REPUBLIC OF LEBANON
MINISTRY OF FINANCE

1999 – 2000
MAIN FISCAL AND ECONOMIC DEVELOPMENTS IN LEBANON

Lebanon has undergone major economic and political developments over the past year. Having fully weathered the contagion effects that afflicted many emerging markets due to the Asian, Latin American, and Russian financial crises, Lebanon demonstrated resiliency that boosted economic confidence both inside and outside the country. This confidence was further reinforced by the adoption of a five-year fiscal adjustment plan, the reinforcement of the country's monetary stability, and a number of developments spelled out below.

I. MAIN POLITICAL AND ECONOMIC DEVELOPMENTS IN 1999

1. Smooth transition of power

The country witnessed a smooth and orderly transition of executive power with the election of a new President, the nomination of a new Prime Minister, and the formation of a new Cabinet. The President's election took place amidst wide popular support. The Cabinet's choice was made based on merit and professionalism. The new President and Cabinet pledged to adopt a fiscal consolidation program, as well as to promote privatization, administrative and structural reforms, and a strengthening of transparency and governance.

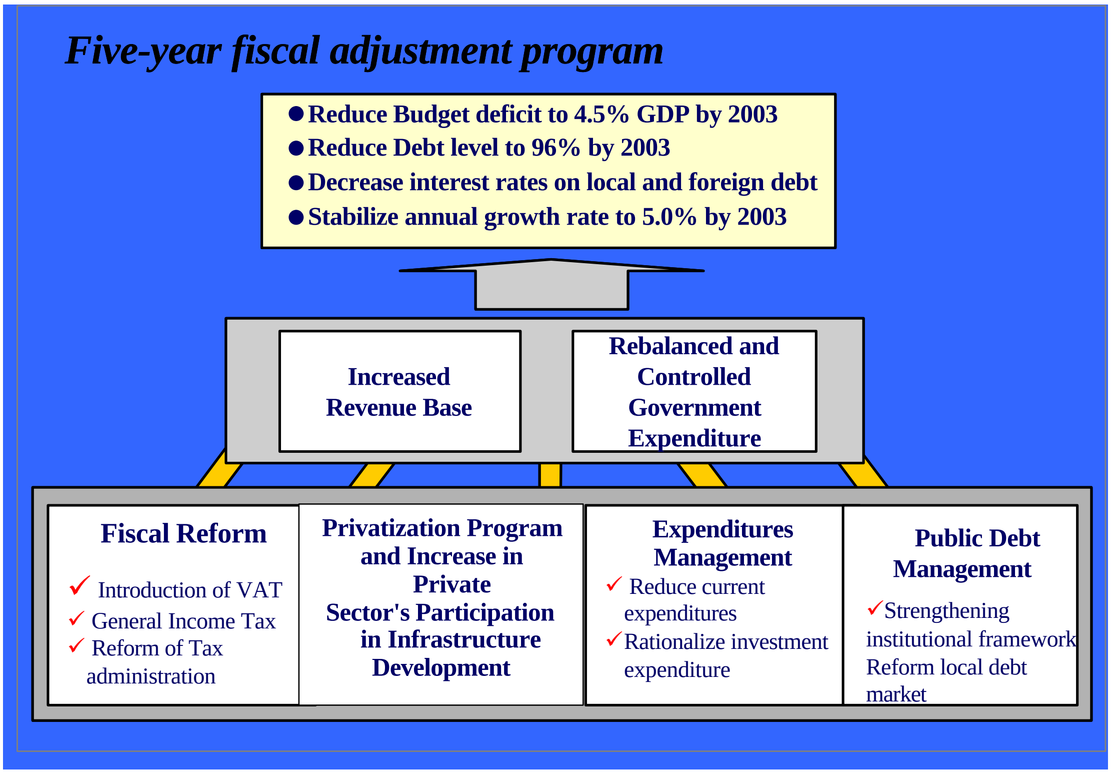
2. Wide consensus for fiscal consolidation

After extensive debate involving numerous Parliamentary hearings over the course of the periods preceding the ratification of both the 1999 and 2000 budget laws, widespread political and popular consensus ultimately emerged for the Cabinet's broad fiscal and governance parameters. Consequently, most of the proposed reforms were ultimately endorsed and adopted by the Parliament.
The fiscal consolidation path is now broadly accepted within the country. The country's political and business bodies are in agreement over the need for fiscal consolidation and reform, whether on the increase in revenues or the decline in expenditures. Both Parliament and the business community have widely accepted some of the previously unthinkable issues such as the introduction of various revenue measures as well as the increase in income tax rates, built property tax rates, inheritance tax rates, etc… in addition to the future introduction of a value added tax and the privatization of publicly owned enterprises.

