



Lebanon

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Guide to Doing Business in Lebanon

Submitted by: Moghaizel Law Office
<http://www.mlof.com>



(Updated to March 24, 2018)

I. THE COUNTRY AT A GLANCE

A. What languages are spoken?

Arabic 99% (official language)

English 40%

French 25%

Armenian 4%

B. What is the exchange rate for the U.S. dollar, the Euro?

1 US \$ = 1,508 Lebanese Pounds (March 2018)

1 Euro = 1,880 Lebanese Pounds (March 2018)

C. Describe your country's geography, proximity to other countries and climate.

Lebanon is a country in Western Asia, on the eastern shore of the Mediterranean Sea, which lies between 33 and 34.40 North latitude and 35 and 36.40 East longitude. It is bordered on the North and East by Syria, on the South by Israel, and on the West by the Mediterranean Sea, with a total boundary length of 679 km of which 225 km is coastline. The highest peak is Qornet Al Saouda (3,083 meters). The four seasons are very clear in Lebanon, but in average the temperature is around 17.7° – 28.7° Celsius.

Other neighboring countries: Cyprus, Egypt, Jordan, Saudi Arabia, Iraq, and Turkey.

Lebanon's geographic location, topography and climate are undoubtedly the country's main features.

D. Are there cultural influences or prohibitions on the way business is conducted?

No.

E. Are there religious influences or prohibitions on the way business is conducted?

Lebanon has always followed a liberal economic policy. Governmental regulations and intervention have been minimal. The public economic policy involves merely the application of axioms derived from the economics of private or "free" enterprise. Therefore, there are generally neither cultural nor religious influences nor prohibitions on the way business is conducted.

- F. Explain your country's infrastructure. Be sure to explain which cities have airports, railroad systems, ports, public transportation.

Reorganization of the transport sector is considered a priority due to its social, economic, urban and environmental dimensions. The operation is still far from complete. A large number of projects are still in progress:

1. Road transport:

The road transportation sector still suffers from serious structural difficulties. The network in Lebanon includes about 6,360 kilometers of roads. It is organized around three main axes from the capital:

- a- Beirut-Tripoli, South-North.**
- b- Beirut-Damascus, North-East.**
- c- Beirut-Tyre, North-South.**

Several projects to develop the roads network have been started and are being monitored by the relevant governmental organizations such as the Council for Development and Reconstruction (CDR).

- Public transports: Public transports are provided by the public sector as well as by private companies. The service-taxi network and private buses serve all localities within large towns as well as various towns within the country.**
- Railway transportation: A rudimentary railway network briefly operated in Lebanon. It grounded to a half when the war started. It is currently non-operational. Theoretically, railway lines in Lebanon covered a network of 428 kilometers spread on 3 axes:**
 - i. A coastal railway, 224 kilometers from Nakoura in the South to Akkar in the North.**
 - ii. A line of 102 kilometers passing through the North of Bekaa meeting the coastal line at Homs, Syria.**
 - iii. An internal line of 102 kilometers linking Beirut to Damascus.**

A project to rehabilitate the railway network has been considered but not yet implemented.

2. Marine transport:

The port infrastructure in Lebanon is concentrated primarily in the Beirut Port and secondarily at the ports of Tripoli, Chekka, Jounieh, Saida and Tyre as well as the petroleum ports of Tripoli and Zahrani.

3. Air transport:

Remarkable efforts have been made in the air transportation sector during recent years. The additional infrastructure, adoption of new techniques, and the signing of several agreements were aimed at increasing traffic at the Beirut Rafic Hariri International Airport. Opened on April 3, 1998, the new airport is of international standard and can stand up to international comparison.

The Rafic Hariri International Airport is also the hub for Lebanon's national carrier, [Middle East Airlines](#) (MEA).

G. Explain the communication system.

Lebanon's telecommunications network improved considerably following the development and rehabilitation projects undertaken by the Ministry of Posts, Telephones and Telecommunications. Additionally, the phenomenal growth of cellular telephones during the last few years has brought telephone services to quite a large number of people.

The cellular mobile telephone system was established through private sector participation paralleled with the public investment program. The Government adopted the BOT (build, operate and transfer) approach to the project. This means that the operator provides the funds needed to carry out the work and operate the system. The private operators in Lebanon were Telecom Finland International, represented by Libancell and France Telecom Mobile Liban, represented by Cellis.

From June 1st, 2004 the GSM network in Lebanon has been transferred to the Lebanese Government and it is being operated by:

- Mobile Telecommunications Company sarl, (mtc touch is the brand name of the network owned by Mobile Interim Company No 2 SAL.)
- Orascom Telecom, (Alfa is the brand name of the network owned by Mobile Interim Company No1 SAL.)

Postal services are managed by a private company called Libanpost SAL.

H. Describe the public services – i.e. water, electricity, gas. Are they publicly or privately owned?

1- **Electricity**: The Government is carrying out an extensive program to rehabilitate and expand electrical power. However, power is still not provided 24 hours a day and is rationed in all Lebanese regions.

2- **Water**: Unlike neighboring countries, Lebanon does not suffer from a shortage of natural water. However, water resources are declining due to decreasing quantities of rain or increased exposure to pollution. At the time being, there are offices and committees, under the supervision of the Ministry of Hydraulic and Electrical Resources, in charge of the management of the water supply. Performance of this Ministry is considerably hampered by insufficient budgetary funds and low staffing levels.

The CDR has launched projects for the recovery of water transmission and purification in three ways: Technical assistance to the Ministry of Hydraulic and Electric resources, rehabilitation of current infrastructure and the extension of current, and provision of new infrastructures. Both the electricity sector and the water services are publicly owned.

3- **Gas**: Gas distribution is ensured by privately-owned bottled gas distribution companies. There is no gas pipes network.

II. GENERAL CONSIDERATIONS

A. Investment policies

1. Does the country generally welcome investment? Are there governmental or private agencies devoted to the promotion of investment?

The Government has generally followed a policy to encourage foreign investments. Full foreign ownership of businesses is free, subject to a very limited number of restricted activities such as exclusive commercial agency in relation to which Lebanese majority ownership is prescribed. Foreigners may freely own property in Lebanon up to 3,000 square meters and with authorization beyond such limit.

2. Explain any sector exceptions, incentives or restrictions on foreign investment?

There are neither exceptions nor restrictions on foreign investment. There are no significant incentives for foreign investments.

3. Describe de facto restrictions on investment, if any, such as bureaucratic discretion.

There are no de facto restrictions on investment.

4. What is the size of the different markets?

Lebanon being a small country, there is a single market, where the services sector is predominant.

5. What types of businesses are conducted in the country?

All types of businesses are conducted in Lebanon.

B. Diplomatic Relations

1. Explain any established diplomatic relations your country may have.

Lebanon has diplomatic relations with a very large number of countries. There are no restrictions as to establishing diplomatic relations with any country except with Israel.

2. Are there prohibitions or restrictions on certain business dealings with the country?

There are generally no such restrictions or prohibitions, subject to compliance with the relevant regulations.

3. Explain any travel restrictions to or within the country?

There are neither travel restrictions within the country nor to the country with the exception of Israel: Israeli citizens cannot enter the Lebanese soil and any person who has an entry visa to Israel on his passport cannot enter Lebanon.

C. Government

1. Explain your country's election system and schedule. Is there an anticipated change in the present government?

There are 128 members of Parliament, half of which are Christians and half Muslims. Each candidate is elected for a four year mandate.

Every Lebanese citizen aged 21 can vote.

The current government was formed on 18 December 2016 under Prime Minister [Saad Hariri](#). There are 30 ministers in this cabinet. It should change following the election of a new Parliament in May 2018 .

2. Is the present government stable? Briefly explain your country's political history in the last decade.

In the year 2000, Israel pulled out from the south of Lebanon.

On September 2, 2004, the [UN Security Council](#) adopted UN Security Council Resolution 1559, coauthored by France and the United States. Echoing the [Taif Agreement](#), the resolution "calls upon all remaining foreign forces to withdraw from Lebanon" and "for the disbanding and disarmament of all Lebanese and non-Lebanese militias."

On February 14, 2005, [Rafik Hariri](#), the former [Prime Minister of Lebanon](#) was assassinated, and a string of political assassinations and terrorist attacks took place in the country.

International pressure for the withdrawal of Syria intensified and public perception in Lebanon turned strongly against Syria, evidenced by mass demonstrations that were labeled the [Cedar Revolution](#). President [Bashar al-Assad](#) of Syria announced on March 5, 2005 that he planned to "bring his forces home." The withdrawal, involving about 14,000 troops, took about seven weeks to complete.

On May 7, 2005 Michel Aoun, [Lebanese](#) politician and former [military](#) commander, returned to Lebanon after 15 years of exile.

On April 26, 2005, after 29 years of [military action in Lebanon](#), the last Syrian troops left Lebanon.

The government (presided by Omar Karami) resigned and a transitional government was put in place (presided by Najib Mikati), after three months, the new government was formed by Fouad Siniora.

Parliament passed an amnesty bill on 18 July 2005 to free Samir Geagea, the leader of the Lebanese forces political party that had been imprisoned for the last 11 years for his war crimes. Geagea was released from prison on July 26, 2005.

October 31, 2005: The UN Security Council unanimously approved a resolution demanding Syria to co-operate with a UN investigation into the assassination of Lebanon's former prime minister, threatening further action against Damascus if it continues to stonewall.

July 12, 2006: War with Israel begins.

The conflict continued until a [United Nations](#)-brokered [ceasefire](#) went into effect in the morning on 14 August 2006, though it formally ended on 8 September 2006 when Israel lifted its naval [blockade](#) of Lebanon.

The 2007 Lebanon conflict began when fighting broke out between [Fatah al-Islam](#), an [Islamist militant organization](#), and the [Lebanese Armed Forces \(LAF\)](#) on May 20, 2007 in [Nahr al-Bared](#), an [UNRWA Palestinian refugee camp](#) near [Tripoli](#). It was the most severe internal fighting since [Lebanon's 1975–90 Civil War](#).

November 2007: President Emile Lahoud resigns and Lebanon stays without a president for 6 months.

May 2008: Conflict in Beirut between the government and the opposition.

The Doha Agreement was reached by rival [Lebanese](#) factions on May 21, 2008 in [Doha, Qatar](#) which resolved several issues including electing Michel Suleiman as president of Lebanon, and forming a national unity government composed of 30 ministers distributed among the majority (16 ministers), the opposition (11 ministers) and the president (3 ministers).

May 25, 2008: President Michel Sleiman was sworn into office as President of Lebanon.

June-October 2009: The present Government presided by Saad Hariri, son of the late Rafic Hariri, was formed following general elections.

