) exceeding JOD 200,000.

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 7.5%, which is withheld and reported by the employer on a monthly basis. The maximum monthly salary subject to social security contributions is JOD 3,328.

Compliance for individuals
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 100 applies for late filing.

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

Rates
The standard sales tax rate is 16%, with reduced rates and exemptions granted on certain products and services, and a higher rate applying to certain luxury items. Certain items are exempt.

Registration
Businesses with 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 the tax due paid at that time.

Source of tax law
Income Tax Law and General Sales Tax Law

Tax treaties
Jordan has signed approximately 32 tax treaties.

Tax authorities
Income Tax and Sales Tax Department

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Kuwait

Recent developments:
For the latest tax developments relating to Kuwait, see Deloitte tax@hand.

Investment basics
Currency  
Kuwaiti Dinar (KWD)

Foreign exchange control  
No

Accounting principles/financial statements
IFRS. Financial statements must be filed annually.

Principal business entities
These are the limited liability company (WLL), shareholding company (KSC) and partnership (general and limited). Foreign entities may carry out business:
• Under the sponsorship of a registered Kuwaiti merchant;
• Through a WLL or KSC (limited to 49%);
• Under the Foreign Direct Investment Law No. 116 of 2013 (100% ownership);
• Through branches in the Kuwait Free Trade Zone (KFTZ); or
• Through provisions of the Public Private Partnership (PPP) Law.

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 by whether it has a permanent establishment or place of business in Kuwait.

Basis
In practice, the income tax law is applied only to foreign entities carrying on a trade or business in Kuwait, with the exception of entities that are registered in Gulf Cooperation Council (GCC) countries and fully owned by Kuwaiti/GCC citizens. Although the term “taxable activities” is defined 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 pure trading operations on the Kuwait stock exchange, whether directly or through portfolios of investment funds; for profits generated from activities carried out in the KFTZ; and for profits from activities under the Foreign Direct Investment Law (on a tax credit basis, using certain multipliers). Various tax exemptions also are granted under the PPP Law for private companies working in collaboration with the public sector. Further, under the Capital Markets Authority (CMA) Law No. 22 of 2015, a broad exemption is granted on all revenue earned by corporate investors through trade on the Kuwait stock exchange.

**Taxation of dividends**

See under “Taxable income” above.

**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 may be carried forward for three years to be offset against future taxable profits. The utilization of carried forward losses is not 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; or 
The corporate body has merged with another corporate body. The carryback of losses is not permitted.

**Rate**
15%

**Surtax**
No

**Alternative minimum tax**
No

**Foreign tax credit**
A foreign tax credit is available only if provided for under a relevant tax treaty.

**Participation exemption**
No

**Holding company regime**
No

**Incentives**
A tax exemption for up to 10 years, based on a tax credit system using certain multipliers, is available under the Foreign Direct Investment Law and the PPP Law. Entities set up under such laws also may take advantage of other benefits and exemptions, such as those relating to custom duties.

**Other**
Entities carrying on a trade or business in the area known as the “Specified Territory” in the divided neutral zone, which consists of the partitioned neutral zone between Kuwait and Saudi Arabia and the islands of Kubr, Qaru and Umm al Maradim and their territorial waters are taxed under the Tax Law No. 23 of 1961, rather than the standard corporate income tax law. A 20% tax rate applies to taxable income below KD 500,000 and a 57% tax rate applies to taxable income in excess of KD 1 million. Marginal relief applies to taxable income between KD 500,000 and KD 1 million.

**Withholding tax**

**Dividends**
No
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 10.5% of the employee’s salary for the employer and the employee, respectively.

Stamp duty No
Transfer tax No

Other
cAll entities operating in Kuwait are required to retain 5% of the total contract value (which may be deducted from each payment made, where payment is made in installments) from a contractor or subcontractor until the contractor/subcontractor settles its tax liabilities with the Kuwait tax authorities and obtains a certificate from the authorities.

KSCs (both listed and unlisted) must 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 Kuwait stock exchange are required to pay an annual national labor
support tax of 2.5% of net profits to support employment in nongovernment agencies.

Kuwaiti shareholding companies (both listed and unlisted, but excluding government companies) must pay 1% of net profits for Zakat or as a contribution to the state’s budget. The company has the option whether to consider the 1% as Zakat or a state budget contribution.

All of the above amounts must be deducted when calculating distributable profits.

**Anti-avoidance rules**

**Transfer pricing**

There are no formal transfer pricing rules, but the tax authorities deem profit margins on certain activities, as follows:

- **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 by 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

**Disclosure requirements**

No

**Other**

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

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 head office of the taxable entity 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 may request an extension of up to 60 days for filing the tax declaration, provided the request is submitted on or before the 15th day of the second month following the end of the taxable period; otherwise, the request will not be considered.

Tax may be settled in a lump sum or may be paid in four installments on the 15th day of the fourth, sixth, ninth and 12th months following the end of the tax year. If an extension is granted, no tax payment is necessary until the declaration is filed, but payment then will have to be made of both the first and second installments.

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

Rulings
No

Personal taxation
Basis
There is no personal income tax (employment tax) in Kuwait.
Residence No
Filing status No
Taxable income No
Capital gains No
Deductions and allowances No
Rates No

Other taxes on individuals
Capital duty No
Stamp duty No
Capital acquisitions tax No
Real property tax No
Inheritance/estate tax No
Net wealth/net worth tax No

Social security
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 employee contribution rate is 10.5% of salary.

Compliance for individuals
Tax year No
Filing and payment No
Penalties No

Value added tax
Taxable transactions
The Kuwaiti government has committed to introduce VAT by
signing the main framework agreement with the GCC countries. However, the draft law has not yet been prepared and submitted to the parliament for discussion and approval.

**Rates**
No

**Registration**
No

**Filing and payment**
No

**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; Law No. 23 of 1961, relating to the Divided Neutral Zone

**Tax treaties**
Kuwait has concluded 68 tax treaties. Kuwait signed the OECD multilateral instrument on 7 June 2017.

**Tax authorities**
Department of Income Tax

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Lebanon

Investment basics

Currency
Lebanese Pound (LBP)

Foreign exchange control
No

Accounting principles/Financial statements
IFRS. Audited financial statements must be prepared and filed annually.

Principal business entities
These are the limited liability company, joint stock company, partnership, branch and representative office of a foreign company.

Corporate taxation

Residence
A person is considered a resident when established or registered in accordance with Lebanese law. An entity is considered resident in Lebanon when it commences business activities from a fixed place for a period exceeding six months in any consecutive 12-month period for contracting activities and for a period exceeding three months for other activities.

Basis
Lebanon operates a territorial tax system under which all income sourced in Lebanon is subject to tax in the country. Income derived from foreign sources is not subject to tax in Lebanon.

Taxable income
Income tax is levied on income related to all business activities, unless the income is exempt by law. Taxable income generally is calculated as revenue less qualifying expenses. However, insurance companies, public contractors, oil
refineries and international transport companies calculate taxable income as a percentage of total revenue.

**Taxation of dividends**

Dividends received from a Lebanese company are deducted from taxable income for purposes of the corporate income tax calculation. Dividends received from a foreign entity are taxable at a rate of 10%.

**Capital gains**

Capital gains derived from the disposal of tangible and intangible assets and financial assets are taxed at a rate of 15%. The rate is 20% for oil and gas companies.

**Losses**

Taxable losses may be carried forward for three years (oil and gas companies may carry forward losses indefinitely). The carryback of losses is not permitted.

**Rate**

17%, and 20% for oil and gas companies.

**Surtax**

No

**Alternative minimum tax**

No

**Foreign tax credit**

No

**Holding company regime**

Holding companies are exempt from tax on profits and tax on dividend distributions. Instead, they are subject to a tax on capital and reserves, capped at LBP 5 million a year. Gains derived from the sale of an investment in a Lebanese subsidiary or associate is exempt if the investment is held for more than two years. No tax applies on gains derived from the disposal of an investment in a foreign subsidiary.

An offshore company regime also is available, under which an offshore company is exempt from tax on profits and dividend
distributions; it is only subject to an annual lump sum tax of LBP 1 million. An offshore company may carry on activities and have investments only outside Lebanon or through the free zones; it may invest in Lebanese treasury bills, but it may not carry on banking or insurance activities.

