

Lebanese Republic  
Ministry of finance

The Minister

Decision No. 1/789  
Date: 11 August 2007

The regulation for the import and sale authorization  
of Tobacco products in Lebanon

The Minister of Finance,

Pursuant to the decree No. 14953 of 16/7/2005 (formation of the government);

Pursuant to the decision No. 16/L.R. of January 30, 1935;

Pursuant to the Decree-law No.151 of 12/6/1959 (organizing the State control of Tobacco Industry);

According to the proposal of the Regie Libanaise des Tabacs et Tombacs by letter No. 190 dated 16/5/2007;

Following the opinion of the Finance General Director by virtue of remittance dated 19/5/2007 and the opinion of the Government Commissioner by his letter No 413 dated 16/5/2007, delivered on 27/6/2007;

And based on the approval of the Customs High Commission by virtue of letter number 346/2007 dated 16/6/2007;

Decides the following:

Article 1: Definitions

For the purpose of this Resolution, the definitions of the terms used are as follows:

Minister: The Minister of Finance

Guardian (Tutelle) Authority: Ministry of Finance

The Regie: The Regie Libanaise des Tabacs et Tombacs

New product or SKU/derivative: Products that have been available in the market for less than one year.

Old product (or SKU/ derivative): Products that have been in the market for over a year.

SKU/derivative: Product that bears the name of the brand, but with different descriptions.

The agent: Legal entity chosen by the manufacturer to represent him in Lebanon and through which the manufacturer markets products.

The representative: The person who represents the manufacturer when the latter chooses to market brands in Lebanon directly, i.e. without assigning an agent.

Article 2: Conditions for obtaining a license:

The entry of Tobacco products into Lebanon shall be subject to the following conditions:

- 1- Cigarettes, cigars, cigarillos, pipes tobacco and tobacco products subject to an import authorization must comply with excellent standard regarding taste, manufacturing, form and other specifications. The Regie evaluates these standards.
- 2- The manufacturer or the agent must present a laboratory analysis issued by a recognized laboratory in the country of origin or by the laboratory of the manufacturing mother Company and under its responsibility showing the levels of nicotine and tar, in accordance with the standards stipulated by the applicable laws and an attestation to be issued by the same laboratory or by the manufacturing company stating that such product does not contain prohibited materials.  
Applications for licenses to import cigars or pipe tobacco are exempt from this condition.

- 3- The manufacturer, agent or representative shall undertake in the license application to purchase annually, as from the year following the importing of the product, and pursuant to the principles and prices duly determined by the Regie and upon consideration of international prices, a quantity of Lebanese tobacco crop with a maximum value equivalent to the value of tobacco products sold to the Regie in the same fiscal year.

The shares shall be distributed among the manufacturers proportionally to the quantity imported by the Regie, provided that such proportion will be based on the computed sold quantities according to the purchase price of the same year.

Article 3: Presentation of the license application:

1. The license application shall be directly presented to the Regie by the manufacturer, representative or legal exclusive agent and together they share responsibility towards the Regie. The agent must be a corporate person duly registered in Lebanon. The application must be accompanied by two copies of commercial circular letter and one copy of the Company's Articles of Association duly certified.
2. The license application must include all technical specifications regarding the product including shape, size, taste, weight, and packaging as well as the selling price to the Regie thus allowing the latter to study the possibility of selling the product in the market.
3. The manufacturer should present to the Regie samples of the products in order to be studied by the Regie.

4. The Regie shall decide of the application upon taking into consideration the licensing conditions stipulated here above, the market demand and the competition.

Article 4:    License Issuance:

- 1- Taking into account article 3, section 6 of Ministerial decree 151 dated 12/6/1959, licenses are granted by decision of the General Manager of the Regie upon obtaining the approval of the Government Commissioner. The decision will include the product specifications and import conditions.

Article 5:    Listing Fees:

1. Products licensed to enter into the Lebanese market are subject to licensing fees as follows:

For Cigarettes:

- Fifteen thousand US Dollars for the main brand or the equivalent in Lebanese currency.
- Five thousand US Dollars for each additional SKU or the equivalent in Lebanese currency.

For asfahan tombac or the honeyed tombac:

- Five thousand US Dollars for the main brand or the equivalent in Lebanese currency,
- One thousand US Dollars for each derivative or the equivalent in Lebanese currency.

For cigars, cigarillos and pipe tobacco and RYO:

-One thousand US Dollars for the main brand, or its equivalent in Lebanese currency and Two hundred US Dollars for each derivative or its equivalent in Lebanese currency.

