DOING BUSINESS

IN TUNISIA

The network for doing business

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1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 90 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Tunisia has been provided by the office of UHY representatives:

UHY CNBA
Tour Narcisse, Avenue du Japon
Montplaisir
Tunis
Tunisia

Phone + 216 71 951 058
Website www.uhy-cnba.com

You are welcome to contact Raoudha Trojet Ben Abdelkrim (r.trojet@uhy-cnba.com)for any inquiries you may have.

A detailed firm profile for UHY's representation in Tunisia can be found in section 8.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at April 2014.

We look forward to helping you do business in Tunisia.

2 – BUSINESS ENVIRONMENT

BACKGROUND

Tunisia is situated in North Africa, between Algeria and Libya.

It has a 1,300km coastline running along the Mediterranean and is ideally located along some of the world's major shipping routes.

Tunisia occupies a strategic geographical position that supports direct ties with the countries of the European Union (EU) and the countries of North Africa, the West and the Middle East. Tunis is less than a three hours' flight from most European capitals.

French and Arabic are widely spoken among the population of 10.8 million; English is also widely used in business.

POLITICAL SITUATION

Tunisia achieved independence from France in 1956 with the leadership of Habib Bourguiba, who later became the first Tunisian president.

In November 1987, doctors declared Bourguiba unfit to rule and, in a bloodless coup d'état, prime minister Zine El Abidine Ben Ali assumed the presidency.

The 2010–2011 Tunisian revolution saw a popular uprising against the government of long-time incumbent Zine El Abidine Ben Ali, leading to his exile in January 2011 after 23 years in power.

After a period of turmoil and political manoeuvring, elections to a Constituent Assembly were held on 23 October 2011, with both international and internal observers declaring them free and fair. The 'Ennahda Movement', formerly banned under the Ben Ali regime, won a plurality of 90 seats out of a total of 217.

On 12 December 2011, former dissident and veteran human rights activist Moncef Marzouki was elected as president of Tunisia by a ruling coalition dominated by the moderate Islamist Ennahda party, and sworn in on 13 December 2011.

Following the failure of the Ennahda party in the governance of the country and with the assassination of several politicians, the country was once again plunged into crisis. National dialogue and negotiations between the parties did not manage to find a favourable solution. On 29 January 2014, a new head of government, the technocratic and apolitical Mahdi Jomaâ was chosen to form a competent independent government and lead the country out of the current political crisis to free and independent elections.

ECONOMY

ECONOMIC PROGRESS

The government's control of economic affairs, while still significant, has gradually lessened over the past decade through moderately increased privatisation in some industries, simplification of the tax structure and a more prudent approach to debt.

Progressive social policies have also helped raise living conditions in Tunisia relative to the region; Tunisia is more prosperous than its neighbours.

The Tunisian workforce is well-educated as a result of free education based on the French system. The adult literacy rate is 78%.

Agriculture is the mainstay of the Tunisian economy – around half the working population is engaged in this sector, although agriculture accounts for only around 8% of gross domestic product (GDP). Industry accounts for 28.1% and services 63.9%.

Tourism, manufacturing, oil and mining are important contributors to the economy.

Tunisia has strong trade links with Europe; France is its main partner for both imports (23%) and exports (31%).

Before the revolution, Tunisia averaged annual growth of almost 5% of its economic activity and managed a relative mastery of the financial balances. After the revolution, the growth rate collapsed to -1.8% in 2011 and 2.8% in 2014. Economic recovery and the decrease of the unemployment rate (estimated at around 15.7% in 2013) are considered as the priorities for 2014.

Unemployment was 15.7% in 2013 (13.1% for men and 22.5% for women), amounting to 620,600 of the total labour population, estimated at 3,961,800. 72.1% of all unemployed are people who are 30 years and under. Unemployment of university graduates is increasing at a time when the state has announced a slowdown in job creation in 2014, a year that promises to be difficult.

Tunisia's exports will also face growing competition from the new EU accession countries and from rival exporters in Asia and the Middle East (such as Jordan and Egypt) as trade liberalisation accelerates. However, development of non-textile manufacturing, a recovery in agricultural production and strong growth in the services sector have somewhat mitigated the economic effect of a slowdown in exports.

GDP per capita in 2013 was USD 8,441 – one of the highest rates in Africa.

