HOW TO DO BUSINESS IN LEBANON

LEGAL & TAX REGULATIONS AND FRAMEWORK

I- GENERAL OVERVIEW.

Why Lebanon?

- ✓ Because it has a tolerant, suitable and open legal system with acceptable taxation rates; and
- ✓ Lebanese tertiary sector is very qualified and diversified with a broad range of personalised services.
- ✓ Lebanon is a key market for penetrating the Middle East and North Africa.
- ✓ The Tax system provides extended incentives and several tax exemptions to stimulate and promote foreign investments.
- ✓ Lebanon does not apply till this date either the Wealth tax or the General Income Tax on revenues that imposes the disclosure of the whole net worth and assets and sometimes applies taxes on the said.
- ✓ The existence of a wide network of bilateral treaties for the avoidance of double taxation.
- ✓ The absence of any foreign-transfer control.

However, foreign investors will still have to face:

- Some business and logistic constraints as well as a maze of twists and turns.
- Grey zone legislation for cross-border transactions.
- Lack of trustful information and lengthy/costly administrative procedures.
- Restriction to access to specific sectors and activities (real estate, agencies, etc.).

II- LEGAL REGULATIONS AND FRAMEWORK.

Foreign companies may carry out and implement activities within the Lebanese territory either through a Lebanese owned company (subsidiary and affiliate) or through local branches and representation offices.

A- Regulations applicable in Lebanon to the branch office of foreign corporations.

- Foreign Corporations should be in conformity with the legislation of their country of origin.

- Foreign corporations carrying out and implementing activities in Lebanon on continuous basis (usually for more than 183 days per a civil year) are compelled to a registration near the trade register of the place of their business in addition to another registration, for the joint-stock companies, near the Ministry of Economy and Trade.

- Various documents should be produced among which, for companies, the Minutes of Meeting of the competent organ (General Assembly, Board of Directors) resolving to establish a branch office in Lebanon and appointing its legal representative. These documents should be certified true by the relevant organ of the company and legalized both by the Lebanese Embassy (or the consulate) of the country concerned and by the relevant authority of this country (Ministry of foreign affairs).

B- Regulations applicable to a local registered company (Subsidiary).

- Foreign companies may choose between many forms and types of companies such as General Partnership (SNC), Simple Limited Partnership (SCS), Limited Partnership by Shares (SCA), Limited Liability Company (SARL) or Lebanese Joint Stock Company (SAL). Besides, it should be noted that the recent Law No.126 of 29/03/2019 has amended the Lebanese Code of Commerce to meet local and international standards and evolutions. These amendments introduced new legal concepts resulting from the development of business in Lebanon among which extending the concept of Limited Liability Company by allowing a physical person to incorporate a one-person (Single Partner) limited liability company in accordance with the following principle. The same has been allowed as well for Lebanese offshore companies in accordance with the Law No 85 dated 10/10/2018 amending the Legislative-decree N° 46 dated 24/06/1983 regulating the Lebanese Offshore Companies.

- Needless to precise, that the choice of either a Lebanese Joint Stock Company (S.A.L) or a Limited Liability Company (S.A.R.L) is much more advisable since the Partnerships imply joint and several liabilities of the members.

- Moreover, there are special purpose vehicles available for foreigners with a favourable tax regime and limited scope of activities such as the holding and offshore companies.

1) The Limited Liability Company:

- The SARL for the three previous decades was no more a popular form of corporate structure owing to shares' transfer heavy procedures (notarized) and taxation (10% on capital gains and 4‰ stamp duty). However, with the recent modifications referred to here before, it will undoubtedly increase in importance and competitiveness in the next few years.

- The minimum capital is still five million Lebanese Pounds despite the collapse of the national currency.

- Shares are nominative and can be paid in cash or in kind.

- May not undertake certain activities such as insurance, banking, air transport, etc.
- Manager may be chosen amongst or outside the Members.
- Managers may be held liable for the company's debts or unpaid taxes in case of wilful conduct or negligence (article 21 of the new Lebanese Code of Tax Procedures No 44/2008).

