Doing Business in Lebanon 2025

A Tax and Legal Guide

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Welcome to this guide

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Your journey begins, location, presence, objectives and operations.

Lebanon has a long tradition of domestic free trade and investment policies with an economy characterised by freedom of exchange and transfers, which is based on private initiatives and mainly run by family businesses. For many years, Lebanon has attracted significant levels of foreign investment in many industries. However, Lebanon has been suffering from an economic crisis since October 2019 that led to a rapid devaluation of the local currency (against the USD). The Lebanese Government and Parliament are currently discussing a tax and fiscal reform plan in coordination with the International Monetary Fund (IMF) in order to seek potential solutions for the current crisis.

This guide is intended to provide an introduction to the taxation and legal aspects of doing business in Lebanon, particularly from the perspective of the items an inbound investor will have in mind.

We hope you find the guide useful.

Jochem Rossel - Middle East Tax and Legal Services Leader

Nada ElSayed - Lebanon Tax Leader

Introduction

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Located in the Levant on the easternmost part of the Mediterranean Sea, the Republic of Lebanon is neighboured with Palestine from the south, and Syria to the north and east. Lebanon is a parliamentary democratic republic that is divided into six governorates with Beirut as its capital.

With a currency of Lebanese Pound (LBP), the Lebanese economy is service-oriented, where its main growth sectors include banking and tourism. The government continues to favour a strong role for the private sector (including family businesses) in a liberal policy environment.

Since the last quarter of 2019, severe events have set off an interconnected fiscal, monetary and economic crisis as well as deep recession that have reached unprecedented levels.
Throughout the sequence of events, Banks have imposed unofficial capital controls, restricted transfers of foreign currencies outside Lebanon and significantly reduced credit lines to companies and withdrawal of cash to private depositors, all of which added to the disruption of the country's economic activity.

The difficulty in accessing foreign currencies has been steadily increasing, deviating significantly from the new official peg of 15,000 USD/LBP. The official exchange rate was raised from 1,507.5 USD/LBP to 15,000 USD/LBP, effective 1 February 2023. Subsequently, the Ministry of Finance issued Decision No. 302/1, which mandates that, for payroll tax calculation purposes, the "actual value" of salaries and wages paid in foreign currencies should be calculated at 89,500 USD/LBP, effective from 1 April 2024

The Lebanese Parliament finalised the 2024 Budget Law, Law no. 324, which was published in the Official Gazette on 15 February 2024, whereby it introduced several amendments related to taxes, incentives and exemptions applicable in Lebanon, some will be further clarified by the Ministry of Finance.

The Lebanese Parliament is finalising the 2025 Public Budget law, where it is expected to introduce new amendments and clarifications to the existing tax laws and regulations as well as adjustments of certain tax rates.

Legal and regulatory framework

In essence, Lebanon follows the ‘civil law system’. It acquired the main elements of its judicial and legal systems under the French mandate (1920-1943) and has retained most of them to date.

As for the presidency, the President is elected by the Parliament for a six-year term, and the President and Parliament choose the Prime Minister. While the executive power is exercised through a Council of Ministers appointed by the Prime Minister and approved by the Parliament, the Government determines overall policy, appoints senior administrators and submits proposed legislation to Parliament.

The Legislative Branch consists of a single-chamber Parliament of 128 members.

Trading and investment policies

As for commercial policies, Lebanon has a free market pricing for most goods and services, unrestricted exchange and trade system and extensive links with the developed world in practically all economic activities.

The Government has maintained a generally non-interventionist position toward private investment so as to encourage foreign investment.

With respect to freedom of exchange in Lebanon, it allows foreign investors to import and export capital freely in any form they wish. However, since the onset of the economic crisis in late 2019, banks have imposed unofficial capital controls restricting access and transfer of foreign currencies outside Lebanon. This led to the intervention of the Lebanese Government (through the Central Bank) to subsidise some imports (e.g. Fuel, meat, etc.) in order to stabilise the consumer market and limit the ongoing devaluation of the local currency.

Foreign ownership of real estate restrictions

The following restrictions apply to foreign ownership of real estate:

Up to 3,000 square metres does not require Council of Ministers approval.

Exploitation and normal lease right extending for a period of more than ten years cannot be attained without obtaining approval.

When approval is granted, the building on the real estate should be constructed within a period of five years (renewable once by the Council of Ministers).

The approval is nullified if not acted upon during a period of one year.

Real estate owned by foreigners, for which approval has been obtained, cannot exceed, over all of the Lebanese territory, 3% of the total area of Lebanon. In each province, the total area owned should not exceed 3% of its area. With respect to Beirut, the total area owned should not exceed 10% of its area.

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Establishing a business in Lebanon

Introduction

The local commercial law is mainly based on the French model and provides for a range of business entities available to both local and foreign investors.

