

Law No. (17) of 2010

Concerning

Income Tax

On behalf of the people:

President of the Republic:

- *Having reviewed the constitution of the Republic of Yemen.*
- *And after the approval of the House of the Representatives.*

(We have promulgated the following law):

Part I

Applied Conditions

Chapter I

Recitation and definitions

Article (1): This law shall be cited as "Income Tax Law".

Article (2): Definitions: In this Law, the following words and expressions, wherever they appear, shall have the meanings accorded opposite each of them, unless the context otherwise requires:

Republic:	Republic of Yemen
Minister:	Minister of Finance.
Commissioner:	Chairman of the Tax Authority
Authority:	Tax Authority (Tax Administration)
Law:	Income Tax Law
Executive Regulations:	The Executive Regulations of this law.
Tax:	Any tax levied in accordance with the provisions of this law.
Person:	Natural or legal person. Legal person includes the following: <ul style="list-style-type: none">• Capital companies: Stock companies, Stock Limited partnerships, and limited liability companies.• Partnerships: Partnerships, Limited partnerships, Particular Partnership companies and de facto corporations.• Cooperative, charitable and other societies subject to the provisions of cooperatives Act, cooperative

federations and forums.

- State central and decentralized organizations, public and mixed institutions, agencies and companies, as well as other public legal entities.
- Foreign Banks, companies and establishments, even if their head offices are based abroad and their branches are in Yemen.

Court:	Tax Court of First Instance.
Taxpayer:	A person who is subject to tax/taxes in accordance with the provisions of this law, or whereby the person is required to pay or withhold and remit such tax/taxes to the Tax Administration; such person shall also include exempt person under this Act and the investment law or any other law.
Foreign Taxpayer:	Natural person other than Yemenis, whether resident or non-resident.
Establishment	A firm comprised of physical and moral elements, which is engaged in commercial, industrial, service, real estate or professional activities, or otherwise.
Related Person:	Shall mean any person related to a taxpayer in a way that affects the determination of the tax base, including: <ul style="list-style-type: none">a) Husband, wife, descendants and ascendants;b) Capital company and the person who directly or indirectly holds therein at least 50% of the number or value of shares, or voting rights;c) Partnerships, active partners, and silent partners; andd) Any two or more companies in which a person holds at least 50% of the number or value of shares, or voting rights in each.
Neutral price:	The price upon which two or more unrelated persons deal, and which is determined according to market forces and transaction conditions
Revenues:	Shall mean and include the following: <ul style="list-style-type: none">1) Interest and all amounts and financial values arising out of:<ul style="list-style-type: none">▪ Loans and credit facilities;▪ Balances with banks;▪ Bonds, instruments and all types of funding operations;▪ Murabaha in Islamic banks;▪ Deposits and saving accounts at banks;▪ Deposits and saving accounts with mail boxes; and▪ Treasury bonds.

- 2) Any profits resulting from:
 - Sale of securities for trading purposes; and
 - Sale of securities for holding purposes.
- 3) All financial amounts and values generated from any other sources; the implementing regulations includes criteria for determining such sources and the resulting financial amounts and values as revenues.

Royalties: The amounts paid, of any kind, in return of using, or the right of use such as copyrights related to a literary, art, or scientific work, including cinema movies, and any patent, trademark, design, model, plan, formula, or secret process, or in return for using or leasing or the right to use industrial, commercial, or scientific equipment, or information related to industrial, commercial, or scientific expertise.

Mining activity: The activities of mining and quarrying, excavations, search, exploration and exploitation activities of both metallic and non metallic minerals, as well as the associated business and industrial activities.

Natural reservoirs: The whereabouts of minerals, industrial and construction materials.

Mines: Natural reservoirs out of which minerals are extracted from the earth or from the surface.

Quarries: Natural reservoirs out of which industrial and construction materials are extracted from the ground

Metallic minerals: Minerals; the separation of which results in one or more metals like iron, copper, nickel, lead, zinc, aluminum and cobalt.

Non-metallic minerals: The minerals used in the industry in their primary status as raw materials and out of which no metal such as Magnesium and Sodium may be extracted.

Article (3): Residence: For the purposes of this law, the residence of natural or legal persons is determined as follows:

FIRST: A natural person is deemed resident in the Republic in any of the following cases:

1. If having a permanent place of residence in the Republic;
2. The residing in the Republic for a period of not less than one hundred and eighty-three consecutive or intermittent days within twelve months ending in such fiscal year, in the event such natural person does not have a permanent place of residence in the Republic; and

3. A Yemeni national working abroad, but receiving a job income from the Republic.

SECOND: A legal person is deemed resident in the Republic in any of the following cases:

- 1- If incorporated in accordance with the applicable laws of Yemen;
- 2- If its main or effective managing headquarters is in the Republic;
- 3- If it is a corporation in which the State or any state-owned legal person holds more than 50% of its capital.

The Executive Regulation of this law establishes the rules and regulations of the permanent place of residence of the legal person and its actual managing headquarters.

THIRD: Non-Resident: Any natural or legal person not meeting the conditions of the resident person described in items I and II of this article.

Article (4): Permanent Establishment: For the purposes of applying the provisions of this law, a "permanent establishment" shall mean each fixed place of business through which all or part of the projects activities of a non-resident person are carried out in Yemen, including the following:

- a) The head office;
- b) The branch;
- c) The premises used for sales;
- d) The office;
- e) The factory;
- f) The workshop;
- g) The Mine, oil field, Gas well, the quarry or any other place for extraction of natural resources, including wood, or any other forest production;
- h) The farm or plants;
- i) A building site, construction project, assembly, preparations, or any associated supervisory activities. And any person working for an affiliated project shall be deemed as permanent establishment as long as such person is authorized to conclude and approve contracts on behalf of the project; unless the activities of such person are limited to the purchase of goods or merchandise for the project;
- j) The following shall not be deemed as a permanent establishment:
 1. Utilization of the facilities solely for the purposes of storage and display of goods and commodities owned by a project;
 2. Keeping a stock of goods or merchandise belonging to the project for storage or display purposes;
 3. Keeping a stock of goods or merchandise belonging to the project exclusively for the purposes of re-cycling by another project;
 4. Maintaining a fixed place of a business solely dealing with the purchase of goods or merchandise or collection of information for the project;

5. Maintaining a fixed place of business solely for carrying out any preliminary or ancillary activity for the project;
6. Maintaining a fixed place of business where any group of the activities referred to in the preceding paragraphs are performed, provided that the overall activity of the fixed place of business resulting out of such group of activities is of a preliminary or ancillary capacity only; and
7. Industrial or commercial business performed by a foreign company through a general broker or agent or any other autonomous agent on commission basis, unless such broker or agent has devoted most of its time or effort during the tax period for the benefit of the foreign company. However, the control by a non-resident company over a resident one shall not mean that the resident company is a permanent establishment for the other non-resident company.

Article (5): Income realized from a source in the Republic shall include the following:

- a) Income generated from services rendered in the Republic, including salaries, wages and other similar benefits and the like;
- b) Income paid by a resident employer, even if the work is performed abroad;
- c) Income earned by a sportsman, or an artist for activity performed in the Republic;
- d) The income earned through activities performed by a non-resident person, through a permanent establishment in the Republic;
- e) The income earned as a result of having disposed of movable property of a permanent establishment in the Republic in any way;
- f) The income generated through the lease or sale of real estate and the like located in the Republic;
- g) Dividends of a resident capital company;
- h) Dividends paid by a resident legal persons;
- i) The proceeds paid by the government, local Authority Units, legal persons or any resident person in the Republic, and the proceeds paid by a permanent establishment with headquarters in the Republic, even if the owner is a non-resident;
- j) The amounts of rent, licensing fees and royalties paid by a resident person or which is paid to a permanent establishment having headquarterz in the Republic, even if the owner of such establishment is not residing in the Republic;; and
- k) The income earned through any other activity carried out in the Republic.

Article (6): Foreign Tax: is the tax paid outside the Republic by a resident legal person on its overseas earnings; and the resident legal person may deduct the amount of the foreign tax

actually paid overseas from the tax payable under the provisions of this law which is included within its tax base, while observing the following:

- a) The deduction may not exceed the amount of the tax payable under this law with respect to the foreign income and gains and which would be paid in the Republic on that income;
- b) Losses incurred overseas may not, in any case whatsoever, be deducted from the tax base in the Republic; and
- c) The taxpayer (legal person), claiming deduction of the paid foreign tax, pursuant to the provisions of this Article, shall submit to the Authority a proof to substantiate that it is subject to a foreign tax and the basis of taxation; particularly the amount of the foreign tax paid overseas together with the documents supporting the payment of such tax.

Article (7): Tax Year: is the fiscal year beginning on the first of January and ending on December 31 of each year, or the overlapping fiscal year of 12 months period which is taken as the basis of tax assessment. However, the tax may be assessed for a period more or less than 12 months as follows:

- A. The tax may be assessed for a period of less than 12 months in the following cases:
 1. The initial commercial period of the establishment, whether such period ends by the end of the year or at any other date the establishment determines as the end of its fiscal year;
 2. The cessation, assignment of business, death or bankruptcy events , which occurs before the end of the fiscal year;
 3. The establishment which starts maintaining regular books of account during the fiscal year, in which case the taxable income shall be independently determined from the beginning of the fiscal year to the date such establishment starts maintaining the books; and
 4. In the event the establishment changes the end of its fiscal year and closes its accounts at a date earlier than the date on which its accounts for the preceding year were closed based on an application submitted by the taxpayer indicating the reasons of such change.
- B. The tax may be assessed for a period of more than 12 months with regard to the establishments that are required to close their accounts for a period of more than one year, but not exceeding 18 months, as a result of business cessation, waiver, bankruptcy or any other legal and supported reason

Chapter II

Scope of income tax

Article (8): Scope of Tax: income taxes provided in this law shall be levied on the following:

- A. The income generated by the resident legal persons, whether gained inside or outside the Republic;
- B. The income realized by the resident natural persons;

- C. The income of natural persons, whether resident or non-resident, from an external source through businesses or services performed in the Republic; and
- D. The income of non-resident persons, whether natural or legal, gained within the Republic.

Chapter III
Types of Income Taxes
Sub-chapter I
Tax on Commercial and Industrial Profits
Section I
SCOPE OF TAX

Article (9): The tax shall be levied annually on all incomes generated from trade, industrial and service activities, as well as the following profits and earnings:

- a) The profits realized from a transaction or transactions carried out by brokers and commission agents (though confined to only one transaction), and in general, all profits realized by any establishment or person who is engaged in the brokerage business to purchase or sell any type of commodities, services, or financial values and all movable assets, or the purchase or sale of real estate or trading stores.
- b) Profits of persons who buy for their own account all kinds of movable and immovable assets to lease or resell them to others for the purpose of generating profits, as well as profits of persons engaged in leasing such assets for the purpose of re-leasing the same; and this shall include the profits of persons leasing equipped assets for commercial, residential or industrial purposes with the tools and all or some intangible elements necessary for their operation, as per the nature of the activity.
- c) Profits earned by all types of franchising companies, whether resident or non-resident, as well as profits generated by partnership and capital companies, whatever their activities or purposes may be and regardless of the activities they undertake, whether be commercial, industrial, financial or real-estate.
- d) Profits earned by those engaged in the construction or purchase of real estate for their own account for the purpose of selling them as a profession, whether such profits result from selling the property as a whole or divided into apartments, rooms, administrative or commercial units, or otherwise.
- e) Profits generated through building, construction and contracting operations.
- f) Capital profits, including those earned through the sale of an establishment, or any of its assets, shares, quota, or assignment or change of its ownership in a way other than inheritance, whether during or at the end of the activity. The income shall be deemed earned by the transfer of the ownership, shares, quotas or the establishment, or the assets from the owner to another person, or liquidation or merger with other legal person.

- g) Profits earned through compensation, including the compensation obtained against evacuation of the establishment leased premises or its warehouses in favor of another person.
- h) Profits of any contract concluded or finalized in the Republic, whether being a contracting agreement, undertakings, tendering, agency commission, registration agreement or commercial brokerage and the like, whether the source of funding is located inside or outside the Republic.
- i) Profits of resident natural persons earned within the Republic.
- j) Profits earned by resident legal persons inside or outside the Republic.
- k) Profits of non-resident persons that are earned in the Republic through provision of a service, engagement in any activity, profession or single transaction in the Republic, subject to the double taxation avoidance agreements in which the Republic is a signing party.
- l) Profit of economic units of the public, mixed sectors and their sub-sectors, whenever any of these units practice business activities which are, in their nature, subject to the tax provisions set out in accordance with this Law, and to the extent of such taxable activities.
- m) Amounts received against selling, leasing or granting a concession for use, or exploitation of any trademark, design, patent, or copy, publication and serial rights, in compliance with the applicable laws.
- n) Income generated from the sale or assignment of the ownership, liquidation or merger of a legal person with another legal person.
- o) Income generated from all types of insurance or re-insurance business, as well as the income generated from land, marine or air transport, including incomes earned from shipping, stevedoring, discharging, packing and other associated activities.
- p) Incomes of establishments and companies working in oil and gas field, as well as other minerals.
- q) Income generated from competitions and the like.
- r) Income generated from financial and operational leases contracts.
- s) Revenues generated outside the Republic by any legal person licensed under the Yemeni laws.
- t) Interests and commissions, including the interests, discounts, differences of exchange rate and commissions charged by the financial companies, exchange companies, exchangers, insurance companies, brokers and banks against the services provided to their clients, without prejudice to the provisions of paragraph (f) of Article (21) of this Act,.
- u) Differences in currencies.
- v) The income and profits earned by the companies working in the field of communications and information technology.

- w) Non-exempt profits and incomes generated through any other source and which are not covered in paragraphs (a) to (v) of this article, and are not subject to another income tax in accordance with this law.

Section II Taxable Income

Article (10): Net Profit:

The taxable commercial and industrial profits shall be determined on the basis of the revenues generated through all commercial, industrial and service operations of all types conducted by the taxpayer, including the compensation and other revenues earned by the taxpayer, as well as the profits earned as a result of the liquidation that took place during the tax year, less all deductible costs in accordance with the provisions of this law. The net profit is determined on the basis of the income statement prepared in accordance with the accounting standards adopted in the Republic, provided that the tax base is determined in accordance with the provisions of this law.

Article (11): Partnerships:

If related persons have set conditions for their commercial or financial transactions other than those operative among non-related persons, either to reduce the tax base or to shift the tax burden from a taxable person to an exempt or non-taxable one, the Authority is entitled to determine the taxable profit on the basis of the neutral price. The Executive Regulations of this law shall determine the methods of calculating the neutral price.

