

Doing Business in Yemen 2014

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1. Introduction

Yemen at a glance

Republic of Yemen is located in the Arabian Peninsula in the south-west of the continent of Asia. It is bounded on the north by Saudi Arabia, and south by the Arabian Sea and the Gulf of Aden, on the east by the Sultanate of Oman, and the Red Sea on the west. Yemen is classified by the United Nations as one of the Least Developed Countries (LDCs). Despite the improvements that were made over the last two decade in which Human Development Index (HDI) has shifted on HDI from 0.402 in 1990 to 0.500 in 2014, thus ranking Yemen at 154 out of 187 countries.

Yemen has one of the world's highest birth rates approx. 3% per annum; the average Yemeni woman bears five children. Although this is similar to the rate in Somalia to the south, it is roughly twice as high as that of Saudi Arabia and nearly three times as high as those in the more modernized Persian Gulf states. Yemen's population is increasing by 700,000 every year. Yemen population 2013: 24,407,381 (24.4 million).

The rial or riyal (YER) is the currency of Yemen.

Time Zone: (GMT + 3:00).

Average temperatures for Yemen, as a whole, varies from about 27°C in June, to extreme temperatures (up to 54°C) combined with high humidity are characteristics of the Tihamah plains.

While the country is in crisis, Yemen faces a formidable web of economic, environmental, and political challenges which contribute to the country's low level of human development. Expanded and concerted international cooperation is addressing a wide range of development issues, including those related to democratic governance where important steps are being taken. Yemen's development is guided by the National Strategic Vision 2025 and the Millennium Development Goals (MDG) based 4th Development Plan for Poverty Reduction (2011 - 2015).

The World Bank is closely collaborating with a number of Yemen's development partners including development agencies from France, Germany, Italy, Netherlands, United Kingdom, United States, European Union, and United Nations agencies. The World Bank Group is also working closely with the International Monetary Fund on the macroeconomic dialogue. A close dialogue has also been established with the GCC Secretariat and bilateral agencies from the sub-region.



Overall business environment & opportunities

The business environment in Yemen is conducive to various business activities for both local and foreign entities. Businesses established under Yemen conventional laws like (Trade Law, Commercial Companies Law, and Branches of foreign companies' law) or established under special laws like (Investment Law, Free Zone Law) provide equal opportunities to local and foreign businessmen. Unlike neighboring Arab countries, Yemeni Laws do not impose restriction on local participation for establishing by foreigners in any legal form.

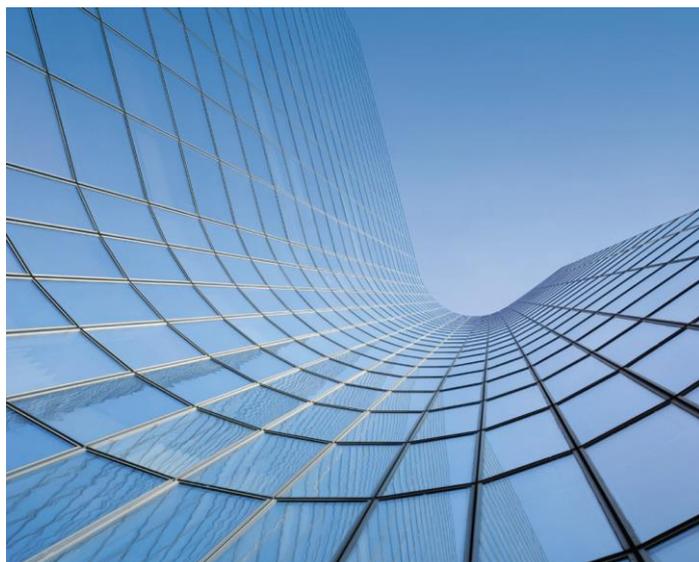
Yemeni Laws do not impose restriction of local participation for business establishments by foreigners

For better understanding, it is clarified that business activities, when carried out under conventional laws, do not offer tax incentives and other exemptions that are available to those businesses when established under special laws such as Investment Law and Free Zone Law or special agreements like Production Sharing Agreement (PSA) or Gas Development Agreement (GDA).

