

## SUMMARY OF THE BUDGET LAW 2026

The **Budget Law 2026** (Law # 40) was published in the Official Gazette appendix #7 dated 10<sup>th</sup> February 2026 and includes **some major tax amendments**. We hereby give you a summary of the main articles of Chapter 3 and 4 of this Budget Law 2026 (the “Law”) related to various tax amendments and measures that will be clarified by application decisions that will be issued by the Ministry of Finance.

### PENALTIES DISCOUNTS & INCREASES

**Article 15:** Determining the bases for settling imposed penalties pursuant to tax laws (Amendment of Clause 3 of article 1 and 3 of the Law #662 dated 4/2/2025 as amended by article 22 of the Budget Law 2022 - Law #10 dated 15/11/2022).

3) The Ministry of Finance may grant a settlement on the penalties that are imposed and collected by the Directorate General of Finance, pursuant to direct or indirect tax laws, arising from taxes and fees that became due after the date of publication of this law, provided that a regulatory decision is issued to determine the provisions of settlement and the approved percentage for reduction for each type of penalty, with a maximum reduction not exceeding the following percentages:

- **85% for late declaration penalties.**
- **75% for late payment penalties.**
- **60% for lump-sum penalties.**

In all cases, reduced penalties shall not be less than LBP 200,000 for taxes collected in local currency and USD 3 or their equivalent for taxes that are collected in foreign currency.

Article 3 of the Law #662 dated 4/2/2025 is amended to be as follows:

With reservation to what is stipulated in the article 1 of this Law, the authorization to settle any fine whose amount (after reduction) exceeds **LBP 60 Billion** for taxes and fees collected in Lebanese pounds and **USD 667,000** or their equivalent for taxes and fees collected in foreign currency, is subject to the approval of the Council of Ministers.

**Article 16:** Raising the value of the lump-sum penalties stipulated in the Law #44 dated 11/11/2008 and its amendments

First: **The lump-sum penalties** set forth in the articles 107, 108, 111, 123, 124, 126, 127, 128, 129, 130, 132, 133, 138, 139, 140, 141, 143, and 144 of the Law #44 dated 11/11/2008 and its amendments (Tax procedure Law) **are increased by a multiple of 25 times.**

Second: The provisions of this article shall be applied starting from the fiscal year 2026.

**Article 17:** Raising the minimum penalties stipulated in the Law #44 dated 11/11/2008 and its amendments

First: Minimum penalties set forth in the articles 112, 114, 115, 116, 117, 118, 125 to 134 of the Law #44 dated 11/11/2008 and its amendments (Tax procedure Law) **are increased by a multiple of 25 times.**

Second: The minimum penalties set in the articles 109 and 110 are increased as follows:

- LBP 18,750,000 for joint-stock companies (SAL).
- LBP 12,500,000 for partnerships, limited liability companies (SARL) and tax-exempt entities.
- LBP 2,500,000 for individuals and other taxpayers.

Third: The provisions of this article shall be applied starting from the fiscal year 2026.

**Article 18:** Amendment of information and penalties related to the **Ultimate Beneficial Owner (UBO)**  
(Amendment of §2 of article 32 and 117bis of the Law #44 dated 11/11/2008 – Tax procedure Law)

First: Amendment of information related to the UBO

Individuals and legal entities registered with the tax administration are required to inform the tax administration within a period of one month of any change related to the Ultimate Beneficial Owner.

Second: Penalties related to the **Ultimate Beneficial Owner (UBO)**

Infringement		Entity type	Penalty in LBP
Delay in submitting the UBO declaration	For a tax period within which <b>there was no change</b> in the beneficial owner	Joint-stock companies (SAL)	300,000,000
		Partnerships, limited liability companies (SARL) and tax-exempt entities	200,000,000
		Individuals and other taxpayers	25,000,000
	For a tax period within which <b>there was a change</b> in the beneficial owner	Joint-stock companies (SAL)	600,000,000
		Partnerships, limited liability companies (SARL) and tax-exempt entities	400,000,000
		Individuals and other taxpayers	50,000,000
Submitting incomplete or incorrect beneficial owner declaration	<ul style="list-style-type: none"> <li>▪ Failure to declare information or</li> <li>▪ Submission of information in violation of the relevant tax laws or</li> <li>▪ Provision of incorrect information</li> </ul>	Joint-stock companies (SAL)	750,000,000
		Partnerships, limited liability companies (SARL) and tax-exempt entities	500,000,000
		Individuals and other taxpayers	50,000,000
Failure to maintain updated records relating to the beneficial owner		Joint-stock companies (SAL)	750,000,000
		Partnerships, limited liability companies (SARL) and tax-exempt entities	500,000,000
		Individuals and other taxpayers	50,000,000
Failure to amend information relating to the beneficial owner within the legal deadline		Joint-stock companies (SAL)	750,000,000
		Partnerships, limited liability companies (SARL) and tax-exempt entities	500,000,000
		Individuals and other taxpayers	50,000,000
Refraining from giving information about beneficial owners pursuant to the provisions of section “F” of article 37 of the Tax Procedures Law		Imposed on partner or shareholder	350,000,000

