



REPUBLIC OF LEBANON
MINISTRY OF FINANCE

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Institut des Finances Basil Fuleihan



Citizen Budget

Lebanon
2019

Financial and Fiscal
Awareness Series

Distributed free of charge

Citizen Budget

**Lebanon
2019**

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Awareness Series**

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The Ministry of Finance publishes the 2019 edition of the "Citizen Budget".

It was developed by the Institut des Finances Basil Fuleihan, under the guidance of H.E. Minister of Finance Mr. Ali Hassan Khalil, and in cooperation with the Directorate of Budget and Expenditure Control at the Ministry of Finance.

It is part of the financial and fiscal awareness series which aims at raising the awareness of citizens on their rights and obligations, and hence facilitating administrative transactions and promoting transparency and fiscal citizenship.

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Minister's foreword

We are pleased to put at your disposal the "Citizen Budget" for the second consecutive year, in line with our commitment to foster budgetary and financial transparency. The Ministry has pledged to foster conditions that enable citizens to learn and engage in public affairs, thereby allowing them to better grasp the multifaceted challenges of public financial management.

Against a backdrop of economic stagnation and an uncertain financial outlook, the Ministry of Finance has committed itself to communicate financial figures and major budgetary orientations to the public in a clear and simple manner in order to promote transparency and improve Citizen-State relations.

The "Citizen Budget" of 2019 thus aims to strengthen communication channels with citizens as they are of utmost importance in the shaping of public opinion and in holding the government and policymakers accountable.

The Minister of Finance
Ali Hassan Khalil

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About the "Citizen Budget"

What is the "Citizen Budget"?

The "Citizen Budget" is a simplified version of the budget law or budget proposal, designed to facilitate access to information, a fundamental constitutional right.

This booklet, drafted to equally serve experts and regular citizens, makes budget information available in a transparent and straightforward manner. It also raises awareness on the country's fiscal situation and enables citizens to compare public revenues and expenditures, deficit estimates and debt figures.

It seeks to promote citizens' engagement in the public debate and to facilitate their interaction with budget proposals, related economic assumptions, and reform initiatives.

Info

What are Public Funds?

Public funds are the sum of all the money collected by the State from the general public through taxation or other sources of revenue. The State uses public funds to finance public goods and services such as defense, justice, infrastructure, social services, health and others.

Why is it important for the international community?

The international community considers that governments worldwide are liable for their public policies and financial decisions, and that citizens are equally responsible for holding their governments accountable. According to the International Budget Partnership*, the principle of government accountability rests on two pillars:

The first ●—————● The second

stipulates that governments, ought to translate their citizen's needs and priorities into policies, and publish reports that highlight the extent to which these goals and results were accomplished, and at what cost.

asserts that citizens should engage in public affairs in a responsible manner and consistently thereby investigate and evaluate the performance of their respective governments.

Therefore, the ability of citizens to hold governments accountable depends on the latter's commitment to ensure access to information.

International organizations including the International Monetary Fund** and the Organization for Economic Cooperation and Development*** underline that access to fiscal information is essential for citizens to be able to hold their government accountable for their tax policies, loan decisions and the allocation and management of public resources.

Accordingly, it is not sufficient to make information related to the budget available for citizens, but it should be communicated in an accessible and straightforward language reports and booklets that can be understood by the public at large.

Based on the above, the international community encourages publishing a "Citizen Budget" Guide, in order to engage citizens in the public debate, especially on issues of high interest to their daily lives and future opportunities.

Why is it important for Lebanon?

Published for a second consecutive year ****, this booklet underlines the commitment undertaken by the Ministry of Finance to promote financial transparency and to improve Lebanon's ranking in terms of budget transparency.

References:

*International Budget Partnership, 2012. "A Government Guide to Developing Citizens Budgets"

<https://www.internationalbudget.org/wp-content/uploads/Citizen-Budget-Guide.pdf>

**International Monetary Fund, 2019. "Fiscal Transparency"

<https://www.imf.org/external/np/fad/trans/>

***Organization of Economic Cooperation and Development, 2010. "Producing a Citizens' Guide to the Budget: Why, What and How?"

<https://www.oecd.org/gov/budgeting/48170438.pdf>

**** "Citizen Budget 2018", Institut des Finances Basil Fuleihan - Lebanese Ministry of Finance, 2018.

<http://www.institutdesfinances.gov.lb/publication/citizen-budget-2018/>

The budget in 6 questions and answers

Question No 1: What is the budget?

- The article 3 of the "Public Accounting Law" in Lebanon defines the budget as "a legislative instrument in which national revenues and expenditures are estimated for the upcoming year, and by which the levy of taxes and spending is allowed".
- This definition indicates that the current budget follows the traditional classification, or the so-called "line item budget".
- The line item budget is based on the principle of allocating expenditures and revenues annually to governmental bodies such as Ministries, Administrations and Institutions (administrative classification). It could also be broken-down according to the purposes of disbursement for goods, services and works (functional classification) and according to the type of spending (economic classification).
- State budgets usually showcase the State's fiscal stance in terms of assets and liabilities. The Ministry of Finance of Lebanon is currently working towards modernizing the budget structure, which paves the way for more efficient control of public spending.
- State budgets have evolved to become a tool of foresight, planning and accountability based on programs and performance assessments, thereby including significant changes to the budget content and classification (by functions/projects, programs and actions instead of items). It also affects the methods used in the preparation, implementation and control of the budget, linking it to performance indicators, annual performance plans and annual performance reports.

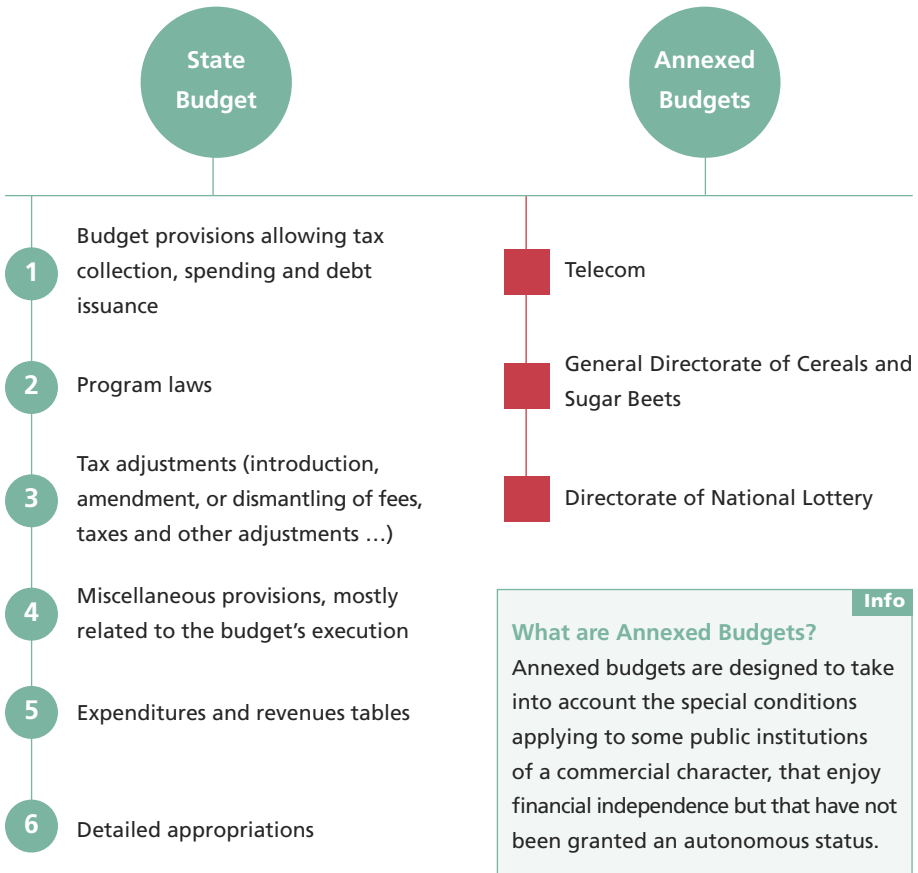
Info

What is a Performance Budget?

A Performance Budget is the practice of developing budgets based on clear objectives translated into financial plan and related to specified measurable outcomes.

Question No 2: What does the budget law include?

The budget law includes two main components:

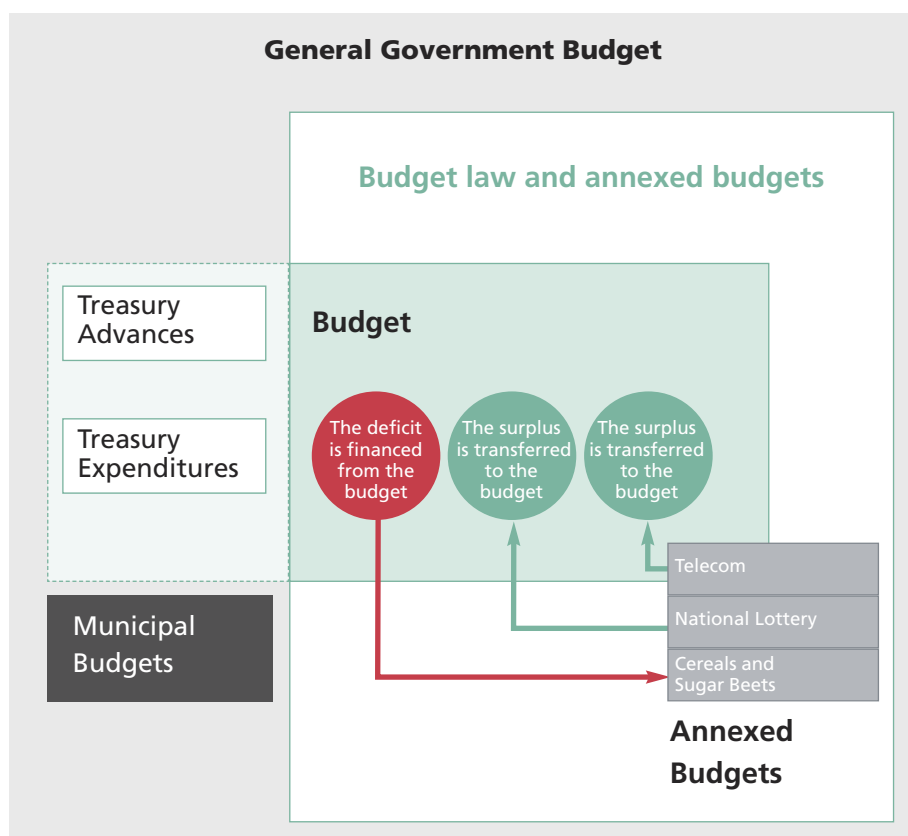


The budget in 6 questions and answers

Question No 3: Does the budget reflect the “whole picture”?

