



REPUBLIC OF LEBANON

MINISTRY OF FINANCE

VAT

**VALUE ADDED TAX
LAW**

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**VAT law
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Section 1:
Introduction of the value added tax

Article 1: **Introduction of the value added tax**

An introductory tax called “the value-added tax” is charged, paid and collected in accordance with the provisions of this law.

The expression “Tax”, whenever mentioned in this law, means the value-added tax.

The expression “Lebanese territory” or “Lebanon”, whenever mentioned in this law, means the Lebanese territorial lands, atmospheres and waters.

Section 2:
Scope of the tax

Article 2: **Taxable supplies**

Are subject to the tax:

- 1- The supply of goods and services carried out by a taxable person, for consideration, within the Lebanese territory.
The transactions provided for in articles 8 & 11 of this law are considered as a supply of goods and services for consideration.
- 2- Import transactions undertaken by any person, whether that person is taxable or not.

Article 3: **Taxable persons**

A taxable person is every natural or juridical person who, in the course of an independent economic activity, performs taxable supplies of goods and services or exempted supplies with the right of deduction (zero-rated) in accordance with the provisions of this law, providing that he achieves a total turnover covering four successive quarters that exceeds 500 million LBP.

The persons, whose turnover varies between 150 million LBP and 500 million LBP, may voluntarily apply for being taxable.

In order to preserve the competitiveness of the market, the Minister of Finance may lower the turnover specified above below 150 million LBP.

Article 4: **Computation of the turnover**

The turnover mentioned in article 3 of this law is composed of the following amounts:

- The value of the taxable transactions, excluding VAT;
- The value of the transactions provided for in articles 19, 20 and 21 of this law.
- The value of the transactions provided for in articles 16 and 17 of this law.

The calculation of this turnover does not take into consideration:

- The value of transfer of capital assets.

Article 5: Persons and transactions outside the scope of the tax

The transactions dealing with non-built lands are outside the scope of the tax

Are also outside the scope of the tax the State, municipalities and other public bodies regarding the transactions they perform when acting as a public authority, even if these transactions are paid for by fees or subscriptions, except for the following transactions that are always taxable:

- Renting out private properties
- Communication
- Water and electricity
- Audiovisual media
- Consumer markets, slaughterhouses, and warehouses
- Tobacco
- Car parking
- Seaports and airports
- Co-ops

Article 6: Supply of goods

For the purposes of this law, the “supply of goods” means the transfer by the taxable person of the right to dispose, as an owner, of a movable or immovable tangible property, such as a sale or a barter.

Article 7: Goods considered as a tangible property

For the purposes of this law, the following are considered as tangible properties:

- 1- Electric current, gas, heat, refrigeration.
- 2- Rights in rem related to an immovable property provided for in the Real Estate Property Law: usufruct, long leasing, option arising from sale promise, right of disposal, “Ijaratayn”.

Article 8: Self-supply of goods by a taxable person

The following shall be considered as a supply of goods for consideration:

1. The application by a taxable person of goods or assets forming part of his business assets, where the tax on such goods has been partly or wholly deducted from the tax he collected from his supplies:
 - a) For his private needs or those of his staff, and more generally for purposes other than those of his business, or
 - b) To transfer without consideration.
2. The application by a taxable person, for his business purposes, of goods or assets that he has constructed, manufactured, bought, altered or imported, in the course of his business, provided that acquiring such goods from another taxable person would not allow him a whole deduction.

3. The application by a taxable person of goods or assets to perform non-taxable activity where the tax on such goods or assets, or their components parts became deductible upon their acquisition or application in accordance with subparagraph (2);
4. The retention of goods by a taxable person or his successors when he ceases his taxable economic activity provided that the tax on such goods or their components parts became partly or wholly deductible upon their acquisition.

Article 9: **Transfer of a going concern**

No tax is charged on the transfer of the principal assets of a business, whether for consideration or not, in the event that such transfer enables the recipient to operate the business as such, provided that the transferor and the recipient are taxable persons.

Article 10: **Supply of services**

The supply of services means any transaction that does not constitute a supply of goods in accordance with articles 6 and 8 of this law.

Such transactions may include, for example:

- a) The transfer of intangible property whether represented or not by a bond;
- b) The obligation to refrain from an act or to allow an act.

Article 11: **Self-supply of services by a taxable person**

The following shall be considered as a supply of services for consideration:

1. The use by a taxable person of goods forming part of his business assets for his private needs or those of his staff, and more generally for purposes other than those of his business, where the tax on such goods has been initially partly or wholly deducted.
2. The supply of a service by a taxable person free of charge for his private needs or those of his staff, and more generally for purposes other than those of his business.
3. The supply of a service by a taxable person for the purposes of his business, where the tax on such service, had it been supplied by another taxable person, would not be wholly deductible.

Article 12: **The intermediate**

The taxable person that interferes in a supply of goods or services in his own name but on behalf of his mandatory is deemed to have performed the transaction himself.

