Law No. (17) For the year 2010
concerning income taxes

In the name of the people:
President of the Republic:
In view of the Constitution of the Republic of Yemen.
After approval of the House of Representatives.
(We have issued the following law)

Section 1
Applied provisions
Part One
Nomination and definitions

**Article (1):** This law is called Income Tax Law.

**Article (2):** Definitions: The words and phrases wherever mentioned the following meanings hereby assigned to them unless the context requires another meaning:

**Republic:** The Republic of Yemen

**Minister:** The Minister of Finance.

**Tax authority Chief:** tax authority chairman

**Authority:** Tax authority (tax administration)

**Law:** Income Tax Act.

**Executive Regulations:** Regulations for this law.

Tax: a tax imposed in accordance with the provisions of this law.

**Person:** A natural person or legal entity and is one of the following legal persons:

- Association of capitals: stock companies, and limited assets company by and limited liability companies.
- Persons partnership, Corporation: joint liability (collective) companies, companies limited partnership, and joint stock companies, and corporate reality.
• Cooperative, charitable societies and other associations subject to the provisions of the law of societies and cooperative unions, as well as clubs.
• State Bodies and the central and decentralized institutions, bodies of the state, and public institutions, boards; mixed and other public establishments.
• Banks, companies and foreign firms, even if its head office abroad and its branches in Yemen.

- **Court**: The First-instance Tax Court.
- **Taxpayer**: A person who shall be subject to tax under this Act or one of them, or who is binding on paying or deducting and remitting it to the tax administration, and also includes a person exempted under this law and investment law, or any other law.

- **Foreign Taxpayer**: the natural person other than Yemeni, whether resident or non-resident.
- **Establishment**: entity, which is composed of a set of material and abstract elements which is dedicated to engage in commercial or industrial activities or service or real estate, professional or otherwise.
  
  Related person: each person related to taxpayer, having a relationship that affects in determining the tax base—including:
  A) Husband and wife, family roots, branches.
  B) The capital association and the person who owns, directly or indirectly at least 50% of the number or value of the shares or voting rights.
  C) Partnership, public partners, acting and silent partners.
  D) Any two or more companies whereby the person has at least 50% of the number or value of the shares or voting rights in each of them.

- **Neutral price**: the prevailing price in which two or more unrelated persons are dealt, and that price is determined according to market forces and circumstance deal.

- **Returns**: they include the following:
  1 - Interests and all amounts and financial values arising from:
     - loans and credit facilities.
     - Balances with banks.
     - Bonds, and financing operations of different kinds.
     - Profitability in Islamic banks.
-Deposits and savings accounts at banks.
-Deposits and savings accounts in the mailboxes.
-Treasury bonds.

2 - Any gains resulting from:
   Sale of financial investments held for trading.
   Sale of financial investments held for maintenance.

3 - All amounts and financial values derived from any other sources, and
   The regulations shall include the standards for determining those
   sources, amounts and values of financial revenues arising wherefrom
   as returns

-Royalties
-Payments of any kind for the use of or the right to:
- Usage: Such as rights of extraction, or copyright of pertaining to literary
  or artistic or scientific work, including movies and any patent,
  trademark, design or model, or a combination or mixture or secret
  operation or for the use or rental of or right to use industrial,
  commercial or scientific equipment; or information relating to
  industrial, commercial or scientific expertise.

-Mining activity:
   It is in the activities of mining and quarrying, excavations, research and
   exploration for metallic and non-metallic minerals and exploiting them
   and the concerned commercial and industrial works.

-Natural reservoir: The sites in which metallic, industrial and
   constructing materials are existed.

-Mines: Natural reservoirs from which the mineral materials are extracted,
   that are existed down earth or in the surface.

-Quarries: Natural reservoirs from which the industrial, constructing
   materials are extracted, that are existed earth's surface.

-Metallic minerals: Metals which lead to the extraction of a metallic or
   more such as iron, copper, nickel, lead, zinc, aluminum and cobalt
   when they are disconnected.

-Non-Metallic minerals: Minerals that are used industrially as is
   primary, and can not derive metals such as: magnesium and sodium
   wherefrom.
Article (3): Residency: For the purposes of the application of this Law, the residence of natural persons and legal persons is determined according to the following:
First: The natural person is resident in the Republic in any of the following cases:
1 - If he has a permanent place of residence in the Republic.
2 - Resident in the Republic for a period no less than one hundred and Eighty-three days, whether continuously or frequently during twelve Months which shall be terminated in that tax year, and that occurs only in the absence of a permanent place of residence in the Republic.
3 - a Yemeni who worked outside Yemen and obtain career income of the Republic.
Second: A legal person is considered a resident in the Republic in any of the following cases:
1 - if it was established in accordance with the powerful laws of Yemen .
2 - If the head office or effective management is located in the Republic of Yemen.
3 - If the legal person is a company in which the state or a legal persons own more than 50% of the capital.
The executive regulations shall prescribe rules and curbs of permanent residence to the legal person and its effective management center.
Third: Non-Resident: Any natural or legal person to which the resident provisions are applied, these provisions are illustrated on the first and second items of this article.

Article (4): permanent establishment: permanent establishment means any fixed place for works through which the business are implemented , concerned on a non-resident in Yemen and they include the following:
A - A place of management.
B – Subsidiary.
C - The building which is used as an access point for sale.
D - The office.
E - The factory.
F - The workshop.
G - Mine or oil field or gas well, a quarry or any other place for extraction of natural resources including timber or other forest product.

H - A farm or plantation.

I - A building site or construction or assembly project or equipments and activities' supervisory associated with any such thing. And the person who works for a dependent project is considered as a permanent establishment when that person has authority to conclude contracts held for the project and accrediting them, unless its activities have been confined on the purchase of goods or merchandise for the project.

J - The following is not considered a permanent establishment:

1 – Benefiting from special facilities for storage and display of goods and commodities belonging to the enterprise only.

2 – Maintaining a stock of goods or merchandise belonging to the enterprise for the purposes of storage or display.

3 – Maintaining a stock of goods or merchandise belonging to the enterprise for the purpose of re-manufacturing them only by another enterprise.

4 – Maintaining a fixed place of activity that directs only purchase goods or merchandise or collects information for the project.

5 - Maintaining a fixed place of an activity that only precedes any work of a preparatory or auxiliary character for the project.

6 - Maintain a fixed place of business where any set of the activities referred to in the preceding items is carried out thereof, provided that the overall activity of the fixed place of business bears a preparatory or auxiliary character.

7 - Industrial or business works carried out by a foreign company through a broker

Or general commission agent or any other agent of an independent character, unless that broker or agent was proved of devoting most of his time or effort for the benefit of the foreign company during the tax period, and the prevalence of a non-resident company over another resident one shall not mean that the resident company will be a permanent establishment of the other.

Article (5): The income resulted from a source in the Republic includes:
A) Income from services performed in the Republic, including salaries, wages and other similar advantages and benefits.

B) Income paid by a resident employer of the Republic, even if the business was carried abroad.

C) Income derived by an athlete or an artist out of their activity being done in the Republic.

D) Income from business performed by non-resident through a permanent establishment in the Republic.

E) Income from disposal of assets and movable assets belonging to a permanent establishment in the Republic.

F) Income from leased properties or disposal of real estate and likewise which are located in the Republic.

G) The returns on the stocks of a company resident in the Republic.

H) Dividends paid by legal persons resident in the Republic.

I) the returns paid by the government or units of the local authority or legal persons or any person resident in the Republic, and the return that is paid from a permanent establishment which possesses headquarters in the Republic, even if the owner is non-resident in the Republic.

J) The amount of rents and license fees and royalties paid by a resident in the Republic or to be paid from a permanent establishment with headquarters in the Republic, and if the owner is resident in the Republic.

K) Income from any other activity being done in the Republic.

**Article (6):** foreign tax: A tax paid outside the Republic by a legal person who is resident in the Republic, that tax is based on his income resulting from foreign sources, and the legal resident person Republic is capable of deducting foreign tax, which he actually paid outside the scope of the Republic from the tax which is imposed on him, and covered within its (tax) base under the provisions of this law taking into account the observance of the following:

A) The discount shall not exceed the amount of payable tax under this law with respect to income from foreign sources, which could be paid in the Republic on that income.
B) Reported losses outside the Republic may not deducted in any way from the Republic tax base .

C) The taxpayer (legal person), that calls for foreign tax deduction under the provisions of this Article shall prove that he is taxable to foreign tax, its imposition principles, specifically the amount of foreign paid tax, an evidence of that, including payment documents and the foundations of imposing such a tax shall be brought by the taxpayer.

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

A) The tax is allowed to be assessed in a period of less than twelve months in the following cases:

1 - The first commercial phase of the establishment, either expired at the end of the year or at any other date that could be taken by the establishment to the end of its fiscal year.

2 - Cases of breakdown or waiver, death or bankruptcy, which is before the end of the fiscal year.

3 - Establishment that set out maintaining regular accounts during the financial year, in this case, there must be independent determination of the taxable income of the first fiscal year to the date of maintenance of accounts.

4 - If the establishment has amended the end of its fiscal year, so that closed off its accounts before the date following the date of closing the accounts of the previous financial year through an application submitted by the taxpayer listing the reasons for the amendment.

B) The tax can be assessed for a period that exceeds twelve months in the when certain establishments are obliged to close off their accounts for more than a year and not extend for more than eighteen months due to cessation stoppage or waiver or Bankruptcy or any other legal reason that is indicated by an evidence.
Part II  
The scope of taxation on income  

Article (8): the scope of taxation: income tax contained in this Act is imposed on:

A – Incomes of resident legal persons, whether the source of this income within the Republic or abroad.

B – the obtained incomes of natural persons resident within the Republic.

C - the incomes of natural persons residents and non-residents from an external source on the work or services performed in the Republic.

D - the income of persons not resident "natural or legal persons" obtained within the Republic.

Types of taxes on income  
Chapter I  
The tax on commercial and industrial profits  
Section I  
The Tax  

Article (9): the tax apply annually on all income derived from business and industry, service and all the following profits and incomes:

A - the profits earned of the operation or operations carried out by brokers or commission agents (even if confined to one deal only), and generally any profit earned by any individual or establishment engage in mediation to buy or sell any type of goods, services or financial values and all the movables, or to purchase or sell real estate or businesses spaces.

B - earnings of persons who buy freelance all movable or immovable property to lease or sell them to others for profit purpose, as well as the profits of people whose profession is to lease these properties (movable or immovable) and rent them back to the others, and that includes the profits of people who are renting the property equipped with furniture for commercial, household or industrial purposes with
the provision of tools, and all or some of the abstract elements necessary for operating the property according to the nature of the activity.

C - profits of concessionary companies of all kinds, whether residents or non-resident, as well as profits of partnership companies and capital associations, whatever their purpose, whether engaged in commercial, industrial, financial or real estate activities.

D - Earnings derived from the those engaged in the construction or purchase of real estate freelance for selling them as a way of profession, whether that profit is resulted from selling the whole real estate or divided into apartments, rooms, or administrative units or commercial or otherwise.

E - Earnings resulting from the construction and contracting.

F - Capital gains including those arising from the sale of the establishment or any of its assets, shares. Or transferring its ownership or altered it by ways other than inheritance, both during or at the end of the activity. The income may be generated by ownership transfer of shares or stocks, establishment or assets from the owner to another person or when liquidating that establishment, or merging it with other legal person.

G - profits gained from the damages(compensation) award, including what is obtained from the evacuation of the establishment or its warehouse.

H - profits of any contract which shall be achieved or completely achieved in the Republic, either that contract is a contracting, provisional or bidding one; also contract of commission agencies, registration agreements, as well as contract of commercial mediation, and the like source of funding, whether inside or outside the Republic.

I - profits of natural resident persons' profits obtained from within the Republic.

J - legal resident persons' profits earned from inside or outside the Republic.

K - profits of non-residents arising from offering a service or undertaking any single activity, profession or deal in the Republic, without prejudice to the agreements 'double taxation avoidance', where the Republic is a party thereof.
L - profits of economic units of both public, mixed sectors and its belonging units when engaged in activity subjected to the tax provisions determined under this law within the limits of this activity.

M - The holding amounts from the sale, lease or granting the concession of using, exploiting any trademark or design or patent rights of authorship, publishing or copyright, and in accordance with the laws in force.

N - income arising from the sale or transfer of ownership of any legal person; and also liquidating or merger it with another legal person.

O - Income derived from insurance and reinsurance of various kinds, as well as income derived from the business of the land, sea and air transport including the incomes earned from shipping and discharging, filling packaging and the related work.

P - The incomes of establishments, public companies operating in the aspects of oil, gas and other minerals.

Q - income derived from the contestations and the like.

R - income from financing and operating leases.

S - returns earned, outside the Republic, by any legal person licensed under the laws of Yemen.

T - interests and commissions, including interests, deductions and exchange premium and commissions obtained by the financial, money-exchange companies and money changers, companies of insurance, brokerage and banking in return to offering services to its customers, without prejudice to the provisions of paragraph (f) of Article (21) of this Law.

U - Exchange Rate Premium.

V - Incomes and profits of companies operating in the field of communications and information technology.

X - Both profits or incomes which are non-exempted derived from any other source and not covered in paragraphs (a) to (v) of this Article, and not subject to another income tax under this law.
Section II
Income subject to tax

Article (10): Net Profit:
the commercial and industrial profits subject to tax profits are based on the revenues resulting from all commercial and industrial operations and services of all kinds, which are undertaken by the taxpayer, including other compensations and revenues obtained by him, as well as the profits resulting from the liquidation made during the tax year, with deducting costs which are due discount from them in accordance with the provisions of this law, and net profit is determined on the basis of the income statement prepared in accordance with accounting standards adopted in the Republic taking into account that the tax base shall be determined in accordance with the provisions of this law.

Article (11): The related persons:
if the related persons presented provisions in their financial, commercial transactions differ from those that occur between non-related persons such provision which intend to reducing the tax base or move the burden of a taxable person to another exempted person or not subject to, the authority shall determine the taxable profit on the basis of neutral price The Executive Regulations shall determine the methods of neutral price.