January 12, 2011: The Hariri government fell after the withdrawal on March 8 of members from his cabinet following refusals to end cooperation with the [Special Tribunal for Lebanon](#).

January 25, 2011: Najib Mikati was nominated to serve as Prime Minister by a majority of the votes in the [parliamentary consultations](#). The cabinet formation process took nearly five months.

June 13, 2011: The government was formed after many delays.

22 March 2013: Prime Minister Najib Mikati announced his surprise resignation. The Lebanese president [Michel Suleiman](#) accepted his resignation on 23 March 2013.

April 4, 2013: [Tammam Saeb Salam](#) was announced as the consensus candidate for prime minister.

April 6, 2013: Salam was tasked to form a new government which was established in February 2014.

President Michel Sleiman's six-year term ended on 25 May 2014. On 23 April 2014, the Lebanese Parliament held its first session to elect a new president, but it failed in the first round of voting with non of the candidates receiving the two-thirds majority needed to win. Since that date, the Parliament sessions are adjourned every time for lack of quorum.

October 31, 2016: Lebanon's Parliament has elected Michel Aoun as president of Lebanon ending a political stand-off that has left the post vacant for more than two years.

3. Explain your country's judicial system. Be sure to answer the following questions:

The Lebanese judiciary system is structured in a way that makes it comparable to the existing systems in Western civil law countries.

Justice is secured at two levels by the First Degree Courts and Courts of Appeal. A last resort is the Court of Cassation (Supreme Court) sitting in Beirut, comprising of several chambers and one plenary assembly.

Disputes can be resolved abroad, if the parties choose to submit the dispute to a foreign court. The parties can freely chose the applicable law except for commercial agencies that should be governed by Lebanese law and submitted to the Lebanese courts as per Decree-law no 34/67 of August 5, 1967 governing commercial agencies in Lebanon.

Alternative methods of dispute resolution are permitted: disputes resulting from the execution or interpretation of civil or commercial contracts can be submitted by the parties to arbitration. The arbitration clause must be stipulated in the contract or in an addendum.

The period of time necessary to resolve disputes depends on each case. It is generally perceived as a lengthy procedure.

As to the enforcement of foreign judgments, a judgment delivered by a foreign court can be enforced in Lebanon through an enforcement order (*exequatur*) issued by the Lebanese relevant court. The enforcement application is submitted to the Court of Appeal of Beirut and is granted to foreign judgments subject to specific conditions. There is no review of the merits in the context of such procedure.

Courts are organized according to the subject matter of the case. A commercial matter will be submitted to the court sitting in commercial matters. There are special courts such as military courts that deal with military issues, and religious courts that deal with family law matters in accordance with the relevant religious laws. Inheritance matters for non-Muslims are governed by civil laws and settled by civil courts.

There are no different legal systems within the country or its political subdivisions, except for inheritance and family law matters that are governed by different laws according to the religious affiliation of the person concerned.

4. Explain your country's legislative system.

Laws are enacted by Parliament; bills may be drafted by the Council of Ministers. They are then proposed to the Parliament to be voted. Parliament may enable the Council of Ministers to enact Decree-Laws in particular matters for a determined period of time.

D. Environmental Considerations

Lebanon's environmental regulations are relatively recent. The Ministry of Environment (<http://www.moe.gov.lb/>) was established by Law no. 216 of April 2, 1993. Such law was later replaced by Law no. 690 of August 26, 2005 that redefined the role and organization of the Ministry. The Ministry of Environment's general duties are to formulate a general environmental policy and propose measures for its implementation in coordination with the various concerned government administrations, to protect the natural and man-made environments in the interests of public health and welfare, and to fight pollution by taking preventive and remedial action. The ultimate long-term objectives of the Ministry are the following:

- Prepare the appropriate legislative framework to enforce environmental practices.**
- Initiate working plans and programs setting the accurate indicators and standards in environmentally-affected sectors (private and public).**
- Launching public awareness campaigns through core academic curricula and through the different audio-visual media.**
- Impose application of Environmental Impact Assessment (EIA) on vital developmental projects, and substitute problematic plans with environmentally friendly ones.**
- Empower local NGOs' role in the civil society.**

A number of laws, decrees, and ministerial decisions govern environmental matters. A framework law for the protection of the environment was adopted in 1988 and amended in 2002 (Law 444 of July 29, 2002), which defines the basis and norms for environmental protection – notably for water, soil, use of chemicals and resource management – as well as institutional, administrative and technical aspects.

On April 4, 2017, Lebanon Environment Minister introduced new regulations for birds hunting.

Lebanon has signed and/or ratified the following international conventions, treaties and protocols:

2014	Accession to the Barcelona Convention Protocol on Integrated Coastal Zone Management in the Mediterranean (ICZM) (1995).
2014	2002 Emergency Protocol of the Barcelona Convention.
2013	The International Convention on Civil Liability for Bunker Oil Pollution Damage (BUNKER).
2011	The International Convention on Civil Liability for Bunker Oil Pollution Damage (BUNKER).
2010	The International Convention on the control of harmful anti-fouling systems on ships, 2001.
2009	IMO Ballast Water Management Convention.
2008	Ratification of the amendments made to the Barcelona Convention on the protection from polluting the Mediterranean Sea.
2008	Cartagena Protocol on biosafety.
2006	The Kyoto Protocol of the United Nations Framework Convention on Climate Change.
2006	Rotterdam Convention on the prior informed consent procedure for certain hazardous chemicals and pesticides in international trade.
2005	International Convention on Oil Pollution Preparedness, Response and Cooperation (OPRC).
2004	1992 Protocol which amends the International Convention on Civil Liability for oil pollution damage (CLC) (1969).
2004	The conservation of Cetaceans in the Black Sea, Mediterranean Sea and contiguous Atlantic-ACCOBAMS.
2002	Agreement on the conservation of African-Eurasian Migratory water Birds (AEWA)
2002	Stockholm Convention on Persistent Organic pollutants for adoption by the conference of plenipotentiaries.
1999	Convention on Wetlands of International Importance especially as Waterfowl Habitat.-Ramsar.
1999	Convention on non-navigational watercourses uses.

1999	Copenhagers amendment to the Montreal Protocol on Substances that deplete_ the ozone layer.
1996	Convention on Nuclear Safety.
1995	United Nations Convention to Combat Desertification.-Paris.
1994	Protocol for the Protection of the Mediterranean sea against Pollution from Land-Based sources.
1994	Protocol for specially protected areas.
1994	International Convention relating to the limitation of the liability of owners of Sea-Going ships and Protocol.
1994	United Nations Convention on the Law of the Sea (UNCLOS).
1994	United Nations Framework Convention on Climate change (UNFCCC) treaty- Rio de Janeiro.
1994	Convention on Biological Diversity (CBD).
1994	Basel Convention on the control of trans boundary movements of hazardous wastes and their disposal.
1993	Monteral Protocol: a protocol to Vienna Convention.
1993	Vienna Convention for the protection of the zone layer.
1992	United Nations Framework Convention on Climate Change.-Rio de Janeiro.
1992	Convention on Biological Diversity.-Rio de Janeiro.
1992	Amendment to the Montreal Protocol on Substances that deplete the Ozone Layer.-Copenhagen.
1990	Amendment to the Montreal Protocol on Substances that deplete the Ozone Layer.-London.
1989	Basel Convention on the Control of Transboudary Movements of Hazardous Wastes and their Disposal.-Basel.
1987	Montreal Protocol on Substances that deplete the Ozone Layer.-Montreal.
1985	Vienna Convention for the Protection of the Ozone Layer.-Vienna.
1983	MARPOL convention also known as the “Marine Pollution Convention”, and its annexes.
1982	Protocol Concerning Mediterranean Specially Protected Areas.
1980	Protocol for the Protection of the Mediterranean Sea against Pollution from Land-based Sources.-Athens.
1976	Convention on the Prohibition of Military or any other hostile use of Environmental Modification Techniques.-Geneva.
1976	Protocol Concerning Co-operation in Combating Pollution of the Mediterranean Sea by Oil and Other Harmful Substances in Cases of Emergency.-Barcelona.

1976	Convention for the Protection of the Mediterranean Sea against Pollution.-Barcelona.
1976	Protocol for the Prevention and Elimination of Pollution of the Mediterranean Sea by Dumping from Ships and Aircraft.-Barcelona.
1973	International Convention for the Prevention of Pollution from Ships.-London.
1972	Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter.-London-Mexico city-Moscow-Washington.
1971	Treaty on the Prohibition of the Emplacement of Nuclear Weapons and other Weapons of Mass Destruction on the Seabed and the Ocean floor and in the Subsoil.-London-Moscow-Washington.
1969	International Convention relating to Intervention on the High Seas in cases of Oil Pollution Casualties.-Brussels.
1969	International Convention on Civil Liability for Oil Pollution Damage.-Brussels.
1954	International Convention for the Prevention of Pollution of the Sea by Oil.-London.

Lebanon has issued the following national Laws related to the Environment Protection:

2014	Lawyers and investigation judges for environmental related cases.
2014	Amendments to 2012 Integrated Solid Waste Management principles and guidelines.
2014	Mechanism to submit and review the projects submitted pertaining to national mitigation actions to combat climate change.
2013	Petroleum Activities Regulations (PAR)
2013	Guidelines for submitting information on greenhouse gas emissions by the companies and industrial and commercial institutions in order to obtain a declaration from the Ministry of Environment.
2013	Procedures for payment of fees related to EIA and IEE reports.
2012	Establishing an Environmental Prosecutor.
2012	Strategic Environmental Assessment in the Public sector.
2012	Environmental compliance standards for industrial establishments.
2012	Environmental Impact Assessment.
2012	Lebanese Petroleum Administration (LPA)
2012	Formation of the Environmental National Council and the identification of its functions and organization.
2012	Integrated Solid Waste Management principles and guidelines.
2012	Protection of Air Quality.
2012	Mechanism to review the initial environmental examination report.
2012	Mechanism to review the EIA scoping reports and environmental impact assessment reports EIA.

