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Middle East Tax Handbook

Navigating the future of tax together

December 2024

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Foreword

Navigating the future of tax together

I am pleased to introduce the Deloitte Middle East Tax Handbook for 2024. This essential guide is crafted to provide tax professionals, investors, and businesses with vital insights into the latest developments in regional tax practices. As the global economic landscape has seen significant transformations, influenced by unpredictable economic trends and technological advancements, these shifts have necessitated a reevaluation of tax strategies across the globe, including the Middle East.

In response to these global changes, Middle Eastern countries have embarked on significant tax reforms aimed at bolstering financial management and ensuring transparency. Notably, the United Arab Emirates marked a significant change by introducing Corporate Tax in 2023. Similarly, Saudi Arabia has made extensive revisions to its tax regulations, highlighting updates to its Regional Headquarters Program and the adoption of e-invoicing. These reforms emphasize the increasing significance and complexity of tax policies and their impact on the business landscape.

Moreover, environmental sustainability is emerging as a key focus. Middle Eastern nations are exploring measures such as carbon taxes to foster eco-friendly business practices, aligning with the global movement towards sustainable development. Strategic use of tax incentives and grants is aimed at encouraging investments in green technologies.

As we look ahead, the tax landscape is poised for further evolution. The UAE is expected to update its regulations and introduce comprehensive Transfer Pricing guidelines. Saudi Arabia is planning a new Tax Law, anticipated by 2024 or 2025, which could substantially revamp its tax framework. Other Gulf Cooperation Council countries, like Oman, are contemplating the introduction of VAT and enhancing digital tax services, indicating a move towards a more digitalized tax environment that will include e-filing and e-audits.

In light of these developments, Deloitte Middle East's Tax practice is committed to supporting businesses as they navigate these changes. It is with this objective in mind that we have prepared the Deloitte Middle East Tax Handbook for 2024, offering the insights and information necessary to confidently manage the complexities of this evolving tax landscape.

Muhammad Bahemia
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 are no foreign exchange controls.

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

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

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Global minimum tax (Pillar Two): Bahrain has not yet announced that it intends to implement rules that generally are in line with the global anti-base erosion (GloBE) or "Pillar Two" model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for multinational enterprise groups with annual consolidated revenue of at least EUR 750 million.

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 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% and applies to most goods and services. Certain goods and services are zero rated, including exports of goods, healthcare services, medicines/medical goods, construction services, and 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 15% and the employee's contribution is 8%, which covers old age, disability, death, and unemployment. The employer's share will increase by one percentage point each year between 2024 and 2028, bringing the total percentage of the employer's share to 20% in 2028.

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.

Tax treaties

Bahrain has concluded approximately 40 tax treaties. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS MLI) entered into force for Bahrain on 1 June 2022. Bahrain signed the Multilateral Convention to Facilitate the Implementation of the Pillar Two Subject to Tax Rule (STTR MLI) on 12 October 2023.

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.

Rates	
Corporate income tax rate	22.5%
Corporate income tax rate	22.5% plus 10% branch remittance tax
Corporate income tax rate	22.5%/10% (listed shares)

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.

Global minimum tax (Pillar Two): Egypt has announced that it intends to implement rules that generally are in line with the global anti-base erosion (GloBE) or "Pillar Two" model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for multinational enterprise (MNE) groups with annual consolidated revenue of at least EUR 750 million. The rules are expected to be issued in financial year (FY) 2024, with effect as from FY 2025, but no official announcements have been released yet.

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.

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.

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 as from the date activity commences and is capped at 80% of the paid-up capital as at that date.

The investment law also provides general incentives for investment projects incorporated prior to June 2017. These include an exemption from stamp duties, relief from land registration fees, and a reduced customs duty rate.

Investments made from 2021 through 2029 (subject to extension pending cabinet decrees) may benefit from special incentives under the investment law, including capped discounts on investment costs.

Supplementary incentives for investment projects may be provided via cabinet decrees. These may include exemptions from land usage fees for a decade, a maximum 50% exemption from project contributions to infrastructure costs, and a cost-sharing arrangement whereby the Egyptian treasury covers 50% of utility expenses for up to 10 years.

Industrial investment projects that are at least 50% funded from foreign sources and that commence operations between 2023 and 2029 are granted a cash tax investment incentive of 35% to 55% of the income taxes due, based on filed income tax returns. Importantly, ministries may extend the eligibility window for the incentive beyond 2029 by a maximum of six years.

The importation of materials, waste, and scraps generated by projects operating within the free zones for safe disposal or recycling within Egypt are exempt from import duties and related customs fees.

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.

Companies that purchase goods or services are required to submit e-invoices for their expenses to be deductible. This requirement applies as from July 2023 for e-invoices, and as from January 2025 for e-receipts. These dates may be extended by up to one year upon approval by the minister of finance.

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 will issue a decision on the request within 30 days after receiving all the relevant documents.

Although advance pricing agreements (APAs) are available in accordance with the Egyptian transfer pricing guidelines, the ETA has not yet implemented the application of APAs for taxpayers. The ETA is currently establishing a process to be followed for the application of APAs (see "Transfer pricing" under "Anti-avoidance rules," below).

Individual taxation

Rates		
Individual income tax rate	**Taxable income (EGP)**	**Rate**
	Up to 30,000	0%
	30,001–45,000	10%
	45,001–60,000	15%
	60,001–200,000	20%
	200,001–400,000	22.5%
	400,001–1,200,000	25%
	Over 1,200,000	27.5%
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, income from noncommercial activities (i.e., professional services), and income from real estate wealth (see "Real property tax" under "Other taxes on corporations and individuals," below). Mandatory profit sharing, pensions, and end-of-service bonuses are not subject to salary tax. Resident individuals are eligible for a EGP 15,000 yearly salary tax exemption.

Rates: Progressive rates up to 27.5% 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 does not exceed EGP 600,000 qualifies for all tax brackets except the 27.5% rate bracket.

• 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 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 700,000 but does not exceed EGP 800,000 does not qualify for the 0% 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 800,000 but does not exceed EGP 900,000 does not qualify for the 0%, 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 900,000 but does not exceed EGP 1.2 million does not qualify for the 0%, 10%, 15%, and 20% tax rates. The first EGP 400,000 of taxable income is taxed at 22.5%, with the balance taxed according to the remaining tax brackets.

• Annual taxable income that exceeds EGP 1.2 million does not qualify for the 0%, 10%, 15%, 20%, and 22.5% tax rates. The first EGP 1.2 million of taxable income is taxed at 25%, with the balance taxed at 27.5%.

Resident employees who derive income from a secondary employment are subject to tax on that income at a 10% flat rate. Secondary employers are required to officially notify both the ETA and the original employer about any temporary employees, providing details of the gross income paid and the related remitted tax.

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 27.5%.

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

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

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.

The ETA launched a system to unify the bases and criteria for calculating wages and salary tax. The system aims to enhance accuracy by reducing tax audit differences between the calculation and payment of tax. The system also aims to eliminate tax audit differences through prior verification of data received from the taxpayer. As part of implementing this system, the ETA launched a trial operation involving several companies.

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.

These rates may be reduced by 50% if the taxpayer and the ETA reach an agreement before the matter is submitted to an appeal committee.

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	
Standard rate	14%
Reduced rate	0%

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.

Residents receiving interest from investment funds established under Egypt's Capital Market Law are subject to withholding tax; the rate is 15% for juridical persons and 5% for natural persons.

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.

A withholding tax exemption for interest paid to nonresidents on long-term loans (i.e., loans with a term of at least three years) is no longer available. However, the exemption still applies to interest on existing loans obtained by companies that made interest payments before 16 June 2023.

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 (i.e., 20% rate subject to a full or partial refund if a lower treaty rate applies).

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, free zone companies and PEs in Egypt must submit CbC reports and CbC reporting notifications. Additionally, if a parent or holding company operates within the free zone system, any mainland subsidiary under its umbrella must concurrently prepare and file the master file along with the local file.

