



JANUARY- SEPTEMBER REPORT 2002 FISCAL AND TRADE DEVELOPMENTS

- ☒ **Fiscal overview:** Jan-Sept 2002 fiscal performance figures recorded not only a 141 percent increase in the net primary surplus, but a further net reduction in the total deficit (by LL 49 billion) as compared to last year. (refer to Section 1).
- ☒ **Revenues and expenditures:** A 29 percent rise in revenues during the first three quarters of 2002 explains the major improvement in the fiscal performance. The increase in revenues (by LL 968 billion) over Jan-Sept of last year has more than offset the equivalent increase in total expenditures (by LL 919 billion) inclusive of debt service and treasury payments. (refer to Sections 2 & 3).
- ☒ Besides cumulative figures for the period Jan-Sept 2002, quarterly analysis accuses a receding trend in tax revenue generation in QIII as opposed to QII by 16 percent, despite improvements on most tax fronts. This decline is explained by a 77 percent decrease in revenues collected at the income tax level due to the collection calendar of Income Tax, whereby declarations are processed and payments are cashed during the first two quarters of each fiscal year. This decline might also be viewed as a return to normal activity after an exceptionally high collection in QII due to the proceeds from the tax regularization. (refer to Section 2)
- ☒ On the expenditure side, debt service registered a 6 percent increase from the same period of the previous year, cumulating at LL 3,251 billion (owing to a 63 percent increase in foreign debt service). It witnessed a change in the composition mix of debt service reflecting the

substitution of domestic debt by foreign debt across the first three quarters of the present year. (refer to Section 3)

- ☒ **Public debt:** Gross public debt increased by 9 percent as of end September 2002 (cumulating at LL 46,650) compared to the stock of debt as of end 2001, owing to the rise in Eurobond issues (by 34 percent from last year, up to LL 15,358 billion) . (refer to Section 4).
- ☒ **Trade:** After an improvement in QII, the balance of trade deteriorated for July-Sept 2002 (the trade deficit increased by 4 percent). This was attributed to an increase in imports (by 3 percent) during that same period, while exports maintained their previous quarter level. Still, the cumulative effect for Jan-Sept 2002 depicts a 13 percent amelioration in the balance of trade with exports increasing by 19 percent while imports decreasing by 10 percent, as compared to the same period of last year. (refer to Section 5).
- ☒ **Developments on the VAT front:** QIII records a net improvement in the VAT performance compared to QII of this year (VAT proceeds increased from LL 298 billion in QII to LL 331 billion in QIII, based on VAT declarations). (refer to Section 6).

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Section 1: Fiscal overview

Total deficit for the first three quarters of 2002, reached LL 2,859 billion or 40 percent of total expenditure, compared to LL 2,908 billion or 46 percent of total expenditures over the same period of the previous year. This represents a net decrease of LL 49 billion in total deficit, owing to an increase in

total revenues (by LL 968 billion) that has more than offset the increase in total expenditures (by LL 919 billion) inclusive of debt service expenditures and treasury payments.

Primary surplus improved by LL 229 billion or 141 percent over last year, cumulating at LL 392 billion (or 5 percent of total expenditures) by the end of the third quarter 2002.

Table 1. Summary of Fiscal Performance

(LL billion)	2001 September ¹	2002 September	2001 Jan-Sept	2002 Jan-Sept	change 2001- 2002	% change
Budget revenue	327	379	3,097	3,989	892	28.8%
<i>o/w customs revenue</i>	136	126	1,149	1,189	40	3.5%
<i>o/w Value Added Tax²</i>	-	66	-	654	654	1
Budget expenditures	607	656	5,506	5,943	437	7.9%
<i>o/w Debt service</i>	397	298	3,071	3,251	180	5.9%
Budget deficit/surplus	-280	-277	-2,409	-1,954	455	
in % of budget expenditures	-46.1%	-42.2%	-43.8%	-32.9%		
Budget primary deficit/surplus	117	21	662	1,297	632	
in % of budget expenditures	19.3%	3.2%	12.0%	21.8%		
Treasury receipts	42	70	270	346	76	28.1%
Treasury payments	143	103	769	1,251	482	62.7%
Total budget and treasury receipts	369	449	3,367	4,335	968	28.7%
Total budget and treasury payments	750	759	6,275	7,194	919	14.6%
Total cash deficit/surplus	-381	-310	-2,908	-2,859	49	
in % of total expenditures	-50.8%	-40.8%	-46.3%	-39.7%		
Primary deficit/surplus	16	-12	163	392	229	
in % of total expenditures	2.1%	-15.8%	2.6%	5.4%		