2011	Amendment of two specifications of liquid waste generated by the chemical companies to discharged into the sea.
2011	Prevention to import all kinds of good of Japanese origin or imported from Japan without a certificate of examination from an internationally- accredited laboratory to prove that they are not polluted by any nuclear radiation.
2011	Periodic report for the treatment of hazardous and infectious medical waste.
2010	Offshore Petroleum Resources Law.
2009	Organization and mandates of the Ministry of Environment.
2009	National Land Use Master Plan.
2009	Control of materials that depletes of the Ozone layer.
2009	Related to the mechanism for submitting the applications (علم وخبر) for exploration and licensing for drilling wells.
2005	Organization of the Ministry of Environment.
2005	Determination of the environmental conditions in respect to the licensing for the establishment and/or investment in small-sized wastewater treatment plants.
2005	Establishment of the Committee for field emergencies for energy issues and aquatic resources.
2004	Types of wastes of health institutions and how to discharge them.
2003	Monitoring of industrial institutions.
2002	Environmental Protection Law – Draft amendments of article 32.
2002	Types of wastes of health institutions and how to discharge them.
2001	Classification of industrial institutions.
2001	National Standards for Environmental Quality (NSEQ) related to air contaminants and liquid waste emitted from classified establishments into receiving water bodies.
1999	Permissible standards for drinking water.
1997	Regulation of the import of wastes and the amendment of Decisions No. 22/1 of 1996.
1996	National standards for environmental quality and environmental limit values for air, noise water and soil, Amended by MoE Decision 8/1/2001.
1994	General regulatory requirements for storage tanks transport tankers and distribution stations of petroleum products.
1988	Preservation of the environment against pollution from dangerous waste and hazardous substances.

III. INVESTMENT INCENTIVES

A. Explain any export incentives or guarantees. Be sure to answer the following questions:

- Are there tax incentives for exports?

No.

- If so, are they limited to certain types of products?

N/A.

- Is export financing available from government or private sources?

N/A.

- If so, what forms of financing or guarantees are available?

N/A.

- Is there any governmental insurance for exports?

No.

- Must a national be a participant in the enterprise in order for the investor to benefit from these incentives?

N/A.

B. Explain any grants, subsidies or funds your country offers foreign investors. Be sure to answer the following questions:

- Are grants and subsidies restricted by the type of activity?

Touristic, agricultural and industrial enterprises carrying out projects in Lebanon can benefit from State subsidy, through the Central Bank of Lebanon, on the interest of the loans granted by banks operating in Lebanon, according to certain eligibility criteria, as per the Central Bank basic circular no. 80 dated 2 January 2001.

Small and medium sized enterprises (SMEs) operating throughout Lebanon in the industry, agriculture, tourism, traditional crafts and high technology sectors may obtain guarantees to the loans granted by banks operating in Lebanon from Kafalat SAL, a Lebanese financial company established by the Lebanese government. Kafalat SAL is owned by the National Institute for the Guarantee of Deposits (75%) and by fifty Lebanese banks (25%). Kafalat guaranteed loans benefit from interest rate subsidies financed by the Lebanese Treasury and administered by the Central Bank of Lebanon.

- What is the process for obtaining approval for these grants or subsidies?

Submit an application with the necessary supporting documents to the bank granting the loan and/or to Kafalat SAL.

- How long does it take to receive approval?

Once the application is received along with the necessary supporting documents evidencing that the applicant meets the necessary requirements, the decision process to approve or reject an application takes up to four weeks.

- Can the investor receive loans from the government or governmental agencies?

No.

- Must a national be a participant in the enterprise in order for the investor to receive these grants or subsidies?

The investor must be established and operating in Lebanon.

If the investor is a limited liability company, all the partners may be foreigners.

If the investor is a joint stock company, the majority of the members of its Board of Directors must be Lebanese.

However, if the investment project is governed by the Investment Development Law no. 360 dated August 16, 2001 as amended (regulating investment promotion of domestic and foreign entities and aiming at encouraging Lebanon's economic and social development as well as enhancing its competitiveness), then the joint stock company may be granted a special exemption from the above requirement by a decision of the Investment Development Authority in Lebanon "IDAL" provided specific requirements are met (Article 17-4 of the said Law).

C. Explain any national tax incentives for foreign investors. Be sure to answer the following questions:

- Are the incentives restricted by the type of activity?

Tax incentives are granted by the Investment Development Law no. 360 dated August 16, 2001 as amended. They are restricted to projects in the industry, agriculture, agro-processing, tourism, information technology, communications and media sectors.

- Are the incentives restricted by the duration of the activity?

The incentives are granted in light of several factors, including the project's duration.

- What is the process of application?

The process of application consists of submitting an application with the necessary supporting documents to IDAL who will evaluate the project and decide whether to grant the incentives available.

D. Explain any regional tax incentives open to foreign investors. Be sure to answer the following questions:

- Are there tax incentives for the investor that exist only in certain regions of the country?

The Investment Development Law no. 360 dated August 16, 2001 divided Lebanon into three investment zones (A, B and C). The incentives for investment projects will be based on the categorization of the project within a particular investment zone.

- Does the investor need to receive approval to be eligible for these incentives?

Yes, from IDAL.

- Are the incentives restricted by the type of activity?

The Investment Development Law no. 360 grants incentives to industry, agriculture, agro-processing, tourism, information technology, communications and media projects.

- Are the incentives restricted by the duration of the activity?

The incentives are granted in light of several factors, including the project's duration.

- What does the process of application involve?

The process of application involves submitting an application with the necessary supporting documents to IDAL who will evaluate the project and decide whether to grant the incentives available.

IV. FINANCIAL FACILITIES

1. Banking/Financial Facilities

- What kind of financial institutions exist?

- **Commercial banks**

- **Private banks (investment banks and long and short term credit banks) such as *Banque de l'Habitat SAL* (the housing bank)**

- **Branches of foreign banks**

- **Foreign banks' representative office**

- **Financial institutions**

- **Financial institution established by the Lebanese government (Kafalat)**

- **Branches of foreign financial institutions**

- **Leasing companies**

- **Brokerage firms**

- **Branches of foreign brokerage firms**

- **Money dealers**

- Must the investor maintain a bank account in the country?

No.

- What are the requirements for opening a bank account?

The requirements for opening a bank account are mainly the personal information (identity and address), evidence of the source of money and identification of the economical beneficiary, in accordance with applicable laws and regulations on fighting money laundering, mainly Law no. 318 dated 20 April 2001.

Lebanon is one of the countries in the world with banking secrecy laws, which were created to further strengthen the financial systems in the country.

Under the laws, no person or group has the right to disclose the bank account details of any depositor.

However, Lebanon has agreed to lift banking secrecy if a depositor is suspected of money laundering or terrorist funding, or if the account holder is a U.S. citizen.

Under Foreign Account Tax Compliance Act (FATCA), the Lebanese banks request that any depositor holding a U.S. passport or a Green Card sign a memo that authorizes the lender to send the details of his or her account to the financial authorities in the United States.

The Law No. 43 of 24 November 2015 on the obligation for banks and financial institutions to exchange tax information was enacted in the context of compliance with FATCA regulations.

In 2016 Lebanon joined the Global Forum on Transparency and the Automatic Exchange of Information (AEOI) for tax purposes, committing to implement a series of regulatory reforms to better comply with the Common Reporting Standards of OECD.

- What are the restrictions, if any, on the investor's use of the account?

There are no particular restrictions on the investor's use of the account except for compliance with the laws and regulations on fighting money laundering, mainly Law no. 318 dated April 20, 2001.

- What is the type of financial system in the country?

The financial system is liberal with free transfer and exchange of money.

- How is the banking system structured?

There are local banks and financial institutions and branches of foreign banks and financial institutions. The Central Bank of Lebanon grants licenses for the establishment of banks and financial institutions and the Banking Control Commission controls and supervises such institutions.

- Is there a stock market?

Yes, the Beirut Stock Exchange.

- Can the investor receive bank loans?

Yes.

V. EXCHANGE CONTROLS

1. Business Transactions with Nationals, Residents or Non-Residents

- How are nationals, residents and non-residents defined?

There is no legal definition. Nationals may be defined as the persons who hold the Lebanese citizenship. Residents are persons having a permanent address in Lebanon.

- Are there restrictions on conducting business with nationals, residents or non-residents?

No, except that conducting business with a resident of Israel or an Israeli national is prohibited.

- Are there reporting requirements?

No.

- Can the investor receive loans from nationals, residents or non-residents?

Yes, subject to the prohibition of dealings with Israeli nationals or residents of Israel.

2. Investment Controls

- Are there restrictions on direct investment in the country?

The acquisition of real estate properties in Lebanon by foreigners, whether individuals or legal entities, must be authorized by the Council of Ministers if the total surface area acquired exceeds 3,000 sq. meters within the whole Lebanese territory.

- Are there restrictions on indirect investments in the country? Must the investor make declarations regarding the nature of his investment?

The restrictions on indirect investments are the following:

The majority of the members of the Board of Directors of a joint stock company must be Lebanese.

Companies carrying out commercial representation activities (Decree-Law no. 34 of 5 August 1967) are subject to the following restrictions:

- (a) If the company is a partnership or a limited liability company, the majority of partners must be Lebanese nationals, and they must hold the majority of the company's capital.**
- (b) If the company is a joint stock company, its shares must be in the form of registered shares and the majority of its capital must be held by Lebanese nationals. Also at least two thirds of its Board members must be of Lebanese nationality. In all cases, the management of the company must be entrusted to a Lebanese national.**

Joint stock company carrying out shipping agency activities: Half of its capital must be held by Lebanese nationals. For limited liability companies, 51% of the capital must be held by Lebanese nationals.

Companies wishing to publish political magazines (Law of September 14, 1962 regarding printing matters) are subject to the following restrictions:

- a) For limited liability companies and partnerships, all partners must be Lebanese nationals.**
- b) For partnerships by shares, partners who are personally liable must be Lebanese.**
- c) For joint stock companies, all shares must be held by Lebanese nationals or Lebanese companies.**

Joint stock companies running a public utility must have one third of their capital held by Lebanese nationals.

Investors do not have to make declarations regarding the nature of their investment.

3. Money Transfer

- Is there free determination of exchange rates?

Yes.

- Are there restrictions on the transfer of money into or out of the country?

No, except for compliance with laws and regulations on fighting money laundering (Law no. 318 dated 20 April 2001).

- Are there restrictions on the remittance of profits abroad?

No.

- Are there reporting requirements?

No.

- Can hard currency be taken out of the country?

Yes.

VI. IMPORT/EXPORT REGULATIONS

1. Customs Regulations

- Is the country a member of GATT?

Yes.

- Is the country a member of the EEC?

No. However, on 17 June 2002 Lebanon signed in Luxembourg the EUROMED agreement with the European Union and its members, which was ratified by Law no. 474 dated 12 December 2002.

- Is the country a party to a regional free trade agreement?

In 1997, Lebanon signed the Agreement to Facilitate and Develop Trade among Arab States.

Under such Agreement all imported goods originating from an Arab Country are exempted from customs duties (except for VAT which remain applicable), provided that (i) each item contains clearly a reference to the Arab country of origin (i.e. Made in Egypt, Made in Kuwait, etc.), and that (ii) the goods are directly imported from the country of origin with a certified certificate of origin issued along the form set forth in the above mentioned Agreement, and that (iii) the goods are not imported from / entering through the free zones.