1.1 Companies

The local commercial law is mainly based on the French model and provides for a range of business entities available to both local and foreign investors.

1. Sole proprietorships

An individual of Lebanese or foreign nationality may engage in a business activity as a sole proprietor. Sole proprietors must abide by the general regulations of the Code of Commerce.

2. Partnerships

An individual can be a partner in an existing or newly formed partnership. Such partnerships take the form of a separate legal entity and may transact business in its own name.

Under Lebanese laws, there are two distinct types of partnerships:

A. General partnerships

General partnerships are formed by two or more persons who are personally and jointly liable for the debts and obligations of the partnership. The insolvency of the partnership automatically results in the insolvency of the partners. The transfer of parts in the partnership is subject to the unanimous agreement of all partners, while Parts are not negotiable.

General partnerships may be managed by one or more partners or any person designated in the articles of association or in any subsequent agreement.

B. Limited partnerships

Limited partnerships are formed by two types of partners:

- General partners with unlimited liability, who are in charge of management
- Limited partners with limited liability capped to the amount of their capital contribution with no rights to interfere in the management of the partnership.

3. Joint-stock companies (SAL)

Lebanese joint-stock companies are permitted to engage in all kinds of business activities. Shareholders of a SAL have no liability beyond their actual capital subscriptions.

The minimum capital requirement is LBP 30 million.

With a small number of exceptions (such as real estate companies and exclusive commercial representation),there are no limits on the amount of capital that can be held by foreign investors.

The management of a SAL is entrusted to a board of directors with a minimum of three and a maximum of 12 members.

The third of the board members must be Lebanese, but the chairman may be a foreign national, and does not require a working permit if he is non-Lebanese and non-resident of Lebanon.

The financial statements of a SAL must be audited on an annual basis by a principal auditor appointed by the shareholders.

4. Limited liability companies (SARL or LLC)

Members of an LLC are partners; the company's capital is divided into parts rather than shares. Minimum capital is LBP 5 Million.

Partners are liable only to the extent of their parts, where a limited liability company is managed by one or several directors (managers) who may be selected from among the partners. The general assembly of partners must meet at least once a year.

Limited liability companies offer the same liability protection as the SAL (joint stock companies), but are subject to smaller capital requirements and also require one auditor. The transfer of parts in a limited liability company is subject to the consent of partners representing at least three-quarters of the capital. Existing partners enjoy priority in the purchase of parts offered for transfer.

It is worth mentioning that insurance, banking, fund management, or air transportation entities may not incorporate as Limited liability companies.

5. Holding companies

Holding companies must be registered as a SAL and, with a few exceptions, are subject to the same regulations as a joint stock company. The business objectives of a holding company are restricted to the following:

To own shares or parts in Lebanese or foreign joint stock corporations and limited liability companies, whether they already exist or are in the process of being formed

To manage companies in which the holding company owns shares or parts

To lend to companies of which the holding company owns at least 20%, or to guarantee such companies towards third parties. For that purpose, a holding company may borrow from banks or issue debenture bonds, provided that the total value of the bonds issued at any given time does not exceed five times the amount of the holding company's capital and its reserves, as indicated in the last audited balance sheet

To own patents, licenses, trademarks and other reserved rights, and to lease them to companies active in Lebanon or abroad

To own moveable or immovable properties, provided that their use is confined to the requirements of the holding company's activities and with consideration to existing limits on the foreign ownership of real estate

Lebanese holding companies are exempt from CIT and from WHT on dividends. However, they are subject to a tax on their paid-up capital and reserves. In any given tax year, total tax payments on paid-up capital and reserves are capped at LBP 50 million starting fiscal year 2022 as per the 2022 Budget Law.

6. Offshore companies

The business objectives of an offshore company are limited. They are involved in trade and other restricted activities strictly outside the Lebanese territories.

Offshore companies are registered as SAL companies and are exempt from CIT and from the WHT on dividends, and are instead subject to a lump-sum annual tax of LBP 50 million starting fiscal year 2022 as per the 2022 Budget Law instead of LBP 1 million. Contracts related to offshore activities outside Lebanon are exempt from Lebanese stamp duty.

7. Branches of foreign companies

In addition to dealing through wholly or partially owned local companies, foreign companies can also choose to establish a branch in Lebanon.

Some brief facts of a branch office include the following:

Foreign companies can open branch offices that can undertake any business activity that is legal under Lebanese laws

01

Registration procedures are simple and there are no performance requirements or other conditions

02

Profits of branches are taxed at a rate of 17% and are deemed to be distributed as dividends subject to a dividend distribution tax rate of 10%

03

They are not subject to capital requirements.

04

8. Representative offices

Foreign companies may open representative offices in Lebanon. Representative offices are not allowed to engage in activities that would generate profits in Lebanon. Even though they are required to maintain financial records, they are not subject to income tax since they do not generate income in Lebanon.

