

DOING
BUSINESS
IN

Yemen



HLB

Ali M. Al-Haj & Co.

Doing business in Yemen

Foreword

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**HLB Ali Al-Haj & Co.
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CONTENTS

ABOUT HLB INTERNATIONAL	1
GENERAL INFORMATION	2
Introduction	2
- Overall business environment	2
- Population, time zone	3
- Climate, Infrastructure	3
CONSTITUTION & LEGAL SYSTEM ECONOMY	5
INVESTMENT OPPORTUNITIES	9
LABOUR EMPLOYMENT ISSUES	12
YEMEN MEMBERSHIP & TREATIES STATUS	14
- The World Bank Activities in Yemen	18
YEMEN OIL SECTOR	20
TYPES OF BUSINESS ORGANIZATIONS IN YEMEN	25
ACCOUNTING PRACTICE REQUIREMENTS	30
TAXATION	31
- Snapshot of taxes	31
- Payroll Tax	32
- Corporate tax	33
- General principles	34
- General Sales Tax	35
CONTACT US	37

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HLB International
Executive Office
21 Ebury Street
London SW1W 0LD
UK

Telephone +44 (0)20 7881 1100
Fax +44 (0)20 7881 1109
Email: mailbox@hlbi.com

Website: www.hlbi.com

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General Information

INTRODUCTION

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 decades in which Human Development Index (HDI) has shifted from 0.402 in 1990 to 0.575 in 2010-2011, thus ranking Yemen at 137 out of 182 countries.

While not a country 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

The business environment in Yemen is conducive to various business activities for both local and foreign entities. Businesses established under, Commercial Companies Law, and Branches of foreign companies' law or established under Investment Law, Free Zone Law provide equal opportunities to local and foreign businessmen. Yemeni Laws do not impose local participation for businesses established by foreigners in any legal form. Business activities, when carried out under commercial companies' law, do not offer tax incentives and other exemptions that are available to those businesses when established Investment Law and Free Zone Law or special agreements like Production Sharing Agreement (PSA) or Gas Development Agreement (GDA).

Yemen authorities continuously review legislation related to trade and investment in order to ascertain its effectiveness. An effort to encourage more investment and promote private sector growth has been made through a new law which is currently being reviewed by Parliament. 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 an income tax law designed to lower corporate income tax rates from 35% to 20% and 15% for investments that create significant new job opportunities.

Population

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 2011 : 23,580,000 (23 million). The official and dominant language of Yemen is Arabic.

Time Zone

International time of Yemen is (GMT+3)

Climate

The climate in Yemen is various and depends on the different altitudes of the regions. There are no distinctive limits between the seasons. Generally there are two main seasons (summer and winter). During the summer the climate is hot with high humidity dominating in the coastal area. In winter the climate in the coastal area is relatively moderate. Occasional rains in the summer are caused by the monsoon coming from the Indian Ocean. These rains decrease the high temperatures in the coastal area during the summer.

Infrastructure:

Yemen's infrastructure is inadequate to some extent for a country of more than 20.7 million People. According to the Central Statistical Organization's recent report, the Yemeni population will double in 23 years. Yemen's maximum electricity capacity is 1400 megawatts, but actual output is about 900 megawatts, and that reaches only 30 percent of the population. Water and sewage services are even less adequate.

- Most citizens of Taiz, Yemen's third largest city, receive public water only twice every 30 days. In Sanaa, raw sewage runs onto major thoroughfares in some parts of the city, but projects are underway to build sewage systems in the remaining districts. The World Bank and other donors are financing projects to improve water and sewage services. In addition, in Sana'a, a joint U.S.-Yemeni water drainage and flood control project was undertaken in 1996 and finished at the end of 2010-2011.
- Seaport and airport operations are steadily improving. In September 1999, the Aden Container Terminal (ACT) officially opened. The port mainly serves as a trans-shipment hub, but attempts are being made to increase the percentage of local cargo through the development of the industrial and warehousing estate. Currently the project is run by Yemen Aden Ports authority that is facing serious operational issue as however the capacity of the port has tremendously increased in the meantime.
- The industrial and warehousing estate called Aden District Park (ADP) was launched in November 2002. The first 30 hectares have been occupied since 2006 and there are plans to expand capacity by Four times by the end of 2013.
- The Port of Hodeidah, Yemen's busiest domestic port, experiences delays in unloading grain and container vessels.
- The Port of Salif, which is 70 kilometers north of Hodeidah port, is also handling grain vessels and reducing congestion at Hodeidah.
- Aden International Airport has been renovated, including its terminal, tower, navigational equipment and runway. The first and second renovation phases of the Sanaa International Airport were completed in 2005. This project is partially financed by a loan from the Arab Fund for Social and Economic Development. In the 2010, the capacity and handling domestic flights and international flights also increased.
- Taiz International Airport has always operated without navigational equipment, despite experiencing the most violent thunderstorms in Yemen. On March 1, 2006, the Civil Aviation & Meteorology Authority (CAMA) signed a USD 114 million project with a Chinese company, Beijing Urban for Construction and Engineering Ltd., to build another international airport in the Jader area, Sana'a. The work began on April 01, 2006 and was scheduled to be completed on September 30, 2008, however the project has not yet completed.
- Decent, two-lane paved roads connect Sanaa to Aden, Hodeidah, Sa'ada, and Taiz, but the terrain is mountainous and difficult. It often takes 12 hours to haul a 40-foot container the 346 km from Aden to Sana'a or 6 hours for the 226 km from Hodeidah to the capital. The Arab Fund for Social Development financed a major road project

connecting the city of Mukalla in the Hadramout governorate to the Omani border. A direct link between Sanaa and WadiHadramout and Mahara governorates was inaugurated in early 2002. A parallel new road linking the city of Amran, through Sana'a to Aden, is projected to minimize pressure on the existing road. The Yemen Government is enthusiastic about the project, which will link Amran city to Aden.

THE CONSTITUTION AND LEGAL SYSTEM

Yemen's constitution, as amended, stipulates that Islamic law (sharia) is the source of all legislation. All laws are based on a combination of sharia, old Egyptian laws, and Napoleonic tradition. Defendants are presumed innocent until proven guilty; indigent defendants in felony cases are by law entitled to counsel. In practice, at times, trials, which are generally public, are conducted without juries; judges adjudicate criminal cases. All defendants have the right of appeal.

Although Yemen's constitution provides for an autonomous judiciary and independent judges, in reality the judiciary is managed by an executive-branch council, the Supreme Judicial Council (SJC), and judges are appointed and can be removed by the executive branch. There have been several restructurings of the judiciary since the government initiated a judicial reform programme in 1997, but quite a few have resulted in significant improvements in the functioning of the system and have produced signs of reduced corruption.