➤ Each of the above penalties shall be doubled in case of repetition of the violation.

The mechanism of application of this article shall be determined, as needed, by a decision issued by the Ministry of Finance.

Third: All legal provisions that contradict this text or that do not align with its content are hereby revoked, and are applicable effective from 1<sup>st</sup> January 2026.

**Article 22:** Amendment of article 15 of the Budget Law 2024 (Law #324)

[...] C. Taxes, fees and penalties that are due in Lebanese pounds, may be settled by taxpayers in foreign currency (US Dollars or Euro) according to the actual exchange rate determined by the Central Bank of Lebanon.

## INCOME TAX

**Article 26:** Amendment of the **value of the food allowances granted to employees** and workers of the private sector (Amendment of the first paragraph of article 2 of the Law #137 dated 26/10/1999): Employees and employers shall benefit from the tax and social security exemptions for the allowances mentioned in the article one within the following limit: **LBP 300,000** for each employee, for each actual working day, as a meal voucher or meal allowance, to be used in restaurants or in food retail shops.

**Article 27:** Authorization for **customs administration to collect an amount at a set percentage from the value of each import operation, as a deposit on account of the tax**

The customs administration shall collect an amount equal to **1.5% of the value of each import operation** carried out by a **taxpayer who has not submitted his income tax declarations or VAT declarations for any reporting period of the 3 fiscal years** preceding the year in which the import is carried out. This amount is collected as an advance payment against the tax due by the concerned taxpayers.

This amount shall be included in the taxpayer's tax account and deducted from the annual tax due according to his submitted declarations, while maintaining the penalties incurred by the taxpayer in accordance with the Tax Procedures Law.

If, after submitting the declaration that includes the deduction of the advance tax paid, it is determined that the taxpayer has overpaid tax, and if no other taxes are due, the taxpayer may request a refund of the excess amount. The tax administration is required to refund this amount within 30 days of receiving the request. Otherwise, interest will accrue to the taxpayer for the duration of the delay, at a rate equivalent to that applied to government treasury bonds.

The provisions of the customs legislation shall apply for determining import operations, their value, and related cases. The mechanism for the application of this article shall be determined by a decision issued by the Ministry of Finance.

**Article 28:** Amendment item "C" of section 2 of article 5 (bis) of the Decree #144 dated 12/6/1969 (Income Tax Law) related to the **tax deduction granted to industrial companies reinvesting in their own machinery:**

C- The value of fixed assets acquired by the new institution to produce new goods and materials may not be less than LBP 23 billion.

**Article 29:** Amendment of clause 7 of article 7 of the Decree #144 dated 12/6/1969 (Income Tax Law) to include:

The taxpayer is allowed to **depreciate passenger vehicles**, provided that the original cost of each passenger vehicle does **not exceed USD 30,000**. This excludes passenger vehicles owned by institutions operating in car rental activities, passenger transportation, and hotels & resorts having at least a four-stars rating.

Depreciation of vehicles with an original cost exceeding USD 30,000 shall be calculated based on a maximum allowance cost of USD 30,000. Any excess depreciation charge should be returned to the taxable profit.

As for the intangible assets, their depreciation is not allowed unless it has to be disposed without counterpart at its maturity or term. In this case, it is depreciated on a straight line based for the period till its maturity or term.

The mechanism of application of this article shall be determined, as needed, by a decision issued by the Ministry of Finance.