**Incentives**

Various incentives are granted for eligible industrial or tourism investments. In certain cases, industrial taxpayers may benefit from a 50% exemption on profits generated from exports (except for exports of natural resources).

**Withholding tax**

**Dividends**

Dividends paid to a resident or nonresident are subject to a 10% withholding tax, unless the rate is reduced under a tax treaty.

**Interest**

Interest paid by a Lebanese resident to a nonresident company is subject to a 10% withholding tax, with a lower 7.5% rate applying to interest on bank deposits, debt or bonds.

**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**

A Lebanese branch of a foreign company is subject to the same corporate income tax as a Lebanese company. However, a branch also is subject to a 10% remittance tax, regardless of whether dividends are distributed.
Other
Oil and gas companies are subject to a 10% nonresident withholding tax.

Other taxes on corporations

Capital duty
A one-time stamp duty of 0.4% is levied on the subscription of capital of a company or an increase in capital.

Payroll tax
Payroll tax is withheld from salary. Tax brackets at rates ranging from 2% (for the lowest bracket) to 20% (for the bracket exceeding 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 developed property tax is levied on rental income from Lebanese real property at rates ranging between 4% and 14%. See also “Transfer tax” below. Construction, installations and vehicles used for petroleum-related operations within Lebanese territorial waters are exempt from the tax.

Social security
There are three mandatory social security schemes:
• A family scheme contribution of 6% of employee earnings up to USD 12,000 per year;
• A medical scheme contribution of 11% of earnings up to USD 20,000 per year (of which 3% is the employee share); and
• An end-of-service indemnity scheme contribution of 8.5% of total earnings. Contributions are borne by the employer.

Stamp duty
Stamp duty is levied on most contracts at a rate of 0.4%. See also “Capital duty” above.

A fixed stamp duty of LBP 5 million is levied on oil and gas companies for exploration and production agreements.
Transfer tax
A 6% tax is levied on the transfer of real estate.

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, but specific rules apply for oil and gas companies.

Controlled foreign companies
No

Disclosure requirements
No

Compliance for corporations
Tax year
The calendar year is the tax year, although exceptions are granted 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 within five months after the preceding period.

Rulings
No, but taxpayers may obtain an explanation of the tax treatment of new transactions.

Personal taxation
Residence
An individual is considered resident if he/she satisfies one of the following conditions:
• Has a fixed place of doing business in Lebanon;
• Maintains a permanent home in Lebanon used for his/her
usual residence or for the usual residence of his/her family; or
• Stayed in Lebanon for more than 183 days continuously or intermittently in a period of 12 consecutive months. Transit stays and medical treatment stays are not taken into account in computing the length of a stay.

Registration as a licensed professional triggers residency.

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

**Taxable income**
Taxable income comprises income from employment, income from the exercise of a profession or personal establishment and income from a partnership.

**Capital gains**
Gains from the sale of fixed assets are subject to a 15% capital gains tax. Capital gains tax on the sale of real estate owned by nontaxable individuals is phased out at a rate of 8% annually from the date of acquisition. Gains from the sale of a primary residence are exempt for up to two residences.

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

**Rates**
A taxable individual is taxed at progressive rates that range from 4% up to 21%.

**Other taxes on individuals**

**Capital duty**
No

**Stamp duty**
See under “Other taxes on corporations.”

**Capital acquisitions tax**
No
Real property tax
An annual real property tax is levied based on the annual rental value of the property.

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

Net wealth/net worth tax
No

Social security
See under “Other taxes on corporations.”

Compliance for individuals
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 tax due before 31 March of the following year for income from movable assets.

Lebanese-resident employees of nonresident foreign entities are required to pay tax and file payroll tax returns.

Other
Lebanese owners or beneficiaries of foreign shares or bonds who receive income from such movable assets outside Lebanon directly or indirectly through a foreign paying agent must file a declaration with the tax authorities before 1 March for the income generated during the prior year.

Value added tax
Taxable transactions
VAT applies to most transactions involving goods and services.

Rates
The standard VAT rate is 11%. Basic foods, health, real estate, educational, financial, insurance and banking services and the leasing of residential property are exempt. Intermediate
goods imported for use in petroleum activities that are not made available by national production are exempt from VAT. Exports, including authorized oil exports, are exempt from VAT.

Registration
Taxpayers whose turnover exceeds LBP 100 million for four consecutive quarters must register for VAT.

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

Penalties
Failure to submit a VAT return is subject to a penalty of 5% per month, capped at 100%, and late payment is subject to a penalty accruing at a rate of 1% (1.5% for withholding tax and VAT) per month. If the tax return is adjusted, a 20% penalty applies on the difference between the net tax owed and the net tax due. In the case of oil and gas companies, a 300% penalty applies on that difference.

Source of tax law
Income Tax Law, Tax procedures, VAT law, and Oil and Gas Taxation Law.

Tax treaties
Lebanon has concluded 34 tax treaties.

Tax authorities
Ministry of Finance

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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. 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 is 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 are taxed on the basis of their submitted tax declarations, supported by audited financial statements, including statements of depreciation and general and administrative expenses.
However, a “deemed profit” basis of taxation may apply where a foreign entity is not registered at the time of contracting, the entity does not hold statutory books in Libya or the books are not maintained in accordance with local regulations. The authorities also can assess tax on a deemed profit basis if they consider amounts, margins, etc. inaccurate or out of line with industry norms (e.g. cases involving potential concealment, many intercompany transactions, etc.).

**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 (see above under “Taxable income”).

**Foreign tax credit**

A foreign tax credit generally is not available, unless so provided in an applicable tax treaty.
Incentives
The Promotion of Investment Law is designed to encourage both domestic and foreign investment in Libya. Tax benefits are granted to companies that can contribute to the diversification of the local economy, the development of rural areas, an increase in employment, etc. Under the law, tax exemptions available to companies include: a five-year exemption from income tax; an exemption from tax on distributions and gains arising from a merger, sale or change in the legal form of the enterprise; an exemption for profits generated from the activities of the enterprise, and reinvested; an exemption from customs duties on machinery and equipment; and an exemption from stamp duty. A free zone has been established in Misurata (Qasr Hamad port area).

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 Libya-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.

**Real property tax**
No

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

**Stamp duty**
Stamp duty is levied at varying rates (although there also are certain fixed duties), 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

**Anti-avoidance rules**

**Transfer pricing**
Although Libya does not have formal transfer pricing rules, the tax department has the authority to assess tax on a deemed profit basis under the general anti-avoidance provisions (see above under “Taxable income”).

**Thin capitalization**
No

**Controlled foreign companies**
No

**Disclosure requirements**
No

**Other**
Libya has a general anti-avoidance rule.

**Compliance for corporations**

**Tax year**
The tax year is the calendar year, although a different year may be used, subject to approval.
Consolidated returns
Consolidated returns generally are not permitted; each entity must file a separate return.

Filing 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 generally is not a key factor in determining tax liability in Libya.

Filing status
Each taxpayer must submit a tax return; there is no joint filing.

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

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 are payable both by the employer and the employee. The employee’s contribution is 3.75%.

Compliance for individuals
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 forms of noncompliance.

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

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

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Deloitte “VAT in the GCC guide” mobile app

The app is free of charge and is designed to help businesses to understand VAT and its impact, whether they have already undergone implementation or are preparing for the introduction of VAT in the three remaining GCC countries.

Download for iOS and for Android

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Recent developments:
For the latest tax developments relating to Oman, see Deloitte tax@hand.

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 inbound or outbound investment or on the repatriation of capital or profits.

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.

Please note that the new foreign capital investment law has been published on July 7, 2019 and shall be effective after 6 months from the date of published. The Minister of Commerce will issue the Executive Regulations stipulating the updated foreign shareholding percentage and other rules and procedures.
Corporate taxation

Residence
Residence is not defined in Oman for corporate tax purposes. A foreign company will be deemed to have a permanent establishment (PE) in Oman if it provides consultancy and other services in Oman for at least 90 days within a 12-month period or if it has a dependent agent in Oman.

