

Citizen Budget Lebanon - 2019



Budget citoyen

Liban
2019

Série de sensibilisation
financière et fiscale

Distribuée gratuitement

The importance of the “Citizen Budget”

Open Budget Survey 2017 Lebanon



Transparency
3/100



Budget Oversight
11/100



Public Participation
0/100



REPUBLIQUE LIBANAISE
MINISTRE DES FINANCES



**Budget
citoyen**

Liban
2019

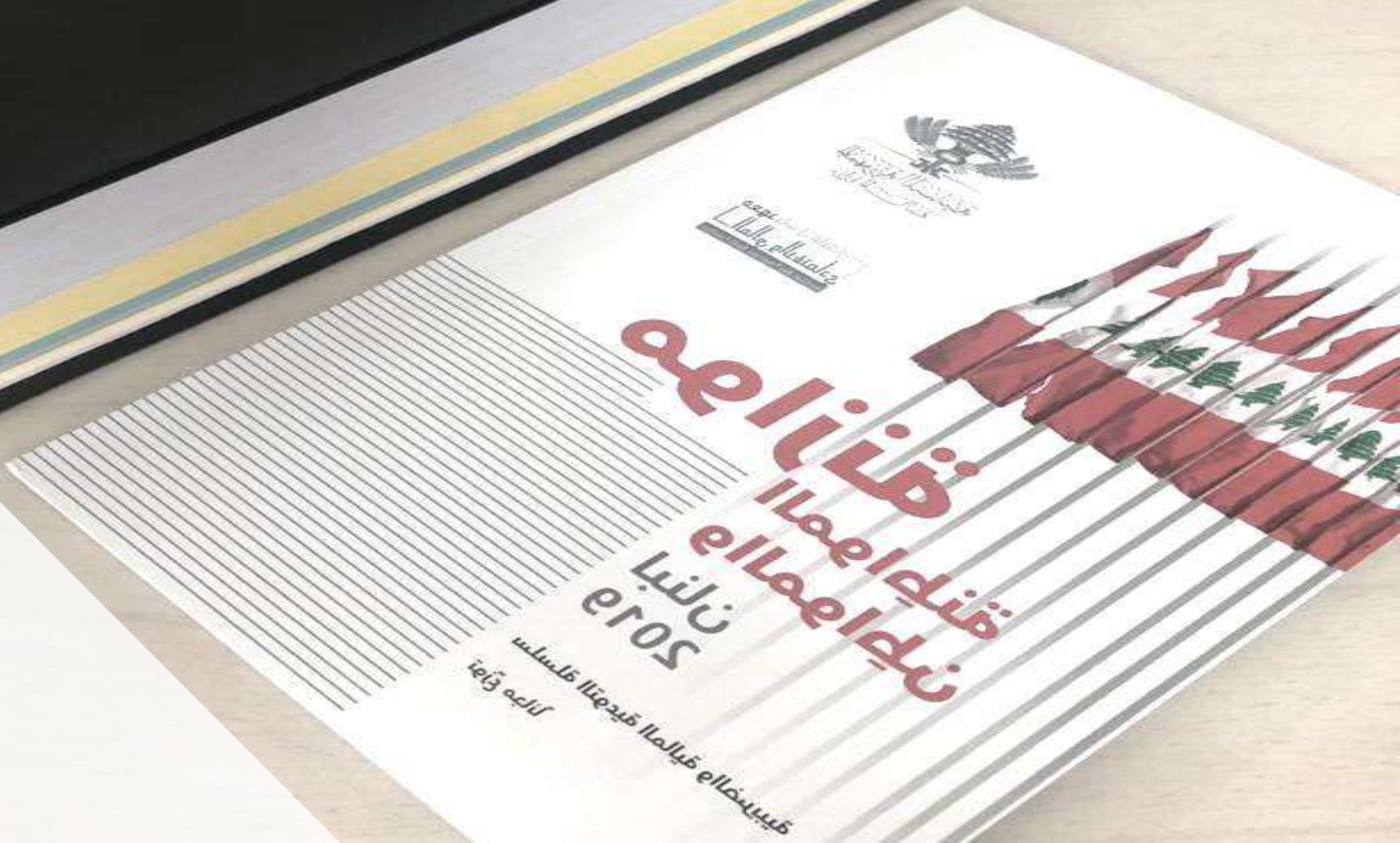
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كيفية حلها قديماً قديماً فلسفياً
كلمة قديماً

What is the “Citizen Budget” ?

Summarizes
key information
contained in the
government
budget

It presents the most important financial orientations of the government, in addition to the main reform measures.

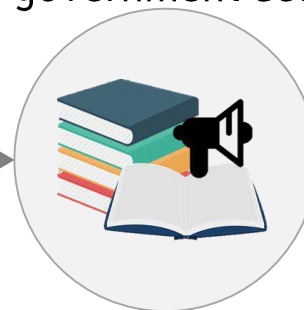
To whom?

All citizens
and
civil societies



Why?

