

Lebanon

INVESTMENT LAW (2001)

Official translation

Note

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The year indicated in brackets after the title of the law refers to the year of publication in the Official Gazette or, when this is not available, the year of adoption of the law.

Contents

Article 1
Article 2
Article 3
Article 4
Article 5
Article 6
Article 7
Article 8
Article 9
Article 10
Article 11
Article 12
Article 13
Article 14
Article 15
Article 16
Article 17
Article 18
Article 19
Article 20
Article 21
Article 22

Article 1

In view of implementing the provisions of the present law, the following terms shall have the following meanings:

Authority: The Investment Development Authority of Lebanon established under this law.

Board of Directors: The Board of Directors of the Authority established under this law.

Authority Chairman: Chairman of the Board and Managing Director of the Authority established in accordance with this law.

Project: The Investment Project that relates to any of the sectors governed by this law.

Investor: The natural person or legal entity, whether Lebanese, Arab or foreign investing in Lebanon in accordance with the provisions of this law.

Article 2

This law shall apply to all investments by investors willing to benefit from the provisions of the present law. They shall cover Industry, Agriculture, Agro-Food, Tourism, Information Technology, Telecommunication, Technology, Media and other sectors specified by a decree issued by the Council of Ministers based on a proposal of the President of The Council of Ministers

Article 3

A public authority named the “Investment Development Authority of Lebanon” shall be established as a legal entity enjoying administrative and financial autonomy, and reporting to the Prime Minister who exercises tutorial authority over it. It shall be subject to the provisions of this law and the statutes implementing it.

Article 4

The Authority shall be administered by a Board of Directors made up of seven members appointed for a period of four years by a decree issued by the Council of Ministers based on a proposal from the President from the Council of Ministers.

A member shall be: 1. Lebanese for over ten years. 2. Enjoying all civil rights. 3. Holder of a recognized university degree. 4. Experienced and capable of performing the tasks required for the management of the Authority.

The appointment decree shall nominate, from among the members, a chairman and two full-time

members to dedicate their time to the work of the Authority.

The chairman and the two full-time members shall entirely dedicate themselves to the work of the Authority. They shall not hold concurrently their job and be members of parliament of municipality, civil servants, or practice an activity or work in any organization whatsoever, be it paid or unpaid. As long as they are appointed, they are prohibited from owning, totally or partially, any office for studies, engineering or enterprises, nor having any share therein. The mandate of the Chairman and the members shall at any time be terminated by a decree issued by the Council of Ministers.

Article 5

The Authority shall consist of the following directorates:

- » Financial and Administrative Affairs Directorate.
- » Information and Promotion Directorate.
- » Studies, Planning and Statistics Directorate.
- » The One-Stop-Shop Licensing Directorate.

The administrative and financial statutes, the departments and administrative staff of each directorate, the terms and conditions of employment, contracting and recruitment, the staff, employees' categories, salaries and remunerations, in addition to employees' assignment to and/or from various public administrations, authorities and municipalities shall be decided and amended by decrees issued by the Council of Ministers based on a proposal of the Prime Minister.

The Authority shall not be subject to the control of the Civil Service Board and the Central Inspection Authority. However, it shall be subject to posterior control of the Court of Audit.

The accounts of the Authority shall be subject to the provisions of Article 73 of Law 326 dated 30/6/2001 (Public budget law and annexed budgets for the year 2001).

Article 6

The Authority shall be entrusted with the following tasks:

- » Proposing necessary statutes for the application of the provisions of this law.
 - » Approving, by a decision of the board of directors, to subject certain projects to the provisions of this law.
 - » Receiving various applications for licenses, administrative approvals and permits concerning projects governed by this law, studying them from the legal, technological engineering and technical points of view and preparing relevant reports.
 - » For projects governed by this law, the Authority shall exclusively supersede all public administrations, authorities and municipalities in issuing required administrative permits and licenses, except for those granted by the Council of Ministers, provided that the applicable laws related to zoning and environment protection are observed.
- Unless otherwise stated, the Higher Council for Urban Planning, or the technical committees where so required by law, shall consider the case presented by the Authority, within fifteen days as of the date of its receipt, otherwise the case is considered implicitly approved
- As for municipalities, the case is presented thereto for opinion on licensing of a project to be established within the municipal boundaries. In case of disagreement between the Authority and a municipality concerning the establishment of the project within the boundaries thereof, the case is referred to the Council of Ministers for taking the proper decision.
- » Preparing studies, researches, documents, statistics and suggestions in relation to the investment climate in Lebanon and opportunities for investment in various sectors.
 - » Providing economic, commercial and industrial information, etc, in view of assisting local and foreign investors in investing in various sectors, either free or against certain charges or contributions.
 - » Conducting surveys on opportunities of investment in Lebanon, elaborating studies in relation thereto and providing them to third parties, either free or against certain charges or contributions.
 - » Developing an informative program, organizing promotional campaigns, design, print, produce and distribute publications and promotional material aimed at encouraging and attracting expatriate Lebanese, Arab and foreign investors to invest in Lebanon.
 - » Assisting in the support, promotion and marketing of Lebanese products, in particular, agricultural products and material used in the agro-industry in Lebanon as well as Lebanese agro-industrial products, in accordance with an order issued by the Council of Ministers based on a proposal of the Prime Minister.