Lebanon has also signed bilateral agreements, such as the liberalization agreement of Lebanese-Syrian trade signed in February 1998 regarding the progressive liberalization of trade between the two countries.

- Does the Customs Department value the goods?

Yes.

- How are goods cleared through customs?

Following the declaration of the goods to Customs, the latter verifies its validity, including the inspection of goods; then, the duties are set in compliance with Customs tariffs or the tariff provided for in applicable laws and regulations. Finally, the duties are paid at the Customs' Treasury against a receipt.

- Are there applicable tariffs?

Yes, in line with the Customs tariffs book.

2. Exports

- Are there restrictions on exports?

In addition to the prohibition of exporting to Israel, Lebanon operates export control on goods on an item by item basis. Some items are prohibited from being exported, such as weapons, ammunitions, narcotics and archeological pieces and currencies, while export of other items is subject to the authorization of designated national authorities. All such items are detailed in a schedule established by the Customs Authorities.

- Are export licenses required?

Export of some items requires prior authorization.

- Are there applicable export duties?

No.

3. Foreign Trade Regulations

- Are there foreign trade regulations on the import or export of goods involved in the business?

Yes.

4. Imports

- Are import licenses required?

Some products require an import license.

- Are there applicable import duties?

Yes.

- Are there applicable import quotas?

No.

- Are there applicable import barriers?

All imports from Israel are prohibited.

The importation of some fruits and vegetables is forbidden in specific seasons and dates to protect local agriculture.

A prior license is required to import certain products, such as ceramic sanitary ware, insulated wire, telephone wire and copper cables.

5. Manufacturing Requirements

- Must the product contain ingredients or components, which are found or produced only in the country?

No.

- Will the importation of certain component parts be permitted only if they are to be ultimately incorporated in a final product?

No.

6. Product Labeling

Are there applicable labeling or packaging requirements (e.g. multi-lingual notices, safety warnings, listing of ingredients, etc.)?

Under Article 7 of the Consumer Protection Law no. 659 issued on 4 February 2005, the only applicable labeling or packaging requirements are as follows:

- **type of goods; It should be mentioned on the package the kind of products included inside the package (i.e. sofa, chairs, table, towels...).**
- **ingredients or composition.**
- **net weight or size or quantity of goods contained therein.**
- **production and expiry dates (shelf life of the goods);**
- **country of origin.**
- **name and addresses of the manufacturer or supplier;**
- **safety warnings and side effects.**

Under Article 9 of the same law, the Arabic language is the labeling language. However, English and the French are accepted, without an Arabic translation.

In practice, the English and the French languages are used and accepted, and they are replacing the Arabic language without any translation into Arabic.

VII. STRUCTURES FOR DOING BUSINESS

1. Governmental Participation

Lebanon enjoys a widely liberal and open legal system for foreign investors, they may freely do business in Lebanon and may own local companies. The government would not seek to participate in the ownership or operation of the entity, and there are no restrictions on capitalization.

2. Joint Ventures

Joint ventures are permitted, and they are established by private agreements setting out the rights and obligations of the parties. Deprived of legal entity, the joint venture is not submitted to the incorporation or publication formalities. Consequently, each partner dealing with a third party is considered to be dealing in his own name and for his account. Such partner is therefore personally responsible for the company's debts.

There is no obligation for a national to be a participant, manager or director and there are no restrictions on capitalization.

3. Limited Liability Companies

Limited liability companies are regulated by Decree no. 35 dated 5 August 1967. Like other companies incorporated in Lebanon, it is registered at the Commercial Register of the region where the company's head office is located. Registration should take place within one month of the company's formation. The company must have at least three members.

The registration procedure takes approximately three days.

There is no obligation for a national to be participant, manager or director. There are no restrictions on capitalization but the limited liability company must have a minimum capital of LL 5,000,000 (approximately US \$ 3,334) and it cannot be involved in operations of insurance, airlines, transport, banking and investment of funds and local legislation prohibits the limited liability company from issuing negotiable or registered certificates or transferable securities, stocks, bonds or shares.

The limited liability company is subject to the corporation's income tax at the fixed rate of 17% of net profits and to a withholding tax on dividends of 10%. Expenses and charges as expressly defined by the law are tax deductible. The 17% rate is cut down to half for the tax levied on revenues earned by companies when they are generated from the construction or development of buildings or housing units for sale to the public.

- **Incorporation documents:**

- The Articles of Association signed by the founders before a notary public or before the Head of the Commercial Register.
- An application addressed to the bank concerning the consignment of the capital.
- A certificate of the deposit issued by the bank.
- A registration application.
- A certificate of registration.
- A commercial circular.
- An application addressed to the bank concerning the release of the capital.
- An application for the appointment of an additional auditor (if the capital exceeds LL 30,000,000).
- An application addressed to the Ministry of Finance to give notice of the commencement of business.

- **Costs and fees:**

For a capital of LL 5,000,000 (approximately US \$ 3,334), which is the minimum capital:

- Lump sum stamp duty for the Articles of Association: LL 750,000 (approximately US \$ 500)
- Stamp duty in relation to the company's capital: 4 per mil of the capital's value equivalent to LL 20,000 (approximately US\$ 14).
- Magistrate Mutual Fund duties: (i) fixed fees: LL 375,000 (approximately US\$ 250), (ii) proportional fee of 1.5 per mil of the capital's value equivalent to LL 7,500 (approximately US\$ 5).
- Beirut Bar duties: 1 per mil of the capital equivalent to LL 5,000 (approximately US\$ 4).

- Notary Public duties: 1 per mil of the capital equivalent to LL 5,000 (approximately US\$ 4).

In addition to (i) the Notary's fees equivalent to LL 600,000 (approximately US\$ 400), (ii) LL 8,500 fee for each page of the Articles of Association (number of pages x LL 8,500), (iii) LL 50,000 for the Treasury.

- Stamps:

LL 2,000 for each original document.

LL 1,000 for each duplicate.

LL 20,000 for each original signed Articles of Association.

LL 10,000 for the Articles of Association copies.

- Registration fees of the power of attorney at the Beirut Bar: LL 150,000.

-The attorney's fees range between US \$ 1,500 and US \$ 3,000 depending on the firm.

4. Liability Companies, Unlimited

- The limited liability company (SARL) in which the partners are liable for losses to the extent of their contribution to the capital.
- There are two forms of unlimited liability companies. They will be dealt with under general and limited partnerships.
- There is another form of limited liability companies: the joint stock company (Société Anonyme).

Joint stock companies (Société Anonyme):

- Incorporation documents:
 - The Articles of Association signed by the founders before a notary public.
 - An application addressed to the local bank concerning the consignment of the capital (the minimum capital is LBP 30,000,000).
 - A certificate of the deposit issued by the bank evidencing the deposit of the capital.
 - A registration application.

- **A certificate of registration.**
- **A commercial circular.**
- **Minutes of the General Constitutive Meeting.**
- **Minutes of the first Board of Directors.**
- **An application addressed to the bank concerning the release of the capital.**
- **An application for the appointment of an additional.**
- **An application addressed to the Ministry of Finance to give notice of the commencement of business.**

Costs and fees:

For the minimum capital of LL 30,000,000 (approximately US \$ 20,000):

- **Lump sum stamp duty in relation to the Articles of Association: LL 1,000,000 (approximately US\$ 665).**
- **Stamp duty in relation to the Capital: 4 per mil of the Capital's value equivalent to LL 120,000 (approximately US\$ 80).**
- **Magistrate Mutual Fund duties: (i) fixed fees: LL 550,000 (approximately US\$ 365), (ii) proportional fee of 1,5 per mil of the Capital's value equivalent to LL 45,000 (approximately US\$ 30).**
- **Beirut Bar duties: 1 per mil of the Capital equivalent to LL 30,000 (approximately US\$ 20).**
- **Notary Public duties: 1 per mil of the Capital equivalent to LL 30,000 (approximately US\$ 20).**

In addition to (i) the Notary's fees equivalent to LL 600,000 (approximately US\$ 400), (ii) LL 8,500 fee for each page of the Articles of Association (number of pages x LL 8,500), (iii) LL 50,000 for the Treasury.

- Stamps:

LL 2,000 for each original document.

LL 1,000 for each duplicate.

LL 20,000 for each original signed Articles of Association.

LL 10,000 for the Articles of Association copies.

- Registration fees of the power of attorney at the Beirut Bar: LL 150,000.

The attorney's fees range between US \$ 1,500 and US \$ 3,000 depending on the firm.

The registration procedure does not take more than three days.

One third of joint stock companies' capital whose object is the operation of a public utility must be made up of registered shares held by Lebanese shareholders.

In joint stock companies, the majority of Board members must be Lebanese.

The joint stock company is subject to the corporation's income tax at the fixed rate of 17% of net profits and to a withholding tax on dividends of 10%.

5. Partnerships, General or Limited

Partnerships are permitted and there is no obligation for a national to be a partner.

Costs and fees involved:

- Notary fees: 2‰ (two per mil) of the capital plus a fixed fee that should not exceed US \$ 300.

- Incorporation fees: LL 1,000,000 (approximately US \$ 665).

At the Commercial Register:

- A fixed fee of LL 750,000 (approximately US \$ 500).

- Stamp duty fee: 4‰ (four per mil) of the capital.

- The judges' mutual fund: LL 375,000 (approximately US \$ 250) + 1.5‰ (one and a half per mil) of the capital.

The general partnership (*société en nom collectif*, SNC) consists of two or more partners who are jointly responsible for the company's debts and obligations.

Every partner is personally liable for the partnership's debts. Such liability is joint and several and consequently can be enforced against both the partnership's assets and the assets of the individual partners.

Limited partnership (*société en commandite simple*, SCS) consists of two or more people divided into two categories: the general partner, who is deemed to be a trader and is entitled to take part in the management of the business and is personally liable for the debts and obligations of the SCS.

The limited partner is not deemed to be a trader and is not liable for the debts of the SCS beyond his contribution.

Each partner is subject to individual income tax. The actual income is subject to taxation after applying an allowance of LL 7,500,000 for individuals, a supplementary tax allowance of LL 2,500,000 for married taxpayers, and LL 500,000 per legitimate dependent child. The child dependency exemption is reduced by half in case the taxpayer's spouse is working.

6. Partnerships, Undisclosed

Undisclosed partnerships are in the form of “société en participation”. Please refer to the information provided in relation to joint ventures.

7. Sole Proprietorships

There are no single shareholder companies. Sole proprietorships are in the form of commercial establishments (“fonds de commerce”). The owner must register as a trader at the relevant Register of Commerce and register his business. The owner continues to be taxed on his personal income. There is no capitalization.