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 jurisdiction 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.

While 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 notification must be filed before the end of the FY of the ultimate parent entity 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.

Late fees do not apply to noncompliance penalties.

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. However, the APA program has not yet been implemented or activated by the ETA.

Payments made on behalf of related parties, cost recharges, and reimbursements of expenses for related party transactions are subject to mandatory disclosure. These payments should be reported in Table no. 508 of the taxpayer's corporate income tax return, as well as in the local file. Related party transactions that affect balance sheet accounts also should be reported in Table no. 508 of the annual corporate income tax return.

Finally, note that dividend payments are not considered related party transactions.

Interest deduction limitations: Egypt's thin capitalization ratio is being reduced gradually, as follows: it will be 3:1 for FY 2024 through FY 2027 (reduced from 4:1 in prior years) and 2:1 as from FY 2028. 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

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 standard VAT rate of 14% applies to all services, except for professional services, which are subject to a 10% rate.

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.

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 providing services to businesses (B2B transactions) are not required to register using the simplified procedure. Instead, businesses in Egypt should apply the reverse charge mechanism to such received services.

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 regulation is released to register and apply the new rules.

Additionally, the VAT law's executive regulations were amended in January 2023 and provide that nonresident suppliers of B2C services should have been registered under the simplified procedure by 22 June 2023.

Nonresident electronic data processing vendors and operators providing remote services to Egyptian B2C customers must register under the simplified vendor registration regime upon meeting or exceeding the threshold of EGP 500,000 within a 12-month period, while professional and consultancy services providers must register from the outset, regardless of the amount earned in Egypt. The registration applications must be submitted through the ETA's online portal.

Nonresidents registered under the simplified procedure are eligible for refunds of VAT incurred on purchases in Egypt. Nonresident suppliers do not have the right to deduct input VAT but can apply for a refund by submitting a refund request.

Filing and payment: The unified tax procedures law and 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 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 capsor the year 2024 are EGP 2,000 and EGP 12,600, 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% to 11% 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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Tax Genie, Deloitte Middle East's New GenAI Tool for Tax & Legal

Deloitte Middle East's Tax and Legal practice recently introduced Genie, a revolutionary internal Generative AI (GenAI) tool tailored for Middle East tax and legal data. Tax Genie enhances our capabilities to deliver precise, strategic solutions that meet our clients' specific needs, integrating our expertise with advanced AI technology to set new industry standards.

With Tax Genie, Deloitte Middle East leads the future of tax and legal services, delivering transformative solutions powered by innovation.

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. As per the instructions of Decree No. 23026 of 2023, issued by the Council of Ministers of the Iraq government on 10 January 2023, all contracts should be drafted in IQD and payments should be made in IQD

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.

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% (in general)/35% (oil and gas industry)	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. There are no material differences in the tax treatment of branches of foreign companies and limited liability companies in Iraq.

Taxable income: Tax is imposed 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:
General
A flat rate of 15% generally applies in Federal Iraq, with a higher rate of 35% 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.

Global minimum tax (Pillar Two)
Iraq is not part of the OECD. As such, it has not committed to implementing rules that generally are in line with the global anti-base erosion (GloBE) or "Pillar Two" model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for certain multinational enterprise groups.

Taxation of dividends: Iraq does not impose withholding tax on dividends, 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 income tax rate.

Losses: Losses are tax deductible and may be carried forward for up to five consecutive years, but no more than 50% of any year's taxable income may be offset. Losses carried forward may be offset only against the same source of income from which the original loss arose. However, historically the use of carryforward losses was not automatically accepted by the tax authorities. Recently, as part of the reform of the tax assessment system (see "Filing and payment" under "Compliance for corporations," below), tax losses are being considered by the tax authorities during the preliminary assessment; however, it is not yet clear as to whether these will be considered after the final audit stage.

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: Law No. 17 of 2019 provided an amendment to Companies Law No. 21 of 1997, introducing the concept of holding companies in Iraq and setting the conditions for registration.

Incentives: In Federal Iraq, the investment law and other exemption decrees provide for temporary tax holidays and exemptions from taxes and customs duty for specific approved projects. Free zones exist but are currently 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 corporate tax return must be filed by 31 May following the end of the taxable year in Federal Iraq, or 30 June following the end of the taxable year in the Kurdistan Region.

In late 2023, the Iraqi government published instructions under Council of Ministers Resolution No. 23527 of 2023 ("Resolution No. 23527"), reforming the tax assessment system in Iraq. While corporate income tax assessments were previously carried out on a deemed profit basis, the tax reform has formally introduced a self-assessment approach for the completion of assessments. Taxpayers are now entitled to determine their assessment based on the accounting profit/loss disclosed in their financial statements, after considering the tax nondeductible items in the tax return; however, these assessments will be made on a provisional basis and considered final only upon the completion of a detailed audit.

In March 2024, the Iraqi prime minister's office established a "Supreme Committee" (SC) through an executive order to oversee the implementation of the tax system reform, as outlined in Resolution No. 23527. The SC will guide the General Commission for Taxes and other authorities in aligning with the tax reform provisions. Relevant tax audit guidelines are expected to be issued shortly.

Penalties: In Federal Iraq, the late filing penalty for a legal entity is calculated as 10% of the tax liability, capped at IQD 500,000 per year. For a branch of a foreign company, the late filing penalty is limited to IQD 10,000.
In the Kurdistan Region, for large taxpayers, the late filing penalty is 5% of the tax due for each month of delay, capped at 100% of the tax liability. For small companies, the penalty for late filing is calculated as 10% of the tax liability, capped at IQD 75,000 per year.

In both Federal Iraq and the Kurdistan Region, penalties are imposed on late or unpaid tax at a rate 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 an additional 21 days (i.e., after 42 days in total). Further, late payment interest of 11% per annum applies in Federal Iraq and to small taxpayers in the Kurdistan Region. For large taxpayers in the Kurdistan Region, interest applies on tax that is paid late, at a rate of 1% per month. Interest accrues from the payment due date until the date the tax is finally settled.

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%
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.

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 personal allowances, based on residence and family status, 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: The employer is responsible for the filing of monthly or quarterly returns and annual returns on behalf of its employees working in Federal Iraq and the Kurdistan Region.

Filing and payment: Filing and payment: Employers are required to withhold taxes on behalf of employees and remit the amount to the tax authorities. In Federal Iraq, taxes withheld monthly from employees must be remitted by the 15th day of the following month. The annual personal income tax declaration must be made before 31 March following the end of the tax year.

In the Kurdistan Region, taxes withheld from employees must 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 following the end of the tax year.

Penalties: Penalties are imposed on unpaid or late paid employment taxes, for both Federal Iraq and the Kurdistan Region, at a rate 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 an additional 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 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%

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 nonresident companies (other than companies considered as a bank under the terms of the law) is subject to withholding tax of 15% of the gross payment. In practice, no withholding tax is applied on interest paid to nonresident individuals or to residents.

Royalties: Iraq imposes a withholding tax of 15% on “regular” payments. While the law does not specifically cover royalties, the relevant terminology may result in a broad interpretation including royalty payments. The matter remains subject to debate, and discussions to ascertain the applicability of withholding tax on royalties are ongoing with the local tax authorities.

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: Federal Iraq has an extensive tax retention system that applies in respect of payments to subcontractors under contracts that are considered “trading in” Iraq. The concept of “trading in” Iraq, as opposed to “trading with” Iraq, is similar to the permanent establishment concept that may be applied internationally. The nature of activities performed under the specific contract, and any requirements for physical presence, are determining factors in assessing whether the contract is deemed to be “trading in” or “trading with” Iraq; a qualification as “trading in” Iraq would result in triggering a taxable event. 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.

The tax retention applies to payments made to nonresidents and to residents. However, it is not considered a final tax and may be offset against the corporate income tax liability, subject to certain conditions.