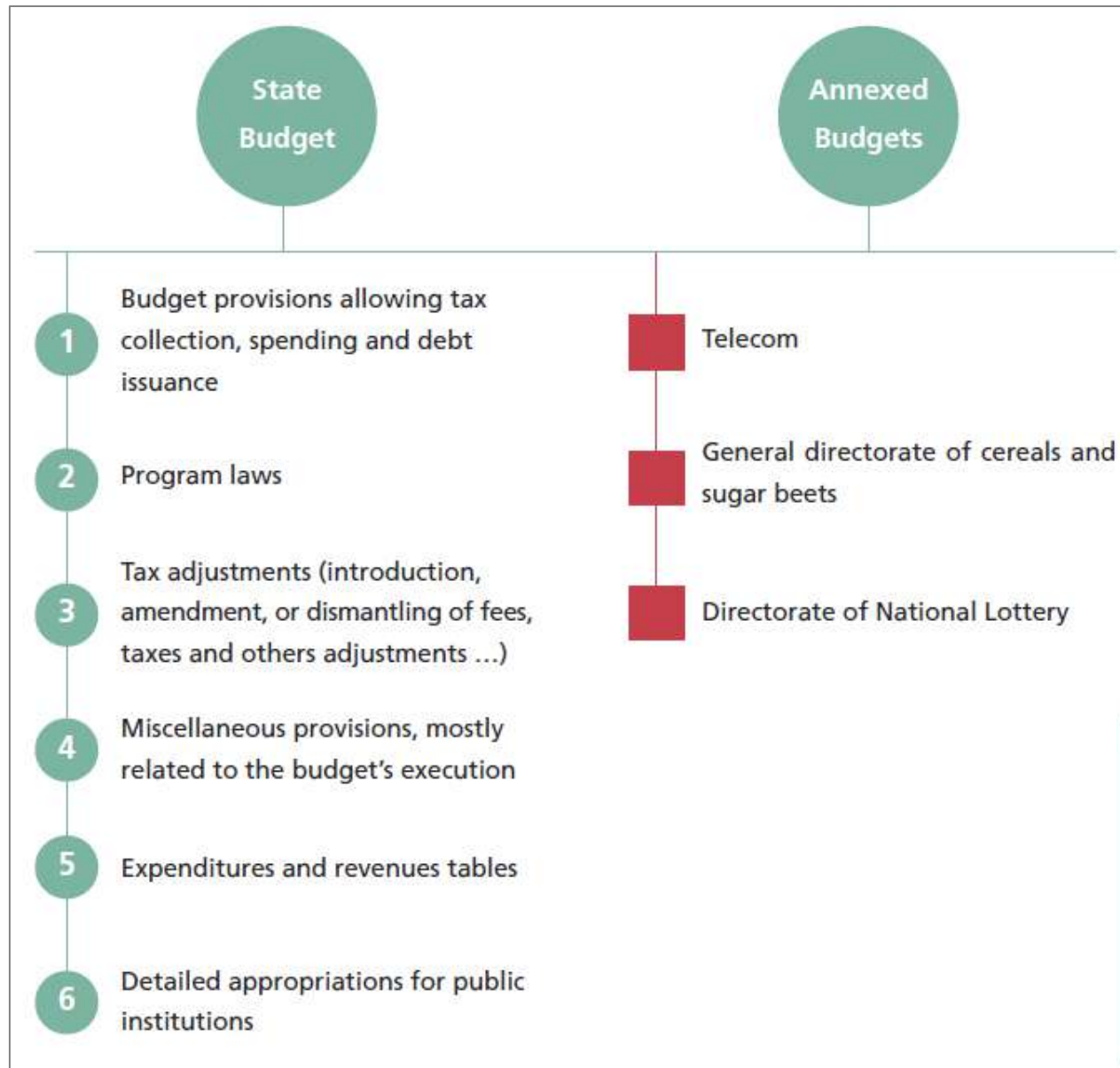
allowing them to be well informed, to participate to decision making and to hold the government accountable