Yemen is a democratic republic with a bicameral legislature. Under the constitution, an elected president, an elected 301-seat House of Representatives, and an appointed 111-member Shura Council share power. The president is head of state, and the prime minister is head of government. The constitution provides that the president be elected by popular vote from at least two candidates endorsed by Parliament; the prime minister is appointed by the president. The presidential term of office is 7 years, and the parliamentary term of elected office is 8 years. Suffrage is universal over 18.

ECONOMY

Industrial and agricultural aspects of the country throw light on the economy of Yemen. Yemen has a few mineral industries that contribute a lot to the Yemen economy. On the other hand, the mountainous region offers favourable condition for agriculture. The primary agricultural products in Yemen include fruits, grain, cotton, coffee, vegetables. However, for satisfying its basic requirements, Yemen has to depend on other countries too.

It is said that terraced agriculture was practiced in ancient times. However, even now, this method is in use. Besides cultivating agricultural Product, Yemen also put stress on manufacturing and food processing.

Some of the industries that are growing very fast in Yemen include the petroleum refining industry, the cotton textiles industry and the leather goods industry. Besides these, food processing, cement, crude oil and handicrafts industry are also developing very fast. Apart from this the nation has acquired international fame through the production and refining of petroleum. There is no doubt that the export of oil has accumulated a huge amount of profit and has contributed to the economic growth from the late 1980s. As well as oil, coffee and dried fish are also exported.

Overview of GDP and composition by sector

Real Gross Domestic Product by Sector (% share in GDP) Source= EIU 2008-2010			
Sector	2008	2009	2010
Agriculture/Fishing	12.4	12.9	12.2
Industry	40.8	42.5	45.6
Services	46.7	44.6	42.4

OIL: Oil and agriculture are the two mainstays of Yemen’s economy. In 2008-2009 oil accounted for 85% to 90% of export earnings and an estimated 71% to 78% of government revenue. Yemen’s oil reserves are relatively small, by Gulf standards, and output is declining: production at the end of 2008 was just 339,000 barrels/day (b/d), which further declined in 2009-2010 below 300,000 barrels as compared with the peak average of 465,000 b/d recorded in 2003.

AGRICULTURE: Although the oil sector dominates the overall economy, agriculture has traditionally been the mainstay of the domestic economy. Depending on rainfall patterns, agriculture generally constitutes around 20% of GDP and employs more than half of the economically active population. The sector is under threat, though, as aquifers have been seriously depleted in recent years. According to the latest official figures available, it is a source of employment for 54% of the economically active population.

FISHERIES: With its 2,500-km coastline, Yemen’s territorial waters are vast and possess a huge amount of marine wealth but contribute just 1.5% to 2% to GDP, mainly because it remains in effect a cottage industry. To develop, the industry needs larger, commercially-run organizations to be established, which would require significant gover-

ment commitment and investment. The latest five-year plan aims to increase the sectors’ share of GDP to 3% by 2015, by building new fishing ports, forming “fisheries co-operatives” and encouraging greater foreign private-sector participation.

MINING: Other than small-scale exploitation of gypsum, salt and zinc, mining in Yemen is concentrated on the oil industry. However, it is in decline, with production in 2008- 2009 having fallen by quarter since its peak in 2003.

GAS:With Yemen’s oil reserves dwindling, attention has increasingly turned to developing its gas potential. Yemen has natural gas reserves of 17.1trn cu ft, and officials believe that these could provide annual exports of 6.2m tonnes over the next 25 years. The bulk of these reserves are located in Marib. Yemen’s reserves are sufficient for commercial development, and in 1997 YLNG was formed, with TOTAL of France taking the largest stake in the joint venture. The two-train project, which has started production in half capacity in mid 2009 and is expected to reach its full capacity by mid 2012.

MANUFACTURING / INDUSTRY: Manufacturing accounted for an estimated 9.9% of Yemen’s real GDP in 2009. In general, the growth prospects for manufacturing are limited by a lack of finance and by dependence on imports for most inputs. The largest contributor to the sector’s output is oil refining. Beyond oil refining, the manufacturing sector is confined to the production of consumer goods and construction materials. Some 95% of industrial establishments in Yemen are classed as small, employing between one and four workers.

CONSTRUCTION:The contribution of the construction industry to Yemen’s GDP tends to rise in line with oil prices. Generally, in years when oil prices are relatively high, government spending (and, therefore, consumer confidence) rises and workers’ remittances from Gulf states increase, both of which provide funds that can then be used to build or improve housing.

TOURISM: Despite the government’s desire to encourage tourism as a source of foreign exchange, Yemen’s potential as a holiday destination was limited by a number of infrastructure-related factors but in the near past some mega projects have started in the capital city and port cities notably Aden and Mukalla which are likely to add in attraction for tourists. Some International-standard hotels constructed and started operations in 2010-2011 and likewise restaurants, and transportation within the country is improving. Internal flights are being organized to avoid delays and the roads are being improved. Yemen has a small economy in comparison with its Gulf neighbours, and average annual income per head in Yemen was around US\$900 in 2007 which improved by over US\$1000 in 2009-2010 due to increased oil prices in international market that resulted in improved oil revenues for some time.

Guarantees:

- No nationalization, reservation or seizure of investment projects except for national interest pending due and fair compensation.
- Equal treatment for Yemeni and foreign investors.
- Investors have the freedom to invest in any sector of the national economy including in infrastructure and special economic zones with exception of the weapons and explosives industry
- Protection of the intellectual property rights of the investor.
- Foreign investors have the right to own property
- Freedom to transfer hard currency from and to Yemen. In the event of any dispute between the investor and the government with regard to the project, the dispute may be referred to arbitration in accordance with the following rules:-

- The arbitration rules and procedures of any national or regional approved arbitration centre ; or
- The applicable arbitration rules and procedures of the United Nations Commission on International Trade Law (UNCITRAL).

- In the event that the land allocated for the investment project is part of the state owned lands and the investor has finalized all contracts and permits necessary to establish the project, should any claim with regard to the ownership of the land arise, it should be addressed to the General Authority of Land Survey & Urban Planning. However, filing such a claim shall not hinder the progress of the work in the investment project.
- Any article in any other applicable law in contradiction of the Investment Law (15) of 2010 shall be deemed null and void.

