

**Ministry of Finance**  
**General Commission for Taxes**  
**Direct Deduction Division**

**Instructions No. ( 1 ) of 2005**  
**Concerning Income Tax Deduction**  
**By Direct Deduction Method**

## Financial Instructions No. (1) of 2005

Pursuant to the provisions of Articles (61) of the Income Tax Law No. 113 of 1982 as amended and CPA orders # 49 and 84 we have issued the following instructions:

Instructions regarding tax deduction by using direct deduction method / 2005

### Definitions

#### Article (1)

- 1- The mentioned expressions of article one of the Income Tax Law #113 of 1982 as amended shall be considered for the purposes of these instructions.
- 2- **Income subject to tax by Direct Deduction method:** salaries, wages, bonuses and allowances which are earned by the employee from the sources shown in article (3) of these instructions; taking in consideration what is mentioned in these instructions as to the other sources of income.
- 3- **Employer:** Any natural or juristic person of the state departments, public, mixed and private sectors who has employed or is employing one person or more for a salary or wage.
- 4- **Principal Employer:** The employer whom designated by the employee on the Form Dhad.D/4A for the purposes of tax calculations.
- 5- **Employee:** Any worker or official who has performed or is performing a job for a salary or wage, and subject to the administration and direction of the employer who employs him.
- 6- **Official:** Any person has assumed a permanent career in the personnel of the state, public and private sectors. The individual whom the state departments, public and mixed companies, contract with him for a fixed or unfixed period, for a salary or wage, shall be considered an official for the purpose of these instructions.
- 7- **Salary:** The amount received monthly by the official pursuant to the valid salaries' table or the substituted one, in addition to the amount paid monthly to the contractor.
- 8- **Tax:** The tax shall mean the Income Tax by Direct Deduction Method wherever mentioned in these instructions, unless the provision indicates different meaning expressly.

### TAX IMPOSITION

#### Article (2)

1- The tax shall be imposed on the employee's incomes arising during the fiscal year, the details of which are indicated in these instructions noting the following:

- a. The tax shall be imposed on the employee's taxable incomes, in his name, and deducted from his incomes after granting him the legal allowance and deductions as mentioned in these instructions.
- b. The tax shall be imposed on the taxable incomes of the married woman in her name, and deducted from her incomes after granting her the legal allowance and deductions as mentioned in these instructions.
- c. The tax shall be imposed on the resident's income that he earns inside or outside Iraq, regardless the income receipt place.
- d. The tax shall be imposed on the non-resident's income that he earns in Iraq, even if it is not received in Iraq.

- e. The tax shall not be imposed on the income arising outside Iraq for the non-Iraqi citizens who are resident in Iraq.
- 2- The tax shall be imposed on the incomes of unmarried children below 18 years old, in accordance with the following cases:
- a. In case of parent's absence as due to death, each of the unmarried children below 18 years old shall be considered as an independent taxpayer, and the tax shall be assessed in the name of his guardian or tutor.
  - b. Income of the unmarried children below 18 years old shall be aggregated with their father's income, and the tax shall be assessed in the father's name.
  - c. In case of father's death, each of the children below 18 years old, shall be considered as an independent taxpayer, and the tax shall be assessed on him in the name of his mother, guardian or tutor.

## **INCOMES SUBJECT TO TAX**

### **Article (3)**

The following incomes shall be subject to tax by the direct deduction method:

- 1- Salaries, wages, bonuses and allowances.
- 2- Housing and accommodation allowances, shall be subject to tax as follows; taking in consideration the provisions of article (6) of these instructions:
  - a. Housing and accommodation allowances paid in cash to the employee shall be fully taxed.
  - b. If the employer has provided a free accommodation for his employees, the following shall be added to the employee's income:
    - c. 15% of his monthly basic salary or monthly wage for the unfurnished housing.
    - d. 20% of the monthly basic salary or monthly wage for the furnished housing.
  - e. If a part of the employer's premises is occupied as a residence by an employee, there shall be an addition to his income of 10% of his monthly basic salary for free housing.
  - f. In case of an employer lodges his employees in a hotel, and he does not pay them housing allowances, 20% of the basic salary or the monthly wage, shall be added to their incomes for free housing.
  - g. In case the employer lodges his employees in caravans or portable houses at the work site or at any place selected as a center for housing them in these caravans or portable houses, 5% of the basic salary or the monthly wage shall be added to the employee's income for free housing.
  - h. In all cases above, the amounts added to the employee's incomes should not exceed the actual or estimated monthly rent.
  - i. If the employee is entitled to have fixed housing allowances as per his employment contract, but the employer housed him and didn't pay him the allowances as provided in the contract, then it should be noted, when applying paragraph (b) above, that the addition to the employee's income shall not exceed the fixed amount of housing allowances as mentioned in his contract.
- 3- Food allowances as follows:

- a. Food allowances paid in cash to the employee are fully taxable.
  - b. If the employer provides a free meal or meals for his employees, or he participates in the meal's preparation, then there shall be an addition to their income of 10% of their monthly basic salary or monthly wages, provided that the added amount does not exceed the cost of the monthly meals or the cost of the meals' preparation whichever is the lower.
- 4- Incomes of those who are working for the state departments and public and mixed companies which include the following:
- a. The monthly salary that the employee is entitled to have, according to CPA order # 30 dated 8 / 9/ 2003 or any substituted legislation.
  - b. Wages of the additional works which the employee is entitled to have.
  - c. The allowances that the employee is entitled to have as the employer may decide. These shall include the following:
  - d.
 

First.	Expatriation allowances.
Second.	Risk and exceptional allowances.
Third.	University service allowances.
Fourth.	Abroad service allowances.
Fifth.	Monitoring allowances.
Sixth.	Any allowances decided by the employer.
- 5- Any other amounts paid by the employer to the employee, which are not related to the expenses of work execution.
- 6- The value of any benefit not mentioned above received by the employee from his employer which is not related to work execution.

## DEDUCTIONS

### Article (4)

The following paid amounts shall be deducted from the employee's taxable income, provided that such payments have to be supported by acceptable documents confirming their occurrence during the year in which the income arose:

- 1- Life insurance premiums, provided that:
  - a. The insurance company is Iraqi.
  - b. The total amount of premiums does not exceed what is mentioned in the valid Income Tax Law.
  - c. The insurance premium is paid during the concerned fiscal year, with a certification from the insurance company.
  - d. Insurance premiums paid in respect of the housewife and minor children who don't have taxable income shall be deducted from the employee's income; provided that the premiums for all should not exceed what is set forth in the valid Income Tax Law.
  - e. There shall be a deduction for insurance premiums paid in respect of the wife who has taxable income and the minor children who have taxable income in case of income

aggregation of the wife or minor children with the husband's income; provided that the premiums for all should not exceed what is set forth in the valid Income Tax Law.

- 2- There shall be a deduction for other insurance premiums, which are not related to the sources of income, and paid by the employee during the fiscal year, provided that the insurance is made by an Iraqi Insurance Company, and the premium does not exceed what is set forth in the valid Income Tax Law.
- 3- The legal alimony ordered by a competent court and paid in cash by the employee to the persons whom he is not entitled to have legal allowance as stated in these Instructions.
- 4- Contributions paid in Iraq to state departments, public sector and scientific, educational, charitable and spiritual organizations which are legally recognized; provided that the Minister of Finance shall issue a publication with the names of these organizations.
- 5- Contributions as per subscriptions allowed by the Government.
- 6- Taxes and duties actually paid except Income and Real Estate Taxes, such as subscription fees in the professional unions, stamps duty deducted from the salaries, health insurance duties and others.
- 7- Amounts deducted for the account of Palestinian National Fund, from salaries and wages of Palestinian officials, employees and workers, even if they have already obtained another nationality.
- 8- Pension deductions and contributions decided by the Iraqi laws for Pension and Social Security.
- 9- if the non-Iraqi employees, who are working in Iraq and subject to Pension and Social Security Laws in their home countries, paid accordingly contributions in their countries for their wages receivable in Iraq, then those contributions shall be deducted from their incomes, provided that they shall not exceed the determined percentage as it set forth by the Iraqi Pension and Social Security Laws which has to be deducted from the Iraqi employees. If such amount exceeds the limit as stated above, a certification issued by a competent authority is required.
- 10- If the employer is not principal, the employee shall not be granted any deductions except pension and social security contribution.