The manufacturer may replace a product or SKU/derivative by another product without incurring any additional fees provided that the initial product is withdrawn definitely from the market.

Listing fees are non refundable.

#### Article 6: Purchase of Tobacco Products

Tobacco products are purchased on CIF or FOB basis as per Regie consideration. Tobacco products may also be purchased on consignment and the cost will be settled after their sale in the Lebanese market. In the event that a company insists that payment is to be made by bank guarantee, the said company should bear all the relevant expenses and fees provided that the term of payment will not be less than 90 days of the bill of lading date.

#### Article 7: Guarantees Required:

The manufacturer, agent or representative must provide the Regie with a bank guarantee as follows:

For cigarettes:

-Old products and SKUs:

The manufacturer, agent or representative must provide the Regie with a letter of guarantee for each brand and its derivative equivalent to the Regie profits from the sale of 1,000 cases per year. The letter of guarantee must be amended to reflect any change of Regie profits margins.

In the event that the sales of a brand drop below the above mentioned amount, the Regie will deduct the loss from the letter of guarantee and the product will no longer be imported in principal. However, should the manufacturer insist on importing the product, it must provide an additional letter of guarantee to the Regie including customs fees, VAT, and other incurred expenses. The letter of guarantee will be executed six months after the arrival of the goods in case they are not sold.

-New products:

Products imported on consignment:

The manufacturer or agent must provide the Regie with a letter of guarantee covering customs duties, taxes, VAT and port charges for each shipment sent to the Regie.

Products imported by Bank guarantee or Letter of Credit:

The manufacturer or agent must provide the Regie with a guarantee covering, in addition to the above, the value of the goods.

For goods imported on consignment, the Regie has the right, within six months of the goods arriving in its warehouses, to execute from the letter of guarantee the value of customs duties, VAT and port duties on the remaining goods in the warehouse.

As for goods imported by bank guarantee or LC, the value of the goods will also be deducted in addition to the above mentioned costs.

For Honeyed Tombac:

-Old products and derivatives:

A bank guarantee is presented for each product and its derivative on the basis of Regie profits value from the sales of 1000 kg annually.

In case the annual sales are lower than the above stated limit, the Regie profits shall be deducted from the guarantee mentioned above.

In case the manufacturer wishes to continue importing the brand, he should present an additional guarantee covering the customs fees, VAT, port charges

for each shipment which will be deducted directly after 6 months following the arrival of the products if not sold.

It is possible, as per the manufacturer request, to merge both guarantees in one, if their value is equivalent to the required value in both guarantees.

After one year of proposing the new product, it is considered an old product and the conditions of the old products are applied.

#### **-New Products of Honeyed Tombac:**

The manufacturer, agent or representative is required to present the Regie a bank guarantee that covers customs fees, VAT, port fees and other fees for each shipment.

After 6 months, from the arrival date of goods to the warehouses, the Regie can collect the customs and port fees, VAT of the remaining quantity in its warehouses.

It is possible, as per the manufacturer request, to merge both guarantees in one, if their value is equivalent to the required value in both guarantees.

After one year of proposing the new product, it is considered an old product and the conditions of the old products are applied.

#### **C. For cigars, Cigarettes, pipe tobacco and RYO.**

The manufacturer should present a bank guarantee that covers customs fees, VAT, port fees and other fees for each shipment of cigars, cigarettes or pipe tobacco. After 6 months, from the arrival date of goods to the warehouses, the Regie can collect the customs fees, port fees and the VAT of the remaining quantity in its warehouses.

#### **ARTICLE 3: Special edition products imported for advertising and marketing purpose, or promotion in special occasions:**

Each manufacturer is allowed to enter annually to the Lebanese market for marketing and special occasions, and after the Regie approval, 2% of its annual quantity sold.

This quantity should be imported upon Regie request and should comply with all applied the rules including those related to health warning and the country of origin, and subject to all due taxes. The Regie distributes 50% from the whole quantity to the wholesalers and allocate to the manufacturer or the agent the remaining 50%.

Article 9: The manufacturer cannot increase the price of tobacco products without prior approval from the Regie and the Ministry of Finance. Upon approval, the Regie shall set the new retail selling price immediately to products existing in its warehouses, at port and on the sea. The Regie benefits from the difference in price.

In the event that the manufacturer decreases his prices, such decrease shall forthwith apply to the same products listed above. The manufacturer shall pay the difference of the sale price between the old price and the new one.

**ARTICLE 10: Distribution:**

The distribution of the tobacco products in the Lebanese market, remains limited to the wholesalers only.

