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MINISTRY OF FINANCE

معهد باسل فلهيخان
المالي والاقتصادي
Institut des Finances Basil Fuleihan



Citizen Budget

Lebanon
2020

Financial and Fiscal
Awareness Series

Distributed free of charge



This booklet was published in partnership with UNICEF, under the project “Enhancing Budget Transparency, Accountability and Inclusiveness in Lebanon”.

Citizen Budget



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The Ministry of Finance publishes the 2020 edition of the "Citizen Budget" for the third consecutive year. It was developed by the Institut des Finances Basil Fuleihan in cooperation with the Directorate of Budget and Expenditure Control at the Ministry of Finance.

It is part of the financial and fiscal awareness series, which aims at raising the awareness of citizens on their rights and obligations, and hence facilitating administrative transactions and promoting transparency and fiscal citizenship.

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Introduction

We are pleased to make available, for the third consecutive year, the "Citizen Budget" of Lebanon.

With this publication, we remain committed to budget transparency, facilitating access to fiscal information and helping citizens understand how public money is spent.

The "Citizen Budget" of 2020 highlights the main fiscal figures and orientations of the Budget in a clear and simplified manner. It allows citizens to acquire a general overview on latest fiscal developments and enables them to monitor and hold the government accountable for its policy choices.

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About the "Citizen Budget"

1 | What is the "Citizen Budget"?

- The "Citizen Budget" is a simplified version of the budget law or budget proposal;
- It raises awareness on the country's fiscal situation and enables citizens to compare public expenditures and revenues, deficit estimates, debt figures and other legal provisions that might affect their lives.

2 | Why publishing it?

- It is designed to facilitate access to fiscal information which is considered as a fundamental constitutional right;
- It seeks to promote citizens' engagement in the public debate and facilitate their interaction with budget proposals, related economic assumptions and budget orientations;
- It also promotes dialogue on reform initiatives, tax amendments and new programs.

3 | Why is it important for the international community?

- International organizations underline that access to fiscal information is essential for citizens to be able to hold their government accountable for its tax and debt policies, public resources spending priorities;
- Therefore, it is not sufficient to make information related to the budget available for citizens, but it should be communicated in an accessible and straightforward manner that can be understood by the public at large;

What are Public Funds?

Public funds are the sum of all the money collected by the State from citizens through taxation or other sources of revenue. The State uses public funds to finance public goods and services such as defense, justice, infrastructure, social services, health and others.

- Based on the above, the international community including the International Budget Partnership*, the International Monetary Fund**, the Organization for Economic Cooperation and Development*** and the World Bank encourage publishing a “Citizen Budget” guide, in order to engage citizens in the public debate, especially on issues of high interest to their daily lives and future opportunities.

4 | Why is it important for Lebanon?

- The 2017 Open Budget Survey indicates that Lebanon’s Open Budget Index (3/100) is low compared to the global average (42/100) as well as to other Arab countries such as Jordan (63/100) and Morocco (45/100);
- Published for a third consecutive year, this booklet underlines the commitment undertaken by the Ministry of Finance to promote fiscal transparency and improve Lebanon's ranking in terms of budget transparency.



* International Budget Partnership (IBP), “The Power of Making it simple: A Government Guide to Developing Citizens Budgets”, 2012, <https://www.internationalbudget.org/wp-content/uploads/Citizen-Budget-Guide.pdf>
 ** International Monetary Fund (IMF), “Fiscal Transparency”, 2019, <https://www.imf.org/external/np/fad/trans/>
 *** Organization for Economic Co-operation and Development(OECD), “Producing a Citizens’ Guide to the Budget: Why, What and How?”, 2010, <https://www.oecd.org/gov/budgeting/48170438.pdf>

Budget 2020 highlights

Expenditures

- Total **budget expenditures for 2020 are estimated at LBP 18 231 billion**, in addition to 1 500 billion LBP of treasury advance to EDL and around 1 300 billion LBP of net treasury expenditures;
- **Salaries, wages and related items** (section 13, section 14.1.1 and section 15) reached around 50% of the estimated budget expenditures, followed by interests payment (24%), transfer to EDL (8%) and other current expenditures (16%);
- **Capital expenditures** have reached a historic low at 2% of budget expenditures and **not exceeding 0.5%** of the GDP.

Revenues

- Total **budget revenues for 2020 are estimated at LBP 13 395 billion**, a decrease of approximately 30% compared to 2019. This drop is primarily due to the economic recession.

Deficit

- The **budget deficit for 2020 is estimated at LBP 4 836 billion**. However, when adding the treasury advance of EDL and other treasury expenditures, the total expected deficit may exceed LBP 7 673 billion or 8.8%* as share of GDP.

*Based of the GDP estimates included in the 2020 pre-budget statement

The Budget in 5 questions and answers

Question No. 1 | What is the Budget?

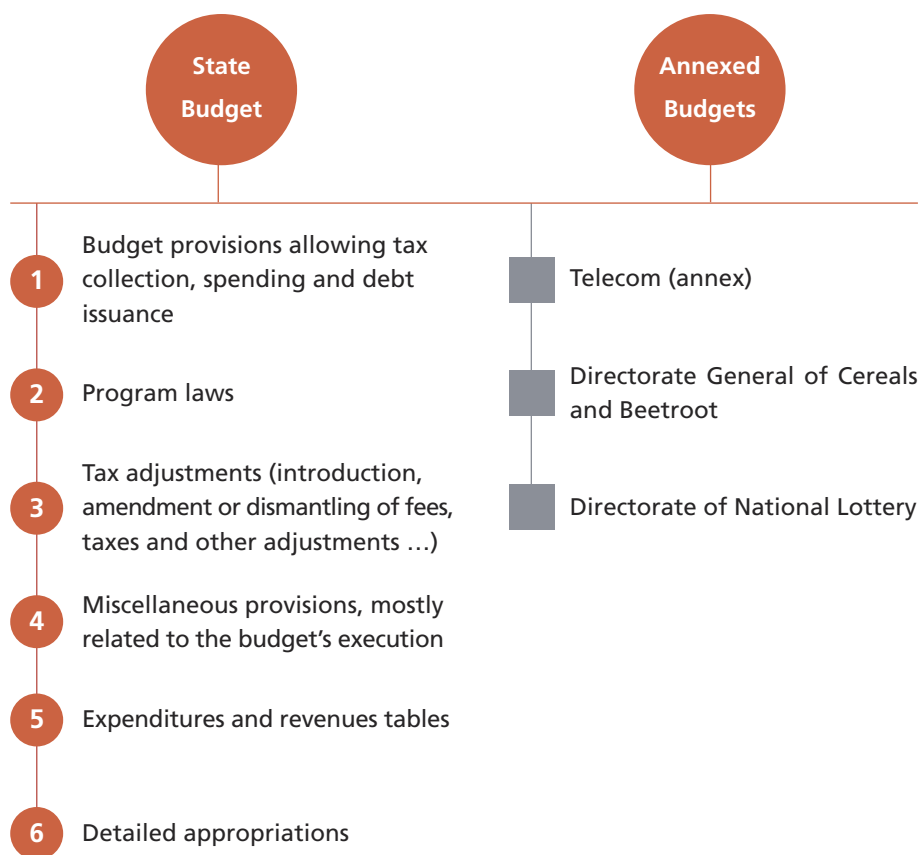
- The article 3 of the "Public Accounting Law" in Lebanon defines the budget as "a legislative instrument in which national revenues and expenditures are estimated for the upcoming year, and by which the levy of taxes and spending is allowed".
- This definition indicates that the current budget follows the traditional classification or the so-called "line item budget".
- The line item budget is based on the principle of allocating expenditures annually to governmental bodies such as Ministries, Administrations and Institutions (administrative classification). It could also be broken down according to the purposes of disbursement for goods, services and works (functional classification) and according to the type of spending (economic classification).
- State budgets have evolved to become a tool of foresight, planning and accountability based on programs and performance assessments, thereby including significant changes to the budget content and classification (by functions/projects, programs and actions instead of items). It also affects the methods used in the preparation, implementation and control of the budget, linking it to performance indicators, annual performance plans and annual performance reports.

What is a Performance Budget?

A Performance Budget is the practice of developing budget based on clear objectives translated into financial plan and related to specified measurable outcomes.

Question No. 2 | What does the budget law include?