Article (12): long-term contracts:
A) the tax base is determined in the long-term contracts on the basis of percentage of what has been accomplished in each decade during the fiscal year, and determine the percentage of what has been accomplished in each contract on the basis of the actual cost of the work carried out until the end of fiscal year attributed to the total estimated cost of the contract.
B) The estimated profit is determined to contract by subtracting its estimated cost from its value and as well as the estimated profit for the contract during each fiscal year with a ratio of the estimated profit in accordance with the preceding paragraph. Such ratio shall equalize the rate to what has been implemented during the fiscal year and that can occur if contract
profit should be settled at the end of the tax year in which the execution of the contract has already been terminated on the basis of its actual income deducting actual costs after deducting the previously estimated profits.

C) If tax year account was closed in loss during which execution of contract concluded in loss, this loss is deducted from the preceding tax period or periods during which the specified contract was executed therein; provided that deduction shall not exceed contract profits during that the period and the tax account should be recalculated on that basis and the additional amount shall be retrieved by the taxpayer.

D) If the loss arising from execution of the contract has exceeded the limits referred to in the preceding paragraph, the remained losses shall be carried forward to following years in accordance with Article (19) of this Law, provided that the losses carrying forward shall not exceed five years, and Executive Regulations shall determine the rules for calculating net profit or losses on long-term contracts.

E) a long-term contract means: contract of manufacturing, processing or construction or the performance of related services, which the establishment implemented them for third-party as particular value and its implementation lasts for more than one tax period.

Article (13): deductible expenditures:

A) the net taxable profit is determined in the basis of the total profits subtracting, thereof, all costs and expenditures necessary to achieve and maintain those profits. The deductible costs and expenses shall bear the provisions as follows:

1 - to be engaged in commercial or industrial activity or service and should not be separated from that activity.

2 - to be real and approved by documents, except the costs and expenses that, as usual, do not require documents to support its being associated with that activity, so as not to exceed 2% of net profit in accordance with the principles prescribed by the Regulations.

B) There shall be considered as due deductible costs and expenses demonstrated as follows:
1 - the lease value of properties leased by the taxpayer for exercising its various activities with the exception of the lease value under financial leasing contracts.

2 - Depreciation in accordance with the provisions of Article (16.17) of this Act.

3 - taxes paid by establishment under the provisions of this Act, except for tax of commercial and industrial profits.

4 - Offering Charity of Trade and Industry paid by the taxpayer and in accordance with the law of alms (ZAKAT).

5 - donations and subsidies paid to the domestic, social associations and institutions which is registered with the competent authority, which have their headquarter in Republic and provided that their value shall not exceed 5% (five percent) of net profit. There shall all be considered as costs regardless, the donations paid for the construction of mosques, shelters or the Government or the Yemeni army, or for schools and hospitals, dams, public roads, drinking water projects, as well as donations and subsidies for of the charitable or humanitarian purposes recognized by the government.

6 - Insurance premiums contracted with local insurance companies on the assets of an enterprise as well as related activities, and the workers and staff of the facility.

7 - Salaries and wages and the like, treatment expenses paid to employees, payments by the employer to his employees of the General Organization for Social Insurance, and its contribution to any pension fund or savings or any other fund established by the employer in accordance with the laws in force in return for a reward of separation or other funds established for the social solidarity and health.

8 - travel expenses related to the activity facility.

9 - losses to prove what happens on the activity in charge of the theft or misappropriation of or damage if proved its seriousness and because there is nothing to really equivalent.

10 - Foreign exchange differences.

11 - royalties and commissions paid on loans held with third parties in order to work not contrary to the provisions of Article (15) of this Act.
12 - The branch share of the expenses of the main center who is outside the Republic, provided they do not include those expenditures any salary for work performed in Yemen, or dividends, or royalties, and that only allows downloaded about 2% (two percent) of the taxable profits achieved in the Republic.

13 - What is happening by the heads and members of boards of directors of the membership rewards and allowances.

14 - Staff training expenses established in accordance with the terms contained in the Regulations.

15 - impairment charges related to the facility.

C) 1 - that the taxpayer is employing workers or staff entering employment (permanent positions) for the first time from the date of this law; to claim an additional deduction is 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 employment.
- 30% of the salaries of these workers or employees for the third year of employment.
- 20% of the salaries of these workers or employees for the fourth year of employment.
- 10% of the salaries of these workers or employees for the fifth year of employment.

And should not result in the loss of any additional charge tax.

2 - meaning the employee or worker in the application of the provisions of this paragraph of this Article, any natural person associated with the facility as a user has, whether by contract or resolution of appointment, not less hours of work by binding a week for 35 hours.

3 - to acquire the right to claim additional deduction in accordance with clause (1) of this paragraph requires the following:

- have assigned books and accounts.
- to charge tax returns monthly salaries and wages and the supply of tax due on the dates of specific legal accompanied by the detection of new workers or employees who terminated their service with the attached labor contracts.
4 - No deduction may be claimed contained the additional item (1) of this paragraph of the following cases:
- for the operation or employ workers or staff are not included in the records of insurance and pensions.
- for the operation or employ workers or employees of non-Yemeni. Recruitment of foreign companies operating in the oil and gas contractors and subcontractors, as well as employment in enterprises and companies operating in mining and subject to the provisions of Section IV of Part 3 of book 1 of this Law.

Article (14): non-deductible expenditure: There shall not be cost on the profit as follows:
A) Amounts earned by establishments or companies from their profits to make the allocation of different types to cover potential losses with the exception of:
1 – Technical reserves, allocations which are created, as an adherence, by insurance companies in compliance with the provisions set in the Law of the supervision and control over insurance, in accordance with procedures prescribed by the Executive Regulation.
2 - bank allocations against bad debts constituted in accordance with the Regulations and instructions issued by the Central Bank.
B) capital returns that may be calculated by the individual taxpayer against his capital, or the wage allocated for himself for his job in the establishment, as well as the benefits of capital, salaries and benefits of current credit account in the establishment calculated by the partners in the private companies, limited partnership, such benefits which are not subjected to tax of salaries, wages.
C) The owner withdrawals from the facility, whether in cash or in kind.
D) proceeds of loans and debts of all kinds paid to natural persons not subject to tax or exempt from them.
E) any amounts to be paid to shareholders, including dividends and are distributed dividends.
F) The proceeds of loans made by the general partners of the company.
Article (15) non-deductible returns: revenues and commissions on loans contracted with third parties in accordance with item (11) of paragraph (b) of Article (13) of this Act, such returns shall be deductible, and not exceeding the other returns, commissions, which shall have been paid if the funding did not exceed 70% of the loans and 30% of the capital, with the need to restricting the right of deductions as follows:

A - The discount shall be based on interest or the actual paid commission

B - in the case of finding a loan of the taxpayer from any party that such deduction should not be more than loan interest calculated at the international rates prevailing at the date of the loan payment which shall not exceed 4%, in addition to the bid average of the Central Bank of Yemen on the date of payment of the loan, and apply the provisions of this Article shall apply to the a legal person, with the exception of banks and insurance companies.

Article (16): calculation of depreciation:

First: For the purposes of applying the provisions of this law, regardless of what is contained in any other law, the calculation of depreciation of the assets of the facility when determining taxable profit on the basis that is depreciated by the owner of the assets or in the event that the original lessor and under a finance lease is registered with the competent authority that is depreciated by the lessee is required to deduct depreciation by the lessee the following conditions:

A) inclusion of the financial leasing contract for the purchase option or transfer of ownership of the asset to the lessee.

B) Consider the present value of lease payments on the contract is the cost of the leased asset for the lessee.

C) to be leased asset in the possession of the original tenant and using it in accordance with it too.

D) that does not include the lease the following:

1 - the lease the lessee's subcontractors.

2 - sub-lease under which the lessor the transfer of asset to another tenant.

3 - the lease for the resource, called the sale and leaseback, under which
the supplier to sell the asset to the lessor and the supplier then hired by
the lessor and the supplier is a tenant.
E) not be less than the term of the lease for three years.

Second: Depreciation is calculated on the facility as follows:
A) 5% of the cost of purchase, create or develop, renovate or rebuild any of
the buildings and facilities, ships and aircraft and for each tax year.

B) 10% of the cost of purchase, develop or improve or renew any of the
intangible assets that are purchased, including the fame and for each tax
year.
C) the following categories of assets are depreciated according to a system
based on depreciation rates mentioned against each category as follows:
1- computers and storage devices, information systems, programs and
data storage devices by 50% depreciation of the basis for the tax period.
2 - All other assets increased by 25% depreciation of the basis for the tax
period.
D) does not calculate any depreciation of land and works of art and
souvenirs, jewelry and other assets of non-expendable nature.

Third:
A - deducting 40% of the cost of the assets used expendable, whether
such assets, new or used, the first taxable year during which the use of
those assets is calculated depreciation in accordance with item II of this
Article is about that period of time after the deduction of 40% of the
specific under this paragraph of this item, in all cases must be
committed in charge to keep books and accounts.
B – shall not apply to 40% discount provided for in paragraph (a) of this
section in the Article on the assets used by enterprises and companies
operating in the fields of oil, gas and other minerals (mining).

Article (17): the basis for depreciation:
A) means the basis for depreciation in the application of the provisions
of Article (16) of this Law, the historical cost of the asset, on the basis of
straight-line method to be adopted and the basis for calculating
depreciation and falls within the historical cost of all capital expenditure
incurred for the renewal of origin or development.
B) The executive regulation shall specify the principles and rules of calculation of depreciation.

**Article (18):** Bad Debt:

A) set off against the bad debt charge by excluding it from the books and accounts of the facility, which has been non-existent and the impossibility of collecting the documents and documents of the certified Auditors, with the availability of the following conditions:
1 - have established accounts regularly.
2 - that religion is linked to an active business.
3 - have been previously included the corresponding amount of debt in the accounts established.
4 - to be established has taken serious measures to collect the debt, and could not be collected within two years from the date of maturity.

B) for the large taxpayer is emphasized in the report of the chartered accountant s, which he approved a tax declaration on the availability of the conditions set out in paragraph (a) of this Article.

C) does not allow download of bad debt that resulted from loans and facilities companies, banks and financial institutions for members of boards of management or shareholders.

D) must be under the amounts received for installation in all cases of bad debt referred to in this Article when you collect the debt in full or in part in the same year in which the collection of such amounts.

**Article (19):** Transfer of losses:

A) If the seal expense of one year subject to the tax loss of any charge provided adoption tax, approved by a Chartered Accountant licensed based on the books and accounts in accordance with the provisions of this law, the loss is within the expenses of the year following the year of loss and is deducted from the profits, if not enough profit to cover the loss of the entire transfer the rest to the next year and so on until the fifth year of the beginning of the opponent, shall not in any way transfer the remainder of that loss to the year following the fifth year.

B) does not apply to the provision of paragraph (a) of this Article on the losses incurred by the company's fiscal year and prior years, if there is a
change in the ownership of capital by 100%.

**Article (20): re-evaluation of assets:**

A) shall not apply to taxes on profits from the revaluation of assets of individual when presented as a share to contribute in-kind match in the capital contribution, provided that:

1 - is the introduction of the value of assets in their accounts in the history of contributing to book value for the purposes of calculating the tax.

2 - The shares corresponding to the nominal share in kind.

3 - It should not be disposed of through sale during the three years following the fiscal year that contribute to it.

B) In the case of changing the legal form of legal person or more, not included in the profit and loss account - capital gains or losses resulting from the re-assessment provided proof of assets and liabilities at nominal value is time to change the legal form, for the purposes of calculating the tax, and depreciation is calculated on assets and transfer allocations and reserves in accordance with the established rules before you make this change.

C) is a change of legal form, especially the following:

1 - the integration of two or more resident companies.

2 - the division of a resident company into two resident companies or more.

3 - shift or change in legal entity of the legal person.

4 - separation and liquidation.

5 - purchase or acquisition of 50% or more of the shares or voting rights, either in number or value in a resident company in exchange for shares in the company procuring or acquisition.

6 - purchase or acquisition of 50% or more of the assets and liabilities of a resident company from another resident company in exchange for shares in the company or procuring obsession.
Section III
Tax Exemption

Article (21): exemptions: The following incomes are exempted from tax as follows:

A) income of private associations and institutions pertaining to charitable purposes and organizations of civil non-profit society, whose financial, material resources acquired from donations, grants and subsidies, and any other returns resulted from developing those resources, and for achieving the exemption the following conditions are required as follows:

1 - Those exemptions shall be licensed and valid in accordance with the law that regulates them.

2 - Such associations and institutions shall be committed to their activities of charitable tasks only.

In the case of providing services in return for a fee, that fee must be slight, and the authority has the right to assess the tax when it becomes clear that the Assembly is engaged in commercial activity.

B) income from land invested in agriculture, horticulture, traditional fishing and farming (livestock, poultry and bees), traditional or reforestation including the conversion of their products in a manner simple manual labor.

C) To engage resulting from the export of industrial and agricultural products and crafts, and the Executive Regulations shall determine the rules and procedures to do so.

D) distributions of dividends or shares received by legal persons for their contributions to other legal persons, provided that such profits for the shares or quotas had been paid by the tax, commercial and industrial profits before distribution if such persons exempt from tax.

E) the benefits of treasury bills when paid to individuals resident.

F) income of natural persons of the proceeds for their deposits in banks, banks, mailboxes, and their income from their shares and their shares of companies of various legal entities.
Section IV
Provisions for the tax on mining activity
The first section
The scope of the tax

Article (22): The Tax application Covered:
A - Without prejudice to the provisions of this law, the provisions of this section shall apply to the activities of mining and quarrying, mining, research and exploration and exploitation of metallic and non-metallic and the associated trade and industry activities, except with respect to oil and gas.
B - as not provided for in this section, the provisions and rules and procedures covered by this law shall apply to the taxpayer of mining activities described in paragraph (a) of this Article .

Article (23) the Tax Covered:
A) The annual tax shall apply to all incomes derived from business and the activities described in paragraph (a) of Article (22) of this Act, whether these incomes were earned by a natural or legal person, the income derived from such actions and activities shall not have in any way the exemptions set out the law of investment, including investment projects, large-scale mining projects .
B) tax of commercial and industrial profits is charged to the taxable mining activity in accordance with the provisions of paragraph (b) of Article (63) of this Law.
C) The amounts paid to third parties or for a non-resident are subject to tax in accordance with the provisions of Article (71) of this Act.

