

ANNEX 5

**LAW No. (19) OF 2001 CONCERNING
THE GENERAL SALES TAX AND
ITS AMENDMENTS¹**

In the name of people

The President of the Republic

By review of the constitution of the Republic of Yemen,

After approval of the Parliament,

I promulgate the following law :

CHAPTER ONE

NOMINATION AND DEFINITIONS

Article (1) :

This law is cited as the Law of General Sales Tax.

Article (2) : Definitions

Unless the content of the text requires otherwise the following words and terms shall have the following meanings which shall apply to through the entire law :

Republic: Republic of Yemen

¹ Some articles of Law No. (19) for 2001 were amended by Law No.. (42) for 2005 regarding General Sales Tax issued on 18.07.2005

Ministry:	Ministry of Finance
Minister:	Minister of Finance
Authority:	Tax Authority (Taxation Department)
Authority President:	Tax Authority President
Law:	Law of General Sales Tax No. 19 of 2001 and its amendments
Person:	Natural or Legal Person
Taxable:	Any person whose sales of taxable commodities or services amount to the registration limit provided by the law either by direct sale or through a dealer as well as any importer of a taxable commodity or provider of a taxable service whatever be the volume of his imports.
Registered:	Any taxable registered with the Authority pursuant to provisions of this law.
Limit of registration:	The total of annual sales of commodities and services whereby the taxable is subjected to tax.
Importer:	Any person who imports commodities or services to Yemen from a foreign country or place.
Service:	Anything not considered as commodity or money.

Commodities:	Means all kinds of movable and immovable property (Local or imported) except money or a debit judicially collectable.
Actual Sale Price:	Price indicated on the sale invoice unless otherwise evidenced.
Sale Invoice:	Invoice issued by a registered upon sale of a commodity or service in accordance with the model defined by the Authority.
Tax on inputs:	Those taxes previously paid by a taxable on commodities sales or taxable services or on imported commodities and services.
Taxable Services:	Any services other than those defined as tax exempted.
Taxable commodities:	Any commodities other than those defined as tax exempted.
Free Zones:	The territories of the Republic outside the custom control zones created in accordance with the law.
Contestation Committee:	The committee to which tax contestations are submitted by those registered.
Competent appeal court:	The court before which the contestation committees decisions are appealed and whose decisions are final and uncontestable in anyway of contestation and the tax is immediately payable

thereby.

Court²

The Primary Tax Court constituted in accordance to article (70) of the law.

Financial Year:

Period of twelve months beginning as of the registered financial year beings and terminates by its end.

Sale:

Transfer of property or acquisition of a commodity or service provision by a seller, even if he was an importer, to the purchaser. The following shall be considered as a sale for the purposes of this law:

a- Whichever comes first of the following :

- 1- Time of sale invoice issuance.
- 2- Time of commodities delivery or completion of services provision.
- 3- Time of payment or settlement of commodities or services value either in whole or partially or as an advance payment or account settlement or by credit or any other form of value payment in accordance with different payment terms.

b- Using the commodity or making use of the service for proper or personal purposes or

² Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

disposal thereof by any property transfer legal disposal.

CHAPTER TWO

TAX IMPOSITION AND PAYABILITY

Article (3):

- a- Tax is imposed on the following:
- 1- Value of commodities and services sale taxable in the Republic of Yemen which the taxable makes through exercise of commercial activity at the time of sale occurrence.
 - 2- Value of all imports of commodities and services taxable at the time of importation.
- b- ³Attached to this law are tables considered part thereof, which should not be amended except by a subsequent law:
- 1- Table no. (1) of tax exempted services.
 - 2- Table no. (2) of commodities and services subjected to tax in zero rate.
 - 3- Table no. (3) of commodities and services subjected to general sales tax against each of them.

Article (4) : Calculation of Tax Rate⁴

- a- Except for the exempted services of tax stated by table no. (1) attached to the exempted commodities in accordance to article (40) of this law and commodities subjected to the tax stated by table no. (3) attached to this law the tax is calculated in a percentage of 5% (five percent) of the sale value of commodities and services sales (local and imported).

³ Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

⁴ Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

- b- Excepted from the provisions of paragraph (a) of this article the tax on petrol, solar, kerosene, mazott and butane gas is calculated in a rate of 5% of the consumer sale price.
- c- Tax is calculated in zero rate on commodities and services in table no. (2) attached to this law.

Article (5): Tax Payability

- a- Taxpayers are committed to pay, declare and bring the tax to the Authority at the dates provided by this law.
- b- Tax is due on taxable sale of commodities and services on the realization of the commodity sale or provision of the service in any of its forms in accordance with the provisions of this law.
- c- Tax is payable on sale of imported commodities at the phase of release phase from customs (custom clearance) by realization of the event that originated the custom tax at the time of custom declaration registering and shall be collected in the same way of custom duty collection and relevant rules related to custom regulations provided by the custom law are applied thereto where no particular provision by this law is stated.
- d- Tax is also payable on taxable commodities and services in accordance with this law from free zones, cities and markets to the local market.

**CHAPTER THREE
REGISTRATION**

Article (6):

a- 1- The Minister shall issue a regulation of the registration system defining thereby the registration limit for the purposes of the law to make the registration limit not less than 50 (fifty) million YR for commodities and services and the total persons' sales of commodities and services subjected to the tax resulting from all activities exercised by the taxable during the year in the Republic are entered in the calculation of the registration limit.⁵

2- The registration limit is considered the limit where the person becomes obligated to register with the Authority considered a taxpayer and declaring the tax and paying in to the Authority in accordance to the provisions of the law.