The budget law includes two main components:



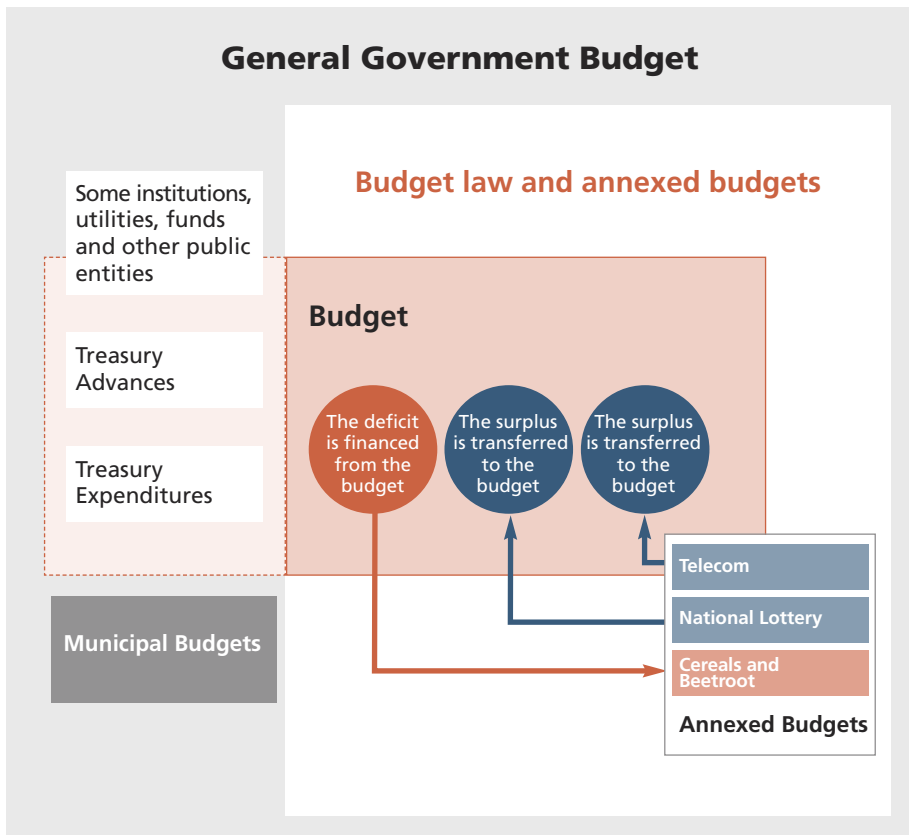
Note: In reference to article 76 of the 2019 budget law, all annexed budgets will be integrated in the central government budget as of 2021

What are Annexed Budgets?

Annexed budgets are designed to take into account the special conditions applying to some public institutions of a commercial character, that enjoy financial independence but that have not been granted an autonomous status.

Question No. 3 | Does the budget reflect the “whole picture”?

It is true that the approved budget represents a large share of the **central government budget**, however many expenditures occur off-budget, while many countries around the world rely on a consolidated “General Government Budget”.



Question No. 4 | What are the 5 key legal principles of the budget?

Annuality

The budget is prepared for a single fiscal year that coincides with the calendar year, from January 1st to December 31st

Exceptions

1. Programs
2. Appropriations transferred to the upcoming year
3. The provisional twelfths
4. Additional appropriations

Unity

There should be only one budget that includes all central government revenues and expenditures

Exceptions

1. Extraordinary budgets
2. Independent budgets
3. Annexed budgets
4. Special accounts of the treasury

Universality

Total revenues should cover total expenditures. It means that all revenues and expenditures should be accounted for in full and without any adjustments

Exceptions

1. The relation between annexed budgets and the budget
2. The use of netting instead of gross budgeting in computing specific fees

Non-assignment

Budget revenues must not be assigned to specific expenditures

Exceptions

1. The assignment of some revenues to cover specific expenditures for practical considerations
2. The assignment of some revenues to cover specific related expenditures
3. The assignment of some revenues to the account of the independent municipal fund and specific entities with independent and annexed budgets
4. Conditional grants

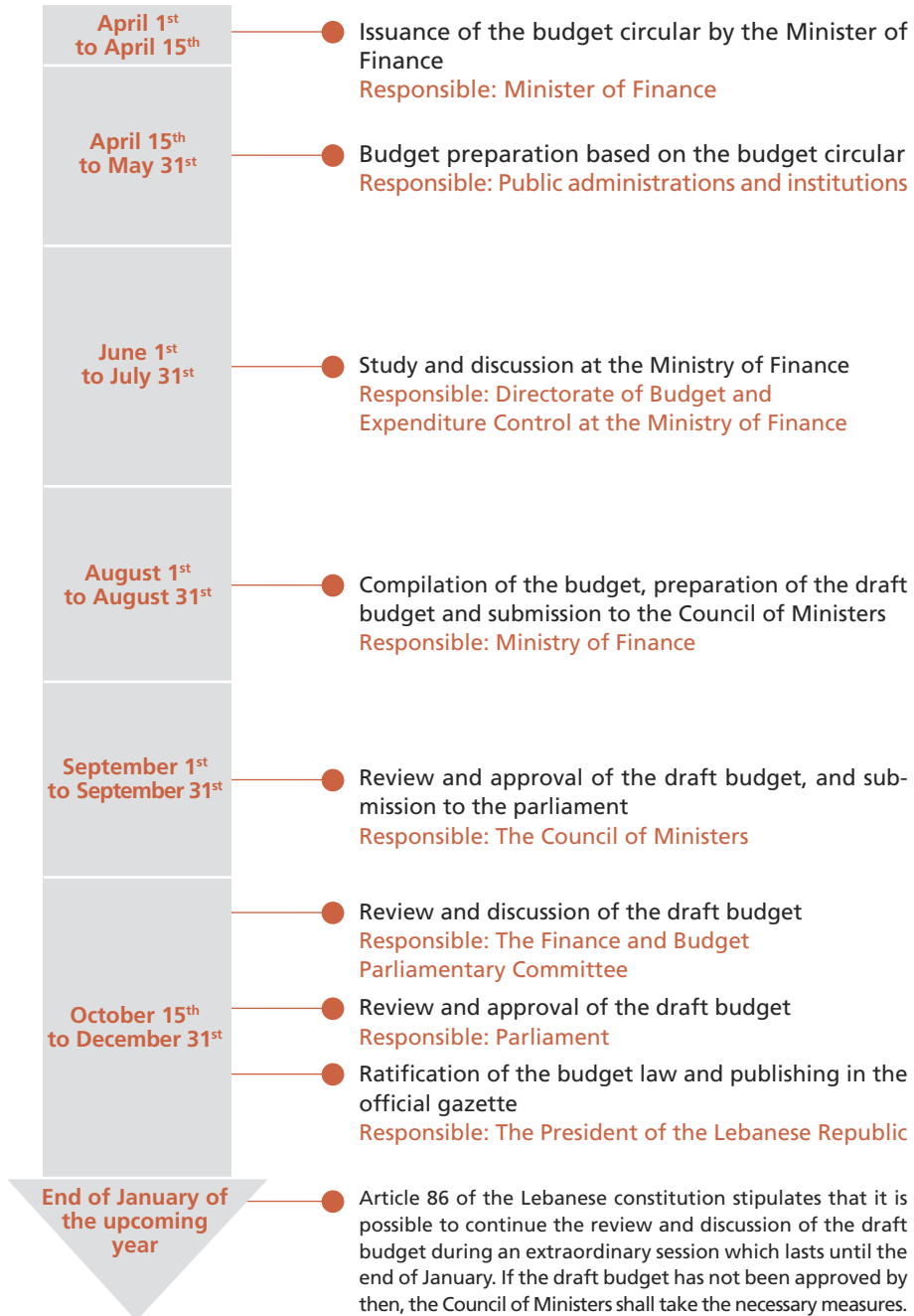
Equilibrium

The total ordinary revenues in the budget must cover the total expenditures

Exceptions

Deficit or surplus

Question No 5 | What is the budget calendar?

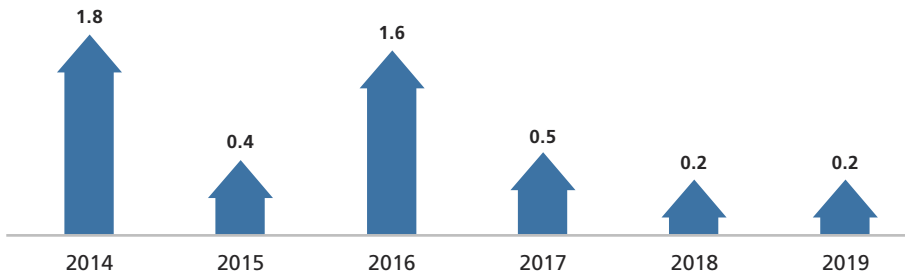


Fundamentals and assumptions underlying the budget 2020

Budgets are built based on assumptions related to the State's expenditures and revenues in addition to various macroeconomic indicators taking into account economic and financial developments in the country.

1 | Macroeconomic indicators

Real economic growth - percentage (%)



Note: 2018 and 2019 figures are estimations

Reference: International Monetary Fund database, 2020

<https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/weoselser.aspx?c=446&t=1>

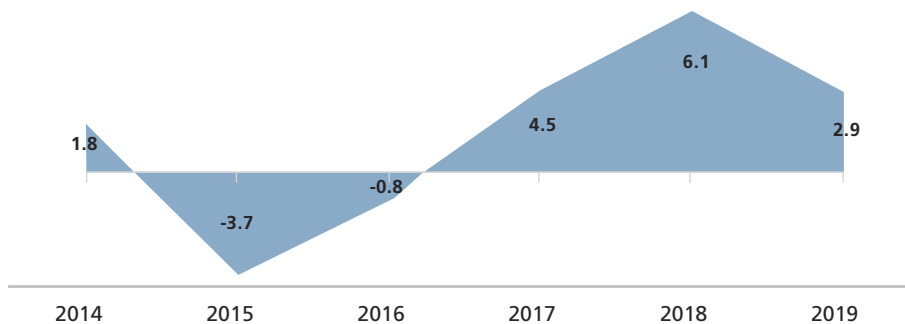
What is Gross Domestic Product (GDP)?

GDP is the monetary value of all the finished goods and services produced within a country's borders in a specific period. It reflects the country's overall "economic health". For instance, the GDP increased from LBP 84 913 billion in 2018 to 85 516 billion in 2019 according to the 2020 pre-budget statement.

What is Economic Growth?

