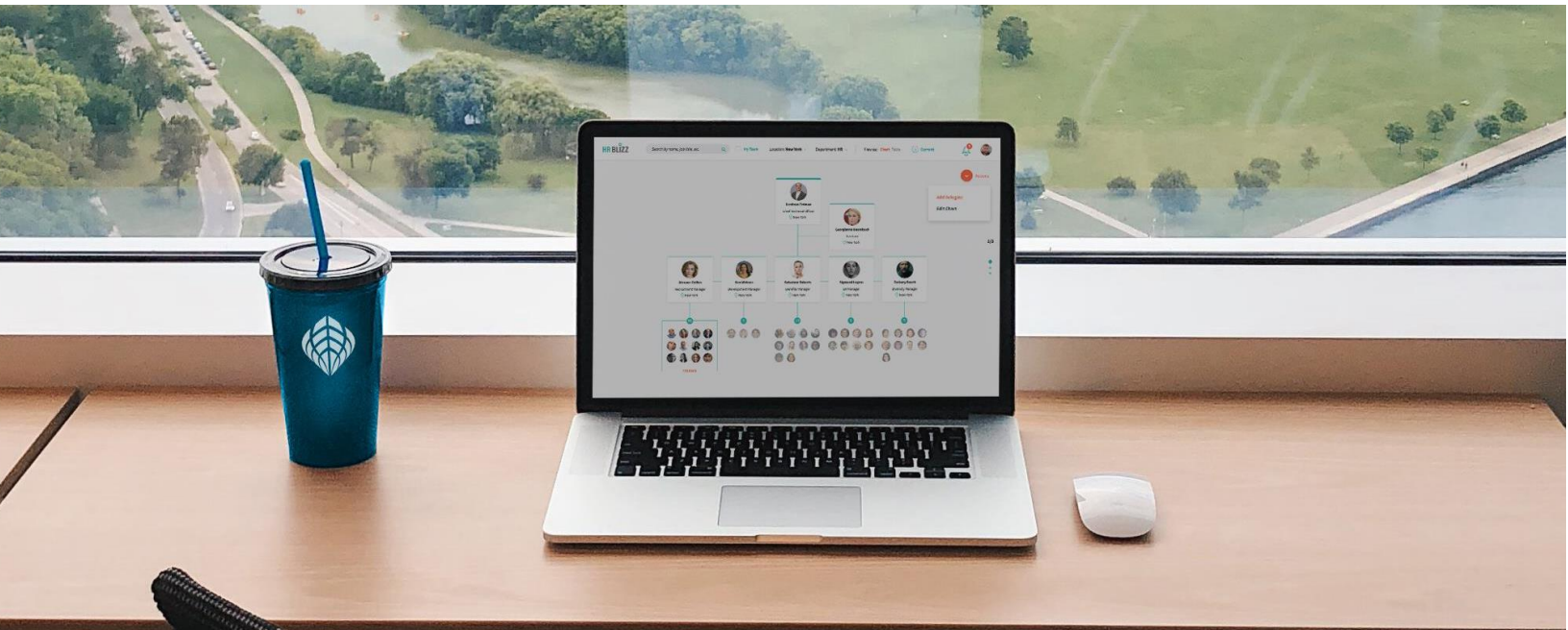




Simplifying Employment
Tasks Worldwide

Payroll & Tax Highlights

2020 Global Payroll Country Guide for Libya



STATE OF LIBYA



May 12, 2020



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Mercans at a Glance

140+

Countries

20

Years of Success

500+

Specialists

5k+

Customers Worldwide

97%

Client Retention Rate

1.5X

Annual Revenue Growth

25k+

Largest Single Payroll

2.5M+

Pay Slips per Annum

0

Security Breaches

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Libya – focused on the diversification of the economy from oil revenue.

Libya is well endowed with hydrocarbon resources. Its proven crude oil reserves were 48 billion barrels at the end of 2018, the ninth largest globally and the largest in Africa, accounting for 38% of the continent's reserves. Only 25% of Libya's territory has been explored for hydrocarbons. These resources provide ample financial leverage, a positive long-term fiscal outlook, and very low debt. Unlike other post-conflict countries, Libya has the financial resources to rebound quickly. If well and efficiently managed, the resources could power economic and social recovery and reconstruction. Reconstruction, along with improved political stability and security, could diversify the Libyan economy from oil and offer better prospects for an inclusive society.

