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I am pleased to present the 2015 edition of our Middle East Tax handbook – a comprehensive guide to help you keep abreast of global tax rates and regimes.

Changes in regulation and tax reform are often driven by a number of trends: a desire to provide a fiscal environment that fosters investment and entrepreneurialism, and the desire to integrate markets to facilitate cross border trade. Many countries also want to ensure that they are perceived as competitive vis-à-vis their international counterparts, so there is an inherent desire to make tax regimes more attractive.

Against this backdrop, governments are seeking to ensure their tax systems generate the revenues they expect. Coupled with an increased scrutiny on the transparency of tax planning, and pressure on large corporations to pay their ‘fair share’ of tax, there is increased pressure to navigate the complexity of the applicable rules and make informed decisions with respect to the tax risks you, our clients, face.

In this light, the international dimension of tax policy is critical. The OECD’s Base Erosion and Profit Shifting (BEPS) project is crucial in steering the direction of tax regulatory reform going forward. This initiative is concerned with tackling aggressive tax practices which erode the tax base and shift profits to low tax or no-tax jurisdictions. The buzzword in this agenda is transparency - what is being paid, where it is being paid and why. The concept of simplicity is also fundamental – there is a desire to make paying taxes more straightforward, thus creating a system that allows global trade and businesses to flourish.
At our last conference, the BEPS review was in its infancy, however now we are seeing clear findings and actions emerging. Such insights allow us to guide our clients and consequently provide potential implications of the short, medium and long term impacts of their business decisions. Going forward, I expect to see tax technology playing an even bigger role, as departments look to transform their business models to identify deficiencies and improve operational effectiveness.

Preparedness is essential for adapting to regulatory change. Businesses need to understand the exposures they have, in all of the countries they operate in, as well as put a strategic framework in place to ensure they create long-term value and are compliant in this new world of tax regulation. At present, we continue to carefully monitor these trends in regulation to help you better manage what lies ahead.

Nauman Ahmed
Middle East Tax leader
Bahrain

**Investment basics**

**Currency**  
Bahraini Dinar (BHD)

**Foreign exchange control**  
No

**Accounting principles/financial statements**  

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

**Corporate taxation**

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

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

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

**Taxation of dividends**  
No

**Capital gains**  
No
Losses
Trading losses may be carried forward indefinitely. The carryback of losses is not permitted (oil companies only).

Rate
The rate is 46% on oil companies.

Surtax
No

Alternative minimum tax
No

Foreign tax credit
No

Participation exemption
No

Holding company regime
No

Incentives
No

Withholding tax
Dividends
No

Interest
No

Royalties
No

Technical Service Fee
No

Branch remittance tax
No

Other taxes on corporations
Capital duty
No

Payroll tax
No

Real property tax
No
Social security
For Bahraini employees, the employer’s social insurance contribution is 12%, which covers old age, disability, death and unemployment. For expatriate employees, the employer’s social insurance contribution is 3%, which covers employment injuries.

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

Transfer tax  No

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

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

Anti-avoidance rules
Transfer pricing  No

Thin capitalization  No

Controlled foreign companies  No

Other  No

Disclosure requirements  No
Compliance for corporations

**Tax year**
Calendar year

**Consolidated returns**
No

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

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

**Rulings**
No

Personal taxation

**Basis**
No

**Residence**
No

**Filing status**
No

**Taxable income**
No

**Capital gains**
No

**Deductions and allowances**
No

**Rates**
No

Other taxes on individuals

**Capital duty**
No

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

Capital acquisitions tax  
No

Real property tax  
No

Inheritance/estate tax  
No

Net wealth/net worth tax  
No

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

Compliance for individuals  
Tax year  
Calendar year

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

Penalties  
Some penalties apply for failure to file the return.

Value added tax  
Taxable transactions  
There is speculation that VAT may be introduced in the future, but this has not been confirmed.

Rates  
No

Registration  
No

Filing and payment  
No
Source of tax law
Bahrain Income Tax Law (Amiri Decree 22/1979)

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

Tax authorities
Ministry of Finance

International organizations
Gulf Cooperation Council

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Egypt

**Investment basics**

**Currency**
Egyptian Pound (EGP)

**Foreign exchange control**
The Central Bank of Egypt imposes certain restrictions on the export of capital and on the repatriation of funds.

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

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

**Corporate taxation**

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

**Basis**
Resident companies are taxed on their worldwide income; nonresident companies pay tax only on Egyptian-source profits.

**Taxable income**
Corporate tax is imposed on the totality of a company’s profits.

**Taxation of dividends**
Dividends received by a resident entity from another resident entity or a nonresident entity are exempt from corporate income tax after adding an amount equal to 10% of the distributed dividends to the
Egyptian taxable profits. This will apply if the Egyptian parent holds at least 25% of the shares of the subsidiary for at least two years before the distribution or the shares will be held for two subsequent years; otherwise, the dividend income will be included in ordinary income and taxed at the standard corporate income tax rate.

**Capital gains**
Capital gains derived by a resident company from the sale of shares listed on the Egyptian stock exchange are subject to a 10% corporate income tax in a separate income pool; gains derived from unlisted shares are included in taxable income and taxed at the standard corporate rate. Capital gains derived by a nonresident entity from the disposal of shares in Egyptian companies are subject to a 10% withholding tax.

**Losses**
Losses may be carried forward for five years. The carryback of losses is not permitted, except for losses incurred by a construction company on long-term contracts. Tax losses incurred on the trading of shares may be carried forward for three years.

**Rate**
The standard corporate income tax rate is 25%. However, a 5% temporary annual tax applies for the period 2014-2016 on net income exceeding EGP 1 million and is levied in addition to the 25% rate.

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

Participation exemption
A reduced tax rate applies on dividends where the participation exceeds 25% (see Dividends below).

Holding company regime
No

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

Projects established under the Special Economic Zone regime are taxed at a reduced corporate income tax rate of 10%.

Withholding tax

Dividends
Dividends paid to a resident or a nonresident entity are subject to a 10% withholding tax (the tax withheld is deductible from corporate income tax where the dividends are paid to a resident corporate entity). The withholding tax rate is reduced to 5% where the recipient holds more than 25% of the capital or voting rights in the distributing company for at least two years. The rate for nonresidents may be reduced under a tax treaty.

Interest
Interest paid to a nonresident is subject to a 20% withholding tax, which may be reduced under a tax treaty. The Egyptian resident payer must withhold 20% tax at source (regardless of whether a lower rate applies under an applicable tax treaty); the recipient must submit a request to the Egyptian tax authorities to obtain a refund of the tax over-withheld within six months of the date the interest was paid.
Interest paid under a long-term loan (i.e. a loan exceeding three years) is not subject to withholding tax.

**Royalties**
Royalty payments made to a nonresident are subject to a 20% withholding tax, unless the rate is reduced under a tax treaty. An Egyptian resident payer must withhold 20% tax at source (regardless of whether a lower rate applies under an applicable tax treaty); the recipient must submit a request to the Egyptian tax authorities to obtain a refund of the tax over-withheld within six months of the date the royalties were paid.

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

**Branch remittance tax**
Profits realized by a branch or permanent establishment (PE) are deemed distributed to the head office within 60 days and are subject to the dividend withholding tax at a rate of 5%, 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 the real estate tax. The rate is 10% on the annual rental value after allowing a 30% deduction to cover related costs for residential property (a 32% deduction is allowed for nonresidential property). Residential units with an annual rental value of less than EGP 24,000 are exempt.
Nonresidential property that is used for commercial, industrial and administrative purposes with an annual rental value of less than EGP 1,200 is exempt. 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 social security agreement with another country applies.

**Stamp duty**
Stamp duty is charged at various rates and fixed charges. The rate on banking transactions is 0.1% per quarter; the rate is 20% on commercial advertisements; and from 0.08% to 10% on insurance premiums.

**Transfer tax**
No

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

**Anti-avoidance rules**

**Transfer pricing**
Related party transactions must be carried out on arm’s length terms. Three methods may be used to determine the transfer price:
- comparable uncontrolled price method;
- total cost plus profit margin method; and
- resale price method, with priority given to the comparable uncontrolled price method. However, if the information needed to apply this method is unavailable, any of the other methods may be used. If none of the methods are deemed suitable by the taxpayer, any method specified under the OECD transfer pricing guidelines will be accepted.
Thin capitalization
A 4:1 debt-to-equity ratio applies. Any interest on debt exceeding this ratio is disallowed.

