



# Doing Business in Libya 2024

**A Tax and Legal Guide**





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# Welcome to this guide

Your journey begins

Location

Presence

Objectives

Operations

Libya, officially known as the State of Libya, is a country located in North Africa with Tripoli as its the capital. It shares its borders with Egypt to the east, Sudan to the southeast, Chad and Niger to the south, Algeria and Tunisia to the west, and the Mediterranean Sea to the north. Libya gained its independence in 1951, and its official language is Arabic. However, many Libyans also speak English or Italian as a second language.

Libya, a mostly desert oil-rich country, has significant oil reserves and heavily reliant on oil exports for revenue. It's a particularly appealing oil region due to its low cost of oil, low sulfur content and its proximity to European markets. Around 85% of Libya's oil is exported to countries across Europe.

This guide is intended to provide an introduction to the taxation and legal aspects of doing business in Libya, particularly from the perspective of the items an inbound investor will have in mind.

We hope you find the guide useful.

**Jochem Rossel** – Middle East Tax and Legal Services Leader  
**Husam Elnaili**- Libya Tax Leader



## Introduction

Oil revenues remain Libya's main source of income, accounting for more than three-fourths of the national income and nearly all the country's export earnings.

The petroleum industry was nationalised in the 1970s, and state trade unions and industrial organisations ran most other industries and utilities. However, to reduce the country's heavy dependence on oil, economic policy has emphasised agricultural and industrial developments.

PwC has always been strongly committed to Libya. In 2008, Al Motahedoon Company became a full member firm of PwC ME. Our practice in Libya includes 2 Partners and 17 other professionals and support staff working from our office in Tripoli.

PwC Libya has gained extensive experience by providing services to local and international clients in the Libyan market for many years.

## Legal and Regulatory Framework

The Ministry of Economy issued Decision 207 of 2012 which outlines the latest set of rules for what type of form or presence foreign companies can undertake in Libya.

The Decision has reaffirmed the basic principle that any foreign entity seeking to provide a service in Libya should obtain an appropriate business license. In other words, the foreign company must register an appropriate entity in Libya.

Along with the mentioned Decision, the government also issued Law No. 23 of 2010 (Commercial Code) that includes provisions related to economic activities, provisions regulating the tools for practicing economic activity, and other legal provisions closely related to economic activity.

## Establishing a Business in Libya Introduction

As per the applicable laws a foreign entity must be registered and have the relevant license in order to provide services in Libya.

Broadly speaking, foreign investors have a range of choices for establishing a business presence in Libya, including:

- Branch
- Joint Stock Company
- Investment Law

## Registration

### 1. Branch

A branch license is for a maximum of 5 years and is renewable but only if the relevant activity is still on the permitted list for branches of foreign companies at the time of renewal.

### 2. Joint Stock Company (JSC)

A foreign shareholder is allowed up to 49% of the shares. For certain considerations, the shareholding could increase to 60% based on the nature of the activity, location and technical requirements under justifiable decision from the Ministry of Economy.

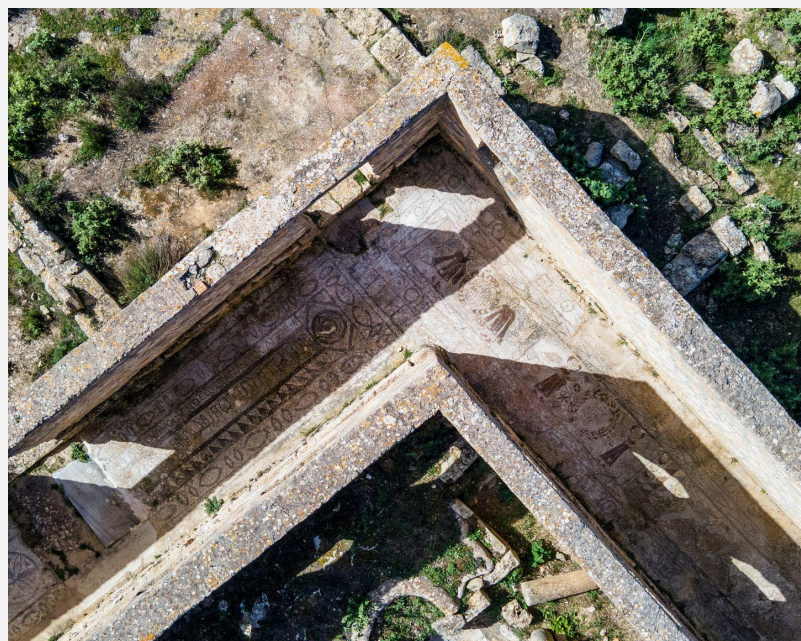
The joint company may also take the form of limited liability company formed by natural body person (Libyans and Foreigners), and the capital in such case shall not be less than LD 50,000 in the field stated in the list appended with decision 207 of 2012.

