

Libya - Taxation

LBBC –
Promoting Healthcare Partnerships

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Presenter

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Agenda

Corporate Tax

Personal Tax

Stamp Duty

Other

Corporate Tax

Preliminary Assessment

- A registered entity must file an annual tax return with the Tax Department within one month of the date of approval of the annual accounts (effectively the date of the Audit Report) and not later than seven months from the entity's year end. This return should be accompanied by a profit and loss account and balance sheet.

The Tax Department will raise a preliminary assessment based on this annual tax return. Income Tax and Jihad Tax will be levied on declared profit at graduated rates. No tax is payable at this time if a loss is declared.

As this is, in effect, '**self assessment**', the taxpayer has no right to appeal against the preliminary assessment.

• Taxable Income on Profits	Rate of Tax
	%
First LD 200,000	15
Next LD 300,000	20
500,000	25
500,000	30
500,000	35
Over LD 2,000,000	40

In addition Jihad Tax of 4% of profits is payable.

Final Assessment (Tax Audit)

- Audits normally 2-3 years
- Deemed profit (even if loss declared!)
 - Civil works (turnkey projects) 12%-15%
 - Labour intensive – manual work 15%-20%
 - Design and consulting engineers 25%-35%
 - Offshore supply 0%
 - Local supply 7%
- Appeal process exists and is considered fair
- Audit based on filed Arabic accounts and statutory books
 - if not maintained on add 1% or 2% on service for uncertainty

Exemptions

- Investment Law
 - register project under Investment Law
 - contractor (major) working on registered Investment Law project
- Strategic project
 - GPC Decision

Personal Tax

Income Tax

- Salary declarations must be filed with the Tax Department on a monthly basis.
- All salaries, wages and benefits-in-kind which accrue as a result of working in Libya are subject to Libyan income tax.
- Expatriate employees are almost exclusively paid offshore.
- Libyan employees must be paid in Libyan dinars for worked performed in Libya.
- Appropriate monthly declarations thereof, in Libyan dinars, are then submitted to the Tax Authorities.

Taxable Income		
Exceeding	Not Exceeding	
LYD	LYD	
0	4,800	8%
4,800	9,600	10%
9,600		15%

- In addition, Jihad Tax of 3% (effectively flat rate) on taxable income.

Income Tax

- All benefits-in-kind are taxable in Libya.
- Examples of benefits-in-kind are as follows: -
 - House rental / hotel accommodation
 - Leave passage and motor vehicle expenses
 - Company pension contributions
 - Medical costs
 - School fees
 - A proportion of sundry expenses
- Benefits-in-kind which have not been disclosed on the monthly payroll submissions of employees will be identified and assessed during the course of a tax audit by the Tax Department.

Social Security

- Social Security contributions are payable by all persons working in Libya, including expatriates. Current rates are as follows:

	Non-Government	Government
Employee's Contribution	3.75%	3.75%
Employer's Contribution	11.25%	10.50%
Contribution from Public Treasury		0.75%
	<hr/> 15.00%	<hr/> 15.00%

- Libya has reciprocal agreements with some countries (not UK) where residents working in Libya are eligible for reduced rates of social security contributions.
- Social security contributions are payable on the 10th of the month following the payment of salary. A penalty of 5% per annum will be imposed for late payment of social security contributions.
- In addition Social Solidarity Fund assessed at 1%.

Stamp Duty

Stamp Duty

- Duty applied on documents and transactions
- 45 Schedules of duty
- Main Schedule 28
 - A: Main Contract 2%
 - B: Subcontract 0.1%
- Other Common Schedule 27: Land and building Lease / rental
 - 1%
 - Lessee

Essential:

- Do not settle any invoices without registered contract / invoice
- Otherwise: can be held joint and severally liable

Other

Customs Duty

- Abolished 2005 (except tobacco)
 - production + consumption taxes (local industry)
 - service fee (Decision 26/2009) now 10%
- Exemptions to service fee exists
 - oil sector
 - Investment Law
- Temporary Import
 - deposit 20% (currently)
 - advise on 6m / 1yr license and renew

Other

- No WHT
- No CGT
- No VAT

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