Yemen

Tax Guide

2016/17

FOREWORD

A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions.

As you will appreciate, the production of the WWTG is a huge team effort and we would like to thank all tax experts within PKF member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication.

The PKF Worldwide Tax Guide 2016/17 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world's most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 30 April 2016, while also noting imminent changes where necessary.

On a country-by-country basis, each summary such as this one, addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

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- Taxation;
- Forensic Accounting; and,
- Hotel Consultancy.

In addition to the printed version of the WWTG, individual country taxation guides such as this are available in PDF format which can be downloaded from the PKF website at www.pkf.com

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BASIC FACTS

Full name:	Republic of Yemen
Capital:	Sana'a
Main languages:	Arabic
Population:	25.4 million (2013 estimate)
Major religion:	Islam
Monetary unit:	Yemeni Rial (YER)
Internet domain:	.ye
Int. dialling code:	+967

KEY TAX POINTS

- The standard corporate tax rate is 20%.
- Wages and salaries tax are subject to tax at a rate of 15% (residents) and 20% (non-residents).
- Capital gains are taxed as part of ordinary business income. For non-resident companies, capital gains on the sale of shares in resident companies and immovable property are taxed at 20%.
- The standard VAT rate in Yemen is 5%.
- The tax legation of Yemen has anti-avoidance measures including transfer pricing, thin capitalisation and controlled foreign company provisions.

A. TAXES PAYABLE

The two main tax laws in Yemen are the Income Tax Law 17 of 2010 and the General Sales Tax Law 19 of 2001.

COMPANY TAX

Yemen applies a worldwide basis of taxation for resident companies. A company is resident in Yemen if:

- It is incorporated under the Yemeni law;
- It has its head office, or is effectively managed, in Yemen; and,
- The participation of the Yemeni state or any other state-owned legal person in the company exceeds 50% of the share capital.

The standard corporate tax rate is 20%. Other rates are applicable to specific categories:

- 50% for telecommunication;
- 35% for oil, gas and mining activities and international telecommunication;
- 15% for investment projects

CAPITAL GAINS TAX

Capital gains are taxed as part of ordinary business income. For non-resident companies, capital gains on the sale of shares in resident companies and immovable property are taxed at 20%.

PROFIT TAX

Profit tax is applied to the net income of business enterprises (which includes all companies i.e. limited responsibility companies, stock holder companies, etc.). Under Yemeni law 'net income' is defined as 'income achieved by a business (company) during the year after deducting acceptable expenses' where acceptable expenses are expense incurred in the creation of income, either directly or indirectly. The applicable tax rate is 25%.

ZAKAT

Zakat is collected under the Islamic rules of the Zakat Authority from all commercial enterprises and professional firms at a rate of 2.5% of their net income.

VALUE ADDED TAX (VAT)

Goods, services and the importation of goods is subject to VAT at a standard rate of 5%. Other reduced rates of VAT are 0% (export of goods and services and international transport), 2% (semi-processed metals) and 3% (jewellery). In addition, higher rates of 0%, 20% and 90% can apply for certain supplies. A VAT group does not exist in Yemen.

B. DETERMINATION OF TAXABLE INCOME

Businesses in Yemen prepare audited, financial statements under the International Financial Reporting Standards (IFRS). Tax returns are submitted with supporting documentation including the audited financial statements. The profit before tax is taken from the audited financial statements and adjusted for tax purposes to arrive at a taxable profit or loss.

DEPRECIATION

Tax depreciation can be claimed on qualifying assets at various rates.

TAX LOSSES

Tax losses may be carried forward and set off against taxable profits arising in the subsequent five years. If after five years an amount of tax losses remain, these are lost. It is not possible to carry tax losses back.

INCENTIVES

Several incentives are available in Yemen including an Aden Free Zone and tax incentivised investment projects and tax benefits for the mining, export and agriculture industries. In addition there are benefits and incentives for small enterprises and for the creation of employment.

C. CORPORATE GROUPS

There is no group tax treatment in Yemen.

D. RELATED PARTY TRANSACTIONS

The tax legation of Yemen has anti-avoidance measures. This includes transfer pricing, thin capitalisation and controlled foreign company provisions.

E. WITHHOLDING TAX

Withholding tax is levied on certain income as follows:

- Dividends = 0%

- Interest = 10%
- Royalties = 10%
- Fees (technical) = 10%
- Fees (management) = 10%

No withholding tax is levied on branch profits.

F. EXCHANGE CONTROLS

Exchange controls do exist, notably, the central bank may not allow a foreign exchange if it is judged to have big impact on the national reserves of currency

G. PERSONAL TAX

Yemen taxes the income of individuals (employment, pensions, interest and dividend income) on a territorial basis.

Residence
An individual is a resident of Yemen if:
1) They reside in Yemen;
2) They are present in Yemen for a period or periods amounting in aggregate to at least 183 days in a tax year; or,
3) They are employees of the Yemeni government posted abroad.

Wages and Salaries Tax
Wages and salaries tax are subject to tax at a rate of 15% (residents) and 20% (non-residents). An employer deducts the tax from the salaries/wages of each employee and remits it to the Yemen Tax Authority.

Income tax rates
Income tax is levied on income at a top tax rate of 15%.

Social Security Contributions
Social security contributions at levied at 6%. The SSC's are paid towards old age, disability and death allowances.

Non-resident individuals
Non-resident individuals are subject to income tax at a rate of 20%. Capital gains on sale of shares in resident companies are taxed at 20%.

H. TREATY AND NON-TREATY WITHHOLDING TAX RATES

Yemen has double tax treaties with Ethiopia, Iran, Pakistan, and Turkey and with most Arab countries (excluding Saudi Arabia).

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