## **LEGAL ALLOWANCES**

### **Article (5)**

- 1- The following allowances shall be granted to the resident individuals only, prior to the tax imposition in accordance with section 2 of order #49 dated 19/2/2004 and as follows:
  - a. ID 2,500,000 (ID 208,333 per month) for a bachelor, a widower, a divorced man or a married man whose wife's income is taxable independently.

- b. ID 4,500,000 (ID 375,000 per month) for a married man whose wife is a housewife or who's her income is aggregated with his income.
- c. ID 5,000,000 (ID 416,667 per month) for the married woman who has an income subject to tax and whose husband is incapacitated from work and has no income provided that she presents confirmation to the Fiscal Authority.
- d. ID 3,200,000 (ID 266,667 per month) for the independent widow or divorced woman.
- e. The Employee shall be granted an additional allowance of ID 300,000 (ID 25,000 per month) if he is more than 63 years.
- f. ID 200,000 (ID 16,667 per month) to be added to the legal allowance of the following person for each of his children, irrespective of their numbers:

**First** -Widower,

**Second** - Divorced man if a competent court has given custody of the children to the father,

**Third** - Married man whose wife's income is taxable independently, whose wife's income is aggregated with his income or whose wife is a housewife,

**Fourth** - Married woman who has taxable income and whose husband is incapacitated from work,

**Fifth** - Widow,

**Sixth** - Divorcee.

- 2- The legal allowances shall not be granted to the nonresident employee.
- 3- The Employee shall not be granted an allowance for children who have attained (18) years old and have an independent income exceeding ID 200,000 annually, even though they are continuing their studies.
- 4- If the widow or the divorcee got remarried, and her income has been aggregated with her husband's income, the legal allowance shall only be denied on the proportion of the remaining complete months for the year in which the income arose and marriage took place and any fraction of a month shall be ignored. The allowance determined for her children shall be granted under the limitations and conditions stated in this article.
- 5- If the employee got married or a child was born to him during the year in which the income arose, there shall be added to his allowance whatever he deserves for his wife or his child, calculated by the proportion of the remaining complete months of the year in which the income arose and when the marriage or birth took place to the total number of year's months. Any fraction of a month shall be ignored.
- 6- If the employee is separated from his wife, due to death, separation or disagreement; or if one of his children dies, for whom an allowance was granted, the allowance shall be reduced by the proportion of the remaining complete months of the year to the whole year, and a fraction of a month shall be ignored.
- 7- If the resident is a non-Iraqi person, then he shall be granted the due allowance for the year in which the income arises in the proportion of the completed month's number of residence in Iraq to the total number of the year's months.
- 8- If the resident is a non-Iraqi person and the Government has concluded a contract with him or has been employed as a teacher in Iraq, then he shall be granted, in such case, the complete legal allowance.
- 9- No employee who is subject to income tax for several sources of income shall enjoy more than one legal allowance.

10-The Iraqi resident employee shall be granted completed legal allowance within the year in which the income arises, in accordance with the cases stated in these instructions, regardless the date of commencing his work or the date of his death during the fiscal year.

11- When the employer is not principal, the employee shall not be granted the legal allowances.

## **EXEMPTIONS AND EXCEPTIONS**

### **Article (6)**

The following incomes shall be exempted from tax:-

- 1- Pension and various types of bonuses granted for the Iraqis as a compensation for service termination.
- 2- Medical treatment Costs of the employee paid by the employer, if the employee has been injured during the performance of his duties.
- 3- Any lump-sum amount payable as a bonus or compensation to the deceased employee family, or any compensation payable to the employee for injury or death.
- 4- Free travel tickets granted to the Iraqi officials for works assigned to them.
- 5- Scholarship allowances granted to students.
- 6- Allowances granted to the delegates for the purposes of study and training related to the work.
- 7- Free travel tickets or actual expenses paid to foreigners who are employed under contracts when employing for the first time, or when their contracts being renewed, or when leaving the country due to job completing or traveling on leave.
- 8- Delegation or overseas allowances received by foreign employees from their employers abroad or from the company's branch in the country because of their work in Iraq. This exemption should not be more than 25% (twenty-five percent) of the monthly basic salary provided that it should be proved that they are receiving the allowance as distinct from the monthly basic salary.
- 9- Salaries and allowances payable by the United Nations Organization from its budget to its officials and employees other than the Iraqis.
- 10- Salaries and allowances paid by Foreign Diplomatic Representatives to their non Iraqi diplomatic officials, whereas payments to their non-diplomatic officials, and non Iraqi officials of foreign consulates, could be exempted by a decision of the Ministers' Council on the basis of reciprocity.
- 11- Salaries and allowances of the non Iraqi officials of the International Organizations and agencies that have relationship with the United Nations and its worked Organizations.
- 12- Health insurance allowances.

