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Middle East tax handbook 2018

Expanding perspectives and possibilities

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Contents

Foreword

I am pleased to present the 2018 edition of the Deloitte Middle East Tax Handbook – a comprehensive guide to help you keep abreast of regional tax rates and regimes.

Change is the one constant. More often than not change is challenging, and the way in which we address it as well as how prepared we are to take it on are key defining factors that impact the end outcome of what comes our way. In today's global tax environment and the fast shifting reality in the Middle East, it is important to be able to lead through uncertainty.

The Deloitte Middle East Tax practice is committed to providing businesses with the clarity, connection and confidence that they need in order to navigate the ever-evolving landscape. Changes in regulation and tax reform continue to be on the increase in the Middle East, and include the implementation of a value added tax (VAT) regime that commenced in the Kingdom of Saudi Arabia (KSA) and United Arab Emirates (UAE) on January 1, 2018 with 5% VAT applying on the sale and purchase of most goods and services. This has represented a major transformation for both the government and consumers. As a transactional tax, the introduction of VAT posed a real challenge for KSA and UAE businesses, especially with the significant impact it had across their entire operations. In addition, now that VAT is here, there is no option but to be compliant, as failing to do so poses both regulatory and reputational risks due to the imposition of VAT penalties.

During the ensuing period it is anticipated that the remaining four Gulf Corporation Council (GCC) member states will each proceed with their respective plans, and domestic laws, to implement a VAT in accordance with the Treaty by 2019. The existence of the Treaty as a core set of principals provides GCC businesses with enough direction to commence their implementation even though the respective domestic VAT laws are not, at time of writing, yet available. GCC business executive teams should also need to work closely with their technology partners to agree and implement the right VAT technology architecture, especially that building a high performing tax function is critical to tax transformation success. Effective use of technology, including data management and analytics, is integral to this. In this regard, Deloitte's tax technologists bring a wealth of technology and tax knowledge, and a disciplined approach, to create added value.

In addition, with the issuance of the final recommendations of the Organization for Economic Co-operation and Development (OECD) on the 15 Base Erosion and Profit Shifting (BEPS) action items, the importance of transfer pricing has further increased as it dominates the BEPS agenda for taxpayers and tax authorities across the world. Following the global trend, many countries across the Middle East have also committed to introduce BEPS recommendations in domestic legislation, which is likely to further sharpen the focus on transfer pricing in the region. In 2018, transfer pricing should be at the top of the agenda for all tax executives.

We are at a time when everything defining the global and local tax landscape of the past is shifting and yielding a fundamentally different future – compounded by increased scrutiny from revenue authorities and the media. This intensifies the spotlight on tax leaders and professionals.

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

Nauman Ahmed
Middle East Tax Leader

Bahrain

Investment basics

Currency
Bahraini Dinar (BHD)

Foreign exchange control
No

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

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

Corporate taxation

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

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

Taxable income
Oil, gas and petroleum companies are assessed for corporate income tax on their net profits, calculated as business income less business expenses.

Taxation of dividends
No

Capital gains	No

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

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

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

Withholding tax

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. The maximum monthly earnings subject to contributions are capped at BHD 4,000.

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

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

Transfer tax
No

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

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

Anti-avoidance rules

Transfer pricing
No

Thin capitalization
No

Controlled foreign companies
No

Disclosure requirements
No

Compliance for corporations

Tax year
Calendar year or the year specified in the company's articles of association.

Consolidated returns
No

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

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

Rulings
No

Personal taxation

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.

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

Social security

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

Other

Excise tax of 100% on tobacco products and energy drinks, and 50% on soft drinks applies as of December 30, 2017.

Compliance for individuals

Tax year	Calendar year

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

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

Value added tax
Taxable transactions
Bahrain currently does not have VAT, goods and services tax or sales tax. However, in line with the Gulf Cooperation Council VAT Agreement, VAT is expected to come into force as of October 1, 2018 at a standard rate of 5% and a registration threshold of approximately USD 100,000.

Rates
See "Taxable transactions" above.

Registration, filing and payment
See "Taxable transactions" above.

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

Tax treaties
Bahrain has concluded 40 tax treaties.

Tax authorities
Ministry of Finance

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Egypt

Investment basics

Currency
Egyptian Pound (EGP)

Foreign exchange control
Following the floatation of the EGP on November 3, 2016, the central bank relaxed some restrictions on the export of capital and the repatriation of funds. Following a decree issued by the central bank on November 28, 2017, the previous limits on foreign currency transactions have been abolished.

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

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

Corporate taxation

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

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

Taxable income
Corporate tax is imposed on the total profits of a company after deducting the necessary and relevant expenses incurred

in deriving the profits (the "tax pool"). Statutory payments to employees under profit-sharing rules may not be deducted for corporate income tax purposes and are not subject to the salary tax.

Taxation of dividends

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

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

Capital gains

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

Capital gains derived by a resident or a nonresident entity from the disposal of unlisted shares in Egyptian companies are included in taxable income and taxed at the standard corporate tax rate.

Losses

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

Rate

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

Surtax
No

Alternative minimum tax
No

Foreign tax credit

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

Participation exemption

See under "Taxation of dividends" and "Capital gains."

Holding company regime
No

Incentives

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

The investment law provides investment projects that are established after May 31, 2017 with fiscal incentives in the form of a reduction of the net taxable profits (a deduction equal to 50% of the "investment costs" for investments made in geographic locations most urgently in need of development (designated as Sector A), and 30% of the investment costs for projects established in Sector B (all areas not designated as Sector A)). The deduction may be utilized over a maximum period of seven years from the date activity commences, and is capped at 80% of the paid-up capital at the date activity commences.

Withholding tax

Dividends

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

Interest

Interest paid to a nonresident is subject to a 20% withholding tax, unless the rate is reduced under an applicable tax treaty. Tax on interest is withheld at the domestic rate and the recipient must apply for a refund to benefit from a reduced withholding tax rate under a treaty, unless an advance ruling is obtained. Interest paid to a nonresident on a long-term loan (i.e. a loan with a term of at least three years) is not subject to withholding tax.

Royalties

Royalty payments made to a nonresident are subject to a 20% withholding tax, unless the rate is reduced under an applicable tax treaty. Tax on royalties is withheld at the domestic rate and the recipient must apply for a refund to benefit from a reduced withholding tax rate under a treaty, unless an advance ruling is obtained.

Technical service fees

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

Branch remittance tax

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

Other taxes on corporations

Capital duty

No

Payroll tax

No

Real property tax

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

Social security

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

Stamp duty

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

A new "Stamp Tax/Duty" regime applies to the total value of trading in securities (i.e. Egyptian or foreign securities, listed or unlisted), excluding public treasury bills ("T-bills") and bonds, without any deduction allowed for expenses. The tax is imposed on both the buyer and the seller, at a 0.125% rate from June 20, 2017 until May 31, 2018, a 0.15% rate from June 1, 2018 until May 31, 2019 and a 0.175% rate from June 1, 2019. However a 0.3% rate applies to both the buyer and the seller, without any deduction allowed for expenses, in the case of: (1) a sale or acquisition of 33% or more of the shares or voting rights of a resident company, whether in terms of number or value; or (2) a sale or acquisition of 33% or more of the assets or liabilities of a resident company by another resident company, in exchange for shares in the acquiring company. If multiple transactions conducted by one legal person related to a company result in exceeding the 33% limit above during the two years following the first transaction, the seller and buyer are subject to a 0.3% rate on the total amount of the transactions, with the right to offset any stamp duty already paid on such transactions.