Economic growth is an increase in the capacity of an economy to produce goods and services between two-time periods. Real economic growth is the economic growth adjusted for inflation. The economic growth in 2020 reached 0.2% according to IMF estimates.

Average inflation rate - percentage (%)



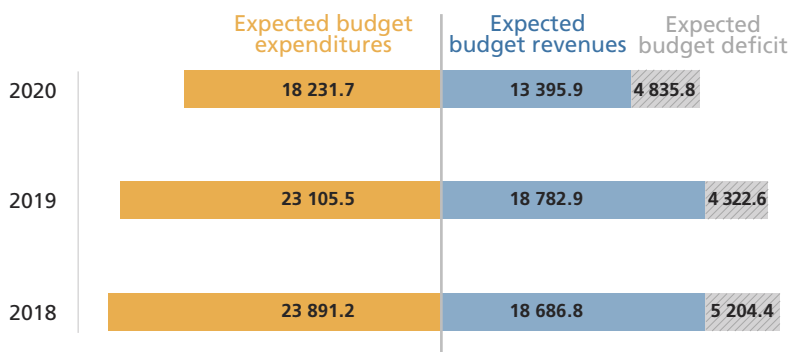
Note: 2018 and 2019 figures are estimations

References: Central Administration for Statistics in Lebanon and International Monetary Fund database, 2020 <https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/weoselsr.aspx?c=446&t=1>

What is Inflation?

Inflation is the rate at which the general level of prices for goods and services is rising and, consequently, the purchasing power is decreasing. The Central Administration for Statistics estimated the average inflation rate for 2019 at 2.9% compared to 3.08% estimated by the IMF.

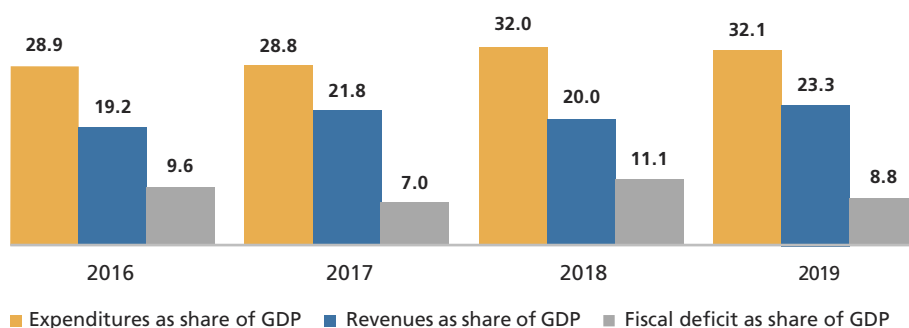
Overall public expenditures, revenues and deficits - LBP billion



Note: Budget expenditures figures do not include treasury advance to EDL and other treasury expenditures

References: 2018, 2019 and 2020 budget laws

Public expenditures, revenues and fiscal deficits as share of GDP percentage (%)



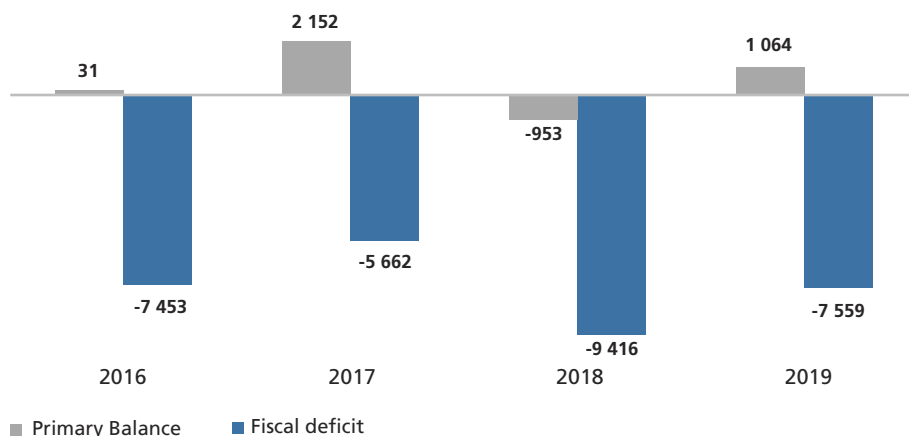
Notes: Budget expenditures figures in this graph include treasury advance to EDL and other treasury expenditures
2019 figures were calculated based on the numbers included in the 2020 pre-budget statement

References: The 2020 pre-budget statement

Public Finance Monitor reports for 2016, 2017 and 2018

<http://www.finance.gov.lb/en-us/Finance/Rep-Pub/DRI-MOF/PFR>

Fiscal deficit and primary balance - LBP billion



Note: 2019 figures are estimated in the 2020 pre-budget statement

References: The 2020 pre-budget statement

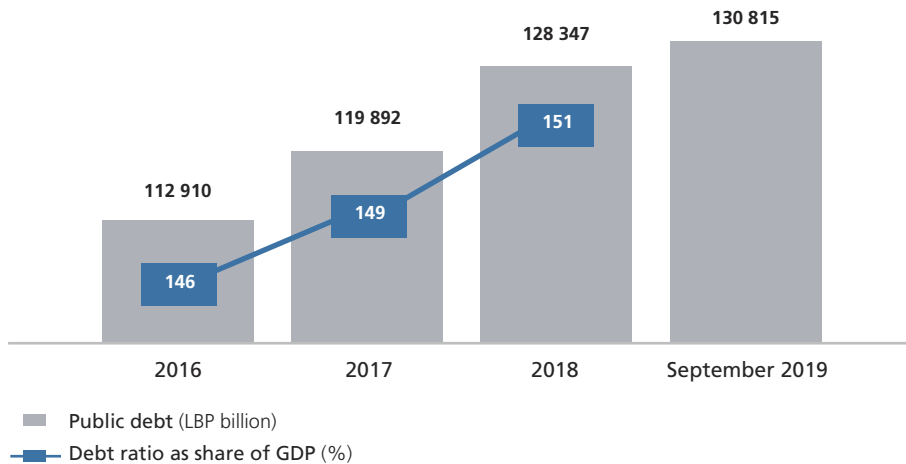
Public Finance Monitor reports for 2014, 2015, 2016, 2017 and 2018

<http://www.finance.gov.lb/en-us/Finance/Rep-Pub/DRI-MOF/PFR>

What is a Deficit?

A deficit occurs when total expenditures exceed total revenues. According to the 2020 pre-budget statement, the deficit might reach LBP 7 559 billion in 2019.

Public debt and debt ratio to GDP

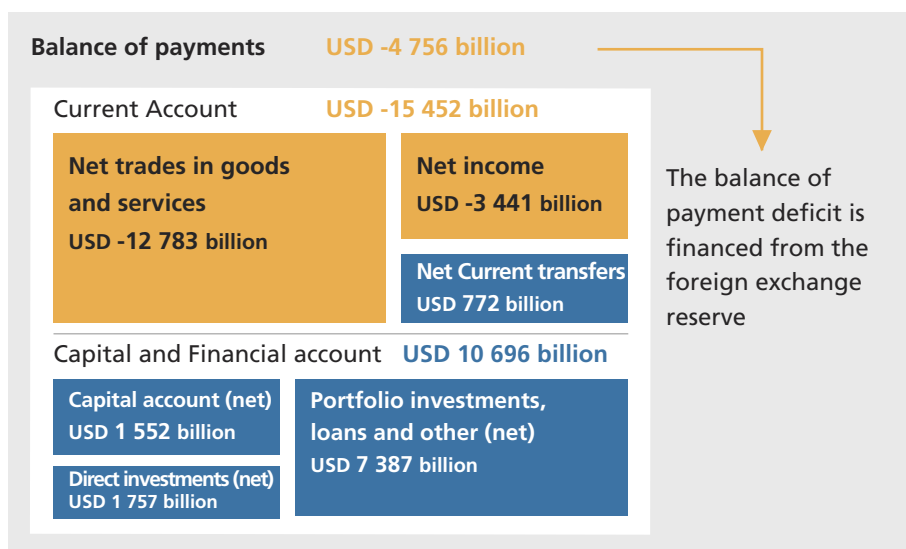


Note: 2019 figures do not include the operations conducted in the last three months of 2019

Reference: "Debt and debt market report", 2019

<http://www.finance.gov.lb/en-us/Finance/PublicDebt/DebtReports>

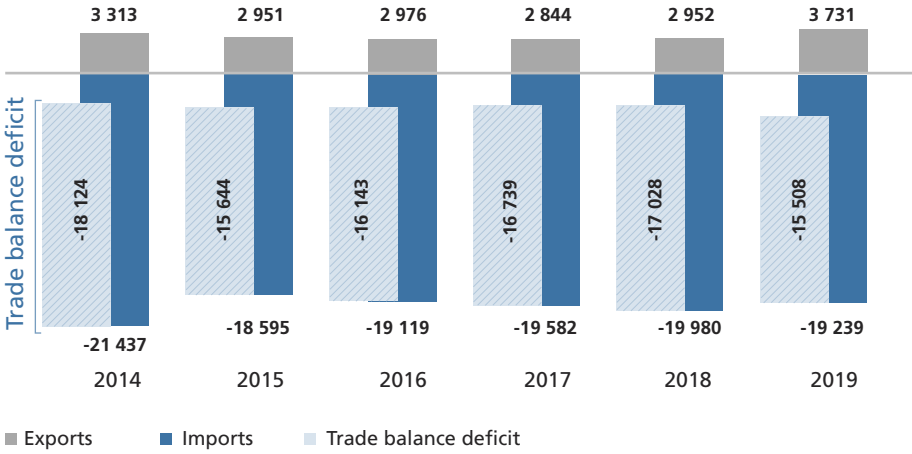
Balance of payments for 2019 - USD billion



Reference: IMF, "Article IV", 2019

<https://www.imf.org/en/Publications/CR/Issues/2019/10/17/Lebanon-2019-Article-IV-Consultation-Press-Release-Staff-Report-Informational-Annex-and-48733>

Trade balance in goods - USD billion



Reference: Ministry of Finance, 2019. <http://www.finance.gov.lb/en-us/Finance/EDS/TS/>

2 | Financial and economic assumptions

The Ministry of Finance relies on medium-term fiscal and economic assumptions for the preparation of the budget. These assumptions are very important for estimating and forecasting budget expenditures and revenues for the upcoming years. Although published in the budget circular, the Ministry of Finance adjusts these figures on a regular basis.

