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INVEST IN **LEBANON**

INVEST IN LEBANON GUIDE

SETTING UP YOUR BUSINESS IN LEBANON



SETTING UP A JOINT STOCK COMPANY (JSC) OR S.A.L

➤ Required Documents/Tasks

- » Company's By-Laws or Articles of Association
- » Opening of a bank account confirming the subscription of the company's capital
- » Minutes of the Constitutive General Assembly
- » Minutes of the first Board Meeting
- » Registration Form
- » Commercial Circular
- » Deed of Property/Rent or Occupancy Deed of the company's headquarters

➤ Step by Step - Completing the Registration


» Documents/Tasks to Complete

« Documents to Collect

 Fees to Pay

STEP 1: COMPLETION OF PRELIMINARY LEGAL TASKS

- » Prepare the company's **By-Laws**, or **Articles of Association**; have them signed by the founders before a Public Notary in whose district the company's head office is located.
- » Hold a **Constitutive General Assembly** to elect a **Board of Directors**.
- » Assemble the newly appointed Board of Directors to elect the company's **Chairman**, appoint a **Principal Auditor** and a **Legal Advisor**.
- » **Complete the Commercial Circular**, and have it signed by the Chairman, and any other person delegated by the Board.
Fill in the Application Form of the company's registration.

 **Pay the Public Notary's fees of: 0.1% of the company's capital, a lump sum of LBP 8,500 / page and a fixed sum of LBP 90,000.**

STEP 2: PAYMENT OF SHARE CAPITAL

- » **Open a bank account** in a Lebanese bank under the name “SAL Under Constitution”. A copy of the By-Laws will be required, in addition to minutes of the Constitutive and first Board Meetings, and legal identification of the founders. Deposit the **capital of the company** (LBP 30,000,000 at least or USD 20,000) in the chosen bank.
- « Obtain a **certificate from the bank**, evidencing the opening of the bank account and the subscription of each founder’s shares.

STEP 3: REGISTRATION AT THE TRADE REGISTER

- » Submit all the following documents at the **Trade Register**, in the Court of Commerce located in the same district (or Muhafaza) as the company’s head office:
 - » The Application Forms of the company’s registration
 - » The company’s By-Laws
 - » Minutes of the Constitutive General Assembly
 - » Minutes of the first Board Meeting
 - » The Commercial Circular
 - » The certificate of bank deposit
 - » Copies of legal identification of all partners/shareholders.
 - » Deed of Property/Rent registered at the municipality, or Occupancy Deed for the company’s headquarters.
- » Ask the **Court of Commerce** to appoint a complimentary auditor for the company.



Pay for the Stamp Duty, the sum of around LBP 250,000, and **registration fees**.



Pay the Magistrate Mutual Fund fee which is 50% of the Stamp Duty.


STEP 4: REGISTRATION AT THE BAR ASSOCIATION

- » Submit a document confirming the appointment of a legal advisor, at the Bar Association.



Pay the Bar Association fee which consists of 0.1% of the company’s capital and a fixed sum of LBP 100,000.

STEP 5: PAYMENT OF DUTIES AT THE MINISTRY OF FINANCE

 **Pay the Stamp Duty** at the Lebanese Ministry of Finance, consisting of a lump sum of LBP 1,000,000 and 0.3% of capital.

- « **Receive** certified copies of the Certificate of Incorporation, Articles of Association, Commercial Circular, and the minutes.
- « A **Tax Identification Number** will be attributed to the company.

Note: The company should apply for commencement of activity (or not) at the Ministry of Finance within two months following registration or it will be subject to a fine worth LBP 2,000,000.

STEP 6: RELEASE OF CAPITAL

- » Submit the following documents to the bank in order to release the capital that has been blocked during the registration phase:
 - » Minutes of the Constitutive General Assembly
 - » Minutes of the first Board Meeting
 - » A certified copy of the Certificate of Incorporation
 - » A certified copy of the By-Laws
 - » A certified copy of the Commercial Circular

APPENDIX: DEFINITION OF BUSINESS STRUCTURES



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► Joint Stock Company S.A.L

IN BRIEF

Minimum initial capital is LBP 30,000,000

Minimum number of shareholders is 3

No restrictions on foreign participation except for certain restricted sectors

Majority of board members must be Lebanese nationals

A Lebanese Joint Stock Company is constituted amongst shareholders who are only liable to the extent of their contribution and who subscribe to negotiable instruments referred to as 'shares'. Lebanese joint stock companies must necessarily have the Lebanese nationality, and must by all means establish their headquarters in Lebanon.

The minimum number of shareholders of a JSC is three, and the minimum initial capital is LBP 30,000,000 (approximately USD 20,000), which can be in-cash and/or in-kind contributions. The in-kind contributions must be fully delivered at the time of incorporation, but full payment of the cash capital is not required at the time of establishment. In fact, the Law allows that only one fourth of the cash capital be paid upon the company's constitution.

