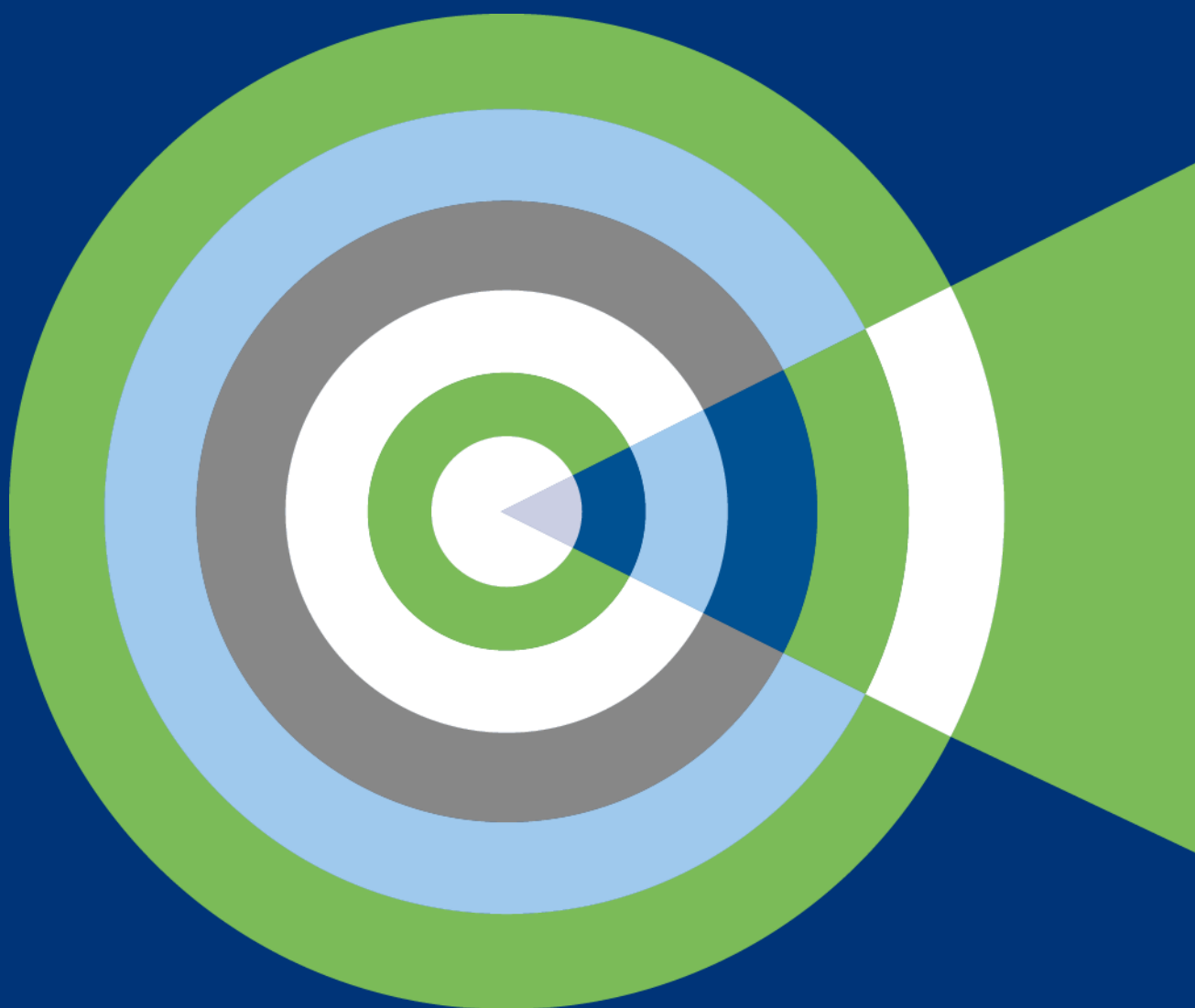


DOING BUSINESS

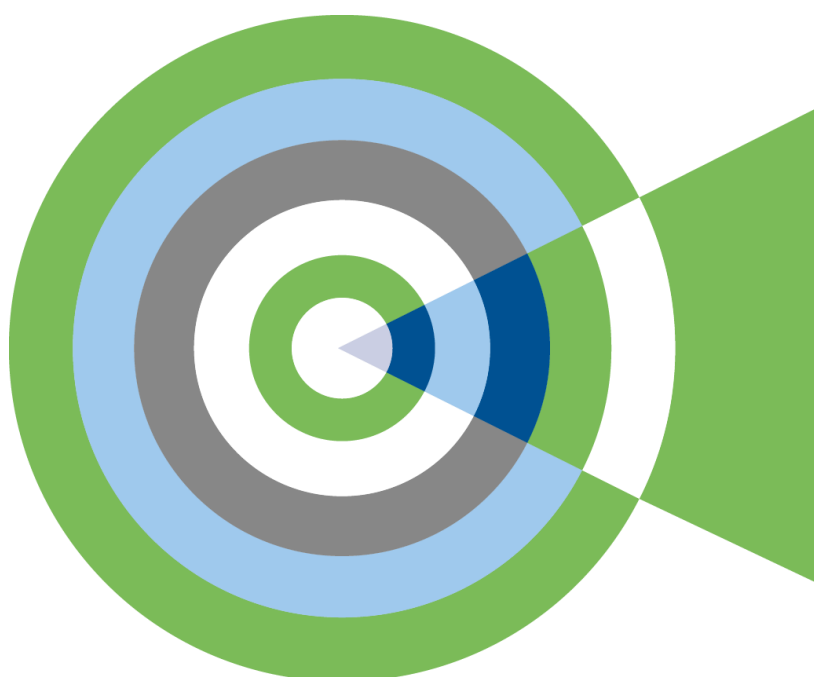
IN LEBANON



The network
for doing
business

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1 – INTRODUCTION

UHY is an international organisation providing audit, accountancy, business management and consultancy services through financial business centres in over 100 countries worldwide.

Business partners work together throughout the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operation in Lebanon has been provided by the office of UHY's representative there:

ELIE ABBOUD
 UHY Andy Bryan
 Jal el Dib Square
 Mallah Center, Fifth Floor
 Beirut, Lebanon
 Email: e.abboud@uhy-lb.com

You are invited to contact Elie Abboud for any inquiries you may have.