In the Kurdistan Region, a similar approach applies where tax liability is assessed on a deemed profit basis by applying a fixed percentage to the revenue generated from the contract to get to a deemed profit. This amount is then subject to corporate income tax at a rate of 15%, which is considered a final tax. The deemed profit rates applicable are based on the nature of the contract and range between 20% and 75%, resulting in a range of withholding tax rates between 3% and 11.25%, depending on the nature of the contract.

In addition, tax retentions may be applied in the Kurdistan

Region on payments made by the public sector, which may include a 5% tax retention (however, this treatment generally has not been applied in practice).

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. However, related party transactions are often scrutinized and their deductibility for tax purposes may be challenged in practice.

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

Anti-hybrid rules: 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.

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

Value Added Tax

There is no VAT in Iraq.

Sales tax applies on limited consumer items, such as tobacco and alcohol, flights, 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: In Federal Iraq, in respect of all employees reported, the employer deducts a 5% contribution from an employee's salary and also makes a 12% employer contribution (or a 25% employer contribution if the company is operating in the oil and gas sector).

With respect to Iraqi individuals employed in a non-oil and gas sector, the government is responsible for covering an additional contribution of 8%. With respect to expatriates, the employer is required to make the additional contribution of 8% on their behalf if they are registered in Iraq for social security purposes.

Social Security Law No. 18 of 2023 introduced a minimum and a maximum salary base for the calculation of social security contributions. The minimum salary accepted by the social security authority is equal to the minimum wage announced annually by the Iraqi government (IQD 350,000 monthly for 2023). The maximum monthly salary accepted is five times the minimum wage (IQD 1,750,000 for 2023). In addition, the salary base subject to social security contributions has been increased to include the basic salary and all other allowances, whether paid in cash or in kind (previously, a 30% exemption from the basic salary was applied on allowances).

In the Kurdistan Region, the social security contributions 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 10% 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 9%. There is also a real estate transfer tax, which has progressive rates from 3% to 6%.

Transfer tax: See "Real property tax," above.

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 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%
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.

Global minimum tax (Pillar Two): Jordan has not committed to implementing rules that generally are in line with the global anti-base erosion (GloBE) or "Pillar Two" model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for certain multinational enterprise groups.

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	7%/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)
	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 3,538. 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 Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS MLI) entered into force for Jordan on 1 January 2021.

Tax authorities:

Income Tax and Sales Tax Department

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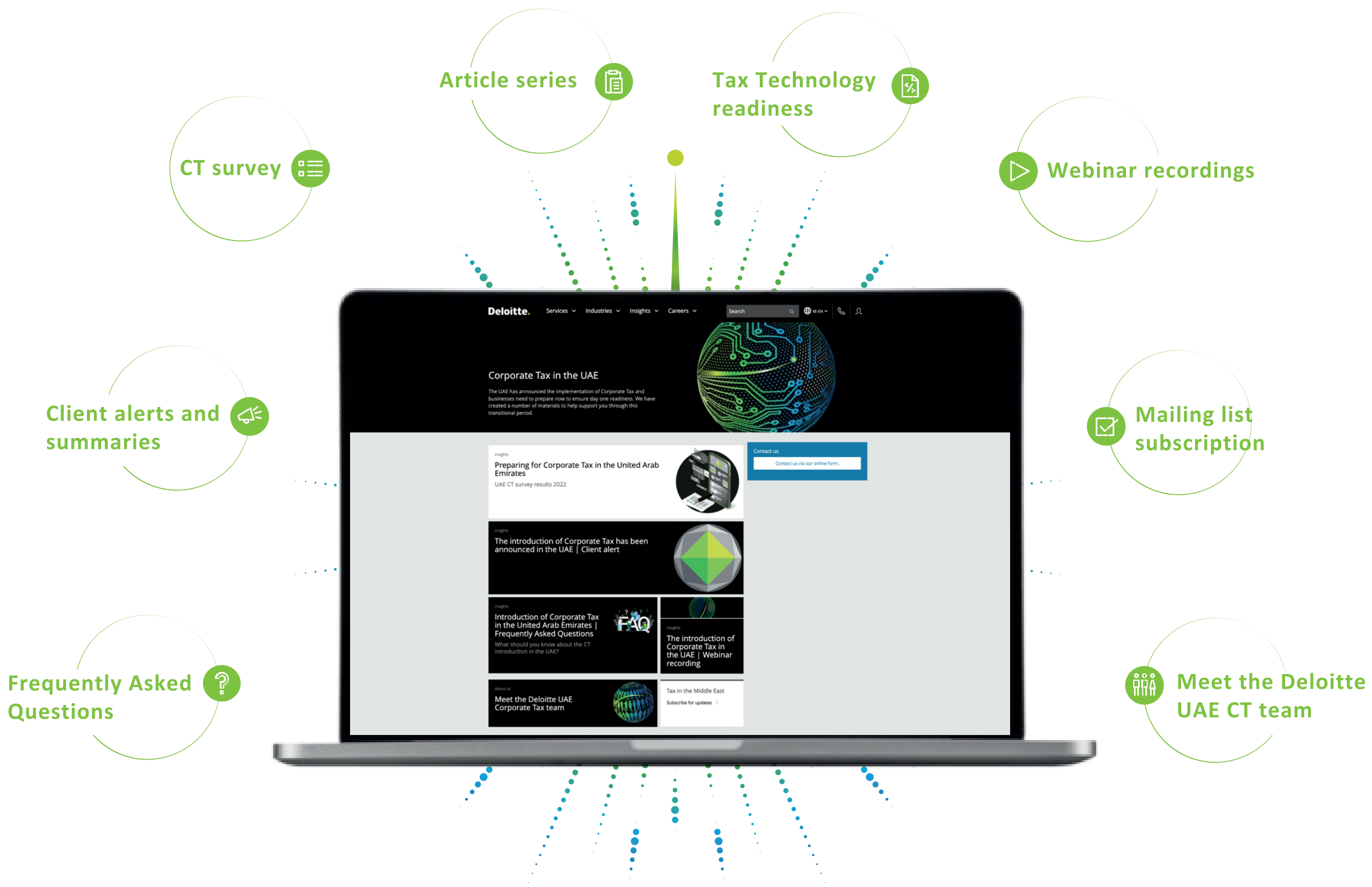
Deloitte’s UAE Corporate Tax webpage

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



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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: Resident companies listed on the Saudi stock exchange and not engaged in the production of oil and hydrocarbons are subject to corporate income tax on income arising from their operations and branches inside and outside of Saudi Arabia, but only to the extent their shares are owned by non-Saudi/non-Gulf Cooperation Council (GCC) shareholders for purposes other than speculation through trading in the Saudi stock market or by non-Saudi/non-GCC founding shareholders.

Resident companies not listed on the Saudi stock exchange are subject to corporate income tax on income arising from their operations and branches inside and outside of Saudi Arabia, but only to the extent their shares are owned directly or indirectly by non-Saudi/non-GCC shareholders or by persons engaged in oil and hydrocarbon production (unless the company is a subsidiary of a resident company listed on the Saudi stock exchange).

Persons engaged in the production of oil and hydrocarbons or in natural gas investment in Saudi Arabia are subject to corporate income tax.

Non-Saudi/non-GCC nonresidents that conduct business in Saudi Arabia through a permanent establishment (PE) are subject to corporate income tax on income arising from or related to the PE and on income attributed to the PE under the force of attraction rule, unless such rule is nullified by an applicable tax treaty. ZATCA no longer applies the "virtual PE" approach under the PE service provision contained in most of Saudi Arabia's bilateral tax treaties.

Non-Saudi/non-GCC individuals that are Saudi residents and that conduct business.