Controlled foreign companies
Income from investments in nonresident companies is recognized under the equity method of revenue recognition and is taxed in Egypt if:
• the Egyptian entity owns more than 10% of the nonresident investee entity;
• more than 70% of the nonresident company’s income is derived from dividends, interest, royalties, management fees or rental fees; and
• the profits of the investee company are not subject to tax in its country of residence, are exempt or are subject to a tax rate of less than 75% of the tax rate in Egypt.

Other
General anti-avoidance rules have been introduced into Egyptian tax law, under which if an essential purpose of any transaction is tax savings or tax postponement, the transaction may be adjusted to eliminate the benefit.

Disclosure requirements
No

Compliance for corporations
Tax year
Accounting year

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

Filing requirements
Companies must file a tax return within four months following the end of the financial year. Tax is assessed on the basis of the information provided in the tax return.
Penalties
Various penalties apply for failure to apply the system of withholding, collection and remittance of tax; failure to file a return and other offenses.

Rulings
Taxpayers may apply for an advance ruling by submitting a written request and copies of relevant documents to the tax authorities. The tax authorities will issue a decision 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 residing abroad but derives income from Egyptian sources.

Filing status
Joint filing of spouses is not permitted.

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 individual on the sale of listed shares are subject to a 10% income tax in a separate income pool, while gains realized by a resident individual on the sale of unlisted shares are subject to the progressive rates set out below.
Capital gains realized on the sale of shares by a nonresident individual is subject to a 10% withholding tax.

Income derived from the sale of assets in a sole proprietorship becomes part of an individual’s taxable base (including the sale of sole proprietorship real estate). If not classified as sole proprietorship assets, real estate value are subject to a separate tax of 2.5% 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 25% are levied on all types of income derived by individuals (including income from employment), up to EGP 1 million per year. A 5% additional temporary tax on income over EGP 1 million applies for the tax years 2014-2016, which effectively creates an additional top tax bracket of 30% on income exceeding EGP 1 million. Resident employees who derive income from a secondary employer are subject to tax at a flat rate of 10%.

Dividend income received by resident individuals are 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.

**Other taxes on individuals**

**Capital duty**
No

**Stamp duty**
Stamp duty is charged at various rates and fixed charges. The rate on banking transactions is 0.1% per quarter; the rate is 20% on commercial advertisements; and from 0.08% to 10% on insurance premiums.
Capital acquisitions tax

No

Real property tax

Most real property in Egypt is subject to the real estate tax. The rate is 10% on the annual rental value after allowing a 30% deduction to cover related costs for residential property (a 32% deduction is allowed for nonresidential property). Residential units with an annual rental value of less than EGP 24,000 are exempt. Nonresidential property that is used for commercial, industrial and administrative purposes with an annual rental value of less than EGP 1,200 is exempt. 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 social security agreement with another country applies.

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 must 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 income and benefits for the entire year and pay it to the tax authorities on the annual income tax return before 31 January of the following year.
Penalties
A penalty of not less than EGP 5,000 and not more than EGP 20,000 is imposed for failure to file a tax return, and the original tax remains due.

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

Rates
The standard rate is 10%-25% on most items.

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

Filing and payment
All companies must prepare and file a monthly sales tax return with the relevant Sales Tax Authority.

Source of tax law

Tax treaties
Egypt has concluded 56 tax treaties.

Tax authorities
Egyptian Tax Authority
**International organizations**
African Union, Arab League, Group of 77, UN

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You are going places. By giving you access to our aviation tax professionals around the world with the right skills, experience and commitment, we can help you on your journey.

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Iraq

Investment basics
Currency  Iraqi Dinar (IQD)

Foreign exchange control  Limited

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

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

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

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

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

Taxable income
Tax is levied broadly on all 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 a maximum of five consecutive years, but no more than 50% of any year’s taxable income can be offset and any loss carried forward may be deducted only from the same source of income from which it is being offset. The carryback of losses is not permitted.

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

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

Surtax
No

Alternative minimum tax
No

Foreign tax credit
No

Participation exemption
No

Holding company regime
No

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

**Withholding tax**

**Dividends**

Iraq does not levy withholding tax on dividends.

**Interest**

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

**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.”

**Technical service fees**

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

**Branch remittance tax**

No

**Other**

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

Payments made under contracts that fall within the scope of the oil and gas tax law should be subject to a 7% withholding tax. The tax authorities have introduced a 3.3% withholding tax applicable to payments made on contracts that fall outside the scope of the oil and gas tax law. In practice, this rate may vary depending on the industry.
Tax retentions are not consistently applied in Kurdistan, other than on payments made by the public sector, which often include a 5% tax retention.

**Other taxes on corporations**

**Capital duty**
No

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

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

**Real property tax**
No

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

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

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

**Anti-avoidance rules**

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

**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.

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

Penalties of up to 25% may be assessed on the income of taxpayers that fail to maintain appropriate accounting records for tax purposes.

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

### Rulings  No

### Personal Taxation

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

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

**Filing status**  
N/A

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

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

**Rates**
Progressive rates up to 15% apply.

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

**Other taxes on individuals**

**Capital duty**  
No

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

**Capital acquisitions tax**  
No

**Real property tax**  
No
Iraq

**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**

**Tax year**
Calendar year

**Filing and payment**
Employers are required to withhold taxes on behalf of employees and pay the tax to the tax authorities by the 15th of each month, and to submit annual tax returns on behalf of their employees. The annual employment tax declaration must be made before 31 March of the year following the tax year. Employment taxes in the Kurdistan Region must be paid before 30 June of the year following the tax year.

**Penalties**
See above under “Corporate taxation.”

**Value added tax**

**Taxable transactions**
No

**Rates**
No

**Registration**
No

**Filing and payment**
No
**Source of tax law**

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

**Kurdistan Region**
Income Tax Law No. 5 of 1999.

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

**Tax authorities**

**Federal Iraq**
General Commission of Taxation

**Kurdistan Region**
Income Tax Directorate

**International organizations**
Undergoing accession process for WTO

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Investment basics

Currency

Jordanian Dinar (JOD)

Foreign exchange control

No

Accounting principles/Financial statements

IFRS. Financial statements must be filed annually.

Principal business entities

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

Corporate taxation

Residence

Jordanian tax law does not define residence for tax purposes, but a company that is registered in Jordan is deemed to be resident. For a foreign entity to operate for any period of time in Jordan, 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 Jordan or from Jordanian sources is taxable.

Taxation of dividends

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

Capital gains

Income derived from capital gains is generally exempt, except for capital gains on assets subject to depreciation, intangible assets (e.g. goodwill) and capital gains recognized by banks, primary telecommunications companies, mining companies, financial institutions, financial brokerage companies, insurance and...
reinsurance companies and juristic persons conducting financial lease activities. Capital gains realized by other companies/sectors from investments within Jordan are exempt from income tax.

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

**Rate**
As of 1 January 2015, the standard corporate tax rate increased from 14% to 20%. The rate on banks increased from 30% to 35%. A 24% rate applies to primary telecommunications companies, electricity generation and distribution companies, mining companies, insurance and reinsurance companies, financial brokerage companies and financial institutions, including money exchange companies, and juristic persons conducting financial leasing activities. A 20% rate applies to the contracting, trading and services sectors and a 14% rate applies to the industrial sector.

**Surtax**
No

**Alternative minimum tax**
No

**Foreign tax credit**
No

**Participation exemption**
No

**Holding company regime**
No

**Incentives**
No

**Withholding tax**

**Dividends**
No, but see Islamic financing considerations under “Interest” below.
**Interest**
The withholding tax on interest paid to a nonresident increased from 7% to 10% on 1 January 2015. 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 5% on interest from deposits, commissions and profit participations of Islamic banks in the investment of such deposits. Such withholding is considered a final tax for individuals and a payment on account for a corporate taxpayer.

**Royalties**
The withholding tax on royalties paid to a nonresident increased from 7% to 10% on 1 January 2015. The rate may be reduced under a tax treaty.

**Technical service fees**
The withholding tax on technical service fees paid to a nonresident increased from 7% to 10% on 1 January 2015. The rate may be reduced under a tax treaty.

**Branch remittance tax**
No

**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 income tax of 5%. This tax is considered as a payment on account for the service providers and can be offset against their annual income tax liability when filing their annual income tax 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 7% to 20%.

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

Social security
The employer contributes 13.25% of an employee’s salary and the employee contributes 7%. However, the maximum salary subject to social security contributions is JOD 3,000. The employer is required to withhold and report contributions on a monthly basis.