Macroeconomic assumptions

	2020*	2020u**	2021*	2022*
Growth rate of real GDP (%)	1.77	1.21	2.43	2.58
Growth rate of national GDP (%)	5.43	-	5.66	5.80
Inflation rate (%)	2.73	2.83	2.81	2.78
Gross domestic product (LBP billion)	93 885	89 297	99 204	104 956
Gross domestic product (USD million)	62 279	-	65 807	69 622
Total expenditures (% of GDP)	32.20	-	31.63	32.07
Total revenues and grants (% of GDP)	20.85	-	20.62	20.40
Total budget revenues (% of GDP)	19.64	-	19.45	19.27
Fiscal balance (% of GDP)	-11.35	-	- 11.01	- 11.67

*Budget circular number 1284/s1 dated 23 May 2019 for the preparation of the 2020 budget law

** 2019u refers to the updated numbers as included in the 2020 pre-budget statement

3 | Main economic and financial orientations

Supporting productive sectors

- Tax exemptions for pharmaceutical factories;
- Tax incentives for a number of industries and activities (drugs, food, hospitals, medical laboratories, pharmaceuticals, education, common transportation, books, newspapers, magazines, paper and cardboard);
- Financial incentives for industries that increase their exports volume;
- Subsidizing investment loans (agricultural, industrial, tourism, technological, information and environmental).

Moving towards a more equitable tax system

- Turnover of banks, financial institutions and financial intermediation institutions for 2019 is subject to a 2% additional income tax;
- Termination indemnities are exempted from income tax on wages and salaries for employees and workers dismissed between 1/7/2019 and the date of publication of the budget law 2020.

Spending control

- Abolition of the National Investment Guarantee Corporation;
- Suspension of all contributions, aids, donations and subventions granted by the State to any external entity;
- Bind some entities to transfer their collected revenues to the Treasury on regular basis, after deducting the amount needed for wages.

Mitigating the repercussions of the crisis

- Extend the grace periods for the reimbursement of subsidized loans (residential and investment);
- Increase the value of bank deposits guarantee from LBP 5 to 75 million;
- Extend some of the 2019 budget law deadlines.

For more details, please refer to page 42.

4 | Expected revenues and expenditures for 2020

The following table shows the figures stated in the budget law in addition to extra-budgetary expenditures and revenues:

	2019 budget law (LBP billion)	2020 budget law (LBP billion)	Change (%)
Expected budget revenues	18 782	13 395	-28.7
Tax revenues	14 570	9 966	-31.6
Taxes on income, profit and capital gains	5 437	4 130	-24.1
Taxes on properties	1 142	837	-26.7
Domestic taxes on goods and services	6 232	3 862	-38.0
Taxes on international trade and transactions	1 055	692	-34.5
Other tax revenues	704	445	-36.8
Non-tax revenues	4 212	3 429	-18.6
Expected budget expenditures	23 105	18 231	-21.1
Current expenditures	21 649	17 738	-18.1
Personnel cost	10 058	9 934	-1.2
Domestic interest payments	5 046	1 061	-79.0
Foreign interest payments	3 266	3 633	11.2
Other current expenditures	3 279	3 110	-5.2
Capital expenditures	1 456	493	-66.1
Fiscal Deficit	-4 322	-4 836	11.9

References : 2019 and 2020 budget laws

	2019 budget law (LBP billion)	2020 budget law (LBP billion)	Change (%)
Treasury revenues	1 111	779	-29.8
Treasury advances to fund EDL deficit	2 500	1 500	-40.0
Other treasury expenditures	*1 504	**2 116	40.7

Notes:

* Calculations are based on the treasury expenditures' estimates for 2019 of 1.66% of GDP as stated in the budget circular No.1357/s1 dated 24 April 2018

** Calculations are based on the treasury expenditures' estimates for 2020 of 2.37% of GDP as stated in the budget circular No.1284/s1 dated 23 May 2019 and adjusted in the 2020 pre-budget statement

References : 2019 and 2020 budget laws

What are Treasury Expenditures and Revenues?

Funds temporarily entered in the treasury and then returned to their owners such as the trustees' guarantees or guarantees paid by public works contractors to ensure the proper implementation of works. It also includes funds temporarily withdrawn from the treasury such as treasury advances and other loans. Such amounts shall be returned to the Treasury account, in order to have a clear picture of the fiscal situation.

Budget expenditures for 2020

In this section, expenditures are presented according to three types of classifications:

(1) According to function (health, education, environmental protection).

These functions are classified following the International Monetary Fund standards, a procedure called **functional classification**.

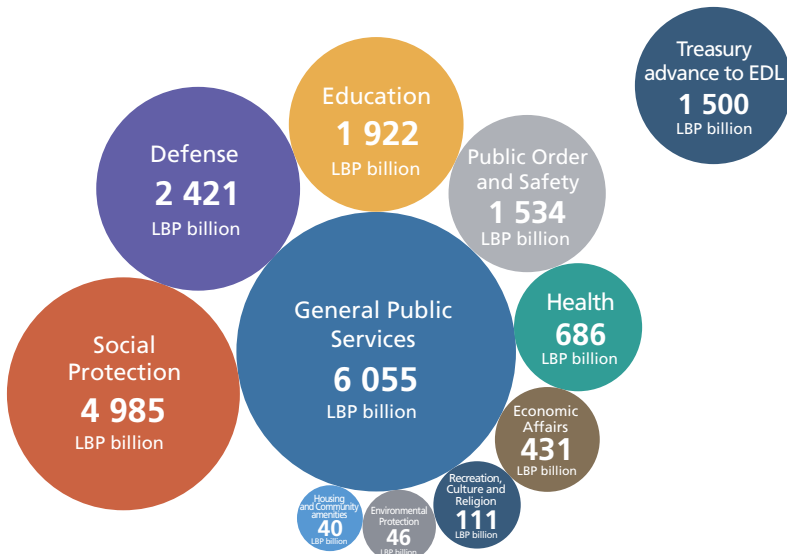
(2) According to type, and there are two: current expenditures (salaries and wages, goods and services, debt interests...) and capital expenditures (building bridges, infrastructure...); this procedure is called **economic classification**.

(3) According to the administrative entity responsible for budget management (the Ministry of Health, Council for Development and Reconstruction); this procedure is called **administrative classification**.

1 | Budget expenditures distribution by the 10 main functions (functional classification)

Budget expenditures for 2020 are estimated at LBP 18 231 billion, a decrease of 21% compared to 2019.

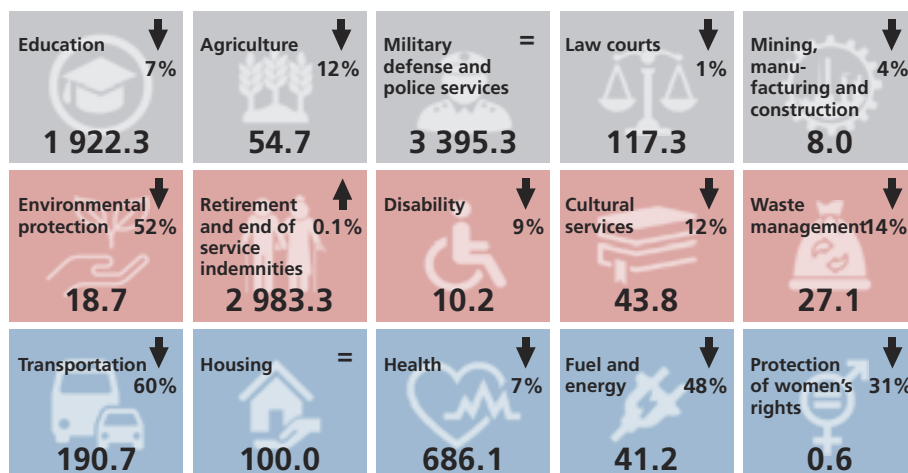
Expected budget expenditures by main functions



