

SETTING UP BUSINESS IN LEBANON



General Aspects

Lebanon is located on the eastern shore of the Mediterranean sea characterized by its natural beauty , bordering by two countries, its capital is Beirut. The monetary unit is the Lebanese Pound (LBP) and the country's surface area is 10452 square kilometers. There is approximately 4 million people living in Lebanon, but wherever you go in the world you are likely to come across a Lebanese since there are more than five times as many people of Lebanese origin living abroad than in Lebanon. The national language is Arabic but French and English are widely spoken and written.

Legal Forms of Business Entities

Topic	Features	Remarks
Partnership	Partnerships are formed of two or more people. The main characteristic of this form is the personal contribution of each partner since he all the partners are personally liable for the company's debts and obligations. No required capital is requested by law. It must be registered at the commercial register since it is doing a commercial activity. The company name includes the names of some or all of the partners and is usually followed by the words 'and Co.'	A partnership in commendams is a limited partnership with two types of partners. General partners who own and manage the business. These are liable for all its obligations. Each partner has the legal position of a merchant and is therefore subject to commercial and bankruptcy laws i. e. the bankruptcy of the company might lead to the personal bankruptcy of the partner. Creditors of the company can sue one partner or all partners personally and seize their private estates in settlement of their claims, if the company fails partially or totally to do that. This responsibility on the part of partners is collective in that .the creditor can sue even one partner for all the debts of the company. The title of the company should carry either the name of one partner or the names of some partners added the word «partners». A partner is not permitted to sell his share in the company to others without the consent of the other partners. Limited – or silent – partners are financial contributors and do not participate in the management. Their liability is limited to their contribution. This company is usually created between two kinds of persons: those who want to invest the capitals they have in the company in anticipation of profits. They prefer to be partners ready to bear risks and to share profits rather than being lenders especially in cases when the company is not willing to borrow. These are the silent partners whose names do not appear publicly and who are not allowed to take an active part in the management of the business; their functions are those of management control, and any appearance as partners in the company shifts them into acting or authorized partners

Co-Partnership	A co-partnership is a partnership known only to the parties concerned in order to achieve a certain project and, since it is secret, cannot be registered. An association agreement sets down the partners' rights and obligations, as well as their participation in profits and losses. Each party is responsible for their own liabilities.	Despite their secrecy, the agreements inherent in co-partnership are enforceable at law in cases of dispute.
Limited liability company- SARL	<p>A limited liability company is formed between three to twenty members. Its trade name is usually anonymous, and is sequenced by the initials SARL and name of the partners could be included in it. The capital of 5 000 000 LBP -Lebanese Pounds (which is the equivalent of 3334 USD) must be fully paid up. The liability of each partner is strictly limited to the value of shares held by this partner.</p> <p>The capital must be fully deposited in a bank under the company's name. Management could be given to one or more partners, and a manager cannot achieve on the company's behalf any deal or transaction in which he has any kind of interest. Excepted in case of prior authorization is granted.</p>	<p>Limited liability companies may not perform the following activities :</p> <p>Banking, financial operation and insurance.</p> <p>The company must be formed with the mutual consent of the members embodied in the articles of incorporation/ memorandum of association which must be notarized or signed before the clerk of the Commercial Register where it is filed.</p> <p>Legal incapacity or bankruptcy of a member does not entail dissolution of the company. Shares in a limited liability company are not negotiable and cannot be transferred to third parties ,except in case the prior approval of members representing at least 75 percent of the capital.</p>
Joint Stock Company - SAL	<p>A joint stock company is formed by three or more persons. It should have a minimum authorized capital of 30 million LBP (The equivalent of 20 000 USD).</p> <p>The shares in the company entitles the shareholder to membership in the company, a right to participate in management and a right to vote. These shares are negotiable or transferable. The liability of each shareholder is strictly limited to the value of the shares held. The Board of Directors must put aside 10 percent of the net profits to form a statutory reserve fund until such time as this reserve fund becomes equivalent to one-third of the capital of the company. A joint stock company must appoint an auditor.</p>	<p>Lebanese law does not limit foreign interest in joint stock companies. Another limitation to joint stock companies is, whose object is the acquisition of and trading in real estate in Lebanon. With a small number of exceptions as mentioned above, such as real estate, insurance, media companies, and banks), there are no real limits on the amount of capital that can be held by foreigners.</p> <p>The unlimited foreign participation principle is however mitigated by requirements that a number of members of the board of directors should be Lebanese and each member of the board is holder of a limited number of shares.</p> <p>Joint stock companies have, as well, the option to issue shares and bonds convertible to shares. Each joint stock company incorporated in Lebanon must have its registered office in the country.</p>
Branch Offices	<p>Foreign companies wishing to do business in Lebanon have the possibly of opening local branch or representative office.</p> <p>To set up a branch office, the foreign company's Board of Directors must issue a proxy/power of attorney in favor of a person residing in Lebanon granting him the authority to register the company in Lebanon, to represent it and to sign documents and do all the necessary measures on its behalf.</p>	<p>By law, This kind of office can not perform any commercial activity which could generate any business or profit. Therefore costs and expenses are to be borne by the outside foreign head office. Because of its nature, the representative office is not subject to corporate income tax.</p> <p>A branch office, can undertake in general any commercial activity, except that which by law requires a certain legal form or conditions and/or that which is exclusively reserved for Lebanese nationals and/or companies.</p>

