

# **Great Socialist People's Libyan Arab Jamahiriya**

## **The General People's Congress**

### **Law No. (11) of 1372 P.D (2004) regarding Income Tax.**

#### **The General People's Congress,,,,**

In compliance with decisions of the Basic People's Congresses in their general annual session for 1370 P.D (2002), and

After perusal of the Declaration for establishing the People's Authority, the Grand Green charter for human Rights in the era of masses,

La No. (20) of 1991 for enhancing freedom,

Law No. (1) of 1369 P.D (2001) regarding People's Congresses and Committees,

Civil and Commercial Proceedings Law, and

Law No. (64) of 1973 for issuing Income Tax Law, and its amending laws,

Do hereby formulate the following Law:

#### **Part I**

#### **General Provisions**

##### **Article (1)**

There shall be subjected to tax any income resulting in the Great Jamahiriya from any assets existent therein, whether material or unmaterial or from any activity or work therein.

The income resulting abroad shall be subjected to tax, in the cases specified in this Law.

##### **Article (2)**

In the cases where the tax is assessed on the basis of declaration submitted by the taxpayer for his income, the tax shall be paid on the basis of such declaration after expiry of the period specified for submission thereof on the dates indicated in Article (20) of this Law until the tax is finally assessed.

### **Article (3)**

The tax shall be finally assessed on each taxpayer on the basis of the declaration indicated in the preceding Article, is accepted by the Tax Department. The assessment shall, in such case, be unappealable.

### **Article (4)**

Without prejudice to the penalties specified in this Law, if the taxpayer refuses to submit the declaration indicated in Article (2) hereof or submits it, but unaccepted by the Department, it may estimate the income as deemed appropriate, and to assess the tax on the basis of such estimation.

### **Article (5)**

In observance of the provision of Article (3) of this law, the Department shall, in all cases, notify the tax payer of the tax assessment and the dates for payment thereof. The taxpayer has the right to appeal against such assessment before the Primary Committee, within forty five days from the date of notifying him thereof.

### **Article (6)**

The appeals submitted by those concerned against the decisions for assessment in compliance with the provisions of this Law shall be settled by Primary Committees to be formed, and their domiciles, sphere of competence and gratuities of their members specified by decision of the Secretary. each Committee shall have presided by a judge of the Court of First Instance, in whose area the domicile of the Committee is located, to be selected by its general assembly, and membership of two officials of financial sector, whose grades shall not be less than Grade (9), provided that they shall not be officials of Tax Department. The formation/setup may include number of reserve members .

### **Article (7)**

The Primary Committee shall deal with settlement of all aspects of dispute between the taxpayer and the Department.

### **Article (8)**

The appeal shall be submitted by a plea/petition to be deposited by the taxpayer in the secretariat of the Primary Committee against receipt, to be accompanied with payment receipt for fees of (0.5%) (half percent) of the disputed tax, to be not less than LD (10) (Ten Libyan dinars), in addition to payment of a part of the disputed tax on account, to be settled on issue of decision of the Primary Committee. The paid amount shall be at the rate of (20%) (Twenty percent) in case the taxpayer submits his declaration in time, and (30%) (Thirty percent)

with respect to the taxpayer who delays in submission of his declaration in due course.

The Secretary of the Committee shall send a copy of the appeal plea to the Department for expressing its opinion thereon within thirty days from the date of notifying it thereof. The Chairman of the Committee shall specify the date for consideration the appeal, to be notified to both the taxpayer and the Department one week at least before the due date.

The taxpayer shall recover the fee paid for the plea, if the decision of the Committee is issued in his favour. The Committee shall specify the part to be reimbursed from the fee, in case of partial winning.

### **Article (9)**

The Committee may ask the Department and the taxpayer to submit any data or papers deemed necessary. The officials of the Department and the taxpayer may attend before the committee, and the taxpayer may designate others for attendance before it.

### **Article (10)**

The meeting of the Committee shall be only valid by attendance of all its members, and its meetings shall be secret, and shall issue its decisions by majority of opinions, to be casual, and signed by the Chairman and members of the Committee within thirty days from the date of issue thereof.

The secretary of the Committee shall notify its decisions for both the taxpayer and the Department.

### **Article (11)**

The tax shall be due by notifying the taxpayer of the decision of the Primary Committee, even if he appeals against it.

### **Article (12)**

Both the Department and the taxpayer shall have the right to appeal against the decision of the Primary Committee before the Appeal Committee, within fifteen days from the date of being notified of the decision.

### **Article (13)**

The appeals submitted against the decisions of the Primary Committees shall be settled by an Appeal Committee or more, to be formed, and its domicile, sphere of competence and gratuities for its members shall be specified by decision of the Secretary, each consisting of the President of the Primary Court in whose

area of competence the domicile of the Committee is located, and membership of a member of the Competent Control Board, to be not less than Grade (100, and nominated by the Secretary of General People's Committee for the Competent Control Board, and an Expert in commercial or accounting matters. The decision for formation may include a number of reserve members.

#### **Article (14)**

The appeal shall be submitted by a plea to be deposited by the appellant in the Secretariat of the Appeal Committee against receipt. The Secretary of the Committee shall notify the other party by a copy of the plea within fifteen days from the date of notifying him by a copy of the plea.