Article (24): This includes coverage of tax:
A) earnings of persons resulting from the activities of the mining and quarrying, excavations, research and exploration, and exploitation of metallic and non-metallic and associated activities of commercial, industrial, and separately from other activities of the taxpayer.
B) earnings of persons of the invested capital or the equivalent (150.000.000) one hundred and fifty million dollars and more in a single
investment project, so that each project is the tax base independently and separately from the other even if they were the same owner

Section II
Income subject to tax

Article (25): determining the profits:
The profits of mining activities on the basis of revenue resulting from all excavations, research and exploration and exploitation of minerals both metallic and non metallic and the associated commercial and industrial activities carried out by the taxpayer or has been achieved during the tax year, including profits of liquidation made during the year after deducting all costs deductible is the determination of net profit is determined on the basis of the income statement prepared in accordance with GAAP (Generally Accepted Accounting Principles), the tax base would be determined in accordance with the provisions of this law.

Article (26): the expenses of mining: The calculation of the taxable net profits, in accordance with the provisions contained in paragraphs (a), (b) of Article (13) and Articles (14.15, 18) of this Law relating to deduction of the costs required to produce, and maintain profit, in addition to this:
A) Royalties imposed by law on the exercise of mining activity which are paid to the Government and private parties, such royalties that arise from the exploration of this activity.
B) the fees and rents paid to others and the cost of transport services, including fees paid to the Government with the exception of the rental value under financial leasing contracts.
C) The expenses of marketing minerals and mineral products, not to exceed 2% of the value of sales of those minerals and mineral products.
D) the cost of prospecting and exploration for minerals: It may be treated in accordance with any of the following options: treated as an expense in the year in which or the accumulation of and depreciated the fixed premium basis by 20% to start the discount of the year in which the first sale of metals resulting from prospecting or exploration by the taxpayer from a mine or quarry, provided that the
costs of prospecting and exploration deductible associated with permit or license granted by law to taxpayer to do so.

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 with the exception of the depreciation rates set out in the second clause of Article (16)as the following:

1 - The depreciation of drilling equipment, mining and rocks, and are calculation on the basis of fixed premium method by 20%, beginning with the discount of the year has started to use the equipment and determine the Regulations of equipments that are depreciable as equipments of exploration, mining and rocks extraction.

2- The pre-production cost including the development of the mine or quarry site, the feasibility, marketing study, and the costs of environmental study, which is made before the commencement of sales of minerals that have a depreciation on a straight line (fixed premium) basis by 20%, that the deduction shall commence from the year during which first sale of minerals by the taxpayer of the mine or quarry which is related to such costs. The executive Regulations shall specify the costs of which are eligible to be pre-production costs.

F) Cash mounts at the time when deposited in a special account and was approved by the concerned governmental body for the purpose of environmental protection for the mine or quarry site at a later time provided that such cash deposit shall be final and non-refundable.

G) the costs of environmental protection and rehabilitation not covered by the provisions of paragraph (f) of this Article.

H) Donations, contributions in accordance with the provisions of paragraph (5) of paragraph (b) of Article (13) of the Law to include grants and assistance to communities affected by the work of the mining and extraction of rocks.

I) Exploration costs associated with the extension of mining project who is at least equivalent to the investment value of (150.000.000) one hundred and fifty million dollars which is considered as cost of a project for exploitation, even when the excavation costs were not connected to area of granted land to the project of mineral exploitation.
Section III
Stabilization of the tax system

Article (27): Convention on the tax stabilization:

A) When a taxpayer invests in an investment project for metal equivalent (150,000,000) one hundred and fifty million dollars and more during the first five years of the project, he voluntarily submit a request to the Minister of Finance to enter into agreement of tax stabilization, the Minister with the participation of Minister of Petroleum and Minerals shall conclude agreement with tax standard stabilization with taxpayer to ensure the stability of the tax system on the project for a period of the first ten years, from the first year of production and sales in this project.

B) Convention on tax stabilization must specify rates and prices for each of the profit tax, commercial, industrial and general sales tax, customs duties, royalties, and any taxes or other fees covered by the Convention in accordance with the rates and prices set forth in the relevant laws at the conclusion of the Convention standard for the stabilization of taxation.

C) the Regulations define the elements and the Framework Convention of tax stabilization, according to the following criteria:

1 - The availability of taxpayer's request for joining the Convention stabilization tax.

2 - Obligation to stabilize the tax system under the applicable concerned laws on time of the agreement conclusion.

3 - The correspondence of the terms of the tax stabilization treaty with the provisions of the tax, custom law and applicable mining law at the conclusion of the agreement.

4 - Identifying and exempting the taxpayer of any changes during the agreement period in the value of income tax or general sales tax or customs duties or royalties, or any taxes or other fees on the basis of their calculation stability in accordance with the applicable laws at the date of conclusion of the Convention.
5 - The Convention sets out the subjected tax and customs duties, royalties and other fees imposed on the taxpayer in accordance with the relevant laws entering into force at the time of the agreement conclusion.
6 – the taxpayer right to export and sell his products by international market prices.
7 – A commitment made for the sake of the taxpayer the right to receive and dispose of foreign currency income arising from those sales.
8 - in case of taxpayer's failure of investing as much as (150.000.000) one hundred and fifty million U.S. dollars in the first five years of the project, the Convention on the tax stabilization would be legally invalid.
9 - Signature on the Convention by the two sides that the first side is government represented by Minister of Finance, Minister of Petroleum and Minerals; and the taxpayer who requested to join the tax stabilization agreement on the other.

D) The taxpayer who joins the Convention on the tax stabilization in accordance with the provisions of paragraphs (a, b, c) of this Article must pay annually (two per cent "2%") from the tax base of commercial and industrial profits for income tax accounts in return for the tax stabilization. In addition to other taxes due on that taxpayer, including income tax and other fees and royalties, according to the Convention of the stabilization system of calculated tax.

E) After completing the procedures to sign an agreement to stabilize the standard tax by the ministers of finance and oil, Tax authority and the Customs authority and the Central Bank and the relevant authorities shall be informed to the implementation in accordance with the terms and conditions of the Convention.

Article (28): the exception to the stabilization system: not part of the stabilization of the tax shown to Article (27) of the Act: tax salary, wages and tax revenue real estate tax on the transfer of ownership of the property; also does not apply to this installation provisions and procedural rules relating to delays in the collection, appeals and penalties. The statutory deadlines for the payment of tax and annual and monthly returns, and apply in this regard the provisions of the tax laws.
and relevant laws in force at the time the emergence of legal entitlement.

Section IV
Declarations of the mining activity Taxpayers

Article (29): Each taxpayer of exercising the activities of mining and quarrying, mining, research and exploration or exploitation of minerals metallic and non-metallic and the associated trade and industry activities during the fiscal year shall submit his tax declaration on the legal time of an annual tax in accordance with the provisions set forth in this law.

Article (30): Declaration Attachments: Without prejudice to the provisions of the tax declarations contained in this Act, all costly exercise of mining activity to recognize and attach to acknowledge the tax evidence on the of the figures used in the calculation of prices and costs, discounts and commissions, with copies of contracts for the sale and purchase or financing.

Article (31): Regular Accounts: Without prejudice to the provisions of Article (32) of this Act; each taxpayer exercise of mining activity that is committed to holding regular accounts, so that the tab for all revenue and costs related to active mining and associated activities of commercial, industrial, in accordance with regulations accounting and disclosure for income tax purposes.

Article (32): Investing in mining more than 150 million dollars: A taxpayer who intends to establish one investment project equivalent (150.000.000) one hundred and fifty million dollars and more, to commit to holding regular accounts, and establishes a separate entity is a tabulation of incomes and cost subject to tax in this project and submit a tax declaration for the investment project independently, regardless of any mining projects and other relevant subsidiary.
Section 5
Rules and tax treatment of
small enterprise and the smallest enterprises

Article (33):
A - The rules and procedures contained in this section on the activities of the taxable small and taxable smaller entities subject to tax commercial and industrial profits tax and non-commercial professions and non-industrial tax and salaries and wages in accordance with the provisions of this law.
B - The provisions and rules contained in this section assigned do not apply to non-resident branches and agencies of foreign companies and commercial homes.
C - as not provided for in this section apply to the taxable activities of small and the smallest-rules, provisions and procedures covered by this law.

The first section
Small enterprises

Article (34): definition: small enterprises in the application of the provisions of this law, all taxpayer that natural or legal person, an increasing number of its annual (gross value of annual sales or total annual income (1,500,000) million five hundred thousand riyals and not exceeding (20,000,000) 20 million riyals, or at least the number of workers have on the four workers and not more than nine workers, and in each case, the lesson in the category of such facilities and installations based on giving priority to the small and the smallest enterprises standard turnover, taking into account the inflation rate was amended by the Central Bank

Article (35): determining of the tax base:
A) is selected and the tax base (net profit) for the small enterprises taxpayers in the taxation of business profits, industrial and tax net income for the professions of non-commercial and non-industrial by a
percentage of turnover by type of activity, as follows:
10% of the total value of commercial and industrial activities or the total value of construction works.
20% of the total value of sales (revenue or income) for the activities of the service and professionalism.
5% of the total value of sales of basic foodstuffs (wheat, flour, rice, sugar), provided that it is not importers.

B) the tax due is calculated from the reality of the tax base determined under the provisions of paragraph (a) of this article in accordance with sections and categories of tax specified in Article (62) of this law, including the taxable small enterprises of natural and legal persons.

C) issue a classification of business activities and service and professional decision of the Minister of finance on the presentation of the tax authority chairman

**Article (36):** the books and records:
On the taxable small enterprises bookkeeping and records in accordance with accepted accounting practices in general, and accounting records are documented sufficient income to determine the sales activity for tax purposes.

**Article (37):** statements:
Committed small enterprises taxpayers to provide tax declarations annually to the tax authority or one of its subsidiaries and the payment of tax from the reality of the tax declaration and no later than 30 the of April of each year for the previous tax year and must submit the declaration on the prescribed form of the tax authority for this purpose including the following:

A) the total value of sales or revenues or the total value of contracts executed during the tax year based on the books and records that taxpayer is committed holding.

B) determine the tax base and in accordance with the principles set out paragraph (a) of Article (35) of this Law.

C) calculation and determination of the tax due in accordance with paragraph (b) of Article (35) of this Act.
and the tax authority accept the tax declaration submitted on responsibility of the taxpayer.

**Article (38):** tax assessment

assessment tax on the small enterprises taxpayers according to one of the following cases:

A - from the reality of the taxpayer declaration.

B - by estimate: in if the taxpayer did not submit his tax declaration the tax authority has right to estimate the tax, according to the following:

1 - Determination of turnover (total value of sales or revenue for the fiscal year) of the taxpayer in the light of data and information available to it and includes the Regulations indicators and the foundations of appreciation.

2 - Determining the tax base in accordance with the provisions of paragraph (a) of Article (35) of this Act.

3 - Calculation and determination of the tax due in accordance with the provisions of paragraph (b) of Article (35) of this Act.

4 - The taxpayer has a right to object to the estimates of tax administration in accordance with the provisions of this law.

**Article (39):**

A - the taxpayers of small establishments shall submit tax declaration and identification tax base in accordance with the provisions of Article (10) or article (45) of this law based on the books and records under Article (86) of this Law, provided that the recognition in the legal schedule on the form prepared for this purpose with a list of interest income, interest and accept the recognition of the responsibility of the taxpayer and must pay the tax due from the reality of recognition at the same time to provide.

B - In order for applying the provisions of paragraph (a) of this article, the taxpayer shall attach with the declaration a request to the tax administration shows its desire for the transfer and assessment of tax on that taxpayer based on the income statement and in accordance with the general rules in this law, and affirms its commitment to continue settling accounts under a period of not less than three consecutive years.
Article (40) **salaries and wages tax:**

A) The owners of small establishments have to deduct from income of their employees and employers the amount of entitled tax according to this act, and they have to pay the tax by a declaration to the authority, or to one of its branches, central bank, to any authorized bank every three months during the first ten days of the fourth month for three past months and on the prepared form by the authority for this purpose.

B) The authority accepts submitted declarations according to the provisions of paragraph (A) of this article and the responsibility of the taxpayer.

C) In case of absence of submitting tax declarations of salaries and wages tax according to provisions of paragraph (a) of this Article, the Authority can assess the tax by evaluation in the light of available data according to the provisions of this act.

**Article (41) A grace period of holding penalties books:**

The taxpayers of small establishments are permitted for a grace period of Five years from the date of executing this Law, and from being subjected to imposed fines in accordance with provisions of paragraph (a) of the Article (140) of this Law.

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**Section 2**

**Smaller Establishments**

**Article (42) Definitions:**

To be intend the smallest establishments in the application of provisions of this Law, all natural taxpayers have not to exceed their annual business number (the total value of annual sales or revenues) for million five hundred thousand (YR 1,500,000). And not exceeding the number of his employees for three workers, taking into account the provisions of Article (34) of this Law.
Article (43) : The limit of Exemption :
To be considered smaller establishments which there annual businesses number not exceeding (YR 1,500,000) Million and five hundred thousands YR , and less, out the scope of submission to tax of commercial and industrial profits and the imposed tax of non-commercial and non-industrial professions according to provisions of this Law .

Chapter 2
Net tax income for non-commercial and non-industrial professions
Section 1
The tax application

Article (44) Professional Income : The tax applies to
1) Net income of subjected non-commercial and non-industrial professions which are practiced by the taxpayer in independent way and be a core component of work , if these revenue had been achieved by practicing work in the Republic.
2) Received incomes by the owners of intellectual property rights through the sale or use of those rights
3) Other incomes derived from any profession or activities are subject to commercial and industrial profits .

Section 2
Subject Incomes

Article (45) Net Income :
To be determined, the subject tax incomes annually on the basis of actual revenues during the tax year, including revenues from non-commercial and non-industrial professions and returns of professional fundamentals or relinquishment in whole or in part from practicing the profession , and any amount resulting from the closure and determines net revenues base on received returns from various processes in
accordance with this Law after the deduction of all costs and expenses for practicing the profession.

Article (46) Deduction of expenses:
In order to achieve net income from non-commercial and non-industrial professions and is calculated by deducting all costs and expenses necessary to practice the profession or activity in accordance with the provisions of this act.

Article (47) Forwarding of losses
The taxpayers of non-commercial and non-industrial profession who are holding regular records and accounts have the right to forward the losses in accordance with the provisions of Article (19) of this Law.