According to The Ministry of Economy issued Decision 207 of 2012 , The minimum capital of the JSC is LD 1,000,000 or three tenths (3/10) of the cash capital subscribed, whichever is the greater.

### 3. Investment Law

Investment law is designed to encourage both domestic and foreign investment in Libya. Tax benefits are granted to companies that can contribute to the diversification of the local economy, the development of rural areas, an increase in employment, etc.

Tax exemptions available to companies include: a five-year exemption from income tax; an exemption from tax on distributions and gains arising from a merger, sale, or change in the legal form of the enterprise; an exemption for profits generated from the activities of the enterprise, and reinvested; an exemption from customs duties on machinery and equipment; and an exemption from stamp duty.



## Taxation

### Corporate Income Tax

Entities operating in Libya are subject to a variety of taxes. These include Company Income Tax, Personal Income Tax and tax on additional undeclared benefits (Benefits Tax), and Jihad Tax. Companies are also subject to the payment of a proportion of INAS (Social Security) on behalf of their employees.

In theory, Libyan tax law is straightforward and the basis of determination of taxable income, assessments and payment of tax, and the various appeals processes as set out in Law No.7 of 2010 (the Income Tax Law), resemble tax laws in many countries. However, practice differs from theory.

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 four months from the entity's year end.

This return should be accompanied by a profit and loss account and balance sheet (financial statement).

### Tax Rates

The current rate for corporate income tax is a flat rate 20%, as prescribed by Law 7 of 2010.

A flat rate Jihad Tax of 4% is assessed on the same taxable profits as prescribed by Law 44 of 1973.

### Deemed Profit Basis at final tax assessment

The deemed profit basis at final tax audit /assessment as it taxes revenues, effectively does not recognise costs, and therefore can tax the same revenue streams more than once. In addition, taxes are payable even if losses are declared.

### Stamp Duty

Stamp Duty Law prescribes a schedule of duties on various transactions and documents and the most relevant to corporate entities is Schedule 28 which prescribes the rate of duties on contracts. The stamp duty / contract registration fees on main contracts is 1% and on subcontracts is 0.1%. All payments to the Tax Department are subject to stamp duty of 0.5% on the amount being paid.

### Valued Added Tax

There is no VAT in Libya

### CGT

Libya has no capital gains tax. Capital gains are added to taxable income and assessed income tax at the taxpayer's scale rates

### Transfer Pricing

Libya has no general transfer pricing regulations.

### Personal Income Tax

Salary declarations must be filed with the Tax Department monthly. All salaries, wages and benefits-in-kind which accrue as a result of working in Libya are subject to Libyan income tax.

Personal income tax is imposed at graduated rates, as follows:

### Taxable Income

Exceeding LYD	Not Exceeding LYD	
0	12,000	5%
12,000		10%

3% Jihad tax is also applicable.

### Social Unity Fund

1% of the monthly gross salary of all individuals exercising employment in Libya is taken as a contribution to 'Social Unity Fund'.

### INAS (Social Security)

Social Security contributions are payable by all persons working in Libya, including expatriates.

Social Security contributions are computed on gross income and current rates are as follows :

	Foreign branch	Libyan entity
Employee's contribution	5.125 %	5.125 %
Employer's contribution	15.375 %	14.350 %
Treasury	-	1.025 %
	20.50 %	20.50

## Key considerations

Although Income Tax Law is based on the "add-back" basis, whereby disallowed expenditure is added-back to net profits or losses, currently the Libyan Tax Department raises assessments on non-government controlled entities based on a percentage of turnover, i.e. the "deemed profit" basis of assessment. Therefore, tax is payable even where losses are declared.

## Pillar Two

### Background

On 1 July 2021 and 8 October 2021, the Organisation for Economic Cooperation and Development (OECD) Inclusive Framework (IF) issued a 'Statement' focused on addressing the remaining key challenges of base erosion and profit shifting (BEPS) arising from the digitalization of the global economy.

The Statement proposed a 'Two Pillar' Solution, comprised of (i) Pillar One which aims to ensure a fairer distribution of taxing rights is established with respect to the profits of large multinational enterprises (MNEs); and (ii) Pillar Two which implements a new global minimum Effective Tax Rate (ETR) of 15% for MNEs.

