

IDAL

INVEST IN **LEBANON**

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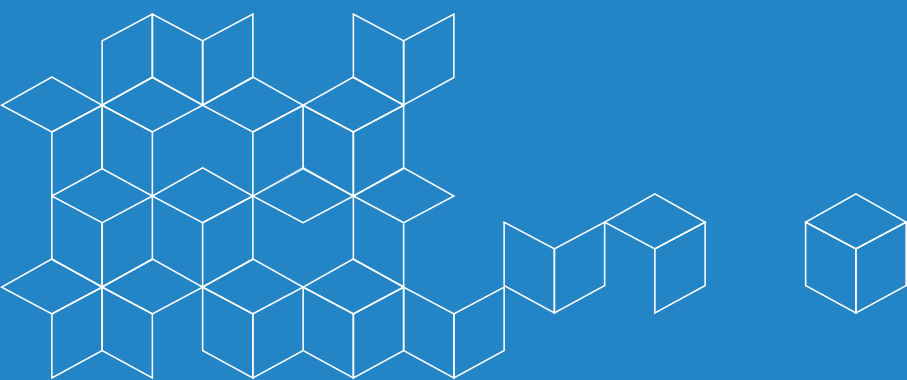
SETTING UP YOUR BUSINESS IN LEBANON



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SETTING UP YOUR BUSINESS IN LEBANON



ABOUT SETTING UP A BUSINESS IN LEBANON

The first step in beginning the process of setting up your business in Lebanon is to officially register this entity. Foreign Investors and Lebanese nationals can equally establish businesses with no restrictions all over the country. There are 7 types of business structures that an investor can choose from.

Different Types of Business Structures

Type of Company	Minimum Capital Requirements	Number of Shareholders	Eligible Sectors of Operation	Restriction on Foreign Participation?	Fiscal Advantages?
Joint Stock Company S.A.L	LBP 30,000,000 or USD 20,000	Minimum: 3	All sectors	NO - except for certain sectors	NO
Holding Company	LBP 30,000,000 or USD 20,000	Minimum: 3	Strictly defined by the text of law	NO	YES*
Offshore Company	LBP 30,000,000 or USD 20,000	Minimum: 3	Strictly defined by law, except transactions in Lebanon, banking and insurance	NO	YES*
Limited Liability Company S.A.R.L	LBP 5,000,000 or USD 3,333	Minimum: 3 Maximum: 20	All sectors except for banking, finance, supplies & organized freight	NO - except for certain sectors	NO
Branch of Foreign Company	None	N/A	All sectors	NO	NO
Representative Office	None	N/A	All sectors	NO	NO

Source: IDAL/Ministry of Economy and Trade

*Note: Holding and Offshore companies are not subject to corporate income tax; they only pay a fixed amount of: LBP 1,000,000 for Offshore and a maximum of LBP 5,000,000 for Holding companies.

More details on these types of companies are listed below with step-by-step instructions as to how you will need to set them up.

SETTING UP A JOINT STOCK COMPANY (JSC) OR S.A.L

➤ Required Documents/Tasks

- » Company's By-Laws or Articles of Association
- » Opening of a bank account confirming the subscription of the company's capital
- » Minutes of the Constitutive General Assembly
- » Minutes of the first Board Meeting
- » Registration Form
- » Commercial Circular
- » Deed of Property/Rent or Occupancy Deed of the company's headquarters

➤ Step by Step - Completing the Registration


» Documents/Tasks to Complete

« Documents to Collect

 Fees to Pay

STEP 1: COMPLETION OF PRELIMINARY LEGAL TASKS

- » Prepare the company's **By-Laws**, or **Articles of Association**; have them signed by the founders before a Public Notary in whose district the company's head office is located.
- » Hold a **Constitutive General Assembly** to elect a **Board of Directors**.
- » Assemble the newly appointed Board of Directors to elect the company's **Chairman**, appoint a **Principal Auditor** and a **Legal Advisor**.
- » **Complete the Commercial Circular**, and have it signed by the Chairman, and any other person delegated by the Board.
Fill in the Application Form of the company's registration.

 **Pay the Public Notary's fees of: 0.1% of capital, a lump sum of LBP 8,500 / page and a fixed sum of LBP 90,000.**

STEP 2: PAYMENT OF SHARE CAPITAL

- » **Open a bank account** in a Lebanese bank under the name “SAL Under Constitution”. A copy of the By-laws will be required, in addition to minutes of the Constitutive and first Board meetings, and legal identification of the founders. Deposit the **capital of the company** (LBP 30,000,000 at least or USD 20,000) in the chosen bank.
- « Obtain a **certificate from the bank**, evidencing the opening of the bank account and the subscription of each founder’s shares.

STEP 3: REGISTRATION AT THE TRADE REGISTER

- » **Submit** all the following documents at the **Trade Register**, in the Court of Commerce located in the same district (or Muhafaza) as the company’s head office:
 - » The Application Forms of the company’s registration
 - » The company’s by-Laws
 - » Minutes of the Constitutive General Assembly
 - » Minutes of the first Board Meeting
 - » The Commercial Circular
 - » The certificate of bank deposit
 - » Copies of legal identification of all partners/shareholder.
 - » Deed of Property/Rent registered at the municipality, or Occupancy Deed for the company’s headquarters.
- » Ask the **Court of Commerce** to appoint a complimentary auditor for the company.



Pay for the fiscal stamps, the sum of around LBP 250,000, and **registration fees**.



Pay the Magistrate Mutual Fund fee which is 50% of the Stamp Duty.


STEP 4: REGISTRATION AT THE BAR ASSOCIATION

- » Submit a document confirming the appointment of a legal advisor, at the Bar Association.



Pay the Bar Association fee which consists of 0.1% of capital and a fixed sum of LBP 100,000.

STEP 5: PAYMENT OF DUTIES AT THE MINISTRY OF FINANCE

 **Pay the Stamp Duty** at the Lebanese Ministry of Finance, consisting of a lump sum of LBP 1,000,000 and 0.3% of capital.

« **Receive** certified copies of the Certificate of Incorporation, Articles of Association, Commercial Circular, and the minutes.

« A **Tax Identification Number** will be attributed to the company.

Note: The company should apply for commencement of activity (or not) at the Ministry of Finance within two months following registration or it will be subject to a fine worth LBP 2,000,000.

STEP 6: RELEASE OF CAPITAL

» Submit the following documents to the bank in order to release the capital that has been blocked during the registration phase:

- » Minutes of the Constitutive General Assembly
- » Minutes of the first Board meeting
- » A certified copy of the Certificate of Incorporation
- » A certified copy of the By-Laws
- » A certified copy of the Commercial Circular

SETTING UP A LIMITED LIABILITY COMPANY OR S.A.R.L

» Required Documents/Tasks

- » Company's By-Laws or Articles of Association
- » Opening of a bank account confirming the subscription of the company's capital
- » Minutes of the Constitutive General Assembly
- » Registration Form
- » Commercial Circular

» Step by Step - Completing the Registration

» Documents/Tasks to Complete

« Documents to Collect



Fees to Pay

STEP 1: COMPLETION OF PRELIMINARY LEGAL TASKS

- » Prepare the company's **By-Laws**, or **Articles of Association**; have them signed by the founders before a Public Notary in any district or directly before the Head Clerk of the Trade Register.
- » Appoint one manager or more, a legal advisor, and an auditor (if applicable).
- » **Complete the Commercial Circular**, and have it signed by the manager(s).
- » Fill in the **Application Form** of the company's registration.



Pay the Public Notary's fee for the Articles of Association only. The fees consist of 0.1% of capital, a lump sum of LBP 8,500 / page, and a fixed sum of LBP 90,000.

Note: LLCs have one manager or more, who can be appointed in the articles of association or by an assembly meeting of Partners. An auditor is required only if the capital exceeds LBP 30,000,000 or if the annual turnover is above LBP 750,000,000


STEP 2: PAYMENT OF CAPITAL

- » **Open a bank account** in a Lebanese bank under the name “LLC Under Constitution”. A copy of the By-Laws will be required, in addition to the minutes of the Constitutive meeting, and a legal identification of the partners.
- » Deposit the **capital of the company** (LBP 5,000,000 at least or USD 3,333) in the chosen bank.
- « Obtain a **certificate from the bank**, evidencing the opening of the bank account and the subscription of each founder’s shares.

STEP 3: REGISTRATION AT THE TRADE REGISTER

- » **Submit** all the following documents at the **Trade Register**, in the Court of Commerce located in the same district (or Caza) as the company’s head office:
 - » The Application Forms of the company’s registration
 - » The company’s By-Laws
 - » Minutes of the Constitutive General Assembly of partners
 - » The Commercial Circular
 - » The certificate of bank deposit
 - » Copies of legal identification of all partners/shareholder.
 - » Deed of Property/Rent registered at the municipality, or Occupancy Deed for the company’s headquarters.
 - » Ask the **Court of Commerce** to appoint a complimentary auditor for the company.
-  **Pay for the fiscal stamps**, the sum of around LBP 150,000, and **registration fees**.
-  **Pay the Magistrate Mutual Fund fee, which is 50% of the Stamp Duty.**

STEP 4: REGISTRATION AT THE BAR ASSOCIATION

- » Submit a document confirming the appointment of a legal advisor, at the Bar Association.
-  **Pay the Bar Association fees which consists of 0.1% of capital and a fixed sum of LBP 100,000.**

STEP 5: PAYMENT OF DUTIES AT THE MINISTRY OF FINANCE

 **Pay the Stamp Duty** at the Lebanese Ministry of Finance consisting of a lump sum of LBP 750,000 and 0.3% of capital.

- « **Receive** certified copies of the Certificate of Incorporation, Articles of Association, Commercial Circular, and the minutes.
- « A **Tax Identification Number** will be attributed to the company.

Note: The company should apply for commencement of activity (or not) at the Ministry of Finance within two months following registration or it will be subject to a fine worth LBP 2,000,000.