Transfer tax

No

Anti-avoidance rules

Transfer pricing

Related party transactions must be conducted on arm's length terms. Transfer pricing rules apply to the exchange of goods, services and the licensing of intangibles (brand, technology etc.), as well as to loans (financing, guarantee fees, cash pooling agreements, etc.). Five transfer pricing methods are specified: the comparable uncontrolled price, resale price, total cost plus profit margin, profit split and transactional net margin methods, with priority given to the comparable uncontrolled price method. However, if the information needed to apply this method is unavailable, the other methods are used in a hierarchical order. The transfer pricing rules recommend that taxpayers follow a four-step approach to demonstrate that their controlled transactions are in accordance with the arm's length principle.

Egyptian taxpayers are expected to prepare annual transfer pricing documentation.

Advance pricing agreements (APAs) are allowed under Egyptian tax law.

Thin capitalization

A 4:1 debt-to-equity ratio applies. The tax deduction for any interest on debt exceeding this ratio is disallowed. In addition, the deduction is disallowed for interest paid that exceeds twice the credit and discount rate (announced by the central bank at the beginning of each calendar year).

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

Controlled foreign companies

Income from investments in nonresident companies is recognized under the equity method of revenue recognition and is taxed in Egypt if: (1) the Egyptian entity owns more than 10% of the nonresident company; (2) more than 70% of the nonresident company's income is derived from dividends, interest, royalties, management fees or rental fees (i.e. "passive income"); and (3) the profits of the nonresident company are not subject to tax in its country of residence, are exempt or are subject to a tax rate of less than 75% of the corporate tax rate applicable in Egypt.

Disclosure requirements
No

Other
A general anti-avoidance rule applies, under which, if any of the principal purposes of a transaction is tax avoidance or tax deferral, a tax audit may adjust the transaction's tax effects and subject the economic substance of the transaction to tax.

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.

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

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

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

Personal taxation
Basis
A resident individual is taxable on his/her worldwide income if Egypt is the "center of his/her commercial interests." A nonresident individual is taxed only on his/her Egyptian-source income.

Residence
An individual is resident if he/she is present in Egypt for more than 183 days in a fiscal year; is deemed to have a permanent abode in Egypt; or is an Egyptian national performing his/her work duties abroad but being paid for these duties from an Egyptian source.

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

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

Capital gains
Capital gains realized by a resident or nonresident individual on the sale of listed shares of Egyptian companies are subject

to a 10% income tax rate in a separate income tax pool. However, this tax has been temporarily suspended until May 17, 2020.

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

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

Deductions and allowances

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

Rates

Progressive rates up to 22.5% are levied on all types of income derived by individuals (including income from employment). A tax credit is available for three of the brackets: the credit is 80% for individuals who derive annual income greater than EGP 7,200 and up to EGP 30,000; 40% for individuals who derive annual income greater than EGP 30,000 and up to EGP 45,000; and 5% for individuals who derive annual income over EGP 45,000 and up to EGP 200,000. Only one of these tax credits will be allowed annually, based on the highest tax bracket to which the taxpayer is subject.

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

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

For capital gains tax rates, see "Capital gains".

Other taxes on individuals

Capital duty
No

Stamp duty
See "Stamp duty" under "Other taxes on corporations."

Capital acquisitions tax
No

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

Inheritance/estate tax
No

Net wealth/net worth tax
No

Social security
The social security regime applies only to local nationals, unless a 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 April 1 following the end of the tax year and pay tax based on the declaration.

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

Penalties

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

Value added tax

Taxable transactions

VAT generally applies to the supply of all goods and services. Services are broadly defined as anything that is not classified as a “good,” which means that intellectual property rights, consultations and management services, etc. will be subject to VAT. Input VAT may be offset against output VAT on most items.

Rates

The standard rate is 14% from July 1, 2017.

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

The export of goods or services is subject to a zero rate.

Goods and services provided by companies located in the free zones are subject to a zero VAT rate.

Certain goods and services are specified as "tabled items" that are subject to a special rate, and their providers are not allowed to offset input VAT against output VAT. These items include professional services, petroleum products, media productions, etc.

Construction contracts also are included in the table, but input VAT paid to subcontractors may be offset against output VAT on the same projects.

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

Registration

Resident providers of goods or services must register for VAT purposes only if their annual revenue is equal to or exceeds EGP 500,000. Voluntary registration is possible below this limit. No minimum registration threshold exists for providers of tabled items and double taxed items.

Filing and payment

All companies must prepare and file a monthly VAT return with the relevant Egyptian tax authorities.

A reverse charge mechanism applies on imported taxable goods and services from nonresident suppliers to a non-VAT-registered resident consumer (B2C transactions) or to a VAT-registered resident customer (B2B transactions).

Source of tax law

Income Tax Law, Law 91 (2005), Value Added Tax Law No. 67 (2016), Real Estate Law No. 196 (2008)

Tax treaties

Egypt has concluded 57 bilateral tax treaties. Egypt signed the OECD multilateral instrument on June 7, 2017.

Tax authorities

Egyptian Tax Authority (ETA)

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Iraq

Investment basics

Currency Iraqi Dinar (IQD)

Foreign exchange control Limited

Accounting principles/financial statements

Registered entities must prepare annual financial statements, with IQD as the accounting currency, in accordance with the Iraqi Uniform Accounting System, and in Arabic. The Iraqi Unified Accounting System does not match International Accounting Standards.

Kurdistan Region tax regime

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

Principal business entities

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

Corporate taxation

Residence

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

Basis

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

Taxable income

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

Taxation of dividends

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

Capital gains

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

Losses

Losses are tax deductible and may be carried forward for a maximum of five consecutive years, but no more than 50% of any year's taxable income may be offset, and any losses carried forward may be deducted only from the same source of income from which they are being offset. The carryback of losses is not permitted.

Rate

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

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

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

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

Withholding tax
Dividends
Iraq does not levy withholding tax on dividends.

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

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

Technical service fees
No, but see comments regarding tax retentions under "Other."

Branch remittance tax
No

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

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

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

Other taxes on corporations

Capital duty
No

Payroll tax
Employers are required to calculate, withhold and remit employees' personal income tax. See "Rates" under "Personal taxation," below.

Real property tax
No

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

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

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

Anti-avoidance rules

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

Thin capitalization
No

Controlled foreign companies
No

Disclosure requirements	No

Compliance for corporations

Tax year	Calendar year

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

Filing requirements
The corporate tax return must be filed by May 31 following the end of the taxable year. In Kurdistan Region, the deadline for corporate income tax filing is June 30 following the end of the taxable year.

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

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

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

Penalties on unpaid or late paid tax are calculated as 10% of the tax liability. This amount is capped at IQD 75,000 per year for small companies (the cap should not apply to taxpayers considered to be “large”).

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 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

See below under “Filing and payment.”

Taxable income

Most sources of income are taxable, unless specifically exempt.

Capital gains

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

Deductions and allowances

The Federal Iraq income tax law provides for various deductions and allowances in calculating taxable income.

