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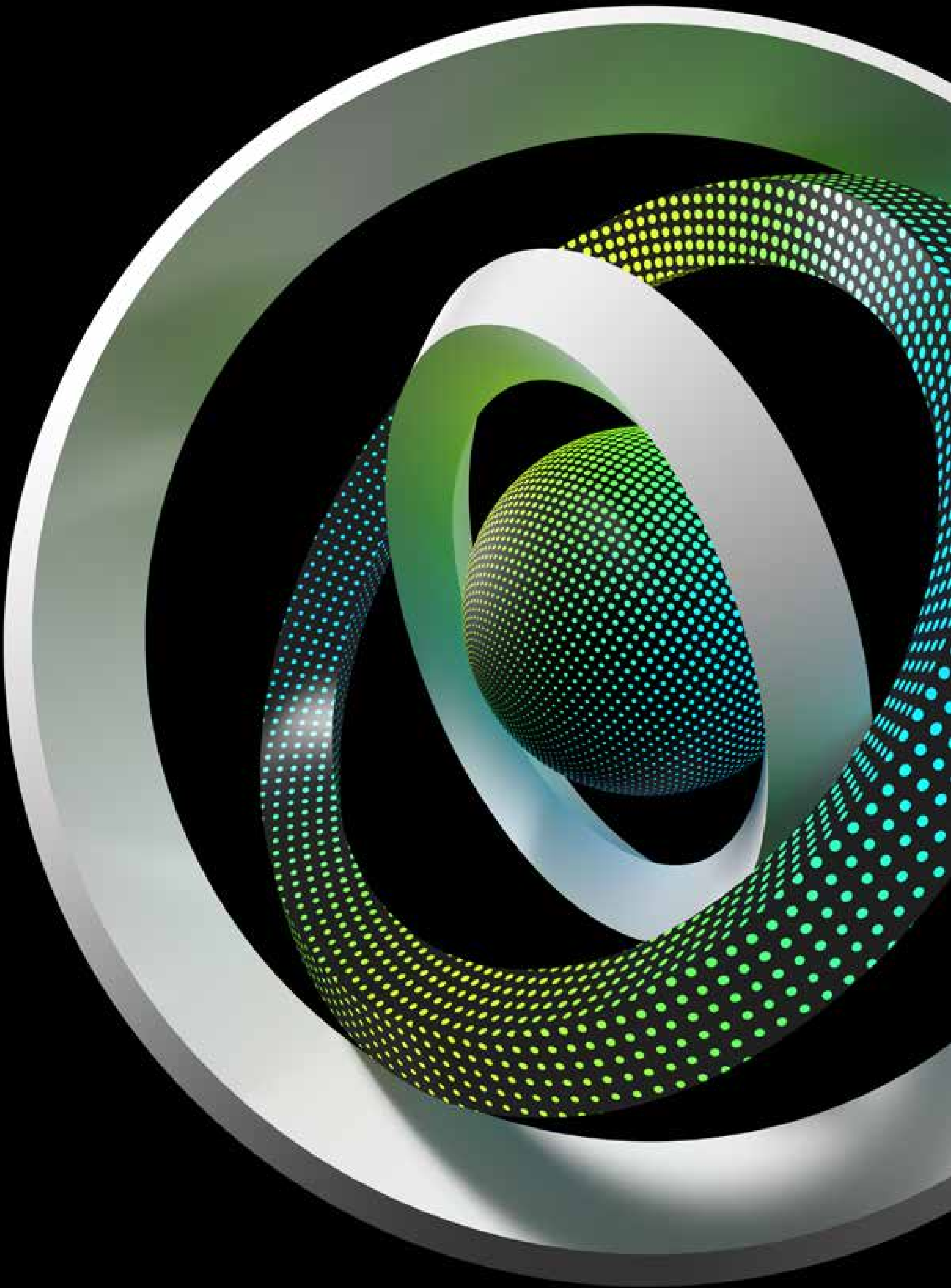

Middle East tax handbook

Trusted. Transformational.
Together.

September 2022

In the Middle East
since 1926

Contents

Foreword

Trusted. Transformational. Together.

I am pleased to present the 2022 edition of the Deloitte Middle East tax handbook – a comprehensive guide to help you keep abreast of the regional tax rates and regimes.

Digitization of tax, sustainability measures, workforce mobility, other ambiguities on the global tax landscape and the changing local tax environment are fundamentally shifting how the tax function operates. Tax leaders must become strategic advisors while maintaining flawless compliance.

Changes in regulation and tax reform continue to be on the increase in the Middle East (ME). On 31 January 2022, the Ministry of Finance (MoF) announced that the United Arab Emirates (UAE) will introduce a federal CT on business profits that will be effective for financial years starting on or after 1 June 2023.

The introduction of CT is intended to help the UAE achieve its strategic objectives and accelerate its development and transformation. The certainty of a competitive regime, together with the UAE's extensive network of double tax treaties, will cement the UAE's position as a leading hub for businesses and investments.

Over the past year, governments in the region have shown their commitment to transform their economies into mature markets aligned with global best practices. Taxpayers in the region are facing this reform during a time of unparalleled pressures of the fast-paced global regulatory changes.

In addition, various changes have been introduced across various ME jurisdictions. These include the introduction of a doubled Value Added Tax (VAT) rate in Bahrain, updated economic substance rules in the UAE, new TP (TP) regulations in Qatar, a new e-invoicing mandate in Saudi Arabia, Organization for Economic Co-operation and Development's (OECD's) release of Pillar Two model rules for domestic implementation of 15% global minimum tax, among other key tax developments.

Technology was also on the agenda of businesses. The right technology makes tax departments more efficient and effective. Streamlining and automating processes can free tax professionals to focus on high-value work.

No matter the size of the business, managing today's Tax function is becoming increasingly challenging, especially when Tax executive and Tax department expectations, roles and responsibilities are constantly changing. While Tax executives remain responsible for Tax compliance, planning, reporting, and risk management, the increasingly global nature of doing business is changing the structure of companies and their operating models, creating new Tax-related complexities, demands, and potential opportunities.

We hope that the Middle East tax handbook will prove useful to businesses who are looking to invest in the region, as well as those who are already present, but are looking to undertake a review of their tax position.

Nauman Ahmed
Middle East Tax Leader

Bahrain

Recent developments

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

Investment basics

Currency: Bahraini Dinar (BHD)

Foreign exchange control: There is no foreign exchange control in Bahrain.

Accounting principles/financial statements: International Financial Reporting Standards (IFRS). Financial statements must be filed annually.

Principal business entities: These include the Limited Liability Company (WLL) and Single Person Company (SPC). Other legal forms include a brand of a foreign company, partnership, "simple commandite" company, and holding company.

Corporate taxation

Residence: Residence is not defined. A company engaged in oil, gas, or petroleum activities in Bahrain is subject to tax, regardless of where the company is incorporated.

Basis: Tax is levied only on the taxable income of oil, gas, and petroleum companies engaged in exploration, extraction, production, and refining activities in Bahrain.

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

Rate: The tax rate is 46% on taxable income.

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: There is no tax on dividends. Capital gains: There is no tax on capital gains.

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

Foreign tax relief: There is no foreign tax relief.

Participation exemption: There is no participation exemption.

Holding company regime: There is no holding company regime.

Incentives: There are no tax incentives.

Compliance for corporations

Tax year: The tax year is the calendar year or the year specified in the company's articles of association.

Consolidated returns: Companies may not file consolidated returns.

Filing and payment: Oil, gas, and petroleum companies are required to file an estimated income tax return on or before the 15th day of the third month of the tax year. Tax must be paid in 12 equal 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: Rulings may not be requested.

Individual taxation

There is no individual income tax in Bahrain.

Withholding tax

There are no withholding taxes (WHT) in Bahrain.

Anti-avoidance rules

Transfer Pricing: There is no TP legislation in Bahrain. However, related party transactions should be made at arm's length to mitigate any risk of TP issues arising in the reciprocal jurisdiction.

Country-by-country reporting: Bahrain has country-by country (CbC) reporting rules, which are effective for financial years beginning on or after 1 January 2021.

Interest deduction limitations: There are no interest deduction limitation rules.

Controlled foreign companies: There are no controlled foreign company rules.

Hybrids: There are no anti-hybrid rules.

Economic substance requirements: Economic

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substance rules in Bahrain align with those issued by other jurisdictions with a similar tax environment, i.e., “no or only nominal tax jurisdictions.” The Bahraini legislation is based on the three common key pillars that a resident entity (a local company or branch of a foreign company) undertaking a relevant activity must satisfy to demonstrate economic substance (i.e., the company should be directed and managed from Bahrain, “core income generating activities” (CIGA) should be undertaken in Bahrain, and the company should have an adequate number of qualified employees, office space, and annual expenditures in Bahrain).

Companies are subject to compliance obligations including the filing of annual notifications and returns. Noncompliance of any of the legislative provisions may lead to monetary penalties as well as suspension from the commercial register.

Disclosure requirements: There are no disclosure requirements.

Exit tax: There is no exit tax.

General anti-avoidance rule: There is no general anti-avoidance rule.

Value Added Tax

Rates	
Standard rate	10% (5% transitional rate may apply through 31 December 2022)
Reduced rate	0%

Taxable transactions: VAT applies to supplies of goods and services.

Rates: The standard rate is 10% with effect as from 1 January 2022. A transitional provision applies the previous 5% VAT rate until 31 December 2022 on certain goods and services. The standard rate is applied to most goods and services.

Certain goods and services are zero rated (0%), including exports of goods, healthcare services, medicines/medical goods, construction services, and supplies of educational services. A limited number of supplies are VAT exempt, including supplies of real estate and financial services.

Registration: Businesses with an annual VAT taxable turnover exceeding or expected to exceed BHD 37,500 must register for VAT within 30 days of the date when the threshold is exceeded or expected to be exceeded. Taxable persons may voluntarily register for VAT if the annual VAT taxable turnover and/or annual expenses subject to VAT in Bahrain exceeds or is expected to exceed BHD 18,750.

Non-resident businesses supplying goods or services in Bahrain to non-VAT registered customers must register for VAT within 30 days from the date of the first taxable supply regardless of the value of goods or services supplied (i.e., there is no minimum threshold before registration is required).

Filing and payment: Tax returns must be submitted using the National Bureau for Revenue’s (NBR) online portal. The submission and payments are due by the last day of the month following the end of the tax period. Payments may be made through the eGovernment National Portal (www.bahrain.bh) using a debit or credit card, or through Fawateer payment services available at bank branches or using e-banking or the BenefitPay application.

Taxable persons with annual VAT taxable turnover exceeding BHD 3 million must file monthly tax returns; all other taxable persons must file quarterly tax returns. Taxable persons that are residents of Bahrain with less than BHD 100,000 in annual VAT taxable turnover may request to file annually.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply to both companies and individuals.

Social security contributions: For Bahraini nationals, the employer’s social insurance contribution is 12% and the employee’s contribution is 7%, which covers old age, disability, death, and unemployment. For expatriate employees, the employer’s social insurance contribution is 3%, which covers employment injuries. Expatriate employees contribute 1%, which covers unemployment. The maximum monthly earnings subject to contributions are capped at BHD 4,000. The employer remits social security contributions (both employer and employee portions) on a monthly basis. Penalties ranging from BHD 100 to BHD 500 apply for failure to provide income information and corresponding contributions, which may be doubled for repeated failures.

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

Payroll tax: There is no payroll tax.

Capital duty: There is no capital duty.

Real property tax: There is no real property tax.

Transfer tax: There is no transfer tax.

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.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Other:

Levy on hotels and restaurants
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.

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

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

Tax treaties

Bahrain has concluded approximately 40 tax treaties. Bahrain signed the OECD multilateral instrument (MLI) on 27 November 2020.

Tax authorities

Ministry of Finance and National Bureau for Revenue

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Egypt

Recent developments

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

Investment basics

Currency: Egyptian Pound (EGP)

Foreign exchange control: There are no foreign exchange controls' regulations. Practically, Banks should be alerted in a timely manner to get the relevant amounts in foreign currency ready for the requested transfers.

Accounting principles/financial statements: Egyptian Accounting Standards apply.

Principal business entities: These include the joint stock company (JSC), limited liability company (LLC), special purpose acquisition company (SPAC), 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

Rates	
Corporate income tax rate	22.5%
Corporate income tax rate	22.5% plus 10% branch remittance tax
Corporate income tax rate	10%/22.5%

Residence: A company is deemed tax resident in Egypt if it is established according to Egyptian law, if its main or actual center of management is in Egypt, or if the Egyptian 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. Branches are taxed in the same way as subsidiaries.

Taxable income: Corporate income tax is imposed on the profits of the company calculated primarily according to Egyptian Accounting Standards and adjusted by specific provisions based on the tax law. Tax is payable on the total profits 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.

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

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

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

For resident parent companies receiving dividends from resident subsidiaries that qualify for the DIVEX mechanism, the effective tax rate on dividends is 12.25% (i.e., 22.5% on 10% of the dividend, plus 10% withheld at source by the subsidiary) or 7.25% (i.e., 22.5% on 10% of the dividend, plus 5% withheld at source by the subsidiary if the subsidiary is a listed company).

Dividends distributed by companies, including companies established under the special economic zone system, and profit shares distributed by partnerships to a nonresident natural person and to a resident or nonresident juridical person, including profits of nonresident juridical persons realized through a permanent establishment (PE) in Egypt, are subject to a 10% withholding tax except for dividends distributed in the form of free shares. The rate is 5% for dividends distributed by companies listed on the Egyptian stock exchange. The profits of a PE must be distributed within 60 days from the PE's financial year-end.

Capital gains: The standard capital gains tax rate is 22.5%. Capital gains derived by a resident 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.

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Capital gains derived by a nonresident company from the sale of shares listed on the Egyptian stock exchange or from the disposal of treasury bills are not subject to tax.

Capital gains derived by a resident or a nonresident entity from the disposal of unlisted securities in Egyptian companies are taxed at the standard corporate income tax rate. Where relief may be available under a relevant tax treaty, the nonresident taxpayer should file a form with the International Tax Department of the Egyptian Tax Authority (ETA) to get formal "pre-approval" of the tax treaty application.

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

Foreign tax relief: 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 "Taxation of dividends" and "Capital gains," above.

Holding company regime: There is no holding company regime.

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

Compliance for corporations

Tax year: The tax year is the accounting year.

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

Filing and payment: Companies must file a tax return within four months following the end of the financial year (FY). Tax is assessed based on the information provided in the tax return.

Taxpayers may submit their data, records, information, and any other documents related to any type of taxes (i.e., tax returns) in any language. However, Arabic versions of all documents, translated by an accredited center related to the ETA, must be attached.

Taxpayers must submit their tax returns through an electronic system with their e-signature.

Companies that sell goods or provide services must register all their purchases and sales on the electronic system. In addition, all collections, whether cash or electronic, must be registered on the same system, including the value of sales and services and tax due, and an electronic invoice with an e-signature should be issued for each sale transaction.

