Libya

A. At a glance

Corporate Income Tax Rate (%)	20 (a)
Capital Gains Tax Rate (%)	20 (a)(b)
Branch Tax Rate (%)	20 (a)
Withholding Tax (%)	
Dividends	0 (c)
Interest	0
Royalties	0
Branch Remittance Tax	0
Net Operating Losses (Years)	
Carryback	0
Carryforward	5 (d)

(a) Corporate income tax is imposed at a flat rate of 20%. In addition, Jihad Tax at a rate of 4% is imposed on the profits of Libyan companies and branches. Oil companies are subject to a composite rate of 65%, which includes income tax, Jihad Tax and a surtax.
(b) Capital gains are treated as trading income.
(c) Tax on dividends has been reinstated, but regulations relating to rates and rules of collection have not yet been issued.
(d) Oil companies may carry forward losses 10 years.

B. Taxes on corporate income and gains

Corporate income tax. Libyan companies and foreign branches are subject to tax on their worldwide income. A national company or foreign branch is considered to be resident in Libya if it is registered with the Ministry of Economy. A foreign company that does not register but engages in activities in Libya is deemed to immediately have de facto permanent establishment status in Libya and is subject to tax on its income.

Tax rates. Corporate income tax is imposed at a flat rate of 20% of profits.

In addition, Jihad Tax is payable at a rate of 4% of profits.

Oil companies are subject to a composite rate of 65%, which includes income tax, Jihad Tax and a surtax.

Companies established under Law 9/2010 (Investment Law) or Law 7/2003 (Tourism Law) are exempt from corporate taxes for up to 5 years and a possible additional 3 years or 10 years, respectively, as well as from stamp duty and import duties.

Capital gains. Capital gains are included in ordinary income and are taxed at the regular corporate income tax rate.

Administration. The financial year is the calendar year, but, on application, the Tax Department may allow a different financial year.

An annual tax return must be filed within one month after approval of the company or branch accounts or four months after the year-end, whichever is earlier. Consequently, for companies using the calendar year as their financial year, tax returns must be filed by 30 April.

Tax is payable in four quarterly installments beginning with the first quarterly due date after the issuance of an assessment. The quarterly due dates are 10 March, 10 June, 10 September and 10 December.

Dividends. Tax on dividends has been reinstated, but regulations relating to rates and rules of collection have not yet been issued.

Royalties. Subject to the provisions of double tax treaties, royalties are treated as trading income.

Foreign tax relief. Libya does not grant any relief for foreign taxes unless a double tax treaty applies.

C. Determination of trading income

General. Taxable income is based on financial statements prepared in accordance with generally accepted accounting principles (GAAP), subject to certain adjustments. A detailed body of Libyan GAAP does not exist.

Business expenses are generally deductible if incurred for business purposes unless specifically disallowed by the tax law.

Basis of assessment. The Commercial Code (Law 23/2010) requires that a report be issued on the accounts. Tax Law 2010 states that this will be relied on, and tax will be assessed on declared profits. Tax audits of accounts will be discretionary.

Notwithstanding the Commercial Code and Tax Law, in practice, tax continues to be assessed on private Libyan and foreign companies (joint stock companies and branches) based on a percentage of turnover. This is known as the "deemed profit" basis of assessment. Consequently, tax is payable even if losses are declared.

The percentage of deemed profit based on turnover varies according to the type of business activity. These percentages include the following:
- Civil works and contracting: 10% to 15%
- Oil service: 15% to 25%
- Design and consulting engineers: 25% to 40%

Each case is reviewed individually and a percentage is determined within the above broad ranges. After the preliminary final assessments are issued, taxpayers have a period of 45 days in which to negotiate an agreed settlement or to appeal. Thereafter, appeals may be made to the First and Second Appeal Committees, the Court of Appeal and finally the Supreme Court.

The deemed profit percentage applied to any year is higher than the profit percentage declared in the annual tax return, unless the actual profit declared is significantly higher than the deemed rate usually applied.

The deemed profit basis of assessment does not apply to Libyan public companies, which are assessed on an actual basis.

Inventories. Inventories are valued at cost.

Provisions. General provisions are not allowed.

Tax depreciation. Depreciation must be computed using the straight-line method. The following are some of the standard depreciation rates allowed in Libya.

Asset	Rate (%)
Furniture and tools	15 to 25
Buildings	4 to 10
Passenger cars	20
Computer hardware	25
Computer software	50

Head office overhead charges are limited to 5% of allowable general and administrative expenses.

Relief for losses. In general, losses may be carried forward five years. However, oil companies may carry forward losses 10 years. Losses may not be carried back.

Groups of companies. Libyan law does not provide for the fiscal integration of related parties.

D. Other significant taxes

The following table summarizes other significant taxes.

Nature of tax	Rate (%)
Social security contributions; on employee's annual salary; paid by	
Employer	11.25
Employee	3.75

Nature of tax	Rate (%)
Stamp duty; the Stamp Duty Law contains 45 schedules; the most relevant items for companies and branches are the duties to register contracts and subcontracts; customers do not pay invoices unless contracts are registered and duty paid; duty for registration is based on the contract value	
Contracts	1
Subcontracts	0.1
Import duties	
Basic rate	5
Vehicles and plant	10
Luxury items	15

E. Foreign-exchange controls

The Libyan currency is the dinar (LYD).

By concession, Libyan branches of foreign companies may be paid directly offshore (up to 100%).

Libyan joint stock companies with a foreign shareholding (which may be up to 49%) may be paid in foreign currency, but the payments must be made into accounts held at Libyan banks.

As a result, under the law, no issue exists with respect to the remittance of profits.

F. Tax treaties

Libya has entered into a multilateral tax treaty with the other Maghreb Union countries (Algeria, Mauritania, Morocco and Tunisia). It has also entered into double tax treaties with Egypt, France, India, Malta, Pakistan, Singapore, the Slovak Republic and the United Kingdom.

Libya has signed double tax treaties with many other Asian and European countries, but these treaties have not yet been ratified.

Libya has entered into a treaty of "Friendship and Co-Operation" with Italy.