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

Transfer tax
No

Anti-avoidance rules
Transfer pricing
No

Thin capitalization
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.

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

Penalties
Late payment fees are imposed at 0.4% for each week of delay. A penalty of JOD 500 applies for late filing by public and private shareholding companies; the penalty is JOD 200 for other types of company.

Rulings
No

Personal taxation

Basis
Resident and nonresident individuals are taxed only on income sourced in Jordan.

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

Filing status
Joint assessment of spouses may be requested.

Taxable income
Income from employment in Jordan is taxable.

Capital gains
Jordan does not tax capital gains.
Deductions and allowances
Deductions and allowances are determined at JOD 12,000 for a single person and JOD 24,000 for a family. An additional annual exemption of JOD 4,000 is available to cover medical treatment, housing loan interest, rent, education expenses, and technical, engineering and legal services. The exemption is granted on a case by case basis after the Income Tax Department has reviewed the related supporting documents.

Rates
Tax is levied at progressive rates on taxable income as follows: 7% on the first JOD 10,000; 14% on income between JOD 10,000 and JOD 20,000; and 20% on the excess.

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%, which is withheld and reported by the employer on a monthly basis. The maximum salary subject to social security contributions is JOD 3,000.
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.

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

Rates
The standard rate is 16%, with a higher rate applying to certain luxury items. Certain items are exempt.

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

Filing and payment
A sales tax return must be filed every two months, with the tax due paid at that time.

Source of tax law
Income and Sales Tax Law

Tax treaties
Jordan has signed approximately 32 tax treaties.
Tax authorities
Income Tax and Sales Tax Department

International organizations
OECD, WTO

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Kuwait

**Investment basics**

**Currency**
Kuwaiti Dinar (KWD)

**Foreign exchange control**
No

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

**Principal business entities**
Under the Commercial Companies Law of 1960, as amended, the following types of entities can be formed: limited liability company (WLL), shareholding company (KSC) and partnership. Foreign entities can carry out business:
- under the sponsorship of a registered Kuwaiti merchant;
- through a WLL or KSC;
- under the Foreign Direct Investment Law No. 8 of 2001, as amended by Law No. 116 of 2013; or
- through branches in the Kuwait Free Trade Zone (KFTZ) (Law no. 26 of 1995).

**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 trading operations on the Kuwait stock exchange, whether directly or through portfolios of investment funds.

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

**Capital gains**
Capital gains 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  
Only if provided for by a relevant double tax treaty.

Participation exemption  
No

Holding company regime  
No

Incentives  
A tax exemption for up to 10 years is available under the Foreign Direct Investment Law No. 8 of 2001, as amended by Law No. 116 of 2013.

Withholding tax  

Dividends  
The general rule is that there is no withholding tax on dividends paid to a nonresident. However, a 15% withholding tax is levied on dividends distributed by fund managers, investment custodians and corporate bodies.

Interest  
No

Royalties  
No

Technical service fees  
No

Branch remittance tax  
No

Other taxes on corporations  

Capital duty  
No

Payroll tax  
No

Real property tax  
No
Social security
Both the employer and Kuwaiti employees make social security contributions based on the employee’s salary (up to a ceiling of KWD 2,750 per month). The contribution rates are 11.5% and 8% of the employee’s salary for the employer and the employee, respectively.

Stamp duty
No

Transfer tax
No

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

KSCs (listed and closed) 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 KSE are required to pay a 2.5% annual tax on net profits under a law relating to the support of 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.
Anti-avoidance rules

Transfer pricing
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 20% 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

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.

Disclosure requirements  No

Compliance for corporations
Tax year
The taxable period is normally the calendar year. However, with the permission of the Director of the Income Tax Department, a taxable entity may keep its books on a different basis (e.g. if the overseas parent follows a financial year end other than 31 December).
Consolidated returns
Consolidated returns are not permitted; each company must file a separate return.

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

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

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

Rulings
No

Personal taxation
Basis
There is no personal income tax (employment tax) in Kuwait.

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

Social security
Kuwaiti employees must contribute 8% of salary to the Public Institution for Social Securities; the employer also contributes 11.5%.

Value added tax
Taxable transactions
There is speculation that VAT may be introduced in the future but this has not been confirmed.

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

Tax treaties
Kuwait has more than 40 tax treaties.

Tax authorities
Department of Income Tax

International organizations
GCC, WTO

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Deloitte Tax in the GCC has been ranked tier one for 5 consecutive years by World Tax and has a Tax Centre of Excellence in Dubai. To find out how our tax practitioners can help you achieve your business goals, visit www2.deloitte.com/middle-east/tax.
Lebanon

**Investment basics**

**Currency** Lebanese Pound (LBP)

**Foreign exchange control** No

**Accounting principles/Financial statements**

IFRS. Financial statements must be prepared annually.

**Principal business entities**

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

**Corporate taxation**

**Residence**

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

**Basis**

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

**Taxable income**

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

**Taxation of dividends**

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

**Capital gains**

Capital gains derived from the disposal of tangible and intangible assets and financial instruments are taxed at a rate of 10%.
Losses
Taxable losses may be carried forward for three years. The carryback of losses is not permitted.

Rate 15%

Surtax No

Alternative minimum tax No

Foreign tax credit No

Participation exemption
No, but dividends received from a Lebanese company are deducted from taxable income for purposes of the corporate tax computation.

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

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

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

Interest
Interest paid on bank deposits or bonds is subject to a 5% withholding tax; other interest paid is subject to a 10% withholding tax, unless the rate is reduced under a tax treaty.

Royalties
Royalties paid to a nonresident are subject to a 7.5% withholding tax, unless the rate is reduced under a tax treaty.

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

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

Other

Other taxes on corporations

Capital duty
A one-time stamp duty is levied on an increase in the capital of a company, at an average cost of LBP 6,000 per million.
Payroll tax
Payroll tax is applied on tax brackets at rates ranging between 2% (for the lowest bracket) and 20% (for the bracket in excess of USD 80,000 a year). The employer withholds these amounts from the salary and remits the tax to the authorities on a quarterly basis.

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

Social security
There are three mandatory social security schemes:
• a family scheme equal to 6% of earnings up to USD 12,000 per year;
• a medical scheme equal to 9% of earnings up to USD 20,000 per year (of which 2% is the employee share); and
• an end-of-service indemnity scheme equal to 8.5% of total earnings. Contributions are made by the employer.

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

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

Other

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

Thin capitalization
No

Controlled foreign companies
No
Other
Foreign ownership in a company owning more than 3,000 square meters in land requires approval via a ministerial decree.

Disclosure requirements
No

Compliance for corporations

Tax year
The calendar year is the tax year, although exceptions are made when a parent company has a special fiscal year.

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

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

Penalties
Nonsubmission of a return is subject to a penalty of 5% per month, capped at 100%, and a delay in payment is subject to a penalty accruing at a rate of 1% (1.5% for withholding tax and VAT) per month. In the case of an adjustment of the tax return, a 20% penalty applies on the difference between the net tax owed and the net tax due.

Rulings
No

Personal taxation

Basis
Resident and nonresident individuals are taxed only on Lebanese-source income.
Residence
The current tax law is silent about the period that triggers individual residency, unless a tax treaty is applied.

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 a profession or personal establishment or income from a partnership.

Capital gains
10%

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

Rates
A taxable individual is taxed at progressive rates up to 21%.

Other taxes on individuals
Capital duty
No

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

Capital acquisitions tax
No

Real property tax
An annual real property tax is levied.

Inheritance/estate tax
Inheritance tax is levied at rates ranging from 12% to 45%, depending on the level of family connection.
Net wealth/net worth tax
No

Social security
There are three mandatory social security schemes:
• a family scheme equal to 6% of earnings up to USD 12,000 per year;
• a medical scheme equal to 9% of earnings up to USD 20,000 per year (of which 2% is the employee share); and
• a termination indemnity scheme equal to 8.5% of total earnings. Contributions are made by the employer.

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 any tax due by 31 March of the year following the tax year.

Penalties
Nonsubmission of a return is subject to a penalty of 5% per month, capped at 100%, and a delay in payment is subject to a penalty accruing at a rate of 1% (1.5% for withholding tax and VAT) per month. In the case of an adjustment of the tax return, a 20% penalty applies on the difference between the net tax owed and the net tax due.

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

Rates
The standard rate is 10%; basic foods, health and educational, financial, insurance and banking services and the leasing of residential property are exempt.
Registration
Companies whose turnover exceeds USD 100,000 for four consecutive quarters must register for VAT purposes; otherwise, registration is voluntary from the starting date of the activity.