The company may be open to the public for subscription and may issue financial negotiable instruments or bonds. The shareholders initially meet in a "general assembly" and elect a board of directors. The number of board members must be between three and twelve. All board members must own a minimum number of shares in the company (determined in the company's by-laws) and the majority must hold the Lebanese nationality.

The board elects a Chairman who represents the company and carries out the board's decisions. By virtue of the Law, the Chairman is also necessarily the company's General Manager.

There are no restrictions on foreign participation in joint stock companies except for certain restricted sectors (mainly the public sector, media, commercial representation, real estate and other specially regulated industries).

At least one auditor must be appointed by the company for a one-year term, noting that an additional auditor is appointed by the judge presiding over the Trade Registry within two months from the company's incorporation. The company must necessarily appoint a lawyer with yearly retainer fees. Finally, the company's name must always be followed by the abbreviation "S.A.L".

Source: IDAL/MoET

» Holding Company

IN BRIEF

- Same characteristics as for Joint Stock Companies
- Board of Directors can be entirely constituted of Non-Lebanese
- Exempted from taxes on profits and distribution of dividends
- Minimum capital can be denominated in foreign currency.

A Holding Company is a special type of Joint Stock Company that has a limited object and benefits from special tax treatment and other provisions. The object of the holding company is strictly limited to the following:

1. Buying and subscribing to shares in Lebanese or foreign joint stock or limited liability companies,
2. Managing the said companies,
3. Lending money to companies in which it holds a minimum of 20% shares and or guaranteeing such companies towards third parties. The holding company may for such purpose borrow from banks and issue bonds, provided that the total value of issued bonds does not exceed five times its capital and reserves,
4. Holding and leasing patents, concessions and trademarks,
5. Acquiring moveable or real estate assets that are necessary for the holding's operations.

The holding company has the same characteristics as described under joint stock companies, with the following exceptions:

- » The holding company is exempted from the obligation of having Lebanese citizens or corporations on its board of directors, noting that the non-Lebanese Chairman of a holding company is exempted from work permit requirements.
- » The minimum capital requirement is the same as for joint stock companies but can be denominated in foreign currency. The company's name must always be followed by the expression 'Holding S.A.L'.
- » The Holding enjoys tax advantages: it is exempted from income tax on its profits and on the distribution of dividends. However, the holding company remains subject to other tax provisions including notably a flat tax (that varies depending on the company's capital and reserves) not exceeding LBP 5,000,000 annually.
- » Similar to joint stock companies, the Holding must appoint an auditor as well as a lawyer with yearly retainer fees. The holding company is exempted from the obligation of appointing an additional auditor.

Source: IDAL/MoET

➤ Offshore Company

IN BRIEF

Special case of Joint Stock Company

Operates in the Lebanese free zones or abroad, but is constituted in Lebanon

Does not require Lebanese Nationals as board members and could be fully owned by non-Lebanese

Minimum capital can be denominated in foreign currency.

An Offshore Company is a special type of Joint Stock Company (enacted by Decree Law No 46 of June 24, 1983, amended by Law No. 19 of September 5, 2008) designed to be constituted in Lebanon but which operates only in the Lebanese free zone and/or outside the Lebanese territory. The object of the Offshore Company is strictly limited to the following:

1. To negotiate and sign contracts & agreements regarding operations & deals executed outside the Lebanese territory reverting to assets owned abroad or within the free customs area.
2. To manage, from Lebanon, companies and corporations activities which are exercised exclusively outside Lebanon; to export professional, administrative and regular services, as well as computer services and programs of all kinds to corporations based outside Lebanon, upon these corporations' request.
3. To conclude exterior tripartite or multipartite trading transactions outside Lebanon. For that purpose, offshore companies may hold negotiations, sign contracts, ship wares, re-issue invoices for business and transactions outside Lebanon, or from/and to free customs areas in Lebanon; this will include the use of facilities available in the free customs areas in Lebanon, to store imported goods so as to re-export them.
4. To undertake sea transportation business activities.
5. To own actions, shares, bonds and partnerships in foreign non-resident corporations and companies; to lend to non-resident corporations in which offshore companies own more than 20 % of their capital.
6. To own and/or benefit from rights reverting to agencies of materials and goods, and to represent foreign companies in foreign markets.
7. To open representative branches and offices abroad.
8. To build, invest, manage and own all economic projects, except for prohibited operations (below).
9. To open credits and loans to finance transactions and activities mentioned above, from banks and financial corporations based in Lebanon or abroad.
10. To rent offices in Lebanon and own real estates needed for their activities, provided that the law of real estate's rights possession by foreigners in Lebanon is observed.