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- The allowances for lodging, accommodation, transportation, food, clothing and risk granted to the private sector employees, provided that they should not exceed (30%), (Thirty percent) of the monthly basic wage or salary.
- The exemption of not more than (30%) (Thirty percent) of the monthly basic salary shall include all the granted allowances for those who are working by the state; public and mixed sectors.

14. Income earned by foreign (non-Iraqi) employees who are working by foreign (non-Iraqi) contractors and subcontractors according to the CPA orders #17 as amended on June 27<sup>th</sup> 2004 and CPA Order #49 of February 19<sup>th</sup> 2004.

15. Amounts exempted by any other special Law or any international agreement in which Iraq is a party.

### **AGGREGATION OF INCOMES**

#### **Article (7)**

The income of a married couple can be aggregated and the tax shall be collected from the husband's income, in accordance with the following rules:-

- 1- As the married woman is deemed to be an independent taxpayer, therefore, as a general rule her income is not added to her husband's income, but their incomes can be aggregated if one of the following cases has taken place:
  - a. If the husband has no taxable income.
  - b. If the husband's income is below the legal allowance.
  - c. If the wife's income is below the legal allowance, which is determined for her as an independent taxpayer.
- 2- The legal allowance for the husband as in paragraph (1-b) means his own and his children's allowances, and the legal allowance for the wife as in paragraph (1-c) means only her own allowance, for the purpose of applying the aggregation conditions.
- 3- When one of the cases mentioned in paragraph (1) is achieved, the allowances shall be granted to the husband for his own, his wife and his children.
- 4- For the purpose of these Instructions, incomes aggregation request has to be signed by both spouses and submitted to the husband's principal employer no later than January 31<sup>st</sup> of the same fiscal year.
- 5- The husband's principal employer shall, after ascertaining the aggregation's conditions, aggregate the spouses' income, notify the wife's employer with the aggregation and enquire him about the wife's income to add it to the husband's income and deduct the tax from the husband's salary. The wife's employer is obligated to inform the husband's employer about any changes on the wife's income during the year.
- 6- If the causes of aggregation cease to exist during the fiscal year, the spouses' incomes shall be then separated and the tax shall be calculated on their incomes independently in accordance with the general rules. The principal employer, who has performed the



aggregation process, shall inform the wife's employer with any change that might occur for the method of tax calculation.

- 7- If the marriage has taken place within the fiscal year and the married couple has submitted a request to aggregate their incomes, then the wife's income shall be added to the husband's income as to the date of marriage contract.
- 8- For the non employed husband:-
  - a. If the employed wife has submitted a certification issued by the General Commission for Taxes, confirming that her husband is not registered in one of the tax commission branches and has no taxable income, then the aggregation request shall be submitted to the wife's employer.
  - b. If the employed wife has submitted a certification issued by the General Commission for Taxes, confirming that her husband is registered and has no taxable income, then the aggregation request shall be submitted to the wife's employer and a copy of the request shall be sent to the tax branch where the husband is registered.
  - c. In both cases the tax shall be imposed in the husband's name but collected from the wife's income after deducting the legal allowances for the husband, wife and children.
- 9- If the husband is an employee having an income below his legal allowance, and has submitted a request of aggregation of incomes; the husband's employer shall, by a request from the husband, inform the wife's employer with the income of the husband in order to add it to the wife's income and deduct the tax from her salary after deducting the husband's, wife's and children's legal allowances.

## **TAX RATES**

### **Article (8)**

The tax shall be imposed on the employee's income, after granting him the legal allowances, deductions, exemptions and exceptions as stated in articles (4), (5) and (6) of these instructions, according to the following basis of calculation:-

1- On the basis of the annual tax calculation:

- A. 3% (three percent) up to ID 250,000.
- B. 5% (five percent) on amounts over ID 250,000 and up to ID 500,000.
- C. 10% (ten percent) on amounts over ID 500,000 and up to ID 1,000,000.
- D. 15% (fifteen percent) on amounts over ID 1,000,000.