Note: The treasury advance to EDL is not included in the budget

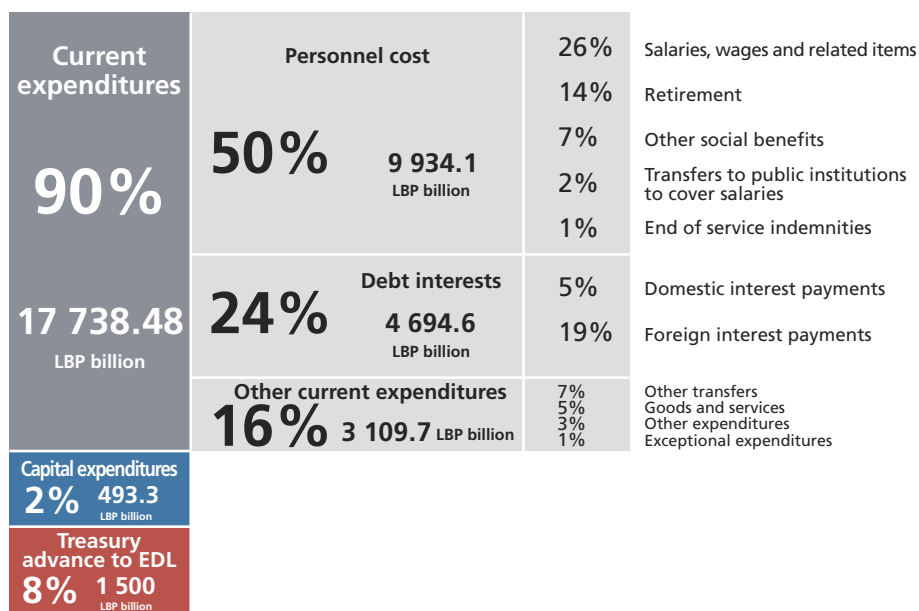
Reference: 2020 budget law

Most prominent expenditures for citizens - LBP billion



References: 2020 budget law

2 | Budget expenditures according to type (economic classification)



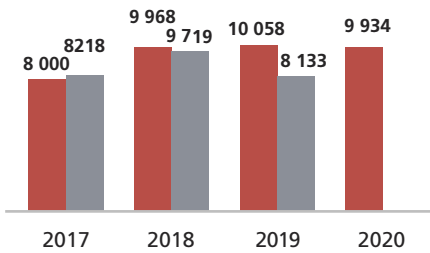
Note: This chart includes budget expenditures in addition to treasury advance to EDL (LBP 1 500 billion)

Reference : 2020 budget law

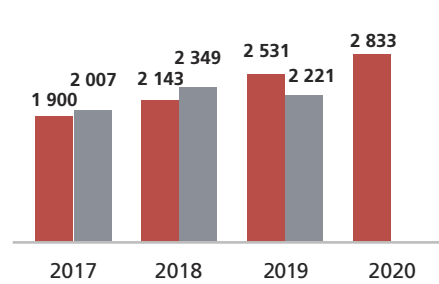
3 | Main current and capital expenditures (economic classification)

Expected expenditures in the 2020 budget decreased significantly, of which (i) debt interests mainly due to the cut applied on debt in LBP, (ii) transfers to EDL due to the ceiling amount set up to LBP 1 500 billion.

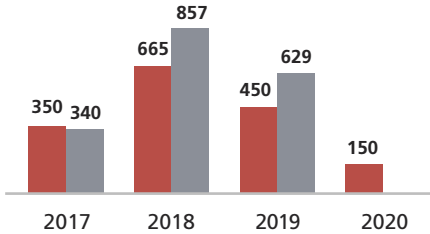
Salaries, wages and related items
LBP billion



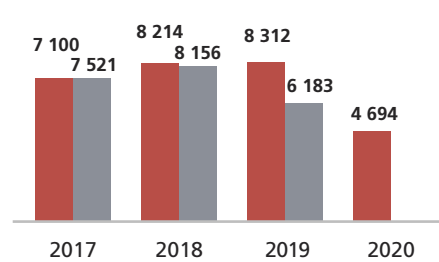
Retirement - LBP billion



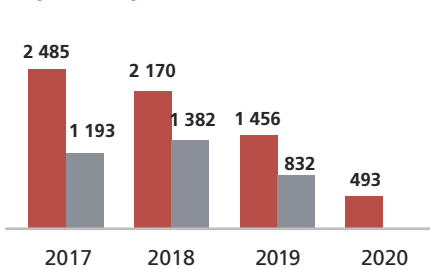
End of service indemnities
LBP billion



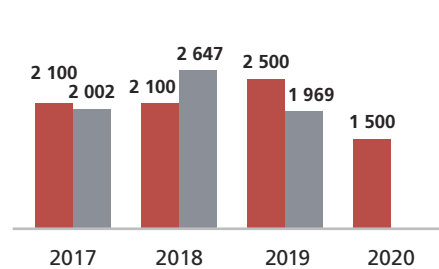
Debt interests - LBP billion



Capital expenditures - LBP billion



Transfers to EDL - LBP billion





■ Expected budget expenditure ■ Effective spending


Notes: Effective spending for 2019 captures the first 10 months of the year

References: Public Finance Monitor reports, 2017, 2018 and 2019
<http://www.finance.gov.lb/en-us/Finance/Rep-Pub/DRI-MOF/PFR>
 2017, 2018, 2019 and 2020 budget laws





4 | Main investment projects

LBP billion	Project cost	Total appropriations in previous budgets	Appropriation in 2020 budget	Total remaining appropriations for the coming years
 <ul style="list-style-type: none"> Construction of buildings for public administrations in view of reducing rental burden Construction of new buildings for the Ministry of Finance and the unified building for Customs Administration Establishment of the Maritime Science and Technology Institute (MARSATI) in Batroun and construction of the Directorate General of Land Transport building 	750.0	10.0	0.0	740.0
	71.2	32.1	0.0	39.1
	29.5	15.7	0.0	13.8
 <ul style="list-style-type: none"> Surveying, demarcation and final mapping of all Lebanese territory Subdivision and lot mergers - housing and urban planning Settlement of debts and expropriation indemnities 	40.0	35.0	0.0	5.0
	92.0	55.0	0.0	37.0
	850.0	349.0	0.0	501.0



LBP billion	Project cost	Total appropriations in previous budgets	Appropriation in 2020 budget	Total remaining appropriations for the coming years
 <ul style="list-style-type: none"> ■ Construction of a tourist port at Jounieh bay ■ Construction and completion of roads: <ul style="list-style-type: none"> - Expansion and rehabilitation of Al Sultania - Sidon Road - Completion of Kfar Reman - Marjeyoun Road - Construction of the Saints Road (Byblos - Batroun) - Completion of the Northern Highway (Tripoli - Northern Borders) - Completion and rehabilitation of Tawfiqia Road (Ras Baalbeck - Al Qaa) ■ Program for the provision of equipment, devices and infrastructure development for the Lebanese Army ■ Water and energy works program across Lebanese regions 	60.0	44.7	0.0	15.3
	32.0	13.5	5.0	13.5
	63.0	47.9	14.5	0.6
	30.0	10.0	15.0	5.0
	50.0	25.0	0.0	25.0
	50.0	23.3	0.0	26.7
	1 348.2	871.7	0.0	476.5
	1 351.5	1 285.4	0.0	66.1






























LBP billion	Project cost	Total appropriations in previous budgets	Appropriation in 2020 budget	Total remaining appropriations for the coming years
 <ul style="list-style-type: none"> ■ Pollution treatment of the Litani River region from source to estuary (Law No. 63 off budget). Amount distributed among Ministry of Agriculture, Ministry of Energy and Water, Ministry of Environment and Ministry of Industry 	1 100.0	411.8	0.0	688.2
 <ul style="list-style-type: none"> ■ Construction and equipment of school buildings ■ Lebanese University building project 	20.0 425.0	13.6 403.0	0.0 0.0	6.4 22.0
 <ul style="list-style-type: none"> ■ Cluster bombs removal program 	50.0	12.5	10.0	27.5
 <ul style="list-style-type: none"> ■ Expansion of the telecommunications network 	450.0	225.0	75.0	150.0




Reference: 2020 budget law



5 | Budget expenditures according to governmental entities (administrative classification)

	2018 budget law (LBP billion)	2019 budget law (LBP billion)	2020 budget law (LBP billion)	Change (%) 2019-2020	
 Presidency of the Republic	18.1	14.5	12.7	-12.4	↓
 Lebanese Parliament	84.8	82.2	78.5	-4.5	↓
 Presidency of the Council of Ministers	1 523.5	1 026.9	743.4	-27.5	↓
 The Constitutional Council	1.8	1.8	1.4	-22.2	↓
 Ministry of Justice	116.6	114.4	112.8	-1.4	↓
 Ministry of Foreign Affairs and Emigrants	179.2	177.6	175.8	-1.0	↓
 Ministry of Interior and Municipalities	1 670.2	1 637.5	1 645.5	+0.5	↑
 Ministry of Finance	727.3	640.8	440.5	-31.3	↓
 Ministry of Public Works and Transportation	441.9	389.6	205.1	-47.4	↓
 Ministry of Defense	3 198.9	2 905.8	2 896.5	-0.3	↓
 Ministry of Education and Higher Education	2 091.6	2 085.3	1 953.1	-6.3	↓
 Ministry of Public Health	728.9	742.8	692.2	-6.8	↓
 Ministry of Economy and Trade	26.1	26.5	21.8	-17.7	↓
 Ministry of Agriculture	96.6	81.5	72.2	-11.4	↓