If the appellant is the taxpayer, he shall enclose with the plea payment receipt for fees of (1%) (one percent) of the tax specified by the Primary Committee, to be not less than LD 20 (twenty Libyan Dinars).

The provisions and procedures for appeal before the Primary Committee shall be applicable to the appeal before the Appeal Committee and reimbursement of the fees. The decision of the Appeal Committee shall be final.

#### **Article (15)**

The Secretariat work for each Committee shall be performed by a Secretary from the employees of the Department, to be designated by the Secretary of the Department.

#### **Article (16)**

Without prejudice to the penalties specified, no complaint or appeal submitted by taxpayers of the tax on companies and partnerships shall be accepted, unless supported by the books and accounts which they are obliged to keep in accordance with the Law.

#### **Article (17)**

The complainant or appellant shall bear the responsibility for proof before the Primary Appeal Committee.

#### **Article (18)**

The Department may make compromise/conciliation with the taxpayer upon his request at any time before issue of decision of the Primary Committee for the compliant.

The Secretary of the Department shall form Conciliation Committees, each consisting of three employees of the Department, provided that they shall not include the person who made the preliminary assessment of the tax under compromise/conciliation. If the compromise is done, the complainant shall be considered as assigning his complaint, and the competent Committee shall be notified thereof.

### **Article (19)**

The assessment shall be considered as final and definite, if accepted by the taxpayer or did not complain against it within the specified period or appealed against it and adopted the specified methods of appeal.

If, however, the Department ascertains that the taxpayer did not submit a correct comprehensive declaration or concealed an activity, documents, etc. or submitted incorrect data or used fraudulent methods for evading payment of tax wholly or partly or concealed taxable amounts, the Department may make additional assessment, without prejudice to the penalties specified in this Law.

The Department may by itself or upon request of the taxpayer amend the original assessment in case of occurrence of mistake in tax estimation or calculation.

The Department shall notify the taxpayer, if it introduces into the assessment made thereby any amendment to the basics on which the original or additional assessment was made and the reasons for such amendment. The additional assessment shall be appealable like the original assessment.

### **Article (20)**

Excluding the cases provided for otherwise, the tax shall be collected at once, if it does not exceed LD (100) (one hundred Libyan Dinars). If it exceeds that, it should be collected in four installments which shall be due periodically as from the 10<sup>th</sup> until 15<sup>th</sup> day of March, June, September and December.

The tax or the first installment thereof, as the case may be, shall be paid on the first of the aforesaid dates, subsequent to its due date.

### **Article (21)**

Without prejudice to any other penalties, in case of delay of payment or delivery of the tax in the specified date, a fine of (1%) (one percent) of the value of due tax shall be imposed on each delay for a period of one month or a part thereof not less than fifteen days, at maximum fine of (12%) (twelve percent) of the tax value.

## **Article (22)**

The tax debts shall be payable in the domicile of the Department without need for claiming for its in the domicile of the debtor.

## **Article (23)**

The tax year is the period of twelve months as from 1<sup>st</sup> January of each year. If, however, the nature of the activity performed by the taxpayer would require difference of his fiscal year from the tax year, and his accounts are regular, the Secretary of the Department may decide for taking the fiscal year of the taxpayer as a basis for assessing the tax thereon.

## **Article (24)**

If there is an excuse for the taxpayer, preventing him from managing his activity or funds or being unresident in the Great Jamahiriya, the person in charge of management or possessing such funds shall be considered as his deputy with respect to applying the provisions of this Law.

## **Article (25)**

If the taxpayer decedes, he tax shall be due by his death, and the successors or receiver of the heritage shall submit the declaration on the activity of the taxpayer until the date of death and pay the tax on the basis of the declaration within six months from the date of death before any distribution of the heritage.

## **Article (26)**

The right of the State to claim for its dues under the provisions of this law shall not be forfeited by the elapse of the period.

## **Article (27)**

The right of the taxpayer to claim for recovery of the amount paid in excess of the dues thereon shall be forfeited by the elapse of three years, as from the date of payment, unless the right of claiming for reimburesment appears after procedures taken by the Department. Hence, prescription shall start from the date of notifying the taxpayer of his right to reimburesment. The period shall cause by the application sent by the taxpayer to the Department by registered letter for reimbursement of the increase paid by him.

## **Article (28)**

It shall not be judged on the Department for interests on the amounts judged for reimbursement to the taxpayers.

### **Article (29)**

The sale of the taxpayer for properties or taxable activity or a part thereof or any other act/disposal thereby involving assignment of all or part of such funds/properties or activity shall not effective against the Department, unless proved in an official write/document.

In all cases, the Department may, if it has strong evidence, discharged any act or procedure, if it deems that the intention therefrom is tax evasion.

### **Article (30)**

The tax shall be assessed annually after the end of the tax year, unless the Law provides for otherwise. However, the Department may in the cases feared from evasion of tax payment for any reason estimate during the tax year the taxable income, and assess and collect the tax, without prejudice to the penalties specified in this Law.