Article 13: **Place of supply of goods**

The supply of goods shall be deemed to take place in Lebanon if the good is located on the Lebanese territory at the date of supply.

Article 14: Place of supply of services

The supply of services shall be deemed to take place in Lebanon if the service is used within the Lebanese territory, notwithstanding the following provisions:

- a) the place of supply of a service related to an immovable property is the place where this property is located;
- b) the place of supply of a service related to a tangible movable property is the place where this service is carried out.

Article 15: Import transactions

Importation takes place when the merchandises are placed in the local consumption in accordance with the provisions of the customs legislation.

**Section 3:
Exemptions from the tax**

**Sub-section 1:
Exemptions within the Lebanese territory**

Article 16: Exempted activities

Tax shall not be charged in respect of the transactions carried out within the Lebanese territory and related to any of the following activities:

1. Services offered by medical doctors or persons performing a medical activity, and hospital fees;
2. Education;
3. Insurance and reinsurance, and medical coverage provided by mutual assistance fund and employers and related services;
4. Banking and financial services;
5. Non-profit organizations regarding the activities performed for non-profit purposes, except when exempting such repeated activities is likely to create distortion of competition with taxable businesses;
6. Collective transport of persons, including transport by taxicabs;
7. Supply of gold to the Central Bank;
8. Betting, lotteries and other forms of gambling;
9. Sale of built properties;
10. Residential letting of built properties;
11. Farmer's activities concerning the supply of their agricultural production.

The details of application of this article are regulated by a decree issued upon the proposal of the Minister of Finance, provided that, the above mentioned exemptions are valid starting the date of effectiveness of the law.

Article 17: Exempted goods

Tax shall not be charged in respect of the following goods:

- a) Livestock, poultries, live fish and agricultural alimentary products sold in their raw state;
- b) Bread, flour, meat and fish, milk and yogurt and their derivatives, rice, borghol, sugar, cooking salt, vegetable oil, macaroni and all different kinds of pasta and baby's food;
- c) Books and similar publications, magazines, newspapers, paper and paperboard of a kind used for writing and printing, newsprints in rolls or sheets, printing ink;
- d) Postal and fiscal stamps and paper money;
- e) Gas for household consumption (butane);
- f) Seeds, fertilizers, feeds and agricultural pesticides;
- g) Agricultural machinery;
- h) Medicines, drugs and pharmaceutical products including those used for health and pharmaceutical purposes (like for example intra-uterine devices, condoms, sanitary pads and tampons, baby's diapers and similar products);
- i) Medical tools, installations and equipment;
- j) Precious and semi-precious stones, precious and semi-precious stones destined for mounting or renewed, pearls, diamonds, gold, silver and other precious metals.
- k) Negotiable money in paper or coins.
- l) Yachts and other excursion or sports sailboats with a length exceeding 15 meters that are only owned to non-Lebanese.
- m) Means of air transportation used for persons and goods.

The details of application of this article are regulated by a decree issued upon the proposal of the Minister of Finance, provided that, the above mentioned exemptions are valid starting the date of effectiveness of the law.

Sub-section 2:
Exemptions at import

Article 18: Exemptions at import

Tax shall not be charged in respect of :

1. The importation of goods where the supply of such goods within the Lebanese territory is exempted from the tax according to article 16 and 17 of this law,
2. The transactions provided for in the customs legislation and related to the exemptions specific to the Presidency of the Republic, Parliament, Prime Ministry, United Nations Organization, the political and consulate exemptions, and the donations granted to the public administrations and institutions,
3. The personal luggage, household equipment, and the specimens with no commercial value according to the criteria adopted by the customs law.
4. The importation of military vehicles, weapons and ammunitions.

The details of application of this article are regulated by a decree issued upon the proposal of the Minister of Finance, provided that, the above mentioned exemptions are valid starting the date of effectiveness of the law.

Sub-section 3:
Exemption of exports and like transactions,
International transport and some of the intermediates operations

Article 19: Exemption of exports and like transactions

Tax shall not be charged in respect of:

1. The supply of goods dispatched or transported to a destination outside the Lebanese territory, and the supply of services used outside the Lebanese territory.
2. The supply of goods and services in the free zones according to the conditions and restrictions determined by the customs legislation.
3. The exportation of gold to the Central Banks.
4. The supply of goods and services to the public administrations and departments and municipalities, regarding the part financed from foreign resources as loans or donations.

The details of application of this article are regulated by a decree issued upon the proposal of the Minister of Finance, provided that, the above mentioned exemptions are valid starting the date of effectiveness of the law.

Article 20: Exemption of international transport

Tax shall not be charged in respect of :

- 1) The supply, alteration, repairing, maintenance, leasing, or letting of:
 - a) Seagoing vessels used for navigation in the high seas and which fulfill remunerated transport activity, rescue and assistance seagoing vessels, or those used for sea hunting.
 - b) Means of transportation by air used for air navigation and which mainly carry out an international remunerated transport activity.
- 2) The supply of services for consideration related to seagoing vessels and means of transportation by air and their cargo.
- 3) The international transport of persons and merchandises.