3. Development of the five-year fiscal adjustment plan:

The election of a new President and the formation of a new Cabinet bode well for fiscal consolidation. The executive branch has made clear that the country will embark on a five-year fiscal adjustment program to secure a sound fiscal policy conducive to economic growth through wide private sector participation. The general targets of the five-year fiscal program are spelled out below:

- Reduce the budget deficit by a massive 11.1% of GDP, to 4.5% of GDP by 2003
- Reduce the debt level to 96.3% of GDP by 2003 (the peak is expected to be attained in 2000)
- Decrease interest rates on local and foreign debt (the decrease in interest rates on foreign debt will occur through increasing the share of concessional loans)
- Reach annual growth rates of 5% by 2003.



The plan seeks to achieve these broad objectives through the following reforms:

- **Tax reform and modernization,** mainly through:
  - ***a. Income and property tax reforms***, already introduced in the context of the 1999 Budget. The main purpose of these reforms is to increase equity and fairness in income distribution and to boost revenues.

b. ***Introduction of a VAT in 2001,*** currently under preparation at the MOF. Amongst the proposed fiscal measures, the introduction of the VAT will yield the sharpest increase in overall tax revenues (by 2.9% of GDP) in 2001.

c. ***Introduction of a global income tax on individuals,*** intended to replace the current existing system of schedular income taxes. This reform is expected to facilitate taxpayer compliance, reinforce tax administration and broaden the tax base.

d. ***Reforming the tax administration*** through continuous training of existing staff and the recruitment and training of 300 new auditors.

e. ***Other tax reforms and modernization***, such as the continuous adjustments in gasoline prices in line with international market levels as well as the consideration of the introduction of appropriate various investment-neutral taxes and fees, as may be justified.

These reforms will result in an increase in total budget revenues by 4.5% of GDP by the end of the five-year period.

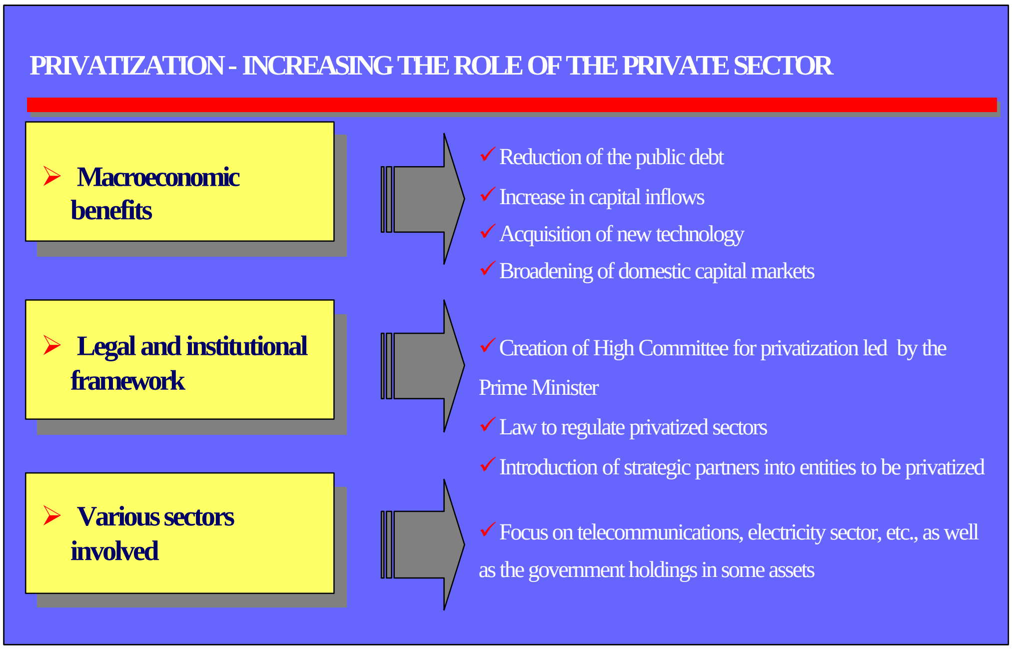
EXPENDITURE RATIONALIZATION STRATEGY

five priorities

- **Ceiling of the overall public expenditure**
- **Reduce share of current expenditures**
- **Rationalize investment spending**
- **Focus on social and regional development programs**
- **Improving the administrative efficiency in managing expenditure**