9. Joint Ventures

Under Lebanese law, joint ventures are commonly used for specific projects in the construction industry and other sectors, but are not recognised as separate corporate entities under local laws and are established through a contract between two or more local and/or foreign parties.

Process and time for establishment

All Lebanese and foreign individuals and companies intending to undertake business in Lebanon must register at a commercial court within two months of the date of commencement of business or acquisition of an official business address.

Any subsequent changes or modifications relating to the nature or ownership of the business must also be registered at the commercial register within two months of the date of their occurrence. Upon initial registration, a written summary of the memorandum of association should be submitted in two copies containing the stamps and signatures along with a list of information.

The estimated time to complete the registration is between ten and 15 days after receipt of the documents appropriately authenticated by the competent authorities and legalised by the Lebanese Embassy or Consulate.

Sole proprietorships and partnerships

Foreigners wishing to operate sole proprietorships or partnerships must first obtain a work and residence permit.

Joint-stock companies (SAL)

It takes up to a week to register a company once all the required documents are available.

Branch offices

Branch offices are not subject to minimum capital regulations.

If the head of the branch office is a foreigner, he/she must obtain a residence and work permit.

Applications for the establishment of a branch office should be addressed to the Ministry of Economy and Trade. They must include the name of the parent company, the address of its registered head office and details of its capital structure.

Representative offices

Registration requirements for representative offices are the same as for branch offices.

Other entities

Registration costs of a SARL (LLC), holding and offshore entities are approximately the same as for a SAL.

Key Considerations

By way of summary, investors in Lebanon may choose to invest through a range of types of entities. Legal structures commonly used by foreigners in conducting business in Lebanon are joint-stock companies (SAL), limited liability companies (SARL) or branch offices. It is worth noting that joint stock companies have higher capital requirements than limited liability companies. With only few exceptions in areas such as real estate and exclusive commercial representation, foreign investors are allowed to own shares in a Lebanese company without limitation. Investors may acquire shares of existing local companies or establish their own companies in Lebanon.

Registration process is an easy process and the estimated time to complete the registration shouldn't exceed 10 to 15 days after receipt of the appropriate documents by the competent authorities.

Lebanon has been suffering from an economic crisis since October 2019 that led to a rapid devaluation of the local currency and the related purchasing power. The Lebanese Government and Parliament are currently discussing a tax and fiscal reform plan in coordination with the International Monetary Fund (IMF) in order to seek potential solutions for the current crisis.

Taxation

04

01. Source Model

In Lebanon, tax is charged on the total income or profits derived in Lebanon. Based on the income tax law and the principle of territoriality, the main premise for considering a profit to have been realised in Lebanon is if it was generated through an effort or activity exerted in Lebanon. Tax is levied on all corporeal/natural and incorporeal/artificial persons, resident in Lebanon or outside, on all profits that they generate in Lebanon.

02. General taxation considerations

Under the income tax law in Lebanon, tax is levied based on the income type. Accordingly, the income tax law divides income into the following three categories:

Chapter I	Chapter II
profits from industrial, commercial, and noncommercial professions.	salaries, wages and pensions.

Chapter III
revenues from movable capital. This chapter mainly covers all types of dividend income, board member remunerations and interest income, including interest on bonds and treasury bills.

The income tax law does not provide for a single tax on income treatment. Accordingly, where a taxpayer has income from different sources, each type of income is taxed according to the tax chapter it falls under.

Taxpayers

Residency rules

Any individual is considered tax resident in Lebanon if one of the below criteria is met:

- has a place of business in Lebanon
- has a house in Lebanon permanently available to one's family members

i.e.
the spout and dependent children

- is present in Lebanon for more than 183 days in any given 12-month period. The 183 days will not include days:

spent in transit at the International Airport Beirut

in Lebanon, if the stay was solely for the purpose of undergoing a medical treatment.

Permanent Establishment (PE)

There are no clear provisions in the Lebanese income tax law to define PE.

Corporate – taxes

Corporate Income tax (CIT)

Not all businesses are taxed in the same manner. Depending on the relative size, nature, activities and structure of a business, the tax method applied is assessed depending on real (or actual) profits or deemed profits.

01

Real profit method

Tax is computed based on the real profit method on the taxpayer's net profits. The tax rate is fixed at 17% of the taxable result.

02

Deemed profit method

A deemed profit method is imposed on insurance and savings institutions, taxable transport companies, oil refineries, and public work contractors. For insurance companies, the deemed profit rate ranges from 5% to 10% depending on the type of insurance activities.

For income derived from personal business, tax is levied on deemed profits at progressive rates of 4%-25% for sole proprietorships and partnerships.