Inflation stood at 6% in 2013. With food and oil costs rise sharply and the Tunisian dinar weakening against the euro – the currency in which most of Tunisia's imports are denominated – rising inflation is expected to ease during 2014, a year that nevertheless promises to be difficult.

The recovery of Tunisian economic growth slowed in 2013 due to security problems and poor economic performance in the countries of the EU and Libya. GDP growth is expected to reach 2.5% in 2014 and 3.3% in 2015. The inflation rate, which had raised steadily since 2012 due to rising food prices and peaked at 6.5% in March 2013, has stabilised at 5.5% in February 2014 as a result of a tightening monetary policy by the central bank.

ECONOMIC REFORMS

The short-term economic and social emergency measures taken by the government include:

- Programmes of support to employment
- Increased financial support granted to programmes of social and regional development
- Programmes to help firms affected by social unrest
- A host of tax incentives to support businesses and the national economy.

The interim government has conducted an exhaustive review of all official support programmes, particularly with regards to the impact of investment for employment and the promotion of small-medium enterprises (SME), especially in the farming sector.

The short-term measures which have so far been initiated by the government have contributed to the socio-economic development of Tunisia, whilst also attempting to unite areas of the country and build progress on a national scale. This will be important for creating the right conditions for the next elections.

Incentives are available for investments in regional development areas and activities which are defined by official decree. These allow for tax breaks and additional financial support to certain areas of industry, traditional agricultural ventures and some service sector activities.

During 2012–2013, Tunisia was hoping for good economic growth (of around 5%) and the introduction of reform policies, both economic and social, to improve the socio-economic conditions throughout the country. However, security problems and poor economic performance in the EU countries and Libya meant this goal was not achieved.

In 2013–2016, Tunisia aims to reach growth rates of more than 7% and to enter into a process of convergence with the EU and other advanced economies. The economic and social programmes planned are built around set often strategic goals that can be summarised as follows:

1) To build confidence by transparency, social responsibility and the involvement of citizens
2) To ensure inclusive and balanced development
3) To transform the structure of the economy through science and the technology
4) To create internal dynamics favourable to productivity, creation and free initiative
5) To open the country up, playing a greater part in the world and in worldwide integration
6) To create and bolster the high level of skills and national expertise, to attract the best-skilled international experts and to reinforce employability
7) To dedicate the country to social justice and equality
8) To ensure an adequate and viable financing of development
9) To improve government services and civil responsibilities
10) To optimise the use of our resources and to preserve the natural environment.

Gradually, the state must disengage itself and be replaced by the private sector. However, the state must also play an essential role in bringing together all the factors which will achieve the goals drawn up in the state plan. Specifically, the state will need to continue to be a catalyst for creating economic development and the social fairness which guarantees individual liberties, justice and social cohesion. It will also be called on to create an economic and commercial climate favourable to free enterprise, while guaranteeing the steady and constructive working relations needed for development. Finally, the state commits itself to fostering constructive cooperation and cohesion between the different parts of Tunisian society.

Employment is a priority for Tunisia, especially with regards to young graduates in underprivileged regions. The unemployment situation is especially worrying with an unemployment rate of 15.7%, which ranges between 31–48% for young graduates.
The acceleration of investment in poor areas should have a positive impact and allow for the unemployment rate to fall.

The government hopes to reach 5% annual growth and reduce unemployment through measures such as:

- Boosting investment in manufacturing
- Promoting high-value knowledge-based industries
- Modernising agriculture and infrastructure
- Strengthening the financial sector
- Restructuring education
- Reducing bureaucracy to provide better services for the private sector.

3 – FOREIGN INVESTMENT

Since the 1970s, Tunisia has moved to liberalise its economy.

In setting up a structural programme, several reforms have been adopted which aim to introduce dynamic market mechanisms and encouragement private enterprise. Reforms focus on:

- The liberalisation of prices
- Reductions in the tax system
- Convertibility of the dinar (national currency)
- The disengagement of the state from competitive activities to allow for the private sector
- The introduction of reforms in the monetary and financial system.

The government plans to continue with its programme of structural reform, including fiscal consolidation and a reduction in public debt as a proportion of GDP. As a result, fiscal incentives to increase private-sector investment are being implemented and a liberalised investment code – the Investment Incentives Code – has been drawn up to encourage foreign investment. The code provides the law that governs both national and foreign investment. It enshrines the freedom to in invest in most sectors and reinforces the openness of the Tunisian economy to outside investors.

