



Investor's Guide to Lebanon

Company Registration

Determining the Company Structure that Meets Investor's Needs

Foreign Companies

Investment Guarantees & Protections

The Lebanese Judicial System

The Lebanese Arbitration Center

Social Security Contribution

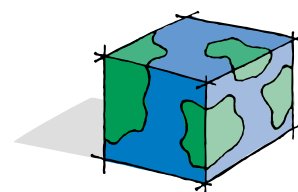
Customs Duties

Foreign Acquisition Property

Water, Power, Fuel and Gasoline Cost

Incentives Offered

Package Deal Contract



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1 COMPANY REGISTRATION

All individuals and companies engaging in civil or commercial acts must register with the Court of First Instance in the area where they are conducting their activities.

1.1 Commercial Versus Civil

Companies are classified as commercial simply by the fact of opting for one of the Commercial Code forms (SNC, SC, SARL, and SAL).

Civil companies do not by definition have profit as an objective but they do share the administrative structure of a commercial company and must register at the Civil Companies Register at the Court of First Instance.

Commercial companies must register at the Commercial Register of the Court of First Instance. However, some civil companies are commercial in type and therefore are registered at the commercial register even if their objective is civil. This applies to lawyers, for example, who don't have the right to set up a company to make profits as such from legal practice but may have their administrative side established as a company. If so, this must be registered at the Commercial Register.

Registration must be done no later than one month after business begins or a LL100,000 (around USD66) fine is levied, LL45,000 for the Ministry of Finance and the rest for the judicial authorities.

Before engaging in any business activity, foreigners must obtain a residency permit from the Sûreté Générale and a work permit from the Ministry of Labor. Foreign companies need a license to operate from the Ministry of Economy and Trade.

1.2 Commercial Register

When registering either a company or an individual business the applicant presents a declaration with supporting documentation. The Commercial Register clerk returns a certified copy of the declaration to the applicant. The clerk retains all the documentation, giving it a numbered file. By law, all documents presented to the Register must be kept up to date.

The Register maintains records for:

- Individuals
- Companies
- Holding companies
- Offshore companies
- Proprietorships.

The Central Bank maintains parallel records on banks, while the Ministry of Economy and Trade keeps files on insurance companies. The Register classifies both types of entity within the company category.

1.3 Declaration Form

The applicant must, on registration, also submit to the clerk two copies of a signed declaration form combining abstracts of his/her status. There is no preprinted form for this declaration, which should be addressed to the President of the Register and include:

1.3.1 Traders

- Surname and given name

- Trade name
- Date and place of birth, nationality
- Business objectives
- Location of main office and branches or agencies
- Address and commercial name of trade
- Surnames, given names, nationality, and dates and places of birth of all signatories.

1.3.2 Companies

- Surnames, given names, nationality, and dates and places of birth of partners, other than shareholders and silent partners
- Company's name
- Object and type of company
- Location of the main office and any branch or agencies in Lebanon or abroad
- Names of any third party authorized to administer, manage, or sign for the company
- Starting date of the company and life span
- Contract of Association (or Articles of Incorporation, see below)
- Company capital.

Three months after registration, the applicant must submit to the Commercial Register a release from the National Social Security Fund (NSSF) that all contributions for employees have been paid. On liquidation or any change in the nature of the venture, the registered company must provide two releases: one from the NSSF and the other from the Ministry of Finance that all tax liabilities have been met.

1.4 Cost of Registration

In theory, a Lebanese citizen could register a company on his own without legal help. A lawyer is legally required only for capitalized companies (SARL, SAL, Offshore, and Holding) since the law requires every such company to hire an attorney on an annual retainer. Apart from the fees of a lawyer (if used), other bills include stamp duties, notary, and Commercial Register fees (see table).

