KULLUNAIRADA

BUDGET 2027

MORE REVENUE, LITTLE STRUCTURAL REFORM

SEPTEMBER 2026

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KEY TAKEAWAYS

- **Despite being presented as a transition budget, the 2027 draft remains essentially a baseline scenario.** It does not yet incorporate the fiscal consequences of banking and sovereign-debt restructuring, nor an investment and social-spending response commensurate with Lebanon's recovery and reconstruction needs.
- **De facto state fiscal surpluses (USD 1bn in 2025) have become an off-budget financing channel that amounts to a silent bailout of the banking system,** as these surpluses add to public-sector deposits at BDL and support monetary stabilisation and depositor payouts. In the meantime, the State's contribution to bank restructuring remains undefined and bank shareholders remain insulated from the cost of the delayed restructuring.
- **Part of the nominal increase in spending reflects funding adjustments for inflation and public-sector compensation rather than an expansion in real State capacity.** As a result, the larger budget envelope does not translate into a commensurate increase in public services, social protection or investment.
- **There is still no clear measure of the State's overall liabilities, including the defaulted Eurobonds.** More than six years after the 2020 default, debt-restructuring negotiations with bondholders have yet to begin. As such, budgeted debt service understates the State's real financial burden.
- **Wages, salaries and social benefits still absorb more than half of the budget.** Personnel-related spending is concentrated largely outside the core civil administration, notably in the military and security services and in pensions for retirees.
- **Capital spending remains constrained at 10.8% of the budget,** and is largely focused on maintenance, rehabilitation, equipment and existing commitments, despite Lebanon's massive investment and reconstruction needs.
- **The 2027 revenue target effectively doubles actual 2024 collections, from USD 3.419bn to USD 6.871bn.** Tax revenues reach close to 86% of total revenues, while the draft focuses more on compliance and traceability than on structural tax reform.
- **Procedural regularity has improved, but fiscal transparency has not.** The draft was prepared within the legal timetable and introduces a 2027-2030 medium-term framework, but the 2025 closing accounts remain unavailable and a range of permanent tax and administrative rules are again being adopted through the annual budget law without a clear policy framework.

1. OVERVIEW

The 2027 draft budget prepared by the Ministry of Finance (MoF) was submitted to the government on August 31, and the Council of Ministers began its review on September 8. The draft law contains 64 articles. Articles 1–14 cover the general budget framework and programme laws; Articles 15–61 introduce a wide range of tax and administrative amendments; and Articles 62–64 contain miscellaneous and final provisions.

It sets both expenditure and revenue at LBP 614.945tn (USD 6.871bn), up 14.2% from the 2026 budget law, resulting in a headline zero deficit. The structure of spending changes little: current expenditure still accounts for 89.2% of the total, while wages, salaries and social benefits absorb USD 3.679bn, or 53.5%. Capital expenditure remains limited to 10.8%. On the revenue side, the budget relies increasingly on taxation, with tax revenues projected at USD 5.902bn, close to 86% of total revenues.

2027 DRAFT BUDGET: KEY AGGREGATES

Budget aggregate	2027 draft	Share / change	% of GDP
Total expenditure	**LBP 614.945tn (USD 6.871bn)**	**+14.2% vs 2026**	**16.1%**
Current expenditure	LBP 548.312tn (USD 6.126bn)	89.2% of expenditure	14.3%
Wages, salaries and social benefits	LBP 329.227tn (USD 3.679bn)	53.5% of expenditure	8.6%
Capital expenditure	LBP 66.633tn (USD 744.5m)	10.8% of expenditure	1.7%
Total revenue	**LBP 614.945tn (USD 6.871bn)**	**+14.2% vs 2026**	**16.1%**
Tax revenue	LBP 528.223tn (USD 5.902bn)	85.9% of revenue; +20.2% vs 2026	13.8%
Non-tax revenue	LBP 86.722tn (USD 969.0m)	14.1% of revenue; -12.2% vs 2026	2.3%
Headline balance	**LBP 0 (USD 0)**	**0.0% deficit**	**0.0%**

Source: 2027 MoF Draft Budget, Articles 2-3 and Tables No. 1-2; 2026 Budget Law approved by Parliament. USD conversions at LBP 89,500/USD.

Note: *GDP ratios use an estimated 2027 nominal GDP of approximately LBP 3,824tn (USD 42.7bn). The MoF does not publish a standalone nominal-GDP figure for 2027 in the draft budget; this amount is implied from the macro-fiscal ratios presented in the accompanying MoF report.*

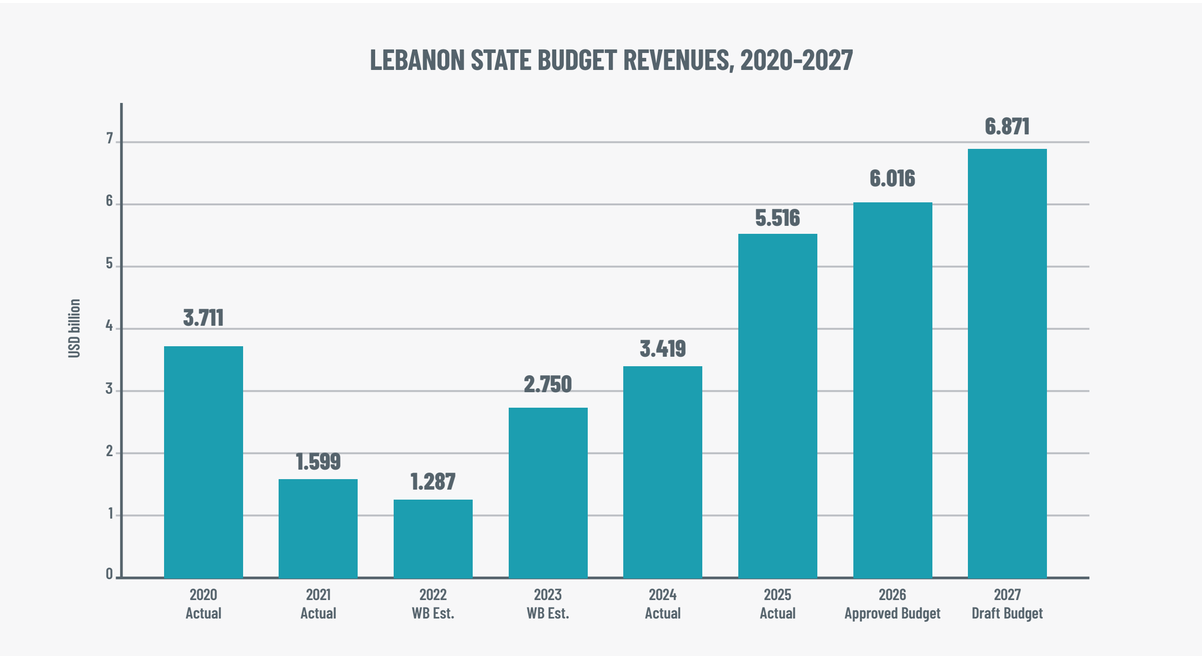
The projected increase in 2027 revenues extends the recovery underway since 2025 without increasing the State's take relative to the size of the economy. The MoF estimates revenues at LBP 493.724tn (USD 5.516bn), or 15.4% of GDP, in 2025, rising to around LBP 570tn (USD 6.369bn), or 16.7% of GDP, in 2026. Most of the increase in the revenue-to-GDP ratio therefore appears to have already taken place in 2025–26. Based on the ratios published in the MoF report, projected nominal GDP in 2027 can be estimated at around LBP 3,824tn (USD 42.7bn), which would put projected revenues of LBP 614.945tn (USD 6.871bn) at about 16.1% of GDP. The 2027 budget therefore appears aimed at consolidating the revenue base rebuilt since the crisis rather than increasing the fiscal take further: leaving the revenue ratio still below the MoF's pre-crisis benchmark of around 19.7% of GDP.