Taxable income: The tax base excludes exempt income and is reduced by allowable expenses. The tax base of a company is determined independently from its shareholders, partners, or subsidiaries, irrespective of whether the company is consolidated for accounting purposes. The tax base of persons engaged in the production of oil and hydrocarbon materials or engaged in natural gas investment is calculated separately from the tax bases 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%.

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Global minimum tax (Pillar Two): Saudi Arabia has not yet announced whether it intends to implement rules that are generally in line with the global anti-base erosion (GloBE) or “Pillar Two” model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for multinational enterprise groups with annual consolidated revenue of at least EUR 750 million.

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 gains derived from the disposal of shares in a resident company by a nonresident shareholder unless the gain is exempt or disregarded. Capital gains arising on the sale of shares acquired after 30 June 2004 and quoted on a stock exchange are exempt from tax if the shares are disposed of through a Saudi stock exchange, a foreign stock exchange, or off market sales conducted in compliance with the Saudi Capital Market Law.

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.

However, the Zakat, Tax and Customs Authority (ZATCA) considers this relief only available for the transfer of non-depreciating assets between Saudi resident group companies.

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, if there has been a continuity of at least 50% in ownership or control from the year in which the loss was made, or where there has been a change of 50% or more of the non-Saudi share of underlying ownership or control, provided the company continues 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: See “Taxation of dividends,” above.

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.

There are five special economic zones with various direct and indirect tax incentives that apply to specified industries.

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 are not permitted for corporate 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.

All persons, including government organizations, are required to submit a contract information form (CIF) to the ZATCA for all contracts with the private sector with a value of SAR 100,000 or more. The CIF must be filed within three months of signing or revising the contract. The ZATCA also must be notified within 30 days of terminating a contract.

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 withholding tax, or zakat on business income depending on their nationality and residence. See "Corporate taxation," above, and "Withholding tax" and "Other taxes on corporations and individuals," below.

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. However, a 5% withholding tax applies to technical service fees paid to both non-resident third and related party, unless reduced under an applicable tax treaty.

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

Other: Other payments, such as rent, insurance/reinsurance premiums, airline tickets, air or sea freight charges, management fees, international telecommunication services, and other payments for services not otherwise specified that are from sources in Saudi Arabia, are subject to withholding tax at various rates.

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: The deductibility of interest expense for corporate income tax purposes is subject to an interest limitation rule, which limits deductions to the lesser of (i) the actual interest expense or (ii) the 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).

Rates: The standard rate of VAT is 15%. Certain goods and services are zero-rated in accordance with the GCC’s Framework Agreement and the Saudi VAT law and its implementing regulations 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. Taxpayers must issue invoices in a standard electronic format and are 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 transferor is responsible for the collection of RETT and remittance to the ZATCA, although the transferee is jointly liable if the tax is not remitted.

Stamp duty: There is no stamp duty.

Net wealth/worth tax: There is no net wealth tax or net worth tax (but see “Zakat” under “Other,” below).

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

Other:

Zakat

Zakat is assessed on the higher of a business’s zakat base (balance sheet basis) and the net adjusted profit. For zakat payers following the Hijri year, the zakat rate is 2.5%. For zakat payers following the Gregorian year, the zakat rate is 2.5778% for the zakat base excluding the net adjusted profit and 2.5% for the net adjusted profit. Certain rules on losses exist for groups wholly subject to zakat. Consolidated returns may be filed for zakat in the case of wholly owned subsidiaries (whether domestic or foreign or held directly or indirectly). However, standalone zakat returns are required to be filed for information purposes.

Zakat is imposed on the following:

Resident companies listed on the Saudi stock exchange and not engaged in the production of oil and hydrocarbons, but only to the extent their shares: (i) are not owned by non-Saudi/non-GCC shareholders for purposes other than speculation through trading in the Saudi stock market or by non-Saudi/non-GCC founding shareholders; or (ii) are not owned by Saudi government bodies or institutions;

Resident companies not listed on the Saudi stock exchange, but only to the extent their shares: (i) are not owned directly or indirectly by non-Saudi/non-GCC shareholders or by persons engaged in oil and hydrocarbon production (unless the company is a subsidiary of a resident company listed on the Saudi stock exchange); or (ii) are not owned by Saudi government bodies or institutions;

Saudi/GCC nonresidents that conduct business in Saudi Arabia through a PE, provided that the PE is the principal place of management, i.e., if at least two of the following conditions are met: (i) board meetings related to the PE are held in Saudi Arabia; (ii) executive decisions related to the management of the nonresident's functions are made in Saudi Arabia; and/or (iii) over 50% of the nonresident's revenue is from Saudi Arabia; and

Saudi/GCC resident individuals that carry on a business in Saudi Arabia.

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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Strategic Guidance for your RHQ Establishment Journey

Embarking on your journey in the Kingdom of Saudi Arabia (KSA) demands a comprehensive strategy backed by robust support. Deloitte's Regional Headquarter (RHQ) initiatives empower businesses to navigate the complexities of the KSA with confidence.

We have developed a page on our website, serving as a centralized hub for our RHQ resources, crafted to support your expansion journey in KSA. These resources include:

- **RHQ Webinar Archive:** A comprehensive webinar session delving into RHQ activities, guidelines, regulatory considerations, and more.
- **Qatar-KSA Business Corridor Document:** Insights into opportunities for Qatari businesses expanding into the KSA market.
- **KSA Business 101 Guide:** Our one-stop guide for navigating legal, tax, and labor considerations in KSA.
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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 applies. 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.

Global minimum tax (Pillar Two): Kuwait has committed to implementing rules that generally are in line with the global anti-base erosion (GloBE) or "Pillar Two" model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for multinational enterprise groups with annual consolidated revenue of at least EUR 750 million.

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

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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.

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

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

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 approximately 70 tax treaties. Kuwait signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS MLI) on 7 June 2017.

Tax authorities:

Department of Income Tax

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Lebanon

Investment basics

Currency: Lebanese Pound (LBP). Some taxes on income derived from foreign currency assets have to be settled in that currency.

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 of foreign entities are generally taxed in the same way as subsidiaries. However, branches are subject to an additional 10% remittance tax, regardless of whether profits are actually 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%. The tax treatment of gains derived from the disposal of shares depends on the relevant circumstances. See "Tax on gains from sales of shares" under "Other," below.

Losses: Taxable losses may be carried forward for three years . As an exception to the general rule, losses for the year 2020 may be carried forward for an additional year. 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: A company established under the holding company regime is exempt from tax on profits and tax on dividend distributions. Holding companies are subject to an annual lump-sum tax of LBP 50 million. Gains derived from the sale of an investment in a Lebanese entity are exempt from tax 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.

See "Other," below, for information on the offshore company regime.

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). Under certain conditions, a 75% exemption is granted for five years, starting from fiscal year 2022.

Startup companies established within five years of 15 November 2022 may be exempt from corporate income tax for five years, on the condition that at least 80% of their employees are Lebanese.

Under certain conditions, industrial and commercial companies established in the period from 15 November 2022 up to 31 December 2024 may be exempt from corporate income tax for seven years if they are established in areas that the government wishes to develop.

Other: **Tax on gains from sales of shares:**

The tax treatment of gains derived from sales of shares depends on the relevant circumstances.

The net profit derived from the sale of shares of a Lebanese or foreign entity by a resident entity that deals in shares as a business activity is subject to business (corporate) income tax. Currently, the corporate income tax rate generally is 17%.

Gains derived from the sale of shares of a Lebanese or foreign entity by a resident entity are subject to a 15% capital gains tax or a 10% tax on movable capital, depending on whether the shares are held as long-term assets (financial fixed assets) or short-term assets (financial current assets).

Offshore company regime:

A company established under the offshore company regime is exempt from tax on profits, capital gains, and dividend distributions; offshore companies are subject to an annual lump-sum tax of LBP 50 million. An offshore company may carry on activities and have investments only outside Lebanon or through the free zones; it may own or rent premises in Lebanon, invest in Lebanese treasury bonds, and open Lebanese bank accounts, but it is not allowed to carry on banking or insurance activities (either in Lebanon or abroad).

