

## SUMMARY OF THE BUDGET LAW 2024

The **Budget Law 2024** (Law # 324) was published in the Official Gazette appendix #7 dated 15<sup>th</sup> February 2024 (attached a scanned copy) and includes **some major tax amendments**. We hereby give you a summary of the main articles of Chapter 3 and 4 of this Budget Law 2024 (the “Law”) related to various tax amendments and measures that will be clarified by application decisions that will be issued by the Ministry of Finance.

### VALUE ADDED TAX (VAT)

**Article 14** (Amendment of the article 3 of the VAT Law #379/2001 and its amendments):

- 1) The **compulsory threshold for VAT registration** has been raised to **LBP 5 billion** over 4 consecutive quarters. Any individual or entity having a turnover over 4 consecutive quarters exceeding the initial threshold of LBP 100 million but not exceeding the new threshold of LBP 5 billion during any period of the years 2020 till 2023 is exempted from VAT registration. Those who registered at the VAT department during these years but with a turnover that didn't exceed LBP 5 billion over 4 consecutive quarters have the ability to deregister.
- 2) **Optional VAT registration threshold** has been raised to **LBP 1 billion** over 4 consecutive quarters.
- 3) Those who didn't reach the optional VAT registration threshold have the ability to register at the VAT department if they have contract with the government or any public institutions with values (excluding VAT) if added to their turnover (if any) exceeding LBP 5 billion.
- 4) Importers and exporters of goods or services are subject to VAT whatever their turnover is.

### INCOME TAX

**Article 18** (Amendment of section 1 of article 63 of the income tax law and its amendments): The **tax on salaries** that is withheld by the employer and paid on a quarterly basis to the tax authorities within 15 days from the end of the quarter **should be computed on the basis of the same currency** in which these salaries were paid. In order to compute the tax on salaries paid in foreign currency, salaries should be converted to LBP according to the provisions of the article 35 of the 2022 Budget law #10 and then the tax is converted to the foreign currency in which these salaries were paid according to the exchange rate **determined by the Central Bank**. The provision of this article doesn't apply to the calculation of the end of service indemnity related to the years prior to 31/12/2023 which should be addressed in a separate law.

**Article 46:** Taxable income generated by industrial, commercial and non-commercial entities and individuals are subject to the following **amended progressive tax brackets** (tax rates unchanged) starting from the 1<sup>st</sup> January 2024 (Amendment of article 32 of the income tax law and its amendments):

Annual net taxable income ( <i>in LBP</i> )	Tax %
From 0 to 540,000,000	4%
From 540,000,000 to 1,440,000,000	7%
From 1,440,000,000 to 3,240,000,000	12%
From 3,240,000,000 to 6,240,000,000	16%
From 6,240,000,000 to 13,500,000,000	21%
Above 13,500,000,000	25%

While the corporate income tax remains unchanged at 17%.

**Article 47:** Salaries, wages and pensions are subject to the following **amended progressive tax brackets** (tax rates unchanged) starting from the 1<sup>st</sup> January 2024 (Amendment of article 58 of the income tax law and its amendments):

Annual net taxable income (in LBP)	Tax %
From 0 to 360,000,000	2%
From 360,000,000 to 900,000,000	4%
From 900,000,000 to 1,800,000,000	7%
From 1,800,000,000 to 3,600,000,000	11%
From 3,600,000,000 to 7,200,000,000	15%
From 7,200,000,000 to 13,500,000,000	20%
Above 13,500,000,000	25%

**Article 48** (Amendment of § 2 of article 59 of the income tax law and its amendments): The **family deduction** out of the basic pay of **daily workers** has been set at **LBP 1,500,000 per day** irrespective of their family status.

**Article 49** (Amendment of article 31 of the income tax law and its amendments): Starting from the 1<sup>st</sup> January 2024, the **family deductions** for tax purposes applied on the deemed or actual profits of tax payers will be as follows:

- LBP 450,000,000 for any individual taxpayer
- + LBP 225,000,000 for non-working spouse or husband
- + LBP 45,000,000 for each legitimate dependent child (up to 5 children maximum).

**Article 54** (Amendment of article 43 of the income tax law and its amendments): The **non-resident tax**, calculated and withheld according to the articles 41 & 42 of the income tax law, has been amended to be **3.4% on goods** (i.e. 20% of 17% corporate income tax) and **8.5% on services** (i.e. 50% of 17% corporate income tax). **Article 17:** The non-resident tax has to be **paid in the same currency of the service rendered** by the non-resident supplier.

**Article 86** (Amendment of article 45 of the income tax law and its amendments): Exceptionally, the **capital gain tax** on the disposal of real estate properties **made by individuals is reduced to 1%** [instead of 15%].