	SNC • SCS • SARL	SCA • SAL • HOLDING • OFFSHORE
Stamp Duty	USD500 - <i>If capital less than USD166,667</i> 0.3% of capital - <i>If capital more than USD166,667</i>	0.3% of capital
Public Notary	0.1% of capital + flat fee USD5.65/page + flat fee USD60	
Bar Association	0.1% of capital + USD34	
Magistrate Mutual Fund	50% of stamp duty	50% of stamp duty + USD334
Commercial Registry	Flat Fee: USD667	
Various Fiscal Stamps	Approx. USD100	Approx. USD167
Certificate of Deposit	Usually free for customers, otherwise up to USD17	
Legal Fees	Minimum USD1,000	Minimum USD2,000
Bank Guarantee	Average 1.5-2% of amount guaranteed	
Miscellaneous	Approx. USD1,000	

2 DETERMINING THE COMPANY STRUCTURE THAT MEETS INVESTOR'S NEEDS

The choice of what kind of company to form depends on many elements, such as kind of activity, number of partners, capital required, taxation, projected turnover, etc. Then, a Contract of Association or Articles of Incorporation must be drawn up.

2.1 Partnership

The two categories of partnership:

- General partnership (Société en Nom Collectif - SNC)
- Partnership in commendam (Société en Commandite Simple - SCS).

Partnerships are associations of two or more people. Partners may manage as well as own the business. The main characteristic of such an entity is the *intuitus persona*, i.e. the personal involvement of each associate. There is no required initial minimum capital but all partners are personally liable for the company's obligations. The company name must include the names of some or all of the partners and is usually followed by the words 'and Co.'. In practice, a general partnership is commercial in nature, so it must be registered with the Commercial Register. A partnership in commendam is a limited partnership with two types of partners. General partners own and manage the business and are liable for all its obligations. Limited - or silent - partners are financial backers who take no management role. Their liability is limited to their investment. The contract of association usually defines the circumstances under which the partnership can be terminated and what happens in case of death of one of the partners, disputes, or a desire by one partner to sell out to one or more of the other partners.

2.2 Co-Partnership

A co-partnership is known only to the parties concerned and, because it is secret, cannot be registered. An association agreement sets down the partners' rights and obligations, as well as their participation in profits and losses. Each party is responsible for their own liabilities. Despite their secrecy, the agreements inherent in a *Société en Participation* are enforceable at law in cases of dispute.

2.3 Corporation

The five categories of corporations are:

- Joint Stock Company (Société Anonyme Libanaise - SAL)
- Limited liability company (Société à Responsabilité Limitée - SARL)
- Corporation in commendam (Société en Commandite par action - SCPA)
- Holding Company
- Offshore Company

2.3.1 Joint Stock Companies (SAL)

2.3.1.1 CHARACTERISTICS

The main characteristic of a joint stock company (Société Anonyme Libanaise or SAL) is the *intuitus pecuniare*, i.e. the financial involvement of each associate. Partners are called shareholders and are legally liable only up to the amount of their shares in the company. Joint stock companies can issue shares and bonds convertible to shares. No one with a criminal record (in Lebanon or abroad) or who has been declared insolvent within the previous 10 years (unless rehabilitated) can participate in company activities. An SAL has a minimum of three shareholders and capital of at least LL30 million (USD20,000), with one-fourth paid up at the time of registration. Capital can consist of cash or in kind.

2.3.1.2 REGISTRATION

Every joint stock company incorporated in Lebanon must have its registered office in the country. Founders are required to publish information regarding the setup of the business in the Official Gazette, one daily newspaper, and one economic publication. The share subscription form, as well as the share certificate, posters, circular letters, and prospectus, must mention the notice and refer to the issues of the journals where it was published. Before any call is made to the public to buy shares, the founders are required to publish a notice in the Official Gazette and two newspapers with their signature and address, as well as the:

- Company logo
- Location of the head office and any branches
- Purpose of the business
- Amount of capital
- Nominal value of the shares and the initial down payment
- The value of the contributions in kind
- Policy on profits, whether distributed or added to capital
- Conditions of profit-sharing
- The number of directors, their statutory remunerations, and their powers.

2.3.1.3 FORMATION

If not already designated in the Articles of Incorporation, the directors and auditors are elected during the first general shareholders' meeting. A majority of board members must be Lebanese citizens. They are chosen from those shareholders who hold a 'guarantee share,' the exact size of which is stipulated in the Articles. Though a director can hold more than the laid-down guarantee share, s/he must quit the board if the holding goes below the guarantee level.