Permanent exemptions from CIT

Companies and organisations that are granted an indefinite exemption from CIT include the following:

educational institutions

hospitals, orphanages, asylums, and other shelters that admit patients free of charge

shipping, sea, and air transport associations (subject to certain restrictions)

farmers, provided they do not display farm produce and cattle outlets or sell products and meat after conversion tax

syndicates and other types of professional associations

miscellaneous non-profit organisations and cooperatives

holding companies and offshore companies

public sector bodies that do not compete with private institutions.

01. Non-resident WHT

Revenues earned by non-residents in Lebanon are subject to an effective WHT of 3.4% on revenue from the sale of materials and equipment, and 8.5% on the revenue in the case of sale of services, starting 1 April 2024. As per the 2024 Budget Law, new filing forms were introduced whereby the filing and payment of the withholding tax should be settled using the same currency of the payments made to the non-resident. The filing is due on a quarterly basis within 15 days from the end of each quarter and then annually along with the income tax return.

02. Capital gains tax

Under local legislation, companies are permitted to revalue their fixed assets every five years. Capital gains recognized from such a revaluation, as well as any profits that may be realised from the disposal of fixed assets, are subject to a capital gains tax of 15%.

The 2022 Budget Law imposed a transfer tax, 3% for resident individuals and 5% for non-resident individuals, on capital gains realised by individuals on the disposal of shares in companies in case the disposed shares are shares of one of the following joint stock companies:

1. companies whose primary activity is the acquisition of built and unbuilt real estate properties;

2. companies who engage in the trading and development of built and unbuilt real estate properties; or

3. companies that have more than 50% of their fixed assets as real estate properties. Moreover, Decision no. 323 issued on 15 May 2023, addressed the tax treatment of income from disposal of shares realised by an individual as follows:

4. 10% Movable capital tax when the shares disposed of are shares of Lebanese or foreign Limited Liability Company

5. personal income tax (lump sum basis) at progressive tax rates ranging between 4% and 25%, when the disposal of shares represents a commercial transaction for the resident individual

6. exempt from tax when the shares disposed of are shares of foreign Joint Stock Company

7. exempt from tax when the shares disposed of are not part of any of the above mentioned scenarios.

03. WHT on interest

The income, revenues, and interest earned from accounts opened at Lebanese banks and from treasury bonds are subject to a 7% WHT that is non-refundable and cannot be carried forward.

04. Movable capital WHT

A 10% WHT is levied on income derived from movable capital generated in Lebanon. Taxable income consists of the following:

- distributed dividends, interest, and income from shares
- directors' and shareholders' fees
- distribution of reserves or profits
- interest from loans to corporations

Decision no. 323 issued on 15 May 2023, stated that individuals are subject to 10% movable capital tax if they dispose of shares in Lebanese or foreign limited liability companies when the disposal of shares does not represent a commercial transaction for the seller. In addition, It stipulated that taxes on income from foreign shares, bonds and other foreign movable assets should be settled in foreign currency starting 15 November 2022.

05. Payroll taxes

Employers are responsible for withholding and declaring payroll taxes on behalf of their employees. Payroll tax is levied at progressive rates ranging from 2% to 25%. The 2024 Budget Law amended the brackets of employment income subject to these progressive tax rates. However, MoF Decision No. 959/1, dated 5 September 2024, set specific tax brackets and family exemptions to be applied for the calculation of payroll tax for the entire year of 2024.

Payroll tax is subject to the territoriality principle. Salaries and wages are subject to tax in Lebanon when the beneficiary from the salary is resident in Lebanon, when the service against which the salary is paid is performed in Lebanon or when the salary is charged to an entity in Lebanon.

Key Considerations

Lebanon follows the principle of territoriality for taxation purposes. It is worth noting that in Lebanon there are no clear definition of permanent establishment (PE). The local rules and regulations refer to basic principles of transfer pricing and anti-avoidance rules.

A person is considered tax resident based on several criteria that should be taken into consideration when conducting business activities on the Lebanese territories.

On the other hand, transfer pricing cases may be challenged by tax authorities even though there are no clear set rules.

06. Social security contributions

Social security contributions are the following:

Borne by the employer:

8% for the maternity and sickness benefit schemes, on a maximum of LBP 90 million per month, and 6% for the family benefit schemes, on a maximum of LBP 12 million per month, in addition to 8.5% of total annual earnings for the end of service indemnity, with no ceiling

Borne by the employee:

3% for the maternity and sickness benefit scheme, on a maximum of LBP 90 million per month.