Source: Ministry of Finance (MOF), Directorate General of Finance (DGF)

Note: ¹ The figures for September 2001 have been modified from previously published data. Modifications have been introduced to both the revenue and expenditures items, whereby, tax deductions are now included as revenue and added to expenditures as disbursements. Hence, revenue and expenditures are now recorded on a gross basis.

² Value Added Tax represents the VAT collected at customs (for the first three quarters of 2002) and VAT collected from internal operations (for QI & QII)

Section 2: Revenue outcome

Total revenues amounted to LL 4,335 billion by the end of QIII 2002, an increase of LL 968 billion (or by 29 percent) over same period last year.

Budget revenue reached LL 3,989 billion, a 29 percent increase over Jan-Sept 2001 owing to a rise in both tax revenues and non-tax revenues .

Tax revenue (a major component of budget revenue) recorded a 39 percent increase over Jan-Sept 2001, totaling LL 2,989 billion by the end of September 2002. This cumulative LL 837 billion increase is to a large extent explained by the VAT proceeds, an improved performance on the income tax front as well as increased revenues generated from tax on property. More particularly, the increase is attributed to the following:

A. Taxes on income, profits, and capital gains, amounted to LL 655 billion for Jan-Sept 2002, compared to LL 505 billion for the same period last year. Behind this 30 percent increase stands the proceeds from the tax regularization, and the enlargement of the taxpayers' base which resulted from the VAT implementation and the tax regularization as well as from other measures such as the adoption of the TIN number for international trade purposes, (whereby each importer is entitled to register in the Income Tax Department prior to reception of merchandize); all of which helped monitor tax avoidance and improve compliance, contributing to the enlargement of the taxpayers' base.

Quarterly comparison shows a 77 percent decline in revenues generated from tax on income, profits and capital gains from QII this year. This is explained by the Income Tax collection calendar whereby declarations are processed and payments are cashed during the first two quarters of each fiscal year (which is equivalent to the calendar year). This decline is also explained by the receding effect of the tax regularization in QIII, the proceeds of which were mainly collected during Apr- June 2002. This

decline in income tax revenues exceeded the rise in revenues from other tax sources (namely domestic taxes on goods and services, taxes on international trade and tax on property), dragging total tax revenues down by 16 percent from last quarter.

B. Taxes on property reached LL 218 billion by the end of QIII up by 23 percent from last year. The trend across Jan-Sept 2002 is ascending, with a somehow increased pace toward QIII, mainly explained by the proceeds generated from the issuance of the assessment schedule (for the 4 years 1997-2000 for Mount Lebanon), and by the new real estate law that encouraged foreigners' acquisition of real estate in Lebanon.

C. Domestic Taxes on goods and services summed up to LL 783 billion by the end of QIII 2002 compared to LL 177 billion for the same period a year earlier. This LL 606 billion leap is mainly attributable to the proceeds from the VAT which added-up to LL 654 billion by end of September 2002, based on cash payment receipts. In fact, this figure underestimates the actual amount of VAT collected as of end Sept 2002 due to the time lag needed to process VAT declarations for QIII, which are collected (on a cash basis) in the following month of October (for a more accurate perspective on VAT performance, please refer to section 6).

Domestic taxes on goods and services registered a 27 percent increase from last quarter owing to the improved domestic consumption during the summer season.

D. Taxes on international trade (customs + excise revenues) summed-up to LL 1,192 billion for the first 3 quarters of 2002 compared to LL 1,153 billion for the same period in 2001.