Facilitation

- One-stop-shop services through GIA to obtain all information, services and legal requirements from the relevant governmental agencies for the establishment of projects
- An investor may hire foreign labour for his project
- An investor may obtain land to establish his project through GIA
- Aftercare services for investment projects
- GIA assists investors in obtaining funding and guarantees for their projects
- Matchmaking between local and foreign investors
- All competent authorities and governors shall exert sufficient efforts and cooperate with the General Investment Authority to enforce the provisions of the Investment Law (15) of 2010 within the framework of the one-stop shop system.

Exemptions and Incentives

Investment projects enjoy all incentives or benefits provided for in applicable laws.

The Corporate income tax across sectors is 15% under the following conditions:

- The investment capital should not be less than the equivalent of 3 million U.S. dollars while hiring not less than 100 local employees.
- Investment projects should submit their tax returns certified by licensed auditors, along with a copy of audited financials statement.
- The project should engage in the same activities as per its registration
- The project should regularly pay all taxes including those related to wages
- Project should be in the following sectors: infrastructure (energy, water and roads), transportation, health, IT, tourism, industry, agriculture and manufacturing.
- Accelerated depreciation of fixed assets allowed up to 40%.

Customs exemptions for projects shall apply as follows:

- Exemptions provided for in the international conventions in force to which Yemen is a signing party, and the agreements concluded with international and regional organizations, or foreign parties that have completed the constitutional requirements.
- Fixed and imported assets to establish investment projects including machinery, equipment, fishing and marine freight vessels and aircraft for air transportation, as per the lists prepared and submitted by the General Investment Authority.
- Production inputs for industrial projects are exempt at a rate of 50% of duties during the lifecycle of the project.

INVESTMENT OPPORTUNITIES

Agricultural production is the single most important contributor to Yemen's economy, presenting investors with the greatest potential for development in the Arabian Peninsula. Accounting for 20% of the country's GDP and 58% employment, Yemen's agricultural sector enjoys the benefits of abundant, experienced low cost labour (average income USD \$90/month), a vibrant local market and strong cash crop production. According to the IMF, Yemen averaged a 5.5% non hydrocarbon growth rate per annum between 2004 and 2008, much of it driven by agriculture (World Bank 2009). This trend witnessed a slower pace in 2011 due to scarcity of water and an abnormal hike in fuel prices.

Key Industrial Hubs & Ports

Yemen's ports and industrial hubs are at the centre of much of the country's prospering economic activity. Al Mukallah and Aden - a Free Zone - to the south cater to shipping and heavy trade along the Arabian Sea. Al Hodeidah on the country's western coast only 150km (93 miles) from its capital Sana'a holds strategic access to the Red Sea. And Lahj, 30km (18 miles) east of Aden, provides abundant arable land and business opportunities that have already attracted investments from Pepsi, Coca Cola and El Seweid. Investors may obtain sufficient information by visiting General Investment Authority and Free zone authority websites, as they look through the cities linked in this section, will find that each of Yemen's industrial hubs and ports offer unique advantages for successful business formulation and expansion.

Aden Free Zone

Aden city has gained great attention since the formation of the Republic of Yemen on May 22, 1990. It was officially designated as the commercial and economic capital for the country for its strategic location. The Aden Free Zone (AFZ) was subsequently formed and has become a regional and international centre for development in Yemen. It provides competitive and high quality services to investors for starting up and operating their projects in Aden. The AFZ strives to continuously develop its institutional capacities, improve its processes, procedures, and operations. It coordinates with the General Investment Authority (GIA) to monitor the regional and international investor markets, in order to remain competitive in providing to investors a favorable environment. The AFZ is dedicated to meeting its enterprise goals while maintaining its commitment to transparency, environmental awareness and good governance to develop Aden as a regional logistics and manufacturing hub with world class standards, to become the driving force of Aden's economic, social development and a vital part of Yemen economy, AFZ made new policies with great facilitations for investors to help them invest in Aden. It provides investors with a number of privileges and guarantees such as exemption from taxes on trade, industrial and income taxes applied in the Republic of Yemen. This exemption extends to a 15 years period and is even extendable to an additional ten years. Similarly, goods coming and going through the zone are also exempted from any fees imposed on important export. In addition, these goods are not subjected to customs procedure. Goods manufactured in AFZ are also not subject to any import and export fees; and they are exempted from production tax and custom fees. Non Yemeni workers in the zone are exempted from income tax and are free to transfer their capitals and profits outside the free zone. Thus, with these great benefits and services, as well as the great investment opportunities, AFZ will be a vital part of Yemen economy.

Taiz

Taiz today is the largest industrial base in Yemen. It is located in the Yemeni Highlands, and it is near the famous Port of Mocha on the Red Sea, at the centre of the coffee growing region and where cotton, leather and jewelry are also produced. In addition, sufficient rainfall in the surrounding areas allows for agricultural production of vegetables and other cultivation. Lying at an elevation of about 1,400 meters above sea level, Taiz has a dramatic mountainous setting and has a population of over 2 million inhabitants. There are also many roads connecting Taiz to the rest of the country including to Sana'a, the capital, and the Red Sea Port of Hodeidah. The city is also served by an International Airport.

Al-Mukalla

If we shed light on the Governorate of Hadramout, we will also find there one of the most important and precious cities in Yemen, Al Mukalla. It is a city of a continuous expansion of urban development, formed from a movable cluster of settlements allocated over specific areas placed on a long coastline with a favourable topography. Al -Mukalla has the third largest seaport in Yemen, with a strategic location that has afforded it a long history of international trade, particularly with Gulf countries and the Far East. Al-Mukalla is also the doorway to important oil and natural gas exporting terminals, and a hub for extensive fishing activities. The city is also close to the Wadi Hadramout, which is a vast desert paradise. The canal that passes through the heart of the city is lined with attractive parks, and this has spurred additional real estate investments nearby.

Al-Mukalla has become a major commercial centre in Yemen, helping to increase the country's economic growth. It has access to several important natural resources including fish wealth, oil and gas reserves, minerals and a long coastline including with superb beaches for tourism. From these possessions, Al-Mukalla plays an important role in developing the country's economy.

With an active international airport and seaport as well as roads linking to Oman and Saudi Arabia, these features have helped to establish the city's reputation as a centre for regional trade. Furthermore, investment projects in Al- Mukalla have been spurred and supported by a good infrastructure, making industrial projects especially attractive and which have increased substantially in recent time. Al-Mukalla is now considered as an important industrial hub and is deemed one of the four top economic cities in Yemen.