Basis
An Omani company is subject to tax on worldwide income, with a foreign tax credit granted for certain taxes paid overseas. A PE of a foreign company is subject to tax only on Oman-source income.

Taxable income
Taxable income is gross income for the tax year after deducting allowable expenses and making adjustments for disallowed expenses or any exemptions under the Oman tax law.

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

Capital gains
Capital gains derived from the sale of investments, fixed assets and acquired intangible assets are taxed at the same rates as ordinary income. Such gains are not subject to any special tax treatment but gains from the sale of locally listed shares are exempt.

Losses
Losses may be carried forward and set off against taxable income for five years. However, net tax losses incurred for the first five years during a tax exemption period by any establishment or Omani company benefiting from an exemption under the Oman tax law generally may be carried forward indefinitely. The carryback of losses is not permitted.
Rate
The corporate tax rate is 15% for all businesses, including branches and PEs of foreign companies, with a 3% rate applying to small companies (as defined). 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, subject to the approval of the Director of Taxation.

Participation exemption
No

Holding company regime
No

Incentives
A five-year nonrenewable tax exemption is available for manufacturing activities.

Withholding tax

Dividends
A 10% withholding tax applies to dividends on shares distributed by joint stock companies and investment bond dividends distributed by investment funds to foreign companies without a PE in Oman.

Effective 6 May 2019, the withholding taxes applicable on dividends and interests stands suspended and deferred for a period of three years.
Interest
A 10% withholding tax applies on interest paid to foreign companies without a PE in Oman, with certain exceptions (e.g. interest on Omani bank deposits).

Effective 6 May 2019, the withholding taxes applicable on dividends and interests stands suspended and deferred for a period of three years.

Royalties
Foreign companies without a PE in Oman that derive Omani-source royalties are subject to a 10% withholding tax on the gross royalty amount. The definition of royalties includes payments for the use of, or the right to use, software, intellectual property rights, patents, trademarks, drawings and equipment rentals.

Service fees
A 10% withholding tax applies on the gross amount of technical service fees paid to a foreign company without a PE in Oman, if the services are provided wholly or partly in Oman.

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 of or the right to use computer software, and consideration for R&D, are subject to a 10% withholding tax on the gross amount. The tax is withheld by the Omani entity and remitted to the tax authorities. The provision of services is subject to a 10% withholding tax regardless of the place of performance of service. There are certain exceptions such as training and participating in organizational meetings, conferences, seminars or exhibitions.

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 10.5% 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 applies to citizens of Gulf Cooperation Council (GCC) member states working in other GCC countries.

Stamp duty
No

Transfer tax
No

Other
Tourism and municipality taxes may be imposed on certain consumption.

Anti-avoidance rules

Transfer pricing
Pricing between related entities must 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 on borrowings between related parties.

Controlled foreign companies
No

Disclosure requirements
Related party transactions must be disclosed in the tax returns.
Other
If a related party transaction results in 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.

Compliance for corporations

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 PEs and the amount of tax payable will be based on the aggregate 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 within six months of the end of the accounting year, and any tax due must be paid at that time.

All taxpayers must obtain a tax card and the tax card number must be quoted on all contracts, invoices and correspondence with the Omani tax authorities.

The tax card is expected to be implemented soon.
Penalties
Failure to submit a declaration of income to the Director of Taxation may lead to an arbitrary assessment and penalties. A minimum penalty of OMR 100 and a maximum of OMR 2,000 may be imposed for failure to file a return by the prescribed deadline. Delay in the payment of income tax normally results in additional tax calculated at 1% per month on the outstanding amount.

Rulings
Rulings generally are not issued, although they can be obtained for the application of withholding taxes.

Personal taxation
Neither residents nor nonresidents are subject to income, withholding or capital gains taxes in Oman.

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 between ages 15 and 59 must contribute 7% of their monthly salary for social security purposes (old age, disability and death).

Compliance for individuals
There are no compliance obligations for individuals in Oman.

Value added tax
Taxable transactions
VAT preparation continue in Oman. The senior official of the Ministry of Finance (MoF) commented to a well-known newspaper in the Sultanate of Oman that the date of implementation of Value Added Tax (VAT) is under review and the plan is to implement VAT in the country as early as possible. The target date earlier was to implement VAT by 1st September 2019, but this date is under review and not finalized. The Secretariat General for Taxation (SGT) is also conducting industry-specific VAT briefings, most recently for the oil & gas as well as the telecommunications sector. More are planned, for the financial services, amongst others.

The general rate of VAT applicable on goods and services will be 5% and 94 basic commodities will be zero-rated under VAT. As part of the GCC VAT Framework Treaty, the Sultanate of Oman will also have the discretion to zero-rate or exempt certain sectors from VAT.

Excise Tax update
The Sultanate of Oman has recently passed the “Selective Tax” Law also commonly known as “Excise Tax” through the Royal Decree No. 23/2019 on 13th March 2019. This new tax has come into force from 15th June 2019. and is applicable, as follows:

• Tobacco and tobacco derivatives: 100%
• Energy drinks: 100%
• Carbonated drinks: 50%.
• Alcoholic beverages: 50% (Reduced from earlier announced 100% for an initial period of six months as announced by the officials at the SGT)
• Pork products: 100%

The businesses, which are likely to register under this new tax include:

• Importers and producers of Excise goods
• Those who release Excise goods for consumption
• Holders of excise goods of which the due tax is unpaid
• Those who are authorized by the SGT to establish a tax warehouse
Additionally, everyone in possession of excise goods must file a transitional Excise tax return for the stock of Excise goods held on the day prior to the date the law comes into effect.”

**Rates**
No

**Registration**
No

**Filing and payment**
No

**Source of tax law**
Law of Income on Companies No. 28/2009; Royal Decree 9/2017; Ministerial Decision 14/2019; 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 29 income tax treaties and four air transport tax treaties.

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

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United in purpose

The best insight comes from the best questions – the ones that cause everyone in the room to pause and reflect. Deloitte begins by asking about and listening to your challenges, understanding your situation and learning what business success looks like to you. With this perspective, we share the relevant global trends and latest thinking of others in your industry, and examine a range of potential approaches. Our goal is to help you make an impact that matters.

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Palestinian Ruled Territories

**Investment basics**

**Currency**

New Israeli Shekel (NIS)

**Foreign exchange control**

There are no foreign exchange controls or 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 are required for financial services 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 and passive income. Taxable income of resident persons and companies includes
foreign income derived from their funds or deposits sourced from Palestine.

Income is taxable on an accruals 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 department.

**Taxation of dividends**
Dividends received by a resident company from another resident company are tax exempt. Dividends received from a nonresident entity are taxed at the regular corporate tax rate.

**Capital gains**
Capital gains derived from the sale of investments in equity securities and bonds are exempt. Capital gains derived from the sale of tangible assets and real property are taxable at the regular corporate tax rate.

**Losses**
Tax losses may be carried forward for five years. Such losses do not include unrealized losses from revaluations or losses incurred on tax-exempt transactions. Losses may not be carried back.

**Rate**
The standard rate is 15%. Life insurance businesses are subject to a reduced rate of 5% on premium income. The taxable income of telecommunication companies and companies that enjoy specific privileges or monopolies is taxed at 20%.

**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 Palestine Promotion Agency. Incentives are in the form of tax rate reductions for specified periods.

Withholding tax

Dividends
A 10% withholding tax is levied on dividends paid to a resident or a nonresident, unless the rate is reduced or an exemption applies under a tax treaty. The withholding tax was suspended from 2015-2017, but no guidance has been issued on the status for 2018 and subsequent years.

Interest
The Palestinian Territories do not levy withholding tax on interest.

Royalties
A 10% withholding tax is levied on royalties paid to a nonresident, unless the rate is reduced or an exemption applies under a tax treaty.

Technical service fees
Payments made for services provided by nonresident entities are subject to a 10% withholding tax, unless the rate is reduced or an exemption applies under a tax treaty.

Branch remittance tax No

Other
Payments for goods and services are subject to withholding tax at rates ranging from 5% to 10%, unless the payee provides a tax certificate issued by the tax department.