2) **<u>The Lebanese Joint Stock Company:</u>**

- This type of company known as SAL (Société Anonyme Libanaise) is, the most popular form of corporate structures even for small entities. Its legal regime is as follows:

Legal Framework	Lebanese Code of Commerce mainly inspired by the French Company Law.
Freedom of exchange & capital mobility	Total freedom of exchange and capital mobility.
Minimum capital	LBP 30 million fully subscribed with a portion of 25% paid up at the time of subscription.
Minimum number of founders and shareholders	Minimum of 3.
Management	Board of directors elected by shareholders (between 3 and 12 members) with a delegation of power to the Chairman. The Chairman-General Manager to be a foreign national (work permit not required). The board members may not be shareholders.
Foreign restrictions on management	1/3 of the members of the Board must be Lebanese.
Shareholders meetings	At least an Ordinary General Meeting must be held once a year in Lebanon to review and adopt the accounts of the previous financial year.
Restriction on foreign participation	Few numbers of exceptions on activities (such as real estate, insurance, media companies, exclusive agencies).
Shares and bonds	Lebanese corporation may issue only registered shares as well as bonds and convertible bonds, preferred shares and GDR. Bearer and to order shares are prohibited (Law No 75/2016).
Capital or accounts in foreign currency	No.
Auditing of accounts	Accounts must be audited by a principal Lebanese auditor appointed by the company.
Appointment of an Attorney	Mandatory.
Duty to publish the accounts	The annual accounts must be published.
Corporate income tax	17% of the net profit.
Withholding tax on dividends	10% on the distributed amounts.
Capital gains tax on shares' transfer	No.

- In compliance with the Law No.126 of 29/03/2019 modifying certain provisions of the Lebanese Code of Commerce (Legislative-decree No. 304 of 24/12/1942), shareholders have been granted the possibility to attend through electronic means (article 181) and vote in abstentia at shareholders' meetings.

3) The Lebanese Holding Company:

Operates under the general rules governing Joint Stock Companies with some special characteristics; such as: Limitation- Restrictions on activities	Its object is limited mainly to the acquisition of shares in other companies as well as to the management of such companies and the granting to the latter of loans and guarantees, provided that its equity participation in their capital is not less than 20%. In case the Holding company violates its restrictive object according to article 2 of the Legislative Decree #45/83, it will be subject to the income tax applied to corporate companies [17%] on its annual profit generated during the year of infringement in addition to a penalty equal to 50% of the tax due for each year of infringement.
Minimum capital	LBP 50 million which may be held in a foreign currency; with a portion of 25% paid up at the time of subscription.
Minimum number of founders and shareholders	Minimum of 3 who/which can be all foreigners.
Head office	Must be located in Lebanon.
Management	Collegial management in a board of directors elected by shareholders (between 3 and 12 members) with a delegation of power to the Chairman.
Foreign restrictions on management	Not applicable
Shareholders meetings	At least an Ordinary General Meeting must be held once a year in Lebanon to review and adopt the accounts of the previous financial year.
Restriction on foreign participation	Not applicable
Shares and bonds	Lebanese corporation may issue only registered shares as well as bonds and convertible bonds, preferred shares and GDR. Bearer and to order shares are prohibited (Law No 75/2016).
Capital or accounts in foreign currency	Yes.
Auditing of accounts	Accounts must be audited by one Lebanese auditor appointed by the company for a term of three years.
Appointment of an Attorney	Mandatory.