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 10% of the outstanding tax per month, capped at 100%, and a delay in payment is subject to a penalty accruing at a rate of 2% (3% for withholding tax and VAT) per month.

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

Individual taxation

Individual income tax is declared and paid by individuals. Payroll tax is withheld from an employee's salary and is generally declared and remitted by the employer (see "Payroll tax" under "Other taxes on corporations and individuals," below).

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, which is calculated at a predefined percentage of total annual receipts ("lump-sum profit"), and income from a partnership, which is calculated based on actual revenue less eligible expenses ("real profit").

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. For the tax treatment of gains derived from the sale of shares, see "Other," below.

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

Foreign tax relief: There is no foreign tax relief.

Other:
The tax treatment of gains derived from sales of shares depends on the relevant circumstances.

The net profit derived from the sale of shares of a Lebanese or foreign entity by a resident individual that deals in shares as a business activity is subject to business income tax.

Gains derived from the sale of shares of a Lebanese entity are subject to tax at a rate of 3% (for resident individuals) or 5% (for nonresident individuals) if the entity whose shares are transferred is a real estate company or if 50% or more of the entity's total fixed assets are real estate assets.

Gains derived from the sale of an interest in a Lebanese or foreign limited liability company by a resident individual are subject to the tax on movable capital at a 10% rate.

Gains derived from the sale of an interest in a Lebanese limited liability company by a nonresident individual are subject to the tax on movable capital at a 10% rate.

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. Tax is assessed on a preceding-year basis. An individual is required to submit a return and pay any tax due before 1 February for lump-sum profit taxpayers and before 1 April for real profit taxpayers.

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 2% (3% 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, and to settle the tax due before 1 April.

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%	(8.5% effective as from 1 April 2024)" wherever 7.5% is mentioned even below in the text	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. Eligible goods imported for use in petroleum activities are exempt from VAT if similar goods are not produced locally. Exports are zero rated.

Rates: The standard VAT rate is 11%.

Registration: Taxpayers whose turnover exceeds LBP 5 billion for a period between one quarter and four consecutive quarters must register for VAT purposes.

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 10% of the outstanding tax per month, capped at 100%, and a delay in payment is subject to a penalty accruing at a rate of 3% per month. In the case of an adjustment to the VAT return, a 20% penalty applies on the difference in the amount of 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 12 million per month; (ii) a medical scheme contribution of 11% of earnings up to five times the minimum official wage, 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 5% 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 30 tax treaties.

Tax authorities:

Ministry of Finance

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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.

The Foreign Capital Investment Law (FCIL) allows 100% foreign participation in an Omani company. 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.

Global minimum tax (Pillar Two): Oman has yet to issue any announcement with respect to the implementation of rules that generally are in line with the global anti-base erosion (GloBE) or "Pillar Two" model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for multinational enterprise groups with annual consolidated revenue of at least EUR 750 million.

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.

Oman has several free zones which offer certain tax and other benefits to entities operating within the zones, including exemption from corporate tax for up to 30 years, exemption from duties imposed on goods, no minimum capital requirements, and low Omanization rates (broadly, lower percentage quotas for the replacement of foreign workers with Omani nationals).

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 nonresidents are subject to income or capital gains taxes in Oman. Nonresidents may be subject to withholding tax depending on the type of income payment (see "Withholding tax," below).

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%	0%	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. The 10% withholding tax applicable to dividends on shares distributed by joint stock companies and investment bond dividends distributed by investment funds to foreign shareholders without a PE in Oman was permanently suspended by a royal directive issued on 11 January 2023, following two previous temporary suspensions.

Interest: No withholding tax is imposed on interest paid to residents. The 10% withholding tax applicable to interest paid to nonresidents without a PE in Oman, with certain exceptions (e.g., interest on Omani bank deposits) was permanently suspended by a royal directive issued on 11 January 2023, following two previous temporary suspensions.

Royalties: No withholding tax is imposed on royalties paid to residents. A 10% withholding tax applies on the gross amount of Oman-source royalties derived by nonresidents without a PE in Oman. The rate may be reduced under an applicable tax treaty. 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. The rate may be reduced under an applicable tax treaty.
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.

Value Added Tax

Rates	
Standard rate	5%
Reduced rate	0%

Taxable transactions: 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 and supplies to or within the free zones.

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. Where a taxpayer is in a net refund position, a VAT refund application must be filed for the relevant calendar quarter within three years from the end of that quarter.

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 a 13.5% 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. Further, employers are required to pay monthly contributions of 1% of the monthly salary for non-Omani employees, for the maternity leave insurance to the Fund.

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.

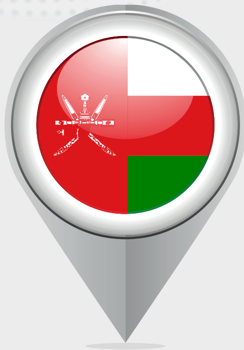
Other:
Tourism and municipality taxes may be imposed.

Tax treaties:

Oman has approximately 30 tax treaties in force. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS 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.

Global minimum tax (Pillar Two): Palestine has not committed to implementing rules that generally are in line with the global anti-base erosion (GloBE) or "Pillar Two" model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for certain multinational enterprise groups.

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: The president has put on hold 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.

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:

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: Prior to 2 February 2023, Qatar operated a territorial tax regime under which tax was imposed on income derived from activities performed wholly or partly in, consumed in, or benefited from in Qatar. Income generated from sources outside Qatar was not included within the scope of income tax in Qatar. As from 2 February 2023, income generated from sources outside Qatar is brought within the charge to Qatari income tax, excluding income related to a permanent establishment (PE) of a Qatari project situated outside Qatar.

A 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 nonresident 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.

As from 2 February 2023, the scope of taxable income is extended to include income generated from sources outside Qatar. The legislation makes specific reference to the following:

• Income derived from real estate situated outside Qatar, including income arising from the disposal of the real estate;
• Income from distribution, marketing, telecommunications, and broadcasting; brokerage fees; and commissions on guarantees and other forms of financial support; and
• Dividends, interest, royalties, and technical fees derived by a Qatari entity from sources outside Qatar.

Allowable expenses include:

• The cost of raw materials, consumables, and services required for carrying out the activities;
• Interest paid on loans used in the activities (except interest paid to a related party in the case of a branch);
Salaries, wages, and similar payments made to employees;
• Rent;
• Insurance premiums;
• Bad debts (subject to meeting certain conditions);
• Depreciation (at specified rates);
• Donations, gifts, aid, and subscriptions to charitable, humanitarian, scientific, cultural, or sporting activities paid in Qatar to governmental authorities, public bodies, or institutions, or any other authorized body in 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 (before the deduction of entertainment expenses and certain other grants and donations), capped at QAR 500,000.

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. 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.

As from 2 February 2023, the following are exempt from corporate income tax:

Public and private charitable and public interest organizations;
Interest and returns on Islamic finance instruments; and
Remuneration earned by Qatari projects in the form of directors' fees for providing board of director services to foreign projects.

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%.

Entities operating in the QFZ benefit from a 20-year corporate income tax holiday. Regulations confirming the applicable tax rate after the expiry of the tax holiday period have not yet been issued.

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Global minimum tax (Pillar Two): Qatar has acknowledged that it is considering the implementation of rules that generally are in line with the global anti-base erosion (GloBE) or "Pillar Two" model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for multinational enterprise (MNE) groups with annual consolidated revenue of at least EUR 750 million. Qatar will most likely adopt a tax that is intended to be a qualified domestic minimum top-up tax (sometimes referred to as a QDMTT).

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

Capital gains: Under the State of Qatar and QFC tax regimes, gains derived by a company from the transfer of tangible and intangible assets are subject to capital gains tax at a rate of 10%. Foreign companies selling shares in Qatar-based companies are subject to capital gains tax in Qatar.

