



Republic of Lebanon  
Ministry of Finance  
Institute of Finance

# The Income Tax Guide For Self-Employed (Liberal) Professionals

(And taxpayers with fixed profits)

June 2003

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## Selected Legal Terms

### The terms used in this guide shall mean the following:

- 1- **The Contribuable or Taxpayer:** Any self-employed (liberal) professional who is subject to tax under Title (I) (tax on profits) and who must declare and pay this tax to the Public Treasury. She/he shall also be responsible for withholding taxes set under Title (II) (payroll tax, if applicable) and shall be required to declare and settle these payroll taxes to the Public Treasury.
  - 2- **The Tax Administration:** This is represented by the Directorate of Revenues attached to the Directorate General of Finance at the Ministry of Finance.
  - 3- **The Concerned Unit:** The Income Tax Department in Beirut or the head office of the Ministry of Finance in each Muhafaza outside the Muhafaza of Beirut.
  - 4- **Notification:** Notifying the Tax Administration of the initiation of business and designation of the premises where the profession is conducted.
  - 5- **Work Year:** The year in which the taxpayer's income is generated. This extends from January 1 to December 31 of each year.
  - 6- **Tax Settlement Year:** The year that follows the working year for which the income declaration is submitted.
  - 7- **Direct Assessment:** This method is applied when the taxpayer's declarations, records, entries, supporting documents and other reports are not taken into consideration by the tax unit due to a basic violation (of the law). The concerned unit at the Ministry shall then estimate the taxpayer's annual net profits according to the applicable data, criteria and rules and based on its sole discretion, within the accepted controls and norms.
  - 8- **Lump- Sum Profit Method:** Under this method, the net profit is assessed as a percentage of the taxpayer's total income. This percentage is set by the Minister of Finance for all types of professions.
  - 9- **Real Profit Method:** This is an accounting method used to assess net profits according to the double entry accounting system.
- Note:** The self-employed (liberal) professional may apply to be taxed according to the real profit method provided that the taxpayer submits the appropriate application to the concerned unit at the ministry before the end of January of each taxable year. Those choosing to be taxed according to the real profit method may not apply for taxation according to the lump-sum profit method in subsequent years.

- ❖ The assessed profits should be approved by the Assessed Profits Committee at each concerned fiscal unit. These committees are appointed by the Minister of Finance based on the proposal of the Director General of Finance.
- ❖ The validity date of the verification and collection of fines shall commence following the expiry date of the statutory deadline for the submittal of the declaration and settlement of the tax. The fraction of a month is considered a full month when calculating the amounts of these fines.
- ❖ Taxes, fines and amounts due to the government, as stipulated in the Income Tax Act, shall have prior lien over all the taxpayer's assets or the assets of any person liable for their settlement to the Treasury.

### **The team that prepared this guide:**

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## Useful Addresses

### Beirut

Directorate of Revenues - Income Tax Department  
Taxpayers Services and Pay Office Section  
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### Ministry of Finance Departments:

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## Useful Addresses

## Preface

Surveys have shown that a great number of self-employed (liberal) professionals are not registered with the Tax Administration and fail to submit their tax declarations as required under existing laws and regulations. In addition, many declarations submitted by self-employed professionals contain a considerable number of errors. The most important reasons for non-observance of the tax laws by self-employed (liberal) professionals is that many of them have insufficient knowledge of the income tax system and its procedures, including ignorance of what incomes are taxable, exemptions, abatements, methods of assessing applicable tax, in addition to other essential information. Consequently, a taxpayer who ignores the basic information or possesses erroneous information on tax impositions or avoids resorting to the Income Tax Department to obtain the required information, will be liable to fines that could have been avoided had she/he been aware of this information.

In its endeavor to build a closer, clear and transparent relationship between the government and citizens, the Ministry of Finance has prepared this simplified user-friendly guide that aims to:

- ❖ Explain the relationship between the citizen and the Tax Administration involved in implementing the Income Tax Act described in this guide.
- ❖ Familiarize citizens with the simplified ways and means of completing their income tax declarations, particularly if they choose to complete them by themselves.
- ❖ Clarify any consultations with the Tax Administration that may be required and simplify procedures to save time and avoid fines or penalties.

This guide is addressed to every self-employed (liberal) professional whether affiliated to a syndicate/order or not. It is also addressed to those preparing to start practicing a profession, with the aim of guiding them with regard to their rights and obligations. The procedure starts with informing the Tax Administration directly upon commencement of work and seeking guidance concerning the methods of proper book-keeping, income tax assessments and declarations, statutory deadlines and procedures for tax settlement, fines imposed for delays or non-settlement and other violations that can be avoided. In addition, this guide offers information concerning procedures for objecting to taxes and other related matters.

The clarification of procedures for dealing with the Income Tax Administration will encourage taxpayers to submit their declarations directly without resorting to third parties, if they so wish. The Tax Administration will also help them comply with the law, complete their transactions quickly, more efficiently and at lower costs. This is one of the objectives of the Ministry of Finance concurrent to its efforts to enhance transparency at its various departments whereby people will come to know their rights and obligations, thus saving time, avoiding errors, problems and unnecessary fines.

The Ministry of Finance has pledged to review its guides regularly. This pledge shall be fulfilled, as necessary, in order to develop this guide and our other publications whenever fundamental legal amendments are introduced or new implementation procedures adopted.

**Fuad Siniora**  
**Minister of Finance**

# 1. To whom is this guide addressed?

To every self-employed (liberal) professional

## Who is a self-employed (liberal) professional

- ❖ Any person residing in Lebanon,
- ❖ Lebanese or non-Lebanese,
- ❖ Practicing a free profession on Lebanese territory,
- ❖ That generates a taxable income,
- ❖ Which shall be imposed on the total income earned by the self employed (liberal) individual in Lebanon.

## What is a free profession?

Every profession that generates for its practitioner a non-commercial, non-industrial income or handicraft income.



## What does the word “taxpayer” mean?

The contribuable or taxpayer, in the context of this guide, is the person who practices a profession that generates a taxable income.

**The taxpayer : the person required to declare and pay a tax.**

## When will a self-employed (liberal) professional become a “contribuable” or “taxpayer”?

- ❖ When affiliated to a syndicate/order, in case this is mandatory (lawyers, engineers, doctors, etc).
- ❖ Or upon the start of any actual work, i.e. upon commencement of practicing a profession.

## What are the duties of the self-employed (liberal) professional?

- ❖ To inform the Tax Department of her/his activities as soon as the professional commences practicing these activities.
- ❖ To keep proper records.
- ❖ To conduct self-assessment or auto -declaration of taxes due and settle them.
- ❖ To submit a tax declaration to the Income Tax Department within the statutory deadlines.
- ❖ To inform the Tax Department of any modifications on the professional tax status.