REVENUE AND NOMINAL GDP SERIES

Year	Revenue status	Revenues (USD)	Nominal GDP (USD)	Revenues / GDP
2025	Actual / MoF estimate	5.516bn	≈ 35.82bn	15.4%
2026	MoF expected collections	≈ 6.369bn	≈ 38.14bn	16.7%
2027	Draft budget	6.871bn	≈ 42.72bn	≈ 16.1%

Source: MoF 2027 Budget Report; 2027 Draft Budget. Nominal GDP figures are implied from published MoF ratios. USD conversions at LBP 89,500/USD.

REVENUES (USD BILLION)



Note: *2022-2023 are World Bank estimates: 2020-2021 and 2024-2025 are actual outcomes: 2026 is the approved budget and 2027 the draft budget.*

The draft is accompanied by an MoF report placing the 2027 budget within a 2027–2030 Medium-Term Fiscal Framework (MTFF), currently under discussion with the IMF. The framework would gradually move from a balanced budget in 2027 to a projected primary surplus of LBP 66.790tn (USD 746.3m) by 2030, equivalent to an overall surplus of LBP 56.390tn (USD 630.1m) after projected interest payments. However, this is not yet an agreed IMF framework: key parameters remain unresolved, notably banking and sovereign-debt restructuring and the scale of any State contribution to BDL recapitalisation, while the MoF projections are not accompanied by a debt sustainability analysis. The projected debt-service burden is also likely materially understated, as it does not yet reflect the outcome of sovereign-debt restructuring and continues to exclude interest on defaulted Eurobonds.

MEDIUM-TERM FISCAL FRAMEWORK, 2027-2030

USD billion

Budget item	2027	2030	Change 2027-2030
Total revenues	**6.871**	**8.817**	**+28.3%**
Tax revenues	5.894	7.690	+30.5%
Non-tax revenues	0.976	1.128	+15.5%
Total expenditures	**6.871**	**8.187**	**+19.2%**
Employee costs	3.953	4.576	+15.8%
Investment expenditure	0.745	0.999	+34.2%
Debt service – interest	0.173	0.116	−32.8%

Source: Ministry of Finance, Report on the 2027 Draft Budget. The table does not project GDP estimates.

DESPITE BEING PRESENTED AS A TRANSITION BUDGET, THE 2027 DRAFT REMAINS ESSENTIALLY A BASELINE SCENARIO

The MoF introductory report to the draft budget law explicitly states that the government faces a "dual challenge": managing the consequences of the war, supporting displaced and affected populations and maintaining essential services, while ensuring that emergency management does not once again substitute for structural reform. It presents the 2027-2030 MTFF as a tool to prepare the shift "from crisis response to recovery and reconstruction", while strengthening Lebanon's readiness to enter an IMF-supported programme, which it considers essential to restore confidence and mobilise the external financing needed for recovery. This is a significant change in presentation and planning compared with previous budgets.

However, the budget itself does not yet incorporate the fiscal configuration that such a transition would require. It does not reflect the consequences of an IMF programme, including the resolution of the banking and sovereign-debt crises, a possible State contribution to BDL recapitalisation, minimum social-spending commitments, or the scale-up in externally financed investment that would follow the unlocking of international financing. Nor does it provide an investment response commensurate with needs.

Continued Israeli attacks and occupation have added massive reconstruction requirements to an investment deficit that already predated the current conflict. Yet capital expenditure remains limited to 10.8% of total spending and is still largely directed towards maintenance, rehabilitation, equipment and existing commitments rather than a broad-based investment programme.

The social response is similarly limited relative to the scale of the socio-economic challenge. More social spending is needed, yet most existing social-protection programmes remain broadly stable. The budget therefore still falls short of rebuilding the State's capacity to respond to rising social needs and restore basic public services.

The MoF itself acknowledges the sequencing constraint: recovery and reconstruction depend on external financing, which it links to an IMF-supported programme. The structural choices are therefore still being deferred to a later stage, itself conditional on an IMF programme.

DE FACTO FISCAL SURPLUSES HAVE BECOME AN OFF-BUDGET FINANCING CHANNEL THAT AMOUNTS TO A "SILENT BAILOUT" OF THE BANKING SYSTEM

Although annual budgets are adopted on a zero-deficit basis, execution has generated surpluses, estimated at LBP 89.5tn (USD 1.0bn) in 2025. These flows add to the stock of public-sector deposits held at BDL (not limited to the Treasury account), which reached around LBP 918.1tn (USD 10.26bn) at end-August 2026. This effectively turns fiscal policy into a tool of monetary stabilization: taxation withdraws LBP liquidity to curb demand for dollars and support exchange-rate stability, but the resulting sterilization imposes a strong austerity bias on public spending at a time of massive unmet needs. Moreover, BDL uses the resulting LBP liquidity to purchase foreign currency and finance depositor payouts under its circulars, thereby allowing public-sector resources to contribute indirectly to the repayment of banking-sector liabilities.

What makes this a "silent bailout" is precisely the absence of an explicit fiscal recognition of that contribution. A transparent resolution framework would require the Gap Law to determine the allocation of losses and the State's contribution to BDL recapitalisation, with the corresponding commitment then quantified and reflected in the budget. Instead, the 2027 draft does not identify such a cost while the State's contribution materialises progressively through its balances at BDL before its size and terms have been formally defined, debated and budgeted. In the meantime bank shareholders remain largely insulated from the cost of the delayed restructuring.

