



USAID
FROM THE AMERICAN PEOPLE

USAID/LEBANON MISSION NOTICE

Subject: Information on Government of Lebanon Customs Duties and Tax Exemptions

Mission Notice Number: 001-2010

Effective Date: March 18, 2010

I. PURPOSE

The purpose of this Mission Notice is to provide mission staff and implementing partners with information on Government of Lebanon (GOL) customs duties and tax (including VAT) exemptions. It is the responsibility of the implementing partner to seek and obtain all customs duties and tax exemptions authorized by the GOL under the laws of Lebanon, even if they are not detailed within this notice. Presently, there are no current customs duties and tax exemptions in place with the GOL specific to implementing partners and programs of USAID under a bilateral agreement or otherwise. However there are certain customs duties and tax exemptions available to USAID partners under local law. All USAID partners must make a reasonable attempt to assert or use the applicable customs duty or tax exemption including seeking the advice of local counsel.

While the attached information regarding customs duties and tax exemption may apply to USAID partners under local law, USAID partners must contact local counsel and host government officials for further information. USAID/Lebanon accepts no liability for the content of this notice, or for the consequences of any actions taken on the basis of the information provided herein. The information contained herein should not be construed as legal advice or other such guidance to any entity or individual financed by USAID.

II. APPROVING ALLOWABILITY OF PAID TAXES AND CUSTOMS DUTIES

Before any customs duty or tax is considered allowable, implementing partners must seek the applicable customs duty and tax exemption directly or indirectly available to them. If there is an applicable exemption available either directly or indirectly, USAID must then determine whether the implementing partner made a reasonable effort including exhausting all legal and applicable remedies to seek and secure all possible customs duty and tax exemptions prior to any partner incurring any duty or tax. . Implementing partners are encouraged to seek USAID approval of any customs duties or taxes as allowable costs prior to incurring such costs.

The provision in USAID's legislation implemented in ADS 155 - "Department of State Section 579 Implementation - Taxation of U.S. Foreign Assistance" does not affect allowability because U.S. law cannot grant an exemption from another country's tax laws. While Section 579 requires

USAID to take certain steps to obtain tax exemptions and to report on VAT paid and not reimbursed, it does not provide any exemption in and of itself.

Furthermore, implementing partners are required to report on an annual basis on all foreign taxes assessed by the Government of Lebanon on commodity purchase transactions valued at \$500 or more financed with U.S. foreign assistance funds under their USAID agreement during the prior U.S. fiscal year. For further guidance consult the standard provisions for reporting of foreign taxes in USAID contracts and grants.

III. APPROVAL

This Mission Notice will go into effect on the date signed by the Mission Director below.

<u>Denise A. Herbol</u>	<u>3-18-10</u>
Denise A. Herbol	Date
Mission Director	

Attachment: GOL Customs Duties and Tax Exemptions under Local Law, May 2009.

Clearance: S. Callahan, RLA Email 3-17-10
A. Quinlan, OAA Email 3-17-10
H. Eichenfield, OAA Email 3-17-10

GOL Tax information (May 21, 2009)

This is an illustrative description of GOL customs duty and tax information for USAID implementing partners based upon information provided by the GOL to USAID as of May 21, 2009. It is the responsibility of implementing partners to seek any and all customs duty and tax exemptions.

USAID implementing partners must contact local counsel and host government officials for further information. USAID/Lebanon accepts no liability for the content of this notice, or for the consequences of any actions taken on the basis of the information provided herein. The information contained herein should not be construed as legal advice or other such guidance to any entity or individual financed by USAID.

1. *Corporate Income Taxes*

GOL has stated there are no tax exemptions available under current Lebanese law for corporate income taxes imposed on USAID implementers.

2. *Personal Income Taxes*

GOL has stated that there is no tax exemption available under current Lebanon law for personal income taxes imposed on employees of USAID implementers.

3. *Social Insurance Taxes*

According to the Lebanese law, foreigners relocating to Lebanon to work are exempted from paying the social security contributions provided that they are receiving in their country of origin social allocations comparable at least to those allocated by the Lebanese NSSF law.

4. *Value Added Taxation*

Equipment, goods and services purchased in Lebanon by the USAID implementers (and their sub-implementers) for the need of an assistance project to Lebanon are exempted from VAT. The exemption does not include equipment, goods and services purchased by the USAID implementers and sub-implementers for personal use.

5. *Customs*

Equipment and vehicles financed by the USAID to be used in a project of assistance for Lebanon are exempted from customs duties (at the time they enter the Lebanese territory) and VAT. Note: there is no mechanism to refund custom duties if equipment and vehicles are bought in Lebanon. In addition, there also no mechanism to refund excise tax.

Expatriated staff employed by USAID implementers and relocating to Lebanon to work in an assistance project are allowed to import, under temporary admission conditions as stated in the enforced Lebanese law, at the time of first taking up their post in Lebanon their furniture, personal effects and all household appliances in their possession intended for personal use, as well as a used car, free of customs duties.

6. Municipal taxes, excise taxes and stamp duties

Except for municipal tax exemption provided for in Lebanon's international commitments related to diplomatic privileges and immunities, Lebanon legislation does not include any exemption from municipal taxes and excise taxes.