

Republic of Lebanon

Parliament

Law n° 55 dated October 27, 2016

Exchange of Information for Taxation Purposes

Unique article

First: This law aims at:

- Applying and implementing the provisions of any agreement related to the exchange of information for taxation purposes, signed and concluded according to principles.
- Committing to granting the required information in compliance with the implementation of such agreements.

Second:

- 1- Provided the contrary is not stipulated, the terms below are defined as follows:
 - a- **Agreement:** any international convention or agreement stipulating the exchange of information for taxation purposes, including the spontaneous exchange of information between Lebanon and any foreign state
 - b- **Spontaneous exchange of information:** to grant pre-established information on residents in a foreign state related to Lebanon by virtue of an agreement, and that periodically and with no prior request
 - c- **Concerned authority:** Minister of Finance or a delegated representative
 - d- **Concerned authority agreement:** any bilateral or multilateral agreement between concerned authority and any foreign state in order to clarify or explain specific agreement provisions or to facilitate the spontaneous exchange of information by virtue of any agreement
 - e- **Information:** any statement or register containing specific facts, regardless of its form or type
 - f- **Request:** request submitted to the concerned authority to obtain information by virtue of specific agreements
 - g- **State submitting the request:** the state that submits a request application in order to obtain information
 - h- **Person:** any individual or company or any other body constituted according to laws in force
- 2- Should any discrepancy in the provisions of the present law or any agreement with the provisions of any other law arise, the provisions of the present law and agreement shall be applied.

Third:

With the aim of committing to the provisions related to exchange of information in any agreement, the concerned authority uses powers stipulated under articles 23, 44, 48 and 103 of Tax Procedures Law (TPL) to collect information, even if the tax administration does not need such information for internal taxation purposes.

Forth:

- 1- The concerned authority helps the state submitting the request of information according to the conditions of the agreement concluded. Should it appear to the concerned authority upon reception of the request that it is in compliance with the provisions of the agreement signed with this state, the concerned authority implements thereof the request according to the provisions of this agreement and the present law.
- 2- The concerned authority may ask for additional information from the state submitting the request, whenever it deems it necessary to carry out the treatment of the request.
- 3- Should the concerned authority decide that the request is not compliant to the provisions of the agreement signed with this state, the request is declined by the concerned authority who in turn informs the state submitting the request.

Fifth:

- 1- When the requested information are not covered by the bank secrecy law issued on 3/9/1956 nor by article 151 of Monetary and Credit Law, the concerned authority immediately responds to the state submitting the request.
- 2- When the requested information are not covered by the bank secrecy law issued on 3/9/1956 nor by article 151 of Monetary and Credit Law, and should it appear to the concerned authority that the request is compliant to the provisions of the agreement signed with this state, the "special investigating body" stipulated under Law number 44 dated 24/11/2015 relative to fighting money laundering and financing terrorism, is bound to insure the information and provide it to the concerned authority.
- 3- It is not allowed to provide the state submitting the request with the information stipulated under paragraph (2) without notifying the concerned individual within 15 days as of the date of notification of the concerned authority's decision according to notification procedures appearing in Tax Procedures Law; furthermore, the concerned individual may oppose this decision before the State Council.
The State Council concludes in a final and irrevocable way on the validity of legal conditions binding the exchange of information within a maximum period of 3 months from the date the revision was submitted.
After this deadline, or in case the State Council decides to grant the requested information, the concerned authority must provide the state submitting the request with the information wanted.
- 4- Notwithstanding the previous provisions, and concerning urgent requests or those whose notification could affect the success of the investigation on the concerned

individual carried out by the state submitting the request, the latter should be provided with the information without any prior notification as mentioned above, according to standards and procedures agreed upon by the two states and preserving the rights of both parties.

Sixth:

- 1- Every bank in Lebanon and special investigating body will ask financial institutions in a determined period and through specific procedures according to provisions stipulated by the present law, to submit the required information so that the concerned authority can immediately exchange information under any agreement or concerned authority agreement. The concerned authority provides such information in order to undertake its duties by virtue of this agreement.
- 2- The Minister of Finance or the Central Bank, each according to its competences, and according to decisions to-be issued later, have the right to determine:
 - a- The institutions that have to grant information
 - b- The information that must be granted and the procedures to do so, including electronic methods
 - c- In-depth standards and what the information should include
- 3- Whenever necessary, the Cabinet can by virtue of tax procedure decrees implement the present law in cases not stipulated in paragraph (2) above.
- 4- In case of violation or non-compliance of provisions stipulated by virtue of the present article, a fine amounting between one million and two million Lebanese Pounds is imposed, without any prejudice on the right of the audit authority affiliated to impose administrative sanctions and financial penalty as per specific laws.

Seventh:

This agreement is applied on all agreements avoiding dual taxation in force.

