



COMPANY FORMATION IN LEBANON

MAIN FORMS OF COMPANY/BUSINESS IN LEBANON

- Joint Stock Company
- Limited Liability Company
- General Partnership
- Simple Limited Partnership
- Limited Partnership by Shares
- Holding Company
- Off-Shore Company
- Branch Office
- Representative Office

SPECIFIC TAX CONCERNS RELATED TO ESTABLISHING A COMPANY

A) Taxation: Joint Stock Company & Limited Liability Company

The joint stock and limited liability companies are subject to tax in Lebanon on income generated from activities in or through Lebanon.

Income tax is levied on taxable income at a rate of 15 percent, unless exempted by law. Dividends declared are taxable at a rate of 10 percent and deducted at source. Capital gains derived from the disposal of investments, tangible, intangible and financial assets are taxed at a rate of 10 percent. Tax losses may be carried forward for 3 years.

B) Taxation: Partnership

In a partnership, each partner is taxed for its share of the profit and is personally responsible for submitting his income tax return.

Income tax is levied on taxable income net of family allowance, at a rate of 4 percent for the lowest bracket of LBP 9,000,000 (c/v USD 5,970) and 21 percent for the highest bracket of LBP 104,000,000 (c/v USD 68,988) and over.

C) Taxation: Real Estate

The real estate company is subject to tax on real profit. Income tax is levied on taxable income at a rate of 15 percent, unless exempted by law. Dividends declared are taxable at a rate of 10 percent and deducted at source. Capital gains derived from the disposal of investments, tangible, intangible and financial assets are taxed at a rate of 10 percent. Tax losses may be carried forward for 3 years.

The income (from rent) generated from built property is not subject to income tax in real profit, but on built property tax. The result from income and charges (comprising depreciation and deductible charges specified by law) is subject to the tax on built property for each lot of property at a rate of 4 percent for the lowest bracket of LBP 20,000,000 (c/v USD 13,267) and 14 percent for the highest bracket of LBP 100,000,000 (c/v USD 66,335) and over.



D) Taxation: Holding

The holding company is exempted from income taxes on profits and dividends. The holding company remains subject to the following taxes:

1. Interest: The interest collected against loans given by the holding companies to companies operating in Lebanon is subject to income tax at the rate of 10 percent, if the maturity of the extended loans is less than three years.
2. Capital Gains: The capital gains resulting from the sale of the holding company's participations and shares in Lebanese companies are taxed at a rate of 10 percent, if these participations and shares were owned by the company for less than two years.
3. Management Proceeds: The amounts collected by a holding company from subsidiaries in Lebanon as management, and other services are taxed at a rate of 5 percent, on condition that these fees do not exceed the limits set by a decree issued upon proposal of the Minister of Finance.
4. Renting Patents: The revenues collected by a holding company as a result of renting patents and all the reserved rights it possesses, to enterprises located in Lebanon are taxed at a rate of 10 percent, with no additional surtax.
5. Capital and Reserves: The holding company is subject to an annual fixed tax according to the rates shown below:
 - 6% less than LBP 50,000,000 (c/v USD 33,168)
 - 4% between LBP 50,000,000 (c/v USD 33,168) and LBP 80,000,000 (c/v USD 53,068)
 - 2% exceeding LBP 80,000,000 (c/v USD 53,068)
 - The amount of the annual tax should not exceed LBP 5,000,000 (c/v USD 3,317)

E) Taxation: Offshore

The offshore company annual lump sum tax is LBP 1,000,000 (c/v USD 664). The activity of an offshore company is executed outside Lebanon or in the free zone.

F) Value Added Tax

Subject to certain exceptions, VAT applies on imports and to each taxable natural person or legal entity who provides goods or services in the course of an independent economic activity in Lebanon and whose turnover exceeds LBP 150 million (c/v USD 100,000) during 4 consecutive quarters. The VAT rate is set at 10%.

LEGAL ISSUES RELATED TO ESTABLISHING A COMPANY

The incorporation of a company in Lebanon should be handled by a Lawyer. After incorporation, the company should be registered at the income tax department of the Ministry of Finance.

OTHER COUNTRY-SPECIFIC ISSUES RELATED TO ESTABLISHING A COMPANY

The founders of a company of foreign nationalities are subject to due diligence by the Bank for opening bank accounts.