Al-Hodeidah

Al-Hodeidah is deemed the agro-industrial capital of Yemen, its port one of the most important entry points for imports and exports in the country. Because of its strategic location on the Red Sea it handles over half of all unloaded dry cargo in Yemen, giving it an advantage for international shipping with ground transport links to markets in Sana'a and other Gulf countries. As a result of its rapid increase in port activity and sprouting enterprises within the city, Al-Hodeidah has become a nationally recognized economic and industrial hub.

LABOUR EMPLOYMENT ISSUES

Yemeni labour law governs the entire affairs pertaining to issues between employee & employer in private sector. It encompasses hiring and firing conditions, salary structure, leaves, working hours and conditions, security and insurance etc.

Work Visa related requirements.

- All visitors to the Republic of Yemen require a visa, except nationals of Egypt, Iraq, and Jordan. Foreigners wishing to work in Yemen must have a contract with a company and show educational papers translated into Arabic.
- The employer is responsible for obtaining work permits for its expats prior to engaging them on work. A work permit is issued by the Ministry of Labour after confirming the state of the employee's health, education and experience for the job.
- A work permit is issued for maximum one year, renewable annually.
- Cost is US\$ 500 (including medical checkup and attestations), Renewal fee is approx US\$150
- Time required is approx one month. An expat employee must obtain an exit and re entry visa from Immigration when travelling overseas and returning back on personal or official account.

A residence visa is issued to expat employees till the end of the validity of work permit

Employability of female employees

Per an article "Most Yemeni women work in unpaid jobs; women's unemployment on rise" in the Yemen Post dated April 10, 2010

- Despite the fact that women make up about 50 percent of Yemeni citizens of working age (between 18-50 years), women form only 23 percent of the workforce and this means that most women at working age are not participating in the country's development.
- For those working, most women are underpaid and they are constantly subject to harassment by male employees, especially those who work in male-dominated environments.
- Women form 23.4 percent of the labour force and they make up about 24.6 of employed people. About 72.1 percent of women are economically inactive. They stay at home and either their parents or husbands financially support them.
- About 92.7 percent of women work in an unofficial sector and they are unpaid. This applies to women working in the fields of agriculture and other associated activities. Businesswomen make up just 3 percent.
- According to the results of the Workforce Survey 2006, the number of working women reached 515,000. Only 5 percent of women work for monthly salaries while 95 percent of women are either unemployed or work in unpaid jobs.

Basic information about availability of skilled labour and average labour cost of e.g. an MBA, chemist and support engineer in Yemen

- Local skilled labour is generally categorized as inefficient and does not meet the requirements of local industries. Expat staff is brought in inducted to meet the requirement. Although there is restriction of employing expat staff in excess of 10% of local employees yet this condition is not strictly observed by the local authorities.
- The average monthly salaries for semi-skilled workers in Yemen range from YER 10,000 to YER 15,000, while for doctors and engineers range from YER 50,000 to YER 100,000.
- Remunerations of local employees differ from sector to sector as, based on our knowledge, local engineers and doctors working in the private sector are drawing salaries almost four times higher than those offered in the public sector.
- The local recruitment industry in Yemen is not well developed and companies need to do more research to find the required skilled personnel. There are not any professional recruitment agencies in Yemen and the most effective way for recruiting is through advertisements on Arabic and English newspapers.

A few online head hunters based in Yemen are providing recruitment services in Yemen. Website Yemen HR is the leading services provider.

YEMEN MEMBERSHIPS & TREATIES STATUS

International organization membership

Yemen is a member of the United Nations (UN) and the following UN affiliates and specialized agencies:

- Food and Agriculture Organization
- International Civil Aviation Organization
- International Fund for Agricultural Development
- International Labor Organization
- International Maritime Organization
- International Telecommunication Union
- UN Conference on Trade and Development
- UN Educational, Scientific and Cultural Organization
- UN Industrial Development Organization
- Universal Postal Union
- World Health Organization
- UN High Commissioner for Refugees

Yemen is also a member of the following organizations:

- Arab Fund for Economic and Social Development
- Arab Monetary Fund
- Council of Arab Economic Unity
- Group of 77
- International Atomic Energy Agency
- International Bank for Reconstruction and Development
- International Civil Aviation Organization
- International Confederation of Free Trade Unions
- International Criminal Court (signatory)
- International Criminal Police Organization
- International Federation of Red Cross and Red Crescent Societies
- International Finance Corporation
- International Monetary Fund
- Islamic Development Bank
- League of Arab States
- Multilateral Investment Guarantee Agency
- Organization for the Prohibition of Chemical Weapons
- Organization of the Islamic Conference
- World Intellectual Property Organization
- World Meteorological Organization

The Gulf Cooperation Council (GCC)

Commercial relations between Yemen and the GCC have gained additional significance in recent years due to the signing of numerous economic and commercial agreements and protocols . The GCC secretariat and Yemen have established joint ministerial councils, committees and working groups to study the commercial legislative and legal aspects in Yemen and the GCC states as part of a process for full membership of the GCC .Yemen is now a member of certain committees of the GCC like Sports, Culture, education etc.

Bilateral Agreements

Yemen has signed 38 bilateral investment treaties (BITs) with countries from various regions of the world. The advantages of Bilateral Investment Treaties consist of the following:

- Encourage investment between Yemen and the other country.
- Investment promotion.
- Protection of the investors' investments and properties.
- Exchange of bilateral visits of experts to impart knowledge and experiences
- Settlement of disputes relating to investment between the countries
- Guarantee of the free transfer of payments

● Table of Bilateral Investment Treaties

Partner	Date of Signature	Date of Entry into Force
Algeria	November 1999	Pending
Austria	July 2002	July 2004
Bahrain	December 2002	Pending
Belarus	July 2003	Pending
Belgium	November 2000	January 2004
Bulgaria	April 2002	Pending
China	February 1998	April 2002
Czech epublic	May 2008	Pending
Egypt	June 1996	April 1998
Ethiopia	April 1999	April 2000
France	April 1984	July 1991
Germany	February 2005	March 2008
Hungary	January 2004	April 2006

Partner	Date of Signature	Date of Entry into Force
India	October 2002	February 2004
Indonesia	February 1998	Pending
Iran	February 1996	October 2000
Italy	November 2004	Pending
Jordan	June 1995	January 98
Kuwait	February 2001	Pending
Lebanon	November 1999	May 2002
Malaysia	February 1998	Pending
Morocco	February 2001	Pending
Netherlands	March 1985	September 2006
Oman	September 1998	April 2000
Pakistan	May 1999	Pending
Qatar	August 2000	Pending
Russian Federation	December 2002	June 2005
South Africa	August 2002	Pending
Spain	January 2008	Pending
Sudan	August 1999	Pending
Sweden	October 19 83	February 2004
Syria	October 19 96	July 2005
Tunisia	March 1998	Pending
Turkey	September 2000	Pending
Ukraine	February 2001	Pending
United Arab Emirates	February 2001	August 2001
United Kingdom	February 1982	November 1983

The World Bank Activities in Yemen

Yemen joined the World Bank (WB) in 1969. Since then, the WB has been providing steady assistance (technical & financial) to Yemen for combating and eliminating poverty, as well as to foster sustainable economic growth. The WB has supported more than 130 projects in Yemen with a total assistance of over 2 billion dollars.