### **The information given in this guide is derived from:**

- ❖ The provisions of the Income Tax Act issued by Decree No. 144, dated June 12, 1959 and its amendments.
- ❖ The provisions of the Direct Tax Collection Act issued by Decree No. 147, dated June 12, 1959 and its amendments.
- ❖ Related circulars, decisions, memoranda and instructions issued by the Ministry of Finance.

### **The principle on which this guide is based:**

The chronological principle was adopted in the preparation of this guide:

- ❖ The date starts when the taxpayer obtains a license to practice the stated profession or commence work.
- ❖ This is followed by preparing the proper accounting books, their official endorsement, methods of keeping them, annual tax declarations, verification by the Tax Administration, imposition of additional or supplementary taxes and determination of the of tax settlement methods.
- ❖ The procedure then covers the closure or transfer of ownership of the work location or office.
- ❖ Finally, this guide clarifies the taxpayer's right to object to the amount of the taxes imposed.

### **Useful Information:**

The following pages contain a number of legal and accounting terminology that may be difficult for some readers to understand fully. In this case, the citizen is requested to contact the Ministry of Finance by phone, mail or e-mail or proceed to the Taxpayers' Service Unit attached to the Income Tax Department in Beirut or the Cashiers Offices (Muhtasibiya) in the various Muhafazat for the necessary guidance (refer to back cover).

## 2. Where should I begin?

Lebanese law requires from every professional intending to start practicing for the first time to make a declaration to the Income Tax Department in Beirut or to the concerned unit in the Muhafazat, depending on the place of practice. Otherwise, she/he may risk being considered “undisclosed” and thus liable to legal fines.

### When should the notification be submitted?

Within two months from the date of affiliation to a syndicate/order, for professionals required to be affiliated to a syndicate/order, or within two months from the commencement of work (for those not required to be affiliated to a syndicate/order).

### When does the two-month period start?

The period starts from either:

- ❖ The date of affiliation or issue of a license, for those required to be affiliated to a syndicate, or
- ❖ The date of the first job generating a taxable income, or
- ❖ The date of issue of any document which demonstrates the generation of income from a profession, or
- ❖ The date of rental, use or purchase of the work location, or
- ❖ The date of engaging any employee at the work location, or
- ❖ The date of subscription to Electricité du Liban, the Water Authority or the Telephone service.

In case several of the above criteria are present, the criterion carry if the oldest date shall be apply.

### Where should the notification be submitted?

It should be submitted to the Income Tax Department in Beirut or to the concerned unit in the Muhafaza where the profession is practiced.

#### Required Documents

- ❖ Copy of the license (if the self-employed (liberal) professional such as an engineer, doctor, lawyer and other professional, is required to obtain a license).
- ❖ Copy of the syndicate/order registration card.
- ❖ Copy of the family register record (for married couples) or an individual register record (for single individuals).
- ❖ Copy of the rental contract or property deed of the offices where the profession is practiced.

## How?

The special declaration forms, provided [free of charge](#) by the Income Tax Department, should be used to declare commencement of work.

### ❖ Form (M10):

Commencement of Work

A screenshot of the Form (M10) for the commencement of work. The form is in Arabic and contains various fields for personal and professional information, including name, address, and details of the work being declared.

### ❖ Form (M11): Personal Identification

A screenshot of the Form (M11) for personal identification. The form is in Arabic and contains fields for personal details such as name, ID number, and contact information.

## Important Remarks

- ❖ Obtain and keep the receipt or serial number and date of the registration, or the computerized registration certificate.
- ❖ Do not hesitate to ask for help from the Taxpayers' Service Unit (Refer to the back cover).

## How much will the transaction cost?

Nothing; the declaration is exempt from fiscal duty<sup>(1)</sup>.

## What happens if the tax payer fails to submit the notification?

The taxpayer shall be considered “undisclosed” and liable to a **fine** of **L.L.500, 000.00** for failing to declare the commencement of work within the statutory **two month period**, in addition to any other applicable fines (refer to the explanations included later in the guide).

(1) Declarations, objections, statements and other related documents submitted to the Ministry of Finance concerning income tax are exempt from the fiscal stamp duty (Article 113 of the Income Tax Act).

## What should a taxpayer do in case she/he does not wish to start practicing due to travel, pursuit of higher studies, etc.?

### Practical example (1): Declaration of non-practice



Jihad, a doctor registered in the medical doctors' order on 25/11/2002 has not yet started practicing his profession. He doesn't own or operate a clinic. He is preparing himself to travel abroad to continue his specialization. In order to avoid paying any taxes, he approached the taxpayer's Service Unit, which:

- ❖ Helped him to complete the forms for notification and commencement of work (Forms M10 and M11). Jihad was not required to pay any tax or fine since he completed the notification process prior to 26/1/2003, i.e., within the two-month deadline.
- ❖ Reminded him of his obligation to declare his non-practice for the year 2002 (Form M7) before the first of February 2003 accompanied by a copy of his passport; otherwise he will be liable to a fine of L.L.100,000.00.
- ❖ He was also reminded to submit the same declaration (non-practice of a profession) by hand or registered mail, within the annual declaration deadline, i.e. before the 1<sup>st</sup> of February of each year, to avoid payment of a fine, and until his return to Lebanon and his actual commencement of practice.

The image shows a sample of a tax declaration form in Arabic, titled "التصريح بعدم ممارسة المهنة" (Declaration of non-practice of a profession). The form includes fields for personal information, professional details, and a section for declarations with checkboxes.

In addition, Dr. Jihad has to keep proper records and submit an annual personal declaration form covering his activities each year.

### 3- What are the proper records?

The self-employed (liberal) professional is required by law to keep two accounting books:

#### Income/ Expenditure Journal



Receipts and payments are recorded daily on a chronological basis.

#### Fixed Assets Register

Used to account for furniture, equipment, goodwill, etc. The value of these assets is recorded at cost price.

#### Why should these records be kept?

- ❖ To determinate the annual income.
- ❖ To determinate all profession-related costs incurred by the taxpayer.
- ❖ To facilitate the verification process of the Tax Administration.

Keeping proper records is necessary. It is a mandatory process to ensure that the taxpayer records all sources of income and expenses according to statutory procedures, without the possibility of changing these records or manipulating entries to prevent tax evasion.