2- On the basis of the monthly tax calculation after dividing the annual tax rates on 12 months.

- A. 3% up to ID 20,833.
- B. 5% on amounts over ID 20,833 and up to ID 41,667.
- C. 10% on amounts over ID 41,667 and up to ID 83,333.
- D. 15% on amounts over ID 83,333.

## **TAX COLLECTION**

### **Article (9)**

- 1- Each employer shall deduct the due tax in accordance with these instructions, and pay it to the General Commission for Taxes at the dates as stated in article (10) of these instructions. For the centrally funded directorates, Tax shall be deducted and the General Commission for Taxes shall be informed by its amount on monthly bases.
- 2- The manager or other senior official of the juristic person, to whom management is assigned, shall be considered as an employer for the purpose of providing information and documents related to his employees.
- 3- Anyone presents false information or statements; or fails to perform the provided duties as set forth by the Law and by the instructions issued thereof, shall be subjected to the penalties as provided in articles (56), (57), (58) and (59) of the valid Income Tax Law.
- 4- All the Iraqi ministries and authorities that deal with the foreign companies should stipulate in the contracts with these companies that they shall not pay the income tax which is due on the employee's incomes of the companies that are working in Iraq.
- 5- All the ministries, authorities which are not related with a ministry, and companies of the public, mixed and private sectors have to ask the contractor to submit a quittance certification for the direct deduction tax when contracting with him to provide goods or services.

## **METHOD OF TAX DEDUCTING AND PAYMENT DATES**

### **Article (10)**

All employers should be committed to the following to ensure the deduction of tax and the date of its payment:

- 1- A special register shall be kept wherein shall be entered salaries, allowances and wages of each of their employees. The employer shall be responsible for and guarantee the payment of the tax, which will be due as a result of non-entry of such incomes in the said register. This register is liable to be inspected by the Audit and Inspection Committees which are delegated by the competent bodies.
- 2- Tax shall be withheld from the employees' income for each month of the fiscal year in the manner provided for in these instructions. The withheld tax shall be remitted either to the Direct Deduction Office at the General Commission for Taxes or to the Unit of Direct Deduction of one of the Commission branches in cash, certified checks or through the bank system.
- 3- The withheld tax shall be sent monthly to the General Commission for Taxes, one of its branches or to the authority that is assigned by the fiscal authority within 15 days of the next month which follows the month of deduction.

- 4- The employer has to file a monthly wage withholding declaration, provided by the General Commission for Taxes, in duplicate within the same period mentioned in the paragraph (3). The employer may file amended monthly wage withholding declarations in duplicate in order to modify the original declarations previously filed. In such a case, the employer is still liable to penalties and interest charges as stated in paragraph 6 and 8 of these instructions.
- 5- The employer shall make reconciliation in the last month of the fiscal year, by making an adjustment for the increase or decrease of the amount of tax that will due on the incomes at the end of the year, using the second page of form Dhad.D/4A.
- 6- If the tax is not paid on the determined dates, as indicated in paragraph (3) above, an addition of (5%) (Five percent) of the tax amount shall be imposed on the employer after the lapse of 21 days from the fixed date. The mentioned percentage shall be doubled if the amount is not paid within 21 days after the expiration of the first period.
- 7- The employer is obligated to pay the tax as stated in paragraph (3) of this article, in addition to the additional amounts stated in the sixth paragraph. The General Commission for Taxes may exempt the employer from the additional amounts wholly or partly, if it is satisfied that the delay in payment is owing to an acceptable reason. It may also refund the additional amount which has been paid, if the mentioned reason is proved.
- 8- If the tax is not paid on the determined dates, as indicated in paragraph (3) of this article, an interest, equal to the current banking interests current in Al-Rafidain Bank on over draft facilities, will be charged on the due tax amount till the date of payment in accordance with Resolution #307 of 1984.

The following formula is used in order to calculate interest charges for every day of delay:

$$\text{The sum delayed} * \frac{\text{Days of delay}}{360} * \frac{\text{Interest rate}}{100}$$

- 9- The employer is responsible for paying to the Direct Deduction Department at the General Commission for Taxes or to the Unit of Direct Deduction at the branches of the Commission the amount of tax withhold by him under the provisions of this section, even though he may not have deducted it from salaries and allowances payable to his employees, and he may recover the tax so paid from amounts which will thereafter become due to his employees.