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

Rates

In Federal Iraq, employment taxes are applied at progressive rates up to 15%.

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

Other taxes on individuals

Capital duty
No

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

Capital acquisitions tax
No

Real property tax
No

Inheritance/estate tax
No

Net wealth/net worth tax
No

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

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

Compliance for individuals

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 day of each month, and to submit annual tax returns on behalf of their employees. The annual employment tax declaration must be made before March 31 of the year following the tax year.

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

Employment taxes in the Kurdistan Region must be paid before March 1 of the year following the tax year.

Penalties

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

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

Value added tax

Taxable transactions

No

Rates

N/A

Registration, filing and payment

N/A

Source of tax law:

Federal Iraq

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

Kurdistan Region

Income Tax Law No. 5 of 1999, along with supporting instructions and circulars issued by the tax authorities.

Tax treaties

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

Tax authorities

Federal Iraq

General Commission of Taxation

Kurdistan Region

Income Tax Directorate

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Jordan

Investment basics

Currency
Jordanian Dinar (JOD)

Foreign exchange control
No

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

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

Corporate taxation

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

Basis
Resident companies are taxable on income sourced in Jordan.

Taxable income
Income derived from Jordan or from Jordanian sources is taxable.

Taxation of dividends
Dividends distributed by a resident company generally are exempt from tax, with special rules regarding "add backs" and distributions.

Capital gains
Income derived from capital gains generally is exempt, except for capital gains on assets subject to depreciation, intangible

assets (e.g. goodwill) and capital gains recognized by banks, 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
The standard corporate tax rate is 20%, and the rate on banks is 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 is 10%. The rate may be reduced under a tax treaty.

Banks and financial institutions, licensed companies permitted to accept deposits and specialized lending institutions in Jordan are required to withhold 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 is 10%. The rate may be reduced under a tax treaty.

Technical service fees

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

Branch remittance tax

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 may be offset against their annual income tax liability when filing their annual income tax returns for periods up to four years from the date of withholding.

Other taxes on corporations

Capital duty

No

Payroll tax

Payroll tax is withheld by the employer from monthly compensation at progressive rates ranging from 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 14.25% of an employee's salary and the employee contributes 7.5%. However, the maximum monthly salary subject to social security contributions is JOD 3,084. 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 or fiscal year

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

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

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 7.5%, which is withheld and reported by the employer on a monthly basis. The maximum monthly salary subject to social security contributions is JOD 3,084.

Compliance for individuals
Tax year
Calendar year

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

Penalties
Late payment fees are imposed at 0.4% for each week of delay. A penalty of JOD 100 applies for late filing.

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

Rates
The standard sale tax 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 Tax Law and General Sales Tax Law

Tax treaties
Jordan has signed approximately 32 tax treaties.

Tax authorities
Income Tax and Sales Tax Department

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Kuwait

Investment basics

Currency
Kuwaiti Dinar (KWD)

Foreign exchange control
No

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

Principal business entities
These are the limited liability company (WLL), shareholding company (KSC) and partnerships (general and limited).
Foreign entities may carry out business:
- Under the sponsorship of a registered Kuwaiti merchant;
- Through a WLL or KSC (limited to 49%);
- Under the Foreign Direct Investment Law No. 8 of 2001, as amended by Law No. 116 of 2013;
- Through branches in the Kuwait Free Trade Zone (KFTZ); or
- Through provisions of the Public Private Partnership (PPP) Law.

Corporate taxation

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

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

Taxable income

Income tax is levied on net profits (i.e. revenue less allowable expenses) earned from the carrying on of a trade or business in Kuwait. Royalties and franchise, license, patent, trademark and copyright fees received by overseas foreign entities from Kuwait are subject to income tax in Kuwait.

A tax exemption is possible for profits earned by entities from pure trading operations on the Kuwait stock exchange, whether directly or through portfolios of investment funds; for profits generated from activities carried out in the KFTZ; and for profits from activities under the Foreign Direct Investment Law (on a tax credit basis, using certain multipliers). Various tax exemptions also are granted under PPP for private companies working in collaboration with the public sector. Further, under the Capital Markets Authority (CMA) Law No. 22 of 2015, a broad exemption is granted on all revenue earned by corporate investors through trade on the Kuwait stock exchange.

Taxation of dividends

See under "Taxable income", above.

Capital gains

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

Losses

Losses may be carried forward for three years to be offset against future taxable profits. The utilization of carried forward losses is not permitted if:

- The entity ceases its activities in Kuwait (unless the cessation is mandatory);
- The tax return indicates that there is no revenue arising from the company's main activities;
- The corporate entity is liquidated;

- The legal status of the corporate body is changed; or
- The corporate body has merged with another corporate body. The carryback of losses is not permitted.

Rate	15%
Surtax	No
Alternative minimum tax	No

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

Participation exemption	No
Holding company regime	No

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

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

income in excess of KD 1 million. Marginal relief applies to taxable income between KD 500,000 and KD 1 million.

Withholding tax

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

Other taxes on corporations

Capital duty	No
Payroll tax	No
Real property tax	No

Social security

Both the employer and Kuwaiti employees make social security contributions based on the employee's salary (up to a ceiling of KWD 2,750 per month). The contribution rates are 11.5% and 10.5% of the employee's salary for the employer and the employee, respectively.

Stamp duty	No
Transfer tax	No

Other

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

KSCs (both listed and unlisted) must pay 1% of their profits, after the transfer of the statutory reserve and the offset of losses brought forward, to the Kuwait Foundation for the Advancement of Science, to support scientific progress.

Kuwaiti shareholding companies listed on the Kuwait stock exchange are required to pay an annual national labor support tax of 2.5% of net profits to support employment in nongovernment agencies.

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

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

Anti-avoidance rules

Transfer pricing

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

- Materials imported by foreign entities operating in Kuwait: 15% on materials imported from the head office; 10% on materials imported from related companies; and 5% on materials imported from unrelated companies.
- Design work carried out outside Kuwait: 25% on design work conducted by the head office; 20% on design work conducted by related companies; and 15% on design work conducted by unrelated companies.

- Consulting work carried out outside Kuwait: 30% on consulting work conducted by the head office; 25% on consulting work conducted by related companies; and 20% on consulting work conducted by unrelated companies.

Thin capitalization
No

Controlled foreign companies
No

Disclosure requirements
No

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

Compliance for corporations

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

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

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

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

Penalties

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

Rulings

No

Personal taxation

Basis

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

Residence

No

Filing status

No

Taxable income

No

Capital gains

No

Deductions and allowances

No

Rates

No

Other taxes on individuals

Capital duty

No

Stamp duty

No

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

Social security
Both the employer and Kuwaiti employees make social security contributions based on the employee's salary (up to a ceiling of KWD 2,750 per month). The employee contribution rate is 10.5% of salary.

Compliance for individuals

Tax year	No
Filing and payment	No
Penalties	No

Value added tax
Taxable transactions
The Kuwaiti government has committed to introduce VAT by signing the main framework agreement with the GCC countries. The draft law has been approved by the Cabinet and is now with the Kuwaiti Parliament for approval.