**For cigars, Cigarette, Pipe tobacco and RYO:**

The manufacturer or the agent is allowed to withdraw 35% from quantity of the order and he is obliged to withdraw the remaining balance after 3 months being in the warehouse and not withdrawn by the wholesalers.

**For cigarettes and Honeyed Tobacco:**

The manufacturer or the agent is allowed to:

-Carry out promotional offers through the wholesalers, on condition that the sales price of the imported products used in the promotion is not less than the minimum permitted selling price.



-Withdraw products, if the sales of the product are lower than the minimum annual average permitted in article seven, for distribution in the market. The Regie specifies the required quantity.

-Withdraw according to need, new products during the first year of launching the brand to distribute it in the market. The Regie retains the right to specify the required quantity.

-Purchase a limited quantity of his product from the wholesalers to distribute to point of sales which don't carry the product, on condition to selling it at a price not lower than the official price of the delivery to the wholesale and the official commission.

-The Regie still has the absolute right to prohibit the manufacturer or the agent from the benefit of this arrangement if the above mentioned conditions are not respected.

**ARTICLE 11: Orders:**

The quantity of orders and the arrival date are defined with accordance between the Regie and the manufacturer or its agent as per the expected sales quantity.

The manufacturer that ships any quantity different to the agreed order must bear all losses resulting from this matter, whether resulting from port fees or bank charges.

**Article 12: Receiving the share of Lebanese tobacco crop:**

The manufacturer or agent must:

1. Send experts to examine the allocation of tobacco crop as soon as he is notified of his share and price.
2. within three months of being notified that the processing is complete, provide the Regie with a shipment schedule and other information pertaining to the bar codes that are to be printed on the tobacco bales.

3. within one month of notification of completion of the above mentioned procedure, initiate the shipment schedule agreed upon.
4. Pay a delay penalty of 1% (one percent) of the value of the crop to cover warehousing fees for each month or part of month whether the delay is due to a delay in sending bar codes or shipment of goods, unless the delay is the fault of the Regie.
5. The Regie can annul all licenses given to the manufacturer, if he refuses to take his allocation of the tobacco leaves.
6. If the sales quantity of the manufacturer or the agent is lower than 1% of the Régie's sales value, the manufacturer or agent may pay a specified percentage of the value of his sales in lieu of purchasing tobacco leaf according to article 8. This amount will be specified by the Ministry of Finance upon recommendation of the Regie.

**Article 13: Annulment of import licenses:**

In addition to article 12, section 2, the Regie may annul licenses in the following cases:

- 1- If the manufacturer or the agent produces or sells any tobacco products bearing the Lebanese health warning to any other country other than Lebanon.
- 2- If the manufacturer or his agent deals in contraband directly or indirectly.

In the above mentioned 2 cases, in addition to annulment of the license, all existing goods in the warehouses of the Regie shall be seized and reexported and will no longer be allowed to enter products

into the Lebanese market, and the Regie retains the right to legally prosecute.

- 3- If he decides to enter such product and the necessary requirements for its import are not implemented within maximum one year unless there is force majeure that will be assessed by the Regie at its own consideration.

**Article 14: General Provision:**

1. For the implementation of the provisions of the present decree, sale statistics that are issued by the Regie shall be adopted.
2. If the goods are spoiled for any reason, the manufacturer or the agent shall be considered responsible of any port and Customs fees and expenses in addition to the spoilage expenses. Etc...
3. The products sale prices shall be determined by the Minister of Finance, upon recommendation of the Regie and taking into account the opinion of the government commissioner and the General manager of the Ministry of Finance.
4. The Regie shall bear customs duties, domestic consumption tax, VAT, port charges and the cost of transport of goods to its warehouses. All packs should bear the name of the country of origin and the health warning adopted according to the applicable laws.
5. The manufacturer or the agent shall be responsible for the publicity and advertisement campaigns of the tobacco products, provided that ?????? (text is incomplete!!)

**Article 15:** Decree 1/10412 issued by the Ministry of Finance dated 27 September 1994 is hereby annulled in addition to all other legislation that contradicts the provisions of this decree.

**Article 16:** The present decree shall be published in the official gazette, and all concerned parties will be notified, and comes into force upon its publication.

The Minister of Finance  
Jihad Az'our

To be notified:

- The prime Minister (The national archives Establishment)
- The official Gazette (2)
- The Government commissioner at the Regie Libanaise des Tabcs et Tombacs
- The financial controller at the Regie Libanaise des Tabcs et Tombacs
- The Cabinet Department with the file.