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

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

Tax treaties
Lebanon has concluded 34 tax treaties.

Tax authorities
Ministry of Finance

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

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

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

**Corporate taxation**

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

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

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

However, “deemed profit”-based taxation may apply when a foreign entity is not registered at the time of contracting, the entity
Libya does not hold statutory books in Libya or the books are not maintained in accordance with the 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.
Participation exemption

No

Holding company regime

No

Incentives

The promotion of investment law is designed to encourage the investment of national and foreign capital in Libya. Tax benefits are granted to companies that can contribute to diversification of the local economy, the development of rural areas, the increase of employment, etc.

The tax exemptions applicable to companies registered/governed by the investment law 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, provided the profits are 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.

Payroll tax

No

Real property tax
No

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

Social security

No

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.

Stamp duty

No

Transfer tax
No

Transfer tax

No

Other
No

Anti-avoidance rules
Transfer pricing
Although Libya does not have formal transfer pricing rules, the tax department has authority to assess tax on a deemed profit basis under the general anti-avoidance provisions.

Transfer pricing

No

Thin capitalization
No

Thin capitalization

No

Controlled foreign companies
No

Controlled foreign companies

No
Libya has a general anti-avoidance rule.

Disclosure requirements  
No

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 should file a separate return.

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

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

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

Rulings
No

Personal taxation

Basis
Individuals are taxed on Libya-source income.
Residence
The liability to taxation typically is based on the source of income (particularly for non-Libyan nationals); therefore, residence 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
The payroll tax rates are as follows: annual taxable income of less than LYD 12,000 is subject to a 5% rate and annual taxable income exceeding LYD 12,001 is subject to a 10% rate. An exemption generally applies for income below LYD 1,800 (for a single individual) or LYD 2,400 (for a married adult who has no dependent children). Married couples have an 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 subject to a 10% rate.

Other taxes on individuals
Capital duty
No
Stamp duty
Stamp duty is levied at varying rates.

Capital acquisitions tax  
No

Real property tax  
No

Inheritance/estate tax  
No

Net wealth/net worth tax  
No

Social security
Social security contributions must be made by both the employer and the employee. The employer contributes 11.25% (in the case of a foreign company) or 10.50% (in the case of a company with a Libyan participation) of gross wages/salary. The employee contributes 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

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

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Investment basics

Currency

Omani Riyal (OMR)

Foreign exchange control

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

Accounting principles/Financial statements

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

Principal business entities

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

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

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

Corporate taxation

Residence

Residence is not defined in Oman for corporate tax purposes.
A foreign company will be deemed to have a permanent establishment in Oman if it provides consultancy and other services in Oman for 90 days or more in the aggregate 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 is subject to tax only on Oman-source income.

**Taxable income**
Taxable income is gross income for the tax year after deducting allowable expenses, 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 an overseas 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. There is no special tax treatment of such gains. Gains from the sale of local listed shares, however, are exempt.

**Losses**
Losses may be carried forward and set off against taxable income for five years. However, tax losses incurred during a tax exemption period by any establishment or Omani company benefiting from an exemption under article 118 of the Oman tax law generally may be carried forward indefinitely. The carryback of losses is not permitted.

**Rate**
A flat 12% rate applies to all businesses, including branches and PEs of foreign companies, with taxable income exceeding OMR 30,000.
Income from the sale of petroleum is subject to a special provisional rate of 55%.

Surtax No

Alternative minimum tax No

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

Participation exemption No

Holding company regime No

Incentives
The Law for Unified Industrial Organization of Gulf Cooperation Council Countries provides certain incentives to licensed industrial installations upon the recommendation of the Industrial Development Committee. Incentives include a five-year exemption from all taxes, and a total or partial exemption from customs duties on manufacturing equipment imported by local industries, and raw materials and semi-manufactured goods used in industrial operations. Additional incentives include a five-year exemption from income tax following the date of incorporation for companies engaged in activities such as mining; export of locally manufactured or processed products; operation of hotels and tourist villages; farming and processing of farm products (including animals and the processing or manufacturing of animal products and agricultural activities); fishing and fish processing, farming and breeding; education (university, college or higher institutions, private schools, nurseries or training colleges and institutions); and medical care by establishing private hospitals. The exemption may be renewed for an additional period (not exceeding five years) subject to the approval of the Financial Affairs and Energy Resources Council.
Withholding tax

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

**Interest**
Oman does not levy withholding tax on interest.

**Royalties**
Foreign companies without a PE in Oman that derive Omani-source royalties are subject to a 10% withholding tax on the gross royalty. The tax is withheld by the Omani payer and remitted to the tax authorities. 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.

**Technical service fees**
Oman does not levy withholding taxes on technical service fees.

**Branch remittance tax**
No

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

Other taxes on corporations

**Capital duty**
No

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

**Real property tax**
No
Social security
The employer must contribute an amount equal to 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 is in effect for GCC citizens working in other GCC countries.

Stamp duty No
Transfer tax No

Other
Municipalities may impose certain consumption taxes.

Anti-avoidance rules
Transfer pricing
Pricing between related entities should be on an arm’s length basis.

Thin capitalization
Thin capitalization rules require a debt-to-equity ratio not exceeding 2:1 for interest to be deductible with respect to borrowings between related parties.

Controlled foreign companies No

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

Disclosure requirements
Related party transactions must be disclosed.
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 of the PEs and the amount of tax payable will be based on the aggregate of the taxable income of the PEs.

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

Penalties
Failure to present a declaration of income to the Office of the Director of Taxation may lead to an arbitrary assessment and penalties. A minimum penalty of OMR 100 and a maximum of OMR 1,000 may be imposed upon failure to file a return within 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
Basis
No

Residence
No

Filing status
No

Taxable income
No

Capital gains
No

Deductions and allowances
No

Rates
No

Other taxes on individuals
Capital duty
No

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

Capital acquisitions tax
No

Real property tax
No

Inheritance/estate tax
No

Net wealth/net worth tax
No

Social security
Omani private sector employees who are between 15 and 59 years of age must contribute 7% of their monthly salary for social security purposes (old age, disability and death).
Compliance for individuals

Tax year
No

Filing and payment
No

Penalties
No

Value added tax

Taxable transactions
Oman does not levy a VAT or sales tax.

Rates
No

Registration
No

Filing and payment
No

Source of tax law

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

Tax treaties
Oman has 26 income tax treaties and four air transport tax treaties.

Tax authorities
Ministry of Finance and Secretariat General for Taxation

International organizations
GCC, UNCTAD, UNIDO, WCO, WTO

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Palestinian Ruled Territories

**Investment basics**

**Currency**
New Israeli Shekel (NIS)

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

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

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

**Corporate taxation**

**Residence**
A corporation is resident if it is incorporated in Palestine or managed and controlled in Palestine.

**Basis**
Residents and legal entities, including branches of foreign entities, are taxed on their taxable income in Palestine computed in accordance with the tax law.

**Taxable income**
Corporate tax is imposed on a company’s net profits, which consist of business/trading income and passive income (except for dividends received from resident companies). Taxable income of resident persons and companies includes foreign income derived from their funds or deposits in Palestine.
Taxable income is computed on an accrual basis, except for interest and commissions on doubtful debts of financial institutions, which are taxable on a cash basis. Taxable income of certain professions is computed on a cash basis in accordance with directives issued by the tax director.

**Taxation of dividends**
Dividends received from a resident entity are subject to withholding tax at source at a rate of 10%.

**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 rate.

**Losses**
Tax losses may be carried forward for five years. Such losses do not include unrealized losses from revaluations or losses incurred on transactions that were tax exempt. The law is silent with regard to revaluation gains; however, the general practice of the tax department is to exempt revaluation gains. The carryback of losses is not permitted.

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

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

**Surtax**
No

**Alternative minimum tax**
No
Foreign tax credit
No

Participation exemption
No

Holding company regime
No

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

Withholding tax

Dividends
As from 1 January 2015, a 10% withholding tax applies on dividends distributed by a resident entity to a resident or nonresident.

Interest
Interest derived from the financing of micro projects by credit institutions is taxed at a rate of 10%. The requirement to withhold tax at 5% from interest paid to resident and nonresident individuals and entities has been abolished.

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

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

Branch remittance tax
No

Other taxes on corporations

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

Real property tax
Tax on property is levied at a rate of 17% of the assessed value of rental income.