INCENTIVES

Many business incentives are offered in the form of tax exemptions, investment incentives and support for infrastructure costs and the management of employer contributions.

The Investment Incentives Code covers all businesses except for those in the mining, energy, local trade and finance sectors, which are governed by specific regulations.

Some businesses are eligible for incentives offered under the code simply through a process of self-declaration; others require prior authorisation.

COMMON INCENTIVES

These include:

- Tax relief on reinvested profits and income up to 35% of the income or profits subject to tax
- Customs duties exemption for capital goods that have no locally-made counterparts
- Suspension of VAT on the importation of goods (which are not manufactured locally) for building projects and other investment transactions
- The possibility to choose a reducing balance method of depreciation for production material and equipment where its useful life exceeds seven years.

SPECIFIC INCENTIVES

Benefits to companies that export all their goods:

- Taxation of profits from exports in 2014 at the reduced rate of 10%
- Exemption of profits of industrial undertakings established in 2014 for a period of five years for small companies that realise a turnover of less than USD 954,000
- Total exemption on profits and income reinvested

- Total exemption from duties and taxes for goods including transportation equipment goods, raw materials, semi-finished products and services required for the activity needed by the business
- The possibility of sale in the local market of about 30% of total industrial or agricultural business with payment of duties and taxes required.

TAX BENEFITS

The code provides for:

- Benefits for investments in incentive zones for regional development
- Total tax exemption on reinvested profits and income
- For personal income and profits from investments in the sectors of industry, tourism, crafts and some service activities, there are tax deductions as follows:
  - A total exemption for the first five years from the date of actual activity for firms in areas prescribed for regional development
  - A total exemption for the first ten years and a maximum of 50% of the income for the next ten years, for companies established in priority areas of regional development
- Support from the state for an employer's contributions to social security for wages paid to agents for Tunisian investments in the sectors of industry, tourism, crafts and some service activities as follows:
  - In total for the first five years for firms in areas prescribed for regional development (group 1)
  - In total for the first five years and partial support (80–20%)for a further period of five years for companies located in group 2 areas
  - In total for the first ten years for companies established in priority areas of regional development
- Unlimited exemptions are offered with regards to the fund for the promotion of housing for employees (FOPROLOS) and the Taxe de formation professionnelle (TFP) for investments in tourism and in the sectors of industry , craft and some service activities in group incentive zones 2 of regional development and priority regional development activities fixed by decree
- The possibility of state involvement in infrastructure spending for industry as follows:
  - 25% of expenses group 1 incentive zones for regional development
  - 75% of expenses for group 2 zones of regional development
  - 85% of expenses for priority regional development zones
    - This support does not cover infrastructure within the normal business activities and responsibilities of national agencies operating in these areas
    - The participation of state support in infrastructure work is given for investments in approved industrial areas or appointed in accordance with approve management plans.

ENCOURAGING REGIONAL DEVELOPMENT AREAS

The code also provides benefits for investments carried out in 'encouragement zones' and 'priority zones' for:

- Investments that promote agriculture
- Investments in environmental protection
- Investments that control and develop technology through a local integration effort
- Investments that support education, training, culture, health and transport.

FOREIGN INVESTMENT INFLOWS

Tunisia has benefited from foreign direct investments (FDI) amounting to TND 1,715 billion in 2011 and TND 2,587 billion in 2013, a decline of 20.2% from pre-revolution 2010. This decrease is due to a drop in privatisations and large projects.

Many companies have faced difficulties following the revolution, which caused instability in civil society. However, the government hopes to cut unemployment and lift living standards to Organisation for Economic Co-operation & Development (OECD) levels by increasing foreign and local investment, production and exports, while keeping inflation and the fiscal and current-account deficits under control.

Priorities include addressing financial sector weaknesses, which act as a drag on growth, fiscal consolidation, paying down external debt, upgrading industrial infrastructure and enhancing labour market flexibility.

Oil exploration plans are also expected to stimulate FDI. For example, Malta and Tunisia are discussing the commercial exploitation of the continental shelf between the two countries.

INVESTORS

As the country stabilises, Tunisia is of interests to investors from new countries such as the USA and countries in Scandinavia, northern Europe and the Gulf. Recently, Tunisia has attracted unprecedented levels of interest from Gulf monarchies. Their investments in services, tourism and banking have more than doubled in recent years. Arab capital currently accounts for more than 20% of all foreign investment.

