

**INVESTMENT LAW  
NO. 22 OF 2002**



Section V

**Projects Registrations Procedures and Exemptions 37**

Articles 38-41

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Section VI



# INVESTMENT LAW

In the name of the people,  
President of the Republic, after reviewing the constitution of the  
Republic of Yemen, and after the approval of the Council of  
Parliament

**Hereby decree as follows: -**

## **Section I** **PRELIMINARY PROVISIONS**

### **Article 1**

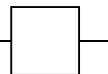
This law is designed to promote and regulate the investment of Yemeni, Arab and foreign capitals, subject to the provisions of this Law within the context of the state general policy, goals and priorities of the national economic and social development plan, and not in contradiction with the Islamic jurisdiction, in all of the sectors except the following:

1. Exploration and extraction of oil, gas and minerals that are governed by special agreements.
2. Weapons industry and explosive materials.
3. Industries that harm the environment and health.



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INVESTMENT LAW



### ***16. Fixed Assets***

Machinery, instrument, equipment, supplies, and spare parts needed to establish, expand or rehabilitate a project including buses especially designed to transport tourists, vessels for maritime transport and fishing and furniture and furnishings for hotels and hospitals whether imported, or locally manufactured or procured.

### ***17. Invested Capital***

In application of this Law, invested capital shall mean the estimated value of foreign or local capital invested in a project and shall be determined as follows:

#### **I. Foreign Capital**

- a. Freely negotiable foreign currency for investment in establishment, expansion or rehabilitating of projects, as well as freely convertible financial securities transferred to the Republic by an Arab or foreign person or persons for investment in a project.
- b. Fixed assets imported from abroad for investment in a project.
- c. Arab or foreign incorporeal rights such as licenses, patents and trade marks invested in a project and registered in the Republic which are protected under an international or bilateral agreement to which the Republic is a party.
- d. Profits and gains earned by investment of foreign funds in the Republic and converted to capital by reinvestment in a project.
- e. Land and buildings investment cost related to a project.



**II. Local Capital:**

- a. Local currency paid in Yemeni Rials by a Yemeni natural person or a juridical entity the majority of equity holders of which is Yemeni.
- b. Local incorporeal rights and assets furnished for use in establishing, expanding or rehabilitating a project.
- c. Profits and gains by investment of local funds in the Republic and which are converted to capital by reinvestment in a project.
- d. Evaluation of investment capital in part I (b) and (c) and in part II (b) shall be in accordance with the rules and procedures specifiedv( by Set 4746 (In) 18.9601c F.

**20. Rehabilitating**

Full or partial replacement or exchange of the fixed assets of a project by installing other new or more sophisticated assets or updating existing fixed assets by adding new assets or parts thereof to improve the efficiency of operation and improve or rehabilitate the type of goods or services produced, or make them more advanced, as the case may be.

**21. Production Inputs**

All materials needed to operate a project such as raw materials, intermediate commodities, spare parts and maintenance requirements appropriate to the nature of the project's activity.

**22. Transfer of Technology**

- a. Licensing, transfer, sale, use of patents, expertise, trade marks and other incorporeal rights.
- b. Furnishing expertise, technical know-how or other engineering services in any manner or form.
- c. Management and marketing services and the like.

**23. a. Authorized Capital**

Total capital agreed upon by the founders in the company's articles of association under which they are authorized to establish 2M81.2(1)gdvis)-3.8nyke.

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***c. Issued Capital***

That portion of the capital purposely issued to be put up for public or private subscription whether paid in at the time of subscription or over a given number of years.

***24. The Law***

The Investment Law No. 22 of 2002.

***25. Day***

The official working day.

***26. Recruitment Regulation***

Authority recruitment regulation issued by a prime minister decree as proposed by the President of the Authority with the approval of the Board of Directors.

**Article 3**

- a. The provisions of this Law shall be applicable to all projects registered under its provisions.
- b. Yemeni, Arab or foreign capital may invest solely or in partnership in any project pursuant to the provisions of Article (1) of this law.





Article 12

procedures and restrictions concerning the regulating and banning of funds transfers outside Yemen shall not be applied.

- d. Consistent with the provisions of article (71) of this Law, project registration, and any right or exemption issued and accorded under this Law may not be nullified or withdrawn except upon a final juridical verdict.