The details of application of this article are regulated by a decree issued upon the proposal of the Minister of Finance, provided that, the above mentioned exemptions are valid starting the date of effectiveness of the law.

Article 21: Exemption of some of the intermediates operations

Tax shall not be charged in respect of:

Services supplied by intermediaries, acting in the name and on behalf of another person when these services are related to exempted transactions according to articles 19 and 20 of this law or transactions taking place outside the Lebanese territory, except for services supplied by travel agencies.

The details of application of this article are regulated by a decree issued upon the proposal of the Minister of Finance, provided that, the above mentioned exemptions are valid starting the date of effectiveness of the law.

Section 4:
Due date of tax

Article 22: **Due date of tax**

The tax is due at the date of supply of goods and services.

If, before the date of supply of goods and services, the price has been partly or wholly paid, then the tax is due at the date of payment based on the value of the amount paid.

If, before the date of supply of goods and services and before paying the price, the taxable person issues an invoice, then the tax is due at the date of issuing the invoice.

As for the imported merchandises, the tax is due when the customs duties become due according to the legislations in force.

Section 5:
Taxable base

Article 23: **Taxable base within the country**

- 1- The taxable base is deemed to be the consideration that the supplier of goods or services has or will collect for supplying these goods and services.
- 2- Concerning the transactions mentioned in article 8 of this law, related to the self-supply of goods, the purchase price of these goods and like goods is deemed to be the taxable base. When the determination of this price is impossible, the cost price at the date of carrying out such transactions, is deemed to be the taxable base.
- 3- Concerning the transactions mentioned in article 11 of this law, related to the self-supply of services, the total costs undertaken by a taxable person in order to supply these services, is deemed to be the taxable base.
- 4- In case it is impossible to determine the consideration, the tax is charged on the open market value of the goods and services supplied. The open market value of the supply of goods and services is the price for a like transaction taking place on the Lebanese territory between a vendor and a purchaser at arm's length, at the time of such a supply under conditions of fair competition.
- 5- Taxes and duties except the value-added tax, and all related expenses such as intermediary, packaging, transport, or insurance expenses, etc... are included in the taxable base.

Article 24: **Taxable base at import**

At import, the taxable amount is the custom's value determined according to the valuation rules at Customs, in addition to customs duties and all taxes initially due, excluding the value-added tax.

Section 6:
Tax rate

Article 25: **Tax rate**

The tax rate is 10%.

Section 7:
Tax period

Article 26: **Tax period**

The tax is calculated at the end of each month of the calendar year.

Due to reasons imposed by the early stage of implementation of this tax or to administrative reasons, the Minister of Finance may modify this period and provide for a quarterly tax period.

Section 8:
Deductions

Article 27: **The right to deduct**

The right to deduct is the right given to a taxable person to deduct from the tax due on a certain transaction the value of the tax paid in respect of the cost of this transaction or any of the components forming part of the cost.

The taxable person is entitled to deduct from the tax he is liable to pay for a specific tax period, the whole deductible tax for that same period.

The right of deduction arises when the deductible tax is due.

Article 28: **The deductible tax**

The deductible tax is the tax that is charged in respect of goods and services purchased by a taxable person from another taxable person, and goods and services imported by a taxable person, including capital assets, in order to perform through his economic activity, one of the following transactions:

1. The supply of taxable goods and services.
2. The transactions related to exportation and like transactions, and international transport that are exempt from the tax pursuant to articles 19, 20 and 21 of this law.

The tax charged on the fixed assets acquired by a taxable person before being taxable shall also be eligible for deduction when these assets are used for taxable transactions.

For the purposes of this article, the fixed assets shall mean tangible property, such as machines and tools, dedicated for a permanent use in the business as investment means.

The rules and procedures for the application of this article are regulated by a decree upon the proposal of the Minister of Finance.

Article 29: Rules governing the right to deduct

In order to exercise the right to deduct, the taxable person must have:

- An invoice for the goods or services acquired from another taxable person including all the information provided for in article 38 of this law or a substitute document,
- Import documents issued by the competent authorities, proving the import and the payment of the tax.

Article 30: The excess of deductible tax

If, at the end of a tax period, the amount of the deductible tax exceeds the amount of the tax due, then the excess shall be carried forward to the following period.

The taxable person has the right to claim, at the end of any calendar year, a refund for the excess of the input deductible tax covering this year.

The exporters have the right to claim, at the end of any tax period, a refund of the excess deductible tax covering this period, according to criteria to be determined in by a decree issued upon the proposal of the Minister of Finance.

As for the taxable person who ceased to be taxable, he has the right to claim a refund of the excess of the input deductible tax upon the approval of his deregistration claim.

The administration shall resolve the refund claim within three months starting the date of receipt of the request.