Information in the following pages has been updated so that it is effective at the date shown, but inevitably it is both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at July 2020.

We look forward to helping you do business in Lebanon.

UHY Andy Bryan (the 'Firm') is a member of Urbach Hacker Young International Limited, a UK company, and forms part of the international UHY network of legally independent accounting and consulting firms. UHY is the brand name for the UHY international network. The services described herein are provided by the Firm and not by UHY or any other member firm of UHY. Neither UHY nor any member of UHY has any liability for services provided by other members.

2 – BUSINESS ENVIRONMENT

Lebanon is situated in the Levant on the eastern coast of the Mediterranean Sea.

The total area of the country is 10,452 square kilometres and the population is around 6 million people. It is a mountainous country, with half of its area lying above 1,000 metres.

Except for Zahleh in the Beqa'a valley, the principal cities lie on the Mediterranean coast. They are Beirut, Tripoli near the northern border, and Sidon and Tyre to the south.

CLIMATE

The climate is alpine in the mountainous areas and Mediterranean along the coast.

Winters are rainy, with some torrential downpours, and snow falls on the mountains. In contrast, summers are hot and humid in the coastal regions and temperate in the mountains.

HISTORY

Throughout history, as today, Lebanon has been a centre of contact between various cultures and civilisations, creating a highly cosmopolitan country.

After several centuries of Ottoman rule, followed by French mandate and control in 1920, Lebanon gained its independence in 1943.

Between 1975 and 1990, Lebanon underwent a period of internal conflict and fighting between various factions and political groups within the country. This period witnessed large loss of human life, substantial physical and infrastructural damage and considerable emigration of skilled labour.

In 1990, however, hostilities came to an end as a result of the Taif Agreement (or 'National Reconciliation Accord'), which was signed by each of the factions involved.

GOVERNMENT

Lebanon is a parliamentary republic, with a long tradition of freedom of speech and expression.

The country's constitution is based on the classical separation of powers, with a president (elected for a single six-year term), a premier, a 128-member house of parliament elected by universal adult suffrage and an independent judiciary.

Reflecting the sectarian composition of Lebanon, major offices are allotted in approximate proportion to the various religious factions according to the Taif Accord. Political and party life tends to focus around strong personalities rather than fixed political platforms or ideologies.

Lebanon is divided into eight *muhafazat* (provinces) – Beirut, North Lebanon, South Lebanon, the Beqa'a, Mount Lebanon, Akkar, Baalbeck Hermel and An Nabatiyah—each with an administration district located in the respective *muhafazat* centres of Beirut, Tripoli, Sidon, Zahlé, Ba'abda, Akkar and An Nabatiyah.

LEGAL ENVIRONMENT

A chief justice, appointed by the president on the recommendation of the Judicial Service Commission, oversees the judiciary.

Lebanon's court system consists of the high court, the court of appeal and magistrate courts. The decision of a lower court may be appealed to a higher one, up to the court of appeal. The courts' decisions, unless appealed, are considered binding precedents for subsequent rulings.

POPULATION AND SERVICES

A major resource of Lebanon is its people.

Lebanon has a high literacy rate (of 95%, which is both the highest in the region and one of the highest worldwide) and a high percentage of university graduates in the population.

Lebanon has thus been able to 'export' professionals in many fields to Africa, the Americas and other Arab countries, whose remittances from abroad have helped sustain Lebanon through many years.

The official language of Lebanon is Arabic, but both English and French are widely spoken by the Lebanese.

EDUCATION

The Francophone University of St. Joseph and the American University of Beirut are pioneer institutions in education, with more than a hundred years of tradition.

Other prominent universities include the:

- Lebanese American University, where most courses are given in English
- Haigazian College, with teaching in English and Armenian
- Kaslik University, with French as the main language of instruction
- Arab University and the Lebanese University, both with Arabic as the principal language
- Academie Libanaise des Beaux Arts, with teaching in Arabic and French.

In more recent years, the University of Notre Dame and the University of Balamand, have also emerged as prominent institutions, teaching primarily in English. Additionally, new higher education establishments continue to open up in order to cater for both local and regional demand.

Elementary education is also well-developed. A nationwide network of free public schools is supplemented by many private schools with standards considered more rigorous than in most countries of the west, since instruction – heavily-biased towards science and mathematics – is customarily given in at least two languages.

American, British, German, Italian, Japanese and French community schools were also available to foreign communities in Beirut before the war. In spite of the sharp decline in the number of foreign nationals present in Lebanon, some of these schools are still operating.

HEALTH

The standard of medical care in Lebanon is one of the highest in the region. Hospitals are to be found in all parts of the country. The larger hospitals in and around Beirut are equipped with modern technology and have doctors and technicians in virtually all fields of specialisation.

ECONOMY

The Lebanese economy is a free market economy with no restrictions on the movement of capital and goods by residents and non-residents of the Republic.

The Lebanese economy, characterised by freedom of exchange and transfers, is based on private initiative. The private sector is estimated by the National Accounts Committee to contribute over 85 % to national expenditure and includes industries in sectors such as agriculture, manufacturing, construction, trade and tourism, in addition to those in services such as banking and finance, hotels and restaurants, media and advertising, and consulting and engineering. The manufacturing, industrial and construction sectors are estimated by the National Accounts Committee to contribute approximately one fifth of gross domestic product (GDP). And sectors are provided only with a limited level of protection from international competition.

GDP reached USD 56.6 billion in 2018, marking a growth of 0.2% in that year. GDP per capita amounted to USD 9,295 in 2018.

TABLE 1

Macroeconomic indicators, 2018

GDP growth	0.2%
Inflation rate	6.1%
Investment % of GDP	19.5%
Public debt % of GDP	150.3%
Budget surplus or (deficit)	(11.29%)

CURRENCY AND EXCHANGE RATES

The unit of currency in Lebanon is the Lebanese Pound (LBP), which depreciated sharply during the years of conflict. Since 1998, however, it has remained at a stable rate of around LBP 1,507.5 to the US dollar.

TABLE 2

Average exchange rate (as at 31 December) over 21 years against the US dollar

YEARS	LEBANESE POUND (LBP)
1998–2019	1507.5

ESSENTIAL INDUSTRIES

The most important sector in Lebanon is the service sector, which accounts for approximately 70% of GDP. Major sub-sectors are commerce, tourism, financial services, health care and higher education.