The Budget in 6 questions and answers

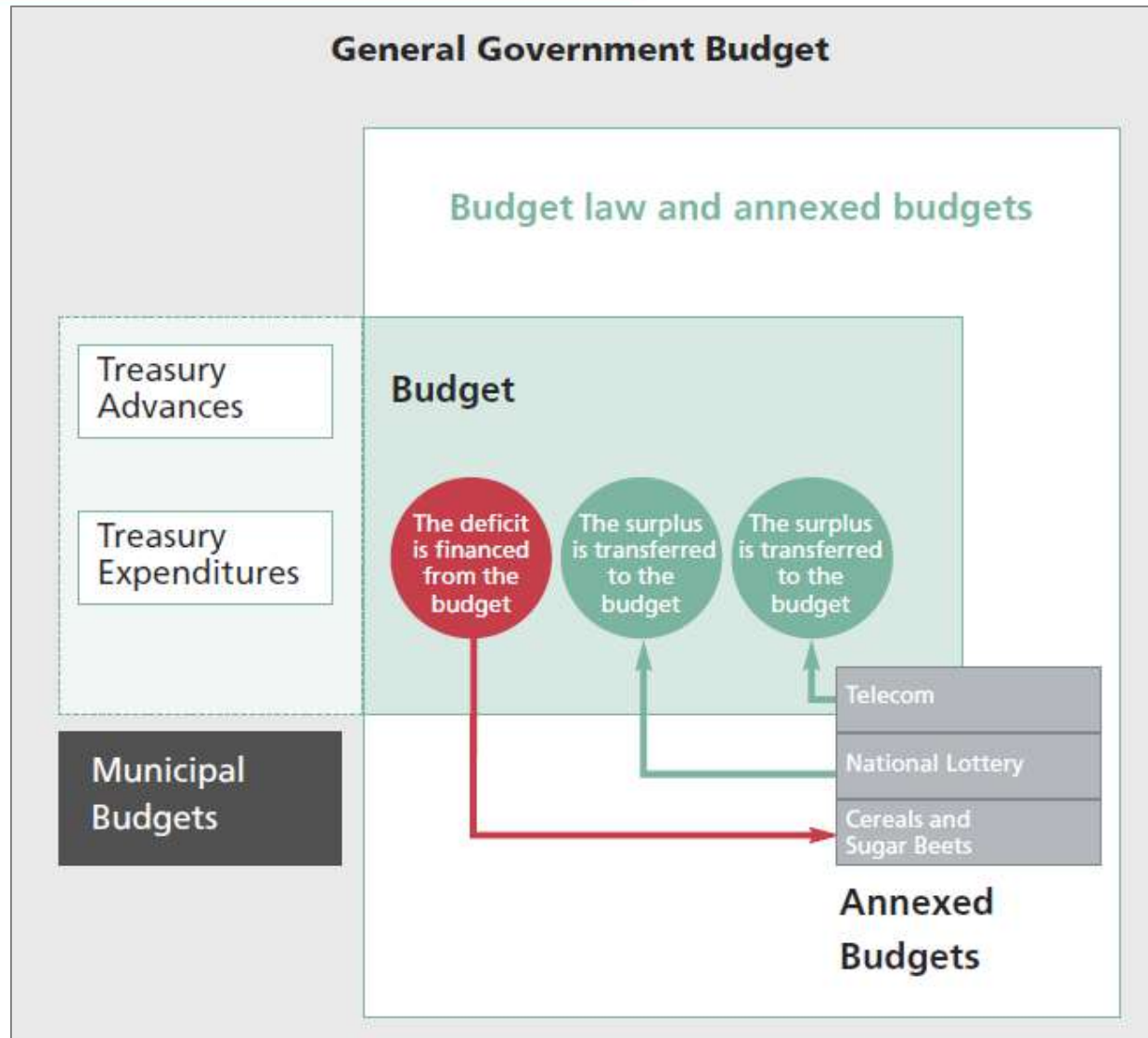
Question No 1: **What is the budget?**

Question No 2: **What does the budget law include?**



The Budget in 6 questions and answers

Question No 3: Does the budget reflect the "whole picture"?



The Budget in 6 questions and answers

Question No 4: What are the five key legal principles of the budget?

Annuality

The budget is prepared for a single 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 revenue should to cover total expenditure. It means that all revenues and expenditures should be accounted for in full and without any compensation between them

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 independent municipal funds 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