3- The tax is payable and paid on imported commodities and services subjected to the tax in accordance to the provisions of the law notwithstanding whether the person importing the commodity or service is registered or not and whatever the volume and value of his imports may be together with observing the provisions of article (40) of this law.

b- Subject to provisions of this law, any person who is not registered is obligated to register himself if the value of his sales amount or exceed, during the previous financial year to the date of effectiveness of this law or any financial year or part thereof after effectiveness of this law, the limit of registration defined by clause (a) of this Article.

⁵ Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

- c- Each person who becomes obligated to register himself in accordance with this article should submit to the Authority a registration application prepared for this purpose in a maximum time of the effective date of this law or a maximum time of the first 15 days of the next month in which his sales of commodities and services amounted to the decided registration limit or exceeded after the application of this law starts.⁶
- d- If the obligated person to register did not apply for registration pursuant to this law as required by clause (c) of this article, he shall be considered as registered for the purposes of this law as of the date he becomes obligated to register assuming the application has been duly submitted.
- e- Any person, who carries out selling commodities or providing services which are taxable under this law or who intends to carry out that but who is not obligated to register pursuant to clause (b) of this article, may apply to the Authority for registration in accordance with this law and provisions of this law shall apply thereto effective the beginning of the tax period that immediately follows the period on which the person filed his application for registration.

Article (7): Application for registration

- a- The executive bylaw defines the registration application form, information to be entered therein, conditions, rules, periods, advertisements, procedures of registration and certificate to be issued as well as cases and situations of registration canceling.

⁶ Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

- b- Any registered person shall notify the Authority in writing within (21) days of any modifications on the information already submitted for registration and any other information.
- c- In case the Authority has any doubt that the sales of a person amounted to the limit of registration but he did not apply for registering himself, the Authority may investigate about the value of his sales, by collecting any relevant information or data, to decide whatever he should have registered with the Authority in accordance to provisions of this law.
- d- The person whose registration is cancelled is obligated to submit a final tax declaration and a final settlement must be made including the obligations of the taxable in accordance to the provisions of this law as well as the rights of the taxable with the Authority in accordance to articles (14) and (19) of the law.⁷

CHAPTER FOUR

VALUE, INVOICES AND REGISTERS

Article (8): Taxable Commodities and Services

- a- The value to be declared, which is taken as the basis to assess the tax for taxable commodities and services, shall be the real value established by the sale invoice which represents the actual sale price of the commodity or the actually paid price for the service and to verify that price the Authority

⁷ Para (d) was added by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

has the right to ask the seller or service provider to submit contracts or other documents related to sale of the commodity or service provision.

- b- In case the registered person sells the taxable commodity through intermediate channels or any person related to him, the value taken as assessment basis shall be the real value established by sale invoice which shall not be less than the commodity wholesaler's actual price prevailing in the market.

Article (9) : Imported Commodities and Services

- a- The value, that should be declared and which shall be the basis of tax assessment for taxable commodities and services, shall be the real value evidenced by the sale invoice which represents the commodity actual sale price or the effectively paid price against the service. The Authority has the right, to ascertain that price and to require the seller or service provider to submit contracts or other documents related to the commodity sale or service provisions.
- b- In case the registered person sells the taxable commodity through any of the intermediate channels or by any person with whom he has a relationship, the value to be taken as a basis for tax assessment shall be the real value evidenced by the sale invoice which shall not be less than the selling price of the commodity wholesaler's price prevailing in the market.

Article (9): Imported Commodities and Services

- a- The taxable value of imported commodities shall be the total value taken as a basis to determine the custom duties (CIF) in accordance with customs law added with the custom duties and other taxes and duties imposed on the commodity (other than the tax imposed by this law).
- b- The value of an imported service shall be in accordance with the value of contracts or invoices or payment vouchers.

Article (10):

Subject to provisions of Articles (8 & 9) of this law, if an independent tax price is not defined for commodities or services, the value to be declared as a basis for tax assessment shall be in accordance with the following formulas :

- a-
$$\text{Tax} = \frac{\text{Commodity value tax inclusive} \times \text{tax rate}}{\text{Tax Percentage} + 100}$$
- b-
$$\text{Value} = \text{Commodity value tax inclusive} - \text{tax}$$

Article (11): Sale Invoice

- a- The registered person should issue one sale invoice only for each taxable sale transaction or service provision.
- b- Subject to provisions of clause (a) of this article the registered person who sells commodities or renders services that are taxable, to another registered person should submit a sale invoice to the latter of an original and a copy, the original should be delivered to the receiving person and the copy be retained with the registered person for purposes of tax calculation.

- c- The president of the Authority determines the data and procedures of sale invoice by issuing a decision thereof.
- d- The president of the Authority has the right to adjust the data of the invoice or issue specimens of sale invoices that conform to the nature of the activity of certain registered persons.
- e- The data of the invoice are registered successively in the register prepared for that purpose.
- f- The executive bylaw regulates the cases where the registered person has the right to adjust the value of the sale invoice after completion of the commodity sale or service rendering.

Article (12) : Registers

- a- The taxable and the registered person are obligated to maintain regular registers and accounting books to successively register transactions carried out. The executive bylaw shall define the limits, rules, procedures and registers that the taxable and registered shall maintain as well as the data to be entered and documents to be kept.
- b- In case the taxable uses computer systems that used data and files are counted as a substitute for those books. In this instance these systems and books should be available in Yemen for review by the Authority.

**CHAPTER FIVE
TAX DECLARATIONS**

Article (13): Tax Declarations

- a- The tax period for each registered person shall be one calendar month.