Social security No
Stamp duty No
Transfer tax No

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

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

Compliance for corporations
Tax year
The tax year generally is the calendar year. Approval must be obtained to use a fiscal year.
Consolidated returns
Consolidated returns are not permitted; each company must file a separate tax return.

Filing requirements
A self-assessment regime applies. Advance payment on account of tax liabilities for the year must be made, and the timing and incentives for early payment are determined based on directives issued by the minister of finance.

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

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

Rulings
No

Personal taxation

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

Residence
Residence may be established as follows:
• a Palestinian individual who has resided and maintained his/her...
principal business activities in Palestine for 120 days during the year; or
• a non-Palestinian individual who has resided in and had a principal business activity in Palestine for 183 days during the year.

Filing status
Each individual must file a return; joint filing is not permitted unless approved by the tax department.

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

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

Deductions and allowances
Individual income is reduced by a standard deduction of NIS 30,000 per year. There is a one-time deduction of NIS 30,000 for the purchase of a residence, or NIS 4,000 per year in interest deductions on a home mortgage for a maximum period of 10 years. A university education deduction of NIS 6,000 per year is granted for up to two dependents 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 from 5% to 20%. The first NIS 40,000 is taxed at 5%, the next NIS 40,000 at 10%, the third NIS 45,000 at 15% and the remainder at 20%.
Other taxes on individuals

Capital duty
No

Stamp duty
No

Capital acquisitions tax
No

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

Inheritance/estate tax
No

Net wealth/net worth tax
No

Social security
No

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 of the end of the tax year.

Penalties
Penalties are imposed for a late payment of tax.

Value added tax

Taxable transactions
VAT is levied on the sale of goods and the provision of services, and on imports.
Rates
The standard VAT rate is 16%. Certain transactions are zero-rated or exempt. For financial institutions, VAT is levied at a rate of 16% on gross salaries and on taxable income. VAT paid on salaries is not deductible in the computation of VAT on taxable income. VAT paid on salaries and on taxable income is deductible for income tax purposes.

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

Filing and payment
A VAT return generally must be filed on a monthly basis or other basis as required.

Source of tax law
Income Tax Law No. 8 of 2011

Tax treaties
There are no tax treaties.

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

International organizations
None

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Qatar

Investment basics
Currency
Qatari Riyal (QAR)

Foreign exchange control
No

Accounting principles/Financial statements
IFRS is the only method currently accepted by the PRTD. IFRS for small and medium businesses has not been officially confirmed.

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

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

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

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

Taxable income
The main categories of taxable income include gross income derived from: activities carried out in Qatar; contracts wholly or partly performed in Qatar; real estate in Qatar and 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 on loans used in the activities (except interest paid to a related party), salaries, wages and similar payments made to employees, rent, insurance premiums, bad debts and depreciation (according to certain rates).

**Taxation of dividends**
Dividends are not subject to tax.

**Capital gains**
Capital gains derived by a company are included in taxable income and taxed at the income tax rate. Foreign companies selling shares in Qatar-based companies will be subject to tax at 10% on the gain.

**Losses**
Losses may be carried forward for up to three years. The carry back of losses is not permitted.

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

**Surtax**
No

**Alternative minimum tax**
No

**Foreign tax credit**
No

**Participation exemption**
No
Holding company regime

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

Under the QFC regime, income is taxable at a flat rate of 10% and full foreign ownership is possible. Special purpose companies and holding companies may elect for tax exemption and a concessionary zero tax rate is available if a company is at least 90% owned by Qatari nationals. Qualifying start-up companies are entitled to a tax credit on initial losses and only local-source profits are taxable. QFC entities are not subject to withholding taxes.

QFC has, during 2014, introduced the possibility for certain companies to elect for a cash tax credit for tax losses made during the initial years of being established under the QFC.

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

Withholding tax

Dividends
Qatar does not levy withholding tax on dividends.

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

Royalties
Royalties are subject to a 5% withholding tax. Certain leasing charges may be considered as royalties.
Technical service fees
Technical service fees paid to a nonresident are subject to a 5% withholding tax.

Branch remittance tax
No

Other withholding tax applies to commissions, brokerage fees, directors’ fees; attendance fees; and fees for other services performed in whole or in part in Qatar.

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

Other taxes on corporations
Capital duty
No
Payroll tax
No
Real property tax
No

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

Stamp duty
No
Transfer tax
No

Anti-avoidance rules
Transfer pricing
A general anti-avoidance rule gives the tax department the power to apply an arm’s length price in certain situations.
Thin capitalization
There are no specific thin capitalization rules but interest payments made by a permanent establishment to its head office or related parties are not deductible for tax purposes.

Controlled foreign companies
No

Other
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.

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

Filing requirements
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. An online “Tax Administration System” (TAS) has been introduced with the aim of achieving complete automation of the tax payment and management process. The TAS enables online registration and filing of tax returns and progress tracking.

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

Rulings
No

**Personal taxation**

Filing status
N/A

Taxable income
N/A

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

Deductions and allowances
No

Rates
No

**Other taxes on individuals**

Capital duty
No

Stamp duty
No

Capital acquisitions tax
No

Real property tax
No

Inheritance/estate tax
No

Net wealth/net worth tax
No

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

Tax year
N/A

Filing and payment
N/A

Penalties
N/A

Value added tax

Taxable transactions
There is some speculation that VAT may be introduced in the future but this has not been confirmed.

Rates
N/A

Registration
N/A

Filing and payment
N/A

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

Tax treaties
Qatar has concluded more than 50 tax treaties.

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

International organizations
Arab League, GCC

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Investment basics

Currency

Saudi Riyal (SAR)

Foreign exchange control

No

Accounting principles/Financial statements

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

Principal business entities

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

Corporate taxation

Residence

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

Basis

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

Taxable income

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

The tax base for a resident corporation is the non-Saudi’s share of income subject to tax from any activity in Saudi Arabia, less allowable expenses. The tax base for a nonresident carrying out activities in Saudi Arabia through a PE is the income arising from the activities of the PE, less allowable expenses.
Taxation of dividends
Dividends received are taxed as income.

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

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

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

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

Surtax
No

Alternative minimum tax
No

Foreign tax credit
No

Participation exemption
No

Holding company regime
The profits of a Saudi resident subsidiary remitted to its Saudi
A resident holding company will not be taxed, provided:
• there is a minimum holding of 10%;
• the investment is held for no less than one year; and
• the income of the subsidiary was subject to tax in Saudi Arabia.
Limited rules also exist for groups wholly subject to Zakat.

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

**Withholding tax**

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

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

**Royalties**
A 15% withholding tax is levied on royalties paid to a nonresident, unless the rate is reduced under a tax treaty.

**Technical service fees**
A 5% (15% for related parties) withholding tax is levied on technical service fees paid to a nonresident, unless the rate is reduced under a tax treaty.

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

**Other taxes on corporations**

**Capital duty** No
Payroll tax  No

Real property tax  No

Social security
For Saudi employees, the employer must contribute 9% of the employee’s salary to the General Organization for Social Insurance (GOSI), and the employee contributes 9%. The employer also pays accident insurance equal to 2% of salary for both Saudi and non-Saudi employees. Additionally a 2% unemployment insurance contribution, shared equally between the employer and Saudi employees, is required from 1 September 2014.

Stamp duty  No

Transfer tax  No

Anti-avoidance rules
Transfer pricing
Although there are no formal transfer pricing rules, if the value of goods or services provided by related parties exceeds prices used by independent parties, the tax authorities can make an adjustment to ensure that the value reflects an arm’s length value. A ministerial resolution issued in 2014 authorized the tax authorities to issue detailed transfer pricing rules, which are awaited.

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

No

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

Disclosure requirements

No

Compliance for corporations

Tax year
The tax year is the state’s fiscal year. The taxable year of a taxpayer starts from the date it obtains a commercial registration or license, unless other documents support a different date.

A taxpayer may use a different tax year in the following circumstances:
• the different year was approved by the Directorate before the effective date of the income tax regulations;
• the taxpayer uses a Gregorian financial year; or
• the taxpayer is a member of a group of companies or a branch of a foreign company that uses a different financial year.

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

Filing requirements
Tax returns for a corporation must be filed with the tax authorities within 120 days from the fiscal year end. For partnerships, the deadline is 60 days. Taxpayers whose taxable income exceeds SAR 1 million before the deduction of expenses must have the accuracy of the return certified by a licensed certified accountant. Additionally, audited financial statements must be filed with the Ministry of Commerce within six months of the year-end.
Penalties
The penalties for failure to file the tax return are the higher of 1% of revenue (up to a maximum of SAR 20,000), or between 5% and 25% of the unsettled tax, depending on the length of the delay. In addition, there is a fine of 1% of the unsettled tax for every 30 days’ delay in settlement.