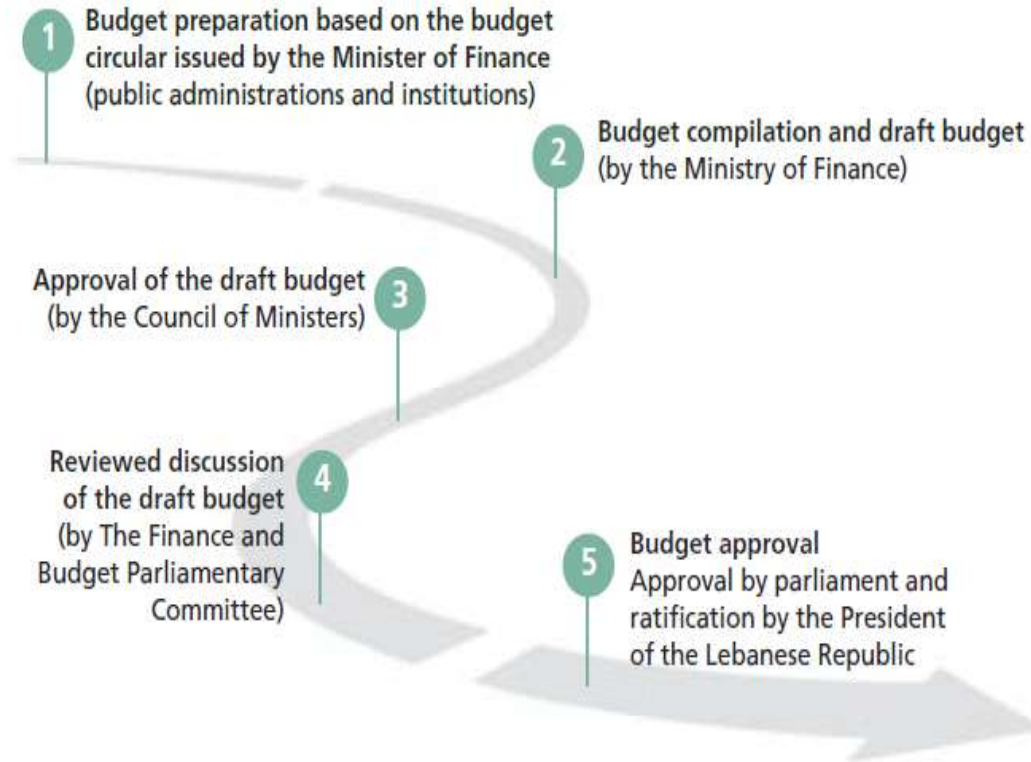
Deficit or surplus

The Budget in 6 questions and answers

Question No 6: What is the budget calendar adoption?



Question No 5: What are the major steps of budget preparation and approval?



Fundamentals and assumptions underlying the budget 2019

1 Macroeconomics indicators and historic trends

2 Financial and economic assumptions

3 The main economic and financial orientations

Macroeconomic assumptions	2019	2020	2021
Growth rate of real GDP (%)	2.65	1.77	2.43
Growth rate of nominal GDP (%)	5.78	5.43	5.66
Inflation rates (%)	2.43	2.73	2.81
Gross domestic product (LBP billion)	90 617	93 885	99 204
Gross domestic product (USD million)	60 111	62 279	65 807
Total expenditures (% of GDP)	29.97	32.20	31.63
Total revenues and grants (% of GDP)	21.37	20.85	20.62
Total budget revenues (% of GDP)	20.16	19.64	19.45
Fiscal balance (% of GDP)	-8.61	-11.35	-11.01



Containing the wage bill

Moving towards a more equitable tax system



Strengthening state revenues and tax collection

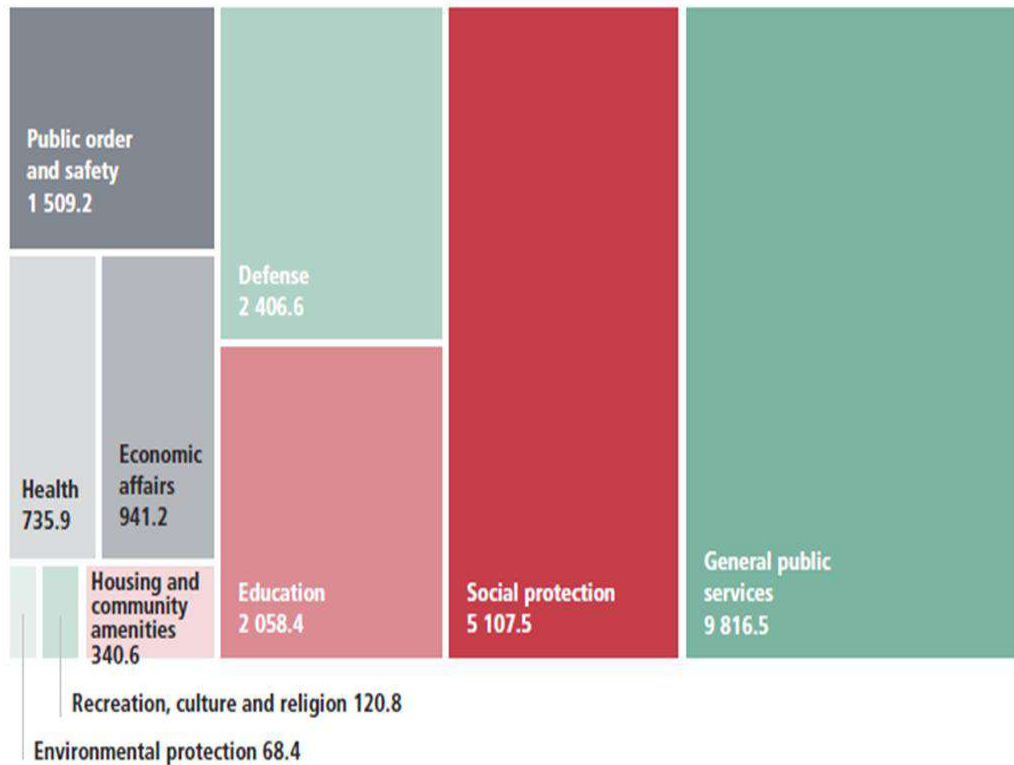
Strengthening public expenditures mechanisms and monitoring



2019 Budget expenditures



















Functional classification

Expected budget expenditures distribution for 2019 by the ten main functions - LBP billion