**Article 14**

With out prejudice to the project's rights to benefit from any monetary facilities being made available by the competent authorities in this regards, the government is under no obligation to provide any foreign currencies needed to carry out the project or to cover its authorized foreign currencies transactions or fund its foreign currencies bank accounts the project shall be entitled to obtain the foreign currencies it requires at any time from its foreign currencies accounts.

**Article 15**

- 1- An investor shall be entitled to transfer abroad his foreign currency funds and net profit earned by investment or any of its accrued returns to any transferable currency.
- 2- The foreign investors shall have the right to retransfer abroad





*b.* Projects shall be at liberty to recruit, discipline and temporary layoff personnel as may be deemed fit by project management, subject to adhering to the terms of the contract of employment and to the provisions of labor Law and the fulfillment of all rights provided for in favor of the staff member.

**Section III**  
**CUSTOMS DUTY AND TAX EXEMPTIONS**  
**ACCORDED TO PROJECTS,**  
**PROMOTING OF LOCAL PRODUCTION AND**  
**INCREASING EXPORTS**

**Chapter I**  
**Customs Duty & Tax Exemptions**

- 2- Should the total value of the exempted assets not exceed by more than (10%) ten percent the delivered to port (CIF) value specified in the registration certificate denominated in foreign currency.
  - 3- Should the arrival date is delayed by less than (6) six months after the date specified.
  - 4- Should there be minor differences in the items or types indicated in the project requirement lists according to the controls and standards indicated in the executive regulations.
- d. Should there be differences in the value, timing, items or types that exceed the limits specified in paragraph (c) of this article or should the project need new fixed assets, the Authority shall be responsible for issuing amended project requirements lists and prerequisites, or changing them as it may deem appropriate in the light of convincing justifications presented to it.
  - e. The cost of spare parts and maintenance requirements exempted under paragraph (a) shall not exceed (10%) ten percent of the total value of the imported fixed assets to be exempted, during the permissible exemption period.
  - f. When deciding on exemptions for imported fixed assets, the Authority shall take into consideration preference for local production, should such production satisfy the requirements of the project with respect to specifications and prices.
  - g. Fisheries, livestock and agricultural production inputs shall be exempted from Customs duty throughout the execution of activity by the project, and production inputs of other projects shall be exempted (50%) fifty percent of all the customs duty throughout



the portion that it deemed appropriate of the fixed assets customs



**Article 21**

1. The exemption referred to in Paragraph (1) of Article (1) shall be extended for an additional two years for each of the following project conditions which are realized:
  - a. Should the project be established in investment zone (b) referred to in Article (22) of this Law or should project establish in this zone not less than (50%) fifty percent of the total project component.
  - b. Should the project be owned by a joint stock company in which public subscription of Yemeni nationals is no less than (25%) twenty five percent of the paid in capital.
  - c. Should the proportion of the local component of fixed assets exceed (25%) twenty five percent of the total value of the project's total fixed assets, the Authority shall be the competent body to increase such proportion.

In all cases the total period of exemption granted in accordance with the provisions of this Article shall not exceed sixteen years starting from the commencement of the project production or activity.
2. Should a project incur losses during profit tax exemption years or any one year thereof, losses accumulated during such year (s) in which they occurred shall be deducted and carried forward for no more than three years, with effect from the first year following the exemption years, subject to submitting tax declaration from certified public accountant approving the accounts for those years.
3. In addition to the provisions of Article (20) and the preceding paragraphs and the provisions of this article, projects upon

expansion shall be accorded the same tax exemptions for the same duration according to the value added to the expansion relative to project total capital registered at the authority.

**Article 22**

- a. In order to benefit from the increased exemption provided for in paragraph (a) of the preceding Article, the Republic shall be divided into two investment zones (a) and (b) according to standards specified by the Council of Ministers for each. Zone boundaries shall be delineated by decree of the Council of Ministers. The council of Ministers may amend such boundaries every five years according to the development exigencies and requirements therein.
- b. Upon a proposal by the Board of Directors, the Council of Ministers may exclude one or more sectors in any investment zone, or any part thereof and accord such sector, or part thereof, the exemptions granted in the other zone or any sector therein.

**Article 23**

For projects to benefit from the tax exemptions provided for in



not be included. The Authority shall be the competent Authority concerned to determine such value.