### **Article (31)**

It is transpires the rights of the Public Treasury are exposed to loss, the Secretary of the Department may, in exclusion of the provisions of Civil and Commercial Proceedings Law, issue an order for sequestering the funds/properties deemed necessary for payment of the tax therefrom, wherever they exist, such funds/properties shall be considered as sequestered conservatively under this order, and shall not be disposed of, unless the sequestration is removed by a verdict of a Court or decision of the Secretary of the Department or by elapse of six months from the date of imposing the sequestration, without notifying the taxpayer of the tax amount as per the estimation of the Department.

### **Article (32)**

The tax and other amounts due to the State under the provisions of this Law shall have privilege over all funds of the debtors thereof or those obligated to deliver it to the Public Treasury in accordance with this Law. Such privilege shall come in the rank after alimony debt and judicial costs.

### **Article (33)**

In applying the provisions of this Law, the person shall be considered as properly notified with any paper or he or his legal representative signs for receipt or sent t him by registered letter with acknowledged receipt for delivered to his agent or an employee thereof. If the notified official does not find anyone of these in the place of activity of the person or anyone fond of them refuses to receive the paper or it transpires that he is disqualified, this shall be proved by testimony of another person, and to deliver a copy of the

paper to the Police Station, and to address a letter by registered mail to the notified person informing him accordingly.

If the notified person does not have a known domicile, the paper shall be published on the notice board in the People's Committee for the Basic People's Congress where the notified person resides for a period of eight days. The publication shall, in such case, be proved by a certificate issue by the People's Committee for the Basic People's Congress accordingly.

### **Article (34)**

There shall be exempted from tax the following:-

- 1: Income of public corporate bodies, as well as income of religious bodies and other bodies, institutions and charity societies recognized by the State, and other bodies for the purposes of charity, benevolence, or social reforms or sports activity, all without prejudice to the provisions of Article (73) of this Law.
- 2: Income resulting from despositing in savings accounts with the Banks.
- 3: Revenue of charity endowments/Awqaf.
- 4: The amounts paid to those entitled in the contracts for life insurance, whether in death or after the end of a specific period indicated in the contract, not exceeding LD 20,000 (Twenty thousand Libyan Dinars).
- 5: Income of the students within the limits of the stipends and gratuities granted for study purposes.
- 6: Compensation paid to the families of martyrs, missing or inflected with a permanent defect during performance of their work, not exceeding LD 20.000 (Twenty thousand Libyan Dinars).
- 7: Income accrued from compiling books and preparation of studies and research in the field of culture and scientific research.
- 8: Income of pure agricultural activity for a period of ten years from the date of implementing this Law.
- 9: Income resulting from export activity, as specified in the executive regulation for this Law.
- 10: Income of public works bodies in the Shaabiat (Municipalities) and the share of the society in the income of general companies applying the dictum (Partners, not wage-workers).
- 11: Any other income exempted from tax under the Law or on the basis of an international treaty or agreement.



## **Part II**

### **Taxes in individuals and partnerships**

#### **Chapter one**

##### **General Provisions**

###### **Article (35)**

In observance of the provisions of Article (72) of this Law, the provisions of this Party shall not be applicable to the incomes subjected to tax on companies, nor applicable to the incomes distributed over the shareholders in the Company.

###### **Article (36)**

A specific tax, to be defined under the provisions of this Law, shall be imposed on the following incomes:

- One- Income of agriculture, in observance of Item (8) of Article (34) of this Law.
- Two- Income of trade, industry and crafts.
- Three- Income of partners in the bodies applying the dictum (Partners, not wage-workers).
- Four- Income of free jobs.
- Five- Income resulting from work and the like.
- Six- Foreign income for residents in the country.
- Seven- Income resulting from deposits with Banks.

###### **Article (37)**

There shall be exempted from the taxes imposed on the incomes indicated in Item (a, b, c, d, e) in the preceding Article any natural person whose annual taxable income does not exceed LD 1200 (One thousand and two hundred Libyan Dinars), if being a bachelor or LD 1800 (one thousand and eight hundred Libyan Dinars) if married without dependant children, or LD 2400 (Two thousand and four hundred Libyan Dinars) if married, widowed, or divorced, having dependant children.

The widowed or divorced woman shall be treated like the supporting man, if she is the only actual supporter of her children.

Also, the following amounts shall be exempted from the taxes imposed on the incomes indicated in Item (a, b, c, d, e) in the preceding Article :-

- One- Insurance premiums on the life of the taxpayer as concluded in favour of his wife or his dependants, as maximum of LD 600 (six hundred Libyan Dianrs) annually.

Two- General insurance premiums such as fire and theft, concluded in favour of the taxpayer, at maximum of LD 420 (Four hundred and twenty Libyan Dianrs) annually.

There shall be calculated from the exemption amounts under the two preceding paragraphs a part compatible with the period of tax assessment, if that period is less than a tax year.

The person shall not enjoy the aforesaid exemption for more than once in the tax year. If the sources of income are numerous, the exemption amount shall be deducted from the tax assessment at lowest rate.

### **Article (38)**

Any change in the social or familial status of the taxpayer shall only affect tax dueeness or calculation thereof as from the second month from the date of occurrence thereof.