## FORMS AND SCHEDULES

### Article (11)

The following should be adhered to, concerning the preparation and organizing of the Form Dhad.D/4A, tax deductions schedule and date of submission to the Direct Deduction Department in the Commission's headquarter or to its branches.

#### 1- The Form Dhad.D/4A

The employer shall apply for a sufficient number of the forms Dhad.D/4A from the Direct Deduction Department of the General Commission for Taxes or its branches at the beginning of the year. The Form Dhad.D/4A has to be filled out in duplicate by the employer and employee as follows:

##### a. First page of the Form Dhad.D/4A:

**First.** When the forms are received, the employer shall distribute them on his employees asking them to fill out the first page, sign it and send it to him no later than seven days as to the date of receiving.

**Second.** After receiving the form back, the concerned official, (fiscal manager, concerned accountant, or whoever acting on their behalf), shall verify the accuracy of the submitted information by a supported documents (e.g. marriage, birth or death certificates and others). The legal allowance which the employee may be entitled to have for the fiscal year will be determined in accordance with these instructions. The employer shall then number the forms serially starting with No.1.

**Third.** If the employee fails to submit the form mentioned above for any fiscal year, he shall be granted the bachelor's allowance only for that year till the submission of the form.

##### b. Second page of the Form Dhad.D/4A:

**First.** At the end of the calendar year, the employer's accountant shall record employee's total incomes stating their details in accordance with the items shown on the Form Dhad.D/4A. Then, the accountant shall calculate the due tax after deducting the non taxable amounts and other deductions as provided in Article (8) of the Income Tax Law #113( 1982 ) in addition to the legal allowance to which the employee will be entitled.

**Second.** The manager and the accountant or the other authorized persons replacing them, shall certify on the correctness of the information stated in the Form Dhad.D/4A.

#### 2- The employer shall prepare tax deduction schedules as follows:

a. The tax deductions schedule prepared by the General Commission for Taxes/Direct Deduction Department shall be organized by the concerned accountant in duplicate at the end of each fiscal year; including all the

incomes, deductions and legal allowances as brought forward from page No.2 of Dhad.D/4A.

- b. It is not allowed to use a deductions schedule other than the one mentioned in paragraph (a).
  - c. The manager and accountant or whoever acting on their behalf shall certify on the accuracy of the incomes' details mentioned in the schedules.
- 3- Forms and schedules, stated in paragraphs (1) and (2) of this article, shall be presented to the Direct Deduction Department at the Commission's headquarter ,or to the concerned branches according to the geographic location, in duplicate. The last date of submission shall be on the 31<sup>st</sup> of March of the following fiscal year.
  - 4- The Financial Authority may extend the period, in which the Forms and Schedules are presented as stated in (3) above, into an appropriate period if it is convinced of the reasons for extension, provided that the employer has settled the installments for his employees' income tax for the concerned fiscal year.
  - 5- The employer shall be responsible to present the forms and schedules within the time limit specified in the above paragraphs. Any person who does not comply shall face legal inquiry as stated in the valid Income Tax Law and the related resolutions. The Minister of Finance, or whom he delegates, may exempt the employer from the legal responsibility, if he is satisfied that the delay or violation was due to an acceptable excuse.
  - 6- If the employer fails to submit the Forms and Schedules at the specific period, the General Commission for Taxes shall calculate the tax due on his employees and ask him to pay it. The General Commission for Taxes may omit any transaction related to the employer, as long as the tax is unpaid and the Forms and Schedules are not presented.
  - 7- All forms, schedules and correspondences sent to the General Commission for Taxes and its branches, should be presented in the Arabic or Kurdish Language.

## **DIVIDENDS**

### **Article (12)**

- 1- if the employee is a shareholder in a Limited Liability Company that is not exempted under the Industrial Investment development and organization Law, he should provide his principal employer with a written declaration, in duplicate, containing the following:
  - a. His full name.
  - b. Address and place of his work.
  - c. Company's name of which he is a shareholder.
  - d. Amount of the dividend paid or credited to his account, certified by the company.
- 2- One copy of the declaration shall be attached with the Form Dhad.D/4A and the second copy shall be kept in his office or place of work.
- 3- The amount of dividend stated in the declaration shall be considered only for the purpose of tax progression when computing the income tax on his other incomes in accordance with the provisions of paragraph six of article two of the valid Income Tax

Law. But, if he has no other income sources, the progression shall be calculated in the Direct Deduction office or in the Direct Deduction Unit of the concerned branch.