#### Practical Example (2)



Nada is an accountant who submitted her commencement of work declaration to the Finance Administration in Nabatieh but she hasn't started working yet. Nada is, therefore, exempt from the obligation to keep the above two records until she commences work.



Salim is an interior decorator who uses computer paper rather than regular records to record his accounts. This procedure becomes legal once these papers are authenticated (numbered, stamped and signed) by a Notary Public.

## Where can I obtain these records from?

From designated bookstores.

## How do these records become legal?

These records become legal when a Notary Public, located in the same area as the taxpayer's work location, numbers and stamps every page of both these accounting books and marks each one - by signing and dating her/his endorsements - prior to the date of making the first entry (the first recorded accounting operation) in either of these two books.

## How can I organize my accounting records in a proper and systematic way?

Entries should be recorded clearly and the accounting method adopted should allow easy verification of the authenticity of the recorded entries (known as accountancy entries) and avoid any ambiguity.

- ❖ Daily operations must be recorded in the daily journal chronologically.
- ❖ Each recorded operation (entry) must be supported by a document (invoice or receipt) that confirms the origin and the content of the entry.
- ❖ Records and documents that prove the authenticity of entries and declarations should be kept in file for a period of five years from the date of the said tax year (for example, records and documents relevant to the 2000 tax year should not be destroyed before the end of 2006).

### Practical Example (3): Patients' privacy



Zeina is a doctor who wishes to maintain her patients' privacy. She addressed an inquiry to the Taxpayers Service Unit which advised her that it would be sufficient for her to record the details of the amounts she receives for her medical services, and the date of such receipts, without mentioning the patient's name or nature of illness (provided that all necessary documents are available to confirm the receipt of funds).

## What happens if I fail to keep records according to the regulations?

- 1- In case endorsement date is subsequent to the date of the first entry in the books.
- 2- Or in case one or both books are not endorsed by a Notary Public.

In the above two cases, the records shall be considered in violation of the applicable regulations and the taxpayer shall be fined 10% of the value of the tax due provided that this is not less than L.L.100,000.00.

- 3- In case the books are incomplete according to the regulations, i.e. the records do not contain full details of all entries.
- 4- Or in case where the accounting books are not available (either one of the books or both).

In the above two cases, the taxpayer shall be liable to the cancellation of his accounting records and the administration will then assess his profits directly<sup>(2)</sup> and the taxpayer shall be fined an amount equal to the tax due, provided this is not less than L.L.100,000.00.

### Helpful Tips

- ❖ Accounting entries should be recorded in ink.
- ❖ Scratching, filling, erasing, overwriting (writing over the same entry) and using Typex is prohibited.

#### Errors may be corrected provided that:

- ❖ Corrections are made in a visible manner, and written in both numbers and letters, using ink of a color different from that used in the original entry.
- ❖ The date of making the correction and the signature of the person who made the correction should be shown below the corrected entry according to the same procedure followed in correcting official documents or bank checks.

(2) Refer to Annex # 2 on page 36.

## 4. Which incomes are subject to income tax?

### Incomes subject to income tax include:

- ❖ Annual profits of a self-employed (liberal) professional generated from practicing a profession;
- ❖ Incomes from contracts concluded;
- ❖ Salaries and wages received;
- ❖ Salaries and wages paid to persons employed by the taxpayer;
- ❖ Payments made to non-residents, i.e individuals who do not have a work place in Lebanon, whether Lebanese or foreign;
- ❖ Improvement profits derived from sale the of fixed assets (equipment, property, goodwill or other tangible and intangible assets owned by the taxpayer).

In case the taxpayer owns shares in a company or has other revenues, the taxable income shall include:

- ❖ Her/his share of profits generated from commercial, industrial or non-commercial activities in the same way as if the taxpayer were a partner in the company.
- ❖ Her/his income from sole proprietorships or commercial, industrial and non-commercial activities she/he is engaged in.

### Are there any additional fees?

**Fixed Fee:** This is an annual fee applied to all work locations amounting L.L. 250,000.00 irrespective of the financial results (profit or loss) of the taxpayer's activities.

#### Fixed Fee

- ❖ This fee must be settled before the 30<sup>th</sup> of September of each year.
- ❖ In case of delay in settlement, the amount of the fee shall be doubled for each year of delay. A fraction of a year is considered as one full year.
- ❖ The fee should be paid starting from the first year of the establishment of the business.
- ❖ Collection of the fee ends as of the beginning of the year during which the taxpayer informs the Concerned Unit of the termination of work.

### Test your tax Information



**Q:** Ziad is an interior decorator who owns a consulting firm in Beirut and a branch in Tripoli. He provides consultation services to a number of architectural firms in return for specified fees. He is also a sales agent for office lamps which he sells from time to time. How should he declare his revenues?

**A:** If the taxpayer owns more than one business location or works in several places simultaneously, or is engaged in trading occasionally, he must include all his revenues in one single declaration submitted to the relevant Cashier office (Muhtasibiya) in the district of his principal work location, such as Beirut in this example. Ziad's declaration should include his revenues from his activities in both the Beirut and Tripoli offices as well as his revenues from electric lamp sales. Ziad is also required to pay a fixed annual fee amounting to L.L. 250,000.00 for each office. In this case, Ziad should pay a fixed fee of L.L. 500,000.00 before the 30<sup>th</sup> of September each year.

## 5. How is the tax assessed?

In order to clarify the tax assessment process, the meanings of the following three terms must be fully understood:

1. Annual Income	2. Lump-sum Income
The total annual revenues as recorded in the revenue/ expenditure journal.	A specified percentage applied to annual revenues to determine the taxable profits derived from the taxpayer's profession (see below).
3. Net Profit	
An amount calculated according to the following equation: $\text{Total annual income} \times \frac{\text{the rate of lump sum profit}}{100}$ This method for extracting the net profit is called "The lump sum profit method", in contrast to the real profit method which adopts a more complex accounting method (double-entry accountancy).	

### The lump-sum taxable profit of some professions<sup>(3)</sup>

Lawyers and legal services	Applicable rate
Lawyer	50%
Notary Public	45%
Legal Consultant	50%

Professionals and engineering services	Applicable rate
Civil Engineers	35%
Architects	35%
Electronic Engineers	35%
Industrial Engineers	35%
Mechanical Engineers	35%

Doctors and Medical Services	Applicable rate
General Practitioners	50%
Specialist Doctors	50%
Surgeons *	65% (or 50%)
Dental Surgeons/Dentists	35%

Professionals and Engineering Services	Applicable rate
Electrical Engineers	35%
Interior Designers	35%
Topographic Engineers	40%
Agricultural Engineers	30%

Doctors and Medical Services	Applicable rate
Doctors owning scanners	20%
Midwives	40%
Doctors treating with physiotherapy and electricity	40%
Veterinary Services	40%

<sup>(3)</sup> Refer to Minister of Finance decision number 4169 dated 16/8/1992 and its amendments.

