

# Kabalan & Associates

## Lebanon Legal Update

30 January 2017

### Fighting Money Laundering and Implementation of Tax Transparency

With the perspective of fighting money laundering and combatting terrorism financing and for the purpose of implementation of tax transparency and exchange of tax information, and pursuant to the recommendations of the OECD, and in order to comply with international community standards, Lebanon have promulgated a series of law in November 2015 and another series in November 2016. It is expected that further laws will be implemented in 2017 for the same purposes.

In this context, the major recent changes in Lebanese laws are as follows:

#### - November 2016

- o Law no 74 promulgated on 3 November 2016 on trustees. All trustees residing in Lebanon and providing trustees services for a non-Lebanese trust shall register before the Ministry of Finance and pay tax for such activity.
- o Law no 75 promulgated on 3 November 2016 cancelling bearer shares and shares to order. Pursuant to this law, Lebanese joint-stock companies are no longer permitted to have bearer shares or shares to order; thus all Lebanese joint-stock companies shares shall be nominative shares.

Further advice should be taken before relying on the contents of this note

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Kabalan & Associates is a law firm with offices in Beirut & London and registered as Etude Maitre Nouredine Kabalan with the Beirut Bar Association.

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- o Law no 60 promulgated on 3 November 2016 amending Law no 44/2008 on Tax Procedures. Pursuant to Law 60, whilst taking in consideration banking secrecy, all persons -except persons subject to confidentiality obligations such as authorities and syndicates- shall collaborate with the Ministry of Finance to provide the latter with requested information. No person shall have the right to invoke confidentiality obligation to prevent the Ministry of Finance from reviewing records and financial books for the purpose of verifying compliance of tax payers with their tax obligations or for the purpose of answering requests related to double tax treaties.

- **In August 2016**

- o The Lebanese Central Bank issued decision no 12309 on 18 August 2016 requiring banks to take all necessary procedures aiming to provide the Special Investigation Committee with information requested by foreign authorities about bank accounts of its residents through the Lebanese Ministry of Finance – as per Global Forum and OECD requirements for transparency and pursuant to the regulations issued by the Special Investigation Committee in coordination with the Central bank

- **In November 2015**

- o Law no 42 on Declaration of Cross Border Money Transfer promulgated on 26 November 2015. Pursuant to this law, any cross border transfer in an amount above 15,000 USD shall be declared to the Customs Authorities.
- o Law no 43 on Exchange of Tax Information promulgated on 26 November 2015. Pursuant to this law, the Minister of Finance is empowered to sign bilateral treaties and join multilateral treaties with other countries for exchange of information related to tax evasion or tax fraud. Such requests shall be addressed to the Ministry of Finance and shall be based on final court order or conclusive evidence of tax evasion and shall include sufficient information on bank accounts. The Special Investigation Committee shall follow special procedures to lift banking secrecy over such bank accounts.
- o Law no 44 on Anti Money Laundering and Fighting Terrorism Financing promulgated on 26 November 2015. This law set a series of procedures for banks, financial institutions, auditors, notary public and lawyers to follow for such purpose. The lawyers were requested to issue a

special toolkit for such purpose to take in consideration lawyers' confidentiality obligations. Our law firm had a major role in drafting this toolkit.

- o Law no 53 promulgated on 26 November 2015# authorizing the Lebanese Government to join the International Treaty Combating the Financing of Terrorism signed in New York on 9 Dec 1999, except for the definition of terrorism provided for in the said Treaty. The Law no 53 adopts the definition of terrorism as per the Arab Treaty signed in Cairo on 22/4/1998.

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