

Limited Liability Company (Société À Responsabilité Limitée - SARL)

The Lebanese SARL is regulated by Law-Decree No 35 dated 5 August 1967 and its related amendments promulgated on 29 March 2019 by law No 126 that entered into effect on 1 July 2019. Its legal regime is as follows:

- 1- Its capital should not be less than LBP /5,000,000/.
- 2- The company may be constituted by one partner (sole partner) or more partners provided that the number of partners does not exceed twenty partners, except for the case of transfer of parts through inheritance. Subject to the specific rules that govern some activities such as commercial agencies and media, partners may all be foreigners.
- 3- The partners' parts are not assignable to a third party outside the company except with the approval of the partners representing at least three quarters of the capital.
- 4- Partners are responsible for the company's liabilities only to the extent of their respective contribution to the capital.
- 5- The company may have any object except insurance, banking, financial services, air transport, investment, savings, stockbrokerage, portfolio management and activities that by law can only be carried out by a joint stock company.
- 6- The management of the company is entrusted to one or several managers chosen usually from among the partners, noting that the managers may also be appointed from outside such partners. Foreign managers have to obtain a work and residence permits.
- 7- Managers are required to retain, each year, 10% of the net profits in order to constitute a reserve fund, until it reaches 50% of the capital.
- 8- The company may appoint an auditor, and the appointment become mandatory in the following cases:
 - i. if the number of partners exceeds 20;
 - ii. if the company's capital reaches LBP/30,000,000/;
 - iii. if it is required by one or several partners representing at least one fifth of the company's capital.

In the event of a sole partner, the appointment becomes mandatory if the company's capital reaches LBP/30,000,000/.

- 9- The Company should appoint a lawyer.
- 10- Resolutions are generally passed in the general meetings of partners by a majority of at least 50% of the capital. If such a majority is not secured, the partners are convened for a second meeting and then, unless the company's bylaws provide for a higher majority, resolutions are passed by the majority of the votes irrespective of the proportion of the capital represented. In the event of a sole partner, then he/she signs solely on the resolutions.

Resolutions relating to the modification of the company's nationality, increase of a

partner's contribution or obligations and conversion of the SARL into a general partnership, a simple limited partnership or a partnership limited by shares require the partners' unanimous vote.

Resolutions relating to other amendments of the bylaws require a majority representing 3/4 of the capital.

11- The company is subject to an income tax set at 17% of net income, and to a 10% dividends distribution tax.

12- The SARL is subject to a stamp duty of 4‰ on contracts and documents signed by the SARL.

13- The Value Added Tax (VAT) is set at /11%/.

14- The interests generated on bank deposits are subject to a /7%/ tax.

Please note that this document is for information purposes only and cannot be considered as comprehensive or deemed to constitute specific legal advice.