



# **TAXES IN AFRICA & MIDDLE EAST**

**2024**


5<sup>th</sup> EDITION

24, Rue de Londres - 75009 Paris - France  
Tel: +33 (0) 1 44 15 95 23 - [www.eaiinternational.org](http://www.eaiinternational.org)

# Lebanon



 **Capital city :**  
Beyrouth


 **Language :**  
Arabic, French

 **GDP/capita**  
**2023 :**  
USD 14,331

 **Telephone code :**  
+961

 **Area :**  
10,452 km<sup>2</sup>

 **Political system :**  
Parliamentary  
Republic

 **Currency :**  
Lebanese pound  
(LBP)

 **National day :**  
22 November

 **Population :**  
5,232,317

 **ISO Code :**  
LBN



## 1. Legal forms of companies

All forms of companies exist in Lebanon and the capital required for their incorporation is LBP 30.000.000 for joint stock companies and LBP 5.000.000 for limited liability companies.

General partnerships (SNC) and limited partnerships (SCS) are normally subject to income tax on behalf of their partners.

## 2. Corporate taxes

The Lebanese tax law imposes a tax according to the category of income divided into three chapters:

- Income from industrial, commercial and non-commercial professions;
- Wages and salaries;
- Income from capital (dividends, directors' fees, interest, etc.).

The law does not impose a single income tax. Therefore, a taxpayer who has income from several sources will be taxed according to the nature of the income.

### 2.1 Corporate tax rates

Companies are not subject to a 17% tax rate on their taxable income.

#### **Exemption for industrial companies:**

50% and 75% reduction in income tax on condition that the funds generated by the operation are transferred to banks operating in Lebanon or reinvested in its industrial operation.

#### **Exemption for start-up companies**

Companies created after 15/11/2022 for a period of 5 years are exempt from income tax provided that 80% of their employees are Lebanese nationals.

General partnerships (SNC) and limited partnerships (SCS) are normally subject to income tax in the name of their partners.

## 2.2 Capital gains tax

The tax rate on capital gains on fixed assets is 15%.

If the main purpose of the company is the acquisition of a shareholding, then the tax rate is 17%.

Companies may revalue their tangible fixed assets every 5 years. The capital gain generated by this revaluation, or any gain from the disposal of fixed assets, is subject to a 15% tax.

## 2.3 Dividend

Net profits distributed by capital companies are taxable at a rate of 10%.

## 2.4 Taxes on non-residents

Amounts paid to non-resident persons for work performed in Lebanon are subject to a tax:

7,5% of these amounts for services and 2,25% for any other goods.

This tax must be declared quarterly.

### **Tax on daily earnings**

Lump sums paid to individuals on the basis of work performed or temporary work are subject to a tax of 3%.

## 2.5 Branches

The net income derived from a branch carried out in Lebanon is subject to the real profit regime at a rate of 17%.

Distributed profits from foreign branches are taxed at a rate of 10%.

## 2.6 Representative office

Representative offices do not pay income tax as long as they do not carry out commercial operations. They have to submit annual declarations including company information employees, balance sheet, profit and loss account, non-resident tax slip, payment slip to professionals).

The deadline for submitting this return depends on the form of the entity.

## 2.7 Interest tax

Taxes on interest vary between 7 and 10%.

## 2.8 Tax on land disposals

The profit made by individuals is subject to a tax equivalent to the tax on the sale of land if they sell their shares in the following companies:

Companies whose main object is the acquisition of built and unbuilt property:

- Companies whose object is trading in built and unbuilt property or property development
- Companies whose real estate assets exceed 50% of total fixed assets

A 50% deduction is applied if the transfer is made between shareholders and derivatives.

## 2.9 Royalties

- Royalties received from Lebanese companies for patents or others: 10%.
- Royalties received by holding companies from abroad are tax exempt.
- Royalties received by non-holding companies are taxed as ordinary income.

# 3. Calculation of profit

Not all professions and companies are taxed in the same way. It depends on the size and structure of the profession. The taxation depends on the application of the actual profit method or the flat rate profit method.

## 3.1 Actual profit method

Taxes are calculated on the total amount or profits generated in the country. Based on the income tax law and the principle of territoriality, the main condition for considering a profit made in Lebanon is that it has been generated by an effort or activity in Lebanon, more precisely:

- the recipient of the salary is resident in Lebanon regardless of the source of income
- the services that generated the income were performed on Lebanese

territory or contributed to the development of the company located in Lebanon, even if the source of financing is abroad.