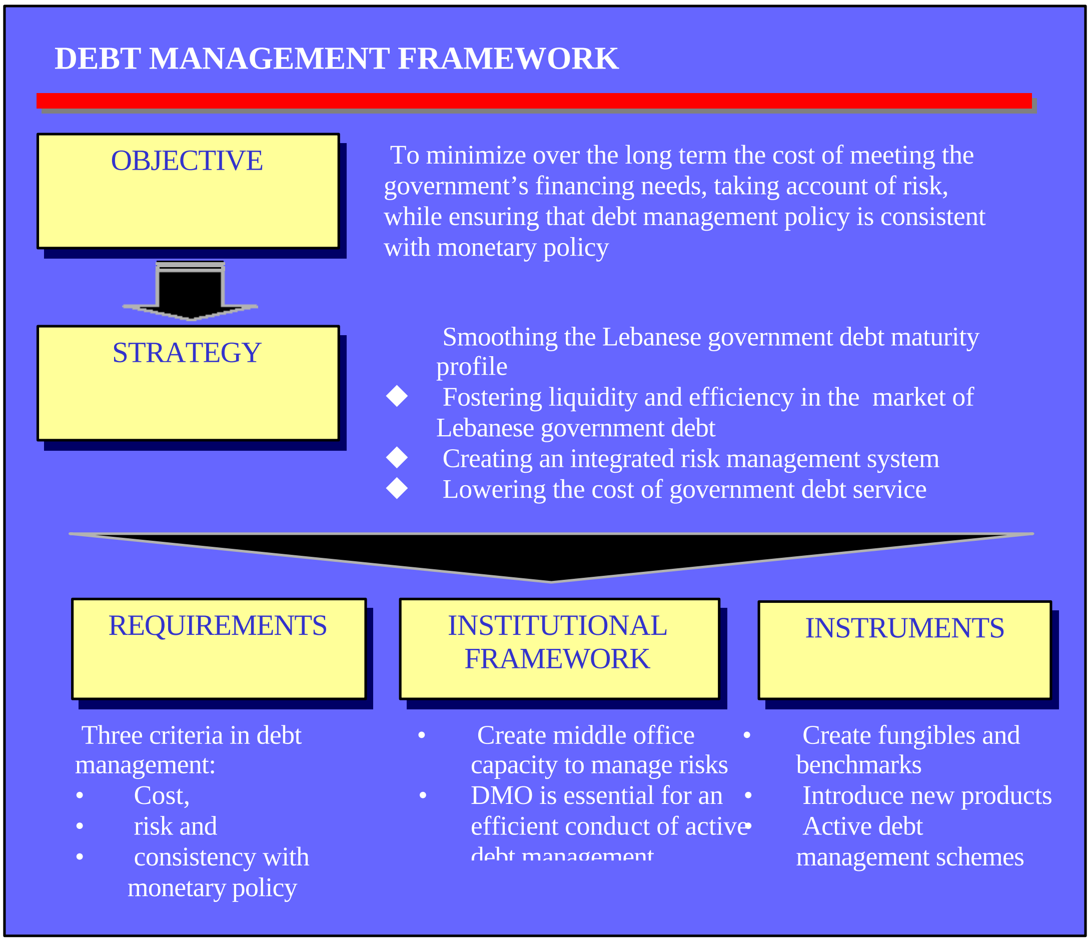
ACHIEVE LONG TERM FISCAL SUSTAINABILITY
REPOSITION THE GOVERNMENT IN THE ECONOMY

- **Expenditure rationalization** through imposing a ceiling on the level of expenditures by reducing current expenditures in real terms: expenditures are projected to decline in real terms, from around 35% of GDP in 1999 to 28.6% in 2003. This is to be achieved by curbing non- interest spending (will remain below 20% of GDP in 2000-2003). The key adjustment factor on the expenditure side will be the decline in debt servicing costs, by 5.3% of GDP over the 5-year period. This will be the result of much smaller borrowing needs (due to growing primary surpluses from 2001 onwards and the fiscal impact of privatization), and the projected decline in interest rates on LL-denominated treasury bills to 11.0% by 2003 on average, from 14.5% in 1999. As to capital expenditures, it is assumed that a large part of the remaining infrastructure works will be conducted by the private sector and therefore, the private sector will become the main engine of growth in the country.



