

Lebanon: Summary of the Tax Structure and Changes Introduced from 1999 to the present

Tax	Nature of Tax	Rates	Deductions	Exemptions										
<p>Personal Income taxes</p>	<p>∃ Comprehensive encompassing all sources of income earned in Lebanon (both monetary and in-kind).</p> <p>∃ For non-residents, not applicable to income earned outside a permanent establishment.</p> <p>∃ Consists of a number of schedular income taxes. Rates and personal exemptions differ from one tax to another.</p> <ul style="list-style-type: none"> ▪ Tax on commercial, industrial profits and professional income ▪ Tax on wages and salaries ▪ Tax on income from movable capital <p>Income on moveable capital is defined as:</p> <ul style="list-style-type: none"> ▪ Various incomes resulting from shares, shares in interest and founders' share issued by joint stock companies or financial, industrial, commercial, civil and other public or private bodies; ▪ Directors' fees; 	<p>∃ Tax on movable capital : 10%, withheld at source on the gross receipts without any deduction or payable when filing the annual tax return.</p> <p>∃ Tax on commercial, industrial profits and professional income: on individuals and partnerships carrying on commercial and industrial activities. Assessed on real profits for taxpayers that maintain regular accounts, and according to the lump-sum profits or the estimated profits for other taxpayers (small businesses) Progressive: 4% to 21% (see profit tax).</p> <p>∃ Tax on wages and salaries (in millions LBP):</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">up to 6</td> <td style="width: 50%;">2%</td> </tr> <tr> <td>6-15</td> <td>4%</td> </tr> <tr> <td>15-30</td> <td>7%</td> </tr> <tr> <td>30-60</td> <td>11%</td> </tr> <tr> <td>60-120</td> <td>15%</td> </tr> </table>	up to 6	2%	6-15	4%	15-30	7%	30-60	11%	60-120	15%	<p>∃ <u>Deductions on wages and salaries:</u></p> <ol style="list-style-type: none"> 1) savings in and contributions towards a pension fund; 2) all allowances paid in reimbursement of expenses incurred for and in the interest of the service: such as transport and travel expenses; cashier's allowance; allowances for fodder, clothing; 3) half the amounts paid for actual flying time to pilot and crew subject to tax in Lebanon; 4) scholarships, subsidies on births and subsidies granted by an employer on marriage of an employee or death of one of his family, within the conditions and amounts recognized by the Civil Servants Cooperative, provided that these amounts are granted by virtue of a permanent regulation applying to all employees and approved by the Ministry of Labor. 	<p>∃ <u>Exemptions on wages and salaries:</u></p> <ol style="list-style-type: none"> 1) Allowances paid to religious ministers for performances of religious rites. 2) Subject to reciprocity: salaries and allowances of ambassadors of foreign states and their foreign staff. 3) Salaries and allowances of military men, whatever their rank, attached to the armed forces of allied states. 4) Disablement pensions granted to civil servants, or servants of firms of public interest, or of public and private institutions, in accordance with the retirement rules and regulations. 5) Lifetime payments and temporary allowances paid to victims of accidents suffered while on duty. 6) Wages of agricultural laborers. 7) Wages of domestic servants in private houses. 8) Wages of nurses and cleaners in hospitals, orphanages, asylums and other medical and first aid institutions. 9) Indemnity on discharge from service paid in accordance with the laws in force in Lebanon. 10) Family allowances paid according to law. 11) Wages of foreign employees in the Union of Arab Capital and
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	<ul style="list-style-type: none"> ▪ Fees paid to shareholders for attending general assemblies; ▪ Sums taken out of the reserves or profits for redeeming or depreciating shares, shares in interest and founders' shares before the suspension of activities; ▪ Distribution of reserve funds and profits effected in the form of free shares or in any other form; ▪ Interest proceeds and revenues of debentures and loans granted by the state, the municipalities and other public or private bodies and institutions and by companies; ▪ Premiums paid to creditors and debenture holders; ▪ Interest on security debts, their proceeds and revenues; ▪ Interest on preferential and ordinary debts, their revenues and income, unless resulting from commercial operations; ▪ Interest on deposits and monies in trust, whatever be the trust and whoever may be the owner thereof; and current accounts, the proceeds and revenues 	<p>over 120 20%.</p>		<p>Financial Markets.</p> <p><u>Exemptions on tax on moveable capital:</u></p> <p>1) Amounts paid in reimbursement of creditors or shareholders provided they are not taken from the profit and loss account or from reserve funds.</p> <p>2) Amounts reimbursed to shareholders and creditors in concessionary companies even though they are taken from reserve funds or profit and loss account when this is warranted by the obligation to surrender the installations to the State, free of charge, at the expiry of the concession.</p> <p>3) Interest on savings accounts.</p> <p>4) Interests and revenues of current accounts opened at the banks in the name of the government, municipalities and public institutions, and also foreign diplomatic and consular corps in Lebanon subject to reciprocal treatment.</p> <p>5) Income from bonds issued by the Treasury of the Lebanese government. This income is only subject to the tax on profits when it is due to profession practicing.</p>