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: Credit is available for foreign tax paid on foreign-source income subject to corporate income tax in Qatar up to the amount of Qatari tax that would otherwise be payable on the income. Excess foreign tax credit may not be carried forward or back.

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.

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 the calendar year; however, a 12-month period ending on a date other than 31 December also is allowed.

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 hold a Qatari nationality

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	0%	0%	0%	5%
Royalties	0%	0%	0%	5%
Payments for services	0%	0%	0%	5%

Dividends: Qatar does not impose withholding tax on dividends.

Interest: There is no withholding tax on interest payments made to residents. A 5% withholding tax applies to interest payments made to nonresidents although certain exemptions or exclusions may apply, or the rate may be reduced under an applicable tax treaty.

Royalties: There is no withholding tax on royalties paid to residents. A 5% withholding tax applies to royalties paid to nonresidents. Certain leasing charges may be considered royalties. The rate may be reduced under an applicable tax treaty.

Payments for services: There is no withholding tax on payments for services made to residents. Payments to nonresidents 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.

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 15th 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: As from 2 February 2023, certain entities must report information relating to economic substance including core income generating activities performed in Qatar. Further guidance with respect to in-scope entities and the reporting mechanism is expected to be provided in executive regulations. Entities failing to comply with this obligation will be unable to obtain a Qatari tax residency certificate. A penalty of 15% of net income applies for failure to comply with this reporting obligation. 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: As from 2 February 2023, businesses are required to provide information related to their legal and beneficial ownership and provide other financial information upon request from the GTA.

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: As from 2 February 2023, businesses are required to provide information related to their legal and beneficial ownership and provide other financial information upon request from the GTA.

Value Added Tax

There is currently no VAT in Qatar.

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.

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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United Arab of Emirates

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

Rates	
Corporate tax rate	0% on the first AED 375,000 of taxable income; 9% on taxable income exceeding AED 375,000
Branch tax rate	Corporate income tax rate
Capital gains tax rate	Corporate income tax rate

Residence: UAE if it is incorporated (or otherwise established or recognized under applicable legislation) in the UAE (including in free zones) or managed and controlled in the UAE.

Basis: Residents are taxed on worldwide income; nonresidents are taxed only on UAE-source income. Branches generally are taxed in the same way as subsidiaries.

Certain entities are exempt from corporate income taxation (subject to conditions), namely: government or government-controlled entities, entities engaged in an extractive business, entities engaged in a non-extractive natural resource business, qualifying public benefit entities, qualifying investment funds, public or private pension or social security funds, and companies incorporated in the UAE that are wholly owned and controlled by any of the aforementioned entities. However, these entities may be subject to emirate-level income taxes (see “Emirate income taxation” under “Other” under “Other taxes on corporations and individuals,” below).

Taxable income: Taxable income is computed based on the accounting net profit (or loss) as stated in financial statements, subject to adjustments for exempt income or restricted or disallowed expenses for corporate income tax purposes. Exempt income may include certain income from shareholdings and foreign permanent establishments, as well as income derived by a nonresident operating aircraft or ships in international transportation, subject to conditions (see “Taxation of dividends,” “Participation exemption,” and “Foreign tax relief,” below).

Rate:
General: The corporate income tax rate is 0% on the first AED 375,000 of taxable income, and 9% on taxable income that exceeds AED 375,000.

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Global minimum tax (Pillar Two): The UAE has announced that it intends to implement rules that generally are in line with the global anti-base erosion (GloBE) or “Pillar Two” model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for multinational enterprise groups with annual consolidated revenue of at least EUR 750 million. However, the Ministry of Finance has clarified that Pillar Two will not be applicable in the UAE in 2024.

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Taxation of dividends: Dividends and other profit distributions received from residents are exempt from corporate income tax. Dividends received from nonresidents may be exempt if the conditions for the participation exemption are met (see "Participation exemption," below).

Capital gains: Capital gains are taxed at the applicable corporate income tax rate. Capital gains derived from the sale of a participation are exempt if the participation exemption applies (see "Participation exemption," below). Gains or losses arising on the transfer of assets or liabilities between two group members or on a (de) merger may be exempt if certain conditions are met.

Losses: Tax losses can offset up to 75% of the taxable income of subsequent tax periods, provided certain conditions are met (e.g., continuity of shareholding and business activities). Losses may be carried forward indefinitely. The carryback of losses is not permitted. A tax loss may be transferred to another taxable person at least 75% commonly owned, subject to certain conditions.

Foreign tax relief: Foreign tax paid may be credited against UAE corporate income tax due, limited to the amount due on the relevant income (ordinary credit method) for the relevant tax period. Unused foreign tax credits cannot be carried forward or back. Alternatively, residents may elect for an exemption to apply to the income and associated expenditure of foreign permanent establishments, provided certain conditions are met, including a subject-to-tax test at a minimum rate of 9%. Where the election is made, any income, losses, associated expenditure, and foreign tax credit that would have been available cannot be taken into account.

Participation exemption: The participation exemption applies to income from participating interests of at least 5%, provided the following conditions are met: (i) an uninterrupted holding period of at least 12 months (including an intention to hold); (ii) a subject-to-tax test at a minimum rate of 9%; (iii) an entitlement to receive not less than 5% of profit distributions and liquidation proceeds; and (iv) an asset test, i.e., not more than 50% of the direct and indirect assets of the participation consist of ownership interests or entitlements that would not have qualified for a participation exemption if held directly. In addition, the subject-to-tax test is deemed to be met by a participation that is a holding company whose underlying participations would meet the aforementioned conditions, a qualifying free zone person, or an exempt person under the corporate income tax law. Where the conditions are met, the exemption applies to dividends and other profit distributions, gains or losses on disposition of the participating interest, and foreign exchange and impairment gains or losses. However, it does not apply to a loss realized on the liquidation of a participation. If the participation was acquired in exchange for the transfer of an ownership interest that did not meet the conditions or in a transfer that was exempt from corporate income tax (i.e., certain transfers between at least 75% commonly owned taxable persons or certain business restructurings), the participation exemption will not apply for a period of two years. Rules targeting hybrid mismatches also apply (see "Anti-hybrid rules" under "Anti-avoidance rules," below).

Holding company regime: See "Taxation of dividends" and "Participation exemption," above.

Incentives: The UAE has established several free zones that offer benefits, which include renewable tax holidays of 15 to 50 years, no restrictions on foreign ownership, no restrictions on capital and profit repatriation, and an exemption from import duties on goods brought into the zones is considered taxable income subject to the 9% corporate income tax rate.

Companies and branches established in a free zone may continue to benefit from the tax holidays even though subject to the corporate income tax regime. A 0% corporate income tax rate applies on certain qualifying income if certain conditions of a "qualifying free zone person" are met. A qualifying free zone person is a legal entity incorporated, established, or otherwise registered in a free zone, including a branch of a nonresident that is registered in a free zone, that: (i) maintains adequate substance in a free zone or a designated zone, depending on where activities are required to be conducted; (ii) derives qualifying income; (iii) has not elected to be subject to corporate income tax; (iv) complies with the arm's length principle and transfer pricing documentation requirements; (v) prepares and maintains audited financial statements; (vi) does not have non-qualifying revenue that exceeds the de minimis requirements; and (vii) meets any other conditions that may be prescribed by the Ministry of Finance.

Qualifying income refers to income derived from transactions with other free zone persons, except for income derived from excluded activities; income derived from transactions with a non-free zone person (i.e., any person that is not a free zone person, such as a foreign company or UAE mainland company), but only in respect of qualifying activities that are not excluded activities; income derived from the ownership or exploitation of qualifying intellectual property; and any other income, provided that the de minimis requirements are met (see below). Income derived in a tax period from excluded activities or activities that are not qualifying activities where the other party to the transaction is a non-free zone person is non-qualifying revenue.

