The Chamber of Commerce, Industry and Agriculture of Beirut and Mount Lebanon is pleased to put at the disposal of the business community the present set of analytical guidelines pertaining to the acts of incorporation under Lebanese company laws. We deem this comparative description of various forms of incorporation to be a primer on the country’s business setup.

True to its mission of supporting the private economy, the Chamber hereby undertakes to assist prospective foreign investors all through the establishment process.

The defining advantages of Lebanon’s investment environment derive from its free enterprise system distinguished by a high degree of openness to foreign trade and the absence of restrictions on capital movement. Such system naturally safeguards private ownership of all form of assets, and subjects local and foreign investors to the same code of laws and regulations. Hence, foreign investors retain full control over their business and private assets, unhindered by the constraint of an imposed local partner or restrictions on business and investment decisions.

Evolution at the policy-making level continues to build on the competitiveness of the investment environment. The public-private partnership approach certainly generates abundant opportunities in building and operating infrastructure projects.

Unscathed by the global financial crisis, the banking sector in Lebanon further adds to the attractiveness of the country as a host to foreign investment. A fast-growing deposit base combined with a high liquidity ratio render local financing comparatively more accessible to foreign investors.

We remain confident that improvement in the country’s investment climate will be sustained at the behest of liberal policy-makers as well as Chambers of Commerce and other business support organizations.

Mohamed Nizar Choucair, Chairman
JOINT LIABILITY COMPANY
OVERVIEW

A JOINT LIABILITY COMPANY IS A TYPE OF CORPORATION OR PARTNERSHIP INVOLVING TWO OR MORE INDIVIDUALS WITH THE LEGAL CAPACITY TO UNDERTAKE COMMERCIAL TRANSACTIONS FOR PROFIT. ALL PARTNERS INVEST THEIR MONEY, WORK, AND SKILLS, OR ANY PART THEREOF, IN THE COMPANY, AND SHARE PROFITS AND LOSSES ACCORDING TO PERCENTAGES AGREED UPON. PARTNERS ARE JOINTLY AND SEVERALLY LIABLE AND THEIR LIABILITY IS UNLIMITED. THE TYPE OF ENTITY OF A PARTNER IN A JOINT LIABILITY COMPANY IS OF PRIMARY IMPORTANCE.
1- FEATURES
A joint liability company has the following features:

A- Partners are personally liable for the company’s debts. Their liability is unlimited. Creditors may attempt to claim the whole debt from any of the partners personally. Partners are severally liable for the company’s debts. Partners who settle the company’s debts may recover payment from the company. They may also claim from other partners the amount of debt they are responsible for.

B- A main feature of joint liability companies is the sharing of profits and losses.

C- Partners in a joint liability company are considered to be merchants by virtue of law. Therefore, partners are those who naturally enjoy the legal capacity to perform business. As a result, bankruptcy of the firm means automatically bankruptcy of the partners who then lose the capacity to perform business due to liquidation of the company.

D- The company operates under a trade name made up of the partners’ names respectively. In the event that all names are not mentioned, the trade name or the mentioned names will be followed by “and his associates” or “and associates”.

E- Partners in a joint liability company are not allowed to give up their shares without prior consent of all partners. Partners are able though to give up their shares to other partners.

F- The company contract is always written.

2- ESTABLISHMENT OF A JOINT LIABILITY COMPANY
A company partnership agreement is drafted as an official or ordinary document and may not be used against others unless written.

3- PUBLICATION OF A JOINT LIABILITY COMPANY
A joint liability company contract is published by way of affidavit of publication filed with the court of first instance within the jurisdiction of which the company falls, and filing of a summary of the company’s statements with the commercial register in the area of the company’s address, within one month from the set up of the company. Failing to file the constituting document of a joint liability company with the court or to register it in the commercial register, leads to the cancellation of the company. The manager has the duty to register and in case he/she fails to proceed, any partner can do so. Any amendment to the partnership agreement must be published as well.

4- MANAGEMENT OF A JOINT LIABILITY COMPANY
All partners are legally responsible for operations of the company unless such operations are entrusted in the company contract or in a subsequent document to one or more partners or to one or more persons from outside the company. Managers of the company may not manage a similar project unless with a special authorization from the partners, renewable on a yearly basis. A manager may not conclude a special agreement with the company in which he or she may have a special interest. Partners in a joint liability company are personally and severally liable for the company’s debts. The partner appointed manager in the partnership contract may not be removed unless for serious reasons. The removal decision shall be reached unanimously by all partners or by a majority of them according to the bylaws of the company. A company may resort to the legal system to remove a manager. In the event that the manager is a partner appointed by an independent document, he or she may be removed by the majority needed for the appointment. A manager’s prerogatives are usually defined in the partnership agreement or in an independent contract. In case these prerogatives are not defined, they shall be absolute.
A company shall comply with the undertakings of its manager during his or her mandate.

5- DISSOLUTION OF A JOINT LIABILITY COMPANY
A joint liability company is ended by any of the following:
A- End of duration as set in contract
B- End of its purpose
C- Loss of company capital
D- Partners agreeing to end the company

Furthermore, the court may always declare a company as ended based on the request of a partner or more. It may also disqualify partners not fulfilling their obligations towards the company.

REASONS JUSTIFYING THE DISSOLUTION OF A JOINT LIABILITY COMPANY:
A- In the event of a decision by one of the partners to withdraw from the company, if it had been set up for an indefinite period of time, providing the withdrawal does not harm the legitimate interests of the company. Such withdrawal must be completed at least three months prior to the end of the financial year of the company. Such withdrawal shall become effective between partners only after the end of the financial year of the company. In the event that the duration of the company is definite, a partner may not withdraw before the end of the duration as determined in the contract.
B- In the event of one of the partners being declared as incompetent or absent by virtue of a legal decision
C- In the event of bankruptcy of one of the partners by virtue of a legal decision; In all cases and in the event of the bankruptcy of one of the partners, their incompetence, withdrawal, or absence, the rest of the partners may unanimously decide the continuation of their partnership without the partner declared incompetent. Such a decision must be registered with the secretariat of the commercial register.
D- In the event of the death of a partner with no spouse or descendants to whom rights may be transferred, the company may continue with the living partners. In the event of the death of a partner with a spouse or a descendant, the company continues with one of those and becomes a limited partnership where the spouse and the descendant(s) of the deceased partner are silent partners.

The dissolution of the company is published in the same way as its establishment.

6- LIQUIDATION OF A JOINT LIABILITY COMPANY
The liquidation of a joint liability company includes the collection and settlement of the company’s debts, and the conversion of its goods to money to be distributed among the partners based on their contributions to the partnership.