Yemen authorities, with the help of foreign donors and DFIs, continuously review legislation related to trade and investment in order to ascertain its effectiveness. An effort to encourage more investment and to promote the private sector growth has been made through a new Investment law promulgated in 2010, which offers reduced tax rate base, right of ownership in real estate, customs exemptions, and guarantees of no expropriation of project. This new law aims to improve tax revenues by streamlining tax and customs incentives and reducing tax exemptions. The law has been introduced in conjunction with new income tax law designed to lower corporate income tax rates from 35% to 20% (and 15% for investment projects that create significant new job opportunities). Furthermore, the law includes reforms for the investment regulatory body and establishment of a new independent authority for investment. This new authority is primarily targeting foreign investors, and is supervised by the Prime Minister. The new authority is providing material and logistical support for prospective investments in the country.

The primary foreign business investment sectors in Yemen are:

- Electricity & water
- Industry and commerce free zone
- Agriculture & irrigation, fisheries
- Oil & minerals
- Public health and housing
- Tourism
- Infrastructure which further includes:
 - Establishing various gas power plants, desalination plants, small to medium seaports and airports with the B.O.T system
 - Development of various industrial and tourism zones with investment on B.O.T basis
 - Build residential and industrial facilities, tourism and health facilities, tourism and healthcare facilities, develop downstream industries and various projects in free zones related to services and manufacturing.



The Moore Stephens Doing Business In series of guides have been prepared by Moore Stephens member firms in the relevant country in order to provide general information for persons contemplating doing business with or in the country concerned and/or individuals intending to live and work in that country temporarily or permanently.

Doing Business in Yemen 2014 has been written for Moore Stephens Middle East Ltd and by Moore Stephens Yemen. In addition to background facts about Yemen, it includes relevant information on business operations and taxation matters. This Guide is intended to assist organisations that are considering establishing a business in Yemen either as a separate entity or as a subsidiary of an existing foreign company. It will also be helpful to anyone planning to come to Yemen to work and live there either on secondment or as a permanent life choice.

Unless otherwise noted, the information contained in this Guide is believed to be accurate as of November 11 2014. However, general publications of this nature cannot be used and are not intended to be used as a substitute for professional guidance specific to the reader's particular circumstances.

Founded in 1907, Moore Stephens International is one of the world's major accounting and consulting networks with 307 independent firms and 667 offices in 105 countries. Our member firms' objective is simple: to be viewed as the first point of contact for all our clients' financial, advisory and compliance needs.

They achieve this by providing sensible advice and tailored solutions to help their clients' commercial and personal goals. Moore Stephens member firms across the globe share common values: integrity, personal service, quality, knowledge and a global view.

Sana'a, November 2014

2 . Doing Business

Establihing a business

Conventional Laws: A foreign entity may enter into the Yemeni business market in any one of these forms listed below

- Registering a Branch office of foreign company or business house, under the provisions of law number “23” for the year 1997 regarding arrangement of the agencies and companies branches and foreign houses, to carry out businesses within the jurisdiction of the Republic of Yemen.
- Incorporating a **Limited Liability Company** in the Republic of Yemen, under the provisions of Commercial Companies Law No. “22” for the year 1997. During recent years, an amendment was made allowing incorporation of a local company fully owned by foreign partners.

Special Laws: A foreign entity may get its business activities registered under the following special laws by fulfilling respective conditions:

- Registering an **Investment Project** of company, under the provisions of law number “15” for the year 2010 by presenting application to General Investment Authority (GIA) an independent body to govern activities of all investment projects. A license is issued by the GIA to those projects that fully comply with the requirements.
- Registering a project under Free Zones Law No. 4 of 1993 in the Republic of Yemen in specific areas for activities specified by the law. In order to avail incentives as per the law.
- Production sharing agreement (PSA) and Gas Development Agreement (GDA) are also form of special laws, which are signed by and between business entities and the government which is further ratified by the parliament. Thus attain the status of individual special laws that override the conventional laws.



Legislations regulating business activities in Yemen can be classified in two types i.e. Conventional Laws and Special Laws. Foreign entities intending to perform business activities in Yemen may opt one of many legal forms of business to maintain permanent establishment in Yemen.

Foreign entities intending to perform the business activity in Yemen are generally required to have permanent establishment in Yemen. In addition to this, activities of foreign companies that may create a PE include having a management place, branch, office, farm/plant, factory, construction or assembling equipment and supervision.



