Investment basics:

**Currency** – Lebanese Pound (LBP)

**Foreign exchange control** – No

**Accounting principles/financial statements** – IFRS. Audited financial statements must be prepared and filed annually.

**Principal business entities** – These are the limited liability company, joint stock company, partnership, branch and representative office of a foreign company.

Corporate taxation:

**Residence** – A person is considered resident if it is established or registered in accordance with Lebanese law. An entity is considered resident in Lebanon when it commences business activities from a fixed place for a period exceeding six months in any 12-consecutive month period for contracting activities and for a period exceeding three months for other activities.

**Basis** – Lebanon operates a territorial tax system under which all income sourced in Lebanon is subject to tax in the country. Income derived from foreign sources is not subject to tax in Lebanon.

**Taxable income** – Income tax is levied on income related to all business activities, unless the income is exempt by law. Taxable income generally is calculated as revenue less qualifying expenses. However, insurance companies, public contractors, oil refineries and international transport companies calculate taxable income as a percentage of total revenue.

**Taxation of dividends** – Dividends received from a Lebanese company are deducted from taxable income for purposes of the corporate income tax calculation. Dividends received from a foreign entity are taxable at a rate of 10%.

**Capital gains** – Capital gains derived from the disposal of tangible and intangible assets and financial assets are taxed at a rate of 15%. The rate is 20% for oil and gas companies.

**Losses** – Taxable losses may be carried forward for three years (oil and gas companies may carry forward losses indefinitely). The carryback of losses is not permitted.

**Rate** – 17%, and 20% for oil and gas companies.

**Surtax** – No

**Alternative minimum tax** – No

**Foreign tax credit** – No

**Holding company regime** – Holding companies are exempt from tax on profits and tax on dividend distributions. Instead, they are subject to a tax on capital and reserves, capped at LBP 5 million a year. Gains derived from the sale of an investment in a Lebanese subsidiary or associate is exempt if the investment is held for more than two years. No tax applies on gains derived from the disposal of an investment in a foreign subsidiary.

An offshore company regime also is available, under which an offshore company is exempt from tax on profits and dividend distributions; it is only subject to an annual lump sum tax of LBP 1 million. An offshore company may carry on activities and have investments only outside Lebanon or through the free zones; it may invest in Lebanese treasury bills, but it may not carry on banking or insurance activities.

**Incentives**

Various incentives are granted for eligible industrial or tourism investments.
In certain cases, industrial taxpayers may benefit from a 50% exemption on profits generated from exports (except for exports of natural resources).

**Withholding tax:**

**Dividends** – Dividends paid to a resident or nonresident are subject to a 10% withholding tax, unless the rate is reduced under a tax treaty.

**Interest** – Interest paid by a Lebanese resident to a nonresident company is subject to a 10% withholding tax, with a lower 7.5% rate applying to interest on bank deposits, debt or bonds.

**Royalties** – Royalties paid to a nonresident are subject to a 7.5% withholding tax, unless the rate is reduced under a tax treaty.

**Technical service fees** – Technical or management fees paid to a nonresident are subject to a 7.5% withholding tax, unless the rate is reduced under a tax treaty.

**Branch remittance tax** – A Lebanese branch of a foreign company is subject to the same corporate income tax as a Lebanese company. However, a branch also is subject to a 10% remittance tax, regardless of whether dividends are distributed.

**Other** – Oil and gas companies are subject to a 10% nonresident withholding tax.

**Other taxes on corporations:**

**Capital duty** – A one-time stamp duty of 0.4% is levied on the subscription of capital of a company or an increase in capital.

**Payroll tax** – Payroll tax is withheld from salary. Tax brackets at rates ranging from 2% (for the lowest bracket) to 20% (for the bracket exceeding USD 80,000 a year). The employer withholds these amounts from the salary and remits the tax to the authorities on a quarterly basis.

**Real property tax** – A developed property tax is levied on rental income from Lebanese real property, at rates ranging between 4% and 14%. See also “Transfer tax,” below. Construction, installations and vehicles used for petroleum-related operations within Lebanese territorial waters are exempt from the tax.

**Social security** – There are three mandatory social security schemes: (i) a family scheme contribution of 6% of employee earnings up to USD 12,000 per year; (ii) a medical scheme contribution of 11% of earnings up to USD 20,000 per year (of which 3% is the employee share); and (iii) an end-of-service indemnity scheme contribution of 8.5% of total earnings. Contributions are borne by the employer.