\* If the taxpayer owns a clinic outside a hospital.

## Who determinates the taxable profit rate?

Taxable rate are determined by a committee formed of the Director General of Finance, as its president, and four members: a representative from the Ministry of the Economy and Trade, a representative from the Chamber of Commerce and Industry, an expert representing merchants, industrialists or self-employed (liberal) professionals, and an official from the Ministry of Finance. Rates are published by a decision issued by the Minister of Finance.

### Practical Example (4): Assessment of Net Profit



Fadi is a practicing lawyer. His income in 2002, i.e., between 1/1/2002 and 31/12/2002, amounted to L.L.100 million. This amount was derived mainly from legal consultation fees and other fees received for legal services. The taxable net profit rate for the legal profession is 50% of income, in other words **50% of his income is considered as net profit while the other 50% is considered as professional expenses.** Therefore, the net profit made by Fadi is  $L.L.100,000,000.00 \times 50\% = L.L. 50$  million.

## Is tax applied to net profit directly? NO!!!

Before beginning any tax assessment, an amount known as “family abatements” is deducted from the net profit.



### Family abatement?

An amount determined annually based on the taxpayer’s marital status.

### Its Objective?

To reduce the tax burden on families, in particular those with limited incomes.

## How can taxpayers determine the amount of family abatements?

Marital Status of the Taxpayer	Amount of Abatement
Single individual	LL7,500,000.00
Married male whose wife works, with no children	
Married female without children and whose husband works	

### Add to the above abatement the following amounts:

For the wife, in case she is not working	LL 2,500,000.00
For every legitimate child still under the taxpayer's care <sup>(4)</sup> , provided that the total number of children does not exceed five	LL 500,000.00

### General Remarks

- ❖ In case the father is deceased or suffers from a disabling disease (holding a “disability card” issued by the Ministry of Social Affairs) and is unable to perform any paid work, the mother can claim the additional abatement for the children.
- ❖ If both husband and wife work and have children under their care, the father shall be given the family abatement for the children plus the abatement he is entitled to personally.
- ❖ **The taxpayer's marital status as at the first month of the assessment year shall be applied.**

### Test your tax information



**Q:** Nadim and Nada are engineers with two children working for a company. What is the amount of the family abatement that they are entitled to?

**A:** Nadim shall be entitled to a family abatement amounting to L.L.7,500,000.00 plus an additional abatement for the children amounting to L.L. 500,000.00 for each child, i.e. a total amount of L.L. 8,500,000.00 Nada will also be entitled to an abatement of L.L. 7,500,000.00 upon the assessment of her taxes.

(4) Children under a taxpayer's care are:

- Males: under 18 years of age or until a maximum age of 25 provided they are pursuing a university education.
- Females: until their marriage, or if widowed or divorced.
- Disabled: Throughout the validity period of their disability card.

## How can the taxpayers assess their taxes?

After benefiting from the above family abatements, the taxpayer can assess the net taxable profit which equals the net profit, less family abatements.

The taxpayer can then work out the assessment of the tax according to the following progressive schedule:

Progressive Tax Rate	Brackets of net taxable profit		Tax on each bracket LL	Total amount of tax brackets LL
	From LL	to LL		
4%	1	9,000,000.00	360,000.00	360,000.00
7%	9,000,001.00	24,000,000.00	1,050,000.00	1,410,000.00
12%	24,000,001.00	54,000,000.00	3,600,000.00	5,010,000.00
16%	54,000,001.00	104,000,000.00	8,000,000.00	13,010,000.00
21%	Over	104,000,000.00		

- ❖ For tax assessment purposes, profits of less than L.L 1,000.00 are neglected and the total tax is rounded up to the nearest thousand to the benefit of the Treasury.
- ❖ **A fixed amount of L.L. 10,000.00 and a fiscal stamp of L.L 1,000.00 should be added to the tax.**

### Practical example (5): Tax assessment



Rami is a legal consultant, married to Rana (housewife) with no children. His annual income is LL 100 million. How can he assess his income tax?

- ❖ Rate of taxable profit applied to legal consultants = 50%
- ❖ Net profit = 100 million LL. (annual income) x 50% (lump-sum profit) = L.L. 50 million.
- ❖ Family abatement for a married taxpayer without children = 10,000,000.00 (his spouse doesn't work)

The taxable net profit will be: L.L. 40,000,000.00

	Bracket	Annual Tax Rate	Tax Amount
Tax Assessment	9,000,000.00	x 4% =	360,000.00
+	15,000,000.00	x 7% =	1,050,000.00
+	16,000,000.00	x 12% =	1,920,000.00
<b>Total</b>	<b>40,000,000.00</b>		<b>3,330,000.00</b>

Therefore, the tax burden borne by Rami as a percentage of his annual income is = **3.33%**

## 6. How should I declare my business activities every year?

### When should I make the declaration? And where?

Before the 1<sup>st</sup> of February of each year, a self-employed (liberal) professional must:

- ❖ Submit the tax declaration and its annexes by hand, against a receipt, to the concerned department (see back cover), or
- ❖ Complete the tax declaration and its annexes and send them by registered mail, against a receipt.



**Special cases:** In case a self-employed (liberal) professional owns a share in a company, or in case she/he owns an establishment that is assessed according to the real profit method, the taxpayer should declare all incomes from her/his profession according to the real profit method, before the 1<sup>st</sup> of April of each year.

### How should I prepare the annual declaration of my profits?

The annual declaration of personal income shall be prepared by filling up three forms: Forms F1, F3 and S1.

#### **Form (F1):**

This is a personal declaration of income tax. In addition to personal data, it includes:

- ❖ Detailed information concerning people for which the taxpayer is responsible in order to assess the family abatements;
- ❖ Income generated from self-employment for the relevant fiscal year, including income from other establishments. These amounts shall be taken from the income/expenditure journal;
- ❖ Income from the ownership of other commercial or industrial firms, which should be assessed according to the lump-sum profit method ;
- ❖ Salaries and wages received during the fiscal year;
- ❖ Amounts paid to non-residents (if applicable), i.e. to individuals, establishments or firms that do not have a registered business location in Lebanon, whether Lebanese or non-Lebanese (check last page of Form F1).
- ❖ Improvement profits, if applicable, i.e. profits resulting from sale of fixed assets at a price higher than their original cost after depreciation (in such a case the difference is taxable at the rate of 10%).