2. The number of housing units in housing projects shall be no less than (50) fifty units built to the specifications of, and on the terms specified and approved by the Ministry of Works and Urban Planning, and shall be reserved for home ownership or rental to third parties.
3. Tourist establishments shall be rated at no lower than three stars according to the competent authority ratings.

## **Chapter II** **Promotion of local Production** **and Increasing Exports**

### **Article 24**

With a view to protecting local production and upon a recommendation of the Authority, the Customs Tariff Committee should impose or increase Customs duty on the import of made-up goods competing with local production that rely on local material on it's production and subject to the following being taken into consideration:

1. Consumer interest in the specifications of such goods, in particular with respect to quality and price.
2. Protection shall not entail the creation of any form of monopoly or control of the encouraged commodities.

### **Article 25**

- a. With the exclusion of service fees, the minimum level of fees and duty charged on imported end production commodities which are comparable to locally-produced commodities shall be no less than the total fees and duty charged on production inputs and on local production during its various stages.
- b. In the case of any increase over the fees proportion referred to 0918TJ-21.1940D-0j/TT8S11

project in accordance with terms and procedures to be indicated in the executive regulations. The Discount Voucher shall indicate the reduction granted and production inputs benefiting there from.

- c. It shall suffice to present the Discount Voucher given to the project by the Authority to obtain the reduction at the Customs point and the Tax Authority as the case may be without need for any further approval or procedure.
- d. When the increase diminishes or is eliminated as a result of amendments to the tariff schedule or any other factor, the reduction granted to the project shall be reduced by the same rate as the diminishing difference, or shall end when the difference ends, as the case may be, according to a decree to be issued by the Authority to that effect.

**Article 26**

Should it not be possible to make the recovery in cash, the Authority shall issue to the project a Rebate Voucher to the extent of the amount due to it, which the project has the right to use to

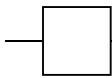
**Section IV**  
**GENERAL INVESTMENT AUTHORITY**

**Article 27**

- a. Establishment of a General Investment Authority as a juridical



4. Assist projects in dealing with agencies concerned to overcome any impediments or obstacles facing project implementation and operation.
5. Allot lands needed to establish projects and sign the relevant contracts on behalf of the agencies concerned. Such agencies are obliged to furnish the Authority with all maps and information concerning land available for such purposes, including rules and conditions of contracting therefore.
6. Study the Laws, regulations and decrees relating to investment in the Republic, as well as regional and international agreements dealing with investment matters and make appropriate proposals in that regard.
7. Make necessary appraisals of troubled projects in coordination with the competent agencies concerned, and make appropriate proposals to remedy any impediments or obstacles encountered.
8. Conduct research relating to investment and the problems and obstacles hampering effective promotion and orientation of investment to serve development purposes and make appropriate proposals in this regard.
9. Identify investment opportunities and viable projects available for investment in the Republic, and promote them in the likely prospective investors mediums in the Republic and abroad.
10. Prepare and publish lists of feasible investment opportunities and projects to which Yemeni, Arab and foreign capital could be invited to invest pursuant to the provisions of this Law.
11. Collect and publish information and statements needed to familiarize investors with the investment climate in the Republic



General Investment Authority



the council of Ministers upon a recommendation by the Authority President, reserve and expropriate lands that it deems necessary to achieve this end in conformity with the Expropriation Law and against fair compensation to its owners on the basis of the price for that time and place. The Authority may re-grant interested projects and investors the ownership or leasing of such lands according to the principles and conditions approved by the Board of Directors ensuring that prices, rents and terms of ownership or lease are encouraging.

- e. The Authority, by resolution of the President of the Authority upon the request of the parties concerned, may assist in all or part of the cost of studies and research relating to exploring investment opportunities and project feasibility or investment conditions and issues in the Republic which the President of the Authority considers to be beneficial in f

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developments that have impact on the reality of the national economy and requirements of State general policy.

4. Consider the periodic reports presented by the President of the Authority on progress of work in the Authority and matters relating to the investment conditions, climate and issues in the Republic and take whatever action is required when needed.
5. Consider the financial position of the Authority and approve its draft annual budget and closing Statement of accounts.
6. Approve the contracting of loans and credit facilities offered to the Authority under government, bank or specialized financial institution guarantees in accordance with established rules and regulations, subject to the purposes thereof being restricted to financing the Authority's activities to the extent of the competence provided for under the provisions of Article (28).
7. Perform the tasks assigned to it by the Government in investment related matters.
8. Consider matters presented by the Chairman of the Board relating to investment issues that are within the competence of the Authority, so that decisions needed in this regard may be taken when necessary.
9. Determine fees for the services provided by the Authority to projects and investors.