- **Privatization program and increase in private sector's participation in infrastructure development** (USD 4-5 billion privatization proceeds by 2003 to retire debt): the five-year fiscal adjustment program assumes that a new source of budget financing and debt repayment - privatization receipts - will come into the equation in 2000. The privatization program is front-loaded with 2000 target for proceeds of LBP 2,054 billion (about USD 1.4 billion, including re-negotiation of mobile phone licenses), with the level declining gradually to LBP 1,900 billion in 2001 and then to LBP 1,000 billion in 2002-03.

- **Improving public debt management** and structure through strengthening the institutional framework of the debt management unit at MOF, the development of new debt instruments, the reform of the local debt market with the objective of increasing depth and liquidity in secondary market trading.



It is worth noting here that the 5-year Fiscal Adjustment Program started in 1999, with Budget 1999 incorporating sizable revenue reforms along with a reduction of expenditures as well as with the preparation of a number of reforms such as VAT and privatization.

5-year Fiscal Adjustment Plan
LL billion, unless specified

	1999	2000	2001	2002	2003
Nominal GDP	25,999	27,716	30,266	32,735	35,403
GDP at 1998 prices	24,999	25,749	26,779	27,984	29,383
Real GDP growth	2.0%	3.0%	4.0%	4.5%	5.0%
Inflation rate	4.0%	3.5%	5.0%	3.5%	3.0%
Interest rate on LBP debt	14.5%	14.0%	13.2%	11.6%	11.0%
Interest rate on FX debt	8.6%	8.6%	7.5%	7.2%	7.2%
% of GDP					
Total revenue	21.2%	21.6%	23.8%	23.9%	24.0%
Tax revenue	16.8%	17.1%	19.0%	19.1%	19.3%
Non-tax revenue	4.4%	4.5%	4.8%	4.8%	4.7%
Total expenditure	34.5%	34.0%	32.2%	29.4%	28.5%
Interest expenditure	14.2%	13.8%	12.2%	9.6%	8.7%
Debt service in LBP	12.1%	11.2%	9.6%	7.2%	6.3%
Debt service in FX	2.1%	2.7%	2.6%	2.5%	2.4%
Other expenditure	20.3%	20.1%	19.9%	19.8%	19.7%
Overall budget balance	-13.3%	-12.4%	-8.3%	-5.6%	-4.5%
Primary budget balance	0.9%	1.4%	3.9%	4.0%	4.3%
Additional financing					
Privatization receipts. LBP bn	0	2,054	1,900	1,000	1,000
Privatization receipts, % of GDP	0.0%	7.4%	6.3%	3.1%	2.8%
Debt ratios, % of GDP					
Total Debt	127.6%	126.7%	115.0%	105.4%	96.3%
Debt in LBP	82.9%	74.4%	66.9%	61.7%	55.7%
Debt in FX	44.7%	52.3%	48.1%	43.7%	40.7%

4. Debt on the international capital markets:

In the context of the debt refinancing strategy of replacing costly and short-term domestic debt with cheaper and longer-dated foreign debt, the MOF accessed the capital markets twice in 1999.

The first issue took place in March 1999 and consisted of a double-tranche 5-year Eurobond amounting to USD 200 million and Euro 300 million. Lebanon was the first Mediterranean emerging market to issue in the unified European currency.

The second Eurobond issue took place in October 1999 and also consisted of a dual tranche offering of a 10-year USD 400 million and a 7-year Euro 300 million. This Eurobond issue was the first take-down under the 1999 USD 2 billion approved enveloppe and was characterized by wide international participation. Specifically, around 38% of the 10-year USD 400 million tranche was distributed to non-Lebanese accounts, with a substantial portion being sold into US funds. As for the 7-year Euro 300 million tranche, 16% of the bonds were placed outside Lebanon.