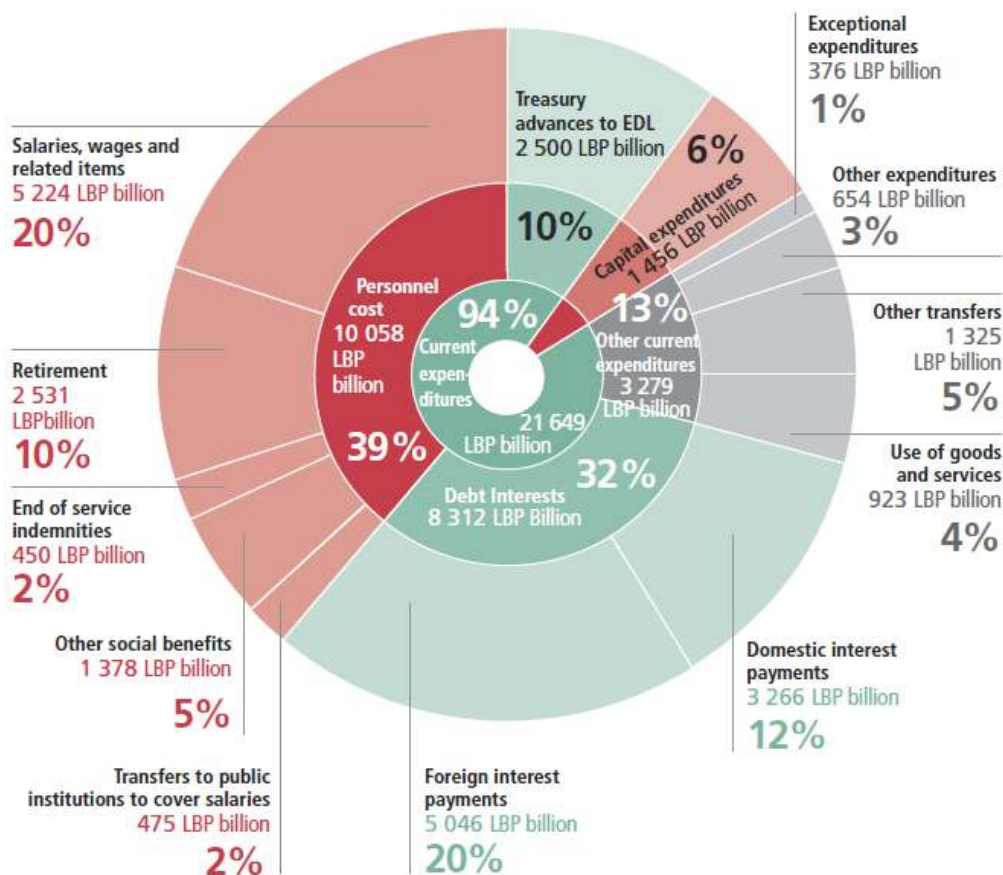
Note: This chart does not include treasury advances to EDL

Reference: 2019 budget law

Functions	2018 budget law (LBP billion)		2019 budget law (LBP billion)
 Military defense	2 694.4		2 406.5
 Police services	995.8		973.2
 Retirement and end of service indemnities	2 808.6		2 981.0
 Education	2 067.7		2 058.4
 Health	720.7		735.9
 Justice	119.2		118.9
 Agriculture	80.6		62.5
 Environmental protection	36.3		34.7
 Waste management	35.5		31.4

2019 Budget expenditures

Economic classification



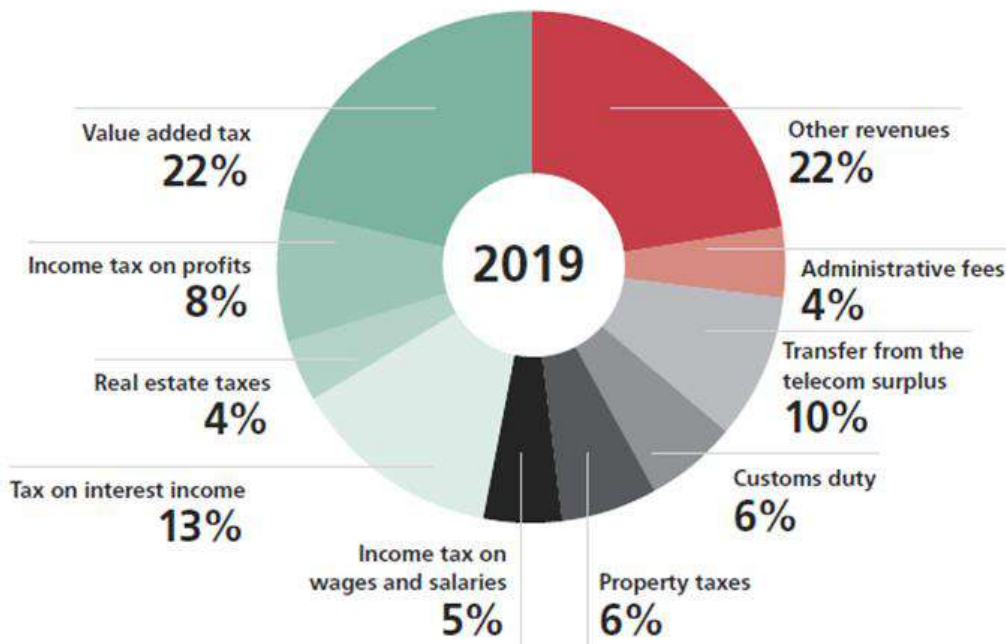
Administrative classification



2019 Budget revenues

Budget revenues for 2019 are estimated to 18,782.9 billion of LBP

Main sources of revenues in budget 2019



Revenues comparison (2018–2019)