It is true that the approved budget represents a large portion of the **central government budget**, however many expenditures occur off-budget, while many countries around the world rely on a consolidated "General Government Budget".

The Lebanese Ministry of Finance is working towards the latter, namely towards annulling annexed budgets and integrating them into the State budget by 2021, a measure adopted in the article 76 of the current budget law.

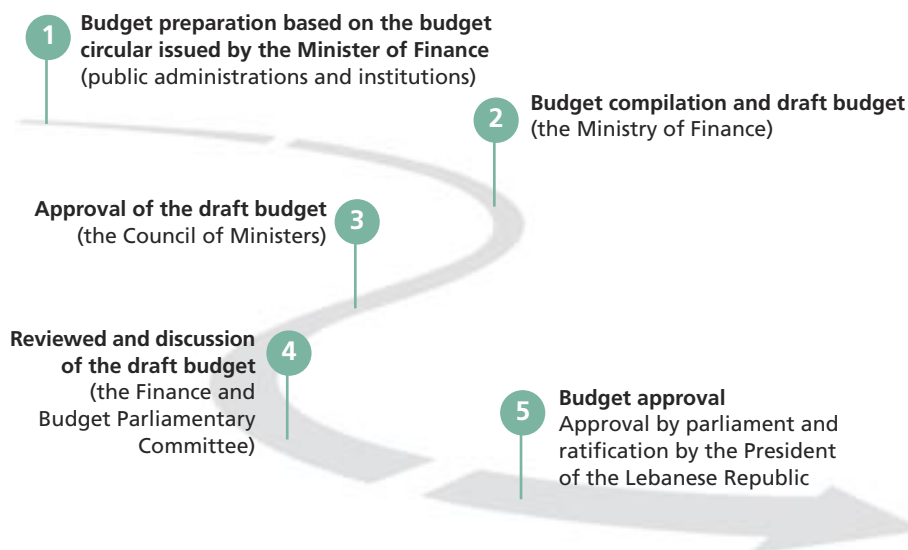


Question No 4: What are the five key legal principles of the budget?

<p>Annuality</p>	<p>The budget is prepared for a single year that coincides with the calendar year, from January 1st to December 31st</p>	<p>Exceptions</p> <ol style="list-style-type: none"> 1. Programs 2. Appropriations transferred to the upcoming year 3. The provisional twelfths 4. Additional appropriations
<p>Unity</p>	<p>There should be only one budget that includes all central government revenues and expenditures</p>	<p>Exceptions</p> <ol style="list-style-type: none"> 1. Extraordinary budgets 2. Independent budgets 3. Annexed budgets 4. Special accounts of the treasury
<p>Universality</p>	<p>Total revenues should cover total expenditures. It means that all revenues and expenditures should be accounted for in full and without any adjustments</p>	<p>Exceptions</p> <ol style="list-style-type: none"> 1. The relation between annexed budgets and the budget 2. The use of netting instead of gross budgeting in computing specific fees
<p>Non-assignment</p>	<p>Budget revenues must not be assigned to specific expenditures</p>	<p>Exceptions</p> <ol style="list-style-type: none"> 1. The assignment of some revenues to cover specific expenditures for practical considerations 2. The assignment of some revenues to cover specific related expenditures 3. The assignment of some revenues to the account of the independent municipal fund and specific entities with independent and annexed budgets 4. Conditional grants
<p>Equilibrium</p>	<p>The total ordinary revenues in the budget must cover the total expenditures</p>	<p>Exceptions</p> <p>Deficit or surplus</p>

The budget in 6 questions and answers

Question No 5: What are the major steps of budget preparation and approval?



Question No 6: What is the budget calendar?



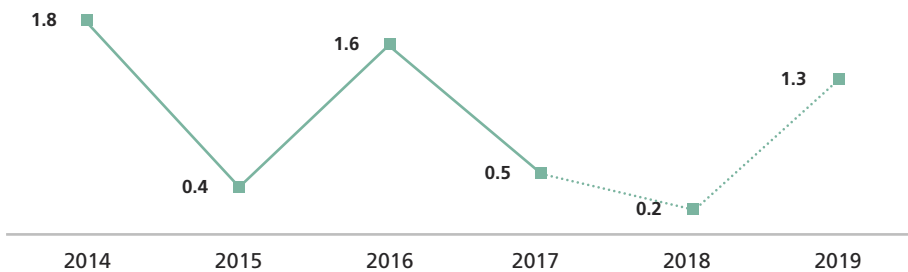
Fundamentals and assumptions underlying the budget 2019

Budgets are built on assumptions related to the State's expenditures and revenues in addition to various macroeconomic indicators taking into account economic and financial developments in the country.

These assumptions are usually included in the Minister of Finance's circular for budget preparation. The circular is addressed to all public administrations and institutions, and includes the main financial and economic orientations, the medium-term financial forecasts, and the guidelines for budget preparation.

1 Macroeconomics indicators

Real economic growth - percentage (%)



Note: 2018 and 2019 figures are estimations

Reference: International Monetary Fund database, 2019
<https://www.imf.org/external/pubs/ft/weo/2019/01/weodata/weoselser.aspx?c=446&t=1>

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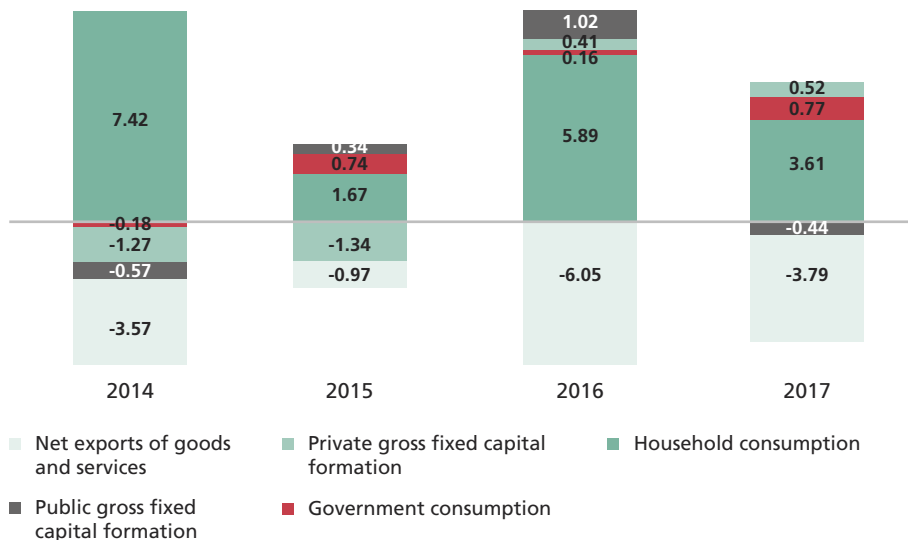
What is Economic Growth?

Economic growth is an increase in the capacity of an economy to produce goods and services, between two time periods.

Real economic growth is the economic growth adjusted for inflation.

Fundamentals and assumptions underlying the budget 2019

Contribution of GDP to growth - percentage point of real GDP

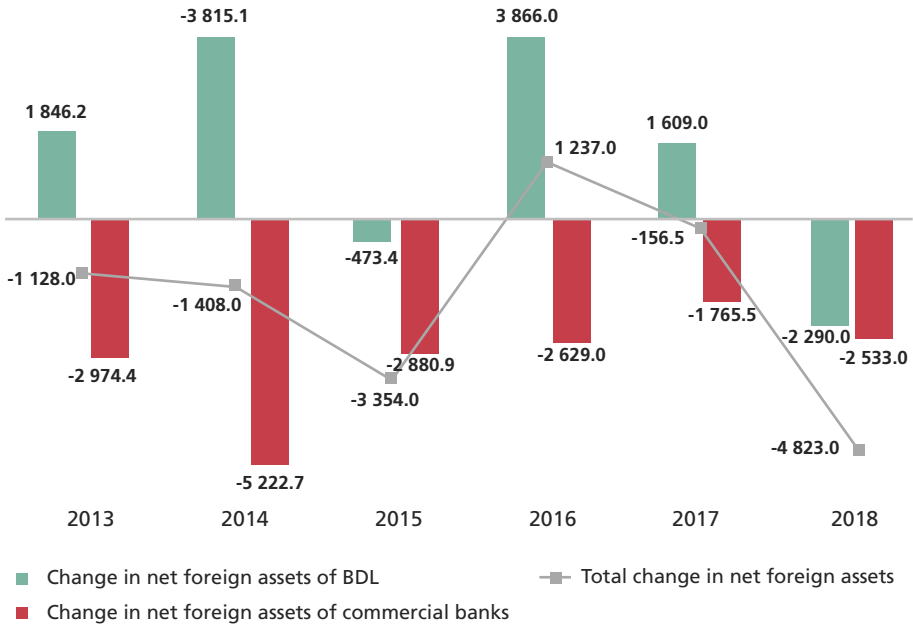


Reference: Central Administration of Statistics (CAS), 2017
<http://www.cas.gov.lb/index.php/national-accounts-en>

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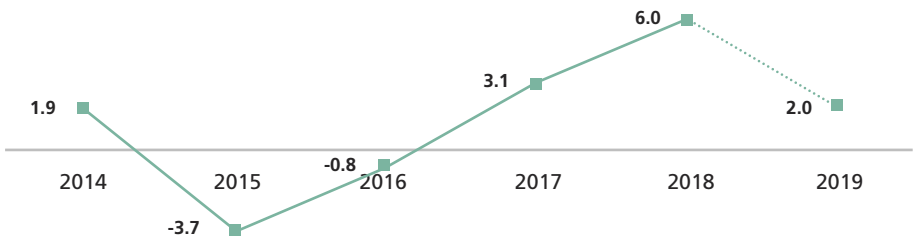
What is Gross Domestic Product GDP?
 GDP is the monetary value of all the finished goods and services produced within a country's borders in a specific period. It reflects the country's overall "economic health".