In case a refund claim is approved partly or wholly, the administration shall pay the amount due to the taxable person, and it shall be liable to a 9 % late payment interest on the unpaid amount starting the end of the 4th month from the date the claim was submitted.

Article 31: The right to deduct partially

Where a taxable person engages, in the furtherance of his activity, in both transactions in respect of which tax is deductible, and others in respect of which tax is not deductible, that person is entitled to deduct such part of the tax attributable to the former transactions.

The details of application of this article are regulated by a decree issued upon the proposal of the Minister of Finance.

Article 32: Adjustments of deductions

The deductible tax as calculated shall be adjusted if it does not correctly reflect the deductible tax that the taxable person was entitled to, due to:

1. Material mistakes;
2. Changes that occur at a later date of the tax period in the factors used to determine the deductible tax.

The person who opts to be a taxable person and deregisters within 2 years from his registration date, shall remit to the treasury the difference, if it exists, between the refunded tax and the tax collected for the treasury, for the period during which he was voluntarily registered.

Section 9:

Persons liable to pay the tax and their obligations

Article 33: Persons liable to pay the tax

1. Within the Lebanese territory:

According to the provisions of this law, the taxable person and his legal successors are liable to pay the tax provided that the supply of goods and services performed, are also taxable.

In accordance with the provisions of article 40 (1) of this law, the representative legally appointed by the non-resident is liable to pay the tax, or in case the non-resident did not appoint a representative, the person dealing with him.

In accordance with the provisions of article 40 (2) of this law, the resident person who uses in Lebanon a service he acquired from outside the country is liable to pay the tax.

2. At import

The importer or the person treated as such is liable to pay the tax according to the provisions of the valid customs legislation.

Article 34: Scope of the obligations

The following persons are subject to the obligations provided for in this section:

- a) The taxable person specified in article 3 of this law.
- b) Persons who perform exempted transactions that allow the right of deduction, referred to in article 28 paragraph 1 (2) of this law.

Article 35: Registration and periodical returns

Every taxable person shall submit:

1. A registration request to the relevant tax authorities within 2 months starting the last day of the quarter where the conditions for being taxable are available.
2. A deregistration request:

- a) Within 2 months from the end of the calendar year that follows the year where the conditions for being taxable ceased to be available.
 - b) Within 2 months from the date of cessation of activity.
3. A notification to the relevant tax authorities of any changes that occurred in the nature of his activity, his address, his name, his legal status, or any other information showed on his registration request, within 2 months starting the date the change occurred.
 4. **Periodical tax return:** within 20 days from the end of the tax period as determined in article 26 of this law including, if necessary, the amount of the deductible tax.

The requests and returns shall be submitted to the competent tax authority on paper or/and electronic forms prescribed for this purpose.

Article 36: Accounting obligations

The method of keeping and organizing the necessary accounting documents to be adopted by the taxable person and enabling the application and control of the tax is regulated by a decision of the Minister of Finance.

The taxable person who, for the purpose of Income Tax, is taxed according to the lump-sum method or the estimated method, shall keep the accounting books and issue the accounting documents required by the real profit method. Nevertheless, he shall keep on filing the Income Tax returns stipulated by the lump-sum method and estimated method.

Article 37: Retention of records, invoices, and other accounting documents

The taxable person shall retain the records, invoices and other accounting documents for a 4 years time limit starting the end of the calendar year through which the tax was due.

Article 38: Issuance of the tax invoice

Every taxable person shall issue an invoice, or other document serving as an invoice in respect of all goods and services supplied by him to another person.

The invoice shall at least state clearly the following:

1. The name, address, and registration number of the supplier of goods or services at the Ministry of Finance.
2. The name and address of the person for the interest of whom the invoice has been issued.
3. The description of the supply of goods and services.
4. The serial number and date of the invoice.
5. The due amount for the supply of goods and services.
6. The tax chargeable with the applied tax rate.

Article 39: Payment of tax

The tax shall be paid, in a single payment, within the deadline of the periodical tax return i.e. within 20 days from the end of each tax period, covering the taxable transactions fulfilled through the mentioned period, after deducting the amount of the deductible tax.

In case the tax authority charged additional or supplementary amounts, the tax shall be paid according to reassessments notes within one month from the date of notification of these assessments notes to the taxable persons.

The tax shall be paid to any of the accepted private banks or its operative branches in Lebanon, according to rules appointed by the Minister of Finance.

Article 40: Non-residents

1- When the taxable person does not have a real or elected establishment in Lebanon, he shall appoint a fiscal representative who resides in Lebanon before carrying out in Lebanon, any transaction of supply of goods or provision of services and regardless of the turnover he shall achieve, and this appointment is subject to the tax authority approval on the fulfillment of the conditions determined by the Minister of Finance.

Any person residing in Lebanon must make sure, when after dealing with a non-resident a tax is due, that he has appointed a fiscal representative, otherwise he shall be held liable to pay the tax and the penalties due to the tax authorities. However he can pursue the non-resident to recover his rights.