- **Holding special tax status:**

No income tax	Exempted from corporate income tax.
No tax on dividends	Dividends distributed by a holding company are exempted from tax.
Tax on Capital	Lump sum annual tax of LBP 50 million. In case the Offshore company doesn't pay its tax within the deadline for the corporate income tax return, it will be subject to penalties according to the tax procedure law #44/2008 and its amendments.
Tax on interests from short term loans	Lebanese holding companies are subject to a 10% tax on interests received from loans shorter than three years extended to companies operating in Lebanon. However, **interests from loans longer than three years are exempted from tax**.
Tax on management fees	Management fees received by a holding company are subject to a 5% tax.
Capital gains tax	Capital gains tax generated by the transfer of financial assets in Lebanese companies held for less than 2 years are subject to a 10% tax. **Any transfer of financial assets held for more than 2 years is totally exempted**.
Tax on royalties	Royalties received from Lebanese companies for patents and other reserved rights are taxed at a rate of 10%.

4) The Lebanese Off-shore Company:

- Lebanese Offshores benefit from a strong and transparent legal and regulatory environment since those entities are compelled to audit their accounts and file yearly tax return even though exempted from taxes.

- Their bank accounts and transactions are as well under the strict control of the Central Bank (BDL) and the Special Investigation Committee (SIC) to avoid any money laundering or financing of terrorism.

- They operate under the general rules governing Joint Stock Companies with some special characteristics; such as:

Legal Framework	Lebanese Code of Commerce and Legislative-decree N°46 of June 1983 amended by the Law No 19 of November 11, 2008.
Freedom of exchange, capital mobility	Total freedom of exchange and capital mobility
Limitation- Restrictions on activities	Restriction on activities carried out and implemented in Lebanon. Additional Exception: financial or banking activities or insurances activities of any kind whatsoever. In case the offshore company violates its restrictive object according to article 2 of the Legislative Decree #46/83, it will be subject to the income tax applied to corporate companies [17%] on its annual profit generated during the year of infringement in addition to a penalty equal to 50% of the tax due for each year of infringement.
Minimum capital	LBP 50 million which may be held in a foreign currency; with a portion of 25% paid up at the time of subscription.
Minimum number of founders and shareholders	Since 2018 it can be established by one or several natural persons or legal entities who/which can be all foreigners. The Single Partner will manage the Company and shall be vested with all the powers and responsibilities of the Board of Directors, the Ordinary General Assembly and the Extraordinary General Assembly and shall sign all the decisions he takes in this capacity.
Head office	Must be located in Lebanon.
Management	In the Single Partner form, the Single Partner is vested with all the powers and responsibilities of the Board of Directors. In the other classical form, it will be a collegial management in a board of directors elected by shareholders (between 2 and 12 members) with a delegation of power to the Chairman.
Foreign restrictions on management	Not applicable
Shareholders meetings	At least an Ordinary General Meeting must be held once a year in Lebanon to review and adopt the accounts of the previous financial year.
Restriction on foreign participation	Not applicable
Shares and bonds	Lebanese corporation may issue only registered shares as well as bonds and convertible bonds, preferred shares and GDR. Bearer and to order shares are prohibited (Law No 75/2016).
Capital or accounts in foreign currency	Yes.
Auditing of accounts	Accounts must be audited by one Lebanese auditor appointed by the company for a term of three years.
Appointment of an Attorney	Mandatory if its capital exceeds 50 million Lebanese pounds or its total annual balance sheets exceed the equivalent of 500,000 US Dollars.
Corporate income tax	Exempted.
Withholding tax on dividends	Exempted.
Capital gains tax on shares' transfer	No.
Movable capital gains and revenues from funds invested outside Lebanon	Exempted.
Movable capital gains due on interest paid abroad.	Exempted.
Amounts paid to non-residents.	Exempted.
Inheritance tax on share transfer and transmission	No.
Basic salary of all foreign personnel	30% exempted from personal income tax.
Flat fixed tax	50,000,000 LBP/year
Fiscal Stamps on Contracts used abroad	Not applicable.