In its tapping of the international capital markets, the Ministry of Finance has a number of objectives, namely:

- **Foreign debt limits:** The MOF is cautious about the country's external borrowing limits (including concessional loans), which will not exceed 35% of total outstanding debt.
- **Broadening the investor base:** The MOF is working on broadening Lebanon's international investor base and the latest Eurobonds have attracted a much broader international, non-traditional investor base. Diversification of financing sources is a priority and the MOF will continue marketing Lebanon in road-shows throughout the US and Europe.
- **Maintaining scarcity of Lebanese Eurobonds:** The MOF is also keen on keeping Lebanon's access to capital markets as limited as possible.

II. 1999 ACTUAL OUTCOME

1. Overall deficit

The table below summarizes the fiscal performance for 1999 compared with 1998. It is worth noting that 1999 expenditures include the 20% increase in wages and salaries (LL 700 billion), ratified in the third quarter of 1998 and effective as of 1999, as well as a LL 300 billion increase in debt service.

Data for 1998 excludes government's arrears to the private sector, which are estimated to be equivalent to LL 677 billion for that particular year.

(in billion L.L.)

	1998 Outcome	1999 Outcome	% Change in outcome
Budget expenditures	**6,640**	**7,200**	**8%**
Interest payments	*3,352*	*3,625*	*8%*
Budget revenues	**3,979**	**4,464**	**12%**
Budget deficit	**2,661**	**2,736**	**3%**
Primary surplus	**691**	**889**	**29%**
Budget deficit/expenditures	**40%**	**38%**	
Primary surplus/expenditures	**10%**	**12%**	

Total expenditures*	**7,906**	**8,454**	**7%**
Total revenues	**4,449**	**4,868**	**9%**
Total deficit	**3,457**	**3,586**	**4%**
Total deficit/expenditures	**44%**	**42%**	

**1998 total expenditures exclude arrears of LL 677 billion to the private sector. As a result, 1998 total expenditures amount to LL 8,583 billion rendering a total deficit to expenditure ratio of 48%.*

According to the above table, 1999 budget deficit turned out to be 38% of expenditures or 2 percentage points lower than 1998 outcome. As can be seen in the table below, this is better than the expected budget law ratio of 40% and also constitutes an improvement over last year's 40% budget deficit. This improvement is due to an amelioration of budget revenues by 12% when compared to 1998 and a lower than expected rate of growth in budget expenditures (17% lower than expected in the 1999 budget law).

(in billion L.L.)

	1999 Budget Law	1999 Outcome	% Change vs budget law
Budget expenditures	**8,395**	**7,200**	**-17%**
Interest payments	*3,900*	*3,625*	*-8%*
Budget revenues	**4,990**	**4,464**	**-12%**
Primary surplus	**495**	**889**	**80%**
Primary surplus / expenditures	**6%**	**12%**	
Budget deficit	**3,405**	**2,736**	**-24%**
Budget deficit / expenditures	**41%**	**38%**	

As a result of this improvement, 1999 primary surplus (12.34% of expenditures) has also registered a positive development when compared to both the 1998 outcome (10% of expenditures) and the 1999 budget law (6% of expenditures).

Total deficit (budget + treasury transactions) also improved when compared with 1998, registering a deficit to expenditure ratio of 42% versus 44% last year (excluding government arrears to the private sector) or 48% when arrears are included.

2. Revenue and expenditure performance

A close look at revenues and expenditures data for 1999 yields the following observations:

Actual revenues have increased by 9.4% when compared to 1998. This increase is mainly due to the following reasons:

1. Income tax receipts have improved by around 28%. This improvement is mainly due to better collection efforts and the policy of granting tax amnesty since the new rates of income taxes on wages and salaries have only started applying in August 1999. Other income tax measures have started applying in January 2000.
2. Built property taxes have improved by 55% due to better collection efforts.
3. Customs revenues have increased by 11%. This improvement has taken place although imports have declined during the period under consideration.
4. Car usage fees have increased by 58% due to better compliance at commercial banks.
5. Transfer from the Post and Telecommunications increased by 81% when compared to last year due to the collection of arrears.

Annual revenues have amounted to LL 4,868 billion (compared to LL 4,449 billion in 1998).

Actual expenditures for 1999 turned out to be 1.5% lower than 1998 expenditures (including the figure for arrears). Also, budget expenditures have turned out to be 17% lower than expected in the 1999 budget law. A closer look at 1999 actual expenditures yields the following observations:

1. Interest expenditures have amounted to LL 3,625 billion or LL 275 billion lower than expected in the budget (LL 3,900 billion).
2. Other budget expenditures have amounted to LL 3,575 billion, registering an increase of 9% over last year due to the 20% increase in wages and salaries.
3. Off-budget treasury expenditures have amounted to LL 1,253 billion, or 1% lower than the 1998 figure.