**Article 90** (Extension of the deadline set in the article 36 of the 2022 Budget law): **Termination compensations** paid to dismissed or resigned employees during the period from 1<sup>st</sup> July 2019 **until 31 December 2025** are **exempted from tax on salaries** and are considered as tax deductible expenses to the employer subject to income tax on the basis of actual profits, even if they exceed the ceiling defined by the applicable laws.

## INHERITANCE TAX

**Article 50: Inheritance tax brackets have been increased** to amounts ranging between LBP 1.8 billion and a maximum of LBP 21 billion subject to the same inheritance tax rates detailed as follows:

Tax brackets (in LBP)	<u>1<sup>st</sup> category</u> Descendant + spouse	<u>2<sup>nd</sup> category</u> Father & Mother	<u>3<sup>rd</sup> category</u> Ascendants other than parents, brothers & sisters	<u>4<sup>th</sup> category</u> Uncles & aunts + nephews and nieces	Other taxpayers
Up to 1.8 billion	3%	6%	9%	12%	16%
From 1.8 to 3.6 billion	5%	9%	12%	16%	21%
From 3.6 to 6 billion	7%	12%	16%	21%	27%
From 6 to 12 billion	10%	16%	20%	26%	33%
From 12 to 21 billion	12%	18%	24%	31%	39%
Above 21 billion	12%	18%	24%	36%	45%

## BUILT PROPERTY TAX

**Article 51** (Amendment of article 54 of the Built Property Tax Law): The **brackets of the built property tax** on the annual net income per property have been **amended** as follows starting from the 1<sup>st</sup> January 2024:

Annual net taxable income ( <i>in LBP</i> )	Tax %
From 0 to 1,200,000,000	4%
From 1,200,000,000 to 2,400,000,000	6%
From 2,400,000,000 to 3,600,000,000	8%
From 3,600,000,000 to 6,000,000,000	11%
Above 6,000,000,000	14%

**Article 52** (Amendment of article 58 of the Built Property Tax Law): Any taxpayer owning or exploiting a built property or a share in a built property generating an annual rental income of more than **LBP 1,200 million**, starting from the 1<sup>st</sup> January 2024, has the obligation to submit a built tax declaration before the 1<sup>st</sup> April of the following year.

**Article 53** (Amendment of article 52 of the Built Property Tax Law): The amount of the **residency annual exemption** has been increased to **LBP 360 million** starting from the beginning of the year 2024. Each owner or partner can benefit from this annual residency exemption according to his share in two residences only.

## DISCOUNT ON PENALTIES & INSTALLMENT OF LATE PAYMENTS

**Articles 88:** Exceptionally and for the last time, tax payers are granted:

- **85% discount on their penalties** either resulting from a tax adjustment or from an infringement that occurred before the 15<sup>th</sup> November 2022 if the related taxes and reduced penalties are settled within 6 months from the publication date of this Law (i.e. **before the 15 August 2024**).
- **90% discount on their penalties** resulting from a tax adjustment for infringement that occurred after the 15<sup>th</sup> November 2022 if the related taxes and reduced penalties are settled within 6 months from the publication date of this Law and 3 months for those infringements that were not yet subject to tax adjustment.
- **85% discount on the penalties** due to Public Institutions such as Municipalities if the related outstanding dues and reduced penalties are settled within 6 months from the publication date of this Law.

Discounted penalties should not be less than LBP 200,000 or USD 5 for the taxes that are paid in USD.

## OTHER PROVISIONS, TAXES & FEES

**Article 36:** The rental value of properties that represent the basis for the municipality tax calculation are multiplied by 10 times more than the rental values defined in 2022 for residential properties and by 25 times for commercial properties located on the ground floor, 15 folds for upper floors and 10 times for ground floors but only accessible by stairs.

**Article 63** (Extension of the deadline set in the article 71 of the 2022 Budget law): A **fixed 3% duty** is imposed on all **imported goods subject to VAT until 31 December 2025** with the exception of gasoline, raw materials and industrial equipment used in the industrial & agricultural activities, and good imported for the security forces.

**Article 74** (Amendment of article 109 of the Law #44/2008 – Tax procedures law): Non-declaration penalties have been increased from 5% to **10%** of the amount of the undeclared tax **per month of delay** with a maximum of 100% of the tax amount and a **minimum of LBP 6,750,000** for joint-stock companies (SAL), LBP 4,500,000 for all other companies and LBP 400,000 for individuals and the remaining taxpayers.

**Article 93:** All profits generated by individuals and companies from the BDL **Sayrafa** platform are subject to an additional exceptional tax of **17%** if exceeding USD 15,000.