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 of Egypt.

If the amounts included in the tax return are less than the final amounts assessed to tax, 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 20% where the difference is less than 50%; 40% where the difference is 50% or more; and 40% of the final assessment tax due where the tax return was not submitted.

A penalty ranging from EGP 3,000 to EGP 50,000 is imposed on taxpayers who submit their tax returns late but within 60 days following the due date. Where the period exceeds 60 days, the penalty ranges from EGP 50,000 to EGP 2 million.

A penalty ranging from EGP 20,000 to EGP 100,000 is imposed on taxpayers in certain other noncompliance cases (i.e., other than failure to file their tax returns). A penalty up to EGP 50,000 is imposed on taxpayers who do not keep books and records (whether in print or electronically) during the legally required period.

In cases of tax evasion, the government may prosecute and the person seeking reconciliation must pay 100% of the tax liability before a criminal case, 150% of the tax liability where a criminal case is brought to the competent court but a final judgment is not rendered, and 175% of the tax liability where a final judgment is rendered.

Rulings: Taxpayers may apply for an advance ruling by submitting a written request and copies of relevant documents to the ETA. The ETA should theoretically issue a decision on the request within 30 days after receiving all the relevant documents. Rotation plans adopted by the ETA, due to Covid-19, have increased to 60/90 days circa the average timing to get a formal ruling answered.

Unilateral advance pricing agreements (APAs) are available.

Individual taxation

Rates		
Individual income tax rate	**Taxable income**	**Rate**
	Up to EGP 15,000	0%
	EGP 15,001–EGP 30,000	2.5%
	EGP 30,001–EGP 45,000	10%
	EGP 45,001–EGP 60,000	15%
	EGP 60,001–EGP 200,000	20%
	EGP 200,001–EGP 400,000	22.5%
	Over EGP 400,000	25%
Capital gains tax rate	10% or progressive rates up to 25%	

Residence: Individuals are resident if they are present in Egypt for more than 183 days in a fiscal year; are deemed to have a permanent abode in Egypt; or are Egyptian nationals performing the duties of their employment abroad but being paid for those duties from an Egyptian source.

Basis: Resident individuals are taxable on their worldwide income if Egypt is the "center of their commercial interests." Nonresident individuals are taxed only on their Egyptian-source income.

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.

Rates: Progressive rates up to 25% are levied on all types of income derived by individuals. The annual taxable income affects the application of the different tax brackets, as higher taxable incomes are not eligible for the lower tax rates, as illustrated below:

- Annual taxable income that exceeds EGP 600,000 but does not exceed EGP 700,000 does not qualify for the 0% tax rate. The first EGP 30,000 of taxable income is taxed at 2.5%, with the balance taxed according to the remaining tax brackets.

- Annual taxable income that exceeds EGP 700,000 but does not exceed EGP 800,000 does not qualify for the 0% and 2.5% tax rates. The first EGP 45,000 of taxable income is taxed at 10%, with the balance taxed according to the remaining tax brackets.

- Annual taxable income that exceeds EGP 800,000 but does not exceed EGP 900,000 does not qualify for the 0%, 2.5%, and 10% tax rates. The first EGP 60,000 of taxable income is taxed at 15%, with the balance taxed according to the remaining tax brackets.

- Annual taxable income that exceeds EGP 900,000 but does not exceed EGP 1 million does not qualify for the 0%, 2.5%, 10%, and 15% tax rates. The first EGP 200,000 of taxable income is taxed at 20%, with the balance taxed according to the remaining tax brackets.

- Annual taxable income that exceeds EGP 1 million does not qualify for the 0%, 2.5%, 10%, 15%, and 20% tax rates. The first EGP 400,000 of taxable income is taxed at 22.5%, with the balance taxed at 25%.

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

Dividend income received by resident individuals is taxed at a rate of 10%; the rate is reduced to 5% where the dividends are distributed by companies listed on the Egyptian stock exchange.

Capital gains: Capital gains derived by resident individuals from the sale of shares listed on the Egyptian stock exchange are subject to a reduced 10% tax rate in a separate income tax pool.

Capital gains realized by nonresident individuals from the sale of shares listed on the Egyptian stock exchange or from the disposal of treasury bills are not subject to tax.

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 25%.

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.

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

Compliance for individuals

Tax year: The tax year is the calendar year.

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

Filing and payment: Individuals must submit a declaration of income before 1 April following the end of the tax year and pay tax based on the declaration.

The employer is responsible for withholding and paying salary tax to the tax authorities on a monthly basis. The employer must submit quarterly tax returns electronically for salary taxes in January, April, July, and October of each year. The returns should include the number of employees and their information, total gross salaries, amount of salary tax withheld and remitted with a copy of payment receipts, and any changes that have occurred with respect to the employees.

Taxpayers also are required to submit an annual reconciliation along with their tax return to the ETA in January of each year.

However, if employees are paid from an offshore source, the employees must declare their income and benefits for the entire year and pay the applicable tax to the tax authorities with the annual income tax return before 31 January of the following year.

Penalties: : If the amounts included in the tax return are less than the final amounts assessed to tax, 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 20% where the difference is less than 50%; 40% where the difference is 50% or more; and 40% of the final assessment tax due where the tax return was not submitted.

A penalty ranging from EGP 3,000 to EGP 50,000 is imposed on taxpayers who submit their tax returns late but within 60 days following the due date. Where the period exceeds 60 days, the penalty ranges from EGP 50,000 to EGP 2 million.

A penalty ranging from EGP 20,000 to EGP 100,000 is imposed on taxpayers in certain other noncompliance cases (i.e., other than failure to file their tax returns). A penalty up to EGP 50,000 is imposed on taxpayers who do not keep books and records (whether in print or electronically) during the legally required period.

In cases of tax evasion, the government may prosecute and the person seeking reconciliation must pay 100% of the tax liability before a criminal case, 150% of the tax liability where a criminal case is brought to the competent court but a final judgment is not rendered, and 175% of the tax liability where a final judgment is rendered.

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 30 days after receiving all the relevant documents.

Withholding tax

Rates				
Type of payment	**Residents**		**Non-residents**	
	Company	Individual	Company	Individual
Dividends	5%/10%	5%/10%	5%/10%	5%/10%
Interest	0%/20%	0%/20%	0%/20%	0%/20%
Royalties	3%	3%	20%	20%
Fees for technical services	3%	3%	20%	20%

Dividends: Dividends paid to a resident or a nonresident entity or individual are subject to a 10% withholding tax. The rate is reduced to 5% where dividends are distributed by companies listed on the Egyptian stock exchange. In cross-border situations, the rate may be further reduced under an applicable tax treaty.

See "Taxation of dividends" under "Corporate taxation," above, for rates applicable to dividends received by resident parent companies from resident subsidiaries that qualify for the DIVEX mechanism.

Interest: Interest paid to residents generally is not subject to withholding tax, although a 20% withholding tax applies to interest paid with respect to Treasury bills and bonds.

Interest paid to a nonresident is subject to a 20% withholding tax, unless the rate is reduced under an applicable tax treaty. Treaty benefits generally may not be applied directly (i.e., at source); the domestic rate must first be applied. Where a more favorable rate applies under a tax treaty, the recipient subsequently must file a tax refund request with the ETA to recover the excess tax withheld. Treaty benefits may be applied at the time of payment where the recipient successfully files an advance ruling request (ARR) with the ETA.

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: Royalties paid to residents are subject to a 3% withholding tax.

Royalty payments made to a nonresident are subject to a 20% withholding tax, unless the rate is reduced under an applicable tax treaty. In the absence of an advance ruling to apply a reduced treaty rate, withholding tax on royalties is withheld at the domestic rate at the time of payment and the recipient subsequently must apply for a refund.

Fees for technical services: Technical service fee payments made to residents are subject to a 3% withholding tax.

Payments to nonresidents for "services" are, in principle, subject to a 20% withholding tax unless otherwise provided in an applicable tax treaty. In contrast to interest and royalties, reduced treaty rates (normally an exemption under the business profits' article) may apply directly to technical service (and any other type of service) fee payments so that the recipient is not required to file a refund request. For recurring services taxpayers are required to file an ARR to obtain confirmation from the ETA that treaty benefits apply. It is common for the ETA to reclassify service payments that are suspected to include a right to use "experience" as royalties and apply the higher domestic withholding tax rate first.

Branch remittance tax: Profits realized by a branch or PE of a foreign company are deemed distributed to the head office within 60 days after the year-end and are subject to the 10% dividend withholding tax, subject to the provisions of an applicable tax treaty.

Anti-avoidance rules

Transfer pricing: Transfer pricing rules allow the ETA to adjust the taxable income of an entity if the income is reduced as a result of a controlled transaction that would have yielded different results had the transaction occurred between unrelated parties.

Transfer pricing guidelines require a three-tiered approach to transfer pricing documentation with local file, master file, and country-by-country (CbC) reporting requirements. Taxpayers with commercial or financial transactions with related parties exceeding EGP 8 million in total during a particular FY (based on the total volume of transactions with related parties, whether revenue or expenses, and not the net amount of these transactions) are required to prepare and submit a master file and local file for that year.

CbC reporting and related notification requirements apply to Egyptian tax resident parent entities with at least one foreign subsidiary and annual consolidated group revenue of at least EGP 3 billion in the immediately preceding year. For non-Egyptian parented multinational enterprises (MNEs), an Egyptian tax resident entity is required to file a CbC reporting notification form with the ETA if the consolidated group revenue is equal to or greater than EUR 750 million in the immediately preceding year. Moreover, Egyptian free zone companies and PEs are required to file CbC reports and CbC reporting notifications in accordance with the Egyptian transfer pricing guidelines.

The three documents (master file, local file, and CbC report) must be filed annually with the ETA by the deadlines specified in the transfer pricing guidelines and legislation (i.e., the unified tax procedures law). The local file must be submitted within two months after the corporate income tax return filing deadline. Non-Egyptian parented companies must submit the master file by the deadline applicable in the country of tax residence of the ultimate parent entity or, if the ultimate parent entity is not required to prepare and submit the master file in its jurisdiction of tax residence, the Egyptian subsidiary is required to submit it by the same deadline as the local file. Egyptian-parented companies must submit the master file by the same deadline as the local file. The CbC report must be filed within one year following the end of the FY to which the report relates, whereas the CbC reporting notification must be filed before the end of the FY to which the CbC report relates.

Failure to submit any required transfer pricing documentation will result in significant penalties, as outlined below:

- Failure to declare all related party transactions in the taxpayer's corporate income tax return will result in a penalty of 1% of the total value of the undeclared related party transactions entered into by the taxpayer during the tax year;

- Failure to submit the local file or the master file will result in a penalty of 3% of the total value of related party transactions entered into by the taxpayer during the tax year; and

- Failure to submit CbC reports and CbC reporting notifications as required based on the predetermined thresholds will result in a penalty of 2% of the total value of related party transactions entered into by the taxpayer during the tax year.

Total penalties cannot exceed 3% of the aggregate value of the related party transactions entered into by the

taxpayer during the tax year where the taxpayer has failed to submit more than one document in the same year (i.e., in case of multiple breaches).
Failure to submit any required transfer pricing documentation also may result in:

• A high-risk rating and an increased risk of audit;

• Unilateral transfer pricing adjustments by the ETA; and

• Percentage penalties based on the amount of the disputed annual tax base, where adjustments result from a transfer pricing audit.

Egypt's APA program is designed to help taxpayers determine in advance the appropriate arm's length price for their controlled transactions with associated entities. The transfer pricing guidelines specify certain criteria that taxpayers must meet to be eligible to apply for an APA. Currently, the APA program is limited to unilateral APAs, i.e., an agreement that involves only the taxpayer and the ETA regarding an appropriate transfer pricing methodology for particular transactions. A taxpayer wishing to conclude a unilateral APA is required to make a formal approach to the ETA for a prefiling meeting at least six months prior to the first day of the proposed covered period, following the procedures specified in the guidelines. The process of concluding a unilateral APA typically lasts from three to six months.

Interest deduction limitations: 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 of Egypt at the beginning of each calendar year).

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

Controlled foreign companies: Income from investments in nonresident companies is recognized under the equity method of revenue recognition and is taxed in Egypt where the following three conditions are satisfied: (i) the Egyptian entity owns more than 10% of the nonresident company; (ii) 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 (iii) 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 income tax rate applicable in Egypt.

Hybrids: There are no rules regarding hybrids.

Economic substance requirements: There are no economic substance requirements.

Disclosure requirements: See "TP," above.

Exit tax: There is no exit tax.

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

Value Added Tax

Rates	
Standard rate	14%
Reduced rate	Varies

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," including, but not limited to, intellectual property rights, consultancy services, management services, etc. Input VAT may be offset against output VAT on items other than those subject to tax at a "schedule rate." Schedule rates typically are lower than the standard rate but the VAT paid is non-creditable and nonrefundable.

Rates: The standard rate is 14%. Lower schedule rates can apply on goods or services that are specifically listed in the table attached to the VAT law, such as construction services and professional services, among others.

The VAT law and its recent amendments provide a list of exemptions that consists of 58 categories of goods and services, including: basic food products; provision of natural gas; transmission and distribution of electricity; banking services and other regulated nonbanking financial services and insurance services; rental of residential or nonresidential properties; and health and education services. In addition, certain Egyptian state bodies and entities are exempted from VAT, as well as entities exempted by virtue of an international agreement or special law.

Exports of goods or services, and goods or services provided to companies located in the free zones and special economic zones, are zero-rated not being subject to the VAT law. On a note, sales and purchases made by companies located in such zones are also zero-rated.

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

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

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

On 26 January 2022, important amendments to the VAT law were issued. One amendment introduces a simplified VAT registration process for nonresident entities providing services in Egypt such that they no longer are required to appoint a fiscal representative in Egypt. Nonresident suppliers that do not register using the simplified procedure:

- Must apply the reverse charge mechanism for business-to-business (B2B) transactions; and

- Will be considered non-VAT compliant for purposes of business-to-consumer (B2C) transactions.

Nonresident suppliers of services have a six-month grace period and nonresident suppliers of goods a two-year grace period from the date the pending executive regulations are released to register and apply the new rules.

Nonresidents registered under the simplified procedure are eligible for refunds of VAT incurred on purchases in Egypt.

Filing and payment: The unified tax procedures law, which is effective as from 20 October 2020, as well as the related executive regulations, aim to unify various tax procedures that apply to corporate income tax, VAT, stamp tax, and other similar taxes. More specifically, the new law facilitates the collection of taxes by merging tax filing procedures.

Taxpayers may submit documents and analysis to the ETA in a language other than Arabic, but these must be translated into Arabic and certified by an official translator.
The ETA gives taxpayers a unified tax registration number to be used for all types of taxes and on all correspondence and transactions. For new tax registrations, the ETA issues a registration certificate within five business days from the date all relevant documents are submitted.

The deadline to submit monthly VAT returns, including those covering periods of nontaxable activity, is the month following the end of the tax period. This deadline may differ from the monthly VAT return deadline for importers and exporters, or for those providing services only once a year and who thus submit only one VAT return per year. These deadlines should be approved by the head of the ETA or a delegate.