Balance of payments - changes in net foreign assets - USD million



Reference: Banque du Liban (BDL) database, 2018
<http://www.bdl.gov.lb/webroot/statistics/>

Average inflation rate - percentage (%)



Note: 2019 figures are estimations
 Reference: International Monetary Fund database, 2019
<https://www.imf.org/external/pubs/ft/weo/2019/01/weodata/weoselsr.aspx?c=446&t=1>

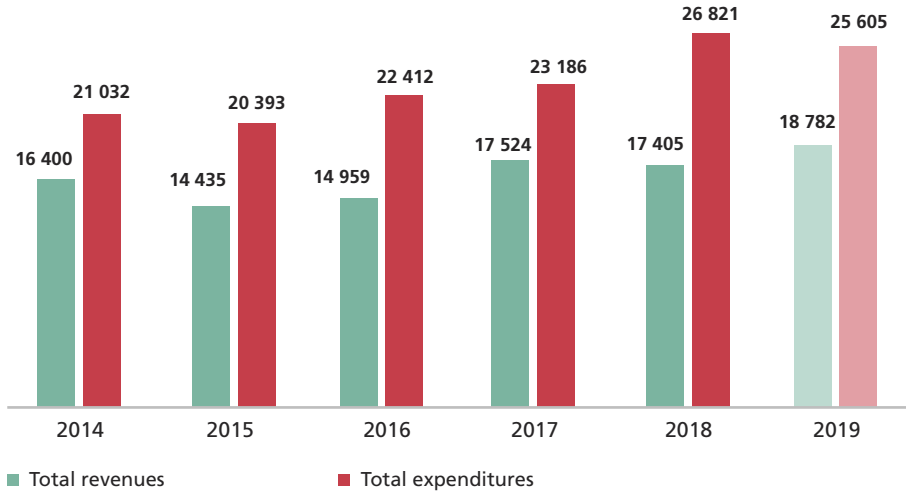
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What is Inflation?

Inflation is the rate at which the general level of prices for goods and services is rising and, consequently, the purchasing power is decreasing.

Fundamentals and assumptions underlying the budget 2019

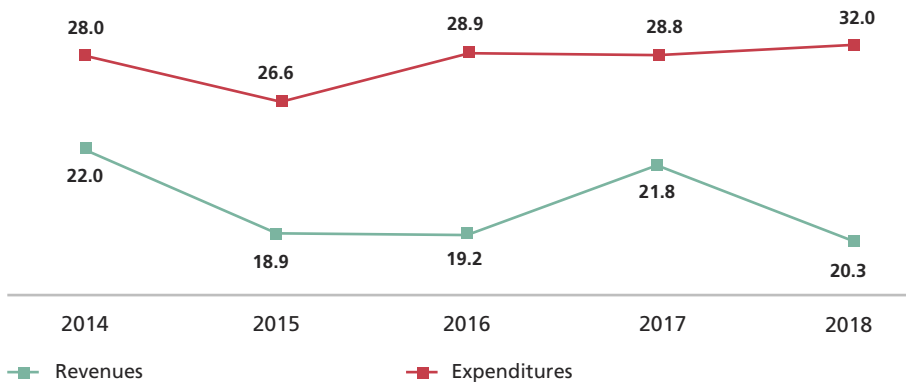
Overall public expenditures and revenues - LBP Billion



Note: - Expenditures for the years 2014-2018 include transfers to EDL and treasury expenditures
 - 2019 expenditures are budget expenditures as per 2019 budget law in addition to treasury advances to EDL
 - 2019 revenues are budget revenues as per 2019 budget law

References:
 - Public Finance Monitor reports for 2014 - 2018
<http://www.finance.gov.lb/en-us/Finance/Rep-Pub/DRI-MOF/PFR>
 - 2019 budget law

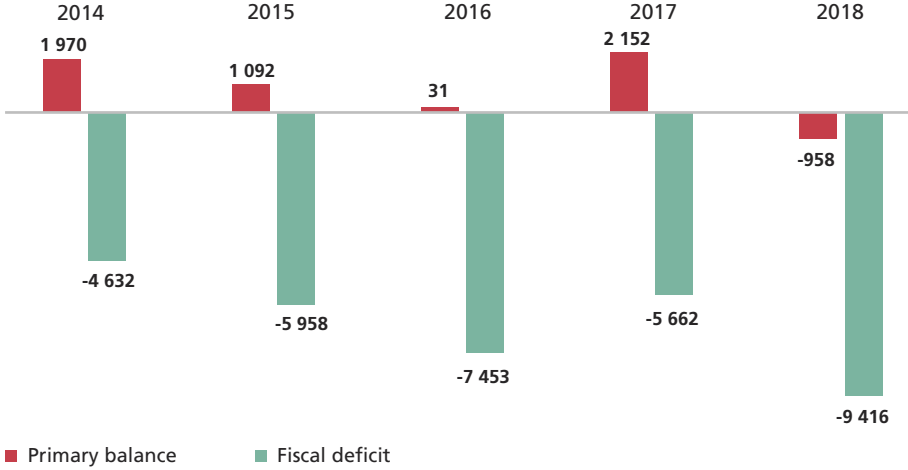
Public expenditures and revenues as share of GDP - percentage (%)



Note: Expenditures include transfers to EDL and other treasury expenditures

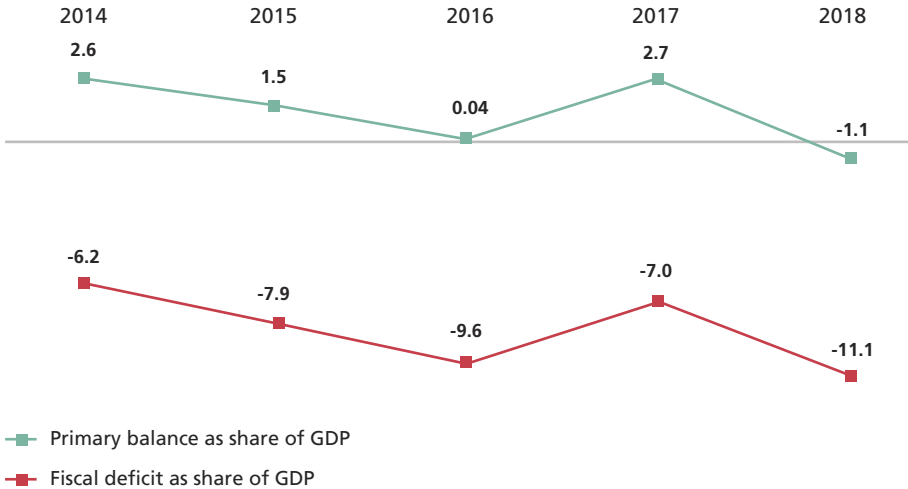
References: Public Finance Monitor reports for 2014 - 2018
<http://www.finance.gov.lb/en-us/Finance/Rep-Pub/DRI-MOF/PFR>

Fiscal deficit and primary balance - billion LBP



References: Public Finance Monitor reports for 2014 - 2018
<http://www.finance.gov.lb/en-us/Finance/Rep-Pub/DRI-MOF/PFR>

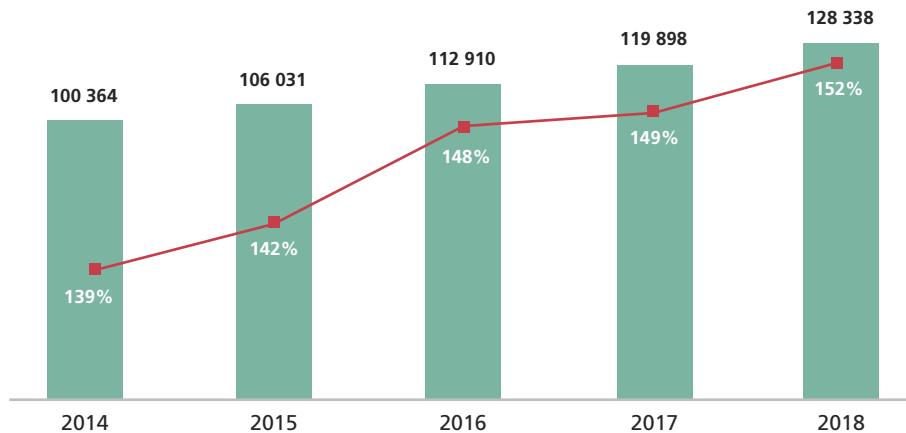
Fiscal deficit and primary balance as share of GDP - percentage (%)



References: Public Finance Monitor reports for 2014 - 2018
<http://www.finance.gov.lb/en-us/Finance/Rep-Pub/DRI-MOF/PFR>

Fundamentals and assumptions underlying the budget 2019

Public debt and debt ratio to GDP



■ Public debt (LBP billion)

■ Public debt as share of GDP (%)

Reference: Debt and Debt markets report 2018
<http://www.finance.gov.lb/en-us/Finance/PublicDebt/DebtReports>

2

Financial and economic assumptions

The Ministry of Finance relied on the following medium-term financial and economic assumptions for the preparation of the budget. These assumptions are very important as they help estimate the budget's expenditures and revenues for the following years. Although published in the budget circular, the Ministry of Finance adjusts these assumptions on a regular basis.

Macroeconomic assumptions

	2019*	2019u**	2020***	2021***
Growth rate of real GDP (%)	2.65	1.21	1.77	2.43
Growth rate of nominal GDP (%)	5.78	-	5.43	5.66
Inflation rates (%)	2.43	1.75	2.73	2.81
Gross domestic product (LBP billion)	90 617	89 935	93 885	99 204
Gross domestic product (USD million)	60 111	-	62 279	65 807
Total expenditures (% of GDP)	29.97	-	32.20	31.63
Total revenues and grants (% of GDP)	21.37	-	20.85	20.62
Total budget revenues (% of GDP)	20.16	-	19.64	19.45
Fiscal balance (% of GDP)	-8.61	-	-11.35	-11.01

References:

* Circular No. 1357/s1 dated 24 April 2018 for the preparation of the 2019 budget law

** 2019u refers to the updated numbers included in the pre budget statement

*** Circular no 1284/s1 dated 23 May 2019 for the preparation of the 2020 budget law

Fundamentals and assumptions underlying the budget 2019

3

Main economic and financial orientations

Containing the wage bill

- Freezing all public sector recruitment
- Revising retirement age
- Revising wage ceilings and related benefits
- Regulating recruitment systems and benefits schemes in the military and security corps

Moving towards a more equitable tax system

- Increasing the income tax for higher income brackets
- Revoking a number of exemptions and privileges related to traffic and vehicle registration fees

Strengthening state revenues and tax collection

- Allocating a greater share of traffic penalties to the treasury
- Introducing new fees on advertisement, foreign workers' sponsorship and permits, special vehicles' plates, imported goods, and others...
- Increasing the income tax rate on movable assets

Strengthening public expenditures mechanisms and monitoring

- All expenditures associated with grants or loans must be subject to the control of the Court of Audit
- Mandating the transfer of funds from donors to public administrations through the Ministry of Finance
- Strengthening control mechanisms related to cash and in-kind grants received from physical or moral persons
- Integrating annexed budgets in the central government budget

