

Business in Libya



Libya is located in North Africa, bordered by the Mediterranean Sea, between Egypt, Tunisia and Algeria, and with its southern border being Chad, Niger and Sudan. The area is 1,759,540 square kilometers, and at 1,770 kilometers, Libya's coastline is the longest of any African country bordering the Mediterranean.

Tripoli is the capital city, and other major cities include Benghazi, Zawia, Misrata and Tobruk. The official language is Arabic, and English is considered as the second language, with other languages such as Italian and French.

Libya is a member of the United Nations (UN) since 1955, the Non-Aligned Movement, the Arab League since 1953, the Union of Arab Maghreb (UMA) since 1989, the Organization of Islamic Cooperation (OIC), and the Organization of the Petroleum Exporting Countries (OPEC) since 1962. The state of Libya is not a member of the World Trade Organization (WTO).

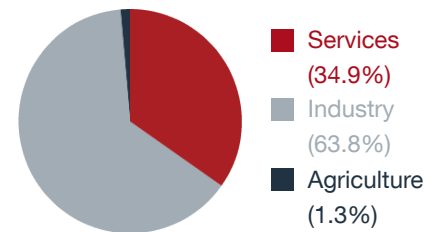


Population

7.02
million



GDP Breakdown by Sector



Currency

Libyan
Dinar (ل.د)

Foreign Direct Investment (2019)

-482.5 billion (LYD)

GDP Growth (2020)

-60.3%

Business Climate

Libya's location has enabled the country to become an important historical trade link between Africa and Europe. Its economy depends primarily on revenue from the petroleum sector, which represents over 95% of export earnings and 60% of GDP. These oil revenues and a small population have given Libya one of the highest nominal per capita GDP in Africa.

Since 1963, Libya has enjoyed a favorable balance of trade. Almost all exports are represented by crude petroleum. Agricultural products, hides and skins are also exported. Imports consist of equipment for the oil and construction industries, farm machinery, consumer goods and agricultural products. The country's biggest import partners are China, South Korea, Turkey, Italy, and neighboring countries Egypt and Tunisia. Its exports, mostly petroleum, generally go to Egypt, the U.S., Italy and other EU countries.

Financial services are headed by the Central Bank of Libya, which supervises the banking system, regulates credit and interest policies, and issues the national currency, the Libyan Dinar (LYD). The Libyan Arab Foreign Bank has made some investments, primarily in Italy.

A large proportion of the Libyan workforce is engaged in the service industries. The country's tourism industry, largely underdeveloped during Libya's period under UN sanctions, has undergone significant expansion. To promote the growth of tourism, government finances were increasingly dedicated to the construction of hotels, tourist complexes and the development of coastal areas.

The investment law aims to encourage the investment of national and foreign capitals to undertake investment projects within the framework of the general policy of the state and the objectives of economic and social development, particularly in:

- Transfer of modern technology
- Training the Libyan technical personnel
- Variation of income resources
- Contribution to the development of national products to help their entry into the international markets
- Realization of a locale development

International Trade

Libya is a signatory of the Greater Arab Free Trade Area (GAFTA) and the Arab Maghreb Union (AMU), with ties to the Community of Sahel-Saharan States (CEN-SAD), and the Common Market for Eastern and Southern Africa (COMESA). It has bilateral trade agreements with Morocco and Jordan. Libya is the only Mediterranean country – with the exception of Syria – that has not yet concluded a free trade agreement with the EU.

Libya was the EU's 47th biggest trade partner in 2020. The EU is Libya's biggest trade partner, representing 51% of the country's global trade in goods for the year 2020.

Libya's main export partners include Italy (18.1%), China (16%), Germany (15%), Spain (14.6%), United Arab Emirates (5.73%),

France (5.5%), the U.S. (5.2%) and Turkey (1.37%), along with other countries.

Libya's main import partners are Italy (9.19%), China (16.2%), Turkey (13.7%), United Arab Emirates (8.96%), South Korea (4.18%), Tunisia (3.56%) and Germany (3.21%), along with other countries.

Trade Agreements

Libya has trade agreements with countries in the EU, Asia and Africa.

Foreign Trade Zones

Libya has free trade zones in Misrata, which is enforced, and Zwart.

Lesotho is also one of the top-ranked diamond producers in the world based on its average US Dollar per carat value.



Tax Regime

The main taxes applicable in Libya are:

- **Corporate Income Tax:** Income arising out of the utilization of tangible or intangible assets in Libya is subject to tax. Activity and work carried out in Libya are also subject to tax according to Income Tax Law No. 7 of 2010 as amended.

General Provisions: Article No. 1 stipulated that *Shall be subject to tax, every income generated from any tangible or intangible assets situated in Libya, or from any activity or work carried out therein.*

The annual tax rate shall be 20% of the taxable income.

Defense tax (Jihad tax) applies at a 4% applies rate in addition to CIT. Stamp duty of 0.5% is also levied on the total CIT liability.

Capital gains are treated as income and taxed at the CIT rate.

- **Statutory Books and Records:** According to the Libyan Commercial Law No. 23 of 2010, Article No. 223, Libyan and non-Libyan companies are required to maintain statutory books and records, which must be written in Arabic language.
- **Wages and Salaries Income Tax:** Libyans and non-Libyans are subject to tax on wages, salaries, and all benefits received (cash or in kind); subject to payroll tax on employment (permanent or temporary).

Annual tax rates, deducted from gross salary after deducting the social security contribution, shall be as follows:

- Personal tax exemption for taxable annual income of LYD 1,800 (for a single taxpayer), LYD 2,400 (for a married taxpayer), or LYD 300 (for each dependent child)
- 5% tax rate for taxable annual income up to LYD 12,000
- 10% tax rate for taxable annual income over LYD 12,000
- **Social Security Contribution:** The Social Security rate in Libya stands at 15%. The annual contribution rates, of gross wages and salaries, are 11.25% for an employer and 3.75% for an employee.
- **Social Solidarity Contribution:** A contribution of 1% of the employee gross salary is also to be filled and paid on a monthly basis.
- **Stamp Duty:** Stamp Duty is 1% of the contract value, according to Stamp Duty Law No. 8 of 2010.

There is also a duty of 0.5% on all types of payments to the Tax department regardless of their nature.

Establishing a Business

According to the Libyan Commercial Law No. 23 of 2010 and other relevant regulations, foreign entities are allowed to operate in Libya in the following categories:

- **Foreign Branch:** Foreign entities can form a branch in Libya, wholly owned by the parent company. The capital required is LYD 250,000.
- **Representative Office:** The representative office is not allowed to operate in Libya except for marketing and survey only. The capital required is LYD 150,000.
- **Joint Stock Company:** For setting up a joint stock company with Libyan entities or individuals, non-Libyans can hold up to 49% of the joint stock company, however, the investment law provides that under certain circumstances, non-Libyans can own up to 100% of the company.

As stated above, each business category has its own requirements to be in the Libyan market.

Employment Affairs

According to the Libyan Labor Law, the priority for employment is given to Libyan nationals. Foreign employees are allowed to work in the country. However, in certain professions such as lawyers, accountants and others, foreigners are not allowed to be employed as they are reserved for Libyan Nationals only.

Employment benefits can be in cash or in kind depending on the agreement or contract with the employer, such as medical, transportation, accommodations, etc.

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