### **Article (39)**

In observance of the provisions of Articles (55, 63), each taxpayer shall submit to the Department a written declaration on his taxable income within the sixty days subsequent to the end of the tax year, on the relevant form as per the rules specified in the executive regulation.

If the year ended in loss, the declaration shall indicate the loss amount, and to enclose therewith in all cases the supporting documents.

The provisions of Articles (40, 41, 42, 43, 44, 45, 46) shall be applicable to the declaration, loss account, suspension of activity and assignment thereof.

### **Article (40)**

In observance of Articles (53, 60), the tax shall be specified annually on the basis of net income accrued during the tax year. The taxable income shall be specified of the result of the various kinds of operation of all costs proved to be actually expended for obtaining such income, especially the following:-

One- Depreciation installments for the equipment, machinery, buildings and all assets used for producing the income. The depreciation installments shall be calculated as per annual rates/averages specified in the executive regulation, within the limits of purchase price of these assets.

Two- Any debts from others, to be proved as becoming deal during the period for which the income is calculated, on condition that such debt shall be included in the accounts of the activity with performance of the activity, considering the amount recovered from the debt as income.

- Three- Amounts paid to the employees under the social security system or any other alternative special system, which shall not exceed in such case (10%) (Ten percent) of the total amounts received by the employees during the period for which such amounts are paid.
- Four- Taxes and fees paid by the taxpayer on this activity, excluding the tax paid under the provisions of this Part.
- Five- Contributions to non-profit charity bodies recognized by the State, not exceeding (2%) (Two percent) of net income.

#### **Article (41)**

The necessary constituent expenses for starting performance of the activity shall be considered as costs of income, to be deducted as per annual rates/average specified by the executive regulation.

The following shall not be considered as costs of income:-

- One- any other installments than those indicated in Item (a) of Article (40) of this Law for depreciation of any asset.
- Two- Any amount expended for increasing or enlarging the assets or improving them permanently, without prejudice to the right of the taxpayer to add them to the value of assets and depreciation thereof under the Item (a) of Article (40) of this Law.
- Three- Personal or familial expenses for the taxpayer.
- Four- Any amounts deducted by the taxpayer as salary or gratuity against his work or his wife's work his juvenile children .
- Five- Any amounts deducted as reserve for confronting the losses, full of prices or doubtful debts for covering another purpose, and, in general, any amounts deducted against an obligation based on a condition or added to a term.

#### **Article (42)**

The amounts added to the profits or allocated for increasing the capital shall be subjected to tax, if not previously subjected to tax as a result of deducting them from the total income under the provisions of Article (40) of this Law. These amounts shall be considered as income accrued during the year in which they were distributed or put at disposal of the beneficiaries in any way.

#### **Article (43)**

If the account of any year is closed with loss, such loss shall be included in the expenses of the next year and deducted from its profits. If the profit is insufficient for covering the whole loss, the balance shall be transferred to the profits of the next year/s until the fifth year.

#### **Article (44)**

If the taxpayer stops performance of the activity on whose income the tax is paid, whether the stoppage is final or for a period of time, the tax shall be collected on the income until the date of stopping the activity.

The taxpayer shall in such case inform the Department thereof within sixty days from the date of stopping the activity and shall submit the necessary documents and data for settlement of the tax.

#### **Article (45)**

In case of assignment of the activity wholly or partly, the assignor and the assignee shall inform the Department of such assignment within sixty days from the date of occurrence thereof.

The assignor and the assignee shall be jointly responsible for the tax due on the assigned activity until the date of assignment with respect to the tax year in which the assignment occurred.

The assignee may ask the Department to notify him with a statement on the taxes due for it on the assigned activity. The Department shall provide him with the said statement within sixty days from the date of the application. The joint liability specified in this Article shall be confined to the amounts indicated in this statement, without prejudice to the right of the Department towards the assignor. If the Department does notify the assignee within the said period of its dues, his commitments shall be acquitted.

#### **Article (46)**

The profit resulting from sale of the activity or any material or non-material asset thereof shall be considered as taxable income. The profit shall be specified by the difference between the sale and cost price after deduction of depreciation installments or the estimated amount by the Department against depreciation, if the taxpayer does not have regular accounts.

If the sale price is less than the market value, the market value shall be considered as price thereof, and the change of the legal status of the activity including merger shall be considered as sale.

## **Chapter Two**

### **Tax on Agricultural Income**

#### **Article (47)**

The tax shall be applicable to the net income resulting from pure agricultural utilization of the agricultural lands, whether afforested or unafforested, without prejudice to the provisions of Article (49) of this Law.

The outcome obtained by the land owner as a result of using the land by others shall not be considered as income resulting from agriculture .

#### **Article (48)**

The tax rate is (5%) (five percent) annually.

## **Chapter Three**

### **Tax on Income of Trade, Industry and Crafts.**

#### **Article (49)**

The income resulting from performance of any commercial, industrial or craft activity, even if incidental or unrelated to the job, shall be subjected to tax. Also any income arising from any other source to which another specific tax is inapplicable shall be subjected to tax, unless excluded by special provision in this Law.