4

Expected revenues and expenditures for 2019

The following table shows the figures stated in the budget in addition to extra-budgetary expenditures and revenues:

	2018 budget law (LBP billion)	2019 budget law (LBP billion)	Change (%)
Expected budget revenues	18 686	18 782	0.5
Tax revenues	14 276	14 570	2.0
Taxes on income, profit and capital gains	5 038	5 437	7.9
Taxes on properties	1 284	1 142	-10.3
Domestic taxes on goods and services	6 359	6 231	-2.0
Taxes on international trade and transactions	863	1 055	22.2
Other tax revenues	730	704	-3.5
Non-tax revenues	4 410	4 212	-4.5
Expected budget expenditures	23 891	23 105	-3.3
Current expenditures	21 720	21 649	-0.3
Personnel cost	9 967	10 058	0.9
Domestic interest payments	5 187	5 046	-2.7
Foreign interest payments	3 027	3 266	7.9
Other current expenditures	3 539	3 279	-7.3
Capital expenditures	2 170	1 456	-32.9
Fiscal Deficit	-5 204	-4 322	-16.9

References: 2018 and 2019 budget laws

Fundamentals and assumptions underlying the budget 2019

	2018 budget law (LBP billion)	2019 budget law (LBP billion)	Change (%)
Treasury revenues	983	1 111	13.0
Treasury advances to fund EDL deficit	2 100	2 500	19.0
Treasury advance granted under the 2019 budget law	-	1 306	-
Treasury advance granted under the law No. 114/2019	-	794	-
Treasure advance granted under the decree No. 4341/2019	-	400	-
Other treasury expenditures	1 549*	1 504**	-2.9

* Calculations are based on the treasury expenditures' estimates of 1.8% of GDP as stated in the budget circular No. 1420/S.1 dated 20 April 2017

** Calculations are based on the treasury expenditures' estimates of 1.66% of GDP as stated in the budget circular No. 1357/S.1 dated 24 April 2018

References: 2018 and 2019 budget laws

2019 budget expenditures

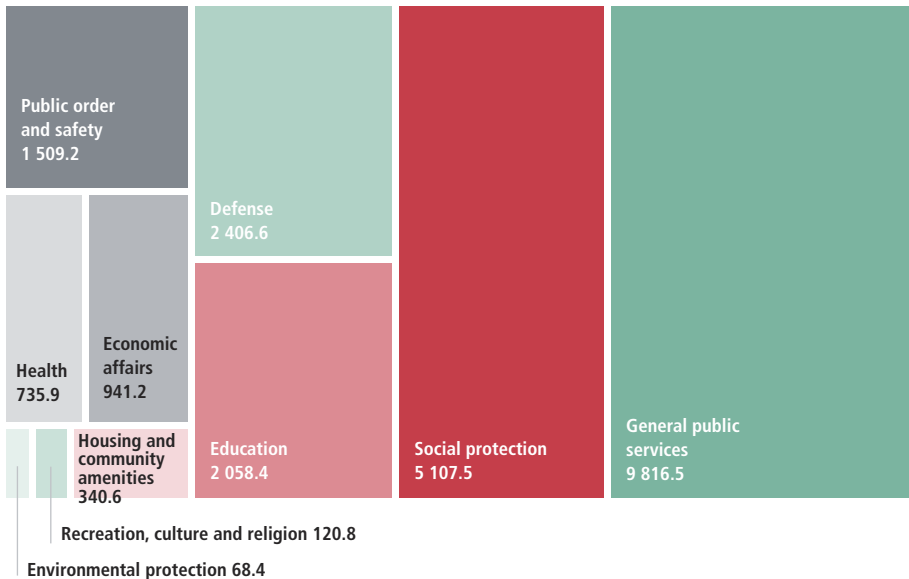
In this section, expenditures are presented according to three types of classifications:

- (1) **According to function** (health, education, environmental protection...). These functions are classified according to the International Monetary Fund standards, a procedure called **functional classification**.
- (2) **According to type**, and there are two; current expenditures (salaries and wages, goods and services, debt interests...) and capital expenditures (building bridges, infrastructure...); this procedure is called **economic classification**.
- (3) **According to the administrative entity responsible for budget management** (the Ministry of Health, Council for Development and Reconstruction...); this procedure is called **administrative classification**.

1

Budget expenditures distribution by the ten main functions - functional classification

Expected budget expenditures for 2019 by the ten main functions - LBP billion

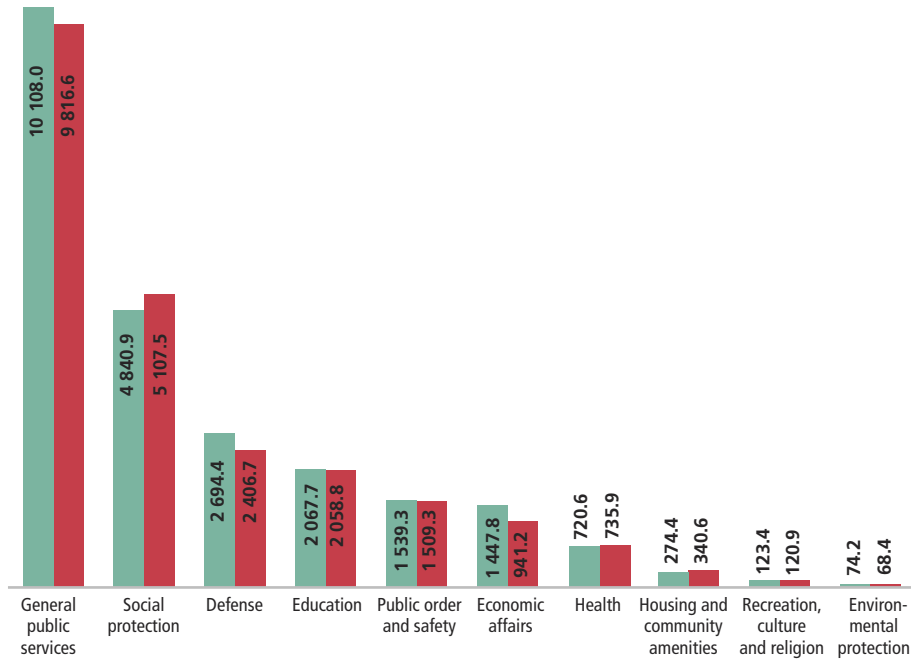


Note: This chart does not include treasury advances to EDL

Reference: 2019 budget law

2019 budget expenditures

Estimated budget expenditures for the ten main fuctions - comparison between 2018 and 2019 - LBP billion



■ 2018 budget law ■ 2019 budget law

Note: This chart does not include treasury advances to EDL

References: 2018 and 2019 budget laws

2

Most prominent expenditures for citizens - functional classification

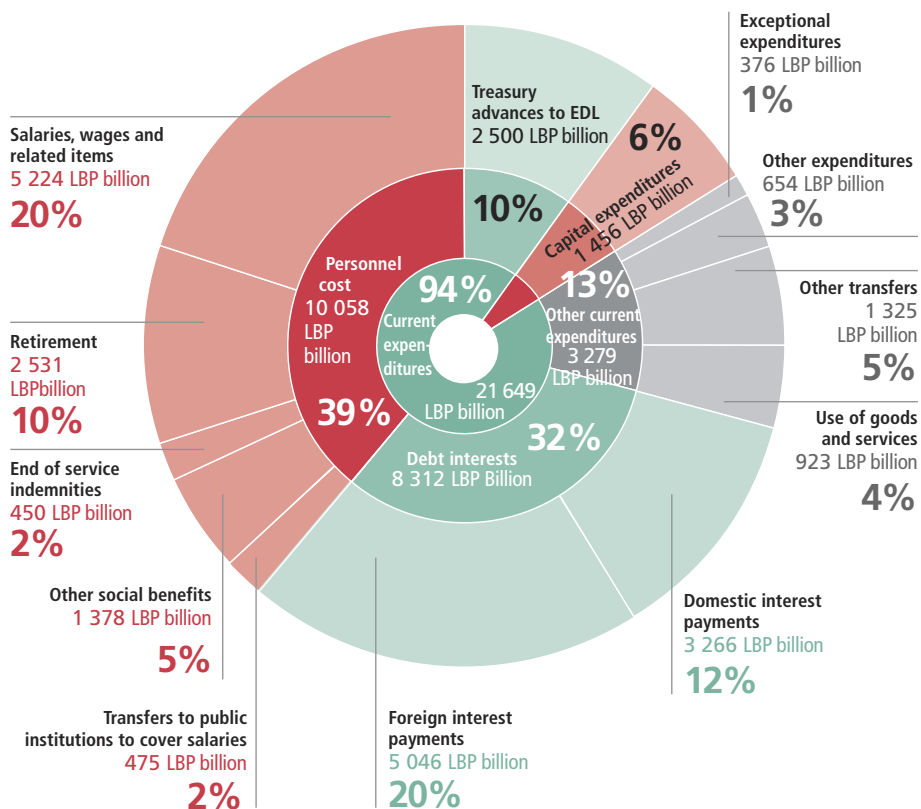
	Functions	2018 budget law (LBP billion)		2019 budget law (LBP billion)
	Military defense	2 694.4		2 406.5
	Police services	995.8		973.2
	Retirement and end of service indemnities	2 808.6		2 981.0
	Education	2 067.7		2 058.4
	Health	720.7		735.9
	Justice	119.2		118.9
	Agriculture	80.6		62.5
	Environmental protection	36.3		34.7
	Waste management	35.5		31.4
	Protection and promotion of women's rights	1.3		0.9

References: 2018 and 2019 budget laws

2019 budget expenditures

3

Budget expenditures according to type - economic classification



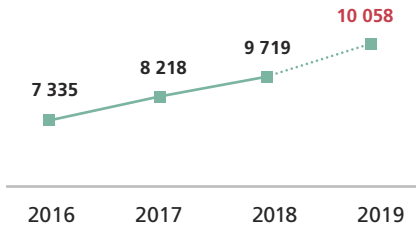
Note: This chart includes budget expenditures in addition to treasury advances to EDL