- b- Any person who is registered should submit to the Authority a declaration for each tax period within the 21 days subsequent to the end of the previous month either tax is due or undue for this period and the Authority is obligated to accept the tax declaration on the responsibility of the registered person.⁸
- c- The declaration should be submitted on the specimen prepared by the Authority for such purpose and should contain the required information to calculate the payable tax.
- d- The Authority may ask the registered person to submit the supporting vouchers and documents for his declaration. These information may be requested from whoever person for the purposes of this Law.
- e- The Authority may extend the delay of declarations submitting under this article pending a written application by the registered person if he has an acceptable excuse and reasonable justification. This extension may not alter the fixed date of tax settlement in accordance with provisions of this law.
- f- The registered may amend his declaration submitted to the Authority if a material error is revealed in his declaration within 15 days after the fixed deadline for submission elapses and in this instance he is not considered a violator of the provisions of the law.⁹

⁸ Added by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

⁹ Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

- g- If the fixed period deadline for the submission of the declaration coincides with a weekend or an official holiday the declaration is submitted immediately after the end of the weekend or official holiday at the first official working day.

CHAPTER SIX

DEDUCTION AND RETURN OF TAX

Article (14): Deduction of inputs tax¹⁰

- a- Upon calculation of the due tax for the tax period the registered person has the right to deduct from the total payable tax on the value of his sales of commodities or the value of services rendered the following :
- 1- Inputs tax paid in relation to commodities and services subjected to tax within the tax period.
 - 2- Inputs tax paid for taxable imported commodities and services during the tax period.
 - 3- Inputs tax allowed to be deducted in accordance with clause (f) of article (11) of this law.
 - 4- Inputs tax unallowed to be deducted in accordance with clause (b) of this article in case the registered person obtains a sale invoice relating to commodities sold or services rendered.
 - 5- Inputs tax paid on wasted or lost commodities locally produced which were imported in accordance with the rules and criteria determined by the executive bylaw.

¹⁰ Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

- 6- What the registered has previously paid of the tax on the returned sales.¹¹
- b- To deduct the inputs tax upon calculation of the due tax the registered person should provide the following:
- 1- A statement of sale invoices executed in accordance with provisions of Article (11) of this law kept by the registered person seeking deduction upon submission of the tax declaration.
 - 2- A copy of the custom declaration of imported taxable commodities for imported purchases in addition to procedures determined by the executive bylaw.
- c- In the first taxation period during which he was not registered the registered person may deduct the inputs tax paid or payable from the due tax in accordance with this law, before he becomes registered, in an amount equal to inputs used and that is for taxable commodities after registration of the same subject to the following:
- 1- Purchases from local or imported purchases were made prior to the date of registration in a period not exceeding one year.¹²
 - 2- Those inputs should be at the person's disposal at the registration date to dispose of (by sale or any other means) or to use by the registered person.

Article (15) : The records of the inputs tax deduction

The following should be observed upon deduction of the inputs tax :

- a- if the tax previously charged to inputs exceeds the payable tax during the taxation period the following should be carried out :

¹¹ Added by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

¹² Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

- 1- the registered person has the right to deduct the inputs tax previously settled from the payable tax defined by his monthly declaration for the following months till it becomes exhausted or,
 - 2- The registered has the right to submit, after the elapse of any calendar year during which he was unable to deduct the whole tax paid on inputs, to apply for the recovery of the remaining balance upon the end of the year in accordance to the provisions and terms stated by article (16) of the law.
- b- If some products, but not all, are taxable during the tax period, deduction is made as follows :
- 1- The total tax on inputs used only in taxable products manufacturing, is deducted whether manufacturing process took place during the taxation period or thereafter.
 - 2- Tax is deducted on inputs used in products partially taxable and partially exempted commensurate with the ratio of taxable products.
 - 3- The seller is to edit a notification of addition of the tax on the commodities exempted if he has made deductions thereof through earlier statements.
- c- Inputs tax on inputs of local and imported transactions of petroleum products, vehicles purchase of fees paid for membership in sports, social and entertainment clubs may not be deducted in accordance with the rules specified by the bylaw.

Article (16): Return of tax¹³

- a- The tax is returned in accordance to terms and conditions specified by the executive regulation in a time not exceeding one month of the date of the recovery application submittal in the following conditions:
 - 1- Tax paid on commodities and services subjected to zero rate indicated by table no. (2) attached to this law together with observing the provisions of tax deduction.
 - 2- The inputs tax balance in accordance to paragraph (a) of article (15) of the law.
 - 3- The inputs tax balance in accordance to paragraph (a) of article (15) concerning the other production inputs (productive commodities) when the tax on tax inputs exceeds outputs.
 - 4- Tax occurred by mistake in accordance to a written application submitted by the concerned.
- b- The executive regulation of the law defines the tax recovery application and in any case the recovery application should be submitted within five years of the date of the excess tax payment provided that recovery of the decided return amounts of collected revenues should be in accordance to procedures and bases defined by the executive regulation of the law.
- c- Exporters have the right to submit, after elapse of any tax calculation period, a recovery application of the deductible tax surplus balance calculated for

¹³ Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

that period in accordance to the provisions of the executive regulation of the law.¹⁴

CHAPTER SEVEN PROCEDURES OF ASSESSMENT, PROTEST AND CONTESTATION

Article (17) : Amendment of statement

- a- The Authority is to amend the amount subject to taxation should it be proven to it that the amount of sales of the registered person of commodities and services is different from what is stated in the tax statement, and if the Authority did not accept the contents of the statement presented, without prejudice to any penalties specified by this law.
- b- The amendment of the statement shall be performed within one year from the date of receiving of the Authority of the statement presented within the legal term. The amendment is performed through a resolution by the Authority indicating reasons of amendment, and the registered person shall be notified thereof in accordance with procedures specified in this law.

