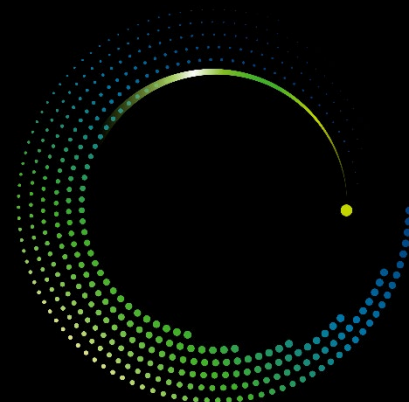


International Tax Lebanon Highlights 2023

Updated January 2023



Investment basics

Currency: Lebanese Pound (LBP)

Foreign exchange control: Informal foreign exchange controls exist, which are not yet regulated. Currently, several exchange rates exist for foreign currencies: the official rate, the BDL (Banque du Liban) platform rate, and the parallel market rate.

Accounting principles/financial statements: IFRS applies. Audited financial statements must be prepared and filed annually.

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

Corporate taxation

Rates

Corporate income tax rate	17% (in general)
Branch tax rate	17%, plus 10% branch profit remittance tax
Capital gains tax rate	15% (in general)

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

Basis: Resident companies are taxed on all their income, unless earned through foreign branches or subsidiaries. Branches in Lebanon are taxed in the same way as subsidiaries and branches of foreign entities are subject to an additional 10% remittance tax, regardless of whether profits actually are remitted.

Taxable income: Income tax is imposed on taxable income related to all business activities, unless the income is exempt by law. Taxable income generally is calculated as revenue less eligible expenses. However, for insurance companies, public contractors, oil refineries, and international transport operators, taxable income is calculated as a percentage of total receipts.

Rate: The standard corporate income tax rate is 17%. For oil and gas companies, the rate is 20%.

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: Dividends paid and declared are subject to a withholding tax of 10%. 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 generally are taxed at a rate of 15%. For oil and gas companies, capital gains derived from the disposal of tangible and intangible fixed assets are considered part of the profits subject to income tax at a rate of 20%.

Losses: Tax losses generally may be carried forward for up to three years. As an exception to the general rule, losses for the year 2020 may be carried forward for an additional year. Oil and gas companies may carry forward losses indefinitely. The carryback of losses is not permitted.

Foreign tax relief: There is no foreign tax relief.

Participation exemption: 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%. There is no participation exemption for foreign subsidiaries.

Holding company regime: Holding companies are exempt from tax on profits and tax on dividend distributions; however, effective as from fiscal year 2022, holding companies are subject to an annual lump-sum tax of LBP 50 million. Gains derived from the sale of an investment in a Lebanese subsidiary or associated entity are 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.

Incentives: Various incentives are granted for eligible industrial or tourism investments.

Under certain conditions, industrial taxpayers may benefit from a 50% exemption on their profits generated from exports (except for exports of natural resources). Under certain conditions, a 75% exemption is granted for five years, starting from fiscal year 2022.

Startup companies established within five years of 15 November 2022 may be exempt from corporate income tax for five years, on the condition that at least 80% of their employees are Lebanese.

Under certain conditions, industrial and commercial companies established in the period from 15 November 2022 up to 31 December 2024 may be exempt from corporate income tax for seven years if they are located in areas that the government wishes to develop.

Other: There is an offshore company regime. An offshore company is exempt from tax on profits and dividend distributions; however, effective as from fiscal year 2022, offshore companies are subject to an annual lump-sum tax of LBP 50 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.

Compliance for corporations

Tax year: The tax year is the calendar year, although exceptions are granted when a parent company has a different fiscal year.

Consolidated returns: Consolidated returns are not permitted; each entity must file a separate return.

Filing and payment: The tax return must be submitted within five months after the end of the preceding period.

Penalties: Failure to submit a return is subject to a penalty of 5% of the outstanding tax per month, capped at 100%, and a delay in payment is subject to a penalty accruing at a rate of 1% (1.5% for withholding tax and VAT) per month.

In the case of an adjustment to the tax return, a 20% penalty applies on the difference between the net tax owed and the net tax due.

Rulings: There are no rulings, but taxpayers may obtain an explanation of the tax treatment for new transactions.

Individual taxation

Rates		
Individual income tax rate*	Taxable income (LBP)	Rate
	Up to 27,000,000	4%
	27,000,001–72,000,000	7%
	72,000,001–162,000,000	12%
	162,000,001–312,000,000	16%
	312,000,001–675,000,000	21%
	Over 675,000,000	25%
Capital gains tax rate		15% (in general)

*Individual income tax is declared and paid by individuals. The tax rates shown in the table above apply to profits derived by professional individuals.

Payroll tax is withheld from an employee's salary at rates ranging between 2% and 25%. Payroll tax is declared and remitted by the employer (see "Payroll tax" under "Other taxes on corporations and individuals," below).

Residence: Individuals are considered resident if they meet one of the following conditions:

- Have a fixed place of doing business in Lebanon;
- Maintain a permanent home in Lebanon used for their usual residence or for the usual residence of their family; or
- Stay in Lebanon for more than six months continuously or intermittently in a consecutive 12-month period. Transit stays and stays for medical treatment are not counted in calculating the length of a stay.

Registration as a licensed professional also triggers residency.

Basis: Self-employed individuals are taxed on income generated from services provided in Lebanon or pertaining to their profession in Lebanon, unless earned through a permanent establishment outside Lebanon. Nonresidents are taxed only on Lebanese-source income.

Taxable income: Taxable income comprises income from a profession or personal establishment, and income from a partnership.

Rates: A taxable individual is taxed at progressive rates ranging from 4% to 25%. Income derived from foreign shares and bonds is taxed at a rate of 10%.