STEP 6: RELEASE OF CAPITAL

- » Submit the following documents to the bank in order **to release the capital** that has been blocked during the registration phase:
 - » A certified copy of the By-Laws
 - » Minutes of the Constitutive General Assembly
 - » A certified copy of the Certificate of Incorporation
 - » A certified copy of the Commercial Circular

SETTING UP A BRANCH/REPRESENTATIVE OFFICE OF A FOREIGN COMPANY

» Required Documents/Tasks

- » Registration Form
- » Registration Form for the Ministry of Economy & Trade
- » Company's By-Laws or Articles of Association (If applicable)
- » Certificate of Incorporation in the foreign country
- » Company's Corporate Resolution
- » Manager's identification papers or passport
- » Legal Advisor's 'Bar Association' card (where applicable)
- » Deed of Property/Rent registered at the municipality, or Occupancy Deed for the company's headquarters

» Step by Step - Completing the Registration

» Documents/Tasks to Complete

« Documents to Collect

 **Fees to Pay**

STEP 1: CERTIFICATION AT THE FOREIGN TRADE REGISTER

- » The following documents must be certified by the Trade Register and/or its equivalent (Public Notary) at the place of incorporation of the foreign company:
- » Certificate of Incorporation in the foreign country
 - » Copy of the By-Laws, or Articles of Association (if applicable)
 - » The Corporate Resolution* of the company
 - » Copy of the Manager's identification or passport
 - » Deed of Property/Rent registered at the municipality, or Occupancy Deed for the company's headquarters.

Note: The Corporate Resolution of the company sets the latter's objectives and activity, and designates the branch or representative office's Manager.

STEP 2: LEGALIZATION AND TRANSLATION

- » The documents listed above must also be certified by the Lebanese embassy or consulate located in the country of the foreign company's incorporation.
- » Submit all documents listed above for translation to Arabic by a sworn translator in the country of origin or in Lebanon.

 **Pay the translator's fees**

STEP 3: REGISTRATION AT THE MINISTRY OF ECONOMY & TRADE

- » Submit all translated documents listed above at the **Ministry of Economy & Trade (MoET)**, in addition to the required **Registration Form**.

 **Pay for the fiscal stamps**, the sum of around LBP 400,000.

 **Pay the Registration fees of LBP 1,800,000 and other relevant fees.**

- « Receive a copy of the Notice of Acknowledgement from the Ministry confirming the set-up of the foreign branch or office.

 **Pay the Official Gazette publication fee, to obtain the original Notice of Acknowledgement, and to allow its publication in the Official Gazette.**

STEP 4: REGISTRATION AT THE TRADE REGISTER

- » Submit all translated documents listed above at the Trade Register, in the Court of Commerce located in the same district (or Caza) as the foreign company's branch or office, in addition to
 - » The copy of Notice of Acknowledgement from MoET
 - » The required Registration Form



Pay for the fiscal stamps, the sum of around LBP 400,000, and **registration fees**.

Pay the Magistrate Mutual Fund fees of LBP 900,000.

STEP 5: FINAL STEPS

- « **Receive** a Certificate of Incorporation evidencing the formation of the Foreign office or Branch in Lebanon, in addition to certified copies of the By-Laws and Company Resolution.
- « A **Tax Identification Number** will be attributed to the company.

Note: The company should apply for commencement of activity (or not) at the Ministry of Finance within two months following registration or it will be subject to a fine worth LBP 2,000,000.

SETTING UP AN OFFSHORE COMPANY

» Required Documents/Tasks

- » Company's By-Laws or Articles of Association
- » Opening of a bank account confirming the subscription of the company's capital
- » Minutes of the Constitutive General Assembly
- » Minutes of the first Board Meeting
- » Registration Form
- » Commercial Circular
- » Deed of Property/Rent or Occupancy Deed of the company's headquarters

» Step by Step - Completing the Registration

- » Documents/Tasks to Complete
- « Documents to Collect

Fees to Pay

STEP 1: COMPLETION OF PRELIMINARY LEGAL TASKS

- » Prepare the company's **By-Laws**, or **Articles of Association**; have them signed by the founders before a Public Notary in whose district the company's head office is located.
- » Hold a **Constitutive General Assembly** to elect a **Board of Directors**.
- » Assemble the newly appointed Board of Directors to elect the company's **Chairman**, appoint a **Principal Auditor** and a **Legal Advisor**.
- » **Complete the Commercial Circular**, and have it signed by the Chairman, and any other person delegated by the Board.
- » Fill in the Application Form of the company's registration.

 Pay the Public Notary's fees of: 0.1% of capital, a lump sum of LBP 8,500 / page and a fixed sum of LBP 90,000.

STEP 2: PAYMENT OF SHARE CAPITAL

- » **Open a bank account** in a Lebanese bank under the name “Offshore Under Constitution”. A copy of the By-laws will be required, in addition to minutes of the Constitutive and first Board meetings, and legal identification of the founders. Deposit the **capital of the company** (LBP 30,000,000 at least or USD 20,000) in the chosen bank.
- « Obtain a **certificate from the bank**, evidencing the opening of the bank account and the subscription of each founder’s shares.

STEP 3: REGISTRATION AT THE TRADE REGISTER

- » **Submit** all the following documents at the **Trade Register**, in the Court of Commerce located in the same district (or Muhafaza) as the company’s head office:
 - » The Application Forms of the company’s registration
 - » The company’s by-Laws
 - » Minutes of the Constitutive General Assembly
 - » Minutes of the first Board Meeting
 - » The Commercial Circular
 - » The certificate of bank deposit
 - » Copies of legal identification of all partners/shareholder.
 - » Deed of Property/Rent registered at the municipality, or Occupancy Deed for the company’s headquarters.
- » Ask the **Court of Commerce** to appoint a complimentary auditor for the company.




Pay for the fiscal stamps, the sum of around LBP 250,000, and **registration fees**.



Pay the Magistrate Mutual Fund fee which is 50% of the Stamp Duty.

STEP 4: REGISTRATION AT THE BAR ASSOCIATION

- » Submit a document confirming the appointment of a legal advisor, at the Bar Association.
-  **Pay the Bar Association fee** which consists of 0.1% of capital and a fixed sum of LBP 100,000.

STEP 5: PAYMENT OF DUTIES AT THE MINISTRY OF FINANCE



Pay the Stamp Duty at the Lebanese Ministry of Finance, consisting of a lump sum of LBP 1,000,000 and 0.3% of capital.

- « **Receive** certified copies of the Certificate of Incorporation, Articles of Association, Commercial Circular, and the minutes.
- « A **Tax Identification Number** will be attributed to the company.

Note: The company should apply for commencement of activity (or not) at the Ministry of Finance within two months following registration or it will be subject to a fine worth LBP 2,000,000.

STEP 6: RELEASE OF CAPITAL

- » Submit the following documents to the bank in order to release the capital that has been blocked during the registration phase:
 - » Minutes of the Constitutive General Assembly
 - » Minutes of the first Board meeting
 - » A certified copy of the Certificate of Incorporation
 - » A certified copy of the By-Laws
 - » A certified copy of the Commercial Circular

SETTING UP A HOLDING COMPANY

» Required Documents/Tasks

- » Company's By-Laws or Articles of Association
- » Opening of a bank account confirming the subscription of the company's capital
- » Minutes of the Constitutive General Assembly
- » Minutes of the first Board Meeting
- » Registration Form
- » Commercial Circular
- » Deed of Property/Rent or Occupancy Deed of the company's headquarters

» Step by Step - Completing the Registration


» Documents/Tasks to Complete

« Documents to Collect

 Fees to Pay

STEP 1: COMPLETION OF PRELIMINARY LEGAL TASKS

- » Prepare the company's **By-Laws**, or **Articles of Association**; have them signed by the founders before a Public Notary in whose district the company's head office is located.
- » Hold a **Constitutive General Assembly** to elect a **Board of Directors**.
- » Assemble the newly appointed Board of Directors to elect the company's **Chairman**, appoint a **Principal Auditor** and a **Legal Advisor**.
- » **Complete the Commercial Circular**, and have it signed by the Chairman, and any other person delegated by the Board.
- » Fill in the Application Form of the company's registration.

 **Pay the Public Notary's fees of: 0.1% of capital, a lump sum of LBP 8,500 / page and a fixed sum of LBP 90,000.**

STEP 2: PAYMENT OF SHARE CAPITAL

- » **Open a bank account** in a Lebanese bank under the name “Holding Under Constitution”. A copy of the By-laws will be required, in addition to minutes of the Constitutive and first Board meetings, and legal identification of the founders. Deposit the **capital of the company** (LBP 30,000,000 at least or USD 20,000) in the chosen bank.
- « Obtain a **certificate from the bank**, evidencing the opening of the bank account and the subscription of each founder’s shares.

STEP 3: REGISTRATION AT THE TRADE REGISTER

- » **Submit** all the following documents at the **Trade Register**, in the Court of Commerce located in the same district (or Muhafaza) as the company’s head office:
 - » The Application Forms of the company’s registration
 - » The company’s by-Laws
 - » Minutes of the Constitutive General Assembly
 - » Minutes of the first Board Meeting
 - » The Commercial Circular
 - » The certificate of bank deposit
 - » Copies of legal identification of all partners/shareholder.
 - » Deed of Property/Rent registered at the municipality, or Occupancy Deed for the company’s headquarters.
- » Ask the **Court of Commerce** to appoint a complimentary auditor for the company.



Pay for the fiscal stamps, the sum of around LBP 250,000, and **registration fees**.



Pay the Magistrate Mutual Fund fee which is 50% of the Stamp Duty.

STEP 4: REGISTRATION AT THE BAR ASSOCIATION

- » Submit a document confirming the appointment of a legal advisor, at the Bar Association.



Pay the Bar Association fee which consists of 0.1% of capital and a fixed sum of LBP 100,000.

STEP 5: PAYMENT OF DUTIES AT THE MINISTRY OF FINANCE

 **Pay the Stamp Duty** at the Lebanese Ministry of Finance, consisting of a lump sum of LBP 1,000,000 and 0.3% of capital.

« **Receive** certified copies of the Certificate of Incorporation, Articles of Association, Commercial Circular, and the minutes.

« A **Tax Identification Number** will be attributed to the company.

Note: The company should apply for commencement of activity (or not) at the Ministry of Finance within two months following registration or it will be subject to a fine worth LBP 2,000,000.

STEP 6: RELEASE OF CAPITAL

» Submit the following documents to the bank in order to release the capital that has been blocked during the registration phase:

- » Minutes of the Constitutive General Assembly
- » Minutes of the first Board meeting
- » A certified copy of the Certificate of Incorporation
- » A certified copy of the By-Laws
- » A certified copy of the Commercial Circular

FINDING BUSINESS PREMISES

When looking for business premises, every investor has his own set of criteria and preferences. It is good to keep in mind that the highest concentration of businesses is within the Beirut area, mainly Beirut Central District or what is known as Downtown. However, many companies have looked to establish outside the main city in order to benefit from lower costs, such as Nokia, Nestle and the US Embassy. Whether it be to buy or rent a space, there are several institutions and agencies that can provide you with the necessary assistance.

In comparison to its Middle-Eastern counterparts, Beirut proves to be inexpensive when it comes to the cost of rent per square foot per year, as seen in Table 1.