2.3.1.4 MANAGEMENT

The board of directors, composed of at least three members and a maximum of 12, is responsible for the company's operations. Members' compensation consists either of an annual stipend or a percentage of net profits, or a combination. The board elects one of its members to serve as chairman, who is responsible for carrying out the board's resolutions. The chairman cannot be the director of more than six Lebanese companies. If he is over 70, that number is reduced to two. If the chairman is a foreign resident, he must have a work permit.

Two auditors are designated - one responsible to the general assembly and the other to the Commercial Register. Depending on the conditions stated in the Articles, a shareholder meeting must take place at least once a year. The number of votes allotted to each member is equal to the number of shares owned. Holders of nominative, or non-transferable, stock are granted double voting rights after holding the shares for two years. Shareholders may appoint proxies to attend meetings and vote on their behalf.

The shareholders' ordinary meeting is convened shortly after the end of each financial year to finalize accounts, approve management actions, decide dividend distribution, and to re-appoint or designate new administrators and/or auditors to replace those who are at the end of their term.

2.3.1.5 FREE TRANSFERABILITY OF SHARES

The interest of the corporation's owners is divided into shares, and these shares may be freely transferred: that is to say, another person may be fully substituted in the place of the transferor as the holder of shares in the corporation. Shares are negotiable. In general, any shareholder may transfer his shares without the consent of other shareholders. Shares are transferred by the simplified means of commerce.

2.3.1.6 NO RESTRICTION ON ACTIVITIES

Lebanese corporations may engage in all kinds of business activities. They may raise capital by issuing shares in registered and bearer forms, bonds, and convertible bonds. Shares' subscription can be open to the public and the corporation may be listed at the stock exchange. All Lebanese corporations are considered members of the Beirut Stock Exchange, even if the corporation is not actually listed in the Beirut Stock Exchange.

2.3.1.7 NO LIMITATION ON FOREIGN PARTICIPATION

With a small number of exceptions (such as real estate, insurance, media companies, and banks), there are no limits on the amount of capital that can be held by foreigners. The unlimited foreign participation principle is however mitigated by requirements that majority of the board of directors is Lebanese and each member of the board is holder of a limited number of shares.

2.3.2 Limited Liability Companies (Sarl)

2.3.2.1 CHARACTERISTICS

A limited liability company (Société à Responsabilité Limitée or SARL) combines traits from both a partnership and a corporation. This type of hybrid company consists of between three and 20 partners, except in the case of the inheritance of shares when the number of partners may extend to a maximum of 30. If it exceeds that number, the company must register as a joint-stock company (SAL) within two years or dissolve its operation. Because no shares as such are issued, the partners own a fixed percentage of the company and their personal liability for the company debt is strictly limited.

The name of the company, followed by the phrase 'limited liability company' and the amount of its capital are required to be placed on all printed matter, advertisements, publications, and other documents issued by the company. A minimum capital of LL5 million (USD 3,300) wholly paid at the time of registration is required. A lawyer must be retained and an auditor appointed regardless of the capital investment. Company results must be approved at an annual meeting of the partners. Banking, insurance and air transport activities are forbidden from registering as SARL companies.

2.3.2.2 FORMATION

The company is formed when the partners' percentages are allocated, paid, and deposited in the bank. The founders must state in the statutes that these conditions have been met. A limited liability company is subject to the same publishing regulations as a joint stock company.

2.3.2.3 REGISTRATION

The Articles of Incorporation must be notarized or signed before the clerk of the Commercial Register where it is filed.

2.3.2.4 MANAGEMENT

The administration is entrusted to one or more managers, taken from the partners or elsewhere and designated by the Articles or a rider to serve for a specified period. Managers can be dismissed by a general meeting decision or by a court order. If there are no valid grounds for dismissal, managers are entitled to damages. At the end of each year, managers provide a report on the company's activities, including a full financial report. It is presented to the partners within six months of the end of the fiscal year. As well as approving the accounts at an ensuing general meeting, the managers' own conduct of business is endorsed. Partners are informed of company meetings by notices published in two local dailies or by registered letters sent to them one month prior to the date of the meeting. Copies of documents are made available at least 20 days prior to meetings, which are held at the company's head office.