Rates	No
Registration, filing and payment	No

Source of tax law
Amiri Decree No. 3 of 1955 amended by Law No. 2 of 2008, the supplementary resolutions and circulars; Law No. 19 of 2000, relating to the national labor support tax; Law No. 46 of 2006, regarding Zakat and contribution to the state's budget; Law No. 23 of 1961, relating to the Divided Neutral Zone.

Tax treaties
Kuwait has concluded 63 tax treaties. Kuwait signed the OECD multilateral instrument on June 7, 2017.

Tax authorities
Department of Income Tax

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VAT in the GCC mobile app

Deloitte Middle East has developed the 'VAT in the GCC guide' mobile app, to help teach, guide, and influence businesses and individuals alike to understand VAT and its impact. The app is free of charge and is easy to use. It offers a live knowledge base where professionals can:

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Lebanon

Investment basics

Currency
Lebanese Pound (LBP)

Foreign exchange control
No

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

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

Corporate taxation

Residence
An entity is considered resident if it is established or registered in accordance with Lebanese law. An entity also is considered resident if business is carried out from a fixed place in Lebanon for a period exceeding six months in any 12 consecutive months for contracting work and for a period exceeding three months for other activities.

Basis
Resident companies are taxed on their worldwide income, unless the income is earned through foreign branches or subsidiaries.

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 businesses, where taxable income is calculated as a percentage of total revenue.

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

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

Losses
Taxable losses may be carried forward for three years. The carryback of losses is not permitted, except for oil and gas companies, which may carryforward losses indefinitely.

Rate
17%. Oil and gas companies are subject to a 20% rate. See also "Taxation of dividends" and "Capital gains," above.

Surtax
No

Alternative minimum tax
No

Foreign tax credit
No

Holding company regime
Holding companies are exempt from tax on profits and tax on dividend distributions. They are subject to a tax on capital and reserves, capped at LBP 5 million per year. 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 tax applies on gains derived from the disposal of an investment in a foreign subsidiary.

Incentives

Holding companies are exempt from tax on profits and tax on dividend distributions. They are subject to a tax on capital and reserves, capped at LBP 5 million per year. 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 tax applies on gains derived from the disposal of an investment in a foreign subsidiary.

Other

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

Withholding tax

Dividends

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

Interest

Interest on bank deposits or bonds is subject to a 7% withholding tax; other interest is subject to a 10% withholding tax. Interest paid to a nonresident is subject to 7.5% withholding tax. The rate on interest may be 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 (10% for oil and gas companies), 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% remittance tax.

Other taxes on corporations
Capital duty
A one-time stamp duty of 0.4% is levied on the subscription of capital of a company or its increase.

Payroll tax
Payroll tax is withheld from salary, at rates ranging between 2% (for the lowest bracket) and 20% (for an amount of salary 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 built property tax is levied on rental income from Lebanese real property, at rates ranging between 4% and 14%. See also "Transfer tax," below.

Constructions, installations and vehicles used for petroleum-related operations within Lebanese territorial waters are exempt from built property tax.

Social security
There are three mandatory social security schemes:
- A family scheme contribution of 6% of employee earnings up to USD 12,000 per year;

- A medical scheme contribution of 11% of earnings up to USD 20,000 per year (of which 3% is the employee's share); and
- An end-of-service indemnity scheme contribution of 8.5% of total earnings. Contributions are borne by the employer.

Stamp duty
A stamp duty is levied on most contracts, at a rate of 0.4%. See also "Capital duty," above.

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

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

Thin capitalization
No, but certain rules apply for oil and gas companies.

Controlled foreign companies
No

Disclosure requirements
No

Other
Owning more than 3,000 square meters of land by a foreigner or by a company partially owned by foreigners requires approval via a ministerial decree.

Compliance for corporations
Tax year
The calendar year is the tax year, although exceptions are granted when a parent company has a special fiscal year.

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

Filling requirements
The tax return must be submitted within five months after the tax period.

Penalties
Failure to submit a tax return is subject to a penalty of 5% per month, capped at 100%, and a delay in payment is subject to a penalty 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 (a 300% penalty in the case of oil and gas companies).

Rulings
No, however taxpayers may obtain explanations for the tax treatment of new transactions.

Personal taxation
Basis
Employees are taxed on income generated from services provided in Lebanon or for an entity in Lebanon. Self-employed individuals are taxed on income generated from services provided in Lebanon or pertaining to their profession in Lebanon unless earned through a permanent establishment outside Lebanon. Nonresidents are taxed only on Lebanese-source income.

Residence
An individual is considered resident if he/she fulfills one of the following conditions: has a fixed place of doing business in

Lebanon; maintains a permanent home in Lebanon used for his/her usual residence or for the usual residence of his/her family; or stays in Lebanon for more than 183 days continuously or intermittently in a consecutive 12-month period. Transient stays and stays for medical treatments are not counted in the computation of this period.

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
Capital gains are taxed at 15%.

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

Rates
Progressive rates range from 4% up to 21%. Capital gains are taxed at 15%. Income derived from foreign shares and bonds is taxed at a rate of 10%.

Other taxes on individuals
Capital duty
No

Stamp duty
See under “Other taxes on corporations.”

Capital acquisitions tax
Capital gains tax on the sale of real estate owned by nontaxable individuals is phased out at a rate of 8% annually as from the date of acquisition. Gain from the sale of a primary residence is tax exempt on up to two residences.

Real property tax
An annual real property tax is levied based on the annual rental value.

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

Net wealth/net worth tax
No

Social security
See under "Other taxes on corporations."

Compliance for individuals
Tax year
Calendar year

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

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

Penalties
See "Penalties" under "Compliance for corporations."

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

services. Basic foods, health, real estate, educational, financial, insurance and banking services and the leasing of residential property are exempt. Certain goods imported for use in petroleum activities are exempt from VAT.

Rates
The standard VAT rate is 11%. Exports, including authorized oil exports, are exempt from VAT.

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

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

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

Tax treaties
Lebanon has concluded 34 tax treaties.

Tax authorities
Ministry of Finance

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Libya

Investment basics

Currency

Libyan Dinar (LYD)

Foreign exchange control

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

Accounting principles/financial statements

Libyan CPA standards apply. Financial statements (audited by a Libyan licensed accounting firm) must be filed annually.

Principal business entities

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

Corporate taxation

Residence

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

Basis

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

Taxable income

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

However, "deemed profit"-based taxation may apply when a foreign entity is not registered at the time of contracting, the entity does not hold statutory books in Libya or the books are not maintained in accordance with the local regulations. 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 the diversification of the local economy, the development of rural areas, the increase of employment, etc.

The tax exemptions applicable to companies registered/governed by 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.

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 10.5% for companies with a Libyan participation, calculated on the gross wages/salary. The employee contributes 3.75%.

Stamp duty
Stamp duty is levied at varying rates (although there also are certain fixed duties), typically between 1% and 3%, on the execution of documents. Stamp duty of 0.5% is levied on payments made to the tax authorities.

Transfer tax
No

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

Thin capitalization
No

Controlled foreign companies
No

Disclosure requirements
No

Other
Libya has a general anti-avoidance rule.

Compliance for corporations

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

Consolidated returns
Consolidated returns generally are not permitted; each entity 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 10.5% (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

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Oman

Investment basics

Currency
Omani Riyal (OMR)

Foreign exchange control
The Sultanate of Oman has a free economy. Although administrative procedures must be followed, there are no exchange controls on inbound or outbound 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 (PE) 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 of a foreign company is subject to tax only on Oman-source income.