A 16 percent rise in tax revenues from international trade is depicted for the period July-Sept 2002 compared to the previous quarter, partly due to a rise in imports which picked up by 3 percent during the third quarter of 2002.

Table 2a. Tax Revenue (yoy comparison)

(LL billion)	2001 Jan-Sept	2002 Jan-Sept	% change
Tax revenue	2,152	2,989	38.9%
Tax on income, profits, & capital gains	505	655	29.7%
Tax on property	177	218	23.2%
Domestic taxes on goods & services, of which	177	783	342.4%
<i>Value Added Tax</i>	-	654	
Taxes on international trade , of which	1,153	1,192	3.4%
<i>Customs</i>	615	473	-23.1%
<i>Excises</i>	538	719	33.6%
Other tax revenue	140	141	0.7%

Source: MOF, DGF

Note: (1) Tax revenue is included within budget revenue

Table 2.b Tax Revenue (quarterly comparison)

(LL billion)	QI 2002 Jan-Mar	QII 2002 Apr-June	QIII 2002 July-Sept
Tax revenue	793	1,191	1,005
Tax on income, profits, & capital gains	122	432	101
Tax on property	69	71	78
Domestic taxes on goods & services	161	274	348
Taxes on international trade	393	370	429
Other tax revenue	48	44	49

Source: MOF, DGF

Note: (1) Tax revenue is included within budget revenue,

(2) Revenue from excise taxes is included within the taxes on international trade.

Non-tax revenue (a budget revenue component), recorded a 6 percent increase from Jan-Sept of last year, cumulating at LL 999 billion by the end of September 2002.

"Income from public institutions and government property", being the main component of non-tax revenue, summed up to LL 638 billion by end of QIII, a 9 percent increase from a year earlier owing in its majority to the LL 43 billion rise in telecommunication proceeds compared to same period in 2001 (please refer to Table 4). Similarly, revenues from Casino du Liban (CDL) recorded a

LL 10 billion increase from the same period a year earlier.

Administrative fees and charges recorded no change in terms of the cumulative figures for Jan-Sept 2002, compared to last year same period. On a quarterly basis, revenues from administrative fees and charges receded somehow by 8 percent after witnessing a peak in QII (due to the fact that road usage fees, being the main component of administrative fees and charges were collected in QI but mainly in QII this year).

Table 3a. Non-tax Revenue (yoy comparison)

(LL billion)	2001 Jan-Sept	2002 Jan-Sept	% change
Non-tax revenue	944	999	5.8%
Income from public institutions and government property	585	638	9.1%
Administrative fees & charges	286	286	0.0%
Penalties & confiscations	12	16	33.3%
Other non-tax revenue	61	59	-3.3%

Source: MOF, DGF

Note: Non-tax revenue is included within budget revenue

Table 3.b Non-tax Revenue (quarterly comparison)

(LL billion)	QI 2002 Jan-Mar	QII 2002 Apr-June	QIII July-Sept
Non-tax revenue	330	303	366
Income from public institutions and government property	220	174	244
Administrative fees & charges	86	104	96
Penalties & confiscations	4	5	7
Other non-tax revenue	20	20	19

Source: MOF, DGF

Note: Non-tax revenue is included within budget revenue

Table 4. Entrepreneurial and Property Income

(LL billion)	2001 Jan-Sept	2002 Jan-Sept
Income from public institutions and government property, o/w	585	638
Casino du Liban	16	26
National Lottery	16	12
Telecom	505	548
Central Bank	21	20

Source: MOF, DGF

Section 3: Expenditure outcome

Total expenditures (budget and treasury) amounted to LL 7,194 billion by the end of QIII 2002 compared to LL 6,275 billion for the same period in 2001. **Primary spending** (budget and treasury) accused a 23 percent increase from its Jan-Sept 2001 level, amounting to LL 3,943 billion.

Budget expenditures reached LL 5,943 billion for the period Jan-Sept 2002, up by 8 percent from the same period a year earlier, attributed to an 11 percent increase in non - debt service expenditures, and to a 6 percent increase in debt service payments.