3. Resolution of previous years' arrears

Following its appointment and in line with its oath for improved governance and transparency, the Government has resolved to settle outstanding amounts due, resulting from hospital claims, contractor claims, and expropriation of property claims on account of 1998 and preceding years. Such amounts lacked adequate appropriations in previous budgets.

In June 1999, Parliament adopted a law, which authorized the Government to issue foreign currency denominated bonds in an aggregate principal amount not exceeding LL 1,242 billion to settle those claims. The bonds are deemed issued at August 6, 1999 and have a tenor of three years. The bonds carry an interest rate of 5.63% per annum, payable annually. Principal is payable at maturity.

With the exception of claims for expropriation of property, which have been subject to judicial decisions, claimants must submit proofs of claims to specialized commissions for auditing the amounts due from the Government, to be exchanged for bonds.

As of December 31, 1999, LL 472 billion in aggregate principal amount of bonds have been issued and are outstanding.

It is expected that the total amount of approved bills will fall below Parliament's ceiling. Naturally, the MOF would like to see this issue of liquidity solved in the near future, however, it will not jeopardize the stability of the markets.

1999 initiated reforms in Lebanon's economic Policies

Reforms initiated in 1999

- Privatization (law, sectorial preparation,…)
- VAT reform and other tax reforms
- Various financial laws and regulation
- Social security and pension reform
- New Public investment program under development by CDR

Initial Results Encouraging

Fiscal

Objective =	Achievements
Deficit at 40.5% of expenditures	*Deficit of 38% of expenditures*
Primary surplus of 2.1% GDP	*Primary surplus of 3.5% GDP*

Monetary

- *Total reserves = 7.6 Bn $ (excluding Gold)*
- *Decrease in Tbils interest rate by more than 2%*

External Position

- *Balance of Payment surplus of 268 Mn $ in 1999*

III. 2000 BUDGET

2000 Budget Law was prepared in light of the 5-year fiscal adjustment plan and in the objective of containing the fiscal deficit. In this regard, the budget deficit is targeted to be reduced to 37.26% of total expenditures in a general economic environment characterized by an estimated inflation rate of 2.2% and a real growth rate of 1.8%. This decrease in the budget deficit is due to efforts undertaken to reduce expenditures and enhance revenues.

<u>Budget summary, 1999-2000</u>
(In billion of LL)

	1999 Actuals	2000 Budget Law
I-Expenditures (1+2)	**8,452**	**8,590**
1. Current Expenditures	7,321	7,854
of which interest payments	*3,624*	*3,900*
2. Capital Expenditures	1,131	736
II- Revenues	**4,868**	**5,389**
III- Deficit (II-I)	**-3,584**	**-3,201**
V- Ratio Deficit / Expenditures	**-42.40%**	**-37.26%**

2000 expenditure projections are generally based on 3 major sets of measures:

- ⇨ Stabilizing current expenditures,
- ⇨ Rationalizing capital expenditures, and
- ⇨ Stabilizing the personnel cost bill (which is expected to be reduced gradually overtime through privatization and administrative reform)

2000 Budget Law also includes a number of assumptions on the revenue front:

- ⇨ The revenue impact of some 1999 direct tax measures (detailed on page 3) will only come into effect in January 2000.
- ⇨ 2000 Budget Law includes a number of additional revenue measures such as the turnover-based tax on corporations, individual companies, and professionals which will be detailed in the revenue section,
- ⇨ 2000 Budget Law also took into consideration the ongoing efforts to improve revenue collections at the Ministry of Finance.

These combined efforts, both on the revenue and the expenditure fronts will generate a primary surplus of 8% of total expenditures. The primary surplus will help the government gradually overcome the fiscal problem and start decreasing the debt burden. The decrease in debt will therefore be due to 3 major reasons:

- ⇨ Continuous primary surpluses,

- ⇨ Better debt management,
- ⇨ Privatization receipts (at a later stage)

In the context of a better debt management strategy, and according to debt restructuring laws enacted by Parliament, the Government is substituting high cost, long-term domestic debt by low cost, longer dated foreign debt within a maximum ratio of 65% (domestic) and 35% (foreign).
2000 Budget Law includes an article permitting the Government to issue USD 1 billion in international capital markets for the purpose of restructuring short-term costly domestic debt with longer-dated foreign debt. Naturally, this replacement of domestic debt by foreign debt will contribute in reducing interest rates burden on the budget.

