Doing Business in Libya

Supporting Informed Expansion.

2026

Contents

Introduction

Libya is a North African country with significant oil reserves, and its economy is heavily reliant on the petroleum sector. In recent years, Libya has been encouraging foreign investment to diversify its economy and rebuild infrastructure. However, any foreign investor wishing to do business in Libya must navigate specific legal and regulatory requirements.

Notably, **foreign companies cannot operate directly and are required to establish a legal presence in Libya**. This guide outlines the key considerations – from business setup options and sector restrictions to taxation and regulatory obligations – for entering the Libyan market. All information is up to date as of 2026 and reflects Grant Thornton's understanding and experience in assisting clients in Libya.

Introduction

Establishing a Business Presence in Libya

Legal Forms for Foreign Investors: Registering a business in Libya can be achieved through two principal forms: either by opening a Branch of a Foreign Company or by establishing a Joint Venture (JV) with a local or foreign partner, depending on the legal framework chosen by the investor. The establishment of the branch or joint venture can be conducted under two distinct legal regimes:

1. Commercial Code Framework (Law No. 23 of 2010)

Under the standard Commercial Code provisions and the Ministry of Economy's Decision 207 (2012):

- **Branch of a Foreign Company** – A branch operates as an extension of the foreign company under the foreign company's name. Branches are permitted only in certain sectors (generally large-scale projects or services such as construction, infrastructure, oilfield services, telecommunications infrastructure, etc.). Importantly, branches cannot engage in retail or wholesale trading, act as commercial agents, or provide certain supply services – these activities are prohibited for foreign branches. A branch must obtain a branch license from the Ministry of Economy, which is typically valid for a maximum of 5 years and can be renewed only if branch activities are still on the government's list of permitted activities at the time of renewal. Decision 207 explicitly requires that a foreign company secure an appropriate business license and register a legal entity in Libya to do business.

- **Locally Incorporated Company (Joint Venture)** – Foreign investors may establish a new Libyan company in partnership with local shareholders. Foreign ownership is generally capped at 49% of the share capital, with the Libyan partner(s) holding the remaining 51%. In certain priority sectors or locations, or under special approval (for example, strategic projects under Libya's investment promotion programs), foreign participation up to 60% may be allowed. The most common forms are a Limited Liability Company (LLC) or a Joint Stock Company (JSC). An LLC can be formed with a minimum capital of LYD 50,000, whereas a JSC requires a higher minimum capital (at least LYD 1,000,000, or 30% of the subscribed capital, whichever is greater). In all cases, the company must be registered with the Libyan Commercial Registry and obtain a commercial registration number.

Sector Restrictions – Libya maintains a list of activities open to foreign investors via branches, including large-scale construction projects, civil engineering works (roads, bridges, railways, airports), oil and gas exploration support services, power and water infrastructure, communications network installation, and similar fields. Other sectors – notably trading, general commerce, and commercial agency – are off-limits to foreign branches unless they operate through a locally incorporated company structure. This policy is aimed at protecting local commerce and ensuring Libyan participation in the economy.

Introduction (cont.)

2. Free Zones Law

The Free Zones Law offers the most flexible legal framework for establishing either a branch or joint venture:

Branches and Joint Ventures operating within designated free zones or conducting offshore operations through them benefit from significantly relaxed restrictions. Most ownership and activity limitations applicable under the Commercial Code do not apply in free zones.

Key Advantages - Businesses are tax-exempt as long as operations are conducted within the free zone or offshore through it. Sectoral restrictions are minimal, and foreign ownership requirements are liberalized. This regime is particularly attractive for export-oriented ventures and international service providers.

3. Investment Law and Tourism Law

These specialized laws provide an alternative framework for establishing branches or joint ventures with substantial benefits:

- 100% Foreign ownership – Both laws permit foreign investors to hold up to 100% ownership in qualifying projects, eliminating the local partnership requirement mandated under the Commercial Code.
- Fewer Restricted Activities – These frameworks allow access to a broader range of business activities with reduced sectoral restrictions compared to the Commercial Code regime.
- Capital Requirements – While offering greater flexibility, these benefits typically require extensive direct foreign investment (DFI) capital commitments and approval from the relevant authorities (the Libyan Investment Authority for the Investment Law or the Tourism Authority for tourism projects).