Non-debt service expenditure increased from its 2001 level by LL 257 billion. This might be explained by a rise in capital spending, particularly on roads and highways. Figures for non-debt service expenditure suggest an increasing trend throughout the first three quarters of 2002, from LL 671 billion in QI to LL 897 billion in QII to LL 1,124 billion in QIII.

Debt service cumulated at LL 3,251 billion as end of QIII 2002, a 6 percent increase over Jan-Sept 2001, owing to a 63 percent rise in foreign debt

service payments which somehow out paced the 8 percent decline in domestic debt service payments. Debt service expenditure resumed to a level of LL 993 billion in QIII after a peak in QII at LL 1,294 billion owing to high coupon and principal repayments for the bonds maturing in June of 2002 (for detailed description of debt issuances, please refer to section 4). Trend across the Jan- Sept period depicts the change in the composition mix of debt service, from an 80/20 (80 percent and 20 percent of domestic and foreign debt service to total debt service, respectively) in QI to a 66/34 mix in QIII.

Personnel cost (wages, salaries, related benefits, end of service and retirement) cumulated at LL 2,349 billion for Jan-Sept 2002, a 2 percent decline from the comparable period of 2001.

Treasury expenditures reached LL 1,251 billion for the first three quarters of 2002, a 63 percent increase from last year same period. Behind this increase is a LL 360 billion in previous years' appropriations, the bulk of which was spent in QI of this year, and a LL 315 billion for municipalities which were transferred in QII and QIII this year.

Table 5a. Expenditures (yoy comparison)

(LL billion)	2001 Jan-Sept	2002 Jan-Sept	% change
Total expenditures	6,275	7,194	14.6%
Budget expenditures	5,506	5,943	7.9%
Expenditures excluding debt service	2,435	2,692	10.6%
Debt service	3,071	3,251	5.9%
Domestic debt	2,488	2,302	-7.5%
Foreign debt	583	949	62.8%
Treasury expenditures	769	1,251	62.7%
o/w Municipalities	74	315	
Previous years' appropriations	52	360	

Source: MOF, DGF

Table 5.b Expenditures (quarterly comparison)

(LL billion)	QI 2002 Jan-Mar	QII 2002 Apr-June	QIII 2002 July-Sept
Total expenditures	2,166	2,596	2,432
Budget expenditures	1,636	2,190	2,117
Expenditures excluding debt service	671	897	1,124
Debt service	964	1,294	993
Domestic debt	770	880	652
Foreign debt	194	414	341
Treasury expenditures	530	406	315
o/w Municipalities	9	202	104
Previous years' appropriations	351	7	2

Source: MOF, DGF

Table 6. Personnel cost *

(LL billion)	2001 Jan-Sept	2002 Jan-Sept	% change
Personnel cost, of which:	2,385	2,349	-1.5%
Wages, salaries, and related benefits**	1,681	1,648	-2.0%
Retirement and end-of service	704	701	-0.4%

* Contrary to previous months, Personnel Cost figures are extracted from the gross amount based on the liquidated payment orders of the budget execution.

** Include wages and salaries for the Council of the South, Lebanese University, Displaced Council, Council for Reconstruction and Development, and the Educational Center for Research and Development.

EDL: Transfers to "Électricité du Liban" (EDL) amounted to LL 185 billion during the first three

quarters of 2002, totally attributed to servicing EDL debt, with no transfers for expropriation payments recorded during that period.

Table 7. Transfers to EDL

(LL billion)	2001 Jan-Sept	2002 Jan-Sept	change
EDL	268	185	-83
Debt service	243	185	58
Fuel	-	-	-
Expropriations	25	-	-25

Source: MOF, DGF

Section 4: Evolution of public debt

As of end September 2002, **gross public debt** amounted to LL 46,180 billion, an increase of LL 3,866 billion over the stock of debt as of end-2001. As gross domestic debt decreased by 0.6 percent during the first three quarters of 2002, foreign debt recorded a 29 percent increase during that same period, cumulating at LL 18,133 billion, owing to the LL 3,881 billion increase in Eurobond issues as of the stock of Eurobonds outstanding by the end of year 2001.