Article (12): Long-term Contracts:

- a) The tax base for long-term contracts is determined on the basis of the rate of the executed portion of each contract during the tax year. The executed rate of each contract is determined on the basis of the actual cost of the works implemented until the end of the tax year prorated to the total estimated cost of the contract.
- b) The profit of the contract is determined by the difference between the contract value and its cost estimates. And the estimated profit of the contract during each tax year is determined by the percentage of the profit estimated according to the precedent paragraph prorated to that executed during the tax year; provided that the contract profit is adjusted at the end of the tax year in which the contract was completed. Such profit shall be calculated on the actual revenues of the contract less the actual costs after deducting the previously estimated profits.
- c) If the closing accounts of the tax year, in which the contract is completed, concluded a loss, such loss shall be deducted from the profits of the previous tax period (s) specified for completion of the contract, provided that the deduction does not exceed the contract profit during such period, and the tax must be re-calculated on this basis and the taxpayer shall recover the paid amount in excess of that.
- d) If the loss arising out of the contract execution exceeds the limits referred to in the previous paragraph, the outstanding losses shall be carried forward to the subsequent years, according to the provisions of article (19) herein, provided that losses shall not be carried forward beyond five years. The executive regulation shall determine the rules required to calculate the net profit or losses of the long-term contracts.
- e) A "*long-term contract*" means a manufacturing, processing or construction contract, or performance of the associated services thereof, carried out by an establishment for

third parties based on a fixed value, and the implementation of which requires more than one tax period.

Article (13): Deductible Costs:

- a) The taxable net profit is determined on the basis of the gross profit after deducting all costs and expenses needed to realize and maintain such profits. The deductible costs and expenses must be:
1. Related to the commercial, industrial or service activity and essential for carrying out the activity.
 2. Real and supported by documents, except for costs and expenses which, customarily, do not need supporting documents to prove their relevance to that activity, provided that such costs and expenses shall not exceed 2% of the net profit based on the principles provided for in the executive regulation.
- b) The following costs and expenses are deductible:
- 1- The rental value of real estate leased by the taxpayer for the purpose of undertaking its various activities, except for the rental value based on Financial lease contracts.
 - 2- Depreciations pursuant to the provisions of article (16 and 17) of this law.
 - 3- Fees and taxes paid by the firm, except for the tax paid by the taxpayer according to this law.
 - 4- Zakat on trade and Industry paid by the taxpayer under Zakat Act.
 - 5- Donations and subsidies paid to non-governmental organizations and associations registered with the competent authorities with their headquarters located in the Republic; provided that the value of such donations and subsidies does not exceed 5% (Five Percent) of the net profit. Donations and subsidies, whatever their value is, for building mosques, shelters or for the government, the Yemeni army, schools, public hospitals, dams, public roads and drinking water projects, as well as donations and subsidies for charitable or humanitarian purposes recognized by the government shall be deemed as costs.
 - 6- Insurance premiums paid by the taxpayer to local insurance companies based on contracts to cover the assets, operations and the personnel of the establishment.
 - 7- Salaries, remuneration and the like, medical treatment expenses paid to the personnel, and the social insurance contributions paid by employer to the Public Corporation of Social Insurances in favor of its employees, as well as the contribution of the employer in any retirement, saving or any other Fund established by the employer in accordance with the applicable laws to serve as severance or pension, or any other Funds that may be established for social and medical Solidarity purposes.
 - 8- Travel expenses relevant to the activities of the establishment.
 - 9- Losses incurred by the taxpayer as a result of substantiated incidents of theft, embezzlement or damages, provided that the taxpayer has not been compensated for.

- 10- Foreign Exchange differences.
- 11- Proceeds and commissions on loans obtained by the taxpayer from a third party for its operations, subject to the provisions of article (15) of this law.
- 12- Share of the subsidiary out of the expenditures of the headquarters located outside the Republic, provided that such expenses shall not include the salaries paid for any operations performed in Yemen, proceeds, or royalties and that the deductible expenditures shall not exceed 2% (two percent) of the taxable profits realized in the Republic.
- 13- Membership remuneration and allowances received by Chairmen and members of the boards of directors.
- 14- Training expenses of the personnel in accordance with the conditions set out in the executive regulation.
- 15- Financial penalties related to the operations of the establishment.

c)

1. The taxpayer who hires workers or employees for permanent posts for the first time after enforcement of this law may claim additional discount calculated as follows:
 - 50% of the salaries of these workers or employees for the first year of employment;
 - 40% of the salaries of these workers or employees for the second year of their employment;
 - 30% of the salaries of these workers or employees for the third year of their employment;
 - 20% of the salaries of these workers or employees for the fourth year of their employment; and
 - 10% of the salaries of these workers or employees for the fifth year of their employment.

However, such additional deduction shall not result in any tax loss.
2. For the purpose of applying the provisions of this article, an employee or worker shall mean each natural person connected with the establishment as an employee whether based on an employment contract or appointment resolution, provided that the minimum working hours are not less than 35 hours per week.
3. To acquire the right to claim additional deduction in accordance with clause (1) of this paragraph, the following conditions shall be met:
 - The taxpayer maintains books and accounts on regular basis; and
 - The taxpayer submits the monthly tax declarations on the salaries and wages, and pays the due tax on the specified legal dates accompanied by the list of the new workers or employees together with their employment contracts, as well as those workers or employees whose labor contracts have been terminated.
4. The additional deduction provided in item (1) of this paragraph may not be claimed for the following cases:

- Hiring or recruitment of workers or staff not included in the records of insurance and pensions;
- Hiring or recruitment of non-Yemeni workers or staff;
- Recruitment of foreign companies operating in the oil and gas field, their subcontractors, as well as recruitment with the enterprises and companies operating in mining field which are subject to the provisions of Section IV, Chapter III of Part I of this Law.

Article (14): The following are not deductible costs: The following shall not be deducted from the profit:

- a) The amounts that establishments or companies set aside from their profits to form different types of allocations to cover expected losses, with the exception of the following:
 - 1) Technical provisions and reserves that insurance companies are required to form pursuant to the provisions of Insurance Supervision and Monitoring Act and the procedures established by the executive regulation.
 - 2) Banks' allowances for doubtful accounts which are made according to the rules and instructions issued by the Central Bank.
- b) Capital gains the individual taxpayer may charge on his/her capital, or the salary which the taxpayer may decide for himself as self-remuneration in consideration of his work for the establishment, as well as capital profits, salaries and interest on the payable current accounts of the establishment which the partners in both partnerships and limited partnerships may charge and which are not subject to salaries and wages tax.
- c) Amounts withdrawn by the owner of the establishment in cash or in-kind.
- d) Proceeds of all types of loans and credits paid to non-taxable or exempt natural persons.
- e) Any amounts paid to the stakeholders including the distributed shares of profits and dividends.
- f) Proceeds of loans made by the general partners of the company.

Article (15) Non-deductible Proceeds:

The proceeds and commissions on loans contracted with third parties in accordance with item (11), paragraph (b) of Article (13) of this law are deductible, provided that the proceeds and commissions that would be paid in case the funding does not exceed 70% of the loans and 30% of the capital. However, entitlement to deduction is based on the following:

- a) The discount must be based on the actual interest or commission paid.
- b) In the event the taxpayer obtained a loan from any affiliated party, the deduction shall not exceed the interest of the loan based on the international rates of interests prevailing at

the date of the loan, which, in no case, shall exceed 4% in addition to the interest rate offered by the Central Bank of Yemen on the date the loan was paid. The provisions of this article shall apply to the legal person, excluding banks and insurance companies.

Article (16): Calculation of Depreciation:

FIRST: For the purposes of applying the provisions of this law, and notwithstanding anything contained in any other law, depreciation on the assets of the establishment shall be calculated at the time the taxable profit is determined with the view that depreciation shall be deducted by the owner of the assets. In the event such asset is leased based on financial lease contract registered with the competent authority, depreciation shall be deducted by the lessee ated by the lessee. However, for the lessee to deduct the depreciation, the following conditions should be met:

- a) The financial lease contract includes purchase option or transfer of the ownership of the asset to the lessee.
- b) The present value of lease payments is, at the time the contract is concluded, deemed to be the cost of the leased asset for the lessee.
- c) The leased asset is in the possession of the original tenant and is used for the intended purposes.
- d) The following lease contracts are not included:
 - 1- Lease contract of the sub-lessee;
 - 2- Sub-lease contract under which the lessor transfers the asset to another tenant.
 - 3- Lease contract of the supplier/owner (called "sale and re-lease") under which the supplier sells the asset to the lessor and then lease it, where the supplier becomes a tenant.
- e) The term of the financial lease contract shall not be less than three years.

SECOND: Depreciation of a firm's assets shall be calculated as follows:

- a) (5%) of the cost of procuring, constructing, developing, renovating or reconstruction of any building, establishment, vessels and aircrafts, for each tax year.
- b) (10%) of the cost of procuring, developing, improving or renovation of any of intangible assets being purchased, including the goodwill, for each tax year.
- c) The following two categories of assets are to be depreciated according to the Depreciable Base System at the rates corresponding to each:
 1. For computer sets, information systems, software and data storage devices shall be depreciated at 50% of the depreciable base for each tax year.

2. For all other assets, 25% of the depreciable base for each tax year.
- d) No depreciation shall be calculated for lands, works of art, monuments, jewelry and other assets which by nature are not depreciable.

THIRD:

- a) 40% of the cost of the used consumable assets shall be deducted, whether such assets are new or used, during the first tax year during which such assets are used, and depreciations shall be calculated in accordance with item (SECOND) of this article for that period after deduction of the 40% provided for in this paragraph (a) of this item of the present article. However, the taxpayer, shall, at all times, maintain books and accounts on regular basis.
- b) Deduction of the 40% provided for in paragraph (a) of this item of the present article shall not apply to the used assets of the establishments and companies working in the field of oil, gas and other minerals (mining)

Article (17): Depreciation Base:

- a) For the purpose of applying the provisions of article (16) of this law, depreciation base shall mean the historical cost of the asset, on the basis of fixed rate method to be adopted as the base for calculating the depreciation, and the historical cost shall include all capital expenditure incurred in renovating or developing the asset.
- b) The Executive Regulations sets up the principles and rules of calculating the depreciation.

Article (18): Bad debts:

- a. Bad debts excluded by the taxpayer from the establishment's books and accounting records shall be set off, provided the delivery of a documentary evidence certified by a certified auditor proving that such debts are dead and that the collection of which is impossible, and after making sure that the following requirements are met:
- a. That the firm keeps proper accounting records.
 - b. That the debt is associated with the establishment's business.
 - c. That the amount of the debt has been previously included in the establishment's accounts.
 - d. That the establishment has taken serious actions to recover the debt, but failed to collect it within two years as of the maturity date.
- b. For Large Taxpayers, the report of the Auditor, who certified the tax declaration, shall indicate that the requirements provided for in clause (a) of this article have been met.
- c. Bad debts resulted out of the loans and facilities extended by the companies, banks and financial institutions to the members of their board of directors or stakeholders may not be set off.

- d. Amounts received by the establishment as part of the bad debt referred to in this article must be recorded once all or part of the debt is collected in the same year in which such amounts are collected.

Article (19): Posting losses:

- a) If the final account of a taxable year is closed in a loss for any taxpayer who provided a tax declaration certified by a chartered accountant based on proper books and accounts in accordance with the provisions of this law, this loss shall be included within the expenditures of the succeeding year following the year of loss and shall be deducted from its profits. If, however, the profit does not cover the loss, the remained portion of the loss shall be carried forward to the succeeding year, and so on up to the fifth year. No remaining portion of the loss may be carried forward beyond the fifth year.
- b) The provisions of paragraph (a) shall not apply to losses incurred by the company during the tax year and previous tax years if there is a change in the ownership of its capital by 100%.

Article (20): Re-assessment of the Assets:

- a) Tax shall not apply to the profits resulted from re-assessment of the assets of a sole proprietorship when offered as an in-kind share in return of a contribution to the capital of a joint stock company, provided that:
 - 1) The values of the assets are registered at their book value in its accounts at the date of contribution (sharing) for tax purposes.
 - 2) The corresponding shares of the in-kind shares shall be nominal, and
 - 3) Shall not be disposed of through sale during the next three years following the tax year in which the contribution is made.
- b) In case of a change in the legal form of one or more legal persons, the capital gains and losses as a result of the re-assessment shall not be included in the profit and loss account, provided that the assets and liabilities are registered at their book value at the time of the change in the legal form for the purpose of tax assessment, and that calculation of assets depreciation, posting the reserves and provisions are made in accordance with the rules applicable before making such change.
- c) The following ,in particular, are deemed to be a change in the legal form:
 - 1- Merger of two or more resident companies.
 - 2- Splitting of a resident company into two or more resident companies.
 - 3- Transformation or change in the legal entity or a legal person;
 - 4- Separation or liquidation;
 - 5- The purchase or acquisition of 50% or more of the shares or the voting rights, whether in terms of number or value, of a resident company against shares in the purchasing or acquiring company; and

- 6- The purchase or acquisition of 50% or more of the assets and liabilities of a resident company by another resident company in return of shares in the purchasing or acquiring company.

Section III Tax Exemptions

Article (21): Exemptions: The following incomes shall be tax exempt:

- a) The income of private charitable associations and institutions, non-profitable civil society organizations whose financial and material resources are all comprised of donations, grants and subsidies, and any other revenues generated through development of those resources. For an organization to be entitled to tax exemption, the following conditions are required:
 - 1- The organization is duly registered and maintains valid license in accordance with the relevant law; and
 - 2- The activities of the organization are limited to charitable ones only.

In case paid services are provided, the charged price must be nominal, and the authority shall be entitled to assess tax in the event the authority determines that the organization undertakes commercial activities.
- b) Profits generated from agricultural land, horticulture, artisanal fishing, artisanal animal husbandry, apiculture and poultry, or forestry including transforming their products through simple manual operation.
- c) Profits generated from exporting industrial, agricultural and craft products; the executive regulation sets out the rules and procedures regulating that.
- d) Distribution of dividends of shares or quotas, which resident legal persons receive for their participation in other resident legal persons, provided that the industrial and commercial tax has been already paid for such dividends of shares or quotas prior to distribution, even if such persons are tax exempt.
- e) Interests on treasury bonds when paid to resident individuals.
- f) Proceeds generated by natural persons from their deposits and saving accounts in banks and mailboxes, and the proceeds of their shares and quotas they receive from various legal entities.

Section IV Provisions of Tax on Mining Activity Sub-Section I Scope of the Tax

Article (22): Scope of Application:

- a) Subject to the provisions of this law, the provisions of this section shall apply to the activities of mining, quarrying, excavation, exploration and exploitation activities of metallic and non-metallic minerals, as well as the associated commercial and industrial activities, except with regard to oil and gas.

- b) Anything not provided for in this section, the provisions, rules and procedures contained in this law shall apply to the taxpayers engaged in the mining activities described in paragraph (a) of this Article.

Article (23): Scope of Tax:

- a) The tax shall be levied annually on all income derived from the business and the activities described in paragraph (a) of Article (22) of this law, whether such income is realized by a natural or legal person, and in no way shall the income derived from such activities and/or business enjoy tax exemptions contained the investment law, including large-scale mining investment projects.
- b) The commercial and industrial profit tax shall be levied on the taxpayers engaged in mining activities in accordance with the provisions of paragraph (b), Article (63) of this Act.
- c) Amounts paid to foreign entities or non-resident person shall be taxable in accordance with the provisions of Article (71) of this Act.

Article (24): The scope of tax shall include:

- a) Profits of persons earned from each mining, quarrying, excavation, exploration and exploitation activity of metallic and non-metallic minerals, as well as the associated commercial and industrial activities; each independently and separately from the other activities of the taxpayer.
- b) Profits of persons from the invested funds equivalent to One Hundred and Fifty Million United States Dollar (US\$150,000,000) and more in a single investment project, so that each investment project is deemed an independent and separate tax base from the other, even if both projects belong to a single taxpayer.