The above is not valid for the cases of tax evasion or counterfeit cases, as when such is proven, the Authority is entitled to perform the amendment any time of its discretion.

Article (18): Tax assessment

Without prejudice to the penalties specified by this law, the Authority is entitled to assess the tax in view of the information available thereto for the tax term, with indication of reasons on which it has based such assessment, in the following cases:

¹⁴ Para (c) of article (16) was added by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

- a- If the registered person did not provide the declaration in the date specified in article (13) of this law.
- b- If any non-registered person added the tax to its sales or services rendered.
- c- If the Authority has reasons to confirm or prove that the taxable subject is obligated to register itself and he has sold commodities or rendered services subject to the tax without being registered or without paying the tax entitled.
- d- If any person collected a tax on exempted commodities or services according to this law or subject to taxation with zero level.
- e- If the registered person abstained from providing books, data and documentation or disposed thereof before the end of the period specified therefor.

Article (19):

The registered person protests to the Authority on the declaration amendment resolution or tax assessment within thirty days of his notification of the amendment. The Authority shall decide on the protest within thirty days of the date of application otherwise the registered person is entitled to refer to the competent contestation committee within the next thirty days.

Article (20):

The tax assessment by the Authority or its amendment is considered as final and uncontestable by the registered person before any administrative or judicial body if the complaint or protest is not presented within the period specified in this law. If new information is revealed to the Authority, it is entitled to assess the tax accordingly.

Article (21):

In case of protest of the registered person on the tax declaration or amendment within the legal dates specified in this law, the protest shall be referred to the settlement committees formed according to this law.

Article (22): Formation of settlement committees

Settlement committees shall be formed in the Municipality of Sana'a and governorates to study the aspects of protests of the taxable subject and settle it in accordance with the provisions of this law. A resolution of the committee formation and nomination of its members shall be issued by the chairman of the Authority.

Article (23) Powers of settlement committees

Settlement committees shall have the following powers :-

- 1- Study the aspects of difference with taxable subjects and protests presented.
- 2- Reconsidering amendment of tax declarations.
- 3- Reconsidering tax assessment.

The committees are entitled to amend assessment resolutions with the presence of taxable subjects or their representatives and their approval on that in view of the facts revealed and documents presented and resolutions are issued with unanimity and signed by the committee chairman. If a settlement is reached with the registered person, the decision of the committee shall be final and tax shall be paid accordingly. But, if the registered person did not accept the settlement or did not attend, tax shall be assessed in accordance with the committee decision without exceeding the Authority assessment and no less than the protestor's limits. Such decision is contestable before the taxation contestation committees.

Article (24) Formation and powers of contestation committees¹⁵

¹⁵ Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

- a- Contest committees special for consideration of tax contests are formed for which a resolution shall be issued from the Minister of Finance stating therein their premises and the geographical scope as follows:
- 1- A chartered accountant from the accountants' society selected by consensus by representative of representatives of the Authority and the industrial and commercial chambers
Chairman
 - 2- Two technical employees from the Tax Authority
Members
 - 3- Two representatives of the industrial and commercial chambers selected by the General Union of the Commercial and Industrial Chambers
Members
- Secretary of the Committee without the right of voting.
- b- These committees are competent in considering the tax contests of assessment decisions and reconsideration of the same and also have the right to support or amend the assessed tax not to exceed the assessment of the Authority and not least of the taxable contest limits and shall issue their decisions with the absolute majority of their members. The meeting may not be convened except in the presence of the chairman and the whole members of the committee in accordance to the provisions of this law.

Article (25) Contestation procedures

The registered person to whom the tax was assessed by the Authority according to the resolution of settlement committees is entitled to contest such assessment in

writing before the contestation committee within thirty days of the date of notification of the assessment resolution. The following measures shall be taken:

- a- The contestant shall state the following in his contestation petition:
 - 1- Define the tax value he approves and the aspects of difference in his contestation in addition to submission of the evidence which supports the amount of tax he declared and the amount he contests.
 - 2- The payment of tax stated in his contestation petition. The petition is not considered unless the payment receipt is attached.
- b- Aspects of difference stated in the contestation of the registered person are discussed where the contestant is entitled to present all evidence supporting his contestation while the committee is entitled to request all data and details necessary as well as presenting required invoices, records and documentation. The committee shall review the contestation in view of the documents presented and issue its resolution with the majority vote.
- c- The decision is contestable before the primary tax court formed in accordance to article (79) of law no. 31 of 1991 relating to income taxes and amendments within 30 days of the notification date and verdicts issued by this court are liable to appeal and contestable before the competent appeal divisions and the Supreme Court.¹⁶
- d- Without prejudice to the provisions of article (47) of the law no other court may, for any reason whatsoever, consider matters and disputes related to general sales tax assessment and in all instances this competent court is not specialized in considering criminal matters and disputes of the general sales tax.

Article (26): Assessment and contestation procedures for imported commodities:

¹⁶ Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

Regarding imposing taxes on imported commodities only measures provided by customs law shall apply.

CHAPTER EIGHT

Notifications

Article (27): Means of notification

Notification is the official means to notify the registered person and the taxable of all procedural steps stipulated by this law. The executive bylaw specifies the form and data of notification.