Offshore companies are forbidden from exercising insurance operations of any kind whatsoever, transactions and services offered by banks, financial corporations and by all corporations subject to the control of the Central Bank of Lebanon. Moreover, they are prohibited from engaging in commercial activities in Lebanon other than those mentioned above, and from earning profits, benefits or revenues from movable or immovable assets in Lebanon (except for revenues resulting from interests on banking deposits and from Lebanese Treasury Bills). Finally, offshore companies are not authorized to render services to corporations based in Lebanon.

The Offshore Company has the same characteristics as joint stock companies, with the following exceptions:

- » **The Board can be entirely established by non-Lebanese.** The non-Lebanese Chairman of the company along with all foreign employees, are exempted from work permit requirements, provided that the 'balance sheet total' of the company exceeds LBP 1 billion. Decree 7861, dated March 24, 2012 defines what is meant by the term 'balance sheet total' as total assets. Thus, the exemption stated above is applicable in the year following the fiscal year in which the threshold of LBP 1 billion has been attained.
- » The minimum capital requirement is the same as for joint stock companies but it can be denominated in foreign currency. The Offshore enjoys tax advantages and is **subject to a flat yearly tax of LBP 1 million.**
- » According to Article 7 of Law 19/2008, salaries and benefits paid to employees of offshore companies working abroad are **exempted from the payroll tax.** In this regard, the concerned companies are required to declare the salaries of all their employees, **including** those working abroad.
- » **The Offshore must appoint an auditor.** However it is exempted from the requirement of appointing an additional auditor. The appointment of a lawyer is compulsory if the capital exceeds LBP 50 million.

Source: IDAL/MoET

➤ Limited Liability Company S.A.R.L

IN BRIEF

- Partners (at least three) have a limited liability based on their contribution to the company
- May not operate in the fields of insurance, economics, banking, finance, supplies, and organized freight
- Required to have a minimum capital of LBP 5,000,000, or USD 3,333
- Does not have a governing Board
- May not issue 'negotiable instruments'

A Limited Liability Company is governed by Decree-Law No. 35 of August 5, 1967 and is commonly referred to in Lebanon as S.A.R.L (this is the French equivalent of L.L.C). An S.A.R.L is founded by at least three partners with a maximum of 20. As indicated by its name, the company's partners have a limited liability, limited to the amount of their contribution to the company.

Moreover, partners are not considered to be merchants and hence are not subject to the provisions applicable to merchants including the provisions of the Lebanese Code of Commerce.

The object of an S.A.R.L may not be related to insurance, economics, supplies, organized air freight, banking or finance.

An S.A.R.L is required to have a minimum capital of five million Lebanese Pounds (approximately USD 3,333), noting that contributions may be in-kind or in-cash. Shares of limited liability companies (referred to as "parts"), are not freely tradable.

Therefore, whilst transfer of parts amongst partners is in principle free, however, transfer of parts to non-partners requires the prior approval of partners representing three quarters of the company's share capital. An S.A.R.L may not issue 'negotiable instruments' such as shares or bonds and may not call for public subscription to its share capital.

The company's partners convene in general assemblies. Unlike JSCs, the S.A.R.L doesn't have a board of director, its management is entrusted to one or more 'managers' who may or may not be partners. The company's denomination must always be followed by the abbreviation 'S.A.R.L', clearly indicating the limitation of the partners' liability as well as the legal status of the company.

In general, there are no restrictions on foreign participation in limited liability companies except for certain regulated sectors that have specific requirements on the percentage of shareholding attributed to Lebanese nationals. The company must necessarily appoint a lawyer with yearly retainer fees.

Source: IDAL/MoET

► Lebanese Branch or Representative Office of a Foreign Company

IN BRIEF

The branch must have the same object as the mother company, and can engage in regular trade activities

The Representative Office is restricted and limited to the promotion of the head office's services and products

For a Foreign Commercial Company to operate in Lebanon it must register as a 'Branch' or 'Representative Office'.

According to the provisions of the Law, a Lebanese Branch of a foreign company must have the same object as the mother company. Moreover, it is authorized to engage in regular trade activities or to own local business entities. The branch must first be registered with the Ministry of Economy and Trade if the head office is a joint stock company, a limited liability company, or a partnership by shares. A second registration is required at the Trade Registry. The parent company must appoint at least one director to manage and run the Lebanese branch, as well as a lawyer on a yearly retainer basis.

A foreign company may establish a Representative Office in Lebanon. Such an entity generally has the same characteristics and requirements as a Lebanese branch except that the representative office's activity is restricted and limited to the promotion of the head office's services and products. Hence, a representative office may not engage in trade activities of any kind in Lebanon.

Source: IDAL/MoET



CONTACT US

If you require any further information on investing in Lebanon or on the services IDAL can offer you, please do not hesitate to contact us at the following:

Riad El Solh, Emir Bachir Street, Lazarieh Tower
4th Floor, PO. Box: 113-7251
Beirut, Lebanon
T +961 1 983306 F +961 1 983302
invest@idal.com.lb

Follow us on [@Invest_Lebanon](#)

www.investinlebanon.gov.lb