5) **<u>Petroleum Activities:</u>**

- Refers to any business or operation related to the exploration, extraction, production, refining, or distribution of petroleum or its derivatives as well as any ancillary activity.
- Legal framework: Law No. 132 of 24/8/2010 regarding the petroleum resources in territorial waters, and Law No. 57 of 5/10/2017 (law outlining the tax provisions) as well as their implementation decrees and decisions.
- The methods of determining and calculating the tax:
  - The procedure is the following: The distinction between exploration and production conventions, along with the respective expenses incurred during these two phases ➡ Adopting the accounting method based on full cost ➡ Setting a limit on deductible charges and expenses Incorporation of revenues, utility sales, intellectual property, compensation, and cost differential ➡Adding utility sales, concessions, rights, including intellectual property rights, compensations (insurance, etc.), and exchange rate differences to the income base.
  - Hedging and derivatives fall outside the scope of the special tax base of this law and are subject to the provisions of the income tax law.
  - The tax rate on net profit is 20%. Payments will be made through provisional installments within 20 days after the end of each quarter, following a procedure outlined by decree.
- Applicable tax for non-residents:
  - The taxable base is set at a flat rate of 15% for basic income (revenues) and 50% for service fees. Once this fixed profit is determined, it will be subject to a flat tax rate of 20%.
- Procedures for reporting and paying taxes on salaries of resident employees working for non-resident employers:

  Decision No. 2044/1 of the Ministry of Finance outlined the procedures for declaring and paying taxes on the salaries of resident employees working for non-resident employers, as per paragraphs 3 and 4 of article 13 of Law No. 57/2017:
  - Assigns resident employees the responsibilities of registering with the tax authorities, calculating taxes, and submitting quarterly declarations and payments, which are typically the responsibility of their non-resident employers.
  - Resident employers dealing with non-resident entities providing services in Lebanon through agents must notify the tax authority, register agents, withhold and pay quarterly taxes on payments until the agent becomes a resident under article 13(3).
- Special procedures for settling VAT:
  - Decree No. 5159, issued on 02/07/2019, outlines the procedures for complying with article 16, paragraph 8 of Law No. 57/2017. It addresses the legal representative status of companies holding petroleum rights concerning their non-resident counterparts, specifically regarding VAT liability for transactions within Lebanese territory or territorial waters, and the corresponding obligations.

- Petroleum rights-holding companies are automatically deemed resident representatives, sharing responsibility with non-resident taxpayers for VAT payments, fines, penalties, and fulfilling all related obligations under the law. This encompasses tasks such as obtaining special tax numbers, reporting, submitting declarations, exercising deduction rights, making VAT payments, and addressing adjustments, refunds, disputes, and appeals, regardless of revenue.

6) Trusts:

- Lebanon has a law on Fiduciary Accounts, Law No. 520 (6/6/1996), the Lebanese civil law equivalent of trusts. The "trustees" of Fiduciary accounts must be banks or financial institutions approved by the Central Bank.

III- TAX RULES & REGULATIONS FRAMWORK.

A- Basic local taxes regulations

1- Territoriality:

- The Lebanese tax system is mostly based on the territoriality principle which taxes only income derived in Lebanon whether by residents or non-residents.

- Hence and without prejudice to double taxation treaties (DTT), profits realized on transactions conducted abroad through agents or branches are normally not subject to the Lebanese business income tax.

- However and notwithstanding the aforesaid principle of territoriality, it should be noted however that Lebanese Tax system adopts as an exception, the residential system for some of its schedule taxes such as Tax on movable capital gains or on income from movable assets; whereby the Lebanese Income Tax Law considers as liable to the local tax, income from movable assets (interest, dividends, arrears, bonds, etc.) whether derived in Lebanon or reverting to a resident (local and foreign proceeds). The same principle applies as well to inheritance & gift taxes. Practically, if the individual is deemed resident in Lebanon, the charge to his capital gains tax is on all his worldwide income; except as specified in a double taxation treaty.