**Article 31**

- a. The Authority's Executive Administration shall execute the policies and resolutions of the Board of Directors and conduct of all the Authority's duties provided for in Article (28). It shall also

exercise all competence vested in the Authority by virtue of the provisions of this Law, save those wholly retained by the Board of Directors, in conformity with all the rules, procedures and provisions provided for in this Law and the regulations and resolutions enacted in execution thereof.           a

**Article 33**

The President of the Authority shall oversee the execution of the general policy formulated by the Board of Directors and shall, in particular, perform the following functions:

- a. Oversee the management of the

- a. The General Manager shall act as Vice President of the Authority and shall assume responsibility in case of the President's absence.
- b. The General Manager shall be responsible before the president of the authority for managing the Authority's Executive administration and disposing of its business and executing the President of the authority directives according to the policies approved by the Board of Directors and shall exercise the following authorities:
  - 1. Oversee all Authority departments, divisions and units and coordinate their ( t)5.horiti60.398 0 0 scn s13.3t ht of a874D-0.0017 Tc[coo

**Article 35**

- a. The Authority shall have an autonomous annual budget drawn up and executed according to rules specified in the authority executive regulations without being restricted to provisions relating to the budgets of public organizations and authorities.
- b. Authority funds shall be deemed public property, and may not become the property of third parties by prescription and shall be disposed of as indicated in the Authority bylaws.

**Article 36**

The resources of the Authority shall be made up of the following:

- a. Revenues earned in consideration for services rendered or fees collected in the course of the Authority's activity in accordance with the terms and conditions provided for under the provisions of this Law.
- b. Loans and credit facilities contracted for by the Authority and permissible by Islamic Sharia and pursuant to the procedures and conditions provided for in Article 30 (6) of this Law.
- c. Grants and donations approved by the Board of Directors.
- d. Allocations earmarked by the government in the Authority's budget.

**Article 37**

The Authority's bylaws shall be enacted by a decree of the prime Minister and shall include a definition of the Authority's administrative divisions and the functions of each, as well as all

matters relating to budget, accounts, expenditure, employment and other provisions needed to execute the provisions of this Law.





may appeal the decision in accordance with the provisions of Section VII of this Law.

- d. The executive regulations shall indicate the application form and papers and documents that must be presented for a decision to be taken in accordance with the provisions of this Article.

### **Article 39**

1. The tax exemptions provided for in Articles 20 (a) (1,2,4) and article (21) of this Law shall be granted according to the following procedures:
  - a. The Authority shall be notified when the installation of fixed assets in the projects is completed and the date of commencement of production or pursuit of activity before any products are put on the market or services made available to the public, as the case may be.
  - b. An application, with all substantiating evidence of entitlement to the exemption in accordance with the provisions of this Law, shall be presented to the Authority within 90 days following commencement of production or pursuit of project activity.
  - c. The Authority may examine the project and its records and assets to verify the conditions needed for Tax Exemption requested.
  - d. The Authority shall issue, within (60) days following receipt of all documents needed, the Tax Exemption Certificates granted to the project.





**Section VI**  
**INVESTMENT COMPANIES**

**Article 42**

1. Without prejudice to the provisions of Article (43) of this Law, the establishment of an investment company and the amendment of its articles of association shall be upon a decree issued by the Authority President pursuant to the provisions contained in this section.
2. When established, investment companies shall take any of the legal forms provided for in

**Article 44**

Joint stock companies that do not put up their shares for public subscription companies may be founded, or may amend their statutes, by a decision of the president of the Authority in accordance with the provisions of this Law.

**Article 45**

The resolution licensing the foundation of a company or amending its statutes or articles of incorporation shall be issued within (15) days following the date of submission of a completed application which shall meet all the conditions Stated in Article (42) of this Law within (45) days for companies Stated in Article (43) of the Law. Should such period elapse without issuance of a resolution thereon the company shall be deemed to have been legally founded and the amendment approved and publishable in the official gazette. It shall be required that registration formalities pursuant to regulations in force be completed without objection.

**Article 46**

Paid-in capital of joint stock companies that put their shares up for public subscription shall be no less than (20 %) twenty percent of capital.