Reference: 2019 budget law

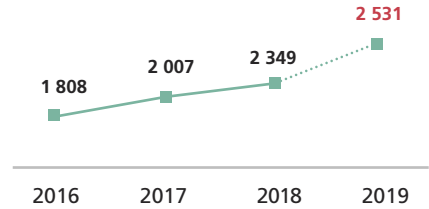
4

Main Current and Capital Expenditures - economic classification

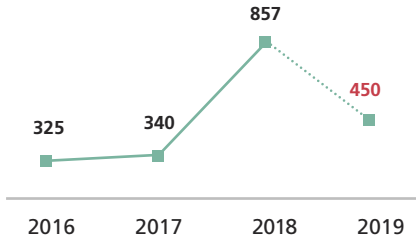
Salaries, wages and related items - LBP billion



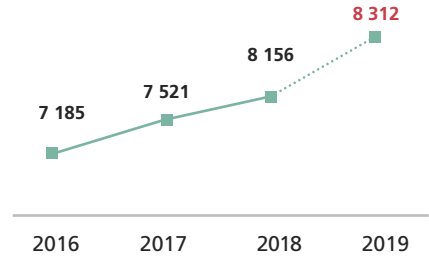
Retirement - LBP billion



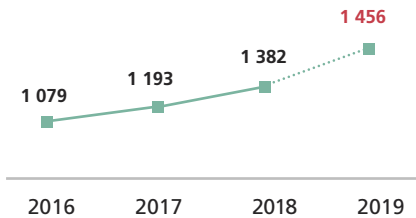
End of service indemnities - LBP billion



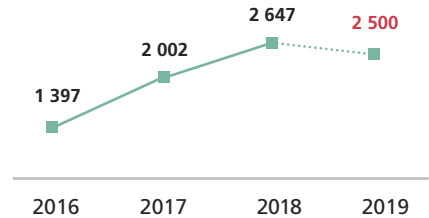
Debt interests - LBP billion



Capital expenditures - LBP billion



Transfers to EDL - LBP billion






Note: - The figures of 2017 and 2016 are effective figures
 - 2019 expenditures are budget expenditures as per 2019 budget law





References:
 - Public Finance Monitor report, 2018
<http://www.finance.gov.lb/en-us/Finance/Rep-Pub/DRI-MOF/PFR>
 - 2019 budget law

2019 budget expenditures

5

Major investment projects

LBP billion	Project cost	Total appropriations in previous budgets	Appropriation in 2019 budget	Total remaining appropriations for the coming years
 <ul style="list-style-type: none"> ■ Construction of buildings for public administrations in order to reduce the rental burden ■ Construction of new buildings for the Ministry of Finance and the unified building for the Customs administration ■ Establishment of the Maritime Science and Technology Institute (MARSATI) in Batroun and construction of the Directorate General of Land Transport building 	750.0	10.0	-	740.0
	71.2	13.1	19.0	39.1
	29.5	15.7	-	13.8
 <ul style="list-style-type: none"> ■ Surveying, demarcation, and final mapping of all Lebanese territory ■ Subdivision and lot mergers - housing and urban planning ■ Settlement of debts and expropriation indemnities 	40.0	35.0	-	5.0
	92.0	55.0	-	37.0
	850.0	206.0	143.0	501.0
 <ul style="list-style-type: none"> ■ Construction of a touristic port at Jounieh Bay ■ Construction and completion of roads <ul style="list-style-type: none"> - Expansion and rehabilitation of Al Sultania - Sidon road - Completion of Kfar Reman Marjeyoun road - Construction of the Saints road (Byblos - Batroun) - Completion of the Northern Highway (Tripoli - Northern Borders) 	60.0	31.5	13.2	15.3
	32.0	13.5	-	18.5
	63.0	26.8	21.1	15.1
	30.0	10.0	-	20.0
	50.0	10.0	15.0	25.0

	LBP billion	Project cost	Total appropriations in previous budgets	Appropriation in 2019 budget	Total remaining appropriations for the coming years
	- Completion and rehabilitation of Tawfiqia road (Ras Baalbeck - Al Qaa)	50.0	10.0	13.3	26.7
	■ Program for the provision of equipment, devices and infrastructure development for the Lebanese Army	1 348.2	865.2	6.5	476.5
	■ Expansion of the telecommunications network	450.0	225.0	-	225.0
	■ Program for water and energy works across lebanese regions	1 351.5	1 251.4	34.0	66.1
	■ Pollution treatment of the Litani River region from its source to the estuary (Law No. 63 offbudget). Amount distributed among Ministry of Agriculture, Ministry of Energy and Water, Ministry of Environment, Ministry of Industry	1 100.0	201.6	210.2	688.2
	■ Construction and equipment of school buildings	20.0	12.5	1.1	6.4
	■ Lebanese University building project	425.0	403.0	-	22.0
	■ Operation and maintenance of the Lebanese University campus in Hadath	45.0	30.0	15.0	-
	Cluster bombs removal program	50.0	7.5	5.0	37.5



















Reference: 2019 budget law

2019 budget expenditures











6

Budget expenditures according to governmental
entities - administrative classification

	2016 draft budget law (LBP billion)	2017 budget law (LBP billion)	2018 budget law (LBP billion)	2019 budget law (LBP billion)	Change (%) 2018-2019	
 Presidency of the Republic	21.9	20.4	18.1	14.5	-20.4	↘
 Lebanese Parliament	74.0	71.7	84.8	82.2	-3.0	↘
 Presidency of the Council of Ministers	1 511.7	1 544.1	1 523.5	1 026.9	-32.6	↘
 The Constitutional Council	1.9	1.9	1.8	1.8	0.0	=
 Ministry of Justice	162.3	107.4	116.6	114.4	-1.9	↘
 Ministry of Foreign Affairs and Emigrants	165.1	175.1	179.2	177.6	-0.9	↘
 Ministry of Interior and Municipalities	1 488.6	1 517.9	1 670.2	1 637.5	-2.0	↘
 Ministry of Finance	540.3	630.3	727.3	640.8	-11.9	↘
 Ministry of Public Works and Transportation	489.7	465.3	441.9	389.6	-11.9	↘
 Ministry of Defense	2 435.2	2 813.4	3 198.9	2 905.8	-9.2	↘
 Ministry of Education and Higher Education	1 639.5	1 708.7	2 091.6	2 085.3	-0.3	↘
 Ministry of Public Health	676.1	708.5	728.9	742.8	1.9	↗
 Ministry of Economy and Trade	59.4	29.6	26.1	26.5	1.5	↗

	2016 draft budget law (LBP billion)	2017 budget law (LBP billion)	2018 budget law (LBP billion)	2019 budget law (LBP billion)	Change (%) 2018-2019	
 Ministry of Agriculture	78.9	74.5	96.6	81.5	-15.6	
 Ministry of Post and Telecommunications	8.2	7.1	6.7	6.3	-6.1	
 Ministry of Labor	414.8	416.2	389.3	364.8	-6.3	
 Ministry of Information	47.6	45.3	47.6	44.9	-5.7	
 Ministry of Energy and Water	220.6	387.1	327.8	395.4	20.6	
 Ministry of Tourism	25.9	25.7	23.7	21.8	-8.4	
 Ministry of Culture	37.6	46.5	48.7	50.1	2.9	
 Ministry of Environment	10.9	14.0	14.0	12.3	-12.9	
 Ministry of Displaced	7.2	7.0	8.2	7.5	-7.4	
 Ministry of Youth and Sports	17.9	15.5	14.5	13.2	-9.0	
 Ministry of Social Affairs	222.9	226.7	228.0	335.4	47.1	
 Ministry of Industry	7.9	8.1	9.8	9.2	-5.2	

2019 budget expenditures

	2016 draft budget law (LBP billion)	2017 budget law (LBP billion)	2018 budget law (LBP billion)	2019 budget law (LBP billion)	Change (%) 2018-2019	
 Common expenses	10 987.0	11 450.0	11 022.6	11 293.0	2.5	
 Budget reserve	1 580.3	1 388.0	844.8	624.4	-26.1	
Total budget	22 933.4	23 906.0	23 891.2	23 105.5	-3.3	
Treasury advances to EDL			2 100	2 500*		
Total expenditures			25 991.2	25 605.5		
 Directorate of National Lottery	100.8	115.8	96.8	92.0	-5.0	
 Directorate General of Cereals and Sugar Beets	77.5	45.3	30.5	31.3	3.0	
 Telecom	2 259.4	2 615.9	2 700.3	2 275.6	-15.7	
Total of Annexed Budgets	2 437.7	2 777.0	2 827.6	2 398.9	-15.2	

* Treasury advance of 1306 billion LBP granted under the 2019 budget law
 Treasury advance of 794 billion LBP granted under the law No. 114/2019
 Treasury advance of 400 billion LBP granted under the decree No. 4341/2019

Note: The first part of the table includes the budget expenditures in addition to the treasury advances to EDL, while the second part of the table shows the annexed budgets

References: Budget laws for 2017, 2018 and 2019 in addition to 2016 draft budget

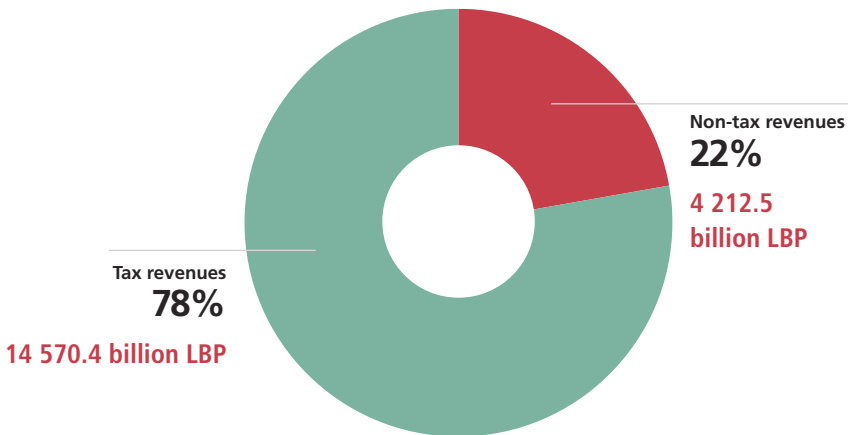
2019 budget revenues

This section introduces the main revenues' estimations for 2019 budget, especially (1) the tax revenues which constitute the biggest share and (2) the non-tax revenues expected to be collected from state institutions and administrative transaction fees.

1 Tax and non-tax revenues

Budget revenues for 2019 are estimated to 18,782.9 billion of LBP

Distribution of tax revenues and non-tax revenues



Reference: 2019 budget law

What are tax revenues?

Tax revenues are the revenues collected from taxes and fees paid by citizens.