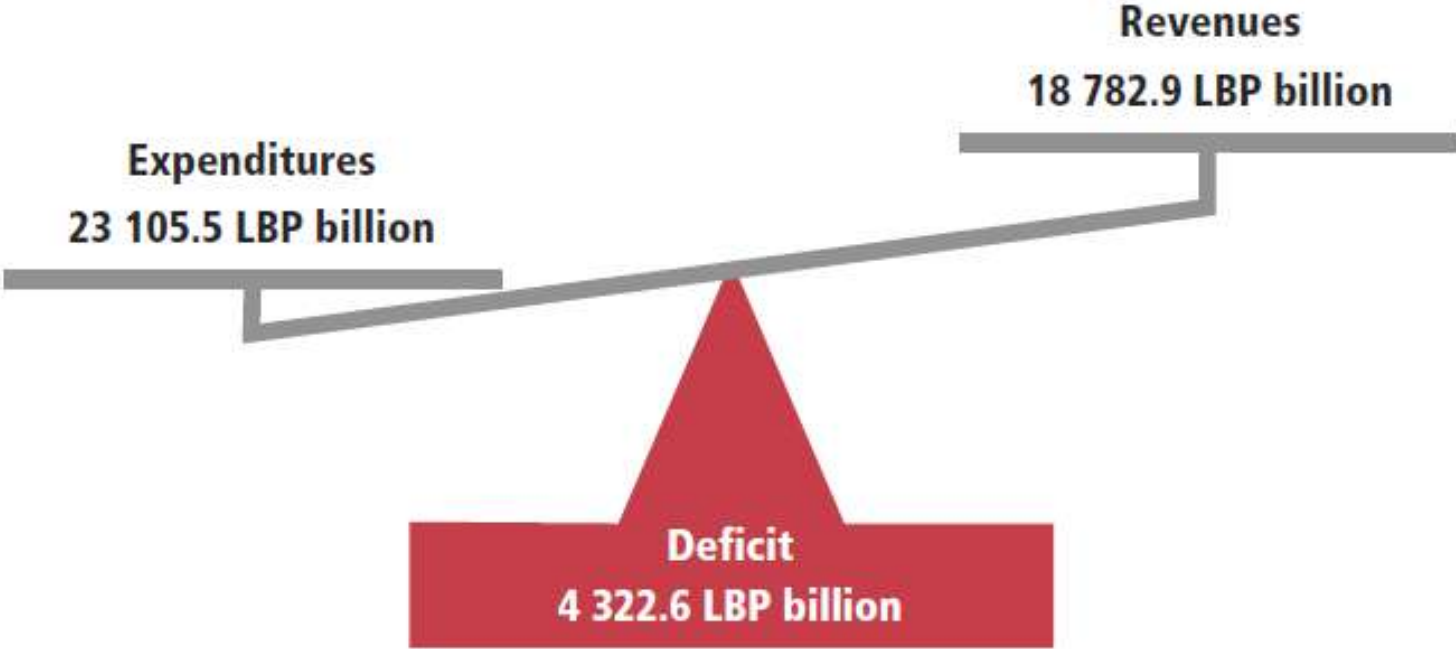
LBP billion	2018 Budget law		Effective revenues 2018	2019 Budget law
Total tax revenues	14 276.0		12 766.0	14 570.0
Taxes on income, profits and capital gains	3 997.7	<	4 498.9	5 421.6
Other income taxes	1 040.9	>	1.0	15.4
Built property tax	220.9	<	282.1	246.7
Inheritance tax	176.8	>	112.8	111.6
Non recurrent taxes on property	886.7	>	743.8	784.1
Total non-tax revenues	4 410.0		3 423.0	4 212.0
Income from non-financial public Enterprises	2 478.4	>	1 922.5	2 315.5
Transfers from Public financial institutions	61.7	>	60.4	60.4
Property Income	105.1	<	197.0	197.8