Economic diversification is a key priority. Over 2014– 18, the oil, gas, and related extractive sectors accounted for more than 65% of GDP, more than 95% of export earnings, and 96% of the budget. So, the Libyan economy remains extremely vulnerable to oil production shocks and oil price fluctuations. Rapid diversification from hydrocarbon resources is essential for a stronger, resilient, and more inclusive economic growth.

The private sector also faces challenges in recruiting skilled and qualified individuals. According to the 2018 Human Development Report, Libya's Education Index ranked the country 119 of 189 countries. This problem is likely to be exacerbated over the next decade, since conflicts interrupt schools and universities.

Libya's real GDP growth slowed to an estimated 4% in 2019, due to lower oil prices. Inflation, after declining in 2018 and the first quarter of 2019, rebounded to an average above 10% in 2019 because of the intensified conflict in Tripoli.

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Basic Facts

Official State Name	State of Libya
Population	6.679 million (2018)
Capital	Tripoli
Major Languages	Arabic
Currency	Libyan dinar (LYD)
Main Industries & Export Articles	petroleum, steel, iron, food processing, textiles, cement.
GDP Growth	7.9 %
Internet Domain	.ly
International Dialing Code	+218
Dates & Numbers	dd.mm.yyyy. A full stop (period) is used for the decimal comma, and long numbers are written with a point (999,999,999.00)



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Doing Business in Libya

Libya is encouraging investment opportunities to foreign firms and making serious reforms to make the business environment more attractive for foreign investors.

The government passed the Foreign Investment Law 9 of 2010 (previously Law 5 of 1997) and the Free Trade Act in 1999. The Free Trade Act in 1999 includes tax incentives and allows for the transfer of project ownership, the re-export of employed capital, and the hiring of foreign workers, while also creating a specialized agency to promote and supervise the law.

As for the Free Trade Act, it enables the establishment of offshore free-trade zones in order to enhance exports, revenue, training, and technology in land, water, energy, telecommunications, and manufacturing facilities.

The taxation policy in respect of the projects undertaken within the scope of the Law No. 9/2010 is as follows:

- The project shall be exempted from income tax for a period of five years from the date of commencement. This period may be extended for an additional period of three years. Losses incurred during the exemption years can be carried forward to the subsequent years.
- The project shall be exempted from stamp duty specified on commercial contracts and documents. Exemptions mentioned above shall not include the fees relating to services such as port, storage and handling fees.

Libya has decided from 1st August 2005 to remove customs duty on more than 3500 commodities imported into the country except for 81 items. This is aimed at liberalizing trade together with protecting local products. Goods which will not be exempted from customs duty are luxurious cars or others that compete with locally assembled items including refrigerators, TV sets and agricultural items.



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Entity Registration & Incorporation Requirements

Legal Forms of Companies

The Libyan limited liability company (LLC)

A foreign investor may choose to establish a wholly foreign owned LLC in Libya if the initial share capital deposited is higher than US\$3.7 million. Such an entity can operate in certain sectors of the Libyan economy, including i) industry ii) health care iii) tourism iv) services and v) agriculture. If the company corporate structure includes a Libyan partner holding 50% shares, the capital requirement will be reduced to US\$1.5 million;

An LLC can be setup with 1 director and 1 shareholder. While the company can be 100% foreign owned, the director must be a Libyan national. Furthermore, our Client will be required to lease office space in Libya before company incorporation.

The Libyan joint stock company (JSC)

This Libya business setup allows non-Libyan residents to only own up to 49% stake in the entity. However, it is possible for our Clients to obtain the approval from the Ministry of Economy to own up to 60% of stake in the company;

A JSC must have at least 10 shareholders, each of whom cannot hold more than 10% of the shares. The minimum capital required to setup this entity is US\$730,000. Furthermore, our Client will be required to appoint at least 1 Libyan national as the chairman of the company's board of directors.

The Libya branch

Foreign companies looking to do business in Libya may seek to setup a branch office in Libya. For this purpose, the branch office must appoint a Libyan resident manager and deposit a minimum capital of US\$184,000 in a local bank prior to commencing operations;

A branch office may only engage in the following activities:

- i) oil and gas activities
- ii) telecommunication and information technology
- iii) contracting and civil works
- iv) electricity works
- v) industrial activities
- vi) environmental protection
- vii) planning and surveying and
- viii) contracting and civil works.

The Libya Representative Office



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Foreign entities also have the option of setting up a representative office in Libya. This entity is not permitted to engage in any commercial or profit-making activities in the country. Consequently, activities are limited to:

- market research and data collection and
- facilitating contracts between parent companies and third parties;

This Libya business setup must be registered with the Ministry of Economy. Furthermore, this entity must also have a bank account with Libyan bank.