Qatari investors are particularly keen and in investments across the board, from industry, infrastructure and tourism, to social housing. For example, the Sidi Hassine Sijoumi project is seeing the construction of more than 700 social housing units in Omar Mokhtar funded by the emirate. This project will cost an estimated TND 40 million. This investment is extremely important to the National Building Society Tunisia (SNI), which is otherwise mired in structural deficits and entrenched housing problems. Negotiations are also ongoing with Qatar to finalise the construction of a large high-tech refinery in the Gulf of Gabes by Qatar Petroleum Company, which had won an international tender before the revolution.

Foreign investment may also be encouraged by eliminating the need for prior authorisation for the acquisition of small and medium-sized companies and for the purchase and rent of land and premises in industrial and tourist areas.

At the end of March 2014, a total of 2,636 foreign companies with around 329,000 people were active in Tunisia according to the Agency of Outward investment (FIPA).

The number of Tunisian companies with foreign participation was 1,844, with 1,146 being 100% foreign-owned. 1,550 companies are exporters.

France remains the largest investor in Tunisia with 726 companies, with Italy in second place with 539 companies, Germany with 151 and Belgium 126. The number of Arabian companies established in Tunisia has risen to 218, with Asian companies numbering 23.

Among the 2,636 foreign companies established in Tunisia, only 402 are active in the interior regions.

Foreign investors benefit from the free transfer of profits and capital.

4 – SETTING UP A BUSINESS

Several factors combine to make Tunisia a particularly attractive for investment projects and partnerships.

Factors include:

- The proximity of the EU and other surrounding markets (the Maghreb and Middle East, where in comparison to competing neighbouring economies, Tunisia's location results in lower transportation costs and faster delivery to market
- A new political and social stability – the signing of a national agreement by all social and political groups and the structures of dialogue have allowed for a social climate favourable to development
- Tunisia enjoys an excellent reputation in international financial markets
  - The country is a signatory to several treaties guaranteeing investments and non-double taxation, as well as to conventions on international arbitration and the protection of intellectual property. In terms of financial risk, the country is among those of the first rank in Africa and among the best in emerging economies
- A favourable tax legislation foreign investments
  - The Tunisian Code of incentives, established in 1994, is the law governing foreign and domestic investment and allows the freedom to invest in most sectors, strengthening the open nature of the Tunisian economy to outsiders
    - The Investment Incentives Code covers all sectors except mining, energy, trade and the domestic financial sector, which are governed by industry-specific regulations
- A developed transportation system
  - Tunisia benefits from eight commercial ports equipped to accommodate a variety of different methods of transportation
  - The ports of Marseille, Gêne and Barcelona are all relatively close to Tunis
  - Airport infrastructure is composed of seven international airports apportioned across the whole territory and frequented by the main airlines of Europe, the Middle East and Africa
  - The road network, of more than 32,000 kilometres, allows easy access to all regions of the country
- An effective telecommunication network, in which enormous investments have been made to develop a modern telecommunication system covering all regions of the country
- The availability of credit
  - Tunisia has negotiated credit lines with friendly neighbours (French, Spanish and Italian credit lines) to encourage the development of projects, partnerships and commercial exchanges.

For industrial activities and services, investment projects are subject to a declaration filed with the Agency for the Promotion of Industry and Innovation (API). Other activities are subject to the authorisation of the ministry responsible for the sector.

Tunisia has the following support agencies for the development of investments:

- Agency of Promotion of the Agricultural Investments (APIA)
- Agency of Promotion of the industry (API)
- Agency of Outward investment Promotion (FIPA)

- Centre of Promotion of the Exports (CEPEX)
- Specialised technical centres technical centre for cereals, technical centre for potatoes, technical centre for bio-agriculture, technical centre for agro-foods, technical centre for aquaculture
- Unique areas for the creation of enterprises in Tunis, Sousse and Sfax.

REGULATORY REFORMS

Government regulatory reforms – easing the process for investors and entrepreneurs to set up a company in the country – have boosted Tunisia's ranking in the 'ease of doing business' tables published by the World Bank and International Finance Corporation (IFC).

With a significantly improved ranking, Tunisia is reported to be 'a top regional performer' in the Middle East and Africa due to its regulatory reforms.

Through a new Law on Economic Initiative, recent reforms have included the abolishing of a 'paid-in minimum capital requirement' for limited liability companies.