If the articles of the company do not appoint a liquidator and the partners do not agree on one, it will be up to the court in which jurisdiction the company falls to appoint one. During liquidation period, the company shall continue keeping its legal entity and the liquidator shall take the place of the manager. By keeping its legal entity, the company will also keep its trade name adding to it “in liquidation process”. The end of the liquidation of a company means the end of its legal entity.
LIMITED PARTNERSHIP
OVERVIEW

A LIMITED PARTNERSHIP IS A FORM OF PARTNERSHIP SIMILARLY TO A JOINT LIABILITY COMPANY. A LIMITED PARTNERSHIP HAS TWO CLASSES OF PARTNERS: THE GENERAL PARTNERS WHO ALONE HAVE MANAGEMENT CONTROL AND HAVE UNLIMITED AND SEVERAL LIABILITIES FOR THE DEBTS OF THE PARTNERSHIP; AND THE LIMITED PARTNERS, WHO OFFER THE MONEY, ARE ONLY LIABLE TO THE EXTENT OF THEIR REGISTERED INVESTMENT, AND DO NOT ACQUIRE THE STATUS OF MERCHANTS.

1- FEATURES OF A LIMITED PARTNERSHIP
A limited partnership exists under a trade name consisting only of all or part of the names of the general partners. In the case of one general partner only, the expression “and partners” may be added.
In the event that limited partners allow for their names to appear, they become liable towards third parties.
All general partners are considered merchants by law. Thus only partners able to carry on commercial activities are allowed to be general partners in limited partnerships. Limited partners cannot have the status of merchants.
Limited partners cannot participate in the management whether directly or indirectly. When such participation occurs, the limited partner becomes a general partner having unlimited personal, joint and several liability, along with the other general partners, for the acts carried out, to the extent of the nature of such acts. Such liability will be limited to the outcome of the activities carried out, or for the entire debts of the partnership.
Are not considered as interference in management control on behalf of limited partners, the following limited partners’ activities:
- Controlling the manager’s activities
- Advising the manager
- Allowing the manager to undertake activities outside the scope of his/her prerogatives

2- FORMATION OF A LIMITED PARTNERSHIP
The formation of a limited partnership is subject to the same rules as in a joint liability company: a written deed signed by all partners defining dividends and general and silent partners.
Theoretically, the regulations of a joint liability company apply to all what is relevant to a limited partnership, as far as formation, publication, and liquidation.
A limited partnership has limited and general partners. General partners have the status of merchants and their names appear in the company’s title. They are personally liable on the debts incurred by the firm, and the bankruptcy of the latter means their bankruptcy as well.
Limited partners do not have the status of merchants and the bankruptcy of the firm does not mean their bankruptcy, in that they are only liable to the extent of their registered investment.

3- PUBLICATION OF A LIMITED PARTNERSHIP
As for a joint liability company, a limited partnership files a copy of the partnership contract with the relevant court of first instance registrar, and registers the contract with the commercial registry, as well as any amendment to the contract.

4- MANAGEMENT OF A LIMITED PARTNERSHIP
The general partners have management control in a limited partnership. In case of more than one partner, an agreement is reached in the contract or in a separate report. Limited partners may not interfere in the management of the partnership, even if by proxy. The limited partner having interfered in the management becomes otherwise jointly liable with the general partners for the debts of the partnership. Such liability will be limited to the outcome of the activities carried out, or for the entire debts of the partnership.
Monitoring the activities of the general partners is not considered as interference. Limited partners may have positions in the firm not requiring representation of the firm in front of others.

5- DISSOLUTION OF A JOINT LIABILITY COMPANY
Ending a limited partnership is subject to the same rules applicable to a joint liability company. The death of an only general partner or his/her bankruptcy or incapacity, leads to the liquidation of the firm. In case of more than one general partner, the death or the incapacity of any does not lead to the dissolution of the firm.
04
UNDECLARED PARTNERSHIP
OVERVIEW
AN UNDECLARED PARTNERSHIP IS A TYPE OF CORPORATION INVOLVING INDIVIDUALS IN A PARTNERSHIP CONTRACT BY VIRTUE OF WHICH PARTIES AGREE ON SHARING PROFITS AND LOSSES RESULTING FROM THE COMPANY CONTRACT. An undeclared partnership is different from other partnerships in that its entity is limited to the contracting parties and it is not intended for third parties to know. The contract signed freely by partners sets their mutual rights and duties and sharing of profits and losses. An undeclared partnership contract can be proved through all ways of evidence accepted in the commercial articles.

1- FEATURES OF AN UNDECLARED PARTNERSHIP
An undeclared partnership is based on the personal worth of the partners and ends for relevant reasons such as incompetence, death, and bankruptcy… Undeclared partnerships are not subject to the publication process applicable to other commercial companies. By definition, they are not known for others, and therefore, not subject to registration in the commercial registry. Undeclared partnerships do not have a legal entity like other companies. In the event that the main office is not defined, legal proceedings may take place in the court of the area where the partner being sued resides. Undeclared partnerships do not have a legal entity and therefore may not take legal actions against others, and vice-versa.

Partners in an undeclared partnership deal with others on behalf of themselves and vice-versa. No contracts may be therefore concluded between an undeclared partnership and any other party with regards to any matter.

In the event that an undeclared partnership declares itself to others and operates independently from its purpose, it will be considered as a real company and thus becomes liable. While mentioned in the Commercial Law, an undeclared partnership is not necessarily considered as a commercial company, even if its purpose is commercial. An undeclared partnership is not subject to obligations incurred by the merchants and neither to bankruptcy rules.

2- MANAGEMENT OF AN UNDECLARED PARTNERSHIP
Partners agree among themselves to appoint an individual who will manage the company. A manager will deal with others without stating the partners’ names. In the event that the partners do not appoint a manager, each partner will deal with others on his/her own behalf but in the interest of the company. Those who enter into a contract with the manager or a partner will not have a legal bond except with the partner with whom they entered into a contract. Managers will be accountable for their management to the company.
05

JOINT STOCK COMPANY
OVERVIEW

THE LETTERS “S.A.L” FOLLOWING THE TRADE NAME OF A JOINT STOCK COMPANY ARE THE INITIALS SYMBOLIZING IN FRENCH “SOCIETE ANONYME LIBANAISE” AND INDICATE THE PRESENCE OF AN ANONYMOUS COMPANY MEANING A COMPANY WITH NO ADDRESS, WHERE THE NAMES OF ONE OR ALL OF THE PARTNERS ARE SOMETIMES LISTED.

A joint stock company is a financial partnership involving three or more individuals owning shares of stock in the company. The company's common capital is made up of the monetary and in kind offerings of the partners. A joint stock company is different from a partnership. It involves shareholders who may not necessarily know each other and who may not act nor speak on behalf of the company.

Contrary to a partnership, a joint stock company has a capital and is considered as a model for capital companies. The capital of a joint stock company is divided into shares and shareholders own one or more shares and are free to transfer their ownership interest at any time. Contrary to a partnership, the limit of the shareholders' liability in a joint stock company only extends to the face value of their shareholding.

A joint stock company is always a commercial corporation regardless of its purpose. It is subject to commercial laws and practices, and shareholders do not have the status of merchants. Joint stock companies are inevitably members of Beirut Stock Exchange and must therefore pay a yearly subscription.
1- SUBSCRIBING SHAREHOLDERS (OR FOUNDERS)
The number of shareholders in a joint stock company may not be less than three.
An individual who is declared bankrupt and has not been reinstated since ten years at least, or who has been
indicted in Lebanon or abroad since less than ten years for having committed or tried to commit felony, or fraud,
or embezzlement, or to cause prejudice to the State’s finances, or to write checks with insufficient funds, may
not contribute to a joint stock company.