**Sub-Section II
Taxable Income**

Article (25): Determination of Profits:

Profits of mining activities shall be determined on the basis of the gross revenues of all operations of excavation, exploration and exploitation of metallic and non-metallic minerals, as well as the associated commercial and industrial activities carried out or realized by the taxpayer during the tax year, including the profits earned through liquidation realized during such year after deduction of all deductible costs. The net profit is determined on the basis of the income statement prepared in accordance with the generally accepted accounting principles, provided that the tax base to be determined in accordance with the provision of this law.

Article (26): Mining Activities Expenses:

The net taxable profits shall be calculated in accordance with the provisions contained in paragraphs (a) and (b) of Article (13) and articles (14, 15 and 18) of the law which deal with the deduction of the costs required to generate and maintain the the profit, plus:

- a) Royalties imposed by law on the exercise of mining activity paid to the State and relevant parties that arise out of the exploration activity.
- b) Fees and rents paid to others and the costs of transport services, including fees paid to the state excluding the rental value under financial lease contracts.
- c) Marketing expenditure of minerals and mineral products, provided that it shall not exceed 2% of the sales value of such minerals and mineral products.
- d) The cost of minerals excavation and exploration which may be treated in accordance with any of the following two options:
 - As expenses in the year in which it was incurred, or to be accumulated and depreciated on straight-line basis by 20%, provided that deduction to be started as of the year in which the first sale of metals taken from a mine or quarry takes place, provided that the deductible costs of excavation and exploration are associated with a permit or a license legally granted to taxpayer.
- e) Depreciation in accordance with the provisions contained in sections I and II of Article (16) and the provisions of Article (17) of this Act. However, the following are excluded from the depreciation rates set out in section II of Article (16):
 1. Depreciation on the excavation, mining and quarrying equipments, where depreciations is calculated on the basis of fixed rate method by 20%, provided that deduction of depreciation shall start as of the year in which such equipments are used. The executive regulation sets out the depreciable equipments like excavation, mining and quarrying equipments.
 2. Pre-production costs including cost of developing the site of the mine or the quarry, feasibility study, marketing study and the cost of the environmental assessment made before the commencement of sales of minerals which are depreciated on the bais of straight line method by 20%, provided that deduction shall commence as of the year in which the taxpayer makes the first sale of minerals obtained from the mine or the quarry to which such costs are associated. The executive regulation sets out the depreciable pre-production costs.
- f) Cash amounts at the time they are depsited ina designated account approved by the competent governmental body for the purpose of protecting the environment of the mine or quarry site at a later time, provided that such cash deposit shall be final and non-refundable.
- g) Environmental protection and rehabilitation costs not covered by the provisions of paragraph (f) of this article.
- h) Donations and subsidies in accordance with the provisions of item (5) of paragraph (b) of Article (13) of the Act to include grants and aids granted to the communities affected by mining and quarrying activities.
- i) Exploration costs associated with expanding the mining project, the cost of which is not less than one hundred and fifty Million United States Dollar (US\$150,000,000) being

deemed as the cost of exploitation project, though exploration costs are not associated with the area of the land granted to the taxpayer for the mining project.

Sub-section III Fixing the Tax System

Article (27): Fixed Taxation Agreement:

- a) In the event a taxpayer invests in a minerals investment project equivalent to one hundred and fifty Million United States Dollar (US\$150,000,000) and more during the first five years of the project, and the taxpayer voluntarily submitted an application to the Minister of Finance to enter into fixed taxation agreement, the Minister of Finance, together with the Minister of Oil and Minerals, shall conclude standard a fixed taxation agreement with the taxpayer which shall ensure tax system stability for the taxpayer for the first ten years starting from the first year of production and sale made by such project.
- b) Standard fixed taxation agreement shall set out the prices and rates of each of the industrial and commercial profits tax, general sales tax, customs duties, royalties, and any other tax or duties included in the agreement in accordance with the rates and prices set forth in the relevant laws applicable at the time the standard agreement of tax fixing is concluded.
- c) The Executive Regulations determines the elements and the framework of the fixed taxation agreement according to the following criteria:
 1. An application to enter into fixed taxation agreement is submitted by the taxpayer;
 2. Fixing the taxation system in accordance with the applicable laws in force at the time of concluding the agreement;
 3. The terms and conditions set out in the fixed taxation agreement comply with the provisions of tax laws, customs Act and Mining Act applicable at the time of concluding the agreement;
 4. Identifying and relieving the taxpayer of any changes in the rate of income tax, general sales tax, customs duty, royalties and other tax or fees calculated on a stable basis in accordance with the laws in force at the date of concluding the agreement;
 5. The agreement shall set out the taxes, customs duties, levies and other fees imposed on the taxpayer in in accordance with the relevant laws in force at the agreement is concluded;
 6. The right of the taxpayer to export and sell its products at the international market prices;
 7. Ensuring the right of the taxpayer to receive and dispose of foreign currency generated through such sales;
 8. In the event the taxpayer fails to invest amount equivalent to one hundred and fifty Million United States Dollar (US\$150,000,000) during the first five years of the project, fixed taxation agreement shall be considered null and void;
 9. The agreement is signed by both parties; the government side represented by the Minister of Finance and the Minister of Oil and Minerals on one hand, and the taxpayer who requested to enter into fixed taxation agreement, on the other hand;

- d) A taxpayer who enters into fixed taxation agreement in accordance with the provisions of paragraphs (a, b and c) of this Article shall pay, on an annual basis under the income tax account, and in return of fixing the tax, two percent (2%) of the assessed annual commercial and industrial tax base, in addition to other taxes due on the taxpayer, including income tax, duties, and other levies in accordance with the fixed taxation agreement;
- e) Upon finalizing the procedures of signing the standard fixed taxation agreement by the Minister of Finance and Minsiter of Oil and Minerals, the Tax Authority, Customs Authority, the Central Bank and the relevant authorities shall be advised for implementation in accordance with the terms and conditions set forth in the agreement.

Article (28): Exception to the Fixed Taxation System:

Salaries and wages tax, revenues of real estate tax, tax on the transfer of property ownership are excluded from fixed taxation system stated in Article (27) of this law. The provisions and procedural rules related tax collection, appeals, penalties and legal deadlines of tax payment and submission of the annual and monthly declarations shall not apply to this fixed taxation. However, tax laws and the relevant laws applicable at the time the legal merit arises shall apply in this regard.

Sub-Section IV

Tax Declarations of the Taxpayers Engaged in Mining Activities

Article (29): Submission of the Declaration: Each taxpayer engaged in mining and quarrying activities, excavation, search, exploration and exploitation activities of metallic and non-metallic minerals, as well as the the associated commercial and industrial activities during the tax year shall submit an annual tax declaration by the legal deadline in accordance with the provisions set forth in this law.

Article (30): Declaration Annexes:

Subject to the provisions of the tax declarations contained in this law, each taxpayer engaged in mining activities shall submit tax declaration together with the supporting documents to prove the correctness of the figures used in calculating the rates, costs, deductions and commissions together copis of the sales and purchase or funding contracts.

Article (31): Regular Accounts Records:

Subject to the provisions of Article (32) of this Act, each taxpayer engaged in mining activities shall hold regular accounting records with all revenues and costs associated with the mining activity, as well as the associated commercial and industrial operations classified in accordance with the accounting principles and declare them for for income tax purposes.

Article (32): Investing More than 150 Million Dollars in Mining Activities:

A taxpayer who intends to establish a single investment project equal to one hundred and fifty million dollars (US\$150) and more shall hold regular accounts, and establishes a separate structure in which taxable revenues and costs associated with the project are classified, and submit the tax declaration on the investment project independently, regardless of any other related mining projects belonging to the same taxpayer.

(Section V)

Taxation Rules and principles of

Small-scale and Micro-enterprises

Article (33):

- a) The rules and procedures contained in this section shall apply to the activities of small-scale and micro-enterprises taxpayers subject to commercial and industrial tax, non-commercial and non-industrial professions tax, salary and wages tax in accordance with the provisions of this law.
- b) The provisions and rules contained in this section shall not apply to non-resident taxpayers, the agencies and branches of foreign companies and houses.
- c) The rules, provisions and procedures included in this law shall apply to the activities of the small-scale and micro-enterprises with regard to anything not provided for in this section.

Sub-Section I Small Enterprises

Article (34): Definition: For the purposes of applying the provisions of this law, small enterprises shall mean each natural or juristic taxpayer whose annual turnover (gross value of its annual sales or revenues) is over One million five hundred thousand Riyals (1,500,000) but not exceeding Twenty Million Riyals (20 M), and the number of personnel is not less than 4 workers but not exceeding 9 workers. In each case, the purpose of classifying small and micro-enterprises is based on giving the priority to the turnover, taking into account the adjusted inflation rate by the Central Bank.

Article (35): Determining the Tax Base:

- a) The tax base (net profit) of the taxable small enterprises for the commercial and industrial profit tax and the tax on the net profit of non-commercial and non-industrial professions shall be determined at a percentage of the figure of turnover based on the type of activity, as follows:
 - 10% of the total value of sales for the commercial and industrial activities or of the total value of construction works;
 - 20% of the total value of sales (revenue or income) of the service and professional activities; and
 - 5% of the total value of sales for the basic foodstuffs (wheat, flour, rice and sugar), provided that it is not an importer.
- b) The due tax is calculated based on the tax base determined in accordance with the provisions of paragraph (a) of this article based on the tax brackets and rates stated in article (62) of this law, including the natural and juristic taxable small enterprises.
- c) Classification of the commercial, service and professional activities shall be promulgated by a decree from the Minister based on a presentation of the Commissioner.

Article (36): Books and Records:

Taxpayers of small enterprises shall maintain books and records in accordance with the generally acceptable accounting practices, and shall prepare documented records of the revenues sufficient to determine the sales of the activity for tax purposes.

Article (37): Declarations:

Taxpayers of small enterprises shall submit their tax declaration annually to the Authority or any of its branches, and shall, on the basis of the declaration, settle the tax not later than April 30 of each year for the preceding tax year. The declaration should be made using the model prepared by the authority for this purpose including the following:

- a) Total value of sales or revenues, or the total value of contracts executed during the tax year based on the books and records the taxpayer is required to keep;
- b) The tax base is determined in accordance with the rules stated in paragraph (a) of Article (35) of this law; and
- c) The due tax is assessed and determined in accordance with paragraph (b) of Article (35) of this law;

The authority shall accept the tax declaration and the taxpayer shall be liable for the correctness of the declaration.

Article (38): Tax Assessment:

Tax assessment for small enterprises is made according to one of the following cases:

- a. Based on the tax declaration submitted by the taxpayer; or
- b. Assessment: In case the taxpayers failed to submit its tax declaration, the authority may assess the tax through assessment based on the following:
 - 1) Assessing the turnover (total value of sales or revenues of the tax year) in light of the available data and information. The executive regulation includes assessment indicators and criteria;
 - 2) Determining the tax base in accordance with the provisions of paragraph (a) of Article (35) of this law;
 - 3) Assessing and determining the due tax in accordance with paragraph (b) of Article (35) of this law;
 - 4) The taxpayer may appeal against the tax assessment made by the tax administration in accordance with the provisions of this law.

Article (39):

- a) Taxable small enterprises may submit their tax declarations and determine the tax in accordance with the provisions of Article (10) or article (45) of this law based on the books and records stated under Article (86) of this Law, provided that the declaration is submitted on time using the model prepared by the authority for this purpose together with the income statement. The Authority shall accept the declaration on the liability of the taxpayer. The due tax shall be paid based on and at the time stipulated for submission of the declaration.

- b) For the provisions of paragraph (a) of this article to apply, the taxpayer shall submit the declaration together with an application addressed to the tax administration to adjust the tax assessment based on the income statement and the general provisions contained in this law, and confirm its commitment to continue settling tax accounts based on such income statement for a period not less than three consecutive years.

Article (40): Payroll Tax (Salaries and Wages Tax):

- a) Microentrepreneur shall deduct from the income of their personnel and staff the amount of the payable tax according to this law, and shall, on quarterly basis, remit the tax payable for the preceding three months to the Authority, any of its offices, the central bank or any other authorized bank during the first ten days of the fourth month based on a declaration and using the form prepared for this purpose.
- b) The Authority shall accept the submitted declarations on the liability of the taxpayer in accordance with the provisions of paragraph (a) of this article.
- c) In the event the taxpayer fails to submit tax declarations with regard to salaries and wages tax in accordance with the provisions of paragraph (a) of this article, the authority may assess the tax through estimation in light of the data available to it in accordance with the provisions of this law.

Article (41): a grace period of bookkeeping penalty:

Taxpayers of small enterprises shall be granted a grace period of five years from the date this law enters into force during which taxable small enterprises are relieved from the penalties imposed under the provisions of paragraph (a) of Article (140) of this Act.

**Sub-Section II
Micro-Enterprises**

Article (42): Definition :

For the purpose of applying the provisions of this law, micro-enterprises shall mean each natural taxpayer whose annual turnover (gross value of its annual sales or revenues) does not exceed One million and five hundred thousand Riyals (1, 500, 000) and the number of its personnel does not exceed 3 workers, taking into account the provisions of article (34) of this law.

Article (43): Below the Tax-free Threshold:

Micro-enterprises whose annual turnover does not exceed or below One million and five hundred thousand Riyals (1, 500, 000) are out of the scope of commercial and industrial profits tax, non-commercial and non-industrial professions tax imposed under the provisions of this law.

Sub-chapter II
Tax on Net Income of
Non-commercial and Non-industrial Professions
Section I
Scope of Tax

Article (44): Vocational Income: The tax shall be imposed on the following:

1. Taxable net revenues of the non - commercial and non- industrial professions, which are performed independently by the taxpayers, where the basic element is the work, if such revenues are realized through business practiced in the Republic;
2. Revenue received by intellectual property rights' holders through the sale or use of such rights;
3. Any other revenues generated through any profession or activity not subject to commercial and industrial profits tax.

Section II
Taxable Incomes

Article (45): Net Income:

Taxable incomes shall be determined annually on the basis of the revenues realized during the tax year. Such revenues shall includes the income earned from non-commercial and non-industrial professions, proceeds generate through the use of the professional assets, or waiver of the place or offices of business in whole or in part, and any other amounts resulted from the closure. The net revenue is determined on the basis of the income generated from various operations in accordance with the provisions of this law, after deduction of all costs and expenses necessary to practice the profession.

Article (46): Deduction of Costs/Expenses:

In order to reach the net income of non-commercial and non-industrial professions, all costs and expenses required to perform the profession or the activity shall be calculated and deducted in accordance with the provisions of this law.

Article (47): Posting Losses:

Taxpayers of non-commercial and non-industrial professions who hold books and accounting records shall have the right to carry losses forward in accordance with the provisions of Article (19) of this Act.