Eighth:

The government was approved to conclude the Multilateral Convention on Mutual Assistance in tax matters (MAC) (check attachment, it could be amended later), and the Multilateral Competent Authority Agreement on automatic exchange on financial account information (MCAA) attached.

The Ministry of Finance is delegated to sign on these two agreements.

Ninth:

- 1- The provisions of the present law enter into force in spite of any obligation regarding secrecy or any other imposed restrictions, by virtue of any other law on the disclosure of information.
- 2- Any information exchanged, by virtue of clauses 4 and 6 with the concerned authority according to any agreement or according to any law, is dealt with as if it were secret, according to the provisions of article 25 of Tax Procedures Law.

Tenth:

Provisions of Law number 43 dated 24/11/2015 (Tax Information Exchange) are cancelled.

Eleventh:

This Law is effective upon its publication in the Official Gazette, with urgent issuance according to paragraph 1 of article 56 of the Constitution.

Republic of Lebanon

Parliament

Law n° 60 dated October 27, 2016

**Amendment of clause 1 of article 23, article 29 and article 32,
and clause 1 of article**

107 of Law number 44 dated 11/11/2008

(Tax Procedures Law - TPL - and its amendments)

Article 1 – Article 1 of Law number 44 dated 11/11/2008 (Tax procedures law and its amendments) is amended and therefore becomes as follows:

“Amended article 1 -

Are meant by the following expressions whenever they appear in this Law:

- 1- **Tax:** any tax or fee the Ministry of Finance is entitled to collect, excluding customs and real estate fees, among which:
 - a. Income tax
 - b. Tax on built property
 - c. Transfer fees
 - d. Betterment tax
 - e. Value-added tax (VAT)
 - f. Indirect taxes and similar fees
 - g. Any tax or fees that might arise

Provided the present law does not stipulate the contrary, the term “tax” designates wherever it appears in this law, the principles of taxation and its supplements, i.e. coercive collection fines, interests and charges related to taxes.

- 2- **Taxpayer:** any person bound as per tax laws by tax obligations, provisions of the present law apply on the taxpayer, on sums appropriated from taxes, except in situations where law stipulates the contrary.
- 3- **Tax period:** the time period including fact or facts generating for taxes, and upon expiry a tax declaration must be carried out or submitted during a specific timeframe according to texts of law related to every type of tax.
- 4- **Tax administration:** the concerned authority at the Ministry of Finance – General Financial Directorate – mandated to manage, collect and control taxes, according to the powers determined by law.
- 5- **Person:** any physical or legal entity, according to the context.
- 6- **Sums appropriated from taxes:** the person entitled by law to tax sum appropriation at their source from outstanding amounts to another person (main taxpayer) and settle it to the Treasury.

- 7- **Added tax:** tax resulting from any realization of concealment or deduction on an owing tax, whether realizing was carried out by taxpayer or tax administration.
- 8- **Declaration:** annual and periodic tax declaration and any other declaration, periodic statement and data attached, and requests to value-added tax collection.
- 9- **Joint-stock companies:** business corporations and companies limited by shares
- 10- **Excluded institutions:** institutions excluded from income tax on profits

11-Resident

Is considered as resident in Lebanon:

- 1- Any legal entity constituted or registered according to the Lebanese laws or having in Lebanon a place to carry out its business.
- 2- Any physical person having one of the following conditions:
 - a. A place in Lebanon to carry out its business
 - b. Has a permanent residence in Lebanon where he or his family usually live. It is designated by family the spouse and children under his/her responsibility
 - c. Has been in Lebanon for more than 183 days, in a row or not, during 12 consecutive months

Is not calculated among these 183 days the period that a physical entity spends in Lebanon, in case he/she was there:

- Exclusively until relocation
- Exclusively for medical treatment.”

Article 2 - Clause 1 of article 23 of Law number 44 dated 11/11/2008 (Tax Procedures Law - TPL - and its amendments) is amended as follows:

“Amended clause 1:

In compliance with provisions of Law number 3 dated 3/9/1956 related to bank secrecy, every person, exception made for persons bound by law on professional secrecy, including government administrations, public institutions, municipalities, all union of municipalities, in addition to various private bodies and syndicates, must cooperate with tax authorities and grant any requested information in order to carry out its duties; it is also not acceptable to invoke professional secrecy and thus prevent tax administration officers to go through records, and accounting documents allowing them to ensure the extent of commitment of taxpayers with their tax obligations, or that allows them to respond to requests of information of tax administration as per agreements preventing dual taxation.”

Article 3 - Article 29 of Law number 44 dated 11/11/2008 (Tax Procedures Law - TPL - and its amendments) is amended as follows:

“Amended article 29:

- 1- Taxpayers are bound to pay an income tax according to the real profits as recorded in daily registers, inventory, and salary records.