The unified tax procedures law also integrates all penalties and fines for noncompliance with the tax laws. Penalties ranging from EGP 3,000 to EGP 50,000, in addition to the tax due and other payments (i.e., additional taxes) are imposed on taxpayers who file a VAT return and pay the tax late but within 60 days following the deadline. In addition, penalties apply if the return contains incorrect information. If the period exceeds 60 days, the penalties range from EGP 50,000 to EGP 2 million.

Taxpayers must record their purchases and sales of goods and services in an electronic system (i.e., using e-invoices), as provided in the executive regulations. The ETA first introduced e-invoicing in March 2020, stating that registered taxpayers should issue electronic invoices that include both the electronic signature of the company and the details/information endorsed by the ETA (i.e., codes for each type of goods/services). As from 1 January 2022, the ETA no longer accepts paper invoices for VAT deduction or refund purposes.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security contributions: The social security regime applies to local and foreign nationals. According to the unified social insurance and pension law, the applicable contribution rate is 29.75%, with 11% as the employee share and 18.75% as the employer share. The minimum and maximum monthly salary caps are EGP 1,400 and EGP 9,400, respectively. Certain allowances, including those payable for transportation, travel, meals, and accommodation, may be excluded from the salary cap, provided the total allowances do not exceed 25% of the contribution salary.

Payroll tax: There is no payroll tax.

Capital duty: There is no capital duty.

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.

Transfer tax: There is no transfer tax.

Stamp duty: Stamp tax is charged at variable and fixed rates. The rate is 0.1% per quarter for banking transactions. Rates ranging from 1.08% to 10.08% apply on insurance premiums.

Stamp tax 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 rates of 0.125% for nonresident sellers and nonresident buyers, and 0.05% for resident sellers and resident buyers. However, a 0.3% rate applies to both the buyer and the seller, without any deduction allowed for expenses, in the case of a sale or acquisition of at least 33% of the (i) shares or voting rights (in terms of number or value) of a resident company, or (ii) 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 the 33% limit being exceeded 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 tax already paid on such transactions.

Stamp tax does not apply to transactions related to the sale or purchase of securities taking place on the same day.

Residents are exempt from stamp tax on the sale of securities.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

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

Tax treaties:

Egypt has concluded approximately 60 bilateral tax treaties. The OECD multilateral instrument (MLI) entered into force for Egypt on 1 January 2021. For information on Egypt's tax treaty network, visit Deloitte International Tax Source.

Tax authorities:

Egyptian Tax Authority (ETA)

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Iraq

Investment basics

Currency: Iraqi Dinar (IQD)

Foreign exchange control: In practice, it is challenging to repatriate cash outside of Iraq, primarily owing to a general lack of foreign currency and the level of documentation required to be presented to the relevant banks.

Accounting principles/financial statements: Registered entities must prepare annual financial statements in Arabic, with IQD as the accounting currency, in accordance with the Iraqi Uniform Accounting System. Iraq's domestic standards are not aligned with International Accounting Standards.

Kurdistan Region tax regime: As a semi-autonomous region in Northern Iraq, the Kurdistan Region has introduced certain laws and practices 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, and branch office.

Corporate taxation

Rates	Federal Iraq	Kurdistan Region
CIT rate	15%	15%
Branch tax rate	15%	15%
Capital gains tax rate	Capital gains taxed as income at applicable CIT rate	Capital gains taxed as income at CIT rate

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 non-resident if it does not meet the criteria for a resident entity.

Basis: A company is taxed on its Iraq-source income. Branches in Iraq are treated as limited liability companies for tax purposes.

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.

Rate: A flat rate of 15% generally applies in Federal Iraq, with a 35% rate applicable to companies operating in the oil and gas sector.

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

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

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 are treated as ordinary income and taxed at the applicable corporate tax (CT) rate.

Losses: Losses are tax deductible and may be carried forward for up to five consecutive years but no more than 50% of any year's taxable income may be offset. Losses carried forward may be offset only against the same source of income from which the original loss arose. The carryback of losses is not permitted.

Foreign tax relief: There is no relief for foreign tax.

Participation exemption: There is no participation exemption.

Holding company regime: There is no specific holding company regime.

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

Compliance for corporations

Tax year: The tax year is the calendar year.

Consolidated returns: Consolidated returns are permitted in certain cases, subject to obtaining the required approval from the Companies Registrar.

Filing and payment: The CT return must be filed by 31 May following the end of the taxable year in Federal Iraq or 30 June in the Kurdistan Region.

Penalties: Under the regime in Federal Iraq, penalties are imposed on unpaid or late paid tax of 5% of the amount outstanding if payment is not made within 21 days of the due date, plus 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 for late filing are calculated as 10% of the tax liability. This amount is capped at IQD 75,000 per year for small companies (the cap does not apply to companies considered to be "large taxpayers"). The tax authorities have discretion to assess additional penalties ranging from 10% to 25% on the assessed profit for late filing, although this is not consistently applied.

In the Kurdistan Region, late filing of the tax return may attract a penalty of 5% per month. This amount is capped at IQD 75,000 per year for small companies and 100% of the tax liability for large taxpayers. In addition, interest applies on late paid tax at a rate of 1% per month for large taxpayers.

Rulings: Tax rulings are not available.

Individual taxation

Rates		
Individual income tax rate	**Taxable income**	**Rate**
Federal Iraq	Up to IQD 250,000	3%
	IQD 250,001–IQD 500,000	5%
	IQD 500,001–IQD 1,000,000	10%
	Over IQD 1,000,000	15%
Kurdistan Region		5% (employment income)
Capital gains tax rate		Capital gains taxed as income at individual income tax rates

Residence: Iraqi individuals who are present in Iraq for at least four months during a tax year are considered resident. Non-Iraqi individuals are deemed to be resident in Iraq if they are present for at least four consecutive months or a total of six months during the tax year.

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.

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

Rates: In Federal Iraq, personal income tax is applied at progressive rates up to 15%.

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

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

Foreign tax relief: There is no relief for foreign tax.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: It is the employer's responsibility to make filings on a monthly or quarterly, and annual basis on behalf of their employees working in Federal Iraq and the Kurdistan Region.

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 personal income tax declaration must be made before 31 March of the year following the tax year.

In the Kurdistan Region, taxes withheld from employees should be remitted on a quarterly basis. The withheld taxes along with the quarterly income tax returns are required to be submitted within 21 days following the end of the quarter. The annual income tax declaration must be made before 1 March of the year following the tax year.

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

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

Rulings: Tax rulings are not available.

Withholding tax

Rates				
Type of payment	**Residents**		**Non-residents**	
	Company	Individual	Company	Individual
Dividends	0%	0%	0%	0%
Interest	0%	0%	15%	0%
Royalties	0%	0%	0%	0%
Fees for technical services	0%	0%	0%	0%

Dividends: Iraq does not impose withholding tax on dividends, provided that the profits out of which the dividends are paid have been subject to tax.

Interest: Interest paid to non-resident companies is subject to withholding tax of 15% of the gross payment. There is no withholding tax on interest paid to non-resident individuals or to residents.

Royalties: Iraq does not impose a specific withholding tax on royalties but see “Other,” below.

Fees for technical services: Iraq does not impose withholding tax on fees for technical services but see “Other,” below.

Branch remittance tax: There is no branch remittance tax.

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 rate may reach 10%, depending on the nature of the contract.

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

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

Anti-avoidance rules

Transfer pricing: There are no specific TP 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.

Interest deduction limitations: There are no limitations on the deductibility of interest.

Controlled foreign companies: There is no controlled foreign company legislation.

Hybrids: There is no anti-hybrid legislation.

Economic substance requirements: There are no economic substance requirements.

Disclosure requirements: There are no disclosure requirements.

Exit tax: There are no exit taxes. However, to deregister an entity, a tax clearance generally is required, which is issued only if the company is current with its tax filing obligations.

General anti-avoidance rule: There is no general anti-avoidance rule.

Value Added Tax

There currently are limited VAT or sales taxes in Iraq. Sales tax applies on a number of consumer items, specifically tobacco and alcohol, flights, internet and mobile plans/prepaid cards, and services provided by five-star hotels and restaurants.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the federal level.

Social security contributions: The employer deducts 5% from an employee's salary and also makes a 12% or 25% employer contribution. The social security contributions in the Kurdistan Region are 5% for employees and 12% for employers.

Payroll tax: There is no separate payroll tax but employers are required to calculate, withhold, and remit employees' personal income tax payable on all taxable income.

Capital duty: There is no capital duty.

Real property tax: A 12% real estate income tax applies on the annual revenue derived from all real estate in Iraq discounted by 10%, to allow a notional deduction for assumed maintenance and depreciation, resulting in an effective tax rate of 10.8%.

Transfer tax: There is no transfer tax.

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.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Tax treaties:

Iraq has entered into a number of tax treaties but none are yet in effect.

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: There are no foreign exchange controls.

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

Rates	
CIT rate	21% (including national contribution surtax) (see table below for tax rates applicable to certain sectors)
Branch tax rate	21% (including national contribution surtax) (see table below for tax rates applicable to certain sectors)
Capital gains tax rate	0% or CIT rate for sector

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. Branches are taxed in the same way as subsidiaries.

Taxable income: : Income derived from Jordanian sources is taxable.

Rate: The standard CIT rate for most sectors is 20%. The rate is 35% for banks and 24% for primary telecommunications companies, electricity generation and distribution companies, mining companies, insurance and reinsurance companies, financial brokerage companies, financial services companies, and legal persons engaged in finance leasing activities.

Reduced CIT rates apply for the industrial sector for the period 2019-2023. The rate is 14% for pharmaceutical and clothing manufacturing companies and 16% for all other industrial companies. The reduced rates will increase annually until reaching 20% (the standard rate) in 2024.

The following table summarizes the 2022 CIT and national contribution tax rates for the various sectors:

Sector	CIT rate	National contribution tax rate	Total tax rate
Banks	35%	3%	38%
Electricity distribution and generation companies	24%	3%	27%
Basic material mining companies	24%	7%	31%
Financial brokerage companies, financial services companies, and legal persons engaged in finance leasing activities	24%	4%	28%
Telecommunications, insurance, and reinsurance companies	24%	2%	26%
Pharmaceutical and clothing manufacturing companies	18%	1%	19%
Other industrial companies	18%	1%	19%
Other sectors (standard rate)	20%	1%	21%

Surtax: In addition to the CIT, companies are subject to a “national contribution tax” ranging from 1% to 7%, which is collected by the tax authorities and used to repay Jordan’s public debt.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: Dividends and shares distributed by Jordanian resident entities to other entities are exempt from income tax. However, dividends received by banks, primary telecommunications companies, basic material mining companies, insurance companies, reinsurance companies, brokerage companies, financial services companies, and legal persons engaged in finance leasing activities are taxable at the CIT rate for the sector.

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

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

Foreign tax relief: There is no foreign tax relief.

Participation exemption: There is no participation exemption.

Holding company regime: There is no holding company regime.

Incentives: Tax incentives are available, including for certain companies registered in development or Free Zones and companies registered in the Aqaba Special Economic Zone.

Compliance for corporations

Tax year: Companies may use a calendar year or a fiscal year.

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

Filing requirements: Companies must file a tax return within four months of the end of the accounting period, and tax is payable when the return is submitted. In certain cases, tax may be paid in installments (but will be subject to interest).

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

Rulings: There are no tax ruling procedures in Jordan.

Individual taxation

Rates		
Individual income tax rate	**Taxable income**	**Rate**
	Up to JOD 5,000	5%
	JOD 5,001–JOD 10,000	10%
	JOD 10,001–JOD 15,000	15%
	JOD 15,001–JOD 20,000	20%
	JOD 20,001–JOD 1,000,000	25%
	Over JOD 1,000,000	30%
National contribution tax	Over JOD 200,000	1%
Capital gains tax rate		0% (generally)

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

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

Taxable income: Most income of individuals is subject to tax.

Rates: The rates of tax on the annual taxable income of individuals are progressive and range from 5% to 30%. An additional 1% national contribution tax applies for individuals on taxable income exceeding JOD 200,000.

Capital gains: Capital gains derived from Jordanian sources are exempt from income tax Jordan does not tax capital gains except for those realized (i) on depreciable assets, (ii) from the sale of shares in a legal entity, and (iii) from the sale of shares in information technology institutions and companies that are realized after 15 years from the date the institutions/companies were established or 1 January 2019, whichever is earlier. The rate of tax payable on the gain depends on the type of asset.

Deductions and allowances: Individual and family exemptions are JOD 9,000 and JOD 18,000, respectively, per year.

An individual is entitled to an additional exemption of JOD 1,000, and additional exemptions of JOD 1,000 for a spouse and JOD 1,000 for each child (up to a maximum of three children) to cover medical expenses, education, rent, housing loan interest, and profits from “murabaha” (a form of Islamic financing).

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

Non-resident Jordanians can benefit from the family exemptions if the non-resident is responsible for the family members’ support.

Individuals with special needs are granted an additional exemption of JOD 2,000 per year.

Foreign tax relief: There is no foreign tax relief.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: Joint assessment of spouses may be requested.

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

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

Rulings: There are no tax ruling procedures in Jordan.

Withholding tax

Rates				
Type of payment	**Residents**		**Non-residents**	
	Company	**Individual**	**Company**	**Individual**
Dividends	0%/CIT rate	0%	0%	0%
Interest	CIT rate	Individual income tax rate	10% (plus national contribution tax at sector rate)	10% (plus 1% national contribution tax)
Royalties	CIT rate	Individual income tax rate	10% (plus national contribution tax at sector rate)	10% (plus 1% national contribution tax)
Fees for technical services	CIT rate	Individual income tax rate	10% (plus national contribution tax at sector rate)	10% (plus 1% national contribution tax)

Dividends: There generally is no withholding tax on dividends paid to non-residents, although the situation is unclear for dividends received by companies in some sectors that have a certain ownership percentage in the company distributing the dividends. Dividends paid to residents are not subject to withholding tax, except for dividends paid to banks, primary telecommunications, basic material mining, insurance, reinsurance, brokerage, or financial services companies, or legal persons engaged in financial leasing activities. These dividend payments are subject to withholding at the CIT rate for the sector. See also Islamic financing considerations under "Interest," below.

Interest: The rate of withholding tax on interest paid to a non-resident company or individual is 10% (plus an additional national contribution tax). The rate may be reduced under a tax treaty. Tax is withheld from interest paid to a resident at the company's or individual's income tax rate.

Banks and financial institutions, licensed companies permitted to accept deposits, and specialized lending institutions in Jordan are required to withhold 7% on interest from deposits, commissions, and profit participations of Islamic banks in the investment of such deposits (5% for payments to individuals). Such withholding is considered a final tax for individuals and a payment on account for legal persons.

