



# TAXATION SCHEMES IN LEBANON



# Income Taxes

The taxation system in Lebanon consists of scheduler income taxes, which mainly include:

- 1) Corporate tax on profits
- 2) Tax on wages and salaries: payroll tax
- 3) Tax on income from movable capital

## 1) Corporate Tax on Profits

Taxable profits consist of all commercial, industrial profits and professional revenues earned by the enterprise after deduction of all charges necessary for carrying out the business.

Corporations and limited partnerships are subject to corporate tax on profits of any business carried on in Lebanon at a flat rate of 15% of their business income. Individuals and partners in a private company are subject to tax on profits, after deduction of family allowances, on a progressive scale as follows:

- 15 % for corporations and limited partnerships
- The tax rate for non-residents is 7.5% on royalties (15% on 50% of the net profit).
- For individuals and partners: Progressive rates from 4% to 21% for taxable profit :

Up to LBP 9 million	4%
LBP [9-24] million	7%
LBP [24-54] million	12%
LBP [54-104] million	16%
over LBP 104 million	21%

### *Entities exempted from paying the corporate income tax*

- Educational institutes
- Hospitals, orphanages, etc
- Consumers' cooperative companies, trade unions, and agricultural cooperatives of a non-commercial nature
- Agricultural investors not engaged in trading of their produces
- Local air and sea transport companies and foreign ones if Lebanese companies receive reciprocal treatment in the foreign country
- Touristic establishments classified as artisanal
- Profits that are reinvested
- Profits resulting from the production of new products for which there were no local industry before in Lebanon Holdings and Offshore companies

## 2) Taxes on Wages and Salaries: Payroll Tax

Income tax law imposes a tax on all wages, salaries including overtime, gratuities and fringe benefits, after deduction of family allowances. Employers withhold the amounts due from salaries and remit them to tax authorities. Payroll tax rates on wages and salaries increase progressively from 2% to 20% as follows with some exemptions:

Up to 6 million	2%
6-15 million	4%
15-30 million	7%
30-60 million	11%
60-120 million	15%
Over 120 million	20%

#### *Entities exempted from paying payroll taxes*

- Subject to reciprocity: salaries and allowances of ambassadors of foreign states and their foreign staff.
- Disablement pensions
- Wages of agricultural laborers
- Wages of nurses and cleaners in hospitals, orphanages, asylums and other medical and first aid institutions
- Wages of foreign employees in the Union of Arab Capital and Financial Markets.

### **3) Tax on Income from Movable Capital**

The tax rate on movable capital is 10%, withheld at the source on the gross receipts. The law imposes a tax on the distribution of dividend equal to 10% of the amount of dividend paid. This tax applies regardless of whether the company is exempt from profit tax. Under certain conditions the rate is reduced to 5%.

Some exemptions exist, for example:

- Amounts paid in reimbursement of creditors or shareholders provided they are not taken from the profit and loss account or from reserve funds.
- Investments with the Lebanese government, amounts deposited at the Central Bank of Lebanon
- Deposits and accounts opened at the Central Bank of Lebanon in the name of banks

<http://finance.gov.lb/main/taxation/taxgen.pdf>

## Other Taxes

### 1) Social Security Contribution

Contributions to social security fund for sickness, maternity benefits and for family allowances are as follows. Foreigners are completely exempt from paying these contributions if they are working in Lebanon pursuant to a contract concluded abroad with foreign enterprises and if they are covered by a similar benefit at home.

**Employers:** 21.5 % of which:

- 7 % for the sickness and maternity (ceiling of LBP 1,500,000)
- 6 % for the family and education allowance (ceiling of LBP 1,500,000)
- 8.5 % for end of service indemnity (on the whole salary)

**Employees:** 2 % for sickness and maternity.

### 2) Property Tax

The property Tax covers all properties located in Lebanon and ranges from 0-14 percent. The expenses borne by the owner on behalf of the tenant are deductible. Exemptions are listed in article 8 of the Property Tax Law with some examples mentioned below:

Less than LBP 6 Million	0%
LBP [6-20] Million	4%
LBP [20-40] Million	6%
LBP [40-60] Million	8%
LBP [60-100] Million	11%
Higher than 100 Million	14%