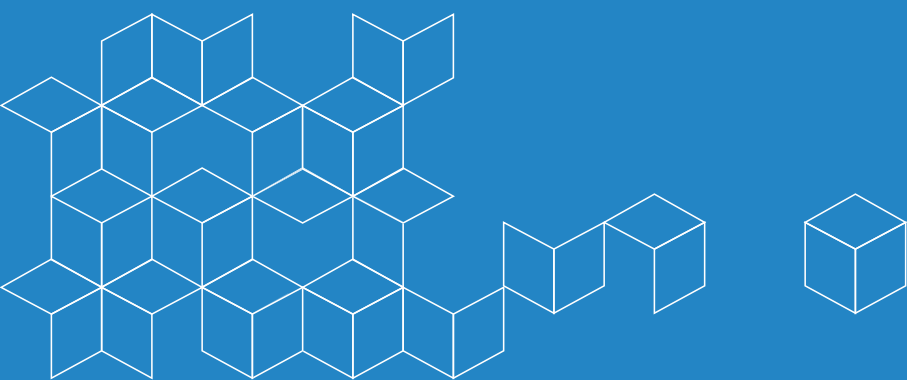
Table 1: Comparison of Rental Costs

Country	City	Rents Quoted In	Rent	Rent USD/sq.ft/year
UAE	Abu Dhabi	AED	2,500.00	\$ 63.23
Qatar	Doha	Qatari Rial	200.00	\$ 61.24
UAE	Dubai	AED	180.00	\$ 49.00
Lebanon	Beirut	USD	400.00	\$ 45.91

Source: Cushman & Wakefield; Office Space Around the World, 2011



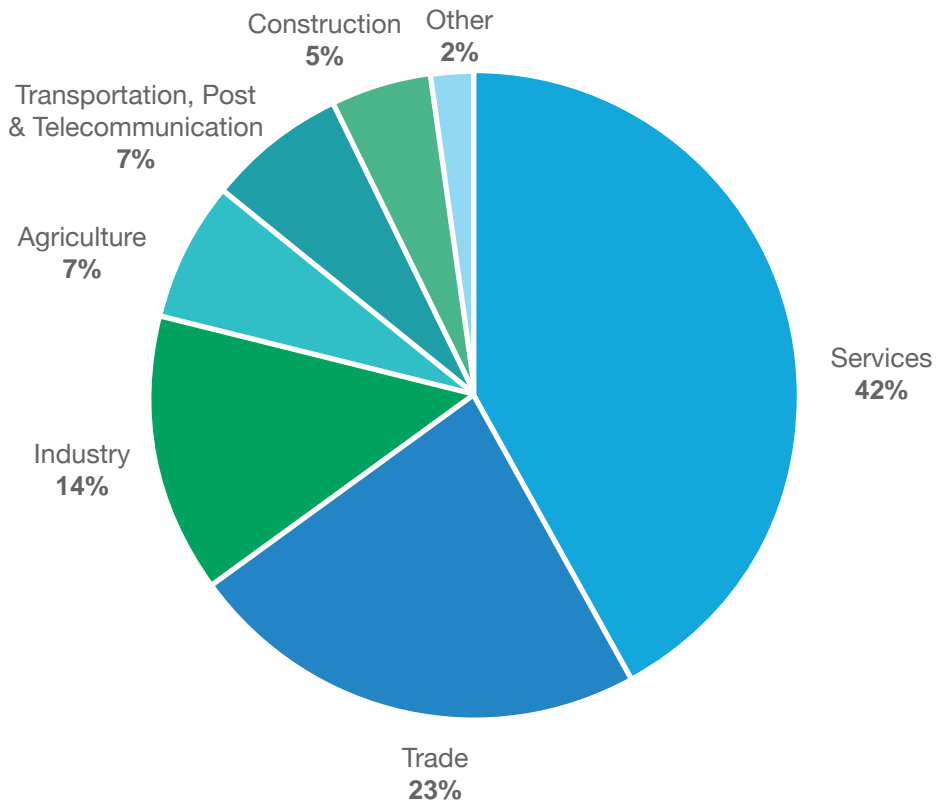
ONCE SET UP



ABOUT THE LABOR FORCE

One of the main features of Lebanon's economic attractiveness is its young and dynamic population. Lebanon has an estimated population of 4,223,553¹ of which 2.831 million are aged 15 years and above. The active population stood at 1.229 million, while the inactive population (people not seeking a job or enrolled in education) at 1.602 million. The distribution of this workforce across economic sectors is seen in Figure 1, mainly concentrated in the services and trade sectors.

Figure 1: Distribution of Workforce Across Economic Sectors | **2007**



Source: Central Administration for Statistics (CAS), 2007

¹Based on the latest estimates from the Central Administration of Statistics (CAS)

EDUCATION & HUMAN CAPITAL

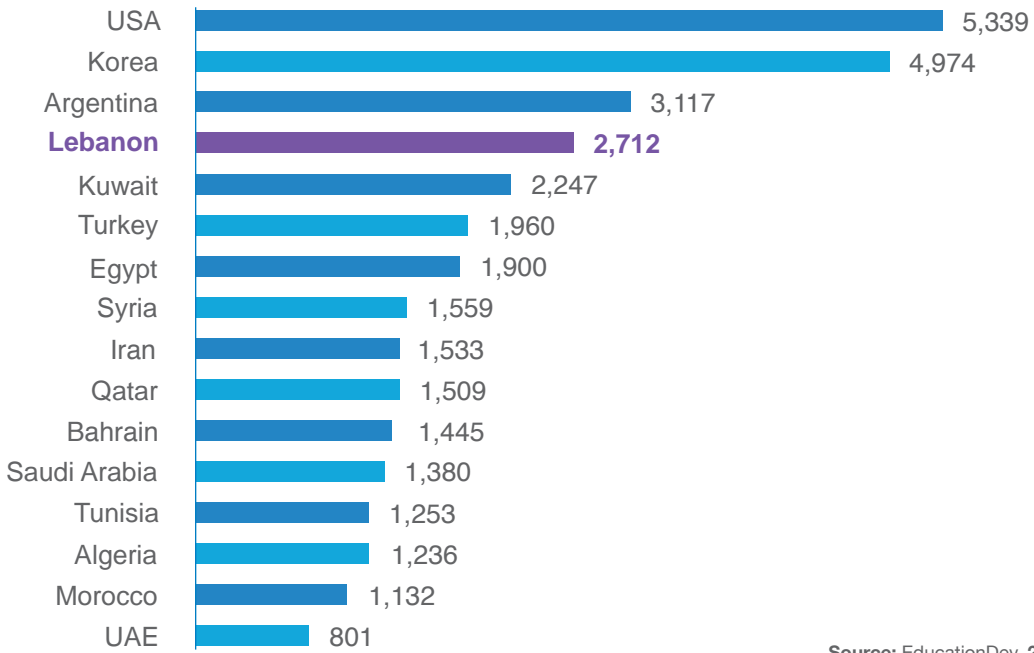
The Lebanese education system has been adapting to the needs of the labor market, providing a skillful resource of knowledge and expertise. Among neighboring countries, Lebanon ranks the highest on the Education Capability Index (ECI) which represents CEO satisfaction levels with the quality of education, the adequacy of skills acquired by students upon graduating, and the ability of the education system to meet future market requirements.

Effectively, workers occupying positions that require a minimum level of education and/or skills (namely legislators, senior officials, managers, professionals, technicians, associate professionals and clerks) constitute almost 40% of the total Lebanese labor, highlighting the fact that the country enjoys a qualified labor force. The wealth of skills, expertise and adaptability has helped Lebanon rank among the most competitive business locations in the region.

Lebanon outperforms the educational level of MENA countries, exceeding by far the regional average in terms of the ratio of higher education students per 100,000 inhabitants (Figure 2). The tertiary gross enrollment rate in Lebanon is equal to 54% (Figure 3), a level comparable to the OECD average rate (54%) and much higher than the 26% and 23 % registered respectively for the MENA region and middle income countries.

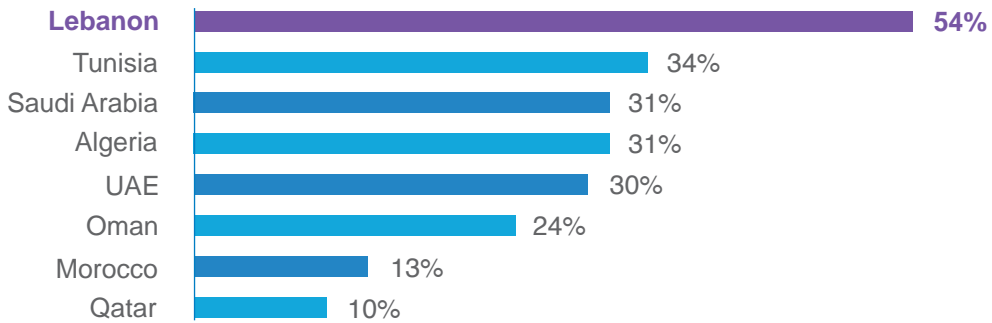


Figure 2: Number of Higher Education Students per 100,000 Inhabitants | **2010**



Source: EducationDev, 2010

Figure 3: Tertiary School Enrollment % | **2009**



Source: World Bank, 2009

Access to Quality Education

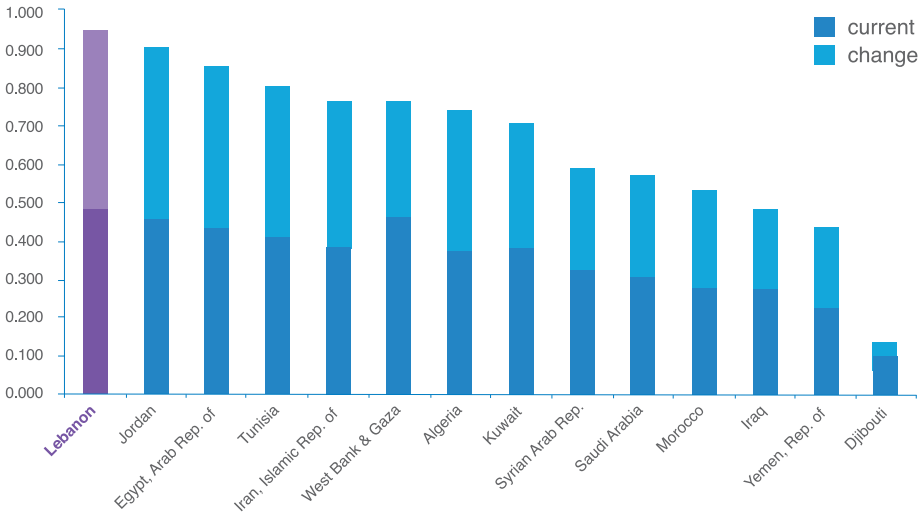
Lebanon is investing heavily in ensuring access to quality education for all, and maintaining its strong competitive advantage. In 2007, the government through the Ministry of Education and Higher Education (MEHE) launched several initiatives to restructure the education system in line with the requirements of the Paris III reform program, which include:

1. Consolidation of policy, planning and resource allocation
2. Improvement of efficiency, effectiveness and competence level of teaching workforce
3. Enhancement quality of education
4. Enhance strategic management of educational facilities through consolidation of small unviable schools.