Incorporation Process

No	Procedures	Time to Complete
1	Company Name Reservation Agency : Company registry at the Ministry of Economy The applicant must fill out a form, listing the four proposed company names, and pay a fee for the name search and the fiscal stamp. The Commercial Registry (Company registry at the Ministry of Economy) conducts a name search and issues a name certificate on the same day.	2 days
2	Draft memorandum and articles of association with the Notary Agency: Notary The founders have to bring copies of their ID's and provide relevant details on how they would like to structure the bylaws of the company	7 days
3	Open a bank account and deposit paid-in minimum capital Agency: Commercial Bank The client opens a bank account while the notary is drafting the Articles of Association. To do so the client receives a letter from the notary confirming the name reservation, the capital and the founders' names.	3 days, simultaneous with previous procedure
4	Pay stamp duty Agency: Office of Tax Department at the Ministry of Economy The clerk from the notary's office brings the name reservation, the ID's, the bank receipt and the internal documents of the company (ownership structure, headquarters location, bylaws etc.) to the tax department where documents get stamped.	7 days
5	Apply and obtain registration at the commercial registry Agency: Company registry at the Ministry of Economy	4 days



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Stamped documents are brought to the registry by a clerk from the notary's office. Certificate of registration is issued.

6 **Register at the Chamber of Commerce** 2 days

Agency: Chamber of Commerce

A clerk from the notary's office goes to the Chamber of Commerce and picks up the certificate from the Commercial Registry.

7 **Retrieve the bank letter from the notary public** 1 day

Agency: Commercial Bank

After obtaining the chamber of commerce and certificate of incorporation of the company, the public notary will issue a letter to the bank to activate the bank account and delegate the client to do so. The client submits the incorporation documents to the bank and completes the bank's applications in relation to the signatory on the Company's bank account.

8 **Notarize the company lease and Register with the Social Security Fund - Ministry of Labor** 1 day

Agency: Lease Agent

The client obtains a lease and notarizes it. The company then registers with the social security fund and the Ministry of Labor.

9 **Obtain the business license** 10 days

Agency: Office of Operations license of the Ministry of Economy

At this stage of the process the client needs the lease, the final bank account and all the previous forms. Depending on the business activity, the client needs an authorization of the relevant Ministry (e.g. Health, Food and Drug Administration etc.)

10 **Obtain a company stamp** 1 day

Agency: Printing shop

Business founders can obtain a company stamp at the Printing Shop for 20-70 LYD. A letter from the manager and a copy of the commercial extract of the company should be submitted for issuing the stamp.

Bank Working Hours

The banks are open from Sunday to Wednesday from 8 am to 1 pm, then from 4 pm to 6.30 pm. On Thursday, banks are open from 7 am to 2 pm.



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Public Holidays

Jamahiriya Day	2 March
British Evacuation Day	28 March
Army Day	9 August
National Day	1 September
Italian Evacuation Day	7 October
1911 Deportation Memorial Day	26 October
Independence Day	24 December

Periods when Companies usually close

Aïd al-Mawlid commemorates the birth of the Prophet Mohammed	Variable but lasts one day
Aïd al-Fitr corresponds to the end of the Ramadan fast period	Variable but lasts one day
The Anniversary of the Revolution is the most important civil festival in the country	1 September

Minimum Wage

The Libya minimum wage is 450 Libyan dinars per month (\$325).



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Working Hours

With the exception of certain professions, the maximum normal working hours is 48 hours per week and ten hours per day.

Friday is the statutory day of rest each week.

Overtime should not exceed three hours per day and is payable with a 50% uplift on the normal hourly wage.

Labour Law

Libyan employment law requires companies to ensure that a certain percentage of their employees are Libyan, which may be as high as three-quarters for some categories of employers. There are also provisions for a minimum wage, social security and protection for participation in trade unions. The law also places notable emphasis on family and on the rights of workers, with employees being entitled to periods of leave on marriage, maternity, bereavement and emergencies.

In addition to the minimum wage, employers must provide the minimum leave entitlement set out in law.

The minimum requirements are 30 days paid of annual leave per year and 45 days if the person is over 50 years of age or after 20 years of employment.

The employee is entitled to 45 days of sick pay if continuous, and 60 days in total, per year.

Maternity leave is payable. Other benefits are payable.

Termination indemnity based upon years of employment may also be payable.