This fiscal representative shall be held jointly and severally liable for payment of the tax and penalties resultant from the taxable transactions, and he shall be responsible, instead of his mandatory, of all the required obligations provided for in this law and its regulations.

2- Any person residing in Lebanon and using within the Lebanese territories a service acquired from abroad, shall declare the amount of the tax due on this service and pay it to the tax authorities regardless of the value of this service according to the procedures determined by a decree adopted by the Council of Ministers upon the proposal of the Minister of Finance.

Article 41: Obligations at import

The same rules and forms provided for in the customs legislation shall be applied to the tax declaration at import.

The tax is paid at the time when the merchandises are placed in the domestic consumption according to the rules provided for in the customs legislation.

The collection of the tax will be banned temporarily in all customs situations where the duties are temporarily suspended according to the rules provided for in the customs legislation.

Section 10:
Travel agencies transactions

Article 42: Travel agencies transactions

The travel agencies shall mean every natural or juridical person, who directly or as an intermediary, organizes and supplies travels or residences in order to seek profits, sells travel tickets, hotel accommodation, and meals, and organizes trips and visits to vestigial places, and generally, every person who sells to passengers, services related to transactions mentioned above or branching from it.

The taxable base and its rules of application for the travel agencies transactions are to be regulated by decrees adopted by the Council of Ministers, upon the proposal of the Minister of Finance.

Section 11:
Control

Article 43: Rules of control

1- Right of inspection:

Every person, whether taxable or not, shall enable the competent tax officers, to inspect at the premises of the taxable person or those in relation with him, records, invoices and other documents allowing them to ensure the correct collection of the tax due by him or by other persons dealing with him.

Without prejudice to bank secrecy law dated September 3rd, 1956, it is forbidden for any person, including the public administrations, to use the professional confidentiality in order to prevent the tax officers from reviewing the records, invoices and other documents which allow them to ensure the correct collection of the tax due by the taxable persons.

In case the records and documents are electronically kept or preserved, the tax officers have the right to inspect the registered information on the electronic documents and obtain them as numerical or paper documents that can be read and understood.

2- Information granting:

Without prejudice to bank secrecy law dated September 3rd, 1956, every person, natural or juridical, shall enable the competent tax officers, upon their written request, to inspect his records and documents with all the information they need to ensure the correct collection of the tax due by him or by the others.

3- Control over import and export transactions:

The provisions related to the powers provided for in the Customs Law stays valid just as, according to this article, the legal provisions that do not conflict with this law concerning the investigation of the offenses, its evidencing, its pursuing and its settlement in everything that is related to the control over the import and export of merchandises.

Article 44: Professional confidentiality

Every person, whose function, competence or authority, enables him to interfere in assessing or collecting the tax, or in studying the objections related to it, shall comply with the professional confidentiality otherwise he will be prosecuted at offence according to article 579 of the Criminal Law.

The professional confidentiality shall not be opposed in lawsuits that affect the administration interests, or when the control or collection departments perform their administrative functions.

Article 45: Cases and rules governing the direct assessment of the tax

In addition to the penalties provided for in article 48 of this law, the tax authority can undertake the direct assessment of the tax in the following cases:

1. If the taxable person does not submit the periodical tax return within the determined deadlines.
2. If the taxable person does not comply with his obligations provided for in the law and regulations with regards to the duty to keep, handover and retain the records and accounting documents, and which hinders the tax authority from performing its functions related to inspection on these records.
3. If the taxable person does not issue an invoice, when it is mandatory, drawn up in accordance with article 38 of this law, or in case he issues an invoice containing incorrect information.
4. If the taxable person submitted an incorrect periodical tax return that does not reflect his real economic activity in the purpose of evading from the payment of the tax or getting an undue refund of the tax.

The direct assessment of the tax due is performed on the basis of the assessed amounts regarding the transactions that occurred within a certain tax period.

Section12:
Collection of the tax

Article 46: Collection of the tax within the Lebanese territory

1. Rules of collection:

The tax authority shall send the taxable person, who fails to pay the tax and the amounts due within the legal deadlines, a note that informs him to pay the tax within 15 days from the date of his notification.

In case the taxable person fails to pay, the tax authority shall send him, by registered mail, a final personal warning, where he is requested to pay the amounts due within 15 days from the date of his notification.

If the taxable person fails to pay after the end of the final warning deadline, this warning shall be stuck at the door of his residence or his establishment. The date of executing this procedure shall be deemed the date of his notification. The rules of collection of direct taxes and similar taxes, provided for in the decree-law no. 147 dated June 12th, 1959 and its

amendments that do not conflict with the provisions of this law, are applied to the collection of the VAT.

2. Late payment penalty:

In case the tax is not paid within the deadline of the periodical tax return, a penalty of 3 % per month of the tax due is charged starting the end of the tax payment deadline. The penalty is computed on the total of all taxes and penalties due. The fraction of a month is considered as a whole month.