### Pillar Two

Pillar Two aims to ensure an appropriate level of tax is paid by MNEs through a series of measures aimed at modernising the international tax system for modern businesses. The Subject to Tax Rule (STTR) and the Global Anti-Base Erosion (GloBE) are the two components of Pillar Two.

#### STTR

The STTR is a treaty based rule that applicable to intra-group payments from source countries that are subject to low nominal tax rates in the country of the payee. The STTR focuses on where a source country has given up taxing rights on certain outbound intra-group payments, and it should be able to recover some of those rights where the income in question is taxed in the state of the payee at a nominal rate below 9%. The STTR applies to interest, royalties and a defined set of other payments made between 'connected persons', including services.

The OECD IF members have committed to adopt the STTR when requested by other IF members that are developing countries, as well as developed countries. In October 2023, the OECD IF issued a multilateral instrument ("MLI") that brings into effect the STTR by allowing for multiple bilateral tax treaties to be amended at the same time. Signature of the MLI is underway and applicability of the STTR expected to be commence in the near future.

#### GloBE

The GloBE Rules are designed to ensure that in-scope MNE Groups are subject to a minimum level of tax on the income arising in each jurisdiction where they operate.

Over 140 countries have committed to implementing the GloBE measures, and for the rules to have effect, individual jurisdictions must implement them into domestic law.

The GloBE Rules require implementation into domestic law by individual countries before they become effective. The rules came into effect on 1 January 2024, and over 30 countries have introduced tax rules that put into force a 15% effective tax rate on in scope entities, as well as over 100 being expected to also introduce rules that will come into effect in 2024 or 2025.

In brief, the GloBE Rules have been designed with an objective of accommodating a diverse range of tax systems, including different tax consolidation rules, income allocation and entity classification rules, as well as rules for specific business structures such as joint ventures and minority interests.

The GloBE Rules contemplate three different mechanisms for assessing tax on a MNE's income, and MNEs will have to comply with the filing requirements for each applicable rule. The first opportunity to collect the top up tax is the so called Qualified Domestic Minimum Top-up Tax (QDMTT) which gives the choice for the low tax jurisdiction itself to collect the tax (relating to this country). Second in line is the so called Income Inclusion Rule (IIR), which generally imposes tax on the parent entities within the MNE group to the extent that the foreign subsidiaries of the Group are taxed at a rate less than 15% (after the application of the QDMTT in their respective countries, if any).

These two mechanisms are accompanied by a 'backstop' rule, known as the Undertaxed Profits Rule (UTPR) which permits the collection of any remaining Top-up Tax (after QDMTT and IIR are applied) globally by any country where the MNE is active, meaning where there are people and/or tangible assets on the ground. Under certain conditions, the QDMTT could be elevated to a safe harbour that switches off the IIR and UTPR in other jurisdictions.

#### Status of Pillar Two in Libya

Libya is not a member of the OECD Inclusive Framework and has not made any announcement on the implementation of Pillar Two. Developments should be monitored.

#### What to expect?

Even if the rules will not be implemented in Libya, MNEs headquartered in Libya with consolidated subsidiaries in at least one implementing jurisdiction, may still be required to undertake the GloBE calculations for all the jurisdictions and may have specific compliance requirements. Further guidance is expected from the OECD with respect to filing obligations / location of submission of the GloBE Information Return (GIR), in cases where the ultimate parent entity jurisdiction such as Libya does not implement the rules in 2024.

As per the existing Pillar Two administrative guidance, where a MNE is headquartered in a location that has not implemented the rules, GIR filing would be made in a different location, i.e. the location of a 'designated filing entity', where the MNE has operations and the respective location has implemented the rules earlier than the MNE's headquarter location.



## Libya has the following DTTs in place

Egypt  
Sudan  
Tunisia  
Morocco  
Algeria  
Maghreb Union  
India  
Pakistan  
Malta (proposed amendments)  
Italy (expired and under renewal)  
France  
United Kingdom  
Kuwait (relates to airlines only)  
Saudi Arabia (relates to airlines only)



## Key Tax Indicators in Libya

### Corporate income tax (CIT) rates

Headline CIT rate (%) 24 % (i.e. 20% + 4% Jihad Tax)

### Corporate income tax (CIT) due dates

CIT return due date Within four months of its year-end or one month of its audit report, whichever is earlier.

CIT estimated payment due dates CIT is payable quarterly, on 10 June, 10 September, and 10 December 10 March the following year.

### Personal income tax (PIT) rates

Headline PIT rate (%) (i.e. 5% and 10% + 3% Jihad Tax)

### Personal income tax (PIT) due dates

PIT estimated payment due dates 60 days (plus 14 days grace period) after the month-end.