Article (28): Methods of Notifying

- A- The registered and taxable persons according to this law are notified by one of the two following manners:-
- 1- Administrative notification to the establishment headquarters or permanent residence , or any other location selected and defined by the registered person.
 - 2- By registered mail to the latest known and registered address of the person with the Authority. The registration of the notification with the mail office is sufficient as confirmed delivery unless the notification is returned by the mail service.
- B- The notification is considered duly delivered and in force with all legal consequences even if the registered person rejected to receive it.

Article (29): Delivery of notifications

In case the registered person rejects to receive the notification or if the establishment in question is closed and its owner is absent, and the notification of the registered person is impossible in the manners mentioned in article (28) of this law, this shall be evidenced in a minutes edited by an Authority employee and signed by the head of the quarter or the police station in which the establishment in question is located within its jurisdiction. The notification is published together

with the minutes in the advertisement board of the Authority . Such notification cannot be published in the said board unless the entrusted Authority employee moves actually to the location of the establishment and making necessary investigations to make sure of the cases of closure, absence or rejection mentioned above.

CHAPTER NINE

Collection of entitled taxes and penalties

Article (30): Collection of tax on the basis of declarations

The registered person should pay the tax on the basis of the declarations presented to the Authority for commodities and services subject to taxation after being calculated in accordance with article (31) of this law at the dates of presentation of the declarations according to this law and to the procedures and regulations specified in the executive bylaw.

Article (31): Calculation of tax

If the tax entitled by a registered person within a taxation period exceeds the total amount of inputs tax which he is entitled to deduct according to this law, the person shall pay the excess amount to the Authority. If such tax was equal or less than the total amount of inputs tax which the person is entitled to deduct according to this law, the registered person is not obligated to deliver any tax amount to the Authority for the given taxation period. Nevertheless the registered person is obligated to present a tax declaration.

Article (32): Collection of tax on the basis of tax declarations assessments or amendments:-

The tax is collected on the basis of tax declaration assessments or amendments for local commodities and services in the dates specified in this law once the tax assessment becomes final.

Article (33): Delay Penalty

- a- Subject to the provisions of this law, in case of violation of the reregistered person of the dates of presentation of a tax declaration in the specified times, a delay penalty equal to 2% (two percent) of the unpaid tax amount is to be collected for each month of delay or part thereof provided that it does not

exceed 20% (twenty percent) of the entitled tax amount. The penalty is calculated over the months of delay with the registered person and is collected in the same manner in which the tax is collected.

b- If the entitled tax calculated on the basis of declarations and the tax resulting from amendment of declarations or of final assessment is not paid within the dates and periods specified in this law, an amount of 1% (one percent) of the unpaid tax value is added for each month of delay or any part thereof.

Article (34): Collection of Tax on imported commodities and services

a- With the exception of the inputs of production and capital commodities of production (equipment and machinery) in relation to registered manufacturers who keep regular accounts and registers the tax on imported commodities is paid before release from customs in accordance to the procedures decided for the collection of custom duties and the custom authority shall not release these commodities except after payment of the due tax.¹⁷

b- The tax on imported services is paid at the time when its value is paid. The beneficiary person or the person which the service is provided thereby is obligated to present the declaration, deduct, and pay the tax amount according to the provisions of this law.

Article (35): Priority of Claim

a- Tax and other amounts entitled by this law to the Authority shall have the priority on all other debtors or taxables moneys and shall be paid to the Authority as a priority to all other debts except for legal fees.

Payment of taxation debt is obligatory to the account of the Authority and its branches without placing the claim at the debtor's headquarters in accordance with the executive bylaw.

c- Parties responsible for liquidating of establishments that are subject to the provisions of this law are obligated to deduct the tax and entitled amounts in accordance with the provisions of this law and to pay them to the Authority's account as specified by the executive bylaw.

Article (36) Attachment Writ

¹⁷ Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

If it is proven to the Authority that the tax and other amounts entitled are exposed to loss as specified by the executive bylaw, the Chairman of the Authority or a person he authorizes is entitled to request the general prosecution to issue an attachment writ on the taxable person properties (movables and immovables) including the amounts entitled from others, to the limit of an amount equal to the tax entitled. When issuing the attachment writ, utmost secrecy upon bringing about the attachment writ and after taking the necessary measures, the taxable is notified with a copy of the attachment writ and the measures taken.

Article (37): Writ of Attachment

When the tax amount and other entitled amounts become final according to the provisions of this law, the Authority is entitled to request the General Prosecution to impose a writ of attachment on the movable and immovable properties of the indebted as well as his moneys as debts with others including moneys, bonds, and financial values or otherwise either these amounts were entitled immediately or in the future provided that the attached amount is equal to the amount entitled to the Authority. Procedures of writ of attachment progress are specified by the executive bylaw.

Article (38): Commitments of the attaching party

Within fifteen days of notification of the writ of attachment, the attaching party shall proceed in taking the following measures:-

- a- Present a declaration to the Authority of all moneys in its possession that belong to the attached party indicating the reasons of debt and all original supporting documents to his statements.

- b- Depositing all of the moneys belonging to the attached party in its possession to the Authority's treasury within the limits of amounts specified in the attachment writ.
- c- In case of non-presentation of the declaration or inadequacy thereof, measures, penalties and punishments are inflicted on the attaching party according to this law.

d- In case of non-presentation of the declaration, the attaching party is responsible to pay out of its own moneys the entitled tax imposed on the registered person and is considered responsible in solidarity with the registered party and is subject to attachment procedures within the limits of the registered person's moneys in its possession.

