

# Comments on Lebanon's sharply falling tax revenues in L'Orient Today, 5 Jan 2023

Dr. Nasser Saidi's comments on Lebanon's sharply falling tax revenues were published in L'Orient Today, as part of an article titled "[Rate of Lebanon's state revenues among lowest globally](#)", published on 5th January 2023.

Comments are highlighted below:

*The state's tax base is the country's shrinking economy. There is less income and profit available for taxation than previously in an economy that is less than half its pre-crisis GDP. The state is highly reliant on a VAT that brings in less money as consumption falls dramatically.*

*"A major reason for the decline in government revenue is that Lebanon's tax system does not adjust to inflation," former economy minister and central bank vice governor Nasser Saidi told L'Orient Today. By way of example, he cited customs.*

*Prior to Dec. 2022, customs duties – a major component of state revenue – were fixed at the LL1507.5 exchange rate, leading to a more than 95 percent reduction in the real value of state revenues since Oct. 2019 as the lira depreciated. In December, customs were converted to LL15,000 per dollar; roughly a third of the real lira value of the import at the current parallel market rate.*

*Saidi said that, as part of overall reforms, Lebanon needs to adjust its tax system to protect revenues from inflation. "For example, the so-called 'customs dollar' should be abolished*

*and tariff rates should apply to the foreign currency value of the goods and [be] paid in foreign currency," he said.*

*"All taxes will have to be adjusted for inflation so that [the] government has revenue to cover core spending," Saidi added.*

*The 2022 budget, published on Nov. 15, 10 and a half months into the year, converted a number of taxes and fees to foreign currencies, such as consular fees, port fees and airport fees, as well as some capital gains and interest income taxes.*

*Other factors that have driven the sharp decrease in revenue include increased tax evasion amid a growing cash economy and less effective tax administration, as well as less revenue from taxes on bank interest as deposits decline.*

*Saidi called the state's ability to collect taxes "sharply impaired" and said anecdotal evidence suggests tax evasion has "substantially increased."*