The image shows a sample of the Lebanese personal income tax declaration form (Form F1). The form is titled 'Déclaration personnelle - Échelle progressive' and is issued by the 'Administration des Contributions Directes' (Direct Tax Administration) of the 'Ministère des Finances' (Ministry of Finance). It contains various fields for personal information, including name, address, and identification number, as well as sections for reporting income and deductions.

**Form (F3):**

This is a statement of revenues and expenditures which should include, in addition to personal data, the following:

- ❖ The total revenues generated from each activity;
- ❖ Details of charges and expenses. These amounts should be taken from the revenue/ expenditure journal only expenses relevant to practicing the profession should be included. The total of each category of expenditures should be given supported by the necessary documents;
- ❖ The total purchases of fixed assets: As entered in the special register with their cost;
- ❖ Total amounts paid to non-residents.

**Form (S1):**

This is an income tax pre-payment notification, made out in four copies that includes:

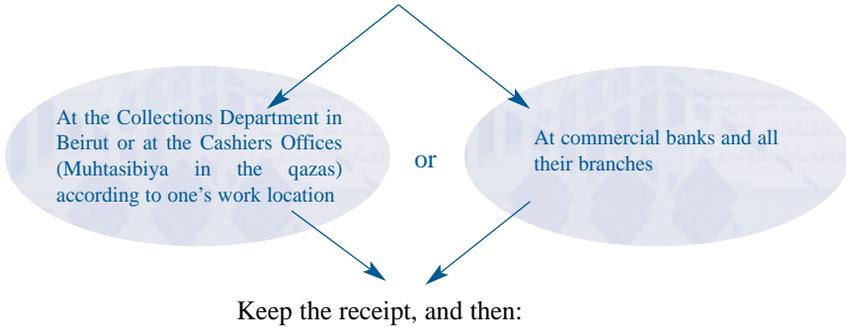
- ❖ Amounts and types of applicable taxes.
- ❖ Fines, if applicable.

**Important remarks**

- ❖ The taxpayer shall declare the total of all her/his revenues and no income shall be exempt unless expressly stipulated by law.
- ❖ **This declaration should be submitted even if it does not include any taxable income.**

## 7. How and where Should I pay my income tax?

Payment shall be made in one single installment, in cash or by a certified cheque drawn in the name of “The Treasurer of the Central Treasury”, accompanied by the S1 form relevant to tax pre-payment.



Hand over the declarations (i.e. Forms F1, F3 and S1) with the payment receipt to:

- ❖ The concerned unit by hand against a receipt
- ❖ Or send them by registered mail against a receipt

**Taxes should be paid before submitting the declaration, i.e. prior to February 1<sup>st</sup> of the tax year.**

### Is it possible to pay by installments? Yes!!!

- ❖ The application for payment by installments shall be submitted to the Beirut Collections Department or to the concerned Accounting Department. Applications are presented, through the hierarchy of the ministry, to the Director General of Finance.
- ❖ The application for payment in installments should be approved by the Director General of Finance.
- ❖ The full amount of the installments shall become due for payment:
  - In case the taxpayer fails to pay any installment on its specified date;
  - In case of either forced or voluntary sale of the taxpayer's assets;
  - In case of the taxpayer's bankruptcy or the liquidation of her/his assets by court order.

### What happens in case of a delay of the pre-payment?

- ❖ The taxpayer shall be liable to a **fine** of **2%** of the tax for every month of delay. A fraction of a month is considered as one full month.
- ❖ The fine becomes applicable starting from the expiry date of the declaration, i.e. of February 1<sup>st</sup> of each year.

### What happens in case of delay in submitting the declaration?

- ❖ The taxpayer shall be liable to a **fine** of **10%** of the tax for every month of delay. A fraction of a month shall be considered as one full month. The amount of the fine shall not be less than LL. **100,000.00**.
- ❖ In case the delay period exceeds 12 months, the Income Tax Administration shall make a direct assessment of the taxpayer's profits<sup>(5)</sup>.

### What happens if I fail to submit the declaration?

This shall be considered as a case of tax evasion. The self-employed (liberal) professional shall be assessed directly<sup>(5)</sup> and she/he shall be liable to a **fine** amounting to **100%** of the tax, provided that the amount of the fine is not less than LL. **100,000.00**.

#### Important remark

- ❖ Settlement of the tax does not prevent the Tax Administration from verifying the taxpayer's declaration (refer to page 27).

(5) Refer to Annex # 2 on page 36.

## 8. How should I declare the tax on the salaries and wages of my employees?

In addition to the declaration of her/his business, the taxpayer should:

- 1- Deduct the applicable payroll tax from the salaries and wages of all employees;
- 2- Pay the amounts deducted to the Central Treasury on a quarterly basis;
- 3- Submit an “annual” declaration of the salaries and wages paid to employees (and the payroll tax deducted)

**This payroll tax shall be imposed under the name of the self-employed (liberal) professional based on her/his declaration.**

### Settlement of the payroll tax

- ❖ The employer shall deduct the tax on salaries and wages and pay it to the Central Treasury every quarter (3 months) prior to the **15<sup>th</sup> of the month** following the relevant three-month period;
- ❖ The employer shall be liable a **fine of 3%** for every month of delay. The fraction of a month shall be considered as one full month.
- ❖ **For this purpose Form R10, the periodic statement of payroll tax settlement, and Form S1, the notification of pre-payment shall be used.**

### When should an employer declare the salaries and wages paid?

The employer should submit the declaration of the annual salaries paid to his/her employees and workers in the previous year, irrespective of their amount, before the 1<sup>st</sup> of February of each year. In case of failure, the taxpayer shall be liable to a fine of **10%** of the tax amount for every month of delay. A fraction of a month shall be considered as one full month provided that the fine is not less than **L.L. 100,000.00**.

For this purpose the employer shall use Form R5 (the annual declaration of the payroll tax), Form S1 (the notification of pre-payment) and Form R6 (the annual statement of total incomes of the employees/wage-earners).

### What does the annual declaration R5 and the periodic statement R10 include?

In addition to personal data, Form R5 includes:

- ❖ Total amounts paid by the employer annually to all employees, such as salaries and wages, gratuities and fringe benefits for clothes, food, etc.;



- ❖ Family abatements from which the employees benefit annually;
- ❖ The total amounts paid as annual lump sum wages;
- ❖ The annual tax due on total taxable payrolls, the payment periods (quarterly), the actual amount of tax paid and any remaining amounts due for settlement.

The periodic statement R10 includes information concerning the salaries paid quarterly and the tax deducted by the employer.

