

DECREE-LAW NO 45 OF 24 JUNE 1983

HOLDING COMPANIES

Pursuant to the Constitution;
Pursuant to the Law No 36/82 dated 17 November 1982 (empowering the Government to promulgate decree-laws);
Pursuant the Law No 10/83 of 21 May 1983 (extending the enforcement of the provisions of Law No. 36/82);
Following consultation of the State Council;
Pursuant to the proposal of the Minister of Finance; and
Pursuant to the approval of the Council of Ministers on 13 April 1983,

The President of the Republic decrees the following:

Article 1:

The company provided for in the present decree-law shall be called "Holding Company". The following expression "**Holding Company**" must be clearly mentioned next to the company's name on all documents, papers, publications, and any other printed documents issued by the company.

Article 2:

The object of the said company shall be limited to the following:

- 1) Acquisition of shares or parts in existing joint stock companies or limited liability companies, whether Lebanese or foreign, or participate in their incorporation.
- 2) Management of companies where it owns stocks or shares.
- 3) Granting loans to companies in which it owns stocks and parts, and guarantying these companies towards third parties. For this purpose, the holding company may borrow from banks and issue bonds in conformity with the provisions of Article 122 and subsequent articles of the Code of Commerce, provided that the total value of the issued bonds shall never exceed at any time five times the value of the share capital of the holding company, in addition to the reserves funds according to the last ratified balance sheet.

The holding company is not allowed to grant loans to companies operating in Lebanon if its share in their share capital is less than twenty per cent.

- 4) Acquisition of patents, discoveries, concessions, registered trademarks and any other reserved rights and leasing them to establishments located in Lebanon or abroad.
- 5) Acquisition of movable and immovable properties provided that they are exclusively reserved to the requirements of its activities without prejudice to the provisions of the law governing the acquisition of real estate rights in Lebanon by non-Lebanese.

Article 3:

The holding company is forbidden from undertaking directly any activity which does not fall under the scope of its object as defined in the above Article 2.

Article 4:

The company may not directly own more than forty per cent in more than two companies operating within the same industrial, commercial or non-commercial business in Lebanon, if said contributions are likely to breach the restrictions provided for in Article 1 of the Decree-Law No. 32 dated 15 August 1967.

The provisions of the present article shall not apply to investments outside Lebanon.

Article 5: (As amended by virtue of Law No. 772 dated 11 November 2006)

Holding companies are incorporated in the form of joint-stock companies and shall abide by the provisions governing such companies in everything that is not in conflict with the provisions of the present decree-law and the following exceptions:

1) The share capital of the holding company may be fixed in foreign currency, and its accounts and balance sheets may be drawn in the foreign currency determined for its share capital.

2) Holding companies are exempted from having moral or physical Lebanese national persons as members of their boards. The chairman of the board is not required to hold a work permit if he is a non-Lebanese not residing in Lebanon.

3) The head office of the company shall be in Lebanon where its legal registers and documents are kept. However, the meetings of the board of directors and the general assemblies may be held outside Lebanon if this is stipulated in the company's articles of associations.

The annual ordinary general assembly shall be held in Lebanon within a maximum period of five months as of the end of the financial year as defined in the company's articles of associations.

4) The holding company shall appoint at least one initial Lebanese auditor residing in Lebanon. His appointment may run for a period of three years and the company is discharged of the obligation of appointing an additional auditor.

5) The company shall be registered in the General Trade Register in conformity with the provisions of the Code of Commerce. Said companies are also registered in a special register at the Court of First Instance of Beirut, where all information and statements requested by law for joint stock companies are published. Upon registration in the special register, the company must submit a lease contract for the premises where its activities are carried out, or a title deed evidencing its` ownership or to elect a domicile in Lebanon along with the written approval of the moral or physical person in whose place it has elected its domicile.

6) Notwithstanding the provisions of Article 101 of the Code of Commerce, the company may only publish the balance sheet of the financial year, the names of the members of its board of directors and the auditors in the special register of the holding companies.

7) The holding company must keep account books, prepare the annual financial statements, submit tax returns and pay the taxes due to the Income Tax Service according to the provisions governing joint stock companies that are not inconsistent with the provisions of the present decree-law. The company shall be liable, in addition to the payment of due taxes, to a fine of 50.000 Lebanese Pounds in case of delay in the submission of the legally required tax return.

Article 6: (As amended by Law No. 89 dated 7/9/1991 and Law No. 409 dated 7/2/1995. (Budget of 1995)) .

Profits of holding companies are exempted from income tax (Title I) in addition to the distributed dividends which are also exempted from income tax on the revenues of movable capitals.

However, the company remains subject to the following:

A- The interests of loans granted to companies operating in Lebanon, shall be subject to the income tax on the revenues of movable capitals if such interests are resulting from loans concluded for a period less than three years.

B- Value added resulting from the transfer of fixed assets by the company in Lebanon and of its contributions and shares in Lebanese companies are subject to the tax mentioned in article 45 of the income tax law if such contributions and shares were owned by the company for a period less than two years.

C- Management and services fees and any other expenses paid to the holding company by its affiliates in Lebanon are subject to tax at the rate of five per cent, provided however that these fees shall not exceed the ceiling to be issued by decree pursuant to the proposal of the Minister of Finance.

D- Revenues resulting from the lease of patents or any other reserved rights owned by the holding company to establishments situated in Lebanon are subject to tax at the rate of ten percent, said tax is not subject to any surtax.

E- The holding company is subject to an annual lump sum tax of 6% of the total value of its share capital to which shall be added the reserve funds, when the total does not exceed One Million Lebanese Pounds. The rate of the tax shall be reduced to 4% for the amounts ranging between Fifty Million to Eighty million Lebanese Pounds, and reduced to 2% for the amounts exceeding Eighty Million Lebanese Pounds, provided that the total of said annual tax does not exceed Five Million Lebanese Pounds. This tax shall be applied to holding companies starting from the beginning of the first financial year irrespective of its term.

F- Taxes due by the company shall be paid in one installment upon declaration of activities and within the fixed timeline. It shall be added to the due tax a fine of 0,5/1000 for every day of delay.

Article 7:

In case the provisions of Article 3 of the present decree-law were breached by the holding company, it shall be subject, for the year during which the infringement occurred, to the income tax applied either to companies with limited liability operating in Lebanon, in addition to a fine of 20 per cent of the basic tax, or to a fine of 3 /1000 of the basic share capital of the company to which shall be added the reserve funds. The higher amount will be levied.

Article 8:

In case the holding company should breach the provisions of Article 4 of the present decree-law, it shall be liable to the penalties stipulated for by Decree-Law No. 32 dated 5 August 1967 against monopoly and high cost.

Article 9:

Companies incorporated before the promulgation of the present decree-law, and which have been truly engaged in activities of holding companies, are granted a period of six-month to comply with the terms stipulated in the present decree-law and to be registered in the special register of holding companies indicated in the fifth paragraph of article 5 of the present decree-law. Should they fail to rectify their situation within the foregoing delay, they shall be subject to the provisions of the tax in force.

Article 10:

Holding companies shall abide by the provisions of all enforced laws that are not in conflict with the provisions of the present decree-law.



Article 11:

Details for implementing the present decree-law shall be set, on need basis, by decrees issued by the Council of Ministers pursuant to the proposal of the Minister of Finance.

Article 12:

The present decree-law shall be enforced starting from the next day of its publication in the Official Gazette.

Baabda, 24 June 1983

Signed by:

By the President of the Republic:

Amine Gemayel

The Prime Minister: Chafic Wazzan

The Minister of Finance: Adel Hamieh