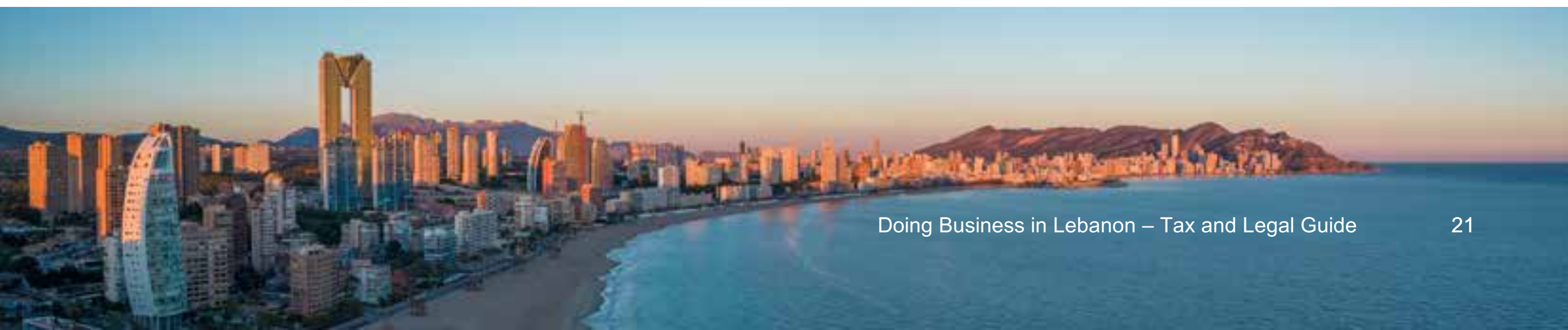
07. Value-Added Tax (VAT)

The standard VAT rate in Lebanon is 11%. Unless specifically exempt, VAT is levied on all commercial transactions undertaken by business entities. Export of goods and services and export-related services, international transport, and some of the intermediate operations are zero-rated, while banking, financial services, and insurance operations are exempt from VAT.

It is important to highlight that since 17 May 2013, the recharge of expenses from an entity in Lebanon to another entity abroad is not considered an export activity and therefore is subject to VAT at 11%.

On 27 April 2023, the Ministry of Finance (MoF) published Decree no. 11230 in the Official Gazette, this decree introduced an amendment to Article 18 of VAT Law no. 7308. Previously, Article 18 stated that VAT should be calculated based on the official exchange rate.

However, with the issuance of Decree no. 11230, Article 18 was revised and now stipulates that when the price of a service or good is denominated in foreign currency, and until a unified exchange rate is established, the counter value of the foreign currency for the purpose of calculating VAT should be determined based on the Sayrafa rate.



08. Built property tax (BPT)

The BPT is an annual progressive tax, ranging between 4% and 14% of net rental proceeds. The 2024 Budget Law amended the net income brackets subject to built property tax starting the year 2024.

Net rental proceeds are defined as gross rental proceeds less allowable deductible expenses, such as depreciation and management costs.

09. Stamp duty

There are two kinds of stamp duties that are levied on contracts and agreements: A proportionate stamp duty of 0.4% is levied on all deeds and contracts (written or implied) and a fixed stamp duty of LBP 20,000 (invoices/receipts) and LBP 100,000 for payments, collections, receipts, and invoices related to public and governmental institutions. Taxpayers who have the obligation to issue invoices, receipt, debit and credit must file and settle the associated stamp duty electronically (currently still a manual declaration under G20) within 15 days following the end of each month.

The 2022 Budget Law amended the Stamp Duty Law to state that the fixed stamp duty due on invoices, receipts and debit and credit notes should be settled through monthly declarations within 15 days after the end of the month starting 1 January 2023.

Moreover, additional clarifications were issued by the Ministry stating the Sayrafa rate is the exchange rate that should be used to convert the value of contracts and deeds (and any other similar documentation) denominated in foreign currency into the local currency (LBP) for the purpose of calculating the respective stamp duty.

10. Custom duties

Customs rates are imposed and modified according to decisions from the Lebanese customs authorities. These decisions are adopted based on the need of the Lebanese markets for some goods and the will to protect national production sectors.

Safeguard measures are provided for in relation to imported goods, where the purpose behind such measures is to protect the domestic production sectors. However, considering the ongoing economic crisis in Lebanon, a major decrease of imports is witnessed when compared to the same period during the previous years.

Customs rates in Lebanon are either determined in percentage or paid as a lump sum per unit of imported products.

The rates are determined based on a specific schedule created in conformity with the Harmonised System of Nomenclature.

This conformity with the unified system allows Lebanon to represent an 'importer friendly' environment for importers.

The normal rates are applied where there is no preferential agreement. When the origin of the good or part of the good is from a country with which Lebanon has a preferential customs treatment, preferential rates apply.

After the issuance of the 2022 Budget Law, the Ministry of Finance issued a statement whereby the counter value of the foreign currency to be used for customs fee calculation purposes on imported goods was changed to Sayrafa rate instead of the official exchange rate.

The 2024 Budget Law extended the application of Article 71 of the 2022 Budget Law which imposed an additional customs fee of 3%, to be applicable for an additional two years

i.e.
until 31 December 2025

In addition, in accordance with 2022 Budget Law a customs fee of 10% is imposed on imported goods with similar substitutes manufactured in Lebanon in sufficient quantities and on imported luxury items. This fee is applicable for a period of five years.

