

Lebanese Government's Draft Budget 2027: Figures and Main Measures



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The Ministry of Finance (MOF) submitted last week to the Council of Ministers (COM) its draft budget for year 2027. Below, we will present the draft budget's main figures and – in more details -- new measures. The draft budget will, of course, undergo first review by the COM and second approval by Parliament, before it is enacted into law.

Figures

The draft budget envisages a balanced budget with revenues and expenditures each equal to \$6.87 billion, up by 14.2% on the 2026 budget law. The composition of revenues and expenditures in the draft budget is as follows:

Revenues	%	Expenditures	%
Non-Tax Revenue	14.1	Social Benefits	13.4
Income Tax	12.9	Wages and Pensions	40.1
International Trade Tax	10.9	Operational Expenses	9.1
Good and Services Tax	52.3	Transfers	14.9
Property Tax	5.5	Capital Expenditures	10.8
Other Tax	4.3	Other Expenses	11.6

In the pre-ample to the budget draft, MOF estimates GDP and GDP growth to be as follows in 2026:

GDP Real Growth	-7.5%
GDP Deflator Growth	12.4%
GDP Nominal Growth	4.9%
GDP (Nominal)	37.57 Billion USD
Budget/GDP	18.1%

In addition, in the pre-ample, the MOF provides estimates of what the **actual** revenues and expenditures are expected to be, as follows:

Revenues/GDP	18.5%
Expenditures/GDP	16.2%
Budget Surplus/GDP	2.3%
Budget Primary Surplus/GDP	3.1%

In other words, it expects revenues to be \$6.95 billion and expenditures \$6.09 billion; or a budget surplus of about \$900 million. Also, we can deduce that debt service is expected to be 0.8% of GDP, (3.1% - 2.3%), or around \$300 million.

Main Measures

The 2027 draft budget introduces wide-ranging fiscal and regulatory measures that extend beyond a single year's spending plan, reshaping tax rules, compliance requirements, and the business operating environment. *Lebanon Opportunities*, in its report "*The 2027 Draft Budget: What Businesses Need to Know*," highlighted the provisions it considers most significant for business operations. Below is our summary of those points.

- **Expanded tax disclosure:** The draft budget broadens income tax reporting — requiring more taxpayers and institutions to disclose detailed salary and withholding data, taxing occasional piece-rate wages at 3% without deductions, and offering a limited window to declare foreign income without penalties.
- **Real estate taxation:** It sets new rates on property transfer profits — 10% for individuals outside income tax, 15% for those inside it, with a 1% exception on some past properties transfers — while allowing deductions for long ownership that can lead to full exemption.
- **Holding/offshore company rules:** It revises holding and offshore company rules — allowing capital, accounts, and declarations in USD or EUR, and setting a flat annual tax of LL200 million (or foreign-currency equivalent).
- **Digital services obligations:** It targets cross-border digital business — requiring non-resident providers to appoint local representatives who share responsibility for meeting tax obligations, while placing new declaration and payment duties on domestic recipients of foreign digital services.
- **VAT liability changes:** It revises VAT rules by resetting timing liability conditions across delivery, services, payment, and invoicing, while imposing defined penalties on businesses that delay registration despite meeting thresholds.

- **Fine settlement window:** It grants an 85% cut on eligible fines if paid within the deadline, excluding maritime and river violations — offering businesses and individuals a strong incentive to clear pending dues promptly.
- **Higher administrative fees:** It raises a wide range of service charges — including visa and residency fees, exam and certification costs, and invoice or origin certificates abroad.
- **Tax compliance and services:** It lets the Cabinet instruct agencies to withhold services from taxpayers with unsettled dues, shifting enforcement from fines toward service access as leverage — a strong incentive for businesses to resolve outstanding obligations.
- **Digital tax administration:** It speeds up electronic tax processes — covering online declarations and payments, estate filings, and data sharing — while introducing an invoice-based app system that encourages customers to demand receipts, aiming to reduce informality in the economy.
- **Payroll and employment rules:** It leaves public pay and pensions unchanged but tightens payroll oversight — allowing salary credits to shift across departments, requiring timely registration of private sector new hires with the tax authority, and enabling wage declarations to be cross-checked with Social Security records to curb undeclared work.
- **Paused and Cancelled credits:** It removes future funding for earlier program laws, such as public buildings, road projects, land surveys, and infrastructure in power, water, and telecom. Companies tied to these projects should reassess exposure.
- **Centralized port revenues:** Revenues from all ports operations, after deducting costs, will be transferred monthly to a Central Bank Treasury account. Any new capital spending will need Cabinet clearance.
- **Permanent reforms:** It carries measures that extend well past the fiscal cycle. They include systemic changes to corporate and tax frameworks, property and inheritance laws, and compliance enforcement, signaling a redefinition of the state-citizen relationship.

Conclusion

The provisions outlined in the 2027 draft budget remain subject to change, removal, or addition before the law is finalized. The draft has already faced criticism, as retired military personnel protested its omission of pension and salary adjustments, pointing to deteriorating living standards amid the crisis. While the draft targets a balanced budget, any increase in public sector wages would necessarily require offsetting cuts elsewhere or risk pushing the state into deficit. In addition, any escalation of Israel's war on Lebanon would exacerbate pressure on public finances. Looking ahead, while there is hope for an end to the conflict, the possibility of renewed escalation remains — a scenario that could once again drive the budget into deficit and deepen fiscal strain.

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