Immigration

All expatriate employees must be registered with the Ministry of Labor and hold an employment permit and residence visa. As part of the application process, the employees must enter a valid employment contract. In addition, expatriate employees must have one of several specified job titles in order to be permitted to work in Libya. Certain jobs are reserved for Libyan nationals or those granted similar rights by the state.

Employment of Libyan nationals

Companies are required to ensure that a minimum percentage of their workforce is made up of Libyan nationals. In many cases, this minimum can be as high as 75%, although certain companies are only required to ensure Libyan nationals represent 30% of their workforce pursuant to various exemptions under investment law.

Exceptions to the nationalization quotas are allowed in certain cases, such as specialist roles, where it is in the public interest to allow a relaxation of the rules. However, this requires a resolution from the Ministry of Labor allowing the reduction in Libyan national employment.



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Employment structuring and documentation

All employees must enter a prescribed form employment contract which is registered with the Ministry of Labor. There are two different forms of the employment contract depending upon whether the employee is a Libyan national or expatriate.

As a rule, the Libyan Labor Law sets out the minimum employment entitlements and standards. These can be exceeded to the employee's benefit, by agreement between the parties, but cannot be reduced or excluded to the employee's disadvantage.

Contracts may be for either fixed or unlimited terms in accordance with the Libyan Labor Law. The maximum duration for a fixed-term contract is two years, which may be renewed once, after which the employment becomes an indefinite (unlimited) term contract with minimum notice provisions.

Wages, annual leave and working time

The current minimum wage in Libya is approximately LYD 450 (approx. USD 316) per month; however, few will work for this rate.

The minimum entitlement to paid annual leave under Libyan Labor Law is 30 working days, which increases to 45 working days for those over the age of 50 years or who have attained 20 years' service. An employee can take 20 days' paid leave to perform Haj once in their employment.

Except for certain professions, the maximum normal working hours is 48 hours per week and ten hours per day. Friday is the statutory day of rest each week. Overtime should not exceed three hours per day and is payable with a 50% uplift on the normal hourly wage.

Family rights

An employee is entitled to two weeks' paid marriage leave once during their employment. A female employee is also entitled to paid leave of four months and ten days, following the death of her husband.

The Libyan Labor Law entitles a female employee to 14 weeks' paid maternity leave, including a compulsory leave following delivery of not less than six weeks. Where the woman has more than one child, the paid maternity leave is extended to 16 weeks. The Libyan Labor Law includes certain protective provisions which prohibit a woman from being dismissed on the grounds of her pregnancy or maternity leave.

Employees are entitled to emergency leave, of up to 12 days in a year, of which no more than three days may be taken on one occasion. An employee may take this emergency leave without obtaining prior approval from the employer, provided that the employee is able to provide justification for the leave on return to work.

Social security

There is no social security legislation applicable to expatriate employees. However, an employer is required to make payments to the social security fund in respect of Libyan nationals.

Terminating employment

An individual employed under an unlimited term contract must be given at least 30 calendar days' notice of termination. Where an employee is subject to a fixed term, either party may only terminate the



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contract where certain specific circumstances arise. In each case, where the reason for termination is not valid, the defaulting party may be liable to pay compensation to the other party, to be determined by the Court.

An employer is obliged to pay an end of service gratuity to expatriate employees who are not covered by the Social Security Fund. End of service gratuity is calculated by reference to length of service.

The Libyan Labor Law contains an exhaustive list of reasons from which either party may terminate employment without notice due to the conduct of the other party

Collective disputes The Libyan Labor Law contains a workforce disputes procedure. In addition, an employee may not be dismissed by reason of participation in a labor association or trade union.

Payroll Requirements

Payslip

Both the Social Security and Labor Law state that the employee is entitled to receive a monthly payslip.

The employer shall issue a payslip to each of his or her employees at the time of their salary payments. This document shall include: the name or corporate name and address of the employer, the number under which the employer pays its contributions to the social security fund, the name of the employee, the period and number of work hours or days to which the paid remuneration corresponds, the payment date, the gross and net salaries and the withheld amounts.

Employer		Mercans Libya		Net payment	
Registration Number		123456789		LYD	1,218.75
Address		Address			
Period		May-20			
Name		Employee Name		Email	
Employee ID		Employee ID		Contract	Email address
INAS No		INAS no		Mode of payment	Indefinite Bank
Résumé					
Devisé de paiement	Brut	Retenues	Net à payer:	Compte bancaire	
LYD	1,500.00	281.25	1,218.75	004 00114 4100037796 56	
Détails					
Gains	Montant	Devisé	Retenues	Montant	Devisé
Basic salary	1,000.00	LYD	Social Security (employee) / INAS	56.25	LYD
Transportation allowance	500.00	LYD	Income Tax	225.00	LYD



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Banking requirements related to payroll

Payroll payments can be paid by one or a combination of:

- Cash
- Check payable to the employee
- Electronic funds transfer

If paying wages by cash, the employer and employee should sign a record to confirm the amount of money that has been paid.