- the source of financing is in Lebanon regardless of the place of residence of the beneficiary or the place where the effort was made

The tax base (profit determination) and tax rates are different between residents and non-residents.

The actual profit method is mandatory for the following entities:

- Public limited companies (SAL) ;
- Limited liability companies (LLCs);
- Partnerships;
- Branches of foreign companies;
- All entities that have more than 4 employees or that import goods;
- Smaller entities may voluntarily elect to be subject to the actual profit method, however, they will not be able to revert to the flat rate profit method once they have done so.

## 3.2 Flat-rate profit method

The flat-rate tax method is applied in insurance and savings companies, taxable transport companies, and public works contractors.

Tax is calculated on a flat-rate profit at a fixed rate of 17%.

The tax rate for public works contractors varies from 10 to 15% on the total amounts collected annually, based on the type of activity.

For insurance companies, the flat rate profit varies between 5 and 10% depending on the sector of activity of each insurance company.

## 4. Tax on small companies and professions

### 4.1 Tax rates

The applicable tax rates vary between 4 and 25% after deducting the taxable profit for individuals which is fixed according to a schedule of professions and partners in partnerships and the annual tax deduction which depends on the family situation.

RATE %	Ranges LL
4	Less than 27'000'000
7	Between 27'000'000 – 72'000'000
12	between 72'000'000 – 162'000'000
16	between 162'000'000- 312'000'000
21	between 312'000'000 – 675'000'000
25	More than 675'000'000

### 4.2 Taxes on salaries

The tax rate varies between 2 and 25% after deducting the family allowance calculated on the basis of the family situation.

Daily allowance : 125.000LL

Single tax: LBP 37,500,000

Married allowance : +LL 12,500,000

Child allowance : +LL2,500,000 (up to 5 children)

RATE %	Ranges LL
2	Less than 18 millions
4	between 18-45 millions
7	between 45 - 90 millions
11	between 90 - 180 millions
15	between 180 - 360 millions
20	between 360 - 675 millions
25	More than 675 millions

These rates are halved for pension and similar income.



## 5. Value added tax

A single rate of 11% is applied with certain exemptions such as food, medical, insurance, banking, etc.

Solar panels have been exempted from November 2022 until 31 December 2023.

VAT registration is compulsory when the turnover of the last four quarters exceeds LBP 100.000.000 otherwise it is optional.

## 6. Tax on built properties

This tax is calculated and paid on built properties after deduction of expenses and depreciation with certain exemptions, such as first residence. It consists of a progressive tax ranging from 4 to 14% detailed as follows:

RATE %	Ranges LL
4	Less than 120 millions
6	between 120 - 240 millions
8	between 240 - 360 millions
11	between 360 - 600 millions
14	More than 600 millions

An allowance of 40 million will be applied to the net income subject to tax from 2022 onwards for each habitable unit owned by an individual as a homeowner.

## 7. Stamp duty

Two categories of stamp duty:

- Proportional stamp of 0.4% on contracts and documents which mention an amount or a payment. The declaration must be presented electronically on a monthly basis within 15 days of the end of the month.
- Fixed stamp varying between LBP 250 and a maximum of LBP 2.000.000 according to a slip detailing this stamp duty.

## 8. Consumption tax

This tax is applied in Lebanon on certain consumption items such as drinks, tobacco, gasoline and vehicles.

## 9. Tax regime for holding companies

Exemption from tax on income and dividends.

The annual tax is fixed at LBP 50.000.000 from 1/1/2022.

A 10% tax on the remuneration of managers decided by the General Assembly. Interest, management income and royalties received from foreign holding companies are exempt from tax in Lebanon.

## 10. The tax regime for offshore companies

Exemption from tax on income and dividends.

The annual tax is fixed at LBP 50.000.000 from 1/1/2022.

10% tax on the capital gain of fixed assets or participations transferred to Lebanon for a period not exceeding two years.

A 10% tax on royalties received for the exploitation in Lebanon of patents, trademarks or any other reserved rights.

A 10% tax on the remuneration of managers decided by the General Assembly. Interest, management income and royalties received from foreign holding companies are exempt from tax in Lebanon

5% tax on the management income received from Lebanese companies.

