



## Budget 2022

### Dated November, 15 2022

#### Brief for Income Tax amendments

**Article No.# 23:** Tax discount on export of Lebanese manufactured product.

Profits generated from the export of Lebanese manufactured products by industrial companies would benefit from a 50% tax discount against income tax:

- If the returns resulting from this export are transferred to the Banks operating in Lebanon for re-investment purposes in Lebanon; or If it is proven that such returns are fully used for the purposes of industrial activity exercised in Lebanon.

The tax discount will be increased to seventy-five percent (75%) for five years starting from the year of publication of this Law.

**Article No.# 24:** losses carried forward for year 2020

The taxable losses related to the year 2020 can be carried forward for an additional year.

**Article No.# 25:** Exemption on income tax for Startup companies.

Startup Companies established within 5 years from the date of publication of this Law shall benefit from a tax credit against the entire income tax on profits (Title one tax) for a period of five years from its establishment date, provided that at least 80% of their employees are Lebanese.

**Article No.# 26:** Incentives for industrial and commercial new companies

Industrial and commercial companies established after the date of publication of this Law and until 31 December 2024, operating in regions that the Government wishes to develop, shall benefit from a tax discount against the entire income tax on profit for a period of 7 years from the date of its actual activity. In addition to the above and for the same 7 years' period, such companies may benefit from an exemption of construction fees and a 50% reduction on registration and annual traffic fees of its vehicles.

**Article No.# 26 (continue)**

To benefit from this tax discount,

- the invested capital should be transferred from foreign funds or cash paid and not less than USD 1 million and
- employment of at least 50 Lebanese representing 60% of its total employees

**Article No. # 28: Income Tax on profit – New Progressive tax rate in LBP**

Net Taxable Income		Tax Rate
Above	Up to	
-	27,000,000	4%
27,000,000	72,000,000	7%
72,000,000	162,000,000	12%
162,000,000	312,000,000	16%
312,000,000	675,000,000	21%
675,000,000	and Above	25%

Shall be effective from January 1, 2022.

**Article No.# 29: New declaration deadline for Non-resident tax.**

The non-resident tax due as per Article 41 must be declared and paid quarterly within a period of 15 days from the end of each quarter after withholding the calculated tax in accordance with Article 42 (15%\*15% for goods purchased from non-resident or 15%\*50% from service rendered from nonresident)

**Article No.# 31: Modification for Article 49 in Decree 144**

The gross income shall include the total of salaries, wages, allowances, compensations, awards, gratuities, cash and in-kind benefits, and in case of a reduction on the said salaries and benefits due to a legal justification or reduction of work hours, taxes should be computed and settled based on the reduced amounts.

**Articles No.# 41 and 42:** New lump-sum tax for Holding companies

Holding companies will be subject to an annual lump sum tax of LBP 50 million effective 1 January 2022.

The tax due should be settled in total within the deadline for the corporate income tax return.

In case the Holding was not in compliance with its tax obligations, penalties should be imposed as per the Tax Procedures Law no. 44 dated 11 November 2008 and its amendments.

The Holding Company shall be subject to income tax applied to corporate companies on the total Holding's annual net profits generated from all its activities, in addition to a penalty amounting to 50% of the amount of tax due in case of violation of its allowable activities.

**Articles No.# 43,44 and 45:** New lump-sum tax for Offshore companies

Offshore companies are exempt from corporate income tax and are subject to an annual lump sum tax of LBP 50 Million effective 1 January 2022.

The lump-sum tax due should be settled in total within the deadline for the corporate income tax return. In case the Offshore Company was not in compliance with its tax obligations, penalties should be imposed as per the Tax Procedures Law no. 44 dated 11 November 2009

In case the Offshore Company was found to be in violation of its allowable activities as per Article 2 of the same Legislative Decree, it shall be subject to income tax applied to corporate companies on the total Offshore's annual net profits generated from all its activities, in addition to a penalty amounting to 50% of the amount of tax due for each year of violation.

**Article No.# 83:** Tax Discount against for re-starting activities for who stooped their operations as a result of Beirut Port Blast

Commercial entities or individuals who stopped their operations due to Beirut Port Blast shall benefit from a tax discount against the entire income tax for the years 2021, 2022 and 2023 in case of restarting their business.

**Article No.# 84:** Exemption from corporate income tax of merging companies for a specified period and under certain conditions

Merging companies shall benefit from a tax discount against the entire income tax on profits for a period of 3 years from the date of the merger under the below conditions:

- The tax credit should not exceed the aggregate of both companies' share capital (the merged and the merging company);
- The merging company should continue to employ the employees of the merged company alongside its employees for a period not less than 3 years;

#### **Article No.# 84: (continue)**

- The number of employees in each company at the date of the merger should not be less than 5;
- The value of the fixed assets for each company at the date of merger should not be less than LBP 10 billion.

The merged company shall be exempt from income tax on its profit realized during the year of the merger.

Gains realized as a result of the merger remains subject to dividend distribution tax.

Banks and financial institutions are excluded from this article

#### **Article No.# 101:** Tax on Salaries to Lebanese diplomats assigned abroad.

Salaries paid to Lebanese diplomats assigned abroad would be subject to tax on the basis of the basic salary.

#### **Article No.# 102:** Tax on Salaries to Lebanese diplomats assigned abroad.

All taxpayers who are liable to issue invoices or similar documents, must submit the following electronically to the Ministry of Finance within 15 days from the end of each quarter:

- A statement that includes the invoices' numbers or similar documents' numbers, their issuance dates and values, and the tax value (if any), in addition to the customer's name and its tax number, excluding the individual end consumers with respect their names and tax numbers.
- A statement of the invoices and similar documents obtained from the suppliers, including the date of its issuance, their values and the tax value (if any), in addition to the supplier's name and its tax number.

In addition, the Minister of Finance may require from certain categories of taxpayers to issue invoices or similar documents electronically.



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