



Date: 15/02/2019

Finance Minister Ali Hassan Khalil issued decision no. 78/1 dated 15/02/2019 pertaining to the bases for the settlement of penalties imposed by virtue of tax laws. This decision stipulated the reduction of penalties imposed by virtue of the Income Tax, the Built-Property Tax, the indirect taxes and duties and the VAT or imposed by the amended provisions of the TPC by virtue of Article 5 thereof. The penalties referred to in the mentioned decision under **Article 2 of Section 1 (filing penalties)** comprise: Proportionate penalties including minimum ceiling.

- Lump-Sum Penalties

The reduction shall apply to the proportionate or lump sum single penalty imposed or to be imposed during one tax period, provided that the penalties on filing or collection are not less than 50,000 LBP after reduction.

The settlement is not valid for the following penalties:

- The penalty which settlement is subject to special provisions.
- The penalty which settlement is not authorized by law.
- The penalty which is less than 50,000 LBP.
- The penalty which has not been paid with the tax or duty within the deadline set for payment or for submitting an installment request.
- The penalty resulting from a recurrent violation and which is determined by a lump sum.

The settlement of any penalty exceeding 1 billion LBP shall be pending approval from the Council of Ministers, noting that reduction in such cases shall take place according to the following:

- For each tax period alone, independently from other tax periods.
- The filing and collection penalties shall be calculated together.
- The reduction of each filing penalty (and its relevant collection penalty) resulting from each violation, in case of several violations, shall be calculated for each tax period.

Article 3: The settlement covers the penalties referred to in Article 1 of this decision that are imposed, or to be imposed, by virtue of reassessment tables, payment orders, urgent assessments or tax notifications, as well as those due by virtue of self-assessment documents, given that the taxpayer pays the reduced penalty along with the tax or duty due in accordance with the provisions of this decision.

Article 4: This settlement includes **the violations that occurred by 06/11/2018 included**, in accordance with Article 5 below, and shall apply to the following:

- Taxpayers on whom penalties were imposed prior to the publication of this decision and which have not been paid yet or taxpayers on whom these penalties shall be imposed after the publication of this decision, and until its expiration
- Taxpayers who have due penalties by virtue of self-assessment documents for violations included in the provisions of this article. These provisions include also violations that occurred during tax periods which filing deadline ended prior to the entry into force of this decision.
- Concerning taxpayers whose amounts were to be paid in installments prior to the entry into force of this decision, and which are not due yet:
Taxpayers who have paid due installments on time shall benefit from the reduction difference for installments that have not been due yet and that should be paid on time, provided that the reduction rates determined in this decision are higher than the reduction rates of the previous settlement.
- Taxpayers who submit installment requests for taxes other than VAT and those deducted ta source, provided they make the first payment within the deadline set in this decision and which shall be effective starting the date of its entry into force and ending on the date specified in Article 14 of this decision.

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Article 5: The penalties shall be reduced, starting the date of publication of this decision and until the date specified in Article 14 of this decision, as follows:

Type of penalty	Reduction rate	
Proportionate Penalty	85%	For violations determined in article 4 of this decision
Lump-Sum penalty	60%	

Section 2: Late payment penalties (Collection Penalties)

Article 6: The settlement shall cover late payment penalties (collection penalties) related to all types of direct and indirect taxes and duties, including fiscal stamp duty and VAT, that are due or that shall become due during the effectiveness period of this decision, whether the late payment happened prior or after the date of entry into force of this decision, or whether it is related to tax periods which filing deadlines ended before 06/11/2018.

Article 7: The late payment penalties referred to in Article 6 of this decision, shall be reduced by 75%, provided the payment of taxes and penalties takes place within the deadline determined in Article 14 of this decision.

Article 8: Competent Collection Units shall reduce the filing and collection penalties directly upon receiving payment from the taxpayer, in accordance with the automated collection programs. The Collection Unit that is not automated shall issue monthly data including the reduced penalties and submit it to the relevant Collection Department at the regional tax office in the concerned governorate and which shall audit the calculation of the collected amounts, in accordance with the provisions of Articles 2, 5 and 7 of this decision.