11. Excise taxes

Excise taxes are mainly applicable in Lebanon on certain beverages and spirits, tobacco products, gasoline, and vehicles.

Corporate – Other issues

01. Accounting requirements

All business enterprises are required to maintain adequate financial records which should not be maintained in Arabic (special consideration might apply to Offshore and Holding companies). Companies are required to adopt an accrual basis of accounting for financial accounting purposes and following the International Financial Reporting Standards ('IFRS').

02. Electronic filing

Taxpayers are required to submit their payroll tax, CIT, VAT, and BPT declarations electronically. Taxpayers need to fill an electronic registration by visiting the MoF website www.finance.gov.lb

The MoF provides the taxpayer with an envelope including the e-Pin needed to access his account on the MoF website.

03. Transfer pricing

In Lebanon, there are no clear and detailed transfer

pricing or general anti-avoidance rules. However, even in

the absence of clear transfer pricing rules, exchanges or

transactions made between related parties should be done on an arm's-length basis.

The tax administration has the right to reassess related party transactions and adjust their value in order to reflect the taxable amount related to the period under study.

04. Tax ruling process

In practice, it is possible to obtain an advance tax ruling from the Lebanese tax authorities.

05. Thin capitalisation

In Lebanon, there are no clear or detailed thin capitalisation rules.

06. Controlled foreign companies (CFCs)

There are no CFC rules in Lebanon.

07. Foreign tax credit

There are no specific regulations concerning foreign tax credit in Lebanon.

08. Reinvestment incentives

Industrial companies using operating profit to finance certain capital investments are exempt from up to 50% of their CIT liabilities for a period of up to four years, provided that such exemptions do not exceed the original investments made. In areas designated 'development zones', 75% of a company's tax liabilities may be exempt. This may be subject to adjustments based on the draft 2022 Budget law.

In order to take advantage of this regulation, investments should consist of capital expenditures designed to increase a company's manufacturing capacity or of investments in housing facilities for the company's staff and other employees.

Additional legal considerations Employees – additional considerations

01. Entry to Lebanon by employees

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 Labour. The foreigner shall apply abroad, through the official Lebanese mission or an authorised 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 Labour an application wherein he/she declares his/her approval to receive the foreign worker.

02. Work Permit

Any foreigner who obtains prior approval from the Ministry of Labour, is required to apply for a work permit at this 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.

03. Residency Permit

Any foreign employer/employee should apply for a residency permit at the General Security Directorate, and submit the required documents.

04. Labour Legislation

The Ministry of Labour is the entity responsible for developing and implementing the Labour Law.

Employment contracts are generally concluded in written form (although this is not obligatory). Written contracts shall be formulated 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. The standard working time is eight hours per day or the equivalent of 48 hours per week as set by the Labour Law guidelines.

The annual minimum paid leave is 15 days.

05. 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's entitled to, according to certain brackets. 2024 Budget Law extended the application of Article.36 of Law no.10 (2022 Budget Law) related to the exemption of termination/severance payment from payroll tax granted to employees during the period from 1 July 2019 till 31 December 2025.

06. Totalisation agreements

A foreign national employee working in Lebanon will benefit from the social security fund only if:

1

there is a reciprocal agreement between the two countries

2

the employee holds a valid work and residency permit.

i.e.
their home country offers the equivalent or better programme to Lebanese residents who are employed there

Countries with which there is a totalisation agreement include:

United Kingdom	United Kingdom	United Kingdom	United Kingdom

07. Registration with the Chamber of Commerce

If a local or foreign company wants to engage in trading activities, it must also be registered at one of the four local chambers of commerce and industry.

08. Intellectual property

The law in Lebanon does not stipulate a clear definition of author's rights; it protects all products of the human intellect whether written, pictorial, sculptural, scriptural, or oral regardless of its value, importance, destination, or form of expression.

09. Patents

The law provides a patent protection for inventions and plant varieties and a unique protection for layout designs of integrated circuits. Furthermore, the law provides protection for undisclosed information.

10. Trademarks

The law does not explicitly protect notorious trademarks and geographical indications. However, those are provided protection via Lebanon's membership to the Paris Convention. Moreover, geographical indications are provided protection under the provisions of the new Law on Customs, the Law on Fraud Control and the Criminal Law.

11. Copyrights

The copyright protection originally available to literary and artistic works is now extended to computer software, video films and all kind of audio-visual works. The law provides stiffer penalties for offenders and better compensation to the persons whose rights have been infringed. The manner in which the copyright is breached has also been extended.

Key Considerations

Any foreigners seeking entry to Lebanon will need to obtain a prior-approval from the ministry of Labour (before entry to Lebanon) and a work permit and residency permit obtained after the foreigner's entry to Lebanon.