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Tax & Social Security

Labour Office

All companies must register at the Labor Office and subsequently state their employee requirements. A national must be employed if a person with relevant skills is available, and certain jobs are restricted to nationals. A foreigner may be employed if a national is not available, subject to having appropriate qualifications. Supporting documents must be submitted and an annually renewable work permit will be issued. Employers must register an employment contract in a form determined by the Labor Office. Employment is governed by Labor Law 12/2010.

Tax Registration

All companies must register with the Tax Department under Income Tax Law 7/2010. A notification letter stating the name of the employee or employees, along with the corresponding salaries and starting date of employment, should be submitted.

Corporate - Taxes on corporate income

For any Libyan registered entity, income arising both in Libya and abroad (i.e. worldwide) is assessable for corporate income tax (CIT) purposes in Libya. CIT is imposed annually on the same basis for Libyan controlled corporate entities, foreign controlled corporate entities, and branches of foreign companies.

CIT is levied on taxable profits at a flat rate of 20%.

Jehad Tax

There is a flat rate of Jehad Tax assessed at 4% on taxable corporate profits.

Customs duties

Customs duties were abolished in 2005, except for tobacco and tobacco products.

A service fee of 5% on the value on most imports also exists. There are various exemptions to this service fee, specifically under Investment Law and within the oil sector.

Other dues and taxes on importation are estimated at 0.5%. Initially, a temporary import licence is issued for six months that can be extended to a maximum of three years. A guarantee or a deposit can be provided by the importer to the Customs Department.

Stamp duty

Stamp Duty Law levies a schedule of duties and rates on various documents and transactions. The most relevant to corporate entities is Schedule 28, which prescribes the rate of duties on contracts for the provision of services or supply. The duty on main contracts is 1% and on subcontracts is 0.1%. Note that there is a duty of 0.5% on all payments to the Tax Department as well.



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Personal Income Tax

Libyan and foreign nationals are only subject to tax on income derived from employment in Libya.

Libyan nationals and foreigners are considered to be resident if they satisfy any of the following conditions:

- They are Libyan.
- They are in Libya with a work visa.
- They undertake employment in Libya.

Residence results in liability for Libyan personal income tax for the year of residence.

Income subject to tax. The taxation of various types of income is described below.

Employment income. Income tax is levied on employment income paid in cash or in kind.

Self-employment income. Individuals carrying out business activities independently, providing consulting services or engaging in technical, artistic or scientific projects are subject to tax on income derived from such activities.

Investment income. Interest on bank deposits of whatever term is subject to withholding tax at a rate of 5%.

Other income. Other income is subject to tax at various rates.

Taxation of employer-provided stock options. Income derived from employer-provided stock options is taxed in the same manner as employment income.

Capital gains. The law does not make any reference to tax on capital gains. Company capital gains are treated as trading income.



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Personal income tax rates

The personal income tax (PIT) rates listed below are deducted from gross salary after deducting the social insurance contribution, employee social solidarity fund contribution, and personal exemptions (see the **Deductions** section).

Per year (LYD*)	Gross salary		Tax rate (%)
	Per month (LYD)		
12,000	1,000		5
Over 12,000	Over 1,000		10

*Libyan dinar

Jehad Tax

Jehad Tax is also assessed on taxable income of individuals at the following rates:

- 1% if income does not exceed LYD 50 per month.
- 2% if income does not exceed LYD 100 per month.
- 3% on incomes over LYD 100 per month.

Jehad Tax was established by Law 44 of 1970.

Relief for losses.

Losses incurred in business or professional activities may be carried forward and offset against profits from the same type of activities in the following five years. Losses may not be carried back.

Additional tax on Palestinian nationals

Palestinian nationals are subject to an additional 7% tax on income.

Other taxes

Property tax. Only Libyan nationals may own property. Tax at scale rates is assessed on 60% of rental income. The top rate of property tax is 15%.

The transfer of immovable property is not formally subject to any property transfer tax.

Inheritance and gift taxes. Libya does not impose inheritance tax or gift tax.

Social security contributions (INAS)

All companies must register with INAS under Social Security Law 13 of 1980.