Taxable income

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

Taxation of dividends

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

Capital gains

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

Losses

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

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

Surtax	No
Alternative minimum tax	No

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

Participation exemption	No
Holding company regime	No

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

Withholding tax

Dividends

Oman introduced a 10% withholding tax on dividends on shares distributed by joint stock companies to foreign companies without a PE in Oman, effective February 27, 2017.

Interest

Oman introduced a 10% withholding tax on interest paid to foreign companies without a PE in Oman, effective February 27, 2017.

Royalties

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

Service fees

As from February 27, 2017, withholding tax at the rate of 10% is applicable on service. Withholding tax (WHT) would also apply on fees for provision of services regardless of where the service is performed.

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. As from February 27, 2017, the provision of services is subject to a

10% withholding tax if services are provided entirely or partly in Oman.

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

Tourism and municipality taxes may be imposed on certain consumption.

Anti-avoidance rules

Transfer pricing

Pricing between related entities must be on an arm's length basis.

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

Controlled foreign companies
No

Disclosure requirements
Related party transactions must be disclosed in the tax returns.

Other
If a related party transaction results in 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.

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

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

A foreign person that has multiple PEs in Oman must file a tax return that covers all PEs and the amount of tax payable will be based on the aggregate taxable income of the PEs.

Filing requirements

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

Penalties

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

Rulings

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

Personal taxation

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 between age 15 and 59 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

Excise Tax

Similar to various other countries, the Oman government is proposing to introduce the excise tax. At the time of writing, we understand that the legislation, regulations and guidance for the excise tax should be released shortly.

Value added tax

Taxable transactions

Presently, there is no VAT or sales tax in Oman. However, the Oman government has agreed to introduce VAT. At the time of writing, we understand that the local VAT legislation, regulations and guidance is under preparation and review by the government.

Rates
The proposed rate of VAT agreed under the unified VAT agreement by the GCC countries is 5%.

Registration, filing and payment
No

Source of tax law
Law of Income on Companies No. 28/2009; Royal Decree 9/2017; Commercial Companies Law No. 4/1974; Social Securities Law; Law for Unified Industrial Organization of Gulf Cooperation Council Countries; Foreign Business and Investment Law; Law of Organizing and Encouraging Industry and Mining.

Tax treaties
Oman has 29 income tax treaties and four air transport tax treaties.

Tax authorities
Ministry of Finance and Secretariat General for Taxation

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Palestinian Ruled Territories

Investment basics

Currency

New Israeli Shekel (NIS)

Foreign exchange control

There are no foreign exchange controls or restrictions on the import or export of capital. Repatriation payments can be made in any currency. Both residents and nonresidents can hold bank accounts in any currency.

Accounting principles/financial statements

IAS/IFRS are required for financial services entities and companies listed on the Palestine stock exchange. Financial statements must be prepared annually. Semi-annual financial statements must be prepared for financial institutions and listed companies.

Principal business entities

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

Corporate taxation

Residence

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

Basis

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

Taxable income

Corporate tax is imposed on a company’s net profits, which consist of business/trading income and passive income. Taxable income of resident persons and companies includes foreign income derived from their funds or deposits sourced from Palestine.

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

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

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

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

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

Surtax
No

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

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

Withholding tax
Dividends
A 10% withholding tax is levied on dividends paid to a resident or a nonresident, unless the rate is reduced or an exemption applies under a tax treaty. The withholding tax was suspended during 2015 and 2016, but no guidance has been issued on the status for 2017 and 2018.

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

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

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

Branch remittance tax
No

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

Other taxes on corporations

Capital duty
No

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

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

Social security
No

Stamp duty
No

Transfer tax
No

Anti-avoidance rules

Transfer pricing
No

Thin capitalization
No

Controlled foreign companies
No

Disclosure requirements

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

Compliance for corporations

Tax year

The tax year generally is the calendar year. Approval must be obtained to use 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 two months of the end of the tax year, a discount of 4% is granted on the balance of tax as per the self-assessment (after deducting tax advances made on which a discount previously was granted); a discount of 2% is granted if the tax return is submitted during March and April of the following year.

Penalties

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

Rulings	No

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

Residence
The following individuals are considered to be resident in Palestine:
- Palestinian individuals who have lived in and maintained their principal activities in Palestine for at least 120 days during the year; and (2)
- Non-Palestinian individuals who have resided in Palestine for at least 183 days during the year.

Filing status
Each individual must file a tax return unless the individual's only income is from employment. Joint filing is not permitted unless approved by the tax department.

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

Capital gains
Capital gains are taxed at regular rates, but capital gains derived from the sale of investments not held for trading are tax exempt.

Deductions and allowances
Individual income is reduced by a standard deduction of NIS 36,000 per year. There is a one-time deduction of NIS 30,000

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

Rates

Individual income tax is charged at progressive rates ranging from 5% to 15%. The first NIS 75,000 is taxed at 5%, the next NIS 75,000 at 10%, and the remainder at 15%.

Other taxes on individuals

Capital duty
No

Stamp duty
No

Capital acquisitions tax
No

Real property tax

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

Inheritance/estate tax
No

Net wealth/net worth tax
No

Social security
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 the late payment of tax.

Value added tax

Taxable transactions

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

Rates

The standard VAT rate is 16%. Certain transactions are zero-rated or exempt. For financial institutions, VAT is levied at a rate of 16% on gross salaries and on taxable income.

Registration

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

Filing and payment

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

Source of tax law

Income Tax Law No. 8 of 2011 and amendments issued in 2014 and 2015

Tax treaties

There are tax treaties with Egypt, Jordan and Serbia.

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

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Qatar

Investment basics

Currency
Qatari Riyal (QAR)

Foreign exchange control
No

Tax regimes
There are two tax regimes in Qatar, the "State regime," which applies to the majority of businesses operating in Qatar, and the Qatar Financial Center (QFC) (see "Incentives" under "Corporate taxation," below).

Accounting principles/Financial statements
State regime IFRS

QFC regime

IFRS, UK GAAP, US GAAP or any standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions

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

Under the QFC regime, 100% foreign ownership is possible. The common companies set up under the QFC regime are the general partnership, limited partnership and limited liability partnership.

Corporate taxation

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

Basis

Tax is imposed on a taxpayer's income derived from sources in Qatar. Entities wholly owned by Qataris and other Gulf Cooperation Council (GCC) country nationals are exempt from corporate income tax, but may be required to file tax returns (see under "Compliance for corporations").

Taxable income

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

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

Under the QFC regime, taxable profits are classified as Qatari-source if they arise in or are derived from Qatar. Subject to certain conditions, profits derived by an unregulated QFC from services provided in Qatar for use outside Qatar may be nontaxable.

Taxation of dividends

Dividends are not subject to tax.

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

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

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

Rate
- 10% for both the state of Qatar and QFC regimes
- A 35% rate applies to petroleum activities

Surtax
No

Alternative minimum tax
No

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

Participation exemption
No participation exemption applies under the State regime. The QFC regime allows a tax exemption on capital gains in respect of qualifying shareholdings.