Capital gains: Gains from the sale of fixed assets generally 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 up to two primary residences per individual are tax exempt.

Deductions and allowances: Family deductions are granted in calculating taxable income.

Foreign tax relief: There is no foreign tax relief.

Compliance for individuals

Tax year: The tax year is the calendar year.

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

Filing and payment: Tax is assessed on a preceding-year basis. An individual is required to submit a return and pay any tax due before 31 March of the following year.

Penalties: Failure to submit a return is subject to a penalty of 5% of the outstanding tax per month, capped at 100%, and a delay in payment is subject to a penalty accruing at a rate of 1% (1.5% for withholding tax and VAT) per month.

In the case of an adjustment to the tax return, a 20% penalty applies on the difference between the net tax owed and the net tax due.

Rulings: There are no rulings, but taxpayers may obtain an explanation of the tax treatment for new transactions.

Other: Resident individual owners or beneficiaries of foreign shares or bonds who receive income from such movable capital outside Lebanon directly or indirectly through a foreign paying agent are required to file a declaration with the tax authorities before 1 March to report the income derived during the prior year.

See "Transfer tax" under "Other taxes on corporations and individuals," below, for information on a tax that may apply to certain sales of shares held by individuals.

Withholding tax

Rates				
Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	10%	10%	10%	10%
Interest	10%	10%	10%	10%
Royalties	0%	0%	7.5%	7.5%
Fees for technical services	0%	0%	7.5%	7.5%

Dividends: Dividends paid to a resident or nonresident are subject to a 10% withholding tax, unless, for nonresidents, the rate is reduced under an applicable tax treaty.

Interest: Interest paid to a resident or nonresident generally is subject to a 10% withholding tax, unless, for nonresidents, the rate is reduced under an applicable tax treaty.

Royalties: Royalties paid to a resident are not subject to withholding tax. Royalties paid to a nonresident are subject to a 7.5% withholding tax, unless the rate is reduced under an applicable tax treaty.

Fees for technical services: Technical or management fees paid to a resident are not subject to withholding tax. Technical or management fees paid to a nonresident are subject to a 7.5% withholding tax, unless the rate is reduced under an applicable tax treaty.

Branch remittance tax: In addition to being subject to the standard corporate income tax rate, profits derived by a branch of a foreign entity are subject to an additional 10% remittance tax, regardless of whether profits are remitted.

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

Anti-avoidance rules

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

Interest deduction limitations: There are no general interest deduction limitation rules, but specific rules apply for oil and gas companies.

Controlled foreign companies: There are no controlled foreign company rules.

Hybrids: There are no anti-hybrid rules.

Economic substance requirements: There are no economic substance requirements.

Disclosure requirements: There are no disclosure requirements.

Exit tax: There is no exit tax.

General anti-avoidance rule: There is no general anti-avoidance rule.

Value added tax

Rates	
Standard rate	11%
Reduced rate	0%

Taxable transactions: VAT applies to most transactions involving goods, services, and basic foods. Health, real estate, educational, financial, insurance, and banking services and the leasing of residential property are VAT exempt. Intermediate goods imported for use in petroleum activities that are not made available by national production and exports (including authorized oil exports) also are exempt from VAT.

Rates: The standard VAT rate is 11%.

Registration: Taxpayers whose turnover exceeds LBP 100 million for a period between one quarter and four consecutive quarters must register for VAT purposes.

Filing and payment: VAT returns must be filed and tax paid on a quarterly basis.

Failure to submit a VAT return is subject to a penalty of 5% of the outstanding tax per month, capped at 100%, and a delay in payment is subject to a penalty accruing at a rate of 1.5% per month. In the case of an adjustment to the VAT return, a 20% penalty applies on the difference between the net tax owed and the net tax due.

Other taxes on corporations and individuals

Social security contributions: There are three mandatory social security schemes: (i) a family scheme contribution of 6% of employee earnings up to LBP 3,425,000 per month; (ii) a medical scheme contribution of 11% of earnings up to LBP 5,600,000 per month (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.

Payroll tax: Payroll tax is withheld from salary. The tax brackets have rates ranging between 2% (for the lowest bracket) and 25% (for the bracket in excess of LBP 675 million per year). The employer withholds these amounts from the employee's salary and remits the tax to the authorities on a quarterly basis.

Resident employees of nonresident foreign entities are required to pay tax and file payroll tax returns on both a quarterly and an annual basis.

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

Real property tax: An annual built property tax is imposed on rental income from (or the rental value of) 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 built property tax.

Transfer tax: A 5% tax is imposed on the fair value of real estate transferred.

Indirect transfers of real estate also may be subject to transfer tax under certain circumstances; specifically, sales of shares by individuals are subject to transfer tax if the company whose shares are transferred is a real estate company or other company in which 50% or more of the total fixed assets are real estate assets. The tax base is the gain from the sale of shares, which is equal to the difference between the cost of acquisition of the shares and the sales price of the shares. If the sale of shares occurs between shareholders or between a shareholder and the shareholder's descendant, a reduction of 50% of the tax due is applied. Shareholders are entitled to perform a one-time revaluation of shares that must occur by 30 June 2023, and the amount of the change in value resulting from the revaluation is subject to a 1% tax. For sales of shares that are subject to the transfer tax, a return filing must be made and tax must be paid within two months from the date of disposal of the shares.

Stamp duty: A stamp duty is imposed on most contracts, at a rate of 0.4% (see also "Capital duty," above).

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

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: Inheritance tax is imposed at rates ranging from 12% to 45%, depending on the level of family relationship.

Tax treaties: Lebanon has concluded more than 30 tax treaties.

Tax authorities: Ministry of Finance

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