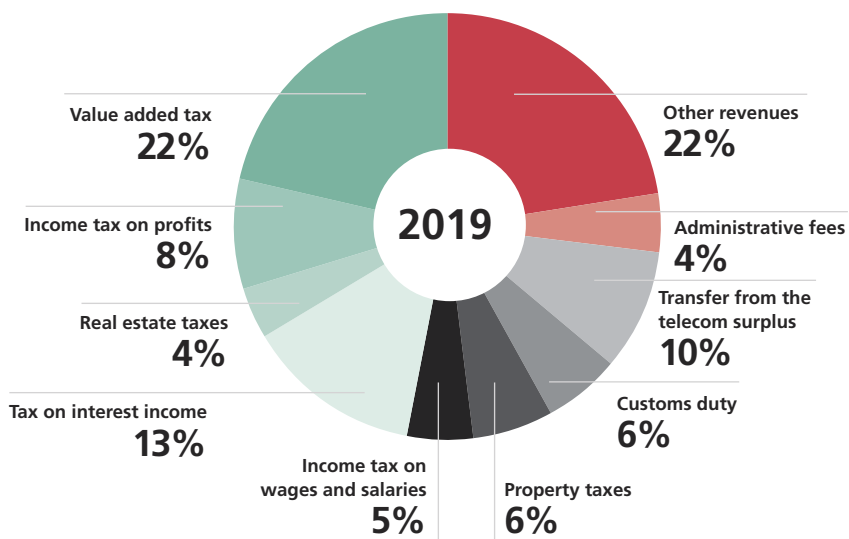
What are non-tax revenues?

Revenues arising from state-owned enterprises and from public institutions making profits. These revenues are also paid by citizens.

2019 budget revenues

2

Main revenue sources in budget 2019

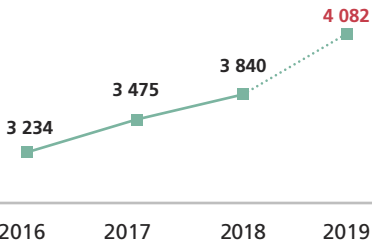


Reference: 2019 budget law

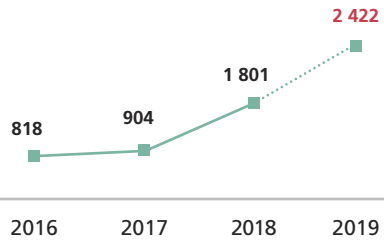
3

Evolution of main tax revenues

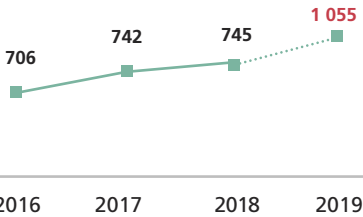
Value added tax - LBP billion



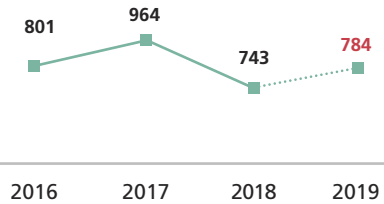
Tax on interest income - LBP billion



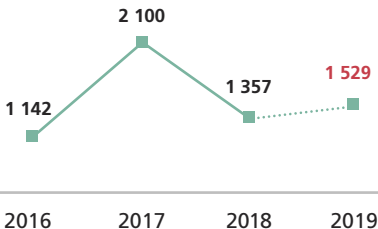
Customs duty - LBP billion



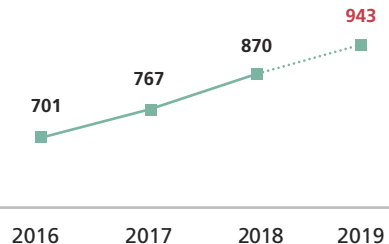
Real estate taxes - LBP billion



Income tax on profits - LBP billion



Income tax on wages and salaries - LBP billion



Note: - The figures of 2018 and before are effective figures
 - 2019 revenues are budget revenues as per 2019 budget law

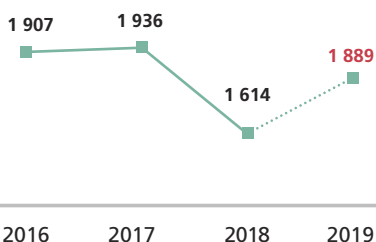
References:
 - Public Finance Monitor report, 2018
<http://www.finance.gov.lb/en-us/Finance/Rep-Pub/DRI-MOF/PFR>
 - 2019 budget law

2019 budget revenues

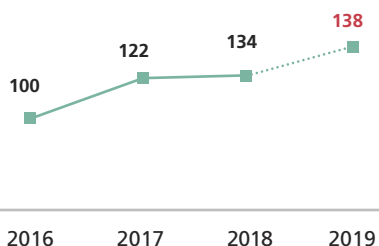
4

Evolution of main non-tax revenues

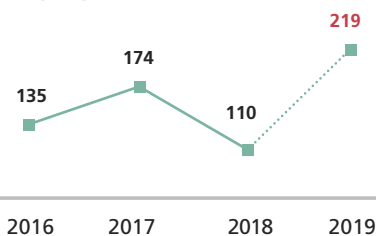
Transfers from the telecom surplus - LBP billion



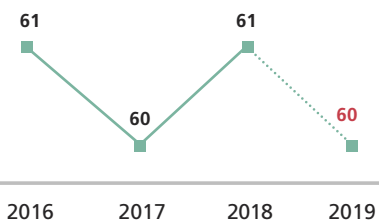
Revenues from Casino du Liban - LBP billion



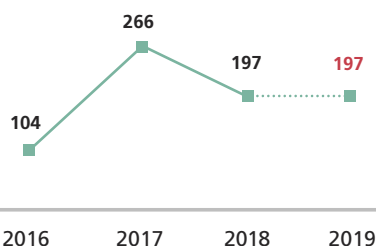
Revenues from Port of Beirut - LBP billion



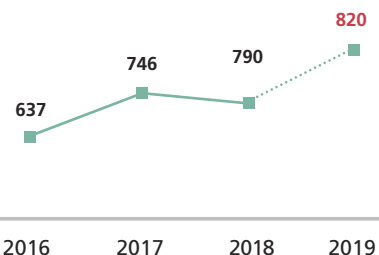
Transfers from Banque du Liban - LBP billion



Property income - LBP billion



Administrative fees - LBP billion



Note: - The figures of 2018 and before are effective figures
 - 2019 revenues are budget revenues as per 2019 budget law

References:

- Public Finance Monitor report, 2018
<http://www.finance.gov.lb/en-us/Finance/Rep-Pub/DRI-MOF/PFR>
- 2019 budget law

5

Revenue comparison between 2018 and 2019

LBP billion	2018 Budget law		Effective revenues 2018	2019 Budget law
Total tax revenues	14 276.0		12 766.0	14 570.0
Taxes on income, profits and capital gains	3 997.7	<	4 498.9	5 421.6
Other income taxes	1 040.9	>	1.0	15.4
Built property tax	220.9	<	282.1	246.7
Inheritance tax	176.8	>	112.8	111.6
Non recurrent taxes on property	886.7	>	743.8	784.1
Taxes on maritime property	-		-	-
Other taxes on property	-		-	-
Domestic taxes on Goods	1 762.3	>	1 315.3	1 419.7
Régie profits	126.3	<	135.2	230.2
Taxes on services	3.9	<	4.1	4.1
Sales tax	0.4	>	0.2	0.3
Value added tax	3 958.1	>	3 840.8	4 082.2
Other taxes on goods and services	508.4	>	483.8	494.8
Taxes on imported goods	863.1	>	745.1	1 055.0
Taxes on exports	-		-	-
Other taxes on international trade and transactions	-		-	-
Fiscal stamp fees	730.0	>	602.1	704.1
Fixed fees	-		-	-
Unclassified taxes	-		-	-

2019 budget revenues

LBP billion	2018 Budget law		Effective revenues 2018	2019 Budget law
Total non-tax revenues	4 410.0		3 423.0	4 212.0
Income from non-financial public Enterprises	2 478.4	>	1 922.5	2 315.5
Transfers from Public financial institutions	61.7	>	60.4	60.4
Property Income	105.1	<	197.0	197.8
Transfers from public investment management institutions	-		-	-
Other income from public institutions	6.1	<	7.6	7.4
Administrative fees	817.0	>	790.3	820.6
Administrative charges	33.0	<	35.2	51.4
Sales	3.4	=	3.4	103.4
Permit fees	81.5	<	93.0	112.7
Other administrative fees and charges	19.8	<	23.9	24.1
Fines and penalties	38.8	>	35.7	46.0
Confiscations and forfeits	0.008	<	0.018	0.016
Sanctions	0.3	=	0.3	0.3
Retirement deductibles	311.0	>	221.7	270.0
Transfers from postal services	-	<	2.6	0.056
Internal current grants	-		-	-
External current grants	-	<	24.5	-
Extraordinary non-tax revenues	454.0	>	4.5	202.3

References:

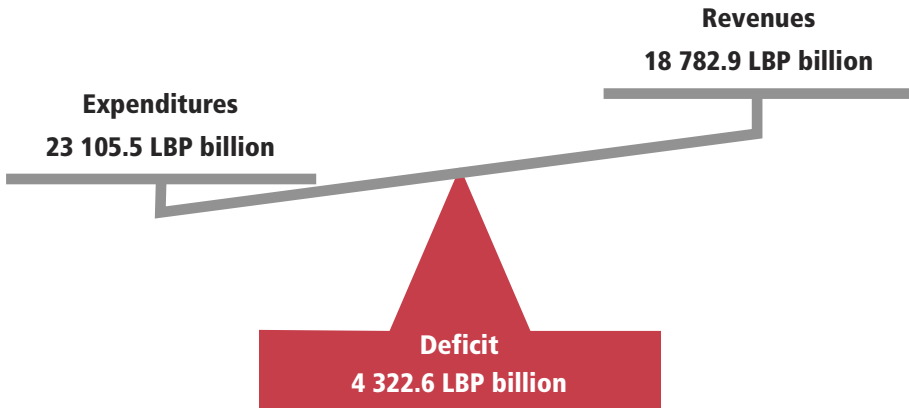
- Public Finance Monitor report, 2018

<http://www.finance.gov.lb/en-us/Finance/Rep-Pub/DRI-MOF/PFR>

- 2019 budget law

2019 budget deficit

4 322.6 Billion LBP is the estimated budget deficit for 2019, without taking into account treasury advances to EDL and the net balance of both treasury expenditures and revenues.



Reference: 2019 budget law

What is Fiscal Balance?

Info

The difference between total expenditures and total revenues.

What is Treasury Advance?

Info

Funds temporarily held outside the treasury and expected to be reimbursed in a specific period of time.