Holding company regime
The QFC regime allows for the setting-up of holding companies.

Incentives

These include foreign capital investment incentives and incentives related to the QFC regime and the Qatar Science and Technology Park (QSTP).

Under the QFC regime (which is available to companies that carry out certain allowed activities and apply for a license) full foreign ownership is possible and income is taxable at a flat rate of 10%. Special purpose companies (i.e. registered funds, special investment funds, special funding companies, alternative risk vehicles and charities) may elect an exempt status. Qatari–owned companies may elect a 0% concessionary rate if certain conditions are fulfilled.

The QSTP is the only free zone in Qatar to support scientific and applied technology researches. 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 may import goods and services free from Qatari tax or customs duties.

Withholding tax

There is no withholding tax applicable under the QFC tax regime. However, the state of Qatar regime has withholding tax for certain payments. These are outlined below.

Dividends

Qatar does not levy withholding tax on dividends.

Interest

Interest is subject to a 7% withholding tax, with certain exceptions. The rate may be further reduced under a tax treaty.

Royalties
Royalties are subject to a 5% withholding tax. Certain leasing charges may be considered royalties. The rate may be further reduced under a tax treaty.

Technical service fees
Technical service fees paid to a nonresident are subject to a 5% withholding tax.

Branch remittance tax
No

Other
A 7% withholding tax applies to commissions, brokerage fees, directors' fees, attendance fees and 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 (a 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 the employee's basic salary each month and 5% is to be contributed by the employee.

Stamp duty
No

Transfer tax
No

Anti-avoidance rules

Transfer pricing

Under the state of Qatar regime, a general anti-avoidance rule gives the tax department the power to apply an arm's length price in certain situations. Transfer pricing rules apply in the QFC.

Thin capitalization

No specific thin capitalization rules apply under the State regime, but interest payments made by a permanent establishment to its head office or to related parties are not deductible for tax purposes.

Under the QFC regime, the arm's length borrowing capacity of a QFC taxpayer is the amount of debt that it could and would have taken on, as a stand-alone entity, from an independent lender.

Controlled foreign companies

No

Disclosure requirements

No

Compliance for corporations

Tax year

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

Under the QFC regime, the tax year generally follows the accounting period. For QFC tax purposes, an accounting period should not exceed 12 months.

Consolidated returns

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

Filing requirements

Under the State regime, taxpayers are required to submit an annual income tax return and pay the tax due by the end of the fourth month after the company's financial year-end. Entities wholly owned by Qataris and other GCC nationals are exempt from corporate income tax, but are required to file tax returns and audited financial statements with the Tax Department if their capital is QAR 2 million or more or if their annual revenue is QAR 10 million or more. 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.

Under the QFC regime, the deadline to submit the annual income tax return and pay the tax due is by the end of the sixth month after the company's financial year-end. There is also an online tax filing system for QFC entities.

Penalties

Under the State regime, failure to file a tax return by the deadline will result in a penalty of QAR 100 per day, up to a maximum of QAR 36,000. Failure to pay tax due by the deadline will result in 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.

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

Rulings

State of Qatar

No

QFC

Yes

Personal taxation

Basis

Qatar does not impose personal income taxation; only income from a business in Qatar is taxable.

Residence

An individual is resident in Qatar if he/she has a permanent home in Qatar, has been in Qatar for more than 183 days during any 12 month period or has his/her centre of vital interests in Qatar.

Filing status

No

Taxable income

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

Capital gains

Capital gains from the disposal of real estate and securities derived by an individual are exempt from tax, provided the real estate and securities are not part of the assets of a taxable activity (any gains from such assets are taxable at a 10% rate).

Deductions and allowances

No

Rates

Only income from a business is taxable, at a rate of 10% of taxable income.

Other taxes on individuals

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

Social security

An employee who is a Qatari national and has a pension scheme must make a pension contribution equal to 5% of his/her basic salary each month.

Compliance for individuals

Tax year	No
Filing and payment	No
Penalties	No

Value added tax

Taxable transactions

Qatar currently does not have implemented VAT, goods and services tax or sales tax system. However, in line with the Unified VAT Agreement of the Gulf Cooperation Council, VAT is expected to come into force on 1st January 2019 by the latest. The standard VAT rate is expected to be 5%, with certain exempted and zero supplies of goods and services. The registration threshold of approximately USD 100,000 would be applied.

Implementation of a selective excise tax is also expected in 2018.

Rates
No

Registration, filing and payment
No

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

Tax treaties
Qatar has concluded 65 tax treaties.

Tax authorities
Ministry of Finance – Taxes Department and Qatar Financial Centre – Tax Authority

Other
On 14 November 2017, Qatar joined the inclusive framework on BEPS and signed the Multilateral Convention on Mutual Administrative Assistance on Tax Matters.

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Saudi Arabia

Investment basics

Currency
Saudi Riyal (SAR)

Foreign exchange control
No

Accounting principles/Financial statements
Saudi Organization of Certified Public Accountants (SOCPA) standards generally are used. If an issue is not covered by SOCPA standards, IFRS is the standard. Saudi Arabia is in the process of transitioning to IFRS. Banks and insurance companies use IFRS. Listed companies were required to adopt IFRS from the financial period beginning from January 1, 2017, with January 1, 2016 being the transition date for IFRS convergence (the beginning of the earliest comparative year). Other entities are required to adopt IFRS from the financial period beginning from January 1, 2018, with January 1, 2017 being the transition date for IFRS convergence.

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

Corporate taxation

Residence
A corporation (defined in Saudi law as a public company, limited liability company or partnership limited by shares) is resident in Saudi Arabia if it is registered in accordance with the regulations for companies in Saudi Arabia or if it is headquartered in 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.

Since September 2017, the definition of a resident corporation that is subject to tax includes a company with shares owned directly or indirectly by persons engaged in the production of oil and hydrocarbon materials; with the effect that the state-owned oil company and its Saudi subsidiaries operating in production of oil and hydrocarbon materials are subject to tax. Prior to this date, Saudi and GCC shareholders involved in this business were subject to zakat.

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 (GCC) are treated as Saudis.

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

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

The tax base of persons engaged in the production of oil and hydrocarbon materials will be their taxable income, less expenses allowed in accordance with the tax legislation.

Taxation of dividends

Dividends received are taxed as income.

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

Capital gains

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

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

Losses

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

Rate

The corporate income tax rate is 20% on a non-Saudi's share in a resident corporation and on income derived by a nonresident from a PE in Saudi Arabia. The rate on taxpayers working in the exploitation of natural gas sector is 30%. The tax rate on taxpayers engaged in the production of oil and hydrocarbons is determined on the basis of the company's capital investment, as follows: 85% where the capital investment is USD 60 billion or less; 75% where the capital investment is between USD 60 billion and USD 80 billion; 65% where the capital investment is between USD 80 billion and

USD 100 billion; and 50% where the capital investment exceeds USD 100 billion.

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

Zakat is assessed at 2.5% on the higher of the zakat base and the net adjusted profit of a Saudi shareholder.

Surtax
No

Alternative minimum tax
No

Foreign tax credit
No

Participation exemption
No

Holding company regime
The profits of a Saudi resident subsidiary remitted to its Saudi resident holding company will not be taxed, provided:
- There is a minimum holding of 10%;
- The investment is held for at least one year; and
- The income of the subsidiary is subject to tax in Saudi Arabia. Limited rules also exist for groups wholly subject to zakat.