## **REFUNDING OF OVERPAID TAX**

### Article (13)

The General Commission for Taxes shall refund the excess collected tax of the employee without need to submit a request, if it's verified that there is no due taxes for his other income sources.

## **OBJECTION AND APPEAL ON TAX ASSESSMENT**

### Article (14)

#### **1- Objection**

- a. The employer, after being notified of the assessed income on his employees, and the tax due from them, may submit a written objection to the General Commission for Taxes, Direct Deduction Department, within twenty-one days as to the date of his notification, showing reasons for the objection and the amendment demanded by him, presenting the necessary documents on the income in order to prove his objection.
- b. The employee, after being notified with the assessed income and tax due on him, may submit a written objection to the General Commission for Taxes, Direct Deduction Department, within twenty-one days as to the date of his notification; showing reasons for the objection and the amendment demanded by him, presenting the necessary documents on the income in order to prove his objection.
- c. The General Commission for Taxes, Direct Deduction Department may accept the objection mentioned in paragraphs (a) or (b) of (1) of this article, after the lapse of the period stated in the paragraphs above, if it is satisfied that the objector was unable to submit it for an acceptable excuse.
- d. The objection stated in the paragraphs (a) or (b) of (1) shall not be considered unless the assessed tax is paid within the objection's period. In case of the objector is unable to pay the assessed tax completely, the General Commission for Taxes, when being satisfied, may collect the assessed tax by installments.

#### **2- Appeal**

- a. The person, whose objection regarding the amount of income or tax is rejected by the General Commission for Taxes, may appeal against its decision to the Appeal Committee, by an application to be submitted to the Committee within twenty-one days from the date he is notified of the rejection of his objection. He shall have to prove his claims by documents, records and other statements.

- b. The General Commission for taxes may accept the application of appeal submitted after the lapse of the legal time if it is satisfied that the appellant was late in submitting it owing to an acceptable reason, and that the appeal was submitted to the General Commission for Taxes without undue delay on his part.
- c. The objection and the appeal on the income assessment ,according to the provisions of the Income Tax Law #113 of 1982 as amended, shall not be considered, if the appellant does not pay the tax due on him within the objection's and appeal's period provided by the mentioned law.
- d. In case of the appellant is unable to pay the assessed tax in cash completely; according to paragraph (c) above, the fiscal authority; when being satisfied; may collect the assessed tax as follows:
  - First.** 10% of the assessed tax shall be collected upon submitting the objection or the appeal, provided that this percentage is paid during the period mentioned in paragraph (c) above.
  - Second.** The rest of the assessed tax shall be collected in equal monthly installments, provided that they do not exceed twelve monthly installments, and in contrary, the issue shall be submitted to the Minister of Finance.
  - Third.** If the appellant delays the payment of one installment during 15 days from the due date, the rest installments shall be due without notice and the objection or appeal shall not continue as the assessment shall be considered as final and the Minister or the one he authorizes may approve that the appellant continue paying the installments or exempting him from paying the additional amount if he is convinced that the appellant delay was due to an acceptable reason.
- e. The Appeal Committee should not continue the appeal if it appears that the appellant has delayed the payment of the due installments of the assessed and installed tax unless he starts paying them.
- f. The appellant and the General Commission for Taxes shall be notified with the date of hearing before the Appeal Committee at least seven days before the fixed date. Both parties shall attend in person before the committee or send a representative on their behalf on the day and hour fixed or may state that they are satisfied with the written statements already submitted by them. The Committee may cancel, confirm, increase or decrease the assessment, stating in its decision the reasons justifying it. It may also confirm the assessment if neither or either party fails to attend without lawful excuse, or adjourn the hearing of appeal for such a period as it may consider suitable.
- g. The decisions of the Appeal Committees which are referred to in the above paragraphs, and are formed in accordance with Article (37) of the effective

Income Tax Law, shall follow the Cassation according to article (40) of the effective Income Tax Law.

### **IMPLEMENTATION OF THE INSTRUCTIONS**

#### Article (15)

- 1- 1-These instructions shall be valid as to 1/1/2005.
- 2- 2-These instructions shall repeal and substitute any other instructions related to direct deduction.

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