Besides the three debt exchange transactions conducted with BDL in March, May and June of this

year explaining the rise in the stock of Eurobonds, a USD 750 million 10.5 percent Notes due 2006 was issued in August to cover for the maturing special USD Treasury Notes (at 5.63 percent) issued in August 1999 in lieu of payments to contractors and hospitals.

The change in the composition of the stock of debt in 2002 toward foreign debt (from 33 percent ratio of foreign debt to total debt in 2001 to 39 percent as of Sept 2002) is reflected in debt service payment expenditures as earlier mentioned in the report.

Table 8. Public Debt

(LL billion)	2001 Dec	2002 Sept	change	% change
Total debt	42,314	46,180	3,866	9.1%
Domestic debt	28,214	28,047	-167	-0.6%
Foreign debt	14,100	18,133	4,033	28.6%
a. Bilateral & multilateral	2,027	2,161	134	6.6%
b. Other foreign debt	12,073	15,972	3,899	32.3%
<i>of which Eurobonds</i>	11,477	15,358	3,881	33.8%
Net domestic debt	26,301	26,107	-194	-0.7%
Net total debt	40,401	44,240	3,839	9.5%

Source: MOF, DGF

Note: Net public (and domestic) debt represents gross total (and domestic) debt less public sector deposits with the Central Bank and commercial banks.

Eurobond figures exclude accrued interest.

Certain foreign debt figures differ from previously published data due to the update of the DMFAS system (debt management system).

Section 5: Evolution of external trade

Whereas exports for the first three trimesters of 2002 increased by 19 percent over the same period of last year, cumulating at USD 767 million, imports declined by 10 percent from Jan-Sept of last year reaching USD 4,753 million, and pulling the trade deficit down by 13 percent to a level of USD 3,986 million as of end Sept 2002. However, after a decline in QII of 2002, the volume of import picked-up slowly by 3 percent in QIII. Import figures across Jan-Sept 2002 reflect to a certain extent the market behavior in

response to VAT introduction, whereby companies over-stocked merchandise prior to implementation date. This translated into higher volumes of import for end of 2001 and QI 2002. The figures somehow receded afterwards (during QII). The depletion of the stocks might explain the burst of imports again in QIII. Export figures which increased by 27 percent in QII somehow maintained the pace throughout QIII (at USD 273 million). Therefore, after an improvement in QII (due to sluggish imports), the balance of trade deficit increased by 4 percent during July-Sept 2002.

Table 9.a External Trade (yoy comparison)

(USD million)	2001 Jan-Sept	2002 Jan-Sept	% change
Exports	647	767	18.5%
Imports	5,235	4,753	-9.6%
Trade balance	-4,588	-3,986	-13.1%

Source: MOF, Directorate General of Customs (DGC)

Table 9.b External Trade (quarterly comparison)

(USD million)	QI 2002 Jan-Mar	QII 2002 Apr-June	QIII 2002 July-Sept
Exports	218	276	273
Imports	1,586	1,557	1,610
Trade balance	-1,368	-1,284	-1,337

Source: MOF, Directorate General of Customs (DGC)

Sources of imports: Throughout QIII of 2002, Lebanon maintained its main trading partners at approximately equal shares of imports (as compared to last year), with the European Union totaling an approximate 43 percent share of total imports, Arab

Countries and the United States ranked second and third with 11 and 7 percent share of total imports respectively.

Destination of exports: As of September 2002 Lebanon's primary export destination remained to the Arab Countries with a 48 percent share of total exports as compared to only 43 percent for the first three quarters of 2001. Similarly, Switzerland increased its Lebanese imports compared to the same period in 2001, from 7 percent to 13 percent share of total Lebanese exports; whereas the European Union and the United States reduced their imports from Lebanon by around 5 and 2 percentage points respectively when compared to a year earlier.