Reference: 2019 budget law

2019 Budget deficit

4 322.6 Billion LBP

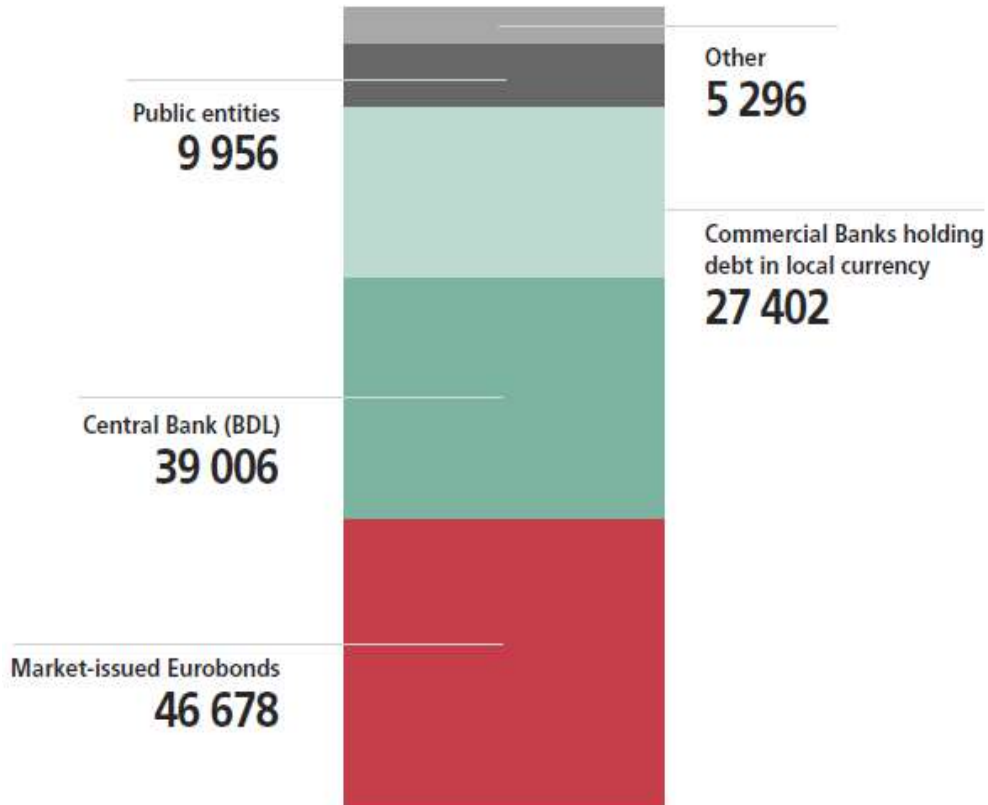
is the estimated budget deficit for 2019, without taking into account treasury advances to EDL and the net balance of both treasury expenditures and revenues.



Reference: 2019 budget law

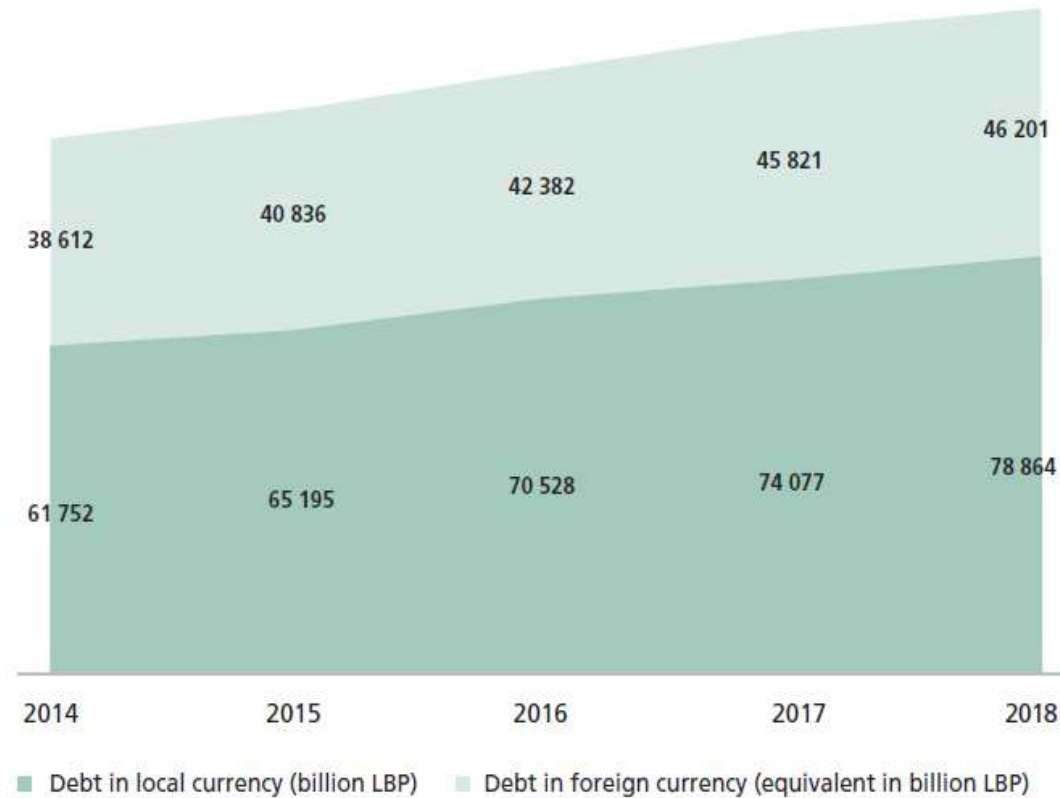
Public Debt

Debt distribution by debt holder - LBP billion



Reference: Debt and Debt markets report 2018

Debt distribution by currency -LBP billion



Reference: Debt and Debt Markets report 2018

Measures of concern to the citizens



Containing the wage bill

a. Salaries and allowances




Judges

Setting a ceiling for compensations received for services rendered to public administrations