These initiatives aim at providing quality education on the basis of equal opportunity, helping in social integration, increasing labor productivity and economic development. The government has adopted various measures to contain the growing number of higher education students (which recorded a 40% increase against 2006 figures), providing the needed educational infrastructure and adapting student's skills to the country development needs.

In fact, the MEHE worked on enhancing the performance of Lebanon's public education sector through amendments made to the curriculum to avoid repetition over the years, and development of the skills and competencies of the teaching workforce, as well as the organization and development of school management. The MEHE also worked on increasing the efficiency of schools by merging unviable schools and rehabilitation of schools and equipping them with Science and Information Technology laboratories.

Figure 4: Integrated Index for Access of Education | 2007

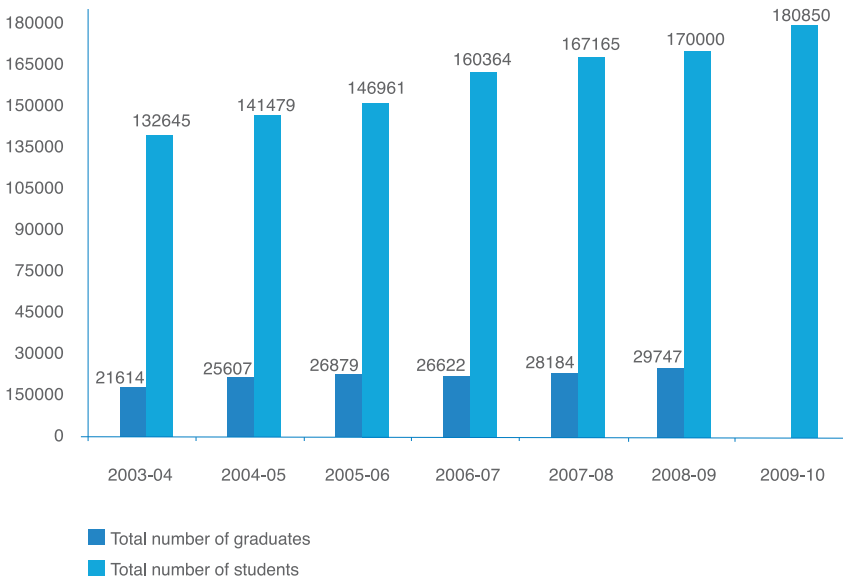


Source: World Bank, 2007

Note: The Integrated Index of Access to Education highlights a countries' capabilities and efforts exerted as well as resources allocated to enhance primary and higher education enrollment (taking into account enrollment, equity, efficiency and quality).

The rapid growth of the higher education sector in the past decade, through the mushrooming effect of private universities, resulted in an accrued human capital in the country offering an abundant supply of a competitive and highly qualified workforce. In few years, the number of university students has grown by 36% and increased from 132,645 in 2003 to 180,850 students in 2009 (Figure 5).

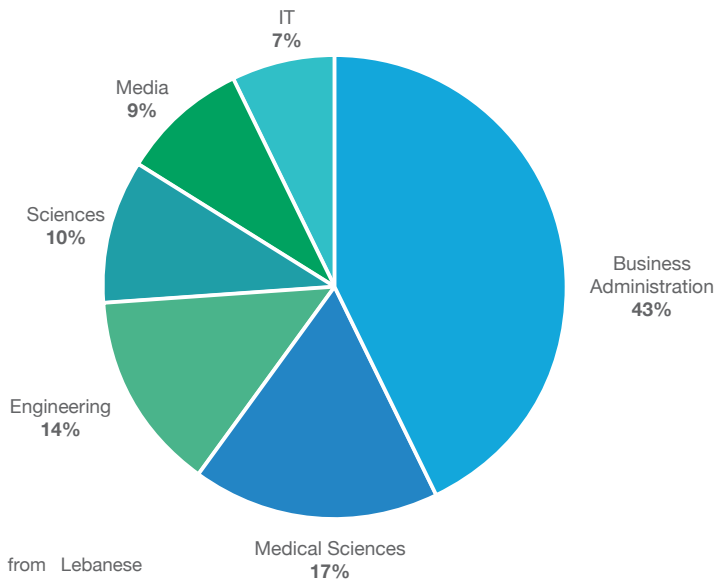
Figure 5: Number of Students and Graduates From Lebanese Universities



Source: Ministry of Education and Higher Education, 2010

The top 3 fields of study are Business Administration, Medical Science and Engineering.

Figure 6: Breakdown of the graduate students per field of study



Source: Data collected from Lebanese American University, American University of Beirut, Lebanese University, Beirut Arab University and Notre Dame University, 2009

COMPETITIVE LABOR COST ACROSS VARIOUS SECTORS

In general, salaries in Lebanon are relatively lower than regional averages. According to the World Bank, 70% of the population generates an annual income of less than USD 10,000. The latter combined with the aforementioned highly skilled labor force would form an attractive combination for any company willing to invest in Lebanon. In fact, the CAS report stated that people employed in the Transport, Post and Telecommunications sectors have the highest salaries, followed by the Services, Financial intermediation and Insurance sectors. Agriculture sector employees on the other hand enjoy lower salaries (Table 1).

Table 1: Average Annual Salary by Economic Sector

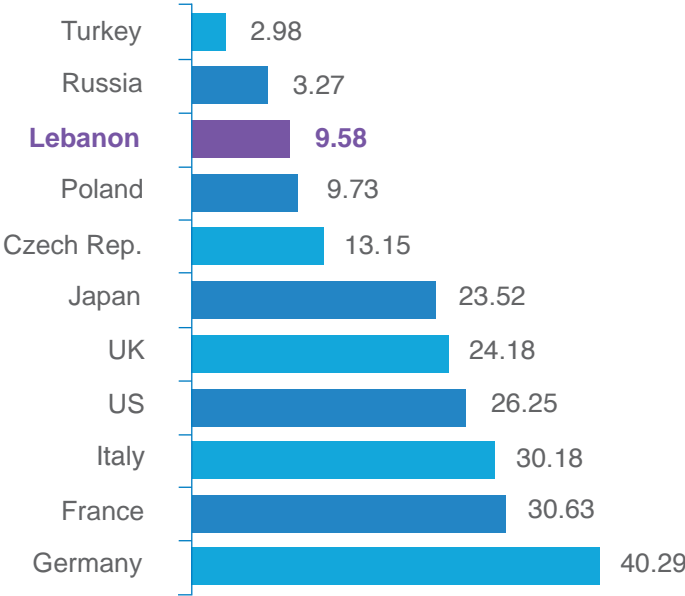
	LBP	USD
Transport, Post & Telecom	11,580,000	7,682
Services, Financial intermediation and Insurance	9,216,000	6,113
Trade	6,936,000	4,601
Manufacturing	6,828,000	4,529
Agriculture	3,456,000	2,293

Source: CAS, 2009



With its ability to provide only the best at a lower labor costs, the Lebanese Labor force demonstrates an unbeatable comparative advantage across several sectors (figure 1).

Figure 1: Labor Cost per Hour in USD | 2009

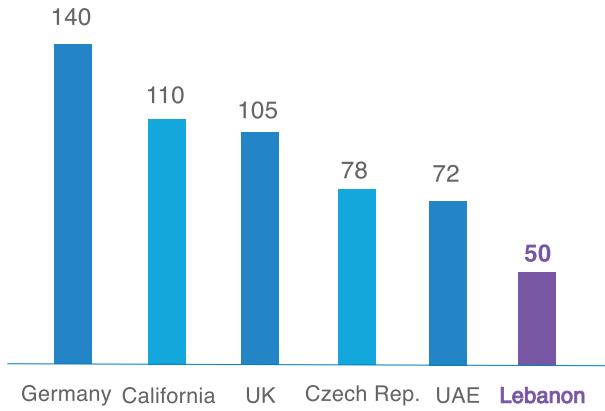


Source: Economic Intelligence Unit, 2009

More specifically, Lebanon has one of the most competitive labour forces regionally and internationally, in sectors with high value added.

Lebanon is an ideal location for IT outsourcing and other high tech businesses, due to its low cost wages within the ICT and High Tech sector, and more particular specialties, such as software engineers, as seen in Figure 2.

Figure 2: Average Annual Wages of Software Engineering in USD '000 | **2009-2010**



Source: Tech America Foudation ,2009-2010



EMPLOYMENT AND SOCIAL SECURITY

» Labor Regulation

Employment Contract

The Ministry of Labor is the entity responsible for developing and implementing the Labor Law. Employment contracts are generally concluded in written form (although this is not obligatory). Written contracts shall be developed in Arabic, but could be translated to a foreign language if the employer or the salaried person is a foreigner and unacquainted with the Arabic language. Contracts should comply with the provisions of the Common Law.

Employers who hire fifteen or more salaried persons shall be required to lay down a scheme regulating working conditions in his establishment. The scheme must be ratified by the Minister of Labor, and the regulations must incorporate the Labor Law guidelines.

» Terms of Employment

Salaries and Wages

The minimum wage in Lebanon is currently set at LBP 700,000 L.L. (or the equivalence of USD 464). Information on payroll taxes are included in the Corporate & Individual Taxation section in this booklet.

Working Hours

» **Working Hours:** The standard working time is eight hours per day or the equivalent of 40 hours per week as set by the Labor Law guidelines. The maximum legal duration of work cannot exceed 48 hours per week. Under special circumstances, employers are allowed to add extra hours to an employee's regular shift, contingent on a permit issued by the Ministry of Labor and overtime hours paid 1.5 times.

» **Breaks:** The employer shall grant his salaried personnel a minimum of an hour rest that shall be interposed in the middle of the day whenever the duration of work exceeds six hours for men and five hours for women. The salaried persons

shall be given a weekly rest that must not be less than 36 consecutive hours. The employer may choose the day of this rest and allocate it among all salaried personnel according to working requirements.

» **Annual Leaves:** Every salaried person employed in an establishment for at least one year shall be entitled to an annual leave of fifteen days with full pay. The employer may choose the leave dates according to the requirements of work. The salaried person shall not be dismissed or served with dismissal notice during the mentioned leave.

