



INVESTMENT INCENTIVES

PACKAGE DEAL CONTRACT (PDC)



The criteria used to determine a project's eligibility for this scheme include the project's investment size, number of jobs created, and sector type. This scheme provides a broader range of incentives and includes fiscal and labor related incentives as well as set-up fees reductions that could go as far as Zero fees on land registration and 50% reduction on work on residence permit fees. Under this scheme, the investor is bound by a contract with the Lebanese government represented by IDAL.

Overview

A scheme mostly catered to large scale projects, or projects which have a high impact on employment. The Package Deal Contract offers a broader range of incentives than the IPZ scheme, to include tax exemptions and fee reductions and is mostly applicable for projects with larger investment size. This scheme has no zone restrictions.

Incentives are granted to projects which meet the following criteria:

- Project investment size,
- Number of jobs created,
- Sector of coverage.

Under a PDC contract, projects are bound by a contract stipulating the specific terms, rights, and obligations of both IDAL and the investor.

Projects benefiting from the Package Deal Contract (PDC) shall be granted, at maximum, the following incentives:

- 100% exemption from Corporate Income Tax for up to ten years starting as from the commencement date of the exploitation of the project.
- 100% exemption of Taxes on Project Dividends for up to ten years starting as from the commencement date of the exploitation of the project.
- Up to 50% reduction on Work and Residence Permit Fees regardless of their category and depending on the number of permits required. Also the value of the certificate of deposit entrusted to the Housing Bank shall be reduced by half.
- Up to 50% reduction on Construction Permit Fees related to the buildings to be established and needed for the execution of the project benefiting from the provisions of the Package Deal Contract.
- 100% exemption from Land Registration Fees at the Real Estate Register and from fees needed for annexation, sub-division, mortgage and registration of lease contracts at the Real Estate Register, regarding real estates on which projects under the Package Deal contract are to be built, provided that the project shall be carried out within 5 years as of the date of registration of the land at the Real Estate Register, under penalty of obligating the investor failing to execute the said project, to pay a penalty equivalent to three times the fees which were originally due.
- Obtaining Work Permits of all categories provided that the project benefiting of the Package Deal Contract preserves the interests of the local labor force through employing at least two Lebanese nationals against one foreigner, and registering them in the National Fund for Social Security.

Exemption from the obligation of including Lebanese natural and legal persons in their Boards of Directors and this for all joint-stock companies of all types of objective of which is the ownership and/or the management of an investment project benefiting from the provisions of the incentives package (Amended by virtue of law no 771 on 11/11/2006).

Eligibility Criteria

To be eligible for the Package Deal contract, there are two binding criteria that an investors need to meet:

1. Minimum Investment Size
2. Number of Jobs Created

1. Minimum Investment Size:

The minimum investment and number of jobs required for a project to qualify for a Package Deal Contract is as follows **(Table 1)**:

Table 1: Minimum Investment Size and Number of Jobs

Sector	Minimum Investment (USD)	Minimum Number of Jobs Generated
Tourism	15,000,000	200
Industry	10,000,000	100
Agro-Industry	3,000,000	60
Agriculture	2,000,000	50
Information Technology (IT)	400,000	25
Telecommunication	400,000	25
Technology	400,000	25
Media	400,000	25

Investment Value will include the following items: Land Value, Land Improvements cost, Construction / Building cost, and Machinery cost. A more detailed description of these items is found below:

- **Land Value**

The purchase amount as registered at the Real Estate Directorate as well as the cost of registration fees, expenses related to the purchase operation and the deed of ownership. It may also include demolition expenses of existing structures.

- **Land Improvement**

Include expenditures needed to build secondary roads within the project site or to build car parks or any other infrastructure works required for the project.

- **Construction/ Building**

Include all costs of construction, including those of shops, offices, plants and warehouses.

If a standing structure is purchased as part of the land deal, incidental costs such as registration fees at the Real Estate Directorate and the expenses related to the purchase operation and the Real Estate Deed are included. Expenditures for rehabilitating and refurbishing a building to prepare it for its intended use are also added to the cost of construction.

- **Machinery & Equipment (Table 2)**

Type of investment projects	Cost of machinery and equipment considered
Industry, Agriculture, Agro-Industry	Machines and equipment, excluding office furniture
Tourism	Machines, equipment, and furniture for the purpose of the investment project and its restaurants
IT/ Technology/ Telecommunication/ Media	Machines and equipment

2. Number of Jobs Generated

The number should be created within a period of four consecutive years from the start date of the project for a project to qualify for a PDC contract.

- All employees should be registered with the National Social Security Fund (NSSF)
- The number of employees may be reduced by a maximum of 20%, if 25% of the project's employees undergo vocational training that is directly related to the scope of work of the investment project
- The vocational training must be validated by IDAL's Board of Directors
- The investment project should employ a local labor force
- A maximum of 1/3 of the jobs could be dedicated to foreign workers

3. Other Non-Binding Criteria

In addition to the investment size of the project and the number of jobs created, the following criteria are also taken into account when assessing a project fit for a Package Deal Contract scheme:

- Socio-economic impact
- Environmental impact and extent of natural resources preservation
- Extent of technology transfer and provision of technical training
- Impact on similar industries (backward linkages) and on consumers
- Compatibility with national government priorities and development policies