A LARGER NOMINAL BUDGET DOES NOT NECESSARILY CREATE MORE FISCAL SPACE, WHILE THERE IS STILL NO CLEAR MEASURE OF THE STATE'S OVERALL LIABILITIES

The 14.2% increase in expenditure should not be read as an equivalent expansion of the State's effective spending capacity. Part of it reflects the full-year impact of compensation measures already adopted in 2026. At the same time, the revenue target represents a much steeper increase from actual collections: total revenues would rise from USD 3.419bn in 2024 to USD 6.871bn in 2027, or +100.9%, with the increase driven overwhelmingly by taxation. Tax revenues alone are projected to rise by 20.2% compared with the 2026 budget. This tax base is highly exposed to consumption and import values: Lebanon's import bill rose by 24.7% in 2025, mechanically expanding the nominal base for VAT and customs-related revenues. Higher nominal revenues therefore do not necessarily translate into an equivalent increase in real fiscal space, particularly in an economy still affected by inflation and major disruptions. Limited execution and macroeconomic data make it difficult to assess how much of the larger budget envelope represents a genuine increase in the State's capacity to provide services and invest.

The budget also remains small relative to the economy. Based on the nominal GDP implied by the MoF's 2027 projections, around LBP 3,824tn (USD 42.7bn), total expenditure of the 2027 draft amounts to about 16.1% of GDP. Current expenditure represents roughly 14.3% of GDP and capital expenditure only 1.7%, reinforcing that the larger nominal envelope does not translate into a proportionate expansion of the State's economic footprint or investment capacity.

The budget does not adequately account for the impact of inflation on the real economy. Although the accompanying MoF report acknowledges continuing price pressures, the 2027 draft largely treats nominal fiscal stability as the relevant benchmark and does not assess how persistent inflation is eroding the real value of household incomes, public spending and economic activity. Since the exchange rate stabilised in mid-2023, Lebanon has become progressively more expensive in dollar terms, eroding part of the competitiveness gains created by the earlier devaluation. More fundamentally, the benefits of exchange-rate stabilisation have not been embedded in a broader restructuring of the economy's balance sheets: bank losses remain unresolved, the sovereign is still in default and BDL's balance sheet remains impaired.[1]

The problem is compounded by the absence of a comprehensive picture of public liabilities. Budgeted interest of only USD 173.0m does not reflect Lebanon's actual debt burden: interest on defaulted Eurobonds remains outside the budget and, more than six years after the 2020 default, debt-restructuring negotiations with bondholders have yet to begin. The draft does address some accumulated obligations, including LBP 3.65tn (USD 40.8m) for State arrears to the NSSF, including interest, and provisions for electricity and fuel-related arrears (the draft does not provide for any advance payments to Électricité du Liban). But these remain piecemeal.

[1] *Alia Moubayed, "Lebanon's Inflation Is the Cost of Delayed Restructuring," 23 August 2026.*

There is still no consolidated assessment of sovereign debt including accrued Eurobond interest, State arrears and other public-sector liabilities, and the MTFF is not accompanied by a debt sustainability analysis.

The same lack of visibility applies to new borrowing. While the MoF report states that a portfolio of World Bank development loans worth USD 1.4bn has been secured and is ready for disbursement, and while several grants and loans are already being disbursed by international donors, the 2027 budget records no exceptional revenue and no loan proceeds as a source of financing.

PROCEDURAL REGULARITY HAS IMPROVED; FISCAL REGULARITY HAS NOT YET CAUGHT UP

The draft was prepared within the legal budget timetable, and the introduction of a 2027–2030 MTFF represents a further improvement in fiscal planning compared with previous years.

But there is **no equivalent progress in financial reporting.** The 2025 closing accounts remain unavailable, making it impossible to assess the 2027 assumptions against a complete record of actual execution.[2]

The draft also marks a return to the use of budget riders after the relative restraint observed in the 2026 budget: Articles 15–61 amend a wide range of permanent tax and administrative rules through the annual budget law. Combined with important liabilities and financial operations that remain outside the budget, this means that improved compliance with the calendar has not yet produced a complete or transparent picture of public finances.

Lebanon still budgets primarily by line item rather than by programme and results. Moving toward performance-based budgeting, with clearly identified programme managers accountable for outcomes, would improve transparency over not only where public money is spent but what it achieves.[3]

[2] *Article 195 of the Public Accounting Code requires the closing account to be transmitted before 15 August and the general mission account before 1 September, while Article 87 of the Constitution establishes the broader requirement for parliamentary approval of final accounts.*

[3] *ALDIC, Communiqué on the 2027 Draft Budget, September 2026.*

2. EXPENDITURES: A LARGER BUDGET, BUT THE STRUCTURE CHANGES LITTLE

The 2027 draft raises total expenditure to USD 6.871bn, an increase of USD 855.1m, or 14.2%, compared with the approved 2026 budget. However, the 2026 Budget Law number does not incorporate the supplementary appropriation adopted in July 2026 to finance six additional base salaries for public-sector employees, retroactive to March 2026. Including it raises the 2026 budget to USD 6.647bn and the 2027 budget is therefore only USD 223.8m higher, equivalent to **an adjusted increase of 3.37%.**

Yet the structure of spending changes little. Current expenditure still absorbs USD 6.126bn, or 89.2% of total appropriations, while wages, salaries and social benefits alone account for USD 3.679bn, or 53.5% of the budget. Only USD 744.5m, or 10.8%, is classified as capital spending, much of which consists of equipment, maintenance, rehabilitation and the completion of existing commitments rather than new investment. At the same time, budgeted debt service understates the real financial burden pending sovereign debt restructuring.

2027 DRAFT BUDGET: EXPENDITURE BREAKDOWN

Expenditure	2027 draft (USD)	Share
Current expenditure	**6.126bn**	**89.2%**
Wages and salaries	1.692bn	24.6%
Welfare benefits	1.986bn	28.9%
Financial expenditure	173.0m	2.5%
Budget reserve	261.1m	3.8%
Capital expenditure	**744.5m**	**10.8%**
Total	**6.871bn**	**100%**

Source: 2027 MoF Draft Budget; economic classification tables. USD conversions at LBP 89,500/USD.