Royalties: The rate of withholding tax on royalties paid to a non-resident company or individual is 10% (plus an additional national contribution tax). The rate may be reduced under a tax treaty. Tax is withheld from royalties paid to a resident at the company's or individual's income tax rate.

Fees for technical services: The rate of withholding tax on fees for technical services paid to a non-resident is 10% (plus an additional national contribution tax). The rate may be reduced under a tax treaty. Tax is withheld from technical services fees paid to a resident at the company's or individual's income tax rate.

Branch remittance tax: The income tax law does not address whether branch remittances are taxable, and the government is expected to provide additional instructions on this matter.

Other: Management fees paid to a non-resident are subject to a 10% withholding tax (plus an additional national contribution tax), unless the rate is reduced under a tax treaty.

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

Anti-avoidance rules

Transfer pricing: TP regulations were introduced in 2021 and generally are consistent with OECD guidelines. The regulations apply to multinational enterprise (MNE) groups headquartered and/or operating in Jordan and undertaking related party transactions. A disclosure form must be submitted if a taxpayer's transactions with related parties exceed JOD 500,000 in value over a period of 12 consecutive months. The disclosure form must be submitted with the tax return. A taxpayer also must prepare a LF (describing the taxpayer's transactions with related parties) and a MF (describing the global business and TP policies of the MNE group), both of which must be submitted within 12 months following the tax period.

Country-by-country (CbC) reporting requirements apply (see "Disclosure requirements," below).

Interest deduction limitations: All interest and murabaha profits paid or accrued to unrelated persons are fully tax deductible. Interest and murabaha profits paid or due to related persons (including capitalized interest) on debt exceeding a 3:1 debt-to-equity ratio (i.e., total debt to paid-up capital or the average equity interest, whichever is greater) cannot be deducted or carried forward.

Controlled foreign companies: There are no controlled foreign company rules.

Hybrids: There are no anti-hybrid rules.

Economic substance requirements: There are no economic substance requirements.

Disclosure requirements: CbC reporting and notification obligations apply to MNE groups with consolidated revenue exceeding JOD 600 million. If the ultimate parent entity is tax resident in Jordan, such entity must submit a CbC report within 12 months following the tax period. An entity that is tax resident in Jordan and part of such an MNE group is required to file a notification in Jordan.
Exit tax: There is no exit tax.

General anti-avoidance rule: There is no general anti-avoidance rule.

Sales tax

Rates	
Standard rate	16%
Reduced rate	0%/2%/4%/5%/10%

Taxable transactions: Jordan levies a sales tax on suppliers of manufactured goods, importers, and suppliers of services.

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

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

Filing and payment: A sales tax return must be filed every two months, with the tax due paid when the return is filed.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.
Social security: The employer contributes 14.25% of an employee's salary and the employee contributes 7.5%. The maximum monthly salary subject to social security contributions is JOD 3,349. The employer is required to withhold and report contributions on a monthly basis.

Payroll tax: Individual income tax is withheld by the employer from an employee's monthly compensation at progressive rates ranging from 5% to 30%.

Capital duty: There is no capital duty.

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

Transfer tax: There is no transfer tax.

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

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Tax treaties:

Jordan has signed approximately 30 tax treaties. The OECD multilateral instrument entered into force for Jordan on 1 January 2021.

Tax authorities:

Income Tax and Sales Tax Department

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Deloitte's UAE Corporate Tax webpage

Supporting your business throughout the Corporate Tax journey

We have developed a webpage which hosts our full suite of materials dedicated to the implementation of Corporate Tax in the UAE. The content provides businesses with guidance during this transitional period and will be updated regularly.

Visit the page here

Kingdom of Saudi Arabia

Recent developments

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

Investment basics

Currency: Saudi Riyal (SAR)

Foreign exchange control: There are no foreign exchange controls.

Accounting principles/financial statements: IFRS

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

Corporate taxation

Rates	
CIT rate	20% (standard rate)
Branch tax rate	20%, plus 5% branch remittance tax
Capital gains tax rate	20%

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 its headquarters are in Saudi Arabia.

Basis: A resident corporation is taxed on income arising in Saudi Arabia. A non-resident carrying out activities in Saudi Arabia through a permanent establishment (PE) is taxed on income arising from or related to the PE. Branches are taxed in the same way as subsidiaries.

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; the state-owned oil company and its Saudi subsidiaries, other than those subsidiaries listed on the Saudi stock exchange, are subject to tax. Indirect ownership includes ownership up to the second level (i.e., through one intermediary shareholder).

Taxable income: Income tax generally is levied on a non-Saudi's share in a resident corporation, unless the corporation is traded on the Saudi stock exchange, in which case zakat is levied on the shares held solely for trading; zakat also is levied on a Saudi's share. Citizens of Gulf Cooperation Council (GCC) countries are treated as Saudis.

The tax base for a resident corporation is the non-Saudi's share of income subject to tax from any activity in Saudi Arabia, less allowable expenses. The tax base for a non-resident 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, or the exploitation of natural gas, is their taxable income, less expenses allowed in accordance with the tax legislation. This tax base is considered independently from the tax base for other activities.

Rate: The standard CIT rate is 20% on a non-Saudi's share in a resident corporation and on income derived by a non-resident from a PE in Saudi Arabia.

The tax rate for taxpayers engaged in the production of oil and hydrocarbons is determined on the basis of the company's capital investment, as follows: 85% for capital investment of USD 60 billion or less; 75% for capital investment between USD 60 billion and USD 80 billion; 65% for capital investment between USD 80 billion and USD 100 billion; and 50% for capital investment exceeding USD 100 billion. A tax rate of 20% applies for five years on the tax base from oil and hydrocarbon downstream activities; however, the taxpayer must separate its downstream activities during the five-year period or otherwise will be subject to tax based on capital investment amounts as outlined above. 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.

The rate for taxpayers working in the exploitation of natural gas sector is 20%.

Zakat is assessed at 2.5% on the higher of the zakat base (balance sheet basis) and the net adjusted profit of a Saudi or GCC shareholder following the Hijri year. For zakat payers following the Gregorian year, the rate applicable to the zakat base (balance sheet basis) is 2.577683%.

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Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: Dividends received are taxed as income. An exemption is available for cash or in-kind dividends received by a Saudi resident corporation from resident and non-resident companies where the recipient company owns at least 10% of the payer company for at least one year.

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

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

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

Foreign tax relief: There is no foreign tax relief.

Participation exemption: There is no participation exemption.

Holding company regime: The profits of a subsidiary remitted to its Saudi resident holding company will not be taxed, provided (i) there is a minimum holding of 10% and (ii) the investment is held for at least one year. Limited rules also exist for groups wholly subject to zakat.

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

Tax rules for the Special Integrated Logistics Zone located adjacent to Riyadh's international airport have been issued by the General Authority of Civil Aviation. The following incentives are available to entities operating in the zone and carrying out prescribed activities: a 50-year tax holiday (including for VAT and customs duty), no requirement to withhold tax from payments to non-residents (subject to certain conditions), 100% foreign ownership is allowed, suspension of all customs and import restrictions, no restrictions on capital repatriation, and non-residents undertaking activities in the zone do not create a taxable presence (i.e., permanent establishment) in Saudi Arabia.

Compliance for corporations

Tax year: The tax year is the state's fiscal year (1 January to 31 December). The taxable year of a taxpayer starts from the date it obtains a commercial registration or license, unless other documents support a different date.

A taxpayer may use a different tax year where: (i) the different year was approved by the tax authorities before the effective date of the income tax regulations; (ii) the taxpayer uses a Gregorian financial year; or (iii) the taxpayer is a member of a group of companies or a branch of a foreign company that uses a different financial year.

Consolidated returns: Consolidated returns may be filed 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 and payment: Tax returns for a corporation must be filed online with the tax authorities within 120 days from the fiscal year end, together with the tax payment due as per the return. A taxpayer with taxable income that exceeds SAR 1 million before the deduction of expenses must have the accuracy of the return certified by a licensed certified accountant. Additionally, audited financial statements must be filed with the Ministry of Commerce within 120 days of the year end.

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

Rulings: Taxpayers may request rulings; however, the rulings are non-binding on the tax authorities.

Individual taxation

There is no individual income tax on employment income in Saudi Arabia. However, individuals are subject to CIT in Saudi Arabia on business income.

Non-resident individuals conducting business in Saudi Arabia or deriving income from a PE in Saudi Arabia are subject to CIT.

Withholding tax

Rates				
Type of payment	**Residents**		**Non-residents**	
	Company	Individual	Company	Individual
Dividends	0%	0%	5%	5%
Interest	0%	0%	5%	5%
Royalties	0%	0%	15%	15%
Fees for technical services	0%	0%	5%/15%	5%/15%

Dividends: No withholding tax is imposed on dividends paid to a resident. A 5% withholding tax applies on dividends paid to a non-resident, unless the rate is reduced under a tax treaty.

Interest: No withholding tax is imposed on interest paid to a resident. A 5% withholding tax applies on interest paid to a non-resident, unless the rate is reduced under a tax treaty.

Royalties: No withholding tax is imposed on royalties paid to a resident. A 15% withholding tax applies on royalties paid to a non-resident, unless the rate is reduced under a tax treaty.

Fees for technical services: No withholding tax is imposed on fees for technical services paid to a resident. A 5% withholding tax applies on technical service fees paid to a non-resident third party, unless the rate is reduced under a tax treaty; the rate is 15% on technical service fees paid to non-resident related parties, unless the rate is reduced under a tax treaty.

Branch remittance tax: A 5% withholding tax applies on the remittance of profits abroad.

Anti-avoidance rules

Transfer pricing: TP regulations apply and generally are consistent with OECD guidelines. The regulations apply to all taxpayers (as defined for income tax purposes) and cover transactions between related persons or persons under common control. The concept of "effective control" has been introduced, which broadens the definition of "related party" for TP purposes.

Interest deduction limitations: 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: There are no controlled foreign company rules.

Hybrids: There are no anti-hybrid rules.

Economic substance requirements: There are no economic substance requirements.

Disclosure requirements: A disclosure form providing various details for TP purposes must be submitted together with the annual income tax return within 120 days of the financial year end. It must be accompanied by an affidavit from an auditor licensed to operate within Saudi Arabia certifying that the taxpayer's TP policy is applied consistently by and in relation to the taxpayer.

Saudi Arabian entities that are members of groups with turnover exceeding SAR 3.2 billion are subject to country-by-country (CbC) reporting and notification requirements. CbC reports should be submitted 12 months after the fiscal year end. Notifications regarding ultimate parent entities not based in Saudi Arabia should be submitted 120 days after the fiscal year end (as part of the disclosure form due with the annual income tax return and on the automatic exchange of information (AEOI) portal).

If the aggregate arm's length value of related party transactions exceeds SAR 6 million, the taxpayer should maintain TP documentation (MF and LF) contemporaneous to the time the income tax return is filed and must submit such documentation within 30 days of a request by the tax authorities.

Exit tax: There is no exit tax; however, amounts in excess of the share capital invested remitted to a non-resident at the time of liquidation are treated as a dividend subject to a 5% dividend withholding tax.

General anti-avoidance rule: There is a general anti-avoidance rule in the tax law.

Value Added Tax

Rates	
Standard rate	15%
Reduced rate	0%

Taxable transactions: VAT applies to almost all supplies of goods or services, subject to limited exceptions. Exempt supplies include margin-based financial services, life insurance, residential property rental, and real estate transfers (see "Transfer tax," under "Other taxes on corporations and individuals," below). Education and healthcare services provided to Saudi citizens are not subject to VAT.

Rates: The standard rate of VAT is 15%. Certain goods and services are zero-rated in accordance with the GCC's Framework Agreement, which specifies some mandatory areas for zero-rating in all six GCC member states (including exports of goods and services outside the GCC, and the supply of qualifying medicines, medical goods, and investment metals).

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

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

Electronic invoicing is mandatory as from 4 December 2021. Taxpayers must issue invoices in a standard electronic format and, as from 1 January 2023, will be required to integrate with the tax authority's system to validate and issue tax invoices.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

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

Payroll tax: There is no payroll tax.

Capital duty: There is no capital duty.

Real property tax: A 2.5% white land tax applies on all undeveloped land within urban boundaries.

Transfer tax: Real estate transfers are subject to real estate transaction tax (RETT) at a rate of 5%, which applies to sales, assignments, and similar transfers (unless specifically exempted) of land, property, and associated rights. Although the levy of RETT generally corresponds with an exemption from VAT, there are transactions that (intentionally) may be subject to both RETT and VAT. All RETT transactions (including those exempted) must be reported, and no threshold applies. The liability for RETT is with the transferor, although the transferee is jointly liable.

Stamp duty: There is no stamp duty.

Net wealth/worth tax: Zakat is levied on the registered businesses of Saudi individuals.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Other:

Customs duties

Customs duties are charged on the importation of goods into Saudi Arabia at rates varying from 0% to 25%, depending on the customs classification of the goods.

Excise tax

Excise tax is chargeable on the importation or production of excisable goods released for consumption in Saudi Arabia. The excise duty rate is 50% on soft drinks and sweetened drinks, and 100% on energy drinks, tobacco products, and electronic devices used for smoking or vaping, as well as liquids consumed in such devices.

Tax stamps are required to be affixed on various designated excise goods, whether imported into Saudi Arabia or locally traded, such as cigarettes, shisha tobacco, soft drinks, and energy drinks.

Any person intending to import, produce, or hold (under a suspension arrangement) any excisable goods in Saudi Arabia must register for excise tax and submit returns reporting their total excise tax 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.

Expatriate levy

An annual dependent levy of SAR 4,800 applies per expat dependent residing in Saudi Arabia.

Tax treaties:

Saudi Arabia has concluded around 55 tax treaties. The OECD multilateral instrument (MLI) entered into force for Saudi Arabia on 1 May 2020. For information on Saudi Arabia's tax treaty network, visit Deloitte International Tax Source.

Tax authorities:

Zakat, Tax and Customs Authority (ZATCA)

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Kuwait

Recent developments

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

Investment basics

Currency: Kuwaiti Dinar (KWD)

Foreign exchange control: There are no foreign exchange controls.

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

Principal business entities: These are the limited liability company (WLL), shareholding company (KSC), and partnership (general and limited). Foreign entities may carry out business: (i) under the sponsorship of a registered Kuwaiti agent; (ii) through a WLL or KSC (limited to 49% ownership); (iii) under the Foreign Direct Investment Law No. 116 of 2013 (100% ownership); or (iv) through provisions of the Public Private Partnership (PPP) law.

Corporate taxation

Rates	
CIT rate	15%
Branch tax rate	15%
Capital gains tax rate	15%

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: CIT is imposed 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 arising in Kuwait are considered pure profit and the entire income is subject to CIT in Kuwait.
A tax exemption is available for profits earned by entities from pure trading operations on the Kuwait Stock Exchange, whether directly or through portfolios of investment funds, and for profits from activities under the Foreign Direct Investment Law (on a tax credit basis, using certain multipliers). Various tax exemptions also are granted under the Public Private Partnership (PPP) law for private companies working in collaboration with the public sector. Further, under the Capital Markets Authority (CMA) Law No. 22 of 2015, a broad exemption is granted on all revenue earned by corporate investors through trade on the Kuwait Stock Exchange.