**Stamp duty** – Stamp duty is levied on most contracts at a rate of 0.4%. See also “Capital duty,” above.

A fixed stamp duty of LBP 5 million is levied on oil and gas companies for exploration and production agreements.

**Transfer tax** – A 6% tax is levied on the transfer of real estate.

**Anti-avoidance rules:**

**Transfer pricing** – The arm’s length principle applies to determine the taxable base of related party transactions (both resident and nonresident).

**Thin capitalization** – No, but specific rules apply for oil and gas companies.

**Controlled foreign companies** – No

**Disclosure requirements** – No

**Compliance for corporations:**

**Tax year** – The calendar year is the tax year, although exceptions are granted when a parent company has a special fiscal year.

**Consolidated returns** – Consolidated returns are not permitted; each company must file a separate return.

**Filing requirements** – The tax return must be submitted within five months after the preceding period.

**Rulings** – No, but taxpayers may obtain an explanation of the tax treatment of new transactions.

**Personal taxation:**

**Residence** – An individual is considered resident if he/she satisfies one of the following conditions: (i) has a fixed place of doing business in Lebanon; (ii) maintains a permanent home in Lebanon used for his/her usual residence or for the usual residence of his/her family; or (iii) stayed in Lebanon for more than 183 days continuously or intermittently in a period of 12 consecutive months. Transit stays and medical treatment stays are not taken into account in computing the length of a stay.

Registration as a licensed professional triggers residency.

**Filing status** – Married persons are taxed separately; joint assessment is not permitted.

**Taxable income** – Taxable income comprises income from employment, income from the exercise of a profession or personal establishment and income from a partnership.

**Capital gains** – Gains from the sale of fixed assets are subject to a 15% capital gains tax. Capital gains tax on the sale of real estate owned by nontaxable individuals is
phased out at a rate of 8% annually from the date of acquisition. Gains from the sale of a primary residence is exempt up to two residences.

**Deductions and allowances** – Family deductions are granted in computing taxable income.

**Rates** – A taxable individual is taxed at progressive rates that range from 4% up to 21%.

**Other taxes on individuals:**

- **Capital duty** – No
- **Stamp duty** – See under “Other taxes on corporations.”
- **Capital acquisitions tax** – No
- **Real property tax** – An annual real property tax is levied based on annual rental value of the property.
- **Inheritance/estate tax** – Inheritance tax is levied at rates ranging from 12% to 45%, depending on the level of family relationship.
- **Net wealth/net worth tax** – No
- **Social security** – See under “Other taxes on corporations.”

**Compliance for individuals:**

- **Tax year** – Calendar year
- **Filing and payment** – Tax is assessed on a preceding-year basis. An individual is required to submit a return and pay tax due before 31 March of the following year for income from movable assets.

Lebanese-resident employees of nonresident foreign entities are required to pay tax and file payroll tax returns.

**Other** – Lebanese owners or beneficiaries of foreign shares or bonds who receive income from such movable assets outside Lebanon directly or indirectly through a foreign paying agent must file a declaration with the tax authorities before 1 March about the income generated during the prior year.

**Value added tax:**

**Taxable transactions** – VAT applies to most transactions involving goods and services.

**Rates** – The standard VAT rate is 11%. Basic foods, health, real estate, educational, financial, insurance and banking services and the leasing of residential property are exempt. Intermediate goods imported for use in petroleum activities that are not made available by national production are exempt from VAT. Exports, including authorized oil exports, are exempt from VAT.

**Registration** – taxpayers whose turnover exceeds LBP 100 million for four consecutive quarters must register for VAT.

**Filing and payment** – VAT returns must be filed, and tax paid on a quarterly basis.

**Penalties** – Failure to submit a VAT return is subject to a penalty of 5% per month, capped at 100%, and late payment is subject to a penalty accruing at a rate of 1% (1.5% for withholding tax and VAT) per month. If the tax return is adjusted, a 20% penalty applies on the difference between the net tax owed and the net tax due. In the case of oil and gas companies, a 300% penalty applies on that difference.

**Source of tax law:** Income Tax Law, Tax procedures, VAT law, and Oil and Gas Taxation Law.

**Tax treaties:** Lebanon has concluded 34 tax treaties.

**Tax authorities:** Ministry of Finance.

**Contact:**

- Joe El Fadl (jelfadl@deloitte.com)
- Ghassan El-Kadi (gelkadi@deloitte.com)
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