Chapter 3
Tax of salaries and the like
Section 1
Incomes Subjected to Tax

Article (48) Tax Application:
Tax applies to salaries, wages and other similar features and benefits of cash and in kind as follows:

a) all amounts paid to the officer or employee resulting from his work by a contract or non-contract, whatever names, images or reasons for these payments come from the Republic, with the exception of what is excluded under this Law.

b) What is worth of the taxpayer or employee from a foreign source for the works performed in the Republic.

c) The salaries, emoluments and allowance granted to the heads and member of boards of the directors in public sector units and mixed non-shareholders.

d) The salaries and emoluments of the heads and members of boards, directors and managers of capital companies.

Article (49) Excluded from Incomes subject to tax are as follows:
a) The amounts assessed to the premium pension under the approved laws and regulations.

b) Compensations to be granted for the burdens and expenses for the post or representation allowance, appearance, hospitality, or travel and move.

In general, all compensations granted to employees for expenses and charges necessitated by the requirement of official service or task within the limits of performance ratios and standards prescribed by the regulations.

**Section 2**

**Tax Exemption**

**Article (50) Exemption from the tax:**

a) Earnings that are received by the ambassadors and consuls of foreign countries represented in the Republic and members of the consular and political corps and their foreign stuff with the condition of reciprocity. The exception covers only income from the work on the practice of their jobs referred to above.

b) Incomes received by individuals of non-Yemenis for performance of their official duties to the international organizations established under international public law, and incomes received by staff members of non-Yemenis, governmental and non-governmental organizations under the agreements concluded with the Yemeni government, in return for services of relief to Yemen.

c) Compensation to accidents and work injuries, including allocations for the life that had to be paid to ensure that accidents and work injuries or their dependents after death, in accordance with the rules and regulations.

d) Retirement pensions and termination benefits.

e) Compensations or allowances paid for the workload and medical aid and financial helps granted according to the medical report issued by the competent authorities and accredited with documents.

f) Income of the daily wage laborers in various sectors under the standards and principles established by the regulations.
Chapter 4
The tax concerning proceeds of properties
Section 1
Tax Application

Article (51) the scope of tax application :
   a) The tax shall be applied annually to build proceeds of properties and prefabricated, and movable buildings and space lands leased for various purposes.
   b) The taxpayer of this tax is the owner of the property or who has the right to use the property leased from the state and the legal representative of the taxpayer is obligated to pay the tax on behalf of the representative.

Section 2
Taxable Incomes

Article (52) Property proceeds:
Property proceeds is the sum of annual rental of leased properties for various purposes.

Article (53) Lease amount:
   a) The actual income of the properties shall be specified under according to correct lease contract. In case of the lack of knowledge of the property proceeds or the proof of the invalidity of lease, Tax Authority has the right to estimate in accordance with the principles set forth in the regulations.
   b) The net property proceeds subject to tax shall be determined to the sum of annual income according to provisions of paragraph (a) of this Article for natural persons.
   c) To be taken into account in determining annual net property proceeds subject to tax for legal persons to introduce the income of legal taxpayer from property proceeds within tax base, commercial and industrial profits, and the taxpayer has the right to deduct the necessary expenses associated with achieving this income in accordance with the provisions of this Law.
Section 3
Exemption of the tax

Article (54) The following are exempt from tax:
   a) Real estate used by its owners for one purpose
   b) Real estate that the government owns. This does not include real
      estate belonging to the public and semi-public sectors, as the
      executive regulations define.
   c) Free of charge of real estate appropriated for hospitals health,
      centers and educational, governmental centers and free educational
      charitable and health establishments according to the conditions the
      executive regulations define.
   d) Free of charge real estate appropriated for orphanages and old folks
      homes.
   e) Real estate owned by the Ministry of Endowment, and real estate
      endorsed for charitable agency or public corporation, clubs and
      youth sport establishments in accordance with the conditions the
      executive regulations define.
   f) Real estate owned by diplomatic corps, consulates and
      international organizations, provided they are subject to reciprocal
      stipulations.

Article (55) The termination of tax liability:
   Buildings that are to be demolished or burnt, and in particular those that
   are uninhabitable for any reason and do not generate any income, are not
   taxable.
Part IV
Tax on the transfer of Property ownership
Chapter I
Taxation

Article (56): The taxation.
A - tax on the full value resulting from the transfer of real estate ownership shall be imposed under the provisions of this law including all the occupied space lands, and real estate or prepared for building, both included the disposition or sale of the property in whole or in part, whether the disposition or sale was compensation or otherwise.
B - a single tax applied only for transactions in buying and selling real estate and land-based sale of profitability (Murabaha) and rental (Ijara) ownership and participation.

Article (57): responsible for payment of tax:
A) The burden of paying tax on the seller or real estate and be disposed of or disposed of by the buyer or the transaction took place or transfer of ownership documentation for him jointly liable to pay tax.
B) shall not in any way to document or register any transfer of ownership of property by the competent authority were not the property transfer tax imposed by this law have been fully paid.
C) There are many tax multiplicity of actions in the real estate one.

Chapter 2
Application Of the Tax

Article (58): Tax coverage:
The tax imposed under the applicable provisions of Article (56) of this law shall apply to:
A) The amounts resulting from the transfer of ownership of the real estate property through sale or disposal of underdeveloped land and
constructed or under constructed lands of real estate, both a sale or disposal include the property in whole or in part, whether the sale or disposal is paid in cash (as compensation) otherwise including the transfer of real estate ownership in accordance with funded lease contracts.

B) the value agreed upon in the contract (agreement or deed or bond) whenever the value has not been determined, the tax authority has the right to estimate that value based on price, time and place.

Article (59): Request of Tax Settlement Document:

Documents that prove the settlement of tax must be presented according to following procedures:

A) Registration and enrolment of the transactions of the sale or disposal or the transfer of taxable real estate ownership by the competent parties.

B) Obtaining a construction license from the pertinent authorities.

C) Accrediting and authenticating any contract, agreement or deed of real state ownership by the competent authorities, including the judicial authorities.

Article (60): Information from the competent authorities:

The competent authorities must furnish the tax authority with a monthly statement of the sale or disposal documents for the constructed or under construction real estate (lands), under developed lands which were done according to their records – And that forwarded monthly statement must set out the name of seller or purchaser, and disposition agent and their address, that statement will also show area, location and price and date of sale.
Chapter III
Tax Exemption

**Article (61):** Dispositions are tax-exempted as follows:

A) Transfer of property by inheritance or will.
B) Grants offered to religious, charitable or educational institutions.
C) Grants offered to health sports establishments in accordance with the provisions prescribed by the executive regulations.
D) The disposal of lands, real estate of the public endowments.
E) The disposal or sale of the agricultural land whenever the bond of the sale is accredited from the pertinent authorities based on what the executive regulation determines.
F) The disposal of state-owned lands, real state which have been transferred to a government.

Part 5
Tax rates

**Article (62):** The tax rate of a natural resident person:

The income-tax collectible on taxable annual earnings of taxpayers from commercial and industrial, non-commercial, non-industrial professions and or wages and salaries and the like is collected at the following rates:

The first YR 120,000 exempt per year
The next YR 120,000 10%
The next YR 600,000 15%
and what exceeded YR 840,000: 20%

**Article (63):** The tax rate for the legal and natural non-resident person:

A) tax due on the income subjected to the tax of commercial and industrial earnings and tax of non-commercial, non-industrial professions is collected at the average of 20% (twenty percent) without deducting exemption limit of the incomes of natural non-resident and
legal persons except those subject to the provisions of paragraphs (b), (c), (d), (e), (f) of this Article, as well as small establishments covered by the provisions of Article (62) of this law.

B) Without prejudice to the provisions of the agreements concerned on granting of the concession and participating treaties on production with Yemeni Government, such agreement, whose constitutional procedures are completed, is ratified by law. Tax due on the income subject to the tax of commercial and industrial earnings is collected at the rate of 35% without deducting the annual exemption limit of the incomes from companies working in the field of oil and gas mining and other minerals profits of firms holding all types of privileges or (concession) both resident and non-resident.

C) Tax due on the income subject to the tax of commercial and industrial earnings is collected at the rate that exceeds 35% without deducting the exemption limit of the incomes from establishments subjected to that tax under agreements or contracts concluded with the Yemeni government, that shall be applied to the maximum tax which is specified within an agreement or contract.

D) Tax due on the income subject to the tax of commercial and industrial earnings is collected at the rate of 50% without deducting the exemption limit of the incomes pertained to phone-services operators which refers to mobile phone telecommunications operators (companies) regardless the quality of the technology and system which used by the operator to provide the telecommunication service, whether it bears the system name of the GSM or CDMA or any other used systems or alternatives, or those which would be used in the republic.

E) Tax due on the income subject to the tax of commercial and industrial earnings is collected at the rate of 35% without deducting the exemption limit of the incomes derived from natural persons, activities as follows:
1 - international telecommunications services
2 - production and importation of cigars and cigarettes of various species and nomenclature.

F) The tax on salaries, wages and the like on natural non-resident person is collected at the rate 20% (twenty percent).
**Article (64):** The tax rate for enterprises and investment projects

Notwithstanding the provisions of Article (62.63) of this law, the tax on income subject to the tax of commercial and industrial profits is collected at rate of 15% (fifteen percent) without deducting the exemption limit of the income of enterprises or investment projects, according to the following conditions:

1 - the capital of the investor shall be as much as Three Million U.S. Dollars, and the number of the essential laborers working for the establishment is not the least a hundred workers.

2 - the establishment or enterprise shall be committed to holding up regular accounts, and committed to presenting the tax declaration accredited by a chartered accountant in accordance with the provisions of this law.

3 - The enterprise licensed by the competent authorities should keep on its investment activities, so the benefit of provisions in this Article would be relevant to enterprise, establishment for keeping up with the same activity.

4 - The establishment or enterprise should settle regularly, the tax of salaries and wages imposed on all their laborers under monthly statements in accordance with the provisions set forth in this law.

B) The taxable investment projects shall be determined at rate of 15% specifically in the following the projects, sectors, and activities:

1 - The basic infrastructure projects in energy, electric power, pure water, sanitation and roads.

2 - Transport Projects in land, sea and air.

3 - The healthy development projects, and hospitals.

4 - projects of producing computer software, systems.

5 - projects of hotels and tourist cities and places of entertainment for children.

6 - The projects of industrial development; and agricultural producing enterprises, with the exception of projects and sectors and activities referred to in paragraph (c) of this Article.

B) The tax rate mentioned in paragraph (a) of this Article which is at ratio of 15% (fifteen percent) shall not apply to any of the projects or sectors.
or activities that are not listed or nominated within the projects confined to paragraph (b) of this Article, mentioned below are exceptions not taxable as for the mentioned percentage:

1. The enterprises operating in the field of oil, gas and mining activity.
2. Projects which are carried out under special agreements concluded with the Yemeni government, including concession-granted companies of all forms that are resident and non-resident.
3. Public and mixed sectors.
4. Manufacturing of weapons and explosive materials.
5. The industries of cigarettes and tobacco and the other which causes damage to the environment and health.
6. Financial institutions, establishments and exchange business or banking in their entire various references and all financial, exchange services and the relevant therewith, and insurance services.
7. The trade of import and wholesale and retail.
8. Telecommunications services.

**Article (65):** Tax rate for salaries and wages:

A) Progressive taxes of salary and wages and the like shall have a maximum rate of 15% for the resident taxpayer.

B) If the taxpayer is subject to several direct specific taxes according to this law, they shall only benefit from one annual exemption.

C) The annual exemption of the natural resident and non-resident persons amounts to (120,000) one hundred twenty Thousand Yemeni Rials which is deducted from the taxable earnings, if the tax assessment period is less than (12) Months.

**Article (66):** Tax rate on Other Taxpayers Incomes

Notwithstanding the provisions of Article (65) of this law, the tax on other income, allowances obtained by the taxpayers who are subjected to tax of salaries and wages (employee or worker) is collected at the rate of 15% without a deducting the exemption limit. That shall include taxable bonuses and allowances in various forms which comprise rewards, bonuses which are granted to heads and members.
representing boards of directors, and incentive pays and meeting allowances, commissions and money grants. That also shall be in return for overtime work and the fees and the like, Wherever, provisions of this Article hall apply to the taxable allowances ,amounts other than the monthly salary of a full and comprehensive legal allowances .

**Article (67):** The tax on salaries and wages accompanying the taxpayer's income :

a monthly gross net income of taxpayers subjected to tax of salaries and wages shall be taxable at the ratio of 1/12 of the outlined brackets in Article (62) of this law.

**Article (68):** Commission and brokerage:

A) For each payment for accidental commission or brokerage, the tax is charged at 10%, such percentage would be subtracted from the amount owed to the commission beneficiary; and the brokerage, commission-obtained person has right to deduct an amount cut-off from the tax due on him when settling accounts for the tax period in which deduction has been occurred.

B) The payer of commission or brokering shall remit the amount deducted to tax administration within fifteen days.

**Article (69):** Tax Rate on Real Estate Returns:

The tax on real estate returns of natural persons shall be collected by one-month-lease per year.

**Article (70):** Tax Rate of Real State Transfer:

The rate of real state transfer is collected at 1% (one percent) of the total value or price of the property.

**Article (71):** The deducted tax of the source:

A - amounts paid by the owners of individual establishment and legal persons resident as well as any non-resident person has a permanent establishment in the Republic, for external party or any non-resident person, such amounts are taxable at the rate of 10% without deduction of any costs, the mentioned amounts are limited to the following:
1 - Returns.
2 - interests of foreign loans with the exception of interests on loans granted by international financial institutions or external accredited foreign banks.
3 - Royalties.
4 - For services of all kinds, such amounts are not considered for the services of the following:
   - Share of a permanent establishment operating in the Republic of the expenses of the main center which is outside the Republic.
   - Transport or freight.
   - Shipping.
   - Insurance on imported merchandise.
   - Participation in exhibitions and conferences.
   - Registration on international markets.
5 - For the carriage or use of the technology or the benefit rights from licensing the use of technology.
6 - for sports activity or the artist, whether was paid directly to him or by any party.
7 - The benefit rights from trademark licenses.
8 - The benefit rights from patent licenses.
9 - The benefit rights from artistry knowledge.
10 - The benefit rights from management knowledge and other services which are performed in the Republic.
B - The exemptions from tax provided in paragraph (a) of this Article would be: loan interests, lines of credit which are collected by the government and local authorities from external establishments, resident and non-resident persons which are referred to in paragraph (a) of this Article are committed to deduct, seize amount of tax due, carry out the following
   1 - Preparing a statement showing the amount of the paid and deducted cash, and informing within a copy of this statement to both the authority and the person whose cash was deducted.
2 – remitting the due deducted tax to the authority treasury or its account in the central bank, its branches or competent tax administration treasury under the provisions within fifteen days of deduction date.