### Value-added tax (VAT) rates

Standard VAT rate (%) NA

### Withholding tax (WHT) rates

WHT rates (%)  
(Dividends/Interest/Royalties) NA

### Capital gains tax (CGT) rates

Headline corporate capital gains tax rate (%) Capital gains are subject to the normal CIT rate.

### Stamp duty tax rates

Main contracts are subject to 1% stamp duty (subcontracts is 0.1%), All payments to the Tax Department are also subject to stamp duty of 0.5%

Stamp duty tax rate and dues (%) Stamp duty is due on certain transactions at varying rates as well-fixed duties under the Libyan Stamp Duty Law no: (12) of (2004) and its amendment no (8) of (2010). A contract negotiated in Libya must be registered with the Tax Department within 60 days of signing the contract

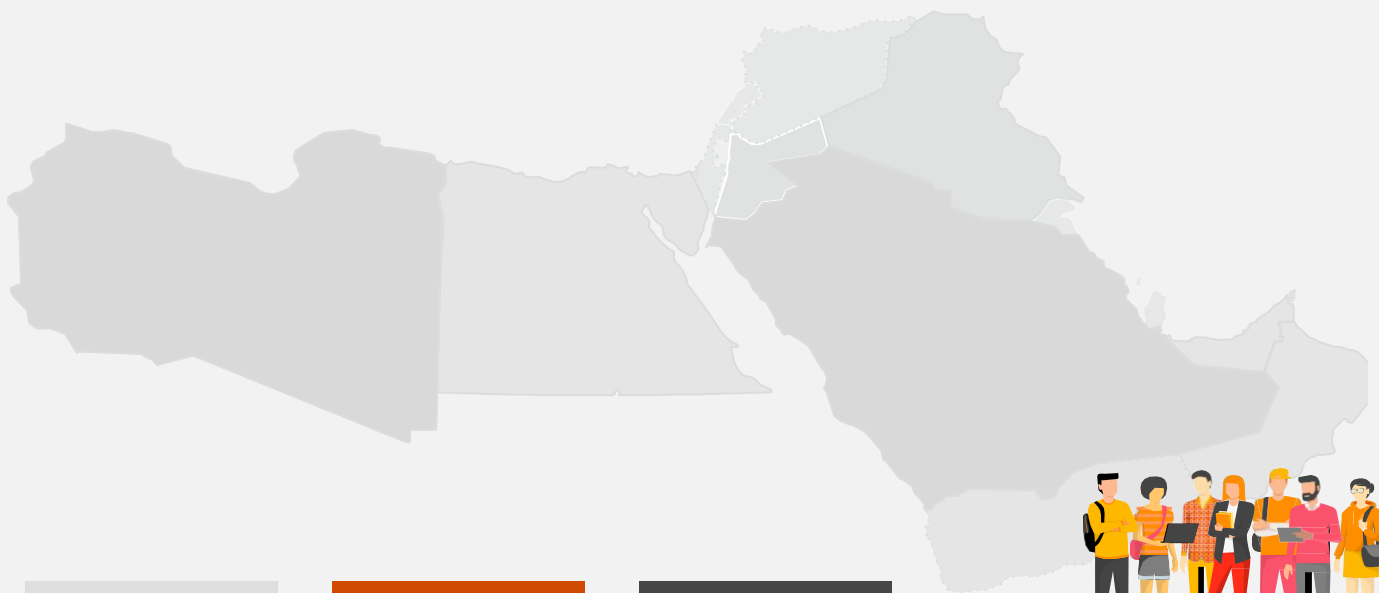


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We are one of the fastest growing PwC member firms globally and the largest professional services firm in the Middle East. Our tailored solutions help clients meet the challenges and opportunities of doing business in the Middle East and beyond.

We've experience in diverse industries, including government, energy, financial services, retail, construction, manufacturing, telecoms and more. Our clients in the Middle East include leading public and private companies, governments, banks and more. More than 50 employees from our worldwide network are on secondment to the Middle East firm, bringing global perspectives and support to our clients in the region.

Established in the region more than 40 years, PwC has more than 10,000 people in 12 countries across the region: Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, the Palestinian territories, Qatar, Saudi Arabia and the United Arab Emirates.



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people

including **450**  
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# Contacts



## Jochem Rossel

Middle East Tax & Legal Services Leader  
Email: [jochem.rossel@pwc.com](mailto:jochem.rossel@pwc.com)

## Husam Elnaili

Partner  
+968 9922 9251  
Email: [husam.elnaili@pwc.com](mailto:husam.elnaili@pwc.com)

## Taking this #journeywithyou







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