2.3.3 Corporation in Commendam

2.3.3.1 CHARACTERISTICS

A company in commendam is a limited partnership company with no specific capital requirements. The company's capital is divided into shares and the silent partners are under the same legal obligations as a shareholder in a joint stock company.

2.3.3.2 FORMATION

The first board of directors is appointed to a one-year term. There must be at least three supervisory commissioners, but they cannot be capital partners. One of the commissioners must be a chartered accountant designated by the Commercial Court.

2.3.3.3 MANAGEMENT

Administration of the corporation is the responsibility of the partners, who are personally liable. Members of the board are allowed to occupy administrative functions in the company and to collect a salary set by the board. Laws governing the directors of joint stock companies apply also to the managers of companies in commendam but here directors have the specific title of Managing Partner.

2.3.4 Holding Companies

2.3.4.1 CHARACTERISTICS

Holding companies are registered in the form of joint stock companies although the word 'holding' must clearly appear in the company's name. A holding company is limited to buying shares in existing Lebanese or foreign joint stock or limited liability companies, or to holding intellectual property rights. It may manage only those companies in which it owns shares. The company's capital can be subscribed in a foreign currency. All accounts and balance sheets are stated in the same currency as the capital. Holding companies enjoy tax exemption on profits and dividend distribution.

Holding companies can also own patents, licenses, trademarks, and other reserved rights, as well as the right to license them to companies operating in Lebanon and abroad. They can grant loans to firms in which they own shares and guarantee them to third parties. A holding company may also own real estate, provided it is strictly for the needs of the company and in accordance with Lebanese law. A holding company is not allowed to directly acquire more than 40% in two companies operating in Lebanon in the same field of activity. This does not, however, apply to investments outside Lebanon.

2.3.4.2 FORMATION

These companies are structured like joint stock companies and must abide by the same provisions (i.e. they are governed by directors and hold annual shareholder meetings).

2.3.4.3 REGISTRATION

The registered office must be in Lebanon and house the company's accounts. The company is required to list at the Commercial Register according to the rules of the Code of Commerce. The company may limit itself to publishing - in the special register for holding companies - the balance sheet of the fiscal year and the names of directors and auditors.

2.3.4.4 MANAGEMENT

At least two Lebanese citizens must sit on the board of directors. If the chairman is not a Lebanese citizen and lives outside Lebanon, s/he does not need a work permit. The corporate head office must be in Lebanon but board meetings and general meetings may be held abroad if company by-laws permit. The ordinary annual general meeting (AGM), however, must take place in Lebanon within five months of the end of the fiscal year. AGMs may be held twice a year if so provisioned in the by-laws. The company also must appoint for a three-year tenure at least one Lebanese senior auditor who lives in the country. Unlike other joint stock companies, no second auditor is required.

2.3.5 Offshore Companies

2.3.5.1 CHARACTERISTICS

An offshore company may have its headquarters in or out of Lebanon but by definition operates outside the country. Bank accounts may be held in Lebanese liras or any other currency. Offshore companies are structured as joint stock companies. However, added to the documentation is a bank guarantee for LL30 million (USD20,000), automatically renewable, as a security against payment of annual taxes. Offshore companies, like holding companies, receive special tax treatment due to their limited status.

2.3.5.2 OBJECT

Contracts may be negotiated and signed relating to operations outside Lebanon and to merchandise located abroad or in Lebanese Customs-free areas. These contracts are exempt from fiscal stamp duties. Offshore companies may use Customs-free zones to store imported goods for re-export, rent office space, and acquire real estate. They may also prepare studies and engage in financial services for ventures beyond Lebanese borders.

2.3.5.3 REGISTRATION

Entry into the Commercial Register according to the provisions of the Code of Commerce is compulsory. If the main office is offshore, a record of the companies is kept in a special registry at the Commercial Registry, along with all information that joint stock companies are required to publish by law.

2.3.5.4 MANAGEMENT

The chairman of an offshore company does not need a work permit if he is not Lebanese. However, the board must have at least two Lebanese directors and the company must appoint for a three-year term at least one Lebanese auditor who resides in the country.