## 11. Double taxation treaties

Lebanon has signed a double taxation treaty with several countries, namely: Algeria, Armenia, Bahrain, Belarus, Bulgaria, Canada, Cuba, Cyprus, Czech Republic, Egypt, France, Gabon, Iran, Italy, Jordan, Kuwait, Malaysia, Malta, Morocco, Pakistan, Poland, Qatar, Romania, Russia, Senegal, Sudan, Oman, Syria, Tunisia, Turkey, UAE, Ukraine, Yemen.

## 12. Depreciation

Depreciation of fixed assets is deductible at rates fixed by law. The method to be applied is the straight-line method. The rates allowed are as follows:

Fixed Assets	Taux d'amortissement minimum	Taux d'amortissement maximum
Commercial buildings	2	5
Fittings and decoration	6	25
Installation	8	25
Transport Equipment	10	25
Office equipment	8	25
IT equipment	20	50

Goodwill is not deductible.

Pre-operating costs are depreciable over a period of 3 to 5 years.

Interest on operating loans is deductible under certain conditions. Interest paid on the taxable person's capital is not deductible.

## 13. Social security contributions

The social security system covers three areas and centralises the following deductions:

- Employer:
  - End-of-service allowance 8.5%
  - Family allowance 6
  - Family allowance 6% (with a ceiling of LBP 2'825'000 from 01.04.2022 and LBP 3'825'000 from 1/10/2022)
  - Medical allowance 8% (with a ceiling of LBP 3'825'000 since 01/07/2022 and LBP 5'600'000 since 01/10/2022).
  
- Employee:
  - Medical allowance 3% (with a ceiling of 3'825'000 since 01/04/2022 and LBP 5'000'000 since 01/07/2022 and LBP 5'600'00 since 01/10/2022).
  - The minimum wage in 2022 was fixed at LBP 2'000'000 since 01/04/2022 and at LBP 2'600'000 since 01/10/2022.

The minimum wage in 2021 was fixed at LBP 675,000.

## 14. Declaration and payment

Lebanese residents must file their income tax returns for the calendar year according to the following schedule:

Declaration	Delay
Capital company	31 May
Partnership	31 March
Professions subject to the flat-rate regime	31 January
Quarterly interest	During the 15 days of the following month
Salaries paid quarterly	During the 15 days of the following month
Value added tax	During the 20 days of the following month
Taxpayers liable to tax on built property	31 March
Tax on dividends and bond interest	One month from the distribution decision
Non-resident tax	During the 15 days of the following month

## 15. Deferral of losses

According to the common law regime, the loss carry forward is carried out on the profits of the 3 financial years following the loss year.

## 16. Tax exemptions

The law expressly provides for the exemption of certain activities or income on a permanent basis, such as education and non-profit institutions, or for temporary or partial exemptions, such as industries that meet certain conditions

# 17. Inheritance and gift tax

Property arising from inheritance as a result of death or donation is subject to a tax ranging from 3 to 45% progressive. The scale is graded according to the degree of relationship between the deceased and the heirs and according to the value after certain deductions applicable to the beneficiary. These rates apply cumulatively to all gifts and inheritances made by a specific donor to a specific recipient.

Deduction to be applied :

- Branch of spouses and parents: LBP 600,000,000;
- Assets other than parents, brothers and sisters : LBP 240,000,000
- Other heirs : LBP 120,000,000.

To be added the value of the exempted part of the children heirs:

- LBP 360,000,000 for a disabled child unable to work
- LBP 24,000,000 for each year or part thereof that separates the minor child from his or her 18th birthday.
- LBP 240,000,000 when a spouse is dependent on the heir and LBP 120,000,000 for each child not exceeding 18 years of age, provided that the total of these additions does not exceed LBP 600,000,000.

Provided that these points are met at the date of death.

Tax brackets subject to tax	Catégorie 1	Catégorie 2	Catégorie 3	Catégorie 4	Catégorie 5
	Spouses	Parents	Brothers and Sisters	Uncles, aunts, nephews and nieces	Others
Up to 90.000.000	3	6	9	12	16
from 90.000.000 to 180.000.000	5	9	12	16	21
from 180.000.000 to 300.000.000	7	12	16	21	27
from 300.000.000 to 600.000.000	10	16	20	26	33
from 600.000.000 to 1.050.000.000	12	18	24	31	39
More than 1.050.000.000.	12	18	24	36	45

*Tania Samaha*

CABINET TANIA K. SAMAHA  
Rue Amine Gemayel Sioufi –  
Achrafieh  
Immeuble Aratel BP 166 200  
1100-2100  
+96 1 3311300  
+961 1 397 700  
kasa@sodetel.net.lb  
Tania K. Samaha