The following activities are qualifying activities: (i) manufacturing of goods or materials; (ii) processing of goods or materials; (iii) trading of qualifying commodities; (iv) holding of shares and other securities for investment purposes; (v) ownership, management, and operation of ships; (vi) provision of reinsurance services that are subject to regulatory oversight; (vii) provision of fund management services that are subject to regulatory oversight; (viii) provision of wealth and investment management services that are subject to regulatory oversight; (ix) provision of headquarter services to related parties; (x) provision of treasury and financing services to related parties; (xi) financing and leasing of aircraft; (xii) distributing of goods or materials in or from a designated zone; (xiii) provision of logistics services; and (xiv) any activities that are ancillary to the aforementioned activities.

The following activities are excluded activities: (i) any transactions with natural persons, except transactions in relation to the qualifying activities specified under (v), (vii), (viii), and (xi) above; (ii) banking activities that are subject to regulatory oversight; (iii) insurance activities that are subject to regulatory oversight, other than those specified under (vi) and (ix) of the qualifying activities above; (iv) financing and leasing activities that are subject to regulatory oversight, other than those specified under (v), (x), and (xi) of the qualifying activities above; (v) ownership or exploitation of immovable property, other than commercial property located in a free zone where the transaction in respect of such commercial property is conducted with other free zone persons; and (vi) any activities that are ancillary to the aforementioned activities.

Qualifying intellectual property refers to patents, copyrighted software, and any rights functionally equivalent to a patent that are both legally protected and subject to a similar approval and registration process to a patent, such as utility models, intellectual property assets that grant protection to plants and genetic material, orphan drug designations, and extensions of patent protection. However, it does not include marketing related intellectual property assets, such as trademarks. Qualifying income from qualifying intellectual property is calculated in proportion to overall income (i.e., such qualifying income is the result of qualifying expenditures increased by 30%, then divided by overall expenditures, then multiplied by overall income). Income derived from the ownership and exploitation of intellectual property that is not qualifying, as well as income in excess of qualifying income as calculated, is considered taxable income subject to the 9% corporate income tax rate.

The de minimis requirements are satisfied where the non-qualifying revenue derived by the free zone person in a tax period does not exceed 5% of the total income in that tax period or AED 5 million, whichever is lower. The following revenue is not included in this calculation: (i) revenue derived in relation to immovable property located in a free zone from transactions with a non-free zone person in respect of commercial property or transactions with any person in respect of immovable property that is not commercial property; (ii) revenue attributable to a domestic permanent establishment or a foreign permanent establishment of the qualifying free zone person; and (iii) revenue derived from the ownership or exploitation of intellectual property, except for the revenue that is qualifying income.

Qualifying free zone persons are subject to a 0% corporate income tax rate on qualifying income and a 9% rate on all other income. The application of the 0% corporate income tax rate applies for the remainder of the tax incentive period stipulated in the applicable legislation of the free zone in which the qualifying free zone person is registered. This period may be extended but not beyond 50 years. A qualifying free zone person may elect to be subject to the 9% corporate income tax rate.

Compliance for corporations

Tax year: The tax year is the financial year, which is the 12-month period for which the taxpayer prepares financial statements.

Consolidated returns: A resident parent company may form a tax group and file a consolidated tax return with one or more of its resident subsidiaries and be treated as a single taxpayer for corporate income tax purposes. The parent company would consolidate the financial results, assets, and liabilities of the group members for the relevant tax period, eliminating transactions between the group members. In regard to tax losses, common ownership must exist from the start of the tax period in which the tax loss is incurred to the end of the tax period in which the other taxable person offsets the tax loss transferred against its taxable income. Certain restrictions apply to the use of tax losses when subsidiaries join and leave a tax group.

To qualify for a tax group, the parent company must own at least 95% of the share capital, voting rights, and entitlement to profits of the subsidiary, either directly or indirectly, through one or more resident subsidiaries. In addition, the parent company and group subsidiaries must have the same financial year and prepare their financial statements using the same accounting standards. Exempt entities or qualifying free zone persons do not qualify for tax grouping.

Filing and payment: Taxpayers must file an annual corporate income tax return and settle any tax payable within nine months after the end of the tax period. Taxpayers also are required to maintain financial and other records that support the corporate income tax return for a period of seven years following the end of the tax period.

Penalties: Administrative penalties may be imposed for noncompliance with the tax rules.

Rulings: A taxpayer may apply to the Federal Tax Authority (FTA) for a clarification regarding the application of the corporate income tax rules or the conclusion of an advance pricing agreement with respect to a transaction or an arrangement proposed or entered into by the taxpayer.

Individual taxation

There is no individual income taxation. However, an individual that conducts a certain business or business activity in the UAE is subject to corporate income tax on income arising in the UAE or from foreign sources if the income relates to the business or business activity, but only where the total turnover derived from such business or business activity exceeds AED 1 million within a calendar year. However, the following is not included in the turnover amount and is not subject to corporate income tax: wages, personal investment income, and real estate investment income.

Apart from the above, there are no income tax laws that apply to individuals in the UAE and, as a result, no domestic concept of individual tax residence. Nevertheless, the Ministry of Finance issues tax residence certificates to individuals who satisfy certain requirements of the Ministry of Finance and an applicable tax treaty, if appropriate.

Withholding tax

A 0% withholding tax may apply to certain types of UAE-source income paid to nonresidents if the income is not attributable to a permanent establishment of the nonresident in the UAE. In practice, due to the 0% rate, there are no registration or filing obligations for payers or foreign recipients of UAE-source income. Withholding tax does not apply to transactions between residents.

Anti-avoidance rules

Transfer pricing: The transfer pricing rules in the UAE are broadly in line with the OECD transfer pricing guidelines and apply to cross-border and domestic transactions. The transfer pricing rules also apply to arrangements with a connected person (i.e., an individual who directly or indirectly has an ownership interest in, or controls, the taxable person). There is an exception for UAE tax groups to the extent all related party transactions/arrangements within the tax group are eliminated in the consolidation.

In determining the taxable income for UAE corporate income tax purposes, transactions and arrangements between related parties and connected persons must be in line with the arm's length principle. Accepted transfer pricing methodologies include the comparable uncontrolled price method, resale price method, cost plus method, transactional net margin method, and transactional profit split method. If none of these methods can be reasonably applied, any other transfer pricing method may be applied that satisfies the arm's length principle.

As a general principle, expenses incurred by a taxpayer in the course of business (excluding capital expenses) are eligible for deduction. However, payments or benefits to connected persons are deductible only to the extent they correspond to market value and are incurred wholly and exclusively for the business of the taxpayer.

The transfer pricing rules also apply to transactions of free zone persons and form part of the key conditions to qualify as a qualifying free zone person (see "Incentives" under "Corporate taxation," above). For transfer pricing purposes, the taxpayer must provide support and justification for income derived from qualifying activities that are not excluded activities (i.e., a comprehensive functional analysis).

Taxpayers are required to maintain information regarding their transactions with related parties and connected persons and must submit this information in a disclosure along with their tax return. The disclosure is required only where certain materiality thresholds are met.

In addition, the following categories of businesses are required to maintain a master file and local file: (i) taxpayers that are constituent entities of a multinational enterprise (MNE) group with total consolidated group revenue of at least AED 3.15 billion in a tax period; and (ii) taxpayers with revenue of at least AED 200 million in a tax period (a master file is not required if such taxpayer is not part of an MNE group (i.e., does not have business establishments outside of the UAE)). Upon the FTA's request, taxpayers should submit the master file and local file within 30 days.

The UAE country-by-country (CbC) rules apply to MNE groups with an ultimate parent entity (UPE) in the UAE if consolidated group revenue is at least AED 3.15 billion in the financial year immediately preceding the reporting period. The notification in the UAE is due on or before the end of the reporting year, whereas the CbC report is due within 12 months from the end of the reporting year. The CbC reporting rules in the UAE do not apply to MNEs with a UPE outside of the UAE. Therefore, constituent entities in the UAE with a UPE located overseas are not required to file a notification in the UAE or a secondary CbC report.