8. Subsidiaries/Branches/Representative Offices

A foreign company may constitute or establish a branch or an office to carry out the activities of its parent company. According to Decree no. 16 dated January 30, 1926, and amended by Law no. 4180 which was issued on March 7, 1980, a statement must be filed with the Ministry of Commerce and Economy before the company can open one or more branches in Lebanon.

Registration takes one month at most and the costs involved are LL 1,800,000 (approximately US \$ 1,200). Additional registration fees are payable at the Registry of Commerce in the amount of approximately LL 1,500,000 (US \$ 1,000).

The local branch may carry out all the activities of the parent company, except for restricted activities such as commercial agency activities.

Representative Offices cannot carry out business. They must restrict their activities to marketing researches and promotion.

There is no obligation for a national to be a participant, manager or director and there are no restrictions on capitalization.

Branches and Lebanese subsidiaries of foreign companies are subject to taxation under the same conditions as Lebanese companies. Regarding local branches, the tax authorities deems that all amounts transferred to the head office by the local branch are distributed profits and thus subject to the 10% tax (subject to double taxation treaties).

9. Trusts and Other Fiduciary Entities

Trusts are not recognized by Lebanese law.

Law no. 520 dated 6 June 1996 entitled “Development of the Financial Market and Fiduciary Contracts” recognized banks, financial establishments and other establishments authorized by the Central Bank to act as fiduciary agents.

The transfer of assets to a fiduciary agent is a transfer of the assets’ property to the fiduciary agent who must hold the fiduciary assets distinctly from his personal assets. The investor can be the grantor or the beneficiary.

VIII. REQUIREMENTS FOR THE ESTABLISHMENT OF A BUSINESS

1. Alien Business Law

- Is the business subject to any alien business law?

No.

2. Antitrust Laws

- Do the entity's operations comply with anti-trust laws?
- Are there filing requirements?

There are no antitrust laws.

3. Government Approvals

- Are government approvals required for the anticipated business?

No, subject to prior licensing for specific activities such as banking, insurance, tourism activities, and other regulated businesses such as restaurants.

- If so, how long does this process take?

It depends upon the business involved.

- What fees are involved?

Fees involved depend on the nature of the activity.

4. Insurance

- Must the enterprise carry insurance?

The enterprise must not carry insurance.

- Is there a state monopoly on insurance?

There is no State monopoly on insurance.

6. Licenses/Permits

- Are licenses or permits required for the anticipated activity?

Activities like insurance, banking and financial activities require licenses.

- If so, how does the investor apply for and receive the necessary license or permit?

The investor has to apply to the concerned Ministry or authority and supply the documents and information required to obtain the permit.

- How long does it take to receive the license or permit?

It depends on the nature of the activity and the authority concerned.

IX. OPERATION OF THE BUSINESS

1. Advertising

- Are there restrictions on advertising?

Advertising in Lebanon is subject to licensing and control.

2. Attorneys

- Is it necessary to have local counsel?

Limited liability companies and joint stock companies must have a legal counsel.

- How can local counsel be found?

The attorney can be found through the Bar or through the listings of foreign embassies in Lebanon.

-How much are attorneys fees?

The Beirut Bar recommends minimum yearly retainer fees of nine million Lebanese pounds (approximately US \$ 6,000).

3. Bookkeeping Requirements

- Must the investor keep local books of accounts?

Yes, the investor must keep local books of accounts.

- In what form must the investor keep accounts (e.g. GAP, in what language, etc.)?

Accounts must be kept in line with local accounting standards and International Accounting Standards.

Accounting books/records and accounting documents can be in Arabic, French or English.

4. Business Ethics/Codes

- Are there certain business ethics or codes which the investor must follow (e.g. GAAP for accountants, etc.)?

No.

5. Consumer Protection Laws

- Are there consumer protection laws which apply to the investor's operations?

Yes there is a Consumer Protection Law number 659 issued on February 4, 2005, and that became effective on May 10, 2005.

6. Construction

- Are permits required for construction?

All new constructions, renovations, reconstructions, restoration works of any kind in any property are subject to a building permit.

- How is authorization to construct obtained?

Building permits are granted as per applicable laws and specific rules notably those related to urbanism and public safety.

Building permits applications are submitted along specific forms set by the Order of Engineers and Architects, registered with said Order by the responsible engineer and then filed by the engineer at the relevant Urbanism Bureau that studies the application with its enclosures, conducts the necessary survey and calculates the relevant building permit's fees. Afterwards, the file is transferred to the appropriate Municipality and the permit is issued by the Head of the Municipality after payment of the relevant fees.

In areas where there is no municipality, the Urbanism Bureau transfers the file to the Mohafazat or Caemakamiah (heads of administrative regions) to have the building permit issued by the Mohafez or Caemakam.

In Beirut and Tripoli, there are no Urbanism Bureaus, and the building permit's application is filed to the Municipality, transferred to the ad hoc Technical Bureau at the Municipality and the permit is issued by the Head of the Municipality.

- How long does it take to receive authorization?

The relevant Urbanism Bureau should study the file and grant the preliminary approval or motivated refusal within the following deadlines:

- **Two months as of the registration date of the relevant application, if the plot is located on the side of a road or on any of the sides of an approved planning.**
- **Or within six months as of the registration date of the relevant application if the plot is subject to a planning, is adjacent to a planning project, or if the building permit application involves the consultation of the High Council of Urbanism or other public authorities such as the General Directorate for Archeology or the General Directorate for Civil Aviation.**
- **Other public authorities, such as the Civil Defense, Electricité du Liban (power public agency), should also give their approval or motivated refusal within fifteen days as of the date a relevant demand is transferred to them by the Urbanism Bureau, otherwise they would be deemed as having impliedly given their approval.**
- **Then, the relevant Urbanism Bureau should (i) give its final approval within the above time frames, (ii) advise the applicant, and (iii) transfer the file after calculating the fees to the Municipality, the Mohafaza or the Caëmakamiah as the case may be, to have the building permit issued by the Head of the Municipality, the Mohafez or the Caëmakam, after payment of the fees.**

- What fees are involved?

A fee schedule for the permit to start construction works from the Order of Architects and Engineers has been implemented in Beirut since 2010 and amended in 2017 as follows:

- **For the surface area between 1 and 3,000 sq. m., the cost is LBP 1,500.00 per sq. m.**
- **For the surface area between 3,001 and 6,000 sq. m., the fee is LBP 3,000.00 per sq. m.**
- **For the surface area between 6,001 and 10,000 sq. m., the fee is LBP 4,500.00 per sq. m.**
- **Above 10,000 sq. m., the fee is LBP 6,000.00 per sq. m.**

in addition to a lump sum of LBP 15,000 for each registered application.

- **The fees paid to the Municipality are:**
 - **1.5% of the purchase price for each square meter of land, if such price does not exceed LL 25,000, equivalent approximately to US \$ 17.**
 - **2% of the purchase price for each square meter of land if such price ranges between LL 25,000 and LL 100,000, or US\$ 17 and US\$ 67.**
 - **1% of the purchase price for each square meter of land exceeding LL 100,000, or US\$ 67**
 - **A premium equivalent to 10% of the above fees is allocated to public projects such as the National Museum (5%), public parks and gardens, and public toilets (5%).**
 - **A premium equivalent to 5 % of the above building permit fees is paid for the use of municipal public domains.**
 - **Moreover, a 0.5% tax of the purchase price for each square meter of land is levied to establish sewers and sidewalks.**
 - **In addition, the following stamp duties are due:**
 - **2,000 L.L for each square meter for each floor provided it does not exceed LL 250,000 (approximately US \$ 165) for each floor.**
 - **1,000 L.L for each square meter for each floor section provided it does not exceed LL 100,000 (approximately US \$ 67) for each floor section.**

Fees paid to the Order of Architects and Engineers:

- **5% of the building permit's fees paid to the Municipality.**

7. Contracts

- Can the investor freely enter into local contracts?

Yes, the investor can freely enter into local contracts.

- Can the contracts be governed by the law of another country?

Yes, contracts can be governed by the law of another country, but employment contracts should be mandatorily governed by the Lebanese law.

Moreover, the parties to an agency/exclusive distribution agreement cannot submit their contract to a foreign law to govern matters specifically regulated by the Decree-Law 34/67 of August 5, 1967 governing commercial agencies in Lebanon which are considered of public policy such as the provisions governing the termination and non-renewal compensation.

8. Price Controls

- Are there applicable price controls?

Generally not, but pursuant to article 7 of Decree law n° 73 dated September 9, 1983 related to the purchase and trading of goods and products, for the sale of goods and products for which a maximum sale price or profit applies, the sale price may not exceed double the cost price.

Moreover, there are price controls mechanisms pursuant to anti-dumping laws, anti-fraud regulations, and in relation to some food items.

9. Reduction or Return on Capital

- Can capital be repatriated while the corporation is still ongoing?

Yes, subject to the capitalization and reserve requirements applicable to specific businesses such as insurers, banks and financial services companies.

10. Sale of Goods

- Are there restrictions on the manner, time or place of sale of goods?

There are no restrictions as such, but the manner, time or place of sales are regulated by different laws and organized by the Ministry of Economy and Trade.

11. Trade Associations

- Are there trade associations the investor can or must join?

There are no trade associations that the investor must join, but he can join the Chamber of Commerce and Industry.

- If so, are there fees involved?

The fees are approximately 700,000 LBP.

- Are there mandatory trade practices?

There are no mandatory trade practices.

X. CESSATION OR TERMINATION OF BUSINESS

1. Termination

- What are the tax consequences of terminating the business?

All taxes due by the business must be paid upon termination.

- What costs are involved in termination?

Costs involved in termination depend on the form of the company and amount of the capital and the size of the business.

- How long does it take to terminate the business?

The duration depends on the complexity of the procedure regarding the form and size of the business.

- How is the investor's particular form of business treated in termination?

The procedure of termination is the same in principle, but in practice its length and complexity depend on the investor's particular form of business.

- Can the business be terminated without government approval or intervention?

Yes, the business can be terminated without government approval or intervention save for some kind of activities such as insurance, banking and other legal entities listed at the Central Bank such as financial institutions and brokerage firms.

- What are the obligations toward creditors, employees and others upon termination?

Upon termination, creditors must be paid back and employees must receive all their dues and compensation. In this respect, employees' end of service indemnity is payable to them by the National Social Security Fund to whom the employer paid the relevant contributions for each employee during his employment period.

- What are the tax consequences of termination?

There are no specific tax consequences except that all taxes that are due by the business must be paid upon termination.

2. Insolvency/Bankruptcy

- What is the extent of the investor's liability in the event of insolvency or bankruptcy?

The extent of the investor's liability in the event of insolvency or bankruptcy depends on the form of the company: if it is a partnership, he will be responsible on his personal assets; if it is a joint stock company or a limited liability company, he would not be responsible beyond his contribution to the capital.