- » Providing financial incentives or participate in the capital of joint-stock companies involved in the management and organization of exhibitions and seminars, in Lebanon and abroad, in the view of promoting tourism, Lebanese agricultural and/or industrial, manufactured or other materials and goods, in collaboration with relevant public administrations, economic entities and private companies for the purpose of marketing and exporting Lebanese products; and participating in the organization of training courses to assist investing companies in developing their production to meet the requirements and needs of foreign markets in order to facilitate export of Lebanese products, in accordance with a decree

issued by the Council of Ministers, based on a proposal of the President of the Council of Ministers.
» Participating in the capital of joint-stock companies for the establishment and management of incubators to support innovators in the fields of technology, information technology, communication and other sectors, in accordance with a decree issued by the Council of Ministers based on a proposal of the President of the Council of Ministers.

Article 7

The Authority established under this law shall supersede the authority established by decree No.5778, dated 11/10/1994 and its amendments. The latter shall be dissolved and the rights and obligations thereof liquidated and transferred to the new Authority, in accordance with decrees issued by the Council of Ministers based on a proposal of the Prime Minister. Allocations in the public budget to the body established in accordance with decree No. 5778 dated 11/10/1994, shall be transferred to the Authority. Employees and various personnel and contract workers within the body established under decree No. 5778 dated 11/10/1994 shall also be transferred to the Authority established under this law, without need for any other text; and their right of promotion shall be preserved.

Article 8

The Authority shall be financed through the following:

- » The funds allocated thereto in the public budget.
- » Its own revenues such as fees for studies and services it provides and revenues generated by its participation in companies.
- » Treasury advance payments.
- » Grants, donations and contributions.
- » Any other resources allocated thereto by special legislations.

Article 9

The approval of the Board of Directors to subject existing investment project(s) to the provisions of this law shall be governed by certain standards set for this purpose in accordance with a decree issued by the Council of Ministers pursuant to a proposal by the President of the Council of Ministers.

Article 10

In observance of the principle of balanced development, Lebanese regions shall be classified into three investment zones, in accordance with the table and map attached hereto. Classification shall be as follows:

Zone A: Areas which will only benefit from the exemptions, reductions and facilities stated for in Article 11 of the present law. The Board of Directors may apply to certain projects related to tourism and marine resources, which are intended to be established within such areas, the same exemptions, reductions and facilities related to projects intended to be established in the areas classified within category-B here below. A list of these projects shall be elaborated in accordance with a decision of the Board of Directors and approved by the Council of Ministers.

Zone B: Areas that benefit from the exemptions, reductions and facilities stated for in Article 12 of the present law.

Zone C: Areas which the government intends to develop and which benefit from the exemptions, reductions and facilities stated for in Article 13 of the present law.

The government may after five years of the issuance of this law is issued, introduce amendments to the classification of the areas, by a decree issued by the Council of Ministries based on a proposal of the President of the Council of Ministers.

Article 11

The investment projects governed by this law and established in Zone-A shall benefit from the following exemptions, reductions and facilities:

- » The joint-stock company established to own and/or manage a project falling under the provisions of this law and offering its shares to public subscription, shall be exempted from income tax for a period of two years as of the date its shares are listed on Beirut Stock Exchange, and provided that the negotiable shares represent 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 pursuant to the provisions of this law or other applicable laws and regulations.

Article 12

In addition to the exemptions and facilities stated for in Article 11 of the present law, investment projects governed by the provisions of this law and intended to be established in the areas classified within Zone-B shall benefit of the following reductions:

A 50% reduction in income taxes and taxes on project dividends, for a five-year period. The reduction shall apply from the date of commencement as of the exploitation of the project governed by the provisions of this law. In the event that the investor benefits of the exemptions stipulated for in paragraph 2 of Article 11, the reduction shall apply after the lapse of the exemption period

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Article 13

In addition to the exemptions and facilities stated for in Article 11 of the present law, investment projects governed by the provisions of this Law, and which are intended to be established in the areas classified as Zone-C, shall benefit of the following exemptions:

A full exemption of income taxes and taxes on project dividends for a ten-year period.