Sub-chapter III
Tax on Salaries and the Like (Payroll Tax)
Section I
Taxable Income

Article (48): Scope of Tax:

The tax shall be imposed on the salaries, wages and other similar cash and in-kind benefits and advantages, as follows:

- a) All amounts paid to the employee or worker in consideration of his/her work, whether on the basis of an employment contract or not, whatever the title, method or reasons of the

paid amounts, and whether paid to him/her in consideration of the work performed inside or outside the Republic as long as the source of such paid amounts is the republic, except what has been excluded under this law.

- b) Remuneration received by the taxpayer or the employee from a foreign source in consideration of services performed in the Republic.
- c) Salaries, bonuses and allowances paid to the chairmen and the members of the boards other than stakeholders in the units of the public and mixed sectors.
- d) Salaries and bonuses paid to the chairmen or members of the boards and managers of capital companies.

Article (49): Taxable incomes shall not include the following:

- a) The amounts allocated as pension premium in accordance with the applicable laws and regulations.
- b) Compensations granted to meet the obligations and expenses of the job, including presentation, appearance, hospitality, travel and transportation allowances.

And generally, all compensations granted to the employee to meet the expenses and obligations of job or task requirements the employee is assigned to perform, within the limits of the rates and the criteria set forth in the executive regulations.

Section II Tax Exemptions

Article (50): The following are tax exempt:

- a) Earnings received by the ambassadors and consuls of foreign nations represented in the Republic, members of the diplomatic and consular corps and their foreign staff, provided similar reciprocity. Such exemption shall include only the income generated from the activities pertaining to the practice of their aforementioned posts;
- b) Earnings received by non-Yemeni individuals in consideration of their official duties with the international organizations established under the General International Law, and the incomes earned by non-Yemeni staff members from governmental or non-governmental organization based on agreements concluded with the Yemeni government, against provision of relief services to Yemen;
- c) Compensation against work incidents and injuries including lifetime allowances determined to be paid to workers or their dependents after death against work incidents or injury, in accordance with the rules and regulations in force;
- d) Pension and Severance allowances;
- e) Compensations or allowances paid to meet work burden, medical subsidies and the aids granted based on medical reports with the supporting documents issued by the relevant authorities; and
- f) Daily wages earned by the workers in various sectors based on the criteria and principles established by the Executive Regulations.

Sub-chapter IV
Tax on Real Estate Revenues
Section I
Scope of the Tax

Article (51): Scope of the Tax:

- a) An annual tax shall be imposed on the revenues of constructed real – estate, ready and moveable buildings, the vacant and rented land for different purposes.
- b) The taxpayer meant here is the owner of the property, or the owner of the right of use to the property leased from the State, and the legal representative of the taxpayer shall be liable for settlement of the tax on behalf of the taxpayer.

Section II
Taxable Incomes

Article (52): Proceeds of Real Estate: shall mean the the total sum of the annual income of the property leased for various purposes.

Article (53): Rental Value:

- a) The actual income of real estate is determined based on reliable lease contracts. In the event the revenue is not known or the lease contract is proved to be incorrect, the Authority shall be entitled to assess the revenue in accordance with criteria set out in the Executive Regulation.
- b) The net taxable revenue of real estate is determined by the total annual income in accordance with the provisions of paragraph (a) of this article with respect to natural persons.
- c) The income generated by the legal person from the proceeds of the real estate shall be included within the commercial and industrial profits tax base when determining the net taxable proceeds of the real estate for legal persons, and the taxpayer shall be entitled to deduct the necessary expenses incurred in realization of this income pursuant to the provisions of this law.

Section III
Tax Exemptions

Article (54): The following shall be tax exempt:

- a) Real estate used by its owners for any purpose whatsoever;
- b) Real estate owned by Government. This shall not include the Real estate owned by the public and mixed sectors, as set forth in the executive regulation;
- c) Real estates allocated free of charge for public hospitals, health and educational centers, as well as the educational and health charitable free establishments in accordance with the terms set forth in the executive regulation;
- d) Free of charge real estate allocated as shelters for orphans and elderly;
- e) Real estate owned by the Ministry of Endowment (Awqaf), and the proceeds of the real estate that are endowed for a charitable agency, charitable purpose or a public

corporation, sport and youth clubs and establishments in accordance with the terms set forth in the executive regulation; and

- f) Real estate owned by the diplomatic and consular corps and international organizations, subject to reciprocity.

Article (55): Expiry of Tax Liability:

Tax shall be revoked on the buildings which collapse or exposed to fire, and, generally, all real estate that become unusable for any reason and do not generate any income,

Chapter IV
Tax on the Change of the Ownership of Real Estate
Sub-Chapter I
Tax Assessment

Article (56): Assessment:

- a) By virtue of the provisions of this law, a tax shall be assessed on the whole value realized from the disposal or transfer of the ownership of the real estate, whether in whole or in part, which shall include all vacant lands, constructed real estate or that prepared for construction, and regardless to whether such sale or disposal is made against compensation or otherwise.
- b) Only a single tax shall apply to the sales and purchase transactions of real estate using Murabaha system, and the lease system ending with the tenant acquisition of the ownership and partnership.

Article (57): Tax Payment Liability:

- a) Tax payment liability shall be of the seller or the person authorized to dispose of the real estate, or the beneficiary in whose favor the documentation procedures or ownership transfer is made shall be jointly liable for payment of the tax.
- b) In no case shall the transfer of ownership of a property be documented or registered by the competent authority unless the change of ownership tax imposed by this law have been fully paid.
- c) The tax varies depending on the type of disposal in a single property.

Sub-Chapter II
Scope of the Tax

Article (58): Scope of the Tax: The tax levied under the provisions of Article (56) of the Act shall apply to:

- a) The amounts realized from the disposal or transfer of the ownership of vacant lands, constructed real estates or those prepared for construction, whether sold or disposed of in whole or in part, and whether such sale is made against compensation or otherwise.
- b) The price agreed upon which is indicated in the contract (the agreement or deed of sale). In case the contract does not mention the price, the authority shall be entitled to assess the price based on the time and place

Article (59): Requesting Proof of Tax Payment:

The proof of tax payment shall be provided upon taking any of the following actions:

- a) Registering the sale or disposal of taxable property with the competent authority;
- b) Obtaining construction permit from the competent authority;
- c) Documenting or authenticating any contract, agreement or deed of property ownership by the competent authorities, including the judicial authorities.

Article (60): Information from the Relevant Authorities:

The competent authorities shall provide the Authority with a monthly statement on the sale or disposal of the undeveloped lands, constructed real estates and those prepared for construction that took place based on the actual data registered in the records. Such statement shall indicate name of the seller, buyer, their addresses, area, location, price and date of disposals or sale.

Sub-chapter III
Tax Exemption

Article (61): The following shall be tax exempt:

- a) Transfer of ownership by virtue of inheritance or will;
- b) Grants to religious, charitable or educational institutions;
- c) Grants to health or sport facilities, in accordance with the conditions set forth in the executive regulation;
- d) Acts of disposal of the real estate and lands of the public endowment;
- e) Sale or acts of disposal of the agricultural lands where the deed of purchase is documented with the competent authorities and as required by the executive regulation, and
- f) Disposal acts of the State-owned lands and real estate which are transferred to any public agency or organization fully owned by the state.

Chapter V
Tax rates

Article (62): Tax rate of the Resident Natural Person:

The tax shall be collected from the taxpayers (resident natural persons and taxable small enterprises) on the annual proceeds subject to the commercial and industrial profits tax, non-commercial and non-industrial professions tax, salary and wages tax and the like, as follows:

- | | |
|--------------------------------------|----------------------------|
| ▪ 120,000 Riyal | The annual exemption limit |
| ▪ The next 120,000 Riyal | 10% |
| ▪ The next 600,000 | 15% |
| ▪ Any amount in excess of YR 840,000 | 20%. |

Article (63): The Tax Rate for the Legal Person and Natural Person Non-resident:

- a) The tax shall levy on the taxable commercial and industrial income, non-commercial and non-industrial professions tax, without reducing the exemption limit, at a rate of twenty percent (20%) of the income generated by non-resident natural persons and legal persons,

except as provided for in paragraph (b), (c), (d) and (e) of this article, as well as small enterprises covered under the provisions of article (62) of this law.

- b) Subject to the provisions of the special agreements relating to granting the concession and production sharing agreements concluded with the Government of Yemen whose constitutional procedures have been finalized and ratified by a law, tax shall levy on the taxable commercial and industrial profits, without reducing the exemption limit, at thirty five percent (35%) of the assessed and –non-assessed proceeds of the companies operating in the field of oil and gas, mining and other minerals, as well as the proceeds generated by all types of companies of concession.
- c) A tax shall levy on the proceeds subject to commercial and industrial profits tax, without reducing the exemption limit, at more than thirty five percent (35%) of the proceeds of the taxable firms based on agreements and contracts concluded with the government of Yemen, with regard to which the highest tax rate established by the agreement or the contract.
- d) The tax shall levy on the proceeds subject to commercial and industrial profits tax, without reducing the exemption limit, at fifty percent (50%) of the proceeds of the cell phone service providers. Cell phone service providers as used herein shall mean mobile phone network operators, regardless to the type of the technology and the system used by the operator for service provision, whether GSM or CDMA or other technology alternatives and systems used or to be uses for provision of cellular services or mobile phones in the Republic.
- e) The tax shall levy on the income subject to commercial and industrial profits tax, without reducing the exemption limit, at thirty five percent (35%) of the proceeds generated by the following persons, activities and firms:
 - a. International telecommunications services.
 - b. Production and importation of various kinds of cigarettes regardless to there types and names.
- f) Salary and wages tax and the like shall levy on the non-resident natural person at twenty percent (20%).

Article (64): Tax Rate for Establishment and Investment Projects:

- a) Notwithstanding the provisions of articles (62 and 63) of this law, the tax shall levy on the income subject to commercial and industrial profits tax, without reducing the exemption limit, at fifteen percent (15%) of the proceeds : the investment firms and projects, in accordance with the following conditions:
 - 1- The invested capital is not less than amount equivalent to Three Million United States Dollars and the number of personnel actually used in such establishment or project is not less than one hundred worker;
 - 2- The establishment or project keeps regular accounting records and submits the tax declaration certified by a chartered auditor in accordance with the provisions of this law;
 - 3- The project should maintain its investment activity licensed by the competent authority; hence, the benefit granted under the provisions of this article is contingent upon the project or establishment's continuity in the same activity; and

- 4- The establishment or project settles payroll tax (salary and wages tax) on regular basis for all its personnel based on monthly declarations in accordance with the provisions set forth in this law.
- b) Taxable investment projects at 15% are limited to the following projects, sectors or activities:
- 1- infrastructure projects of energy, electricity, drinking water, sanitation and roads;
 - 2- Land, air and ocean transport projects;
 - 3- Health development projects and hospitals;
 - 4- Computer programs and software production projects;
 - 5- Hotels, tourist cities and amusement parks; and
 - 6- Industrial and agricultural development production projects, except the projects, sectors and activities referred to in paragraph (c) of this article.
- c) Tax rate of 15% (Fifteen percent) provided for in paragraph (a) of this article shall not apply to any of the projects, sectors or activities that are not listed and not named within the projects listed in paragraph (b) of this article. Non-applicability to this tax rate shall include the following:
- 1- Enterprises operating in oil, gas and mining activity;
 - 2- Projects implemented under special agreements concluded with the Government of Yemen including all types of resident and non-resident franchising companies;
 - 3- public and mixed sectors;
 - 4- Weapons and and explosive materials industry;
 - 5- Cigarettes and tobacco industries, as well as industries causing damage to the environment and health;
 - 6- Financial institutions and enterprises, banks of all types and names, all financial and banking services and associated services, as well as insurance services;
 - 7- Import, wholesale and retail trade; and
 - 8- Communication services.

Article (65): Payroll Tax Rate:

- a) The maximum tax rate on payroll and the like for resident taxpayer shall be Fifteen percent (15%).
- b) If the taxpayer is subject to several specific direct taxes in accordance with this law, such taxpayer shall not enjoy more than one annual exemption.

- c) The annual exemption limit of resident natural persons, being One Hundred and Twenty Thousand Riyal (YR 120,000) shall be deducted from the taxable income, if the tax period is less than 12 months.

Article (66): Tax Rate on the Other Incomes Earned by the Taxpayer:

Subject to the provisions of Article (65) of this law, tax shall levy on the other incomes or receivables generated by payroll taxpayers (employees and workers) at Fifteen Percent (15%) without reducing the exemption limit. Other incomes and receivables shall include taxable benefits and bonuses under various titles, including incentives and allowances granted to chairmen and members of the board of directors, incentives, meeting allowances, commissions and grants, overtime, fees and the like. The provisions of this article shall, in all cases, apply to the taxable benefits and payments other than the full monthly salary and legal allowances obtained by the employee or the worker.

Article (67): Payroll Tax Adherence to the Income of Taxpayer:

The tax is determined monthly on the total net monthly income of payroll taxpayer at a rate of 1/12 of the rates described in Article (62) of this law.

Article (68): Commission and Brokerage:

- a) The tax shall levy at ten percent (10%) on each amount paid as commission or incidental brokerage, which the payer shall withhold from the amount due to the beneficiary who shall be entitled to deduct the same from the payable tax when settling tax accounts for the tax period in which the deduction was made.
- b) The payer of the commission or the brokerage shall remit the withheld amount to the tax administration within fifteen days.

Article (69): Real estate Revenues Tax Rate:

The tax shall levy on the real estate revenues of natural person at the rental value of one month in the year.

Article (70): Property Change of Ownership Tax Rate:

The tax shall levy on the change of ownership of the property at One Percent (1%) of the total value or price of the property.

Article (71): Tax Withheld at Source:

- a) Tax at the rate of 10% net of any deduction shall levy on the amounts paid by the owners of the assessed and non-assessed individual firms and legal persons, as well as any non-assessed person having a permanent establishments in the Republic to Egypt, to any foreign agency or non-resident person. Such amounts shall include, but not limited to:

1- Proceeds;

2- Interest of foreign loans, with the exception of the interest on loans granted by international financial institutions or authorized foreign banks;

3- Royalties;

- 4- Remuneration in consideration of all types of services. However, the following amount shall not be deemed in consideration of services:
 - Share of a permanent establishment working in the Republic of the expenses incurred by the head office located outside the Republic;
 - Transport or freight;
 - Shipping;
 - Insurance on imported goods;
 - Participation in trade fairs and conferences;
 - Registration in the international stock markets;
 - 5- Amounts paid against transfer or use of technology or usufruct of technology licenses;
 - 6- Sportsmen or artists activity charges, whether paid directly or through any party;
 - 7- Usufruct rights of trademark licenses;
 - 8- Use of patent rights;
 - 9- Use of the know-how; and
 - 10- Usufruct of management knowledge and other services performed within the Republic.
- b) The interest on loans and credit facilities that Government and Local Authority Units receive from sources outside the Republic are exempt from the tax stated in paragraph (a) of this article.
- c) Resident and non-resident establishments and persons mentioned in paragraph (a) shall withhold the due amount of tax, and shall:
- 1- Prepare a statement which shall show the paid and the withheld amount, and send copy of this statement to the Authority and the person on whose account deduction is made.
 - 2- Remit the withheld tax, due under the provisions of this article, to the treasury of Tax Authority or to its account with the Central Bank or any of its branches, or to the competent tax administration within fifteen days from the date of withholding.

