

# Kabalan & Associates

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## Lebanon Legal Update

9 May 2018

### Highlights on the Public Budget 2018

The Lebanese Parliament approved the Public Budget for the year 2018 (Law No 79 issued on 19 April 2018). The main object of the Public Budget Law 2018 is to cut government spending. Additionally, the Budget Law 2018 included several tax penalties reductions and reforms which aim is to encourage taxpayers to settle delayed tax and thus ultimately bringing revenues to the Lebanese Government.

#### Tax Penalties Reduction

The Public Budget Law 2018 introduced a 90% reduction of tax penalties applicable for:

- The General Financial Directorate at the Ministry of Finance
- The administrations, public institutions, municipalities and other public departments
- The mechanic charges
- The municipalities including for touristic institutions.
- The National Social Security Fund

These penalties reductions are subject to payment of related tax/contributions within 6 months i.e. by 19 October 2018.

#### Tax Reforms

The Public Budget Law 2018 introduced various tax reforms such as:

- Granting an additional period of 6 months for taxpayers notified after 1/1/2009 to challenge some tax and charges imposed by the General Financial Directorate- subject to settling 10% of such due taxes and penalties in advance.
- Exempting the employees hired by several employers or the employees exercising independent activities along with their employment- from penalties for the years 2016 and earlier.
- Possibility to pay in installments the tax deducted at the source (i.e. withholding tax, salary tax and movable assets tax) and VAT applicable until 31/12/2016.
- Allowing taxpayers to make a settlement for Income Tax due until the year 2016- subject to certain terms and conditions- and a settlement for Income Tax and VAT amounts submitted before the Tax Objection Committees
- Giving incentives to institutions to hire Lebanese employees; the Lebanese Government would settle on behalf of such institutions the National Social Security Fund contributions due for 2 years for employees hired from 19/4/2018 until 31/12/2019 subject that their salary does not exceed 18,000,000 LL per year. This will be applicable pursuant to a Decision issued by both the Minister of Labor and Minister of Finance.

This note is not comprehensive. Further advice should be taken before relying on the contents of this note.

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Kabalan & Associates is a law firm registered as Etude Maitre Noureddine Kabalan with the Beirut Bar Association.

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- As of 2018, the deductions for Built Property Tax Income for residential apartments is set at 20,000,000 LL instead of 6,000,000 LL. Furthermore, the Built Property Tax brackets had been amended to decrease such tax.
- Decreasing real estate registration charges from 5% to 3% for properties acquired by Lebanese citizens with value up to 375,000,000 L.L, and applying 5% on the value exceeding 375,000,000 L.L.
- Exemption from charges due on mortgages/removal of mortgage for loans granted by the General Organization for Housing up to the maximum amount granted by this organization, and applying 1% to loans exceeding this amount.
- Exempting companies and institutions which ceased all activities prior to 1/1/2013 and were not struck off from the Commercial/Civil Registry from stamp duties and penalties due for non-renewal of the company's term subject to finalizing the striking off procedure and paying the due taxation by 31/12/2018.
- Amending stamp duties payable on the Public Property Occupancy License.
- The Lebanese General Security may start issuing Lebanese passport for a validity period of 1 or 5 or 10 years, and a residency Permit for 2 years (instead of 1 year).
- The Ministry of Work may start issuing Work Permits for non-Lebanese workers for 2 years (instead of 1 year only).
- Exempting Employment Agreements for Lebanese citizen registered with the National Social Security Fund from Stamp Duties.
- Exempting Arab and Foreign athletes hired by 1<sup>st</sup> and 2<sup>nd</sup> Category Lebanese teams for all sports games from the contributions of the National Social Security Fund, and from visa, residency permit and work permit charges.

It is to note that the Constitutional Council issued the Decision no.1 2018 on 3/5/2018 suspending Article 49 of the Budget Law 2018 –Article 49 had provided to grant Residency Permits for Arabic/Foreign persons acquiring a property in Lebanon during the whole term of their property ownership.

Please contact us should you have any queries in relation to this update.

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