3 times the minimum wage



Employees in public institutions, public investment utilities, councils, funds and public bodies

 Suspending supplemental wages that exceed twelve months per year except for the thirteenth and fourteens salaries

Exceptions: the Central Bank and the National Social Security Fund (NSSF)

c. Regulating retirement



1.5% Monthly deduction on military salaries and retirement wages to fund medical treatments, hospitalization and social assistance



3 years Suspension of retirement referral requests, excluding cases of legal age, for a period of three years
Exceptions: the judiciary and officers of the rank of colonel and above

b. Freezing recruitment



Military Corps
Freezing and regulating recruitment into the military and security forces, as well as related privileges



Civil Service
Freezing recruitment, and contracting public administrations and institutions

d. Education contributions paid from public funds



Reducing education grants in the public sector by **15%** provided that these do not fall below the limits set by the Civil Servants' Cooperative
Exceptions: Lebanese University professors



Setting government's contribution for each student enrolled in free private schools

Measures of concern to the citizens



Moving towards a more equitable tax system

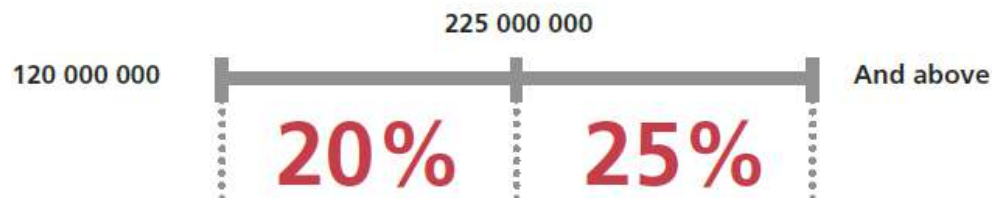
a. Tax amendments

Income tax on movable assets

10%

- Credit accounts in banks
- Deposits and other bank obligations in any currency
- Trust accounts
- Certificate of deposits issued by banks
- Debt bonds issued by private limited companies
- Treasury bonds in Lebanese Pounds

Income tax on salaries and wages – upper brackets



Annual Income Tax on owners of generators amounting to **50 000 LBP per KVA**

b. Objections, installment agreements and extension of deadlines

March 2020



Extending deadlines to register sales contracts or irrevocable power of attorney at the Land Registry and Cadastre Offices based on a fee of:

- **2%** for residential units on the value **not exceeding** LBP 375 Million
- **3%** for residential units on the value **exceeding** LBP 375 Million



Rescheduling installment programs for all taxes and fees collected by the Directorate General of Public Finance within a period of 3 months following the publication of this law

c. Exemptions

Exemption of nurseries from VAT

Exemption of convicts who have completed their sentence and are still imprisoned for non-payment of penalties

Exceptions: drug trafficking convict

Measures of concern to the citizens



Improving state revenues and tax collection

- New taxes and fees
- Smoking permits in tourism enterprises
- Reductions on penalties
- Cancellation of exemptions
- Amendments

Smoking permits in tourism enterprises

Description	Stars	Flat fee (LBP)	Proportional fee per sm (LBP)
International hotels		5 000 000	3 000
5 star hotels	★★★★★	5 000 000	3 000
Hotels, restaurants, bars, food and drink lounges	★★★★	2 500 000	2 000
	★★★	1 500 000	1 500
	★★	1 000 000	1 000
Coffee shops and others		500 000	300



Validity period of ordinary passports



Driving licenses

Driving license examination for all categories except for motorcycle category "1"

30 000 LBP

Driving license examination for motorcycle category "1"

15 000 LBP

Driving license for all motor vehicles, except motorcycle category "1"

200 000 LBP

Driving license for all motorcycle category "1"

100 000 LBP

Driving license to replace lost, torn or license renewal license

25 000 LBP

Measures of concern to the citizens



Strengthening public expenditures management and monitoring mechanisms

Grants

- Mandating the transfer of funds from donors to public administrations through the Ministry of Finance
- Regulating the mechanism of receipt of donations in cash and in kind by the State from natural or legal bodies

Budget

- Transfer of annexed budget surplus to the treasury
- Integrating annexed budgets in the central government budget as of 2021, and the abolition of all staff positions for accountants assigned to these budgets
- Deposit of annexed budgets funds in the treasury account at the central bank



Stimulating the job market

The Lebanese Authority for Investment Development (IDAL) will cover all contributions to the National Social Security Fund related to new recruits in the sectors of technology, information and telecommunication

Buy Lebanese goods and products when available even if the prices are higher (up to 15% margin)

Conclusion...

Committed to enhance fiscal transparency...



2018

Access to
information

Transparency
&
Accountability



2019

www.finance.gov.lb
www.institutdesfinances.gov.lb

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