Lebanon also has long experience in the banking, insurance, and shipping industries.

Except for during the war years, the tourist industry has always been a key source of prosperity.

Agriculture is also important and Lebanon's Beka'a valley is the breadbasket of the region, supplying the basic needs of the fresh and canned food industries.

In addition, Lebanon has a strong light industry of leather, plastic and light metal products.

ENERGY MINERAL AND OTHER NATURAL RESOURCES

Lebanon has no oil reserves and relies heavily on imported oil.

Lebanon is still predominantly relying on thermal power plants for producing electricity power, primarily using fuel and gas oil. Lebanon has several small hydro-electric facilities, the bulk of which are on the Litany in the Bekaa valley. The installed generating capacity for Lebanon in 2018 was 2.993 megawatts (MW). The total energy consumption and forecast for Lebanon (as shown in the table below) shows a continuous increase in energy demand, which creates a challenge for finding ways to manage this increase.

TABLE 3

Historical energy consumption

YEAR	ENERGY CONSUMPTION (GW)
1995	8.630
2005	10.284
2010	12.512
2015	14.087

On the 4th of January 2017, the Lebanese Council of Ministers approved two decrees that are crucial to the completion of the first licensing round for Lebanon Petrol Exploration. The first decree divides the Lebanese Exclusive Economic Zone into ten blocks and delimits their coordinates. The second decree presents the Tender Protocol (TP) that defines the conditions for participating in the bid round and the criteria used in the bids evaluation, and the model Exploration and Production Agreement (EPA) that will be signed between the State and the winning consortium. The oil wealth in Lebanon is estimated at USD 200 billion.

BANKING SYSTEM

Traditionally, the city of Beirut was the region's financial services centre. However, the years of conflict forced other centres within the region to make a big leap in their services as Beirut fell behind.

Banks in Lebanon are governed by the Central Bank and the Banking Control Commission, which survey and regulate the activities of banks.

BEIRUT STOCK EXCHANGE

The Beirut Stock Exchange was created in 1920 by the French mandate authorities in order to privatise public utilities, railways, telecommunications and the post office. Companies from the industrial, banking and tourism sectors were gradually added. The Beirut Stock Exchange flourished from 1954 to 1975, but ceased trading in 1983.

In August 1994, the government set up the Beirut Stock Exchange Committee to supervise and manage the re-opening of the Beirut Stock Exchange. Trading on the stock exchange re-opened on 22 January 1996, when the shares of three previously listed Lebanese companies were re-admitted to trading. On 30 September 1996, the shares of SOLIDERE, previously listed on the Beirut secondary market, were listed and began trading on the Beirut Stock Exchange.

Market capitalisation (which is computed by including the value of all listed and unlisted shares of the company members of the Beirut Stock Exchange) rose from approximately USD 386 million in January 1996 to approximately USD 6,316 million by 8 July 2020, due in large part to the listing of SOLIDERE shares.

BSE capitalisation, including only the value of shares listed on the Beirut Stock Exchange, reached USD 0.73 million as of 8 July 2020.

The number of authorised brokers rose from five to 14 and the number of listed companies rose from three to 10 (including three mutual funds) as of 8 July 2020.

INTERNATIONAL RELATIONS

Lebanon maintains embassies in most countries around the world and is a member of various international and regional organisations, such as the Arab League, the United Nations and the World Trade Organisation.

Entry visas and work permits cost relatively little and are not difficult to obtain.

3 – FOREIGN INVESTMENT AND INCENTIVES/ FDI

The Lebanese government welcomes and encourages foreign investment, favouring a strong role for the private sector in a liberal policy environment, and building a reputation for minimal intervention in economic activity.

The major attractions of Lebanon to foreign investors are as follows:

- A strategic geographical location as a trans-shipment point between a variety of Arab countries and overseas
- A free market economy with liberal investment policies except with current capital control imposed by Lebanese banks through which restricting transfer of funds from Lebanese banks to foreign banks.
- Protection of private property and right and equality between Lebanese and non-Lebanese
- A variety of investment opportunities in all sectors of the economy
- Fairly low tax rates with room for tax structuring and planning
- A highly skilled, educated and multilingual (Arabic, English and French) workforce.

INVESTMENT INCENTIVES

GENERAL INCENTIVES

The Lebanese government recognises the importance of investment and is actively working to provide an environment which enables investors to establish operations in Lebanon.

Within this framework, the Investment Development Law 360 empowered the Investment Development Authority in Lebanon to offer a wide range of generous and competitive investment incentives, depending upon the qualifications and criteria for each project. Some of these incentives are:

- Exemptions from income tax and tax on distribution of dividends
- Work permits for various categories exclusively needed for the specified project
- Fee reduction on work permits and residency
- Fee reduction on construction permits – if required for the specified project
- Exemption on land registration at the Land Registry, annexation, subdivisions, mortgage and registration of lease contracts.

TAX INCENTIVES

There is a ten-year tax exemption on profits generated by industrial entities which are established after 1980 in areas the government wants to develop and which produce new products not produced in Lebanon before 1 January 1980 and which own more than USD 300,000 in production assets.

Industrial tax payers may benefit from a 50% exemption on their profits generated from exports of goods (except for exports of natural resources)

DUTY EXEMPTION SCHEME

Offshore companies can utilise facilities at the customs free zone for warehousing of imported merchandise destined for re-exportation.

Contractors of public works may import machinery and equipment for their projects without payment of customs duties, provided such machinery and equipment are re-exported after the termination of the project. However, in such instances, a bank guarantee for an amount fixed by the customs authorities must be produced.

OTHER CONSIDERATIONS FOR FOREIGN INVESTORS

SOURCES OF FINANCE

Lebanon's many commercial banks provide the main supply of short, medium and long-term credit. There are currently 142 commercial and investment banks and 74 financial institutions (as listed by Banque Du Liban), which provide the major sources of finance for foreign investors.

Commercial banks are free to set their own interest rates and there are no government controls over lending to foreign investors.

Lending institutions exercise their normal credit policy in assessing the viability of potential loan proposals. Loans are usually granted against collateral or guarantees from the bankers of foreign investors.