In applying the provisions of this Chapter the following shall be considered as commercial activities:-

- One- Land division and sale thereof after carrying out the required leveling works.
- Two- Management of fixed and movable productive and service properties and running them by others.
- Three- Brokery activities of any kind whatsoever.
- Four- Use of agricultural lands by their owners in accordance with the provision of Article (47), paragraph (2) of this Law.

The executive regulation shall specify the method of collection of tax on this income and the dates for payment thereof and the necessary data and declarations to be submitted.

#### **Article (50)**

The annual tax rate for the commercial profits shall be as follows:

The first (LD 10,000) of income:	20%
The next (LD 20,000) of income:	25%
The next (LD 30,000) of income:	30%
In excess thereof:	35%

#### **Article (51)**

The annual tax rate for the profits of industry and crafts shall be as follows:

The first (LD 10,000) of income:	15%
The next (LD 20,000) of income:	20%
The next (LD 30,000) of income:	25%
In excess thereof:	30%

#### **Article (52)**

The tax for partnerships shall be imposed on the partner's income from the revenue of the partnership activity. If the contract of the partnership provides for obtaining by the partner a specific or share from the income in any way or under any description before distribution of the income, this amount shall be considered as a part of partner's share in the income of the partnership.

The obligation to be submission of the declaration specified in Article (39) of this law shall be born by the Management of the partnership. It is required for enjoying by the partners for the exemptions specified in Article (37) hereof that each of them shall submit, together with the declaration of the partnership, a declaration for unenjoyment of the said exemption for any other taxable income, otherwise he shall forfeit his right to such exemption.

### **Chapter Four**

**Tax on the Income of Partners in the Bodies to which the Dictum (Partners, not Wage-Workers) is applicable.**

#### **Article (53)**

The incomes of partners in all productive units to which the dictum (Partners, not wage-workers) is applicable shall be subjected to tax.

#### **Article (54)**

The annual tax rate shall be as follows:

- |   |                                  |     |
|---|----------------------------------|-----|
| - | The first (LD 10,000) of income: | 10% |
| - | The next (LD 20,000) of income:  | 15% |
| - | In excess thereof:               | 20% |

The tax shall finally assessed on each part of the year in which the right to any taxable income is proved, under the rules specified in the executive regulation.

#### **Article (55)**

All economic units to which the dictum (Partners not wage-workers) is applicable shall be obliged to deliver the tax to the Department, to be enclosed with a list containing the names of the partners and the income received by them as per dates specified in the executive regulation.

### **Chapter Five**

#### **Tax on Income of Free Jobs**

#### **Article (56)**

The tax shall be imposed on the incomes of free jobs performed by the taxpayer independently, and the basic element therein is work.

#### **Article (57)**

The annual tax rate shall be as follows:

- |                                    |     |
|------------------------------------|-----|
| - The first (LD 10,000) of income: | 15% |
| - The next (LD 20,000) of income:  | 20% |
| - The next (LD 30,000) of income:  | 25% |
| - In excess thereof:               | 30% |

### **Chapter Six**

#### **Tax on income resulting from work and the like**

#### **Article (58)**

The tax shall be applicable to the income resulting from work and similar incomes resulting from any service or post, whether permanent or temporary, including the following:-

a- Remuneration against work, allowances, commissions, gratuities, privileges, representation allowances, and all periodical or unperiodical payments, whether in cash or in kind, as paid by the Secretariats or public autonomous bodies to any person, whether resident inside or outside the G.S.P.L.A.J

As to the remuneration for work or the like to the employees in the bodies financed by the Public Treasury, the tax shall be deducted directly from the budget of the body to which the employee belongs.

Three-Remuneration for work, allowances, commissions, gratuities, privileges, representation allowances and all periodical or unperiodical payments, whether in cash or in kind, as paid by the companies, bodies and individuals

against services provided in the G.S.P.L.A.J to any person resident inside or outside it, or against services provided outside the G.S.P.L.A.J, if the obligant to income does not have, in such case, an autonomous organization abroad with separate accounts for providing the income.

Four- Allowances, commissions, gratuities, privileges, representation allowances, and all periodical or unperiodical payments, whether in cash or in kind, as paid by foreign governments, and international bodies against services performed in the G.S.P.L.A.J, unless exempted by a Law or international agreement.

The tax specified in this Article shall not be applicable to the following:-

- 1- Contribution of the taxpayer to the social security system or any other alternative system.
- 2- Amounts received by the taxpayer against the actual expenses incurred thereby for performing his work.
- 3- Any deduction from the taxpayer as a result of imposing disciplining penalty thereon by deduction or fining.
- 4- Cash allowance for accumulated leave at the end of the service.

#### **Article (59)**

Any amounts paid by the employers to their employees under the social security system or any other alternative system shall not be included in the accounts of taxable income.

#### **Article (60)**

The tax shall be assessed on the excess of exemption limit of total taxable income obtained by the taxpayer, to be paid immediately on obtaining the income, whatever the method or place of achievement thereof may be.

#### **Article (61)**

The annual tax rate shall be as follows:

- The first (LD 4800) of income : 8%.
- The next (LD 4800) of income : 10%.
- In excess thereof : 15%.

The tax shall be assessed finally for each part of the year in which the right to any taxable income is proved. The assessment shall include, in such case, the incidental incomes obtained by the taxpayer by the taxpayer during that period.