Rulings
No

Personal taxation

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

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

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

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

Capital gains
A 20% capital gains tax is imposed on the disposal of shares in a resident company. Capital gains on the disposal of shares traded on the Saudi stock exchange are tax exempt if the shares were acquired after 2004.
Deductions and allowances
No, except for individuals that carry on a business or profession.

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

Other taxes on individuals
- Capital duty: No
- Stamp duty: No
- Capital acquisitions tax: No
- Real property tax: No
- Inheritance/estate tax: No

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

Social security
Saudi employees must contribute 9% of salary to the GOSI; the employer also contributes 9%. Additionally, a 2% unemployment insurance contribution, shared equally between the employer and Saudi employees, is required from 1 September 2014.

Compliance for individuals
- Tax year: No
- Filing and payment: No
- Penalties: No
Value added tax
Taxable transactions
There is speculation that VAT may be introduced in the future, but this has not been confirmed.

Rates  N/A
Registration  N/A
Filing and payment  N/A

Source of tax law
Income Tax Regulations (Muharram 1425 H - March 2004)

Tax treaties
Saudi Arabia has signed over 40 tax treaties. Treaty benefits can be obtained through either the refund method or the relief at source method. However, documentation requirements are different under these methods.

Tax authorities
Department of Zakat and Income Tax (DZIT)

International organizations
GCC, WTO

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South Sudan

**Investment basics**

**Currency**

South Sudanese Pound (SSP)

**Foreign exchange control**

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

**Accounting principles/Financial statements**

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

**Principal business entities**

These are the public or private limited liability company, joint venture, partnership and branch of a local or foreign company. A registered entity in South Sudan is classified as a small, medium or large private enterprise. Small enterprises are restricted to South Sudanese nationals. Medium and large private enterprises must have at least a 31% South Sudanese interest (except for local branches of foreign companies).

**Corporate taxation**

**Residence**

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

**Basis**

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

**Taxable income**

Taxable income generally consists of worldwide income for resident companies (and business profits derived from South Sudan for nonresident companies), less expenditure incurred wholly and exclusively in the production of the income for the year.
Taxation of dividends
Dividends received from a resident company are considered South Sudan-source income and are included in business profits. However, dividends are exempt from taxation as business profits if tax already has been withheld on the dividends.

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

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

Rate
The corporate tax rate depends on the classification of the company: the rate is 10% for small enterprises, 15% for medium-size enterprises and 20% for large enterprises. For this purpose, the classification of the business entity depends on its revenue for the year, as follows: it is a small business if revenue is up to SSP 1 million; a medium business if revenue is over SSP 1 million and up to SSP 75 million; and a large business if revenue is more than SSP 75 million.

Surtax
No

Alternative minimum tax
No

Foreign tax credit
A foreign tax credit is granted to a resident taxpayer that earns profits from business activities outside South Sudan through a permanent establishment, and pays foreign tax on such income. The foreign tax credit is the foreign tax or the South Sudan tax applied to the part of the foreign-source income liable to tax in South Sudan, whichever is less.
Participation exemption
No

Holding company regime
No

Incentives
Various investment incentives are available to foreign investors on a case-by-case basis, including concessions for machinery and equipment in qualified investment priority areas, capital and deductible annual allowances, certain depreciation and access to land for investment.

Withholding tax

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

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

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

Technical service fees
No

Branch remittance tax
No

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

Capital duty
No

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

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

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

Stamp duty
No

Transfer tax
No

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

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

Thin capitalization  No

Controlled foreign companies  No

Other  No

Disclosure requirements  No

**Compliance for corporations**

**Tax year**
Calendar year, unless the tax authorities approve a different tax year

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

**Filing requirements**
A corporate taxpayer must file an annual return based on its income
for the tax year. The return is due on or before 1 April of the year
following the tax period. The taxpayer’s audited financial
statements, together with any final tax due, must accompany the
tax return. In addition, the taxpayer must make an advance
payment of income tax on a quarterly basis.

**Penalties**
A penalty of 5% each month accrues on any amount of tax unpaid
by the due date. Interest on unpaid tax accrues at a rate of 120% of
the commercial rate, as from the last due date to the date of
payment. An additional charge of 5% of the reported tax liability,
up to a maximum of 25%, is levied for failure to submit a return.
Rulings
A binding ruling will be available if the taxpayer has made a full and true disclosure of the nature of all aspects of the transaction relevant to the ruling.

Personal taxation
Basis
Resident individuals are subject to tax on worldwide income derived from employment, entrepreneurial activities, leasing income and personal income. Nonresident individuals are taxed only on South Sudan-source income.

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

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

Taxable income
Employment income is taxable unless otherwise exempt. Income from entrepreneurial activities, leasing income, dividends, interest, capital gains and other investment income is also taxable.

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

Deductions and allowances
Personal relief of SSP 3,600 per year is available on employment income. A deduction is granted from gross income in an amount up to 8% of gross wages paid by an employee to a funded pension scheme approved by the government.
**Rates**

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

**Other taxes on individuals**

- **Capital duty**
  - No

- **Stamp duty**
  - No

- **Capital acquisitions tax**
  - No

- **Real property tax**
  - No

- **Inheritance/estate tax**
  - No

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

**Social security**

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

**Compliance for individuals**

- **Tax year**
  - Calendar year

**Filing and payment**

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

**Penalties**

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

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

Value added tax

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

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

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

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

Source of tax law

Tax treaties
South Sudan has not concluded any tax treaties.
South Sudan

**Tax authorities**
Directorate of Taxation

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

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Syria

Investment basics

Currency

Syrian Pound (SYP)

Foreign exchange control

Foreign currency may not be transferred abroad unless it was originally imported from outside Syria.

Accounting principles/Financial statements

Corporations use Syrian GAAP. Banks, insurance companies, investment companies established under Legislative Decree No. 8 and all companies supervised by the Syrian Commission of Financial Markets and Securities use IAS and IFRS. Financial statements must be filed annually. Semi-annual and quarterly statements must be filed by banks, insurance companies and companies supervised by the Commission.

Principal business entities

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

Corporate taxation

Residence

An entity whose principal activities are administered through Syria, an entity that adopts Syria as its headquarters and branches or offices of foreign companies that operate in Syria are considered resident for tax purposes.

Basis

An entity is liable for tax on income arising from Syrian sources or activities, regardless of residence status. Income derived from non-Syrian sources or activities is not taxable in Syria.

Taxable income

Income tax applies to the profits of companies, including gains on the disposal of business assets.
Taxation of dividends
Dividends paid by a Syrian corporation on previously taxed income are not subsequently taxed upon distribution to another company. Dividends paid by a nonresident corporation, however, are subject to tax upon distribution in Syria at a rate of 7.5%.

Capital gains
Capital gains derived by a company are included in taxable income and taxed at the normal corporate tax rate, except for gains on real property, which are subject to tax at a rate ranging between 15% and 30% of the registered value.

Losses
Losses may be carried forward for five years. The carryback of losses is not permitted.

Rate
Rates are progressive from 10% to 28%. Specific rates include: 22% for joint stock companies; 14% for joint stock companies that offer more than 50% of their shares to the public; 15% for insurance companies that offer at least 51% of their shares to the public; and 25% for private banks and insurance companies.

Surtax
A local administration tax is imposed and ranges from 4% to 10%, depending on the region.

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

Alternative minimum tax No

Foreign tax credit No

Participation exemption No
Holding company regime  No

Incentives
Incentives are granted under the investment laws, in free zones, for certain industrial projects and for tourism.

Withholding tax

Dividends
Dividends paid by a Syrian corporation from previously taxed income are exempt from tax upon distribution.

Interest
Interest paid to a nonresident is subject to a 7.5% withholding tax.

Royalties
Royalties paid to a nonresident are subject to a 5% withholding income tax, as well as a 2% withholding payroll tax.

Technical service fees
Technical service fees are subject to a withholding tax of 7% (5% as income tax and 2% as payroll tax).

Branch remittance tax  No

Other  No

Other taxes on corporations

Capital duty
Tax must be paid to the Commission on Financial Markets and Securities on an initial public offering or a subsequent capital increase. The tax is calculated as the sum of SYP 250,000, plus 0.1% of the publicly issued capital, up to a maximum of SYP 1 million. A stamp fee of 0.4%% of the capital also must be paid upon the establishment and registration of a corporation. The stamp fee is reduced by 50% if the company offers more than 50% of its shares to the public.
Payroll tax
The employer must withhold 5% to 22% of salary.