Part II
Procedural Provisions
Chapter I
Inventory and Registration
Sub-chapter I
Inventory

Article (72): Business Commencement:

Every person engaged in a commercial, industrial, professional or any other activity shall notify the Tax Authority within thirty days from the date of commencement of his work activity. Liability of notification shall be, with regard to companies, of their managers, chairmen or the person in charge of its management, as the case may be. The said

notification must be submitted whenever a new branch or an office of a representative agent is established, or when the headquarters is transferred from one place to another. The Executive Regulations of this Law sets forth the details of the notification and the supporting documents.

Article (73): Classification of Taxpayers:

Income taxpayers are classified into the following categories:

- a. Large taxpayers;
- b. Medium Taxpayers; and
- c. Small Taxpayers (small scale and micro-enterprises).

And the Minister shall, based on the presentation of the Commissioner, establish criteria and levels of the top and medium taxpayers based on this classification.

Article (74): Reporting the Rental Value of Real Estate:

- a. The landlord or the tenant and the real estate office, or the notary public shall notify Tax Authority within 60 days from the date the property is leased using the form prepared for this purpose.
- b. The local councils shall provide the authority with details and information about the leased properties and any change in the rental value, as well as anything that may affect assessment of tax on the revenues of real estate. They shall also take the necessary actions to ensure collection of the tax in accordance with the provisions of this Law. The executive regulation sets forth the ways and procedures of taking such actions.

Article (75): Providing Data and Information to Tax Authority:

All government Ministries, authorities and agencies in charge of issuing permits to perform trade, industrial activity, profession or certain crafts, or those in charge of issuing permits for utilization of real estate in certain trade, industry, profession or craft shall, within 30 days, notify Tax Authority every time they issue a license, and forward the documents related to the licenses. The aforementioned license shall include every concession, obligation, monopoly, business permit, whether commercial or industrial, or work permit, whether professional, craft or for any other purpose whatsoever.

Article (76): Reporting Investment Projects to Tax Authority:

The General Investment Authority and other competent authorities in charge of granting licenses for investment projects or recruitment of foreign labor for any purpose, including experts and technicians, shall comply with the following:

- a) Notify the Authority when granting any license and forward all data related to the license of the investment project within 30 days, in accordance with the executive regulation;

- b) Not to issue or renew the Tax exemption certificate for the taxpayer exempt under Investment Law in the event such taxpayer fails to submit tax declarations, documents and data stipulated in this law and the law of investment, unless the taxpayer holds a valid tax card.

Article (77): Comprehensive Inventory:

The Tax Authority shall be entitled, whenever required, to take inventory on the ground, in accordance with the provisions of the the executive regulation, and all relevant authorities shall cooperate with it to accomplish and finalize such tasks.

Sub-chapter II
Tax Number and Card

Article (78): Tax Number:

Tax Authority shall issue a tax number for every taxpayer which shall include number of the taxpayer. The executive regulation shall regulate the necessary procedures of granting tax number.

Article (79): Tax Card:

Tax Authority shall issue a tax card for each applicant taxpayer, and shall be renewed on annual basis once the taxpayer submits its tax declarations in accordance with the applicable tax laws in force. The Executive Regulation sets forth the details to be included on the tax card, as well as its validity. The Tax card shall be one of the basic documents to be required in case of notification or making contracts for any financial, commercial or service transactions, procurement and supplies, or when issuing or renewing any work permit, whether commercial or professional and all types of activities.

Article (80): Obligations of the Monitoring Agencies and Organizations:

- a) Customs Authority and the other competent authorities shall incorporate tax number in the details of import and export customs details and the various documents and transactions of the taxpayer, so that the tax number is associated with the name of the taxpayer on an ongoing basis.
- b) All State regulatory bodies and agencies shall, when performing regular or unexpected inspection of the activities stated in article (79) of this law and the agencies set forth in paragraph (a) of this article, ensure the application of tax card and tax number system in all transactions, as well as sound enforcement.

Sub-chapter III
Cessation and Assignment

Article (81): Reporting on Cessation:

If the taxable activity ceases inwhole or in part, or in case the taxable real estate is no longer occupied, tax shall be levied up to the date of cessation or vacancy. However, in order for this provision to apply, the taxpayer shall notify the Tax Authority within thirty (30) days from the date of cessation or evacuation of the real estate, even if such cessation or evacuation is for reasons beyond the taxpayer's control), and submit the documents and information necessary to prove such cessation or evacuation, otherwise the taxpayer shall

be liable for tax payment on the unreported period until the date of notification, which shall not exceed one year.

Article (82): Reporting on Assignment:

Assignment, in whole or in part, of an establishment, sales or disposal of a real estate shall, as far as tax is concerned, be treated in the same way as cessation or evacuation, and the provisions of Article (81) of this law shall apply. The assignor or assignee, the seller or the person disposing of the property shall notify Tax Authority of the transaction within thirty (30) days from the date of the total or partial assignment, the sale or disposal. The assignor and the assignee, with regard to the establishment, or seller or the buyer shall be jointly liable for any tax payable up to that date of such assignment or sale.

Chapter II

Right of access, trade secrets, books and records

Article (83): Duties of the Public Officer:

All judicial/investigation officers, staff of the administrative organization of the State, the public and mixed sector and the local authority shall notify the Tax Authority of any document or statement relating to their work, which may lead to believe that deception has been committed with regard to tax, or the use of manners for fraudulent purposes or that may lead to tax evasion in whole or in part, or expose tax to the risk of non-payment, whether this information is obtained in a criminal civil or commercial case, or any penal investigation, even though the investigation ended with suspension, and in case the report is frivolous, the reporter shall fall under the legal question.

Article (84): The Right of Access:

- a) All concerned staff in all government administrative units, local councils, economic units of the public and mixed sector, private sector companies, all types of establishments owned by individuals, and all branches of foreign companies shall, upon request, permit and grant access for the officially authorized staff of Tax Authority to any information, data or transaction related to the taxpayers to be used for the purpose of determining and assessing the tax of the establishment itself or its dealers. These agencies may not, in any case and under any circumstance, refrain to provide the Authority and permit its staff to obtain such data, information, records, documents and transactions related to tax assessment under any justification of business secrets.
- b) In the event the firm or the taxpayer refrain to comply with the provisions of the preceding paragraph, the Tax Authority shall be entitled to assess the value of the data or transactions carried out by the firms described in paragraph (a) of this article, provided that such assessment shall be made in a manner as to protect the resources of the public treasury against loss.

Article (85): Data Collection:

- a) Tax exempt institutions, corporations and establishments under this law and the Investment Act, or any other special laws, the companies working in oil, gas or other minerals, their contractors and subcontractors shall, anytime upon request based on a

written notice, submit to the tax authority their books, accounting records, financial statements and any other required documents for law enforcement purposes.

- b) Tax Authority may request the agencies stated in paragraph (a) of this article, during the official working hours and based on a written notice, to submit to Tax authority full and accurate information and data of salaries, wages, benefits, cash and in-kind bonuses granted to their staff and personnel, as well as any other documents that Tax Authority may consider necessary for law enforcement purposes.
- c) For the purposes of enforcing this law, Tax Authority may request any data, information or documents based on a written request to the taxpayer which shall be submitted within a period of fifteen days as of the date of request. The Commissioner or his authorized representative may extend this period for not later than one month if the notified taxpayer provided a sufficient proof that he is unable to provide the requested date within the stipulated period due to certain difficulties.

Article (86): Book and Records Keeping:

- a) For enforcement purposes of this law, and subject to the provisions of the commercial Act and the other Acts in force, large and medium taxpayers shall maintain regular accounting records as required by the nature of the activity or the profession. The Executive Regulation sets forth the type and details of the accounting books and records required to be kept.
- b) Other taxpayers are required to keep documents and records needed to guide assessment of their tax liability.

Article (87): Provision of the Contract Signed with the Auditor:

Large Taxpayers shall submit to the tax authority copy of the contract made with the chartered auditor within one month from the date of the contract, as well as in case of renewal, amendment or termination of this contract.

Article (88): The required Period for Keeping Accounting Books and Records:

Without prejudice to the provisions of the commercial Act, the taxpayer shall keep the invoices, documents and records as follows:

- a. Invoices and documents relating to the activities of the taxpayer shall be kept for at least five years.
- b. The books and records provided for in Article (86) of this law shall be kept for ten years following the fiscal year during which the records were used.

Article (89): Counting on the Regular Accounts:

The Authority may not count on the regular accounts maintained by the taxpayer in accordance with article (86) of this law and the executive regulation, unless it is proved for the Authority, based on documentary evidence, that such accounts are genuine.

Article (90): Computerized Accounts:

In case the taxpayer uses computer systems, such system or systems shall be deemed the alternate of manual accounting, and should be designed in Arabic language, located at the headquarter of the firm in the Republic and made available for inspection by the authorized staff of tax authority. The Executive regulation sets forth the rules of keeping

these accounts and the rules of shifting from manual accounting systems to computerized systems (electronic systems).

Article (91): Obligations of Tax Exempt Taxpayers to Keep Separate Accounts and Books:

All tax exempt taxpayers under Investment Act or any other Act shall keep regular and separate accounting records and books for the exempt projects, They may not, in any case, mix tax exempt revenues and the relevant incurred expenses with taxable income and the relevant incurred expenses.

Article (92): Inspection and Field Audit:

For the purposes of enforcing this law, each taxpayer shall, during the official working hours of the firm, and based on a written permission by the Commissioner of his authorized representative, facilitate an access for the staff of tax authority to the headquarters and places of business to inspect and audit the books, records and documents the taxpayer is required to maintain pursuant to the provisions of this law.

Article (93): Details of the Financial Leasing Contract:

The lessor shall disclose the details of the financial lease contract in its accounting records, including the maturity dates of rent payments and the portion of payments made as part of the price of the leased asset and lease proceeds, as well as disclosure of additional clarification needed to be clarified.

Article (94): Confidential Information:

Each person who, by virtue of his/her ex-officio or work, may have connection with the assessment and collection of taxes provided for in this law, or settlement of any dispute in that regard shall observe and keep all confidential information in accordance with the provisions of this law, and in case such person discloses any confidential information , he/she shall be punished by imprisonment for not more than one year, or a financial penalty not more than three hundred thousand riyals (YR 300,000).

Chapter III
Tax Declaration
Sub-chapter I

Commercial and Industrial Profits Tax Declarations

Article (95): The Submission of the Approval:

- a) Each taxpayer shall submit an annual declaration to the tax authority, using the form prepared by the authority for this purpose, not later than April 30 of each year, and shall, at the same time, settle the payable tax. Tax Authority shall accept the tax declaration at the responsibility of the taxpayer.
- b) Subject to the generality of the provisions set out in paragraph (a) of this article; taxpayers adopting the overlapping fiscal year system shall submit their tax declarations not later than end of the fourth month after the closing date of the taxpayer's overlapping fiscal year.
- c) A taxpayer who submits tax declaration and settles tax account before the deadline shall obtain a discount on the payable amount of tax at the following rates:
 - 1.5% in case the taxpayer files the declaration and settles tax within January;

- 1% in case the taxpayer files tax declaration and settles tax account within February; and
- 0.5% in case the taxpayer files tax declaration and settles tax account within March.

Article (96): Taxpayers Who Should Submit Tax Declaration:

- a) Large taxpayers shall submit their annual tax declarations on time using the form prepared by Tax Authority for this purpose. Tax declaration shall be accompanied by the financial statements.
- b) All tax exempt taxpayers under Investment Act or any other Act shall submit their annual tax declaration using the form prepared by Tax Authority for this purpose, and in accordance with the terms, deadlines and procedures set forth in this law.
- c) Medium size taxpayers shall file their annual tax declarations together with the statement of income on time using the form prepared by Tax Authority for this purpose. Such declarations shall be based on regular accounting.
- d) Taxable Micro-enterprises shall file their tax declarations in accordance with the provisions of Article (37) of this law.
- e) Tax declaration shall, in all cases, meet the basis requirements, most notable are:
 1. The declaration filed by Large Taxpayers (both exempt and non-exempt) is certified by a chartered accountant authorized to audit accounts and maintains a valid tax card. Such certification shall be deemed as an acknowledgment by the auditor that the taxable income as provided in the declaration filed by the taxpayer has been calculated in accordance with the provisions of this law and its executive regulation;
 2. Tax declarations filed by the economic units of the public and mixed sectors and their affiliates is certified by the Central Organization for Control and Audit in accordance with its Law; and
 3. All tax declarations are signed by the taxpayers or their authorized representatives.
- f) The Executive Regulation sets forth the data and requirements of the tax declaration, as well as the criteria required for classification of taxpayers categories into top and medium size taxpayers.

Sub-chapter II

Non-commercial and Non-industrial profits Tax Declaration

Article (97): Obligated to Acknowledge and Date of Submission:

- a) Non-commercial and non-industrial taxpayers shall submit an annual tax declaration to the tax authority using the form prepared by the authority for this purpose, by not later than April 30 of each year for the precedent tax year, provided that payable tax on the net income shall be paid on the same date stipulated for submission of the declaration.

- b) The provisions of tax declarations set forth in articles (95 and 96) of this law shall apply to the top and medium-size taxpayers, provided that the declaration filed by the auditor on his/her activity shall be certified by another auditor.

Sub-chapter III
Payroll Tax Declaration

Article (98): Tax Assessment:

The tax shall be assessed based on the income stated in the tax declarations filed by the employer or by the employee or worker in case they are responsible for payment of the tax.

Article (99): Withholding Tax:

1. The Tax shall be deducted by the employer on monthly basis when making payment to the taxpayer, taking into account that the period in which such payment/income is made/earned is based on the month in which the service is performed.
2. The tax shall be deducted on the income earned or other receivables at the time they are paid to the taxpayer, and the employer shall collect the amount of the payable tax on this income which is deducted in the month and include it in the monthly declaration required to be submitted by the employer, and shall settle the same to the Tax authority for each month on the income earned by its employees or personnel in accordance with the provisions of article (101) of this law.

Article (100): Liability of the Employer:

In principle, the tax is due on the taxable earner. However, employers are legally assigned to deduct and remit the tax to the tax authority, even if the tax is not deducted from the income earned by the employee or the worker.

Article (101): Employer's Obligation with Regard to Declaration and Payment:

- a) Employers are required to deduct from the income earned by their staff or personnel the amount of the tax payable pursuant to this law, and shall settle the same to the Tax authority within the first ten days of each month for the precedent month through a declaration using the form prepared by tax authority for this purpose.
- b) In the event the employee or worker works for more than one employer at the same time, he/she shall be personally liable for payment of the tax differences within the period stated in paragraph (a) of this article. Such liability of the employee or worker shall not relieve the employer of his/her liability to withhold and remit the payable tax.

Article (102): Liability of the Person Receiving an Income from a Non-resident Person:

If the employer or the person liable for payment of the taxable amount is not residing in the Republic, or does not have an office or establishment therein, then tax liability shall be of the person receiving such taxable amount, according to the rules and procedures set forth in the executive regulation.

Sub-chapter IV

Tax Declarations on the Real Estate Revenues

Article (103): Responsibility and Deadline of the Tax Declaration:

Taxpayers of real estate revenues shall file their annual tax declarations, using the form prepared for this purpose, together with a copy of the lease contract not later than April 30 of each year for the precedent tax year, with a description of the real estate and amount of the actual monthly rent, and shall settle the payable tax based on the details provided in the declaration at the same date the declaration is filed in accordance with the provisions of this law.