Local Workforce and Office Requirements: Any foreign investment must adhere to Libya's localization rules. At least 75% of the workforce of the branch or joint venture must be Libyan. Additionally, companies are expected to provide training and knowledge transfer – an official guideline suggests training at least 20% of Libyan employees each year. In practice, authorities will expect to see a plan for hiring and developing local staff. The foreign entity must also appoint a legal representative or branch manager in Libya and establish a local office address. A branch is typically required to deposit a capital sum or show financial guarantees to demonstrate it can meet obligations (the authorities may set a capital amount during licensing – often the equivalent of a few million Libyan dinars as a commitment, though no fixed statutory capital is set for branches). By contrast, a joint venture company's capital is paid into a local bank as part of incorporation (meeting the minimum share capital requirement).

Registration Process: The process of setting up a business in Libya involves multiple steps and government bodies:

After establishment, any substantive changes (like changing the foreign company's name, relocating the branch, or altering the business activities) generally require notifying and obtaining approval from Libyan authorities. If a foreign branch decides to cease operations, there is a formal termination and deregistration (including settlement of all liabilities, closure of tax files, and strike-off from the commercial registry).

Taxation and Financial Regulations

Corporate Income Tax:

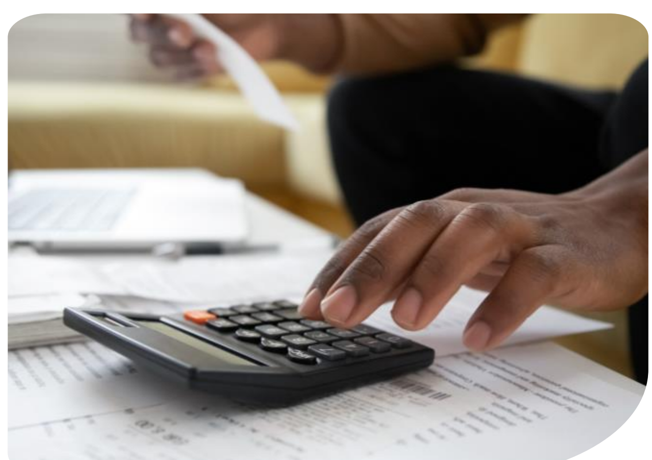
Libya imposes a standard corporate income tax (CIT) rate of 20% on net taxable profits. All registered entities must file an annual tax return with the Tax Department. The return is due within one month of approval of the annual financial statements, and no later than 4 months after the financial year-end. Financial statements (audited by a local Libyan-licensed auditor) must be submitted alongside the return. In theory, Libya's tax system follows standard accounting profit with certain adjustments (similar to many countries). However, in practice, the Tax Department may assess taxes on a deemed profit basis for some sectors or foreign companies – effectively taxing a percentage of turnover irrespective of actual profit. This means even loss-making entities might be assigned a presumptive profit margin for tax purposes, leading to a tax liability. Engaging a local tax advisor and maintaining clear records is crucial to managing this process.

Accounting Standards and Record-Keeping Requirements:

It is important to note that Libya does not have a codified Libyan GAAP, though the Tax Department and relevant authorities may refer to it during inspections and audits. Additionally, companies must maintain traditional paper ledgers alongside their electronic accounting records. In the event of disputes or litigation, Libyan authorities and courts rely primarily on physical paper ledgers as the authoritative accounting record. The absence of properly maintained paper ledgers significantly weakens the legal position of corporate entities and can trigger legal liabilities, including penalties, adverse tax assessments, and unfavourable rulings in commercial disputes. Companies are therefore strongly advised to maintain dual record-keeping systems and ensure that paper ledgers are duly stamped and registered with the relevant authorities where required.

Personal and Payroll Taxes:

Employers in Libya must withhold personal income tax on salaries paid to employees. Libya's personal income tax has progressive rates; for example, a lower bracket around 5% and an upper bracket around 10%, according to the thresholds in Law No. 7 of 2010. All salaries, wages, and benefits in kind for work performed in Libya are subject to income tax, regardless of the employee's nationality. Employers file monthly payroll tax declarations and remit the withheld amounts to the Tax Department. Additionally, a 15% social security contribution (for pensions and social insurance) is generally applied, split between employer and employee contributions. Employers also must contribute a portion of payroll (around 11% of gross salary as the employer's share, under Libya's Social Security Law) and employees contribute approximately 3% from their salary – making up a total of roughly 14%–15% – to the Social Security Fund. There is also a mandatory Social Unity Fund levy of 1% of gross salaries, which employers pay to support social welfare. Notably, these social contributions apply to Libyan and expatriate staff alike (expatriate employees are not exempt).