The WB's support has concentrated on the following four areas: 1) Improving Governance; 2) Fostering Private Investment; 3) Enhancing Human Capital; 4) Ensuring Sustainable Development.

1. With respect to governance, WB is coordinating with the government of Yemen (GOY) to improve the public sector. Specifically, WB and GOY have addressed the allocation of public resources, improving public services, and reducing corruption by promoting accountability and transparency. Indeed, reforms have also involved dealing with the judicial process, advancing efficiencies in the civil service, and building local government capacities with policies and procedures under the overall design of decentralization. There are 19 governorates (i.e., provinces) in Yemen, and each has its own local institutions and authorities; more notably, the respective political bodies therein have all been appointed via plebiscites— and there are mechanisms also in place for referenda (if necessary) to decide on important issues.
2. With regard to private investment, WB aims to engender an economic environment that will substantially produce jobs and related employment opportunities. In order to encourage private investment and productivity, WB has helped GOY strengthen and update the judicial system. Rules and regulations, taxation codes and other legal requirements have been restructured to reduce impediments to investment (foreign or domestic) and infuse greater business competitiveness. Moreover, GOY has set up a specialized entity – the General Investment Authority (GIA) – entrusted with the task of facilitating opportunities and operations for investment.

3. In terms of human capital (a component crucial to poverty alleviation), programme and projects have been put in place for the expansion of education and vocational training; the betterment of health/nutrition and medical care; and access to information and communication technologies. As a result, since 1990, general primary education enrolment rates have increased from 57 to 78 percent by 2001. In particular, female illiteracy has dropped from 87 to 75 percent, while for males it has declined from 45 to 32 percent. Infant mortality rates have also decreased from 110 (per 1000 births) to 79. Meanwhile, life expectancy has increased from 52 to 57 years.
4. For the sake of affording sustainable development, the WB is helping to face the challenges peculiar to Yemen's environment. The areas of concern include resolving the country's water predicament with measures to manage the scarce water resources; combating factors that contribute to desertification, and maintaining its unique biodiversity. However, the acute priority is addressing the deep water shortage due to climatic conditions, compounded by the depletion of groundwater as a consequence of inefficient human use for life-supporting functions (i.e., agriculture, waste disposal, drinking and general household purposes). Therefore, in order to garner sufficient water resources to meet population growth and secure "carrying capacity", both urban and rural measures have been executed to promote soil conservation, more modern irrigation methods have been adopted, and public awareness announcements have been launched on water conservation and effective use.

YEMEN OIL SECTOR

Oil sector

Latest incentives under Production Sharing Agreement (PSA)

- Interests of parties protected and Investor risk / reward balanced through improved terms;
- Cost recovery period reduced.
- Exemption from petroleum related revenue/profit taxes and import/export duties (including sub-contractors).
- Free disposition of contractor share of production.
- Free transfer of funding and revenue into/out of the country.
- Improve development economics by ensuring any spare capacity in existing infrastructure is made available at reasonable cost, recoverable tariffs. Simplify application processes, make data for open blocks more available and assist with field trips etc.
- No restrictions on Contractor performing Petroleum Operations (International Petroleum Industry standards apply).

PSA – Description

Each PSA becomes a law, with key features;

- State owns its Petroleum Resources and Contractor has title to its Cost Oil and share in Production Sharing Oil.
- Contractor is granted exclusive rights to conduct Petroleum Operations in the Agreement Area by the Ministry (MOM).
- Contractor executes Petroleum Operations at its sole risk and cost.
- Management vested in a Joint Management Committee during exploitation phase (but mainly the Contractor's responsibility during the exploration phase).

Basic Terms;

- Sliding scale royalty, signature and production bonuses.
- Contractor recovers qualifying costs and shares profit oil with Ministry on a sliding scale.
- Contractor share of production is net of taxes.

Features of Production Sharing Agreements;

- An agreement is the legal frame of reference defining the agreed-upon terms and conditions between both parties— the MOM and contractor. Such agreement is made through direct negotiation between contractual parties. Both parties should be completely convinced of the agreement's content, since it, the agreement, is an instrument created by both parties on the basis of their consent. No party has the right to impose any thing on the other party. In addition, a contracting oil company is given sufficient time to decide whether to enter into agreement or not. This is through first signing a memo of understanding valid for a period of two to three months after both parties have already defined the most significant economic terms and conditions governing oil operations in the area chosen by the contractor. During such a period, both parties start negotiating the sharing agreement. After signing the agreement, they start following the endorsement procedures of the agreement.
- Endorsement of an agreement between the parties is by the issuance of a special law to that effect in by the concerned bodies (the Council of Ministers, the Parliament and then the President of the Republic). Legally speaking, such an agreement constitutes an operative legal guarantee whose provisions dominate all other regulations and laws in force at the time of drafting it or those violating its provisions. This legal value of the agreement is because the agreement is a special law issued on the basis of both parties' consent. That is, the will of both parties was the basis for drafting such an oil contract (the agreement, which paves the way for both parties to appropriately put it into force later on.
- The production sharing agreement (PSA), described above, is legally the most persuasive and suitable instrument. The flexibility of its provisions has encouraged international oil companies to venture and invest millions of dollars in investment projects in Yemen. The reason is that unlike any other place, in Yemen, investors have great expectations for discovering oil of commercial significance under such flexible legislation instead of working somewhere else under legislation whose provisions are usually unclear and unknown to the investors or most of the time new investment decisions are taken as may have happened in a number of countries which had surpassed Yemen in this field. What has been described, are some of the features governing oil exploration and production agreements in Yemen; other features are those of the international oil industry standards, which are included in Yemen's agreements. More importantly are the natural characteristics of Yemen, which suit and are a source for safe investment; these are the magnificent climate and the hospitality and generosity of the Yemeni people. Yemenis tend to treat their guests whether a visitor, an investor or a resident in a very elegant and civilized manner.

