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LABOR, TAX AND SOCIAL SECURITY LAWS

1. Code of Labor

The Code of Labor applies on all employers, whether Lebanese or foreign, and it specifically indicates that employment agreements can be either oral or in writing. The main provisions of the Code of Labor can be summarized as follows:

a) Work schedule:

- The maximum number of working hours per week is 48 hours.
- When consecutive working hours exceed 6 for men and 5 for women, the employer must allocate a minimum of one hour of rest (not accounting for the total daily working hours).
Example: If an employee works from 8:00 till 17:00: from 8:00 to 14:00 -> OK; from 14:00 to 15:00 (1 hour rest); from 15:00 to 17:00 -> OK.
- The employee should get 9 hours of consecutive rest within a period of 24 hours. Employees should benefit from a weekly rest of 36 consecutive hours.
- Working hours should not exceed 12 hours per day.
- The employer must post the work schedule of the various categories of employees (according to their job specifications) in a public space.
- Hotel employees are governed by a special law which provides that the maximum number of working hours (including rest and lunch hours) are as follows:
 - 54 hours/week for employees receiving a fixed salary.
 - 60 hours/week for employees receiving a salary on the basis of a percentage
 - 61 hours/week for employees working in the lobby bar and restaurants floors.

b) Overtime:

The regular number of working hours per week (i.e. 48 hours) can vary.

When it increases, overtime hours are paid 1.5 times the regular hourly rate. While working overtime, the employee should not exceed 12 working hours per day.

Overtime is included in the calculation of the end-of-service indemnity on the condition that it has been general, fixed and recurrent for 3 years and more.

c) Holidays and Leaves:

- Holidays:

There are 2 mandatory public holidays for the private sector: May 1 (Labor Day) and November 22 (Independence Day).

The Ministry of Labor usually imposes on the private entities a minimum number of 6 public holidays in addition to the 2 mandatory ones, which can be decided by the employer and, if applicable, indicated in the company's internal regulations on a mandatory basis.

- Annual leave:

The annual leave is due to employees who have been in the employment of the company for at least one year.

The annual leave depends on the seniority of the employee, but cannot be less than 15 paid days. It is computed on the basis of effective days of work.

The dates of the annual leave are determined by the employer according to the company's work constraints. In the absence of specific provisions in the Labor Law relating to the possible fragmentation of the annual leave, a practice has developed whereby the fragmentation is decided by mutual agreement between the employer and the employee, noting however that the first bracket that cannot be less than 6 consecutive days.

- Leaves of absence:

An employee who loses his father, mother, one of his children, grand-children or grand-parents has the right to take a leave of 2 paid days.

The leaves of absence do not affect the annual leave; as a matter of fact they constitute additional leaves.

- Sick leaves:

The employee has a right to sick leaves, which are granted pursuant to a medical report. The employer is entitled to delegate a physician to check the validity of the health report submitted by the employee.

Usually, a sick leave does not affect the annual leave, unless it exceeds one month, in which case the employer can reduce the annual leave to 8 days. However, the paid sick leaves cannot exceed in aggregate a certain period as follows:

- If the employee has been employed for three months and up to two years, he will be paid 100% of his salary for half a month, and 50% for another half month.
- If the employee has been employed for two years and up to four years, he will be paid 100% of his salary for one month, and 50% for another month.
- If the employee has been employed for four years and up to six years, he will be paid 100% of his salary for one and a half month, and 50% for another one and a half month.
- If the employee has been employed for six years and up to ten years, he will be paid 100% of his salary for two months, and 50% for another two months.
- If the employee has been employed for more than ten years, he will be paid 100% of his salary for two and a half months, and 50% for another two and a half months.

- Maternity leave:

Every woman employee has the right for a paid maternity leave of 10 weeks extending prior and post-delivery. Contrary to sick leaves, the maternity leave can in no case affect the annual leave.

d) Termination:

- Notice of termination

According to Article 50 of the Code of Labor, both the employer and the employee are entitled to terminate the employment agreement entered for an indefinite term,

provided one gives to the other the following notice period:

- No prior notice is required if the work period is 3 months or less.
- One month prior notice if the work period is less than 3 years.
- Two months prior notice if the work period is between 3 and 6 years.
- Three months prior notice if the work period is between 6 and 12 years.
- Four months prior notice if the work period is more than 12 years.

- Abusive Termination

Also according to Article 50 of the Code of Labor, in case the employment is terminated abusively by the employer then the employee will be entitled to an abusive termination indemnity varying between 2 to 12 times the last monthly salary of the employee depending on the age, seniority, educational, social and family status of the employee.

In case the agreement is abusively terminated by the employee, then the employer will be entitled to an abusive resignation indemnity varying between 1 to 4 times the last monthly salary of the employee.

e) Payment of Salaries:

- Currency of payment:

Salaries should be paid in the official currency (i.e. Lebanese Pounds) in spite of any contravening agreement between the employer and the employee.

This does not mean that the salary should be fixed in Lebanese Pounds, but that it should be paid in LP; in practice, salaries can be paid in foreign currency too.

- Periodicity of payment:

Salaries should be paid once a month to employees and twice a month to workers.

Daily and weekly salaries are usually accounted and paid once every 15 days.

- Minimum Wage:

The minimum wage in Lebanon is as 01.04.2022 of /2,000,000/LBP for both the public and private sector - noting that the increase of cost of living of LBP/1,325,000/ was added to the previous minimum wage (i.e. LBP/675,000/) and applied on all monthly salaries which are below LBP/4,000,000/.