For calculation for exemption from this tax, the year shall be considered as (360) days, divided into twelve equal months.



### **Article (62)**

The employees shall obligated to deliver the tax to the Department by deduction thereof from the income in the manner and dated specified by the executive regulation.

In all cases where the obligant to deliver the tax is not resident in the G.S.P.L.A.J, nor having a representative therein or impossible for him to deliver it for any reason whatsoever, the taxpayer shall pay the tax directly to the Department as specified by the executive regulation.

### **Article (63)**

The employers indicated in Item (a, b) of the first paragraph of Article (58) of this Law shall submit to the Department a statement on the names of the employees therein, place of resident, posts and the incomes received by them. They shall also notify the Department of any change to such data, all in the dates and as per the rules specified by the executive regulation.

## **Chapter Seven**

### **Tax on Foreign incomes on those resident in the country.**

### **Article (64)**

The incomes resulting abroad of any kind whatsoever for the residents in the country, whether Libyans or foreigners, shall be subjected to tax.

The income resulting from work and the like, as paid to the persons indicated in the preceding paragraph for their work abroad shall be excluded from this tax.

The exclusion shall not include the gratuities or cash remuneration received by the members of Board of Directors or Executive or Management Committees for the Institutions or companies abroad, in whose capital the G.S.P.L.A.J, or a public corporate body participates, if there membership therein is in addition to their original work.

### **Article (65)**

In applying the provision of the preceding Article, any person whose period of residence in the G.S.P.L.A.J exceeds six months during the tax year, even if disconnected, shall be considered as resident in the G.S.P.L.A.J as a place for his main residence or his main interests are therein, even if his residence during the tax year does not exceed the said period.

Also, any Libyan working abroad to the account of the State or any public corporate body or establishment in the G.S.P.L.AJ not having autonomous organization abroad, with separate account thereon.

#### **Article (66)**

There shall be exempted from the tax the foreign employees coming to the country under contract of employment with the State or a Public or private body or partnership or any individual, with respect to the incomes accrued for them for sources outside the G.S.P.L.A.J. this exemption shall include the wives of these employees and their dependents.

#### **Article (67)**

The tax shall be imposed on the net taxable income, in proving the right thereto without making any deduction or exemption therefrom. The taxpayer shall submit to the Department a declaration on his income within thirty days from the date of achieving it under the terms and conditions specified in the executive regulation.

#### **Article (68)**

The tax rate is (20) (twenty percent) of the taxable income. The executive regulation shall indicate the method and dates of tax payment.

### **Chapter Eight**

#### **Tax on interests of the deposits with Banks.**

#### **Article (69)**

The interests resulting from the deposits with Banks, whatever the period of these deposits may be, shall be subject to tax.

#### **Article (70)**

The banks shall deduct the tax from the interests indicated in the preceding Article on dueeness thereof and to deliver it to the Department under the terms and conditions and within the dates specified in the executive regulation.

#### **Article (71)**

The tax rate is (5%) (Five percent) of the taxable income.

**Part III**  
**Tax on Companies**

**Article (72)**

The tax shall be imposed on the incomes resulting in the G.S.P.L.A.J and abroad for the national companies and branches of foreign companies in Libya, whatever the type of their activity or purpose may be.

The companies shall mean, in applying the provisions of this Law, the General Companies and the private joint-stock companies. The branches of foreign companies shall mean the aspects of activity and capitals, as performed by the foreign companies in the G.S.P.L.A.J, whatever their organization or legal status may be.

**Article (73)**

There shall be subjected to tax, a part from companies, the income of other corporate companies, whether public or private if their activity is commercial, industrial, crafts or cadastral/real estate investment, even if such activities are not involved in their main activity.

**Article (74)**

The company under liquidation shall remain subjected to tax until final distribution of its assets. The receiver shall be responsible for the taxes due on the company until this date.

The receiver shall not settle any obligation on the company in any method of payment, except after settlement of tax obligations on the company.

**Article (75)**

The tax shall be specified annually on the basis of the amount of net income accrued the tax year. The taxable income shall be specified on the basis result of he operations of the various kinds as per formed during the year, after deduction of all costs proved to be expended for obtaining such income.

The general expenses or fees for services or interests or commissions changed by the foreign company to its branch in the G.S.P.L.A.J shall be only considered in the amount deemed necessary for achieving the purposes of the branch, at maximum of (5%) (Five percent) of the administrative expenses approved by the Department.

### **Article (76)**

The department may estimate the income of any branch of foreign companies on the basis of a percentage of total revenue of the foreign company, as compatible with the outcome of works of the branch, provided that this income shall be estimated in similar way to that specified in this Law.

### **Article (77)**

The incomes of branches of foreign companies, resulting from telecommunications and transport activities of the various kinds from the G.S.P.L.A.J to abroad shall be considered as achieved in the G.S.P.L.A.

### **Article (78)**

The change of the legal status of the company shall be considered as stoppage of the activity, and its merger in other companies shall be considered as assignment thereof. In such case, the difference between the book value of the assets of the merged company and the value represented by these assets in the capital of the new company shall be subjected to tax.