A notification letter stating the name of the employee or employees, along with the corresponding



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salaries and starting date of employment must be submitted to the department. A copy of the labor contract must be attached. Each employee is given an INAS number and card.

INAS provides health and retirement benefits to both national and foreign employees.

After five years of continuous employment and subject to stringent conditions, a foreign employee may recover a small proportion of deductions upon leaving the country.

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

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

Gross income	Foreign branch (%)	Libyan entity (%)
Employee's contribution	3.75	3.75
Employer's contribution	11.25	10.50
Contribution from public treasury	-	0.75
Total	15	15

Libya has reciprocal agreements with some countries where residents working in Libya are eligible for reduced rates of social security contributions.

Social security is withheld by the employer and payable monthly, within ten days after the month end. For social security purposes, a late payment fine of 5% per annum is assessed on the amount due.

Compliance requirements- Social security — INAS

A monthly filing must be made by the company and the company is responsible for deducting the contribution and paying it.

Taxes must be filed within 10 days of month end but there are no late payment penalties. There is no requirement for an employee to file any documentation regarding his or her contributions.

Social Unity Fund

1% of the monthly gross salary of all individuals exercising employment in Libya is collected by the Tax Department as a contribution to the Social Unity Fund.

Consumption taxes

In Libya, there is no VAT.

Property taxes

Libya has no specific property taxes.

Luxury and excise taxes

Libya has no excise taxes.



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Stamp taxes

A stamp duty of 0.5% is assessed on net salaries.

Stamp duty is also applicable to other items at the following rates:

Item	Stamp rate (%)
Invoices (purchase of cars and alike to be paid by the buyer)	2
Invoices (purchase of materials) over LYD 100 to be paid by the buyer	1
Rental contracts to be paid by the tenant	1
Contracts for supplies, services, contracting, public works, etc. to be paid by the contractor	1
Sub-contracts to be paid by the sub-contractor	0.10
Opening of letters of credit	0.20
Guarantee, insurance, etc. of value	0.50
Receipts	0.50
Amounts paid by public organizations financed from the general budget of the state to others to be paid by the receivers	0.50

Exempt income

The following items are exempt from income tax:

- Income from deposits in savings accounts
- Payments to beneficiaries of life insurance policies
- Payments for disability arising from employment
- Income from agricultural activities
- Income of civil servants and state employees
- Income from pensions
- Income derived from writing and research in the fields of science and culture
- Income of charitable organizations
- Foreign income
- Export income
- Development activities as determined by the government

PIT shall not be applied to the following:

- Amounts paid against accumulated vacation, in the case of termination.
- End of service indemnity.



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Individual – Deductions

Deductible expenses.

Expenses that may be deducted include life insurance premiums, general insurance premiums, social security contributions and medical insurance contributions.

Employment expenses

The following expenses are deductible against PIT:

- Taxpayer's social security contribution or equivalent approved scheme.
- Direct expenses incurred by the taxpayer in the performance of work.
- Any amount deducted from the taxpayer as a disciplinary fine.

Personal exemptions

Individuals may claim the following annual personal allowances:

- LYD1,800 for a single taxpayer
- LYD2,400 for a married taxpayer
- LYD300 for each dependent child, up to the age of 18
-

Social status	Per year (LYD)	Per month (LYD)
Single	1,800	150
Married man with no children	2,400	200
Married, widower, or divorced with children	2,400 +300 per child	200 +25 per child

Foreign tax relief

Under general tax law, no provision exists for allowing the deduction of foreign tax credits.

Individual - Tax administration

Taxable period

The tax year in Libya for individuals is the calendar year

Tax returns

The submission of the monthly declared payroll is effectively a self-assessment process.

A monthly filing must be made by the company and the company is responsible for deducting taxes and paying them.



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Taxes must be filed within 60 days of month end. Late payment penalties of 1% per month (to a maximum of 12%) apply to the late payment of taxes.

There is no requirement for an employee to file a tax return if his or her employment is his or her only source of income, and there are no annual requirements on a company.

Payment of tax

An employer has a statutory obligation to collect taxes on behalf of the state.

The due date for PIT is 60 days (plus 15 days grace period) after the month end.

Late payment penalties

A late payment penalty is assessed on the PIT due at the rate of 1% per month.

Tax audit process

Tax audits are conducted at two to three-year intervals. The employer is subject to audits.

Double tax relief and tax treaties

Under Libya's double tax treaties, resident individuals who derive income abroad may claim a tax credit for foreign tax paid, up to the amount of the tax due on such income in Libya.

