

Lebanon

Fiscal Year 2025

Capacity Development Activities

Financial Supervision and Regulation

Enhancing Bank Examiner's Capacity to Assess Asset Classification and Provisioning Levels

In March, METAC strengthened Banking Control Commission of Lebanon (BCCL) supervisors' capacity in the assessment of asset classification and provisioning levels as an essential supervisory function. The mission emphasized evaluating and ensuring the quality of various asset categories following international standards, including a careful review of participations in subsidiaries and associates, investments in financial securities and real estate portfolios, and making thoughtful adjustments to the book value of assets.

Enhancing Bank Examiner's Capacity to Conduct Business Model Analysis

A series of capacity-building sessions in April assisted the BCCL examiners in improving their skills to review and evaluate the sustainability of banks' business models. This encompasses the entire process from licensing to ongoing supervision and is consistent with the Basel Core Principles.

Public Financial Management

Cash Management

Together with the Fiscal Affairs Department, METAC supported Lebanon's authorities in December on cash management to address increasing spending pressures during the war. The mission fostered cross-agency collaboration, welcoming participants from the Ministry of Finance and the Central Bank. The mission focused on government banking arrangements, cash forecasting, and reporting. It provided practical recommendations that were achievable within the current crisis context and highlighted the importance of establishing a Cash Management Committee to improve coordination and cooperation, data collection, and to support policy level decision-making. The mission also provided recommendations on budget execution and controls for strengthened crisis management and discussed budget credibility issues that adversely affect cash management.

Joint budget costing training with the Institute of Finance

In collaboration with the Lebanon Institute of Finance, PFM Advisor Ms. Amra Srdanovic delivered a budget costing workshop during April 14–17, introducing costing techniques widely used in other countries to strengthen budget credibility, ensure equal treatment of line ministries and agencies, and improving alignment with government priorities. Key practices underpinning the budget preparation process, and the practical use of baselines, were introduced to over sixty budget and finance staff, as prerequisites for establishing a reliable Medium-Term Fiscal Framework (MTFF) and Medium-Term Budget Framework (MTBF).

Real Sector Statistics

Compilation of GDP Estimates for Financial Corporations

At the request of Central Administration for Statistics of Lebanon, METAC assisted the national accounts team during 22-26 July with reviewing the source data and improving the compilation of GDP estimates for financial corporations, to ensure that international best practices are applied.

Developing a Construction Cost Index

The mission in April reviewed the work completed by the Central Administration for Statistics since the previous mission, identified potential improvements, and helped to plan the remaining work required to allow the final Construction Cost index to be published by July 2025.

Revenue Administration

Training on Customs Enforcement Issues

This CD training to Lebanon Customs Authority (LCA) participants on 13-16 May was co-delivered and cost shared with the International Centre for Migration Policy Development (ICMPD). METAC's Customs Administration Advisor presented Customs Intelligence practices and the concept of National Risk Targeting Centers, while ICMPD advisors covered Risk management, Post Clearance Audit, and Vessel/ Container tracking.

Tax and Customs Cooperation

A workshop on tax and customs cooperation was held in Beirut in June 27-28, co-organized by FAD and METAC tax and customs advisors. Very productive discussions covered the concepts of identifying, prioritizing, and addressing common risks and the institutional framework required for information exchange and joint activities aimed at improving compliance and increasing revenue mobilization.

Legislative Review Workshop

In response to a request from the Deputy Prime Minister (DPM), this workshop, held at the METAC office 24 June to 3 July, assisted the Lebanese Customs Administration (LCA) to identify gaps in current customs legislation. Five LCA representatives, were supported on the (i) review of the customs law; (ii) development of recommendations for amendments to align the law with international standards; and (iii) planning for an implementation road map. World Bank representatives joined in person and online. The next step is to formally present workshop outcomes to the DPM and LCA, suggesting a prioritized list of amendments and proposing FAD / LEG support to assist with drafting, consultations, and implementation.

Reform Management

The Lebanese Ministry of Finance was supported in its reform agenda by METAC's Reform Management Mission during July 1-5. Despite the complicated economic and political context, the Lebanese tax authorities are moving towards reforming the existing tax administration organization with the large taxpayer project as a pilot. The mission conducted a comprehensive environmental scan and analyzed the possible alternative approaches to reform, engaging with key stakeholders and identifying the main challenges and basic prerequisites for successful change management.

Employing Data Analytics in the VAT and Direct Tax Directorates

An offside mission to Egypt in January allowed the Lebanese officials to work closely with the two resident tax advisors, who explored data analytics in both the VAT and direct tax directorates. The team had a productive collaboration not only to analyze compliance data, but also to explore the Risk Differentiation

Framework (RDF) - a digital tool that allows the automated profiling of a large group of taxpayers to better observe their tax compliance. A useful overview of the current architecture of the databases and possibilities for future automation were also discussed during the mission.

Excel training for auditors in the Value Added Tax (VAT) Directorate and the Large Taxpayers Office (LTO)

This training in March was jointly organized by METAC and Lebanon's Institute of Finance (IoF) to enable auditors to make better use of standard Excel functions to analyze large amounts of accounting data. As a pilot initiative, the training was very well received by participants and lays the groundwork for future, joint activities with the IoF in areas such as (i) general audit techniques; (ii) computer assisted and risk-based auditing; and (iii) specific soft skills required for VAT and Large Taxpayers Office (LTO) auditors.

Transfer Pricing Workshop

The workshops, delivered in March, helped the Ministry of Finance (MoF) in developing comprehensive transfer pricing regulations. Designed as an introductory training, the workshops provided insights into potential next steps to be taken by the MoF from legal, operational, and organizational perspectives. They explored the practical implementation of a comprehensive transfer pricing regime and fundamental provisions for the income tax law.

Tax Policy

Review of the draft income tax law

Continuing the ongoing engagement to assist Lebanon in developing a new income tax law, a joint METAC – HQ mission during 14-18 October conducted a review of the draft income tax law and suggested legal drafting and tax policy options.

Income Tax Law Draft

During 5-7 December, an IMF-METAC team met with the Lebanese authorities to discuss a new income tax law draft, building on ongoing CD to improve taxation in Lebanon. High-level key issues included modernizing the tax law structure, revisiting the income tax architecture, protecting the tax base with the appropriate up-to-date anti-tax avoidance rules; and revisiting the design of tax incentives to improve their efficiency and effectiveness.