Article (39) Application of public moneys collection law

Without prejudice to the provisions of this law, the provisions of public moneys collection law shall apply for the purposes of collection of this tax.

Chapter Ten

EXEMPTIONS

Article (40):¹⁸

- a- Exempted from the tax imposed in accordance to the law are services stated by table no. (1) attached to this law.
- b- Exempted from the general sales tax imposed in accordance to this law are the following commodities:
 - 1- Wheat and wheat flour.
 - 2- Rice.
 - 3- Medicines.
 - 4- Ore gold.
 - 5- Personal effects of travelers coming from abroad.
 - 6- Paper money and circulated coins.

¹⁸ Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

Article (41)¹⁹:

Tax exemptions provided by other laws are not applicable to the tax imposed by the provisions of this law unless expressly exempted by this law and the investment law.

Article (42): Exemptions according to agreements²⁰

- a- Provisions of this law do not prejudice exemptions decided by petroleum and mineral agreements approved by a special law in accordance to constitutional procedures.
- b- **First:** Exempted from tax is similar treatment to the limits of this treatment as follows:
 - 1- Commodities and services imported or locally purchased by embassies, commissariats, consulates and non honorary consulates for official use except foodstuffs and cigarettes.
 - 2- Commodities and services imported or locally purchased by international and regional organizations operating in the Republic and their non-Yemeni employees enjoying diplomatic capacity for private use.

Second: Upon the conduct of inspection, if necessary, the knowledge of the Ministry of Foreign Affairs is conditioned with the same procedures and conditions stipulated by customs law and on the basis of an application from the head of the diplomatic or consular mission as the case may be and the executive regulation shall contain the procedures of local purchases for the above mentioned agencies.

¹⁹ Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

²⁰ Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

CHAPTER ELEVEN
VIOLATIONS, CRIMES, AND PENALTIES

Article(43):²¹

Except for cases provided by article (45) of the law considered as tax evasion acts a penalty of 10% of the due tax value is imposed in addition to the payment of due tax and penalties on whoever commits one of the acts stated by paragraphs (a), (b), (c), (d), (e), (f), (g), (h), (i), (j), (k), (l), and (m) of article (43) of law no. 19 of 2001 unless a more severe penalty exists in another law.

a- Providing incorrect information on sales of taxable commodities and services if an excess of no more than 10% (ten percent) of his stated figures in the declaration is proven.

b- Violating the provisions stipulated by article (11) of this law.

c- If excess or shortage of commodities placed in free markets and zones of over 5% (five percent) but not more than 10% (ten percent) is revealed.

d- If any person is delayed in providing a notification to the Authority of changing registration application data or notifying the Authority of partial or full stoppage of activities within the legal period.

e- Non-enablement of Authority's personnel to perform their duties of inspection, monitoring, auditing and requesting or review of documents.

f- Ignoring to notify the Authority of starting of operating of factories and production of taxable commodities.

²¹ Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

- g- Neglecting providing the Authority with copies of permits within the legal period.
- h- Neglecting declaring to the Authority the commodities and services used or got benefit from for special or personal purposes of an amount not exceeding YR 200,000 (two hundred thousand)
- i- Negligence of the attaching party to present a statement of his liability of moneys of the attached registered person , or presenting incorrect statements.
- j- Writing of a sales invoice which data is in short and different from that specified by this law.
- k- Using untrue registration number or taxation number in a tax declaration or any other document required or used for the purposes of this law.
- l- Neglecting to perform according to any notification or request to attend in response to a notification for any purpose of this law.
- m- Collection by the registered person or the taxable of any non-entitled tax . The collected amount in violation to the provisions of this law is considered as property of the person from whom it was collected.

Article (44): Violations Reconciliation

The Authority is entitled to perform a reconciliation regarding violations stipulated in article (43) of this law before issuance of a final court verdict against performing the following:-

- 1- Payment of the entitled tax
- 2- Payment of a just compensation to the Authority according to the executive bylaw

Consequence of reconciliation shall be the dropping of the legal suit and stoppage of its procedures and elimination of its consequences.

Article (45): Evasion Crimes

Any of the following acts is considered as a tax evasion and is subject o the penalties stipulated in article (46) of this law:

- a- Non-application to the Authority for registration in the specified dates.
- b- Selling of a taxable commodity or service without declaring thereof and non payment of the entitled tax, or presenting the declaration together with concealing or ignoring some of the facts.
- c- Deduction of tax in part or in full in violation of this law.
- d- Presentation of forged , untrue or made-up documents , data or records to evade tax payment or to unrightfully retrieve it in part or in full.
- e- Presentation of sales statements where a decrease of over 10% (ten percent) of the actual sales value is revealed.
- f- Emergence of excess or decrease in commodities deposited in free trade markets in excess of 10%.
- g- Non-keeping of accounting books or non-presenting them , or non-issuance of sales invoices by the registered person showing his sales of commodities and services, or issuing untrue invoices.
- h- Neglecting to inform the Authority of the commodities and services used or got benefit from for special or personal purposes of an amount exceeding (YR 200,000) two hundred thousand.
- i- Issuance of invoices bearing with taxes by a non-registered person.
- j- Possession of taxable commodities for trading with knowledge that they are tax evaded.
- k- Placing or using of marks and fabricated stamps to evade tax or sale of a previously used stamp.

- l- Disposal of tax exempted commodities for purposes other than those they were exempted for in violation of the provisions of this law.
- m- Neglecting to keep invoices and accounting records in accordance to article (54) of this law.
- n- Willful destruction of invoices and accounting records before the elapse of the period specified in this law.
- o- Presenting written false answers to any question addressed aiming to evade taxation in part or in full.
- p- Whoever is proven to encourage or instigate or assist any taxable or registered person to evade tax in part or in full.