» **Public Holidays:** There are two compulsory public holidays which must be given, with pay, to employees: Labor Day on May 1st, and Independence Day on November 22nd. In addition, there are 13 other government-recognized holidays during which all public offices and most businesses are closed.

Termination of Employment

The employer and the employee can mutually agree to break a written work contract at any time, in which case there is no payment for damages or entitlements. However, in situations where one party breaks the contract, the injured party is entitled to seek compensation. If the employee was dismissed without any notification period, he should be compensated for the notification he is entitled to, according to the following:

Required minimum notification periods for employers and employees	
Duration of service	Duration of notification period
Less than 3 years	1 month
3-6 years	2 months
6-12 years	3 months
More than 12 years	4 months

The Lebanese Labor Law establishes certain rules for dismissal: The employer may rescind the contract without indemnity or prior notice in the following cases:

» *Dismissal for business reasons: If the worker or the employee who engaged in the work as a trainee on probation has not satisfied the employer within the first three months of employment;*

- » *Dismissal for Conduct-Related Reasons: If the salaried employee has committed a proven deliberate act or negligence to cause damage to the employer's material interests. In order to use this cause as a plea, the employer is required to inform in writing the Social Affairs Department of such infringement within three days of the verification of the act;*
- » *If the salaried employee has committed three times in the course of a single year, a serious infringement to the By-Law, despite repeated notices served on him in writing;*
- » *If the worker or employee has assumed spurious nationality;*
- » *Dismissal for Personal Reasons: If the salaried employee was absent with no legal excuse or valid reason, for more than fifteen days in a single year or more than seven consecutive days. The salaried employee is required to inform the employer of the reasons of absence within twenty-four hours of his return. The employer shall have to serve written notices to the worker indicating the number of days that shall be counted as absence with no legal excuse;*

The employee is entitled to quit the job before the end of the contract and without prior notice in the following cases:

- » *If the employer or a representative has deceived the employee regarding working conditions at the time of concluding the contract. The employee may not avail himself of this right after the expiry of thirty days from the start of his engagement in work;*
- » *If the employer has not fulfilled his obligations towards the employee; If the employer or his/her representative has committed a moral crime against the employee personally or a member of his/her family;*
- » *If the employer or his/her representative has committed assault and battery on the employee.*

In situations where either party breaks the work contract for reasons of misconduct, the party seeking compensation must file a lawsuit no later than one month after the violation. Firing an employee is considered misconduct or abuse of power if the action is based on an unjust or personal reason.

Non-Lebanese Workers Special Terms and Conditions

Every foreigner seeking entry to Lebanon to practice a certain profession or work, with or without pay, is required to obtain a prior approval from the Ministry of Labor (except for artists who shall obtain the approval from the General Directorate of General Security). The foreigner shall apply abroad, through the official Lebanese mission or an authorized representative of the concerned person in Lebanon.

If the foreign applicant is a salary earner, the employer is required to submit to the Ministry of Labor an application wherein he/she declares his/her approval to receive the foreign worker. The application must be supported by documents and instruments, which corroborate the contents of the foreigner's application, as well as a labor contract certified by a Public Notary in Lebanon, or by one of the Lebanese Diplomatic Corps accredited abroad.

A foreigner, who intends to cumulate the quality of partner/shareholder, should fulfill the following conditions:

- » *The share of the applicant in the capital should not be less than LBP 100 million.*
- » *The applicant must declare the extent of his/her possibilities to employ*
- » *Lebanese workers. (at least 3 Lebanese workers against each foreigner and register them at the social security service within the first 6 months*

▶ Lebanese Social Security System

The National Social Security Fund (NSSF) provides employees with national insurance coverage for sickness, maternity care, family allowance, end-of-service pensions, work-related accidents and diseases. Formal employees or laborers from any sector are eligible to enroll in the program. These provisions are included in the Social Security Law enacted in 1963.

Social Security contributions are calculated as a percentage of monthly salaries, including overtime, bonuses, and fringe benefits. All employers in Lebanon are required to register their employees at the National Social Security Fund within one month from the start of operations, and are required to pay social security contributions on their behalf.

In general, all Lebanese employees and workers, regardless of the nature of their employment, are subject to the Social Security provisions, provided their activities are conducted on Lebanese soil.

Foreigners working in Lebanon (holders of work permits) are entitled to social security benefits, provided their countries of origin offer equal treatment to Lebanese workers (i.e. France, Italy, UK, Syria, and Belgium).

Employers Social Security Contribution:

Social Security Contributions		
Contribution Type	Employee's Contribution	Employer's Contribution
Sickness and maternity	2%	7%
Family allowances	-	6%
End of service allowance	-	8.5%

Exemptions from Contribution:

Non-resident foreigners and Lebanese are exempted from Social Security contributions if they are working in Lebanon and following an employment contract concluded abroad with foreign companies, and if their employer produces evidence that they are entitled to social security benefits in their country of residence at least equivalent to those offered in Lebanon.

WORK AND RESIDENCY PERMITS

How do foreign workers apply for permission to work and reside in Lebanon? How long can they live and work in Lebanon? Who requires residency permit?

➤ Work Permits

Any foreigner who obtains a prior approval from the Ministry of Labor, is required to apply for a work permit at the Ministry within a maximum period of ten days as of the date of his/her entry to Lebanon. The Ministry may revoke the prior approval if the foreigner fails to arrive to Lebanon within a maximum period of three months from the date of approval.

The work permit may be granted and renewed for a maximum period of two years from the date of its issuance. If the renewal application has not been filed within at least one month prior to the expiry of its validity, it shall automatically be considered null and void, and the foreigner shall be without a work permit and subject to all measures and sanctions mentioned in the laws and regulations in force.

» Residency Permits

Investors and businessmen possessing temporary residence for six months and who have initiated investment projects in Lebanon may apply before the General Directorate of General Security for a yearly or permanent residence valid for a period of three years and renewable.

The Required Documents:

- » A passport valid for at least a period of one year (for the yearly residence and valid for three years (for the permanent residence), or an Identity card with a return coupon if he is Syrian.
- » A statement from the competent departments in his country proving his professional function.
- » A statement from the competent Lebanese departments proving that he has initiated investment projects in Lebanon.
- » A statement from the competent Lebanese departments proving that he has initiated investment projects in Lebanon.
- » The residence application form personally filled and signed before the competent personnel in the regional department.
- » Three new colored photos, size 4*4 cm.

You will find all links to access permit application forms and lists of required documents at the official site of the General Directorate of General Security (<http://www.general-security.gov.lb>).

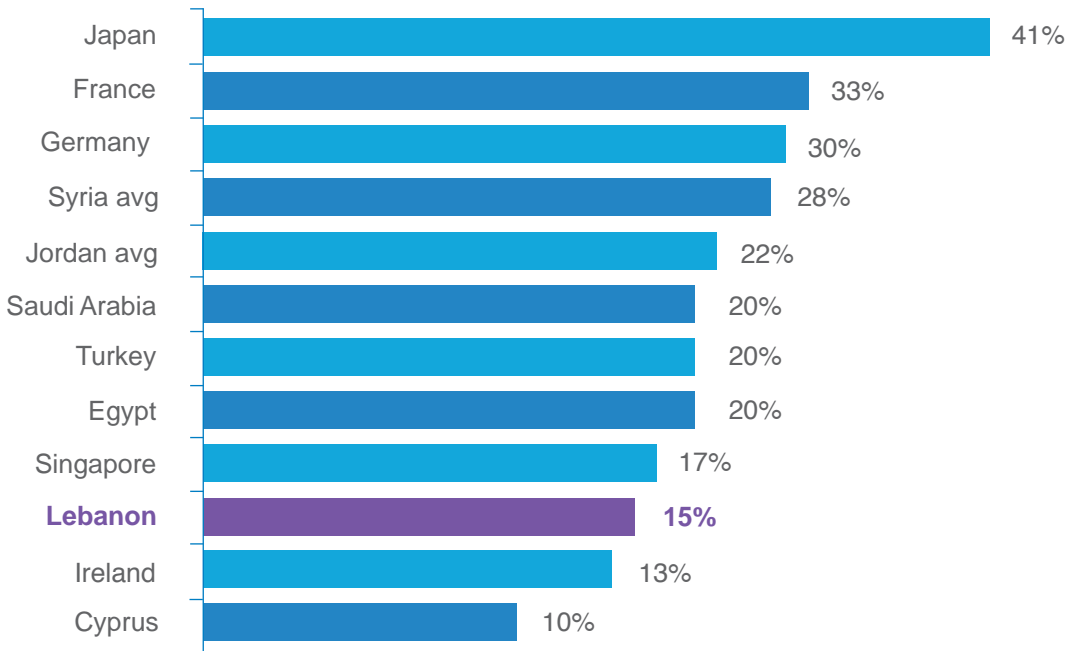


TAXATION IN LEBANON

A COMPETITIVE TAX SCHEME SENDING POSITIVE SIGNALS TO FOREIGN INVESTORS

Lebanon has one of the most competitive corporate income tax rates regionally and internationally, equal to 15%, making Lebanon's business environment one of the most attractive and competitive for foreign and national companies alike (Figure 1).

Figure 1: Average Corporate Tax Rates of Selected MENA and OECD Countries | 2010



Source: Doing Business Report, World Bank, 2010

Tax payment procedures, are also ranked among the least complex in the MENA region in terms of time, cost and number of payments required per year according to the 2011 Doing Business Report. In fact Lebanon ranked 30th in 2012 in the "Paying taxes" category, among 183 economies, with only 19 days per year for tax payments, versus 21 days on average in the MENA region, as per the report. It would also be interesting to note that Lebanon is one of the very few developing economies that rank in the first and second quartile of this category, according to

the same source. The Ministry of Finance has played an important role in that matter, improving processes for tax payments, introducing e-declaration and e-payment services and establishing a one-stop-shop for tax payments at Lebanese customs.

TAX FRIENDLY REGIME FOR BUSINESSES – CORPORATE INCOME TAX

Lebanon's tax regime is transparent and globally competitive designed to spur economic growth and provide investors with significant advantages. Companies operating in Lebanon benefit from favorable tax structures, low rates and a wide range of double taxation treaties.

The Lebanese tax structure does not discriminate against foreign investments. Branches of foreign companies are subject to the same business income tax as local companies when profits are realized in Lebanon. There are no taxes payable at the local / regional level. In addition, the tax regime provides several tax exemptions and reductions.