1. CURRENT SPENDING: WAGES AND BENEFITS REMAIN THE MAIN COST

Public-sector compensation remains the main cross-cutting spending pressure. Wages, salaries and related allowances amount to USD 1.692bn, while social benefits reach USD 1.986bn, bringing the combined total to USD 3.679bn, or 53.5% of total expenditure. The 2027 draft incorporates the cost of the temporary compensation measures adopted in 2026, including the six additional base salaries introduced from March, but not the broader objective of eventually bringing remuneration to around thirty times the reference salary (roughly 50% of its pre-crisis value) which public-sector associations are pressing the government to implement.

The structural challenge, however, cannot be reduced either to restoring salaries across the board or to restructuring the core civil administration alone. The latter comprises only around 12,000 employees, while the bulk of personnel-related costs lies elsewhere, notably in the military and security services and in pensions for retirees. The approach currently being discussed with the IMF is therefore to contain the overall personnel-cost envelope at a sustainable share of GDP. Yet no comprehensive strategy has so far resolved trade-offs to determine how that envelope is allocated between pay increases, recruitment and restructuring. On the contrary, the proliferation of independent authorities and public agencies operating outside the standard civil-service salary scale is creating parallel remuneration systems further fragmenting public-sector pay and making an eventual system-wide reform more difficult.

2027 DRAFT BUDGET APPROPRIATIONS BY MAIN BUDGET HEADING

Budget heading	2026 approved (USD)	2027 draft (USD)	Change	Share of 2027 budget
Ministry of National Defence	**1.136bn**	**1.347bn**	**+18.6%**	**19.61%**
Ministry of Interior and Municipalities	**639.5m**	**724.9m**	**+13.4%**	**10.55%**
Ministry of Education and Higher Education	612.9m	721.1m	+17.6%	10.49%
Ministry of Public Health	528.1m	576.3m	+9.1%	8.39%
Ministry of Public Works and Transport	264.9m	255.7m	-3.5%	3.72%
Ministry of Social Affairs	181.7m	251.1m	+38.2%	3.65%
Ministry of Telecommunications	227.8m	231.1m	+1.5%	3.36%
Ministry of Labour	150.0m	196.3m	+30.8%	2.86%
Other ministries	435.0m	499.1m	+14.7%	7.26%
Common Expenditures	**1.132bn**	**1.236bn**	**+9.2%**	**17.99%**

Budget heading	2026 approved (USD)	2027 draft (USD)	Change	Share of 2027 budget
Presidency of the Council of Ministers	**396.3m**	**502.9m**	**+26.9%**	**7.32%**
Budget Reserve	243.6m	261.1m	+7.2%	3.80%
Parliament	57.4m	57.4m	+0.04%	0.84%
Presidency of the Republic	7.95m	8.18m	+2.9%	0.12%

Source: 2026 Budget Law approved by Parliament; 2027 MoF Draft Budget, Table No. 1. USD conversions at LBP 89,500/USD.

DEFENCE AND INTERIOR: SECURITY SPENDING REMAINS HEAVILY PERSONNEL-DRIVEN

National Defence remains the largest individual ministry, rising from USD 1.136bn in 2026 to USD 1.347bn in 2027, or +18.6%. Salaries, wages and related allowances within Defence increase from approximately USD 565.3m to USD 678.5m. The main Army compensation line alone rises by 20.6%, from USD 559.2m to USD 674.3m. The Ministry of Interior and Municipalities also increases significantly, from USD 639.5m to USD 724.9m, or +13.4%, with much of the increase concentrated in the security services and partly reflecting recruitment and staffing decisions. Retirement pensions and end-of-service benefits are not recorded under individual ministries: they appear under Common Expenditures, where the draft allocates USD 1.052bn to pensions and USD 11.2m to end-of-service compensation across the public sector; the budget does not provide a breakdown between military, security and civilian beneficiaries.

EDUCATION: HIGHER SPENDING REFLECTS PAYROLL PRESSURES AND LARGER TRANSFERS TO THE LEBANESE UNIVERSITY

The Ministry of Education and Higher Education rises by 17.6%, from USD 612.9m to USD 721.1m. The increase is overwhelmingly current rather than capital spending. The Lebanese University transfer alone rises by USD 30.4m, to approximately USD 168.4m, reflecting higher salary-related transfers and operating costs, including the impact of staffing and compensation decisions.

HEALTH: HOSPITALIZATION AND PRIMARY CARE ACCOUNT FOR MUCH OF THE INCREASE

The Ministry of Public Health rises by 9.1%, from USD 528.1m to USD 576.3m. Hospitalization appropriations increase by USD 22.3m, while the primary healthcare programme receives an additional USD 14.5m. Transfers to government hospitals rise by another USD 5.0m, mainly for their operation, rehabilitation and staff support.

SOCIAL AFFAIRS AND LABOUR: TARGETED TRANSFERS EXPLAIN ALMOST ALL OF THE INCREASE

The Ministry of Social Affairs rises by 38.2%, from USD 181.7m to USD 251.1m. Almost the entire increase comes from a new USD 67.0m operating transfer to the Public Corporation for Housing, while most existing social-protection programmes remain broadly stable. The national programme supporting the rights of persons with disabilities, for example, increases by only around USD 0.1m. The PCH had initially requested USD 100m to finance subsidized mortgages at around 3.5% to support around 1,400 low-and middle-income households.[4] The 2027 budget allocation would therefore correspond, on a proportional basis, to roughly 940 households. The programme is not currently earmarked for war reconstruction, although affected households may potentially benefit from its general housing and renovation loans once eligibility rules are set.

The Ministry of Labour rises by 30.8%, from USD 150.0m to USD 196.3m. This is almost entirely explained by higher State financing of the National Social Security Fund. The main NSSF transfer reaches USD 185.4m, an increase of USD 45.4m from 2026. It includes approximately USD 144.6m in annual State contributions and USD 40.8m to service accumulated State liabilities to the Fund, including interest.

BUDGET RESERVE: HIGHER PROVISIONING

The Budget Reserve rises by 7.2%, from USD 243.6m to USD 261.1m. The unallocated reserve for wages and salaries increases by USD 16.8m, while the reserve for judicial rulings and settlements rises by the same amount. These increases are partly offset by a reduction of around USD 16.0m in the general contingency reserve, which already includes earmarks for electricity and fuel arrears, telecommunications and subscriptions, the new rental law and other outstanding liabilities.