XI. LABOR LEGISLATION, RELATION, AND SUPPLY

1. Employer/Employee Relations

- What laws govern employer/employee relations?

The laws that govern the employer/employee relations are mainly the Labor Code of September 23, 1946 and the Social Security Law issued by decree no. 13955 of September 26, 1963, in addition to the Occupational Accidents Decree-Law no. 136 dated September 16, 1983.

- Are there obligations to train employees?

The employer has the obligation to train employees to the profession, art or craft work they were hired for. At the end of the training, a certificate of competence is delivered to the employee. Such obligation is not strictly implemented in practice.

2. Employment Regulations

- Must the investor hire nationals of the country?

Pursuant to Decision no. 94/1 of the Minister of Labor on May 24, 2008, certain employees' positions are reserved to Lebanese nationals and therefore no work permits are granted to foreign employees for such positions.

These positions relate to administrative and banking occupations and include managerial positions, sales and marketing representatives, business consultants, computer operators and engineers, nursing and other jobs, unless the foreign employee's specialization or expertise is not available locally, in which case he would be granted a work permit subject to certain conditions (such as publishing a job offer in local newspapers).

In addition, these restrictions do not apply to (i) foreign citizens who have a Lebanese mother or a mother of Lebanese origin or (ii) who have been married to a Lebanese for more than one year or (iii) who are residing in Lebanon since birth (iv) who are managers or representatives of foreign companies registered in Lebanon and provided that the State of which the foreigner is a citizen allows Lebanese to carry out the work the foreigner intends to perform in Lebanon.

Moreover, for each foreign employee, the employer must employ three Lebanese nationals. Such condition is not always strictly applied.

- Is there a minimum wage?

Yes. The minimum wage is fixed by Decree. The Decree no. 7426 of 25 January 2012, has set the monthly minimum wage as of 1st February 2012, at /675,000/ Lebanese pounds and the minimum daily wage at /30,000/ Lebanese pounds.

The statutory minimum wage rate applies to most employees in Lebanon except interns, trainee students and domestic workers.

- Is there a maximum number of hours an employee can work each week?

Under the relevant provisions of the Lebanese Labor Code, the maximum working hours for adults (men and women) is 48 hours per week. This does not include break periods.

The break period consists of an hour of rest for male employees every six hours of work and for females every five hours.

Employees should benefit from a consecutive break period of nine hours for every 24 hours of work. They must also benefit, weekly, from an uninterrupted break of 36 hours.

Moreover, employers can, in certain exceptional circumstances and due to major business requirements, ask their employees to work for a maximum of 10 hours a day, provided the Ministry of Labor is informed within 24 hours.

Overtime hours' salary must exceed by 50% the regular salary. If the employee has to work during the 36 uninterrupted weekly break, he has the right to rest for a similar period. A schedule of working hours should be notified to the Ministry of Labor and displayed at the working place.

Working hours can be increased up to 12 hours a day by decision of the Minister of Economy provided notice is given to Social Affairs Service at the Ministry of Labor within 24 hours (with 50% additional payment per each additional hour).

Annual Leaves:

Every employee is entitled to a fully paid annual leave of 15 working days provided he/she has been employed by the same employer for at least one year.

According to convention no. 52 of the International Labor Organization on paid annual leaves and which has been ratified by the Lebanese authorities, the annual leave must be increased in proportion to the number of years of employment. The Ministry of Labor applies the increased leave as follows:

<u>Period of Employment</u>	<u>Annual leave</u>
From 1 to 5 years	15 working days
From 5 to 10 years	17 working days
From 10 to 15 years	19 working days
Above 15 years	20 working days

Sick Leaves:

Employees who have been working for the same entity for a period exceeding the probation period (three months) are entitled to paid sick leaves as follows:

<u>Employment years</u>	<u>Full salary</u>	<u>and Half salary</u>
3 months to 2 years	½ month	½ month
2 years to 4 years	1 month	1 month
4 years to 6 years	1 ½ month	1 ½ month
6 years to 10 years	2 month	2 month
Above 10 years	2 ½ month	2 ½ month

Sick leave is granted pursuant to a medical report. When the sick leave exceeds one month, the employer is entitled to reduce the employee's annual leave to 8 days instead of 15 days.

Maternity Leave:

Pregnant employees are entitled to a paid leave of ten weeks for delivery, in addition to their annual paid leave.

3. Hiring and Firing Requirements

- Must the investor employ a minimum number of people?

There is no obligation on the employer to employ a minimum number of people.

- Are there rules to follow in hiring/dismissing personnel (e.g. notice)?

According to the Lebanese Labor Code, each of the employers and employees are entitled to terminate the employment contract entered into for an indefinite period of time, provided one gives the other party written notice of termination. The length of notice is specified by law and cannot be reduced. It varies with the length of the duration of employment as follows:

<u>Prior notice</u>	<u>Duration of employment</u>
1 month prior notice	Less than 3 years of employment
2 months prior notice	3 to 6 years of employment
3 months prior notice	6 to 12 years of employment
4 months prior notice	More than 12 years of employment

If the causes of termination are not stated clearly in the notice, the employee is entitled to ask the employer to clarify the reasons for the dismissal. The employer's answer will enable the employee to determine whether to file an unfair dismissal claim or not.

The employer is not bound to have the employee carry on working during the notice period. The only legal obligation on the employer is to pay the applicable wages during that time ("pay in lieu of notice").

Moreover, the termination notice must not be served during the annual leave, the maternity leave, the sick leave and other leaves provided for in the Labor Code, as well as to pregnant employees. This restriction does not apply if the employee is hired by another employer during the said leaves.

Employment contracts entered into for a determined period of time cannot be terminated prior to their expiry date, except by mutual agreement between the employer and the employee, and/or if such early termination is provided for in the contract and along the provisions of such contract.

- Does the investor have a continuing obligation towards dismissed employees?

No, except for the settling all the employees' statutory and contractual entitlements, in addition to the obligation of settling to the National Social Security Fund the balance of contributions due in favor the terminated employee to the End of Service Indemnity Branch at such Fund.

4. Labor Availability

- Is adequate skilled or unskilled labor available for the anticipated business?

Adequate skilled labor is available almost for every kind of business in Lebanon.

5. Labor Permits

- Are labor permits required?

Yes, labor permits are required to enable foreigners to work in Lebanon.

- If so, how are they obtained?

Permits for foreign employees include the following formalities:

a- **A preliminary letter of approval:**

A preliminary letter of approval is to be first delivered to the Minister of Labor, before applying for a work permit. Once this approval is obtained, the foreign employee can apply for a prior authorization.

The following documents must be enclosed to the preliminary letter of approval's request: Copy of the foreigner's passport valid for at least 18 months, copy of the employer's identity card, the incorporation documents of the employer if it is a legal entity, the employee's academic certificate and CV, the registration certificate of the employer if it is a legal entity at the Ministry of Labor, a document signed by the employer in which this latter undertakes to (i) declare and register the employee at the National Social Security Fund and (ii) to enter into an employment contract with the employee pursuant to which the salary and benefits granted to said employee are specifically determined.

b- Prior authorization:

After getting the preliminary letter of approval, the foreign employee must obtain from the Ministry of Labor a prior authorization. An application form signed by the employer should be submitted to the Ministry of Labor along with a bank guarantee from the *Banque de l'Habitat* amounting to LL/1,500,000/ or US \$ 1,000 (the amount of such guarantee is refunded when the work permit is terminated and the employee leaves the country), in addition to other documents similar to the documents submitted for the preliminary letter of approval.

The Ministry of Labor studies the application and decides whether or not to grant the prior authorization. If the area of specialization of the foreign employee can be covered by Lebanese nationals, the prior authorization will not be granted.

c- Labor visa:

Once the prior authorization is obtained, the employer must apply to the *Sûreté Générale* (National Security Authority) for a labor visa to enable the employer to enter the Lebanese territory. Such labor visa is stamped on the employee's passport at the Beirut airport. Specific documents, together with the prior authorization and a notarized undertaking addressed to the *Sûreté Générale* signed in Lebanon by the employer, must be enclosed to the labor visa application.

d- Work permit:

Once the employee enters the Lebanese territory pursuant to the labor visa, the employer must apply for the employee's work permit. Specific documents should be enclosed to the work permit's application such as a notarized employment contract, medical insurance policy, and medical test results.

e- Residency permit:

Once the work permit is obtained, the residency permit is issued by the *Sûreté Générale* subject to the filing by the employers of the relevant application and documentation.

Work and residency permits are granted for a period of one year only and must be renewed yearly.

- How long does the process take?

Generally, the process takes approximately three months.

- What fees are involved?

Governmental fees for obtaining work and residency permits for a foreign employee can be summarized as follows:

- **US \$ 1,000: Bank guarantee.**
- **US \$ 400: Prior authorization fee.**
- **US \$ 150: Labor visa fee.**
- **US \$ 1,200: Work permit fee.**
- **US \$ 1,200: Residency permit fee.**
- **US \$ 200: Insurance policy costs.**
- **US \$ 500: Stamps and sundries.**
- **In addition to 4‰ (four per mil) stamp duty and 2‰ (two per mil) notarization costs including the bar's fees calculated *pro rata* to the salary.**

6. Safety Standards

- Are there safety codes which must be followed?

Yes, Decree no. 11802 dated January 30, 2004 regulates and organizes professional prevention, safety and health. In addition, there are different and multiple safety and prevention rules related to specific types of activities.

7. Unions

- Are unions recognized?

Yes, trade unions are recognized under Lebanese law. They are formed pursuant to a license by the Ministry of Labor.

- What are the unions in the investor's business?

Unions aim at protecting, encouraging and improving the profession, as well as defending the interests of the members.

- What are these unions' political affiliations, if any?

Unions are prohibited from having political affiliations.

- Is there an obligation on the part of the employer to organize unions?

No.

- Are there mandatory collective bargaining agreements for the business involved?

There are collective bargaining agreements in several sectors in Lebanon.

There is no obligation to have such agreements, but once a collective bargaining agreement is made, it can be extended to all the employees of the business by decision of Minister of Labor pursuant to a favorable proposal of the Higher Committee For Collective Bargaining Agreements provided for in the Labor Code. It then becomes mandatory for all the employees and employers of the same sector.

XII. TAX ON CORPORATIONS

1. Allowances

- What are the major deductible items?

The tax applies to the net income; therefore, expenses and charges are deductible from the gross income, such as costs of goods and merchandise, leases of shops and offices, salaries and wages of employees, interest of loans entered for business purposes, etc.

2. Calculation of Taxes

- How is the taxable base determined?

Tax is levied on the net income generated during the previous year. The net income is the whole turnover of the taxpayer after deducting all charges and expenses determined by the law.

