

The Lebanese Joint Stock Offshore Company

The Offshore Company has been instituted by Law-Decree nb /46/ dated 24 June 1983 (as amended until 10 October 2018). It is subject to the general rules that govern Joint Stock Companies, with certain exceptions, more particularly with respect to its object and tax regime.

1. The minimum capital is set at LBP/30,000,000/. It may be denominated in Lebanese Pounds or in any other foreign currency and the accounts must be held, and the balance sheet stated, in the same currency. The company's bank accounts can be opened in any foreign currency without any limitation on foreign exchange. The capital is divided into negotiable shares of equal face value of LBP/1,000/ at least, and the subscribers may elect to pay upon subscription all or part of their contribution in cash, with however a minimum payment set at 25%. The Code of Commerce does not specify a time limit for the payment of the remainder of the capital; it should be noted nevertheless that the capital cannot be increased unless the initial capital has been entirely paid-up.
2. Contributions to the capital can be made in cash and/or in kind and shares may only be nominal registered shares.
3. The company's articles of association (AoA) may provide that preferential rights will be granted to certain shareholders who will receive preferred shares (as opposed to ordinary shares).
4. The Offshore Company's object is strictly limited to the following activities:
 - a. Negotiating and signing agreements concerning business to be carried outside the Lebanese territory, and involving assets located abroad or in the Lebanese customs free zone.
 - b. Managing, from the Lebanese territory, companies and establishments operating exclusively outside the Lebanese territory and exporting professional, administrative and organizational services and computer programming services of all kinds to the benefit of establishments residing outside Lebanon and upon their request.
 - c. Carrying outside the Lebanese territory, triangular and multiple parties' commercial transactions. Therefore, the offshore company can conduct negotiations, sign contracts, freight goods, re-issue invoices regarding businesses and operations carried outside Lebanon, or from and to the Lebanese customs free zones. These operations include using the available facilities of the Lebanese customs free zones to store imported goods in order to be re-exported.
 - d. Performing maritime freight operations and business.
 - e. Acquiring in foreign non-resident companies and establishments, shares, quotas, titles and participations, as well as lending non-resident establishments in which the offshore company owns more than 20% of their capital.
 - f. Acquiring and/or benefiting from rights relating to commercial agencies for products and goods, and representing foreign companies in the markets abroad.
 - g. Opening branches and representation offices abroad.
 - h. Building, investing, managing and acquiring all kinds of economic projects, exception made of the prohibitions pertaining to insurance services and services performed by banking and financial institutions and all other institutions subject to the supervision of the Central Bank of Lebanon. In addition, the Offshore Company is prohibited from earning any benefits or profits or income from movable or fixed

assets in Lebanon, or from supplying services for companies domiciled in Lebanon except for the revenues received from its bank accounts income and income generated by its subscription in and trading of Lebanese treasury bonds.

- i. Opening lines of credit and benefiting from loans from banks and financial institutions residing in Lebanon or abroad in order to finance the operations and activities mentioned above.
- j. Renting offices in Lebanon and acquiring real estate properties needed to carry out its business - in accordance with the law regulating the acquisition of real-estate rights in Lebanon by foreigners.

The Offshore Company cannot engage into any activities other than those listed in its object above. It cannot sign any agreement or invoice any Lebanese company, unless it is in relation to a transaction to be implemented outside the Lebanese territory.

5. The minimum number of founder(s) is one. The founder(s) signs the AoA before the notary public in person or by proxy.
6. The subscribing shareholder(s) (one at least) meet as a Constituent Assembly whose purpose is to check and declare the valid constitution of the company and appoint the first BOD and auditors.
7. The shareholder(s) does not need to be Lebanese.
8. The liability of the shareholder(s) is limited to their contribution to the capital of the Offshore Company.
9. The management of the Offshore Company is entrusted to the Board of Directors (BOD) which is composed of three members, at least, and of twelve members, at most. The directors are elected among shareholders or non-shareholders. The BOD can be composed of foreigners exclusively. The director(s) are appointed for a maximum term of three years (unless they are designated in the AoA, in which case the term of their mandate can go up to five years), but may be reelected without limitation in time. The BOD elects its Chairman who oversees the day-to-day business of the company.
If the Chairman (or the sole director) is a foreigner, he or she will not be required to obtain a work permit if he or she does not reside in Lebanon. Similarly, the Offshore Company's foreign employees working in Lebanon are exempted from the requirement of the work permit, provided that the company's annual balance sheet (assets column) is not less than LBP/1,000,000,000/ (approximately USD /667,000/) otherwise this benefit would not be granted.
In case the capital is held by a sole shareholder, then the management of the Offshore Company shall be entrusted to a sole director.
10. Directors are required to set up a reserve fund by allocating 10% of the net profits after deduction of the previous accumulated losses, until such fund has reached one third of the company's capital. The AoA may further provide for additional general or specific reserves and the shareholder(s) may as well decide to set up any such general or specific reserve.
11. An Offshore Company may appoint the principal auditor for a term of three years and is not required to appoint an additional auditor. It is not required to appoint a lawyer with an annual retainer either unless (i) its capital exceeds LBP/50,000,000/ (approximately USD/33,300/) or (ii) its total annual balance sheet is equal to the equivalent of USD/500,000/.

12. The Ordinary General Assembly convenes annually to examine the financial statements, give a discharge to the director(s) for their management, decide the distribution of dividends, elect the director(s) upon expiration of their mandate and appoint the auditors. It may further meet anytime necessary.
13. The Extraordinary General Assembly meets for the purpose of amending the AoA. Its resolutions are adopted at the majority of two-thirds of present and represented votes.
14. The Offshore Company benefits from the following tax exemptions:
 - Income tax (usually levied at the rate of 17%), which is substituted by an annual lump sum tax of LBP/50,000,000/.
 - Dividends distribution tax (10%).
 - Tax on movable assets on its income and revenues generated from the investment of its assets abroad.
 - Tax on interests and all sums paid to foreign entities or persons residing outside Lebanon in return for services rendered abroad.
 - Tax on salaries and wages of its employees working abroad.
 - Stamp duty (4‰) on contracts and documents signed in Lebanon by the Offshore Company regarding its businesses abroad.

It is also to be noted that:

- the shares and shareholder(s) of the Offshore Company are exempted from inheritance taxes and related duties.
 - 30% of the salaries and wages of the Offshore Company's foreign employees working in Lebanon are considered as representation expenses, not subject to the tax on salaries and wages.
15. The interests generated on bank deposits are subject to a 7% tax.

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