

Lebanon: Budget Law No.66

November 2017

In brief

Law no. 66 dated 3 November 2017 – Budget Law

Law no. 66 dated 3 November 2017 - Budget Law, published in the Official Gazette no. 52 dated 7 November 2017, introduced several amendments to the taxes and exemptions applicable in Lebanon.

Below is a summary of the major tax amendments and exemptions:

- **Art. 30:** Amended Art. 27 of the Tax Procedure Law to add the e-mail as one of the notification methods used by the MoF to notify taxpayers registered for e-filing.
- **Art. 32:** Amended Section 1 and 3 of Art. 54 of the Tax Procedure Law as follows:
 1. The balance of the excess tax paid should be refunded within a period of 45 days from the date of submitting the refund request. This period could be extended once for 3 months if the tax authority decides to audit the taxpayer for periods prior to the refund request. If the excess in tax paid resulted from an error by the tax authority, the latter should refund the excess amount within 30 days without requesting the taxpayer to submit a refund request. This period can also be extended for 3 months for the same reason mentioned previously.
 2. An interest is paid on the excess of tax paid equivalent to the average interest on annual treasury bonds as long as it doesn't exceed 9% per year.
- **Art. 33:** Amended Art. 56 of the Tax Procedure Law where unpaid taxes due by virtue of tax assessments or payment schedules or self-declaration made by the taxpayer are waived by statute of limitation five years after the year in which this tax was due.
- **Art. 34:** Added to Art. 16 of Decree Law No. 67 dated 5 August 1967 on Stamp Duty that the proportionate stamp duty should not apply on the VAT amounts mentioned in all contracts and writings if the VAT amount is properly disclosed.
- **Art. 36:** Added to the clause no. 107 in schedule 2 of the Decree Law No.67 (Stamp Duty) the following provision: All contracts and agreements that do not include any amount or potential undefined amount of money are subject to a fixed stamp duty of L.L 5,000 in addition to the proportionate stamp duty on the amount once it is determined.
- **Art. 40:** Extended the objection deadline on the tax assessments issued after 1 January 2009 by the tax authority to become 2 additional months from the date this law was published. The taxpayer should pay 25% of these taxes before submitting the objection. This applies to taxpayers that were notified of these taxes and did not object within the deadline, or those who objected and their objection was rejected in form.
- **Art. 41:** Exempted the companies from all taxes (such as notary fees, stamp duties...) related to the process of transforming the company's legal form. There shall be no tax on the transfer if it was based on the nominal value of the company's assets. In the case of change in shareholders, partners or in their ownership interest within 2 years from the transformation, the assets should be revalued according to the Code of Commerce and subject to taxes under Art. 45 of the Income Tax Law along with the related penalties.
- **Art. 43:** Reduced the realization and delay penalties by 85% if they are paid within 6 months from the date this law was published. All reductions on the penalties may not be reduced to less than LL 50,000. This Article also requested the tax authorities to submit their reply to all filed objections within 3 months from the date this law was published to allow taxpayers to benefit from the reductions on penalties as stated in this law.
- **Art. 45:** Reducing penalties on late mechanic fees by 90% if such penalties are paid by the end of February 2018.
- **Art. 46:** Reduces penalties on late municipality fees by 90% if such penalties are paid by the end of February 2018.

- **Art. 49:** Allowed an exceptional revaluation of fixed assets for one time only and within twelve months from the date of entry into force of this law for all real and corporeal persons who are required to maintain accounting records except for real estate companies. Positive differences resulting from this revaluation of fixed assets shall be subject to a 5% tax to be paid in cash. The tax should be paid when submitting the approval request for the revaluation of fixed assets to the tax authority that should study the file and might amend the results. The tax payer has the right to object to any additional tax assessed according to prevailing rules.

Taxpayers subject to tax on deemed and estimated profit can benefit from the revaluation of fixed assets if proper supporting documents are available to allow such revaluation.

- **Art. 50:** Replaced Art. 3 of the VAT law in relation to the taxable persons subject to VAT as follows:
 1. The taxable person who achieves a total turnover covering the past 4 consecutive quarters that exceeds L.L 100 million is subject to mandatory registration with the VAT department.
 2. Mandatory registration with the VAT department applies to importers and exporters who carry independently economic activities involving transfers of goods and services regardless of their turnover.
 3. Voluntary registration applies to the taxable persons who achieve a turnover exceeding L.L 50 million during the past 4 consecutive quarters.
- **Art. 51:** Replaced Art. 30 of the VAT law on the excess of deductible VAT:
 1. The taxable person has the right to file, at the end of any calendar year and within a period of 20 days, a refund claim for the VAT balance covering this year under a condition that the amount is not less than L.L 5 million.
 2. The exporters have the right to file, at the end of any tax period and within 20 days, a refund claim of the VAT balance covering this period, under a condition that the amount is not less than L.L 5 million.
 3. Upon deregistration, the taxpayer has the right to file a refund claim of the VAT balance within 20 days from receiving the approval of his deregistration request.
 4. The administration shall resolve the refund claim within 3 months starting the date of receipt of the request. This period could be extended once for 3 months if the tax authority decides to audit the taxpayer for period prior to the refund request.
- **Art. 52:** Added to Art. 59 of the VAT law the right for taxpayers to submit a refund request for the exempt transactions within 20 days of the end of any calendar year under a condition that the amount is not less than L.L 5 million. The amount less than L.L 5 million is carried forward to the following year.
- **Art. 55:** Amended clause 5 of Art. 9 of the Decree Law No.146/59 (estate tax) to increase the deduction from inheritance taxes as follows:
 1. For parents, spouse and children: L.L. 120 million
 2. For grandparents, siblings: L.L. 48 million
 3. For all other beneficiaries: L.L. 24 million

Please note that several articles await clarifications that will be provided through ministerial decrees and decisions.

Announcement dated 7 November 2017 – Tax on Interest

The Minister of Finance issued an announcement on 7 November 2017 in relation to the obligation to withhold the tax on interest under Art. 51 of law No. 497/2003 amended by Art. 17 of Law No. 64 on the increase of the tax from 5% to 7% effective 26 October 2017.

The announcement made the following clarification:

The effective date for applying Art. 17

The period in which the tax on interest and profit is calculated, is divided into two:

1. 5% rate basis for the period till 26 October 2017 (inclusive).
2. 7% rate basis for the period starting 27 October 2017.

Tax treatment

1. For taxpayers subject to tax on real profit: tax on interest is considered as a deductible expense for corporate income tax purposes.
2. For taxpayers who are mandatory subject to tax on deemed profit (as per Art. 44 of the Income Tax Law): the net interest revenue collected should be added to the taxable base upon which the deemed profit rate will apply.

PwC will host a tax workshop to go through all the new tax measures. Invitations will be circulated shortly.

Let's talk

For a deeper discussion of how the above tax measures might affect your business, please contact:

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