Rate: The CIT rate is 15%.

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: Dividends are not subject to CIT. However, if a foreign company is a shareholder in a Kuwait entity, the share of profits attributable to the foreign company is subject to CIT in Kuwait.

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 CIT 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: (i) the entity ceases its activities in Kuwait (unless the cessation is mandatory); (ii) the tax return indicates that there is no revenue arising from the company's main activities; (iii) the corporate entity is liquidated; (iv) the legal status of the corporate body is changed; or (v) the corporate body has merged with another corporate body. The carryback of losses is not permitted.

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

Participation exemption: There is no participation exemption.

Holding company regime: There is no holding company regime.

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

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Other: Non-Kuwaiti 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 CIT law. A 20% tax rate applies to taxable income below KWD 500,000 and a 57% tax rate applies to taxable income in excess of KWD 1 million. Marginal relief applies to taxable income between KWD 500,000 and KWD 1 million.

Compliance for corporations

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

Consolidated returns: Consolidated returns are not permitted; each company must file a separate return disclosing the results of its Kuwait operations.

Filing and payment: The tax declaration for each taxable period must be submitted by the 15th day of the fourth month following 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 and the company files its tax declaration based on actual accounting books and records as opposed to on a deemed profit basis. All submissions must be made electronically through the Ministry of Finance's e-registry system.

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

Penalties: Delays in the submission of the tax declaration are subject to penalties at a rate of 1% of the tax payable for each 30-day 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-day delay or part thereof.

Rulings: Rulings may not be requested.

Individual taxation

There is no individual income tax in Kuwait.

Withholding tax

There are no withholding taxes and no branch remittance tax in Kuwait.

Anti-avoidance rules

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

• For 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.

• For design work performed outside of 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.

• For consulting work performed outside of 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.

Interest deduction limitations: Interest expense on loans that are utilized for the primary activity of the company generally is accepted upon review of the supporting documents. Interest expense is capitalized and added to the asset value if such loans are utilized for financing capital operations of the company.

All interest charged on the head office current account by the company's branch in Kuwait (either directly or through a Kuwaiti agent) is disallowed as a deduction against income.

Interest paid abroad is disallowed as a deduction against income unless it can be proven that such interest was paid for loan and bank facilities to finance the foreign entity's operations in Kuwait.

Controlled foreign companies: There are no controlled foreign company rules.

Hybrids: There are no anti-hybrid rules.

Economic substance requirements: There are no economic substance rules.

Disclosure requirements: There are no disclosure requirements.

Exit tax: There is no exit tax (however, any income or gain arising from the sale of a business may be categorized as a capital gain and subject to income tax at the rate of 15%).

General anti-avoidance rule: There is no general anti-avoidance rule.

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.

Value Added Tax

There is no VAT currently in Kuwait. The Kuwaiti government has committed to introduce VAT by signing the main framework agreement with the GCC countries.

Other taxes on corporations and individuals

Social security contributions: 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 employer and employee contribution rates are 11.5% and 10.5%, respectively.

Payroll tax: There is no payroll tax.

Capital duty: There is no capital duty.

Real property tax: There is no real property tax.

Transfer tax: There is no transfer tax.

Stamp duty: There is no stamp duty.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Other:

Tax retention

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 (at which time the retained amount is returned to the contractor/subcontractor).

Contribution to Kuwait Foundation for the Advancement of Science

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.

National labor support tax

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.

Zakat/state budget contribution on net profits

Kuwaiti shareholding companies (both listed and unlisted but excluding governmental entities) 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.

Tax treaties:

Kuwait has concluded 68 tax treaties. Kuwait signed the OECD multilateral instrument (MLI) on 7 June 2017.

Tax authorities:

Department of Income Tax

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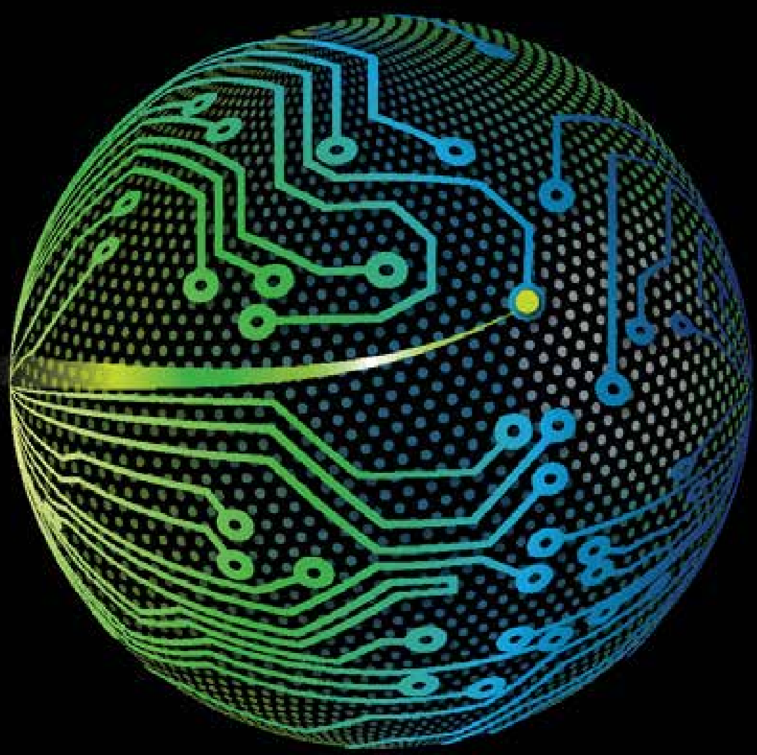
Digitalization of Customs compliance and reporting obligations in Saudi Arabia

Authorized Economic Operators (AEO)

As a result of the growth of global trade and increased security threats to the international movement of goods, the Zakat, Tax and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia (KSA) has introduced its AEO program, also referred to as the Awlawia Program.

Deloitte has developed an AEO Scan Tool, a web-based self-assessment solution, to support businesses in taking part and benefiting from this program.

Discover the tool, click here



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Lebanon

Investment basics

Currency: Lebanese Pound (LBP)

Foreign exchange control: Informal foreign exchange controls exist but these are not yet regulated (currently, several exchange rates exist for foreign currencies: the official rate, the BDL (Banque du Liban) platform rate, and the parallel market rate).

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

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

Corporate taxation

Rates	
CIT rate	17% (in general)
Branch tax rate	17%, plus 10% branch profit remittance tax
Capital gains tax rate	15% (in general)

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

Basis: Resident companies are taxed on all their income, unless earned through foreign branches or subsidiaries. Branches in Lebanon are taxed in the same way as subsidiaries and branches of foreign entities are subject to an additional 10% remittance tax, regardless of whether profits actually are remitted.

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

Rate: The standard CIT rate is 17%. For oil and gas companies, the rate is 20%.

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: Dividends paid and declared are subject to a withholding tax of 10%. Dividends received from a Lebanese company are deducted from taxable income for purposes of the CIT 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 generally are taxed at a rate of 15%. For oil and gas companies, capital gains derived from the disposal of tangible and intangible fixed assets are considered part of the profits subject to income tax at a rate of 20%.

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

Foreign tax relief: There is no foreign tax relief.

Participation exemption: Dividends received from a Lebanese company are deducted from taxable income for purposes of the CIT calculation. Dividends received from a foreign entity are taxable at a rate of 10%. There is no participation exemption for foreign subsidiaries.

Holding company regime: Holding companies are exempt from tax on profits and tax on dividend distributions. Instead, they are subject to a tax on capital and reserves, capped at LBP 5 million 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: Various incentives are granted for eligible industrial or tourism investments.

Under certain conditions, industrial taxpayers may benefit from a 50% exemption on their profits generated from exports (except for exports of natural resources).

Other: There is an offshore company regime. An offshore company is exempt from tax on profits and dividend distributions; it is subject only to an annual lump sum tax of LBP 1 million. An offshore company may 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.

Compliance for corporations

Tax year: The tax year is the calendar year, although exceptions are granted when a parent company has a different fiscal year.

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

Filing and payment: The tax return must be submitted within five months after the preceding period.

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

Rulings: There are no rulings, but taxpayers may obtain an explanation of the tax treatment of new transactions.

Individual taxation

Rates		
Individual income tax rate	**Taxable income (in LBP)**	**Rate**
	Up to LBP 9,000,000	4%
	LBP 9,000,001–LBP 24,000,000	7%
	LBP 24,000,001–LBP 54,000,000	12%
	LBP 54,000,001–LBP 104,000,000	16%
	LBP 104,000,001–LBP 225,000,000	21%
	Over LBP 225,000,000	25%
Capital gains tax rate		15% (in general)

Residence: Individuals are considered resident if they meet one of the following conditions:

• Have a fixed place of doing business in Lebanon;

• Maintain a permanent home in Lebanon used for their usual residence or for the usual residence of their family; or

• Stay in Lebanon for more than six months continuously or intermittently in a consecutive 12-month period. Transit stays and stays for medical treatment are not counted in calculating the length of a stay.

Registration as a licensed professional also triggers residency.

Basis: 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. Non-residents are taxed only on Lebanese-source income.

Taxable income: Taxable income comprises income from a profession or personal establishment, and income from a partnership.

Rates: A taxable individual is taxed at progressive rates from 4% to 25%. Income derived from foreign shares and bonds is taxed at a rate of 10%.

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

Deductions and allowances: Family deductions are granted in calculating taxable income.

Foreign tax relief: There is no foreign tax relief.

Compliance for individuals

Tax year: The tax year is the calendar year.

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

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

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

Rulings: There are no rulings, but taxpayers may obtain an explanation of the tax treatment of new transactions.

Other:
Resident individual owners or beneficiaries of foreign shares or bonds who receive income from such movable assets outside Lebanon directly or indirectly through a foreign paying agent are required to file a declaration with the tax authorities before 1 March to report the income derived during the prior year.

Withholding tax

Rates				
Type of payment	**Residents**		**Non-residents**	
	Company	Individual	Company	Individual
Dividends	10%	10%	10%	10%
Interest	10%	10%	10%	10%
Royalties	0%	0%	7.5%	7.5%
Fees for technical services	0%	0%	7.5%	7.5%

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

Interest: Interest paid to a resident or non-resident generally is subject to a 10% withholding tax, unless, for non-residents, the rate is reduced under a tax treaty.

Royalties: Royalties paid to a resident are not subject to withholding tax. Royalties paid to a non-resident are subject to a 7.5% withholding tax, unless the rate is reduced under a tax treaty.

Fees for technical services: Technical or management fees paid to a resident are not subject to withholding tax. Technical or management fees paid to a non-resident are subject to a 7.5% withholding tax, unless the rate is reduced under a tax treaty.

Branch remittance tax: In addition to being subject to the standard CIT rate, profits derived by a branch of a foreign entity are subject to an additional 10% remittance tax, regardless of whether profits are remitted.

Other:
Oil and gas companies are subject to a 10% non-resident withholding tax.

Anti-avoidance rules

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

Interest deduction limitations: There are no general interest deduction limitation rules, but specific rules apply for oil and gas companies.

Controlled foreign companies: There are no controlled foreign company rules.

Hybrids: There are no hybrid rules.

Economic substance requirements: There are no economic substance requirements.

Disclosure requirements: There are no disclosure requirements.

Exit tax: There is no exit tax.

General anti-avoidance rule: There is no general anti-avoidance rule.

Value Added Tax

Rates	
Standard rate	11%
Reduced rate	0%

Taxable transactions: VAT applies to most transactions involving goods, services, and basic foods. Health, real estate, educational, financial, insurance, and banking services; and the leasing of residential property are VAT exempt. Intermediate goods imported for use in petroleum activities that are not made available by national production, and exports (including authorized oil exports) also are exempt from VAT.

Rates: The standard VAT rate is 11%.

Registration: Taxpayers whose turnover exceeds LBP 100 million for a period between one quarter and four consecutive quarters must register for VAT purposes. Taxpayers should also be registered for VAT when performing any import or export transactions regardless of the turnover amount.

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

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

Other taxes on corporations and individuals

Social security contributions: There are three mandatory social security schemes (i) a family scheme contribution of 6% of employee earnings up to LBP 33.9 million per year starting 1 April 2022, (ii) a medical scheme contribution of 11% of earnings up to LBP 60 million per year starting 1 July 2022 (of which 3% is the employee share), and (iii) an end-of-service indemnity scheme contribution of 8.5% of total earnings. Contributions are borne by the employer.

Payroll tax: Payroll tax is withheld from salary. The tax brackets have rates ranging between 2% (for the lowest bracket) and 25% (for the bracket in excess of LBP 225 million per year). The employer withholds these amounts from the employee's salary and remits the tax to the authorities on a quarterly basis. Lebanese-resident employees of non-resident foreign entities are required to pay tax and file payroll tax returns on both a quarterly and annual basis.

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

Real property tax: An annual built property tax is imposed on rental income from (or the rental value of) Lebanese real property, at rates ranging between 4% and 14%; see also "Transfer tax," below. Construction, installations, and vehicles used for petroleum-related operations within Lebanese territorial waters are exempt from built property tax.

Transfer tax: A 6% tax is imposed on the transfer of real estate property.

Stamp duty: A stamp duty is levied on most contracts, at a rate of 0.4%; see also "Capital duty," above.
A fixed stamp duty of LBP 5 million is levied on oil and gas companies for exploration and production agreements.
Net wealth/worth tax: There is no net wealth tax or net worth tax.

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

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 Certified Public Accountant (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

Rates	
CIT rate	20%
Branch tax rate	20%
Capital gains tax rate	20%

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

Basis: Income generated in Libya from assets held in Libya or work performed in Libya is subject to income tax in Libya. Branches are taxed in the same way as subsidiaries.

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

A "deemed profit" basis of taxation may apply where a foreign entity is not registered at the time of contracting, the entity does not hold statutory books in Libya, or the books are not maintained in accordance with local regulations. The authorities also can assess tax on a deemed profit basis if they consider amounts, margins, etc. inaccurate or out of line with industry norms (e.g., cases involving potential concealment, many intercompany transactions, etc.).

Rate: The CIT rate is 20%.

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

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: Dividends are not taxed in Libya.

Capital gains: Capital gains are treated as income and taxed at the CIT 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.

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

Participation exemption: There is no participation exemption.

Holding company regime: There is no holding company regime.

Incentives: The promotion of investment law is designed to encourage both domestic and foreign investment in Libya. Tax benefits are granted to companies that can contribute to the diversification of the local economy, the development of rural areas, an increase in employment, etc. Tax exemptions available to companies include: a five-year exemption from income tax; an exemption from tax on distributions and gains arising from a merger, sale, or change in the legal form of the enterprise; an exemption for profits generated from the activities of the enterprise and reinvested; an exemption from customs duties on machinery and equipment; and an exemption from stamp duty. A free zone has been established in Misurata (Qasr Hamad port area).