Types of entities under conventional laws

As mentioned briefly in the opening paragraphs, Businesses established under conventional business and trade laws are subject to all applicable taxes but there is no restriction on holding ownership percentage between local and foreigners. In other words, Non- Yemenis can hold 100% ownership in a Yemeni Limited Liability Company. Available forms of business are as follows:

- Limited Liability company
- Joint stock public or private company
- Joint venture
- Branch of a foreign company
- Sole proprietorship
- Partnership

Non-Yemenis are allowed 100% ownership in a Yemeni Limited Liability Company

All the above forms of business entities in Yemen must register with the Yemeni Chamber of Commerce & Industry and complete the necessary procedures specific to the form of business selected as discussed below.

A presidential decree No. 1 of 2008 promulgated and amended the “ Trade Law No. 22 of 2004” by authorizing Foreign entities and persons to establish all sorts of business and trade activities without involving local partners. Since then, the government simplified the process of LLC registration and establishing LLC with 100% foreign ownership is considered a preferred form of business for the foreign companies and individuals.

Entry into Yemen by foreign visitors is subject to several regulations and procedures that change periodically, depending on the internal policies and security situation of the country

Temporary (entry) visa

Foreign nationals must obtain a valid visa to enter Yemen, Visas may be granted for visits or for business purposes. Normally, visas may be obtained from the Yemeni consulates in the home countries of the visitors. A visa applicant must supply evidence to confirm his or her contact in Yemen.

Nationals of Egypt, Iraq, Saudi Arabia, UAE and Jordan are not required to obtain visit visas for their visits to Yemen. However, these nationals must obtain work permits to be employed in Yemen.

Temporary visitors are granted temporary visas, which are valid for one month and are renewable for an additional three months at the discretion of the authority

Work visa's and permits

In practice foreign entities that do not have business establishments request their local agent or appoints a local sponsors through which visa's and work permits are obtained.

When a foreign national arrives in Yemen, the employer is responsible for processing his/her work visa and obtaining his/her work permit. The duration of a work permit is one year and may be renewed annually for equal time periods.

All foreign nationals seeking a work visa/permit will have to undertake a medical examination with the immigration authority.



3 . Finance and Investment

Business Regulation and registration procedures

Registration procedures

In order for the Company to set up a branch in Yemen the following procedures should be followed:

- As per the provisions of Law No. “23” for the year 1997 regarding arrangement of the agencies and companies branches and foreign houses, the Company should submit a license application for opening the branch to Ministry of Trade along with following documents:
 - A copy of the commercial registration and article of association of the company head quarter (HQ) or foreign house.
 - An authenticated certificate of trade register of the company (HQ) or foreign house
 - A certificate from any bank operating in Yemen confirming availability of capital not less than US\$ 30,000.
 - The certified copy of the company (HQ) audited financial statements for the recent year as per fiscal year of the license application submitted to the Ministry.
 - The document of an official resolution issued from the company (HQ) or foreign house Board of Directors authenticated and certified by the competent authority including the approval of establishing new branch in Yemen.
 - Resolution concerning the nomination and appointment of the representative, or general manager (Expat or local) in charge of the branch management,
 - If either the representative or the managing director in charge of the branch is Yemeni, he has to be recorded in the trade register and has to attach a certified copy of such register.
 - Power of attorney for the branch manager approved by the board of directors.
- All documents should be stamped and approved by the authorities and the Yemeni Embassy where the Company head quarter is located. Also an official and certified translated version in Arabic should be attached with the documents stated above, in case they are written in a foreign language.
- The competent department in the Ministry of Trade and Supply should study the application and examine the attached documents, (after the receipt of the fees imposed on the application of branch company establishment or foreign house) and check if it meets the required legal conditions and this should be effected either within the period of thirty days from the date of application together with required documents, or from the date of the completion of such documents. In practice, the process might take up to three to Four weeks.
- A commercial registration for the branch should be completed according to the law of trade register and a commercial registration card to be obtained.