**Article 47**

Capital of an investment company may be paid wholly in foreign, local currency or in both, as may be agreed upon by the investors. The

company's statutes, articles of incorporation, books and records shall show each investor's subscription to company capital in the currency invested. A company may also issue shares, stock in either or both foreign and local currency.

***Article 48***

being a member of the Board of more than one public joint stock company.

**Article 51**

Representation of shareholders on a company's Board of Directors shall be proportional to the number of shares held, regardless of any provision providing otherwise in other Laws and regulations.

**Article 52**

A joint stock company's statutes may provide for the following:



**Article 55**

Projects that take the form of joint stock investment companies may

**Section VII**  
**ADMINISTRATIVE APPEALS AND**  
**SETTLEMENT OF INVESTMENT DISPUTES**

**Article 58**

The Authority and all other parties concerned shall settle all problems or obstacles encountered by investors or investment projects and shall seek to solve them by all expedi

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of either Yemeni courts of Law or arbitration on the basis of a written agreement between the parties concerned executed in advance or at any other time. It may also be part of any other written agreement including the documents establishing a company.

The arbitration tribunal shall be composed of a member selected by each of the two parties to the dispute and a third member agreed upon by the two parties concerned, who shall preside over the tribunal. Should they fail to agree on his selection or fail to delegate some other person, party or organization to make such selection, the president of the Authority shall make a selection.

- b. With the exception of that which is explicitly provided for in the provisions of this Law and the executive regulations thereto, or as may be explicitly agreed upon by the parties concerned or as may be decided by the majority vote of

the rulings of Yemeni courts and the courts of competence in the Republic shall order that they be enforced promptly upon receipt of a request in writing to this ef

**Section VIII**  
**OBLIGATION OF INVESTORS AND PROJECT**  
**SPONSORS: VIOLATIONS AND SUBSEQUENT**  
**PENALTIES**

**Article 64**

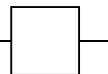
- a. At the end of the exemption period provided for in Article 20 (4), projects licensed to use foreign technology in production or in the pursuit of their activity against regular royalties paid to the foreign licensors shall deduct and pay to the competent taxation authorities 10 percent of such royalties for the following:
  1. Rights to benefit from trade mark licenses.
  2. Rights to benefit from patent licenses.
  3. Rights to benefit from technical know-how.
  4. Rights to benefit from management know-how and other services rendered in the Republic.
- b. The tax percentage specified in paragraph (a) shall be in effect except where otherwise provided for in any international or bilateral agreement in the field of transfer and use of technology to which the government of the Republic is a party with the country of the foreign licensor for the technology used in the project.

**Article 65**

Without prejudice to the obligations provided for in other Articles of

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INVESTMENT LAW









The executive regulations shall specify the rules needed to

and no more than Y.R. 100,000, with due consideration of the violation.

justification shall be disciplined according to the disciplinary code in the public Law including termination of service.

- b. Authority and competent agency personnel authorized to review project business shall maintain the confidentiality of information and documents available to them by reason of their duties and shall use such information solely in application of the provisions of this Law. Anyone violating this provision shall be punished in accordance with the provisions of the Law.

**Section IX**  
**TRANSITIONAL PROVISIONS**

**Article 69**

Operating projects not accorded the exemptions and benefits provisioned in this Law or Laws repealed there under shall be entitled to obtain investment registration for their exw Oere

## **Section X**

**Article 72**

All notices and correspondence shall be in writing, the executive regulations specifying the timing and manner of receipt.

**Article 73**

All projects shall pay to the Authority in return for its administrative and technical services the following:

- a. Fees at a rate of (three quarters of one per thousand) of the value of exempted fixed assets and exempted production inputs upon registration issuance.
- b. Annual fees at a rate of (three quarters of one per thousand) of the value of exempted fixed assets intended to be used for the establishment, expansion or rehabilitating of a project which shall be valid throughout the period of tax exemption starting from the date on which a project commence production or a activity.
- c. Government shall cover investment promotion expenses locally and at the international levels.

**Article 74**

The executive regulations to this decree of Law shall be enacted by prime minister decree based on presentation from the Broad of Directors within a period not exceeding (90) days following enactment of this decree of Law.

**Article 75**

- a. Any provision conflicting with the provisions of this Law shall be repealed. The provisions of this Law shall prevail should they conflict with provisions of other Laws, bylaws and regulations.
- b. Investment Law and organizati