Compliance for corporations

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

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

Filing and payment: The annual return must be supported by audited financial statements (a balance sheet, profit and loss statement, and a statement of operations) and 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: Rulings are not available.

Individual taxation

Rates		
Individual income tax rate	**Taxable annual income**	**Rate**
	Up to LYD 12,000	5%
	Over LYD 12,000	10%
Capital gains tax rate		Individual income tax rate

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.

Basis: Individuals are taxed on Libya-source income.

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

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

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.

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

Other: A defense contribution is imposed at 1% on monthly income up to LYD 50; 2% on monthly income up to LYD 100; or 3% for monthly income exceeding LYD 100.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: Individuals are required to file separately. Joint filing is not permissible.

Filing and payment: Tax on employment income is withheld and remitted by the employer at the individual's applicable rate. The due date is 60 days following the end of the month (plus a 15-day grace period).

Penalties: Penalties apply for failure to comply, late filing, or other forms of noncompliance. The penalty starts at 1% for the first month of delay and increases by 1% per month thereafter.

Rulings: Rulings are not available.

Withholding tax

Libya does not impose withholding taxes, other than on interest paid on bank deposits, which is subject to a 5% withholding tax.

Anti-avoidance rules

Transfer pricing: Although Libya does not have formal TP rules, the tax department has the authority to assess tax on a deemed profit basis under general anti-avoidance provisions where a transaction appears not to be on arm's length terms.

Interest deduction limitations: There are no interest deduction limitation rules.

Controlled foreign companies: There are no controlled foreign company rules.

Hybrids: There are no anti-hybrid rules.

Economic substance requirements: There are no economic substance rules.

Disclosure requirements: There are no disclosure requirements.

Exit tax: There is no exit tax.

General anti-avoidance rule: Libya has a general anti-avoidance rule.

Value Added Tax

Libya does not levy a VAT or sales tax.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security contributions: Social security contributions are payable both by the employer and the employee. The employer contributes 11.25% (in the case of a foreign company) or 10.5% (in the case of a company with a Libyan participation) of gross wages/salary. The employee's contribution is 3.75%.

Payroll tax: There is no payroll tax.

Capital duty: There is no capital duty.

Real property tax: There is no real property tax.

Transfer tax: There is no transfer tax.

Stamp duty: Stamp duty is levied at varying rates, typically between 1% and 3%, on the execution of documents. There also are certain fixed duties. Stamp duty of 0.5% is levied on payments made to the tax authorities (see "Surtax" under "Corporate taxation," above).

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Tax treaties:

Libya has 13 tax treaties in force.

Tax authorities:

Tax Department of the Secretariat (Ministry) of Finance

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Download our guides

Oman

Recent developments

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

Investment basics

Currency: Omani Rial (OMR)

Foreign exchange control: The Sultanate of Oman has a free economy. Although administrative procedures must be followed, there are no exchange controls on inbound or outbound investment or on the repatriation of capital or profits.

Accounting principles/financial statements: A business registered in Oman must maintain full accounting records in accordance with IFRS.

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

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

A foreign business is required to register with the tax authorities by filing a declaration of business particulars and supporting documents.

Corporate taxation

Rates	
CIT rate	15%
Branch tax rate	15%
Capital gains tax rate	15%

Residence: A legal entity is tax resident in Oman if the entity is established under Omani law or if the entity's headquarters are in Oman.

A foreign company will be deemed to have a PE in Oman if it provides consultancy and other services in Oman for at least 90 days within a 12-month period or if it has a dependent agent in Oman.

Basis: An Omani company is subject to tax on worldwide income; a PE of a foreign company is subject to tax only on Oman-source income. Branches are taxed in the same way as subsidiaries.

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 Oman tax law.

Rate: The CT rate is 15% for all businesses, including branches and PEs of foreign companies, with a 3% rate applying to small companies (as defined). Income from the sale of petroleum is subject to a special provisional rate of 55%.

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

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 subject to CT 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 Oman tax law generally may be carried forward indefinitely. Tax losses incurred for the year 2020 also may be carried forward indefinitely and offset against taxable income until fully utilized. The carryback of losses is not permitted.

Foreign tax relief: 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 Chairman of the Tax Authority.

Participation exemption: There is no participation exemption.

Holding company regime: There is no holding company regime.

Incentives: A five-year non-renewable tax exemption is available for manufacturing activities.

The Foreign Capital Investment Law provides incentives, including an exemption from tax, customs duties, and other duties for specific investment projects.

The Economic Stimulus Plan announced on 3 March 2021 provided various tax incentives that continue to apply through 2022 including:

• A five-year income tax exemption from the date of commercial registration for all companies that operate in Economic Diversification Sectors as from 1 January 2021 through 31 December 2022, subject to certain terms and conditions; and

• An extension of the suspension of withholding tax on dividends and interest for a further five years as from 2020.

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 of up to 18 months. Accounts usually are maintained in OMR, but also may be maintained in foreign currency, subject to the approval of the Chairman of the Tax Authority.

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 and payment: Companies must file a single tax return accompanied by audited financial statements within four months of the end of the accounting year, and the tax due must be paid at that time. All taxpayers are required to obtain a tax card and the tax card number must be quoted on all contracts, invoices, and correspondence with the Omani tax authorities.

Penalties: Failure to submit a declaration of income to the Chairman of the Tax Authority may lead to an arbitrary assessment and penalties. A minimum penalty of OMR 100 and a maximum penalty of OMR 2,000 may be imposed for failure to file a return by the prescribed deadline. Late 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.

Individual taxation

An individual is tax resident in Oman if the individual is present in Oman for at least 183 days in a calendar year. Neither residents nor non-residents are subject to income, withholding, or capital gains taxes in Oman.

Withholding tax

Rates				
Type of payment	**Residents**		**Non-residents**	
	Company	**Individual**	**Company**	**Individual**
Dividends	0%	0%	0% (see note below)	0%
Interest	0%	0%	0% (see note below)	0%
Royalties	0%	0%	10%	10%
Fees for technical services	0%	0%	10%	10%

Dividends: No withholding tax is imposed on dividends paid by an Omani company to resident shareholders or non-resident individual shareholders. A 10% withholding tax applies to dividends on shares distributed by joint stock companies and investment bond dividends distributed by investment funds to foreign companies without a PE in Oman; however, the withholding tax initially was suspended for a period of three years as from 6 May 2019 and further suspended for another five years as from 2020.

Interest: No withholding tax is imposed on interest paid to residents or non-resident individuals. A 10% withholding tax applies on interest paid to non-resident entities without a PE in Oman, with certain exceptions (e.g., interest on Omani bank deposits); however, the withholding tax initially was suspended for a period of three years as from 6 May 2019 and further suspended for another five years as from 2020.

Royalties: No withholding tax is imposed on royalties paid to residents. Non-resident entities and individuals without a PE in Oman that derive Oman-source royalties are subject to a 10% withholding tax on the gross amount of the royalties. The definition of royalties includes equipment rentals and payments for the use of, or the right to use, software, intellectual property rights, patents, trademarks, and drawings.

Fees for technical services: No withholding tax is imposed on fees for technical services paid to residents. A 10% withholding tax applies on the gross amount of technical service fees paid to non-resident entities and individuals without a PE in Oman, regardless of the place of performance of the services.

Branch remittance tax: There is no branch remittance tax.

Other: Non-residents that do not have a PE in Oman and that derive Oman-source income through management fees, consideration for the use of or the right to use computer software, and consideration for research and development are subject to a 10% withholding tax on the gross amount. The tax is withheld by the Omani entity and remitted to the tax authorities. The provision of services is subject to a 10% withholding tax, regardless of the place of performance of the services. There are certain exceptions such as training and participating in organizational meetings, conferences, seminars, or exhibitions.

Anti-avoidance rules

Transfer pricing: Pricing between related parties should be comparable to the pricing of transactions entered into by independent persons (i.e., unrelated parties). CbCR requirements apply (see "Disclosure requirements," below).

Interest deduction limitations: 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: There are no controlled foreign company rules.

Hybrids: There are no anti-hybrid rules.

Economic substance requirements: There are no economic substance rules.

Disclosure requirements: CbC reporting obligations apply to multinational enterprise groups headquartered or operating in Oman with annual consolidated revenues (based on consolidated financial statements) of at least OMR 300 million in the financial year immediately preceding the reporting period. A CbC report notification must be submitted before the end of the reporting financial year, providing details of the ultimate parent entity, including name, tax identification number, and jurisdiction in which the CbC report is filed. In July 2021, the tax authorities suspended the filing of CbC reports for all multinational groups with an ultimate parent entity outside of Oman until further notice.
Related party transactions must be disclosed in the tax return.

Exit tax: There is no exit tax.

General anti-avoidance rule: If a related party transaction results in reduced income or increased costs, the transaction may be set aside and the taxable income will be computed as if the transaction took place with unrelated parties.

Rates	
Standard rate	5%
Reduced rate	0%

VAT was introduced in Oman as from 16 April 2021.

Taxable transactions: The scope of the tax is very broad and VAT applies to transactions in most goods and services. VAT also applies to imports of goods and services into Oman.

Rates: The standard rate of VAT is 5% with certain supplies exempt from VAT or zero-rated for VAT purposes. Exempt supplies include financial services; healthcare services; educational services; sales of undeveloped land; resale and renting of residential properties; and local passenger transport. Zero-rated supplies include certain basic food items; medicines and medical equipment; investment gold, silver, and platinum; international or intra-Gulf Cooperation Council (GCC) goods and passenger transport; oil, oil derivatives, and natural gas; and exports of goods and services.

Registration: The mandatory registration threshold is taxable turnover of OMR 38,500 either in the current month and preceding 11 months, or the current month and the immediately following 11 months. Businesses and individuals not required to register but with turnover exceeding OMR 19,250 have the option to register voluntarily. A non-resident business making taxable supplies to non-VAT registered customers in Oman is required to register, regardless of the value of those supplies; there is no minimum registration threshold.

Filing and payment: VAT returns must be filed and VAT payments made on the basis of a calendar quarter. The VAT Law prescribes the following minimum information to be included in the return: value of taxable and exempt supplies; total value of imported goods; amount of output VAT on revenue transactions; amount of recoverable input VAT on costs; and net VAT due for the period.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply to both companies and individuals.

Social security contributions: The employer must contribute an amount equal to 10.5% of the monthly salary of its Omani employees for social security (covering old age, disability, and death); and 1% of the monthly salary for industrial illnesses and injuries. The contributions are required for Omani employees between the ages of 15 and 59 who are permanently employed in the private sector. A unified system of insurance protection coverage applies to citizens of GCC member states working in other GCC countries. Omani private sector employees between the ages of 15 and 59 must contribute 7% of their monthly salary for social security purposes (old age, disability, and death).

Omani citizens employed in both the private and public sectors are required to contribute 1% of their monthly salary to the Job Security Fund, matched by contributions by their employer.

Payroll tax: There is no payroll tax.

Capital duty: There is no capital duty.

Real property tax: There is no real property tax.

Transfer tax: There is no transfer tax.

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

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Other:
Tourism and municipality taxes may be imposed.

Excise tax is payable on the importation, manufacture, and storage of excisable goods. Carbonated drinks and sweetened drinks are subject to excise tax at 50%; the rate is 100% for energy drinks, alcohol products, and pork products.

Tax treaties:

Oman has approximately 30 tax treaties in force. The OECD multilateral instrument (MLI) entered into force for Oman on 1 November 2020.

Tax authorities:

Ministry of Finance; Tax Authority

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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. Cash may be repatriated in any currency. Both residents and non-residents may hold bank accounts in any currency.

Accounting principles/financial statements: International accounting standards (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

Rates	
CIT rate	15% (in general)
Branch tax rate	15% (in general)
Capital gains tax rate	0%/15% (in general)

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 calculated in accordance with the tax law. Branches are taxed in the same way as subsidiaries.

Taxable income: CT 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 calculated on a cash basis in accordance with directives issued by the tax authorities.

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: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: Dividends received by a resident company from another resident company are tax exempt. Dividends received from a non-resident 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 CT 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.

Foreign tax relief: There is no relief for foreign tax.

Participation exemption: There is no participation exemption.

Holding company regime: There is no holding company regime.

Incentives: Certain entities are granted tax incentives if approved by the Palestine Promotion Agency. Incentives are in the form of tax rate reductions for specified periods.

Compliance for corporations

Tax year: The tax year generally is the calendar year. Approval is required to use an alternative fiscal year.

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

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

The tax return must be filed within four months of the end of the tax year. If the tax return is filed within two months of the end of the tax year, a discount of 4% is granted on the balance of tax payable as per the self-assessment (after deducting advance payments made on which a discount already has been granted). A discount of 2% is granted where the tax return is submitted during March or April of the following year.

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

Rulings: There is no ruling procedure.

Individual taxation

Rates		
Individual income tax rate	**Taxable income**	**Rate**
	Up to NIS 75,000	5%
	NIS 75,001–NIS 150,000	10%
	Over NIS 150,000	15%
Capital gains tax rate	0%/5%/10%/15%	

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

Basis: Palestinian residents and non-residents are taxed only on Palestinian source income.

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 "Deductions and allowances," below).

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%.

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.

Foreign tax relief: There is no relief for foreign tax.

Compliance for individuals

Tax year: The tax year is the calendar 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 authorities.

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

Penalties: Penalties are imposed for the late payment of tax.

Rulings: There is no ruling procedure.

Withholding tax

Rates				
Type of payment	**Residents**		**Non-residents**	
	Company	**Individual**	**Company**	**Individual**
Dividends	10%	10%	10%	10%
Interest	0%	0%	0%	0%
Royalties	0%	0%	10%	10%
Fees for technical services	0%	0%	10%	10%

Dividends: A 10% withholding tax is imposed on dividends paid to a resident or a non-resident, unless the rate is reduced or an exemption is available under an applicable tax treaty. The withholding tax was suspended from 2015-17 and in practice, has not been applied since, although no official guidance has been issued on the status.

Interest: No withholding tax is imposed on interest.

Royalties: No withholding tax is imposed on royalties paid to residents. A 10% withholding tax is imposed on royalties paid to a non-resident, unless the rate is reduced or an exemption is available under an applicable tax treaty.

Fees for technical services: No withholding tax is imposed on technical service fees paid to residents. Payments made for services provided by non-residents are subject to a 10% withholding tax, unless the rate is reduced or an exemption is available under an applicable tax treaty.

Branch remittance tax: There is no branch remittance tax.

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.

Anti-avoidance rules

Transfer pricing: There are no TP rules.

Interest deduction limitations: There are no interest deduction limitation rules.

Controlled foreign companies: There are no controlled foreign company rules.

Hybrids: There are no anti-hybrid rules.

Economic substance requirements: There are no economic substance requirements.

Disclosure requirements: Audited financial statements and related notes, together with a reconciliation between financial income and taxable income approved by a licensed auditor, must be attached to the CIT return.

Exit tax: There are no exit taxes.