Taxable companies are bound to keep also records of nominal shares, and a special register in which is listed names of present shareholders in General Assemblies, regardless of the category of their shares.

- 2- Concerning persons bound to pay income tax on non-real profits: they must keep daily records, fixed assets and salary records.
- 3- Companies excluded from income tax on profits must keep required records on taxpayers based on real profits. Institutions exempted from income tax on profits from non-companies, can keep required records by taxpayers based on real profits, or will only hold monetary accounts, constituted in a mandatory way by the two registers required to keep by taxpayers based on a lump sum, in addition to salary records.
- 4- Public institutions, municipalities, union of municipalities must keep salary records
- 5- Concerning the value-added tax:
It bounds VAT taxpayers, as well as beneficiaries of provisions of article 59 of Law number 379/2001 (Value-added tax - VAT) and its amendments, to keep records on taxpayers bound to pay income taxes based on real profits, in compliance with the following:
 - a- Public administrations and institutions, municipalities and union of municipalities keep records and documents according to legal principles controlling its activities, and provided it keeps required records and documents to ensure good tax calculation and declaration thereof
 - b- Non-profit institutions only benefiting from right of repurchase stipulated by article 59 of Law 379/2001 (VAT) and its amendments, to keep required records and documents to prove their right of repurchase and its activities
- 6- Records stipulated by the above-mentioned clauses of this article are kept according to laws in force, whether handwritten or as computer printouts.
- 7- The Ministry of Finance issues by decision the content of these records and the ways to keep them, and the organization of accounting documents.
- 8- For tax and fees imposition purposes, these records may be kept without sealing or marking them.
- 9- Excluded taxpayers on income tax based on estimated profits non subject to VAT, every taxpayer is entitled to issue an invoice or any other document used as a proof of any activity carried out. The Ministry of Finance issues a decision determining the application of this clause and invoice contents.”

Article 4 - Article 32 of Law number 44 dated 11/11/2008 (Tax Procedures Law - TPL - and its amendments) is amended as follows:

“Amended article 32:

- 1- In compliance with provisions of special laws, any person starting a business subject to taxes must inform the tax administration through a registration request submitted within 2 months, as of the date of starting work.

Any person having the conditions to be subject to VAT must submit a VAT request form within 2 months when these conditions were met.

Any business owner must submit an application form for his/her workers, within a period of 3 months as of the date the employee/staff initiated work.

The Ministry of Finance issues a decision determining registration and application procedures and standards.

2-

a- In compliance with provisions of article 3 of the present article, every residing legal entity and registered before tax administrations must inform this administration on a yearly basis, within the annual declaration timeframe, on any changes applying on:

1- The name, address, headquarters, goodwill or main activity type

2- The legal nature of his activities

3- Any modification on the capital, whether upwards or downwards

4- Any modification regarding shareholder names or partners or any modification on the percentage of their participation or contribution.

Any foreign company working in Lebanon must inform the tax administration on a yearly basis, within the annual declaration timeframe on any modification concerning information related to items 1 and 2 of paragraph “a” of the present clause.

b- Any physical person residing in Lebanon and registered before tax administration must inform this administration within 2 months of any changes concerning the goodwill or trade name, address, headquarters or main activity type

3- In compliance with provisions of clause 2 of the present article, every person residing in Lebanon holder of bearer shares in Lebanese joint stock companies, must inform the tax administration on all shares he/she owns at the end of every year, within a period ending on March 31 of the following year, and that as of 2016 activities.

The Ministry of Finance issues whenever needed a decision determining the application of this paragraph.”

Article 5 -

Clause 1 of article 107 of Law number 44 dated 11/11/2008 (Tax Procedures Law - TPL - and its amendments) is amended as follows:

“Amended clause 1 of article 107:

1- Every person that has not submitted his/her application form before tax administration within the legal period as stipulated in clause 1 of article 32 of the present Law, or any tax laws, is subject to a fine estimated to:

- 2 000 000 LP (two million Lebanese Pounds) for joint-stock companies

- 1 000 000 LP (one million Lebanese Pounds) for partnerships, limited liability companies and tax exempted institutions

- 300 000 LP (three hundred Lebanese Pounds) for individuals and other taxpayers

Any person residing in Lebanon and holder of bearer shares, not declaring before this administration on all his/her owned shares in Lebanese joint-stock companies within the timeframe stipulated under article 32 is subject to a fine amounting to 300 000 LP (three hundred Lebanese Pounds), increased annually by the same amount until his/her non-compliance with this obligation, and any part of the year is considered a complete year.”

Article 6:

This Law is effective upon its publication in the Official Gazette.