1. Budget revenues

2000 revenues are projected to amount to LL 5,389 constituting an increase of 10% over 1999 actual revenues. Some of the measures that have generated the above mentioned revenues are spelled out below:

- ❑ The following various direct tax measures enacted in the context of 1999 Budget law will become effective in January 2000.

1. Increasing rates and progressiveness of income taxes on wages and salaries: maximum rate was augmented from 10% to 20% characterized by additional progressiveness in brackets.
2. Increasing rates and progressiveness of income taxes on industrial, commercial, and non-commercial professions: maximum rate was augmented from 10% to 21% characterized by additional progressiveness in brackets.
3. Increasing flat rates of corporate taxes on profits from 10% to 15%.
4. Increasing flat rates of tax on income derived from movable capital from 5% to 10%.
5. Increasing flat rates of corporate dividends from 5% to 10%.
6. Increasing rates and progressiveness of inheritance tax rates: maximum rate was augmented from 10% to 16% characterized by additional progressiveness in brackets.
7. Increasing rates and progressiveness of built property taxes: maximum rate was augmented from 10% to 13% characterized by additional progressiveness in brackets.

The revenue impact of those measures, the accompanying revenue enhancement and enforcement of collection and controls and the settlement of previous years' income taxes is expected to amount to around LL 150 billion in comparison with 1999 Actuals.

- The expected seashore violation fees will boost revenues by LL 150 billion.

- The adoption of a flat professional tax on corporations, individual companies and professionals in anticipation of the introduction of the VAT in 2001 (and will remain beyond 2001) will yield LL 50 billion. This tax will be levied according to the following schedule:
  - Annual tax of LL 2 million (around USD 1,330) on Lebanese joint stock companies
  - Annual tax of LL 750,000 (around USD 500) on limited liability companies and other corporations
  - Annual tax of LL 550,000 (around USD 366) on individual companies taxable according to real profits
  - Annual tax of LL 250,000 (around USD 166) on taxpayers taxable according to lump-sum profits
  - Annual tax of LL 50,000 (around USD 33) on taxpayers taxable according to estimated profits

The flat professional tax is applicable regardless of the year-end result of concerned companies.

- Transfers from the surplus of the telecommunications budget will amount to LL 653 billion (compared to LL 580 billion in 1999 Budget Law).[1]

2. Budget expenditures

Based on the expected level of revenues and with the objective of containing the fiscal deficit within the limits of 37.26%, 2000 expenditures are expected to amount to LL 8,590 billion. A closer look at expenditures yields to the following observations:

- A necessary increase in the retirement bill of LL 131 billion
- An increase of LL 95 billion in social spending (health, social affairs, and education).
- 2000 Budget Law divides capital spending (totaling LL 1,270 billion) into the following 2 items:
  a. Part II budget expenditures amounting to LL 736 billion

[1] The annex budgets such as telecommunications are extrabudgetary units whereby a transfer occurs from the annex budgets to the general budget in case of a surplus and in the opposite direction in case of a deficit.

b. Domestically loan-financed capital spending for the Council for Development and Reconstruction and the Displaced Fund amounting to LL 534 billion (LL 295 billion for the CDR and LL 239 billion for the Displaced Fund)

- ❑ Spending on heavy infrastructure is being replaced by social infrastructure spending such as water and waste water

3. Various incentives

2000 Budget Law contains incentives to promote the development of domestic capital markets and to encourage the capitalization of private companies. These incentives are materialized by the reduction of the tax on dividends by 50%, i.e. from 10% to 5% for the following two types of companies:

- ❑ Companies which choose to list on the Beirut Stock Exchange.
- ❑ Companies which choose to issue GDRs equivalent to a minimum of 20% of their stock listed on the Beirut Stock Exchange.
- ❑ Companies which choose to open their capital by 20% to Arab companies listed on their local stock exchanges and to foreign companies listed on the stock exchange of OECD countries.

4. Primary surplus, deficit, and financing

The primary budget surplus is expected to reach LL 699 billion, which constitutes around 8% of total expenditures compared to 6% in the 1999 budget and to 12% in 1999 budget outcome.