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

Branch remittance tax

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

Other taxes on corporations

Capital duty

No

Payroll tax

No

Real property tax

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

Social security

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

Stamp duty
No

Transfer tax
No

Excise duty
Excise tax was introduced as from June 11, 2017 and is chargeable on the importation or production of excisable goods released for consumption in Saudi Arabia. The excise duty rate is 50% on soft drinks and 100% on energy drinks and tobacco products. Any person intending to import, produce or hold (under a suspension arrangement) any excisable goods in Saudi Arabia must register for excise tax. Any person holding excisable goods valued in excess of SAR 60,000 (whether or not otherwise registered or required to register) must submit a one-off transitional return and pay the excise tax due within 45 days. Thereafter, those registered for excise tax must submit returns reporting their total excise liabilities on a bimonthly basis (i.e. one return every two calendar months) together with payment within 15 days of the end of the tax period.

Anti-avoidance rules
Transfer pricing
Saudi tax law does not contain any detailed transfer pricing regulations or guidelines. However, related party transactions and the arm's length principle are covered under certain general anti-avoidance provisions. The general anti-avoidance measures provide for the following:
- Transactions between related parties must be conducted on arm's length terms;
- The excess of the cost of materials supplied or services provided by related parties over the prices used by independent parties will be disallowed; and
- Taxpayers should maintain documentation to support the precise determination of tax payable.

The Saudi tax authorities may challenge any transaction and:
- Disregard a transaction that has no economic effect;
- Reclassify a transaction whose form does not reflect its substance;
- Reallocate income and expenses between related parties or parties under common control to reflect the income that would have resulted from a transaction between independent and unrelated parties; and
- Estimate the appropriate tax base and impose penalties.

Taken together, the above provisions empower the Saudi tax authorities to examine related party transactions, request relevant documentation and adjust income or expenses based on the arm's length standard which, at times, may differ from the OECD standards, depending on the local practices. Although the OECD transfer pricing guidelines generally are taken into account in examining the arm's length nature of related party transactions, they are not binding on the Saudi tax authorities.

Thin capitalization

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

Controlled foreign companies

No

Disclosure requirements

No

Other

There are general anti-avoidance provisions in the tax law; see above under "Transfer pricing."

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 must be filed for zakat and in the case of wholly owned subsidiaries. However, zakat returns of the subsidiaries are filed for information purposes. Consolidated returns are not permitted for income tax purposes.

Filing requirements

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

Penalties

The penalties for failure to file a tax return are the higher of 1% of revenue (up to a maximum of SAR 20,000), or between 5% and 25% of the 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 under "Corporate taxation."

Residence

An individual is resident in Saudi Arabia for a tax year if:

- He/she has a permanent residence in the Kingdom and is present in the Kingdom for a period of at least 30 days in total in the tax year; or
- He/she is present in the Kingdom for a period of at least 183 days in the tax year.

Filing status

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

Taxable income

The concept of taxable income is only applicable 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 10% of salary to the GOSI; the employer contributes 12%.

Expatriate levy
An annual dependent levy of SAR 1,200 applies as from July 2017 per expat dependent residing in Saudi Arabia. This amount increases to SAR 2,400 from July 2018, SAR 3,600 from July 2019 and SAR 4,800 from July 2020.

Compliance for individuals

Tax year
No

Filing and payment
No

Penalties
No

Value added tax

Taxable transactions
VAT was introduced as from January 1, 2018 and the VAT system is closely aligned to the international VAT models used

in many OECD countries. VAT applies to almost all supplies of goods or services, subject to limited exceptions. There are some reduced/zero rates that apply to food, education and healthcare.

Rates

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

Registration

The standard VAT registration threshold is an annual turnover of SAR 375,000. However, businesses with an annual turnover of less than SAR 1 million are exempt from the mandatory registration requirement until 1 January 2019. Businesses who do not apply for registration within the specified period are subject to a fine of SAR 10,000.

Filing and payment

VAT tax periods may be monthly or quarterly. Taxpayers must calculate the net VAT for the period and submit the VAT return electronically by the end of the following month, together with the payment required. VAT reporting can be carried out on a "cash accounting" basis for small businesses with turnover of less than SAR 5 million. Businesses with annual turnover of less than SAR 40 million may use a quarterly filing period.

Source of tax law

Income Tax Regulations (Muharram 1425H March 2004)

Tax treaties

Saudi Arabia has concluded 47 tax treaties.

Tax authorities

General Authority of Zakat and Tax (GAZT)

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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 Commission of Financial Markets and Securities use IAS and IFRS. Financial statements must be filed annually. Semi-annual and quarterly statements must be submitted by banks, insurance companies and companies supervised by the commission.

Principal business entities

These are the joint stock company, limited liability 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

Syria operates a territorial tax system. 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 and limited liability 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 that 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 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 of 17.1% of payroll costs as follows: 14% to cover old age, disability and death benefits; 3% to the work injury benefits scheme; and 0.1% to a lump-sum disability benefits fund.

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 0.3% to 0.7%. See also above under "Capital duty".

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

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 a separate return.

Filing requirements
The tax return for limited liability and joint stock companies must be submitted by May 31 (March 31 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 is not taxable in Syria.

Wages and salaries tax is imposed on an individual who derives income from a private treasury if he/she is 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 a 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% on monthly salaries, with the first SYP 15,000 exempt.

Nonregular benefits payments (e.g. bonuses) are subject to tax at a rate of 10%.

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 0.3% to 0.7%.0.3% 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 March 31 and pay tax due at that time. Individual employees' payroll tax is withheld on a monthly basis by the employer and submitted semi-annually to the tax authorities.

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 monthly 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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UAE

Investment basics

Currency

UAE Dirham (AED)

Foreign exchange control

No

Accounting principles/financial statements

IAS/IFRS. Financial statements generally are required to be prepared annually.

Principal business entities

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

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

Corporate taxation

Residence

Emirate-level income tax decrees (see "Basis" below) do not contain specific provisions in relation to corporate tax residency. Therefore, there is no clear legal concept of corporate tax residency in the UAE. Nevertheless, the Ministry of Finance (MOF) issues tax residency certificates to companies that are incorporated in and managed from the UAE and meet the requirements of:

- The MOF (e.g. for a least one UAE resident director, a fixed place of business, etc.) and
- A relevant tax treaty, if appropriate.

Basis

Income tax decrees have been issued by five of the seven Emirates (i.e. Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain, Ras Al Khaimah and Fujairah), but currently only are enforced in respect of oil and gas exploration and production companies and certain petrochemical companies under specific government concession agreements. Branches of foreign banks are also subject to corporate income tax under separate banking tax decrees in certain Emirates.

Taxable income

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

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

Taxation of dividends

No

Capital gains

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

Losses

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

Rate

Oil and gas exploration and production companies are taxed at progressive rates of up to 55% under the applicable Emirate-level tax decree, although in practice, different rates may be agreed with the relevant authority under specific government concession agreements.
Branches of foreign banks are taxed at rates agreed with the ruler of the Emirate in which they operate, generally at a flat rate of 20%.