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Law n° 74 dated October 27, 2016

Defining tax obligations for individuals carrying out trustee activities

Unique article:

- 1) Every individual residing in Lebanon and carrying out professionally or not, a trustee activity for a foreign trust, regardless of its nature or type, shall apply for registration before the tax administration. He / She is bound to submit a declaration on the basis of real profits.
- 2) The individuals mentioned under the previous clause of the present article must declare on an annual basis the income realized from their activities and pay-as-you-earn tax due in Lebanon on individuals carrying out business with them, in conformity with the provisions of laws in force.
- 3) These individuals must also keep accounting records, in conformity with what is determined by Tax Procedures Law, as well as relevant papers showing all information related to the people they are dealing with, and preserve these records and documents for a period of ten years.
- 4) Provisions appearing under this article do not interfere whatsoever with legal texts applied on banks and financial institutions that have been granted a license by the Central Bank of Lebanon.
- 5) In case the individuals mentioned in the present article breach the provisions of the present law, tax procedures law and tax laws, they shall be subject to fines as stipulated under Tax Procedures Law.
- 6) This Law is effective upon its publication in the Official Gazette.

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Law n° 75 dated October 27, 2016

Cancelling bearer shares and promissory notes

Unique article:

First: Notwithstanding any other text, joint stock companies (including companies limited by shares) are prohibited to issue bearer shares and promissory notes after the entry into force of the present law.

Moreover, companies with shares that include bearer shares or promissory notes are obliged to exchange the bearer shares and promissory notes issued before the release date of the present law into registered shares, and that in compliance with the provisions of the third clause and within a period of one year as of the law enforcement date of the present law. Also, companies must amend their bylaws according to the above mentioned provisions, within a maximum period ending at the first meeting of the shareholders' general assembly.

Second:

- 1- Joint stock companies that previously issued bearer shares or promissory notes must inform holders of such shares, through publication in the Official Gazette and 3 daily newspapers, and on the company's internet site in case any, of the obligations stipulated under clause 1. These companies must also obtain from the owner of such shares the name of the person under which these exchanged shares must be registered as per the provisions of clause 1.
- 2- Companies not abiding by such notification obligations towards owners of bearer shares or promissory notes, as appearing under paragraph 1, shall be imposed a fine amounting to 50% of its capital.

Third:

- 1- Owners of bearer shares or promissory notes who did not exchange their shares within the period of 1 year as of the law enforcement, are prohibited to exercise all their rights related to these shares and cannot be appointed as members of the Board of these companies, until these shares are substituted by registered shares.
- 2- After the one-year period as of law enforcement, as stipulated under paragraph 1 of the present clause of this article, the following provisions shall be applied:
 - The company shall be imposed to pay a fine amounting to 20% of its capital in case it settled dividends to any holder of such shares, and that for every violation committed and every settlement separately.

- Decisions adopted in general assemblies are considered illegal if companies allowed owner of such shares to attend meetings or to be appointed as members of its Board or authorized them to participate in its liquidation process.
- 3- Transfer of ownership of bearer shares or promissory notes that have not been replaced by registered shares after two years of the enforcement of the present law, shall be assigned in the name of the Lebanese state.

Forth: Provisions of articles 90 and 91 of Income Tax Law shall be applied on dividends of bearer shares or promissory notes whose owners fail to show up for collection within the legal period stipulated under the two specified articles.

Fifth: Minutes of law enforcement of the present law shall be set out whenever deemed necessary, by virtue of a decree adopted by the Cabinet in compliance with the proposal of the Ministers of Justice, Labor, Economy and Trade.

Sixth: This Law is effective upon its publication in the Official Gazette.

Republic of Lebanon

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**Law n° 77 dated October 27, 2016
Amending Article 316 bis of Penal Law**

Unique article:

Article 316 bis of Lebanese penal law, concerning financing of terrorism is amended, and therefore becomes as per the Arab Convention on the Suppression of Terrorism, signed in Cairo on 22/4/1998, and concluded by virtue of law number 57 dated 31/3/1999, as follows:

“Amended article 316 bis:

Any person carrying out or trying to carry out or participate, willingly and by any means, directly or indirectly, in the total or partial financing or participation in the financing of terrorism or terrorist acts, or financing individual terrorists or terrorist organizations, or activity related to it, including offering, or providing or collecting the movable or immovable money, from legal or illegal sources, in Lebanon or abroad, whether the money were used or not, and whether the terrorist act was carried out or not, in Lebanon or abroad.

Financing terrorist crimes include travelling, attempt to travel, recruitment, planning, preparation, organizing, facilitating, participating, offering training or being trained, and any other related duties aiming to carry out terrorist acts, without those activities being linked to a specific terrorist act.

Any individual undertaking such acts shall be punished with temporary hard work for a minimum period of three years and not exceeding seven years, and a fine similar to the amount paid and not exceeding three times the amount, without hindering the application of sanctions stipulated in articles 212 until 222 inclusive of the Penal Law.”

This Law is effective upon its publication in the Official Gazette.