2.4 Taxation

2.4.1 Personal Income Tax

The law differentiates between daily employment and earnings from practicing a profession or trade. Salaries are taxed on a sliding scale. The tax rate is as low as 2% and as high as 20%. Gross

income is the sum total of salaries, allowances, annuities, bonuses, pension and other benefits. Income tax is applied to net income. http://www.finance.gov.lb/main/taxation/income_tax.htm

2.4.2 Registered Companies/Corporations

2.4.2.1 JOINT STOCK AND LIMITED LIABILITY COMPANIES:

- 15% tax on business profit
- 7.5% tax on profits received from the development or sale of real estate.

A withholding tax at a rate of 10% is levied on all income derived from movable capital assets generated in Lebanon. This tax essentially concerns:

- Distributed dividends, interest, and income on shares
- Directors' fees as well as amount payable to them from profits
- Distribution of reserve or profits in form of additional shares or under any form.

2.4.2.2 HOLDING COMPANIES:

Holding companies are exempt from paying:

- Income tax on profits
- Income tax on profit distribution.

They must pay:

- 10% on the interest on loans issued to companies operating in Lebanon, if the loan maturity is less than three years
- 10% tax on capital gains received from the sale of holding company shares or its participation in Lebanese companies it has owned for less than two years
- 10% on amounts collected from renting patents and on the reserved rights it possesses on a Lebanese company
- Graduated tax on capital and reserves

2.4.2.3 OFFSHORE COMPANIES:

Offshore companies are exempt from:

- Tax on profits
- Tax on profit distribution
- Stamp duties on overseas business contracts signed in Lebanon
- 30% of foreign employees' basic salary is exempt.

The company is subject to:

- LL1 million (around USD660) fixed annual tax
- 10% tax on profit received from the sale of fixed assets in Lebanon
- Two to 20% tax on the salaries of company employees working in Lebanon.

2.4.3 Value Added Tax:

The Value Added Tax (VAT) is equal to a 10% flat rate.

3 FOREIGN COMPANIES

3.1 Characteristics

Foreign companies may operate in Lebanon either as a branch or as a representative office. A branch may directly engage in industry, commerce, banking, etc., while a representative office is a non-commercial and non-taxable entity that is allowed only to market the product or service of its company. Both types must obtain a license to operate from the Ministry of Economy and Trade.

3.2 Required Documents

The concerned party needs to submit to the Trade Department or Public Relations office at the Ministry of Economy and Trade the following documents:

APPLICATION

Subject: Setting up a branch or representative office of a foreign company in Lebanon

Signed by: Branch manager or
Representative Office Manager or
Agent/Attorney

ARTICLES OF ASSOCIATION OF THE FOREIGN COMPANY

Certified by: Commercial Register in country of origin and
Lebanese Embassy in country of origin and
Lebanese Ministry of Foreign Affairs

Translated into Arabic by: Sworn Interpreter

Certified by: Ministry of Justice

RESOLUTION OF A BOARD OF DIRECTORS OR GENERAL ASSEMBLY OR ANY RELEVANT AUTHORITY

Subject: Setting up a Branch or representative office of a foreign company in Lebanon

Certified by: Lebanese Embassy in country of origin and
Lebanese Ministry of Foreign Affairs

Translated into Arabic by: Sworn Interpreter

Certified by: Ministry of Justice

RESOLUTION OF A BOARD OF DIRECTORS OR GENERAL ASSEMBLY OR ANY RELEVANT AUTHORITY

Subject: Appointment of a Branch Manager

Certified by: Lebanese Embassy in country of origin and
Lebanese Ministry of Foreign Affairs

Translated into Arabic by: Sworn Interpreter

Certified by: Ministry of Justice

POWER OF ATTORNEY

Certified by: Notary public if it is effected in Lebanon or
Mother company if it is effected abroad

3.3 Completion Time

- Studying the application by the Trade Department needs a maximum period of seven days.
- If the application fulfills the required conditions and documents, the concerned party will have to pay the registration fees in the Ministry of Finance, and return the blue copy of the receipt to the Ministry of Economy and Trade.
- The Trade Department will issue a copy of the ‘notice’ within at maximum a ten-day period, which will be published in the Official Gazette by the concerned party.
- After paying fees for publication in the Official Gazette, the concerned party will have to return the receipt to the Trade Department, which will issue the original “notice” instantly.