Production History

- Yemen entered the area of oil in the summer of 1984 when the Hunt Oil Company announced the first commercial discovery of oil in Yemen (Alif Field). The well Alif #1 produced an average of 8,000 Barrels oil Per Day (BOPD). Oil was found in Block 18, Marib. Following this discovery there were further successes witnessed in other areas; over 14 oil & gas productions fields have been discovered. Then the development of the block was completed through building surface plants / arrangements and by constructing a pipeline to the Red Sea In September 1986, the production and export of the first oil shipment was executed from block 18. Other oil and gas exploration continued in other blocks.
- In 1987, it was announced that oil had been discovered in three fields of the Shabwah governorate by a (former) Russian company,
- Techno-Export. These were West Ayad, East Ayad and Amel fields (block 4). Developing of the block was carried out through building its plants and construction of pipelines to Belhaf Port on the Arab Sea.
- In 1991, significant oil discoveries were made on Sounah field Masila block (block 14) by Canadian Occidental Petroleum (now Canadian Nexen Petroleum). Such discoveries were followed by more finds. Then, the block was developed by building its plants and construction of the oil pipeline to Al-Dhabah (Ash Shihr) area, Hadhramout governorate, on the Arab Sea.
- In September 1996, oil was discovered in Halewah field Jannah block 5. (It was discovered by a consortium of companies operating in the block). Then plants were built and the oil production was carried by the pipeline of Hunt Yemen Company, which delivered oil to the port on the Red Sea.
- In 1998, Total E&P Yemen (Total Fina Alf) made a number of oil discoveries in the following fields: Kharir, Atouf, and WadiTaribah, (East Shabwah block 10). Production was linked with Al-Masila block 14.
- On December 18, 1999, DNO, a Norwegian company as operator of Hwarim block 32, announced the discovery of oil. It started production and exporting oil through Al-Masila pipeline in November 2001
- On December 20, 2001, the commercial discovery of oil in E.Saar (Block 53) was announced by Dove Energy –British. It started production and exporting oil through Al-Masila pipeline in 2002.

- On October 14, 2003, Vintage, an American company and operator of Damis block S1, announced a commercial discovery of oil. It started production and exporting oil through Jannah pipeline in March 29, 2005.
- On December 17, 2003, Nexen Petroleum Yemen Ltd., a Canadian company as operator of E. Al-Hajr block 51, announced a commercial discovery of oil. It started production and exporting oil through Masila pipeline in November 9, 2005.
- In July 2005, oil production initiated from Block 43, which is operated by DNO a Norwegian Company On October 1, 2005, Calvally, a Canadian company, as operator of Malik block 9, announced a commercial discovery of oil. It started production on December 29, 2005.
- In addition, in January, 2006, OMV, a Czech company, operator of Al- Uqlah block S2, announced a commercial discovery of oil. It started production and exporting oil in December, 2006. Several other discoveries have been witnessed during last 6 years, a detail can be seen on MOM website.

Following the discovery of commercial amounts of oil in the eastern and mid areas of Yemen, the number of international oil companies working in oil exploration and production increased rapidly. Yemen has very large concession areas distributed between its middle and eastern parts. In addition, offshore areas are of a big volume located in the Gulf of Aden, the Red Sea and Suqatra Island.

On close scrutiny of the Yemeni Concession map, it is possible to infer the following:- The total number of Concession blocks is 101.

- There are 12 producing blocks operated by 10 oil companies.
- 32 blocks are at the exploratory phases operated by 16 oil companies.
- There are 57 open blocks.

In fact, oil is the main source of energy in the Republic of Yemen. Because of its fundamental significance, the Yemeni government considers oil as the basic element for building its national economy. Oil is used in financing the construction of socio-economic and development projects which constitute the infrastructure of the national economy. It is also the source of extracting useful derivatives and products exploited in different basic industries.

Moreover, the oil reserves of the Republic of Yemen are estimated at 9,718 billion barrels. It is worth noting that fresh information on sedimentary basins in Yemen indicates that there are many promising concession areas located at 12 sedimentary basins. At the time being, Yemeni oil production is only from 2 sedimentary basins out of the above-mentioned 12. Producing oil only from two basins gives us more inspiring and optimistic

indicators. Other indicators are the 87 blocks, out of which only 12 produce oil yet, the size of a block differs from one to another. The average size of a block is 4 thousand square kilometers unlike the Safer block whose area is 8 thousand square kilometers. In addition, there is an orientation towards exploiting offshore blocks located at the Arab Sea, the Gulf of Aden, and the Red Sea. Historically speaking, an oil company carried out drilling operations between Al-Mukalla and Sayhout. The result was the discovery of 3 thousand barrels in one of the wells. That was a very simple indicator, so now there is a Kuwaiti oil company working on block 15.

Open Blocks

Everyone realizes that attracting Arab and foreign capital to invest in Yemen requires the promotion and presentation of available investment opportunities, offered features and incentives to investors. Relying on such policy, the Yemeni government, represented by the Ministry of Oil & Minerals (MOM), has adopted a promotional policy conducive to attract Arab and foreign oil companies through holding a number of promotional activities and seminars. Such efforts brought about good and positive outcomes demonstrated by the attendance of international leading oil companies and the flow of many companies to Yemen. These firms come to Yemen not only to obtain concession areas, search for oil and make use of the offered features to investors but also to utilize Yemen's great and buried wealth and deep waters. Yemen, being a virgin land, possesses the potential and prospects for a brighter future and golden opportunities for those looking for real benefits and more successful investments.

TYPES OF BUSINESS ORGANIZATIONS IN YEMEN

The following type of companies under commercial companies law No. 22 of 1997 as amended, are permitted to carry out business in Yemen:

1. Individual Companies, which includes
 - General Partnership
 - Simple limited partnership
 - Joint Ventures
 2. Funding companies, which include
 - Public Share holding company
 - Partnership limited by shares
 - Limited liability company.
- Foreign companies can register their branch in Yemen or appoint their agents in Yemen under Law No. 23 of 1997
 - Investment law No, 15 of 2010 allows both local and foreign investors to invest in Yemen in approved sectors in order to obtain tax and other incentives.
 - Foreign entities can register their project under Free Zones law No. 4 of 1993 in approved areas to qualify for the incentives.

Features of companies under Yemen Companies Law No.22 of 1997.

- In March 2008, presidential decree No. 1 of 2008 promulgated and amended the "Trade Law No. 22 of 2004" by authorizing foreign entities and persons to establish trade activities without involving local partners. A foreigner (legal or natural person) may own up to 100% of a local company registered in accordance with the Regulations for Companies in the Republic of Yemen to carry out its commercial business in Yemen.
- In addition to the above, a shareholding may be increased up to 100% in respect of companies set up under Free Zone Law No. 4/1993 and the Investment Law No. 15 of 2010.