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

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

Withholding tax
There are no withholding taxes in the UAE.

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

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

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

Social security
Social security contributions are due only in respect of nationals of the Gulf Cooperation Council countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE). For UAE national employees, the employer and employee pension contribution

rates are 12.5% and 5% respectively and contributions are based on the monthly contractual salary, including basic allowances, as agreed in the local employment contract. The contribution rates and bases for other GCC nationals vary, but broadly are in line with those for UAE nationals.

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

Stamp duty

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

Transfer tax

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

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

Excise tax

From October 1, 2017, excise tax is payable on the importation, manufacture and stockpiling of excisable goods, which include carbonated beverages, energy drinks and tobacco.

Other
Municipal taxes are imposed on certain hotel and leisure services and property rentals.

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

Anti-avoidance rules
Transfer pricing
No

Thin capitalization
No

Controlled foreign companies
No

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

Entities located within a free trade zone report to the free trade zone authority for the relevant zone and generally are required to submit audited financial statements in accordance with IFRS/IAS annually.

Compliance for corporations
There are no significant tax compliance obligations for businesses based in the UAE.

Personal taxation

Residence

There are no tax laws covering individuals in the UAE and, as a result, no domestic concept of personal tax residence. Nevertheless, the MOF issues tax residence certificates to individuals who satisfy the requirements of:

- The MOF (including physical presence in the UAE of more than 180 days within any 12-month period) and
- A relevant tax treaty, if appropriate.

Basis

Individuals are not taxed on their income.

Other taxes on individuals

Capital duty	No
Stamp duty	No
Capital acquisitions tax	No

Real property tax

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

Inheritance/estate tax

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

Net wealth/net worth tax

No

Social security

Social security contributions are payable only for GCC nationals.

Compliance for individuals

There are no compliance obligations for individuals in the UAE.

Value added tax

Taxable transactions

VAT was introduced in the UAE as from January 1, 2018 and is overseen by the recently established Federal Tax Authority. VAT applies on a broad base of goods and services with some very limited exceptions.

Rates

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

Registration

Registration is mandatory for taxable persons resident in the UAE whose taxable supplies exceed AED 375,000 (USD100,000) in a 12-month period or are expected to exceed AED 375,000 within the next 30 days. Voluntary registration threshold can be met if either taxable supplies exceed AED187,500, or if expenses subject to VAT exceed that amount. No threshold applies to nonresidents, as a result, this could have the effect that they may be required to register under certain circumstances.

Filing and payment

VAT returns generally are required on a monthly or quarterly basis depending on turnover, but the FTA may specify a longer or shorter period if it considers that to be appropriate. Returns must be filed online via the FTA portal by the 28th day (or next working day if the 28th day falls on a weekend or national holiday) of the month following the end of the reporting period. For some taxpayers required to file quarterly returns, the first filing period is deferred and runs from January 1 to May 31, 2018, with the VAT return for that period due to be filed by June 28, 2018. Subsequent filings then will have to be made on a quarterly basis (i.e. from June 1 to August 31, September 1 to November 30 and December 1 to February 28/29). Any VAT payable for the reporting period is due on the return filing date and payments are made online via the e-Dirham website.

Source of tax law

Federal Tax Procedures Law, Federal Law for Pension and Social Security, VAT Law, Excise Tax Law, Excise Executive Regulations and the Income Tax Decrees of the relevant Emirates.

Tax treaties

The UAE has concluded more than 70 tax treaties.

Tax authorities

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

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Yemen

Investment basics

Currency
Yemeni Riyal (YER)

Foreign exchange control
No

Accounting principles/Financial statements
IFRS is used. 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 services or commercial business in Yemen. The shareholding may be up to 100% for companies set up under Free Zone Law No. 4/1993 and Investment Law No. 15 of 2010.

Corporate taxation

Residence
A corporation is resident in Yemen if it is registered in accordance with the Regulations for Companies, is headquartered in Yemen, has its place of business or management in Yemen, is an economic sector unit (i.e. 50% of the capital is owned by the state or a public legal person) in Yemen or is a concession company operating in Yemen.

Basis
The tax law classifies taxpayers as large, medium and small, with a special regime applying to small and "micro" firms.

A resident company is liable to tax on worldwide profits. A nonresident is subject to tax only on Yemen-source profits.

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

Rate
The standard corporate tax rate is 20%. A 50% rate applies to mobile phone services providers, and the rate is 35% for international telecommunications services providers, cigarette manufacturers and importers. Concession companies engaged in the exploitation of oil and gas pay a fixed tax, normally 3% on expenditure incurred during the exploration phase, as per a relevant production sharing agreement. The 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.

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 fees) fee equal to 1% of total payroll to the Ministry of Vocational 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%. (Changes were made to these rules in 2017, but due to the ongoing political crisis, the GCSS is still collecting the contributions under the old rules.)

Stamp duty

No

Transfer tax

No

Other

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

Anti-avoidance rules

Transfer pricing

The arm's length principle applies; methodologies for establishing the arm's length price have been introduced in executive regulations.

Thin capitalization

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

Controlled foreign companies

No

Disclosure requirements

No

Administration and compliance

Tax year

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

Consolidated returns

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

Filing requirements

The self-assessment system applies, under which a taxpayer must determine its own tax base and calculate tax due. The taxpayer must 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 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. Incentives apply for early filing.

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-sized 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 derives income from Yemen.

Filing status

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

Taxable income

Resident individuals are taxed on income from employment or commercial or industrial activities and noncommercial activities (i.e. the exercise of a profession) earned inside Yemen, as well as foreign-source income. Income subject to salaries and wages tax includes income received by an employee for work performed outside Yemen for a resident employer; income received by a nonresident from a permanent establishment in Yemen; and salaries, rewards and allowances paid to the chairman, members of the administration board and managers of capital associations.

Individuals are exempt from tax on income from treasury bonds, interest from bank deposits, savings in post offices and income from shares in public and shareholding companies.

Capital gains
No

Deductions and allowances
Deductions and allowances available on monthly salary income include YER 10,000, plus 6% of gross salary for an employee's social security contribution and allowances, up to a maximum of YER 65,000.

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

Other taxes on individuals

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; 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 a rate of 2.5%.

Social security
An employee (whether a national or foreign) must contribute 6% of salary to the GCSS. A foreign employee may withdraw the total contribution, 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 mobile communications 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 concluded 15 tax treaties.

Tax authorities
Yemeni Tax Authority

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Deloitte International Tax Source

The Deloitte International Tax Source (DITS) is a free online database that places up-to-date worldwide tax rates and other crucial tax information within easy reach. DITS is accessible through mobile devices (phones and tablets), as well as through a computer.

A database that allows users to view and compare tax information for 65 jurisdictions that includes:

- Corporate income tax rates;
- Historical corporate rates;
- Domestic withholding tax rates;
- In-force and pending tax treaty withholding rates on dividends, interest and royalties;
- Indirect tax rates (VAT/GST/sales tax); and
- Information on holding company and transfer pricing regimes.

The Deloitte Tax@hand App

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- **Tailored** – Users can select geographies and topics of interest and choose a preferred language.
- **"Apropos"** – Features news, analysis and perspectives on tax issues of interest to cross-border business, as well as hyperlinks to primary text documents and links to other relevant Deloitte resources.
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