	2018 budget law (LBP billion)	2019 budget law (LBP billion)	2020 budget law (LBP billion)	Change (%) 2019-2020	
 Ministry of Post and Telecommunications	6.7	6.3	5.4	-14.3	↘
 Ministry of Labor	389.3	364.8	375.4	+2.9	↗
 Ministry of Information	47.6	44.9	43.3	-3.6	↘
 Ministry of Energy and Water	327.8	395.4	78.4	-80.2	↘
 Ministry of Tourism	23.7	21.8	15.1	-30.7	↘
 Ministry of Culture	48.7	50.1	44.3	-11.6	↘
 Ministry of Environment	14.0	12.3	8.9	-27.6	↘
 Ministry of Displaced	8.2	7.5	6.1	-18.7	↘
 Ministry of Youth and Sports	14.5	13.2	12.5	-5.3	↘
 Ministry of Social Affairs	228.0	335.4	338.7	+1.0	↗
 Ministry of Industry	9.8	9.2	8.1	-12.0	↘
 Common expenses	11 022.6	11 293.0	7 677.0	-32.0	↘
 Budget reserve	844.8	624.4	565.0	-9.5	↘
Total budget	23 891.2	23 105.5	18 231.7	-21.1	↘
Treasury advances to EDL	2 100	2 500	1 500	-40.0	
Total expenditures	25 991.2	25 605.5	19 731.7		

	2018 budget law LBP billion)	2019 budget law (LBP billion)	2020 budget law (LBP billion)	Change (%) 2019-2020	
 Directorate of National Lottery	96.8	92.0	92.0	0.0	=
 Directorate General of Cereals and Sugar Beets	30.5	31.3	27.7	-11.5	↓
 Telecom	2 700.3	2 275.6	2 040.8	-10.3	↓
Total of Annexed Budgets	2 827.6	2 398.9	2 160.5	-9.9	

Note: The first table includes budget expenditures in addition to the treasury advances to EDL, and the second table includes the annexed budgets

References: 2017, 2018, 2019 and 2020 budget laws

What is the budget reserve?

Provisions for budget reserves are made either for common expenses or for emergency expenditures.

In the event of insufficient funds or additional needs, line ministries can request additional appropriations from the budget reserve line.

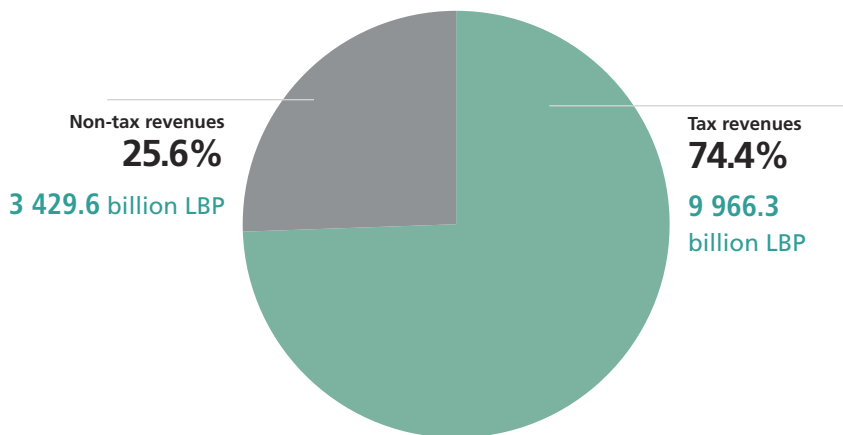
Budget revenues for 2020

This section introduces the main revenues' estimations for 2020, especially (1) the tax revenues which constitute the biggest share and (2) the non-tax revenues expected to be collected from state institutions and administrative transactions' fees.

1 | Tax and non-tax revenues

Budget revenues for 2020 are estimated at LBP 13 395.9 billion

Distribution of tax revenues and non-tax revenues



Reference: 2020 budget law

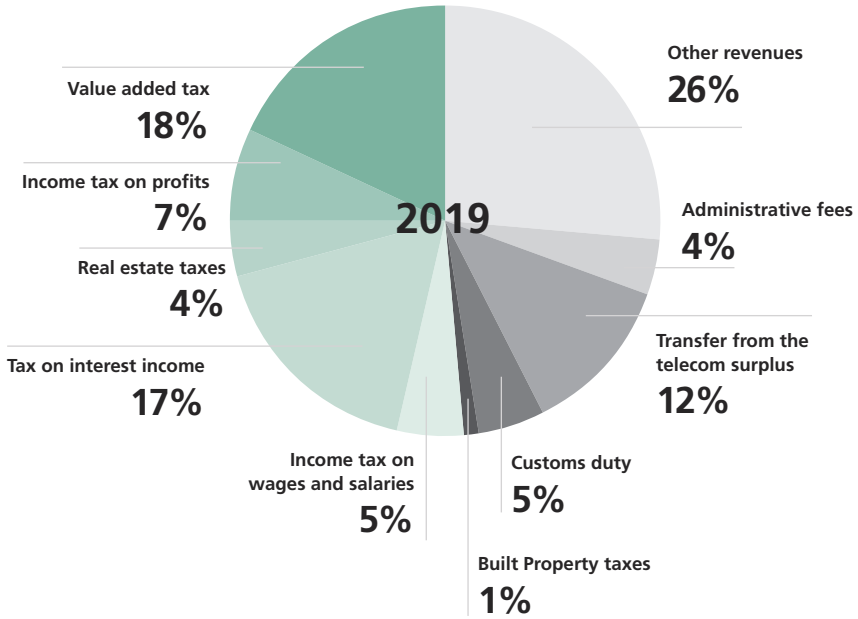
What are Non-tax Revenues?

Revenues arising from state-owned enterprises and from public institutions making profit such as passport fees, family register fees ... These revenues are also paid by citizens.

What are Tax Revenues?

Tax revenues are the revenues collected from taxes and fees paid by citizens.

2 | Main revenue sources in budget 2020

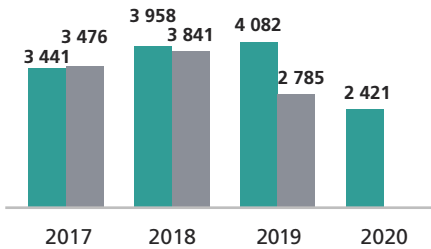


Reference: 2020 budget law

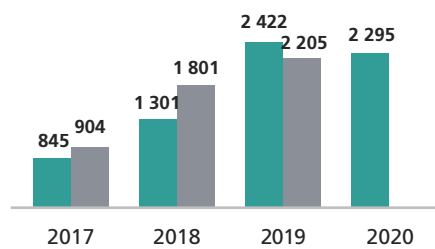
3 | Evolution of main tax revenues

Expected revenues for 2020 decreased significantly due to the economic recession.

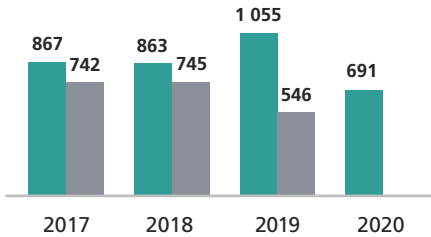
Value added tax - LBP billion



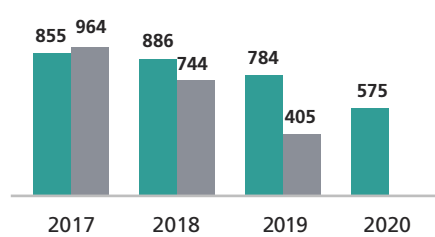
Tax on interest income - LBP billion



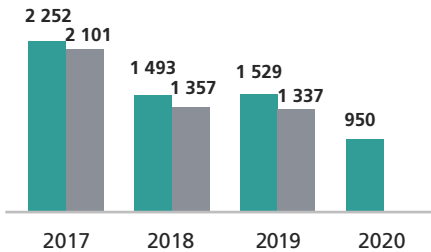
Customs duty - LBP billion



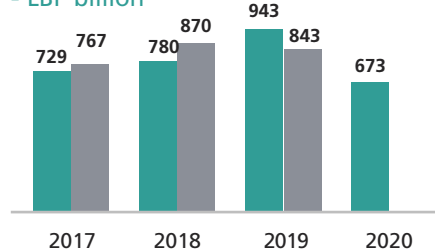
Real estate taxes - LBP billion



Income tax on profits - LBP billion



Income tax on wages and salaries - LBP billion



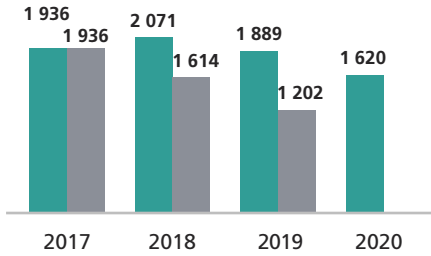
■ Expected budget revenues ■ Effective revenues

Note: Effective revenues for 2019 capture the first 10 months of the year

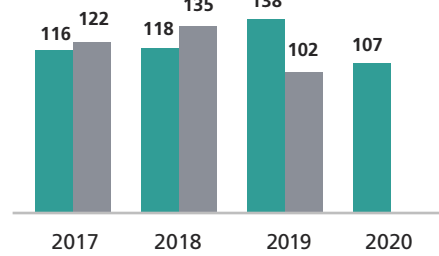
References: Public Finance Monitor report, 2017, 2018 and 2019
<http://www.finance.gov.lb/en-us/Finance/Rep-Pub/DRI-MOF/PFR>
 2017, 2018, 2019 and 2020 budget laws

4 | Evolution of main non-tax revenues

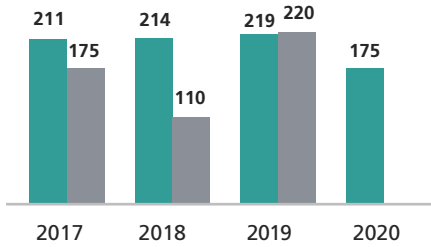
Transfers from the telecom surplus - LBP billion