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Payroll tax	<p>∃ Levied on wages and salaries including overtime, gratuities and fringe benefits.</p> <p>∃ Contributions for sickness and maternity benefits and for family allowances.</p> <p>∃ Foreigners are subject to all the contributions except those for end-of-service benefits.</p>	<p><u>Employers:</u> 21.5 percent <i>of which:</i></p> <ul style="list-style-type: none"> • 7 percent for the sickness and maternity • 6 percent for the family and education allowance • 8.5 percent for end of service indemnity • The rate of employers' contributions for family allowances is reduced to 7% for small employers. <p><u>Employees:</u></p> <p>∃ 2 percent for the sickness and maternity</p>		<p>∃ Foreigners are completely exempt if they are working in Lebanon pursuant to a contract concluded abroad with foreign enterprises and they are covered by a similar benefit at home.</p>										
Profit tax	<ul style="list-style-type: none"> • Levied on all corporations, partnerships, professionals, entrepreneurs carrying on business in Lebanon. • Profits realized abroad by a permanent establishment are excluded. • Taxpayers are assessed on the basis of real profits, of lump-sum profits, or of estimated profits. Corporations must be assessed on the basis of real profit. 	<ul style="list-style-type: none"> • 4 to 21 percent for taxable profit after deducting all charges necessary to produce and maintain profits(in millions LBP): <table border="0"> <tr> <td>up to 9</td> <td>4%</td> </tr> <tr> <td>9-24</td> <td>7%</td> </tr> <tr> <td>24-54</td> <td>12%</td> </tr> <tr> <td>54-104</td> <td>16%</td> </tr> <tr> <td>over 104</td> <td>21%</td> </tr> </table>	up to 9	4%	9-24	7%	24-54	12%	54-104	16%	over 104	21%	<ul style="list-style-type: none"> • The following business expenses may be deducted from taxable business income: • Cost of goods and services for the conduct of business; rent or equivalent rental value of business premises; interest cost; personnel cost; general cost including insurance premium. • Taxes and duties incurred; 	<p>∃ Exemptions apply to</p> <ol style="list-style-type: none"> (1) educational institutes, (2) hospitals, orphanages, benevolent asylums, and similar institutions; (3) consumers' cooperative companies, trade unions, and agricultural cooperatives of a non-commercial nature; <p>(a) agricultural investors not engaged in trading of their produces;</p> <p>(b) local air and sea transport companies and foreign ones if</p>
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	<ul style="list-style-type: none"> • Dividends are taxed as business income if earned in the course of a business activity, otherwise as income from moveable capital. • Dividends that are perceived by a Lebanese company and that are coming from its holding of shares in other Lebanese companies are deducted entirely from the taxed revenues of the company. But they will be taxed according to the article 72 of the income tax law when they are redistributed. • Foreign companies are subject to tax if they: <ul style="list-style-type: none"> ▪ Have a permanent establishment in Lebanon; ▪ Derive Lebanese-source profits from a permanent establishment; ▪ Perform a complete cycle of activity in Lebanon. <p><i>N.B: This should be in compliance with the conventions on the avoidance of double taxation</i></p>	<ul style="list-style-type: none"> • Corporations and limited partnerships are subject to a flat rate of 15% on their business income. • 10 percent on dividend and interest income withheld at source from the gross receipts. • Profits arise from disposal or revaluation of fixed business assets are taxed as business income at a reduced flat rate of 10%. • Distribution of dividends and branch profits by joint-stock or foreign companies are subject to a distribution tax at 5%. 	<p>depreciation of fixed assets; provisions; gifts and donations within a limit; bad debts; municipal surtax.</p> <ul style="list-style-type: none"> • Family deductions: 7,500,000 LL per year for a single person. <p>In addition we have 2,500,000 LL for a married couple and 500,000 for each child for a maximum of five children.</p>	<p>Lebanese companies receive reciprocal treatment in the foreign country;</p> <p>(c) public institutions.</p> <p>(d) Touristic establishments classified as artisanal.</p> <p>(e) Profits that are reinvested</p> <p>(f) Profits resulting from the production of new products for which there were no local industry before in Lebanon, are exempted for ten years.</p> <p>(g) Profits from enterprises that are established in some regions are also exempted for a ten-year period.</p> <p>(h) Holdings and Offshore companies are also exempted from profit and dividend taxes.</p>
VAT	<ul style="list-style-type: none"> • Does not levy any general sales tax right now. The draft law stipulates that the VAT will be introduced in 	<ul style="list-style-type: none"> • Proposed rate: 10 percent flat. • Registration threshold: 		<p>∃ <u>Zero rated</u>: exports.</p>