Article (46): Penalty of evasion crimes

Without prejudice to any more severe penalty provided by another law evasion of tax is penalized as follows:

a- A penalty not less than 50% (fifty percent) and not more triple the unpaid tax for the first time.²²

- b- In case of repetition of the violation for the second time , the fine is multiplied and if repeated again within one year, the court may either rule maximum fine or an imprisonment period of no less than 3 months and no more than 6 months or both.

Article (47): Summary proceedings of evasion cases

When referred to competent courts, evasion cases are reviewed on a summary proceedings basis.

Article (48) :

The Minister or any person he authorizes is entitled to conclude a reconciliation in evasion crimes before a final court verdict is issued. Consequences of reconciliation shall be the dropping of the law suit and stoppage of its procedures

²² Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

and elimination of consequences. The Minister or the person he authorizes can conclude reconciliation after the issuance of verdict but before it becomes effective.

Article (49):

In case the evasion crime is committed by a legal or corporate person, the partner in charge, the manager, the director, the managing director or the chairman of the board or whoever is responsible of actual management as the case may be, shall be responsible.

Article (50): Filing a law suit

The filing of law suit or taking any procedures in cases of tax evasion cannot be performed only by a request from the Minister or the person he authorizes.

Article (51): Disposal right of seized material

The Authority is entitled to dispose of evasion material and tools and means of transportation ruled confiscated according to the provisions of the executive bylaw. The Authority may, after obtaining the competent court permission, dispose of the materials before the issuance of a ruling in cases of seized materials liable to waste, shortage or loss.

Article (52): Smuggled Commodities

Without prejudice to any other penalty mentioned in other laws, the provisions of this law are applicable to all smuggled commodities or the like, or to which one of the customs violations stated in the customs law causing loss in taxes, is committed and such violations are subject to penalties specified in this law.

Article (53): Confiscation of smuggled commodities

Without prejudice to any other penalty mentioned in article (46) of this law, smuggled commodities are ruled confiscated in all cases. In case the commodities are not seized, an amount equal to its value is ruled, as well as confiscation of

transportation means , tools and items used in the smuggling operation except for planes and ships unless they were actually prepared or hired for this purpose.

Chapter Twelve **MONITORING**

Article (54): Review of records and invoices²³

The registered person shall keep copies of written sales invoices and records for a period of three years following the end of the fiscal year in which the registers were made.

Article (55): Means of monitoring

The Authority can obligate establishments owners subject to taxation to place marks or labels on the commodities and products to know the quantities produced and sold , for instance the stamp of the Authority should be adhered to all cigarettes packs. The Authority is entitled to use any other monitoring means to implement the provisions of this law according to the executive bylaw.

Article (56): Form of judiciary control

- a- The chairman and authorized employees of the Authority shall have the judiciary control capacity when performing their judiciary duties within their competence.
- b- Official competent authorities shall provide necessary assistance to the Authority employees to enable them perform their duties.

Article (57): Confidentiality of information

²³ Para (b) of article (54) was deleted by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005, and one paragraph was not changed as above.

a- Documents, information , statements, modes and means of production and any other data related to this law or to implementation thereof , and all of their copies are considered as secret and confidential and shall be treated as such.

b- Subject to provisions of clause (a) above , the Authority is entitled to exchange information with ministries, governmental departments and official organizations for the purposes of implementation of the provisions of this law or other effective laws.

Article (58): Powers of Authority employees²⁴

For the purposes of implementing this law the employees of the Authority by a written permission from the Chairman of the Authority or his representative may enter during the working hours of any establishment to the locations of work such as factories, stores, management, production premises and locations of sale of commodities and services subjected to tax for the inspection of vouchers and registers which the taxable and registered is obligated to keep.

Chapter Thirteen

GENERAL AND PROVISIONAL PROVISIONS

Article (59): Notification of stocks²⁵

a- Taxables and registered are obligated to submit statements to the Authority and its branches of their balances at the previous day of the effectiveness of this law from commodities subjected to tax and their value and the tax of production and consumption paid therefore within one month from the date of application of this law.

²⁴ Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

²⁵ Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

- b- The production, consumption and services tax paid in advance on the balances of abovementioned commodities in paragraph (a) of this article paid to the Authority in accordance to custom statements and documents supporting payment which the registered has the right to deduct from the payable sales tax in accordance to measures and procedures defined by the executive regulation.²⁶
- c- With due observance of paragraph (b) of this article the registered has to pay the due tax balance in accordance to the followed procedures in accordance to the provisions of law.

Article (60): Notices from competent authorities

- A- The ministry of trade and industry or any other governmental body shall provide the Authority with copies of the industrial and service data issued thereby including initial data of establishments, their addresses and types of commodities or services according to the specimen specified by the executive bylaw.

b- Each taxable shall provide the Authority with a copy of his data within thirty days of the date of obtaining such data with a description of commodities produced or services provided . He also has to provide the Authority with any addition of activity or product or transfer of the location of activity within (15) days of such event.

Article (61) : Stoppage of activity

Each taxable shall notify the Authority within one week of stoppage of work for any reason , whether such stoppage was in part or in whole, even if it was out of the taxable's control. He shall also notify the Authority when the activity is resumed and provide necessary documentation and data to prove the stoppage or resumption. Otherwise the taxable shall pay a tax equal to the tax of the past month or an amount proportional to the number of delay period days if they were less than a month. In all cases, the tax shall be collected till the date of stoppage.