Real property tax
Tax on real estate ranges from 14% to 60%, depending on the type of property.

Social security
The employer is required to make social insurance contributions amounting to 14% of payroll costs to cover old age, disability and death benefits. The employer also must contribute 3% of payroll to the work injury benefits scheme and 0.1% to a lump-sum disability benefits fund. Hence, the overall employer contribution to social security is 17.1%.

Stamp duty
Stamp duty generally is imposed on transactions, such as the formation of corporations, the execution of documents, licenses, contracts, etc., at rates ranging from 0.4% to 0.7%.

Transfer tax
Transfer tax varies according to the type of property and type of ownership transfer.

Other
No

Anti-avoidance rules
Transfer pricing
No

Thin capitalization
No

Controlled foreign companies
No

Other
No

Disclosure requirements
No
Compliance for corporations

Tax year
Calendar year

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

Filing requirements
The tax return for limited liability and joint stock companies must be submitted by 31 May (31 March for other types of companies). Payment of tax is due within 30 days of the filing deadline.

Payroll withholding tax must be submitted by the employer on a semi-annual basis.

Penalties
A penalty is assessed for late payment of tax at a rate of 10% annually, up to 30% of the tax liability.

Rulings
No

Personal taxation

Basis
An individual is liable for Syrian tax on income arising from sources or activities in Syria, regardless of his/her residence status in Syria. Income derived from non-Syrian sources or activities are not taxable in Syria.

Wages and salaries tax is imposed on an individual who derives income:
- from a private treasury if he/she is Syrian resident or if the amount paid is compensation for services provided; or
- from a public treasury, regardless of residence status in Syria.
Residence
A national of Syria or an Arab or foreign person legally residing in Syria are considered resident for tax purposes.

Filing status
Each individual must file his/her own return; joint filing is not permitted.

Taxable income
Gross income is based on the actual amount of salaries and wages, special assigned amounts, bonuses and all monetary or in-kind benefits.

Capital gains
There is no specific capital gains tax for individuals. Tax is paid on the sale or disposition of property at rates that vary depending on the type of transaction.

Deductions and allowances
Deductions are allowed for certain expenses, such as work travel and business expenses.

Rates
Tax is levied at progressive rates ranging from 5% to 22%, with the first SYP 10,000 exempt.

Other taxes on individuals
Capital duty No

Stamp duty
Stamp duty generally is imposed on the execution of documents, licenses, contracts, etc., at rates ranging from 0.4% to 0.7%.

Capital acquisitions tax No
Real property tax
Tax on real estate proceeds (estimated rental amount) ranges from 14% to 60%, depending on the type of property.

Inheritance/estate tax
Inheritance and gift tax ranges from 5% to 75%.

Net wealth/net worth tax
No

Social security
An employee’s share of the social security contribution is 7% of basic salary.

Compliance for individuals

Tax year
Calendar year

Filing and payment
An individual must submit an annual return by 31 March and pay any tax due at that time.

Penalties
A penalty is assessed for late payment of tax up to 30% of the tax liability (10% for each year for up to three years).

Value added tax

Taxable transactions
While there is no VAT in Syria, consumption taxes are imposed on certain services and imported luxury goods.

Rates
1.5% to 40%

Registration
Taxpayers are required to register for consumption tax purposes.
Filing and payment
Tax is withheld by the party providing a service or customs (for imported services) and paid on a monthly basis to the Ministry of Finance.

Source of tax law Income
Income Tax Law 24, ratified by Laws No. 51 and 60

Tax treaties
Syria has concluded more than 20 tax treaties.

Tax authorities
Ministry of Finance

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Investment basics

Currency
UAE Dirham (AED)

Foreign exchange control
No

Accounting principles/financial statements
IAS/IFRS. Financial statements must be prepared annually.

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

Foreigners generally may only own up to 49% of a UAE-registered company, although they may increase their shareholding to 100% in respect of companies set up in free trade zones.

Corporate taxation

Residence
In practice, a company that is incorporated in the UAE is considered resident, provided it can establish that:
• all of the shares of the company are beneficially owned by residents of the UAE; or
• all or substantially all of the company’s income is derived by the company from the active conduct of a trade or business other than an investment business in the UAE; and
• all or substantially all of the value of the company’s property is attributable to property used in that trade or business.

Basis
Income tax decrees have been issued by five of the seven Emirates (i.e. Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Qaiwan, Ras Al Khaimah and Fujairah), but currently are only enforced on the income of oil and gas exploration and production companies, branches of foreign banks and certain petrochemical companies under specific government concession agreements, at flat rates of 50%/55% (Dubai/Abu Dhabi).
**Taxable income**
There are no taxes imposed on the income of companies, except for oil and gas exploration and production companies and branches of foreign banks.

**Taxation of dividends**
No

**Capital gains**
No

**Losses**
N/A

**Rate**
Branches of foreign banks are taxed at rates agreed with the ruler of the Emirate in which they operate, generally at a flat rate of 20%. As noted above, oil and gas exploration and production companies are taxed at flat rates of 50%/55% (Dubai/Abu Dhabi).

**Surtax**
No

**Alternative minimum tax**
No

**Foreign tax credit**
No

**Participation exemption**
No

**Holding company regime**
No

**Incentives**
The UAE offers several free trade zones with renewable 50-year tax holidays and exemption from import duty on goods brought into that free zone.

**Withholding tax**
There are no withholding taxes in the UAE.
Other taxes on corporations
Capital duty No
Payroll tax No

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

Social security
The UAE does not impose social security taxes on foreign workers. Employer pension contributions for national employees are 12.5% of the “contribution calculation salary.” In addition, national employee contributions are levied at 5% of the contribution calculation salary.

Stamp duty No

Transfer tax
No, but see “Real property tax,” above.

Other
Municipal taxes are imposed on certain hotel and leisure services and property rentals. Annual rental income of residential and commercial tenants is taxed at 5% and 10%, respectively.

Anti-avoidance rules
Transfer pricing No
Thin capitalization No
Controlled foreign companies No
Other No
Disclosure requirements
Annual financial statements must be filed with the Ministry of Commerce by companies and branches located outside the free trade zones. Entities located within a free trade zone report to the free zone authority of the relevant zone. These entities have never officially been requested to file or report financial statements to any ministry/authority located outside the free zone.

Compliance for corporations
There are no compliance obligations on companies in the UAE.

Personal taxation
Basis
Individuals are not taxed on their income.

Other taxes on individuals
Capital duty No
Stamp duty No
Capital acquisitions tax No

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

Inheritance/estate tax
There is no inheritance tax regime. Inheritance, in the absence of a will, is dealt with in accordance with Islamic Sharia’a principles.

Net wealth/net worth tax No

Social security
See above under “Other taxes on corporations.”
Compliance for individuals
There are no compliance obligations on individuals in the UAE.

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

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

Tax treaties
The UAE has concluded around 60 income tax treaties.

Tax authorities
Ministry of Finance

International organizations
OECD, WTO, GCC, League of Arab States, Organization of the Islamic Conference, Islamic Development Bank, OPEC and OAPEC

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Yemen

**Investment basics**

| Currency | Yemeni Riyal (YER) |

**Foreign exchange control**

No

**Accounting principles/Financial statements**

IFRS is the standard. Banks use IFRS and instructions issued by the central bank.

**Principal business entities**

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

A foreigner may own up to 100% of a local company registered in accordance with the Regulations for Companies in Yemen, and carry out its services or commercial business in Yemen. The shareholding may be 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-sized, and a special regime applies to small and “micro” firms. A resident company is liable to tax on worldwide profits. A nonresident is subject to tax only on Yemen-source profits.

**Taxable income**

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

**Taxation of dividends**
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 normal corporate rate.

**Losses**
Losses may be carried forward up to five years. The carryback of losses is allowed only on long-term contracts accounted for under the percentage-of-completion method.

**Rate**
The standard corporate tax rate is 20%. A 50% rate applies to mobile phone services providers, and the rate is 35% for international telecommunication services providers, cigarette manufacturers and importers. Concession companies engaged in the exploitation of oil and gas are required to pay a fixed tax, normally 3% on expenditure incurred during the exploration phase, as per the relevant Production Sharing Agreement (PSA). The rate on investment projects registered under the investment law is 15%.

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

Micro entities (i.e. entities whose annual turnover is less than YER 1.5 million and that have fewer than three employees) are exempt from tax.