Sub-chapter V

Tax Declarations on the Change of Property Ownership

Article (104): Date of Submission:

All concerned taxpayers shall submit their tax declarations not later than four months from the date of disposal or sale of the property, and shall settle the payable tax at the same date.

Article (105): Liability with Regard to the Submission of the Declaration:

The seller or the person who disposed of the property shall be liable for submission of the tax declaration.

Sub-chapter VI

General Provisions on Tax Declaration

Article (106): Foreign Taxpayer Who Wishes to Leave the Republic:

Foreign taxpayer who decides to leave or ends his/her stay in the Republic shall file the tax declaration 60 days prior to departure, unless such departure is due to unexpected reason beyond his/her control, and shall settle the payable tax on time based on the declaration filed by such foreign taxpayer.

Article (107): The Deadline in Case of Death:

- a) In the event of taxpayer's death, the successors, the guardian or the liquidator shall, within 90 days from the date of death, file a tax declaration for the period preceding the taxpayer's death and pay the due tax on the same date.
- b) The most appropriate period shall be assessed for the taxpayer in case the death occurred within the legal period stipulated for submission of the declaration.

Article (108): Extending the Deadline for Submission of the Declaration:

The Commissioner or his delegate may extend the deadline stipulated for submission of the annual tax declarations for a period of thirty days, if requested in writing by the taxpayer 15 days prior to the deadline, provided that the taxpayer has provided sufficient reasons acceptable to the Authority, and the taxpayer shall settle the payable tax based on his/her estimation at the date the written application for extension is submitted. Such extensions shall not, in any case, affect the date of tax payment.

Article (109): In the Event of a Material Error in the Declaration:

Subject to the provisions of article (95) of this law, a taxpayer who discovers a material mistake in his/her declaration shall be entitled to file an amended declaration within the

period set for declaration review, with the mistake corrected. Payment of the tax shall be made based on the amended declaration, including payment of the added payable amounts added in accordance with article (152) of this law, and in such case, the taxpayer shall not be considered to have breached the provisions of this law, unless the Tax Authority has discovered such mistake and informed the taxpayer.

Article (110): In the event tax declaration is posted via registered mail with acknowledgement of the receipt, or by the means of communication approved by the competent authorities and Tax Authority shall be deemed to be duly submitted under the provisions of this law.

Article (111): The Deadline for Submission of Tax Declaration in Case of Business Cessation:

The taxpayer shall, in the event of business cessation, liquidation or waiver of the establishment, in whole or in part, file tax declaration within 60 days from the date of cessation, waiver or liquidation and settle the payable tax based on and at the same date such declaration is filed.

Chapter IV
Tax Assessment
Sub-chapter I

Self-assessment and Audit of the Tax Return

Article (112): Self-assessment:

- a) Self-assessment shall mean that the taxpayers determines the tax base and assess the payable tax himself in accordance with the provisions of this law, and the taxpayer shall be liable for payment of the tax, on the basis of the the filed return, at the same date it is filed without the need for a claim from the Tax authority.
- b) The taxpayer shall be liable for the accuracy of his/her tax return.
- c) The tax shall be assessed on the change of transfer of property ownership based on a return to be filed by the taxpayer on the basis of the deed of transfer of the property ownership, which shall be taken as an argument, except in cases where the deed is proved to be incorrect, and in which case substantiation shall be required.

Article (113): Review of the Tax Declaration:

- a) The Authority shall be entitled to review and audit tax declarations filed by the taxpayers within the legally stipulated period, through selective samples of such declarations on the basis of risk assessment. The rules and criteria of risk assessment and selection of the samples shall be issued by a decree from the Minister based on a recommendation from the Commissioner.
- b) The tax declaration filed on time shall, in all cases, be reviewed within two years starting from the date the Authority receives the tax declaration filed by the taxpayer which meets all legal and formal requirements. If the authority does not notify the taxpayer during two years from the date the declaration is received by the Authority that the declaration is not acceptable, it shall be deemed accepted and such period shall be deemed elapsed with the taxpayer notified by the Authority of the additional elements of tax assessment, or a written notice is given to the taxpayer by the Authority to settle the tax in accordance with the provisions of this law. This provision shall not apply to the tax declarations not filed on time, cases of tax

evasion, as well as in any case of fraud, or in case the Tax Authority could not identify the address of the taxpayer.

Sub-chapter II Original and Additional Assessment

Article (114): The Original Assessment:

- a) Without prejudice to the fines and penalties stipulated in this law, the Authority shall be entitled to assess the payable tax in case the taxpayer does not lodge his/her tax declaration on time in accordance with the provisions of this law, and assessment shall be made on the basis of the available information and date in accordance with the criteria set forth in the executive regulation, in compliance with the nature of each profession and activity.

Article (115) Additional Assessment Cases:

- a) The Authority may not re-audit and re-assess the tax for a tax period already audited and assessed, except in the event new information and data supported by documentary evidences are provided which may affect the assessment of the payable tax. The audit, review and tax assessment shall be made only within the scope of this information.
- b) As an exception to the provisions of paragraph (e) of this article, the authority may, within two years from the date the declaration is filed and in case of proper documents are available which provide conclusive evidence of the invalidity of the declaration filed by the taxpayer and breach of tax declaration for the rule of the self-assessment is substantiated, audit, conduct field review and determine the tax base which the taxpayer deliberately excluded from his/her declaration, make additional assessment for the payable tax and notify the taxpayer in accordance with the provisions of this law.
- c) The written notice of payment given to the taxpayer shall be deemed final. However, the Authority may conduct additional assessment if it is evidenced for the authority that the taxpayer did not provide accurate information or refrained to provide the documents and information required to prove the correctness of his/her declaration, or if the taxpayer destroyed the records and books prior to the expiry of the term stipulated for keeping accounting books and records, or used any fraudulent mean to evade payment of all or part of the tax. The Authority may also conduct additional assessment if the taxpayer did not file the declaration and the tax was assessed the tax based on its own estimation and then realized that there are other taxable activities or amounts the authority did not know before and were not included in the original assessment, or the taxpayer may provided incorrect details, used fraudulent manners, or provided documents that do not include all aspects of his/her activity, or refrained to provide the books or accounting records he/she is obliged to keep.
- d) Subject to the penalties provided for in this law, the Authority shall, in all cases referred to in paragraphs (a), (b) and (c) of this article, notify the taxpayer of the additional tax assessment and determine the amount of the payable tax. And the taxpayer may appeal against the additional tax assessment, same as the original tax assessment.
- e) The authority shall make the additional tax assessment in accordance with paragraphs (a) and (c) of this Article within not later than three years from the date the Authority is notified of the evasion or its knowledge of the hidden data and information.

- f) Separation between the procedures related to the additional assessment of the payable tax, of which the taxpayer is notified directly by the authority, and the procedures related to the application of the penalty of tax evasion against the same taxpayer, with regard to which the criminal case is filed before the court in accordance with the provisions of article (144) of this law, should be considered in applying the provisions of this article.

Article (116): Prior Notification and the Centrality of Assessment and Notification:

- a) The authority shall notify the taxpayer of the date and place of the assessment in advance, as established by the executive regulation.
- b) The tax shall be assessed in the name of the natural or legal person for all branches and establishments of the same legal entity which the taxpayer invests in the Republic at the head office of these branches. In case the head center is not identified, then in the subsidiary located in the Capital City or at the location of the largest branch. Subject to the provisions of paragraph (c) of article 53 of this law, the taxes collected in favor of the local authority are excluded from the central assessment.
- c) In all cases, the taxpayer shall be notified of the assessment of the payable tax in accordance with the provisions set forth in sub-chapter IV, chapter V of this law.

Chapter V
Objection, Challenge and Appeal Procedures
Sub-chapter I
Objection and settlement

Article (117) Objection to the Tax Assessment:

- a) The taxpayer who has been assessed in accordance with the provisions of this law shall have the right to object in writing to the tax assessment within thirty (30) days from the date the taxpayer receives the assessment notification. In the event the objection is submitted after the said period, provided that the Authority is convinced that the objecting taxpayer could not file his/her objection within the said period as a result of the taxpayer being abroad, or for any other acceptable reason, such period may be extended for another 15 days from the date of expiry of the initial period.
- b) The objection filed by the taxpayer against the tax assessment filed within the period set forth in paragraph (a) of this article to the settlement committee formed under article (118) of this law, and the objecting taxpayer shall be called for a meeting to the objection filed by the taxpayer. The objecting taxpayer shall have the right to submit all documents and proofs necessary to support his/her objection, and the committee shall be entitled to ask for the necessary information and necessary details, as well as submission of the required records and documents, on the basis of that it can proceed as follows:
 - 1- In case an agreement is reached with the taxpayer, the minute signed by both parties shall be deemed final and the tax shall become payable immediately on the basis of such minute; or
 - 2- In case no agreement is reached between the two parties and the taxpayer does not accept the settlement reached by the committee based on the documents and details presented to it, or the taxpayer does not attend the meeting without any excuse after having been notified in writing by the committee for two consecutive times, the tax shall be assessed as determined

by the committee, provided that the decisions made by the committee shall neither exceed the assessment made by the authority nor below the limits of the taxpayer's objection. The taxpayer may appeal against the decision made by the committee to the tax appeal committee within thirty days from the date such decision is notified to the taxpayer. If the taxpayer does not object within the stipulated period, such tax assessment shall become final and unappealable, and the tax shall become payable immediately.

Article (118): Formation and Authorities of the Settlement Committees:

- a) Settlement committees shall be formed at the General Administration of Large Taxpayers, its branches, Tax office in the Capital Secretariat and its branches in the governorates, as well as Fight against Tax Evasion Office. The committee shall be formed and the members of which shall be named by a resolution of the Commissioner.
- b) The settlement Committee shall perform the following functions:
 1. Look into and review the aspects of difference and the objections filed by the taxpayers referred to it;
 2. Objection of the taxpayer to the tax assessment issued by the tax administration based on the outcomes of its review for the tax declaration submitted by the taxpayer;
 3. Objection of the taxpayer to the tax assessment issued by the tax administration based on its own estimations; and
 4. Objection of the taxpayer to the additional assessment issued by the tax administration in application of any of the additional assessment cases in accordance with this law.

The Settlement committees shall be entitled to amend the resolutions of tax assessment in light of the reached facts and the documents submitted to them. The decisions made by the settlement committees shall be final and binding upon the Authority and the Taxpayer in case the taxpayer accepts the settlement.

- c) The settlement Committee shall issue its decisions on the objection filed by the taxpayer within a period not later than 30 days from the date the objection is filed, unless there are justifications for the delay beyond the said 30 days.
- d) The decisions of the settlement committee shall be made by unanimity and shall be signed by the chairman and the members of the committee. The Executive regulation sets forth the operational rules and procedures of these committees.
- e) Subject to the provisions of paragraph (a) of Article (117) of this law, the taxpayer may, in case the taxpayer does not wish to object or attend the meeting of the settlement committee, appeal against the tax assessment issued by the tax administration directly to the appeal committee within 60 days from the date the taxpayer receives the notice of tax assessment issued by the tax administration. Failure by the taxpayer to object to the tax assessment issued by the tax administration during the period set forth in paragraph (a) of Article (117) shall not be construed as acceptance by the taxpayer for the tax assessment or waiver by the taxpayer of his/her right to appeal directly before the Appeal Committee.

Sub-chapter II

Challenge before the Committees of Appeal

Article (119): Formation and Terms of Reference of the Appeal Committees:

- a) Tax Appeal Committees shall be formed by a resolution to be issued by the Minister which shall state the location and the spatial scope of each committee. The appeal committees shall be formed as follows:
 1. A chartered accountant from the Legal Accountants and Auditors Association - Chairman;
 2. Two (2) technicians from the Tax Authority - Members;
 3. Two (2) representatives from the Chamber of Commerce and Industry- Members; and
 4. A secretary, who shall not be entitled to vote.
- b) These Tax committees shall look into the tax appeals filed by taxpayers against Tax assessment resolutions made by the settlement committees, or the assessment decrees made by the tax administration. The resolutions made by the appeal committee shall either approve or modify the assessed tax based on the documents presented to it, provided that such resolutions shall not exceed the assessment made by the Tax Authority or below the limits claimed by the taxpayer. The hearing may not be held unless attended by the chairman and the majority of the committee member, in accordance with the provisions of this law.
- c) The Executive regulation defines the committees of appeal working within the scope of the General Department of Large Taxpayers, its branches, Tax office in the Capital Secretariat and its branches in the governorates, as well as Fight against Tax Evasion Office. The implementing regulation also establishes the operational rules and procedures of these committees.

Article (120): Challenge Procedures:

The appellant shall state the following on the petition:

- a) The amount of tax the appellant recognizes, and the aspects of the dispute. The taxpayer shall also establish the supporting evidence; and
- b) Payment of the tax recognized by the taxpayer in his petition, which shall not be considered unless accompanied by the payment voucher.

Article (121): The Resolutions of the Appeal Committee:

- a) The Committee shall send at least seven days prior notice to both the taxpayer and the Tax Authority with regard to the date of the appeal hearing, and they shall appear before the committee in person or by proxy and express their satisfaction with the data they already submitted. In the event the taxpayer does not appear on such date, the hearing may be extended for another 7 days. And in case the taxpayer does not appear on the second date without any justification, the committee shall have the right to either adjudicate or adjourn the appeal for not later than another 7 days and for one time only.
- b) The taxpayer shall submit the supporting documents and proofs, and the committee shall be entitled to request the data and papers as it deems necessary, including submission of the necessary records and documents.
- c) The Committee shall discuss the aspects of the dispute provided in the petition filed by the taxpayer and examine it based on the documents provided to it.

- d) The Committee shall prepare minutes for its meeting sessions, as well as a final minute, which shall include all aspects of the dispute and the grounds of the committee resolution and signed by the chairman, the members and the secretary of the committee.
- e) The Committee shall make its resolutions in the case not later than two (2) months from the date the appeal is filed, unless there are reasonable justifications for the delay beyond 2 months. The resolutions shall be made by the majority of the attendees' votes. And if the numbers of votes for and against a resolution are equal, the chairman shall have a casting vote. The resolutions shall be signed by the chairman of the committee and the secretary.

Sub-chapter III Challenge and Appeal

Article (122): Challenging the Resolution of the Committee of Appeal:

- a) Both the Tax Authority and the taxpayer may challenge the committee's decision before the tax court of First Instance, being formed under article (124) of this law, within 30 days from the date the decision is notified. In case no appeal is filed within the said 30 days, the tax assessment shall be final based on the decision made by the committee of appeal and whereby the due tax shall become payable immediately.
- b) The Commissioner shall be the legal representative of the Tax Authority and its branches before the courts of various types and classes, as well as anything provided or received by Tax Authority to or from the courts. The Commissioner may assign any specialist of the Authority staff, he/she may select, in accordance with the procedures set out in the Executive Regulation.

Article (123): Payment of the Approved Tax:

The appeal filed by the taxpayer against the decision of the committee of appeal shall not be deemed formally acceptable unless the appellant settles the amount of tax he/she approved on the basis of the decision made by the committee of appeal.

