

# KNOW YOUR TAXES

## TIPS & ALERTS FOR LIMITED LIABILITY COMPANIES

| DESCRIPTION  | RATE       | DEADLINE                                   | PENALTIES  | REQUIRED DOCUMENTS   |
|--|------------|--|--|--|
| <b>INITIATING BUSINESS</b>   |            | Within 2 months at the Commercial Register | LBP 1,000,000  | <ul style="list-style-type: none"> <li>• مباشرة عمل (Form)</li> <li>• السجل التجاري</li> </ul> |
| <b>TAXES</b>   |            |  |  |  |
| <b>CORPORATE TAX ON PROFITS<sup>1</sup></b>  | <b>17%</b> | 31 <sup>st</sup> May of each Fiscal year   | A Monthly 5% penalty on the tax up to 100% of the tax amount, with a minimum LBP 500,000 | تصريح ضريبة الدخل<br>لشركات الاموال (Form)   |
| Capital gain - tax on profits received from the sale of Fixed assets, including financial assets (Shares), Tangible and intangible assets and real estates classified under Fixed assets | <b>15%</b> | 31 <sup>st</sup> May of each Fiscal year   | A Monthly 5% penalty on the tax up to 100% of the tax amount, with a minimum LBP 500,000 | تصريح ضريبة الدخل<br>لشركات الاموال  |

<sup>1</sup> Entities exempted paying Corporate tax on profits

- Educational institutes
- Hospitals, orphanages
- Consumer`s cooperative companies, trade unions and agricultural cooperatives of a non-commercial nature
- Agricultural investors not engaged in trading of their products
- 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 resulting from the production of new products for which there were no local industry before Lebanon Holding and offshore companies
- Profits that are reinvested

| DESCRIPTION   | RATE   | DEADLINE   | PENALTIES  | REQUIRED DOCUMENTS      |
|---|--|--|--|-------------------------|
| Tax on Income from Movable capital [profit Distribution and Income on shares] & dividends distribution <sup>2</sup> | <b>10%</b><br>Withheld from source   | 1 month Later<br>(after date of Board of Director`s Minutes)   | A Monthly 5% penalty on the tax up to 100% of the tax amount, with a minimum LBP 500,000 | (Form) 3 ص              |
| <b>PAYROLL TAX</b> <sup>3</sup>   | <b>2-20%</b> According to the salary brackets<br>(Refer to the Payroll Tax Document) | 15 <sup>th</sup> of the month following the quarter due. (for e.g. the deadline for the tax due on the 1st quarter ending 31 <sup>st</sup> March is 15 <sup>th</sup> of April) | A Monthly 5% penalty on the tax up to 100% of the tax amount, with a minimum LBP 500,000 | (Form) 5,<br>(Form) 10, |

### <sup>2</sup> Exemptions

- Amounts paid in reimbursement of creditors or shareholders provided they are not taken from the profit and loss account or from reserve funds
- Investments with the Lebanese government, amounts deposited at the Central Bank
- Deposits and accounts opened at the Central Bank in the name of the banks

### <sup>3</sup> Entities exempted from paying the payroll taxes

- 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 & financial Markets

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|--|--|---|--|---|
| <b>VALUE ADDED TAX</b> <sup>4</sup>                    | <b>11%</b>   | 20 <sup>th</sup> of the month following the quarter due. (for e.g. the deadline for the tax due on the first quarter ending 31 <sup>st</sup> march is 20 <sup>th</sup> of April)              | A Monthly 5% penalty on the tax up to 100% of the tax amount, with a minimum LBP 500,000 | (Form) 2-1 ق  |
| <b>BUILT PROPERTY TAX (IF APPLICABLE)</b> <sup>5</sup> | <b>4-14%</b><br>(Refer to the Built Property Tax Document) | 31 <sup>st</sup> March of each Fiscal year  | A Monthly 5% penalty on the tax up to 100% of the tax amount, with a minimum LBP 500,000 | (Form) 21 ك   |
| <b>SOCIAL SECURITY CONTRIBUTION</b>                    | <b>25.5%</b>   | <ul style="list-style-type: none"> <li>• 1 month later (If more the 10 employees: monthly declaration)</li> <li>• 3 months later (If less the 10 employees: quarterly declaration)</li> </ul> | 0.5% on each day   | <ul style="list-style-type: none"> <li>• تصريح الاسمي السنوي (Form)</li> <li>• تصريح الاشتراكات (Form)</li> </ul> |

#### <sup>4</sup> Zero rated

- Certain goods/services such as export if goods/services
- International Transport of goods/persons
- Government/public entity projects funded by international organizations [such as the EU]

#### Exemptions on VAT

- Essential goods and services
- Agriculture, Real Estate, Health, Education, NGOs. Collective transportation of persons, financial services
- Diplomats and international organizations, foreign business, tourists and some exempt sectors have special refund schemes.

#### <sup>5</sup> Exemptions on Built property tax

- Buildings owned by the government, hospitals, religious authorities, political parties, foreign governments etc.

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| DESCRIPTION                         | RATE  | DEADLINE   | PENALTIES  | REQUIRED DOCUMENTS               |
|-------------------------------------|---|--|--|----------------------------------|
| <b>STAMP TAX</b>                    | <ul style="list-style-type: none"> <li>• <b>4%</b> (contracts)</li> <li>• <b>LBP 250</b> (receipts and vouchers)</li> </ul>         | 5 working days from the agreement date             | 5 times the value of the stamp tax amount  |                                  |
| <b>WITHHOLDING TAX ON INTEREST</b>  | <b>7%</b>   | Deducted directly by Financial Institutions        |  |                                  |
| <b>NON-RESIDENT WITHHOLDING TAX</b> | <ul style="list-style-type: none"> <li>• <b>7.5%</b> on services</li> <li>• <b>2.25%</b> on purchase of Fixed Assets</li> </ul>     | Same as Corporate tax on profits (included within) | A Monthly 5% penalty on the tax up to 100% of the tax amount, with a minimum LBP 500,000 | تصريح ضريبة الدخل لشركات الاموال |
| <b>CUSTOM DUTIES <sup>6</sup></b>   | <ul style="list-style-type: none"> <li>• <b>0% to 70%</b> (most imports)</li> <li>• <b>0% to 5%</b> (agricultural goods)</li> </ul> |  |  |                                  |

### <sup>6</sup> Exemptions on Custom Duties

- Raw materials
- Semi-manufactured goods [total of over 2000 products]
- Computer hardware and software
- Textiles

The following goods & activities benefit from a Duty Deferral Statuses:

- Merchandise in transit
- Customs Warehouses
- Free Zones & Shops
- Temporary Entry
- Temporary Import of Items & Personal Effects  
Belonging to Persons entering Lebanon for Temporary Stay
- Refund of Duties
- Re-export of goods
- Trans-shipment

| DESCRIPTION                                     | RATE | DEADLINE                          | PENALTIES  | REQUIRED DOCUMENTS                |
|---|------|-----------------------------------|--|-----------------------------------|
| <b>AUDITORS REPORT</b>                          |      | End of August of each Fiscal year | A Monthly 5% penalty on the tax (corporate tax on profit) up to 100% of the tax amount, with a minimum LBP 500,000 | <b>Audit report</b>               |
| <b>FREEZING BUSINESS</b><br>(عدم مزاولة عمل)    |      | 2 Months                          | LBP 500,000  | تصريح عدم مزاولة المهنة<br>(Form) |
| <b>CLOSING/TERMINATION</b><br>(التوقف عن العمل) |      | 2 Months                          | LBP 1,000,000  | تصريح توقف عن العمل<br>(Form)     |