IMPORT AND EXPORT RESTRICTIONS

Some exports and imports are subject to licensing. Value added tax is applicable and a municipal tax of 3.5% is levied on the value of all goods arriving by sea or air, except those of Arab origin. Almost all imports are also subject to stamp tax.

PATENTS AND TRADEMARKS

All patents and trademarks have to be registered at the Ministry of Economy and Trade and the registration has to be published in the Official Gazette.

The procedures to be followed in registering a patent etc. are best handled by attorneys specialising in this field.

LICENSING ARRANGEMENTS

A number of Lebanese manufacturing companies produce goods under licence from foreign manufacturers such as cosmetics, pharmaceuticals, soaps, detergents, food and household items. Such a licence is given against royalties, which vary in rates.

4 – SETTING UP A BUSINESS

The Lebanese Commercial Law provides for five forms of business entities, which fall into the two categories, partnerships and joint stock or limited liability companies.

TYPES OF COMPANIES

JOINT STOCK COMPANIES

A Joint stock or a limited liability shareholding company (*Société Anonyme Libanaise* - SAL) is a legal entity whose shareholders have no liability for the company debt beyond their capital subscriptions. The minimum share capital is LBP 30 million and the minimum number of shareholders is three. The statutes of the company should be registered with the public notary and the commercial Registry.

This type of company is legally required for certain business organisations such as insurance companies, banks and other financial institutions.

When the object of the company is a public service, at least one-third of its share capital should comprise nominal shares held by Lebanese nationals. The same applies to real estate companies.

Businesses may choose to form another kind of limited liability Company (*Société à Responsabilité Limitée* – SARL) where members are partners. In this type of company, capital is divided into parts rather than shares and, hence, the issuing of share certificates is not allowed. The minimum capital of this type of company is LBP 5 million. The ownership of the partners in the capital of the company is fixed in the ‘partnership deed’, which should be registered at the Commercial Court. According to the amended article 5, one person can establish a limited liability company on his own.

PARTNERSHIP AND SOLE TRADERS

Business can be carried out in the form of a sole trader or a partnership. All sole traders and partnerships should be registered at the Commercial Registry.

In the case of an ordinary partnership, all partners are personally and jointly liable for the debts and obligations of the partnership. A limited partnership is one in which one or more of the partners may enjoy limited liability to the extent of their capital contributions. The basis of all partnerships is an agreement entered into between the partners.

OFFSHORE COMPANIES

A Lebanese offshore company is governed by the Legislative Decree number 46, which defines the offshore company as a Lebanese shareholding company which engages exclusively in the following activities:

- 1) Negotiations and signing of contracts and agreements in respect of operations and deals to be executed outside Lebanese territory, relating to merchandise and materials located abroad or in the duty free zone
- 2) Preparation of studies and consultations which will be used outside Lebanon, upon requests from enterprises resident abroad.

According to law number 85 issued in 18 November 2018, amending some clauses in Legislative Decree number 46, here below a summary of the main changes:

1. Foreign currency capital is permitted under the condition of adopting the same foreign currency in the bookkeeping.
2. Minimum number of shareholders to incorporate an Offshore Company is reduced to 1.
3. Foreign investors not residing in Lebanon are permitted to establish an Offshore Company on their own and head the board of directors without any necessity to obtain a working permit. Foreign employees of the Lebanese Offshore Companies are not obliged to obtain work permit assuming that the Company's annual budget (revenues) is not below 1 Billion LBP.

An Offshore Company should be registered with the special register for offshore companies with the Court of First Instance in Beirut.

Whilst offshore companies are subject to certain restrictions and prohibitions, they also enjoy important tax advantages, the major one being the limitation of income tax on profits to an annual lump sum of LBP 1 million.

HOLDING COMPANIES

A Lebanese holding company is governed by the Legislative Decree number 45. This decree defines the holding company as a Lebanese shareholding company with the following privileges:

- Capital can be denominated in a foreign currency
- Books of accounts can be kept in a foreign currency
- The number of Lebanese directors need not exceed two
- The registered office must be in Lebanon, while meetings of directors and shareholders can be held outside Lebanon
- The annual general meeting of shareholders must be held within five months of the financial year-end
- The company must appoint at least one auditor of Lebanese nationality and residing in Lebanon. His appointment can be for three years. The company is under no obligation to appoint a court auditor.

The purpose of a holding company is limited to the following:

- Owning of shares or parts in SAL and SARL companies, Lebanese or foreign
- Management of companies in which it holds shares or parts
- Lending to companies in which it holds 20% or more of the shares or parts. The holding company can issue debentures to the extent of five times its capital and reserves
- Licensing or owning patents and trademarks
- Owning properties or movable assets for its own use within limits set up by the law regarding real estate which can be owned by foreigners in Lebanon.

BRANCHES OF FOREIGN COMPANIES

According to article 29 of the Code of Commerce, any foreign commercial company operating a branch office or an agency in Lebanon is required to register in the trade register.

The establishment of a branch or agency in Lebanon should be subject to a resolution of the board of directors, taken in accordance with the articles of association of the company. The said resolution should indicate clearly the nature of transactions which will be dealt with by the branch or agency in Lebanon. The board of directors should also nominate an authorised representative.

The powers given to the representative should be drawn up in clear and precise terms, authorising him/her to:

- Represent the company vis-à-vis official, public and private administrations and bodies
- Sign on its behalf all documents and petitions
- Represent the company in all courts of law as plaintiff or defendant or in any other capacity, with power of substitution
- Operate any bank account, etc.

FORMALITIES

Foreign companies wishing to operate in Lebanon have to comply with the following two requirements:

1) Registration at the Ministry of National Economy (registrar of companies)

- This formality is only required of foreign companies whose liability is limited by shares. Generally, it is only applicable to foreign companies which establish a branch or agency in the Lebanon
- The documents to be filed with the Ministry of National Economy are:
 - 1) The articles of association of the company
 - 2) A certified translation in Arabic of the articles of association
 - 3) The resolution of the board of directors
 - 4) The power of attorney of the representative of the branch or agency in Lebanon
 - 5) A copy of the Lebanese police record of the representative in Lebanon
- Three copies of the documents under 1), 3) and 4) above should be legalised by the Lebanese consul in the foreign country
- The Ministry of National Economy will deliver a registration receipt, the text of which must be published in the Official Gazette

2) Registration at the commercial registry

- In accordance with the terms of Article 28 of the Lebanese Commercial Code, the company must complete the formalities of registration at the commercial courts in Beirut within one month of the opening of its branch or agency
- The representative must provide to the commercial courts a declaration (two copies) duly signed by them, indicating:
 - 1) The name of the company
 - 2) The nature of the company
 - 3) The address of its head office
 - 4) The object of the company
 - 5) The nationality of the company
 - 6) The address of the company's branch or agency in Lebanon
 - 7) The name and surname of its representative in Lebanon, his/her nationality, date of birth and home address
 - 8) The nature of the business which will be transacted by the branch or agency in Lebanon.