Article (124): Tax Courts of First Instance:

- a) By virtue of this law, competent courts of first instance dedicated for scrutiny and adjudication of tax dispute cases in the Capital Secretariat and the governorates, and shall have the sole jurisdiction over all civil and criminal tax cases, as well as lien applications and enforcement cases. These courts shall be formed in accordance with the provisions of the Judicial Authority Act, provided that selection of jury shall take into account the availability of the expertise in both tax and fiscal areas.
- b) The typical jurisdiction of the Tax courts of First Instance shall be identified as follows:
 1. Scrutiny of appeals filed by the Tax Authority and the Taxpayers against the decisions made by the Appeal Committees of Tax income and General Sales Tax. The appellant shall establish the proof and demonstrate the validity of the appeal;
 2. Scrutiny of cases involving tax violations and crimes of tax evasion brought by the Authority or the prosecution at the request of The Commissioner, in compliance with the applicable laws;
 3. Scrutiny of lien claims and applications related to tax benefits filed to it in accordance with the provisions of this Law, the General Sales Tax Act and collection of public funds; and
 4. Enforcement of the final tax judgements.

- c) The court shall hold closed meetings, unless it decides otherwise, and tax cases shall be adjudicated urgently. The General prosecution shall be represented in the criminal tax cases and shall be assisted, upon request, by a representative from the competent tax administration.
- d) The Court may, at its discretion, seek the assistance of a neutral party having experience in any or both tax and fiscal areas.
- e) The court shall adjudicate in the case within two months from the date of the first session of the hearing or appeal, unless the delay beyond the said two months is justified. Such judgement shall not exceed the amount of tax assessed by the Authority or below the limits of the taxpayer's objection or appeal. Tax assessment shall be modified in accordance with the court's judgement.
- f) The taxpayer or the Tax Authority may appeal against the judgment of the income tax court before the specialized tax appellate division in the Governorate Court of Appeal formed pursuant to article (125) of this law, within 30 days from the date the judgement is received.
- g) The spatial scope of jurisdiction of the courts of first instance in the Capital Secretariat and the governorates shall be identified by a decision to be issued by the Supreme Judicial Council based on a presentation from the Minister of Justice.

Article (125): Appellate Divisions:

- a) By virtue of this law, competent appellate divisions dedicated for tax cases shall be established in various courts of appeal in the Capital Secretariat and the other governorates which shall be formed in accordance with the Judicial Authority Act.
- b) The appellate divisions shall be responsible for scrutiny and settlement of the appeals filed against the judgements and the resolutions made by the Tax courts of first instance located within the scope of their jurisdiction and geographical scope.
- c) The appellant may not file new claims before the competent appellate divisions unless first filed before the tax courts of first instance located within their jurisdiction and geographical scope.
- d) Except as set forth in paragraph (b) of Article (126) of this law, judgments made by the tax appellate divisions shall be deemed final and unappealable.
- e) The appellate division shall issue its judgement within two months from the date of the first hearing, unless the delay beyond the said two months is justified.

Article (126): Tax Department at the Supreme Court:

- a) Subject to the provisions of the judicial authority Act and by virtue of this law, a competent and dedicated department shall be issued at the Supreme Court which shall undertake settlement of the appeals authorized to be filed to it against the judgements made by the Appellate Tax Divisions.
- b) The taxpayer or the Tax Authority may appeal to the Tax Department at the Supreme Court against the judgment made by the Appellate Tax Divisions within 30 days from the date the judgement is received, in any of the following cases:

1. If the challenged verdict is based on a clear violation of the law or a mistake in its enforcement;

2. If the verdict is unenforceable or the sentence is to the contrary of its grounds;
 3. If the verdict includes matters not claimed by the litigants or more than they claimed; and
 4. if two final tax verdicts in two similar cases, with regard to litigants, subject and cause, contradict with each others.
- c) Self-rooting and integrity of the tax law shall be considered while examining tax appeals and cases at the various degrees of litigation.

Article (127): Referral to the Prosecution:

Tax Courts of First Instance and the competent Tax Divisions of the Courts of Appeal in the Capital Secretariat and the governorates may refer the claim or the appeal filed to them to the Public Prosecution for investigation and action in accordance with the provisions of sub-chapter II of Chapter VI of this law and the applicable laws, in the event any case of tax evasion is discovered, which shall include, but not limited to the following:

1. If the court finds out that the appeal contains taxable facts and the taxpayers evaded payment of the same, or claims recovery of funds from the public treasury through the use of incorrect or fals data or documents, or through use of fraudulent methods to circumvent the law;
2. The court founds out that the appeal or the claim involves other taxpayers involved in tax evasion; and
3. The court makes sure that there is collusion between the taxpayer and any of the staff of Tax administration resulting in tax evasion.

Article (128): The Burden of Proof:

- a) The burden of proof shall be of the Authority when applying the following:
 - 1) Additional Tax Assessment;
 - 2) Substantiation on the basis of signs and indicators of tax evasion; and
 - 3) Non-approval of the tax return submitted by the taxpayer.
- b) The burden of proof shall be of the Taxpayer when:
 - 1) The Authority makes estimated assessment;
 - 2) The taxpayer requests correction of unintentional error in the Tax Return; and
 - 3) The Taxpayer objects to the contents of the tax notification.

Sub-chapter IV
Notices

Article (129): Notice:

The notice shall be the official mean to notify the taxpayer or the party of all the procedural actions provided for in this Law. The Executive Regulation establishes the form and contents of the notice.

Article (130): Means of Notification:

The notices issued by the Tax Authority shall be sent to the taxpayer through one of the following methods:

- a) The notice issued by the Tax Authority may be served by hand to the taxpayer at the head office of the establishment, the permanent place of residence of the taxpayer, the place selected by the taxpayer or to its legal representative;
- b) The notice issued by the Tax Authority may be served to the taxpayer through registered mail accompanied by delivery receipt to the last known address of the taxpayer registered with the Tax Authority, or by email.

Article (131): Delivery of the Notice:

Any notice, required to be submitted under this law, which is given by hand shall be deemed to be duly given and legally binding, even if the receipt of which is rejected by the taxpayer, as long as such notice is delivered to the taxpayer in person or to his/her legal representative, in which case, rejection of the receipt shall be evidenced on the original document of the notice by one of the Tax Authority personnel, or by the staff of the mail if sent through registered mail.

Article (132): Reporting in Case the Establishment is Closed:

In case the establishment is closed and the absence of the owner, and serving the notice through any of the means stated in article (130) and (131) of this law is rendered impossible, the same shall be evidenced by a minute to be written by one of the Tax Authority personnel, and signed by the notary public or police station having jurisdiction over the region in which the head office of the establishment is located, as the case may be. A certified copy of the notice together with the minute shall be published on the Tax Authority notice board and the on the gate of the establishment, as well, after the representative of Tax Authority has actually visited the head office of the establishment and carried out the necessary investigation to verify continuous closure of the establishment and the absence of the taxpayer.

Article (133): Validity of the Tax Notification:

Notices affected in accordance with the provisions of this Law, shall not become invalid due to a defect in their form, and that any error or omission shall not invalidate the purpose they are served for.

Chapter VI
Tax Violations and Crimes of Tax Evasion
Sub-chapter I
Tax Violations

Article (134): Violations and Penalties:

- a) Subject to any penalty provided for in any other provision of this law, every person committing any of the following acts shall be liable to the penalties set forth in paragraph (b) of this Article, in addition to paying the due tax and fines:

- 1) Failure to withhold, add or collect and remit the tax to the account of the Tax Authority in accordance with the provisions of this law.
 - 2) Failure to notify Tax Authority upon commencement of any taxable activity or career, at the date the real estate is leased or the change of the address of the establishment.
 - 3) Failure to deliver a notice of total or partial cessation of the activity or the career within the legal deadline.
 - 4) Failure to comply with any notice or order sent to him under this law, or failed to appear without reasonable justification in response to a notification issued for any purpose of this law.
 - 5) Refusing the receipt of any notice in accordance with the provisions of this law.
 - 6) Using incorrect tax number on any document required or used for the purposes of this law.
 - 7) Failure to grant access to the Authority personnel to perform their duties or exercise their functions with regard to accounts audit, or refrain to provide or grant access to the accounting books, records and documents, or provision of any information they may ask for in accordance with the provisions of this law.
 - 8) Failure by the person who maintains funds owned by the distrainee to file a declaration to the Tax Authority on the funds he/she owes to the distrainee on time based on a court order, or such person lodged declarations which include incorrect information.
- b) Any person committing any of the acts set forth in paragraph (a) of this article shall be liable to the following penalties:
1. A fine of Six Hundred Thousand Riyal (600,000) for Large Taxpayers and exempt taxpayers under the Investment Act or any other special Acts.
 2. A fine of One Hundred and Twenty Five Thousand Riyals (125, 000) for medium taxpayers.
 3. A fine of Five Thousand Riyals for small establishment.

However, in any case, the said penalty shall be doubled in case the violation is repeated.

Article (135): Penalty of Delaying the Submission of the Tax Returns:

- a) A delay penalty at 2% (Two Percent) of the payable tax shall apply for each month or part thereof in which the taxpayer delays submission of the return after the deadline, provided that such fine shall not exceed the amount of the payable tax.
- b) If, in all cases, the returns submitted after the deadline showed that the transactions resulted in a loss, a penalty for the delay of submitting the tax return on time shall apply as follows:
 - 1) A delay penalty at amount of Five Million Riyals (5,000,000) on the banks and the financial institutions of various types and names, insurance companies, petroleum, gas and mining companies, the companies having contracts with the government to provide telecommunication services

(mobile phone), and those working in the field of international communication services and satellite channels.

- 2) A delay penalty at amount of One Million Riyals (1,000,000) for other Large Taxpayers not mentioned in item (1) of this paragraph.
- 3) A delay penalty at amount of Two Hundred Thousand Riyals (200,000) for medium taxpayers.

Article (136): Penalty on Exempt Taxpayers:

The delay penalty set forth in paragraph (a) of Article (135) of this law shall apply to the taxpayers referred to in paragraph (b) of Article (96) of this law in the event the tax return is not submitted by the deadline. Such penalty shall be charged from the exempt tax. In the event no profit is achieved or when the exempt activity results in a loss at the end of the year, the provisions of paragraph (b) of the same article (135) of this law shall apply.

Article (137): Penalty of Incomplete Tax Return:

Subject to the provisions of Article (141) of this law, if the taxpayer filed a tax return and the amount of tax is less than the final and unchallengeable amount of the payable tax for the same tax year, and that such amounts are a result of any act of tax evasion, a penalty shall be imposed on the taxpayer in proportion to the rate and amount of the difference in the filed tax return which becomes payable, as follows:

- a. 20% of the tax payable on the amount not included, if it is equal to 10% - 20% of the legally due tax.
- b. 50% of the tax payable on the amount not included, if it is equal to more than 20% to 50% of the legally due tax.
- c. 100% of the tax payable on the amount not included, if it is equal to more than 50% of the legally due tax.

Article (138): The penalties imposed under this law shall be collected in the same way the tax is collected.

Article (139): Reconciliation of Offenses and Penalties:

- a) The Commissioner or his delegate may reconcile the fines provided for in article (134) and (137) of this law by reduction such penalties up to, but not more than 50% , in addition to the payment of the due tax.
- b) The Commissioner or his delegate may reduce the penalties imposed under the provisions of Articles (135) and (136) of this law based on a justified written request by the taxpayer. Such reduction shall not exceed 50% of the imposed fine.

Article (140): Penalty on Failure to Keep Regular Accounts:

- a) Subject to the penalties set forth in article (141) of this law, in the event the taxpayer fails to maintain regular accounting records he/she is required to keep under the provisions of this law, a financial penalty at 100% of the payable tax shall be imposed. Such penalty shall be doubled in case of further non-compliance.
- b) In case the taxpayer is tax exempt under the Investment Act or any other Act, a penalty on failure to maintain regular accounting records shall be imposed at lump-sums,

which shall be set at One Million Riyal (1,000,000) for Large Taxpayers and Three Hundred Thousand Riyals (300,000) for medium taxpayers.

Sub-chapter II
Crimes of Tax Evasion and
Breaching the Duties of the Public Office

Article (141): Tax Evasion Crimes:

- a) Every taxpayer who evades payment of all or part of the tax for any tax year or part thereof shall be liable to imprisonment for a period of not exceeding three years and a fine not less than one hundred percent (100%) and not more than one hundred fifty percent (150%) of the evaded taxes, in addition to the payment of the due tax and the additional fines and amounts. Tax evasion means committing any of the following acts:
1. Failure to submit the tax return for one year after the deadline;
 2. Filing a tax return on the basis of fabricated books, records, accounts or documents, or included data to the contrary of what is recorded in the books, records, accounts or documents which the taxpayer concealed;
 3. Filing a tax return on the basis of no books, records, accounts or documents and the Authority found out that the taxpayer maintains regular books and accounts and that the filed return is different than what is actually recorded in his/her books, records, accounts or documents which he/she concealed;
 4. Making any false statement, false or incorrect entry in any declaration, document or statement filed in accordance with this Law.
 5. Prepared, maintained, or authorized preparation of any forged books, accounts, or false entries, fabricated or permitted fabrication of any books, accounts or entries with the purpose to conceal and taxable income or part thereof under this law, or to evade payment of all or part of the tax, or to obtain unlawful exemption;
 6. Used any any fraudulent method or trick, whatever it may be, or authorized the use of the same to evade payment or reduce the amount of the tax in any way;
 7. Provided faked or incorrect records, books, accounts or documents or information or false data to evade payment of all or part of the tax;
 8. Failed to maintain accounting books, records and documents or destroyed all or part of them prior to the expiry of the period stipulated in article (88) of this law;
 9. Provided false data or information to the Authority with regard to any incident, matter or issue that may prevent or affect payment of the tax or affect its amount;
 10. Provided any false written answer to any question or request addressed to him / her for information or particulars required under this Law, with the aim to avoid payment of all or part of the tax; or
 11. Concealed taxable activities or professions or part thereof under the provisions of this law.
- b) The penalty set forth in paragraph (a) of this Article shall be doubled in case of recurrence.
- c) (1) Tax evasion offense shall be considered as a serious crime;

(2) The Authority may publish the names of the taxpayers, who have committed proved tax evasion offenses by virtue of a final court verdict, in the official newspapers.

Article (142): Certified Accountant:

- a) Every certified accountant licensed to practice the profession who commits any of the following acts shall, without prejudice to the liability of the auditor under the provisions of this Law, be punished by imprisonment for not more than three years or a fine of not less than Five hundred thousand Riyals (500,000) and not more than ten million Riyals (10,000,000):
1. Deliberately certified financial statements in violation of the the generally accepted accounting rules and principles, and the applicable laws and regulations;
 2. Certified a tax return and its annexes which are proved not to include all taxable revenues and incomes in any of the following cases:
 - The auditor concealed facts that came to his/her knowledge in the course of performing his/her job which are not reflected in the documents the accountant certified to be true, if the disclosure of such facts is deemed necessary for the accounts and documents to reflect the actual details of the taxpayer's activity; or
 - The auditor concealed facts that came to his/her knowledge in the course of performing his/her job about any modification or change in the books, accounts, records or documents, which may result lead to an inaccurate belief that lesser profits were generated or greater losses were incurred with the aim to evade payment of the tax in whole or in part.
- b) The penalty set forth in paragraph (a) of this article shall be doubled in case of recurrence.
- c) The Minister, based on a recommendation by a committee comprising representatives from the Tax Authority, the competent body and the association of certified Public accountants, in the event any accountant is proved to have committed and offense stated under paragraph (a) of this article, may issue a decision that Tax Authority does not accept the accounts audited by such accountant and the tax returns certified by him/her for during the next three years. Such decision shall be published in the official newspapers. Formation and functions of the aforesaid committee shall be established by a decree from the Minister based on the presentation of the Commissioner.