2- ARTICLES OF ASSOCIATION
The subscribing shareholders must draft the articles of association of a joint stock company which must include
special items stipulated in the Commercial Law and involving the shareholders. Such items must be included in
these articles which will become the chart of the company: company name, purpose, duration, main office, capital,
number of shares, value and type of shares (nominal or bearer), securities, profits distribution and management,
members of the board and their prerogatives.

A joint stock company used to be formed by virtue of a government permit issued by a government decree.
Only after 1977, the founders of a joint stock company were able to start the formation procedure by filing and
registering the articles of association with the notary. They must return to subscribers the prepaid amounts.

3- PUBLICATION IN THE NEWSPAPERS
When founders decide to announce to the public the possibility of subscription to acquire shares in the company, they first have to publish the notice in the official gazette, in a daily local general circulation newspaper, and in an economic paper. Such a notice must bear the names, signatures, and addresses of all the founders, name of the company, its head office, purpose, duration, capital, value of shares, prepaid amount, profits distribution, number of board members, and in kind offerings.

4- SUBSCRIPTION TO A JOINT STOCK COMPANY CAPITAL
Subscription to a joint stock company capital is done through a written deed whereby an individual called
subscriber commits to buying a number of shares from the company capital. Subscribers pay at least
the quarter of the price of the shares they want to subscribe to. All company shares must be subscribed to
but this does not mean that payment for the full value must be made. Subscribers must implement what they
committed to, meaning the payment of at least the quarter of the value of the shares.

In the event that the company is not formed, the founders must return to subscribers the prepaid amounts.

5- HEAD OFFICE OF A JOINT STOCK COMPANY
All joint stock companies must have a head office on the Lebanese territories.

6- NATIONALITY OF THE COMPANY
A joint stock company formed and duly registered in Lebanon is considered ipso jure Lebanese even if the
majority of shareholders are not Lebanese.

7- CAPITAL OF THE COMPANY: INCREASE-DECREASE
The capital of a joint stock company may not be less than thirty million Lebanese pounds. It is divided into
shares of equal value of no less than one thousand Lebanese pounds per share. At least one quarter of the
value of each share must be paid upon subscription. The balance for each share will be settled on the dates
set by the board of directors.

The entire capital must be subscribed. The minimum capital and partial payment may not apply if the purpose of the company is insurance or banking activities. Joint stock companies dealing with any of those activities are subject to special regulations.

Amounts paid by shareholders will be deposited at any recognized bank in a special account opened
in the name of the company followed by the phrase “under establishment” with a list of the names of the
subscribers and the amount paid by each. These amounts may be withdrawn after the company is formed
and registered in the commercial register.

The in kind contributions are subject to appraisal by an expert duly appointed by the court.

Once the entire capital of the company is paid, shareholders may increase the capital of the company in
an extraordinary general meeting by issuing new shares of the same nominal value per share as the old shares.

Shareholders also have the right to decide the decrease of the capital of the company in an extraordinary general
meeting, providing the decision does not harm the rights of others. Such a decision must be published in
the official gazette to enable others to eventually object within three months of the publication date.

The third of the capital of joint stock companies serving public interest must be nominal shares for Lebanese
shareholders and may not be transferred but to Lebanese shareholders.

8- SHARES
The capital of a joint stock company is divided into equal value shares. This signifies equal rights offered
by share, equal liability for the company’s debts, and vote equality in meetings. Shares are movable
property. They represent part of the company capital and can be circulated.

Owning shares gives shareholders the following rights:
1- The right to sit on the board
2- The right to take part in the management of the company
3- The right to vote in general meetings
4- The priority in subscription when capital is increased
5- The right to dividends
6- The right to relinquish shares and to put them into circulation
7- In kind shares represent the in kind contributions in the company capital. They are subject to the same
rules applying to monetary shares with the exception that:
   a- In kind shares must be correctly appraised

   b- In kind shares are subject to the rules applying to monetary shares
before their representing shares in the company capital are handed.

b- The value of the in kind shares must be entirely settled at the formation of the company.

c- These shares may not be put in circulation before two years starting the date of formation of the company.

Shares are divided into two categories:

• A category based on the nature of contributions by shareholders and representing in kind or monetary shares offered by shareholders;

• A category based on the type of shares: nominal, to the order of, and to bearer;

  a- Nominal shares registered in the stock book of the company under the name of the shareholder where the name of the shareholder will be listed on the share itself

  b- Shares to bearer which do not include the name of the shareholder but a serial number for the bearer of the share considered to be the owner vis-à-vis the company

  c- Shares emitted to the order of a shareholder where the name of the shareholder but a serial number will be listed on the share itself

  d- Shares are non-circulating shares, such as shares representing in kind contributions in the case they exist.

Multiple Voting Shares

A share equals one vote, but the paid-up shares which have been entirely paid and have been nominal for one owner for at least two years before the convocation of each general meeting, equal two votes.

8- Shareholders’ meetings

A general meeting duly formed is considered to be representing all shareholders whether present or absent. Decisions taken by virtue of quorum and by the majority needed for each meeting, are binding for all shareholders even the absent and the objecting.

A list must be set up including names of personally present or represented shareholders with a mention of their addresses, number of shares owned by each, and number of votes given to each shareholder according to the number of their shares.

The chief executive officer chairs the shareholders’ meeting.

Shareholders elect an umpire amongst themselves in each shareholders’ meeting. They also elect a secretary who does not necessarily have to be from the shareholders.

Shareholders do not discuss items not listed on the agenda. Each shareholder has a number of votes equal to the number of shares owned or represented.

Types of Meetings

Formation Meeting

The founders call for a formation meeting at the end of the capital subscription. The request must include the agenda of the meeting that the founders must send to all shareholders.

The discussions of the founding general meeting are not considered legal unless the number of its shareholders represents at least the third of the company capital. If the meeting fails for lack of a quorum, a new meeting may be held by virtue of a notice published in the official gazette, in an economic newspaper, and in a local daily, over two times with one week interval. In the second call, the agenda of the previous meeting is listed as well as its results. Discussions in the second meeting are considered legal if the number of its shareholders represents at least half the company capital. In case there is no quorum, a third meeting can be held whereby only the third of the capital of the company needs to be represented.

As far as in kind shares, the quorum is calculated according to the subscribed shares or shares owned by the shareholders owners of the cash shares, regardless of the shareholders owners of the in kind shares.

Decisions in the founding general meeting are taken by the majority of two thirds of votes of present or represented shareholders.

Founding shareholders elect among themselves:

1- a president to chair the meetings

2- umpires from the shareholders to ensure that the procedure for founding the company has been duly observed

3- a secretary for the meeting not necessarily from the shareholders

A proof that the quorum was reached is the attendance sheet signed by shareholders personally or through their representatives.

The founding meeting asks the president of the court in the area of the company’s main office to appoint an expert to check into the genuineness of the in kind contributions in the case they exist.
The founding meeting holds the prerogative to check into the structural activities of the founders, to elect the first board of directors, to appoint an auditor. When the founding meeting has made sure that the procedure for founding the company has been duly completed, the board members have the obligation to publish the company by registering it with the court register.

