

DOING BUSINESS IN LIBYA

Taxation

Taxation issues are complex in Libya. Rules are not interpreted in a consistent way and practices can change with little notice. Local professional tax advice is recommended.

The export of goods to Libya is not subject to tax if the supplier's commitments end before customs clearance and the supplier is not registered in Libya, although the Tax Department now seeks to assess Stamp Duty on the recipient. It has been accepted that there is no income tax on such supply.

If the supply of goods forms part of a contract for onshore installation or commissioning then the full contract value, including supply, will be subject to Stamp Duty and will be taxable.

The principal taxes are outlined briefly below. A further 0.5% is also payable on any official receipt including receipts for contract registration duties, corporation taxes, personal tax etc.

Stamp Duties - Any contract negotiated in Libya is subject to stamp duty and must be registered with the Tax Department within 60 days of the effective date of the contract (usually the date of signature). A duty of 2% of the total contract value and a further 0.1% on any proportion that is sub-contracted is payable on registration. All invoices must bear the Tax Department stamp to show that stamp duty has been paid. Any delays result in a penalty of 2% of the duty per month up to a maximum of 50% of the duty. The Contractor is liable for the payment of duty and a Company should not accept an invoice from a contractor that has not been registered - if the contractor has not paid the registration duty then the company could become liable.

Government bodies withhold a stamp duty of 0.5% from all payments made by them.

Corporation tax - Companies are assessed to tax in two stages, a preliminary assessment when the company's accounts are submitted and a final assessment when the tax department examines the accounts submitted (usually not more than two years after submission). Taxes are levied on profits assessed by Tax Department who assume a certain profit margin for different business activities (e.g. 5%-8% profit on supply, 15%-20% profit on oilfield service). Corporation taxes range from 15% on LD 200,000 profit to 40% on profit of over LD 2,000,000.

Salaries and wages tax - Libyan salaries and wages tax applies to all salaries, bonuses and benefits that arise from employment in Libya. Personal Tax rates range from 8% to 15% and there is also a deduction of 1% to the Social Unity Fund. Social Security deductions are 3.75% paid by the employee and 11.25% paid by the employer. Together with Jihad tax noted below, deductions comprise almost 35% of gross salary. Foreign companies may by concession pay their foreign nationals overseas but must deduct the Libyan taxes and social Security due and pay it to the Tax Department or Social Security Department.