### **Article (79)**

The annual tax rate shall be as follows:

- |                                     |     |
|-------------------------------------|-----|
| - The first (LD 200,000) of income: | 15% |
| - The next (LD 300,000) of income:  | 20% |
| - The next (LD 500,000) of income:  | 25% |
| - The next (LD 500,000) of income:  | 30% |
| - The next (LD 500,000) of income:  | 35% |
| - In excess thereof:                | 40% |

### **Article (80)**

In exclusion from the provision of Article (23) of this Law, the fiscal year of the company and corporate bodies indicated in Articles (72, 73) of this Law shall be taken as basis for assessment of tax thereon.

The companies governed by the provisions of this Part shall submit annual declaration on their income, on the relevant form under the terms and conditions specified by the executive regulation, within one month from the date of approval of the balance sheet, not later than seven months from the end of the fiscal year.

The provisions of Articles (39, 40, 41, 42, 43, 44, 45, 46) shall be applicable to the companies, branches of foreign companies and other corporate bodies, in so far as not contravening the provisions of this Part.

#### **Part IV**

##### **Penalties**

#### **Article (81)**

There shall be punished by a fine not less than (25%) (twenty five percent) of the tax, not exceeding similar tax due under the final assessment, anyone delaying without acceptable excuse submission of the declarations, notices or data specified in Articles (39,44, 45, 49, 63, 76,80).

There shall be considered as delay in submission of the declarations, notices or data their submission unfulfilling the conditions specified in respect thereof.

#### **Article (82)**

Without prejudice to any stricter penalty, there shall be punished by a fine not less than (LD 200) and not more than (LD 2000) any responsible person for management of a taxable activity, who does not keep the books and records/registers and preparation of accounts as required under the provision of Article (102) of this Law.

#### **Article (83)**

There shall be punished by a fine not more than (LD 1000) the following:-

- 1- Anyone refusing submission of the required data, books or records to be kept.
- 2- Anyone preventing unnecessarily an official implementing this Law from entry into a building for performing his duties.
- 3- Anyone not paying the tax in due course or causes by his fault or negligence the delay in delivery of the tax to the Public Treasury.

#### **Article (84)**

Without prejudice to any stricter penalty there shall be punished by a fine not less than three times the tax unpaid anyone who committed for the purpose of tax evasion wholly or partly or provoked or agreed or helped in committing any of the following acts:-

- 1- Provision of incorrect data in the declarations or papers submitted in compliance with the provisions of this Law.
- 2- Preparation of any incorrect accounts, books, records/register, reports or balance sheet/budget.
- 3- Using any fraudulent methods for concealing or attempt to conceal taxable amounts.

#### **Article (85)**

There shall be punished by a fine not less than equal tax amount unpaid anyone who delays in deduction or delivery of the tax which he is obligated to deduct and deliver in due course.

#### **Article (86)**

The committant of any contravention to the provisions of this Law or the regulations issued in implementation thereof shall be punished by a fine not more than (LD 200) (two hundred Libyan Dinars).

Compromise may be made in the contraventions indicated in the previous paragraph by payment of an amount of LD 100 (One hundred Libyan Dianrs) within tend days from the date of offering compromise to the contravener.

#### **Article (87)**

The criminal case shall be only raised in the crimes indicated in the preceding Articles upon a written request from the Secretary of the Department, who may assign such case at any time before issue of a final verdict therein.

#### **Article (88)**

The Secretary of the Department does not deem raising the case or assignment thereof, he may compromise with the taxpayer on the basis of payment of an amount not less than the minimum fine specified in the cases indicated in Article (82) of this Law or half the tax amount unpaid in other cases.

#### **Article (89)**

The verdict/judgment for the penalties specified in this Law shall not exempt from payment of the due tax fully in the dates of its dueness.

## **Part V**

### **Final Provisions**

#### **Article (90)**

No public or private body shall refrain in any way on the pretext of keeping the functional secrets from showing the officials of the Department the documents and paper they want to see for the purpose of implementing the provisions of this Law.

The General Prosecution of the Court may, as the case may be, show the Department the files any Civil or Criminal Case connected with tax collection or assessment.

#### **Article (91)**

Those governed by the provisions of this Law shall submit to the officials of the Department upon its request the books to be kept under the Law, and other relevant writs and documents, and papers of revenues and expenses to enable the said officials to ascertain implementation of the provisions of this Law.

The seeing/perusal shall take place where the books and papers to be seen exist, during the normal working hours without need for prior notice, and the seeing may take place in the domicile of the Department, if necessary.

#### **Article (92)**

In observance of the provisions of effective legislations, each person shall submit to the Department any data to be necessary for implementing the provisions of this Law, within thirty days from the date of notifying him thereof.

#### **Article (93)**

Any public official shall inform the Department by the administrative methods specified of any information related to his work as would suggest belief in existence of deceit by fraudulent method involving or the purpose thereof is to evade tax payment or endangering it of unpayment.

#### **Article (94)**

The competent bodies shall not give exit visas to any taxpayer from those unholding the nationality of the G.S.p.L.A.J, except after submission of a certificate from the Department for payment of the tax due on him.