Libya has entered double tax treaties with the following countries.

- Arab Maghreb
- India Sudan
- Union countries
- Malta
- Syria
- Bulgaria
- Pakistan
- Turkey
- Egypt
- Serbia
- Ukraine
- France
- Singapore
- United Kingdom
- Greece
- Slovak Republic



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Libya has signed double tax treaties awaiting ratification with the following countries.

- Austria
- China
- Qatar
- Azerbaijan
- Croatia
- Russian Federation
- Belarus
- Germany
- Slovenia
- Belgium
- Italy
- Spain
- Bosnia and Herzegovina
- Korea (South)
- Switzerland
- Netherlands



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Employment Law

Libyan employment law requires companies to ensure that a certain percentage of their employees are Libyan, which may be as high as three-quarters for some categories of employers. There are also provisions for a minimum wage, social security and protection for participation in trade unions. The law also places notable emphasis on family and on the rights of workers, with employees being entitled to periods of leave on marriage, maternity, bereavement and emergencies.

All expatriate employees must be registered with the Ministry of Labor and hold an employment permit and residence visa. As part of the application process, the employees must enter a valid employment contract. In addition, expatriate employees must have one of several specified job titles in order to be permitted to work in Libya. Certain jobs are reserved for Libyan nationals or those granted similar rights by the state.

Employment is a right of Libyan nationals, and companies are required to ensure that a minimum percentage of their workforce is made up of Libyan nationals. In many cases, this minimum can be as high as 75%, although certain companies are only required to ensure Libyan nationals represent 30% of their workforce pursuant to various exemptions under investment law.

Exceptions to the nationalization quotas are allowed in certain cases, such as specialist roles, where it is in the public interest to allow a relaxation of the rules. However, this requires a resolution from the Ministry of Labor allowing the reduction in Libyan national employment.

Employment Agreement

All employees must enter a prescribed form employment contract which is registered with the Ministry of Labor. There are two different forms of the employment contract depending upon whether the employee is a Libyan national or expatriate.

As a rule, the Libyan Labor Law sets out the minimum employment entitlements and standards. These can be exceeded to the employee's benefit, by agreement between the parties, but cannot be reduced or excluded to the employee's disadvantage.

Contracts may be for either fixed or unlimited terms in accordance with the Libyan Labor Law. The maximum duration for a fixed-term contract is two years, which may be renewed once, after which the employment becomes an indefinite (unlimited) term contract with minimum notice provisions.

Working Conditions

The current minimum wage in Libya is approximately LYD 450 (approx. USD 316) per month; however, few will work for this rate.

Except for certain professions, the maximum normal working hours is 48 hours per week and ten hours per day. Friday is the statutory day of rest each week. Overtime should not exceed three hours per day and is payable with a 50% uplift on the normal hourly wage.

Collective disputes The Libyan Labor Law contains a workforce disputes procedure. In addition, an employee may not be dismissed by reason of participation in a labor association or trade union.



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Leaves

The minimum entitlement to paid annual leave under Libyan Labor Law is 30 working days, which increases to 45 working days for those over the age of 50 years or who have attained 20 years' service. An employee can take 20 days' paid leave to perform Haj once in their employment.

An employee is entitled to two weeks' paid marriage leave once during their employment. A female employee is also entitled to paid leave of four months and ten days, following the death of her husband.

The Libyan Labor Law entitles a female employee to 14 weeks' paid maternity leave, including a compulsory leave following delivery of not less than six weeks. Where the woman has more than one child, the paid maternity leave is extended to 16 weeks. The Libyan Labor Law includes certain protective provisions which prohibit a woman from being dismissed on the grounds of her pregnancy or maternity leave.

Employees are entitled to emergency leave, of up to 12 days in a year, of which no more than three days may be taken on one occasion. An employee may take this emergency leave without obtaining prior approval from the employer, provided that the employee is able to provide justification for the leave on return to work.

Employment Termination

Termination procedures for unlimited term contracts are straightforward. In the absence of an express term which provides for this, a local Libyan employee is not entitled to a payment on the termination of their employment (such as a redundancy payment in other jurisdictions) and is only entitled to one month's notice of termination, no matter how long the employee has been employed by the company.

The position for expatriate workers is different. In addition to notice, the Labor Law sets out a formula for calculating termination payments which directly relates to length of service. The reason expatriate workers receive a termination payment whereas local Libyan workers do not, is that Libyan workers are considered to have already received compensation by way of the employer's contributions into the employee's social security fund during the course of their employment.