On an individual country level, Lebanon maintained its main trading partners at approximately equal shares of imports/ exports throughout QIII of 2002; namely Italy, Germany, France and the US as main sources of imports with shares varying between 11 and 7 percent of total imports, and Switzerland, UAE and Saudi Arabia as major export destinations with share of total exports ranging between 13 and 9 percent.

Table 10. Regional Distribution of Imports and Exports

Imports				
(USD million)	2001		2002	
	Jan-Sept	% share	Jan-Sept	% share
Total	5,235	100%	4,753	100%
Arab Countries	710	13.6%	527	11.1%
European Union	2,187	41.8%	2,050	43.1%
United States	377	7.2%	338	7.1%
Switzerland	272	5.2%	213	4.5%
Other	1,689	32.2%	1,625	34.2%
Exports				
(USD million)	2001		2002	
	Jan-Sept	% share	Jan-Sept	% share
Total	647	100%	767	100%
Arab Countries	280	43.3%	366	47.7%
European Union	131	20.2%	115	15.0%
Switzerland	46	7.1%	98	12.8%
United States	48	7.4%	37	4.8%
Other	142	21.9%	151	19.7%

Source: MOF, DGC

Composition of imports: For the first three quarters of 2002, Mineral Products ranked first with a 15 percent share of total imports to Lebanon (cumulating at USD 703 million), a 2 percent share decline when compared to the same period in 2001. This was narrowly followed by imports of Machinery and Mechanical appliances (totaling USD 663 million), preserving last year's level at around 14 percent share of total imports.

Russia is Lebanon's main source of imported mineral products (21 percent), followed by Italy (13 percent). As for machineries and mechanical appliances, Lebanon's main sources of import are China and again Italy (with around 14 percent each).

Whereas import's share of Chemical Products increased by 2 percent from Jan-Sept 2001 (cumulating at USD 476 million for the first three quarters of 2002) pulling it up to the third rank, that

of Transport Equipment slightly decreased by 1 percent share to the fourth position.

France is Lebanon's main provider of chemical products (16 percent of total imports of chemical products), whereas Germany ranked first as Lebanon major source of transport equipments with 40 percent share of total imports in that product category.

Prepared foodstuffs ranked fifth maintaining their 7 percent share of total imports, compared to last year same period although with a reduced volume of imports compared to last year similar period (amounting to USD 344 million). Prepared foodstuff are mainly imported to Lebanon from the USA with a 23 percent share of imports in that product category.

Evidently, although the composition of imports did not change consistently from last year, the first three

quarters of 2002 witnessed a decline in imports for the three major imported product categories, namely Mineral products (by 21 percent), Machinery and

mechanical appliances (by 8 percent) and Transport equipments (by 21 percent).

Table 11 Imports Distribution by Product

(USD million)	2001		2002	
	Jan-Sept	% share	Jan-Sept	% share
Mineral products	885	16.9%	703	14.8%
Machinery and mechanical appliances	719	13.7%	663	14.0%
Products of the chemical	439	8.4%	476	10.0%
Transport equipment	524	10.0%	412	8.7%
Prepared foodstuffs	363	7.0%	344	7.2%
Other goods	2,305	44.0%	2,155	45.3%
Total	5,235	100%	4,753	100%

Source: MOF, DGC

Table 12. Exports Distribution by Product

(USD million)	2001		2002	
	Jan-Sept	% share	Jan-Sept	% share
Pearls, precious or semi-precious stones	105	16.2%	162	21.1%
Machinery and mechanical appliances	84	13.0%	88	11.5%
Products of the chemical	66	10.2%	79	10.3%
Prepared foodstuffs	75	11.6%	67	8.7%
Base metals and articles of base metals	49	7.6%	57	7.4%
Other exports	268	41.4%	314	41.0%
Total	647	100%	767	100%

Source: MOF, DGC

Composition of exports: Cumulative figures for the first three quarters of 2002 reveal an increase in exports of Pearls, precious or semi-precious stones by 54 percent as compared to Jan-Sept of 2001, increasing their share from 16 to 21 percent of total exports. This outcome is reflected in the increased Lebanese exports to Switzerland, being the main consumer of Lebanese pearls and stones (60 percent of total exports in that product category).