What is Primary Balance?

Info

The fiscal balance excluding debt interests.

Public debt

This part presents debt distribution according to debt holder, by currency, in addition to the evolution of principal repayment over the past years.

Info

What is Public Debt?

The public debt is constituted of funds borrowed by the government to cover the fiscal deficit.

How is public debt calculated?

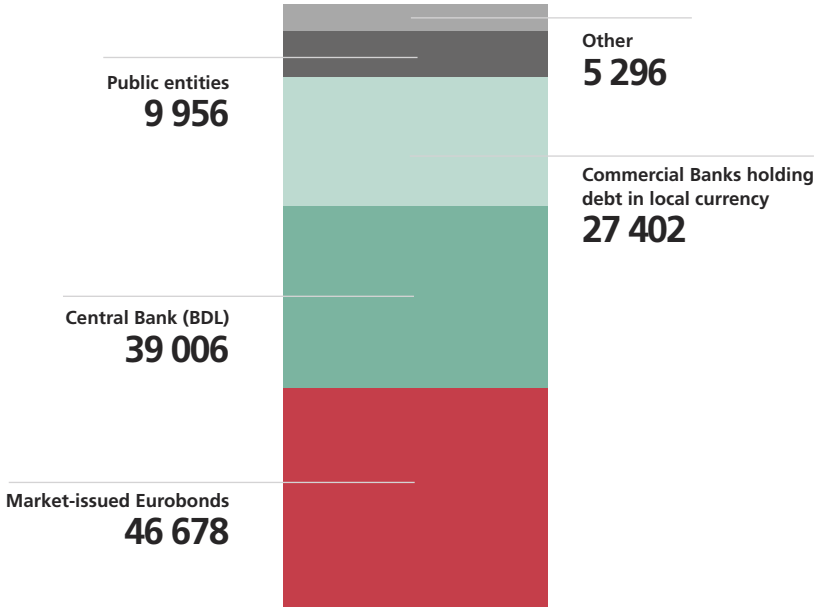
Info

Two ways exist to calculate public debt

Public debt at the end of 2018
 + Expected debt interests for 2019
 - Estimated primary surplus for 2019
 = **Estimated public debt at the end of 2019**

Public debt at the end of 2018
 + Expected debt interests for 2019
 + Estimated primary deficit for 2019
 = **Estimated public debt at the end of 2019**

Debt distribution by debt holder - LBP billion

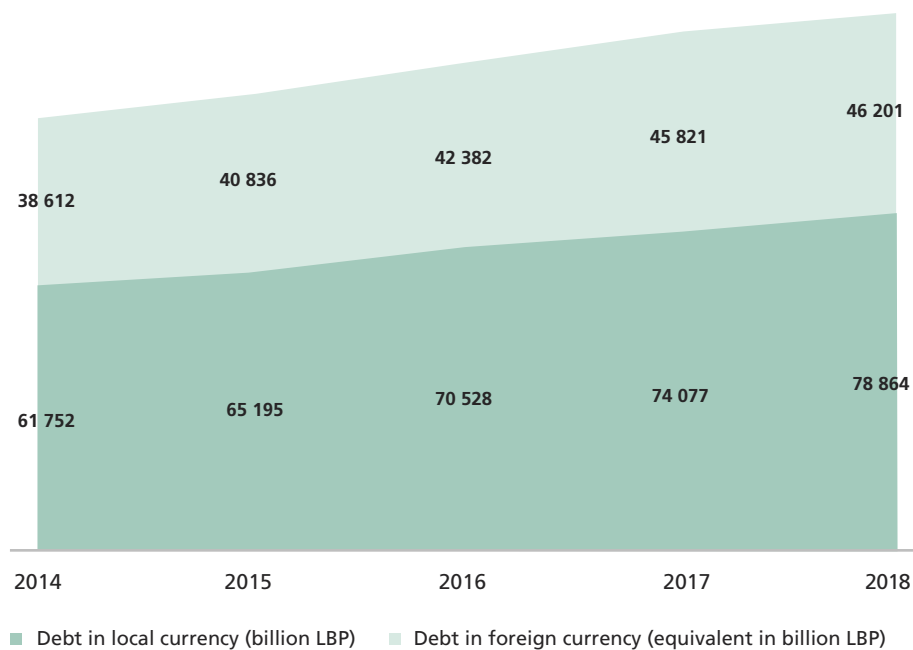


Reference: Debt and Debt Markets report 2018
<http://www.finance.gov.lb/en-us/Finance/PublicDebt/DebtReports>

At the end of 2018, Public debt reached LBP 128 338 billion LBP

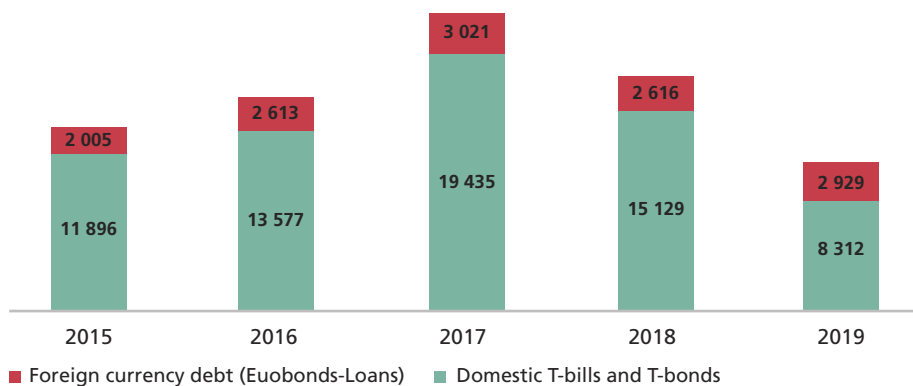
Public debt

Debt distribution by currency - LBP billion



Reference: Debt and Debt Markets report 2018
<http://www.finance.gov.lb/en-us/Finance/PublicDebt/DebtReports>

Debt principal due in 2019 - USD billion



Reference: Debt and Debt Markets report 2018
<http://www.finance.gov.lb/en-us/Finance/PublicDebt/DebtReports>

Measures affecting citizens

For further details of the procedures outlined below, refer to the 2019 budget law published in the official gazette Issue Supplement 36 on 31/7/2019.

1

First orientation: containing the wage bill

A. Salaries and allowances



Civil servants in public administrations and institutions, councils, funds, bodies, public sectors and public utilities

Benefits and Allowances shall not exceed

75% of total basic salaries

The base salary shall not exceed

20 times the minimum wage

Exceptions: Central Bank staff, shares of allowances specific to customs staff, technicians and shift workers at the Directorate General of Civil Aviation




Judges

Setting a ceiling for compensations received for services rendered to public administrations

3 times the minimum wage



Employees in public institutions, public investment utilities, councils, funds and public bodies

 Suspending supplemental wages that exceed twelve months per year except for the thirteenth and fourteenth salaries

Exceptions: the Central Bank and the National Social Security Fund (NSSF)

Measures affecting citizens

B. Freezing recruitment



Military Corps

Freezing and regulating recruitment into the military and security forces, as well as related privileges



Civil Service

Freezing recruitment, and contracting public administrations and institutions

C. Regulating retirement



The total retirement income **shall not exceed**

20 times the minimum wage



1.5% **Monthly deduction** on military salaries and retirement wages to fund medical treatments, hospitalization and social assistance



3 **Suspension of retirement referral requests**, excluding cases of legal age, for a period of three years
 Exceptions: the judiciary and officers of the rank of colonel and above

Setting the minimum years of service for retirement eligibility		Number of years in service (previously)	Number of years in service (according to 2019 budget law)
 Civil Service	Civil servants	20	25
	Lebanese University professors		15
 Military Corps	Individuals and ranks of the military corps	18	23
	Officers of the military corps	20	25
	Specialist officers of the military corps	15	18

D. Education contributions paid from public funds



Reducing education grants in the public sector by

15%

provided that these do not fall below the limits set by the Civil Servants' Cooperative

Exceptions: Lebanese University professors



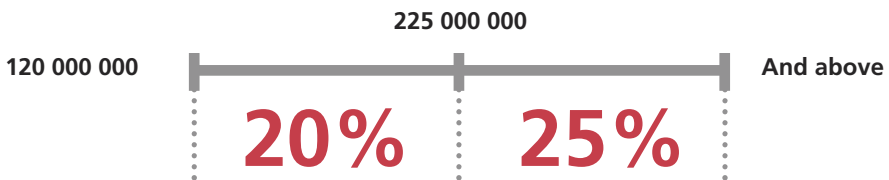
Setting government's contribution for each student enrolled in free private schools

2

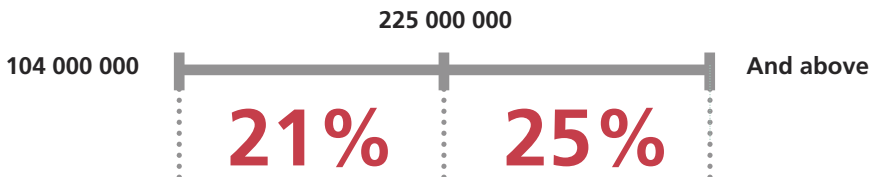
Second orientation: moving towards a more equitable tax system

A. Tax amendments

Income tax on salaries and wages - upper brackets



Income tax on the profits of commercial, industrial and non-Commercial professions - upper brackets



Measures affecting citizens

Income tax on movable assets

10%

- Credit accounts in banks
- Deposits and other bank obligations in any currency
- Trust accounts
- Certificate of deposits issued by banks
- Debt bonds issued by private limited companies
- Treasury bonds in Lebanese Pounds

Annual Income Tax on
owners of generators amounting to

50 000 LBP per KVA

B. Objections, installment agreements and extension of deadlines

March 2020

1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Extending deadlines to register sales contracts or irrevocable power of attorney at the Land Registry and Cadastre Offices based on a fee of:

- **2%** for residential units on the value **not exceeding** LBP 375 Million
- **3%** for residential units on the value **exceeding** LBP 375 Million

+
2 years

deadline extension for building permits that have expired

+
1 year

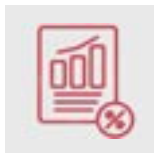
deadline extension for building permits that will expire within a year after the publication of this law



Rescheduling installment programs for all taxes and fees collected by the Directorate General of Public Finance within a period of 3 months following the publication of this law



The possibility of installment of taxes withheld at source and VAT for the period up to **31/12/2018** and upon written request submitted before 31/12/2019



**+
6
month**

Additional period for objecting on taxes and fees collected by Directorate General of Public Finance, conditioned to the payment of 10% of the amount before filing the objection