- Free Zones law introduced to boost exports as Free Zones are meant as Export processing zones. Projects should satisfy the free zones authority as eligible for registration and for incentives given in the law.
- There are restrictions imposed by the new investment law for activities to qualify as an investment project and as an Investment Company to qualify for various incentives offered in the law.
- Generally, there are no foreign ownership restrictions in Yemen.

Public shareholding company

- Its share capital is divided into equal share whose value is negotiable and which are transferrable.
- (public shareholding) is mentioned imperatively after the name of the company. Shareholders should be at least five.
- Minimum capital is five million YER, 20% be paid up at the time of subscription . Board Of Director (BOD) members are not allowed to be public employees.
- Subscription is floated through a bank or banks for at least 10 days by a prospectus containing necessary information, simultaneously published in the newspapers in Arabic Founders may acquire part or all shares of the company .
- Company is managed by a BOD determined by the memorandum, minimum up to 3 and not more than 7 unless the capital is more than YER 20 million, BOD members can be up to 11 and should be shareholders, appointed for 3years.
- Public or state body is considered a permanent member when holding shares.
- Ordinary General assembly meets at least once in a year.
- Extraordinary General Assembly meeting is called by BOD holding at least 25% of shares to resolve issues stipulated in the law.
- Annual general assembly approves and appoints the auditors .
- The Ministry of Industry and Trade supervision of public shareholding companies is mandatory as per the procedures given in the law.

Partnership Limited by Shares

- There must be at least five participating shareholders with one general partner at least, so Founder members must be six.
- Local partner requirement is not mandatory in Yemen.
- Time period for the company is normally 25 years.
- General Manager, local or expat, is appointed and disclosed to the Ministry whose particulars are reflected on commercial registration.
- The minimum share capital is YER 3 million (US\$=YER215). The Ministry demands a letter of confirmation from the bank to confirm availability of 100% capital in the company account, which is opened as a pre-requisite of registration by the company. It is managed by a general partner or more as disclosed in the memorandum.
- A supervisory board consists of 3 persons at least is elected by founder members, to supervise the incorporation process, company business, accounts including financial and administrative affairs.
- Appointment of an external auditor is mandatory.

Limited Liability Company (LLC)

- Is a company where a member is only liable to the extent of his share in the capital and the capital may not, however, be divisible in to negotiable shares but into portions.
- The term” Limited” follows the company name with value of capital of the company.
- Local partner requirements do not exist in Yemen.
- The number of members in the LLC shall not be less than two and not more than 25.
- A LLC is not allowed to engage in Banking, Insurance, savings etc
- The minimum share capital of a Limited liability company is approximately YER 1 million (approximately US\$5,000) which must be fully paid up on incorporation. A bank certificate is required for confirmation.

- If the shares are contributed in kind, this should be assessed and recorded in the memorandum.
- Company managed by one manager or more but not exceeding seven, by virtue of articles or resolution of general assembly of partners.
- General Assembly of the partners is composed of all partners and its meeting is called by managers once in a year for certain affairs including appointment of auditors.

Establishing a business in Free Zone

- The Yemeni government passed a Free Trade Zone Law (Law 4 of 1993) and designated 170 square kilometers of land in Aden as the country's first free trade zone. Features of the Aden Free Zone (AFZ) are as follows:-
- To be 100% foreign owned and benefit from all concessions granted by the Free Zone Law.
- The freedom to employ non-Yemenis.
- Tax exemptions for industrial and commercial projects on profit and income tax for a 15 year period, with extensions of up to 10 years for projects.
- Exemption from import & export duties and fees for goods brought in designated for export.
- Exemption from import & export duties, fees and production tax for goods manufactured in the free zone for export.
- Tax exemption on salaries, wages and bonuses for non-Yemeni employees and workers.
- Freedom of transfer of capital and profits outside the Free Zone.
- Free Choice of the legal status of the project.
- Freedom of transfer of salary, wages and bonuses for Non-Yemeni employees and workers. The following activities shall be permitted within the Free Zones:
- Founding and establishing industrial projects and any activities related to the installation, assembly, equipping and renovation of manufactured and semi-manufactured projects.
- The bringing in of national and foreign goods, their storage, use and consumption as well as taking the same out of the zone.
- Carrying out all processes pertaining to goods in the Free Zone such as sorting, cleaning, blending, mixing, packaging and repackaging, breaking, segmenting.
- Assembling and modifying shape or condition as well as maintaining and other activities that are required by trade terms and market needs.
- All services, financial, banking, insurance and commercial activities.
- Constructing hotels, tourist utilities and installations and sports complexes.

- All building and construction works, maintenance of ships, aircraft and various means of transport.
- Supply ships and other means of transport with fuel, oils, foodstuff, beverages, Tobacco and all materials necessary for their operations.
- Any profession, vocation and other works required by activities within the Free Zone.

S. N	Procedure	Amount (YER)
1	Pick up the specimen application from the Commercial Register	Nominal
2	Name reservation, license application, AOA signature, publication and registration at the Ministry of Trade & Industry	YER 80,570
3	Register as taxpayer with the Taxes authority for the payment of income tax, obtain taxation card, and register the employees and register for other taxes (process is completed in the Ministry of Trade)	No Charge
4	Apply for Chamber of Commerce membership	YER 20,000
5	Apply to the municipality to obtain license	YER 80,000
6	Register employees for social security	No Charge
Renewals		Amount (YER)
1	Trade License (Annual)	As per activity Approx YER 50,000 to 150,000
2	Chamber of Commerce Registration (Annual)	
3	Tax Card (six monthly)	Nominal
4	Social security Card of the company (Annual)	Nominal
5	Municipality License (Annual)	As per fee schedule. Approx YER 75,000

US\$=YER 215

ACCOUNTING PRACTICE/ REQUIREMENTS

In general, all types of businesses, regardless of the activities, whether local or foreign, companies or establishments follow International Financial Reporting Standards (IFRS) and submit 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.

Companies, branches and other business establishments are required to 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 Industry and Trade within the period of four months from the expiry of the fiscal year.

TAXATION

Snapshot of tax regime in Yemen

Income tax law includes corporate profits, salary tax, real estate tax on property and rental income. The tax year is normally the calendar year, unless otherwise stated. Tax incentives offered for early submission of a tax return ranges from 1.5% to .5%. Multiple tax rates are applicable as shown in the following table. Taxpayers are defined in three categories as Large taxpayers, Medium taxpayers and small taxpayers.