**GENERAL MEETINGS**

A general meeting is not legally held unless the shareholders have been informed of documents such as inventory, budget, profit and loss account, board of directors’ report, and the control commissioner report, and has been personally or through representation attended by shareholders representing at least the third of the capital. In the case that a quorum is not reached, discussions in the second meeting are considered legal regardless of the shares represented, in case otherwise stipulated by the company’s articles of association.

The general meeting is held at the company’s head office. A president, a secretary, and a controller are needed, and an attendance sheet is set up.

The general meeting is held annually within six months form the end of the financial year, to authenticate the company’s accounts, distribute profits if applicable, to hold the annual meeting of the shareholders. The annual meeting of the shareholders is held at the company’s head office and has been personally or through representation attended by shareholders representing at least the third of the capital. In the case that a quorum is not reached, discussions in the second meeting are considered legal regardless of the shares represented, in case otherwise stipulated by the company’s articles of association.

The general meeting is held at the company’s head office. A president, a secretary, and a controller are needed, and an attendance sheet is set up.

**EXTRAORDINARY GENERAL MEETINGS**

Extraordinary general meetings have the right to amend all aspects of the articles of association of the company, but not to change the nationality of the company, increase the commitments of the shareholders or temper with third parties’ rights.

The number of shareholders constituting the extraordinary general meeting must represent at least two thirds of the company capital. If no such quorum is reached, the meeting will call for another one based on a notice in the official gazette, in an economic newspaper, and in a local daily general circulation newspaper, twice within a week of the first and second notices. In the notice will be mentioned the agenda of the previous meeting and its results. The discussions in the second meeting are considered legal if the number of the shareholders represents at least half the company capital. In case there is no quorum, a third meeting can be called for. The third meeting will be legal if at least the third of the capital is represented.

In the case of decisions regarding a change in the company object or shape, the legal quorum must always represent at least three quarters of the company capital. Decisions in extraordinary general meetings are taken by a majority of two thirds of the present or represented shareholders, regardless of the desired amendment to the articles of association.

The amendment is made public the same way as with the original articles of association.

The amendment of the articles of association of a company is registered with the notary public in the area of the head office of the company.

**9- BOARD OF DIRECTORS OF A JOINT STOCK COMPANY**

The board of directors is constituted of at least three members and a maximum of twelve members, according to what the shareholders have decided in the articles of association.

The majority of the board members must be of the Lebanese nationality.

The members of the board of directors are elected during the annual general meeting amongst the shareholders who own a minimum of nominal shares, as stipulated in the articles of association. These shares are deposited in the company fund to ensure a good management of the company. These shares will remain nominal and may not be put into circulation. They will remain as such long as the members of the board are performing their functions, and until acquitted upon approval of the company’s budget at the end of the financial year of the start date of their functions.

The maximum duration of the term of the members of the board of directors appointed in the articles of association is five years. Where members of the board of directors elected by the shareholders are concerned, they cannot be appointed for more than three years. If the number of the board members goes to half or to less than three between two annual founders’ meetings, the remaining members of the board of directors must call the shareholders for a general meeting to elect new board members to fill the vacancies.

The members of the board do not assume management of any similar company unless they get an annual authorization during the annual shareholders’ meeting. A board member may not be represented at the board meeting but by another member and by virtue of a written authorization.

In its first meeting, the board of directors elects the chief executive officer-general manager of the company and determines his/her prerogatives.

The board of directors may appoint a general manager who will perform his/her functions under the supervision and personal responsibility of the chief executive officer.

No one can be member of the board of directors if they have declared bankruptcy before and have not been reinstated since at least ten years, or if they have been convicted in Lebanon or abroad since less than ten years for having committed or tried to commit felony, or fraud, or embezzlelement, or to cause prejudice to the State’s finances, to intentionally write checks with insufficient funds, or to hide the acquisitions from such crimes.

**10- PUBLICATION**

**PUBLICATION AT FORMATION**

The first task of the board of directors is to register the following in the commercial register:
1- Minutes of the company’s founding meeting and the attendance sheet
2- Minutes of the first board of directors during which the chief executive officer-general manager was elected and his/her prerogatives determined
3- The original articles of association duly authenticated before a notary public. After publication is completely done, a company is considered duly formed.

The bank where the subscription money has been deposited will get certified copies of the aforementioned minutes and the original articles of association. The bank is thus informed of the founding of the company and unblocks the capital that was blocked during the subscription period.

CONTINUOUS PUBLICATION
A company is subject to continuous publication as follows:
1- The articles of association are hung on a board in the company offices.
2- Anyone may obtain a certified copy of the articles of association from the commercial register.
3- All papers and letterheads of the company must show the name of the company, followed by “S.A.L.” (société anonyme libanaise), its capital, the freed part of it, and the number of the company in the commercial register.
4- Any modification of the articles of association must be published.

ANNUAL PUBLICATION
A joint stock company publishes yearly the company’s accounts and budget within two months from the approval by the annual shareholders’ meeting of the accounts. Such a publication will include the names of the members of the board and the control commissioners.

11- CONTROL COMMISSIONERS
Shareholders appoint one control commissioner or more every year during their annual meeting. Control commissioners may be elected year after year. The Commerce Court will appoint an additional control commissioner. Control commissioners will present to the annual meeting a report on the status of the company and the balance sheet signed by them. The control commissioner appointed by the court must approve the report and balance sheet.

If the board of directors does not call for general meetings when they are due, the control commissioners may call for such meetings.

12- FUND RESERVES AND DIVIDENDS
A- FUND RESERVES
1- Legal reserve:
The board of directors must keep 10 percent of the company’s net profit to form a legal fund reserve until such an amount equals the third of the capital.
2- Special reserve:
In addition to the legal reserve, the board of directors may form other funds reserves according to the needs of the company.
3- Distribution of dividends:
After deduction of expenses and funds reserves from the gross income, the board of directors distributes from the net profit what the annual shareholders’ meeting decides as dividends.

13- BONDS ISSUED BY JOINT STOCK COMPANIES
A bond (in a joint stock company) is a certificate proving that a joint stock company has a debt. It creates a burden on the company’s capital and properties. Loan rules apply to such a debt if it is not a secured type. These bonds are subject to some rules when it comes to their circulation and coupons are usually attached to facilitate payment of interests.

Bonds are usually issued according to a serial number with a mention that they are equal, meaning that the holder of such bonds does not enjoy any priority over others.

14- DISSOLUTION OF A JOINT STOCK COMPANY
Ending a joint stock company is subject to the same rules applicable to partnerships.