- The definition of residence was resettled by virtue of the law No 60 dated October 2016 (and added to article 1 of the Code of Tax Procedures No 44 dated 11/11/2008. Those considered Lebanese residents are based on whether they: (i) Have an office in Lebanon to undertake their activities, (ii) Have a permanent home constituting an habitual residence for them or their family, (iii) Spend in Lebanon more than 183 days (six months) within a twelve-month period. The foregoing does not include the transit through Lebanon or the residency for medical purposes.

- Non-resident person that generates profits or revenues in Lebanon by himself/itself and not through a resident taxpayer, has to assign a resident agent to represent him/it and be jointly and severally responsible with him for declaring profits and paying the related tax within two months from the end of the non-resident's works in Lebanon according to a special tax form delivered by the Ministry of Finance for this purpose. And in case he/it took a location to undertake his/its activity in Lebanon, he/it has to register at the Ministry of Finance and be subject to the income tax according to the tax laws and regulations in force.

- will be considered as residents "de facto", in spite of their status, the corporations to which applies one of the two criterion set by the Decree N°3692/2016, i.e. (i) to maintain a place of business in Lebanon and/or (ii) to undertake a "permanent and repetitive activity". The "fixed place of business" was defined in the Decree as a location for undertaking the activity occupied for less than 6 months within a period of 12 months for public and private works and less than 3 months for the other activities; whereas the "permanent and repetitive activity" means in the said Decree any person undertaking a taxable activity in Lebanon for more than one time within a period of 12 months.

2- **Common Reporting Standard (CRS):**

Lebanon executed the Multilateral Competent Authority Agreement (MCAA) in May 2017 to implement CRS for the automatic exchange of information.

3- Income tax:

- **Taxable business income**: profit from trade, industry, professional activity or any other activity not subject to other types of income tax.

- **Rates**: Capital companies (joint stock corporations and limited liability companies) are taxed at a flat rate of 17 %. Whereas Self-employed individuals and partnerships are liable to a graduated tax varying between 4 and 25 % (after the family deductions and allowances).

- **Calculation**: based on a fiscal year that runs from January 1st to December 31 (Gregorian calendar). With a special justified authorization to use another accounting year.

- **Tax returns**: Tax returns must be filed at the latest by 31 May of the year following the year of income for SAL and SARL and before April 1 for all the others if taxed on the basis of actual profit.

- **Controlled Foreign Corporation (CFC) Rules**: Lebanon does not have CFC rules. As a result, profits arising in foreign corporations are not imputed to Lebanese resident shareholders until distributed, regardless of whether the income is active or passive, and a 10% tax rate on financial income would apply.

- **Capital gains tax**: at a rate of 15% on any divestment and trade in immovable 0r movable properties and at 10% on revaluation of properties and assets.

- **Income derived by Lebanese residents from movable assets**: Article 69 of the Lebanese Income Tax Law considers as liable to the local Tax, income from movable assets (interest, dividends, arrears, bonds, attendance fees, etc.) whether derived in Lebanon or reverting to a Lebanese resident (local and foreign proceeds). Practically, if the individual (natural person) is deemed resident in Lebanon, the charge to his capital gains tax is on all his worldwide income; except as specified in a double taxation treaty.
  The general rate of 10%, In the event the beneficiary collects abroad by himself or through an agent, the proceeds deriving from the said shares/bonds or movable assets, he will be compelled to file before March 1st of each year, a declaration (tax return) of the said showing the total amount of his earnings, collected during the preceding year and pay it to the Treasury before April 1st.

- **Income derived from the sale of immovable properties and assets (build properties and lands)**: The transfer of build properties and land ownership will be subject at the level of the transferor to a capital gain tax (betterment tax) of 15% (decreased to 1% until 31/12/2026) and at the transferee's level, it will be liable to a 3% (for Lebanese) or 5% (for foreigners) registration fee (+ other duties and fees such are judicial, stamp duties and alike in a proportion of 0,8% approximately).
  However, real estate properties held by individuals are exempted for a maximum of two residential units and other properties held for more than 12 years (8% deduction from the capital gain per year held) are also exempted from capital gain tax (article 45 of the Legislative-Decree #144 dated 12/6/1959 as amended by the Law No 64 dated 20/10/2017). Without prejudice to all the above mentioned reservations and exclusions, if ever the transfer is realized through a contribution in kind to the company, the registration fees will sum to 2% in addition to the other duties and fees such are judicial, stamp duties and alike.