► Tax Relief and Incentive

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. Please check our guide on Financing Your Business

► Tax Structure for Key Business Entities

Under Lebanese legislation, local and foreign investors have the option to establish a broad range of business structures with the most common ones for foreign entities being; holding companies, offshore companies, joint stock and limited liability companies. Listed below are the main tax rates and exemptions by type of business entity:

Holding Companies

Holding companies are exempt from paying:

- » *Income tax on profits*
- » *Income tax on profit distribution*

Holding companies must pay the following:

- » *10% on the interest on loans issued to companies operating in Lebanon, if the loan maturity is less than three years*
- » *10% tax on capital gains received from the sale of holding company shares or its participation in Lebanese companies it has owned for less than two years*
- » *10% on amounts collected from renting patents and on the reserved rights it possesses on a Lebanese company*
- » *Graduated tax on capital and reserves*

Offshore Companies

Offshore companies are exempt from:

- » *Income tax on profits*
- » *Income tax on profit distribution*
- » *Stamp duties on overseas business contracts signed in Lebanon*
- » *Payroll tax on 30% of foreign employees' basic salary*

The company is subject to:

- » *LBP 1 million (USD 663) fixed annual tax*
- » *10% tax on profit received from the sale of the fixed assets in Lebanon*

» *Payroll tax on the salaries of company employees working in Lebanon*

Joint Stock and Limited Liability Companies

The company is subject to:

- » *15% tax on corporate profit*
- » *5% tax on profits received from the development or sale of real estate*
- » *A withholding tax at a rate of 10% is levied on all proceeds derived from movable capital assets generated in Lebanon. This tax essentially concerns:*
 - *Distributed dividends, interest and income on shares*
 - *Directors' fees as well as amount payable to them from profits*
 - *Distribution of reserve or profits in the form of additional shares or under any form*

OTHER TAXATION SCHEMES

» Income Taxes

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

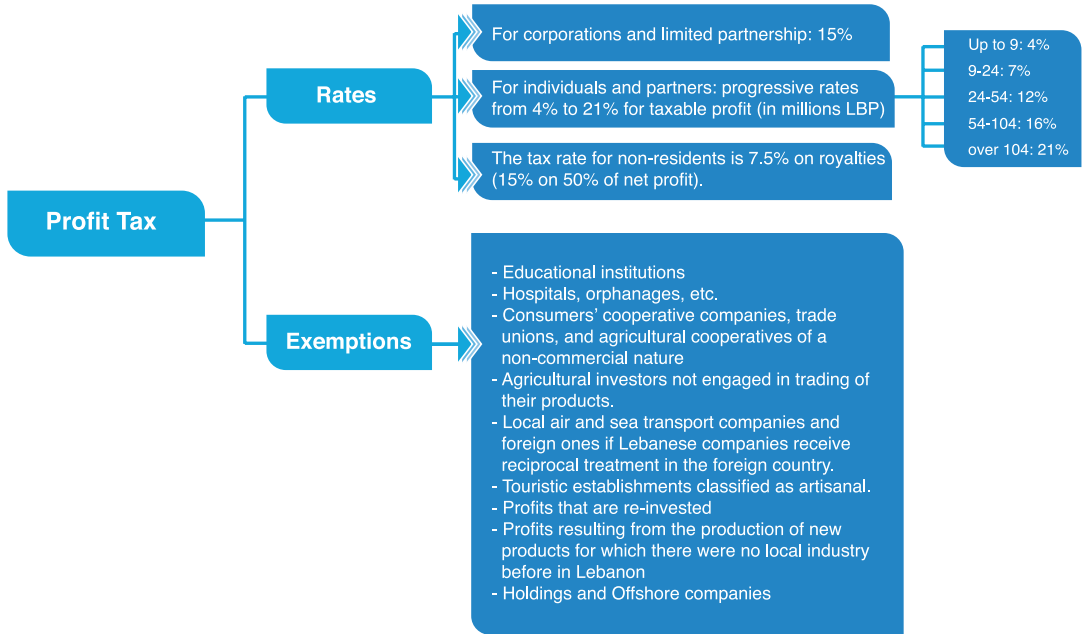
- » *Tax on commercial, industrial and professional income*
- » *Tax on wages and salaries*
- » *Tax on income from movable capital*

» Tax on Commercial, Industrial and Professional Income

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:



Taxes on Wages and Salaries: Payroll Tax

Income Tax Law imposes a tax on all wages and 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.

Tax	Income (million LBP)	Rates	Exemptions
Payroll Tax	up to 6	2%	<ul style="list-style-type: none"> » Subject to reciprocity: salaries and allowances of ambassadors of foreign states and their foreign staff. » Disablement pensions » Wages of agricultural borders » Wages of nurses and cleaners in hospitals, orphanages, asylum and other medical and first aid institutions. » Wages of foreign employees in the Union of Arab Capital and Financial Markets.
	6-15	4%	
	15-30	7%	
	30-60	11%	
	60-120	15%	
	Over 120	20%	

Tax on Income from Movable Capital

The tax rate on movable capital is 10%, withheld at the source on the gross receipts. Income Tax 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*
- » *Deposits and accounts opened at the Central Bank in the name of banks*

For more information on the income tax law; please visit the Ministry of Finance's website at www.finance.gov.lb.

Property Tax

The property tax covers all properties located in Lebanon and ranges from 0-14 %. 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:

Tax	Property Rental Value (In millions of LBP)	Rates	Exemptions
Property Tax	less than 6*	0%	Buildings owned by the government, hospitals, religious authorities, political parties, foreign governments etc ...
	6-20	4%	
	20-40	6%	
	40-60	8%	
	60-100	11%	
	Higher than 100	14%	

▶ Value Added Tax (VAT)

The 10% VAT rate in Lebanon is amongst the lowest in the region. It applies to imports, and the supply of goods and services carried out by a person or company subject to VAT. Some goods and services are completely exempted from the VAT:

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 the 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.

▶ Stamp Duty

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

▶ Custom 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:

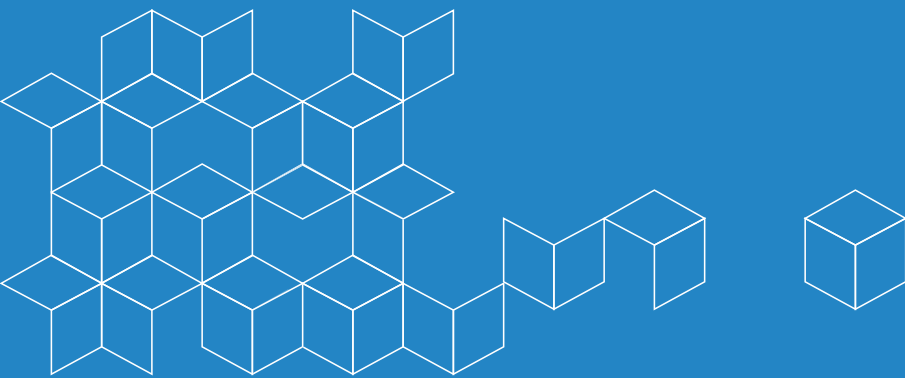
- » *Raw materials*
- » *Semi-manufactured goods (total of over 2000 products)*
- » *Computer hardware and software*
- » *Textiles*

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

- » *Merchandise in Transit*
- » *Customs Warehouses*
- » *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*
- » *Trans-shipment*



FINANCING YOUR BUSINESS



ABOUT FINANCING YOUR BUSINESS

With a proactive approach to business, Lebanon is considered a competitive, dynamic and outward oriented economy. A strong collaboration exists between private sector entities, government agencies and international organizations to provide efficient support and guidance to investors looking for a winning investment location.

LOANS AND FACILITIES AVAILABLE TO COMPANIES

Lebanon offers a range of financial incentives and facilities to help companies set up and expand their businesses, through a mix of public and private institutions. Listed below are selected financing schemes available to companies operating in Lebanon:

» **Low Interest Scheme from the Central Bank** - Banque du Liban (BDL): As part of its efforts to secure adequate financing in the economy, the BDL has issued circulars aiming at encouraging lending in Lebanese pounds at a lower cost, by setting new exemptions from mandatory reserve requirements. Such credit incentives include loans to productive sectors (e.g. Agriculture, Industry, Tourism, Information Technology, etc...), housing loans, high-educational loans and environmentally-friendly projects such as renewable energy, waste management, waste water treatment and recycling.
[For more information on these facilities, refer to www.bdl.gov.lb](http://www.bdl.gov.lb)

» **Commercial Bank Loans** - Banks are the major providers of credit to businesses. Loans to the private sector have continuously been on an upward trend even during periods of economic downturns. Corporate loans account for the largest share (46.8%) of loans provided by commercial banks, while SME lending (15%) and retail loans (14.1%) come next. Doubtful loans continue to be provisioned at 89%, one of the soundest levels in the region. While receiving loans from Lebanese banks, national and foreign investors will benefit from:

- » highly competitive interest rates
- » flexible payment terms
- » credit incentives to specific sectors

» **Kafalat Funding Scheme** - Kafalat is a loan guarantee company, established by the Lebanese government in 1999 to support the activity of small and medium sized enterprises (SMEs). Kafalat provides financial guarantees for loans granted by commercial banks to SMEs engaged in the

following economic sectors: Industry, Agriculture, Tourism, Traditional Crafts, and High Technology.

Kafalat currently offers three distinct types of loan guarantees:

- » Kafalat Basic, a loan value with a ceiling of LBP 300 million (approx. USD 200,000). This scheme guarantees 75% of the value of the loan granted by the bank and the accrued interest during the grace period plus three months.
- » Kafalat Plus, a loan value with a ceiling of LBP 600 million (approx. USD 400,000). This scheme guarantees 85% of the value of the loan granted by the bank and the accrued interest during the grace period plus three months.
- » Kafalat Innovative, a loan value with a ceiling of LBP 300 million (approx. USD 200,000). This scheme is set up to specifically support innovative start-ups i.e. start-ups which demonstrate the potential to create significant commercial added-value through innovation. It guarantees 90% of the value of the loan granted by the bank and the accrued interest during the grace period plus three months

Lending is undertaken through commercial banks

Eligible SMEs benefit from an interest rate subsidy, paying 7% per year

Loans can be repaid over seven years including the grace period.

Loans can cover the entire range of capital requirements (purchase of raw materials and spare parts; working capital; construction of premises; and purchase of machinery and equipment).

For more information on Kafalat, please refer to their website www.kafalat.com.lb

- » **Venture Capital Funds** - The Lebanese financial sector has witnessed the recent surge of Venture Capital Funds (VCF) which provide entrepreneurs and investors with seed capital. Examples of these funds include: The Carlyle Group; Berytech Fund; The Building Block Equity Fund; Middle East Venture Partner; Cedrus Ventures; and many others.