There are three tax assessment methods:

- **The actual profit method (mainly for joint stock companies, limited liability companies and partnerships limited by shares).**
- **The lump-sum profit method, and**
- **The estimated profit method.**

3. Capital Gains

- What are the federal or national tax rates on capital gains?

The (national) tax on capital gains (named tax over moveable assets' returns) is: 15%

4. Filing and Payment Requirements

- When must the corporation file its tax return, if any?

For joint stock companies, limited liability companies and partnerships limited by shares (for active partners) the tax return should be filed before the 1st of June of each year. For sleeping partnerships, the tax return is filed before the 1st of April.

- When must the corporation pay its taxes?

The corporation must pay its taxes when filing the tax return.

- Are taxes paid in installments or annually?

The income tax is paid annually.

5. Miscellaneous Taxes Due

- Is there a tax on capital?

Besides the tax on capital gains mentioned under Section XII (3) above, there is no specific tax on the capital of a corporation. There is a 4‰ stamp duty on the capital that applies upon incorporation of a company and its capital increases.

For Holding companies, there is a tax on capital please refer to Section XII(10).

- Are there other taxes?

Companies that are subject to the actual profit method must reassess their fixed assets every five years. In case of betterment, a 10% tax applies.

Also, a 15% betterment tax applies in case of a gain generated from the assignment of a company's fixed assets.

There is also the stamp duty:

On contracts (on each original copy), deeds, undertakings to pay, and other specific documents: 4‰ (four per mil)

On commercial bills: 1.5‰ (1 and a half per mil)

- What are the filing and payment requirements?

The filing is submitted by any representative of the company in question. The calculation of the tax is carried out by a certified accountant.

6. Registration Duties

- Are there registration duties due upon the transfer of the company's shares?

Yes, there are registration duties due upon the transfer of the shares of a limited liability company because the transfer of shares must be done pursuant to a notarized shares transfer agreement that is registered at the Commercial Register, which is not the case for the transfer of shares of a joint stock company.

- Are there registration duties due upon a transfer of corporate assets?

Yes, there are registration duties due if the asset is a property (in such case the conveyance fee is 5%, in addition to other minor costs), in addition to the stamp duty and notarization duties over the relevant transfer contract. Registration duties also apply for certain assets such as vehicles.

7. Sales Tax or Other Turnover Tax

- What is the system of sales tax (e.g. V.A.T., cumulative)?

V.A.T.: Applied as of 1st of February 2002.

- Is input tax creditable against output tax?

Yes.

- What are the tax rates?

VAT is governed by Law no. 379 of December 14, 2001, in addition to several other implementing Decrees and Decisions. The current VAT rate in Lebanon is 11% effective as of January 1st, 2018. In general, all transactions carried out in the Lebanese territory are subject to VAT but certain exemptions do apply. Activities exempted are listed in article 16 of the said law and exempted goods in article 17. The tax is borne by the end-consumer, and the different taxpayers involved in the process of VAT payment and collection effectively act, as tax collectors on behalf of the Ministry of Finance.

There are also other different sales taxes (such as the 5% over food and beverages) that only apply presently to small restaurants and motel businesses that are not subject to VAT due to their small turnover.

- What are the filing and payment requirements?

The tax is calculated at the end of each quarter, and is remitted within 20 days as of the end of the quarter. Tax collected is deducted from tax paid during each quarter. Settlement is made the bank against receipt evidencing payment, copy of which must be sent along with the relevant Tax Return to the VAT Department at the Ministry of Finance

8. Social Security and Welfare System Contributions

- Are social security contributions due?

Yes, social security contributions are due.

- Are retirement or pension contributions due?

There are end-of-service indemnity contributions payable by employers to the National Social Security Fund.

- Are unemployment insurance contributions due?

There is no unemployment insurance.

- What are the filing and payment requirements for any such contribution?

The social security contributions are as follows:

<u>Branches</u>	<u>Employee's Contributions</u>	<u>Employer's Contributions</u>	<u>Capped monthly Salary</u>
Sickness and maternity	3%	8%	LL 1,500,000
Family allowances	0%	6%	LL 1,500,000
End-of-Services	0%	8.5%	Over the full salary, with no cap.

The social security contributions' filing and payment are made quarterly if the number of employees is less than ten and monthly if it exceeds ten.

Foreign employees cannot benefit from allowances of the Social Security Fund unless they hold work and residency permits, and provided their country treats Lebanese employees similarly (rule of reciprocity). As far as we are currently aware, countries which are deemed to implement the reciprocity principle include England, France, Belgium and Italy. Nationals from other foreign countries working in Lebanon should be affiliated to the Social Security Fund and their employer must pay contributions in relation to the sickness and maternity branch and the family allowances branch, even if the employees will not benefit of the Social Security Fund's allowances.

9. Special Tax Schemes

- Are there particular tax consequences of doing business in the country?

No.

10. Tax on Profits

- What are the federal or national income tax rates on profits?

The (national) income tax on profits for corporations (joint stock companies, limited liability companies, including branches of foreign companies, as well as to partnerships limited by shares, for active partners) is 17%.

For sleeping partnerships, the income tax to be paid by the partners is as follows:

<u>Taxable Income</u>	<u>Rate</u>
0 – LL 9,000,000	4%
LL 9,000,000 – LL 24,000,000	7%
LL 24,000,000 – LL 54,000,000	12%
LL 54,000,000 – LL 104,000,000	16%
Above LL 104,000,000	21%

There are special tax exemptions for Offshore and Holding companies, as follows:

Offshore companies are exempted from the tax on profits. They are subject to a LL 1,000,000 lump sum tax. They also benefit from other tax exemptions determined by the relevant regulations that govern such form of companies.

The income tax for Holding companies is as follows:

- **6% on the portion of the Holding company's capital and the reserve funds up to LL 50,000,000.**
- **4% on the portion of the company's capital and the reserve funds falling between LL 50,000,000 and LL 80,000,000.**
- **2% on the portion exceeding LL 80,000,000, provided the overall tax of a Holding company does not exceed LL 5,000,000.**

A Holding company is also subject to specific taxes provided for by the relevant regulations.

11. Tax Treaties

- Are there any applicable tax treaties?

Yes, with Algeria, Armenia, Bahrain, Belarus, Bulgaria, Cuba (not enforced yet), Cyprus, Czech Republic, Egypt, France, Gabon (not enforced yet), Iran, Italy (not enforced yet), Jordan, Kuwait, Malaysia, Malta, Morocco, Pakistan, Poland, Qatar, Romania, Russia, Senegal, Sudan (not enforced yet), Sultanate of Oman, Syria, Tunisia, Turkey, U.A.E. Ukraine and Yemen.

- Are there any rules against treaty-shopping?

No.

12. Territoriality Rules

- Where is the corporation subject to tax?

The corporation is subject to tax on profits generated in Lebanon.

- Is the corporation subject to tax on its worldwide income?

No, however, in practice if a Lebanese corporation carries out activities outside Lebanon (without having a duly registered branch outside Lebanon), it should declare the relevant profits to the Ministry of Finance.

13. Wealth Tax

- Is there an applicable wealth tax?

No.

14. Withholding Taxes

- What are the rates of withholding tax on dividends?

- Dividends: 10%. This tax over dividends of a joint stock company is reduced to 5% in specific cases determined by the Income Tax Law.

Dividends distributed in relation to foreign shares and bonds owned by entities or individuals residing in Lebanon are also subject to a 10% withholding tax.

Foreign corporations having branches in Lebanon are subject to a 10% tax over dividends for profits made in Lebanon. Such 10% applies after deducting the 17% income tax.

Offshore and Holding companies are exempt from tax on dividends' distributions.

- What are the rates of withholding tax on royalties?

Royalties paid to a local joint stock company or to a limited liability company form a part of its income and thus fall under the income tax over the company's net profits, as per the currently applicable instructions of the Ministry of Finance.

Profits generated by Holding companies as a result of leasing patents to resident institutions are subject to a 10% tax.

- What are the rates of withholding tax on interest?

7%.

- What are the rates of withholding tax on profits realized by a foreign corporation?

If a foreign corporation has a branch in Lebanon, it would be subject to a 15% tax on profits and the 10% tax on dividends (please refer to Section XII (15) above).

Payments to non-resident corporations for services rendered are subject to a: 7.5% withholding tax.

Payments to non-resident corporations for goods sold are subject to a: 2.25% withholding tax.

XIII. TAX ON INDIVIDUALS

1. Allowances

- What are the major allowances?

Deductions as follows:

For individuals: LL 7,500,000, in addition to LL 2,500,000 for married taxpayers and LL 500,000 for every child (up to 5).

2. Calculation of Taxes

- How is the taxable base determined?

The tax base is calculated over the net income generated in Lebanon. The net income is the whole turnover after deducting all charges and expenses specified by law.

Tax rates over income generated from commercial, non-commercial and industrial activities are as follows:

<u>Taxable Income</u>	<u>Rate</u>
0 – LL 9,000,000	4%
LL 9,000,000 – LL 24,000,000	7%
LL 24,000,000 – LL 54,000,000	12%
LL 54,000,000 – LL 104,000,000	16%
Above LL 104,000,000	21%

3. Capital Gains Tax

- Are capital gains taxable?

Yes, at the rate of 15%.

4. Filing and Payment Requirements

- When must the individual file a tax return, if any?

The tax return must be filed prior to the 1st of February of each year for individuals paying under the lump-sum profit method, and prior to the 1st of April for individuals having chosen the actual profit method.

- When must the individual pay his taxes?

Upon filing the tax return as above.

5. Inheritance and Gift Tax

- Does the individuals' presence in the country subject him to inheritance or gift tax?

Yes.

- What kind of assets are subject to tax?

All assets.

- What are the tax rates?

Tax rates vary between 3% and 45% depending on the monetary value of the estate and the relationship to the deceased, as indicated below:

	<u>First category</u>	<u>Second category</u>	<u>Third category</u>	<u>Fourth category</u>	<u>Fifth category</u>
Taxable amounts in LL	Spouse and children	Parents	Brothers and sisters	Uncles, aunts, nephews, nieces	Others
Less than 30 million	3%	6%	9%	12%	16%
30-60 million	5%	9%	12%	16%	21%
60-100 million	7%	12%	16%	21%	27%
100-200 million	10%	16%	20%	26%	33%
200-350 million	12%	18%	24%	31%	39%
More than 350 million	12%	18%	24%	36%	45%

in addition to a fixed tax of 5% of the gross amount of the inheritance exceeding LL 40,000,000.

- Are allowances available?

Deductions are as follows:

- **For spouses, children and parents, the amount: Up to LL 40,000,000.**
- **For sisters, brothers and ascendants other than parents: Up to LL 16,000,000.**
- **For others: Up to LL 8,000,000.**

- What are the payment and filing requirements?

