

## Introduction



The Value Added Tax (VAT) was introduced in February 2002 at two rates: a standard rate, currently 10%, and a zero rate.

The VAT LAW (Arabic / English) was published in issue no 63, December 24 2001 of the Official Gazette. It was amended by the LAW no. 479 dated 30/01/2003 (issue no.8 of the Official Gazette dated 31/01/2003), and the LAW no. 583 dated 23/04/2004 (issue no. 23 of the Official Gazette dated 23/04/2004).

The introduction of the VAT in Lebanon was based on several considerations.

On the one hand, VAT would contribute in reducing the deficit and containing the debt levels accumulated during the years of the war and the years thereafter, its implementation would help in ensuring continuous economic growth and financial and monetary stability.

On the other hand, the Lebanese tax system had traditionally relied heavily on import duties. Therefore, in its effort to implement its international and regional trade obligations (WTO, EU, Arab Trade Union...), which had required the reduction of custom tariffs, Lebanon had to introduce an alternative broad base tax on consumption, which would play an important role in generating revenues.

The VAT is an indirect tax that is collected by the Treasury at the level of the business unit but paid by the buyer and ultimately by the consumer.

Because there is a wide list of exempted goods and services, the tax burden of the VAT varies depending on the level of consumption and the nature of the basket of goods and services consumed.

The Value Added Tax, which is already implemented in more than 125 countries, is the best among the indirect tax alternatives.

The VAT does not discriminate against investments.

The VAT constitutes the most important element of the tax reform undertaken by the Lebanese government since the end of the war in 1992.

## Overview



### What is VAT?

VAT is a tax on domestic consumption. The tax is paid by the consumer on transactions of goods and services, whether imported or locally produced.

### What are the VAT rates?

There are two VAT rates: a standard rate, currently 10%, and a zero rate.

### Who is considered a taxable person?

A taxable person is every natural or juridical person who, in the course of an independent economic activity, supplies goods and services other than the exempted ones, and has a turnover for four successive quarters exceeding the following:

- L.P. 225 million on or after 1/1/2004.
- L.P. 150 million on or after 1/1/2005.

### Voluntary Registration:

Any person or entity, who exercises an independent economic activity that is considered taxable or zero rated, can apply for "voluntary registration", irrespective of their turnover.

### Taxable Supplies

Most goods & services are subject to VAT at a rate of 10%:

The supply of goods and services carried out by a taxable person within the Lebanese territory.

Imports transactions undertaken by a taxable or non taxable person.

### Exempt Supplies

Exempt supplies are supplies of goods and services that are not subject to VAT. Moreover any VAT incurred in making exempt supplies cannot be claimed as an input tax.

### Zero Rates Supplies

Zero Rated supplies are certain taxable supplies of goods and services that are taxed at a rate of 0% rather than the standard rate. Any VAT incurred in making zero rated supplies can be claimed as a deductible input tax. Example: exports.