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	<p>2002, and it is based on credit invoice method.</p> <ul style="list-style-type: none"> • Tax base is the sales price of taxable goods and services, equally levied on imports at CIF values, increased by the duties and taxes on the imports. 	<p>LL 500 million. In addition there is a voluntary registration option for firms with a turnover larger than LL 250 million.</p> <ul style="list-style-type: none"> • Monthly declaration is required by law. 		<p>∃ Exemptions:</p> <ol style="list-style-type: none"> (1) Essential goods and services, (2) Agriculture, Real Estate, Health, Education, NGOs, Transportation of persons, Financial companies. <p>President office, UN and diplomats have a special refund scheme in compliance with international conventions.</p>
Property Tax	<p>∃ Covers all properties located in Lebanon. Consists of a number of taxes: proportional tax on net income from each property at 4%; progressive tax on rental incomes from all properties 2-13%.</p> <p><i>N.B: These percentages are currently under examination by the Ministry of Finance in order to be changed.</i></p>	<p>∃ Ranges from 2-13 percent.</p> <p><i>(In millions of LL)</i></p> <p>20– 40 2%; 40-60 4% 60-100 7% 100-180 10% Higher than 180 13%</p>		<p>Exemptions for owner occupied houses up to LL 6 million.</p> <p>Some other exemptions existed. The detailed list is in the article 8 of the property tax law. We mention the buildings owned by the government, hospitals, religious authorities, political parties, foreign governments...</p>
Excises	<p>∃ Cover alcohol beverages, non-alcoholic drinks, tobacco and cigarettes, petroleum products, cement, restaurants and hotels, playing cards, departure tax .</p> <p>∃ In addition, applies a complicated system of stamps and duties. Equally levied on locally produced excisable</p>	<ul style="list-style-type: none"> • Milk, cream, yogurt, fruit juices and other non-alcoholic beverages: LBP 25/Litre • Wine and other fermented beverages: LBP 200/Litre • Ethyl alcohol and other spirits, denatured: LBP 		

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	<p>goods and imports. For administrative ease, the excises on imports are collected at the custom.</p> <p>∃ Rates are determined by parliament.</p>	<p>150/litre</p> <ul style="list-style-type: none"> • Whiskies, rum, gin, vodka, liqueurs: :BP 400/litre • Petroleum 225 LL/litre • Tobacco: 48% • Departure tax: First class 100000LL Business class 70000LL Economy 50000LL 		
<p>Customs duties</p>	<ul style="list-style-type: none"> • Levied on all imports at varying rates. 	<ul style="list-style-type: none"> o Ranges from 0% to 90%. (tobacco 90%) o High tariffs on agricultural goods up to 70%. o Tariffs on industrial goods between 5%-10 %. o Tariff on sea salt 5%, on fine salt 15%. o Alcoholic beverages are subject to 15% tariff except for Arack (70%) and beer(40%). o Textiles are exempted o Beauty products and personal care products are subject to 55% tariff. <p>Additional LL1000 levied on 92 and 98 Octane fuel in August 2001</p>		<p>∃ Raw materials and semi-manufactured goods, total of over 2000 products are exempted.</p> <p>∃ Computer hardware and software are exempted.</p>