STRUCTURES USED BY FOREIGN INVESTORS

A branch, rather than a limited liability company, is the more common form used by foreign investors establishing a business in Lebanon. (Registration formalities and tax rates are the same under both forms of business.)

It is to be noted that, as per article 72 of the Lebanese Income Tax law, the profits of a branch of a foreign company are deemed to be distributed, whether in fact distributed or not, and, therefore, they are automatically subject to dividend distribution tax.

ESTABLISHING A BUSINESS

REGISTRATION

All Lebanese companies, including branches of foreign companies operating in Lebanon, must register with the Registry of Commerce within one month from the date of their incorporation or the establishment of a branch in Lebanon. The information required to be filed upon registration is listed in Article 26 of the Code of Commerce. Any subsequent amendment to the information filed must also be registered. Branches of foreign companies and representative offices must additionally be registered at the Ministry of Economy.

Registration with the Ministry of Finance has to be made within two months from incorporation.

SHAREHOLDERS AND DIRECTORS

The number of founders of a joint stock company or its shareholders at any one time may not be less than three except for offshore companies, as mentioned above.

The board of directors must consist of a minimum of three and a maximum of 12 directors.

The majority of the members of the board should be of Lebanese nationality, except for offshore companies, as mentioned above.

The board may appoint one of its members or an independent person as chairman

ANNUAL REQUIREMENTS FOR COMPANIES

ANNUAL RETURN

According to the new Lebanese Code of Commerce, issued in the official gazette under article 101, the board of directors of a Lebanese shareholding company shall file at the Commercial Court Registrar within a period of 2 months from the approval date of the audited financial statements of the prior year and not exceeding 31st December of the following year, the below reports and information:

- Prior year's audited financial statements
- Report on related party transactions according to article 158 of the Lebanese Code Of Commerce prepared by the auditors
- Board of Director's report on the Company's prior year activities
- Board of Director's report on related party transactions according to article 158 of the Lebanese Code of Commerce
- Ordinary General Assembly meeting of the shareholders approving the prior year's audited financial statements containing the additional below information:
 - Newly elected board of directors
 - Auditor's appointment

Banks and financial institutions must file their semi-annual and annual accounts with the Central Bank and Banking Control Commission and other prudential forms on a monthly basis.

5 – LABOUR

Aside from the favourable geographic and climatic conditions, one of the major factors to attract overseas investors to Lebanon has been its supply of a highly-skilled labour force.

The labour force in Lebanon not only has a wide range of skills and technical know-how, but an ability to communicate in Arabic, French or English and, in some cases, other languages too.

WORK ENVIRONMENT

BUSINESS HOURS

Government offices are usually open from Monday till Friday from 8am to 3pm.

In the winter, businesses open from Monday to Friday from 8am to 2.30– 5pm and on Saturday from 8am to 1pm. In the summer, working hours are somewhat curtailed to allow people to go to the summer resorts.

Summertime hours, from 1 April to 1 November, are GMT + 3. For the rest of the year, the time in Beirut is GMT + 2.

OVERTIME

Overtime is payable at one-and-a-half times the normal hourly wage, except for Sundays and public holidays, when the rate is twice that of the normal hourly wage.

VACATIONS AND STATUTORY HOLIDAYS

Employees are entitled to a minimum of 15 days annual paid vacation after one year of continuous employment. Holidays and occasions when private and public sectors close are shown below:

OCCASION	DATE OR APPROXIMATE DATE*
New Year – Christian	1 January 2020
Christmas – Armenian Orthodox	6 January 2020
Saint Maroun's day	9 February 2020
Rafik Hariri Memorial Day	14 February 2020
Feast of Annunciation	25 March 2020
Good Friday	10 April 2020
Easter Sunday	12 April 2020
Labour Day	1 May 2020
Martyr's Day	6 May 2020
Resistance and Liberation Day	25 May 2020
Eid al-Fitr	24 May 2020
Eid al-Adha	1 August 2020
The Assumption of the Virgin Mary	15 August 2020
Independence Day	22 November 2020
AL-Hijri New Year	20 August 2020
Birthday of Prophet Mohammad	29 October 2020
Christmas	25 December 2020

* Some of the holidays do not have a fixed date, varying according to the lunar calendar.

SOCIAL SECURITY

Social security schemes in Lebanon cover the three main areas of sickness and maternity, family allowances and end-of-service indemnity.

CONTRIBUTIONS

Contributions to the social security schemes are payable by both the employer and employee and are calculated as percentages of monthly salaries and wages including overtime, gratuities and fringe benefits. The maximum amount on which contributions are calculated is LBP 1,500,000 for family allowance and LBP 2,500,000 for the sickness and maternity scheme.

TABLE 3

Contributions payable to the Social Security National Fund

SCHEME	PAYABLE BY THE EMPLOYER	PAYABLE BY THE EMPLOYEE
Sickness and maternity	8%	3%
Family allowances	6%	nil
End-of-service indemnity	8.5%	nil

Social security contributions by employers are payable on a quarterly basis for companies with nine and fewer employees and on a monthly basis for larger firms. Employee contributions are withheld from the employee's monthly remuneration by the employer and paid to the social security authorities, together with the employer's contribution.

Foreign nationals are subject to all of the contributions, except those for end-of-service indemnity. They are completely exempt from social security if they are working in Lebanon pursuant to a contract concluded abroad with foreign enterprises, and their employer produces evidence that they are entitled to social security benefits in their home countries.

To prevent double payment of social security contributions and assure benefit coverage, Lebanon has concluded social security totalisation agreements with several countries including France, the United Kingdom, Belgium and Italy.