General anti-avoidance rule: There is no general anti-avoidance rule.

Value Added Tax

Rates	
Standard rate	16%
Reduced rate	0%

Taxable transactions: VAT is imposed 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 imposed at a rate of 16% on gross salaries and on taxable income.
Registration: All business entities and individuals must register for VAT purposes; there is no minimum threshold.

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

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security contributions: Implementation of a new social security law introducing compulsory monthly social security contributions for all Palestinian private sector employers and employees, and foreign employees working in Palestine where a work permit has been issued, and voluntary contributions for the self-employed, has been put on hold by the president.

Payroll tax: There is no payroll tax, although financial institutions are subject to VAT at 16% on gross salaries.

Capital duty: There is no capital duty.

Real property tax: Tax on property is imposed at a rate of 17% on the assessed value of rental income. A deduction for 40% of the tax is allowed as an expense in calculating taxable income, with the remaining 60% available as a credit against the income tax liability.

Transfer tax: There is no transfer tax.

Stamp duty: There is no stamp duty.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Tax treaties:

The Palestinian Territories has signed tax treaties with Egypt, Ethiopia, Jordan, Serbia, Sri Lanka, Sudan, Turkey, United Arab Emirates, Venezuela, and Vietnam.

Tax authorities:

Income Tax Authority, VAT Authority, Ministry of Finance

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Qatar

Recent developments

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

Investment basics

Currency: Qatari Riyal (QAR)

Foreign exchange control: There are no formal foreign exchange controls. The Qatar Central Bank may periodically set daily limits on outward foreign remittances.

Tax regimes: There are three tax regimes in Qatar: (i) the State of Qatar tax regime, operated by the General Tax Authority (GTA), that applies to the majority of businesses operating in Qatar; (ii) the Qatar Financial Center (QFC) tax regime operated by the QFC Tax Department within the Qatar Financial Center Authority (QFCA); and (iii) the Qatar Free Zone (QFZ) regime operated by the QFZ Tax Authority.

Accounting principles/financial statements: State of Qatar tax regime: International Financial Reporting Standards (IFRS); financial statements must be prepared in Arabic. QFC tax regime: IFRS, UK GAAP, US GAAP, or any standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions. QFZ tax regime: Regulations confirming the required standards have not yet been issued.

Qatar tax regime: International Financial Reporting Standards (IFRS); financial statements must be prepared in Arabic.

QFC tax regime: IFRS, UK GAAP, US GAAP, or any standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions. QFZ tax regime: Regulations confirming the required standards have not yet been issued.

Principal business entities: Under the State of Qatar's Ministry of Commerce and Industry, the main business entities are the limited liability company, temporary branch of a non-resident (to fulfill a contractual obligation under contracts with the government or quasi-government entities), permanent branch (permitted for professional services such as engineering services, consultancy, etc.), and representative trade office (permitted to perform trade representation, marketing, and business development activities for the parent company).

The QFC is the secondary business regime in Qatar and has its own legal system based on English common law. The most common types of business entity are the limited liability company, limited liability partnership, and branch.

Subject to meeting certain criteria, businesses also may establish entities in the Qatar Science and Technology Park (QSTP) or QFZ.

Corporate taxation

Rates	
CIT rate	10%
Branch tax rate	10%
Capital gains tax rate	10%

Residence: Under the State of Qatar, QFC, and Qatar Free Zone tax regimes, a legal entity is resident in Qatar if it is incorporated under Qatari legislation, its head office is situated in the State of Qatar, or its place of effective management is situated in the State of Qatar.

Basis: Tax is imposed on income derived from activities performed wholly or partly in, consumed in, or benefited from in Qatar.

PE is a fixed place of business through which the business of a taxpayer is wholly or partly executed. A PE also may include an activity carried out by the taxpayer through a person acting on behalf of the taxpayer or in the taxpayer's interest, other than an independent agent. A PE includes (i) a non-resident rendering services through controlled personnel in Qatar for 183 days or more during any 12-month period and (ii) a construction, assembly, installation, or similar project lasting for at least six months.

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

Allowable expenses include:

- The cost of raw materials, consumables, and services required for carrying out the activities;

- Interest paid on loans used in the activities (except

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interest paid to a related party in the case of a branch);

• Salaries, wages, and similar payments made to employees;

• Rent;

• Insurance premiums;
• Bad debts;

• Depreciation (at specified rates);

• Donations, gifts, aid, and subscriptions to charitable, humanitarian, scientific, cultural, or sporting activities paid in the State of Qatar to governmental authorities, public bodies, or institutions, or any other authorized body in the State of Qatar (capped at 3% of net income prior to charitable and certain other deductions); and

• Entertainment expenses (leisure, hotel accommodation for personal use, holidays, club fees, etc.) up to 2% of net income or QAR 500,000 (before the deduction of entertainment expenses and certain other grants and donations).

Under the QFC tax regime, taxable profits are classified as Qatari-source if they arise in or are derived from Qatar. Profits derived by an unregulated QFC firm from services provided in Qatar for use outside Qatar are nontaxable, provided certain conditions are met. By concession, specific QFC entities involved in the World Cup 2022 and FIFA competitions in Qatar are exempt from tax but not from other compliance obligations. QFC entities listed on the Qatar Stock Exchange are eligible for exempt status, subject to meeting several conditions. QFC entities meeting certain criteria also may be exempt from tax on income derived from defense or security contracts carried out for the benefit of the Ministry of Defense, the Ministry of Interior, or other state defense or security agencies.

See “Incentives,” below, for the tax treatment of entities operating in the QFZ.

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

Different tax rates agreed with the Qatari government but no less than 35% apply to income derived from petroleum operations or the petrochemicals industry (as defined under Law No. 3 of 2007). This includes income from exploration operations; developing fields; drilling, completing, and repairing wells; producing and processing petroleum; filtering of impurities; storing, transporting, loading, and shipping; constructing or operating related energy and water facilities or housing or other facilities, establishments, or equipment necessary for petroleum and petrochemical industries; and operational activities and associated services, including administrative and complementary activities. Where an agreement with the government, ministries, or other governmental bodies was concluded before Law No. 3 of 2007 became effective and prescribes a specific tax rate, that rate will apply; where no rate is prescribed, tax is imposed at 35%.

Under the QFC tax regime, income is taxed at a flat rate of 10%.

Surtax: There is no surtax.
Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: Dividends are not subject to tax under the State of Qatar or QFC tax regimes.

Capital gains: Under both the State of Qatar and QFC tax regimes, capital gains derived by a company are included in taxable income and subject to tax at the applicable rate.

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

Under the QFC tax regime, losses may be carried forward for as long as the QFC entity continues to have a source of income within the terms of its license.
Regulations confirming the treatment of losses under the QFZ tax regime have not yet been issued.

Foreign tax relief: No foreign tax credit is available under the State of Qatar tax regime, although relief may be available under a relevant tax treaty.

The QFC tax regime offers double taxation relief and provides for unilateral credit relief.

Participation exemption: No participation exemption is provided under the State of Qatar tax regime and foreign companies selling shares in Qatar-based companies are subject to tax in Qatar.

The QFC tax regime allows for tax exemption on capital gains derived from qualifying shareholdings.

Holding company regime: Holding companies are permitted only under the QFC tax regime.

Incentives: Companies may be eligible for a tax exemption or preferential tax rates for up to five years under the State of Qatar tax regime, subject to approval from the relevant departments.

Companies registered in the QSTP, which is aimed at entities conducting research and development (R&D) activities, are not subject to tax, even if wholly owned by foreign investors, and may import goods and services free of Qatari customs duty. QSTP entities still are required to file tax returns, apply withholding tax on payments to non-residents, and fulfill other tax compliance obligations. QSTP entities may only engage in activities permitted by their license.

Entities operating in the QFZ benefit from a 20-year CIT holiday and zero custom duties on imports. Regulations confirming the applicable tax treatment after the expiry of the tax holiday period have not yet been issued.

Compliance for corporations

Tax year: Under the State of Qatar tax regime, the tax year is the calendar year. Subject to approval from the GTA, a taxpayer may apply to prepare its financial statements for a 12-month period ending on a date other than 31 December.

Under the QFC tax regime, the tax year generally is considered to be the calendar year.

Regulations confirming the tax year applicable under the QFZ tax regime have not yet been issued.

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

Filing and payment: All taxpayers must register with the GTA on the digital tax management platform (Dhareeba) and get a tax identification number within 60 days of obtaining a commercial registration or commencing a taxable activity in Qatar. Any changes that might affect the taxpayer's obligations towards the GTA must be notified within 30 days.

Under the State of Qatar tax regime, a company that is resident in or has a PE in Qatar is required to file annual income tax returns and pay the tax due by the end of the fourth month after the company's financial year-end. The company must also submit a set of audited financial statements with its tax return.

Under the QFC tax 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.

Books and supporting documentation must be retained in Qatar for 10 years.

Taxpayers should notify the GTA of contracts within 30 days of signing the contract.

All communications with the GTA must be in Arabic.

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

All taxpayers must register with the GTA. Failure to do so incurs a penalty of QAR 20,000.

A penalty of QAR 10,000 is payable by a taxpayer who is granted a tax exemption but fails to fulfill the criteria for the exemption.

A penalty of QAR 30,000 is imposed for failure to submit annual audited financial statements. Failure to notify the GTA of a contract within the 30-day deadline is subject to a penalty of QAR 10,000.

A taxpayer who fails to withhold tax when required is subject to a penalty equal to the amount of tax that has not been withheld.

Rulings: Tax rulings are not available.

Individual taxation

Residence: Under the State of Qatar tax regime, an individual is resident in Qatar if the individual has a permanent home in Qatar, has been present in Qatar for more than 183 days in total during a 12-month period, or has their center of vital interests in Qatar.

Basis: There is no individual income taxation on employment income in Qatar. Business income earned by an individual is subject to CITation.

Withholding tax

Rates				
Type of payment	**Residents**		**Non-residents**	
	Company	**Individual**	**Company**	**Individual**
Dividends	0%	0%	0%	0%
Interest	5%	5%	5%	5%
Royalties	5%	5%	5%	5%
Payments for services	5%	5%	5%	5%

Dividends: Qatar does not levy withholding tax on dividends.

Interest: A 5% withholding tax applies to interest payments made to both residents and non-residents. Certain exemptions may apply, or the rate may be reduced under a tax treaty.
Royalties: A 5% withholding tax applies to royalties paid

to both residents and non-residents. Certain leasing charges may be considered royalties. The rate may be reduced under a tax treaty.

Payments for services: Payments to a non-resident for services carried out wholly or partly in Qatar, if they are used, consumed, or exploited in Qatar, are subject to a 5% withholding tax. Payments to a resident for services also are subject to a 5% withholding tax.

Branch remittance tax: There is no branch remittance tax.

Other: No withholding taxes apply under the QFC tax regime. Other taxpayers are required to submit a withholding tax return and pay the withholding tax due to the tax authority before the 16th day of the month following the month in which the tax was withheld. All withholding tax filings must be done electronically.

A retention tax of 3% of the contract value or the final payment (whichever is higher) applies to payments made by the Qatar government or a quasi-governmental agency to a branch registered in Qatar for a particular project (a temporary branch). This retention is released upon completion of the contract and presentation of a No Objection Letter issued by the GTA.

Anti-avoidance rules

Transfer pricing: Under the State of Qatar tax regime, TP regulations apply and generally are consistent with OECD guidelines. The TP requirements include four tiers of compliance: (i) a TP form/questionnaire to be submitted with the tax return, (ii) a MF, (iii) a LF, and (iv) country-by-country (CbC) reporting. Resident entities and PEs in Qatar are required to submit a MF and LF where they undertake cross-border related party transactions and have a total turnover or total assets of more than QAR 50 million in the financial year.

Taxpayers undertaking cross-border related party transactions are required to determine the transfer price using the comparable uncontrolled price (CUP) method. The use of OECD recommended TP methods other than CUP is subject to written approval by the GTA. Taxpayers are expected to determine the arm's length price of their related party transactions when undertaking the transaction and no later than the date of submission of the tax declaration for the accounting period in which the transaction took place.

The QFC tax regime has detailed TP rules that are broadly consistent with OECD recommendations. While there are no formal MF and LF requirements, the tax authorities expect taxpayers to have such documentation available during a tax audit.

Under both the State of Qatar and QFC tax regimes, CbC reporting obligations and notification requirements apply only to ultimate parent entities that are tax resident in Qatar and are part of a multinational enterprise (MNE) group with consolidated revenues of at least QAR 3 billion in the preceding financial year. The CbC report must be submitted within 12 months from the end of the reportable financial year.

It is expected that the GTA will issue detailed guidance on the procedure for entering into advance pricing agreements.

Interest deduction limitations: Thin capitalization rules under the State of Qatar tax regime limit the tax deductibility of interest payments where the taxpayer's debt-to-equity ratio exceeds 3:1. Interest payments made by a PE to its head office or to related parties are not deductible for tax purposes.

Under the QFC tax regime, the arm's length borrowing capacity of a QFC taxpayer is the amount of debt that it could and would have taken on, as a standalone entity, from an independent lender. The safe harbor debt-to-equity ratio set by the QFC tax authorities is 2:1 for non-financial institutions and 4:1 for financial institutions.

Controlled foreign companies: There are no controlled foreign company rules.

Hybrids: There are no rules regarding hybrids.

Economic substance requirements: Certain economic substance requirements apply for taxpayers to benefit from preferential tax regimes. The requirements apply to both intellectual property (IP) and non-IP related activities and were introduced as part of Qatar's commitment to comply with the requirements of the OECD BEPS action 5 minimum standard on harmful tax practices. The GTA coordinates with the QFZ Tax Authority, the QSTP, and the QFC Tax Department on monitoring and implementing the conditions.

Disclosure requirements: There are no disclosure requirements.

Exit tax: There is no formal exit tax in Qatar; however, gains arising from the transfer of assets (including shares in a resident entity) may be subject to tax.

General anti-avoidance rule: There is no general anti-avoidance rule.

Value Added Tax

Qatar has made a series of announcements about the implementation of VAT. However, the effective enactment date is yet to be announced.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply to both companies and individuals.

Social security contributions: For employees who are Qatari nationals, the employer must contribute 10% of the employee's basic salary each month. Employees who are Qatari nationals and have a pension scheme must make a pension contribution equal to 5% of their basic salary each month.

Payroll tax: There is no payroll tax.

Capital duty: There is no capital duty.

Real property tax: There is no real property tax.

Transfer tax: There is no transfer tax.

Stamp duty: There is no stamp duty.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Other:

Excise tax

Excise tax is imposed both on imports and locally produced excisable goods. Excise tax applies at 100% on tobacco products, energy drinks, and "special purpose" goods, and at 50% on carbonated drinks.

The excise tax return must be submitted quarterly within 15 days from the end of the quarter and any excise tax due (in addition to the excise tax already paid at the time of import) is to be paid on the same day of the return filing.