C. Exemptions

Exemption of nurseries from VAT

Exemption of convicts who have completed their sentence and are still imprisoned for non-payment of penalties
Exceptions: drug trafficking convicts

Measures affecting citizens

3 Third orientation: improving State revenues and tax collection

A. New taxes and fees



Annual fee on special license plates

The amount of the tax varies according to the classification of the plate



3%

tax on imports subject to VAT

Exceptions: gasoline, industrial equipment, raw materials used in industry and agriculture

B. Smoking permits in tourism enterprises

Description	Stars	Flat fee (LBP)	Proportional fee per sm (LBP)
International hotels		5 000 000	3 000
5 star hotels	★★★★★	5 000 000	3 000
Hotels, restaurants, bars, food and drink lounges	★★★★ ★★★ ★★	2 500 000 1 500 000 1 000 000	2 000 1 500 1 000
Coffee shops and others		500 000	300

C. Reductions on penalties

85%

Reductions

provided that taxes, fees and reduced fines are paid before 31/12/2019

1

Penalties for verification and collection of taxes due to the Directorate General of Public Finance

2

Penalties related to tax collection orders issued by public administrations, public institutions, municipalities and other public entities

3

Penalties due to the State, municipalities, municipal unions, public institutions and other public entities

Exception for penalties related to:

- Construction violations
- Usurpation of coastal public property
- Unpaid penalties due to the National Social Security Fund

4

Penalties on the municipal taxes and verification penalties

5

Penalties related to Vehicle Inspection

6

Reduction of unpaid penalties due to the National Social Security Fund

100% for 2000 and previous years
85% for 2001 and later years



Measures affecting citizens

D. Cancellation of exemptions

Cancellation of customs exemptions

with the **exception** of those relating to conventions or agreements, materials and equipment used in industrial activities and agriculture, materials and equipment for people with special needs, and new eco-friendly vehicles

Cancellation of income tax exemptions

- On the retirement wages of civil servants
- Adding 10 million LBP to income tax concessions for this same category

Exemption of verification and collection penalties

The penalty for late filing or payment of the tax is waived for employees working in more than one establishment or performing an additional activity

Cancellation of exemptions from vehicle registration and traffic fees

Exceptions:



Consular and diplomatic corps



UN organizations



State, public institutions, municipalities and municipal unions



People with special needs



Ambulances and fire engines received by donation

E. Amendments



Driving licenses

Driving license examination for all categories except for motorcycle category "1"

30 000
LBP

Driving license examination for motorcycle category "1"

15 000
LBP

Driving license for all motor vehicles, except motorcycle category "1"

200 000
LBP

Driving license for all motorcycle category "1"

100 000
LBP

Driving license to replace lost, torn or license renewal license

25 000
LBP



Revision of annual **traffic fees** levied on motorized vehicles, all categories combined



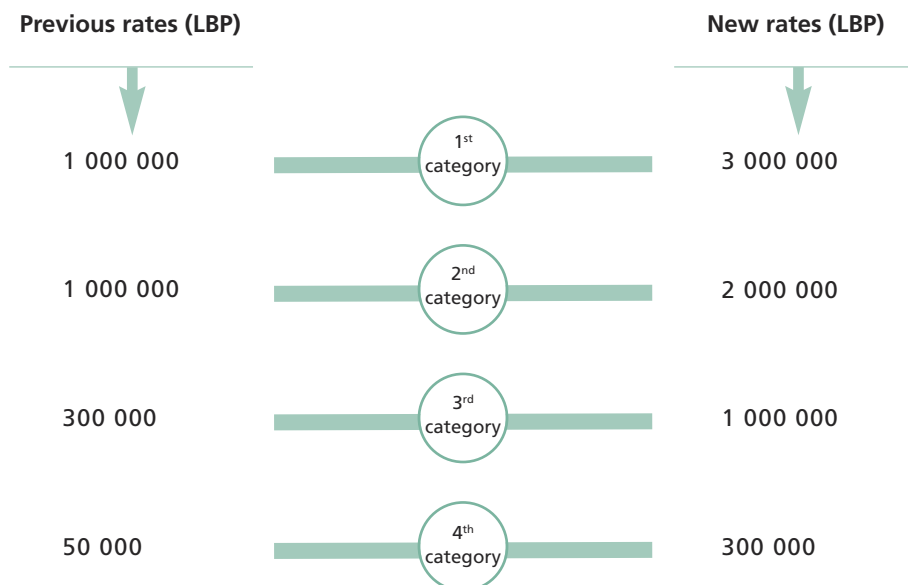
Revision of the **stamp duty** at the Ministry of Foreign Affairs and adjusting it to 5 000 LBP

Measures affecting citizens

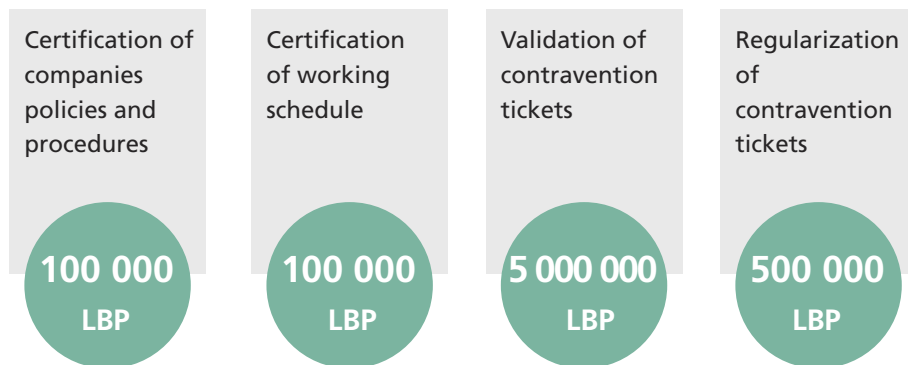


Taxes collected by the Ministry of Labor

Work permit or renewal of work permit

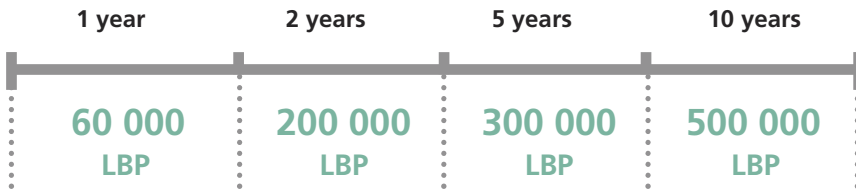


Other taxes



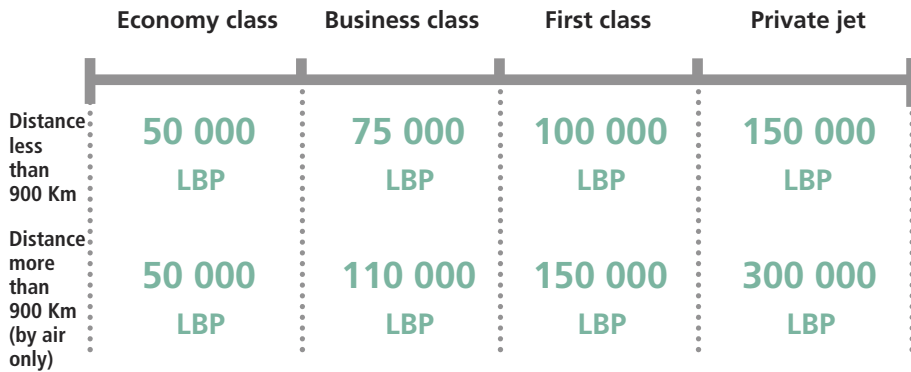


Validity period of ordinary passports



Exit and entrance fees

Exit taxes through air or maritime transportation



Entrance fee by land

10 000 LBP for non-Lebanese travelers

Measures affecting citizens

Real estate sales contracts and irrevocable power of attorney

- Registration of all real estate sales contracts and irrevocable power of attorney at the General Land Registry Office is mandatory
- Payment of amounts due within three years as of the date of the official contract

Granting work and residence permit for more than one year

- Possibility of granting a work and residence permit for a duration of more than one year provided that the equivalent or proportional tax value is paid for the number of years required

Duty to notify

- Municipalities are required to notify the Ministry of Finance of professionals or companies that do not have a tax registration number
- Municipalities are required to undertake a census of commercial, industrial and professional companies and enterprises operating on their territory and to inform the Ministry of Finance of the results

4

Fourth orientation: strengthening public expenditures management mechanisms and monitoring

Budget

- Transfer of annexed budget surplus to the treasury
- Integrating annexed budgets in the central government budget as of 2021, and the abolition of all staff positions for accountants assigned to these budgets
- Deposit of annexed budgets funds in the treasury account at the central bank

Expenditure control

- All expenditures associated with grants or loans must be subject to the control of the Court of Audit. Expenditures, whether financed by local or foreign funds shall be subject to this control
- Providing the Court of Audit with necessary human and financial resources to audit the financial accounts *

Grants

- Mandating the transfer of funds from donors to public administrations through the Ministry of Finance
- Regulating the mechanism of receipt of donations in cash and in kind by the State from natural or legal entities

Debt rescheduling

- Rescheduling state debts due to the National Social Security Fund

Note: *Law number 143 dated 31 August 2019, relating to the publication of the budget for the year 2019, the closure of the accounts and the provision of the necessary resources to the Court of Audit

Measures affecting citizens

5

Other orientations

Stimulating the job market

Obligations on companies and international organizations operating in Lebanon

75%

of their contracts must be signed with Lebanese companies

80%

of their staff must be Lebanese



Buy Lebanese goods and products when available even if the prices are higher (up to 15% margin)

Encouraging the recruitment of a qualified Lebanese labor force



The Lebanese Authority for Investment Development (IDAL) will cover all contributions to the National Social Security Fund related to **new recruits in the sectors of technology, information and telecommunication**

Circulation of new public license plates



Tourism cars

Number of new
license plates

15 000

Price per license plates

40 million LBP



Trucks

Number of new
license plates

6 500

Price per license plates

55 million LBP



Water tank truck

Number of new
license plates

500

Price per license plates

50 million LBP



Mini bus

Number of new
license plates

15 000

Price per license plates

50 million LBP

The team

This publication was prepared by Mr. Iskandar Boustany, economist, under the supervision of Ms. Lamia Moubayed Bissat, the president of the Institut des Finances Basil Fuleihan and with the help of the Institute's team.

Ms. Carole Abi Khalil, the Budget Director at the Ministry of Finance, reviewed the guide along with the Budget Directorate team.

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