BUSINESS INCUBATORS

Several business incubators have been established with the aim of promoting Lebanon's economic development, attracting investments, and creating new jobs. These successful initiatives have been accommodating new start-ups, supporting SMEs and the launch of entrepreneurial projects through facilitating access to its capital, providing mentorship and creating networking opportunities.

Today around 7 incubators across Lebanon provide training, consultative, technical and financial assistance to new and existing businesses:



Berytech: Located in Mkalles - Beirut suburbs and in Sodeco, Berytech is the first technology pole in Lebanon. Berytech provides business incubation and acceleration services for technology start-ups, and hosting facilities for already established SMEs. Incubated companies can benefit from the Berytech Fund which makes *venture* capital and equity-related investments in ICT and Technology companies. Berytech is a member of the Network of European techno-parks.

www.berytch.org



South Business Innovation Center (South BIC): Located in Sidon with two outreach locations in Tyre and Nabatieh, SouthBIC offers office space and business support services. It provides mentoring, marketing and financial training as well as exhibition facilities for companies established in Sidon and the South of Lebanon, across all sectors. SouthBIC is funded by EU delegation in Lebanon. www.southbic.org



Business Incubator Association in Tripoli (BIAT): Located in Tripoli, BIAT consolidates incubation services in Northern Lebanon. It provides hosting facilities, business consulting, legal assistance, financing, marketing and export guidance for companies established in the North of Lebanon. BIAT is also funded by the EU delegation in Lebanon.

www.biatcenter.org

The logo for Seeqnce, featuring the word "seeqnce" in white lowercase letters on a dark red rectangular background.

Seeqnce: Located in Hamra-Beirut, Seeqnce is a start-up accelerator which helps building and accelerating start-ups with regional or global potential in internet and mobile technology. Seeqnce mentors startups for a period of 6 months and gives companies access to office space, linkages with potential partners and high levels of media attention. Seeqnce is a private initiative.

www.seeqnce.com



Altcity: Located in Hamra-Beirut, Altcity is a start-up space for technology, media and creative industries. It hosts individual entrepreneurs or start-up companies provide them with a series of workshops, networking events and mentoring opportunities, in the objective of fostering Lebanon's entrepreneurial ecosystem and talent. AltCity is a private initiative.

www.altcity.me



**Beirut
Digital
District**

Beirut Digital District (BDD): Located in the Bachoura district in the heart of Beirut, the BDD aims at building and developing technology clusters and linkages in Lebanon. By 2015, the zone will comprise of 4 buildings with an area of 15000 square meters. The space is designed to host local as well as foreign ICT companies and to provide them with state of art facilities, including access to advanced IT services and fiber optics infrastructure at reduced rates. The BDD is a Public Private Partnership (PPP) led by the Ministry of Telecommunications in collaboration with ZRE and Berytech

Cloud 5: Located in Down Town Beirut, Cloud 5 is a new incubation and acceleration space for start-ups and entrepreneurs in ICT. Companies operating in Cloud 5 benefit from free fiber optic broadband services in addition to reduced rental rates which go up to USD 300 per person per month. A mentorship program will be soon put in place to support the successful development of entrepreneurial companies. Cloud 5 is developed by Solidere and operated by Wamda.

Exemptions and Incentive Schemes

► INCENTIVES OFFERED BY IDAL

Investment Project by Zone (IPZ) scheme

It is a scheme based on the project's geographical location, investment size and sector type. It provides investors with fiscal related incentives and work permits. This scheme divides Lebanon into three geographical zones (Zone A, Zone B and Zone C).

Package Deal Contract (PDC) scheme

It is a scheme based on the project's investment size, number of jobs created and sector type. It provides investors with fiscal and labor related incentives as well as set-up fees reductions. Under this scheme, the investor is bound by a contract with the Lebanese government represented by IDAL.

► INCENTIVES OFFERED BY OTHER INSTITUTIONS

Incentives by Region

» **In Industrial zones:** 75% of a company's tax liabilities may be exempted. In order to take advantage of this regulation, investments should consist of capital expenditures designed to increase the company's staff and other employees. (UNCTAD 2000)

» **In Specific Industrial Zones (in Zahle, Jbeil and Nabatiyeh):** Companies are exempt from corporate income tax for a duration of 6 years. (Decree 1991)

» **Free Trade Zones:** Companies established in free trade zones are exempt from customs duties and are not subject to corporate taxes for 10 years. In addition, foreign employees are exempt from personal income tax.

» **In specific areas:** A 10-year exemption from income tax is granted to industrial companies established after 1980, provided these companies produce goods that were not produced in Lebanon at the beginning of 1980. (UNCTAD 2000)

Incentives by Industry

Agriculture:

- » Farms (provided they do not display farm products in sales outlets or sell products after processing) are exempt from income tax
- » Equipment and raw material imported for the agricultural sector are subject to only 2 percent customs duty
- » Wages of agricultural labor are exempt from payroll taxes
- » Agriculture products are exempt from VAT

Shipping & Transportation: Shipping and transport companies (subject to certain restrictions) are exempt from income tax.

Real Estate: Real estate development companies are granted income tax exemptions of 50 percent on profits derived from the construction or subdivision of buildings into housing units and sale to third parties. (UNCTAD 2000) Real estate activity is also exempt from VAT.

Manufacturing: Machinery, equipment, spare parts and building material imported for the setting up of new industrial firms, are subject to only 2 percent custom duties.

Tourism: Imported hotel equipment is exempt from certain duties provided that the operating period is for at least 10 years. Imported buses for tourism agencies are also exempt from customs duties. Touristic establishments classified as artisanal are exempt from corporate income tax.

Education institutes: are exempt from corporate income tax and VAT.

Hospitals: Hospitals are exempt from corporate income tax. Wages of nurses and cleaners in hospitals, orphanages, asylums and other medical and first aid institutions are exempt from payroll taxes. Hospitals are also exempt from property tax and VAT.

Computer Hardware and Software: Exemption from custom duties

Textiles: Exemption from custom duties

Incentives by Type of Entity

Offshore companies: Offshore companies are exempt from:

- » Income tax on profits;
- » Income tax on profit distribution;
- » Stamp duties on overseas business contracts signed in Lebanon;
- » 30% of foreign employees' basic salary is exempt (employers are subject to reduced social security contributions and payroll taxes.)

The company is subject to LBP 1 million (USD 663) fixed annual tax (instead of 10% corporate income tax)

Holding Companies: Holding companies are exempt from paying:

- » Income tax on profits;
- » Income tax on profit distribution

SOLIDERE: SOLIDERE is exempt from tax on profits during a period of 10 years. Dividends paid to shareholders, as well as capital gains arising from the exchange of shares, are also exempt from tax for 10 years.

Special Incentives

Profits that are reinvested and Profits resulting from the production of new products for which there were no local industry before in Lebanon, are exempt from corporate income tax.

Companies using operating profits to finance certain capital investment are allowed income tax exemption up to 50 percent for a period of up to four years, provided that such exemption does not exceed the original investment made.

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

VAT: Agriculture, Real Estate, Health, Education, NGOs, collective transportation of persons, financial services are exempt from VAT.

Custom 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 exist on:

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

USEFUL ADDRESSES & CONTACTS



USEFUL ADDRESSES & CONTACTS

The Ministry of Economy & Trade

Tel: (961-1) 743 929 - 746 313 /4.../8
Fax: (961-1) 354-640
E-mail: TIC@economy.gov.lb
Website: www.economy.gov.lb

Trade Information Center

Tel: (961-1) 345-250/5
Fax: (961-1) 349-549
E-mail: TIC@economy.gov.lb

The Ministry of Finance

Tel: (961-1) 642 720/1 - 981 000 to 981 011
Fax: (961-1) 642 762 - 642 727
E-mail: minister@finance.gov.lb
Website: <http://www.finance.gov.lb>

Chamber of Commerce, Industry & Agriculture

Tel: (961-1) 353 390/1/2/3 - 744 160/1
Fax: (961-1) 353 395
Website: <http://www.ccib.org.lb>

Council of Development and Reconstruction

Tel: (961-1) 981 431/4
Fax: (961-1) 981 252/3
E-mail: general@cdr.gov.lb
Website: <http://www.cdr.gov.lb>

Association of Lebanese Industrialists

Tel: (961-1) 350 280/1/2
E-mail: ali@ali.org.lb
Website: <http://www.ali.org.lb>

National Investments Guarantee Corporation

Tel: (961-1) 980 233/4 - 980 117
Fax: (961-1) 980 118

Ministry of Foreign Affairs & Emigrants

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Email: director@emigrants.gov.lb
Website: www.emigrants.gov.lb

Ministry of Interior & Municipalities

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Website: www.moim.gov.lb

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E-mail: bdlit@bdl.gov.lb
Website: <http://www.bdl.gov.lb>

Ministry of Tourism

Tel: (961-1) 346 649 - 349 469 - 862 390
E-mail: mot@lebanon-tourism.com.lb
Website: <http://www.lebanon-tourism.com.lb>

Central Administration for Statistics

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Fax: (961-1) 373 161/2
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Association of Banks in Lebanon

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Ministry of Social Affairs

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Website: www.socialaffairs.gov.lb

The Lebanese International Business Network

This website provides an automated matchmaking database and information for local, expatriate, and international firms and individuals interested in doing business in Lebanon.

E-mail: info@linbusiness.com

Website: <http://www.linbusiness.com>

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E-mail: info@baderlebanon.com

Website: www.baderlebanon.com

Cedrus Ventures

Website : www.cedrusventures.com

Agripole- Business Development Center in Bekaa

Website: www.agripole.org

BIAT- Business Incubation Association in Tripoli

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Website: www.biatcenter.org

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Website: www.bse.com.lb

BLOM Bank s.a.l.