[4] *LBCI, "Public Corporation for Housing Director General Rony Lahoud: Preparations have begun for the launch of the lending process," 3 September 2026.*

2. CAPITAL SPENDING: SELECTIVE PROJECT FINANCING, NOT AN INVESTMENT PUSH

Capital spending remains limited and largely focused on maintenance, rehabilitation, equipment and existing commitments, despite Lebanon's massive investment and reconstruction needs. Of the USD 744.5m classified as capital expenditure, a substantial share is allocated to these purposes rather than to new investment. These include long-standing infrastructure gaps — CEDRE mobilised more than USD 11bn in financing pledges in 2018, most of which were never disbursed as the required reforms failed to materialise — compounded by the destruction caused by successive Israeli attacks since October 2023. The World Bank estimated recovery and reconstruction needs from the 2023-2024 war alone at around USD 11bn, while preliminary government estimates put the additional damage caused by the 2026 conflict at around USD 7bn.

Article 14 reduces the stock of legacy commitments by cancelling payment appropriations scheduled from 2027 onwards under a series of older programme laws. These include programmes for public-administration buildings, the Elyssar development scheme, cadastral surveying, Ministry of Finance and Customs buildings, expropriation compensation, selected road projects, the MARSARTI maritime institute, the Jounieh tourist port, Army equipment and infrastructure, Lebanese University and public-school buildings, etc.

Investment continues instead through annual appropriations, on a selective and project-by-project basis. The CDR's capital allocation consequently rises from approximately USD 35.3m in 2026 to USD 80.5m in 2027, almost entirely because of the increase in domestic counterpart funding for externally financed projects. The largest identifiable lines are summarized below.

MAIN CAPITAL APPROPRIATIONS IN THE 2027 DRAFT

Investment / institution	Amount (USD m)
Local counterpart financing for externally financed projects and related expropriations — CDR / Presidency of the Council of Ministers	58.7
Telecommunications network maintenance, rehabilitation, expansion and modernization — Ministry of Telecommunications	58.7
Ogero equipment — Ministry of Telecommunications	56.7
Specialised technical equipment for the Army — Ministry of National Defence	28.4
Maintenance of Beirut-Rafic Hariri International Airport — CDR / Presidency of the Council of Ministers	21.8

Investment / institution	Amount (USD m)
New administrative building at the Masnaa border crossing – Ministry of Public Works and Transport	20.0
Lebanon–Cyprus telecommunications cable and related studies – Ministry of Telecommunications	6.3
Construction of specialised Army buildings – Ministry of National Defence	2.2

Source: 2027 MoF Draft Budget annexes and accompanying MoF report. USD conversions at LBP 89,500/USD.

3. DEBT SERVICE: UNDERSTATES THE FULL FINANCIAL BURDEN

Debt-service falls sharply in 2027, but this mainly reflects Lebanon's unresolved sovereign default rather than a normalization of its debt burden. Budgeted interest payments decline by 40.5%, to USD 172.4m in 2027. Domestic interest falls particularly steeply, from USD 94.5m to USD 21.8m, while interest on serviced foreign-currency debt declines from USD 195.3m to USD 150.6m. These figures significantly understate Lebanon's full debt-service burden: interest on the Eurobonds on which Lebanon defaulted in 2020 remains excluded from the budget, pending negotiations with creditors and sovereign debt restructuring.

3. REVENUES: MORE THAN DOUBLE THE 2024 ACTUAL LEVEL

The 2027 draft budget projects total revenues at USD 6.871 billion, a 14.2% increase (USD 855.1m), compared with the USD 6.016 billion approved in the 2026 budget. The increase is more significant when measured against actual collections: revenues reached USD 5.516 billion in 2025, meaning that the 2027 target requires a further USD 1.354 billion, or 24.6%, compared with the latest actual collection reported in the draft.

A longer comparison with actual 2024 highlights the scale of the recovery in State revenues. Collections increased from USD 3.419 billion in 2024 to USD 5.516 billion in 2025, an increase of around USD 2.097 billion, or 61.3%, and the 2027 draft would bring them to USD 6.871 billion. This means that the 2027 revenue target is USD 3.452 billion higher than actual 2024 collections, or 100.9% more — **effectively doubling revenues in three years.**[5]

Almost all of the additional revenue effort comes from taxation. Tax revenues are projected at USD 5.90 billion in 2027, up 20.2% from the approved 2026 budget and 27.0% from actual 2025 collections. They would account for almost 86% of total revenues. By contrast, non-tax revenues decline compared with the 2026 budget target.

- **Consumption and imports account for 79% of the additional tax effort. Domestic taxes on goods and services rise to USD 3.59 billion, with VAT alone reaching USD 2.30 billion — roughly one-third of all budget revenues.** International-trade taxes are projected below the unusually high 2026 budget target, but at USD 748 million they still need to more than double compared with what was actually collected in 2025. Within domestic taxes, two individual revenue lines stand out, together adding around USD 487.9m compared with the 2026 budget, equivalent to almost half of the total increase in tax revenues. The budget line for "fees on inflammable materials", which includes the internal-consumption levy on gasoline, rises from USD 37.5m in the approved 2026 budget to USD 363.5m in 2027. This 870.4% sharp increase reflects the additional levy of LBP 300,000 per 20 litres of gasoline approved by the Council of Ministers in February 2026 as part of the financing package for additional public-sector compensation; the same decision removed the levy previously applied to diesel. Profits remitted by the Regie Libanaise des Tabacs et Tombacs — classified in the budget under "profits of monopoly administrations" — also rise sharply, from USD 246.8m to USD 408.7m, an increase of 65.6%. The draft does not provide a specific explanation for the increase in projected Regie profits.

[5] *2024 is also a useful benchmark for USD comparisons, as it is the first full calendar year during which the exchange rate remained broadly stable around LBP 89,500/USD after years of rapid currency depreciation.*

- **Within direct taxation, the additional burden is concentrated much more heavily on wages than on profits or capital income.** Receipts from taxes on salaries and wages rise to USD 374 million, 66% above the 2026 budget target. By comparison, profit-tax receipts reach USD 444 million, but this is only around USD 6 million more than was actually collected in 2025.
- **Other forms of taxation on capital and property contribute little — and in some cases decline.** Receipts from movable-capital taxation fall sharply compared with actual 2025 collections, while taxes on bank interest remain broadly flat. Property-tax revenues reach around USD 380 million, below the 2026 budget target. The structure therefore does not point to a significant shift toward taxing wealth or capital more equitably.