Taxation and Financial Regulations (cont.)

Withholding Taxes:

Withholding tax in Libya is triggered mainly on two occasions:

First: Income Generated from Libya by Non-Residents:
Withholding tax applies to income generated from Libya by non-registered corporate entities or non-resident persons, whether derived from the use of tangible or intangible assets (such as trademarks, patents, royalties, technical services, consultancy fees, or rental of equipment). Libya imposes withholding tax on such payments, commonly at rates of 5% or 10%, depending on the nature of the service or asset. For instance, fees for technical or consultancy services rendered by a foreign company might incur a 5% withholding, whereas other services, royalties, or rentals could incur 10%. Importantly, the deemed assessment approach is applied in this regard, meaning that tax is calculated and paid in advance on a presumptive basis and is non-refundable, even if the foreign entity declares a loss at a later stage.

Second: Tax on Dividends
Legally, withholding tax applies to dividends received by corporate shareholders or partners in Libyan companies, with an exemption available if the dividends were generated from listed shares (shares traded on the Libyan stock exchange). Dividends received by individual shareholders are fully exempted from withholding tax. However, in practice, the tax authority does not currently apply or enforce the dividend withholding tax on corporate shareholders. It is important to note that this practice may change depending on shifts in policy or changes in officials at the Tax Department or the Ministry of Treasury. Investors should be aware that enforcement could be reinstated at any time. Dividends are generally paid out of after-tax profits (the 20% corporate tax having already been applied at the company level), so any withholding on dividends to corporate recipients would represent an additional layer of taxation on distribution.

Branch Profit Remittances: If a foreign investor operates via a branch (rather than a locally incorporated company), profit remittances are not subject to separate withholding tax. Branch profits are taxed through the standard corporate income tax and can then be remitted freely to the head office abroad without further taxation.

Taxation and Financial Regulations (cont.)

Indirect Taxes and Duties:

Libya does not levy a Value Added Tax (VAT) or sales tax at present. However, certain transactions incur stamp duties and fees. Key examples:

Contract Stamp Duty

All contracts in Libya are subject to a stamp duty when registered with the Tax Department. The duty is 1% on the value of main contracts and 0.1% on sub-contracts. This applies to contracts for services or project works that a foreign company (branch) might sign in Libya. Contracts must be registered with the Tax Department within 60 days of signing, and the duty paid, otherwise penalties may apply.

Customs Duties

Customs duty will apply to equipment and goods imported into Libya. The rates vary, but note that the investment Law provides exemptions from customs duties for approved investment project (e.g. machinery and equipment can be imported duty-free for projects under the investment promotion regime). Foreign companies should ensure that any imports for their operations are correctly declared under the company's name and that they take advantage of any duty exemptions if available (such as those offered by the Free Trade Agreements or investment incentives).

Payment Vouchers Duty

Any payment made to the Tax Department (for example, corporate tax payments) is itself subject to a nominal 0.5% stamp duty on the amount paid. This effectively adds a small cost to every tax payment.

Taxation and Financial Regulations (cont.)

Tax Incentives:

To encourage investment in priority sectors and regions, Libya's **Investment Promotion Law** (Law No. 9 of 2010 and related regulations) offers attractive incentives for projects that qualify. Under this regime, approved projects can enjoy a **corporate income tax holiday for up to 5 years** from the start of operations. Moreover, profits reinvested in the project may continue to be exempt even beyond that period. Other incentives include exemptions from **stamp duty** on the formation of the enterprise and **customs tax exemptions** on imported machinery, equipment, and raw materials needed for the investment. These benefits are conditional on meeting certain criteria (such as contributing to local employment, regional development, or technology transfer). If a foreign investor's project is sizeable and aligns with Libya's development goals, applying for investment incentive status is highly recommended. Grant Thornton can assist in preparing the required feasibility studies and applications to the Libyan authorities.