When the payment of the tax appears to be insufficient, as a result of the audit or the direct assessment procedure, then a penalty of 3 % per month of the unpaid amount and the linked penalties is legally chargeable starting the end of the tax payment deadline.

3. Privilege right of the Treasury funds:

The Treasury, with regards to the taxes, penalties and other amounts due to the State under this law, has a public privilege of first degree on all properties owned by the persons liable to tax, and a legal forced mortgage on all their immovable properties.

Article 47: Collection of the tax at import

The rules and procedures specified in the customs legislation are applied to the collection of the tax at import.

Section 13:
Offences and penalties

Article 48: Offences and penalties

1. Late or non-submission of the registration request:

The dissenter to article 35 (1) of this law is subject to a penalty amounting 2 million LBP.

2. Late periodical tax return:

The late submission of the periodical tax return provided for in article 35 (4) of this law is subject to a penalty of 10 % of the tax due per month late. The fraction of a month is considered as a whole month. The penalty shall not exceed the double of the tax due and shall not be less than 500 thousands LBP a month, in addition to the late payment penalty provided for in paragraph 2 of article 46 of this law.

3. The incorrect tax return:

Excluding the material mistakes, the taxable person, who submits an incorrect tax return that does not reflect his real economic activity, is subject to a penalty amounting the double of the non-declared tax.

4. The unjustified claim of refund:

Every person, who, with the intention of fraud, claims a tax refund, is liable to a penalty amounting the double of the tax claimed, without prejudice of the Criminal Law provisions.

5. Offences regarding invoices and documents:

- a) Every amount mentioned as a tax in an invoice or a similar document shall be due within the legal deadlines otherwise the late payment penalty provided for in this law is applied starting from the due date of the tax.
- b) A penalty that is equivalent to three times the tax mentioned on the invoice shall be charged to every person who issues unduly an invoice.
- c) A penalty that is equivalent to twice the tax initially due shall be charged to every person who refrains, from issuing an invoice or a similar document in accordance with article 38 of this law.
- d) A penalty that is equivalent to twice the tax initially due or to twice the tax shown on the invoice in case it is higher shall be charged to every person who issues an invoice or a similar document containing incorrect information related to the name or address of the concerned parties in the transaction, description and quantity of the goods and services supplied, or the price with its appendices.

6. Keeping, retaining, and producing the records and documents:

The taxable person shall pay a penalty equivalent to twice the tax due and not less than 500'000 LBP when he does not comply with the provisions of this law regarding the keeping, handing over, retaining, or producing the records, invoices or any other accounting document.

7. Intervention of a third party:

Every person who intervenes in any of the offences provided for in the previous paragraphs of this article shall pay a penalty equivalent to the mentioned tax but not less than 5 million LBP.

8. At import and export:

Concerning the import and export transactions, the offences are investigated, discovered, collected, and settled according to the provisions of the customs legislation.

Section 14:
Recovery of tax

Article 49: Recovery of tax

The taxable person has the right to recover, partly or wholly, the tax paid in case the taxable transaction has been canceled or annulled, or in case the price has been, partly or wholly, unpaid or reduced at a later date of the transaction.

The rules and procedures related to recovery of the tax that exceeds the amount of the tax due, are regulated by a decree issued upon the proposal of the Minister of Finance.

Section 15:
Objections and appeals

Article 50: Objections and appeals within the Lebanese territory

1. Objections:

The taxable person has the right to raise an objection on the amounts charged to him, or the amounts not allowed to be recovered according to article 49 of this law, by filing a written request to the tax authority within one month starting the date of notification of the administration's decision or starting the date of payment of the tax.

The objection must be justified at the risk of dismissing it.

The tax authority shall resolve the objection within six months from the date of receipt of the request. The mentioned tax authority shall notify the objector of the result of treating the objection within 15 days starting the date of the decision.

In case the six months deadline passed without issuing any decision, the silence of the tax authority shall be considered as an implicit approval of the objection.

In case of approval of the objection, explicitly or implicitly, its content shall be enforced within one month from the date of the decision or from the date the objection was implicitly approved.

2. The Appeal commission:

The administration's decisions partly or wholly dismissing the objection may be appealed before the appeal's commission within one month from the date of notification of the administration's decision.

One or more first instance Commission, responsible of studying and settling the appeals, is to be formed by a decree. This commission is composed of:

- A judicial or administrative working or honor judge of the fourth degree and above appointed upon the proposal of the Minister of Justice after the approval of the Council of High Judiciary or the State Council **President**
- An employee from the Ministry of Finance belonging to the third and above categories and appointed by the Minister of Finance. **Reporter Member**
- A Representative of the Chamber of Commerce and Industry chosen by the president of this Chamber **Member**

This commission shall adopt the rules followed before the judiciary of summary proceedings, and take its decisions by majority.

The Commission shall resolve the appeals within six months following the date of receipt of the appeal, and the reporter shall notify the Commission decisions to the tax authority and to the taxable person within 15 days from its date of issuance.