With regards to intellectual property, there is no law in Lebanon which stipulates a clear definition of author's rights. While there are no explicit protections for trademarks and geographical indications, some new provisions have been introduced. On the other hand, patents and copyrights rules protections on specific topics such as literary, artistic works, computer software and video films are now available.

It is worth noting that when contracting for foreign trade, existing double taxation treaties with 29 different countries should be taken into consideration.

Pillar Two

05

Background

On 1 July 2021 and 8 October 2021, the Organisation for Economic Cooperation and Development (OECD) Inclusive Framework (IF) issued a 'Statement' focused on addressing the remaining key challenges of base erosion and profit shifting (BEPS) arising from the digitalization of the global economy.

The Statement proposed a 'Two Pillar' Solution, comprised of (i) Pillar One which aims to ensure a fairer distribution of taxing rights is established with respect to the profits of large multinational enterprises (MNEs); and (ii) Pillar Two which implements a new global minimum Effective Tax Rate (ETR) of 15% for MNEs.

Pillar Two

Pillar Two aims to ensure an appropriate level of tax is paid by MNEs through a series of measures aimed at modernising the international tax system for modern businesses. The Subject to Tax Rule (STTR) and the Global Anti-Base Erosion (GloBE) are the two components of Pillar Two.

STTR

The STTR is a treaty based rule that applicable to intra-group payments from source countries that are subject to low nominal tax rates in the country of the payee. The STTR focuses on where a source country has given up taxing rights on certain outbound intra-group payments, and it should be able to recover some of those rights where the income in question is taxed in the state of the payee at a nominal rate below 9%. The STTR applies to interest, royalties and a defined set of other payments made between 'connected persons', including services.

The OECD IF members have committed to adopt the STTR when requested by other IF members that are developing countries, as well as developed countries. In October 2023, the OECD IF issued a multilateral instrument ("MLI") that brings into effect the STTR by allowing for multiple bilateral tax treaties to be amended at the same time. Signature of the MLI is underway and applicability of the STTR expected to be commence in the near future.

GloBE

The GloBE Rules are designed to ensure that in-scope MNE Groups are subject to a minimum level of tax on the income arising in each jurisdiction where they operate.

Over 140 countries have committed to implementing the GloBE measures, and for the rules to have effect, individual jurisdictions must implement them into domestic law.

The GloBE Rules require implementation into domestic law by individual countries before they become effective. The rules came into effect on 1 January 2024, and over 30 countries have introduced tax rules that put into force a 15% effective tax rate on in scope entities, as well as over 100 being expected to also introduce rules that will come into effect in 2024 or 2025.

In brief, the GloBE Rules have been designed with an objective of accommodating a diverse range of tax systems, including different tax consolidation rules, income allocation and entity classification rules, as well as rules for specific business structures such as joint ventures and minority interests.
The GloBE Rules contemplate three different mechanisms for assessing tax on a MNE's income, and MNEs will have to comply with the filing requirements for each applicable rule. The first opportunity to collect the top up tax is the so called Qualified Domestic Minimum Top-up Tax (QDMTT) which gives the choice for the low tax jurisdiction itself to collect the tax (relating to this country). Second in line is the so called Income Inclusion Rule (IIR), which generally imposes tax on the parent entities within the MNE group to the extent that the foreign subsidiaries of the Group are taxed at a rate less than 15% (after the application of the QDMTT in their respective countries, if any).

These two mechanisms are accompanied by a 'backstop' rule, known as the Undertaxed Profits Rule (UTPR) which permits the collection of any remaining Top-up Tax (after QDMTT and IIR are applied) globally by any country where the MNE is active, meaning where there are people and/or tangible assets on the ground. Under certain conditions, the QDMTT could be elevated to a safe harbour that switches off the IIR and UTPR in other jurisdictions.

Status of Pillar Two in Lebanon

Lebanon is not a member of the OECD Inclusive Framework and has not made any announcement on implementation of Pillar Two. Developments should be monitored.

What to expect?

Even if the rules will not be implemented in Lebanon, MNEs headquartered in Lebanon with consolidated subsidiaries in at least one implementing jurisdiction, may still be required to undertake the GloBE calculations for all the jurisdictions and may have specific compliance requirements. Further guidance is expected from the OECD with respect to filing obligations / location of submission of the GloBE Information Return (GIR), in cases where the ultimate parent entity jurisdiction such as Lebanon does not implement the rules in 2024.

As per the existing Pillar Two administrative guidance, where a MNE is headquartered in a location that has not implemented the rules, GIR filing would be made in a different location, i.e. the location of a 'designated filing entity', where the MNE has operations and the respective location has implemented the rules earlier than the MNE's headquarter location.