This exemption shall be applicable as from the commencement date of the exploitation of the investment projects governed by the provisions of this law starts.

Article 14

Information technology and technology projects shall benefit of the exemptions and reductions conferred to the projects intended to be established within Zone-C defined in Article 13 of the present law- regardless of their location-, provided a list is issued including the projects related to the sectors mentioned herein, and which may benefit from the provisions of this Law in accordance with a decree by the Council of Ministers based on a proposal of the President of the Council of Ministers.

Article 15

A Package Deal Contract is a contract whereby the Lebanese government, represented by the Authority, shall grant the investor willing to establish a given project, the incentives, exemptions and reductions set forth by the Board of Directors for this project, within the ceiling specified in Article 17 of the present law, provided the investor is committed under this contract to execute his project in accordance with the terms and durations stated therein, under penalty of being subject to the effects stipulated in the contract.

The rights and obligations of both the Authority and the investor shall be specified in details in the contract, including the investor's commitment to carry out the project within a determined 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 the Authority and the investor.

Article 16

The conditions to be met by projects so that they benefit of the package deal shall be specified by decrees issued by the Council of Ministers based on a proposal of the President of the Council of Ministers.

Article 17

Projects benefiting of the package deal shall be granted, at maximum, the following incentives:

- » Full exemption from income taxes and taxes on project dividends for up to ten years starting as from the commencement date of the exploitation of the project.
- » Obtaining work permits of all categories provided that the project benefiting of the incentive package deal preserves the interests of the local labor force through employing at least two Lebanese nationals against one foreigner, and registering them in the National Fund for Social Security.
- » Reduction of work and residence permit fees up to a maximum of 50%, regardless of their category and depending on the number of permits required. Also the value of the certificate of deposit entrusted to the Housing Bank shall be reduced by half.
- » Contrary to any other text, joint-stock companies of all types the objective of which is the ownership and / or the management of an investment project benefiting from the provisions of the incentives package deal contract shall be exempted from the obligation of including Lebanese natural and legal persons in their Boards of Directors. (Amended by virtue of law no 771 on 11/11/2006).
- » Reduction up to a maximum of 50% of construction permit fees related to the buildings to be established and needed for the execution of the project benefiting of the provisions of the package deal contract.
- » Full exemption from land registration fees at the Real Estate Register and from fees needed for annexation, sub-division, mortgage and registration of lease contracts at the Real Estate Register, regarding real estates on which projects under the incentive package deal contracts are to be built, provided that the project shall be carried out within 5 years as of the date of registration of the land at the Real Estate Register, under penalty of obligating the investor failing to execute the said project, to pay a penalty equivalent to three times the fees which were originally due.

Article 18

Disputes between the Authority and the investor resulting from the incentive package deal contract shall be solved amicably. In the absence of amicable solution, arbitration shall be sought in Lebanon or in any other international arbitration center, provided that this is determined in advance when applying to subject the project to the provisions of this Law and provided that the request meets the approval of the Board of Directors and is endorsed by the tutorship authority. The rules and regulations governing arbitration shall be determined by a decree issued by the Council of Ministers based on proposal of the President of the Council of Ministers.

Article 19

Excluding the projects governed by the package deal contract, the investor who gets the approval of the Board of Directors to subject the investment project to the provisions of the present Law shall submit to the Authority, pursuant to the said provisions, a request for obtaining the permits necessary to start the execution of the project within a three-year period as of the date at which the submentioned decision of the Board of Directors is issued, under penalty of losing the right to benefit from the provisions of this Law.

The Authority may, if it deems necessary, agree to grant the investor an additional three-year period, for one time only, to execute the said project, in accordance with a decision of the Board of Directors endorsed by the President of the Council of Ministers.

Article 20

The standards established by the Council of Ministers pursuant to the provisions of Article 9 of the present Law shall apply to investment projects existing in Lebanon by the date of enforcement of this Law, in the following cases:

1. Expansion of the project through new investments. Expansion shall be prorated according to the ratio of said investments to the original investments in the project.
2. Moving the project from one investment zone to another pursuant to the classification resulting from implementing Article 10 of the present Law. The said standards shall be applied by decisions issued by the Board of Directors and endorsed by the President of the Council of Ministers.

Article 21

A justified decision by the Board of Directors not to subject a given project to the provisions of this Law shall not deny the investor's right to submit a licensing request to the concerned authorities in accordance with the ordinary procedures in vigour.

Article 22

This Law shall become in force as soon as it is published in the official gazette