**Part II**

**Procedural Provisions**

**Part One**

**Registration and Identification**

**Chapter I**

**Identifying the taxpayers**

**Article (72):** Starting activity:

Every taxpayers or party, practicing a commercial, industrial or technical activity, is subject to tax, identified under the provisions of this law, must submit to the tax authority a notification within thirty (30) days from the date of commencement of his work activity. If the taxpayers is a company, its manager, or its managing director who is a member of the board of directors, or any person in charge, is responsible to circulate the notification. That person in charge shall submit the mentioned notification whenever a new branch or an office of a representative agent is established, as well as when there is a transfer of the headquarters from one place to another... The executive regulations of this law will define the details that should be shown in notification and documents that should support it.

**Article (73):** Classification of taxpayers:

The income-taxed payers are classified into the following categories:

A) large taxpayers.

B) middle-taxpayers.
C) small holders (small and smaller establishments).
The Minister shall, upon a written suggestion from the Authority Chairman determine the bases and levels of the two categories of senior and middle-taxpayers in accordance with this classification.

Article (74): lease of Real Estate Notification
A. Every owner, or a beneficiary of real state and real state agent or the head of neighborhood shall submit a notification of lease based on the form designed for this purpose, such notification shall be submitted to the tax authority within (60) sixty days of the date of property lease.
B. Local authority boards shall furnish the authority with statements and information concerning the lease properties and any changes on the lease value that would affect the tax assessment on real estate returns, these local authorities shall also take commitment actions that would ensure collecting the tax under the provisions of this law through coordination with the authority, the executive regulations shall determine the ways and procedures of implementing that.

Article (75): furnishing the authority with estates
The ministries, authorities and departments' officials who are responsible for issuing licenses for the performance of commercial activities, industrial works and certain vocations or permits for utilization of real state in setting up commercial business, industries or certain crafts, must notify the tax authority every time they issue a license with data related to the licenses within (30) days, according to executive regulations. Concession, obligation and monopoly and any permission to commence trade, industry, or craft, as well as import licenses are considered as a license that was mentioned earlier.

Article (76): Notification of Authority of Investment Projects:
The General Authority for Investment, as well as the relevant authorities and powers which are granted licenses for the establishment of investment projects or the granting of licenses to bring in foreigners for any purpose, including experts and technicians comply with the following:
A) Notifying the authority when granting any license data for all licensed investment project within thirty days and identified according to the Regulations.

B) Not to issue or renew a certificate of tax exemption to the taxpayer exempted under the Investment Law, in case they failed to submit tax returns, documents and information stipulated in this Law and Investment Law, unless the holder of a valid tax ID.

Article (77):

The tax authority may conduct a survey to identify taxpayers from time to time as determined in executive regulations of this law. It is obligatory for all pertinent parties to cooperate with the tax authority in the survey.

Chapter II

Tax number and tax Card

Article (78): Tax ID No.:

an Authority shall issue the tax number bearing the number of taxpayer belonging to the authority, that the executive regulations shall take necessary actions to grant the tax number.

Article (79): Tax Card

The tax authority shall issue tax card to each taxpayer demanding it that should be renewed annually after submitting the tax declarations by the taxpayers according to the applicable tax laws, the executive regulation shall determine the data included in the tax card, validity date. The tax card is one of the important documents that are required for the advertising contracting any financial, commercial procuration, importation, or on the issuance, renewal of the kinds, licenses for professional practices.

Article (80): The commitment of Observation Authorities, boards:
A. The commitment of parties and monitoring authorities, the custom authority and concerned parties shall confirm the tax number is included in the custom bills of importation, exportation, and also the various taxpayers, transaction documents, therefore tax number should be paired with the taxpayers, name permanently.

B. All state official parties and its control and monitoring authorities, on their regular and sudden inspection of the activities, indicated in the article (79) of this law and the indicated parties in paragraph A in this article make sure that tax card system is applied in a sound manner to all dealing and activities.

Chapter III
Cessation and Waiver

Article (81):
If the activity for which the tax is imposed, ceases completely or partially of vacating of the real estate subject to real estate tax, the relevant tax shall be collected until the date of such cessation or vacating in order to benefit from this provision, the taxpayer shall, within thirty (30) days from date of cessation of activity or vacating of the real estate (even if this was for reasons beyond the taxpayer's control), notify the tax authority and submit the documents and information that necessary to prove such cessation or vacating, otherwise he shall be liable to pay tax for a full year.

Article (82): waiver notification
Total or partial relinquishment of an establishment, or sale or disposal of real estate shall, as far as tax is concerned be treated in accordance with the provisions of article (81) of this law, as applied to cessation and relinquishment the assignor, assignee, the seller or the person disposing, of the property shall notify the tax authority of the transaction within thirty (30) days from the date of the above mentioned transaction, whether it was for total or partial assignment or sale. The assignor and assignee, seller and buyer shall be collectively responsible for all taxes that become due until that date.
Part 2

Right of Review and the Profession Secrecy and books, records

**Article (83): Duties of The General Employee**

All judicial and administrative officials must notify the tax authority of any documents or statements relating to their work, which may lead to belief that deception has been committed, or the commission of a crime in tax matters, or any other evasion to avoid the payment of all part of the tax, or to cause any obstruction that impedes its payment, whether it is a civil, a commercial or a criminal case or any penal investigation, even though the cases have been decided or suspended.

**Article (84): the Right to Inspection**

a. All concerned staff of all government administrative units, public and mixed sector corporations, various types of banks, by owned establishments, companies sector private individuals, and all branches of foreign companies, must permit the tax authority staff to obtain any information or data about the activities of the taxpayers, upon request, for the of assessment tax the determining of purpose the establishment or those who deal with it. These parties may not under any circumstances obstruct tax authority staff form obtaining data, information, records or documents of the activities related to the tax assessment.

b. When denied access under the preceding provision, the tax authority is entitled to estimate for all related taxpayers their data, describes in paragraph (a) of this article, for activities carried out by them as refereed to in paragraph (a) of this article. Such estimation must be made in such a manner as to protect the rights of the public treasury.

c. In case of denied access referred to above, the tax official by an taxpayers the notify shall authority acknowledge registered letter, demanding the taxpayer to comply with requirement of paragraph (a) of this article within 30 days. If the taxpayer does not comply, a penalty shall, and the party shall be assessed equal to one percent (1%) of the
estimated tax, and the party shall be required to pay immediately upon notification of the penalty assessment.

Article (85) Collecting Information
A) The exempted institutions, establishments under this law, the investment law or any special laws and also the companies working in the oil, gas and other minerals, and their contractors and the subcontractor of those contractors must submit their records and any other necessary deeds, for the purpose of applications of law.
B) The authority may, upon writing notice, demand the indicated parties in the paragraph (a) of this article during the working time, the actual information and data about the salaries, wages, benefits, money pockets in cash or in kind, granted to the employee or labor, any other deeds, documents etc. that could be appeared useful to the purpose of this law. For the purpose of applying this law.
C) The authority may demand for any information, data, and deeds. Upon a written advice for taxpayers whom shall be granted a period of 15 days for collecting those data from the demand date, the chairman or any one charged by him shall extend this period not exceeding one month if the taxpayers proved that he faced difficult in submitting the demanded data within that limited period with a sound evidence.

Article (86) Records an Bookkeeping
All taxpayers should maintain books if account. The kind and details of these books, and the classes of taxpayers who have to maintain them. Shall be specified in the income tax law executive regulations.

Article (87): provision of the contract with the Auditors:
On large taxpayers to provide the stakeholders with a copy of the contract with the Auditors during the month from the date of conclusion of the contract, as well as in cases of renewal, modification or cancellation of such contracts.

Article (88): the retention period of books and records:
Without prejudice to the provisions of the Commercial Law, the
taxpayer must keep invoices and documents and records according to the following:
A) Holding invoices and documents related to his activity for a period of not less than five years.
B) Holding books and records mentioned in Article (86) of this law for a period of ten years following the end of the fiscal year in which the registration on records has been conducted.

Article (89): regular accounts consideration:
The Authority should not reject accepting the regular accounts held by the taxpayer and in accordance with Article (86) of this Act and the executive regulations, unless it was proved to the Tax Authority under deeds and documents that such accounts were groundless.

Article (90): The Computerized Accounts:
In the case of the using computer systems by the taxpayer, such systems or the system is an alternative source to the written accounts, these systems must be in Arabic, found in the establishment headquarters in the Republic to be revised by the authorized staff of the Authority, and the executive regulations shall organize holding these accounts and the principles of the transition from the manual to automatic (electronic) system of accounting.

Article (91): Forcing tax-exempted persons to hold a dependent accounts, bookkeeping:
To all taxpayers having a tax exemption under the Investment Law or any other law shall maintain regular dependent accounts and books for those exempted projects. And there shall not, in any way, be any confusion between the excepted incomes, its expenditures and the non-exempt incomes and expenditures.

Article (92): Field Audit and Inspection:
For purposes of application the provisions of this law, and upon a written authorization from the tax chairman or any charged body from him, the taxpayer should enable the Tax Authority staff to enter during
working hours of the establishment to the headquarters and the workplace, in order to view, inspect and revise the books and records and documents which are due on keeping, maintaining by the taxpayer.

**Article (93):** The funding lease Data:
The landlord is committed to expose the funding leases in his accounts, records, including the date for due rent payments and part of these payments, which are the reimbursement of the value of the leased asset and the rental returns as well as the disclosure of further necessary clarification.

**Article (94):** the professional secrecy commitment:
Every person, who by virtue of his job, his competence or his business has a relation in the assessment or collection of taxes presented in this Law, and or possibility of settling the disputes generated from such taxes, is bound to observe the' profession secrecy' in accordance with what the Law decides, so, if he disclosed a secret he must be punished by imprisonment for a term not exceeding one year, or a fine of not more than three hundred thousand riyals

Part 3
Tax Declarations
Chapter I
Tax Declarations on commercial and industrial profits

**Article (95):** date of submitting the declaration:
A) Each taxpayer should submit Tax Authority annual declaration on the form prepared by the Tax Authority for this purpose no later than thirty of April of every year for the previous tax year. And that taxpayer shall pay the due tax at the same time, and the Tax Authority shall accept the tax declaration on the responsibility of the taxpayer.

B) taking into account the comprehensiveness of the provisions clarified in paragraph (a) of this Article; the taxpayers, who are committed to
system of the overlapping fiscal year must submit their tax assessment no later than the end of the fourth month of the expiry date of the financial overlapping year to the taxpayer.

C) A taxpayer who submits the declaration, pay tax before deadline will obtain a deduction of the due tax like the following proportions:

- 1.5% in the case of a declaration and payment of tax during the month of January.
- 1% in the case of a declaration and payment of tax during the month of February.
- 0.5% in the case of a declaration and payment of tax during the month of March

**Article(96): The Imposed to the Submission of Declaration:**

A) The senior taxpayers must submit their tax declarations annually on the legal time, on the form designed for this purpose from the Tax Authority. Such declarations shall be accompanied by financial statements.

B) All taxpayers, who are exempted from taxes under the investment law or any other law, must submit to the Authority annual tax declaration on the form designed by the Tax Authority for this purpose, and in accordance with the conditions, deadlines and procedures set out in this law.

C) The Middle taxpayers must submit their tax declarations annually on the legal time, and on the form designed for this purpose accompanied by the income statements and these declarations should be based on regular accounts.

D) Small businesses taxpayers must submit their tax declarations in accordance with the provisions of Article (37) of this law.

E) In any case, the tax declaration must be perfect as for the basic conditions as follows:

1 – the declaration submitted by the senior taxpayers (either taxable or exempted) shall be certified by accredited, chartered accountant that is licensed to practice the profession of accounting audit (review), and owns a valid tax card. The ratification made by charter accountant is
confirmation to indicate that the taxable income based on the declaration submitted by the taxpayer was calculated with according to provisions of this law executive regulations.

2 - that the declaration made by the economic units of the public, mixed and its subordinate units shall be ratified by the Central board for Control and Accounting according to this laws of the board.

3 – All tax declarations shall be signed by the taxpayers or whoever legally authorized by them.

F) The Executive Regulations shall clarified the data and conditions of the tax declarations, as well as the standards which are necessary for the classification of the taxpayer categories such as senior taxpayers and middle-taxpayers.

Chapter II

Tax Declarations on Non-Commercial and Non-Industrial Profits

Article (97): The Bound by the Declaration and Submission Date:

A) The taxpayers of the taxable non-commercial and non-industrial professions must submit their tax declarations annually to the Tax Authority, against the form designed for this purpose no less than the 30 of April each year, following the prior tax year, so the due tax on the net profit shall be paid by the time determined for submitting the declaration.

B) the provisions of the tax declarations indicated in the Articles (95.96) of this Law shall be applied to the senior and middle taxpayers, provided that the declarations submitted by charger accountant about his activity shall be authenticated by another charter accountant.
Chapter III
The Tax Declarations on Salaries and Wages

Article (98): Tax Calculations:
Tax is calculated based on the incomes specified in the tax declarations presented by the employer or the employee, or user in the case of being responsible to pay the tax.

Article (99) Tax Cutting-off
The salary tax shall be deducted monthly by the employer from the paid earnings of the employee, insuring that the deduction from paid earnings occurred in the month on which the services were rendered.

Article (100) The employer responsibility
In principle, the tax is due the taxable earning owner, although the employers are legally assigned to deduct it and remit it to account of the tax authority, even when the tax due is not deducted from the taxpayers' earnings,

Article (101) Imposing on employer of tax declaration, payment
A. Employers shall deduct the tax due on their employees and laborers form their earnings, and pay it to the tax authority according to this law within the first ten (10) days of each month, for the proceeding month. They must support the payments of the tax deducted with a declaration, whose form is outlined in the executive regulations.
B. In case the employee or laborer works for more than one employer simultaneously, he is personally responsible to pay the different tax rates due on this earnings within the limited period of time stated in this article, without prejudice to the obligations of the employer to deduct and remit the same tax due.