Administrative costs

This table summarizes the procedures and costs associated with setting up a branch of foreign entity in Yemen as per fee schedule of the Ministry of Trade, and subject to change:

Description	Fees (1 US\$= YR 215) (FY 2014)
Pick up the specimen application from the Commercial Register	Nominal
<ul style="list-style-type: none"> • Branch registration application review, processing fee for the Ministry of Trade & Industry YR 20,000 • Registration fee of branch and related costs YER 31,000 • Branch name incorporation and its advertisement YER 12,200 • Publication in official newspaper fee YER 10,000 • Publication in trade magazine & membership fee YER 41,500 • Registrar of trade register fee& cost of Card YER 61,000 	YR175,700
Register as taxpayer with the General Taxes Department for the payment of income tax, obtain taxation card, and register the employees and register for other taxes	Nil
Apply for Chamber of Commerce membership	YR25,000
Apply to the municipality to obtain license	YR80,000
Register employees for the social security	Nil

Incorporating a Limited Liability Company

Share capital

Number of shareholders of a limited liability company should not be less than 2 and more than 30 shareholders.

There are no specific requirements for amount of share capital, however, share capital of a limited liability company should be enough for the company to meet its objectives. The determined share capital will be subject to the Ministry approval and should be paid in full when incorporating.

The shareholders are allowed to provide their share capital in cash or non-cash items. If the provided share capital or part of it was provided in the shape of non-cash items, the non-cash items are to be devalued and mentioned in the article of association of the company,

The Founders are fully responsible toward others for the assessments of the non-cash items provided as share capital on the date of providing the request for license to the Ministry. This responsibility expires after five years from the announcement of the company on the Chamber of Commerce.

Registration procedures

Subject to the completion of the following documents which are to be presented to the Minister of Trade and Industry Ministry, the process would take approximately 5-6 weeks:

- Limited liability companies are to be established based on the license obtained from the Minister of Trade and Industry Ministry;
- The Founders are required to provide the request for license to the controller (The Director General of the Directorate General of Companies) with a signed copy of the incorporation agreement and copy of the proposed article of association;
- The Founders are required to record their signatures on the article of association and the incorporation agreement in front of the controller, or whoever he delegates (in written) for that, or with the related courts;
- On the request for license, the Founders are allowed to delegate whomever they like to sign on behalf of them on the final version of the article of association;
- The Ministry has the right to ask the Founders to amend the article of association to be in compliance with the companies law;
- The requested license and article of association are to be approved by the Ministry within a month from the date of receiving the request for license. If the request was rejected, a reason will be defined.
- Approved license and article of association are to be published on the country official newsletter under the cost of the company.
- The founders shall, as soon as the decision for licensing and the approval of the company's articles of association is issued, carry out the procedures for registering and depositing a copy of the approved memorandum and articles of association with the Registrar in the area where the company's head office is located.

Administrative costs

This table summarizes the procedures and costs associated with setting up a Limited liability company in the Republic of Yemen, which is as per the schedule of the Ministry of Trade which is subject to change:

Description	Fees (1 US\$= YR 215) (FY 2014)
Name reservation, license application, AOA signature, publication and registration at the Ministry of Trade & Industry Publication of decree YER 12550, incorporation fees YER 15,000 Publication of company YER 30,000 Name registration YER 18020 Publication of name YER 9600.	YR85,570
Register as taxpayer with the Tax authority for the payment of income tax, obtain taxation card, and register the employees and register for other taxes	Nil
Apply for Chamber of Commerce membership	YR30,000
Apply to the municipality to obtain license	YR80,000
Register employees for the social security	Nil

Business established under special laws Investment law No. 15 of 2010 and Free Zone Law

Under Investment law, although the investment is allowed in all sectors of the economy, the following two conditions must be observed and regarded carefully:

- Foreign investment is not permitted in the exploration for and production of oil, gas, and minerals which is subject to production-sharing agreements.
- Foreign investment is not permitted in the arms and explosive materials industries, banking and money exchange, industries that could cause environmental disasters, or wholesale and retail imports.

Exchange control

Exchange controls are viable on documentary controls only. YER are freely convertible. For bank transactions, official rates may apply that vary slightly from market rates.

Banking and Finance

Yemen's financial services sector is growing gradually but is still considered under developing stage when compared with neighboring gulf countries. Yemen has no public stock exchange currently. However currently, World Bank is financing a project in association with Ministry of Finance to make a comprehensive program for the stock exchange to be established in Yemen the near future. The banking system consists of the Central Bank of Yemen as a regulating and monitoring body, 16 commercial banks (nine private domestic banks, four of which are Islamic banks; four private foreign banks; and two state-owned banks, one in the agriculture industry and the other is a commercial bank), and two specialized state-owned development banks. The Central Bank of Yemen controls monetary policy and oversees the transfer of currencies abroad but there is no exchange control in.