The company is dissolved:
A. By the end of its duration as set in the articles of association.
B. After the execution of the anticipated project for which it was established, or if it is impossible to achieve it. In the event of a decision made by shareholders at an extraordinary general meeting, whereby at least the third of the capital of the company needs to be represented, and the decision shall be made by the majority of two thirds of votes of present or represented shareholders.
C. In the event of loss of three quarter of the company capital provided that the capital is fully paid. In this case, the board of directors calls the shareholders to hold an extraordinary general meeting in order to decide the dissolution of the company, the decrease of the capital of the company or to adopt any other necessary measures. In any case, every shareholder is entitled to evoke this subject before the Commerce Court.
OVERVIEW
A LIMITED LIABILITY COMPANY COMBINES PARTNERSHIPS AND JOINT STOCK COMPANIES. THE LEBANESE LEGISLATOR INTRODUCED THIS TYPE OF COMPANIES TO LEBANON BY VIRTUE OF LEGISLATIVE DECREE NO. 35 OF 5 AUGUST 1967 IN WHICH PARTNERS ARE CALLED ADMINISTRATORS, STOCKS ARE CALLED SHARES, AND COMPANIES DO NOT ISSUE CERTIFICATES.
1- CHARACTERISTICS OF A LIMITED LIABILITY COMPANY

A limited liability company resembles partnerships as it is based to a large extent on personal considerations. Indeed, a limited liability company only has a limited number of partners who are often bound by family or friendship ties. Public subscription is prohibited, and the shares of partners may not be circulated. A limited liability company’s name may not include the name of one or more partners.

A limited liability company is similar to joint-stock companies:

a. The partners who establish the limited liability company are those who offer funds in cash or in kind, and services may not be considered as payment against the value of any share.

b. The minimum amount for the capital is five million Lebanese pounds distributed in equal shares. If the capital falls below five million Lebanese pounds, the company must be transformed into a joint-liability company or a limited partnership company, otherwise the company must be dissolved.

c. A partner is not considered to be a trader, and his responsibilities are limited to his offering of funds.

d. The announcement of the partner’s legal incapacity and bankruptcy do not require the company’s dissolution.

e. A limited liability company is commercial in form, regardless of its object.

f. The administrators must deduct ten percent of the net profits each year in order to constitute a reserve of up to fifty percent of the company’s capital.

2- ESTABLISHMENT OF A LIMITED LIABILITY COMPANY

A limited liability company is established based on a contract of which the Articles of Incorporation are signed by all the partners.

The Articles of Incorporation include: the company’s name, object, head office, capital, in kind and in cash shares submitted by each partner. They may also include the name of the director or administrators, and all the conditions agreed upon by the partners, in addition to the specification of the number of shares of each partner, their payment in full, and depositing the paid amount in a bank, as well as the specification of the in kind shares in the company statutes.

The object of a limited liability company may not be related to insurance, economics, supplies, organized air freight, or banking and finance.

Partners may be legal entities. All the partners may be of foreign nationality, but a foreign director is only appointed after obtaining a work permit.

The capital must be deposited in full at an accredited bank, in the company’s name, in a private account carrying the company’s name followed by “currently being established”. The capital amount must be held in custody at the bank, pending the company’s final establishment, i.e. after the registration procedures at the commercial register are completed.

Registration is made by depositing the articles of incorporation at the commercial register.

3- PUBLICATION OF THE COMPANY

The company’s establishment is considered to be finalized after the shares are distributed among the partners, and their value is fully paid up, and the paid amounts are deposited in a bank.

Following this operation, the company must be publicized. A limited liability company is subject to the same publication rules as joint-stock companies: depositing a copy of the company’s articles of association at the clerk’s office of the court of first instance of the same jurisdiction as the company’s head office; as well as registering a summary of said articles of association at the commercial register of the same jurisdiction as the company’s head office, within one month of the company’s establishment.

In-kind contributions will only be accepted after their estimation by an expert appointed by the commercial court of the same jurisdiction as the company’s head office. The value of any in-kind contributions must be specified in the company’s articles of association.

4- CONSTANT PUBLICATION:

The “limited liability company” expression, the capital amount, and the registration number at the commercial register must be clearly mentioned next to the company name on all paperwork, advertisements, newsletters, and any documents issued by the company.

Also, any amendment made to the company’s articles of association must be published.

5- THE ASSEMBLY OF PARTNERS

The partners shall meet in an assembly whose decisions are issued according to the majority of votes.

The partners’ general assembly is convened yearly, within six months of closing the year’s accounts. The partners may be convened to an ordinary assembly, especially for urgent matters such as dismissing or appointing directors, or appointing auditors.

The director shall convene the partners to the meeting. If the director or directors neglect to convene the assembly, the auditors, if any, must take this measure, else the invitation shall be sent through a partner or group of partners that represent a quarter of the capital and a quarter of the number of partners, or half the capital at least.

The director shall deposit at the company’s head office, at least twenty days before the assembly, the directors’ report on the company’s activities during the year, the inventory, the profit and loss statement, and the budget with the auditor’s report, if any.

Each partner shall review these documents, and may ask to consult at any time any registers and documents related to the activities of the three previous years.

The assembly shall be convened through publication in newspapers or invitations sent by registered mail to the partners with the agenda, one month before the scheduled meeting. The yearly assembly is convened in principle for the approval of the accounts.

The yearly partners’ assembly approves the budget, accounts, directors’ activities, profit distribution,
appointment and dismissal of directors and auditors, issuing authorizations to the directors for the tasks that are beyond their authority.

The assembly is only deemed legal if fifty percent of the capital is represented.

Decisions in the ordinary assembly are taken according to the simple majority of the present or represented shares. If this majority is not achieved, and the company’s articles of association do not stipulate otherwise, the partners are convened or consulted for the second time, and decisions are issued with the majority of the votes, regardless of the proportion of capital represented.

The partner’s nationality may not be changed, and the partner may not be forced to increase his obligations unless the partners unanimously decide it. The company’s articles of association may not be amended unless at least three fourths of the capital is represented by the partners.

6- CONSULTATIONS IN WRITING
It can sometimes be agreed that the partners may issue decisions in the form of written consultations, i.e. by taking the opinion of partners separately in writing, with the exception of the decisions pertaining to the approval of the budget and tasks of directors.

7- MANAGING LIMITED LIABILITY COMPANIES:
The managing partner of a limited liability company does not have the attribute of a trader.

a. The management of a limited liability company may be entrusted to one or more directors, and one of the partners must be appointed as director, either by virtue of the articles of incorporation or by virtue of a separate decision taken by the partners’ assembly.

The appointment of the directors and their prerogatives must be registered in the commercial register.

Whether he is appointed by virtue of the articles of incorporation or by virtue of a separate decision, the director shall be dismissed by a decision taken by the partners’ assembly notwithstanding any opposing text in the articles of incorporation.

b. The director may not make any agreement with the company that would profit him either directly or indirectly, unless he is explicitly authorized to do so by the partners.

8- THE AUDITORS
The auditors must take a decision by majority for the appointment of one or more auditors.

Auditors are appointed for three financial years, and may be dismissed by a decision issued by the majority of partners.

The appointment of auditors is obligatory in the following cases:
- If there are more than twenty partners
- If the capital of the company reaches thirty million Lebanese pounds
- If one or more partners owning a fifth of the capital request the appointment of an auditor

Auditors shall be selected from among the persons listed on the experts’ roster.

9- TRANSFORMING THE COMPANY
A limited liability company may be transformed into a joint-liability company, a limited partnership corporation, or a partnership limited by shares, through a decision taken unanimously by the partners. As for transforming the limited liability company into a shareholding company, it takes place through a decision taken by the majority of the partners representing at least three fourths of the capital, provided the partners approved the accounts of the two previous years.