OTHER EMPLOYEE BENEFITS

Employers must provide end-of-service indemnity for their employees. In addition to the contributions under the government social security, the employer provides end-of-service indemnities representing the difference between the contribution paid and the provision for indemnity, based upon the last salary of the employee multiplied by the number of years of service completed by the employee.

Additional benefits normally provided to employees include medical insurance and job training.

Senior employees and expatriate staff are often provided with a car, housing domestic services, utilities and passage to and from Lebanon.

SPECIAL REQUIREMENTS FOR FOREIGN NATIONALS

A foreign national intending to work in Lebanon must have a work permit, which is obtained by the employer on the expatriate's behalf. Before a permit is issued, the employer is required to justify the employment of a foreign national instead of a Lebanese worker. Work permits are issued for an initial period of one year and may be renewed, provided that the permit holder can prove that the conditions of employment are unchanged.

There are no official percentage limits on the employment of foreign nationals, but the number of expatriate employees is closely monitored by the Ministry of Social Affairs, which issues the work permits.

6 – TAXATION

INCOME TAX

All legal entities, individuals, partnerships and companies, are liable to income tax on their income or profits derived in Lebanon.

The computation of taxable income or profit, the various exemptions and the rates of tax are all governed by the income tax law, which is periodically amended by government legislation.

Business income tax is imposed on the net business profit earned in the preceding year. The fiscal year is the Gregorian calendar year, though companies may, with the approval of the Income Tax Department, use their own accounting year.

Tax returns of capital companies must be filed by 31 May in the year following the year of income. Other taxpayers must file their returns by 31 March in the year following the year of income.

All taxpayers, who are taxed on the basis of actual or lump-sum profits, must pay the business income tax together with other income taxes on submission of their tax returns, which should be filed by 31 January in the year following the year of income.

COMPANIES

Capital companies (joint stock companies, limited liability companies and partnerships limited by shares, so far as the silent partners are concerned) are subject to business income tax at a flat rate of 17% on their business profits and 20% for oil and gas companies.

TABLE 4

Summary of tax rates

	RATE
Corporate income tax (including branches)	17%
Capital gains from disposal of tangible, intangible and financial assets	15%
Tax on dividends	10% (A)
Royalties from patents, know-how, etc.	7.5 %
Payments to non-residents	7.5% (B)
Branch remittance tax (deemed dividends)	10%
Value added tax	11%
Interest income on bank deposit accounts	10%
Real Estate Contracts	2%
Capital gains for oil and gas companies	20%

A) All profits of branches of foreign companies are considered distributed profits and are therefore, in addition to the profits tax, subject to the distribution tax. Branches of foreign banks deduct the transfer to legal reserve from profits (net profits after charging corporate income tax) before computing the distribution tax. Local companies should withhold tax on dividends upon payment

B) A 15% tax is imposed on 50% of the gross royalty or service fees; thus, the effective tax rate becomes 7.5% of the gross amounts paid.

Losses incurred in any one year can be carried forward to be offset against future profits for a period of three years only. There is no carry-back of losses.

The profits of sole traders and partnerships not limited by shares are subject to the rates of business income tax shown in the table below.

TABLE 5

Business income tax rates

TAXABLE INCOME (LBP)	RATE
0 – 9,000,000	4%
9,000,000 – 24,000,000	7%
24,000,000 – 54,000,000	12%
54,000,000 – 104,000,000	16%
104,000,000 – 225,000,000	21%
Above 225,000,000	25%

HOLDING COMPANIES

The profits of Lebanese holding companies are exempt from corporate income tax and dividends distributed by these companies are exempt from dividend withholding tax.

However, an annual tax is imposed on the total sum of the company's own funds (capital and reserve) at the rates shown in the table below and subject to a maximum tax payable of LBP 5,000,000 per annum.

TABLE 6

Annual tax rates imposed on holding companies

TOTAL SUM OF CAPITAL AND RESERVES	RATE
On amounts not exceeding LBP 50 million	6%
On amounts between LBP 50 – 80 million	4%
On amounts exceeding LBP 80 million:	2%

OFFSHORE COMPANIES

The profits of Lebanese offshore companies are exempt from corporate income tax.

However, a lump-sum annual tax of LBP 1,000,000 is payable. The dividends distributed by the company are exempt from withholding tax and contracts related to foreign transactions are exempt from the fiscal stamp duty. Furthermore, 30% of the basic salary of all foreign personnel working for a Lebanese offshore company is exempt from personal income tax.

PARTNERSHIPS

Partnerships must file annual returns. The taxable income of a partnership is allocated amongst its partners. The partners then aggregate their own shares of the partnership's taxable income with any taxable income they receive from other sources also being subject to taxation.

JOINT VENTURES

A joint venture distinguishes itself from other forms of business in that it has existence only amongst the parties concerned and is not intended to be recognised by third parties. Accordingly, it does not constitute a separate legal entity.

Joint venture agreements freely set down the partners' reciprocal rights and obligations and their participation in profit and loss, provided that the general principles of the company's contract are applied. The existence of these agreements may be established according to the modes of proof accepted in commercial matters.

Joint ventures are not subject to the filing requirements prescribed for all other trading companies.

TRUSTS

A unit trust is any scheme or arrangement in the nature of a trust in which members of the public, as beneficiaries under the trust, are permitted to own an interest or an undivided share in one or more groups, or blocks, of specified securities and to participate proportionately in the income thereof.

Unit trusts pay withholding tax on interest and dividend income as resident persons.

INDIVIDUALS

Salaries, wages and benefits paid to local and expatriate employees are subject to income tax at escalating rates (as shown in the table below).

TABLE 7

Income tax rates for individuals

TAXABLE INCOME (LBP)	RATE
1–6,000,000	2%
6,000,001–15,000,000	4%
15,000,001–30,000,000	7%
30,000,001–60,000,000	11%
60,000,001–120,000,000	15%
120,000,000–225,000,000	20%
Above 225,000,000	25%

The employer is under a legal obligation to deduct tax amounts due on their employees' remuneration and pay them to the state treasury, together with tax amounts due from the employer.

WITHHOLDING TAXES

PAYMENTS TO NON-RESIDENTS

Certain payments to non-resident companies and individuals without a permanent establishment in Lebanon are subject to final withholding tax, which fully covers the recipient's tax liability with respect to the relevant income. The withholding taxes are assessed on gross payments.