Central Bank of Yemen, exercises supervisory authority over commercial banks, and serves as a banker to the government. Since end 2010 and up to 2013, Tadhamon International Islamic Bank has maintained the top spot between all banks in Yemen (Commercial and Islamic) in terms of total assets, capital and trade business. The largest commercial bank, the Credit and Agricultural Cooperative Bank, which is state-owned, and the Yemen Bank for Reconstruction and Development, which is majority state-owned, are currently being restructured with the goal of eventual privatization.

Yemen's banks generally maintain their lending activities to a select group of consumers and businesses that is considered family business; as a result, the entire banking system holds less than 60 percent of the money supply. The bulk of the economy operates with cash.

Legislation adopted in 2000 gave the Central Bank the authority to enforce tougher lending requirements, and in mid-2005 – the Central Bank promulgated several new capital requirements for commercial banks aimed at curtailing currency speculation and protecting deposits.

Incentives to Investments

Incentives under the Investment Law No 15 of 2010

Businesses established under the investment law are offered the following incentives without distinction to Foreign & local investors:

- Arab and foreign investors are given the same treatment as Yemenis.
- Repatriation of investment capital and profits are guaranteed.
- Procedures used to settle disputes are recognized internationally.
- Reduced Tax rate is 15%.

The most important incentives are as follows:

- Exemptions from custom fees on fixed assets.
- Reduced tax rates applicable on profits corporate profits.
- Exemptions from returns as a result of technology utilization licenses for five years.
- Exemption from custom duties on animal, agriculture and fishing production.
- The right to own land and buildings.
- Permission to open outlets to market products of the project in any part of the republic of Yemen.
- Management of the project at the investor's discretion without any interference.
- Prohibition of imposing financial or non-financial burdens that might disturb equality among projects or of imposing any pricing system
- The investment law also provides for adequate guarantees against nationalization, expropriation or sequestration of projects, or the freezing of assets unless done through legal means.
- The investor is allowed to make a choice on how to pursue settling a dispute. Institutions involved in disputes are as follows:
 - Arab Organization for the Insurance of Investment, Kuwait.
 - Islamic Corporation of the Insurance of Investment and Export Credit, the Kingdom of Saudi Arabia.
 - Multilateral Investment Guarantee Agency (World Bank Group), United States.

Incentives under Free Zone Law

Businesses registered under Free Zone law are offered following incentives without distinction to Foreign & local investors:

- Exemption from taxation on Industrial and Commercial profits for 15 years with a possible extension for subsequent 10 years.
- 100% Foreign Ownership permitted and encouraged.
- Capital and profits are freely transferable outside the Aden Free Zone and not subject to any exchange control.
- Salaries, wages and bonus of non-Yemeni employees working on projects in Aden Free Zone are exempt from income tax.
- Nationalization and expropriation of projects operating in Aden Free Zone are not permitted.
- Free Zone Sovereign Guarantees
- Projects shall have the right to transfer their capital and profits to outside the Free Zone.
- Non-Yemeni employees and workers shall have the right to remit their salaries and wages and the like to outside the Free Zone.
- Nationalization or confiscation of projects operating within the Free Zone is prohibited.
- Seizing the funds of these projects or freezing them or imposing guardianship is prohibited except by a judicial ruling.

4 . The accounting & Audit Environment

Accounting Framework

In general, all types of businesses, regardless of the activities, whether local or foreign, companies or establishments follow the International Financial Reporting Standards (IFRS) and submit the audited accounts in accordance with the tax laws and practices prevailing in the Republic of Yemen and are required to file accounts of their operations certified by a locally certified public accountant with their final annual corporate tax declaration within due date of April of year each.

In particular, large taxpayers whether, corporations, companies, branches and other business establishments are required to keep their accounts in the Republic for tax scrutiny purpose.

Central Organization for Control (COCA) is in charge of Auditing Government corporations, banks, companies, which is required by its own establishment law to audit those companies on an annual basis.

Yemeni Association of Certified Public Accounts which is in charge of the auditing profession in Yemen.