## VALUE ADDED TAX (VAT)

**Article 30:** Amendment of article 28 of the Law #379 dated 12/12/2001 and its amendments (VAT Law) to include:

**VAT applied on passenger vehicles is deductible if the value of each vehicle does not exceed USD 30,000 excluding VAT.** If the value exceeds USD 30,000, the allowable deduction of VAT shall be equal to the VAT due upon the purchase of a passenger vehicle valued at USD 30,000 excluding VAT. Partial deduction of VAT shall be computed according to the capped VAT amount.

The cap referred to above shall not apply in cases where the vehicle is used in car rental activities, passenger transportation, and hotels & resorts having at least a four-stars rating.

**VAT shall not be deductible** when applied to the following expenses:

- A) Rental of passenger vehicles having a value that exceeds USD 30,000, except those used in car rental activities, passenger transportation, and hotels & resorts having at least a four-stars rating.
- B) Consumption of water, electricity, telecommunication, internet and gasoline.

The principles and mechanism of application of this article shall be determined by a decree issued based on the proposal of the Ministry of Finance.

**Article 31:** Amendment of article 30 of the Law #379 dated 12/12/2001 and its amendments (VAT Law)

The following deadlines have been amended as follows:

Declaration type	Deadline	Condition/minimum threshold
Taxpayer VAT refund request	Within one month after the end of any fiscal year	The amount of VAT (that has the right of deduction) requested for refund <b>should not be less than LBP 200 million.</b>
Exporter VAT refund request	Within one month after the end of any reporting period	The amount of VAT (that has the right of deduction) requested for refund <b>should not be less than LBP 200 million.</b>
De-registration VAT refund request	Within one month from the tax administration's approval of the de-registration	The amount of VAT (that has the right of deduction) requested for refund <b>has no minimum threshold.</b>

**Article 32:** Amendment of the article 59 of the Law #379 dated 12/12/2001 and its amendments (VAT Law) to include:

**VAT applied on passenger vehicles is refundable** if the value of each vehicle **does not exceed USD 30,000** excluding VAT. If the value exceeds USD 30,000, the allowable refund of VAT shall be equal to the VAT due upon the purchase of a passenger vehicle valued at USD 30,000 excluding VAT.

**VAT shall not be refundable** when applied to the following expenses:

- A) Rental of passenger vehicles having a value that exceeds USD 30,000.
- B) Consumption of water, electricity, telecommunication, internet and gasoline.

Taxpayers shall have the right, after the end of any fiscal year and **within a period of one month**, to file a request for the refund of the excess VAT associated with the exempt activities stipulated within the Article 59 of the VAT Law, provided that the amount requested for **refund is not less than LBP 200 million**. Amounts less than LBP 200 million can be carried forward to the following year. However, if the taxpayer was no longer classified as subject to the provisions of article 59 of the VAT Law, then they would have the right to file a refund request regardless of the amount owed.

The mechanism for the application of this article shall be determined, as needed, by a decree issued based on the proposal of the Ministry of Finance.

**Article 41:** Granting an exceptional deadline for submitting refund requests in accordance with the provisions of the article 59 of the Law #379 dated 12/12/2001 and its amendments (VAT Law) applicable of the year 2024

Persons who benefit from the provisions of the article 59 of the VAT Law are granted an exceptional deadline of two months from the date of publication of this Law to submit refund requests for the fiscal year 2024.

**Article 51: VAT filing deadlines** (amendment of articles 35(4) and 39 of the Law #379 (VAT Law)

The declaration deadline for the periodic VAT returns in the article 35(4) and the settlement deadline in article 39, are amended to become **one month, instead of 20 days, following the end of each quarter.**

## INHERITANCE TAX

### Article 45: Amending several Article of the Decree #146 dated 12/6/1959 (**Inheritance Tax Law**)

Amendment of articles 1, 9, 10, 16, 18, 21, 41 and 43 of the Inheritance Tax Law including the following key changes:

1. The transfer of movable and immovable assets occurring before the 1<sup>st</sup> January 2007, as well as those transferred as a result of death occurring before the latter date, are considered exempt from inheritance tax.
2. Exemptions and thresholds for transfer events applicable to parents, siblings, ascendants, descendants, spouses and other heirs were revised and are now distinguished based on whether the event occurred before or after 15/11/2022.
3. Buildings destroyed by Israeli military attacks shall be deductible from the amounts subject to inheritance tax, whereas the land value on which such buildings were built remains taxable.
4. Gifts up to LBP 1,600,000 are exempt from inheritance tax, and up to LBP 100 million when granted to charitable, cultural, sports, artistic or religious entities; applicable for gifts and donations made before 15 November 2022. Gifts and donations made after 15 November 2022 are exempt from inheritance tax up to LBP 96 million and up to LBP 6,000 million when granted to charitable, cultural, sports, artistic or religious entities.
5. Deductions applied to beneficiaries of endowments that are subject to inheritance tax were amended to become LBP 1,600,000 for transfer events occurring before 15 November 2022 and LBP 96 million after 15 November 2022.
6. A special inheritance tax return and payment form shall be adopted by the Ministry of Finance to declare and settle the inheritance tax amount due, and in the form of self-assessment, within a period of 6 months from following the transfer event.
7. The gross value of transfers shall be subject to a lump-sum transfer fee of 5 per thousand, applied to the portion exceeding LBP 40 million for those occurring before 15 November 2022, whereas on the portion exceeding LBP 2,400 million for those occurring after 15 November 2022.
8. The inheritance tax brackets were amended to amounts ranging between the following brackets, subject to the same inheritance tax rates applied previously:
  - a. Before 15 November 2022: Between LBP 30 million and LBP 350 million
  - b. After 15 November 2022: Between LBP 1,800 million and LBP 21,000 million.

## OTHER PROVISIONS

### Article 35: Amendment of § 6 of the article 43 of the Decree #67/67 and its amendments (Stamp Duty Law)

6- Taxpayers liable to issue invoices, receipts, debit and credit notes should settle the related fixed stamps duty on a monthly basis and should submit electronic returns within 15 days from the end of each month based on a format that would be issued by the tax authorities.

The provisions of this article should apply from the beginning of the first quarter that follows the quarter in which the Budget Law 2022 (Law #10) was published (i.e. starting from the 1<sup>st</sup> January 2023). Affixing the stamp shall be accepted for the period between the publication date of the Budget Law 2022 and the publication date of this Budget Law 2026.

**Article 40: Extension of the deadline set by the Law #330 dated 4/12/2024 for the exceptional revaluation of inventory and fixed assets**, and extension of the deadline for the tax administration to process applications for revaluation of fixed assets and inventory.

Taxpayers eligible for the revaluation of their inventories as per article 2 of the Law #330 dated 4/12/2024 are granted a **period of 3 months from the publication date of this Budget Law 2026** to perform the revaluation of their inventories for the **fiscal years 2023 and 2024** (i.e. **before 10 May 2026**), provided that the commitment to maintain supporting documentation is attached to the revaluation request. Moreover, taxpayers eligible for the revaluation of their fixed assets as per the same article 2 of the Law #330, are granted a similar period to perform the revaluation of their fixed assets.

On the other hand, the deadline for the tax administration to approve the fixed assets and inventory revaluation requests is extended to 31<sup>st</sup> December 2030. The mechanism of the application of this article shall be determined by a decision issued by the Ministry of Finance.

**Article 42:** Extending the application of the article 63 of the Law #324 dated 12/2/2024 (Budget Law 2024) related to the application of **3% fee on imported goods** that are subject to VAT **till 31 December 2030**.

**Article 43: Reduction of fines** payable to the state, municipalities, unions of municipalities, public institutions or other public law persons by **85%**, provided that the discounted penalty is not less than LBP 200 million or USD 5 for taxes collected in US Dollars, and provided that the underlying late payments and their discounted penalties are settled **within a period of 3 months after the publication of this Law** (Budget Law 2026). This discount excludes penalties governed by special laws and penalties related to public marine properties. Penalties settled prior to the publication of this Law are an acquired right to the treasury and are non-refundable.

**Article 52:** Amending the article 93 of the Law # 324 dated 12/2/2024 (Budget Law 2024) on **Sayrafa tax**

In derogation to any other text, **profits resulting from transactions exceeding USD 100,000** generated by individuals and legal entities from operations **on the Sayrafa platform**, based on the circulars issued by the Central Bank of Lebanon on this matter, are **subject to an exceptional tax of 17%**. Profits related to salaries shall be excluded from this exceptional tax. This amendment is effective from the 15 February 2024 (publication date of the 2024 Budget Law). The mechanism of application of this article, particularly with regards to transactions declared before the publication of this amendment, shall be determined by a decision issued by the Ministry of Finance.