10- DISSOLUTION OF THE COMPANY
A limited liability company may be dissolved for the following reasons:

a. The end of its term as stipulated in the articles of incorporation;

b. The end of the anticipated project for which it was established, or the impossibility of its achievement, or the elimination of its object;

c. The company is not transformed into another form of partnership or joint stock companies when there are less than three or more than thirty partners, or its capital becomes less than five million Lebanese pounds.

d. The company may be dissolved at any time by a unanimous decision taken by the partners. Contrary to joint-stock companies, a limited liability company is not dissolved following the bankruptcy of one of the partners, as long as there are three or more remaining partners.

e. A limited liability company does not expire following the death of one of the partners, but rather the shares of the deceased are transferred to his/her heirs. Likewise, a limited liability company does not expire following the bankruptcy of one of the partners or his/her loss of capacity, but he/she is replaced by his/her legal representative.
OVERVIEW
A PARTNERSHIP LIMITED BY SHARES IS A COMPANY WHOSE CAPITAL IS DIVIDED INTO SHARES OWNED BY KNOWN SHAREHOLDERS, WHO ARE RESPONSIBLE ACCORDING TO THE SHARES THEY HOLD. AS FOR ACCREDITED SHAREHOLDERS, THEY MANAGE THE COMPANY AND ARE PERSONALLY RESPONSIBLE IN SOLIDARITY OF THE COMPANY’S DEBTS, AND THEY MAY NOT WAIVER THEIR SHARES TO OTHERS.

The company’s trade name is composed of the name of one or more accredited shareholders, followed by “and partners”. The accredited shareholders manage the company and are accountable for all its debts.

In case of loss, the shareholders are responsible according to their contributions only, and their names are not included in the company’s trade name.
SHAREHOLDERS DO NOT HAVE THE ATTRIBUTE OF A TRADER.

The manager or managers are usually appointed in the company’s articles of association, and may be appointed through the minutes of the shareholders’ general assembly. The law did not impose a limit of shares that must be owned by a manager as a guarantee for his/her position. The managers that are appointed by virtue of the articles of association or by the unanimous votes of shareholders may not be dismissed, unless otherwise stipulated by the articles of association, or the dismissal obtains unanimous votes during the shareholders assembly.

All the obligations imposed by the law on the members of the Board of Directors in a shareholding company shall apply on the managers of a partnership limited by shares, and therefore these managers share the same responsibilities and sanctions that result from mismanagement.

Shareholders may not be appointed as managers in the company, and their names may not appear in its trade name.

1- ESTABLISHMENT OF THE COMPANY

By virtue of the law, the establishment of a partnership limited by shares is subjected to the same legal rules pertaining to the establishment of a joint-stock company.

THERE MUST BE AT LEAST THREE FOUNDERS.

The capital must not go below thirty million Lebanese pounds, divided into equal shares, the value of each being a minimum of one thousand Lebanese pounds. The capital in full must be subscribed to, and a quarter of the value of the shares at least must be paid, and the paid amounts must be deposited at an accredited bank. If there are in-kind shares in the constitution of the capital, they must be assessed by experts. The law did not specify a minimum number of partners. Nonetheless, and according to the general regulations, the number of partners must not be less than two.

2- MANAGING THE COMPANY

Some or all of the accredited partners shall manage the company, and the other partners may not interfere in the management of the company.

The manager or managers are usually appointed in the articles of association, and may only be dismissed upon the amendment of the articles of association. If it is necessary to appoint a manager during the company’s lifetime, this is done by a decision taken in the general assembly, with the approval of the accredited partners.
3- TRANSFER OF SHARES
The shares owned by accredited partners in a partnership limited by shares are transferable in the same manner as in joint-stock companies.

4- AUDITORS
There must be at least three auditors in a partnership limited by shares, including the court-appointed auditor. Auditors may not be appointed from among accredited partners, but may be appointed from among the other partners.
The articles of association may stipulate that auditors shall be appointed for an unspecified duration. As for auditors appointed upon the establishment of the company, they are only appointed for one year.

5- GENERAL ASSEMBLIES
The general assemblies of shareholders follow the same rules as those in joint-stock companies, i.e. there is a constituent assembly, ordinary and extraordinary meetings, and bondholder meetings.
A general assembly is composed of shareholding partners.
The decision taken in shareholders’ meetings only becomes effective on accredited partners if it is accompanied by their implicit or explicit approval; this rule does not apply on the decisions pertaining to the approval of the company accounts and budgets and dismissal of the manager, as these accounts are by virtue of the law under the supervision of the accredited partners. However, the decision to dismiss a manager only becomes effective upon the manager’s approval.

6- DISSOLUTION AND LIQUIDATION OF COMPANY
The company is not dissolved if one of the partners withdraws from it, but rather for the following reasons:
- The end of its specified term
- The end of the project for which it was established
- The elimination of the object of the company
- The disappearance of its capital or of one of the two categories of partners
- The impossibility of completing the project for which it was established
- The partners’ will to dissolve the company before the end of its term, with the personal approval of the accredited partners
- The loss of capacity or bankruptcy of an accredited partner
- The death of the accredited partner if he is the sole one. If there are more than one accredited partner and one of them dies, the company is not dissolved but rather remains standing with the other partners.
HOLDING COMPANIES
OVERVIEW


HOLDING COMPANIES ARE CONSIDERED TO BE INVESTMENT COMPANIES AND JOINT STOCK COMPANIES IN PARTICULAR. THEY ARE SUBJECT TO THE SAME PROVISIONS AS JOINT STOCK COMPANIES.
1- NAME OF HOLDING COMPANY
Like any joint-stock company, a holding company must have a name that differentiates it and constitutes an element of its legal character. The expression “holding company” must be specified next to the company’s name.

2- OBJECT OF HOLDING COMPANIES
The object of a holding company is limited to the following:
   a. Owning shares in an existing Lebanese joint stock company or a limited liability company, or participating in its establishment.
   A holding company may not directly own more than forty percent in more than two companies working in the same industrial, commercial, or non-commercial sector in Lebanon if this constitutes a monopoly.
   b. Managing companies in which it owns partnership or shareholding assets.
   c. Giving loans to companies in which it owns partnership or shareholding assets, and offering them guarantees against third parties.
   d. Owning patents, discoveries, concessions, trademarks, and other reserved rights, and leasing them to companies inside Lebanon and abroad.
   e. Owning personal or real property, provided they are only dedicated to its activities, subject to the provisions of the Lebanese law pertaining to the acquisition by non-Lebanese nationals of real estate in kind rights.
   The law on property ownership of foreigners in Lebanon stipulates the exemption of non-Lebanese legal entities from obtaining a permit if they wish to own built property with a surface area not exceeding three thousand square meters.