Double Tax Treaties:

Libya has a network of tax treaties which can provide relief from double taxation for foreign investors. Notable treaties exist with countries such as **Egypt, Tunisia, Morocco, Algeria, Malta, Italy, France, the United Kingdom**, and others. For example, the Libya-Italy tax treaty (though currently subject to updates) and the Libya-UK treaty can reduce or eliminate withholding taxes on cross-border payments and clarify taxing rights. Investors from treaty countries should review relevant treaty provisions to take advantage of reduced tax rates or exemptions, and ensure they obtain a Libyan tax residence certificate for the local entity to claim treaty benefits.

Key Business Setup Requirements and Obligations for Foreign Investors

The table below summarizes some of the core requirements and regulatory obligations when setting up a foreign business in Libya, comparing a direct branch vs. a locally incorporated joint venture company:

Aspect	Foreign Branch Office	Local Joint Venture Company
Permitted Activities	Restricted to approved sectors (e.g. construction, infrastructure, oilfield services, telecom projects). Cannot engage in retail trade or act as a commercial agent.	Broad scope of business activities allowed (any lawful trade or service). Trading and commercial agency activities must be done via a local company.
Ownership	100% foreign-owned (branch is an extension of the parent company).	Excluding the Investment Law and Tourism Law, foreign ownership typically max 49% (Libyan partner(s) hold 51%). Up to 60% foreign share possible with special approval for certain projects.
Legal Status	Not a separate legal entity – operates under the foreign parent's legal personality. The foreign parent is liable for all obligations of the branch.	A separate Libyan legal entity (e.g. LLC or JSC). Liability is limited to the company; foreign shareholders' liability is generally limited to invested capital.
Minimum Capital	Fixed minimum capital requirement of LYD 250,000 (approx. EUR 40,000).	Yes – Excluding the Investment Law and Tourism law, the Libyan Commercial Code requires one or more Libyan partner(s) owning at least 51% of shares (unless an exemption is granted for higher foreign share). The Libyan partner can be an individual or a locally incorporated entity.
Duration of License	Branch license valid up to 5 years, renewable with government approval if the activity remains permitted. Must renew permission or exit the market after license expiry.	Indefinite duration. The company exists as long as it remains compliant and annually renewed with authorities (annual returns, business license, etc.), with no set time limit on its existence.
Local Partner Requirement	Not required (branch does not need a local equity partner, but does require a Libyan **service agent** or representative in some cases for administrative purposes).	Yes – Excluding the Investment Law and Tourism law, the Libyan Commercial Code requires one or more Libyan partner(s) owning at least 51% of shares (unless an exemption is granted for higher foreign share). The Libyan partner can be an individual or a locally incorporated entity.

Key Business Setup Requirements and Obligations for Foreign Investors (cont.)

Aspect	Foreign Branch Office	Local Joint Venture Company
Local Workforce Quota	Must employ at least 75% Libyan staff in the branch. Key branch personnel (e.g. branch manager) can be expatriate with work permit, but overall headcount must meet localization ratio.	Must employ at least 75% Libyan staff (this rule applies to all companies in Libya). In practice, authorities expect JVs to hire and train local employees in responsible positions over time.
Management & Governance	Branch manager (resident in Libya) to be appointed by the foreign company. The Branch Manager should be of the same nationality as the parent company, and the deputy manager must be a Libyan citizen. The Branch follows the parent company's governance and must maintain local statutory accounts.	Board of Directors (for a JSC) or at least one local manager/administrator (for an LLC). Subject to Libyan company law governance (e.g. shareholder meetings, local statutory audits for JSCs). The chairman must be a Libyan citizen.
Reporting & Compliance	Annual financial statements audited by a Libyan auditor and tax returns filed. Monthly payroll tax and social security filings. The branch must submit any changes (e.g. address, activities) to the authorities.	Annual audited financial statements and corporate tax filings. Must file an annual return with the Ministry (for companies). Monthly tax withholdings and social security filings similarly apply. Additional compliance if public JSC (e.g. shareholder disclosures).
Taxation	Taxed on income earned in Libya at 20% CIT. The foreign parent is directly subject to Libyan tax on branch profits (no separate entity tax). Branch profits remitted abroad are not additionally taxed.	Taxed as a Libyan company at 20% CIT. Dividends distributed to foreign shareholders are paid from post-tax profits (no extra withholding tax on dividends under domestic law). Payments to foreign partners for services could incur withholding tax.
Repatriation of Funds	Profits can be remitted to the head office freely after paying Libyan taxes. Branch closure requires all liabilities to be settled and any remaining funds to be repatriated through formal channels.	Dividends or profit shares can be remitted abroad to the foreign shareholder. Repatriation of capital upon disinvestment is allowed, subject to central bank procedures. Any cross-border payments (dividends, fees) should comply with exchange control formalities (currently managed through Libyan banks).
Exit Procedure	Must apply to cancel the branch license and deregister. Requires tax clearance certificate and settlement of debts. Remaining assets/funds can be repatriated once the branch is struck off.	Can liquidate the company in accordance with Libyan company law. Liquidation involves settling all creditors, obtaining tax clearance, and then distributing any remaining assets to shareholders. Regulatory approvals (Ministry of Economy and the commercial registry) are needed to dissolve the entity.