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% on the assessed value of rental income. Forty percent of the tax may be deducted as an expense in computing taxable income, with the remaining 60% available as a credit against the income tax liability.

Social security
A new social security law introducing compulsory monthly social security contributions for all Palestinian employers and employees is in the process of being implemented. The law applies also to foreign employees working in Palestine where a work permit has been issued. The law applies only to private sector employees, not government civil servants and security personnel who are covered under other legislation. Contributions are voluntary for the self-employed.

Stamp duty
No

Transfer tax
No

Anti-avoidance rules
Transfer pricing
No

Thin capitalization
No

Controlled foreign companies
No

Disclosure requirements
Audited financial statements and related notes, as well as a reconciliation between financial income and taxable income approved by a licensed auditor, must be attached to the corporate income tax return.
Compliance for corporations

Tax year
The tax year generally is the calendar year. Approval must be obtained to use an alternative 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 payments 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 two months of the end of the tax year, a discount of 4% is granted on the balance of tax as per the self-assessment (after deducting advance payments made on which a discount already has been granted). A discount of 2% is granted if the tax return is submitted during March or April of the following 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 of 2% of the tax liability 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
The following individuals are considered to be resident in Palestine:
• Palestinian individuals who have lived in and maintained their principal activities in Palestine for at least 120 days during the year; and
• Non-Palestinian individuals who have resided in Palestine for at least 183 days during the year.

Filing status
Each individual must file a tax return unless the individual’s only income is from employment. 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, but capital gains derived from the sale of investments not held for trading are tax exempt.

Deductions and allowances
Individual income is reduced by a standard deduction of NIS 36,000 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 at 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 ranging from 5% to 15%. The first NIS 75,000 is taxed at 5%, the next NIS 75,000 at 10%, and the remainder at 15%.

Other taxes on individuals
Capital duty
No
Stamp duty No

Capital acquisitions tax No

Real property tax
Tax on property is levied at a rate of 17% on the assessed value of rental income. Forty percent of the tax may be deducted as an expense in computing taxable income, with the remaining 60% available as a credit against the income tax liability.

Inheritance/estate tax No

Net wealth/net worth tax No

Social security
See “Other taxes on corporations” above.

Compliance for individuals
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 after the end of the tax year.

Penalties
Penalties are imposed for the 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.
Registration
All business 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 and amendments issued in 2014, 2015 and 2017

Tax treaties
The Palestinian Territories has tax treaties with Egypt, Jordan and Serbia.

Tax authorities
Income Tax Authority, VAT Authority, Ministry of Finance

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Recent developments
On 13 December 2018, the State of Qatar repealed the existing Income Tax Law (Law No. 21 of 2009) and issued a new Income Tax Law (Law No. 24 of 2018). Executive Regulations implementing Law No. 24 of 2018 are yet to be published and these Highlights have been prepared based on the understanding that the Executive Regulations accompanying Law No. 21 of 2009 continue to apply until the new Executive Regulations are issued.

For the latest tax developments relating to Qatar, see Deloitte tax@hand.

Investment basics
Currency
Qatari Riyal (QAR)

Foreign exchange control
No

Tax regimes
There are two tax regimes in Qatar (i) the State of Qatar tax regime, operated by the General Tax Authority (GTA), that applies to the majority of businesses operating in Qatar and (ii) the Qatar Financial Center (QFC) tax regime operated by the QFC Tax Authority within the Qatar Financial Center Authority (QFCA).

Accounting principles/Financial statements
State of Qatar tax regime – IFRS; QFC tax regime – IFRS, UK GAAP, US GAAP or any standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions. For tax years beginning on or after 1 January 2020, financial statements must be prepared in Arabic.

Principal business entities
Under the State of Qatar’s Ministry of Commerce and Industry, the most common legal entity structures are the
limited liability company, private shareholding company, public shareholding company and branch of a foreign company. Other forms of business include the limited partnership, joint liability company, limited share partnership and joint venture company. Under the QFC, the most common legal entity structures are the limited liability company, branch, general partnership, limited partnership and limited liability partnership.

Other forms of business include the special purpose company, single family office and trust.

**Corporate taxation**

**Residence**

A body corporate is resident in the State of Qatar if it is incorporated under Qatari law or if its head office or place of effective management is in Qatar. All taxpayers carrying out activities in Qatar must apply to the GTA for a tax card within 30 days from either (i) the commencement of activities or (ii) the date of registration with the Commercial Register of the Ministry of Commerce and Industry in Qatar. A penalty of QAR 20,000 may be imposed for failure to register with the GTA or to maintain a valid tax card.

**Basis**

Tax is imposed on a taxpayer’s Qatari-source income. Entities wholly owned by Qataris and other Gulf Cooperation Council (GCC) country nationals are exempt from corporate income tax, but may be required to file tax returns (see under “Compliance for corporations”).

A permanent establishment (PE) is a fixed place of business through which the business of a taxpayer is wholly or partly executed. A PE also may include an activity carried on by the taxpayer through a person acting on behalf of the taxpayer or in the taxpayer’s interest, other than an independent agent. No specific timeframe is prescribed for the creation of a PE via the performance of services but, in practice, the performance of services within Qatar for 183 days or more during any 12-month period will be viewed as creating a PE in Qatar.
Taxable income
Under the State of Qatar tax regime, the main categories of taxable income include gross income derived from: activities carried out in Qatar; contracts wholly or partly performed in Qatar; real estate in Qatar; the exploration, extraction or exploitation of natural resources situated in Qatar; consideration for services paid to a head office, branch or related company; and interest on loans obtained in Qatar.

Allowable expenses include:
• The cost of raw materials, consumables and services required for carrying out the activities;
• Interest paid on loans used in the activities (except interest paid to a related party in the case of a branch);
• Salaries, wages and similar payments made to employees;
• Rent;
• Insurance premiums;
• Bad debts;
• Depreciation (at specified rates);
• Donations, gifts, aid and subscriptions to charitable, humanitarian, scientific, cultural or sporting activities paid in the State of Qatar to governmental authorities, public bodies, or institutions, or any other authorized body in the State of Qatar (capped at 5% of net income prior to charitable and certain other deductions); and
• Entertainment expenses (leisure, hotel accommodation for personal use, holidays, club fees etc.) up to 2% of net income (before the deduction of entertainment expenses and certain other grants and donations).

Under the QFC tax regime, taxable profits are classified as Qatari-source if they arise in or are derived from Qatar. Profits derived by an unregulated QFC firm from services provided in Qatar for use outside Qatar are nontaxable.

Taxation of dividends
Dividends are not subject to tax under the State of Qatar or QFC tax regimes.
Capital gains
Under both the State of Qatar and QFC tax regimes, capital gains derived by a company are included in taxable income and subject to tax at the applicable rate.

Losses
Under the State of Qatar tax regime, losses may be carried forward and set off against profits for up to three years. The carryback of losses is not permitted.

Under the QFC tax regime, losses may be carried forward for as long as the QFC entity continues to have a source of income within the terms of its license.

Rate
Under the State of Qatar tax regime, the standard corporate tax rate is 10%.

Different tax rates agreed with the Qatari government but no less than 35% apply to income derived from petroleum operations or the petrochemicals industry (as defined under Law No. 3 of 2007). This includes income from 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 and petrochemical industries and operational activities plus associated services, including administrative and complementary activities. Where an agreement with the government, ministries or other governmental bodies was concluded before Law No. 3 became effective and prescribes a specific tax rate, that rate will apply; where no rate is prescribed, tax is imposed at 35%. Under the QFC tax regime, income is taxed at a flat rate of 10%.

Surtax
No
Alternative minimum tax
No

Foreign tax credit
No foreign tax credit is available under the State of Qatar tax regime. The QFC tax regime offers double taxation relief and provides for unilateral credit relief.

Participation exemption
No participation exemption is provided under the State of Qatar tax regime and foreign companies selling shares in Qatar-based companies are subject to tax in Qatar. The QFC tax regime allows for a tax exemption on capital gains derived from qualifying shareholdings.

Holding company regime
Both the Ministry of Commerce and Industry and the QFC allow for the setting-up of holding companies.

