



In connection with the new tax adjustments that were enforced recently by the Ministry of Finance, we would like to draw your attention to the following:

As per Articles 41 and 42 of the Lebanese Income Tax Law, non-residents whether persons or entities with no registered place of business in Lebanon and who earn business income in Lebanon are taxed on a deemed profit of the income received from Lebanon.

The effective tax rate applied to gross income is 7.5% (50% profit margin x 15% tax rate) in case of income derived from services and 2.25% (15% profit margin x 15% tax rate) in case of income derived from supply of goods. The tax as per articles 41 and 42 should be withheld by the resident party and paid to the tax authorities.

It is worth mentioning that Article 42 of the Income Tax Law clearly stated that the tax rate that should be applied on non-resident transactions is 15% (Fifteen). There is no link between the tax rate applied on non-resident transactions and the corporate income tax rate that was increased from 15% to 17% by virtue of Law No.64 which was published in the Official Gazette on 26 October 2017.

**Therefore, tax on transactions with non-residents remains without any change (7.5% for services and 2.25% for goods) as mentioned above in Article 42 of the Income Tax Law until the stated Article is explicitly adjusted.**