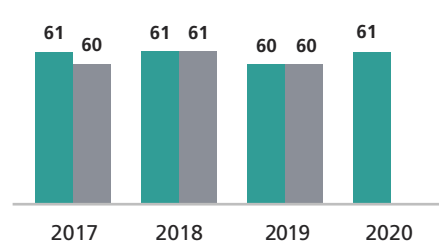
Revenues from Casino du Liban - LBP billion



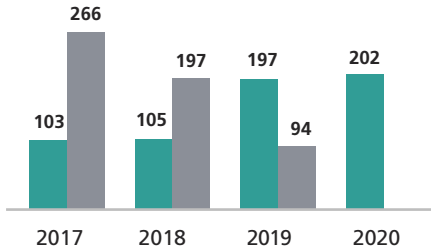
Revenues from Port of Beirut - LBP billion



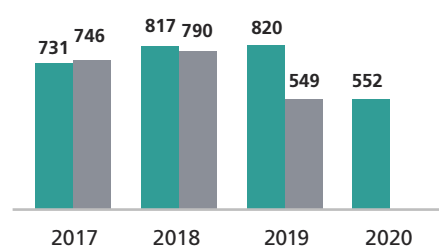
Transfers from Banque du Liban - LBP billion



Property income - LBP billion



Administrative fees - LBP billion



■ Expected budget revenues ■ Effective revenues

Note: Effective revenues for 2019 capture the first 10 months of the year

References: Public Finance Monitor report, 2017, 2018 and 2019
<http://www.finance.gov.lb/en-us/Finance/Rep-Pub/DRI-MOF/PFR>
 2017, 2018, 2019 and 2020 budget laws

5 | Revenues comparison between 2019 and 2020

LBP billion	2019 Budget law LBP billion	Effective revenues until October 2019 LBP billion	Effective revenues until October 2019 (%)	2020 Budget law LBP billion
Total tax revenues	14,570.4	10 836.7	74.4	9 966.3
Taxes on income, profits and capital gains	5 421.6	4 765.7	87.9	4 114.5
Other income taxes	15.4	1.1	7.1	15.0
Built property taxes	246.7	204.1	82.7	171.1
Inheritance tax	111.6	85.8	76.9	90.7
Non recurrent taxes on property	784.1	404.6	51.6	575.6
Taxes on maritime property	0.0	0.0	0.0	0.0
Other taxes on property	0.0	0.0	0.0	0.0
Domestic taxes on goods	1 419.7	1 035.1	72.9	944.1
Régie profits	230.2	200.2	87.0	197.6
Taxes on services	4.1	4.9	119.5	3.9
Sales taxes	0.3	0.1	50.0	0.1
Value added tax	4 082.2	2 784.9	68.2	2 421.6
Other taxes on goods and services	494.8	337.5	68.2	294.9
Taxes on imported goods	1 055.0	546.4	51.8	691.5
Taxes on exports	0.0	0.0	0.0	0.0
Other taxes on international trade and transactions	0.0	0.0	0.0	0.0
Fiscal stamp fees	704.1	466.9	66.3	445.3
Fixed fees	0.0	0.0	0.0	0.0
Unclassified taxes	0.0	0.0	0.0	0.0

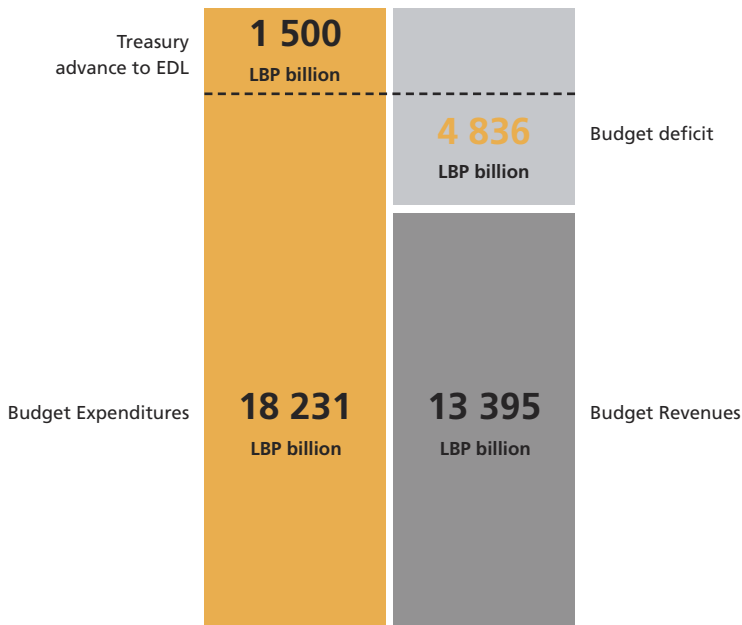
LBP billion	2019 Budget law LBP billion	Effective revenues until October 2019 LBP billion	Effective revenues until October 2019 (%)	2020 Budget law LBP billion
Total non-tax revenues	4 212.4	2 638.3	62.6	3 429.6
Transfers from non-financial public institutions	2 315.5	1 553.2	67.1	1 973.3
Transfers from public financial institutions	60.4	60.3	99.8	61.6
Property income	197.8	94.2	47.6	202.3
Transfers from public investment institutions	0.0	0.0	0.0	0.0
Other transfers from public institutions	7.4	4.8	64.9	8.8
Administrative fees	820.6	549.4	67.0	552.5
Administrative charges	51.4	34.1	66.3	52.4
Sales	103.4	2.3	2.2	73.4
Permit fees	112.7	76.1	67.5	101.1
Other administrative fees and charges, and other sales	24.1	28.7	119.1	24.0
Fines and penalties	46.0	30.3	65.9	47.7
Confiscations and forfeits	0.016	0.017	106.3	0.018
Sanctions	0.36	0.29	80.6	0.38
Retirement deductibles	270.0	178.5	66.1	235.0
Transfers from postal services	0.05	0.0	0.0	0.057
Internal current grants	0.0	0.0	0.0	0.0
External current grants	0.0	17.1	0.0	0.0
Extraordinary non-tax revenues	202.3	8.7	4.3	96.7

Reference: 2020 budget law

Budget deficit for 2020

LBP 4 835.8 billion is the estimated budget deficit for 2020, without taking into account treasury advance to EDL (LBP 1 500 billion) and the net balance of both treasury expenditures and revenues.

2020 budget law figures



Reference: 2020 budget law

What is Fiscal Balance?

It is the difference between total expenditures and total revenues. The estimated budget deficit for 2020 reached LBP 4 836 billion.

What is a Primary Balance?

It is the fiscal balance excluding debt interests. The primary balance in 2020 budget shows a preliminary deficit of LBP 142 billion.

What is Treasury Advance?

Funds temporarily held outside the treasury and expected to be reimbursed in a specific period of time.

Public debt

This section shows the debt distribution by debt holder and by currency, in addition to the evolution of principal repayment over the past years.

What is Public Debt?

Public debt is constituted of funds borrowed by the government from financial markets (commercial banks, institutions and individuals), donors and others to cover the public sector financial needs.

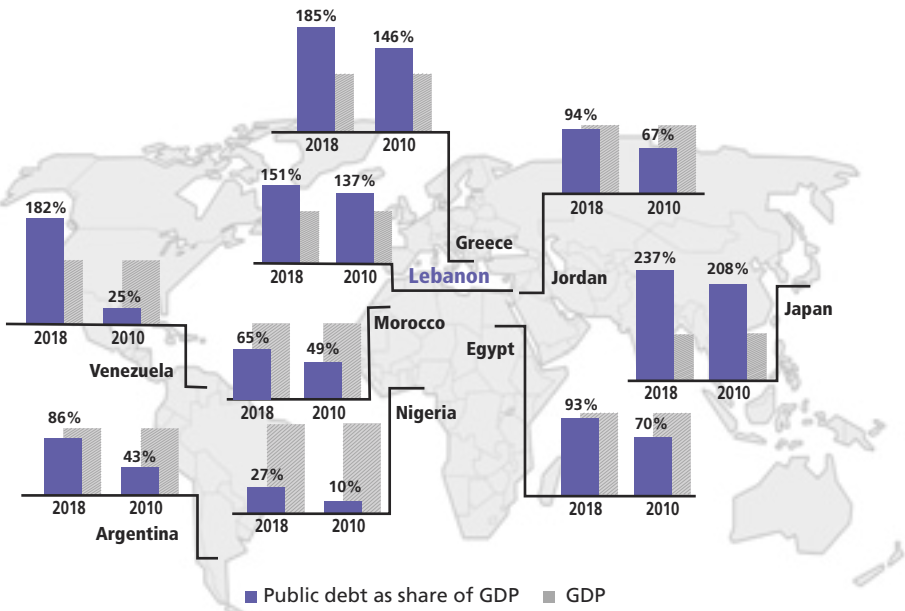
How is public debt calculated?