### How is the tax assessed on salaries and wages?

- ❖ The tax on salaries and wages, or payroll tax, is assessed on the basis of the net total annual income received by the employee or wage-earner during the year preceding the assessment year, after deduction of the family abatements for each employee (Refer to page 16).
- ❖ Net annual revenues means the total amount paid to the employee or wage-earner during one working year after deduction of the total allowances paid for expenses required by the job.

### What are these allowances?

- ❖ Family allowances paid according to the laws and regulations in force;
- ❖ Travel and transport allowances and monthly transport allowances;
- ❖ Allowances paid to the employee in compensation for additional duties performed outside the regular work place;
- ❖ Representation allowance (10% of the salary);
- ❖ Allowances for clothing required by the employer, provided that such compensation does not exceed the minimum wage. (Allowances for food coupons amounting to LL. 5,000.00 for each employee for each day of actual work;
- ❖ Education, marriage, death and birth compensations as stipulated in the comprehensive employees regulations approved by the Ministry of Labor, and within the provisions and limits adopted by the State Employees Cooperative;
- ❖ In general, all allowances paid for performing work required by the job.

Allowance limits for certain compensations according to the State Employees Cooperative regulations

Birth	50% of the basic salary
Marriage	200% of the basic salary
Death	200 % of the basic salary
Education	Determined by a decision of the State Employees Cooperative

# Payroll Tax Assessment Procedure

The tax is assessed on the basis of net taxable salaries and wages according to the following brackets and rates:

Tax rate	Salary bracket LL	Tax on each bracket LL	Total Tax on all brackets LL
2% From 1	to 6,00,000.00	120,000.00	120,000.00
4%	6,00,001.00 to 15,00,000.00	360,000.00	480,000.00
7%	15,00,001.00 to 30,00,000.00	1,050,000.00	1,530,000.00
11%	30,00,001.00 to 60,00,000.00	3,300,000.00	4,830,000.00
15%	60,00,001.00 to 120,00,000.00	9,000,000.00	13,830,000.00
20%	Exceeding 120,00,000.00		

For assessment of the payroll tax, all fractions of the wage less than LL. 1,000.00 are neglected. The amount of the tax is rounded up to the nearest thousand in favor of the Treasury.

### Practical Example (6): Assessment of payroll tax

How do we assess the tax on an annual salary of LL. 40,000,000.00 for a married employee with no children, whose spouse is not employed (housewife)? The family abatements amount to LL. 10,000,000.00. Thus the net taxable income is LL. 30,000,000.00 divided into three brackets as shown in the following table:

Tax Assessment	bracket	Tax Rate	Tax Amount
	6,000,000.00	2 %	120,000.00
	9,000,000.00	4 %	360,000.00
	15,000,000.00	7 %	1,050,000.00
<b>Total</b>	<b>30,000,000.00</b>		<b>1,530,000.00</b>

## Notes concerning family abatements

- ❖ Family abatements on salaries and wages are assessed in proportion to the actual work period, i.e. from the date the employee starts working up to the end of the year, or until the employee leaves work, in case this occurs before year-end.
- ❖ In case the employee's status changes during the course of the year (marriage, divorce, birth, death, etc.), the family abatement shall be assessed from the date of this change. Payroll tax shall apply to employees and wage-earners whose total annual wages exceed the family abatement amounts. The self-employed liberal individual, assessed according to the lump sum profit method, should declare the salaries and wages of his/her employees and wage earners, irrespective of their amounts or the abatement amounts.
- ❖ The family abatement for a daily worker is LL. 25,000.00 daily, irrespective of marital status.
- ❖ Payroll tax is assessed without family abatement for employees who at the same time perform other work subject to a tax on profits, i.e. the employee shall benefit from one family abatement only (Tax on profit).
- ❖ The tax on lump sum wages is assessed at the rate of 3% irrespective of their amounts and without any abatements. Lump sum wages are wages paid occasionally to anyone performing temporary work on the basis of the quantity produced.
- ❖ Fractions of one thousand LL. are rounded up to the nearest thousand LL. to the benefit of the Treasury.

### Test your tax information



**Q:** Lubna, an employee at the clinic of Dr. Tarek, receives a monthly salary of LL. 600,000.00. What is the amount of the tax that Dr. Tarek should pay on her salaries and wages?

**A:** Lubna receives an annual salary of LL. 7,200,000.00 (600,000.00 x 12 months), i.e. less than the amount of family abatement that she is entitled to, LL. 7,500,000.00. Consequently Dr. Tarek does not have to deduct any tax from her salary but he has to submit the annual declaration (R5) covering Lubna's salaries.

**Q:** If Lubna receives a monthly salary of one million LL and she started working at Dr. Tarek's clinic on 1/5/2002, then what is the amount of family abatement Lubna will benefit from for the year 2002?

**A:** Since Lubna started working on 1/5/2002, i.e. she worked at Dr. Tarek's clinic for eight months during 2002, consequently the amount of family abatement shall be assessed in proportion to the actual period of her work:

$$(8 \times 7,500,000.00) / 12 = \text{LL. } 5,000,000.00$$

## Tax on Salaries and Wages Guidelines

- ❖ The employer should keep a special register of her/his employees and wage earners in which are recorded their names, salaries and wages, nature of their work, date of starting/termination of work. This register is not subject to any official endorsement or page numbering by any party whatsoever.
- ❖ The employer should make a declaration for any employees who also holds another job. In this case, the tax should be deducted from the employee's salary without family abatements. The employee who works at more than one job should file, in person, a personal declaration including all her/his revenues before the 1<sup>st</sup> of June of each year, in which the employee indicates the names of any past employers, their addresses as well as the wages received from each.
- ❖ The declaration of salaries and wages should correspond to the declaration submitted to the National Social Security Fund in respect of the names of employees, their total salaries, wages and compensations. Otherwise, a fine ranging from LL 200,000.00 and LL. 500,000.00 may be imposed.
- ❖ A nurse working at a doctor's clinic, in contrast to a nurse working at a hospital, is not exempt from paying a payroll tax.
- ❖ A doctor employed by the Ministry of Health, for example, who also works at his clinic, should submit to the concerned fiscal unit located in the area of his clinic, a personal declaration including all his receipts (i.e. from his employment, from his clinic or from other sources, if applicable), before the 1<sup>st</sup> of February each year.
- ❖ All communications between the concerned fiscal unit and employees liable to payroll tax shall be effected through the employer and not directly.