Incentives
Companies may be eligible for a tax exemption under the State of Qatar tax regime. The Minister of Finance may issue exemptions for a period of up to five years; longer exemptions are agreed by the Council of Ministers.

Full foreign ownership is possible under the QFC regime (which is available to companies that carry out certain permitted activities and apply for a QFC license). Special purpose companies (i.e. registered funds, special investment funds, special funding companies, alternative risk vehicles and charities) may elect exempt status. Qatari-owned companies may elect a 0% concessionary rate if certain conditions are fulfilled.

The Qatar Free Zone Authority (QFZA) was established in 2018 as an independent entity to develop free zones in Qatar. The first such zone (Umm Al Houl free zone) has been ready to receive local and foreign investors since the first quarter of 2019. The QFZA focuses on logistics, chemicals, maritime industries, heavy manufacturing, emerging technologies and industrial sectors. Benefits of setting up in
one of the free zones include the possibility of 100% foreign ownership and a 20-year tax holiday (i.e. exemption from corporate tax, personal income tax and custom duties).

Companies registered in the Qatar Science and Technology Park (QSTP) are not subject to tax, even if wholly owned by foreign investors, and are permitted to trade directly in Qatar without a local agent. They also are permitted to import goods and services free of Qatari customs duty. The QSTP is intended for companies engaged in research and development activities.

A new Foreign Investment Law (No. 21 of 2019) was enacted in January 2019 that allows foreign investors to own 100% of the equity of limited liability companies operating in any sector, subject to the approval of the Ministry of Commerce and Industry. Additional incentives and support for foreign investment projects include the following:
- Allocation of land to non-Qatari investors to establish investment through use or rent in accordance with the applicable rules and regulations;
- Grant of an import license for the non-Qatari for the investment;
- Exemption from corporate income tax in accordance with the procedures and regulations stipulated in the Income Tax Law of Qatar; and
- Exemption from customs duties on imports of machinery and necessary equipment required for the project, in addition to raw materials and semi-manufactured items for production that are not available in the domestic market.

**Withholding tax**

**Dividends**
Qatar does not levy withholding tax on dividends.

**Interest**
Law No. 24 of 2018 introduced a single withholding tax rate of 5% applicable to interest, royalty, commission and other payments under contracts signed on or after 13 December 2018; the previous 7% rate no longer applies. For contracts
signed before that date, the withholding tax treatment is as follows:

- For payments due before 13 December 2018, the rates prescribed under Law No. 21 of 2009 (i.e. 5% or 7%) apply, irrespective of when the payments are actually made; and
- For payments due on or after 13 December 2018, the 5% withholding tax rate under Law No. 24 of 2018 applies. Certain exemptions apply, or the rate may be reduced under a tax treaty.

**Royalties**
Royalties payable under contracts signed on or after 13 December 2018 are subject to a 5% withholding tax. See comments under “Interest” above for clarification of the withholding tax rate for contracts signed before that date. Certain leasing charges may be considered royalties. The withholding tax rate may be reduced under a tax treaty.

**Technical service fees**
Technical service (and consultancy, commission, directors’, brokerage and attendance) fees paid under contracts signed on or after 13 December 2018 to a nonresident for services carried out wholly or partly in Qatar are subject to a 5% withholding tax. See comments under “Interest” above for clarification of the withholding tax rate for contracts signed before that date.

**Branch remittance tax**

No

**Other**
A retention tax of 3% of the contract value or the final payment (whichever is higher) applies to payments made by the Qatar government or a quasi-governmental agency to a branch registered in Qatar for a particular project (a temporary branch).

No withholding taxes apply under the QFC tax regime.

**Other taxes on corporations**

**Capital duty**

No
Payroll tax No

Real property tax No

Social security
For employees that are Qatari nationals, the employer must contribute 10% of the employee’s basic salary each month.

Stamp duty No

Transfer tax No

Excise tax
Excise tax applies in Qatar from 1 January 2019 and is imposed both on imports and locally produced goods. Excise tax applies at 100% on tobacco products, energy drinks and “special purpose” goods and at 50% on carbonated drinks.

Anti-avoidance rules
Transfer pricing
There are no specific transfer pricing regulations under the State of Qatar tax regime. However, the tax authorities expect taxpayers to comply with the arm’s length principle in accordance with other anti-avoidance rules and may make certain adjustments in situations where the taxpayer is unable to prove the transactions are at arm’s length basis. According to the Executive Tax Regulations, the arm’s length value should be determined in accordance with the unrelated comparable price (UCP) method, i.e. the price that would apply to the transaction if it were carried out between unrelated parties.

Where the information required to apply the UCP method is not available, the taxpayer must apply to the GTA to adopt another pricing method approved by the OECD.

The QFC regime has detailed transfer pricing rules that are broadly consistent with OECD recommendations. Whilst there are no formal master file and local file requirements, the tax authorities expect taxpayers to have such documentation available during a tax audit.
Under both the State of Qatar and QFC tax regimes, country-by-country (CbC) reporting obligations and notification requirements apply to entities that are tax resident in Qatar and are part of a multinational group of enterprises (MNE) with consolidated revenues of at least QAR 3 billion in the preceding financial year. The CbCR requirements are applicable to financial years starting on or after January 1, 2018, and the CbC report is required to be submitted within 12 months from the end of the reportable financial year. Accordingly, for the financial year starting on January 1, 2018, the CbC report must be submitted by December 31, 2019. Similarly, CbC notifications for financial years starting on or after January 1, 2018 are due by no later than December 31, 2019, where the resident of Qatar is the ultimate parent entity (UPE) (i.e. Qatar parented MNE).

A Ministry of Finance circular issued in December 2018 confirms that CbC notification and filing requirements do not apply for FY 2017 for ultimate parent entities resident in Qatar provided a CbC report was validly filed by a surrogate parent that is tax resident in a jurisdiction that has signed the OECD multilateral competent authority agreement (MCAA). For FY 2018, notification in Qatar may be made in Qatar by either the ultimate parent or the surrogate parent. Where the ultimate parent company is resident in Qatar, meets the revenue threshold and does not have a surrogate parent entity in another jurisdiction, the CbC report and notification for FY 2018 are due by 31 December 2019.

A constituent entity that is resident in Qatar for tax purposes and is part of an MNE group whose ultimate parent entity is resident outside Qatar, is not required to file a CbC report or a CbC notification in Qatar until further notice from the tax authorities.

**Thin capitalization**

No specific thin capitalization rules apply under the State of Qatar tax regime, but interest payments made by a PE to its head office or to related parties are not deductible for tax purposes.
Under the QFC tax regime, the arm's length borrowing capacity of a QFC taxpayer is the amount of debt that it could and would have taken on, as a stand-alone entity, from an independent lender. The safe harbor debt-to-equity ratio set out by the QFC tax authorities is 2:1 for non-financial institutions and 4:1 for financial institutions.

**Controlled foreign companies**  
No

**Disclosure requirements**  
No

**Compliance for corporations**

**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.

Under the QFC tax regime, the tax year generally is the calendar year.

**Consolidated returns**
Consolidated returns are not permitted under the State of Qatar tax regime. Each company must file a separate tax return.

**Filing requirements**
Under the State of Qatar tax regime, taxpayers are required to submit an annual income tax return and pay the tax due by the end of the fourth month after the company’s financial year-end. Entities wholly owned by Qataris and other GCC nationals are exempt from corporate income tax, but are required to file tax returns and audited financial statements with the tax authorities if their capital is at least QAR 2 million or if their annual revenue is at least QAR 10 million. The GTA has introduced a new online tax management system (Dhareeba) with the aim of achieving complete automation of the tax payment and management process. Dhareeba enables online registration, filing of tax returns, payment of taxes due and progress tracking.
Under the QFC tax regime, the deadline to submit the annual income tax return and pay the tax due is the end of the sixth month after the company’s financial year-end. There is an online system for tax filing exclusively for QFC entities.

Under the State of Qatar tax regime, all taxpayers are required to submit a withholding tax return and pay the withholding tax due to the tax authority before the 16th day of the month following the month in which the tax was withheld. All withholding tax filings must be done electronically.

As from 13 July 2019, all communications with the GTA (with the exception of the financial statements) must be in Arabic.