TABLE 8

Rates of final withholding taxes

PAYMENT	TAX RATE
Dividends	10%
Interest	10%
Royalties from patents, know-how etc.	7.5%
Management and professional fees	7.5%
Oil and gas companies	10%

INHERITANCE AND GIFT TAXES

Local authorities have the power to levy taxes known as 'Inheritance and Gift tax' on persons who are entitled to receive money, real estate, shares and bonds etc. at no cost.

INDIRECT TAXES

The main indirect taxes are municipal tax and customs and excise duties.

MUNICIPAL TAX

A municipal tax is levied on rents of offices at the rate of 7%, and on residences at the rate of 6% of the rent payable (as specified in the rent contracts).

CUSTOMS AND EXCISE DUTIES

Lebanon levies customs and excise duties on imported goods. The Customs and Excise Act contains the rates applicable to various categories of goods. The rates of duties are applied to the cost, insurance and freight (CIF) value of the goods.

Customs duty rates are 2%, 5%, 10%, 15%, 20% and 50%. The high rate of 50% is imposed in order to discourage the importation of non-essential goods.

OTHER TAXES

STAMP DUTY

Lebanon charges stamp duties on many legal documents and agreements. Details of such duties are given in Appendix 1.

REAL ESTATE TAX

Local authorities have the power to levy taxes known as 'rates' on real estate.

MOTOR VEHICLE TAX

Annual fees are paid on all motor vehicles, which vary according to the cubic capacity of the engine.

EMBARKATION (DEPARTURE) TAX

According to local regulation, the embarkation taxes at Beirut International Airport are as follows:

- LBP 60,000 on economy class travel (c/v USD 40)
- LBP 110,000 on business class travel (c/v USD 73)
- LBP 150,000 on first class travel (c/v USD 100).

NATIONAL SOCIAL SECURITY FUND

Employers must make contributions to the National Social Security Fund (NSSF), which provides retirement benefits.

TAX TREATIES

Lebanon has signed treaties for the avoidance of double taxation with Algeria, Armenia, Bahrain, Belarus, Bulgaria, Cuba, Cyprus, the Czech Republic, Egypt, France, Gabon, Iran, Italy, Jordan, Kuwait, Malaysia, Malta, Morocco, Pakistan, Poland, Qatar, Romania, Russia, Senegal, Sudan, Sultanate of Oman, Syria, Tunisia, Turkey, the UAE, Ukraine, and Yemen.

7 – ACCOUNTING & REPORTING

Most accounting matters were codified by the General Accounting Plan published through decree No. 4665 dated 26 December 1981.

REQUIRED BOOKS AND RECORDS

The following accounting records should be kept:

- a) General journal –where daily entries are to be recorded; the recording can be done on a monthly aggregate basis provided that permission is obtained from the Finance Department concerned and that all supporting documents and vouchers relating to the monthly transactions are kept for audit purposes
- b) General ledger
- c) Commitments book –where the obligations received, given or exchanged are recorded
- d) Inventory book—where inventory items, balance sheet and profit and loss captions are recorded.

The books mentioned in a), c) and d) above are statutory books. All pages of these books should bear the seal of the Commercial Court or a notary public as the case may be.

SOURCES OF ACCOUNTING PRINCIPLES

Except where excluded by law, the principle of prudence should be observed.

In accordance with Decree No. 1/6258, dated 21 August 1996, International Accounting Standards were introduced over a three-year period, applying first to companies quoted on the stock exchange, then to banks and insurance companies and finally to large companies followed by all others. Thus, International Financial Reporting Standards are being applied.

ACCOUNTING PRINCIPLES AND PRACTICES

FUNDAMENTAL CONCEPTS

Accounting records should be kept on the historical cost convention basis, except in the case of revaluation in accordance with the local requirements.

The accounting records should be kept on the accrual basis. Revenue and expenditure relating to a specific financial year should be recognised in that year.

Consistency in accounting principles, presentations and classifications should be observed. Any changes thereto should be for a better presentation of the financial position and should be noted in the financial statements along with the related effect on the financial and tax positions.

FINANCIAL REPORTING

Financial statements should be disclosed on an on-going concern basis. If another basis has been used, the methods and the effect thereof on the financial position should be clarified in the notes to the financial statements.

The financial statements should reflect the comparative figures of the preceding year.

Accounting records should be kept on the double entry book keeping system. They should be supported by documentary evidence, be recorded in chronological order and be drawn up in a manner to allow quick extraction of financial information required by General Accounting Principles.

Banks must have an internal audit department.

ANNUAL AUDIT AND FILING REQUIREMENTS

Audited financial statements together with the auditor's report, the directors or managers' report, and the directors' special reports commenting on existing or planned agreements between the company and its directors, must be submitted annually to the annual general assembly of the shareholders or partners.

The audited balance sheet, names of the members of the board of directors, managers, statutory auditors and the court auditor are required by law to be published in the Official Gazette, a business publication and a daily local newspaper, within two months after the date of the annual general assembly.

Audited financial statements must also be submitted annually to the Income Tax Department together with the various tax declarations within five months (three months in the case of sole proprietors or partnerships) after the end of the fiscal year.

Banks are closely monitored by the Central Bank of Lebanon and the Banking Control Commission; both institutions must therefore receive a copy of all audited financial statements, including the short form report (opinion), a special report concerning advances to directors and major shareholders, and a special report commenting on existing or planned agreements between the bank and its directors. All of the aforementioned reports are submitted annually by the auditors of the bank to the shareholders.

The Central Bank of Lebanon also receives annually from the auditors a copy of the detailed audit report (long form report) and a letter regarding the various observations and recommendations in respect of the audit (management letter).

Financial statements should comprise the following:

- a) Statement of financial position
- b) Income statement
- c) Statement of comprehensive income
- d) Statement of cash flow
- e) Statement of changes in shareholders' equity
- f) Notes to the financial statements.

Any changes in accounting policies from one year to the next should be disclosed in the notes to the financial statements.

ACCOUNTING PROFESSION

Law No. 364 of 1 August 1994 governs the accounting profession in Lebanon. The Syndicate of Licensed Accountants (Lebanese Association of Certified Public Accountants – LACPA) is responsible for registering accountants and issuing practising certificates. To qualify as a certified public accountant, a person must hold a final accountancy certificate awarded by the above mentioned Syndicate.