### For more information, please contact:

#### The Salaries and Wages Tax Unit

Justice Palace Area, Corniche Al Nahr

✉ 20664290, Beirut-Lebanon

☎ 01/398234

E-mail: [dass@finance.gov.lb](mailto:dass@finance.gov.lb)

Internet: [www.finance.gov.lb](http://www.finance.gov.lb)

## 9. How does the Tax Administration verify the declarations?

### The Verification Process

The Tax Administration is entitled to verify any taxpayer's personal declaration or payroll declaration and related supporting documents.

The concerned unit shall verify that:

- ❖ The annual declaration and payroll declaration are accurate;
- ❖ Appropriate records are available;
- ❖ The book-keeping method is proper;
- ❖ Supporting documents are available;
- ❖ Any other matter required by law.

The Administration may exercise this right during the year in which the declaration is submitted or at any other time during the three following years. This means that if the taxpayer submits a declaration in 2001 for the fiscal year 2000, the Administration is entitled to verify this declaration during 2001 or during the three following years 2002, 2003, or 2004. Otherwise, the Administration shall lose the right of verification due to the passage of time (passage of four years), unless otherwise specified.

### Additional and Supplementary Costs?

Following the Tax Administration's verification of the taxpayer's business, personal declaration of incomes and expenditures, payroll declaration and other supporting documents, two cases may arise as a result of this process:

#### **Case (1):**

In case it is demonstrated to the Tax Administration that all declarations are correct and submitted within the statutory deadlines and accompanied by the necessary supporting documents, the controller will then put the file on record and inform the taxpayer that the declaration has been accepted.

### **Case (2):**

In case the controller finds what may necessitate amendment of the declaration, two possible scenarios may result:

- 1) If the taxpayer's declaration is incomplete (with regard to the amount of tax payable) for any type of tax (profit tax, payroll tax or improvement tax), the controller shall charge the taxpayer, through a supplementary imposition order, to settle the difference and impose a fine, if applicable.
- 2) But if the taxpayer fails to declare any particular type of tax (profit tax, payroll tax or improvement tax), the controller shall charge the taxpayer, through an additional imposition order, with the said tax and any applicable fine.

### **In Both Cases:**

- ❖ The Administration will notify the taxpayer of the amount of tax amendment imposed with its justification, accompanied by a notification of the new tax amount and fine, if applicable, by registered mail against a delivery receipt.
- ❖ The taxpayer should settle the total of these amounts within two months from receiving the notification, plus a fine for delay. The fine shall be calculated as from the date of expiry of the deadline for submitting the declaration at the rate of 2% for profit tax and 3% for payroll tax, for every month of delay, in which the fraction of a month is considered one full month.

### **Practical Example (7)**



Najib is a pharmacist who submitted his declaration for the year 2002 within the statutory deadline (before February 1<sup>st</sup>, 2003). He paid one million L.L. as profit tax and LL 200,000.00 as a payroll tax deducted from the salaries and wages of his employees. After verification of the declaration, the Tax Administration found that his profit tax amounts to 2 million L.L. due to an accountancy error. Najib was notified of the difference, through a supplementary imposition order, amounting to one million L.L. + a fine of 2% for each month of delay starting from the date of expiry of the declaration deadline (February 1<sup>st</sup>, 2003) up to the date of settlement.

### Practical Example (8)



Jad is a sworn translator who submitted his profit tax declaration and paid the tax, which he assessed at 2 million L.L.. But he failed to declare the salaries and wages paid to his employees during the year. Following a verification process by the Income Tax Controller, the Tax Administration notified him that he failed to declare the payroll tax and charged him (through a supplementary imposition order) an amount of L.L. 200,000.00 plus the applicable fines, by registered mail against a delivery receipt.

- ❖ Verification fine: (10%) of the amount provided that it is not higher than the amount of the tax and not lower than LL 100,000.00.
- ❖ Collection fine: (3%) monthly of the total amount of the tax plus the verification fine starting from the date of expiry of the declaration deadline (February 1<sup>st</sup>, 2003) and up to the date of settlement.

## 10. How can the taxpayer object to the additional and supplementary tax impositions?

In case an error is detected in the Tax Administration's decision, the taxpayer is entitled to object to an additional imposition, provided that the necessary documents supporting this error, or the real amount of taxable income is also submitted.

**Note:** The taxpayer's objection to the additional amount imposed does not prevent collection of the tax, i.e. the taxpayer should settle the tax within the deadline. Once the objection becomes justified, the taxpayer is then be refunded.

### How does the taxpayer submit an objection? Where? and when?

The objection should take the form of a petition signed by the taxpayer or her/his legal agent. The petition should include:

- ❖ The taxpayer's name, surnames, address and place of residence.
- ❖ The type of imposition objected to (additional or supplementary) and its amount;
- ❖ The subject of the objection and its reasons;
- ❖ Documents supporting the facts listed in the petition should also be provided. The objection should be submitted directly to the concerned Financial Unit, against a receipt or the number and date of the objection registration at the Fiscal Unit's office, or by registered mail against a delivery receipt, within two months from the date of notification to the taxpayer of the additional or supplementary tax.

### Evaluation of the objection by the Administration

The concerned fiscal unit shall perform the necessary investigations and request any necessary clarifications or additional documents.

- ❖ In case the objection is considered unacceptable in form (submitted after the two-month deadline) or is basically unfounded, the concerned fiscal unit will refer the case to the Objections Committee accompanied with its remarks. In this case the taxpayer does not have to take any additional action, except to check with the Objections Committee concerning the progress of the petition.
- ❖ In case the objection is found to be fully justified, the concerned fiscal unit will satisfy all the taxpayer's claims.
- ❖ In case the objection is found to be partially justified, the concerned fiscal unit will only satisfy the taxpayer's rightful demands.

In all three cases, the concerned fiscal unit should notify the objector of the results of the investigation **within 15 days** from taking its decision.

## Can an objection be reconsidered?

- ❖ The objector, whose claims were partially satisfied by the concerned fiscal unit, shall have the right to request from the Tax Administration, in writing, within **two months** from receiving notification of its decision, to refer the case to the Objections Committee for reconsideration.
- ❖ The Objections Committee shall notify the objector, or her/his representative, of the summons, communications and decisions, according to applicable administrative procedures, against her/his signature, or by registered mail against a delivery receipt.
- ❖ The objector who refuses to receive the notification shall be considered as properly notified. The same provisions shall apply to her/his heirs in case of death.
- ❖ The Committee's decision shall be notified within **15 days** from the date of the decision to:
  - The Director of Revenues and the concerned fiscal unit according to administrative procedures.
  - The objector, either through regular administrative procedures or by registered mail against a delivery receipt.