- Cuts:

The Code of Labor does not foresee the possibility for companies facing economic difficulties to decrease their employees' salaries

Hence, and according to the code of the National Social Security Fund, even if an employer reduces the salary of one of his employees, the dues that he will pay to the Fund will still be computed on the basis of the initial salary and not the current one affected by the cuts. As a result, the cuts will not affect the advantages taken by the employee from Social Security.

- EOSI

Under the code of Labor in Lebanon, retirement age is 64 but the employee can continue working afterwards on a contractual basis with the employer.

However, under the code of the National Social Security Fund (NSSF), the employee has to liquidate (i.e. collect) all the End-of-Service Indemnity (EOSI) contributions accumulated until the age of 64. After that age, and if the employee is still retained by the employer, the employer would subscribe only to the first two branches of the NSSF (i.e. Family Allowances and Health and Maternity) and not to the third branch (i.e. EOSI).

The EOSI due to the employee upon retirement has to be paid to him/her by the NSSF. The EOSI is calculated on the basis of the number of years of service multiplied by the last monthly salary (LMS). Beyond the 20th year of employment, an additional half-month is added per annum on a yearly basis.

The NSSF computes the EOSI. As such, it verifies the amounts paid by the employer to the NSSF during the years of service in the employee's account at the NSSF (under the end-of-service indemnity branch being 8.5% times the current LMS on a monthly basis). If there is a difference between the amount legally due to the employee and the amount available in the employee's account at the NSSF, then the employer is bound to pay the difference, called Correction Amount, since the EOSI is at the cost of the employer.

Hence, the employer does not pay directly to the employee the EOSI that is due to him/her because payment lies with the NSSF as a competence. As such, the employer is bound to pay the Correction Amount to the NSSF following the latter's request in order for the NSSF to pay it to the employee.

2. Tax on wages and salaries

The tax on wages and salaries is withheld by the employer and paid to the Ministry of Finance. Its rate varies between 2% and 25% of the employee's salary - taking into consideration that a yearly salary of up to LBP/7,500,000/ is exempt from income tax, and any part exceeding such amount will be subject to income tax after family deductions.

<u>Million LBP</u>	<u>Tax on wages and salaries</u>
Up to 18	2%
18 - 45	4%
45 - 90	7%
90 - 180	11%
180 - 360	15%
360 - 675	20%
Over 675	25%

3. Social Security

3.1. Social Security Contributions

Social Security contributions are payable according to the following:

- The contributions of the Health and Maternity Branch amount to 11% of the monthly salary of the employee, and is applied on a ceiling of /5,600,000/ Lebanese Pounds per month. A rate of 8% is paid by the employer and a rate of 3% is paid by the employee.
- The contributions of the Family and Educational Allowances Branch amount to 6% of the monthly salary of the employee (single or married). It is paid by the employer with the ceiling of /3,425,000/ LBP/month.

- The contributions of the End-of-Service Indemnity (EOSI) Branch amount to 8.5% of the employee salary per month without any ceiling whatsoever.

3.2. Social Security Compensations

The employer is entitled to payment of the EOSI compensation when the total number of employment years reaches at least 20 years, and provided the employee is registered at the National Social Security Fund for more than 20 years.

Pursuant to the provisions of Article 52, paragraph 2 of the Social Security Law, the employer who permanently leaves his/her job with no intention to seek for another, is entitled to EOSI compensation as follows:

- 50% (fifty percent) of the EOSI if the employee is subscribed for up to 5 years.
- 65% (sixty five percent) of the EOSI if the employee is subscribed between more than 5 years and up to 10 years.
- 75% (seventy five percent) of the EOSI if the employee is subscribed between more than 10 years and up to 15 years.
- 85% (eighty five percent) of the EOSI if the employee is subscribed between more than 15 years and less than 20 years.

3.3. Foreign Employees

Pursuant to the provisions of Article 9, paragraph 3 of the Social Security Law, the employer and the foreign employee working in Lebanon further to a contract executed with a Lebanese or foreign institution¹ are subject to the obligations set forth in the Social Security Law regarding all the branches, except the end-of-service branch, to which the employer is not obliged to contribute unless the employee benefits from the indemnities it offers.

A foreign employee may benefit from the end-of-service indemnity if his/her country applies the principle of equal treatment (i.e. the employee's home country grants Lebanese nationals an equal right to social security benefits) and if the foreigner has a work permit. The countries that apply the principle of equal treatment are -to date- France, Italy, Belgium and Great Britain.

Palestinian employees are exceptionally subject to all the obligations relating to the three branches of the Social Security, but may benefit from the end-of-service indemnity only if he/she holds a work permit.

4. Rules governing foreigners' entry to Lebanon

The entry to Lebanon of a non-Lebanese person is subject to a visa that is automatically granted for 3 months upon arrival at the airport. This rule applies to most Arab and European countries, in addition to US and Japanese nationalities. In case the non-Lebanese person wishes to stay in Lebanon for a period exceeding 3 months and/or wishes to work in this country, he/she should obtain a work permit and residence permit. Usually, such permit is granted automatically to the representative of the mother company managing its representative office or branch in Lebanon. For other managers and employees, a case by case procedure is followed by the Ministry of Labor that usually applies the criteria of whether the request is being made for a job that is reserved to Lebanese nationals by law and if a Lebanese national will be able to perform the duties and

¹ - Foreign employees working in Lebanon on the basis of a contract signed abroad with a foreign entity are not subject to the Social Security Law if the employer proves that they benefit from a coverage at least equivalent to the coverage granted by the Social Security Law (whether in the country of the contract or in their home country).

functions that would be performed by the non-Lebanese manager or employee. It is important to point out that the more a company retains the services of Lebanese employees the more its quota of non-Lebanese employees would be considered and increased by the Ministry of Labor.

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