

Offshore Companies

Decree-Law No. 46 enacted on 24-6-1983 governs the incorporation and operation of the offshore companies in Lebanon. A offshore company must take the form of a joint stock company and is subject to the incorporation and operational requirements that apply to the joint stock company.

Offshore companies can be incorporated in Lebanon, and based in Lebanon, but they cannot engage in any business transactions inside Lebanon.

Offshore companies can only engage in the following activities:

- (a) The negotiation and signature of agreements and contracts related to transactions, which will be executed outside Lebanon and which concern goods and products located outside Lebanon or in the customs-free zone area;
- (b) The management of companies the activities of which are conducted outside of Lebanon;
- (c) Exporting professional, management, and organizational services as well as computer software services to company based outside of Lebanon;
- (d) Engaging in foreign trade transaction involving multiple parties;
- (e) Engaging in maritime transport activities;
- (f) Acquiring shares in foreign based entities and lending money to same;
- (g) Engage in commercial representation or agency activity for foreign companies outside of Lebanon;
- (h) Open branch offices or representative offices abroad;
- (i) Obtain documentary credits and borrow funds to finance activities outside of Lebanon;
- (j) rent or acquire offices in Lebanon for its own activities.
- (k) The use of facilities in the customs-free zone area to store goods imported for re-export;

If the company engages in any other activity, it becomes liable to the tax on business profits for that year increased by 50%.

As an exception to article 101 of Code of Commerce, the offshore company may only publicize in the Register of Commerce the annual balance sheet, the Board of Directors names and the auditor(s) name(s).

The offshore company must keep accounts, registers and annual financial statements. As far as the Auditors are concerned, at least one Lebanese auditor residing in Lebanon should be appointed. The duration of his appointment might reach three years if so resolved. The additional auditor (normally appointed by the tribunal) is not compulsory.

An offshore company is subject to the following special rules:

The head office of the offshore company must be in Lebanon and this type of company must have a minimum capital amounting to 30,000,000 LBP (\$20,000).

A minimum of 3 shareholders or partners is required to incorporate the company.

The Board members are selected from among the shareholders. The minimum number of directors is three and the maximum is twelve. Each director should own a certain number of shares as it is defined by the By-Laws of the company.

The Board of Directors` meetings can be held outside Lebanon if the articles of association of the company allow so.

However, the Annual Ordinary General Meeting must be held in Lebanon within five months of termination of the financial year.

The particularities of the offshore company are:

- (a) It may keep its accounts in Lebanese currency or in the foreign currency used in its operations.
- (b) The chairman of the board does not need a work permit if he/she is a foreigner and not resident in Lebanon;
- (c) At least one auditor of Lebanese residency must be appointed, but it is not necessary to appoint a second auditor; the duration of whose appointment may reach three years.
- (d) The company need only publish its annual balance sheet and the names of its directors and auditors in the special register.
- (e) The by-laws of the offshore company must stipulate that the company is not allowed to carry out any activity except those mentioned in the article 1 of the Law Decree No 46.