The Other Scheduler Taxes departments in the governorates and the Built-Property Tax Department in Beirut, shall, in coordination with the IT Department and within one month from the issuance of the urgent additional assessment notices within the penalty reduction period, issue the additional

reassessments that match these notices and audit them while writing down the observation that the taxpayer has benefited from the penalty reduction.

Article 9: Concerning the VAT:

The Collection Department at the VAT Directorate shall issue deduction notices allowing the reduction of penalties due by VAT taxpayers and which should be paid within the deadline determined in tis decision.

Article 10: The employee who drafts the tax assessment document shall identify on this document the type of penalties imposed while determining if their settlement is impossible by virtue of this decision **and whether the penalties are proportionate or lump-sums.**

Section 3: Miscellaneous provisions:

Article 11: The taxpayer shall lose his right to the penalty settlement concerned by this decision in case the reduced penalty is not paid with the due tax or fee, within the deadline determined in Article 14 of this decision.

Article 12: The penalties paid at any time shall be considered an acquired right for the Treasury and cannot be refund for any reason unless they are based on a material error or result from, legal objections

Article 13: Taxpayers who request the installment of their due taxes and duties, and who benefit from penalty reduction in accordance with this decision, shall retain their right to the mentioned penalty settlement in case they fail to pay one of the installments and all the remaining installments are due with incurred interests.

Article 14: This decision shall remain effective until 30/06/2019.

Article 15: This decision shall enter into force upon its publication in the Official Gazette and shall be published on the website of the Ministry of Finance.

This decision is based on the following decrees and laws:

Pursuant to Decree No. 4340 of 31/01/2019 (Formation of the Government), Pursuant to Law No. 662 dated 04/02/2005 (determining the bases for the settlement of penalties imposed by virtue of tax laws)

Pursuant to Law No. 44 dated 11/11/2008 (Tax Procedure Code)

Pursuant to Legislative Decree No. 144 of 12/06/1959 and its amendments (Income Tax Law)

Pursuant to the law issued on 17/09/1962 and its amendments (Built Property Tax Law)

Pursuant to Legislative Decree No. 146 dated 12/06/1959 and its amendments (transfer duty on all equity and movable and immovable property)

Pursuant to Law No. 379 of 14/12/2001 and its amendments (Value Added Tax Law)

Pursuant to indirect tax laws:

1. Legislative Decree No. 133 dated 20/12/1933 and its amendments (Excise tax on Spirits),
2. Law No. 7/85 dated 10/08/1985 and its amendments (annual fee for shops selling liquor in closed containers), especially Article 26 thereof,
3. Law No. 24/75 dated 14/08/1975 and its amendments (imposing an annual fee on the investment in entertainment machines),
4. Law No. 326 dated 28/06/2001 (2001 Public Budget Law), in particular Article 43 thereof,
5. The law issued on 15/8/1283 AH and its amendments (regulations for selling liquors in bottles and containers),
6. Law No. 74 dated 31/03/1999 and its amendments (imposing a financial stamp duty on every person leaving the Lebanese territory), especially Article 3 thereof,
7. The law issued on 05/3/1932 and its amendments (organizing horse races and relevant bets)

Pursuant to Legislative Decree No. 147 dated 12/06/1959 (Procedures for collecting direct taxes and similar duties)

After consultation with the State Consultative Council (Opinion No. 326 / 2017-2018, dated 16/11/2017),

Article 1 of Section 1 of the decision stipulates the following: “Contrary to any other provision, this decision shall determine the details of the application of the provisions of Law no. 662 dated 04/02/2005, which allows the Minister of Finance to undertake the settlement of penalties imposed and collected by the Directorate General of Finance within the Ministry of Finance, in accordance with the laws on direct and indirect taxes and duties.”