3.4 Costs

The flat fee for registration is: LL1,800,000 (App. USD1,200)

The cost of the publication in the Official Gazette depends on the space needed for the ‘notice’ (around LL5,000 per line).

3.5 Trade Register

After the ‘notice’ is granted by the Ministry of Economy and Trade, it should be incorporated at the Trade Register in Beirut. The concerned party should submit to the Trade Register the ‘notice’ and a certified translated copy of the same documents submitted to the Ministry of Economy and Trade.

The time needed to accomplish the incorporation is three days.

The fee to be paid in the Trade Register for the Mutual Magistrates’ Fund is LL900,000 (App. USD600).

3.6 Income Tax

15% on the net profit (for branch office only) if the mother company is a corporation. A representative office is exempt from income tax.

4 INVESTMENT GUARANTEES AND PROTECTIONS

4.1 Investment Promotion Agreements

Lebanon has signed investment promotion agreements with the following countries:

- 1996: Romania, Egypt, Ukraine, China
- 1997: Spain, Syria, Armenia
- 1998: Germany, Cuba
- 1999: Canada, Greece, Tunisia, Italy, Iran, France, UAE, Morocco
- 2000: Chile, Yemen
- 2001: Switzerland, United Kingdom, Bulgaria, Russia, Kuwait, Sweden, Belarus, Pakistan
- 2002: Cyprus, Austria, Hungary, Gabon

4.2 Constitution

- With the private property guaranteed and protected by the Lebanese Constitution, the risk of government nationalization is practically non-existent.
- Protection of industrial, commercial, intellectual, scientific, and artistic property.
- By law, foreigners benefit from the same protection granted to nationals. They benefit also from the protection of patents, industrial patterns, and designs, trademarks, trade names, place of origin, labels of origin and protection against unfair competition.
- Registration of patents: In order to obtain a patent certificate, an applicant must submit the required documents to the Office of Protection of Industrial and Commercial Property, affiliated to the Ministry of Economy and Trade.
- The business concern, falling under commercial property, including various tangible and non-tangible assets, is subject to legal protection. The business concern is protected by the possibility of filing a civil suit in compensation for damages caused by unfair competition, and by a criminal suit for infringement of patents or trademarks.

4.3 Investment Guarantees

4.3.1 National Investments Guarantee Corporation (NIGC)

The National Investment Guarantee Corporation was created to encourage new investments made in Lebanon by Lebanese or foreign commercial companies. The corporation, which benefits from a government guarantee, covers war risks, civil strife, riots, confiscation and expropriation, provided that an annual premium of 0.2% of the insured amount is paid.

4.3.2 International Organizations for Guarantee of Investment

Most organizations such as IAIGC (Arab Consortium), COFACE (France), HER_MES (Germany), ECDG (UK), OPIC Export/Import (US) have resumed their activities in Lebanon. The Lebanese Government has also joined MIGA, the Multinational Investment Guarantee Agency of the World Bank, which covers transfer, expropriation, and war risks for any project established in Lebanon.

4.3.3 Guarantee of Bank Deposits

The National Institute for the Guarantee of Bank Deposits (NIGD) is a semi-public company in whose capital the Government and banks operating in Lebanon participate. Its objective is to guarantee all deposits of registered banks in Lebanon.

4.3.4 Free Transfer of Capital

Transfer of capital, interest, and dividends to/from Lebanon, is free of any restrictions or controls.

5 THE LEBANESE JUDICIAL SYSTEM

The Lebanese judicial system is governed by the following:

- The principle of equality that grants the right to all Lebanese and foreign persons or legal entities to go to court.
- The principle of two levels of jurisdiction (Court of First Instance and the Court of Appeals). A supplementary recourse level before the Supreme Court is possible in some cases.
- The principle of the separation of the legislative and executive authority enables judges to freely carry out their duties.

6 THE LEBANESE ARBITRATION CENTER

The Lebanese Arbitration Center was established in May 8, 1995 in close affiliation with the Chamber of Trade, Industry and Agriculture, whose by-laws and regulations are similar to those of the International Chamber of Commerce in Paris. The Lebanese Arbitration Center relies on the Lebanese Procedural Code for the regulation of internal and international arbitration. Lebanon has ratified the New York Convention of 1958 relating to international arbitration.

