

LEBANON Jurisdictional Guide



GENERAL INFORMATION

The Republic of a Lebanon is a state in the Middle East with Beirut as its capital.

It is bordered by Syria to the north and east and Israel to the south. Lebanon's location at the crossroads of the Mediterranean Basin and the Arabian hinterland has dictated its rich history and shaped a cultural identity of religious and ethnic diversity.

Attractions of Lebanon for foreign investors include a strategic geographical location, a highly dollarised economy, and the absence of controls on the movement of capital and foreign exchange.

Despite domestic political instability and regional turmoil, the Lebanese government continues to express a strong commitment to improving the business environment, encouraging investments and public-private partnerships, and maintaining confidence in the Lebanese economy's growth prospects.

Lebanon has an estimated GDP of USD 21 billion (for a population of 3.6 million). The economy is primarily dependent on its service sector and it currently contributes to about 74% of Lebanon's GDP, with banking and insurance comprising a significant proportion.

Lebanese law does not differentiate between local and foreign investors, except in certain sectors such as real estate, insurance, media and banking. Foreign investors can generally establish a Lebanese company, participate in a joint venture, or establish a local branch or subsidiary of their company without difficulty.

The Lebanese offshore company is a very tempting choice as a business entity/company to choose as corporate income tax in Lebanon is \$650 per year, regardless of the company profit. The offshore company is governed by decree law no 46 of the 24th of June 1943. The Law No 19 dated 5/9/2008 amended the offshore companies regulations by easing its conditions and enlarging the scope of offshore companies activities.

Types of Companies

The most important types of Lebanese Companies/Businesses are:

- Partnership (general or limited)
- Limited liability company (Societe a Responsabilite Limitee) – SARL
- Joint Stock Company (Societe Anonyme Libanaise) – SAL

- Foreign enterprise (Branch or Representative office)
- Commercial representation
- Holding companies
- Offshore companies

CORPORATE & LEGAL INFORMATION AND REQUIREMENTS

Tax system

Corporate income tax in Lebanon is \$650 per year, regardless of the company profit.

There is no VAT and companies invoice their customers tax free.

Accounting

Simplified annual accounting remains mandatory in Lebanon.

Conditions

The formation of an offshore company requires a number of essential elements listed below. These are always included when setting up a company to guarantee adequate operations.

Type of company

The usual type of company in Lebanon is a limited company, but it is limited to certain activities.

Corporate headquarters

The company must have a registered office in Lebanon, which will appear on all mail and the company headed note paper. This allows you to receive mail at the address indicated. There is also an optional virtual office service available complete with telephone number and personalized standard.

Minimum capital

A minimum capital of 20,000 USD is required to start a company in Lebanon.

Bank account

A multi-currency company bank account will be opened with Internet access and a Visa or MasterCard ATM card.

Director

The Director may be of any nationality, however with Nominee Director allowed

Shareholders

The Nominee Shareholder service is also a stock solution for offshore companies enabling privacy and anonymity guaranteed.

Set-up time

The easiest way to have a Lebanese company set up in 24 hours is to choose a shelf company.

Holdings

Companies in Lebanon may have a Holding role and may hold movable or immovable assets as well as company stocks and shares.

Renewal

The company has to be renewed each year after having paid all taxes and a stamp duty. The domicile of the corporate headquarters and the appointment of the Nominee Director must also be renewed.

Conditions for forming a company

The final condition is that the activity is legal both in Lebanon and the country in which the business is conducted.

COMPANY DESCRIPTIONS

Joint Stock Companies (JSCs) and Limited Liability Companies (LLCs), along with holding companies and offshore companies are the most widely used forms for setting up new companies in Lebanon. Holding and offshore companies have the legal form of a joint-stock corporation, but may conduct specific activities and are exempt from various types of tax.

Joint Stock Company

The liability of the shareholders of a JSC is limited to their contribution to its capital. The minimum share capital is circa \$20,000, and the minimum number of shareholders is three. The board members are collectively responsible for running the JSC's affairs, while a chairman/general manager is responsible for day-to-day matters.

The transfer of shares between shareholders or to third parties is unrestricted, subject only to the right of first refusal of the JSC and/or the other shareholders when provided for in the company's articles of association.

Limited Liability Company

The liability of the partners of an LLC is limited to their contribution to the LLC's capital. The minimum share capital is circa \$3,334, and the minimum number of partners is three. An LLC can be fully owned by non-Lebanese, and the management of the company can be vested in non-Lebanese parties, who do not need to be partners.

The transfer of shares to a non-partner is subject to the approval of partners representing at least three-quarters of the company's capital.

JSCs and LLCs are subject to a flat income tax at a rate of 15%. The payment of dividends or any other dividend-like distributions is subject to withholding tax at the rate of 10%. The effective aggregate tax is thus 23.5%.

Holding Company

The purpose of a holding company consists of:

- acquiring shares or interests in existing Lebanese or foreign JSCs and LLCs participating in the incorporation of the same;
- managing companies in which it holds shares or interests;
- granting loans to companies in which it holds shares or interests exceeding 20 per cent and guaranteeing said companies towards third parties;
- acquiring patents, licences, registered trademarks and other protected rights, and leasing the same to entities operating in Lebanon and abroad; and
- acquiring chattels or real estate, provided the same are only employed in the context of its activities and subject to the provisions of the law governing the acquisition by foreigners of real estate rights in Lebanon.

The holding company is exempt from income tax and withholding tax on dividend distributions and is instead subject to a progressive tax rate, depending on its capital, to a maximum of circa \$3,333 per year.

Offshore Company

The purpose of an offshore company consists of:

- entering into agreements to be implemented outside Lebanon;
- managing other offshore companies;
- carrying out commercial operations overseas;
- acquiring shares in non-resident companies; and
- opening branches and representation offices outside Lebanon.

An offshore company may not perform activities in Lebanon except for opening bank accounts, renting offices and owning Lebanese treasury bills, and may not carry on banking or insurance activities. The offshore company is exempt from income tax and withholding tax on dividend distributions and is instead subject to an annual lump sum amount of circa \$650. A foreign non-resident chair or general manager of a holding or an offshore company is exempt from the obligation to hold a work and a residency permit.

Both holding companies and offshore companies are exempt from share transfer tax, stamp duty, etc., and present other advantages, such as the exemption from having at least two Lebanese directors on their boards.

Branch of a Foreign Company

Foreign commercial companies wishing to operate a branch in Lebanon are required to register at the commercial registrar and at the Ministry of Economy and Trade ('the MoET'). The establishment of a branch in Lebanon requires a resolution of the foreign company's board of directors clearly

indicating the nature of the prospected business in Lebanon and nominate an authorised representative.

Branches of foreign companies are subject to income tax at a rate of 15%. All profits earned by them are deemed distributed in full and are subject to a 10% tax on dividend distribution.

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NOTE:

The information contained in this publication is accurate as at the date of its publication and is not intended to be exhaustive nor a substitute for proper professional advice. Please contact our company for consultation. We look forward to assessing your individual business plans and requirements and recommending the right solution for your unique needs.