**Penalties**
Under the State of Qatar tax regime, failure to file a tax return by the deadline will result in a penalty of QAR 500 per day up to a maximum of QAR 180,000. Failure to pay tax due by the deadline will result in a penalty of 2% of the amount of tax due per month of delay or part thereof, up to the amount of tax due.

All taxpayers must register with the GTA and obtain a tax card. Both the registration and tax card must be renewed annually and failure to do so may result in a penalty of QAR 20,000.

Failure to withhold tax where required is subject to a penalty of 100% of the tax. Delays in remitting tax withheld are subject to a penalty of 2% of the tax per month of delay subject to a maximum of 100% of the amount of tax due.

Under the QFC tax regime, financial sanctions vary depending on the circumstances.

**Rulings**

**Personal taxation**

**Basis**
Qatar does not impose personal income taxation; only income from a business in Qatar is taxable.
Residence
An individual is resident in Qatar if he/she has a valid residence permit issued by the ministry.

Filing status
No

Taxable income
Only business income is taxable in Qatar. There is no tax on employment income.

Capital gains
Capital gains from 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 (any gains from such assets are taxable at a 10% rate).

Deductions and allowances
No

Rates
Only income from a business is taxable, at a rate of 10% of taxable 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
An employee who is a Qatari national and has a pension scheme must make a pension contribution equal to 5% of his/her basic salary each month.
Compliance for individuals

Tax year  No
Filing and payment  No
Penalties  No

Value added tax

Taxable transactions
No VAT or other sales tax currently applies in Qatar and the Qatari government has announced that it will not implement VAT during 2019.

Rates  No
Registration  No
Filing and payment  No

Source of tax law
Qatar Income Tax Law (Law No. 24 of 2018), Excise Tax Law (Law No. 25 of 2018), Qatar Financial Center Tax Law and Regulations.

The Executive Regulations are yet to be published for the new Income Tax Law No. 24 of 2018, and the Executive Regulations accompanying Law No. 21 of 2009 (the old tax law) will be applicable until the new Executive Regulations are issued.

Tax treaties
Qatar has concluded 84 tax treaties.

Qatar signed the OECD MLI on 4 December 2018.

Tax authorities
Ministry of Finance – General Tax Authority, Qatar Financial Centre – Tax Authority
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Recent developments:
For the latest tax developments relating to Saudi Arabia, see Deloitte tax@hand.

Investment basics
Currency
Saudi Riyal (SAR)

Foreign exchange control
No

Accounting principles/Financial statements
For accounting periods that began before 1 January 2018, Saudi Organization of Certified Public Accountants (SOCPA) standards generally were used. If an issue was not covered by SOCPA standards, IFRS was applied. Banks and insurance companies use IFRS. Listed companies were required to adopt IFRS from the financial period beginning from 1 January 2017, with 1 January 2016 being the transition date for IFRS convergence (the beginning of the earliest comparative year). All other entities are required to adopt IFRS from the financial period beginning from 1 January 2018, with 1 January 2017 being the transition date for IFRS convergence.

All the Financial statements from 2018 are now prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (SOCPA).

Principal business entities
These are the limited liability company (LLC), joint stock company and branch of a foreign entity.

Corporate taxation
Residence
A corporation (defined in Saudi law as a public company, limited liability company or partnership limited by shares) 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 Saudi Arabia.

**Basis**

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

The definition of a resident corporation that is subject to tax includes a company with shares owned directly or indirectly by persons engaged in the production of oil and hydrocarbon materials; with the effect that the state-owned oil company and its Saudi subsidiaries operating in the production of oil and hydrocarbon materials are subject to tax. Indirect ownership includes ownership up to the second level.

**Taxable income**

Income tax generally 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 (GCC) 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.

The tax base of a corporation is determined independently from its shareholders, partners or subsidiaries, irrespective of whether the corporation is consolidated for accounting purposes.

The tax base of persons engaged in the production of oil and hydrocarbon materials is their taxable income, less expenses allowed in accordance with the tax legislation. The tax base of persons engaged in the exploitation of natural gas is their taxable income, less expenses allowed in accordance with the tax legislation. This tax base is considered independently from the tax base for other activities.
**Taxation of dividends**

Dividends received are taxed as income.

An exemption is available for cash or in-kind dividends received by a Saudi resident corporation from resident and nonresident companies where the recipient company owns at least 10% of the payer company for at least one year.

**Capital gains**

A 20% capital gains tax is imposed on the disposal of shares in a resident company by a nonresident shareholder. Capital gains arising on the disposal of securities traded on a foreign stock exchange are exempt from capital gains tax provided the securities also are traded on the Saudi stock exchange, irrespective of whether the disposal was made via a stock exchange or through other means.

Capital gains on the disposal of shares traded on the Saudi stock exchange are tax exempt if the shares were acquired after 2004.

No gain or loss arises on the transfer of assets between group companies if the companies are wholly owned directly or indirectly within the group and the assets are not disposed of outside the group for at least two years from the date of transfer.

**Losses**

Tax losses may be carried forward indefinitely, subject to a maximum offset each year of 25% of the annual taxable profits, as reported on the tax return. Corporations are able to carry forward losses, irrespective of whether there has been a change in ownership or control, provided they continue to perform the same activity. A transfer of assets within a group of companies is not considered as a change in ownership or control. Losses may not be carried back.

**Rate**

The corporate income tax 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 for taxpayers working in the exploitation of natural gas sector is 20%. The tax rate for taxpayers engaged in the production of oil and hydrocarbons is determined on the basis of the company’s capital investment, as follows: 85% for capital investment of USD 60 billion or less; 75% for capital investment between USD 60 billion and USD 80 billion; 65% for capital investment between USD 80 billion and USD 100 billion; and 50% for capital investment exceeding USD 100 billion.

Capital investment is defined as the total cumulative value of fixed assets, whether tangible (e.g. equipment, machinery, etc.) or intangible, including exploration, drilling and development expenses.

For financial years commencing on or after 1 January 2019, Zakat is assessed at 2.5% on the higher of the Zakat base (balance sheet basis) and the net adjusted profit of a Saudi or GCC shareholder following the Hijri calendar. For Zakat payers following the Gregorian calendar, the rate applicable to the Zakat base is 2.578% (balance sheet basis).

**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% and
- The investment is held for at least one year. Limited rules also exist for groups wholly subject to Zakat.

**Incentives**

The government grants 10-year tax incentives on investments in the following six underdeveloped provinces: Hail, Jizan,
Abha, Northern Border, Najran and Al-Jouf. Investors are 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% withholding tax is levied on technical service fees paid to a nonresident third party, unless the rate is reduced under a tax treaty; a 15% withholding tax rate applies to technical service fees paid to related parties, unless the rate is reduced under a tax treaty.

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

**Other taxes on corporations**

**Capital duty**
No

**Payroll tax**
No

**Real property tax**
No, but a 2.5% land tax applies on all undeveloped land within urban boundaries.

**Social security**
For Saudi employees, the employer must contribute 12% of the employee’s salary to the General Organization for Social Insurance (GOSI), and the employee contributes 10%. The
employer also pays accident insurance equal to 2% of the salaries paid for non-Saudi employees.

**Stamp duty**  
No

**Transfer tax**  
No

**Excise duty**  
Excise tax is chargeable on the importation or production of excisable goods released for consumption in Saudi Arabia. The excise duty rate is 50% on soft drinks and 100% on energy drinks and tobacco products. Any person intending to import, produce or hold (under a suspension arrangement) any excisable goods in Saudi Arabia must register for excise tax. Any person holding excisable goods valued in excess of SAR 60,000 (whether or not otherwise registered or required to register) must submit a one-off transitional return and pay the excise tax due within 45 days. Thereafter, those registered for excise tax must submit returns reporting their total excise liabilities on a bimonthly basis (i.e. one return every two calendar months) together with payment within 15 days of the end of the tax period.

**Anti-avoidance rules**

**Transfer pricing**  
Transfer pricing regulations apply for reporting periods ended on or after 31 December 2018 and generally are consistent with OECD guidelines. The regulations apply to all taxpayers and cover any transaction between related persons or persons under common control, as defined in the regulations, subject to certain de minimis thresholds. The choice of transfer pricing method is aligned with OECD guidance, with five prescribed methods: comparable uncontrolled price, resale price, cost plus, transactional net margin and transactional profit split.