Interest deduction limitations: The corporate income tax law provides for a general interest deduction limitation rule, based on which net interest expenditure that exceeds a certain threshold is deductible up to 30% of the accounting EBITDA (earnings before interest, taxes, depreciation, and amortization) for the relevant tax period. Any net interest expenditure disallowed may be carried forward and deducted in the subsequent 10 tax periods. The rule does not apply to banks and other financial institutions, insurance providers, or individuals. The limitation also does not apply where the net interest expenditure for the relevant tax period does not exceed AED 12 million.

In addition, a specific interest deduction limitation rule applies to interest expenditure incurred on a loan obtained directly or indirectly from a related party on certain transactions to finance exempt income, namely: a dividend or profit distribution to a related party; a redemption, repurchase, reduction, or return of share capital to a related party; a capital contribution to a related party; or the acquisition of an ownership interest in an entity that is or becomes a related party following the acquisition. In such cases, the interest on the related party loan is not deductible unless the taxpayer can demonstrate that the main purpose of obtaining the loan and carrying out the transaction is not to gain a corporate income tax advantage. This is deemed to be the case if the related party is subject to corporate income tax (or a similar tax) on the interest income at a minimum rate of 9%.

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

Anti-hybrid rules: Rules targeting hybrid mismatches are included under the participation exemption regime (see "Participation exemption" under "Corporate taxation," above). Accordingly, the participation exemption does not apply insofar as: (i) the payer can claim a deduction for the dividend or other distribution made; (ii) the taxable person has recognized a deductible impairment loss in respect of the participating interest prior to meeting the conditions for an exemption; or (iii) the taxable person, or its UAE related party, has recognized a deductible impairment loss in respect of a loan receivable from the participation.

Economic substance requirements: There are specific 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, incur adequate expenditure, and have an adequate physical presence in the UAE. 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: The corporate income tax law provides for a general anti-abuse rule (GAAR). The GAAR applies to a transaction or an arrangement if, having regard to all relevant circumstances, it can be reasonably concluded that: (i) the entering into or carrying out of the transaction or arrangement, or any part thereof, is not for a valid commercial or other non-fiscal reason that reflects economic reality; and (ii) the main purpose or one of the main purposes of the transaction or arrangement, or any part thereof, is to obtain a corporate income tax advantage that is inconsistent with the intention or purpose of the law.

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 with taxable supplies that 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 nonresidents that are required to register for VAT to remit any tax payable by them on supplies in the UAE.

Filing and payment: VAT returns generally are required on a monthly or quarterly basis depending on turnover, but the FTA may specify a longer or shorter period if it considers that to be appropriate. Returns must be filed 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.

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.

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 or estate tax.

Other:

Emirate income taxation

Income tax decrees have been issued by five of the seven emirates (the seven emirates consist of Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al Khaimah, Sharjah, and Umm Al Quwain), but are not enforced on most businesses.

Branches of foreign banks may be subject to income tax under separate banking tax decrees in certain emirates (e.g., Abu Dhabi and Dubai). 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%.
Oil and gas exploration and production companies generally are taxed 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. 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.

Municipal taxes

Municipal taxes are imposed on certain hotel and leisure services.

Tax treaties:

The UAE has concluded around 130 tax treaties. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS MLI) entered into force for the UAE on 1 September 2019.

Tax authorities:

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

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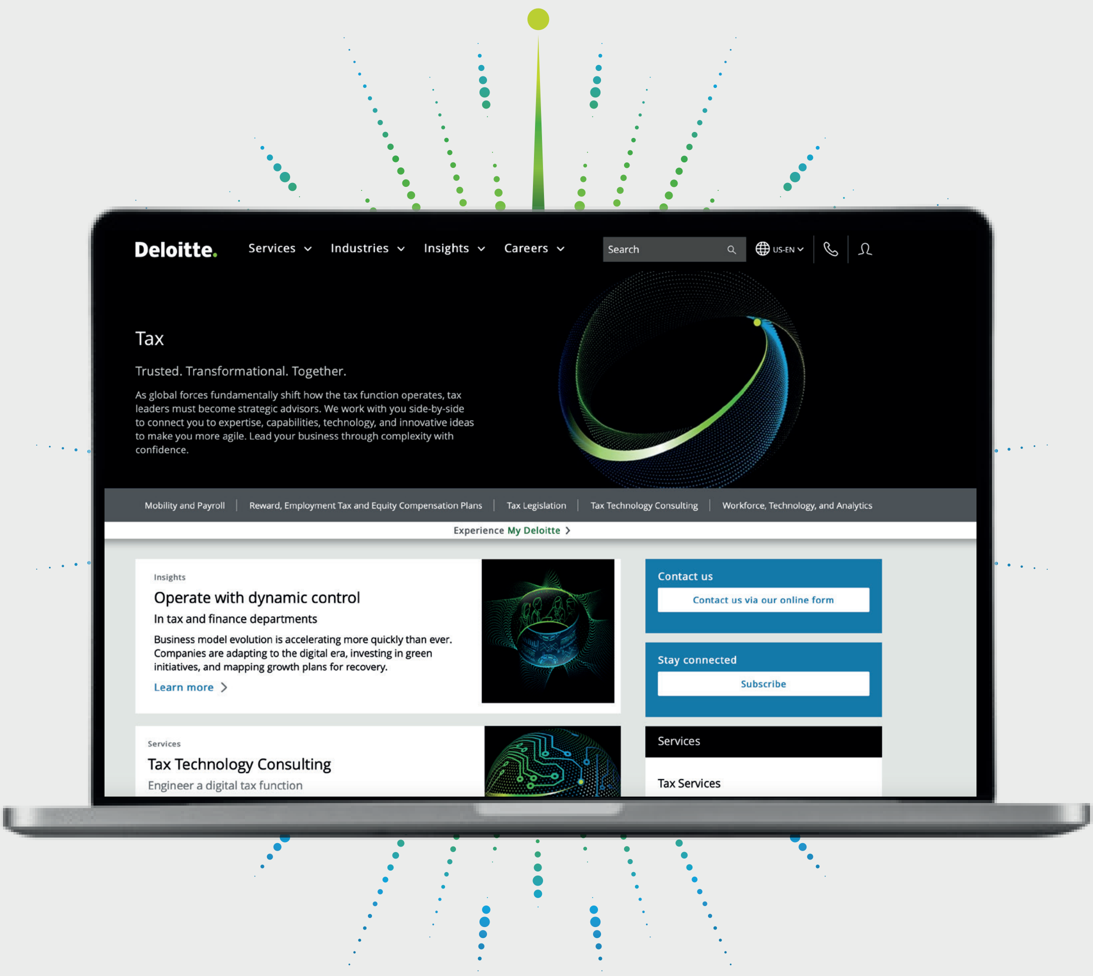

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Yemen

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.

Tax jurisdictions: There are two governments in Yemen: one in Sana'a and one in Aden. These Highlights cover the tax rules applicable in Sana'a. Different rules may apply in Aden.

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%.

Corporations operating under the Sana'a government, with an annual turnover of less than YER 20 million, are exempt from corporate income tax.

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Global minimum tax (Pillar Two) : Yemen has not committed to implementing rules that generally are in line with the global anti-base erosion (GloBE) or "Pillar Two" model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for certain multinational enterprise groups.

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;

• 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.

Individual taxation

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: 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 below are bullet points

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;
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

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%

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

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

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%/10%
Reduced rate	Exemption

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: Employers operating under the Sana'a government must contribute 13% of a national or foreign employee's salary to the General Corporation for Social Security (GCSS); the employee contributes 7%. 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.

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%. The penalty for submitting a late return is 20% of the Zakat payable.

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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