## Can the decision of the Objections Committee be appealed?

- ❖ The taxpayer and the Fiscal Department may appeal as well as the decision taken by the Objections Committee before the State Consultative Council within **20 days** from the notification date, provided that the appeal petition is submitted directly to the State Consultative Council.
- ❖ To accept the appeal, a **deposit** amounting to **5%** of the tax under objection should be effected.
- ❖ The deposit, together with other judicial fees, shall be paid to the treasury of the State Consultative Council within the specified deadline. Any appeal not accompanied with the deposit receipt shall be rejected.

## How is the Decision of the State Council Implemented?

- ❖ If the decision of the State Consultative Council is totally in favor of the objector, the taxpayer may retrieve the full amount of the deposit.
- ❖ If the decision is totally in favor of the Treasury the deposit shall be considered as an acquired right of the Treasury.
- ❖ If the decision is partially in favor of the taxpayer, only a proportion of the deposit, equivalent to the percentage reduction of the tax set in the decision shall be refunded.

## Helpful Tips

- ❖ Any person in Lebanon, whether physical or moral, should allow the employees of the Ministry of Finance, when required and without claiming professional confidentiality, access to all documents, records and information which may help in determining the basis of the tax to be paid, either by the taxpayer herself/himself or by other taxpayers. Otherwise, the taxpayer shall be liable to a fine ranging from LL 1,000,000.00 to LL 5,000,000.00.
- ❖ Taxpayers and their agents are not permitted to obtain statements or summaries of tax declarations or documents which were previously submitted to the Tax Administration.
- ❖ Taxpayers are not permitted to obtain statements or summaries of another taxpayer's files.

# 11. Reminder of the Most Important Deadlines

Two months from work commencement	Declaration of commencing work	Forms M10 & M11
Before February 1	Pre-payment	Form S1
	Annual declaration of business activities	Forms F1, F3, R5 and salaries schedule
	Declaration of cessation of practice	Form M7
From 1 to 15 April From 1 to 15 July From 11 to 15 October From 1 to 15 January	Settlement of payroll tax for each quarter of the year	Forms R10 and S1
Before June 1	Personal declaration of employees who work at more than one job	Form R8
Before end of September	Settlement of lump sum tax	
One month from the date of work cessation	Declaration of work cessation	Form M6
Before the end of the year	Amendment of data/information	Form M5

## Annex (D): Various Cases of Self-Employed (Liberal) Taxpayers

Cases	Form	Declaration Deadline	Taxpayers' Duties
1. Non-commencement of work for taxpayers required to be affiliated to a syndicate/order (in case the taxpayer has not commenced work)	M 7	Before February 1 <sup>st</sup> of each year	<ul style="list-style-type: none"> <li>- Notification within the statutory deadline, by filling the required form</li> <li>- Supporting evidence for non-commencement of work</li> </ul>
2. Amendment of data (due to a contingency or a change in activity).	M 5	Before the end of the current year	<ul style="list-style-type: none"> <li>- It is sufficient to fill the form and submit the proper supporting documents (copy of the rent contract, property deed etc.)</li> </ul>
3. Disposal of the work location (i.e. sale) or partial disposal while continuing to work.	M 6 F 1 S 1		<ul style="list-style-type: none"> <li>- Notification within one month accompanied by the proper documents (name of purchaser, copy of the disposal agreement)</li> <li>- Declaration of improvement profits, if applicable, together with the annual tax declaration</li> </ul>
4. Termination of work	M 6 F 1 F 3 S 1		<ul style="list-style-type: none"> <li>- Notification within one month from termination of work</li> <li>- Personal declaration up to the date of termination after settlement of taxes due</li> <li>- Declaration of salaries and wages paid during the same period</li> <li>- Declaration of improvement profits, if applicable (i.e. in case of sale)</li> </ul>
5. Death of the taxpayer	F 1 F 3 S 1	Two months from the date of death	<ul style="list-style-type: none"> <li>- Notification</li> <li>- Personal income tax declaration to be submitted by the heirs and the declaration of salaries and wages paid from the beginning of the year up to the date of death</li> </ul>

## Penalties for non-compliance with procedures

## Remarks

- Direct assessment if the taxpayer is unable to prove non-practice
- Fines for delay in submitting declarations and payment (Verification and collection fines etc.)

- A fixed fine ranging from LL. 200,000.00 to LL. 500,000.00

- A fixed fine ranging from LL. 200,000.00 to LL. 500,000.00
- Fine for non-declaration

- Both the buyer and the seller shall be liable for settlement of the taxes due from the seller for the current year, and for the previous years not dropped legally through the passage of time

- Direct assessment of profits.
- Statutory fines for delay in submitting the tax declarations and its payment (fees for verification and collection fines, etc.)

- Direct assessment
- Statutory fines: Delays in submitting the tax declaration and its payment (verification and collection fines, etc.)

- Taxes, duties and fines due from the taxpayer shall be considered as charges on her/his inheritance and deducted from their total value upon calculation of the transfer duties. Heirs shall remain liable for settlement of taxes, duties and fines due from the deceased

# Annex (2) Main Contraventions and Fines Imposed on Taxpayers

Case	Fine	Remarks
1. Delay in submitting the annual declaration within the statutory deadline.	<p><b>Verification fine:</b> 10% of the tax for every month of delay provided that the fine is not less than LL.100,000.00 or higher than the amount of the tax.</p> <p><b>Collection fine:</b> 2% of the total fine imposed for every month of delay in settlement.</p>	❖ The fraction of a month is considered a full month.
2. Failure to submit the declaration, delay of over 12 months or submitting an incorrect declaration.	<p><b>Verification fine:</b> 100% of the tax provided that it is not less than LL. 100,000.00 plus a direct assessment of the taxpayer's profits.</p> <p><b>Collection fine:</b> 2% of the total fine imposed for every month of delay in settlement.</p>	❖ The fraction of a month is considered a full month
3. Proper accounting records or supporting documents are not available.	<p><b>Verification fine:</b> 100% of the tax, provided that it is not less than LL. 100,000.00 plus a direct assessment of the taxpayer's profits.</p> <p><b>Collection fine:</b> 2% of the total fine imposed for every month of delay in settlement.</p>	❖ The fraction of a month is considered a full month

## Important Remarks:

- ❖ Direct assessment means discarding the taxpayer's declaration, book entries and supporting documents. The concerned fiscal unit shall then assess the taxpayer's net annual profit according to available data, standards and methods, consistent with prevailing controls and procedures.
- ❖ The taxpayer shall be notified of the assessed profit, imposed tax, amount of the fine and the justifications for the assessment by registered mail against a receipt.