4- Withholding taxes:

- **Movable Capital Tax**: at a rate of 10 % on all income derived from movable capital generated in Lebanon by either a resident or a non-resident or derived abroad by a Lebanese resident. Taxable income comprises notably, for elucidation and not limitation, the following:
  - Distributed dividends, interest and income from shares of any kind.
  - Attendance fees for Board Members.
  - Interest from loans of all types, including interest on secured debt and bonds.

- **A special 7% tax** (article 51 of the Law No 497/2003 amended by both Laws No 64/2017 and No 144/2019) increased to 10% for three years (and thereafter decreased once again to 7% as of 2022) which essentially concerns:
  - Interest on savings bank accounts.
  - Income from bonds issued by the Treasury of the Lebanese government.
  - Income from bonds issued by the Joint Stock Companies.
  - Income from fiduciary accounts.

- **Tax on Wages and Salaries:** a tax on wages and salaries that rates between 2 and 25% on gross salary (after the family deductions and allowances) is withheld at source and payable quarterly (every three months) within 15 days of the end of the quarter. For the daily workers the withholding tax is at a unique rate of 3% with fixed daily allowances.

- **Withholding tax on non-residents** (performing episodic services and activities): at a rate of 8.50% for services and 3.40% for other activities, applicable on gross business income derived from activities and services performed in Lebanon (total value of the invoice), withheld at source by the resident contracting party and paid to the tax authorities on behalf of the non-resident when filing the annual tax return.

- **National Social Security Fund's contribution (Payroll Tax):** 25,5 percent (22.5% by employers and 3% by the employee) caped for the first 17% at ceilings and thresholds defined by the government and the NSSF. Foreigners are subject to all contributions except those for end-of-service benefits. However, foreigners are completely exempted if they are working in Lebanon pursuant to a contract concluded abroad with foreign enterprises and if they are covered by a similar benefit at home.

5- Fiscal stamp duty:

- All deeds and written contracts signed in Lebanon or abroad for a use in Lebanon, and referring to specific payments or other sums of money, are subject to a stamp duty of 4‰ (per thousand) calculated on the whole amount.

6- Tax returns:

- Tax returns must be filed at the latest by 31 May of the year following the year of income for SAL and SARL and before April 1 for all the others if taxed on the basis of actual profit and before February 1 for taxpayers under the lump-sum tax regime. Tax on wages and salaries is withheld at source and payable quarterly (every three months) within 15 days of the end of the quarter.

B- Main Exemptions and Incentives.

- Lebanese tax legislation provides for various types of exemptions from business income tax with a view to promote investments in the country and enhance economic growth and development. There are permanent exemptions for education, hospitals or agriculture as well as temporary exemptions for some other activities among which:

1- Exemption for Industrial sector (article 5 of the Income tax law)**:**

- Industrial establishments may cover by a portion of their net annual profit (in a proportion of 50% to 75%) their self-financing to the condition that the investment is made whether to acquire new industrial equipment or to build housing units for their workers and employees (renting).

- Industrial firms establishing their plant in one of the areas the government wishes to develop and manufacturing new items and products not yet manufactured in Lebanon (including processing of raw materials into semi-finished products and thereafter into finished products or even assembly industries) shall benefit of an exemption of income taxes as to a ten-year period.