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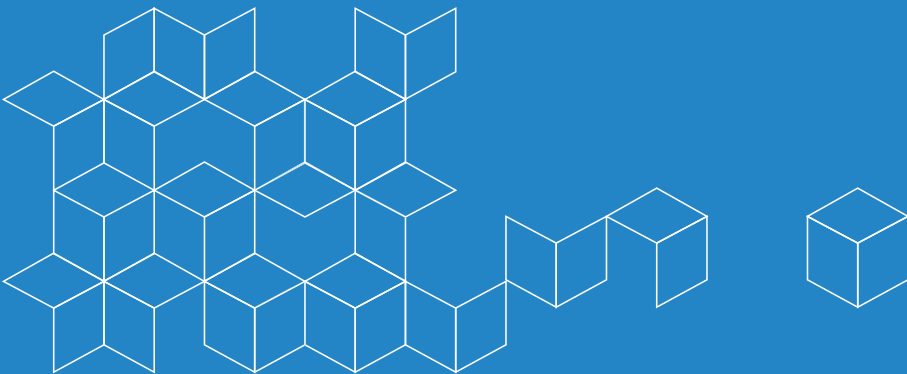
Website: www.beryttech.org

South BIC- Incubator in the South of Lebanon

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Website: www.southbic.org

APPENDIX: DEFINITION OF BUSINESS STRUCTURES



APPENDIX: DEFINITION OF BUSINESS STRUCTURES

► Joint Stock Company S.A.L

IN BRIEF

Minimum initial capital is LBP 30,000,000

Minimum number of shareholders is 3

No restrictions on foreign participation except for certain restricted sectors

Majority of board members must be Lebanese nationals

A Lebanese Joint Stock Company is constituted amongst shareholders who are only liable to the extent of their contribution and who subscribe to negotiable instruments referred to as ‘shares’. Lebanese joint stock companies must necessarily have the Lebanese nationality, and must by all means establish their headquarters in Lebanon.

The minimum number of shareholders of a JSC is three, and the minimum initial capital is LBP 30,000,000 (approximately USD 20,000), which can be in-cash and/or in-kind contributions. The in-kind contributions must be fully delivered at the time of incorporation, but full payment of the cash capital is not required at the time of establishment. In fact, the Law allows that only one fourth of the cash capital be paid upon the company’s constitution.

The company may be open to the public for subscription and may issue financial negotiable instruments or bonds. The shareholders initially meet in a “general assembly” and elect a board of directors. The number of board members must be between three and twelve. All board members must own a minimum number of shares in the company (determined in the company’s by-laws) and the majority must hold the Lebanese nationality.

The board elects a Chairman who represents the company and carries out the board’s decisions. By virtue of the Law, the Chairman is also necessarily the company’s General Manager.

There are no restrictions on foreign participation in joint stock companies except for certain restricted sectors (mainly the public sector, media, commercial representation, real estate and other specially regulated industries).

At least one auditor must be appointed by the company for a one-year term, noting that an additional auditor is appointed by the judge presiding over the Trade Registry within two months from the company’s incorporation. The company must necessarily appoint a lawyer with yearly retainer fees. Finally, the company’s name must always be followed by the abbreviation “S.A.L”.

Source: IDAL/MoET

» Holding Company

IN BRIEF

- Same characteristics as for Joint Stock Companies
- Board of Directors can be entirely constituted of Non-Lebanese
- Exempted from taxes on profits and distribution of dividends
- Minimum capital can be denominated in foreign currency.

A Holding Company is a special type of joint stock Company that has a limited object and benefits from special tax treatment and other provisions. The object of the holding company is strictly limited to the following:

1. Buying and subscribing to shares in Lebanese or foreign joint stock or limited liability companies,
2. Managing the said companies,
3. Lending money to companies in which it holds a minimum of 20% shares and or guaranteeing such companies towards third parties. The holding company may for such purpose borrow from banks and issue bonds, provided that the total value of issued bonds does not exceed five times its capital and reserves,
4. Holding and leasing patents, concessions and trademarks,
5. Acquiring moveable or real estate assets that are necessary for the holding's operations.

The holding company has the same characteristics as described under joint stock companies, with the following exceptions:

- » The holding company is exempted from the obligation of having Lebanese citizens or corporations on its board of directors, noting that the non-Lebanese Chairman of a holding company is exempted from work permit requirements.
- » The minimum capital requirement is the same as for joint stock companies but can be denominated in foreign currency. The company's name must always be followed by the expression 'Holding S.A.L'.
- » The Holding enjoys tax advantages: it is exempted from income tax on its profits and on the distribution of dividends. However, the holding company remains subject to other tax provisions including notably a flat tax (that varies depending on the company's capital and reserves) not exceeding LBP 5,000,000 annually.
- » Similar to joint stock companies, the Holding must appoint an auditor as well as a lawyer with yearly retainer fees. The holding company is exempted from the obligation of appointing an additional auditor.

Source: IDAL/MoET

➤ Offshore Company

IN BRIEF

Special case of Joint Stock Company

Operates in the Lebanese free zones or abroad, but is constituted in Lebanon

Does not require Lebanese Nationals as Board members and could be fully owned by non-Lebanese

Minimum capital can be denominated in foreign currency.

An Offshore Company is a special type of Joint Stock Company (enacted by Decree Law No 46 of June 24, 1983, amended by Law No. 19 of September 5, 2008) designed to be constituted in Lebanon but which operates only in the Lebanese free zone and/or outside the Lebanese territory. The object of the Offshore Company is strictly limited to the following:

1. To negotiate and sign contracts & agreements regarding operations & deals executed outside the Lebanese territory reverting to assets owned abroad or within the free customs area.
2. To manage, from Lebanon, companies and corporations activities which are exercised exclusively outside Lebanon; to export professional, administrative and regular services, as well as computer services and programs of all kinds to corporations based outside Lebanon, upon these corporations' request.
3. To conclude exterior tripartite or multipartite trading transactions outside Lebanon. For that purpose, offshore companies may hold negotiations, sign contracts, ship wares, re-issue invoices for business and transactions outside Lebanon, or from/and to free customs areas in Lebanon; this will include the use of facilities available in the free customs areas in Lebanon, to store imported goods so as to re-export them.
4. To undertake sea transportation business activities.
5. To own actions, shares, bonds and partnerships in foreign non-resident corporations and companies; to lend to non-resident corporations in which offshore companies own more than 20 % of their capital.
6. To own and/or benefit from rights reverting to agencies of materials and goods, and to represent foreign companies in foreign markets.
7. To open representative branches and offices abroad.
8. To build, invest, manage and own all economic projects, except for prohibited operations (below).
9. To open credits and loans to finance transactions and activities mentioned above, from banks and financial corporations based in Lebanon or abroad.
10. To rent offices in Lebanon and own real estates needed for their activities, provided that the law of real estate's rights possession by foreigners in Lebanon is observed.

Offshore companies are forbidden from exercising insurance operations of any kind whatsoever, transactions and services offered by banks, financial corporations and by all corporations subject to the control of the Central Bank of Lebanon. Moreover, they are prohibited from engaging in commercial activities in Lebanon other than those mentioned above, and from earning profits, benefits or revenues from movable or immovable assets in Lebanon (except for revenues resulting from interests on banking deposits and from Lebanese Treasury Bills). Finally, offshore companies are not authorized to render services to corporations based in Lebanon.

The Offshore Company has the same characteristics as joint stock companies, with the following exceptions:

- » **The Board can be entirely established by non-Lebanese.** The non-Lebanese Chairman of the company along with all foreign employees, are exempted from work permit requirements, provided that the 'balance sheet total' of the company exceeds LBP 1 billion. Decree 7861, dated March 24, 2012 defines what is meant by the term 'balance sheet total' as total assets. Thus, the exemption stated above is applicable in the year following the fiscal year in which the threshold of LBP 1 billion has been attained.
- » The minimum capital requirement is the same as for joint stock companies but it can be denominated in foreign currency. The Offshore enjoys tax advantages and is **subject to a flat yearly tax of LBP 1 million.**
- » According to Article 7 of Law 19/2008, salaries and benefits paid to employees of offshore companies working abroad are **exempted from the payroll tax.** In this regard, the concerned companies are required to declare the salaries of **all** their employees, **including** those working abroad.
- » **The Offshore must appoint an auditor.** However it is exempted from the requirement of appointing an additional auditor. The appointment of a lawyer is compulsory if the capital exceeds LBP 50 million.

Source: IDAL/MoET

► Limited Liability Company S.A.R.L

IN BRIEF

- Partners (at least three) have a limited liability based on their contribution to the Company
- May not operate in the fields of insurance, economics, banking, finance, supplies, and organized freight
- Required to have a minimum capital of LBP 5,000,000, or USD 3,333
- Does not have a governing Board
- May not issue 'negotiable instruments'

A Limited Liability Company is governed by Decree-Law No. 35 of August 5, 1967 and is commonly referred to in Lebanon as S.A.R.L (this is the French equivalent of L.L.C). An S.A.R.L is founded by at least three partners with a maximum of 20. As indicated by its name, the company's partners have a limited liability, limited to the amount of their contribution to the company.

Moreover, partners are not considered to be merchants and hence are not subject to the provisions applicable to merchants including the provisions of the Lebanese Code of Commerce.

The object of an S.A.R.L may not be related to insurance, economics, supplies, organized air freight, banking or finance.

An S.A.R.L is required to have a minimum capital of five million Lebanese Pounds (approximately USD 3,333), noting that contributions may be in-kind or in-cash. Shares of limited liability companies (referred to as "parts"), are not freely tradable.

Therefore, whilst transfer of parts amongst partners is in principle free, however, transfer of parts to non-partners requires the prior approval of partners representing three quarters of the company's share capital. An S.A.R.L may not issue 'negotiable instruments' such as shares or bonds and may not call for public subscription to its share capital.

The company's partners convene in general assemblies. Unlike JSCs, the S.A.R.L doesn't have a board of director, its management is entrusted to one or more 'managers' who may or may not be partners. The company's denomination must always be followed by the abbreviation 'S.A.R.L', clearly indicating the limitation of the partners' liability as well as the legal status of the company.

In general, there are no restrictions on foreign participation in limited liability companies except for certain regulated sectors that have specific requirements on the percentage of shareholding attributed to Lebanese nationals. The company must necessarily appoint a lawyer with yearly retainer fees.

Source: IDAL/MoET

▶ Lebanese Branch or Representative Office of a Foreign Company

IN BRIEF

The branch must have the same object as the mother company, and can engage in regular trade activities

The Representative Office is restricted and limited to the promotion of the head office's services and products

For a Foreign Commercial Company to operate in Lebanon it must register as a 'Branch' or 'Representative' office.

According to the provisions of the Law, a **Lebanese Branch** of a foreign company must have the same object as the mother company. Moreover, it is **authorized to engage in regular trade activities or to own local business entities**. The branch must first be registered with the Ministry of Economy and Trade if the head office is a joint stock company, a limited liability company, or a partnership by shares. A second registration is required at the Trade Registry. The parent company must appoint at least one director to manage and run the Lebanese branch, as well as a lawyer on a yearly retainer basis.

A foreign company may establish a **Representative Office** in Lebanon. Such an entity generally has the same characteristics and requirements as a Lebanese branch except that the representative office's activity is **restricted and limited to the promotion of the head office's services and products**. Hence, a representative office may not engage in trade activities of any kind in Lebanon.

Source: IDAL/MoET



CONTACT US

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