

Offshore companies in Lebanon

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Contacts

Wadih Abou Nasr
wadih.abounasr@lb.pwc.com

PricewaterhouseCoopers

Tax Services

SNA Building, 5th floor,
Tabaris Square, PO Box 11 3155
Beirut, Lebanon
Tel: 00961 1 200 577

PwC in Lebanon helps clients in finding tax efficient business solutions and managing task risks

We work together with our colleagues in the PwC network for access to international know-how and long-term experience, to be able to quickly and efficiently solve tax issues that arise both locally and in foreign jurisdictions.

Governing principles



Number of founders	At least three
Minimum capital	LBP 30m (US\$20k)
Set-up cost	US\$8k
Legal reserve	10% of profits up to 1/3 of capital
Auditors	One principal
Activities	Activities listed in Law No. 19/2008. No commercial activity in Lebanon
Accounts & capital	Offshore accounts and capital can be in a foreign currency on condition that it is the same currency. However, tax declarations should be in Lebanese pounds
Fiscal year	Lebanon's fiscal year runs from January to December and is based on the Gregorian calendar. With the special permission of the local tax authorities, companies may, however, use their own accounting year
Shares	The offshore company shares are exempt from transfer and inheritance taxes and all related fees
Board members	All board members may be foreigners
Chairman	The Chairman is not required to obtain a work permit in case he is a non-Lebanese residing outside Lebanon

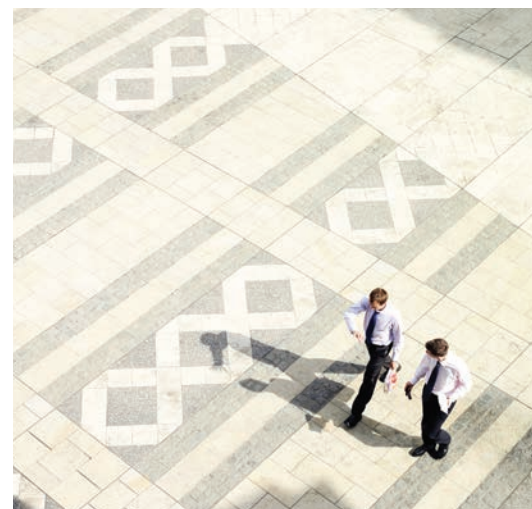
Registration

Offshore companies are required to be registered as joint-stock companies (SAL) and, with a few exceptions, are subject to the same regulations as a joint-stock company.

Activities

The business objectives of an offshore company according to Law No. 19 dated 5 September 2008 are limited to the following:

- Negotiating and signing of contracts regarding operations and dealings to be executed abroad, and relating to products and goods existing abroad or in the Lebanese duty free zone.
- Performing maritime transport operations.
- Triangular or multilateral trade operations that take place outside Lebanon. For this purpose, it is possible for offshore companies to negotiate, sign contracts, ship goods, re-issue invoices for activities and operations outside Lebanon or from and into the customs free zones in Lebanon. This includes the use of customs free zone facilities in order to store merchandise imported for re-export purposes.
- Acquisition of bonds, parts, shares and participations in non-resident foreign companies; and providing loans to non-resident companies in which the offshore owns more than 20% of the capital.
- Acquiring rights and/or exploiting rights for licenses of materials and merchandise; acting as agents or representatives of foreign companies in foreign markets.
- Building, investing, managing and owning all types of economic projects except those prohibited by Article 2 of the Offshore Law No. 19.
- Management of companies out of Lebanon whose activities take place exclusively abroad: export of professional, administrative and organizational services and the export of all types of software services to non-resident companies upon their request.
- Opening letters of credit and obtaining loans to finance the operations and activities mentioned previously from banks and financial institutions in Lebanon and abroad.
- Creation of branches and representative offices abroad.
- Rental of offices and acquiring of real estate as necessary for the activity of the offshore company; complying with the law governing the acquisition of real estate by foreigners in Lebanon.
- Offshore companies may not engage in any other commercial activity in Lebanon.



Taxation



Corporate income tax	Exempt
Lump-sum tax	LBP 1m (US\$663)
Dividend distribution tax	Exempt
Capital gains tax	10% (only on assets located in Lebanon)
Non-resident tax	7.5% on services; 2.25% on others. Exempt if they are performed outside Lebanon
Payroll tax	2% to 20% (employees working abroad are exempt)
Social security	21.5% borne by the employer (8.5% for EOSI; 6% for family allowance capped at LBP1.1m per year; 7% for sickness & maternity capped at LBP1.3m per year) 2% borne by the employee capped at LBP360k per year
VAT	In principle, subject to registration rules and able to refund VAT paid on expenses and assets In practice, not treated as part of the VAT system and not able to refund VAT paid on expenses and assets
Stamp duty	0.3% on contracts with Lebanese parties such as rental contracts

Filing requirements

Lump-sum tax	31 May of the following year (or within five months from the end of the special fiscal year)
Capital gains tax	31 May of the following year (or within five months from the end of the special fiscal year)
Non-resident tax	31 May of the following year (or within five months from the end of the special fiscal year)
Stamp duty	Within five business days from signature

Filing requirements (Continued)

VAT	20 th of the month following each quarter
Payroll tax	Quarterly: 15 th of the month following each quarter Annually: 28 February of the following year
Social security	Monthly: End of the following month, if the company has 10 or more employees Quarterly: End of the following quarter, if the company has less than 10 employees Annually: 31 March of the following year



Violation

If they perform activities that are outside the scope set out in the law, they will be taxed as regular joint-stock companies for the year of violation, on all profits (not only the profits realised from the

transaction that caused the breach).

A penalty of 50% of the assessed tax is also due.

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