Two methods to calculate public debt

$$\begin{aligned}
 &\text{Public debt at the end of 2019} \\
 &+ \text{Expected debt interests for 2020} \\
 &- \text{Estimated primary surplus for 2020} \\
 \hline
 &= \text{Estimated public debt at the end} \\
 &\text{of 2020}
 \end{aligned}$$

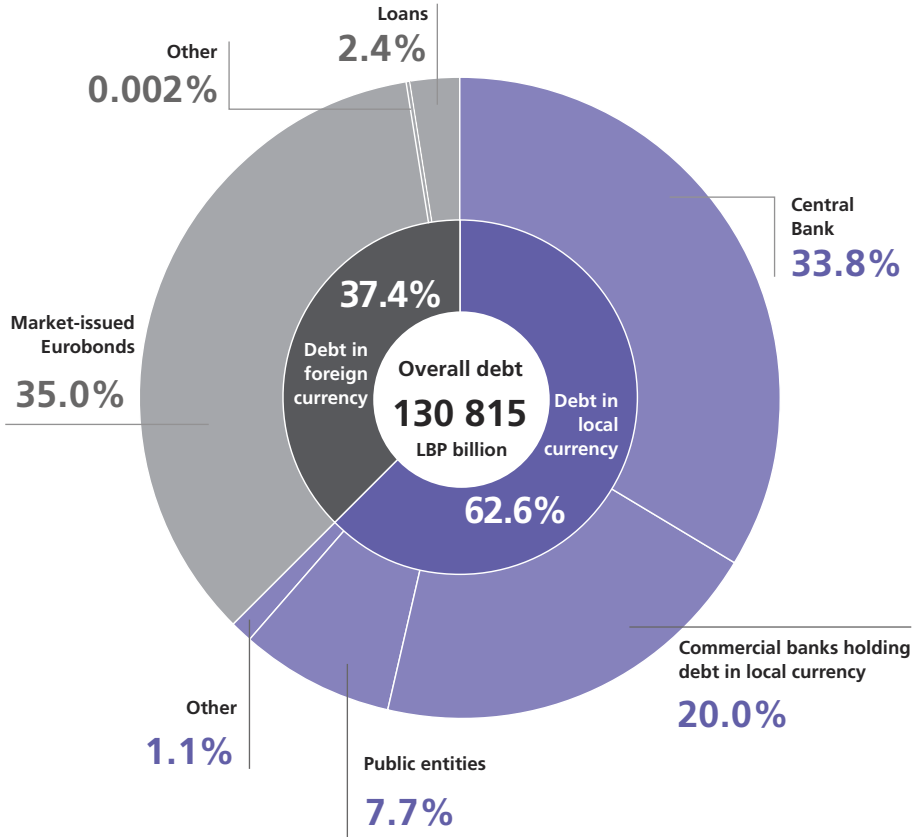
$$\begin{aligned}
 &\text{Public debt at the end of 2019} \\
 &+ \text{Expected debt interests for 2020} \\
 &+ \text{Estimated primary deficit for 2020} \\
 \hline
 &= \text{Estimated public debt at the end} \\
 &\text{of 2020}
 \end{aligned}$$

Lebanon's public debt compared to other countries



Reference: International Monetary Fund database, 2020
<https://www.imf.org/external/pubs/ft/weo/2019/01/weodata/weoselser.aspx?c=446&t=1>

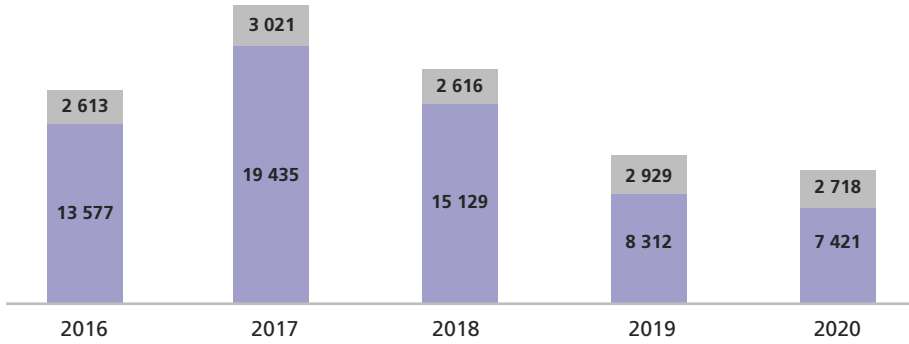
Debt distribution by debt holder - LBP billion and percentage (%)



Note: Debt figures cover the first 9 months of 2019

Reference: Debt and debt markets report, 2019
<http://www.finance.gov.lb/en-us/Finance/PublicDebt/DebtReports>

Debt principal evolution - USD billion



■ Domestic T-bills and bonds ■ Foreign Currency Debt (Eurobonds-Loans)

Note: The total amount of principal due in 2020 is not final as it is based on the debt and debt report issued by the Ministry of Finance in September 2019

References: Debt and debt reports, 2015, 2016, 2017, 2018 and 2019
<http://www.finance.gov.lb/en-us/Finance/PublicDebt/DebtReports>

Measures affecting citizens

For further details regarding the measures outlined below, refer to the 2020 budget law published in the official gazette, supplement no. 10 dated 05/03/2020.

First orientation | Support productive sectors



Pharmaceutical factories are exempted from VAT on the imports of raw materials.



The right to file a 100% tax refund on fixed assets and current expenses related to the following activities exempted from VAT:

- Drugs industry;
- Food industry;
- Hospitalization and medical laboratories;
- Pharmaceuticals industry;
- Education;
- Common transportation;
- Books, newspapers and magazines industry;
- Paper and cardboard industry.



Subsidize investment loans in agriculture, industry, tourism, technology, information and environment.



Give industries that are able to increase their exports volume and/or export for the first time, financial incentives equivalent to 5% of their exports value.

Second orientation | Towards a more equitable tax system and improving State revenues



National and foreign lottery awards are subject to a tax of 20%. If the prize value exceeds ten times its price.



Turnover of banks, financial institutions and financial intermediation institutions for 2019 is subject to a 2% additional income tax.



The penalty for late filing or payment of the tax is waived for employees working in more than one establishment or exercising an additional activity. Within 6 months after the publication of the 2020 budget law in the official gazette.



Possibility of tax settlement at 50% for tax imposition related to the income tax and value added tax. Regarding all objections filed as of 1/4/2019 and that have not been regularized before the publication of the 2020 budget law in the official gazette.



85% tax reduction on:

- Penalties related to verification and collection of taxes due to the General Directorate of Finance;
- Penalties related to tax collection orders issued by public administrations, public institutions, municipalities and other public entities;
- Penalties due to the State, municipalities, municipal unions, public institutions and other public entities;
- Penalties on municipal taxes and verification penalties;
- Penalties related to vehicle inspection fee;
- Reduction of penalties due to the National Social Security Fund (100% for 2000 and previous years, 85% for 2001 and later years);

Provided that all taxes and fines are paid within 6 months after the publication of the 2020 budget law in the official gazette.



Municipalities are required to notify the Ministry of Finance of professionals or companies that do not have a tax registration number, to undertake a census of commercial, industrial and professional companies and enterprises operating on their territory and to inform the Ministry of Finance of the results. Within 6 months after the publication of the 2020 budget law in the official gazette.



Payment of smoking permit fees by tourism enterprises. Within 6 months after the publication of the 2020 budget law in the official gazette.



Deadline extension for 6 months:

- To register sales contracts or irrevocable power of attorney at the Land Registry and Cadastre Offices;
- To object on taxes and fees collected by the General Directorate of Finance, conditioned to the payment of 10% of the amount due before filing the objection;
- To request an installment program of taxes withheld at source and VAT;
- To pay the annual income tax due for power generators owners;
- Rescheduling installment programs for all taxes and fees.

Third orientation | Spending control



Abolition of the National Investment Guarantee Corporation.



Suspend all government contributions, donations and subventions to any party.



Public institutions, administrations and municipalities are required to limit their spending to salaries and wages, management, operations, essential development and maintenance.



The telecom operators and the Port of Beirut are bound to transfer their revenues to the treasury periodically.

Fourth orientation | Mitigating the repercussions of the crisis



Termination indemnities are exempted from income tax on wages and salaries for employees and workers dismissed between 1/7/2019 and the date of publication of the budget law 2020 in the official gazette.



Collecting all taxes, fees and rentals for all types of services provided by the Lebanese State in Lebanese pounds only.



Suspend all legal penalties in case of late repayment of subsidized loans (residential, industrial, agricultural, tourism, technology, information and environment).
From 1/10/2019 until 30/6/2020.



Increase the value of bank deposits guarantee in Lebanese pounds to LBP 75 million or its equivalent in foreign currency (as per the official exchange rate).

Other measures



Regularization of the status of foreign workers in violation of the work and residence requirements

Exemptions	Beneficiary category	Requirements
Exemption from fines for late registration and revoking the deportation decision	Foreign workers whose residence permits have expired and were not renewed	Apply for regularization within 3 months of the publication of 2020 budget law in the official gazette
Regularization	Foreign workers recruited through fake guarantors, and whose residence permits have expired and were not renewed	- Payment of fees and fines by employment agencies - Apply for regularization by a new guarantor
	Foreign workers who entered Lebanon illegally and work for an employer	- Apply for regularization by the employer - Payment of fees for previous working years by the employer
	Foreign workers who entered Lebanon illegally and work without an employer	- Find a guarantor within 3 months - Apply for regularization

The team

This publication was prepared by the Institut des Finances Basil Fuleihan team, under the supervision of Ms. Lamia Moubayed Bissat, President of the Institute.

The content of this publication was reviewed by the Directorate of Budget and Expenditure Control team, under the supervision of Ms. Carole Abi Khalil, Budget Director.

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