2000 budget deficit amount to LL 3,201 billion, which represents 37.26% of total expenditures, compared to 40% in Budget 1999 and to 38% in 1999 outcome.

2000 Budget Law includes a provision to decrease Parliament’s permission for issuance of debt in international capital markets from USD 2 billion in 1998 and 1999 to USD 1 billion in 2000 due to declining financing requirements.

3. Prospect of the Budget 2000

Various developments may bring pressure on the fiscal situation in 2000. The two Israeli aggressions in the last nine months with massive damages of the infrastructures and important economic losses, the backdrop of very low real growth in the economy, which also contributed to an increasing public debt, in addition to the ongoing uncertainties concerning the peace process, the forthcoming parliamentary elections which may slowdown temporarily the speed of reforms, and the increase in oil prices are creating a difficult environment which in turn negatively impacts budget revenues and expenditures. This challenging situation requires continuous commitment and strong regional support.

IV. DETAILS OF THE FIVE-YEAR FISCAL ADJUSTMENT PLAN

1. Privatization:

According to the 5-year fiscal adjustment plan, privatization proceeds (USD 4-5 billion by 2003) will be used to retire public debt and decrease expenditures through the decline in interest payments and the decrease in the wages and salaries bill. A higher committee for privatization, headed by the Prime Minister, was established and the first phase of the privatization process is near completion due to the following developments:

Status of the privatization law:

- The Privatization draft law, prepared with assistance from the World Bank, was approved by the Cabinet last May and forwarded to Parliament immediately thereafter. It is currently being reviewed by Parliamentary committees.
- Two of the three Parliamentary committees who have studied the draft law, have approved it with minor amendments.

Sectoral preparations:

- A specific sector law for telecommunication has been prepared and submitted to the Council of Ministers. This law is designed to restructure and regulate the telecommunication sector, to allow for licensing new entrants, and permit the corporatization and privatization of the sector.
- The Ministry of Hydraulic and Electric Resources has prepared a sector law for electricity and submitted it to the Council of Ministers. This law permits to unbundle the energy sector and to eventually privatize it.
- The most important assets to be privatized in 2000-2001 belong to the telecom sector. The first part involves the conversion of the 2 mobile phone concessions into licenses. The second part entails the sale of the fixed line operator. The government believes that it will be able to raise at least half of the USD 4 billion expected through 2003 from the sale proceeds of the telecom sector.
- Moreover, the process of privatizing Middle East Airlines is expected to be launched in 2000.

Privatization's relative impact on the progress of the fiscal adjustment is very important. While the government is determined to implement the program in accordance with the revenue plan, it is equally keen to ensure that privatization is based on sound legal and technical foundations.

2. Value added tax

The VAT is currently under preparation at the Ministry of Finance with technical assistance from the IMF, EU, and the Canadian Government. The VAT will be introduced in January 2001 and MOF is currently finalizing the second stage of a 5-phase-project consisting of the preparatory phase, legislative phase, pre-administration phase, the administrative unit's installation phase, and the implementation phase. The third and fourth phases have already started. More specifically, progress has been made with respect to the following actions:

- A steering committee headed by the Minister of Finance has been formed. The committee is composed of the Director General of Finance, the Head of Revenues Directorate, the Head of Customs, and other high-ranking officials at the MOF.
- The VAT unit has been set up, consisting primarily of MOF employees working at the Revenues and Customs directorates and of temporary consultants from the EU, IMF, and CIDA (the Canadian Development Agency).
- Various studies concerning the modalities of VAT application and its economic impact on different sectors have been completed and others are still under preparation. Details concerning the determination of exemptions and zero-rated goods are still under examination.
- The VAT draft law has been completed with assistance from the 3 institutions and is currently being translated.
- Specific VAT accounting procedures and standards are currently being established by the VAT unit for structuring tax collection.
- Meetings are being held with private sector representatives to analyze stages of production and to obtain their feedback and remarks on the VAT project.
- MOF has decided to adopt a single tax rate due to its administrative simplicity and efficiency.
- The VAT unit is currently reviewing the conceptual framework relating to the VAT administrative structure (registration forms and procedures, the development of information technology, refunds issues,…)
- Seminars are organized, with the assistance of the IMF and the EU, to study several issues related to VAT implementation particularly the threshold that will best fit the Lebanese economy, enhance the structure of Government revenues and reduce administrative and auditing costs.