

# Libya

## 1. Government requirements

### Registration requirements

#### Labor 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.

Opening a file at the Labor Office requires the submission of:

- Covering letter requesting the opening of a file
- Tax Clearance certificate
- Social Security Clearance certificate
- List of employees by Nationality (Libyan, other Arab, Expatriate)
- Registered Contract with a Libyan Government entity
- Power of Attorney of Branch Manager, a copy of his passport, and 4 passport-sized photographs

The registration process requires the signing of a contract to train Nationals. The number to be trained will be a matter of negotiation but will be partly based upon the number of non-Libyans to be employed under the Registered Contract. Labor Law states that the workforce should be 75% Libyan.

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.

#### Registration with the Tax Department

All companies must register with the Tax Department under Income Tax Law 7/2010 and get a unique tax file number.

Opening a file at the Tax Department requires the submission of:

- Covering letter requesting the opening of a file
- Tax Department Application Form 1
- Copy of business license issued by Ministry of Economy
- Copy of registration at Trade Register
- Copy of Company's Articles of Association

A certificate of registration will be issued.

A notification letter stating the name of the employee or employees, along with the corresponding salaries and starting date of employment, should be submitted. Taxes are payable from date of entry into Libya.

The Law requires that companies must register and pay payroll taxes at the local Tax Department in which work is undertaken. It is possible to register to pay payroll taxes at more than one local Tax Department.

There is no company or personal registration fee.

### **Registration with the Social Security Department (INAS)**

All companies must register with INAS under Social Security Law 13 of 1980 and get a unique reference number.

Opening a file at the Social Security Department requires the submission of:

- Covering letter
- Department application forms
- Submission of a letter stating the gross salary of the Branch Manager and the Libyan Public Relations Officer (PRO)
- Submission of details of the Branch's bank to include the bank account number
- Branch address

Each employee is given an INAS number and will be issued a registration card.

A certificate of registration will also be issued.

Thereafter, a company letter stating the names of the other employees, along with the corresponding salaries and starting date of employment, must be submitted to the Department. A copy of the labor contract, as registered with the Labor office, must be attached

There is no company or personal registration fee.

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

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

### **Ongoing compliance requirements**

#### **Tax Department**

Number 7 and the company is responsible under the Income Tax Law for deducting taxes and paying them to the Tax Department. Form 7 must be accompanied with a summary covering letter setting out the amounts payable

Taxes must be filed within 60 days of month end plus 15 days grace. Late payment penalties of 1% per month (to a maximum of 12%) apply to the late payment of taxes.

Payment must be by certified bank cheque or by direct bank transfer.

A receipt will be issue for the amount paid.

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.

Taxes are payable by all employees, both Libyan and resident foreigners, on income arising from employment in Libya under Income Tax law 7/2010. The annual rates of personal tax are:

First LYD 12,000 5%

Balance 10%

A deduction of 1% of gross salary is made as a contribution to the "Social Unity Fund".

Jihad Tax is imposed by Law 44/1970 and subjects' gross salary to tax at 3% on income over LYD100 per month (the minimum wage is now LYD450 per month).

All individuals are granted a personal allowance LYD1,800 for a single person, LYD2,400 for a married person, and LYD300 per child. In order to obtain the married or married with children allowance, an expatriate's wife or family must be resident in Libya.

Foreigners should not undertake employment in Libya if they do not have a work visa.

## **Social Security (INAS)**

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

Social Security is payable by all persons, resident and working in Libya, under Social Security Law 13/1980, as amended. The contributions are computed on gross income as follows:

|                         | <b>Branch</b> | <b>JV</b> |
|-------------------------|---------------|-----------|
| Employee's contribution | 3.75%         | 3.75%     |
| Employer's contribution | 11.25%        | 10.50%    |
| Government contribution |               | 0.25%     |
|                         | <hr/>         | <hr/>     |
|                         | 15.00%        | 15.00%    |
|                         | <hr/>         | <hr/>     |

Reduced rates apply for Maltese and some other Nationalities.

Social security 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.

## **2. Pension requirements**

### **Registration requirements**

The monthly social security payment includes an amount of contribution to the state pension.

State pensions and health entitlement are governed by the Social Security Law.

After five years of continuous employment and subject to stringent conditions, a foreign employee may recover a small proportion of deductions (a proportion of the pension related element of the monthly payment) upon leaving the country.

The pension is payable upon retirement by the Social Security Fund (on the basis of either age or years of employment) and is a proportion of the final three years of salary.

### **3. Employment obligations**

Conditions of Employment are set out in Labor Law 12/2010.

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

The minimum requirements are 30 days paid 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.

A variety of other benefits are payable.

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

### **4. Payroll requirements**

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

### **5. 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