Note: Both branches and companies are subject to additional regulations, such as foreign exchange controls (transactions in foreign currency generally require Central Bank clearance) and sector-specific licensing in fields like oil & gas, banking, or telecom. It's essential to consult with legal advisors for sector-specific requirements.

Additional Legal Considerations

1

Foreign Exchange and Capital Controls

The Libyan dinar (LYD) is the local currency. Officially, all local transactions should be in LYD. Foreign investors can remit dividends and profits abroad, but such transfers must be processed through the Central Bank of Libya's foreign exchange system. In recent years, access to foreign currency in Libya has been subject to restrictions or delays. Investors should plan for potential Central Bank approvals when repatriating funds or importing capital. Opening a local bank account in Libya is required for both branches and companies; through this account, one can convert and transfer funds for operational needs or profit repatriation (upon showing proof of taxes paid).

2

Contracting Government Projects

Many foreign companies in Libya engage in projects with government ministries or state-owned enterprises (especially in infrastructure and oil sectors). It's important to note that any contract with a Libyan government entity must be registered and typically will include a clause on dispute resolution (often under Libyan law). Libya has public procurement regulations that often require foreign bidders to have a registered local entity or partner. Performance guarantees or bid bonds may be required in government tenders. Ensuring compliance with all local tendering rules and registration in the Contractors Register (if applicable for construction projects) will be necessary.

3

Legal system and Dispute Resolution

Libya's legal system is based on civil law principles, with Egyptian and Italian influences. Commercial disputes are handled by Libyan courts, though arbitration clauses (e.g. ICC arbitration) are fairly common in contracts with foreign parties. However, enforcement of foreign arbitration awards in Libya can be challenging. Foreign investors should include clear dispute resolution mechanisms in contracts and be prepared to navigate the local court system if needed. It's advisable to seek local legal counsel when drafting contracts under Libyan law.

4

Compliance and Ongoing Obligations

After establishing a presence, companies must renew their commercial registration annually, renew any sector-specific licenses, and file annual returns with the Ministry of Economy. Branches and companies should also maintain proper **accounting records in Arabic**, as required by law, and keep copies of all contracts and invoices for potential inspection. Tax inspections can occur after the filing of returns; it's not unusual for final tax assessments to be issued several years later (Libya operates a tax assessment system that may audit filed returns and determine a final liability). Therefore, maintaining good records and engaging with the Tax Department through a local tax consultant (such as Grant Thornton) is recommended to handle any queries or audits.

Grant Thornton Capability and Contact Information

Grant Thornton's dedicated team for Libya – based in Malta with regional support – has extensive experience in guiding foreign investors through the Libyan business setup and compliance process.

We offer end-to-end support, including incorporation/branch registration, liaison with Libyan authorities, bookkeeping, local tax compliance, and advisory on regulatory changes. Our proximity to Libya allows us to maintain strong on-the-ground relationships and communication channels, ensuring our clients' operations remain compliant and efficient. We place great importance on clear communication and building lasting partnerships with our clients as they venture into the Libyan market.

For personalized advice and assistance in "Doing Business in Libya," you can reach out to our key team members:

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We would be pleased to discuss your objectives and tailor our services to ensure your entry into Libya is successful and fully compliant. Grant Thornton can provide on-the-ground support throughout the business lifecycle in Libya – from initial market entry to ongoing accounting, tax, and advisory needs – helping you navigate challenges and capitalize on opportunities in the Libyan market.

NOTE: This brochure is intended to provide a general guide. For specific advice, please consult with our professionals.

The information is based on Libyan laws and regulations as of July 2025 (with updates into 2026) and is subject to change.