Key Tax Indicators in Lebanon

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Tax Indicators	Resident	Non-Resident *
Fiscal year end	Calendar year. However, a special year end can be used provided permission is granted in advance by the Lebanese Tax Authorities	Not applicable
Companies		
Income Tax	For limited liabilities and joint stock companies (SARL, SAL) and branches: 17%; For offshore and holding companies: Exempt (Lump Sum annual Tax for offshore entities / based on capital and reserves for holding companies); and For sole proprietorship/partnership: from 4% to 25%.	Incomes subject to a withholding tax of: (i) 3.4% for revenues from the sale of materials and equipment and (ii) 8.5% for services assuming the activities do not trigger a taxable presence (Permanent establishment "PE") in Lebanon.
Tax on Capital Gains	15% (17% on gains realised from disposal of shares by a company whose main activity is acquisition of investments)	15% if the shares/parts in lebanese joint stock companies classify as non-current assets on the sellers balance sheet (10% on gains realised from disposal of shares that are not classified as non-current assets)
General Sales Tax	Not applicable	Not applicable
Value-Added Tax	There is a flat VAT-rate of 11%. Generally, an exemption may apply to certain financial operations and a nil-rate may apply to exports of goods and services.	Not applicable
Individuals		
Individual Marginal Tax Rate (Max)	Progressive rates up to: (i) 25% for wages and salaries and (ii) 25% for business income.	No non-resident individual income tax, but Lebanon sourced income may attract a withholding tax (see above)
Basis of Taxation	Salary paid from Lebanon or abroad or other Lebanese source income	Lebanese source income

Tax Indicators	Resident	Non-Resident *
Tax on Capital Gains	• 3% tax for Lebanese nationals and 5% for foreign nationals on the sale of shares in real estate companies* • Income tax (lump sum basis) if the seller is a broker or carries out a commercial activity to buy and sell shares. • 10% tax on movable Capital income (Chapter III of the Lebanese income tax law) for sale of parts in limited liability companies • The sale of shares in Lebanese joint stock companies is exempt from tax.	• 10% tax on movable Capital income (Chapter III of the Lebanese income tax law) for sale of parts in limited liability companies. • 3% tax for Lebanese nationals and 5% for foreign nationals on the sale of shares in real estate companies* • The sale of shares in Lebanese joint stock companies is exempt from tax.
Withholding Tax		
Dividends	10%	10%
Interest	7% on bank deposits and bonds	7% on bank deposits and bonds
Royalties	Not applicable	8.5%
Management Service Fees	Not applicable	8.5%
Customs	Goods : 0% to 39%, Alcoholic beverages: 55% to 100% and 100% on certain luxury goods,	
Exchange Controls	Due to the economic situation Lebanon is going through, banks have imposed unofficial/de facto capital controls, restricted transfers of foreign currencies outside Lebanon and significantly reduced credit lines to companies and withdrawal of cash to private depositors. Currently, banks are allowing depositors to open new bank accounts denominated as “Fresh accounts” which allow free access to foreign currency withdrawals and transfers.	
Thin Capitalisation	No clear or detailed thin capitalization rules.	
Transfer Pricing	There are no specific transfer pricing documentation requirements, but transactions should be carried out at arm’s length.	
Double Tax Treaties in Force	Lebanon has entered into income tax treaties with Algeria, Azerbaijan, Bahrain, Bulgaria, Bosnia and Herzegovina, Canada, Croatia, Czech Republic, Cyprus, Egypt, France, India, Indonesia, Italy, Iran,, Kuwait, Lebanon, Malaysia, Malta, Morocco, Netherlands, Pakistan, Palestine, Poland, Qatar, Romania, Saudi Arabia, South Korea, Singapore, Sudan, Syria, Tajikistan, Tunisia, Turkey, United Arab Emirates, Ukraine, Uzbekistan, the United Kingdom, and Yemen.	
Treaties Awaiting Conclusion or Ratification	Canada, Cuba, Gabon, Sudan, KSA.	

About PwC Middle East

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We are one of the fastest growing PwC member firms globally and the largest professional services firm in the Middle East.

Our tailored solutions help clients meet the challenges and opportunities of doing business in the Middle East and beyond.

We've experience in diverse industries, including government, energy, financial services, retail, construction, manufacturing, telecoms and more. Our clients in the Middle East include leading public and private companies, governments, banks and more. More than 50 employees from our worldwide network are on secondment to the Middle East firm, bringing global perspectives and support to our clients in the region.

Established in the region more than 40 years, PwC has more than 10,000 people in 12 countries across the region: Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, the Palestinian territories, Qatar, Saudi Arabia and the United Arab Emirates.

10,800+

People including 450 partners, in 12 countries

The largest professional services firm in the Middle East

Supporting clients in the region for Over 40 years

08 Contact

Jochem Rossel
Middle East Tax & Legal Services Leader
Email: jochem.rossel@pwc.com

Nada ElSayed
Tax Leader, Lebanon
+961 76 612 161
nada.elsayed@pwc.com

Andre Rohayem
Country Senior Partner
+961 3 070 749
andre.rohayem@pwc.com

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