The draft focuses more on improving compliance and traceability than on redesigning the tax system. The main measures seek to strengthen enforcement through cross-checking payroll-tax and NSSF declarations (Article 42), conditioning certain administrative transactions on tax compliance (Article 43), tightening VAT enforcement and reporting obligations for certain non-resident and digital-service providers (Articles 47–48), and introducing an invoice-based lottery to encourage electronic reporting (Article 61). These measures may improve collection, but they leave the basic structure of the tax burden largely unchanged. A draft reform of the income tax is again being examined by a dedicated committee, but it is still too early to tell whether this process will lead to a genuine overhaul of direct taxation or remain, like many previous reform initiatives, at the stage of an unimplemented proposal.

Contribution to 2025–2027 revenue increase	USD million
Domestic taxes on goods & services	+688
International trade & transactions	+380
Income, profits & capital gains	+93
Property taxes	+29
Other tax revenues	+66
Non-tax revenues	+99
Total additional revenues	+1,354

REVENUE BREAKDOWN

USD million — updated from the table on p. 10 of the KI Budget 2026 brief

Revenue category	Actual 2024	Actual 2025	Approved Budget 2026	Draft Budget 2027	2027 vs 2026	2027 vs Actual 2025	2027 vs 2024
Tax Revenues	2,833.9	4,646.4	4,911.9	5,901.9	+20.2%	+27.0%	+108.3%
Tax on Income, Profits, and Capital Gains	394.0	796.3	644.1	889.4	+38.1%	+11.7%	+125.7%
Of which							
Income Tax	394.0	796.3	644.1	875.0	+35.9%	+9.9%	+122.1%
Income Tax on Profits	210.4	438.1	364.1	444.2	+22.0%	+1.4%	+111.2%
Income Tax on Salaries and Wages	114.9	280.9	225.4	374.2	+66.0%	+33.2%	+225.7%
Income Taxes on Movable Capital	38.4	44.7	30.3	24.5	−19.0%	−45.2%	−36.1%
Income Tax on Bank Interests	25.3	26.5	20.7	25.4	+22.7%	−4.2%	+0.5%
Tax on Property	199.1	351.1	402.3	380.4	−5.4%	+8.4%	+91.1%
Domestic Taxes on Goods and Services	1,755.0	2,903.4	2,858.0	3,591.4	+25.7%	+23.7%	+104.6%
Of which: Value Added Tax (VAT)	1,342.9	2,002.8	2,074.7	2,298.0	+10.8%	+14.7%	+71.1%
Taxes on International Trade and Transactions	323.1	368.3	825.8	748.0	−9.4%	+103.1%	+131.5%
Other Tax Revenues	162.7	227.3	181.7	292.8	+61.1%	+28.8%	+79.9%
Non-Tax Revenues	585.5	870.1	1,103.9	969.0	−12.2%	+11.4%	+65.5%
Revenues of Public Administrations and Institutions / State Property	420.2	650.2	735.1	744.7	+1.3%	+14.5%	+77.2%
Of which: Telecom revenues	221.7	374.5	496.0	504.7	+1.8%	+34.8%	+127.6%
Administrative Fees, Returns, and Sales	147.4	191.2	325.9	193.5	−40.6%	+1.2%	+31.2%
Fines and Confiscations	1.9	3.8	3.1	4.1	+31.9%	+6.1%	+117.3%
Various Non-Tax Revenues	16.0	24.9	39.9	26.8	−33.0%	+7.6%	+67.7%
Total Budget Revenues	**3,419.4**	**5,516.5**	**6,015.8**	**6,870.9**	**+14.2%**	**+24.6%**	**+100.9%**

Source: Ministry of Finance, Budget Law 2026 approved by Parliament, detailed revenue tables (actual 2024 and approved 2026); Ministry of Finance, Draft General Budget Law 2027, Article 3 and revenue annex (actual 2025 and draft 2027). USD conversions at LBP 89,500/USD.

4. TAX AND ADMINISTRATIVE MEASURES: A COMPLIANCE DRIVE WITH CONTRADICTORY SIGNALS

The legal provisions reveal a clearer administrative strategy than a tax-policy strategy. The draft seeks to expand taxpayer identification, digitize declarations, cross-check databases, bring unregistered activities and foreign digital services into the tax net, and use administrative leverage to improve collection. But it also introduces regularizations, lowers some penalties, reduces some taxes on capital gains and rewrites a wide range of permanent legal rules through the annual budget.[6]

1. COMPLIANCE IS GETTING STRONGER — BUT MAINLY WHERE THE TAXPAYER IS ALREADY VISIBLE

The draft's clearest strategy is administrative rather than structural: more reporting, data matching, electronic trails and leverage over public transactions. These tools can improve collection, but unless they are matched by measures that identify informal and hidden income, compliance can become more intensive without materially broadening the tax base.

Article 15 - Expanding payroll reporting

The measure. Article 15 extends complete annual reporting obligations on employees, including their remuneration and the tax withheld, to certain tax-exempt entities.

Comment. The provision increases the tax administration's visibility over the wage-tax base and fits the draft's broader emphasis on traceability and compliance. This improves visibility over payroll already inside formal institutions, but it does not by itself reach undeclared employment or informal activity. The broader compliance strategy therefore remains strongest where taxpayers are already visible to the State.

Article 18 - Making tax exemptions conditional on actual compliance

The measure. Persons normally exempt from income tax can lose that exemption for the year if they fail to meet filing, information or cooperation requirements with the tax administration, using the exemption itself as a compliance tool.

[6] *This section is part of a joint analysis with Legal Agenda, Aldic and The Policy Initiative.*

Comment. This is a positive measure: an exempt person should not retain a tax advantage while failing to meet reporting obligations or refusing to provide information requested by the administration. Conditioning exemptions on compliance is useful, but it does not answer the separate question of whether the exemptions themselves remain justified or what they cost. The draft does not provide a consolidated inventory and costing of tax expenditures.

Articles 26-30 - Stamp duty and electronic filing

The measure. The draft extends some stamp-duty payment deadlines, requires quarterly electronic filing for invoices and receipts, and raises several fixed documentary charges, including LBP 3m (USD 33.52) per customs declaration.

Comment. The article combines administrative digitization with higher fees: electronic filing improves reporting and traceability, while the higher fixed charges raise transaction costs. It is therefore a clear compliance reform rather than a tax-base reform: the electronic trail strengthens traceability, while the higher fixed charges increase the cost of remaining in the formal system.

Articles 38 and 42 - Payroll registration and NSSF cross-checking

The measure. The draft strengthens payroll cross-checking between tax and NSSF declarations. Article 42 provides that, where reported payroll amounts differ, the penalty is reduced to twice the discrepancy, from ten times under the 2024 reform.