Organizational Questions

Topic	Features	Remarks
Commercial Representation	<p>Commercial representation is governed and defined by a Legislative Decree of 1967 according to which a commercial agent may negotiate for the conclusion of sales or the supply of services on behalf of his principal. The agent can act, in this case, in the name of and for the accounts of the principal.</p> <p>An agreement granting exclusive representation or distributorship to a person is considered as an agency agreement and may be granted only to Lebanese nationals, unless the foreign agent is a national of a country that assumes the same reciprocal treatment to Lebanese nationals.</p>	<p>An agreement granting exclusive representation or distributorship to a person is considered as an agency agreement and may be granted only to Lebanese nationals, unless the foreign agent is a national of a country that assumes the same reciprocal treatment to Lebanese nationals.</p>
Holding Companies	<p>A Holding company is a special type of joint stock company. Therefore, the activities of a holding company are strictly limited to the following:</p> <ul style="list-style-type: none"> • Own shares and participations in Lebanese or foreign anonymous or limited liability companies, established or participate in their establishment. • Administrate companies in which it owns shares or participations • Give loans to the companies in which it owns shares or participations and guarantee these loans towards third parties. For this purpose, the holding may contract any loans or borrow monies from banks or issue securities pursuant to the provisions of the code of commerce (trade), save that the total value of the issued bonds do not exceed, at any given time, five times the capital of the holding plus the provisions according to the last balance approved. • Own patents, inventions, privileges and trademarks as well as any other registered rights; lease the same to the companies operating in Lebanon and abroad. • Own movable and immovable assets save to use the same for the purpose of its activities and business exclusively in conformity with the code on the acquisition of real estate rights by foreigners in Lebanon. 	<p>The chairman can be a non-Lebanese , provided he is resident abroad and he can practice without a work permit.</p> <p>Members of the board and shareholders can be non-Lebanese as well.</p> <p>Board and shareholders' meetings can be held outside Lebanon.</p> <p>The company must be registered in the Commercial Register and in a special register for holding companies.</p> <p>Holding companies as well benefit from tax exemptions and advantages.</p>

Offshore Companies	<p>The Offshore company is one diversion of joint stock companies It removed the condition of having two Lebanese nationals in the company's Executive Board which eases the conditions for foreign investors and gives them more incentives to invest in offshore companies in Lebanon.</p> <p>As for the The chairman, he may be a non-Lebanese resident abroad and may operate without a permit. Off shores companies are formed in Lebanon, however they operate only in the Lebanese free zone and/or outside the Lebanese territory.</p> <p>The activities are as follows:</p> <ul style="list-style-type: none"> • Negotiation and conclusion of agreements concerning goods and products located outside the Lebanese territory or in the Lebanese Free Zone • Offering studies and consultations for the benefit of foreign institutions, • Using free zone facilities in order to stock imported goods for re-exportation, • Buying or renting real estate in Lebanon to the extent they are necessary for the operation of the off shore company. 	<p>An offshore company can not engage in banking operations, insurance or any other commercial activity in Lebanon and can not make any profits or revenues through movable or immovable assets in Lebanon, or through providing services to companies located in Lebanon, except for the interests on its bank accounts.</p> <p>Off shore companies benefit from tax exemptions since they are only subject to an annual flat tax of LL 1,000,000 (Approx. 667 USD).</p>
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Employment

Topic	Features	Remarks
Work permit	<p>To obtain a work permit your employer need to present your application to the General Security. Before doing so he or she needs to get a pre-approval from the Labor Ministry.</p> <p>The rules for obtaining a work permit differ a bit depending on the type of work you intend to do. The official rule is just like in many other countries - that the employer has to prove that the work cannot be done by a Lebanese person.</p>	<p>If you obtain a work permit, you can apply for a temporary residency at the General Security within three months of your arrival to Lebanon. A person eligible for residency may also apply for the same type of residency for their spouse, children and "servants and drivers" (as stated in the General Security's official documents.) Your spouse does not have the right to work in Lebanon on your work permit.</p>

Labor law

The ministry of Labor set guideline to regulate hiring and work conditions of all employees. Every company with more than 15 employees must send a copy of its working regulations to the ministry of Labor.