Article (102) is responsibility of the employee obtaining an income from non-resident:
If the employer or the one obligated to pay the taxable amount is not resident in the Republic, or did not have a center or facility, the
obligation to pay the imposed tax shall be upon the obtainer of amount subjected to tax, in accordance with the rules and procedures prescribed by the Regulations.

Chapter IV
Real Estate Tax Declaration

Article (103) The imposed persons obliged to tax declaration and its submission date:
The taxpayers of real state returns must submit annual tax declaration on the prepared form for this purpose, that declaration shall be accompanied by a copy of the lease no later than the thirtieth of April of each year following the former tax year, it will include real estate description statement and the real monthly rental amount, the taxpayers must pay the tax due out of the declaration at the time of submission based on the provisions of this law.

Chapter V
The declaration of tax on the transfer of the real estate ownership

Article (104) Date of filling the declaration:
All these taxpayers shall submit their tax declaration within a period not exceeding four months from the date of disposition or sale of the property, and pay the tax due on the same date.

Article (105) is responsibility for filing the declaration:
The seller and the person executing the transaction of the real estate are responsible for submitting the tax declaration.
Chapter 6

General provisions in the declarations:

**Article (106)** The leave of foreign taxpayer

The foreign taxpayer who intended to leave or cut his stay in the republic shall submit the tax declaration before his leave no more than Sixty days of cutting his stay, unless this stay cutting off or leave was out of his control, thus he must pay the tax due of his declaration at the same date.

**Article (107)** the schedule of declaration in case of death:

A) whenever death of taxpayer is declared, the heirs or the property guardian or the liquidator must submit the tax declaration of the previous phase of death within ninety days of the date of death; and that taxpayer shall also pay the due tax at the same date.

B) When the death case occurred during a legal period of filling the tax declaration, such period shall be considered the best stage for the taxpayer.

**Article (108)** extending the schedule of submitting the declaration:

The tax authority chairman or anyone in charge of him has the right to extend the due schedule for submitting the declarations for a period of thirty days, if the taxpayer requested that in writing in fifteen days prior to the end of the legal date for filing the declaration, provided that it has sufficient reasons acceptable to the tax authority, and the taxpayer shall pay the amount of due tax according to his estimates in the date of requesting the postponement, and in any case, this extension do not affect the time limit for payment of tax.

**Article (109)** in the case of material mistake on the declaration:

Regarding provisions of Article (95) of this law, the taxpayer, that found a material error in his declaration, shall submit to the tax authority within the specified period of declaration revision, adjusted declaration that includes error correction and the tax payment of declaration itself, with payment of the due amounts which are added.
according to Article (152) of this law, and that taxpayer - in this case - shall not be considered that he has committed a violation of the provisions of this law, unless the tax authority had found out that mistake before the knowing taxpayer whom was informed with that breach of law.

Article (110): Posting the declaration in the registered mail box by mean of the proof of delivery information, or submitting that declaration by the reliable communication means from the competent parties or the tax authority, such kind of filling can be regarded as the right intended submission under the provisions of this law.

Article (111) The declaration schedule in case of cessation:
When the taxpayer went on stopping its activity or proceeding a complete waiver or liquidation of the establishment, that taxpayer shall submit the tax declaration within Sixty days of the cessation date, or waiver, or liquidation, and to submit the due tax thereof on the same date.

Part IV
Tax assessment
Chapter I
The self-assessment and the declaration revision

Article (112) self-assessment:
A) The self-assessment means that taxpayer determines the tax base and to and calculating the tax due on him, accordance with the provisions of this law, and the taxpayer must pay the due amount of tax from the declaration itself, at the day of submission without the need to claim the tax authority.
B) The taxpayer shall be responsible for the validity of the tax declaration.
C) The tax shall be assessed to the transfer of real estate based on the taxpayer’s recognition in the document stated the ownership transfer of the real estate, such document has the charge of evidence, except
the cases which the tax authority prove them incorrect therefore, the authority is responsible to prove that.

Article (113) The review of the declaration:
A) The tax authority shall review, audit the statements made by the taxpayers during the legal date, from annual samples selected from such declaration, on the basis of risk evaluation. Based on a written suggestion from the Tax Authority Chairman, the Minister shall issue a resolution stating the rules and criteria for determining the risks and selecting the sample.
B) In all cases, the offered declaration shall be revised at the legal date within two years starting from the date of handing over the declaration by the tax payer to the authority, such declaration shall apply to the legal and formal provisions, if the authority do not notify the tax payer about refusing his declaration within two years of the declaration receipt date such declaration is considered to be acceptable, this period may be cut off by notifying the taxpayer with elements of additional tax assessment by written statement for submitting them, or by referring to legal committees, according to prescribe procedures on this rule shall not apply to declaration presented in date rather than the legal date, cases of evasion or fraud cases of any kind, or when the thus

Chapter II
Estimated and Additional Assessment

Article (114) Estimated Assessment:
Without prejudice to fines and penalties stipulated in this law, the tax authority has the right to conduct an estimated assessment to the tax when the taxpayer do not submit his tax declaration on time in accordance with the provisions of this law. The estimation is based on available data and information in accordance with the rules and principles prescribed by the executive regulations that are consistent with the nature of each activity or profession.
Article (115) The cases of the additional assessment:

A) The tax authority shall not re-audit (re-review) and assess tax for an already reviewed, assessed tax period, except in case of obtaining new information and data supported with valid documents, and have an impact on the calculation of the amount of the due tax, and the review, audit and tax assessment must be done within the scope of this information only.

B) Notwithstanding the provisions of paragraph (e) of this Article, and within two years from the date of filing the declaration, and when true documents which can prove beyond doubt the invalidity of the declaration provided by the taxpayer and evidence that shows the violation of the declaration to the structure of self-assessment, the tax authority may carry out field review and audit and identify the tax base in which the taxpayer do not mention it deliberately within his declaration and, the authority may also proceed the extra assessment to the due tax with which the taxpayer shall be notified under the provision of this law.

C) The written notification to the taxpayer for payment is considered as final notification. However, the tax authority shall conduct an additional assessment if it (the authority) realized that the taxpayer did not provide correct data, or refused to provide instruments, information and data required to prove the validity of his declaration, or damaged the records, books before the specified period for that damage expires, or practiced fraud of any kind to get rid of all or part of tax payment, and tax authority may perform an extra assessment unless the taxpayer submit the declaration and the tax was assessed based on its estimation by the authority which then found out taxable activities, amounts were not known while conducting the assessment, not covered by evaluation, and the taxpayer had submitted incorrect data, or made false statement, or submitted not including the forms of his entire activities, or refuses to submit books or records which are due to be held by him.

D) In all cases referred to in paragraphs (a, b, c) of this Article, and without prejudice to the sanctions stipulated in this law, the tax authority shall notify the taxpayer with the additional assessment and
determines the amount of tax due on that taxpayer, and the additional assessment shall be subject to appeal as the original assessment.

E) The tax authority shall carry out the additional assessment for tax in accordance with two paragraphs (a, c) of this Article within a period not exceeding three years from the date of its being received reports about the incident of evasion or obtained of the hidden data and information.

F) There shall be taking into account in applying the provisions of this Article, the distinction in the procedures related to the process of the additional assessment of the due tax on the taxpayer notified directly by the authority, such procedures shall be distinguished from those related to the application of the tax evasion punishment on the same taxpayer such procedures may lead to rising a lawsuit before the court in accordance with the provisions of Article (144) of this law.

Article (116) The Prior Announcement and centralization of Assessment and Notification:

A) The authority shall inform the taxpayer about the exact date and place of calculation prior to the date of executing such calculation, as determined by the executive regulations.

B) According to the name of the natural, legal taxpayer, the tax shall be assessed on the total of the branches or subsidiaries to the same legal entity which they are invested in the headquarter of these subsidiaries within the Republic; and when non-specifying that subsidiary, the assessment shall occur in the branch located in the Capital or in the branch location of much business. The collected taxes for the local authority are excluded from the assessment centralization without prejudice of the provisions of the paragraph (c) of the Article (53) of this law.

C) In any case, the taxpayer shall be notified about the due tax on him in accordance with the provisions set forth in Chapter 4 of Part 5 of this law.
Part V
Opposition proceedings of appeal and Judiciary
Chapter I
Objection and settlement

Article (117) objection to the tax assessment:
A) The taxpayer who has been assessed has the right to object in writing within thirty (30) days from the date he receives the assessment notification. If the objection is submitted after the period indicated above, provided that the authority is convinced that such delay was caused by the taxpayer being abroad or for any other acceptable cause, the period may be extended by another 15 days from date of expiration of the first period.
B) The taxpayer's tax-assessment objection submitted in the determinate date mentioned in the paragraph (1) of this article is referred to the settlement Committee established under the Article (118) of this law and the objecting taxpayer shall be called to a meeting to discuss his objection and shall have the right to submit all supporting documents and proof. The tax Authority is entitled to ask for the necessary information and necessary details as well as the submission of records and documents so that it (the objection) proceeds as follows:
1 - If there had been agreed with the taxpayer, the Committee's decision under the signed agreed minute would be decisive and the tax would be due immediately.
2 - In case of disagreement between the two parties, and the taxpayer did not agree about the settlement reached to by the Committee under the documents and information disclosed therewith, or when the taxpayer did not attend without excuse after being summoned in writing to him by the Committee twice in a row, the tax shall be assessed upon what the is decided by the committee, without exceeding the tax assessment.
and not less than the objection limits of the taxpayer and this decision may be a subject to appeal before the committee of tax appeals within thirty days from the date of announcing the taxpayer of the decision, and in case of non-objection at the determined date that assessment shall become final and not appealable, that for which tax is paid immediately.

**Article (118)** Establishing these settlement committees and its functions:

A) The general settlement committees shall be established in the large taxpayer administration and its branches and the tax office in the Capital, governorates with its sub-governorates, and the Tax Evasion Avoidance, such committees shall be formed, and its members shall be nominated all under a decision made by the Authority Chairman.

B) The settlement committees shall specialize as follows:

1 - Research and study the differences and objections submitted and referred to it (the committees) by the taxpayers.

2 - The taxpayer's objection to the tax assessment issued by the tax administration based on the results of its review of the tax declaration submitted by the taxpayer.

3 - Taxpayer's objection to the tax assessment issued by the tax administration based on its estimates.

4 - Taxpayer's objection to the additional tax assessment issued by the tax administration in application to any additional tax assessment under this law.

The settlement committees have the right to modify the assessment decisions in the light what can be appeared, submitted of the instruments, documents to them (committees), their decisions shall be final or due for both Tax Authority and Taxpayers if the later accepted the settlement.

C) The Settlement Committee must make its decision on the objection presented by taxpayer within a maximum period of thirty days from the date of submitting the objection, unless some justifications lead to the delay.

D) The Settlement Committee shall make an unanimous resolution which shall be signed by the Chairman of the Committee and members, and
executive regulations shall determine the rules and procedures of these committees.

E) Without prejudice to the provisions of paragraph (a) of Article (117) of this Law, the taxpayer may, when not desired to object or attend before the settlement committee, make an appeal against tax assessment issued directly by the Tax Administration before the Appeal Committee within Sixty Days from the date of his receiving the notification on assessing the tax issued by the Tax Administration.

There shall not be regarded as a recognition of the tax assessment or fall down of the Taxpayer's right in the direct appeal before the Appeal Committee. Taxpayer's lack of objection on the tax assessment issued by the tax administration during the period specified in Article (117), paragraph (a) made by the taxpayer.

Chapter II
Appeal to the Commission

Article (119) Establishing Appeal Committees and Their Functions:

A) The tax committee, which settles tax appeals, shall be nominated as described here, by a resolution to be issued and location its clarifying Finance of Minister by the jurisdiction, and composed of:

A legal experienced auditor from the league of Accountants
Chairman
Two (2) specialized staff from the Tax Authority as members.
Two (2) representatives from the Chamber of Commerce and Industry or from a professional society as members
The committee Secretary who is not allowed to vote

B) The above tax Committee shall look into the tax appeals that are made by the taxpayers against the assessment resolutions issued from the settlement committees or those issued from the Tax Authority, and it shall resolute decisions approved by the assessed tax and amending them in accordance with the documents and instruments offered

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therewith, and that must not exceed the assessment of the authority and not less than the taxpayer's appeal, any meeting shall be held only by attending the chairman and the majority of the committee members under the provisions of this law.

c) The executive regulation shall specify the working committees of appeal within the General administration of Taxpayers, and its branches, the tax offices in the capital as well as the governorates with sub-governorates and the tax evasion fighting; thus the regulation will set out rules, work procedures of these committees.

Article (120) appeal procedures:

The appellant shall demonstrate in the appeal petition the following:

A) the amount of tax that he acknowledges for each year, the basis of his objection, and the documents which support his acknowledgement.

B) Pay the tax which he has acknowledged in his appeal statement. The appeal shall not be formally accepted unless accompanied by a receipt for the settlement of the tax acknowledged.

Article (121) the decision of the appeal committee:

A) Seven (7) days prior to its meeting, the Tax Dispute Committee shall summon the taxpayer, and the Authority, or their representatives, to a meeting to discuss the appeal, or confirm their satisfaction with the adequacy of the documents they submit to the Committee. If the Taxpayer does not attend, another appointment will be arranged for him within a seven days period. The Committee has the right to scrutinize the objection, if the taxpayer does not attend on time without any excuse, postponing to look into the appeal for a period not exceeding other seven for only one time.

B) the taxpayer shall provide evidences and instruments supporting his appeal, and the Committee has the right to request information and the necessary details, and require the presenting the necessary records and instruments.
C) The Committee shall discuss the differences brought up in the taxpayer's appeal and scrutinize into it upon documents provided to that committee.

D) Committee shall prepare minutes for meetings. And final minutes which shall include all points of differences and the basis of its decision.

E) The Committee shall issue its decision in the case within a maximum period of two (2) months from the date of submission of the appeal statement. The decision shall be issued by the majority of the attendees, provided that at least a member from each party shall attend, and in case of that the votes are equal, the chairman's side may have the right of decision, and these decisions shall be signed by the Committee Chairman and the secretary.

Chapter
The appeal and Judicial Resume

Article (122) Appealing the decision of the appeal committee:

A) The Authority or the taxpayer may appeal the decision of the Tax Appeal Committee before the Income Tax Court, formed under Article (124) of this law, within 24 days from the date of receipt of the Tax Appeal. When not appealing in the determined date the tax assessment would become final based on a decision of the Appeal Committee, and the due tax shall be paid whereby immediately.