7 SOCIAL SECURITY CONTRIBUTION

- Social Security Contributions are calculated as a percentage of monthly salaries, including overtime, gifts, or fringe benefits. All companies are required to register their salaries in the National Social Security Fund within one month from the start of operations.
- In general, all Lebanese employees and workers, regardless of the nature of their employment, are subject to the social security provisions, provided their activities are conducted on Lebanese soil.
- As far as foreigners working in Lebanon are concerned (holders of work permits), they are entitled to social security benefits, provided their countries of origin offer equal treatment to Lebanese workers (i.e. France, Italy, UK, Syria, and Belgium).
- Non-resident foreigners and Lebanese are exempted from social security contributions if they are working in Lebanon pursuant to an employment contract concluded abroad with foreign companies, and if their employer produces evidence that they are entitled to social security benefits in their country of residence at least equivalent to those offered in Lebanon.

CONTRIBUTION TYPE	EMPLOYEE'S CONTRIBUTION	EMPLOYER'S CONTRIBUTION
Sickness and maternity	2%	7%
Family allowances		6%
End of service allowance		8.5%

8 CUSTOMS DUTIES

Import of machinery, equipment, spare parts, and building material used for setting up a new industry in Lebanon are subject to a Customs duties rate ranging between zero and 5%, depending on the level and characteristics of the investment project. Import of machinery, equipment, spare parts, and building material used for setting up a tourism project in Lebanon is subject to the minimum Customs duties rate. For more and specific information regarding the rates, please check the website of the Lebanese Customs Directorate on www.customs.gov.lb

9 FOREIGN ACQUISITION PROPERTY

On March 20, 2001, Parliament endorsed amendments on the legislation regarding the Foreign Acquisition of Property, which was proposed by the Cabinet on December 13, 2000. Law No. 296 is meant to provide incentives for foreign investment in industry and tourism through reactivating the real estate sector by (a) easing the legal limits on foreign ownership of property, and (b) lowering the estate registration fees to 5% for both Lebanese and foreign investors. The law stipulates the following:

- Whereas the existing law limited the acquisition of land by foreigners to 5% in each Mohafaza, the new law allows foreigners to acquire 3% of the total area of Lebanon regardless of the geographic location subject to one condition: foreigners can acquire no more than 3% of the total area of a caza. One exception to this law is Beirut, where foreigners are allowed to acquire up to 10% of the total area of the capital.
- Foreigners can now acquire 3,000m² of land without the passage of a decree by the Council of Ministers. The authorization to acquire a piece of land for a specific project has to be executed within a period of five years (extended only once for an additional five years if requested). It is legally allowed for foreigners to buy more than 3,000m² subject to a Council of Ministers' decree.
- The government has also proposed lowering real estate registration fees to 5.8% for both Lebanese and foreign investors. This 5.8% registration fee includes the municipality fee of 0.25%, stamp duty of 0.3%, the lawyers' syndicate fee of 0.1%, and an additional 0.1% if the registration took place through a notary's office rather than the land registry (these fees add up to 0.75% of the 5.8% fee and have remained unchanged). Thus, registration fees, net of the additional duties, have been reduced by 1% for Lebanese investors and 11% for foreign investors.

10 WATER, POWER, FUEL AND GASOLINE COST

10.1 Water

Water is charged yearly according to consumption in cubic meter. One cubic meter costs LL224,000. Whenever the bill is one month overdue, a penalty of 2% is imposed for late payment.

10.2 Power

Power for industries and hotels is calculated under the Medium Voltage Power Scheme:

- Daytime: LL112/kWh
- Peak time: LL320/kWh
- Night: LL80/kWh

10.3 Gas Oil and Gasoline

The prices of fuel oil and gasoline vary according to world prices.

