

## *UHY Lebanon-Tax Updates*

*"We can put the right strategies in place to relieve your tax burden and help you achieve your financial goals"*

*January 2013 update*

### **This update includes:**

#### A- Insurance taxation:

- 1- Amendments of deemed profit rates applicable on different insurance segments.  
(Decision 1247/1 dated 24 December 2012).
- 2- Taxes on returns paid related to investment products linked to insurance contracts.  
(Instructions 4556 dated 24 December 2012)

#### B- National Social Security Fund (NSSF)

Amendment of the maximum ceiling being applicable to determine the contributions to NSSF related to Sickness and Maternity. (Labor decree 9602 dated 24 December 2012)

#### **A-1- Amendments of deemed profit rates applicable on different insurance segments (Decision 1247/1 dated 24 December 2012)**

To recall decision 1291 dated 1 December 2011 amended a large number of deemed profit rates and was supposed to apply to fiscal 2011. On 23 December 2011 Ministerial Decision 1363/1 delayed the date that the new rates introduced by decision 1291 would apply to fiscal 2012. The current decision amends certain rates introduced by decision 1291 mostly relating to the insurance industry. Other rates introduced by the 1291 decision, apparently remain the same and apply as of fiscal 2012. The below table sets out the new amended rates compared to the rates introduced by decision 1291 and the rates that existed before decision 1291.



**A-1- Amendments of deemed profit rates applicable on different insurance segments**  
**-Decision 1247/1 dated 24 December 2012- (Continued)**

	<b>Decision Date</b>	<b>1247 24/12/2012</b>	<b>1291 1/12/2011</b>	<b>283/1 7/3/2008</b>
523101	Retail sales of pharmaceutical products	9%	15%	9%
660101	Life insurance	5%	8%	5%
660201	Pension funds	5%	5%	5%
660301	Insurance against accidents	10%	8%	6%
660302	Fire insurance	10%	8%	12%
660303	Health insurance	5%	8%	5%
660304	Property insurance	10%	8%	6%
660305	Insurance on cars, sea vessels planes and transportation vehicles	7%	7%	7%
660306	Insurance against financial losses and credit insurance	10%	8%	6%
660307	Reinsurance	10%	8%	5%

**UHY discussions:**

The Ministry of finance accepted the insurance industry arguments and went back to the deemed profits rates that existed prior to decision 1291 in respect of life insurance and health insurance.

Fire insurance rates were dropped below the 2008 rates while rates for insurance against accidents, property and against financial losses and credit insurance were increased.

Rates for pension funds and insurance on cars, sea vessels, planes and transportation remain unchanged. So overall it was a give and take decision.

The Ministry accepted to the demands of pharmaceutical retailers and kept the 2008 rates.

**A-2- Taxes on returns paid related to investment products linked to insurance contracts**  
**(Instructions 4556 dated 24 December 2012)**

The instructions supposedly confirms that returns paid on these products are subject to Schedule III (tax on investment income) of the Tax Law (i.e. 10%) and requires insurance companies to deduct this tax at source and remit it to the Inland Revenue within one month of the date of payment or the date returns are credited to the account of the beneficiary as a final settlement. This treatment does not relate to the proceeds of life policies paid to the beneficiaries of the policy which continue to be taxed at 5% as per Article 15 (as amended) of inheritance Tax Law (Decree 146 of 1959).

**UHY discussions:**

It could be argued that taxing such receipts under Schedule III at 10% creates unfair competition between insurance companies and banks and financial institutions.

To recall, law 497 (Budget law of 2003) which introduced a tax of 5% on bank deposits, imposed 5% on interest, income and return resulting from fiduciary accounts or investment management. Therefore investment returns payable by insurance companies on investment products are taxed at 10% while similar products offered by banks and financial institutions would be taxed at 5%.

**B- National Social Security Fund (NSSF): Amendment of the maximum ceiling being applicable to determine the contributions to NSSF related to Sickness and Maternity. (Labor decree 9602 dated 24 December 2012)**

The decree 9602 dated 24 December 2012 states that “the maximum amount on which contributions for the sickness and maternity scheme are calculated is amended from L.L 1,500,000 to L.L 2,500,000 starting January 2013”.

Thus, the maximum contribution per employee to NSSF in relation to sickness and maternity (9%) increased from L.L 135,000 (employer: L.L 105,000 – employee: L.L 30,000) to L.L 225,000 (employer: L.L 175,000 – employee: L.L 50,000)

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