B) The Authority chairman is the legal representative of the authority and its branches before the jurisdiction of various bodies and levels and in all what is submitted or raised to it by or against the authority – and the authority chairman shall authorize anyone from the authority
employees who are specialized in accord with the procedures set out in the executive Regulations.

Article (123) The acceptable tax payment

The taxpayer's appeal against the decision of the committee shall not be formally acceptable until the taxpayer pay the amount of tax accepted by him out of the decision of the appeal committee.

Article (124) First Instance Tax Courts:
A) A full time, first instance courts shall, under the provision of this law, be established for scrutinizing, settling the tax cases in the capital and governorates, and that shall be the jurisdiction to look into all tax disputes of felonies, civil kinds and appeals of seizure, and excuse cases, and these courts shall be formed in accordance with the provisions of the judicial jurisdiction law, provided that the judiciary members shall be experienced in both financial and tax aspects.

B) The elementary tax courts shall qualitatively specialized in the following
1- To scrutinize appeals submitted by the authority and taxpayer appealing against the decisions of income tax Committee and general tax on sales, and the appellants should submit document as an evidence for proving the soundness of his their appeals.
2- To scrutinize cases which are connected with the tax violations, crimes of the tax evasion arising from the Authority or Prosecution based on a request from the Authority Chairman, and that shall not contradict with the powerful laws.
3- To scrutinize the lawsuits, requests of seizure related to the tax allowances brought up to those courts under the provisions of this law. And the law of General Tax on Sales, and Public Property Collecting Law.
4- To carry out the final tax provisions.

C) The Court shall hold secret meetings unless it saw otherwise, and it shall judge on tax cases as a matter of urgency, and the Attorney General shall be representing the in criminal tax litigation and assisted by a delegate from competent tax administration when requested.
D) The court can be assisted of whom that court sees experienced in any of the areas of taxation, financial, or both; such assistant shall belong to be neutral or unbiased party.

E) The Court shall find (rule) within two months from the date of the first hearing for the lawsuit or appeal, unless there were justifications caused the delay, and the court's rule shall not exceed the amount of tax-assessed from the authority and not less than the limits of the taxpayer's objection or appeal. And tax assessment shall be amended in accordance with the decision of the Court.

F) The taxpayer or the Tax administration may appeal against judgments of the income tax court before the judicial division courts for income taxes in the appeal courts located in the governorate, shaped under the Article (125) of this Law, within thirty days from the date of receipt of the decree.

G) The exclusive area jurisdiction of the income tax courts shall be determined under a decision made by the Supreme Judicial Council on a recommendation of the Minister of Justice.

**Article (125)** The Judicial Divisions of Appeal:

A) Special, full time Judicial appeal courts shall be formed and governorates to settle income tax disputes. They shall be the only bodies that shall have jurisdiction to decide tax cases and related violations. The formation of these courts shall be made in accordance with the provisions of the Judicial Jurisdiction Law, provided that their members are experienced in the fields of finance and taxation.

B) The Judicial Divisions of appeal shall specially look into and settle the appeals made against the judgments, decisions found by the Judicial courts of tax, which are located in its special jurisdiction department and its geographical space.

C) The appellant shall not make any new applications before the Specialized Appealing Division, since he does not present those applications before the judicial courts of tax. The Division of Appeal shall aim of its own not to accept these applications.
D) With the exception to the cases set forth in paragraph (b) of Article (126) of this law, the judgments found by the Judicial Divisions of Appeal are final and not subject to appeal.

E) The Appellate Division shall issue its judgment within two months from the date of the first hearing to appeal for resuming the case unless there were serious justifications that lead to the delay.

**Article (126) Tax Department of the Supreme Court:**

A) Without prejudice to the judicial Jurisdiction Law, under the force of this law, a specialized, full-time Department shall be established in the Supreme Court to adjudicate on appeals which are allowable to file to that Court as an appeal against the judgments found by the Appellate Tax Division.

B) The taxpayer and the tax administration may appeal to the Tax Department in the Supreme Court against the judgments of Appeal Divisions of Tax within thirty days from the date of receipt of government and in any of the following circumstances:

1 - If the contested judgment was based on a clear violation of law or mistake in its application.

2 – If the judgment was nullified and that verdict's text was contrary to the its findings.

3 – If judgment contains things not required by the litigants or more than they requested.

4 – If two final tax judgments were contrary to each other in two litigations and liabilities, subject and the reason were united.

A) There shall be taking into account the taking up appeals and tax lawsuits and in various stages of litigation, consolidate the unity and identity of The Tax Law.

**Article (127) referral to the Attorney General:**

The first instance courts and the Jurisdiction Division of taxes in the Appellate Courts in the Capital and the governorates shall refer the cases or the scrutinized appeal by them to the public Attorney General for investigation and disposal therewith, in accordance with the provisions of Chapter II of Part 6 of this law and the powerful laws, and
that would be when it (the Attorney General) discovers any cases of tax evasion, including, for example:

1 - if the court finds that the appeal contains merits that are subject to the tax and the taxpayer's evasion from payment or when that taxpayer require to get back funds from the public treasury through using false, incorrect data or documents using fraudulent ways to circumvent the law.

2 - when the court finds out that the appeal or the legitimating are associated with other taxpayers who are participating in a tax evasion process.

3 - when confirming that there is any collusion between the taxpayer and any one of tax administration staff that would result in tax evasion.

**Article (128) proof Responsibility**

A) The responsibility to proof on the Authority when applying the following:

1 - Additional assessment.

2 - Method of proof on the basis of signs and indicators of tax evasion.

3 – Disapproving the tax declaration submitted by the taxpayer.

B) a duty of proof on the taxpayer when:

1 - The Authority shall apply an estimated assessment.

2 - requesting the taxpayer to correct a mistake not intended in the tax declaration.

3 – objection made by the taxpayer on the content of the notification of the tax.

**Chapter 4
Notifications**

**Article (129) Notification:**

The notification is the official means to notify the taxpayer of all the procedural actions that are provided for in this Law. The Executive Regulations will specify the form and the particulars of the notification.
Article (130) Methods of reporting:
The taxpayer or the party shall be advised of notifications issued by the authority in one of the following methods:
A) Sending the notification to the taxpayer or the party through the administrative advice reach to the establishment location or the fixed place of the taxpayer, or the selected place which is determined whereby, or his legal representative.
B) Sending the notification to the taxpayer through post office accompanied by acknowledgment of receipt to the last known address that is registered in the Authority or by e-mail to the taxpayer.

Article (131) Delivery of Notification:
The notification shall be considered to have been delivered correctly and produce all legal effects, even if the taxpayer rejects it, as long as it is delivered in the presence of the taxpayer or his legal representative. In this case the refusal of the delivery shall be documented on the original of the notification by having it signed by one of the Tax Authority personnel, if such a notification is sent through the administrative advice, or by having it signed by the postman in case it is sent by registered mail through the post office.

Article (132) Notice in case of closure:
In case of the establishment being closed, the absence of the owner, and was difficulty in serving the notification to the taxpayer through one of the methods indicated in Article (130), (131) of this Law, the same shall be documented in minute to be written by one the Tax Authority personnel, and signed by a district official sage or the people's defense committees, whose jurisdiction the office of the establishment is located. And there shall be a certified copy of the notification along with the minutes which shall be circulated and posted in the advertising panel in the authority, and on the establishment gate after moving properly of the Authority's delegate to the establishment headquarter to investigate necessarily for affirming the constant closure and the absence of the taxpayer.
**Article (133)** notification legality of the tax:

Notifications effected in accordance with the provisions of this Law, shall not become invalid due to a deficiency or a shortcoming in their form, or due to unintentional error that does not affect what it's meant for.

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**Part Six**

**Infringements & Evasion Crimes**

**Chapter One**

**Tax Infringements**

**Article (134) Violations & Penalties:**

A) Without prejudice to the fines provided for in other articles of this act, shall be punished with a fine set forth in paragraph (B) of this article in addition to paying taxes and penalties owed by everyone who commits the following acts:

1) By not to add or deduct on procedures or failure to collect and deposit the tax in the authority account according to the provisions of this law.

A) Failure to notify the authority to start practicing any activity or profession submitted to tax or during rent property or changing a business address.

B) Delaying to provide a notification to stop the total or partial activity or profession during legal period.

2) Delayed to work the requirements of any notice or request was issuing him under this act fail to appear without justification to response the notice, which issued by reason or for any reason.

3) Ignore to receive any notice in accordance with the provisions of this law.

4) The usage of incorrect tax number for any legal documentations or used for purposes in this act.
5) If any authorized staff not enable to carry out their duties or their exercise or of their specialization to review, or refrained to providing notebooks, records, documents or awareness to them, or refrained his acceptances, which they require of statements and information according to this law.

6) Absence of the attaching party for submitting his attach declaration to the authority by the court order under his liability from taxpayer funds attached on treasury in time, or presenting declarations include false information.

C) Any person will be punished who commits one of the acts in paragraph (a) of this article by the following penalties:
1) A fine of (600,000) YR for the large taxpayers and exempted taxpayers according to investment law or any other private acts.
2) A Fine of (125,000) YR for mediator of taxpayers.
3) A fine of (5000) YR for small establishments.

In all cases, fines will be double in case of repeating violation.

**Article (135) fines of delaying declarations:**

A) Impose a fine for the delay by the amount of (2%) from his due tax every month or part of the month delay taxpayer providing the declaration till last legal time, not to be exceeded the fine amount due tax.

B) In all cases if shown providing the declarations (after the legal period) result of loss operations impose a fine of not filling tax according to the following:
1) Delay penalty in the sum of (5,000,000) YR, for exchanges, banks, and the financial corporation’s of various definitions and insurance companies and operating Oil & gas mining’s and contracting with state to provide telecommunication services (Cell phone and mobiles) as well as the operating scope of international telecommunication and satellite channel services.
2) A delay penalty in the sum of (1,000,000) YR, for other large taxpayers not specifying in clause (1) of this paragraph.
3) A delaying penalty in the sum of (200,000) YR for mediators taxpayers.
Article (136) A fine on exempted taxpayers:
Applicable delay penalty specified in paragraph (A) of article (135) of this law on the taxpayers mentioned in a paragraph (B) from the article (96) of this law in case of absence to submitting the declaration in legal specify period, and the fine amount will be calculated of exempted tax, in the absence of profit, or when result of free activity account at loss end of the year, to implement provisions of paragraph (B) of the same article (135) of this act.

Article (137) fines of in completed declaration:
Without prejudice to provisions of the article (141) of this act, if the taxpayer provides or submitted tax declaration and the tax amount was less than the tax amount, which became due on the taxpayer in final way and not subject to rebuttal of the same tax year, those were the amounts resulting from an act of tax evasions; impose a fine on the taxpayer according to the proportion and amount of the difference in the declaration of tax that became due and as follows:
A) (20 %) from the due tax of the amount that had not been included, if amount equivalent from (10 – 20 %) of legally due tax.
B) (50 %) from the due tax of the amount that had not been included, if amount equivalent more than (20 – 50 %) of legally due tax.
C) (100 %) from the due tax of the amount that had not been included, if amount equivalent more than (50%) of the legally due tax.

Article (138):
The impose fines should be collected in accordance with this act with the same procedures of tax collections.

Article (139) Reconciliation of violations and fines:
A) The chairman of tax authority or his authorized person of reconciliation in violations fine mentioned in articles (134/ 137) of this
act, the including reduction does not exceed 50 % of the fine imposed and the payment of due tax.

B) The chairman of tax authority or his authorized person of reconciliation in the reduction of fines imposed under the provisions of article (135/136) of this act upon the written and justified request of substantiated of the taxpayer and not be exceed 50 % of fine imposed.

Article (140) A penalty in absence of holding regular accounts:
A) Without prejudice to the penalties set forth in article (141) of this act, , In case of absence comply with the taxpayer by regular accounts holding mandatory hold according to provision of this act, impose a financial penalty of 100 % from the due tax, and the penalty will be double when repetition.

B) In case of when taxpayer is exempted from the tax according to investment act or any other act, impose a penalty not to commit for regular holding of lump sum amount, and determined by One million (1000,000) YR refer to the large taxpayers, and three hundred thousand (300,000) YR refer to mediators taxpayers.
Chapter Two
Crimes of tax evasion &
Crimes of breach of the public office

Article (141): Crimes of evasion:

A) Punished by imprisonment for three years or penalty not less than 100 % and not more than 150 % from evasive tax and from any year or part of it, in addition to the payment of tax penalty, and additional amount every tax payer evaded from whole tax or part of the tax that came any of the following acts:

1) The Absence of submitting the tax declaration on the time of one year after proceeding the legal time.
2) Submitting the tax declaration in accordance with the notebooks, records, accounts or false documents or including data differ from permanent to him by notebooks, records, accounts or documents hidden by him.
3) Submitting the tax declaration base on not holding notebooks, records or accounts, and the authority notices that he has notebooks, records and regular accounts, and his submitted declaration is different from what is permanent to him by the notebooks, records, accounts or documents hidden by him.
4) Introducing any false statement, submitting a false entry or incorrect statement in any of the document or statement submitted in accordance with this act.
5) Preparing, saving or permitting by any notebooks, accounts or false entries or false permitting to be prepared and maintained for allowing such notebooks, accounts or entries to be faked with the intent to hide or exclude any income subject to tax under this act, or any part thereof, with the intent to avoid payment of tax, wholly or partially, or attempting to obtained an unlawful exemption.
6) Using any false fraud whatever it may be or allow using the same to avoid payment of tax or reduce the amount by any means.
7) Introducing the records, notebooks, accounts, documents, forged documents and fake documents or incorrect data, to evade from the tax payment wholly or partially.

8) If not saving notebooks, records, accounts and the documents or execute by damaging completely or partially before the time in the article (88) of this act.

9) Delivering any incorrect information or data about any matter or incident that may affect his or any other person’s responsibility towards payment of tax, or result in the reduction of its amount.

10) Delivering any false written reply to any question or request address to him for obtaining information or data required under this act with intent to avoid payment of tax wholly or partially.

11) Concealed activities, professions or part of them submitted to tax in accordance with the provisions of this act.

B) Doubling specified penalty in paragraph (A) of this article in case of repetition.

  1) Tax evasion is a crime of serious crimes.
  2) The authority has a right to publish the names of people who convicted from tax evasion to pay by judgment became in the official newspapers.