3- ESTABLISHING A HOLDING COMPANY
Holding companies are established in the form of a joint stock company, and are subjected to the same regulations as joint stock companies, with the following exceptions:
   a. The capital of the company may be specified in a foreign currency, accounting and budgets may be prepared in the currency specified for the capital.
   b. The company’s main head office must be located in Lebanon, where legal books and documents are kept.
   c. A register shall be kept at the court of first instance in Beirut for holding companies, and will include all the data and information legally required to be published by joint stock companies. When a company is registered in said register, it must submit its lease contract or property deed, or take a chosen location in Lebanon with the written approval of the natural person or legal entity that provided the location.
   d. A holding company may only publish the fiscal year budget and the names of the members of the board of directors and auditors in the commercial register of holding companies.
   e. A holding company must keep accounting books, prepare annual financial data, submit statements, pay due taxes at the income tax department, by virtue of the corporate legal provisions in a manner that does not conflict with the provisions of the legislative decree 45/83. A penalty of fifty thousand Lebanese pounds a month shall be imposed on the holding company that does not submit its legal statement in a timely manner. This is in addition to the taxes that are due.

4- MANAGING A HOLDING COMPANY
   a. A holding company is subjected to a system that guarantees the good organization of its business. The legislator has exempted holding companies from the obligation of having Lebanese persons or entities on their Board of Directors. Also, the Chairman of the
Board is exempted from obtaining a work permit if he/she is a non-Lebanese national residing abroad.

b. The Board of Directors and general assemblies may convene outside Lebanon if the company’s articles of association stipulate this. However, the annual ordinary general assembly must always be convened in Lebanon, within a maximum time of five months after the end of the fiscal year.

c. A main auditor residing in Lebanon and holding the Lebanese nationality must be appointed. He may be appointed for a duration of three years, and the company is exempted from appointing an additional auditor.

d. A holding company may only publish the fiscal year budget and the names of the members of the board of directors and auditors in the commercial register of holding companies.

Holding companies are considered de facto members of the Beirut Stock Exchange and must pay an annual subscription.

5- THE TAX SYSTEM OF HOLDING COMPANIES

- A holding company is exempted from the income tax on its profits.
- The interests gained by holding companies on the loans of companies in Lebanon are subjected to the income tax if these interests result from loans made for a period less than three years.
- The improvement profit of the holding company’s transfer of its fixed assets and contributions and shares in Lebanese companies is subjected to the income tax.
- The amounts obtained by a holding company from its affiliate companies in Lebanon in exchange for administrative expenses and services are subjected to taxation.
- The revenues obtained through the lease of patents to companies located in Lebanon are subjected to taxation.
- A holding company is subjected to an annual tax of 6% from the total capital value, in addition to the reserve funds, when this total does not exceed 50 million Lebanese pounds. The tax average is decreased to 4% for amounts ranging between 50 million and 80 million Lebanese pounds, and to 2% for amounts that exceed 80 million Lebanese pounds, provided the total annual tax does not exceed five million Lebanese pounds. This tax applies on a holding company starting from the first fiscal year, regardless of its duration.
- By virtue of the law, holding companies must pay their due taxes in one single payment upon the filing of their activity statements. A penalty of half in one thousand per day of late submission shall be implemented.
- Holding companies are subject to the provisions of Chapter II of the income tax law pertaining to the tax on salaries.

6 EXPIRATION OF A HOLDING COMPANY

A holding company expires for the same reasons as a joint stock company.

7- PENALTIES

Holding companies are prohibited from directly practicing any activities that are not related to their specified object. Penalties are imposed on companies that violate this, either by subjecting them to the provisions of the income tax that is implemented on financial companies according to the year in which the violation took place, in addition to a penalty of 20% of the tax, or to a penalty of three per thousand of the company’s capital, in addition to the reserve funds, provided the higher amount is levied.
OFFSHORE COMPANIES
OVERVIEW

AN OFFSHORE COMPANY IS A JOINT STOCK COMPANY FOUNDED IN LEBANON AND PRACTICING ITS ACTIVITIES OUTSIDE THE LEBANESE TERRITORY OR IN THE FREE TRADE ZONE.

No definition of an offshore company exists in the Lebanese law – i.e. legislative decree 46 of 24 June 1983, which established offshore companies, followed by amended law 17 issued on 5 September 2008. However, we can deduce from the company denomination itself and its object that it is a joint-stock company that practices its activity outside the country where it is located.

An offshore company is a commercial company that is registered at the commercial register in a special register for offshore companies in Beirut, where data and information required by the law from joint stock companies are published.
1- NAME OF OFFSHORE COMPANIES
Since it is a joint stock company, an offshore company often has a creative name. Its name must always be accompanied by the expression “offshore” and “joint stock company” on all papers, advertisements, newsletters, and other documents, in addition to the capital and registration number at the commercial register.

2- OBJECT OF OFFSHORE COMPANIES
The object of an offshore company is specified by the law as follows:

a. Negotiation and signature of contracts and agreements about operations and transactions executed outside the Lebanese territory and related to funds (goods and merchandise and elements of fixed material assets) located abroad or in the free trade zones.

b. Management of companies and institutions in Lebanon whose activity is limited to outside the Lebanese territory, and export of professional, administrative, and organizational services, and all types IT services and programs to companies outside Lebanon, based on the request of such companies.

c. Multiparty external trade operations taking place outside Lebanon. For this purpose, offshore companies can negotiate, sign contracts, ship goods, re-issue invoices for activities outside Lebanon, or from and to the free trade zones in Lebanon, for the storage of imported goods with the aim of re-exporting them.

d. Sea transport activities.

e. Owning stocks, bonds, shares, and contributions in non-resident foreign companies and institutions, and giving loans to the non-resident companies that the offshore company owns more than 20% of their capital.

f. Owning and/or benefiting from rights related to representation of goods and foreign companies on foreign markets.

g. Opening branches and representation offices abroad.

h. Building, investing, managing, and owning all economic projects, with the exception of those prohibited by the law.

i. Leasing offices in Lebanon and owning the necessary property for its activity, subject to the law of the acquisition by non-Lebanese nationals of real estate in kind rights.

3- PROHIBITED ACTIVITIES
The company’s articles of association must stipulate that the offshore company may not exercise any activity other than the one specified in the object of the company.

Offshore companies are prohibited from exercising activities other than the ones that are specified, and from making any profits or movable or immovable revenues in Lebanon, or resulting from services provided to resident institutions, with the exception of its bank account revenues and the revenues resulting from subscription to treasury bonds.

4- ESTABLISHING AN OFFSHORE COMPANY
Offshore companies are subjected to the same regulations as joint stock companies, while taking into account the following:

- The company’s articles of association must stipulate that it may not exercise any activity other than the ones specified.
- An offshore company may keep its books in the foreign currency, provided it remains equivalent to at least thirty million Lebanese pounds.
- An offshore company may only publish the fiscal year budget and the names of the members of the board of directors and auditors in the commercial register of offshore companies.

5- MANAGING OFFSHORE COMPANIES
Similarly to joint stock companies, offshore companies are managed through a Board of Directors, auditors, and general assemblies, with the following characteristics:

- The members of the board of directors may be non-Lebanese, and the Chairman or his legal representatives do not need a work permit if they
are non-Lebanese and reside abroad. The Chairman and members of the Board are exempted from the maximum limit stipulated by Article 154 in the Commercial Law, i.e. the number of companies the Chairman may manage or be a member of.