Filing requirements involve the submission of documents identifying the legal heirs or legatees and the assets forming the estate and their value. Such value is verified by the Ministry of Finance. The inheritance tax may be settled in one payment or by installments.

6. Miscellaneous Taxes Due

- What are the miscellaneous taxes to which the individual may be subject?

Individuals (and entities) are subject to the built property tax, as well as to the Municipal tax (over built properties used as residences and for business).

- What are the filing and payment requirements?

When net revenues exceed LL 20,000,000, the taxpayer must file his tax return and pay the tax prior to 1st of April of each year. For properties generating revenues below such amount, payment is done within two months as of when the Ministry of Finance issues the payment orders and publishes them in the Official Gazette. Individuals can be exempted from the tax for up to two places of residence within the Lebanese territory.

The Municipal tax is paid within two months as of when the Municipality issues the payment orders and publishes them in the Official Gazette.

7. Real Estate/Habitation Tax

- Is the individual subject to real estate or habitation tax?

Yes, the individual is subject to built property and to Municipal taxes.

The built property tax is as follows:

0 – LL 20,000,000	4%
LL 20,000,000 – LL 40,000,000	6%
LL 40,000,000 – LL 60,000,000	8%
LL 60,000,000 – LL 100,000,000	11%
Above LL 100,000,000	14%

The Municipal tax is 8.5% for a commercial property and 6.5% for property used as a residence.

8. Sales Tax

- Does the individual pay sales tax?

Individuals pay VAT.

9. Social Security and Welfare System Contributions

- Are contributions to social security due?

Social Security Contributions are due. They are as follows:

<u>Branches</u>	<u>Employee's Contributions</u>	<u>Employer's Contributions</u>	<u>Capped monthly salary</u>
Sickness and maternity	3%	8%	LL 1,500,000
Family allowances	0%	6%	LL 1,500,000
End-of-Services	0%	8.5%	Applicable to the full salary with no cap.

10. Stock Option, Profit Sharing and Savings Plans

- Is there taxation of stock option plans?

Yes, at a rate of 10%.

- Is there taxation of profit sharing plans?

Yes, at a rate of 10%.

11. Taxation of Benefits In Kind

- What is the rate of taxation on benefits in kind (e.g. automobile, housing and utilities, education, etc.)?

Benefits in kind (up to amounts determined by Decrees for each form of such benefits, mainly transportation costs and school allowances) are tax exempt. The excess is deemed as part of the salary and is thus subject to the tax on salaries and wages.

12. Taxes on Dividends

- Are dividends taxable regardless of their form?

Yes, dividends are taxable regardless of their form.

13. Tax on Income

- What are the federal or national tax rates on income for residents?

The (national) tax rates are the following:

<u>Taxable Income</u>	<u>Rate</u>
0 – LL 9,000,000	4%
LL 9,000,000 – LL 24,000,000	7%
LL 24,000,000 – LL 54,000,000	12%
LL 54,000,000 – LL 104,000,000	16%
Above LL 104,000,000	21%

14. Tax Treaties

- Are there any applicable tax treaties?

Yes (please refer to Section XII (11) above).

15. Territoriality Rules

- Where is the individual subject to tax?

The individual is subject to tax on his income earned in Lebanon (territoriality principle).

- Is the individual subject to tax on his worldwide income?

The individual is not subject to tax on his worldwide income.

16. Wealth Tax

- Is the individual subject to tax based upon his wealth?

No.

17. Withholding Tax

- Is salary subject to a withholding tax at the source?

Yes, the salary is subject to a withholding tax at source.

Tax rates on salaries and wages are as follows:

<u>Taxable Income</u>	<u>Rate</u>
0 – LL 6,000,000	2%
LL 6,000,000 – LL 15,000,000	4%
LL 15,000,000 – LL 30,000,000	7%
LL 30,000,000 – LL 60,000,000	11%
LL 60,000,000 – LL 120,000,000	15%
Above LL 120,000,000	20%

The tax return is withheld and filed by the employer quarterly before the 15th of the month following the quarter in question.

- What is the treatment of residents as compared to non- residents?

Residents (whether corporations or individuals) pay their tax as mentioned above, mainly under Section XII(10) and Section XIII (2). Non-residents are subject to the following taxes, to be withheld by the resident payer:

Payments to non-residents for services rendered:	7.5%
Payments to non-residents for goods sold:	2.25%

This applies also to local corporations making payments to non-resident entities or individuals.

XIV. TAX ON OTHER LEGAL BODIES

Mainly civil companies where the partners pay the same tax as individuals (under Section XIII (2) above). Civil companies also pay social security contributions on their employees' salaries and withhold the tax on their salaries too (as per Section XIII (9) and (17) above). If the civil company owns or occupies built properties, the relevant taxes should also be paid, as applicable (Section XIII (7) above, refers).

Representative offices of foreign companies are tax exempt. Representative offices pay social security contributions on their employees' salaries and withhold the tax on their salaries too (as per Section XIII (9) and (17) above). If the Representative office owns or occupies built properties, the relevant taxes should also be paid, as applicable (Section XIII (7) above, refers).

Non-profit organizations are tax exempt, save for the payment of social security contributions on behalf of their employees and the withholding of the tax on their salaries.

Non-profit organizations that are specifically determined by Decrees are exempted from Municipal tax. They are also exempted from the built property tax (provided specific conditions are met).

Although tax exempt, the above legal bodies must file annual tax return to the Ministry of Finance.

XV. GENERAL TAX CONSIDERATIONS

1. Taxes Generally

- Is there a general anti tax avoidance system?

Yes, there are control and verification rules.

- Can the chosen form of business be treated as different form for tax purposes?

No, except for holding and offshore companies that violate their governing regulations, in this case they could be deemed as standard joint stock companies for tax purposes.

XVI. IMMIGRATION REQUIREMENTS

1. Immigration Controls

- Are there immigration quotas?

No.

- Are vaccinations required?

There are no vaccinations required.

- Are medical certificates required?

No.

- Are entry permits required?

Entry visas are required, except for nationals of a limited number of countries in line with bilateral agreements.

- If so, must you apply for an entry permit before entering the country?

Yes.

- Are exit permits required?

Exit permits are not required.

- Are re-entry permits required?

A new visa must be obtained each time.

2. Immigration Requirements/Formalities

- Is a residence permit required?

A residence permit is required for foreigners who intend to reside or work in Lebanon.

- If so, does the investor have to apply for one before entering the country?

The investor can enter the country with an entry visa. He will then need a residency permit if he intends to stay or work in Lebanon.

3. Visas

- Is a visa required for travel or stay in the country?

Yes, a visa is required to enter the country except for nationals of a limited number of countries in line with bilateral agreements.

- If so, for how long is the visa valid?

The visa can be granted for a maximum of six months. Visas can be renewed.

- How does the investor apply for a visa?

The investor applies for a visa at the Lebanese Embassy or Consulate in his country of residence. Some nationalities can obtain a visa at the Beirut International Airport.

- What documents are required?

Requirements vary pursuant to the nationality of the applicant and depending on the purpose of the visit.

- How long does it take to receive a visa?

Generally, not more than 10 to 15 days.

- What fees are involved?

The fees are LL 25,000 (approximately US \$ 16) for a 15 day visa, LL 50,000 (approximately US \$ 33) for a visa exceeding two weeks, and LL 100,000 (approximately US \$ 66) for a visa exceeding one month.

XVII. EXPATRIATE EMPLOYEES

1. Cost of Living and Immigration

- How does the cost of living compare to that in the investor's home country?

N/A

- What is the rate of inflation?

The Inflation Rate in Lebanon is reported by the Central Administration of Statistics Republic of Lebanon (CAS).

Lebanon's average inflation rate rose by 4,35% by October 2017, compared to an average deflation rate of 1.42% by October 2016. Inflation Rate in Lebanon averaged 2.26 percent from 2008 until 2017, reaching an all time high of 11.10 percent in October of 2012 and a record low of -4.67 percent in September of 2015.

2. Drivers' Licenses

- Must the investor obtain a driver's license for that country?

The investor must obtain a local driver's license or use an international driver's license.

- How does the investor obtain a driver's license?

By passing practical and oral exams, and applying to the Department of Car Registration at the Ministry of Interior.

- What fees are involved?

The fees are approximately LL 300,000 (approximately US \$ 200).

- Is an examination, either practical or written, required?

Practical and oral exams are required.

3. Education

- What type of schools are available for the investor's family?

Private (French, American, German, missionary schools) and Public schools are available.

- What fees are involved?

Fees vary between US \$ 3,000 to US \$ 8,000 per year.

- What is required for enrollment?

Generally, identification documents are required, in addition to the applicant's previous school records that have to be submitted to the Ministry of Education.

4. Housing

- What type of housing is available for the investor?

Various types of housing are available, depending on the investor's budget.

- Can the investor own property?

The investor can own property with a surface area not exceeding three thousand square meters.

- Must the investor have housing before he enters the country?

No.

- Can the investor subsidize housing and receive a tax benefit?

No.

5. Importing Personal Possessions

- How can the investor import his personal belongings?

The investor can import his personal belongings through any means of transportation.

- Are import duties payable?

If the investor has a work permit or a residency permit, there are no import duties. If the investor does not have a work permit or a residency permit, he has to submit a bank guarantee until he gets such permits.

- Are there requirements for clearing the belongings through customs?

There are no specific requirements in this respect, except that the investor must submit either his work or residency permit or the bank guarantee.

6. Medical Care

- What level of medical care is available?

Medical care up to international recognized standards is available.

7. Work Contracts

- Does the investor need a work contract to work in the country?

Yes.

- If so, does the contract have to be for a certain duration, for the performance of a specific job or for a specific position?

Generally, it is done for one year, renewable, for a specific position.

- Does the contract have to be with a national or resident of the country or related state?

Please refer to Section XI.2 and XI.3.

10. Work Permits

- Does the investor need a work permit to work in the country?

Yes, see response under XI.5.

- How and where does the investor apply for the permit?

Investor must apply for the work permit at the Ministry of Labor and must obtain a prior authorization before proceeding with the work permit formalities.

- What documents are required?

- **Copy of the passport**
- **A notarized employment contract to be signed in Lebanon. If the foreign investor is a branch manager, a corporate resolution appointing him as branch manager is required.**
- **Three photos of the employee/branch manager.**
- **Medical tests**
- **Insurance.**

- What fees are involved?

The fees for obtaining the prior authorization are LL 600,000 (US \$ 400) and LL 1,800,000 (US \$ 1,200).

- How long does it take to receive the permit?

One to two months.

- For how long is the permit valid?

Work permits are valid for one year and they are renewable for similar terms.