- Setting the auditing rules for public accountants in Yemen.
- Considered to be main participants through its members to prepare draft laws related to the auditing and accounting profession, and review laws referred to it by legislators.
- Monitor the performance of its members and ensure their compliance with the prevailing laws and internal policies, and hold trainings and exams for eligible applicants.

5 . Overview of Tax System

Taxation

The Income Tax Law No. 17 of 2010 governs the taxation on incomes of corporations, companies, and personal income of natural persons.

Corporate tax

Income of resident legal entities is taxable irrespective source whether arising from inside or outside Yemen. Non-resident entities are taxed on income that is generated from Yemen. Multiple tax rates are applicable on resident entities based on their size and type of activities. Widely applicable corporate tax rate is 20%.

Personal income tax

Salary tax is applicable on both resident and non-resident individuals on their incomes earned from their activities inside Yemen. Income of resident employees earned inside Yemen from foreign source is taxable in Yemen.

Withholding tax

The Income Tax Law No.17 of 2010 defines WHT rates widely applicable on payments made to residents and non-resident entities for availing services in Yemen. Law defines complete procedures of handing WHT deduction, collection and payment to the tax authorities including applicable penalties on delay or non-compliance of given instructions as per the law.

6. Taxes on Business

Snapshot of tax structure

Income tax law No. 17 of 2010 includes corporate profits, salary tax, real estate tax on property and rental income. Tax year is normally calendar year, unless otherwise stated. Tax incentives offered for early submission of tax return ranges from 1.5% to .5%. Multiple tax rates are applicable as shown in the following table. Taxpayers defined in three categories as large tax payers, Medium

S.No	Description	Applicable rate
1	Corporate Tax	The standard corporate tax rate is 20% Mobile phone companies 50% Oil & Gas companies 35% International telecom companies 35%
2	Capital gains tax	Subject to tax corporate tax rate
3	Withholding on dividend	0%
4	Withholding on Royalties	10%
5	Withholding on interest	No withholding on interest paid to foreign banks approved by Yemeni Central Bank, else 10%
6	WHT on brokerage & Commission	10%
7	WHT on local services	3%
8	VAT	General rate is 5%, telecom (GSM & CDMA) services 10%
9	Foreign Exchange control	No



6.1 Corporate tax

The Income Tax Law No. 17 of 2010 governs the taxation of corporations. The taxability of a foreign entity in Yemen is determined based on provisions of the law and its executive regulations.

Registration rules

Corporate persons and other tax payers are required to register with the Tax Authority. The Tax Authority issues to each taxpayer a tax card/identity with a number representing his file at the taxation department

The tax card is considered as one of the important documents which shall be demanded on the notification of or when contracting for any financial or commercial activity, or on the purchase or supply (of goods) or when issuing or renewing any licence for the practicing of all types of professions.

General principles

Taxable income

In practice, income tax is imposed on all Yemeni companies on their worldwide income. The legislation provides the scope of tax imposition, with respect to legal entities, as follows,

General CIT rate is 20%. Higher tax rate applies on Telecom sector, Oil & Gas sector and certain businesses.

Resident Status	Taxable income
Resident	All irrespective of source that is inside or outside Yemen
Non Resident	Earned inside Yemen

Filing of tax return

Tax returns shall be filed with the tax authorities within 120 days from the end of the tax year with a tax declaration showing their profits or losses accompanied by all supporting documents and audited financials. Large taxpayers' tax returns must be certified by the locally registered chartered accountants. The taxpayer remains obliged to submit this declaration and discharge tax liability simultaneously.

Tax rate

Widely applicable rate of corporate tax is 20%.

Depreciation

New tax law applies enhanced depreciation rates. Accelerated depreciation of 40% in addition to regular depreciation rates is allowed.

Losses carry forward

Time period to carry forward corporate losses set up to five following years.

Tax credits

Taxes paid by the resident entities outside Yemen are subject to certain criteria explained in law and its executive regulations.

Tax rebates

Tax rebates are offered on early filing of tax returns that ranges from 1.5% to 0.5%.

Penalties

- Large taxpayers are exposed to stringent compliance regulations failing which following penalties are applicable: Major penalties include:
- Delay in tax return submission ranges from YER 200,000 to YER 5,000,000
- Tax evasion crimes penalty ranges from 100% to 150% of the amount of tax evaded. In case the repeated incident, financial penalty with imprisonment up to three years is imposed.