Compensation may, however, be payable when an employer seeks to terminate a fixed term contract. Whilst a fixed term contract can be an advantage in some cases, as it terminates automatically on the expiry of its term, the contract cannot be terminated by the employer before the end of the contract term without the employee's agreement, and without a compensation payment for the unexpired term of the contract.

However, the Ministry of Manpower has wide-ranging jurisdiction to deal with employee grievances relating to the operation or termination of employment contracts and it also has a great deal of power in terms of the awards it can impose. The Ministry can by its own motion refer any employment-related claim to the local courts, recommend that a certain course of action be taken and even order reinstatement.

Accordingly, companies should carefully document the termination steps they have followed, so they can demonstrate that the reason for termination and the procedure followed were fair. A well-documented termination process should also be followed, even where it is likely that a generous settlement package will be negotiated.



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When a company wishes to enter into settlement discussions with an employee, the company should bear in mind that, as there are no statutory means by which employment claims can be compromised, there is nothing to prevent an employee subsequently bringing a claim, even where a settlement agreement has been signed.

For this reason, all the terms of a termination agreement should be set out in writing, in both English and Arabic (even for local Libyan employees). We also recommend that the company arranges for an independent third party (such as a notary public) to witness the execution of the termination agreement.

In addition, as there is no concept of "without prejudice" negotiations in Libyan law, any attempt to negotiate a settlement on the termination of a contract of employment could become evidence the employee subsequently uses before the Ministry of Manpower, or any local court. Care should therefore be taken during preliminary settlement discussions, and with the content of the settlement agreement itself, so that the employee cannot subsequently use this against the company.



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Immigration

Temporary entry visas

A valid passport and entry visa are required to enter Libya.

Libya offers the following types of temporary visas to foreign nationals:

- Transit visas, which are valid for a maximum of seven days
- Student visas, which are valid for 12 months and are renewable
- Tourist visas, which are single-entry visas valid for 30 days
- Business visas, which may be single-entry visas valid for 30 days, or multiple entry visas valid for 3, 6 or 12 months
- Residence/work visas, which are provided outside Libya if the individual will enter Libya with the intention of residing or working.

A fee is payable for the issuance of each type of visa.

Work permits and self-employment

Foreign nationals must obtain a work permit to work in Libya.

Foreign nationals who will work under an employment contract must obtain a work authorization, which is valid for up to one year.

Foreign nationals may not be self-employed.

After the period of validity for a work authorization or work permit expires, an individual may reapply for such items

Residence permits

Residence permits are granted to foreigners on the basis of employment. They are granted on the application of the employing company. A residence permit is regarded as temporary and is not issued until it has been determined that a similarly qualified national is not available. A national must be employed and trained to replace the foreigner, and some occupations are restricted to nationals (for example, secretarial and clerical).

Employed foreign nationals who reside in Libya for more than 15 years may obtain a 5-year residence permit, which is renewable every 5 years.

The following documents must be submitted with the application for residence permit for workers:



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- Application form containing family details
- Detailed curriculum vitae and copies of qualifications
- Passport and a copy of the passport
- Copy of the work visa
- Work authorization issued by the Manpower Department
- Twelve passport-size photos

Requirements and documentation are subject to frequent change

Family and personal considerations

Family members. Dependent relative visas are usually granted automatically to family members of a foreign national who holds a valid work authorization or permit. However, an expatriate's spouse must file an application for a residence permit through the expatriate's employer and may not undertake employment.

Marital property regime. The default marital property regime in Libya is based on Islamic law. Under Islamic law, a legal share of the estate automatically devolves to the surviving spouse and children.

Driver's permits. Expatriates may drive legally in Libya using their home-country driver's licenses for up to three months. Holders of residence permits must apply for local driving licenses.



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Main Source of Information

Ministries-

Ministry of Social Affairs (<http://sa.gov.ly/site/>)

Ministry of Finance (in Arabic) <http://www.mof.gov.ly/>

Ministry of Economy and Industry (in Arabic) <http://www.industry.gov.ly/>

Ministry of Foreign Affairs (in Arabic) <https://foreign.gov.ly/>

Central Bank-

Central Bank of Libya <https://cbl.gov.ly/en/>

Statistical Office-

Bureau of Statistics and Census Libya <http://www.bsc.ly/>



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+1 877 MERCANS (637 2267) | Toll-Free

Europe: +44 20 328 777 62

North America: +1 646 798 5541

Middle East: +971 43 999 260

Asia: +81 50 5539 5354

info@mercans.com | mercans.com

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