²⁶ Paragraphs (b and c) were added to article (59) by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

Article (62): Assignment of the establishment

Assigning the establishment in part or in whole shall be treated as a case of stoppage in determining the tax where article (61) of this law shall apply. Both the assignor and the assignee should inform the Authority within (48) hours of the date of whole or partial assignment. The assignee is entitled to request the Authority to provide a statement of taxes entitled on the assigned activity or establishment until the date of assignment. Both the assigner and the assignee shall be considered jointly liable of the tax entitled until the date of assignment.

Article (63): Notification of Departure

All ministries, public, mixed, and private corporations under which or under its supervision or permit a foreign company or establishment is operating in the country and which is planning to completely terminate its activity in the country, shall inform the Authority of such termination within at least one month of the date of such closure. The Authority is entitled to request the general prosecution in writing to prohibit the owner, director or representative of such company or establishment from travelling without obtaining a written certificate from the Authority that the entitled tax is paid according to this law or providing a sufficient guarantee acceptable to the Authority.

Article (64): Extension of declaration provision delay²⁷

Excepted from the provisions of registration, tax declarations, invoices, registers and notifications stipulated by law a tax is imposed on the consumed quantities of Qat in the Republic in accordance to percentages fixed by table no. (3) attached to this law from the sale price to consumer and shall be collected by the employees of the Authority officially commissioned by the Authority Chairman or whoever he deposes in markets allocated for the sale of Qat or inlets leading to towns or

²⁷ Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

locations fixed by the Authority and it is prohibited to collect tax through contracting and the executive regulation defines the rules and procedures of limitation, assessment and collection of this tax and locations of collection.

Article (65): Prohibition of disposal of exempted commodities

Without prejudice to the provisions of this law, it is prohibited to dispose of tax exempted commodities or using them for purposes other than those they were exempted for, during the five years following the exemption date, without notifying the Authority and payment of the tax entitled pursuant to their values and tax categories at the date of disposal. Acting in such a manner without notifying the Authority is considered as an evasion subject to the penalties provided by this law. However, the entitled tax value shall not exceed the value of the previously exempted tax..

Article (66): Encouraging incentives

An encouraging bonus is given to any body presenting data or information leading to show the fraudulent ways used to evade tax stipulated by this law or to concealing the actual produced or manufactured products subject to taxation if such information is proven equal to 5% of the value of the tax entitled on the quantities concealed or evaded. But if such data and information is proven to be false, the informer shall face the penalty of providing false information.

Article (67): Personnel incentives

All employees of the Authority and their heads operating in relation to the implementation of this law are rewarded with an incentive of 1% of the total value of collected revenues in accordance with the provisions of this law and these incentives shall be directly deducted from the collected revenues. The executive bylaw of this law specifies the rules and basis of entitlement and payment.

Article (68):

The Minister shall issue the necessary resolutions, regulations and executive bylaws required for operating of this law.

Article (69):²⁸

Operation of the law of production, consumption and services no. 70 of 1991 and amendments is cancelled with effect from the date of commencement of this law.

Article (70)

The law No. (19) of 2001 for General Sales Tax shall come into effect from the first day of July 2005..

ARTICLE (2):²⁹

Tax is payable on commodities and services subjected to this law as of the date of effectiveness and is not effective retroactively.

ARTICLE (3) :

The paragraph (B) of article No. (54) for General Sales Tax is cancelled.

ARTICLE (4):³⁰

Any provision contradicting the provisions of this law is cancelled.

ARTICLE (5):³¹

²⁸ Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

²⁹ Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

³⁰ Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

³¹ Amended by Law No. 36 of 2002, Law No. 42 of 2003, Law No. 14 of 2004 and Law No. 42 of 2005 amending some articles of Law No. (19) regarding General Sales Tax. Article (5) provided that this law shall be effective as of the date of its issue on 18 July 2005.

This law is effective as from the date of issuance and shall be published in the official gazette.

Issued at the Presidency of the Republic – Sana'a

On Shawal 14 of the year 1422 AH, corresponding to
29 December 2001

Ali Abdullah Saleh

President of the Republic

TABLE NO. (1) OF SERVICES EXEMPTED FROM GENERAL SALES TAX ATTACHED TO LAW NO. (42) OF 2005³²

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

³² Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

**TABLE NO. (2) OF COMMODITIES AND SERVICES SUBJECTED
TO GENERAL SALES TAX IN ZERO RATE ATTACHED TO LAW
NO.
(42) OF 2005³³**

S.	Description
1	Exported commodities and services
2	Services of international air navigation and any services related to the international civil aviation services and services of international maritime navigation and services of ports and international land transport services
3	Babies milk

³³ Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

**TABLE NO. (3) OF COMMODITIES AND SERVICES SUBJECTED
TO TAX IN PERCENTAGES AGAINST EACH ATTACHED TO
LAW NO.**

(42) OF 2005³⁴

S.	Description	Tax Percentage
1	Cigarettes of all types	90% of consumer sale price
2	Cigar	90%
3	Qat	20% of consumer sale price
4	Arms and ammunitions	90%
5	Valuable metals of gold and ordinary gold coated metals:	
	a- half manufactured	2%
	b- Jewelry, gold smithery and other manufactured items in accordance to rules defining the professional value by law	3%
6	Mobile telephone services	10%
7	International telephone services	10%

³⁴ Amended by Law No. (42) for 2005 which amended some articles of Law No. (19) for 2001 regarding General Sales Tax issued on 18.07.2005