- Foreign workers in Lebanon are exempted from obtaining a work permit, provided the annual company’s budget is not less than one billion Lebanese pounds.
- The company does not have to appoint a legal advisor unless its capital exceeds fifty million Lebanese pounds or its aggregate annual budgets exceed five hundred thousand US dollars.

6- CAPITAL
An offshore company’s capital and accounts may be designated in a foreign currency. Offshore companies are considered de facto members of the Beirut Stock Exchange and must pay an annual subscription of one hundred US dollars. A main auditor residing in Lebanon and holding the Lebanese nationality must be appointed. He may be appointed for a duration of three years, and the company is exempted from appointing an additional auditor.

7- TAX SYSTEM
Offshore companies abide by a special tax system: It should be noted that offshore companies similarly to anonymous companies are required to keep books and pay taxes, their main differences are the following:
- Offshore companies are exempt from tax on profits.
- All contracts and documents signed in Lebanon and related to overseas business are exempt from stamp duties.
- Profit shares distributed by the company are exempt from tax on movable capital gains.
- Offshore companies are exempt from tax on distributed dividends to natural or legal persons living abroad.
- Offshore companies are exempt from taxes on amounts paid to natural or legal persons outside Lebanon for any services provided overseas.
- Offshore companies are exempt from tax on salaries and wages paid to workers and employees hired abroad.
- The shares of the company and its shareholders are exempt from transfer taxes and any related fees.
- Returns and revenues resulting from investing its funds outside Lebanon are exempt from taxation.

8- OFFSHORE COMPANIES ARE SUBJECT TO:

a- Fixed annual tax: This LBP 1 million annual tax is directly paid to the income tax financial department and is applied to all companies starting their first fiscal year regardless of their duration.

b- Tax on improvement profit: profit received from transferring the company’s fixed assets are subject to the tax stipulated in article 45 of the income tax law regardless of the duration of their ownership.

c- Tax on salaries and wages: Lebanese and foreign workers are exempt from taxes on salaries and wages if they are working overseas.

Workers in Lebanon are subject to the tax on salaries and wages:
- Lebanese employees working in Lebanon are properly subject to the tax.
- Foreign employees working in Lebanon are subject to the tax after deducting 30% of their salary that shall be considered as a non-taxable indemnity.

d- Some taxable capital revenues: in case these revenues occurred in Lebanon or were due to Lebanese residents.

According to the law, offshore companies shall settle their due taxes in one single payment when declaring their business and within the specified delays.

9- PENALTIES
If the company violates the object stipulated in legislative decree No 46, amended by law No 19, it shall become, for the year during which the violation occurred, subject to the income tax applied on financial partnerships operating in Lebanon in addition to a fine amounting to 50% (fifty percent) of the tax value.

10- DISSOLUTION OF AN OFFSHORE COMPANY
An offshore company is an anonymous company that is dissolved for the same reasons causing the dissolution of the latter. It shall also be dissolved if its activity does not comply with its exclusive object.
10
THIRD-FOREIGN COMPANIES
1- PUBLICATION SYSTEM:
The Lebanese law recognizes the legal personality of each company established in a foreign country in compliance with the laws of this country where the legal personality was acquired.

The foreign company acquiring a moral personality in its country of origin is entitled to enjoy all its rights: the nationality of the company shall be determined according to the location of its head office.

The foreign company abides by the laws of the country of its nationality except for the provisions in opposition to the Lebanese General Regulations.

Foreign companies shall abide by the provisions of the Lebanese law related to the publication of companies: They shall be registered at the Commercial register and are required to keep books. They also abide by the Lebanese fiscal law. The Lebanese courts are considered competent to rule in lawsuits arising from transactions executed by any of their branches in Lebanon.

Foreign companies operating in Lebanon abide by the registration process.

The following special provisions are applied:

1- JOINT STOCK COMPANIES AND PARTNERSHIPS LIMITED BY SHARES

This form of company, previously to starting any activity, shall submit a statement to the Department of Commercial Property at the Ministry of Economy and Trade. The statement shall include the name of the company, its head office, and capital. These companies are required to be registered at the Commercial Register in the area where their agency or branch is located.

A- Required documents for the registration of joint stock companies and partnerships limited by shares:

To be submitted to the office for the protection of industrial and commercial property at the Ministry of Economy and Trade:

- A statement made in two copies of in which the following shall be included:
  - Name of the company
  - Head office of the company
  - Capital of the company
  - Original deed of the company’s articles of incorporation and a copy of this deed.

- Decision of appointing one or two company representatives in Lebanon in order to represent the company before third parties and before the courts.

The above-mentioned documents shall be translated into Arabic and certified as true copies of the originals by the authorized party at the company. They shall also be certified by the competent authorities at the head office and the Lebanese Consulate.

These companies shall appoint a representative who is entitled to conclude and sign any agreement related to the company’s business mentioned in its status, and represent the company before the courts of any instance as a plaintiff or defendant or in any other quality.

Moreover, in case the main operations of a foreign company were financial, it shall submit to the office within the first three months of its fiscal year the documents which were set according to the budget of the previous year, provided that these documents shall be certified as true copies by the authorized person to sign on behalf of the company.
TO THE COMMERCIAL REGISTER
- A statement made in two copies where the following shall be included:
  - Name and family name of each partner, except any heir shareholder and partner, in addition to his date and place of birth and nationality.
  - Address and trade name of the company.
  - Form of the company.
  - Object of the company.
  - Locations—in Lebanon or abroad—where the company has established agencies or branches.
  - Names of the appointed persons—whether they were associates or non associates—to run the company, manage its affaires and sign on its behalf.
  - Capital of the company.
  - Extract of the status of the company.

Any amendment made to the status of the company as well as any capital decrease or increase shall be registered at the Commercial Register.

2- OTHER FORM OF COMPANIES
Those companies shall request the registration of their agencies and branches at the Commercial Register which happens to be located in their area.

The authorized agent of the specified foreign company is required to deposit an extract of the articles of incorporation and a statement made in two copies including the following information:
  - Name and family name of each partner, in addition to his date and place of birth and nationality.
  - Address and trade name of the company.
  - Form of the company.
  - Object of the company.
  - Head office of the company and the location of its agencies and branches in Lebanon.
  - Capital of the company.
  - Names of partners or appointed third parties to run the company, manage its affaires and sign on its behalf.

3- FOREIGN BANKS:
Foreign banks abide by the abovementioned general regulations and the provisions of the Code of Money and Credit which limited the practice of the banking profession in Lebanon to the institutions established in the form of anonymous societies. The Code of Money and Credit imposed on foreign banks that would like to establish one of their branches in Lebanon to get a previous authorization from the Central Bank of Lebanon.

4- FOREIGN INSURANCE COMPANIES:
Any foreign insurance company that would like to operate in Lebanon shall: be a joint stock company with a paid capital of no less than two billion and two hundred fifty million Lebanese Pounds, of which fifty percent shall be constituted of nominal shares. The company should hold the nationality of a country that applies reciprocity of treatment, and shall have a legal representative, and obtain a license from the Ministry of Economy and Trade and invest its funds reserve in Lebanon: cash deposits, treasury bonds. To guarantee its commitments, the law also requests the company to make a cash deposit in an acknowledged bank which amount differs according to the branches.