- Fuel Oil: Between USD230 and USD250/Ton
- Gasoline (unleaded): Between USD630 and USD700/Ton

11 INCENTIVES OFFERED

The New Investment Development law No. 360 dated 16/8/2001 classified Lebanon into three investment zones (A,B,C)

11.1 ZONE A

Areas that will benefit from the following exemptions, reductions, and facilities:

- 1- Work permit of various categories, exclusively needed for the project, provided that at least two Lebanese nationals are employed against one foreigner, and are registered in the National Fund for Social Security.
- 2- Exemption from income tax for two years (from the date of listing the shares thereof on the Beirut Stock Exchange), provided that the effective negotiable shares are no less than 40% of the capital of the company.

11.2 ZONE B

Areas that will benefit from the following exemptions, reductions and facilities:

- 1- Work permits of various categories, exclusively needed for the project, provided that at least two Lebanese nationals are employed against one foreigner, and are registered in the National Social Security Fund.
- 2- Exemption from income tax for two years (from the date of listing the shares thereof on the Beirut

Stock Exchange), provided that the effective negotiable shares are not less than 40% of the capital of the company.

This exemption period shall be added to any other exemption period enjoyed by the company

- 3- A 50% reduction in income taxes and taxes on project dividends, for a period of five years. Reduction shall apply from the date of commencement of exploitation of the project governed by the provisions of this law. In the event that the investor benefits from the aforementioned exemptions related to the listing of shares at the Beirut Stock Exchange, reduction shall apply after the lapse of that exemption period.

11.3 ZONE C

Areas that will benefit from the following exemptions, reductions and facilities:

- 1- Work permits of various categories, exclusively needed for the project, provided that at least two Lebanese nationals are employed against one foreigner, and are registered in the National Social Security Fund.
- 2- Exemption from income tax for two years (from the date of listing the shares thereof on the Beirut Stock Exchange), provided that the effective negotiable shares are no less than 40% of the capital of the company.

This exemption period shall be added to any other exemption period enjoyed by the company

- 3- A full exemption for 10 years from income taxes and taxes on project dividends. Reduction shall apply from the date of commencement of exploitation of the project governed by the provisions of this law. If the investor already benefits from the aforementioned exemptions related to the listing of shares at the Beirut Stock Exchange, the reduction shall apply after the lapse of that exemption period.

12 PACKAGE DEAL CONTRACT

12.1 Definition

A package deal contract is a contract whereby the Lebanese government, represented by IDAL, shall grant the investor willing to establish a project, the incentives, exemptions, and reductions decided on by IDAL's Board of Directors for this project, within the ceiling listed hereof (incentives), provided that the investor is committed under this contract to execute his project in accordance with the terms and duration contained therein.

The rights and obligations of both IDAL and the investor shall be specified in detail in the contract, including commitment by the investor to implement the project within a certain period of time. The contract is subject to the approval of the Council of Ministers based on a proposal of the Prime Minister, after being signed by IDAL and the investor.

12.2 Incentives Offered

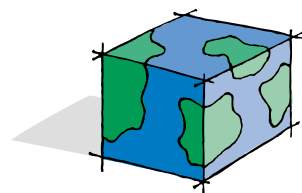
Projects benefiting from the package deal system shall be offered at maximum, the following incentives:

- 1- Full exemption from income taxes and taxes on project dividends for up to 10 years starting from the commencement date of the project exploitation.

- 2- Obtaining work permits of various categories, provided that the project benefiting of the package deal maintains local labor interests through employing at least two Lebanese nationals against one foreigner, and registration of same in the National Social Security Fund.
- 3- Reduction of work and residence permit fees up to a maximum of 50%, regardless of the category thereof and depending on the number of permits acquired. Also, the value of the certificate of deposit with the Housing Bank shall be reduced by half.
- 4- Exempting various Lebanese joint-stock companies aiming to acquire and/or manage an investment project benefiting from the provisions of the package deal contract, from the obligation of having Lebanese nationals or legal entities on the Board of Directors thereof.
- 5- Reduction up to a maximum of 50% of permit fees for constructions needed for the execution of the project.
- 6- Full exemption from fees related to land registration at the Land Registry, and from fees for annexation, sub-division, mortgage, and registration of lease contracts at the Registry for estates where projects which are the subject of a package deal contract are to be built on, provided that the execution of same shall be within five years from the date of registration of the land at the Land Registry. An investor in default of implementation of the project thereof shall be liable to pay a penalty equivalent to three times the fees that were originally due.

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