Cumulative figures for exports of Machinery and mechanical appliances slightly increased over Jan-Sept of 2001 to reach USD 88 million (maintaining an increasing trend throughout 2002), with a share of total exports declining from 13 to 11 percent from last year, although preserving their second rank as the most exported product categories. Iraq and Saudi Arabia are Lebanon's main export destination for machinery and mechanical appliances with 21 and 15 percent share of total exports in that product category, respectively.

Exports of Chemical products increased by 20 percent during the first three quarters of 2002 compared to last year same period cumulating at USD 79 million, maintaining a 10 percent share of total exports, with two main destination India (16 percent of that total) and Iraq (11 percent).

Prepared foodstuffs ranked fourth with a declining volume of exports by 11 percent when compared to 2001, dragging its share in total exports from 12 to 9 percent. Lebanon exports 15 percent of its prepared foodstuff to the USA, 11 percent to Saudi Arabia and the UK, and 10 percent to the Syrian Arab Republic.

Exports of Base metals and articles of base metals increased by 16 percent over Jan-Sept of 2001 to reach USD 57 million, maintaining a share of total exports at around 7 percent.

Turkey and the Republic of Korea are Lebanon's top two export destination for base metals and articles of base metals with 15 and 10 percent share of total exports in that product category, respectively.

Section 6: Developments on the VAT front

Table 13. VAT Revenue Collected*

LL billion	QI 2002 Feb- Mars	QII 2002 Apr- June	QIII 2002 July-Sept
VAT from internal operations	54	94	120
VAT from imported goods	114	204	211
Total VAT collected	168	298	331

Source: MOF, VAT Directorate and Directorate General of Customs (DGC)

*VAT figures in this table are based on quarterly VAT declarations and on customs declarations, whereas VAT numbers mentioned in Table 1 are based on cash payments.

For the first three quarters of 2002, VAT proceeds from imports amounted to LL 529 billion (based on custom's declaration), of which LL 114 billion from QI, LL 204 billion from QII, and LL 211 billion from QIII. The increase in VAT proceeds from customs in QIII reflects the effective rise in the volume of imports during that same period.

The main sources of VAT receipts at customs are mineral products (the bulk of which are petroleum products) with 25 percent share of total VAT collected at imports, machinery & mechanical appliances comes second with 16 percent share, transport equipments, prepared foodstuffs and textiles come next in line with 11, 10 and 8 percent shares respectively.

Table 14. VAT Revenue Collected At Customs (Five Largest Contributing Items)*

LL billion	2002 Jan-Sept	Share
VAT customs collection , of which	529	100%
Mineral products**	133	25.1%
Machinery and mechanical appliances	84	15.9%
Transports equipment	59	11.2%
Prepared foodstuffs	55	10.4%
Textiles	42	7.9%
Others	156	29.5%

Source: Directorate General of Customs (DGC)

*VAT numbers quotes in this table are based on customs declarations, whereas VAT numbers mentioned in Table 1 are based on cash payments.

** Mineral products (According to the Custom's Nomenclature this section contains several products such as soil, granite, marble, cement, chalk, coal, gazes and petroleum products. These lasts constitute the bulk of Lebanon's import in that product category).

VAT proceeds collected from internal operations totaled LL 268 billion for the first three quarters of 2002 (based on VAT declarations), allocated along the following: LL 54 billion, LL 94 billion, and LL 120 billion for QI, QII, and QIII respectively.

Throughout Jan- Sept 2002, we notice an ascending trend of VAT collected from internal operations. The increase in QIII reflects an improved domestic consumption due to high tourism during the summer season.

Table 15. VAT Registration Statistics

	2002 Feb 1	2002 October 1
Number of tax payers registered and accepted	7,211	8,241
<i>mandatory registrations</i>	6,371	6,745
<i>voluntary registrations</i>	840	1,496

Source: MOF, VAT Directorate