Article (142): Chartered Accountant:

A) Without prejudice to the responsibility of chartered accountant according to provisions of this act, shall be punished by imprisonment not more than three years, or penalty not less than five hundred thousand (500,000) YR and not exceeding ten million (10,000,000) YR, any accountant permitted to practicing profession, commits one of the following acts:

  1) Intent the approval of financial statements and disagree the rules and accounting principles accepted and systems and regulations.
  2) Trying to confirm tax declaration and attachments, proved not including all revenues and submitted amounts to tax in any following cases:
• Concealed the knowledge of incidents while carrying out his duty, and not to disclose the documents which attested by accuracy when exist disclosure about these necessary incidents orders in order to reflect these accounts and documents by real activity of taxpayer.

• Concealed the knowledge of incidents while carrying out his duty relating to any amendments or change in notebooks, accounts, records or documents, the purpose of this amendment or change leads to reduce the profits or increase of losses, in order to evade from the tax payment wholly or partially.

B) Double the penalty, which is specified in paragraph (A) of this article in case of return or repetition.

C) By the minister on recommendation of committee from authority or authorized entity, and association of chartered accountants in case of proving any of violations provided for in paragraph (A) of this article to any chartered accountant, issuing a decision not to be accept by authority for accounts auditing and reviewing or confirmed tax declarations by him for three years later, and issue should be published in the official newspapers. And issue to form responsibility of the committee mentioned to decision by the minister based on authority chairman request.

Article (143): Reconciliation in crimes of tax evasion:

The minister or any authorized person is entitled to conclude reconciliation in crimes of tax evasion stipulated on this article before issuance of the court verdict became in the filing of lawsuit by returns for payment:

A) A due tax, fines and additional amounts in addition of compensation equivalent to half of the tax amount, which not paid in stipulated crimes in paragraph (A) of article (141) of this act.

B) Compensation equivalent to half of the amount of penalty imposed according to the article (142) of this act.
C) Consequences of reconciliation shall be the dropping of the legal suit and stoppage of its procedures and elimination of its consequences.

Article (144): procedures of motivation in lawsuit:
A) Without prejudice to the provisions and procedures of entitled tax assessment when the real evasion according to provisions of paragraph (B) of this article, assume to public prosecution according to request of authority chairman, to appeal the lawsuit under the primary tax court concerning tax evasion crimes.
B) Rights to tax administration after verification of evasion incident by following procedures.

1) Assessment of entitled tax which is evaded by the taxpayer and notifying him in accordance with provisions of this act, applies this assessment the same procedures of objection and rebuttal mentioned in this act.

2) Request by authority from the prosecution to appeal lawsuit in front of primary tax court against evaded tax payer, to apply legal penalties imposed according to this act and applicable acts, coincide with procedures of entitled tax assessment mentioned in clause (1) from this paragraph.

3) Not possible for the tax authority to use the procedures mentioned in clauses (1, 2) from this paragraph unless it has documents that prove the taxpayer committing the same crime of tax evasion.

C) In case of issuing the order of rebuttal committee by prove part or all amount entitled tax assessment which is done according to clause (1) from paragraph (B) of this article and that before issuing the court order in evasion appeal (Lawsuit), then the tax administration has to make a request to the court to attach its appeal by entitled tax with the lawsuit according to provisions of the act.

Article (145): Soldiery liability with the legal person:
In case the evasion crime is committed by legal person, the partner in charge, the director, the managing director or the chairman of the board or whoever is responsible of actual management as the case may be,
shall be responsible, by that commitment to pay a value tax which he evaded to pay and the penalties and fines owed to him. To be consider each individual contribute by evasion works and works with the in charge legal person by solidarity towards any violation to provisions of this act.

**Article (146):** Liability of tax payment:
The application of penalty procedures in accordance with this act does not relieve any person from the liability of paying entitled tax.

**Article (147):** crimes of prejudicing in public office:

**A)** Without prejudice to any administrative penalty, punished by imprisonment not exceeding three years or penalty not less than one million (1,000,000) YR and not exceeding ten million (10,000,000)YR, any staff of tax administration is concerned with identification, assessment and tax collection at prove to committing any following crimes:
1) Utilized his job authority to threaten and blackmailing any taxpayer to get something for himself or for others.
2) Utilized his job authority to get the benefit from the taxpayer for himself or others by opposing the law.
3) Utilized his job authority to delay the rules and the applicable tax regulations, or reject to implement the decisions and the applicable judgment of provisions.

**B)** Punished by imprisonment not less than three months or penalty not less than one hundred thousand (100,000) YR and not exceeding one million (1,000,000) YR and any employee of the tax administration, intend to access for establishment for any tax payer by the intent to do tasks including identification, accounting, calculating data or tax collection, without being formal charged with carrying out that tasks or any of them and executed the job at unofficial time for the establishment.

**C)** Without prejudice to any strict punishment in punishments law and without prejudice to tax evasion provisions, punished by imprisonment not less than one year and not to exceed for five years or any employee of tax administration received bribery in cash or in kind of hiding
amounts submitting to tax or performed a work or referring to violate his job work, and applies the same punishment to briber (taxpayer) and the mediator between the employee and taxpayer.

Part Seven
Collection & Attachment

Article (148): Tax Payment:

A) All tax payers should pay the tax in accordance with shown declarations or approval on the assessment or entitled amounts owed to them, including assessment tax on small establishment on the specific dates. After deducting the amounts paid according to the collection system under the account of income taxes in the authority to the account with the central bank or one of the branches in the municipality capital and governorates or official authorities or interest to the treasury as determined by the regulation.

B) Every employer is responsible for payment salary, wage, allowance or bonus or any un exempted amount of tax, should be deducted when the assessed tax is paid, the employer has to deposit the tax monthly to the authority account in the central bank or in one of the branches or any agencies belong to the treasury, If any employer is delayed in deducting or depositing the due tax for the months he paid, the authority can obligate him to pay the tax without prejudice in fines or penalties set is this law.

Article (149): Dates for tax payment and recovery:

A) The due tax should be collected in accordance with the basis of final tax assessment within twenty days of notification of tax payment
In the case of the tax payer paid more than the amount of his entitled taxes, he has a right to recover his amount all or some of taxes which he paid & The authorities has to return his taxes amounts from collected revenues within 40 days from the date of application when they receive from applicant, unless the authority has to deduct from his coming due taxes.

C) Collection of penalties and fines as if tax debt.

D) Executive regulations shall specify application form of tax recovery, In all cases the application form recovery must be submitted within five years from the date of excess tax payment, and the amounts should be recover from the collected revenues, In accordance with the procedures and rules set by the regulations.

Article (150): Tax Installment:

The chairman of tax authority has the right to approve the entitled tax installment or part thereof upon written request and justification of the taxpayer, showing the reasons which faced him in paying the tax within the statutory period.

Article (151: installment schedule:

A) The chairman of tax authority or his authorized person have the right to accept or reject the request of tax installment submitted to him under Article (150) of this act,

B) Installing tax should be carried out in accordance with scheduling done by tax authority, and signed by the taxpayer committed to the implementation without prejudice of dates and amounts mentioned in this schedule.

C) Installing tax is installed in equal with same period of dues, in all cases, shall not exceed three years and installment cannot be re scheduled.

D) In case of taxpayers prejudicing with scheduling installment or in the case of the declaration of bankruptcy or liquidation of business, the authority should take action to collect the remaining tax in accordance
with the provisions of this act and the collecting of public funds and the applicable laws.

E) In case of delaying payment of the entitled installment, apply the provisions at article (152) of this act, and is calculated by the legal period specified on the installment amounts from the entitled date of payment, in accordance with the provisions of this act and the collection of public funds and the applicable laws.

F) Excluded the provisions of the installment tax stipulated in this article, the collected taxes at source such as salaries and wages tax and the amounts previously collected from a third party under the income tax account.

G) In the case of refusal of the authority chairman to installment request, the taxpayer is not entitled to apply a new tax installment, unless the application contains the new justifications of the causes and circumstances to justify reconsideration.

H) The regulations shall specify the applied procedures and forms of the installment applications.

Article (152): Increment Amounts:

A) If the tax is not paid on the defined date in accordance with the provisions of this act, there will be an additional amount equal to 1.5% (One and half %) of the unpaid amount at each month of delay.

B) The increment amounts shall be collected in the same procedures of tax collection, and the added amount under this article is not part of the tax.

Article (153): attachment writ:

A) The chairman of the authority or any authorized person is entitled to request the court to issue an immediate temporary writ on the taxable persons properties including the amounts entitled from others without prior notice in any following cases:

1) If there are serious reasons expected with the tax payer to smuggle and hide his funds, including relinquishment to others.

2) When there is no permanent residence for the tax in the country.

3) In the presence of the tenant who is leasing the property and when the landlord rejects or delay to pay his tax payment from his onetime
property tax, If the tenant has any confession under his liability for the landlord inform within 15 days of attachment.

4) When the tax authority notices on the serious way that the public treasury rights in the loss.

B) To be consider the attach funds under the court order safely attach not possible to disposal, until release the attachment by the court order which issued the attachment.

C) By the authority (attachment applicant) shall appeal a lawsuit to clarify the rightness of the attachment against the attached party and the attaching party and to assess the entitled tax of the attached taxpayer, within thirty days from date of attachment notice

**Article (154):** Writ of attachment:
When the debt tax happen to final and the payer delayed to pay the tax payment after the passing notice period of payment, in this case the court has a right behalf of request of the chairman or any authorized person issue the notice for seize the property of tax at the equivalent amount of debt tax of the payer, including what they have in his properties with others such as cash and stocks etc which entitling in present or & future.

**Article (155):** Implementation of the attachment procedures:
To be progress the procedures of attach and sale, according to the specifying procedures in the effective regulations to assume by the court direction to execute the attachment.

**Article (156):** The right debt tax deduction:
The minister based on justified request from the chairman of authority can deduct from the rights of the public legal people at the ministry of finance by arranging tax, fines, penalties or other amounts legal determine, to assume execution by the central bank, it’s not possible for commercial banks to deduct except by court order.

**Article (157):** Complementary of regulations:
To get the collection of tax and fines and entitled increment amounts according to the specified procedures in this law and in the act of collection of public funds and the regulations.

Article (158): Rules of Adding and deducting:
To the authority to collect, the tax amounts under the tax account, and determine the percentages and procedures of collection according to the limited executive list to this law.

Article (159): Privilege of tax debt:
A) The tax debt is a preferential debt that must be not settled to the tax Authority without the need for demand.

B) Payments of entitled amounts to the authority to meet the commitments of the tax payer come in order as the following
1) Administrative and legal penalties.
2) Penalties of delay payment.
3) Debt of entitled taxes.

Section three
General and Transitional Provisions
Part One
Transitional provisions

Article (160): Cancellation of tax exemption mentioned in any applicable law:
A) Canceling the tax exemptions mentioned in the rules with taking in account of provisions and following rules:
1) Actual investment projects obtain on tax exemption according to investment act no. (22) In Year of 2002 continually effective that exemption before issuing this act, until end of specify period for that exemption fulfill this projects settlement by other due taxes, which are not cover by that exemption.
2) Projects of investment registered according to investment act no (22) in year of 2002 and did not engage initiate activity and production until issuing the act, by start in condition of initiate engagement and production in extreme time period of two years from date of issue.
3) By the coordination between the tax authority and Investment authority and exchange data and information and working on performance and implementation of direction and rules stated in clauses (1 & 2) from paragraph(A) of this article which not face with the acts which having a relation in investment act and this law.

B) To be canceling all exemption taxes specify in the central bank and issuing other banks and submitted to all the banks & exchange in the republic for taxes according to this act.

Article (161): Ordinary exclusions:

A) To assume and image of exclusions sue of the general primary finances in the rest of republic governorates -where there is no court taxes until issuing this act - also branches of general finance and also commercial branches in the courts of appeal and commercial departments by supreme court compare and separation in tax issues until establishing and forming primary tax court in the rest of governorates and establishing tax branches appellate by the municipality capital and governorates and tax department in supreme court according to this act.

B) Devolve the former rebuttal committee according to this law, pending issues in front of the committee according to the last act no. (31) In year of 91 regarding income tax and amendments, while except attach act to issue the decree.

Part Two
General Provisions,

Article (162): Legal Approval:
When come across end of the legal time to submitting a declaration or protest a holiday, or legal holiday, so that the declaration or the protest shall be submitting on the first working day officially.
Article (163): foreign leaving cases:
Any foreigner taxpayer wishes to leave the republic permanently when before his departure shall obtain a certificate from the tax authority testifying for the settlement of all dues according to provisions of this law, otherwise submit adequate guarantees, which are accepting by the authority.

Article (164): Duality:
To avoid the tax duality or repetition, the executive regulations shall specify the details of the procedures, which shall prevent tax duality in accordance with the provisions of this law.

Article (165) Share of penalty:
The public treasury will receive seventy percent (70%) of penalties and increment amounts collected by the authority under the provisions of this act. The remainder will be allocate to face the supervisory executive actions including costs of survey, assessment and collection of income tax, as defined in the executive regulations.

Article (166): The status of judicial officers:
The tax authority personnel have to be duly defined with the status of judicial officers by issuing of the general attorney according to the minister request.

Article (167):
The mentioned information in the declarations submitted by taxpayers in accordance with this act is not the presumption of evidence on the taxpayer income for the previous years for the implementation of this act.

Article (168):
The chairman of tax authority or authorized person has a right to conciliation of the reduction or canceling in delayed penalties and
additional imposed amounts in accordance with this act no. (31) in year of 1991 and amendments with the condition the taxpayers have to perform the entitled tax commitments legally.

**Article (169)** Regulation issue:

The minister can issue based on the chairman of the tax authority Request.

A) The executive regulation of this act within six months from effective date.

B) Regulation and decrees implementing the provision of this act.

**Article (170):** Cancellation of previous act:

Income tax law no. (31) In year of 1991 and amendments must be superseded.

**Article (171):** The Effective Implementation:

This act shall came into effect from the date of 31/12/2010 and should be published in the official Gazette, and under this effective scope of provisions for this act on profits, incomes and actual revenues in the tax year 2010 of submitted tax of commercial & industrial profits and tax on non industrial an non commercial professions, and the property proceed.

Issued at the presidency of the republic – Sana’a
On 19th Ramadan 1431 A.H.
Corresponding to 29th August 2010.

Ali Abdullah Saleh

President of The Republic