**Thin capitalization**  
Saudi Arabia does not have specific thin capitalization rules, but there is a rule limiting the deductibility of interest expense to the lesser of:  
- The actual interest expense, or
• Interest income, plus 50% of taxable income (excluding interest income and interest expense).

**Controlled foreign companies**  No

**Disclosure requirements**
A disclosure form providing various details for transfer pricing purposes must be submitted together with the annual income tax return due 120 days after the financial year-end. It must be accompanied by an affidavit from an auditor licensed to operate within Saudi Arabia certifying that the transfer pricing policy of the multinational enterprise is consistently applied by and in relation to the taxpayer with regard to its intragroup transactions.

Saudi Arabian entities that are members of groups with turnover exceeding SAR 3.2 billion (approximately USD 850 million) are subject to country-by-country (CbC) reporting and notification requirements. A master file and local file also would be required in line with OECD BEPS action 13. The deadline for submission of the CbC report notification for ultimate parent entities (UPEs) not based in Saudi Arabia is 120 days after the fiscal year-end. The CbC report for Saudi Arabia-based UPEs should be submitted 12 months after the fiscal year-end.

For calendar year 2019, extensions are granted for the submission of the master file and/or local file, providing taxpayers with a minimum of 210 days after their fiscal year-end to prepare and submit the documentation (assuming the tax authorities request the master and/or local file 120 days after the fiscal year-end).

**Other**
There is a general anti-avoidance provision (GAAR) in the tax law.

**Compliance for corporations**

**Tax year**
The tax year is the state’s fiscal year (1 January to 31 December). 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 must be filed for Zakat and in the case of wholly owned subsidiaries. However, Zakat returns of the subsidiaries are filed for information purposes. Consolidated returns are not permitted for income tax purposes.

Filing requirements
Tax returns for a corporation must be filed online with the tax authorities within 120 days from the fiscal year-end. A taxpayer whose revenue 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 120 days of the year-end.

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

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 under “Corporate taxation.”
Residence
An individual is resident in Saudi Arabia for a tax year if he/she:
• Has a permanent residence in Saudi Arabia and is present in Saudi Arabia for at least 30 days in total in the tax year (1 January to 31 December) or
• Is present in Saudi Arabia for at least 183 days in the tax year.

Filing status
Only individuals that carry on a business or profession are required to file a tax return.

Taxable income
The concept of taxable income only is applicable for individuals that carry on a business or profession, who are subject to the same rules as companies.

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 10% of salary to the GOSI; the employer contributes 12%.

Expatriate levy
An annual dependent levy applies per expat dependent residing in Saudi Arabia. The amount is SAR 2,400 as from 1 July 2018, increasing to SAR 3,600 from 1 July 2019 and SAR 4,800 from 1 July 2020.

Compliance for individuals
Tax year No
Filing and payment No
Penalties No

Value added tax
Taxable transactions
VAT applies to almost all supplies of goods or services, subject to limited exceptions. Exempt supplies include margin-based financial services, life insurance and residential property rental. Education and healthcare services provided to Saudi citizens are exempt. Saudi citizens also may claim relief from paying VAT on the first purchase of a private residence (for the first SAR 850,000) through a special scheme run by the Ministry of Housing.

Rates
The standard rate of VAT is 5%. Certain goods and services are zero-rated in accordance with the GCC’s Framework Agreement, which specifies some mandatory areas for zero-rating in all six GCC member states (including exports of goods and services outside the GCC, and the supply of qualifying medicines, medical goods and investment metals).

Registration
The standard mandatory VAT registration threshold is annual turnover of SAR 375,000. A fine of SAR 10,000 is imposed for failure to register by the required deadline. Businesses also may apply to register voluntarily if they have annual turnover...
of at least SAR 187,500. Nonresidents providing taxable supplies to non-taxable customers in Saudi Arabia must register through tax representatives within 30 days from the first such supply.

**Filing and payment**

VAT tax periods may be monthly or quarterly. Taxpayers must calculate the net VAT for the period and submit the VAT return electronically by the end of the following month, together with the payment required. VAT reporting can be carried out on a “cash accounting” basis for small businesses with turnover of less than SAR 5 million. Businesses with an annual turnover of less than SAR 40 million may use a quarterly filing period. The GAZT have been very active in identifying businesses that have failed to comply with the VAT law, and have issued assessments and often significant penalties accordingly. To avoid penalties, businesses should ensure they are compliant from a VAT perspective.

**Source of tax law**


**Tax treaties**

Saudi Arabia has concluded 53 tax treaties and signed the OECD MLI on 18 September 2018. For further information on Saudi Arabia’s tax treaty network, visit Deloitte International Tax Source.

**Tax authorities**

General Authority of Zakat and Tax (GAZT)

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**Recent developments**
For the latest tax developments relating to the United Arab Emirates, see Deloitte tax@hand.

**Investment basics**

**Currency**
UAE Dirham (AED)

**Foreign exchange control**
No

**Accounting principles/financial statements**
IAS/IFRS. Financial statements generally are required to be prepared annually.

**Principal business entities**
These are the limited liability company, private/public joint stock company, branch and representative office.

Foreigners generally may own only up to 49% of a UAE mainland-registered company, although the shareholding may be increased to 100% in companies set up in one of the 40+ free trade zones.

**Corporate taxation**

**Residence**
Emirate-level income tax decrees (see “Basis” below) do not contain specific provisions in relation to corporate tax residence. Therefore, there is no clear legal concept of corporate tax residence in the UAE. Nevertheless, the Ministry of Finance (MOF) issues tax residence certificates to companies that are incorporated in and managed from the UAE and meet the requirements of the MOF (e.g. at least one UAE resident director, a fixed place of business, etc.) and a relevant tax treaty, if appropriate.
Basis
Income tax decrees have been issued by five of the seven Emirates (i.e. Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain, Ras Al Khaimah and Fujairah), but currently only are enforced in respect of oil and gas exploration and production companies and certain petrochemical companies under specific government concession agreements. Branches of foreign banks are subject to corporate income tax under separate banking tax decrees in certain Emirates.

Taxable income
In practice, no taxes are currently levied on the income of the vast majority of businesses in the UAE, except for oil and gas exploration and production companies, certain petrochemical companies and branches of foreign banks.

The relevant applicable income tax and banking tax decrees include basic deductibility rules that need to be taken into account when determining taxable income.

Taxation of dividends
No

Capital gains
Capital gains are not taxable, unless derived by a company that is taxable under any of the income tax or banking tax decrees.

Losses
Generally not applicable, other than for companies taxable under any of the income tax decrees (which generally provide for losses to be carried forward indefinitely) or the banking tax decrees (under which losses may generally be carried forward for two years).

Rate
Oil and gas exploration and production companies are taxed at progressive rates of up to 55% under the applicable Emirate-level tax decree, although in practice different rates may be agreed with the relevant authority under specific government concession agreements.
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%.

**Surtax**  
No

**Alternative minimum tax**  
No

**Foreign tax credit**  
No

**Participation exemption**  
No

**Holding company regime**  
No

**Incentives**  
The UAE has established several free trade zones which offer benefits including: (renewable) 15- to 50-year tax holidays, no restrictions on foreign ownership, no restrictions on capital and profit repatriation, and an exemption from import duties on goods brought into the zone.

**Withholding tax**  
There are no withholding taxes in the UAE.

**Other taxes on corporations**  
**Capital duty**  
No, but limited registration/notary or attestation fees may apply.

**Payroll tax**  
No, but see “Social security” below.

**Real property tax**  
No, but see “Transfer tax” and “Other” below.

**Social security**  
Social security contributions are due only in respect of nationals of the Gulf Cooperation Council (GCC) countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE). For UAE national employees, the employer and employee
Pension contribution rates are 12.5% and 5%, respectively, and contributions are based on the monthly contractual salary, including basic allowances, as agreed in the local employment contract. The contribution rates and bases for other GCC nationals vary, but broadly are in line with those for UAE nationals.

