

Taxation of Holding Companies

Decree-Law 45 dated June 24, 1983 ("DL 45"), which authorizes the establishment and operation of holding companies, describes the corporate form available for such companies and the activities in which they may engage. DL 45 also exempts holding companies from the income tax provisions of DL 144 (Part One) and substitutes various lower tax rates.

Under article 6 of DL 45, the following taxes are levied on the total amount of capital and reserves owned by a holding company:

- 6% on the first LP 50,000,000 (\$30,300);
- 4% on the amount exceeding LP 50,000,000 up to and including LP 80,000,000 (\$48,480); and
- 2% on the amount above LP 80,000,000.

Provided that the total annual taxes mentioned above shall not exceed LP 5,000,000 per year.

In addition, holding companies are assessed a:

- 10% tax on capital gains if the stock sold was held by the company for less than two years;
- 5% tax on management fees collected from affiliated corporations provided that those fees do not exceed a certain limit to be specified by a government decree (this decree has not yet been issued);
- 10% tax on revenues generated from licensing patents and all other protected rights to institutions based in Lebanon; and
- 5% tax on the revenues derived from interest earned on loans made to companies operating in Lebanon if the term of such loans is less than three years.