Article (143): Reconciliation of Tax Evasion Crimes:

The Minister or his/her delegate may reconcile in crimes of tax evasion set forth in this article before a final verdict is made in the criminal case against payment of:

- a) The payable tax, penalties and the additional amounts, as well as a compensation equal to half of the amount of the unpaid tax in the crimes stated in paragraph (a) of Article (141) of this law.
- b) A compensation equivalent to half of the amount of the penalty imposed under Article (142) of this law.

- c) Reconciliation shall result in dismissing the criminal litigation, cessation of the proceedings and abolition of the subsequent effects arising therefrom.

Article (144): The Procedures of Filing a Criminal Case:

- a) In case a tax evasion event is proved in accordance with the provisions of paragraph (b) of this article, the public prosecution shall, based on the request of the Commissioner, and without prejudice to the provisions and procedures of the payable tax assessment, file a criminal case before Tax court of first instance with regard to tax evasion crimes;
- b) The Tax Authority shall, once verified tax evasion, perform the following actions:
 - 1) Assess and notify the taxpayer of the payable tax which he/she has evaded in accordance with the provisions of this law;
 - 2) Tax Authority shall request the public prosecution to file a criminal case before the tax court of first instance against the evaded taxpayer in order to apply the legal punishments imposed under this law and the other applicable laws, and this shall coincide with assessment of the payable tax as indicated in item (1) of this clause;
 - 3) The Tax Authority may not initiate the procedures stated in clause (1) and (2) of this paragraph unless it has obtained the supporting documents to prove commitment of the tax evasion crime.
- c) In the event the resolution made by the committee of appeal supports all or part of the amount of the assessed payable tax, being made in accordance with clause (1) of paragraph (b) of this article, prior to the issuance of a court ruling in the tax evasion lawsuit (the criminal case), then the tax administration shall file an order to the court to adjoin its claim with regard to the payable tax with the criminal case in accordance with the provisions of the law.

Article (145): Joint Liability with the Legal Person:

In the event any act of tax evasion is committed by a legal person, then the joint partner, or the manager, the authorized member of the board or the chairman of the board of directors, whosoever responsible for the actual management, as the case may be, shall be liable for the payment of the tax evaded by the legal person, as well as the fines and penalties adjudicated.

Any person working with a legal person and contribute in any act of tax evasion shall be jointly liable with such legal person for any breach of the provisions of this law.

Article (146): Liability for Payment of Tax:

The application of the penalty under this law shall not relieve any person of his/her liability for payment of the payable tax.

Article (147): Offenses of Breaching the Public Office:

- a) Subject to any administrative penalty, any employee of the Tax authority involved with tax inventory, assessment and collection shall be punishable by imprisonment for a term not exceeding three years or a fine of not less than one million Riyals on being convicted of committing any of the following offenses:
 - 1) Used his/her authority to threaten or blackmail any taxpayer in order to obtain something for himself or for others;

- 2) Used his/her authority to obtain a personal benefit for himself or for others from the taxpayer costly to get something for himself or for others in an unlawful manner; or
 - 3) Used his authority to impede the applicable tax laws and regulations, or unlawfully rejected enforcement of the applicable court resolutions and judgements.
- b) Any employee of the Tax Authority who deliberately called on the establishment of any taxpayer for the purpose of performing inventory taking, accounts audit, data or tax collection, without being officially assigned to perform all or any of the said tasks, or did that after the official working hours of the establishment shall be punished by imprisonment for not less than three months or a fine of not less than one hundred thousand Riyals (YR 100,000) and not exceed One Million Riyals (1,000,000).
 - c) Without prejudice to any stricter penalty provided for in the Penal Act, and subject to the provisions of tax evasions, any employee of the tax authority who accepts cash or in-kind bribe in return of concealing any taxable amount, or committed any act or refrained to do any act in violation of his/her job duties shall be liable to imprisonment for a period not less than one year, but not exceeding five years. The same penalty shall apply to the briber (the taxpayer) and the mediator between the taxpayer and the employee.

Chapter VII Collection and Lien

Article (148): Payment of Tax:

- a) All taxpayers shall pay the tax on time based on the filed declarations, approval of the tax assessment, or the payable amounts, including the assessed tax on the small establishment, after deduction of the amounts paid in accordance with the system of collection under income tax account, to the account of the Tax Authority with the Central Bank or any of its branches in the Capital Secretariat or the governorates, or to any authorized agency or to the treasury of the Tax Authority, as established by the executive regulation.
- b) Any employer who is responsible for the payment of a non-exempt salary, wage, remuneration, , bonus or any non-exempt amount shall, on payment of the same, deduct and remit the applicable tax, on a monthly basis, to the account of the Tax Authority with the Central Bank or any of its branches or to any authorized agency or to the treasury of the Tax Authority. Failure by the employer to deduct or remit the payable tax, the Authority shall be responsible to ensure payment of the tax, without prejudice to the fines and penalties set forth in this law.

Article (149): Dates of Tax Payment and Refund:

- a) The payable tax shall be collected on the basis of the final tax assessment within not later than 20 days from the date the taxpayer is notified of payment .
- b) In the event it has been evidenced that the taxpayer has paid amounts in excess of the payable tax, the taxpayer shall be entitled to recover all or part of the tax or other amounts paid in excess of the payable tax. The Tax Authority shall be obliged to refund the collected amounts in excess of the payable tax within 40 days after

the date of the taxpayer's written request unless adjusted against other tax dues payable by the same taxpayer.

- c) Fines and penalties shall be collected as a tax debt.
- d) The Executive Regulation establishes tax refund application form. However, the application of refund shall, in each case, be filed within five years from the date the overpayment is made, provided that recovery of the collected amount in excess of the payable tax shall be made in accordance with the procedures and principles established by the executive regulation.

Article (150): Installment of Tax:

The Commissioner may accept installment of the payable tax or part thereof based on a justified written application by the taxpayer, which shall state the reasons behind the taxpayer inability to pay the due tax within the statutory period.

Article (151): Schedule of the Installment:

- a) The Commissioner or his/her delegate may accept or reject the application for installment of the tax submitted under Article (150) of this law.
- b) Installment of the tax shall be made based on a schedule to be developed by Tax Authority and signed by the taxpayer, provided commitment by the taxpayer to comply with the dates of payment and the amounts as stated in such schedule.
- c) Installment of the tax shall be for a period equivalent to its maturity term, which, in any case, shall not exceed three years and re-scheduling may not be made.
- d) In case of failure by the taxpayer to meet the said payment schedule, or in case the taxpayer declares bankruptcy or liquidation of its business, the Authority shall take action to collect the remaining tax in accordance with the provisions of this law, public funds collection Act and the other applicable laws.
- e) In the event the taxpayer delays payment of the due installment, the provisions of article (152) of this law shall apply, and the specified term of the scheduled amounts shall be calculated as of their maturity date in accordance with the provisions of this law, public funds collection Act and the other applicable laws.
- f) The tax collected at their origin, including payroll tax (wages and salaries tax) and the amounts already collected by a third party under income tax account are excluded from the provisions of tax installment provided for in this article.
- g) In the event the Commissioner refused installment application, the taxpayer may not file a new tax installment application unless such new application includes statement of new reasons and circumstances that justify re-consideration of the application.
- h) The Executive Regulation establishes the procedures and the applied forms of installment process.

Article (152): Additional Amounts:

- a) If the tax is not paid on time according to the provisions of this law, an amount equal to one and half percent (1.5%) of the unpaid tax shall be charged for each month of delay.

- b) The added amounts shall be collected in the same way the tax is collected, and the amount added under this article shall not be deemed part of the tax.

Article (153): Conservatory Attachment/Lien:

- a) The Commissioner or his/her delegate may, within the limits of the tax due by the taxpayer, request the court to issue a writ of attachment and garnishment with immediate effect on the assets of the indebted taxpayer and his/her assets with third parties without the need for a prior notice, in any of the following cases:
 - 1- Existence of serious grounds that the taxpayer may smuggle or hide his/her funds, including assignment to third party;
 - 2- The taxpayer has no permanent place of residence in the Republic;
 - 3- The taxpayer refused or failed to pay the payable tax on the revenues of the leased real estate for one tax period, and the lessee shall declare the amounts he/she owes to the lessor within 15 days from the date the lessee receives the attachment notice.
 - 4- The tax authority discovers that the rights of the Public treasury are exposed to a serious loss.
- b) The seized assets based on a court resolution shall be deemed under conservatory attachment and may not be disposed of unless the lien is lifted by a court ruling from the same court which issued the attachment order.
- c) Tax Authority (lien applicant) shall file a claim to prove the validity of the lien against the distrainee and the garnishees and assess the tax payable by the distrainee (taxpayer) within 30 days from the date of lien declaration.

Article (154): Executive Lien:

When the tax debt becomes payable, and the taxpayer failed to make the payment within the period of the payment notice, the court may, upon request by the Commissioner or his/her delegate, issue an executive lien order on the funds of the indebted taxpayer equal to the payable amounts and taxes. Such lien shall include the funds, securities and others of the taxpayer which are in the possession of a third party, whether payable at the time of the lien or in the future.

Article (155): Lien Procedures:

Lien and sale procedures shall be taken in accordance with the procedures set forth in the applicable laws, provided that the court shall supervise enforcement of the lien.

Article (156): The Right to Withhold Tax Debt:

The Minister, based on a justified request by the Commissioner, may withhold from the amounts payable to the public legal persons with the Ministry of Finance the payable amount of tax, fines and others approved by the law, and the Ministry shall be entitled to deduct such amounts directly or through the Central Bank. Commercial Banks may not withhold any amount without a court order.

Article (157): Complementarity of the Applicable Laws:

The payable tax, fines and the additional amounts shall be collected in accordance with the procedures set forth in this law, public funds collection Act and the applicable laws.

Article (158): Withholding and Addition System:

The Tax Authority may collect advance amounts under tax account, and shall determine the rates and procedures of collection as established in the executive regulation of this law.

Article (159): Preferentiality of the Tax Debt:

- a) The Tax debt is a preferred debt payable to the Authority without the need for a claim.
- b) Payment of the amounts due by the taxpayer to the Authority shall come in the following order:
 - 1) Administrative and judicial fines.
 - 2) Payment Delay Penalties.
 - 3) Payable tax debts.

Part III
Transitional and General Provisions
Chapter I
Transitional Provisions

Article (160): The Abolition of Tax Exemptions Contained in Any Law in Force:

- a) The tax exemptions provided in other applicable laws are hereby cancelled, taking into account the following provisions and rules:
 - 1) The existing investment projects which already acquired tax exemption under Investment Act No. (22) of 2002 prior to enactment of this law shall continue to apply up to the end of the period set for such exemptions. However, such projects shall be required to pay the other due taxes not covered by such exemption.
 - 2) Registered investment projects under Investment Act No. (22) of 2002, which did not commence their activities or production up to the date this law is enacted, they are required to commence their activities or production within not later than two years starting from the date of enactment of this law.
 - 3) The Tax Authority and the General Investment Authority shall coordinate with each other and exchange the data and information for the enforcement and application of the provisions of these two clauses (1) and (2) of paragraph (a) of this article in compliance with the relevant provisions and statutory terms of the Investment Act and this law.
- b) All tax exemptions provided for in the law of the Central Bank and the laws of other Banks Establishment shall be cancelled. All banks operating in the Republic shall be taxable under this law.

Article (161): Temporary Exemption:

- a) Public funds courts of first instance in the remaining governorates of the Republic where no tax court is available up to the date of this law, as well as Public Funds Divisions, the Commercial Divisions in the courts of appeal and the Commercial Department at the Supreme Court shall, in an exceptional case, assume review and settlement of tax cases until tax courts of first instance are established in the remaining governorates, appellate tax Divisions are established in the Capital Secretariat and the remaining governorates, and the Tax Department is established at the Supreme Court in accordance with the provisions of this law.
- b) The cases under review by the Committees of Appeal formed by the previous law No. 31 of 1991 concerning Income Taxes and its amendments shall be referred to the committees of appeal formed under this law, except the cases reserved for a resolution.

Chapter II GENERAL PROVISIONS

Article (162): Official Holidays:

If the deadline to file tax declaration or the objection coincides a holiday, the declaration or objection shall be filed in the first working day following the official holiday.

Article (163): In Charge of Foreign Travel:

A taxpayer who wishes to leave the territories of the Republic permanently shall obtain a certificate from the Tax Authority stating that such taxpayer has settled all due taxes in accordance with the provisions of this law, or submit guarantees acceptable to the Tax Authority.

Article (164): Double Taxation:

To avoid double taxation, the Executive Regulation sets forth the details of the controls to ensure or repetition of taxation, the Regulations governing the details of the controls to ensure that in accordance with the provisions of this law.

Article (165): Share of the Fine:

The share of the public treasury out of the amounts of fines and the added amounts established under the provisions of this law which are collected by the Tax Authority shall be Seventy Percent (70%). The remaining thirty percent shall be allocated to meet the expenses of the supervisory and executive works, including the expenses of income taxes inventory, assessment and collection. The Executive Regulation sets forth the basis of merit and disbursement.

Article (166): Title of Investigation Officer:

The Tax Authority personnel who shall be granted the title of investigation officers shall be identified by a decision from the Attorney General, at the request of the Minister.

Article (167):

The information contained in the declarations submitted by taxpayers in accordance with the provisions of this law shall not constitute presumption or evidence of the income generated by the taxpayers during the years prior to the enforcement of this law.

Article (168):

The Commissioner or his/her delegate may make reconciliation, through reduction or cancellation, in the fines and additional amounts imposed in accordance with the provisions of Law No. (31) of 1991, as amended, subject to compliance by taxpayers to perform the tax obligations payable by law.

Article (169): Issuance of the Executive Regulation:

The Minister, based on a presentation by the Commissioner, shall issue:

- a) The Executive Regulation of this law within six months as of the date of its entry into force; and
- b) The executive systems and resolutions implementing the provisions of this law.

Article (170): Cancellation of the Previous Law:

The income taxes law No. 31 of 1991 and its amendments are hereby repealed.

Article (171): Law Enforcement:

This Law shall come into force as of December 31, 2010 and shall be published in the official gazette. The provisions of this law shall apply to the profits, income, and gains generated during the fiscal year 2010 which are subject to commercial and industrial profits tax, non-commercial and non-industrial professions, and Real Estate Revenues tax.

Presidency of the Republic - Sanaa
On Ramadan 29, 1431 A.H.
Corresponding to August 29, 2010

Ali Abdullah Saleh
President of the Republic