In all cases where such taxpayer is responsible under the provisions of this Law for any company, he shall not be granted the certificate of tax payment, except after payment by the Company of the tax due thereon as well, until the date of obtaining the certificate or provision of a guarantee accepted by the Department.

The executive regulation shall specify the categories of responsible officials in the Public or private bodies governed by the provisions of this Law.

The foreign officials of the State and public bodies and institutions shall be excluded from the condition for obtaining certificate of tax payment, except in the case of final exit.

Other exclusions from this restriction may be granted by decision of the Secretary.

#### **Article (95)**

The notaries Public and others who are legally competent to documentate or notarize writs shall inform the Department promptly of any act or concrete for which a procedure is taken before them, involving taxable income.

Without prejudice to the provisions of Article (45) of this Law, they shall not conclude any assignment of the taxable activity wholly or partly, nor conclude contract for disposal of the assets of companies and partnerships, except after submission of a certificate from the Department, indicating tax situation.

#### **Article (96)**

The Clerks Section in the Court before which the procedures for enforcement on the real estate notify the Department by registered letter with acknowledged receipt of depositing the list of sale conditions within the fifteen days subsequent to the date of depositing.

The Clerks Section in the court before which the sale occurred, as well as anyone in charge of sale by public auction compulsorily or voluntarily shall notify the Department by registered letter with acknowledged receipt of the date of selling the real estates or movables fifteen days at least before the Sale.

#### **Article (97)**

The customs Department shall refer all information and copies of all Customs Declarations for import and export to the Tax Department.



#### **Article (98)**

The Administrative bodies competent to grant licenses for performing any taxable activity or granting licenses for the possible use of a real estate to the person performing such activity notify the Department of the license and the relevant data.

Any privilege/concession, monopoly or permission necessary for performing the activity shall be considered as license. The aforesaid bodies shall also refrain from renewal, keeping or cancelation of the license before ascertaining payment by its holder of the taxes due thereon.

#### **Article (99)**

The public or private corporate bodies, partnerships or individuals shall not pay any due amounts or providing services to any contractor or dealer, except after submission of a certificate proving payment of the due tax thereon. The aforesaid bodies shall be jointly responsible with the obligant to pay the due taxes in case of unabiding by the provisions of this Article.

#### **Article (100)**

Without prejudice to the effective legislations, it is not allowed to accept a tender for the contract concluded by the bodies governed by the provisions of the Administrative Contracts Regulation, unless the participant submits a proof of payment of tax due thereon.

#### **Article (101)**

Any person concerned with tax assessment or collection under the provisions of this Law by virtue of his post, competence or work, or settlement of the relevant disputes, shall observe the secrets of the post. This obligation shall remain standing, even after leaving service.

#### **Article (102)**

The artificial persons governed by the provisions of this Law shall keep books and accounts, in addition to those to be kept thereby under other legislations, as per the rules and procedures specified by the executive regulation.

The natural persons governed by the provisions of this Law shall also keep the books and accounts specified under the provisions of the executive regulation for each category of the individual taxpayers

#### **Article (103)**

The Secretary may, upon proposal of the Secretary of the Department, grant permission for tax re-assessment to serve the public interest in the necessary cases.

#### **Article (104)**

The Secretary may, upon submission of the Secretary of the Department, exempt the taxpayer from the taxes due thereon wholly or partly and from the penalty for delay, specified in Article (21) of this Law in the following cases:

- 1- If the taxpayer deceases without heritage or legacy burdened by with debts or leaves the country finally without leaving funds/properties therein.
- 2- If bankruptcy of the taxpayer is declared or his incapability of payment is proved, or in existence of funds/properties which can be enforced thereon.

The decision for exemption may be withdrawn, if it transpires that it was based on an incorrect reason.

#### **Article (105)**

The Secretary of the Department may authorize other officials of the Department for performing some of his functions specified under this Law.

#### **Article (106)**

A percentage not exceeding (60%) (sixty percent) of the expenses for the procedures for sequestration and sale as a collection gratuity to be paid to the employees of the Department under the rules issued by decision of the Secretary of the Department.

#### **Article (107)**

The officials of the Department specified by decision of the Secretary shall have capacity of Law Enforcement Affairs regarding the contraventions specified in this Law.

#### **Article (108)**

In applying the provisions of this Law, the Secretary means the Secretary of General People's Committee for Finance, and the Secretary of the Department means the Secretary of People's Committee for Tax Department, and the Department means Tax Department.

#### **Article (109)**

The provisions of this Law shall not be prejudice to the provisions of the effective petroleum legislations.

### **Article (110)**

The executive regulation for this Law shall be issued by decision of the General People's Committee upon proposal of the Secretary of General People's Committee for Finance.

Until issue of this regulation, the regulations and decisions applicable to income tax at the time of effectiveness of this Law shall continue to be applicable , in so far as not contravening to its provisions.

### **Article (111)**

The Income Tax Law issued by Law No. (64) of 1973 shall be repealed, as well as any provision contravening the provisions of this Law.

### **Article (112)**

This Law shall come into force from the date of its issue, and shall be published in the Legislations Encyclopedia.

**The General People's Congress**

**Issued in Sirte**

**On 6 March 2004.**