#### **Exemptions**

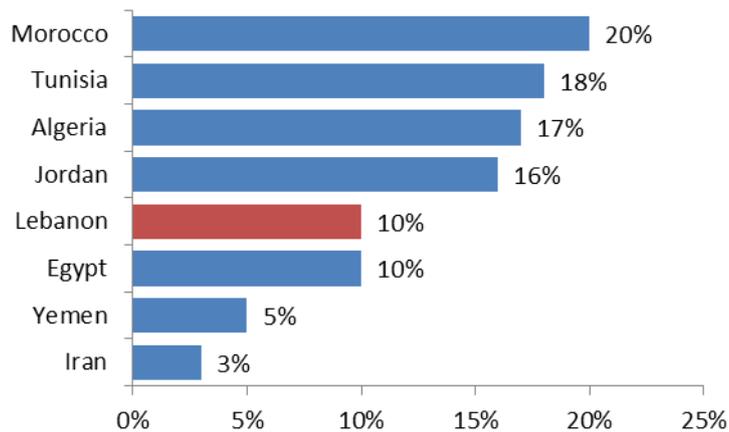
Buildings owned by the government, hospitals, religious authorities, political parties, foreign governments etc.

### 3) Value Added Tax (VAT)

VAT applies to imports, and the supply of goods and services carried out by a taxable person. The rate is 10% with several goods and services exempted from the tax.

[http://finance.gov.lb/main/vat/vatlaw\\_e02.pdf](http://finance.gov.lb/main/vat/vatlaw_e02.pdf)

## Value-added Tax in the MENA region



Source: Deloitte highlights, Doing business IFC World

### Zero Rated

Certain goods/services such as export of goods/services  
International transport of goods/persons  
Government/public entity projects funded by international organizations (such as EU).

### Exemptions

- Essential goods and services
- Agriculture, Real Estate, Health, Education, NGOs, collective transportation of persons, financial services

**Diplomats** and **international organizations, foreign businesses, tourists** and **some exempt sectors** have special refund schemes.

## 4) Stamp & Custom Duties

### Stamp Duty

A Stamp duty of 0.3% is charged on most contracts.

### Customs Duties

Custom duties are levied on most of imports at varying rates, ranging from 0% to 70%. Tariffs on all industrial goods, tobacco and most of agricultural goods range between 0 and 5%.

### Exemptions:

- Raw materials
- Semi-manufactured goods (total of over 2000 products)
- Computer hardware and software
- Textiles

[http://www.customs.gov.lb/customs/laws\\_regulations/Customs\\_law.asp](http://www.customs.gov.lb/customs/laws_regulations/Customs_law.asp)

The following goods and activities benefit from a Duty Deferral Statuses:

- Merchandise in transit
- Customs Warehouses [http://www.customs.gov.lb/customs/laws\\_regulations/detlaw.asp?id=44&c=4](http://www.customs.gov.lb/customs/laws_regulations/detlaw.asp?id=44&c=4)
- Free Zones and Shops
- Temporary Entry
- Temporary Import of Items and Personal Effects Belonging to Persons Entering Lebanon for Temporary Stay
- Refund of Duties
- Re - export of goods [http://www.customs.gov.lb/customs/laws\\_regulations/detlaw.asp?id=49&c=9](http://www.customs.gov.lb/customs/laws_regulations/detlaw.asp?id=49&c=9)
- Trans-shipment

## Exemptions & Reliefs

The Lebanese legislation offers special tax relief for investors to establish and develop their businesses in Lebanon:

- **Exemptions from corporate tax on profits** apply to the following: holding companies, offshore companies, education institutes, hospitals, cooperative associations, trade unions, local air and sea transport companies, touristic establishments.
- **A 30% reduction on the taxable salary of foreign employees at offshore companies** when working in Lebanon. Hence, employers are subject to reduced social security contributions and payroll taxes.
- **Wages of foreign employees in the Union of Arab Capital and Financial Markets** are exempt from payroll taxes.
- **Foreigners are completely exempt from paying social security contributions** if they are working in Lebanon pursuant to a contract concluded abroad with foreign enterprises and if they are covered by a similar benefit at home
- Several incentives and fiscal exemptions are granted for eligible investments through IDAL's Investment Law No.360