2- Exemption for exportation:

- In order to stimulate export of local manufactured products the Law No 248 dated April 15, 2014 has provided profits derived from the exportation of Lebanese manufactured goods with a 50% rebate on the payable income tax applicable on the revenues generated by such exportation and to the exclusion of other local activities liable to the basic income tax. This favorable measure was addressed once again by article 23 of the Budget Law No 10 dated 15/11/2022 (amending § 1 of section 3 of article 5-bis of the Income Tax Law). In compliance with the provisions of the said article, profit generated from the export of Lebanese manufactured products by industrial companies will benefit from a 50% discount on the related income tax if the proceeds of such export are transferred back to bank operating in Lebanon and reinvested in Lebanon or used in total for the purpose of its industrial activity in Lebanon. The tax discount will be raised to 75% for the five years starting from the year of the publication of the aforesaid Law (i.e. November, 15th 2022).

3- Exemption for ecology and protection of environment :

- The Law on the Protection of Environment (Law No 444/2002) grants individuals and corporations who undertake activities preserving the environment (including for the recycling and the use of equipment eliminating pollution) 50% tax reduction on income tax and 50% reduction on customs duties.

4- Special Law encouraging investments in Lebanon:

- the Investment Development Authority of Lebanon (IDAL), by virtue of the Law No 360/2001 regulating investment activities in Lebanon, provided for extended incentives and several exemptions (of taxes) for projects which meet certain criteria and objectives (agriculture, high-tech, new industries, tourism, etc) depending on geographical location (across three zones: A, B, C). It varies between a 100% income tax exemption for 2 years (ZONE A) and 50% income tax exemption for 5 years (ZONE B) and finally 100% income tax exemption for 10 years (Zone C).

- Also called Package Deal Contract (PDC), an arrangement may enter into and between the investor and the Lebanese Government, represented by IDAL, whereby an investor is granted incentives, exemptions and reduction that may encompass:

- 100% Exemption on Corporate Income Tax for up to 10 years; and
- 100% Exemption on Taxes on Project Dividends for up to 10 years; and
- ZERO Land Registration Fees; and
- Up to 50% Reduction on Work & Residence Permits; and
- Up to 50% Reduction on Construction Permit Fees.

5- Exemptions for Mergers & Acquisitions:

- Merging companies can benefit from a full income tax exemption for 3 years starting from the date of the merger assuming that (article 84 of the Law No 10 dated 15/11/2022):

- The tax exemption does exceed the aggregate of the merged and merging companies' capital.
- The merging company maintains the employees of both companies for a minimum period of 3 years.
- Both companies have a minimum of 5 employees at the date of the merger.
- Both companies have a minimum of LBP 10 billion in fixed assets at the date of the merger.

The merged company shall be exempted form income tax on the profits generated during the year of the merger. Gains realized as a result of the merger will remain subject to the dividend distribution tax. Banks and financial institutions are excluded from those provisions.

6- <u>Various other incentives:</u>

- Start-up companies established within 5 years from the publication date of the Budget Law No 10 dated 15/11/2022 shall benefit from a total income tax exemption for a period 5 years provided that at least 80% of their employees are Lebanese citizens.

- Medium and long term credit banks (exemption limited to a seven-year period).

- Exemptions of income taxes for profits resulting from the activities of mutual funds for the purpose of asset securitization (Law No 705 dated December 9, 2005) as well as Collective Investment Schemes (Law No 706 dated December 9, 2005). The distributed profits are nonetheless liable to capital gains tax.

- Subsidised loans to encourage investments in promising sectors as well as contribute in the emergence of a modern economy. The latest Intermediate Circular No 331 promotes banks investments in start-up companies.

- In compliance with the special provisions of article 26 of the Budget Law No 10 dated 15/11/2022, industrial and commercial companies incorporated after the publication date of the said Law and up to 31 December 2024 and operating in regions the government wishes to develop should benefit from a total income tax exemption for a period 7 years (in addition to a total exemption of construction fees and 50% discount on the registration and annual traffic fees on their vehicles) provided that their invested capital should be at least one million [Fresh] US Dollars and they employ at least 50 Lebanese representing 60% of their total employees.

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