

Kabalan & Associates

مكتب المحامي نور الدين قبلان

Lebanon Legal Update

1 July 2019

The Ultimate Beneficial Owner

The Ministry of Finance have extended the deadline to submit the forms relating to the Ultimate Beneficial Owners until 31 July 2019. This requirement have been earlier defined in the Ministry of Finance Decision 1472/1 dated 27 September 2018 (issued in the Official Gazette on 4 October 2018) and the Law no 106 promulgated on 30 November 2018 (issued in the Official Gazette on 6 December 2018). The taxpayers are now bound to abide by the legal requirements relating to the ultimate beneficial owners.

Who is the Ultimate Beneficial Owner (UBO)?

The UBO is every physical person wherever he resides, owning or ultimately controlling directly or indirectly an activity exercised by any other physical person or entity on the Lebanese territories.

Every legal entity should take measures aiming to identify the UBOs by determining every physical person hiding behind:

- Every physical person owning whether directly or indirectly 20% or more than 20% of the entity's capital.
- Every physical person having the majority votes or rights to take major decisions including hiring and removing members from managerial or controlling commissions.
- Every person occupying a senior managerial position.

Additionally with regard to the trusts and legal arrangement entities, the taxpayers should take all measures aiming to identify the UBOs.

What are the obligations of the taxpayers with regard to UBOs requirements?

The Law imposed an obligation on tax payers to:

- record and update special registers determining the UBOs and their related information.
- declare the UBOs to the Ministry of Finance on yearly basis by filling the issued UBO forms and keep updating the said Ministry of any changes.
- keep records and documents relating to the UBOs for at least 10 years even after the UBO capacity ceases to be applicable.
- report to the Ministry of Finance the event where the partner or the shareholder refuses to provide information relating to the UBOs.

What are the obligations of lawyers, auditors and notary public?

Whenever requested by the Ministry of Finance, the lawyers, auditors and notary public should provide the Ministry of Finance with any documents they have drafted or became aware of when carrying their duties and which relates to the UBOs. Such professionals cannot allege professional secrecy to prevent the Ministry of Finance from reviewing documents relating to the compliance by taxpayers with their obligations or from reviewing documents which aim is to provide information based on avoidance of double taxation treaties.

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

Kabalan & Associates accepts no responsibility for loss occasioned to any person(s) acting or refraining from acting as a result of material contained in this note.

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

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What are the penalties for failure to abide by the UBOs requirements?

- The penalties on taxpayers for failure to declare the UBOs
 - o 2,000,000 LL for joint-stock companies.
 - o 1,000,000 LL for partnership companies, limited liability companies and tax exempted establishments.
 - o 300,000 LL for individuals and other taxpayers.
- The penalties relating to the UBOs:
 - o The penalty on the shareholder or the partner for failing to provide the correct information relating to its UBOs is equal to 100% of the tax due on its share calculated on the basis of the corporate tax and tax on dividends during the year when the breach was committed.
 - o The penalty on the partner in the partnership companies or in the establishments or in a profession for failing to provide the correct information relating to its UBOs is equal to 100% of the tax due on its share.
- The penalties due by every person for failure to submit the Ministry of Finance forms relating to the UBOs or for failure to report the shareholder or partner who refused to provide information relating to its UBOs.
 - o 2,000,000 LL for joint-stock companies.
 - o 1,000,000 LL for partnership companies, limited liability companies and tax exempted establishments.
 - o 500,000 LL for individuals and the rest of taxpayers.

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

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