Under UAE labor law, non-GCC national employees are entitled to an end-of-service benefit (EOSB) if their employment contract is terminated after completion of at least one year of service. EOSB is payable by the employer and calculated as 21 days per year of basic wages for the first five years of employment, plus 30 days per year of basic wage for each additional year of service, subject to a maximum EOSB payment of two years’ remuneration.

**Stamp duty**
No, although free trade zones generally charge companies operating within the zone an administrative fee for a transfer of shares in other UAE companies.

**Transfer tax**
A transfer charge is payable to the competent land department levied on the direct and, in specific circumstances, indirect transfer of real property situated in the UAE (e.g. a transfer of shares in a company holding real estate situated in the UAE). The charge also is levied on partial transfers under certain circumstances.

The tax rate varies according to the Emirate in which the property is situated. For the Emirate of Dubai, the rate is 4%, borne equally by the buyer and the seller (although in practice, the buyer generally is responsible for paying the transfer fee).

**Excise tax**
Excise tax is payable on the importation, manufacture and stockpiling of excisable goods, which include carbonated beverages, energy drinks and tobacco.
Other
Municipal taxes are imposed on certain hotel and leisure services and property rentals.

In the case of property rentals, certain Emirates charge a municipality fee on the annual rental value of the property, which varies according to the Emirate in which the property is situated. For the Emirate of Dubai, a municipality fee of 10% is levied on commercial properties. The fee is included proportionally in the monthly utility bills for the property.

Anti-avoidance rules
Transfer pricing No
Thin capitalization No
Controlled foreign companies No

Disclosure requirements
Annual audited financial statements prepared on the basis of IFRS/IAS must be filed with the Ministry of Commerce by businesses located outside the free trade zones.

Entities located within a free trade zone report to the free trade zone authority for the relevant zone and generally are required to submit audited financial statements in accordance with IFRS/IAS annually. Some free trade zones do not require or do not enforce submission of annual audited financial statements.

Compliance for corporations
There are no significant tax compliance obligations for businesses based in the UAE. Economic substance compliance requirements will start to apply in 2020.

Personal taxation
Residence
There are no tax laws covering individuals in the UAE and as a result, no domestic concept of personal tax residence. Nevertheless, the MOF issues tax residence certificates to
individuals who satisfy the requirements of the MOF (including physical presence in the UAE of more than 183 days within any 12-month period) and a relevant tax treaty, if appropriate.

**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**
  - See "Real property tax" above.

In the case of a residential rental, certain Emirates charge a municipality fee, which varies according to the Emirate in which the property is situated. For the Emirate of Dubai, a municipality fee of 5% is levied on the annual rental value of residential property and is included proportionally in the monthly utility bills for the property.

- **Inheritance/estate tax**
  - There is no inheritance tax regime. In the absence of a registered will, inheritance is dealt with in accordance with Islamic Shari'a principles.

- **Net wealth/net worth tax**
  - No

- **Social security**
  - Social security contributions are payable only by GCC nationals. See “Social security” above.

**Compliance for individuals**

There are no compliance obligations for individuals in the UAE.
Value added tax

Taxable transactions
VAT applies on the supply of a broad base of goods and services, as well as the importation of goods, with some very limited exceptions. It is overseen by the Federal Tax Authority (FTA).

Rates
The standard rate is 5%; certain supplies of goods and services are zero-rated or exempt from VAT.

Registration
Registration is mandatory for taxable persons resident in the UAE whose taxable supplies exceed AED 375,000 in the previous 12 months or are expected to exceed AED 375,000 within the next 30 days. A resident business may register voluntarily if its taxable supplies exceed or are expected to exceed the voluntary registration threshold of AED 187,500. No threshold applies to nonresidents that are required to register for VAT to remit any tax payable by them on supplies in the UAE.

Filing and payment
VAT returns generally are required on a monthly or quarterly basis depending on turnover, but the FTA may specify a longer or shorter period if it considers that to be appropriate. Returns must be filed online via the FTA portal by the 28th day (or next business day if the 28th day falls on a weekend or national holiday) of the month following the end of the reporting period. Any VAT payable for the reporting period is due on the return filing date and payments generally are made online via the e-Dirham website.

Source of tax law
Tax treaties
The UAE has concluded more than 80 tax treaties.

The UAE signed the OECD multilateral instrument on 27 June 2018.

Tax authorities
Ministry of Finance, Federal Tax Authority and General Pension and Social Security Authority.

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Yemen

Investment basics

Currency

Yemeni Riyal (YER)

Foreign exchange control

No

Accounting principles/Financial statements

IFRS is the standard. Banks follow IFRS as instructed by the central bank of Yemen.

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 services or commercial business in Yemen. The shareholding may be 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 (i.e. 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, with a special regime applying 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, less allowable deductions.

Taxation of dividends
Dividend income received by a legal entity from a public company is exempt.

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

Losses
Loss carryforwards may be used in the five years following the loss if the taxpayer provides a tax declaration certified by a chartered accountant based on proper books and accounts. Restrictions apply if there has been a 100% change in the ownership of the company.

Rate
The standard corporate tax rate is 20%. A 50% rate applies to mobile phone services providers, and a 35% rate to international telecommunications services providers; oil, gas and minerals entities; and cigarette manufacturers. Concession companies engaged in the exploitation of oil and gas pay a fixed tax, normally 3% on expenditure incurred during the exploration phase, as per a relevant production-sharing agreement. The applicable tax 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 5% to 20% of the tax base determined as a percentage of turnover, 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 income tax law abolished all incentives and exemptions available under other laws, although exemptions granted under the investment law remain in effect until the exemption period expires. The income tax 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.

Taxpayers that invest more than USD 150 million in a minerals investment project may elect at any time during the first five years of the project to enter into a fixed taxation agreement that would ensure tax stability for the taxpayer for 10 years, starting with the first year of production and sale.

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 Yemen 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 4% 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 salaries in slabs of income at progressive rates ranging from 10% to 15% for Yemeni employees. A flat rate of 20% applies to foreign resident employees. 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 fee (education fee) equal to 1% of total payroll to the Ministry of Vocation Training.

Real property tax
An annual tax equivalent to one month's rent is levied on the rental value of real property, and a 1% tax is levied on income from the sale of land, 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%. (Changes were made to these rules in 2017, but due to the ongoing political crisis, the GCSS still is collecting the contributions under the old rules.)

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

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 the tax due. The taxpayer must pay the amount due based on the return. A tax return must be filed by 30 April or within 120 days after the end of the tax year.
All taxpayers (even if exempt) must submit a tax return. The tax authorities have the right to audit returns and issue an additional assessment. 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. There are various incentives for early filings.

**Penalties**
The penalty for submitting a late return is 2% of the tax payable for each month’s delay after the deadline. Where the late submitted return shows a loss, the penalty is YER 200,000 for medium-sized taxpayers, and ranges from YER 1 million to YER 5 million for large taxpayers. An exempted entity is subject to a penalty for submitting a late return of 2% of the exempted tax for each month’s delay, 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**

**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 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 and he/she works abroad and derives 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 permanent establishment 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 YER 10,000, plus 6% of gross salary for an employee’s social security contribution and allowances, up to a maximum of YER 65,000.

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

Other taxes on individuals
Capita duty No

Stamp duty No

Capital acquisitions tax No

Real property tax
An annual tax equivalent to one month’s rent is levied on the rental value of real property. A 1% tax is levied on income
from the sale of land, constructed property and land prepared for construction.

**Inheritance/estate tax**

No

**Net wealth/net worth tax**

Zakat is levied on net worth, at a rate of 2.5%.

**Social security**

An employee (whether a national or foreign) must contribute 6% of salary to the GCSS. A foreign employee may withdraw the total contribution paid by the employee and the employer to GCSS, subject to a deduction of 20% as a service charge.

**Administration and compliance**

**Tax year**

Calendar year

**Filing and payment**

The tax return must be submitted to the tax authorities within 120 days after 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 mobile communications services. Exemptions also are available.
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
A registered entity must submit a declaration of its sales taxes for each month, within the first 21 days of the following month.

Tax treaties
Yemen has a small number of tax treaties in force.

Tax authorities
Yemeni Tax Authority

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