Comment. Cross-checking can help curb under-declaration, protect social-security rights and address inconsistencies that became particularly problematic when different exchange rates were applied. However, the mechanism itself already existed under Article 126 of Tax Procedures Law No. 44/2008. Article 42 therefore mainly changes the sanction regime—and the sharp reduction in the penalty sits uneasily with the draft's tougher stance on tax evasion. Because the cross-checking mechanism already existed, the most consequential change in Article 42 is the fivefold reduction in the sanction, from ten times to twice the discrepancy. That weakens deterrence at the same time as the draft seeks to tighten compliance.

Article 43 - Linking administrative transactions to tax compliance

The measure. The Council of Ministers, on the proposal of the Minister of Finance, may require designated public entities not to process specified transactions for taxpayers who have not met tax or fee obligations.

Factual analysis. The provision creates a collection lever outside the ordinary tax procedure and delegates to the executive the definition of the entities and transactions concerned. However the text does not define the nature or seriousness of the violation that may trigger the measure and leaves substantial discretion to the Minister of Finance and the Council of Ministers, without an automatic mechanism ensuring proportionality or equal treatment. The leverage will also be strongest against taxpayers who are already identifiable in administrative databases. Unless it is matched by measures that bring informal and hidden activity into the tax net, enforcement risks becoming more intensive for visible taxpayers without proportionately widening the base.

Articles 46-48 - VAT enforcement and foreign digital services

The measure. The draft clarifies certain VAT tax points, strengthens the consequences of failure to register, and requires certain non-resident suppliers, including providers of electronic and digital services, to appoint a tax representative in Lebanon. It also creates reporting obligations for certain services purchased directly from foreign suppliers.

Comment. Applying the 11% VAT to payments to foreign platforms such as YouTube, Netflix or beIN affects all residents regardless of income, with a particular impact on younger users. Implementation arrangements remain unclear. Article 48 also requires a Lebanese resident purchasing taxable services directly from a foreign supplier to declare and pay the VAT due. Where a non-resident supplier is not effectively registered, part of the compliance burden can therefore shift from the global provider to the local consumer.

Articles 59-61 - Lottery rules and the invoice lottery

The measure. The draft revises several lottery rules and authorizes the Ministry of Finance, through the National Lottery, to organize free prize draws in which invoices and supporting documents transmitted electronically serve as entries for cash or in-kind prizes.

Comment. Article 61 is a tool intended to encourage citizens to help the tax administration identify undeclared transactions. Practical details remain unclear. The approach uses consumer incentives to generate enforcement data. It can complement electronic invoicing, but it should not substitute for the administration's own capacity to identify and pursue unregistered businesses and undeclared transactions.

2. REGULARISATIONS AND LOWER PENALTIES UNDERCUT THE COMPLIANCE MESSAGE

The draft simultaneously strengthens enforcement and offers substantial relief to taxpayers who failed to declare or pay on time. Such measures may accelerate short-term collection, but repeated regularisations can weaken deterrence and create an expectation that non-compliance will later be settled on more favourable terms.

Article 17 - Regularization of foreign-source income

The measure. The article provides eligible residents with a six-month penalty-free period to declare previously undeclared foreign investment income and pay the tax due.

Comment. A similar measure already appeared in the 2024 Budget Law. Its effectiveness depends above all on whether the Ministry of Finance uses the tax-information exchange mechanisms already available to it. Lebanon provides information to more than 67 countries, according to Legal Agenda, but does not systematically request reciprocal information on the foreign income of Lebanese residents. The deeper issue is incentive design: if penalty-free regularisations recur, they can turn an exceptional remedy into an expectation and reward taxpayers who delay disclosure. More systematic use of reciprocal tax-information exchange would provide a more durable enforcement tool.

Article 44 - 85% reduction of certain fines and penalties

The measure. Article 44 provides an 85% reduction in certain fines and penalties owed to the State, public administrations, public institutions and municipalities, provided the remaining amount is paid within the prescribed period and subject to the exclusions set out in the article.

Comment. The measure may accelerate collection of old or difficult-to-recover receivables, but an 85% reduction also creates a substantial advantage for those who delayed payment relative to persons who complied on time. If reductions of this scale become recurrent, they can weaken future voluntary compliance by making delay rational for taxpayers expecting another settlement. The equity issue is therefore not only fiscal efficiency, but also the treatment of late payers relative to those who complied on time.

3. PROPERTY AND CAPITAL TAXATION SEND MIXED SIGNALS

Direct taxation moves in both directions. Some provisions broaden the base, notably the taxation of vacant property and the removal of an offshore-share inheritance exemption, while others reduce taxation of real-estate and betterment gains. This matters in a revenue structure where the additional burden is already concentrated more heavily on wages and consumption than on property and capital.

Article 19 - Real-estate capital gains: lower rates for some transactions

The measure. The draft taxes real-estate capital gains at 10% for individuals not otherwise subject to income tax and 15% for other individuals and legal persons, while introducing a much lower 1% exceptional rate for qualifying gains on property held before 1 July 2023.

Comment. A 10% capital gains tax rate is very low given the need to restore tax fairness. Moreover, if currency depreciation has created artificial nominal gains, the fairer solution would be to adjust the taxable gain rather than cut the tax rate to 1%, which could also benefit people who bought property cheaply during the crisis. This also sits uneasily with the broader 2027 revenue mix: projected receipts from taxes on salaries and wages rise by 66%, while profit-tax receipts rise by 22% and property-tax revenues fall by 5.4% compared with the 2026 budget.

Lower rates on property gains therefore move in the opposite direction from a rebalancing of the tax burden toward wealth and capital.

Articles 20-24 - Holding and offshore companies

The measure. The draft allows holding and offshore companies to denominate their capital and keep their accounts in USD or EUR under specified conditions. The annual lump-sum tax rises fourfold, from LBP 50m (USD 559) to LBP 200m (USD 2,235). Article 24 also removes the inheritance-tax exemption applicable to shares in offshore companies established in Lebanon.

Comment. The fourfold increase is a large percentage rise in the fixed tax, although the levy remains lump-sum rather than profit-based. Article 24 nevertheless moves in the opposite direction by removing the inheritance-tax exemption for shares in Lebanese offshore companies. This is a genuine, if narrow, broadening of the direct-tax base.

Article 36 - Betterment tax: lower progressive rates

The measure. Article 36 applies a progressive betterment levy to increases in property value attributable to public works, with lower rates of 5%, 10%, 15% and 20% across bands expressed as multiples of the minimum wage.