S.No.	Particular	Tax rate / applicability
1	Corporate Tax	The standard corporate tax rate is 20% GSM companies 50% Oil & Gas Companies 35%
2	Captain Gain	Subject to corporate tax rate
3	Withholding on divided	Nil
4	Withholding on royalties	10%
5	Withholding on interest	Now withholding interest paid to Foreign Banks approved by Yemeni Central Bank, otherwise 10%
6	Withholding on brokerage & commission	10%
7	Withholding on local services	3%
8	VAT	General rate is 5%, telecom (GSM) Services 10%
9	Foreign Exchange control	Nil
10	Tax treaties	Yemen has a number of tax treaties in force mostly with Arab and African countries. Reportedly, India and Yemen were discussing DTAA.

Large taxpayers are obliged to get their accounts audited and present a tax return within four months, failing which huge penalties are applicable.

PAYROLL TAX

- Yemen follows the calendar year as its tax year while payroll taxes are settled on monthly basis.
- Payroll tax is imposed on slabs of income at rates ranging from 10% to 20%; however, the progressive rate on the salaries of resident employees ceases at 15%. The employer deducts tax from the payment of salary and remits that amount to the government Treasury on behalf of the employee and files the joint return on monthly basis. If the employer is a nonresident, the employee is required to submit the return on a monthly basis within first 10 days of the following month.
- The employee is also responsible for tax collection and depositing it with the tax authorities where the income is from a foreign source.
- The penalty for failure to file a tax return is 2% of the tax payable for each month of delay.
- Employer must obtain an annual tax clearance certificate for payroll taxes in order to close the year from tax assessment.

Tax implication for employee

- 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.
- A resident individual is taxed on income from employment or commercial or industrial activities and noncommercial activities (i.e. exercise of a profession earned inside Yemen, as well as income from a foreign source).
- Nonresidents are taxed only on income earned from Yemen. Individuals are exempt from tax on income from treasury bonds, interest from bank deposits, savings in post offices and income from shares in public and shareholding companies.
- The rate applicable on salaries and wages progresses from 10% to 15% maximum for resident salaried individuals and 20% flat is applicable for nonresidents.
- 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 on an employee's part. Other income like bonus, overtime etc is subject to 15% flat rate.
- An employee (whether a national or foreigner) must contribute 6% of gross salary to the Social security authority whilst an employer contributes 9% of gross salary per month. A foreign employee is allowed to withdraw the total contribution when leaving the country on completion of contract or job termination, subject to a deduction of 20% as a Service charge, payable by the employee and the employer to the social security authority.
- According to the new tax law, an expat employee is obliged to provide a tax clearance certificate to the immigration authority before leaving the country on completion of a job or when leaving the country on permanent exit.

Tax implication for employee

- A resident employer is responsible for deducting salary tax on a monthly basis and depositing it with the tax authority before 10th day of following month. In case of a delay a 2% penalty is applicable on a monthly basis.
- In the case of non deduction or of assuming an employee's tax liability, the employer is subject to pay tax due to non deduction and pay tax on tax on behalf of employee.
- The employer must contribute 9% of a national or foreign employee's salary to the Social Security authority; the employee contributes 6%.
- Companies also are required to pay a vocational training fund (educationcess) fee equal to 1% of total payroll to the Vocation Training authority.

CORPORATE TAX

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 license for the practicing of all types of professions.

General principles

Taxable income

In practice, income tax is imposed on resident entities on their local and foreign income. Foreign entities are subject to income tax on their Yemen source income. Widely applicable tax rate is 20%.

Annual tax is imposed on the profit of commercial and service businesses and establishments including :-

- The profits of any contract that is concluded in the Republic, be it a contracting agreement, warranty, tender, agency commission, registration agreement or commercial brokerage and the like, whether its origin is inside or outside the Republic, and
- Any profits of non-residents that are earned in the Republic from practicing any activity, profession or single transaction, whatever the duration of performance may be.

Tax rate

The standard rate of corporate tax is 20%.

Withholding tax

Widely applicable WHT rate is 10% of any Yemen sourced income to be paid to non-residents) due to the difficulties in obtaining information regarding nonresident foreign companies, authorities and companies carrying on trade or business in Yemen are required to retain 3% from the total value of the contracts conducted in Yemen with any non-resident foreign company or person be it a contracting agreement, warranty, tender, agency commission, registration agreement or commercial brokerage and the like, whether its origin is inside or outside the Republic. Retained amount should be paid to the tax authority as income tax amounts under collection .

Tax treaties

The Government of the Republic of Yemen has entered into agreements 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.

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 papers. The taxpayer remains obliged to submit this declaration even if the determination of the profits has been arrived at by estimation, and he/ she himself should determine their estimated profits for the previous year and present the basis and documents of this estimation.

GENERAL SALES TAX

General rules

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

- The sales value of commodities and services in the Republic of Yemen, at the time of sale occurrence.
- The import value of commodities and services at the time of importation.

Exempted services

The 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:

- Goods transport services except speedy earner services,
- Passenger transport services,
- Highway maintenance services.

. Services of renting, operation or exploitation of land and real estate for the purposes of private housing.

- . Water services (except mineral and bottled health water), sewerage and electricity
- . Services of houses and cleaning and streets services for combating pollution related to the environment including the collection of waste and garbage
- . Services of historical monuments repairs
- . Pilgrim services (pilgrimage and Omra agencies)
- . One star and below hotels and services

Zero rate

The following commodities and services are subject to the general sales tax at zero rate:

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

Special rate

The following commodities and services are subject to the general sales tax at the percentages against each:

- . Cigarettes of all types: 90% of consumer sale price
- . Cigars: 90%
- . Qat: 20% of consumer sale price
- . Arms and ammunitions: 90%
- . Valuable metals gold and ordinary gold coated metals:
 - . Half manufactured: 2%
- . Jewelry, gold smithery and other manufactured items in accordance with 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 manners:

Imported commodities

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

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 or the person to whom the service is provided thereby is obliged to present a declaration, deduct, and pay the tax amount to the tax authority.

HLB in Yemen

How to contact us

HLB Ali M. Al-Haj & Co.

AL-Zubayri Street ,Al-Noman Tower

Sana'a Republic of Yemen

Tel: +967-1-408379

Fax: +967-1-210518

Email: alhajcons.co@y.net.ye

Website: www.alialhaj.com



Ali M. Al-Haj & Co.

Al-Zubiry Street , Al-Noman Tower - Sana'a, Republic of Yemen

Telephone: +967-1-408379 Fax: +967-1-210518 E-mail: Alhajcons.co@y.net.ye Web: www.alialhaj.com