A normal working day should be eight hours, and in some cases up to 12 hours, knowing that employees should be given 9 consecutive hours of rest between each working day.

Public sector working hours are from 8:00 am till 3:30 pm. Private sector's working hours are from 8:00 am till 5:00 pm.

Full time employees are entitled to 15 days to 23 days paid vacation according to working period. After an employee has been employed for more than three months, he is entitled to a half-month sick leave on full pay plus a half month half paid first year of employment up to two months and a half full pay and two months and a half half pay to whom the working period is more than 10 years. Employers and employees can mutually agree to break a written work contract at any time, in such 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

Social System

The National Social Security Fund (NSSF) provides employees with insurance coverage for sickness and maternity care. It also covers family allowances, end of- service pension, and work related accidents and diseases. Any employee or labor in any sector is eligible to enroll in the program. Employers are required to register in NSSF all employees working for local and international firms. Foreign employees with a valid work permit and residence permit are entitled to join NSSF, provided their home country offers equivalent or better programs to Lebanese residents employed there. Employers must cover their employees' medical, family allowance and end of service indemnities contributions as follows:

6% of the salary toward family allowances

8% of the salary for health indemnity fund from the salary),

8.5% of the salary for end of service fund

Employees are entitled to family, and education allowances, attached to the husband rather than wife's salary, except if the female employee is a widow or sole provider.

Foreign Nationals are not entitled for end-of-service benefits.

- 6% of the salary toward family allowances (with a ceiling of 1,500,000 L.L from the salary),
- 8% of the salary for health indemnity fund (with a ceiling of 2,500,000 L.L from the salary), The employee contributes by 3% for health coverage with a monthly ceiling of LBP 75,000.
- 8.5% of the salary for end of service fund (without any ceiling)

Taxation

Tax	Features	Remarks
Corporate Tax	<p>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 17% 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:</p> <ul style="list-style-type: none"> • 17 % for corporations and limited partnerships • The tax rate for non-residents is 7.5% on royalties (15% on 50% of the net profit). • For individuals and partners: Progressive rates from 4% to 21% for taxable profit: Up to LBP 9 million 4% LBP [9-24] million 7% LBP [24-54] million 12% LBP [54-104] million 16% over LBP 104 million 21% 	<p>Entities exempted from paying the corporate income tax</p> <ul style="list-style-type: none"> • Educational institutes • Hospitals, orphanages, etc • Consumers' cooperative companies, trade unions, and agricultural cooperatives of a non-commercial nature • Agricultural investors not engaged in trading of their produces • Local air and sea transport companies and foreign ones if Lebanese companies receive reciprocal treatment in the foreign country • Touristic establishments classified as artisanal • Profits that are reinvested • Profits resulting from the production of new products for which there were no local industry before in Lebanon Holdings and Offshore companies
Payroll Tax	<p>Income tax law imposes a tax on all wages, salaries including overtime, gratuities and fringe benefits, after deduction of family allowances. Employers withhold the amounts due from salaries and remit them to tax authorities. Payroll tax rates on wages and salaries increase progressively from 2% to 20% as follows with some exemptions: Up to 6 million 2% 6-15 million 4% 15-30 million 7% 30-60 million 11% 60-120 million 15% Over 120 million 20%</p>	<p>Entities exempted from paying payroll taxes</p> <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 laborers • Wages of nurses and cleaners in hospitals, orphanages, asylums and other medical and first aid institutions • Wages of foreign employees in the Union of Arab Capital and Financial Markets.
Building Tax	<p>The property Tax covers all properties located in Lebanon and ranges from 0-14 percent. The expenses borne by the owner on behalf of the tenant are deductible. Twenty million of income is deducted of each unit owned. Exemptions are listed in article 8 of the Property Tax Law with some examples mentioned below: LBP less than 40 Million 4% LBP [40-80] Million 6% LBP [80-120] Million 8% LBP [120-200] Million 11% Higher than 200 Million 14%</p>	<p>Exemptions Buildings owned by the government, hospitals, religious authorities, political parties, foreign governments etc.</p>

Value Added Tax	VAT applies to imports, and the supply of goods and services carried out by a taxable person. The rate is 11% with several goods and services exempted from the tax. A taxable person is every natural or juridical person who, in the course of an independent economic activity, performs taxable supplies of goods and services or exempted supplies with the right of deduction (zero-rated) in accordance with the provisions of this law, providing that he achieves a total turnover covering four successive quarters that exceeds 100 million LBP.	Exemptions Essential goods and services Agriculture, Real Estate, Health, Education, NGOs, collective transportation of persons, financial services
Stamp Duty	A Stamp duty of 4 per thousand 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: <ul style="list-style-type: none"> • Raw materials • Semi-manufactured goods (total of over 2000 products) • Computer hardware and software • Textiles





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