8 – UHY REPRESENTATION IN LEBANON



UHY ANDY BRYAN LEBANON



CONTACT DETAILS

UHY Andy Bryan
Mallah Center, Fifth Floor
Jal el Dib Square
Beirut
Lebanon
Tel: +961 4 717781
Fax: +961 4 717782
www.uhy-lb.com

CONTACTS

Liaison contact:	Elie Abboud
Position:	Managing Partner
Email:	e.abboud@uhy-lb.com

SOCIAL MEDIA CONNECTIONS

- Facebook: UHY Lebanon

Year established:	2004
Number of partners:	2
Total staff:	16

BRIEF DESCRIPTION OF FIRM

As a growing and reputable CPA and consulting firm, UHY Andy Bryan provides a wide range of services for international and local companies operating in Lebanon and the Middle East. In addition to the statutory audit services, the firm provides added-value consulting services by specialists in the corporate finance and tax fields. The firm offers a wide range of experience in a variety of industries and sectors, some of which have unique financial reporting or auditing requirements, such as banking, insurance, private equity funds, not-for-profit organisations, and others. Accordingly, the firm brings a specialty team of professionals to serve clients' needs, based on their in-depth experience in the financial sector (banking and insurance), IFRS 4 on insurance contracts, IAS 39, IFRS 9 and others.

The firm's practice is driven by delivering insightful advice and exceptional service to clients, to add real value to their business and contribute to their competitive advantage.

SERVICE AREAS

Accountancy
Auditing
Corporate finance
Due diligence
Fraud investigations
Internal audits
Management consultancy
Payroll services
Tax planning and consultancy

SPECIALIST SERVICE AREAS

The firm's professionals have extensive experience with audits as well as with operational, financial and regulatory consulting services provided to insurance companies and regulatory agencies in Lebanon and the Arab Gulf.

The firm had considerable input in setting the Lebanese Insurance Regulatory Accounting



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UHY ANDY BRYAN LEBANON



Principles and assisting different Lebanese insurance companies to comply with IFRS 4 requirements.

The firm is a leader in providing training programmes on insurance (such as IFRS 4 implementation, insurance auditing and regulatory reporting) to the insurance market, Insurance Control Commission and Institute of Finance (under the Ministry of Finance).

PRINCIPAL OPERATING SECTORS

Banks and financial institutions
Insurance
Advertising agencies
Investment companies
Manufacturing
Real estate
Retail and wholesale
Travel agencies
Consultancy
Educational and not-for-profit organisations
Hotels

LANGUAGES

Arabic, English, French.

CURRENT PRINCIPAL CLIENTS

Finance Bank SAL
Victoire Insurance SAL
Securite Assurance SAL
Cumberland Insurance & Reinsurance Company SAL
La Phenicienne Insurance SAL
Taameer group of companies (Ramada Hotel)
Tinol Paints International SAL
Dekerco Foods & Processing SAL
Sodamco Group

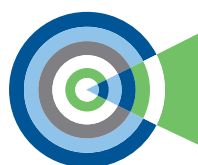
OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

Jordan and United Arab Emirates

BRIEF HISTORY OF FIRM

The firm was incorporated in 2004 by Elie Abboud, who has extensive experience with international audit firms in Lebanon and the Middle East. Mr. Abboud has almost 13 years of experience as an executive manager with Ernst & Young, before incorporating UHY Andy Bryan. The firm is supported by highly motivated professionals focusing on serving the clients' needs with the utmost integrity and professionalism. UHY Andy Bryan has distinguished itself as a market leader among accounting firms delivering a broad industry experience (insurance, banking and others), with the highest level of personal service. Most of the firm's professionals are either qualified CPAs from the United States, or have attained CIA or IFRS professional designations.

The firm joined UHY in 2006.



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APPENDIX I – STAMP DUTY

FIXED STAMP DUTY

Documents and deeds issued by or submitted to the state, municipalities and public institutions are subject to a fixed stamp duty, as follows:

	AMOUNT (LBP)
Constitutional permit for a joint-stock company	1,000,000
Constitutional permit for a factory or any industry or commercial business	750,000
All statements relating to purchase or sale of foreign currency	1,000
All bank guarantees or letters of guarantee for subscription in any deal	10,000
Undertaking letter given by the guaranteed to the bank	10,000
Personal guarantees, regardless of the number of guarantors, or any real guarantee except land	10,000
Bills of lading or any receipt order from customs	5,000
All approved copies of the manifest presented to customs	5,000
Certificates of origin of goods	20,000
All copies of agreements for cashing an amount of money (specific)	5,000
All copies of agreements for cashing an amount of money (general)	10,000
All registration or title deeds on real property	10,000
All receipts for money cashed	250
All bank statements	250
All receipts pertaining to goods on arrival or deposit	250
All receipts for cash deposits or bills or shares	250
Phone & internet invoices	2,500
All invoices including unpaid invoices	250
All quittus fiscal certificates or releases, even if they include amounts of money	10,000
General powers of attorney, including those stating monetary values	10,000
Specific powers of attorney	5,000
All certificates of true copy signature	250

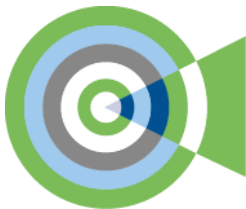
PROPORTIONAL STAMP DUTY

All deeds and written materials which mention a specific sum of money are subject to proportional stamp duty of 0.4 %.

APPENDIX II – ANNUAL DEPRECIATION RATES

Minimum and maximum depreciation rates are as follows:

	MINIMUM	MAXIMUM
	%	%
Buildings (commercial, touristic and services)	2	5
Buildings (industrial and artisanal)	3	10
Buildings and constructions (commercial or industrial)	6	20
Freehold improvements and decorations	6	25
Technical installations and industrial equipment	8	25
Computer hardware and software	20	50
Vehicles (cars)	10	25
Vehicles (transport of goods / buses)	6	20
Sea transport	5	10
Air transport	20	25
Office equipment and furniture	8	25
Gas cylinders	8	20
Glassware and silverware (hotels, restaurants, etc.)	Inventory @ Y/E	Inventory @ Y/E



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