

Insights of Arab Spring in Libyan Tax System

The general tax revenue of Libyan Tax Authority (LTA) depends on public sector activities on which the Libyan GDP is based. The Arab Spring in 2011 was associated with promotion in social aspects which is related directly to societal affairs. Shrinking unemployment rate is one of crucial due in governmental bodies which is lead municipal bodies and public companies. After dismissing most of board members in hundreds of companies in public sector, minimising unemployment rate lies on the new managerial vision. Regardless of whether this promotion is an initiative of the new managerial leaders or a reaction in front of the rapid increase in stakeholders' pressure, the impact of the concerned achievements was clearly seen in the tax revenue of LTA during post-revolution period (see table). Salary, solidarity and jihad tax are withholding tax related substantially to the employment expansion of thousands of youth and graduates during the last four years. The recent reduction in private sector might increase the necessity of such governmental decisions.

Private sector, on the other hand, suffers from economic and political instability that has negatively affected on a sector which is originally immature. Consequently, revenues of all taxes that are structurally deducted from individuals declined sharply during post-revolution period. Five years now since stepping down the former political regime, the economy has not been recovered yet (see 2016 figures in the table).

The actual revenue of corporate tax (see table) has astonishingly levelled off despite the chaotic business environment after revolution. Oil companies working in the extractive industry are the most affected by frequent closure in oil production due to military actions or employees' protesting for their rights within inconvenient business environment. Regarding the decline in VAT during post-revolution period (see table), the longitudinal stability in corporate tax was not because of new contractual assignments with companies but it was, apparently, due to LTA efforts in receiving overdue corporate tax; the increase in the revenue of 'objection fees' might emphasis on the same idea.

In conclusion, political changes in 2011 and its seismic impacts have re-delineated the structure of Libyan tax revenue in a way to fulfil the 'expectations' of society (in different institutional levels). Survivability could be on the top of them; especially in the current difficult period.

Tax	Sector	Category	Pre-revolution		Post-revolution			
			2005		2015		2016	
			LYD (Millions)	%	LYD (Millions)	%	LYD (Millions)	%
Trading Tax	Private	Individuals	24.41	2.6%	4.53	0.4%	4.91	0.5%
Free-employed businesses tax	Private	Individuals	9.12	1.0%	0.92	0.1%	2.07	0.2%
Real State Tax	Private	Individuals	16.23	1.7%	0.64	0.1%	0.60	0.1%
Corporate tax	Public	Companies	323.28	34.6%	396.71	38.8%	339.58	32.7%
Salary Tax	Public	Individuals	141.14	15.1%	228.25	22.3%	249.64	24.0%
Solidarity tax	Public	Individuals	3.19	0.3%	5.00	0.5%	4.61	0.4%
VAT	Both	Both	332.54	35.6%	171.50	16.8%	199.05	19.1%
Jihad tax	Both	Both	83.15	8.9%	215.29	21.0%	238.66	23.0%
Objection Fees	Both	Both	0.42	0.0%	0.26	0.0%	0.74	0.1%
			933.48	100%	1,023.09	100%	1,039.85	100%