Comment. If the aim is to reduce the burden on lower-income taxpayers, rates could have been reduced for the lower bands while preserving higher rates on large betterment gains. There is no rationale for linking the reduction to low public-sector salaries, since the bands are indexed to the private-sector minimum wage. The betterment levy is specifically designed to recapture part of the increase in land value generated by publicly financed works. Cutting the upper rates therefore reduces the share of a publicly created gain that returns to the public purse.

Article 37 - Vacant apartments: partial restoration of built-property tax

The measure. Article 37 limits the built-property-tax exemption for vacant residential units: three years after construction for units built by real-estate developers and one year for other residential buildings. Once that period expires, tax is assessed on 50% of estimated rental income while the property remains vacant; the basis rises to 100% of estimated income once the property is occupied.

Comment. This measure is the most positive development in the draft. It should encourage owners to rent or sell vacant housing, reduce false vacancy declarations and increase the share of direct taxation. According to the Legal Agenda 380,781 residential units were declared vacant in 2023, 62% of them in Beirut and Mount Lebanon, and AUB Cities Lab research puts vacancy in Beirut at close to 20%. There are however three limits: the exemption is only partially removed, municipal-tax exemptions remain unchanged, and non-residential buildings are excluded.

4. THE COST OF FORMALITY IS RISING THROUGH TAXES AND ADMINISTRATIVE FEES

A wide range of provisions reprice formal transactions and public services after years of currency depreciation. Some nominal catch-up is unavoidable, but fixed fees and consumption charges are not linked to ability to pay and can raise the cost of accessing essential documents, services and formal economic activity.

Article 16 - Daily and piece-rate wages

The measure. Article 16 changes the tax withheld on certain daily and piece-rate pay. Piece-rate pay is taxed at 3% of the full amount, with no deduction.

Comment. The provision also illustrates an ease-of-collection logic: irregular or piece-rate labour is taxed at source on the full payment even though the mechanism does not assess the worker's overall ability to pay.

Article 25 - Energy-drink excise

The measure. Article 25 introduces an excise of LBP 15,000 per litre (USD 0.168) on packaged energy drinks, with declaration and payment obligations for domestic producers and importers.

Comment. While such an excise could be justified on public-health grounds, the budget documents do not set out a clear health-policy rationale or broader framework for the measure, which therefore appears primarily as another targeted revenue measure.

Article 51 - General Security fees

The measure. Article 51 revises several General Security fees, including LBP 30m (USD 335.20) for a sponsor transfer, LBP 3m (USD 33.52) for a one-month entry/residence visa and LBP 9m (USD 100.56) for a six-month visa.

Comment. The nominal catch-up may be justified after the depreciation of the lira, but fixed administrative charges can still be material relative to users' income and should be assessed as access costs as well as revenue measures.

Articles 53-55 - Examination, education and identity-document fees

The measure. The draft revalues several fees linked to official examinations and education services. Article 55 increases the fee for issuance of the new identity card from LBP 5,000 (USD 0.06) to LBP 1m (USD 11.17).

Comment. The identity card is a basic administrative document rather than a discretionary service. Higher fees could delay or discourage poorer households from completing a necessary administrative procedure, with potential social consequences.

Article 56 - Consular certification of commercial documents

The measure. Article 56 restores certification by Lebanese diplomatic and consular missions of specified commercial invoices, certificates of origin and related documents. The fee is set at 4 per mille, or 0.4% of the value of the goods.

Comment. The measure adds both a proportional cost and an additional formality to imports at the risk of creating excessive bureaucracy. Because the fee is proportional to the value of imported goods, it also adds directly to trade transaction costs and may be passed through into prices. Its revenue benefit should therefore be weighed against trade-facilitation objectives.

Article 57 - Mokhtar stamp

The measure. Article 57 sets the mandatory Mokhtar stamp at LBP 100,000 (USD 1.12).

Comment. The absolute fee remains small at LBP 100,000 (USD 1.12), but it forms part of a much wider repricing of routine administrative acts. The cumulative burden of many such fixed charges matters more than any single line.

Article 58 - Youth and Sports fees

The measure. Article 58 revalues numerous licensing and administrative fees. Examples include LBP 45m (USD 502.79) for certain scouting associations and LBP 135m (USD 1,508.38) for certain federations, committees, corporate clubs, sports academies and training institutes.

Comment. The revaluation is large for some organisations and can be significant for smaller associations, clubs or academies. A flat schedule does not account for institutional size or capacity to pay.

5. FISCAL GOVERNANCE: SOME SAFEGUARDS ARE WEAKENED, ONE IS RESTORED

The governance provisions also point in different directions. The draft loosens safeguards around loan-financed spending, inheritance-tax control and port revenue transfers, while Article 63 restores Council of Ministers oversight over large donations. The central issue is whether public revenues and externally financed spending remain subject to transparent, ex ante control.

Article 5 - Loan accounts: removing an explicit Council of Ministers safeguard

The measure. Article 5 maintains special Treasury accounts for State loans and requires the related commitment and payment appropriations to be included in the budget, but it removes the explicit requirement that they be opened by a Council of Ministers decree on the proposal of the Minister of Finance and the competent minister.

Comment. This change reduces Council of Ministers oversight and public visibility over the way State loans are spent. Loan-financed spending calls for stronger ex ante visibility and control, not less.

Articles 31-35 - Inheritance and transfer-duty procedures

The measure. The draft changes inheritance and transfer-duty procedures. Article 34 extends age-based usufruct valuation to movable assets, including company shares, while Article 35 allows courts to issue inheritance certificates without prior approval from the tax administration and removes the monthly reporting requirement to the Ministry of Finance.

Comment. Article 35 weakens tax control because assets such as cash, jewellery or other valuables may never appear in a later real-estate or notarial transaction.

Article 62 - Port revenues: centralization with looser expenditure control

The measure. The ports of Beirut, Tripoli, Saida and Tyre must transfer their port-service revenues to the Treasury each month, after deducting authorized wages and operating expenses.

Comment. This weakens the stricter 2020 rules for the Port of Beirut, which required transfers twice a week and allowed only salaries to be deducted. Allowing broader operating expenses to be deducted before transfer could reduce the amounts reaching the Treasury as has been the case in the mobile-phone sector.

Article 63 - Cash and in-kind donations: restoring Council of Ministers oversight

The measure. Cash and in-kind donations exceeding LBP 11.5bn (USD 128,492) must be accepted by decree of the Council of Ministers.

Comment. The 2027 draft restores a common approval regime for both types of donations above the threshold, correcting the anomaly introduced by the 2026 Budget Law, which treated in-kind donations differently from cash donations and allowed large in-kind donations to be accepted without Council of Ministers approval. This is a clear positive governance correction.

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