2. The Appeal before the State Council:

The tax authority and the taxable person have the right to appeal directly, the decisions of the appeal commission before the State Council within 30 days starting from the date of notification of the Commission's decision.

The abridged procedures are to be followed before the State Council.

The appeal request by the taxable person is subject to a guarantee deposit equivalent to 8 % of the appealed tax due. Every appeal that is not attached to a receipt, proving payment of the guarantee, will be formally dismissed.

The taxable person recovers the guarantee if the State Council issues a decision wholly for his interest. In case the mentioned decision has been wholly for the treasury's interest, the guarantee shall be granted to the treasury. If the decision has been partly for the interest of the taxable person, then the guarantee recoverable is equivalent to the proportion of the tax that has been discharged to him.

Article 51: Rules of objections and appeals at import

The rules followed in the customs legislation are applied to the objections and appeals of the tax at import.

Section 16: **Time limits**

Article 52: Time limits

Proceedings for the assessment or collection of the amounts due to the Treasury may be commenced at any time within 4 years next after the end of the calendar year through which these amounts have been incurred.

The prescription of the amounts due to the treasury shall be interrupted and extended to another 4 years subsequent to any proceedings commenced against a person through the notification of a payment order or a personal warning, or the acknowledgement of the debt by the taxable person or any other act interrupting the prescription according to the provisions of the civil law.

Notwithstanding any other provision, the right of deduction is prescribed within 4 years following the end of the year through which this right has been incurred.

The right to claim, partly or wholly, the refund of the tax is prescribed within 4 years following the end of the calendar year through which the tax has been incurred.

Section 17:
Miscellaneous provisions

Article 53: Stamp duties

The declarations, objections and statements and other documents related to this tax are exempted from the stamp duties.

Article 54: Perishable amounts

The amounts due by the taxable persons, including the penalties, which do not exceed 10'000 LBP are considered perishable, and the tax authority is discharged from issuing payment orders concerning those amounts or collecting them.

Article 55: Abrogation of indirect taxes

- 1- The following duties shall be abrogated and replaced by the VAT from the date of effectiveness of this law:
 - The 5 % tax charged on the hotels and restaurants services, in accordance with the provisions of article 43 of the law N° 326 dated 28/6/2001 (budget law of the year 2001), and the entertainment tax charged according to the provisions of the decree N° 66 dated 5/8/1967 and its amendments, regarding the juridical or natural persons, who are mandatory or voluntarily taxable.
 - The playing cards duty charged according to the decree N° 65 dated 5/8/1967 and its amendments.
 - The non-alcoholic duty charged according to the law N° 57/88 dated of 9/8/1988 and its amendments.
 - The Cement duty charged according to the decree N° 2152 dated 1/4/1938 and its amendments, the plaster and whitewash duty charged according to the provisions of article 29 of the budget law of the year 1958 (decree N° 2152/38) and its amendments.
 - The 5% tax charged according to article 38 of the law N° 60/88 dated 12/8/1988 on the value of the advertisements fees that are displayed or broadcasted by television.
- 2- The municipality taxes charged according to articles 96, 97, and 98 of law N° 60/88 dated 12/8/1988 on the consumption of water, electricity, and telecommunications, are also abrogated from the date of effectiveness of this law and replaced by the VAT which is collected in favor of the municipality to the scope of which the participations belong.

The competent authority charges and collects the tax from the participants and pays it once every three months to the relevant municipality according to its part in the participations or to the independent municipal fund regarding the participations outside the scope of municipalities.

Regarding the persons who render services of telecommunications, water and electricity according to contracts signed with the State, they shall collect the tax on these services and pay the difference between the tax collected and the tax paid on their purchases to the relevant administration.

The details of application of this article are regulated by a decree issued upon the proposal of the Minister of Finance.

Article 56: Administration of the VAT

The administration, control and collection of this tax will be the responsibility of a Directorate within the Ministry of Finance - General Finance Directorate, and is composed of the following departments:

- Department of legislation and tax policies.
- Department of operations.
- Department of audit and refunds.
- Department of administrative and financial coordination.

The department of legislation and tax policies is composed of the following divisions:

- Division of legislation and tax policies.
- Division of tax compliance.
- Division of objections and appeals.

The department of operations is composed of the following divisions:

- Division of taxpayer services.
- Division of data processing.
- Division of collection.
- Division of public relations and education.

The department of audit and refunds is composed of the following divisions:

- Division of field audit.
- Division of tax control and refunds.

The department of administrative and financial coordination is composed of the following divisions:

- Division of administrative affairs and human resources.
- Division of information technology.
- Division of administrative and financial coordination.

The cadre, functions, employment conditions and the time schedules of these divisions are determined by a decree adopted by the Council of Ministers upon the proposal of the Minister of Finance, after the consultation of the Civil Service Board and an inspection undertaken by the “administration of research and orientation”.