Customs duties

Qatar is part of the GCC Customs Union. Based on the Common Customs Law of the GCC Customs Union, a customs duty rate of 5% of the good's cost, insurance, and freight (CIF) value generally is applied. Certain goods are taxed at a rate higher than the standard 5% rate or are free from customs duties. Certain customs duty exemptions may be available under specific conditions, e.g., the temporary importation of goods, importation for military projects, and use by diplomatic bodies.

Tax treaties:

Qatar has more than 80 tax treaties in force. The OECD multilateral instrument (MLI) entered into force for Qatar on 1 April 2020. For information on Qatar's tax treaty network, visit Deloitte International Tax Source.

Tax authorities:

Ministry of Finance: General Tax Authority (GTA); Qatar Financial Center: QFC Tax Department; QFZ: QFZ Tax Authority

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UAE

Recent developments

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

Investment basics

Currency: United Arab Emirates Dirham (AED)

Foreign exchange control: There are no foreign exchange controls.

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.

In the UAE, mainland foreign ownership restrictions may apply with regard to certain industries/activities, in which case foreign investors generally may own only up to 49% of the shares in a UAE mainland-registered company conducting such qualifying activities; however, the shareholding may be increased to 100% in companies registered in one of the more than 40 free trade zones.

Corporate taxation

Residence: Emirate-level income tax decrees (see "Basis" below) do not contain specific provisions relating to CT residence, so there is no clear legal concept of CT residence in the UAE. Nevertheless, the Ministry of Finance (MoF) issues tax residence certificates to companies that are incorporated in and managed from the UAE and meet the requirements of the MoF(e.g., at least one UAE resident director, a fixed place of business) and any relevant tax treaty.

Basis: Income tax decrees have been issued by five of the seven Emirates (Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al Khaimah, Sharjah, and Umm Al Quwain), but currently are not enforced on most businesses, resulting in no corporate taxation. However, oil and gas exploration and production companies are taxed, but usually under the specific terms of a concession agreement (or fiscal letter) signed with the government. The fiscal terms under such agreements generally supersede the provisions of the Emirati income tax decrees. Branches of foreign banks are subject to income tax under separate banking tax decrees in certain Emirates (e.g., Abu Dhabi and Dubai).

Taxable income: The applicable income tax decrees/concession agreements and banking tax decrees include basic deductibility rules that need to be taken into account when determining taxable income.

Rate: Oil and gas exploration and production companies are taxed at progressive rates of up to 55% under the applicable Emirate-level income 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 according to the banking tax decree of the Emirate in which they operate, generally at a flat rate of 20%.

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: There is no tax on dividends.

Capital gains: Capital gains generally are not taxable, unless derived by a company that is subject to tax under an income tax decree/concession agreement or banking tax decree.

Losses: Companies subject to tax under the income tax decrees (subject to concession agreements) may carry forward losses indefinitely. Companies subject to tax under the banking tax decrees may carry forward losses for two years. The carryback of losses is not permitted.

Foreign tax relief: There is no foreign tax relief.

Participation exemption: There is no participation exemption.

Holding company regime: There is no holding company regime.

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

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Compliance for corporations

There are no significant tax compliance obligations for companies based in the UAE, other than companies subject to tax under income tax decrees/concession agreements or banking tax decrees.

Individual taxation

There are no tax laws that apply to individuals in the UAE and, as a result, no domestic concept of individual tax residence. Nevertheless, the MoFissues tax residence certificates to individuals who satisfy the requirements of the MoF(including physical presence in the UAE of more than 183 days within any 12-month period) and a relevant tax treaty, if appropriate.

Withholding tax

There are no withholding taxes.

Anti-avoidance rules

Transfer pricing: There is currently no TP legislation in the UAE. However, a 2019 resolution issued by the Cabinet of Ministers specifies country-by-country reporting rules that are broadly in line with guidance issued by the OECD. The rules apply to multinational enterprise groups that are tax resident in the UAE and have annual consolidated revenues exceeding AED 3.15 billion in the preceding fiscal year. However, UAE entities of non-UAE parented groups are exempt from filing a notification under the rules.

Interest deduction limitations: There are no interest deduction limitation rules.

Controlled foreign companies: There are no controlled foreign company rules.

Hybrids: There are no anti-hybrid rules.

Economic substance requirements: A 2019 resolution issued by the Cabinet of Ministers specifies economic substance requirements for UAE entities (including companies and branches) licensed to carry out certain “relevant activities” in the UAE. Failure to adhere to these requirements could trigger penalties. The following nine activities are considered relevant activities: banking, insurance, fund management, financing and leasing, shipping, headquarters, holding company, intellectual property holding, and distribution and service center activities.

If such entities derive income from any of the relevant activities, they are required to comply with the following three economic substance tests, as well as certain reporting requirements: (i) the entity must be directed and managed in the UAE with regard to the relevant activity; (ii) the entity must demonstrate that core income generating activities have been undertaken in the UAE with regard to the relevant activity; and (iii) the entity must have an adequate number of qualified employees in the UAE, incur adequate expenditure in the UAE, and have an adequate physical presence in the country. A test with less stringent requirements applies for pure equity holding companies.

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

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

Exit tax: There is no exit tax.

General anti-avoidance rule: There is no general anti-avoidance rule.

Value Added Tax

Rates	
Standard rate	5%
Reduced rate	0%

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

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

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

Filing and payment: VAT returns generally are required on a monthly or quarterly basis depending on turnover, but the FTA may specify a longer or shorter period if it considers that to be appropriate. Returns must be filed electronically via the FTA portal by the 28th day (or the next business day if the 28th day falls on a weekend or national holiday) of the month following the end of the reporting period. Any VAT payable for the reporting period is due on the return filing date and payments generally are made online. Payments may be made using the eDirham website (with an eDirham card or debit/credit card) or local or international bank transfers.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply to both companies and individuals.

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

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

Payroll tax: There is no payroll tax.

Capital duty: There is no capital duty but limited registration/notary or attestation fees may apply.

Real property tax: There is no real property tax but limited registration/notary or attestation fees may apply. 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 (electricity and water) for the property.

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 generally is responsible for paying the transfer fee).

Stamp duty: There is no stamp duty, although free trade zones generally charge companies operating within the zone an administrative fee for a transfer of shares in other UAE companies.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

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.

Other:

Customs duty

Customs duty is payable on the importation of goods at the first point of entry into the GCC. In the UAE, rates are typically 0% or 5% depending on the goods' classification under the tariff, although higher rates may apply on a limited range of goods. Exemption from and suspension of customs duty are available in specified circumstances.

Excise tax

Excise tax is payable on the importation, manufacture, and stockpiling of excisable goods, which include carbonated beverages, sweetened beverages, energy drinks, tobacco, and tobacco products, such as electronic cigarettes and associated liquids and tools.

There are compliance and reporting requirements for importing, manufacturing, or stockpiling excisable products. Additional compliance requirements exist for specified excisable products under the digital tax stamp regime.

Municipal taxes

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 (electricity and water) for the property.

Tax treaties:

The UAE has concluded 88 treaties. The OECD multilateral instrument (MLI) entered into force for the United Arab Emirates on 1 September 2019. For information on the UAE's tax treaty network, visit Deloitte International Tax Source.

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)

Accounting principles/financial statements: IFRS is the standard. Banks follow IFRS, as instructed by the central bank of Yemen.

Principal business entities: These are the joint stock company, limited liability company, partnership limited 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 may 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

Rates	
CIT rate	20% (in general)
Branch tax rate	20% (in general)
Capital gains tax rate	20% (in general)

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, small, and micro, with a special regime applying to small and micro firms.

A resident company is liable to tax on worldwide profits. A non-resident is subject to tax only on Yemen-source profits. Branches are taxed in the same way as subsidiaries.

Taxable income: Corporation tax is imposed on taxable income, less allowable deductions.

Rate: The standard CT rate is 20%. A 50% rate applies to mobile phone services providers, and a 35% rate to international telecommunications services providers; oil, gas, and minerals entities; and cigarette manufacturers.

Concession companies engaged in the exploration of oil and gas pay a fixed tax, normally 3% on expenditure incurred during the exploration phase, as per a relevant production sharing agreement. The applicable tax rate on investment projects registered under the investment law is 15%.

Small firms (i.e., firms whose annual turnover is more than YER 1.5 million but less than YER 20 million and that have between three and nine employees) are subject to progressive rates ranging from 5% to 20% of the tax base determined as a percentage of turnover, depending on the type of activities.

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

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: Dividend income received by a legal entity from a public company is tax exempt, assuming that the public company's income was taxed.

Capital gains: Capital gains are taxed as normal business income and are subject to tax at the standard corporate tax rate. For non-resident companies, capital gains on the sale of shares in resident companies and immovable property in Yemen are taxed at 20%.

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.

Foreign tax relief: A resident may deduct the amount of foreign tax actually paid overseas from the tax payable under the provisions of the income tax law on foreign income that is included in the tax base in Yemen,

provided the following conditions are fulfilled:
• The deduction does not exceed the amount of tax payable under the relevant foreign law with respect to the foreign income/gains or the tax payable in Yemen on the income;

• Losses incurred overseas are not deducted from the tax base in Yemen;

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• The taxpayer claiming the deduction for foreign tax paid submits evidence to the tax authority to substantiate that the income was subject to foreign tax and the basis of taxation, particularly the amount of foreign tax paid overseas and documents supporting the payment of the tax; and

• There is a tax treaty signed by both countries to eliminate double taxation of income.

Participation exemption: There is no participation exemption.

Holding company regime: There is no holding company regime.

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

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

Compliance for corporations

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 and payment: A self-assessment system applies, under which a taxpayer must determine its own tax base and calculate the tax due. The taxpayer must pay the amount due based on the return. A tax return must be filed by 30 April or within 120 days after the end of the tax year.

All taxpayers (even if exempt) must submit a tax return.

The tax authority has the right to audit returns and issue an additional assessment. Tax declarations must be certified by a licensed chartered accountant and be accompanied by audited financial statements.

An entity withholding tax at source from a payment must remit the amount to the tax authority within the first 15 days following the end of the month in which the payment was made. There are various incentives for early filings.

Penalties: The penalty for submitting a late return is 2% of the tax payable for each month's delay after the deadline. Where a return submitted late shows a loss, the penalty is YER 200,000 for medium-sized taxpayers, and ranges from YER 1 million to YER 5 million for large taxpayers. An exempted entity is subject to a penalty for submitting a late return of 2% of the exempted tax for each month's delay, or a fixed amount in the event of a loss. The penalty for evasion is 100% to 150% of the tax evaded. Fines also are imposed for filing an incomplete return, failing to maintain regular accounts, etc.

Rulings: The tax authority has issued no recent tax rulings.

Rates

	Annual taxable income	Rate
Individual income tax rate: Resident nationals	Up to YER 120,000	0%
	Over YER 120,000 and up to YER 240,000	10%
	Over YER 240,000	15%
Individual income tax rate: Resident foreigners		20%
Capital gains tax rate		Same as regular income tax rate

Residence: Individuals are resident in Yemen for a tax year if they have a permanent place of residence in Yemen, have resided in Yemen for a period of no less than 183 days, or are Yemeni nationals who work abroad and derive income from Yemen.

Basis: Resident individuals are taxed on worldwide income; non-residents are taxed only on income earned from Yemen.

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 in 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 non-resident 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 bills, interest from bank deposits, savings in post offices, and income from shares in public and shareholding companies.

Rates: The tax rates are imposed on employees' salaries based on their income bracket at progressive rates ranging from 0% to 15% for resident salaried national individuals. A flat rate of 20% applies to resident foreign employees and a flat rate of 20% applies to non-residents.

Capital gains: Capital gains of individuals are subject to tax as regular income, including gains that are derived from the sale of an establishment; any of the establishment's assets, shares, or quotas; or the assignment or change of its ownership in a way other than inheritance, whether during or at the end of the establishment's activity. The income will be deemed earned through the transfer of the ownership, shares, quotas, establishment, or assets from the owner to another person, or a liquidation or merger of the establishment with another legal person.

Deductions and allowances: Deductions and allowances available on monthly salary income include YER 10,000 (monthly exemption limit); 6% of gross salary for an employee's social security contribution; and transportation and representation allowances, up to a maximum of YER 65,000 for both.

Foreign tax relief: See "Foreign tax relief" under "Corporate taxation," above.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: Individuals generally do not file returns, as employers file monthly payroll tax returns on behalf of their employees; joint filing of returns is not available.

Filing and payment: The tax return must be submitted to the tax authority within the first 10 days of the following month. The employee is responsible for the payment of tax where 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.

Rulings: The tax authority has issued no rulings for individuals.

Withholding tax

Rates				
Type of payment	**Residents**		**Non-residents**	
	Company	Individual	Company	Individual
Dividends	0%	0%	10%	0%
Interest	0%	0%	0%/10%	0%
Royalties	0%	0%	10%	10%
Fees for technical services	3%/10%	3%/10%	10%	10%

Dividends: No withholding tax is levied on dividends paid to a resident entity or an individual. Dividends paid to a non-resident entity are taxed at a rate of 10%.

Interest: No withholding tax is levied on interest paid to a foreign bank approved by the Yemen central bank; otherwise, the rate on interest paid to a non-resident entity is 10%. No withholding tax is levied on interest paid to a resident entity or an individual.

Royalties: A 10% withholding tax applies to payments made to a non-resident in respect of commissions, patents, trademarks, and copyright royalties. No withholding tax is levied on payments to a resident.

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

Branch remittance tax: There is no branch remittance tax.

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.

Interest deduction limitations: 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: There are no controlled foreign company rules.

Hybrids: There are no anti-hybrid rules.

Economic substance requirements: There are no economic substance requirements.

Disclosure requirements: There are no disclosure requirements.

Exit tax: There is no exit tax.

General anti-avoidance rule: There is no general anti-avoidance rule.

General sales tax

Rates	
Standard rate	5%
Rate for certain supplies	10% (see below)

Taxable transactions: Yemen operates a general sales tax system.

Rates: The general rate is 5%, although a 10% rate applies to some telecommunications and mobile communications products or services. Exemptions also are available.

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

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

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

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%. An employee (whether a national or foreigner) must contribute 6% of salary to the GCSS. A foreign employee may withdraw the total contribution paid by the employee and the employer to the GCSS, subject to a deduction of 20% as a service charge. (Changes were made to these rules in 2017, but due to the ongoing political crisis, the GCSS continues to collect the contributions under the old rules.)

Payroll tax: The employer is responsible for calculating and deducting payroll tax from its employees' salaries and for remitting it to the government on behalf of the employee.

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

Capital duty: There is no capital duty.

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

Transfer tax: There is no transfer tax.

Stamp duty: There is no stamp duty.

Net wealth/net worth tax: Muslims are subject to Zakat, which is levied on net wealth as adjusted for Zakat purposes according to the requirements of the Zakat authority, at a rate of 2.5775%.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Other: Government agencies (ministries, departments, and 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.

Tax treaties:

Yemen has a small number of tax treaties in force.

Tax authorities:

Yemeni Tax Authority

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