



Almontaser

Chartered Public Accountants

Newsletter about:

- *The Top eight Questions about Taxation in Libya.*
Mr. Tariq S. Almontaser has all Author's rights.

November–2012

The 28th Issue.



The Top eight Questions about Taxation in Libya

Q1: Does the foreign company need to have a permanent establishment to supply only equipments in Libya?

No; any foreign company based outside Libya can supply equipments to companies inside Libya.

Q2: Does the foreign company need to have a permanent establishment to make erection for projects inside Libya?

No, foreign company can do the erection works as well.

Q3: Does any erection works inside Libya require paying taxes?

Yes, whether the erection works will be done by a foreign or local company, taxes has to be paid.

The assumption is based on a separate erection contract will be signed in addition to the supply contract:

Q4: In case offshore company will sign the erection contract, what would the related due taxes?

- Stamp tax : 1% of total contract value.(should be paid in Advance)
- Corporate tax: the assumption is based on net profit of 15% ($\pm 20\%$ of the net profit percentage it self) of total contract value, taxes is 24% of the net profit. (there is NO amnesties for companies haven't an official branch)
- Corporate tax = 0.15 (approx.) $\times .24 = 3.6\%$ of total contract value.
- Salary Tax: the tax authorities may ask foreign company to submit a pay roll for all personnel involved in the erection including names; salary and duration of project. The tax authorities may also propose assume a figure for the total salaries (if they are not convinced with the submitted pay roll) and then this figure for total salaries will be subjected to salary taxes. The amount of salary taxes is 15% (approximately) of total value.
- The amount of taxes will be paid one time at the time of signing the contract.

Q5: In case the Subcontractor sign the erection contract with offshore company for the same project, what would the related due taxes for the offshore company?

- Stamp tax: it's 1% of total contract value. While Subcontractor need to pay only 0.1%.
- Corporate tax: the assumption is based on net profit of 5% of total contract value, taxes is 24% of the net profit.
- Corporate tax= $0.15 \times .24 = 3.6\%$ of total contract value.
- Salary Tax: the tax authorities may ask foreign company to submit a pay roll for all personnel involved in the erection including names; salary and duration of project. The tax authorities may also propose assume a figure for the total salaries (if they are not convinced with the submitted pay roll) and then this figure for total salaries will be subjected to salary taxes. The amount of salary taxes is 15% (approximately) of total value.

Q6: Does foreign company have to pay any social security's charges for erection contracts?

Normally foreign companies have to pay for social security's regardless the type of contract.

Q7: Does foreign company need to make registration of the contract at the tax authorities? How much are the fees?

Yes foreign company has to make the registration, the fees are 1% of contract value. (Plus the corporate tax for Offshore companies as above mentioned and both should be paid in advance)

Q8: Does foreign company have to submit a corporate income tax with profit and loss?

Since foreign company is not registered in Libya, foreign company does not have to submit such sheet.

Tariq S. Almontaser

Tripoli in 09/11/2012