Notwithstanding any other private or public provision, the conditions of the designations to the functions of this directorate and the financial functions of the general finance directorate, determined in the decree N° 123 dated 12/6/1959 and its amendments, shall be regulated by decrees adopted by the Council of Ministers upon the proposal of the Minister of Finance and after the consultation of the Civil Service Board.

The functions belonging to the 2nd and 3rd categories of the VAT directorate can be occupied by contracting with the private sector, provided that the contracts are made according to the

enforced legal and regulated procedures and after the approval of the Civil Service Board, and the contracting party shall have all the obligations and rights of public officers.

Subject to the provisions of the general accounting law (decree N° 14969 dated 30/12/1963 and its amendments), the Ministry of Finance may contract with one or more company from the private sector for the management of the tourist tax refund provided for in paragraph (a) of article 58 of this law.

Article 57: Transitional provisions

Notwithstanding article 35 (1) of this law, every person meeting the required conditions for liability to the tax at the date of promulgation of this law, and whose turnover over the previous twelve months, exceeds 500 million LBP, shall submit a registration request within a period starting from the date of promulgation of this law and ending the 31/1/2002, under the penalty of 2 million LBP.

The tax is charged on the taxable supply of goods and services that take place after the date of effectiveness of this law, and the import of merchandises placed in local consumption after this date.

Regarding the contracts that are concluded and which prices are agreed upon before the date of effectiveness of this law, and that are executed after that date, each one of the contracting parties is entitled to amend the price agreed upon in order to adjust it to the circumstances of implementing the tax, unless the contracting parties have explicitly agreed on the contrary.

Regarding the contracts that are partially executed before the date of effectiveness of this law, the tax is charged on the part that is still in the process of execution by the date of its effectiveness.

The details of application of this article are regulated by decrees adopted by the Council of Ministers, upon the proposal of the Minister of Finance.

Section 18: **Executionary provisions**

Article 58: Special cases of recovery of tax

Decrees adopted by the Council of Ministers, upon the proposal of the Minister of Finance shall determine the rules and conditions governing the following cases for recovery, and their starting date of application:

- a) The tax charged on the purchases of any non-resident person when transporting them in his personal luggage outside Lebanon for private use.
- b) The tax charged in Lebanon on the supply of goods and services to foreign businesses that are not performing taxable businesses within the Lebanese territory.
- c) Part or the whole tax paid by diplomatic bodies, consulate, international organizations and their employees according to the international treaties.

Article 59: Special cases of recovery of tax regarding exempt transactions

The recovery of the whole tax charged on the fixed assets used to perform the following exempted activities according to article 16 and 17 of this law may be claimed:

- 1- Manufacturing of medicines,
- 2- Manufacturing of the alimentary products exempted according to paragraph (b) of article 17 of this law,
- 3- Hospitalization and medical laboratories,
- 4- Education,
- 5- Non profit organization,
- 6- Collective transport of persons,
- 7- Manufacturing of books, newspaper and magazines.

The fixed assets shall mean the machines and tools dedicated for a permanent use in the business.

The recovery of 50 % of the tax charged on the operational costs relating to the following exempted activities according to article 16 and 17 of this law may be claimed:

- 1- Manufacturing of medicines,
- 2- Manufacturing of the alimentary products exempted according to paragraph (b) of article 17 of this law,
- 3- Education,
- 4- Hospitalization and medical laboratories,
- 5- Non-profit organization.
- 6- Manufacturing of books, newspaper and magazines.

The details of application of this article are regulated by a decree issued upon the proposal of the Minister of Finance.

Article 60: Other special cases

- a) The taxable persons who perform cash businesses are entitled to apply for a special scheme concerning the design and the issuance of invoices according to the rules and procedures determined by a decision of the Minister of Finance.
- b) In order to prevent businesses from splitting and avoid the tax, the total turnover achieved by related persons who run or perform at the same time similar or related transactions or activities in different businesses or establishments shall be aggregated. The details of application of this paragraph are regulated by a decree issued upon the proposal of the Minister of Finance.
- c) Concerning the supplies of jewelry, the tax is charged on the total profit margin, and the value of the tax charged on the goods and services that are acquired for carrying out these supplies is not deductible. The details of application of this paragraph are regulated by a decree issued upon the proposal of the Minister of Finance.
- d) To compute the tax due by taxable persons who buy, in the course of the pursuance of their business, used goods from non-taxable persons in the purpose of reselling them, the tax included in the purchase price of these goods shall be extracted according to the rules and procedures determined by a decision of the Minister of Finance.

Article 61: Other

The following provision shall be added to paragraph (a) of the law N° 20/79 dated 26/12/1979 and its amendments:

“Is also exempted from the value-added tax provided for in the law of the value-added tax”.

Article 62: Details of application of the law

The details of application of the provisions of this law are regulated by decrees adopted by the council of ministers and issued upon the proposal of the Minister of Finance, when no specific provision has been made in this regard.

Article 63: Effectiveness of the law

This law will be published in the gazette and will be effective from 1/2/2002, and as for article 35 (1) related to registration from the date of promulgation of this law.