Withholding tax

Withholding tax provision is applicable on payments made to local and foreign vendors for extending services to persons operating inside Yemen. Mainly WHT is applicable on brokerage and commissions when paid to local or foreign entities or persons at the rate of 10% however, other services or rights when granted by resident entities to resident entities, WHT rate varies from 3% to 8.66%.

Tax treaties

Government of the Republic of Yemen has entered into an agreement with the following governments for the avoidance of double taxation on income specified in the respective treaties: Algeria, Egypt, Lebanon, Sudan, Tunisia, Syria, Kuwait, UAE, Qatar, Bahrain, Oman, Iraq, Jordan and Ethiopia.

6.2 Personal income tax

The Income Tax Law No. 17 of 2010 governs the taxation of individuals. Tax is imposed on the income of all individuals, residents and non-residents, which is generated or collected in the Republic from salaries, wages and the like, as well as allowances and bonuses paid to all persons for their performance of any job, task or function

General rules

Tax on personal is imposed on income from employment, commercial or industrial activities and non-commercial activities (i.e. the exercise of a profession) if the taxable income exceeds YR 120,000 per year.

Residence

An individual is resident in Yemen for a tax year if he/she has a permanent place of residence in Yemen; has resided in Yemen for a period of not less than 183 days; or if a Yemeni national works abroad and obtains income from Yemen.

Taxable income

A resident individual is taxed on income from employment or commercial or industrial activities and non-commercial activities (i.e. exercise of a profession earned inside Yemen, as well as income from a foreign source).

Tax rate

The rate applicable on salaries and wages progresses from 10% to 15% maximum for resident salaried individuals and 20% flat is applicable for non-residents.

Allowable deduction

Allowable deductions include monthly allowances up to YR 65,000 + YER 10,000 being non-taxable salary + 6% of gross salary being social security contribution of employee's part. Other income like bonus, overtime etc. is subject to 15% flat rate.

Tax return

The employer withholds tax from salary and pays it to the tax authorities within the first 10 days of the following month. In case an employee working for a non-resident employer, the responsibility of presenting tax return falls on employee. According to new tax law, expat employee is obliged to furnish tax clearance certificate to the immigration authority before leaving the country on completion of job or when leaving the country on permanent exit.

Other levies

Social Security Contributions

For Yemeni and non-Yemeni employees, the employer must contribute 9% of the employee's salary to the General Corporation for Social Security; the employee also contributes 6%.

Vocational training contributions

1% of employee's salary paid by the employer.

6.3 General sales tax

The General Sales Tax Law No. 19 of 2001 governs the taxation of corporations.

General rules

General Sales Tax (GST) is imposed in Yemen at a rate of 5% on the following, except for the exempted services and commodities and services taxed at special rate:

- Sales value of commodities and services in the Republic of Yemen, at the time of sale occurrence.
- Import value of commodities and services at the time of importation.

Exempted services

Following services are exempt from the general sales tax:

- Financial and banking services
- Insurance services
- Health and treatment services
- Educational services of all types
- All non-profitable services carried out by non-governmental agencies, societies and organizations recognized by competent authorities
- The following Internal land transport services:
 - a. Goods transport services except speedy earner services,
 - b. Passengers transport services,
 - c. Highways maintenance services.
- Services of renting, operation or exploitation of lands and real estates for the purposes of private housing.
- Water services (except mineral and bottled health water) sewerage and electricity
- Services of houses and streets cleanness and services of combating pollution related to environment including the collection of wastes and garbage
- Services of historical monuments reparation
- Pilgrims services (pilgrimage and Omra agencies)
- One star hotels and below services

Zero rate

Following commodities and services subjected to general sales tax at zero rate:

- Exported Commodities and Services
- Services of international air navigation and any services related to the international civil aviation services and services of international maritime navigation and services of ports and international land transport services.
- Babies milk

Special rate

Following commodities and services subjected to general sales tax in percentages against each:

- Cigarettes of all types: 90% of consumer sale price
- Cigar: 90%
- Qat: 20% of consumer sale price
- Arms and ammunitions: 90%
- Valuable metals of gold and ordinary gold coated metals:
 - Half manufactured: 2%
 - Jewellery, gold and other manufactured items in accordance to rules defining the professional value by law: 3%
- Mobile telephone services: 10%
- International telephone services: 10%

Imported services and materials

In the case of Imported commodities and services, the sales tax is payable by the importer, and is collected in the following means:

Imported commodities

Tax on imported commodities is paid before release from customs in accordance to the procedures decided for the collection of custom duties and the custom authority shall not release these commodities except after payment of the due tax.