**Surtax**
No
Alternative minimum tax  No

Foreign tax credit
A foreign tax credit is available to the extent of tax paid overseas.

Participation exemption  No

Holding company regime  No

Incentives
The 2010 income tax law abolished all incentives and exemptions available under other laws, although exemptions granted under the previous investment law remain in effect until the exemption period expires. The 2010 law provides for accelerated depreciation at a rate of 40% of the cost of assets in the first year of use, in addition to normal depreciation.

A special tax stabilization agreement applies to the first five years of a mining sector project when the investment exceeds USD 150 million.

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

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

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

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

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

**Branch remittance tax**
No

**Other taxes on corporations**

**Capital duty**
No

**Payroll tax**
Payroll tax is imposed on slabs of income at rates ranging from 10% to 20%; however, the progressive rate on the salaries of resident employees ceases at 15%. The employer deducts tax from the salary and remits it to the government on behalf of the employee.

A company also is required to pay a vocational training fund (education cess) fee equal to 1% of total payroll to the Ministry of Vocation Training.

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

**Social security**
The employer must contribute 9% of a national or foreign employee’s salary to the General Corporation for Social Security (GCSS); the employee contributes 6%.
Stamp duty
No

Transfer tax
No

Other
Government agencies (ministries, departments, public and semi-public establishments) are required to withhold 10% from payments made to subcontractors pending receipt of a tax clearance certificate issued by the Tax Department.

Anti-avoidance rules
Transfer pricing
The arm’s length principle applies; methodologies for establishing the arm’s length price have been introduced in executive regulations.

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

Controlled foreign companies
No

Other
No

Disclosure requirements
No

Administration and compliance
Tax year
The calendar year generally applies, although a taxpayer can select the 12-month period that applies for accounting purposes.

Consolidated returns
Consolidated returns are not permitted; each company must file its own return.
Filing requirements
The self-assessment system applies, under which a taxpayer must determine its own tax base and calculate tax due. The taxpayer is required to pay the amount due based on the return. All taxpayers (even if exempt) must submit a tax return. The tax authorities have the right to audit selected returns and issue an additional assessment. Tax returns for a corporation must be filed by 30 April or within 120 days from the end of the tax year. Tax declarations must be certified by a licensed chartered accountant and be accompanied by audited financial statements.

An entity withholding tax at source must remit the amount to the tax authorities within 15 days from the date payment is made.

Penalties
The penalty for submitting a late return is 2% of the tax payable for each month for an entity reporting profits; from YER 1 million to YER 5 million for large taxpayers incurring losses; YER 200,000 for medium-size taxpayers; and 2% of exempted tax per month for exempt entities or a fixed amount in the event of a loss. The penalty for evasion is 100% to 150% of the tax evaded. Fines also are imposed for filing an incomplete return, failing to maintain regular accounts, etc.

Rulings
No

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

Residence
An individual is resident in Yemen for a tax year if he/she has a permanent place of residence in Yemen; has resided in Yemen for a period of not less than 183 days; or if a Yemeni national, works abroad and obtains income from Yemen.
Filing status
Each individual must file a return (if so required); joint returns are not permitted.

Taxable income
Resident individuals are taxed on income from employment or commercial or industrial activities and noncommercial activities (i.e. the exercise of a profession) earned inside Yemen, as well as foreign-source income. Income subject to salaries and wages tax includes income received by an employee for work performed outside Yemen for a resident employer; income received by a nonresident from a 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 the following: YER 10,000, plus 6% of gross salary for an employee’s social security contribution and allowances up to YER 65,000 maximum.

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

Other taxes on individuals
Capital duty
No

Stamp duty
No
Capital acquisitions tax
No

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

Inheritance/estate tax
No

Net wealth/net worth tax
Zakat is levied on net worth, at 2.5%.

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

Administration and compliance
Tax year
Calendar year

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

For salaried individuals, the employer withholds tax from wages and pays it to the tax authorities within the first 10 days of the following month. The employee is responsible for tax payment where the income is from a foreign source.

Penalties
The penalty for failure to file a tax return is 2% of the tax payable for each month of delay.
Value added tax

Taxable transactions
Yemen operates a General Sales Tax (GST) system.

Rates
The general rate is 5%, although a 10% rate applies to telecommunications and global system for mobile communications (GSM) services.

Registration
Companies whose annual turnover exceeds YER 50 million or its equivalent are required to register for sales tax purposes. Registration is voluntary where turnover is below this amount.

Filing and payment
A registered entity must submit a declaration of its sales taxes for each month, within the first 21 days of the following month.

Source of tax law
Income Tax Regulations (Law No. 17 of 2010)

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

Tax authorities
Yemeni Tax Authority

International organizations
GCC, WTO (in process)

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Customs and Global Trade

Understanding and applying the various customs rules and regulatory procedures in the Middle East can be a costly barrier to doing business. Deloitte is here to open doors.

Contact Paul McConville at paulmcconville@deloitte.com or Tel: +971 (0) 4 506 4897.

Visit www2.deloitte.com/middle-east/tax/customs
Deloitte International Tax Source (DITS)  
Connect to the source

Operating globally requires access to tax rates and up-to-date information 24/7. The Deloitte International Tax Source (DITS) is a free online database that addresses that need by placing worldwide tax rate data and other relevant tax information within easy reach. DITS is now accessible through mobile devices (phones and tablets), as well as through a computer.

DITS complements and enhances Deloitte’s international tax services, which include a range of tax compliance and advisory resources provided by experienced professionals in the Deloitte network of member firms. Connect to the source and discover:

• **A tax information database for 65 jurisdictions, including:**
  - Corporate income tax rates
  - Historical corporate rates
  - Domestic withholding tax rates
  - Tax treaty withholding rates on dividends, interest and royalties
  - Indirect tax rates (VAT/GST/sales tax)

• **Recent additions and updates:** Home page links to new content

• **Holding company and transfer pricing regimes:** Comparative information in an easy-to-use format

• **Comparison of country data:** User-friendly features to view and compare tax treaty rate, holding company and transfer pricing information

• **Taxation and Investment Guides:** Analysis of the tax and investment climate and operating conditions for major trading jurisdictions worldwide

• **Highlights series:** Concise summaries of the tax regimes of over 150 countries

• **Jurisdiction-specific pages:** Pages that link to relevant DITS content for a particular country (including domestic rates, tax treaty rates, holding company and transfer pricing information, Taxation and Investment Guides and Highlights)
• **Quick links to tax resources:**
  - Tax publications: Alerts and newsletters providing regular and timely updates and analysis on significant cross-border tax legislative, regulatory and judicial issues
  - Webcasts: Dbriefs by Deloitte professionals that provide insights into important tax issues affecting business
  - Other tax resources: Annotated holding company matrices, a transfer pricing country guide, a summary of controlled foreign company regimes, a global R&D tax incentive survey, expanded coverage of VAT/GST/sales tax rates and more

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  - Search and compare rates and other information across multiple jurisdictions
  - Stay on top of the latest tax issues and trends
  - Access the international tax information you need

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[www.dits.deloitte.com](http://www.dits.deloitte.com)
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## Summary of Deloitte Tax services

- Aviation Tax Services
- Corporate and Business Tax
- Customs and Global Trade
- Energy and Resources Tax
- Financial Services Tax (including FATCA)
- Global Employer Services
- Indirect Tax (VAT and GST)
- International Tax
- M&A Tax
- Deloitte Private
- Tax Advisory
- Tax Management Consultancy
- Transfer Pricing
Time for action on FATCA

Deloitte Middle East can help you plan, develop and implement your response to FATCA in good time so you will be better equipped to comply and make the most of the opportunities created.

Contact Claire Dawson at cdawson@deloitte.com or +971 4 506 4900.

Visit www2.deloitte.com/middle-east/tax/FATCA
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Deloitte & Touche (M.E.) is a member firm of Deloitte Touche Tohmatsu Limited (DTTL) and is the first Arab professional services firm established in the Middle East region with uninterrupted presence since 1926.

Deloitte is among the region’s leading professional services firms, providing audit, tax, consulting, and financial advisory services through 26 offices in 15 countries with around 3,000 partners, directors and staff. It is a Tier 1 Tax advisor in the GCC region since 2010 (according to the International Tax Review World Tax Rankings). It has received numerous awards in the last few years which include Best Employer in the Middle East, best consulting firm, and the Middle East Training & Development Excellence Award by the Institute of Chartered Accountants in England and Wales (ICAEW).

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