The sales tax paid by the importer at the time of import can be recovered at the time of resale of commodities and services to third parties

Imported services

Tax on imported services is paid at the time when its value is paid. The beneficiary person or the person who the service is provided thereby is obligated to present the declaration, deduct, and pay the tax amount to the tax authority.

7. Customs

The Yemeni Customs Authority follows Law No 37 of 1997, which regulates tariffs on imported goods.

General rules

The Yemeni Customs Authority assesses the value of imports at the Central Bank exchange rate, which is allegedly the same as the market rate.

The tariff schedule consists of ad-valorem duties of 5, 10, 15 and 25%.



Import documentation

The following documents are required:

Commercial invoice

Three copies of the ordinary commercial invoice should accompany shipments. The invoice should contain a full and accurate description of the goods, the marks and numbers, value of the merchandise, country of origin and net and gross weight.

“At the 10% or less bracket, duties are levied on 3,134 items, about 51% of the total of 6,237 scheduled items”

Certificate of origin

A separate certificate of origin is required for shipments to Yemen. The general form sold by commercial stationers is acceptable.

Bill of lading

There are no regulations specifying the form or number of bills of lading required for any particular shipment. A bill of lading customarily shows the name of the shipper, the name and address of the consignee, port of destination, description of the goods, the listing of the freight and other charges, the number of bills of lading in the full set, and the date and signature of the carrier’s official acknowledging receipt on board of the goods for shipment.

Health certificate

A health certificate is required for shipments to Yemen of animal stock, food, and agricultural products.

Free sale certificate

Imports of pharmaceuticals require a free sale certificate stating that the commodities in question are in free circulation in the country of export.

Temporary entry

Temporary entry of equipment and furniture for projects is allowed provided that they are re-exported upon completion of the project; otherwise, they will be taxed. Goods coming through the Free Zones into local markets are considered imports and, therefore will be subject to all applicable taxes and measures.

7. General matters

In general, all types of businesses, regardless of the activities, whether local or foreign, companies or establishments follow the International Financial Reporting Standards (IFRS) and submit the accounts audited in accordance with the local laws and practices prevailing in the Republic of Yemen and are required to file accounts of their operations certified by a locally registered auditor with their final declaration.

Accounts

Companies, branches and other business establishments are required to and keep their activities accounts in the Republic, including the balance sheet and the account of profits and losses prepared and audited by an appointed chartered accountant and audited financials (in Arabic) should be submitted to the Ministry of Trade and Industry within the period of four month form the expiry of fiscal year.



Applicable laws

The foreign entities need to be aware of the following laws for operating as a branch (or LLC company) within Yemen:

- Income tax law
- Law regarding the arrangement of the agencies and companies branches and foreign houses
- Law regarding the trade registration
- Commercial companies law
- Labour law.
- Social security law
- Local authority law
- Chamber of commerce law

8. Moore Stephens in Yemen

Moore Stephens Yemen is one of the biggest professional services firms in Yemen. At present, the firm has two partners and one principal. The day-to-day operations of the offices in Yemen are coordinated and supervised by the Managing Partner, Mohamed Al-Qubati. The common ownership, control and supervision of the office in Yemen, ensures that the partners and staff team of more than 45 highly qualified and experienced professionals are bound together by common adherence to prescribed international standards and practices.

Moore Stephens Yemen offers its services to a wide variety of clients providing audit and management consultancy services to the biggest clients in the country. The firm is justifiably proud of its client base ranging from telecom operators, airlines, financial institutions, manufacturing and trading companies, family business groups and government agencies. Moore Stephens Yemen has earned a reputation as one of the foremost accounting practices in the region, offering the whole range of services needed for the modern business climate.

Moore Stephens Yemen offers range of integrated services to help you grow, realize and protect your wealth, both in your home country and internationally. The aim of all of the services offered is to add real commercial value to you and your business. Our range of services include but are not limited to the following:

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