The Central Bank of Tunisia now collects and distributes more detailed credit information from banks, both positive information (such as loan amounts) and negative information (such as arrears and defaults). Individuals and firms can check their credit data in all Central Bank offices.

The Ministry of Finance has introduced a new online option for paying taxes ('*télé-déclaration')*. Firms can file their tax returns online and determine the exact amount of their payment before paying taxes at the tax office.

SET-UP PROCEDURES

Procedures to start a company can be undertaken at a 'one-stop-shop', the Agency for the Promotion of Industry and Innovation (API).

The set-up process is:

- Deposit capital in a bank opened in the name of the company to be incorporated
- Register the articles of association with tax administration at the API and obtain a certificate attesting that a declaration has been filed
- File a declaration of existence with the Tax Control Desk at the API and obtain a '*carte d'identification fiscale*'. The documents required to make the declaration are:
  - Printed signature form
  - Registered copy of the articles of association
  - Copy of the minutes of the nomination of the managers (if not designated by the articles)
  - Copy of the managers' national identity cards (copy of passports for foreigners)
  - Copy of the rent agreement or the certificate of ownership of the premises where the head office is located
  - Any administrative authorisation that would be required to start the business
- Deposit documents at the *Greffe of Tribunal*. The following documents are required:
  - Printed forms (provided by the *Greffe of Tribunal* office) for the depositors to complete and sign
  - Declaration of honour signed by the managers
  - Registered statutes

- Minutes that nominate the managers (if not designated by the articles of association)
- Arabic translation of the main clauses of the articles
- Declaration of the beginning of the business with the tax administration and tax identification card
- Document providing the headquarters address
- National identity card (or passport for foreigners) of the company manager(s)
- Fiscal stamp
- A proxy, if the formalities are undertaken by a party other than the manager

- Advertise in the Official Gazette (JORT) with the Government Printing Office and in two dailies, one preferably in Arabic
- Register with the registrar (*Registre of Commerce at the Greffe of Tribunal*)
- Register for social security
- Get inspected by the National Social Security Fund (CNSS)
- File a declaration with the labour inspectorate.

Company founders must file with the labour inspectorate a declaration that specifies various requirements including the number of permanent seasonal positions at the time of the declaration, and the name, age, nationality and professional skills of employees.

COMPANY TYPES

LIMITED LIABILITY COMPANY (*SOCIÉTÉ À RESPONSABILITÉ LIMITÉE* – SARL).

A standard start-up company in Tunisia often takes the legal form of a limited liability company (LLC) or SARL.

A SARL has two or more shareholders whose liability is limited to their contributions. When a LLC/SARL is made up of only one shareholder, it is known as a sole-proprietor owned company.

The minimum start-up capital for a LLC is TND 1,000 (USD 667), which should be fully paid up at the time of the company's constitution. The minimum nominal value for one share is TND 5 (USD 3.34).

Other legal forms for a start-up company are listed below.

PARTNERSHIP LIMITED BY SHARES (*SOCIÉTÉ EN COMMANDITE PAR ACTIONS)*

Such a company has two types of associates:

- Active partners, who are traders and jointly and severally liable for the debts of the company
- Silent partners who are shareholders and whose liability is limited to their capital contributions.

The number of silent partners cannot be fewer than three. The minimum start-up capital for a partnership by shares company is TND 5,000 (USD 3,334).

PARTNERSHIP – GENERAL PARTNERSHIP (*SOCIÉTÉ EN NOM COLLECTIF)*

General partnerships are made up of two or more partners who are jointly and severally liable for the debts of the company. The partners, belonging to the company at the time when the commitment was entered into, are jointly liable for their separate assets.

PARTNERSHIP – LIMITED PARTNERSHIP (*SOCIÉTÉ EN COMMANDITE SIMPLE*)

Limited partnerships have at least two active partners who are jointly and severally liable for the debts of the partnership and at least two silent partners whose liability is limited to their capital contributions.

JOINT VENTURES (*SOCIÉTÉ EN PARTICIPATION*)

Under a joint venture, companies form a contract by which the contracting parties freely agree among themselves to determine their reciprocal rights and duties and how to allocate profits and losses from the project, including the allocable shares of profits and losses in their taxable income.

No specific legal status exists for a joint venture in Tunisia. Generally, joint ventures operate as partnerships in the form of a company.

BRANCHES (*SUCCURSALE*)

The incorporation of a branch is relatively simple. The time limit and registration procedures are identical to those relating to a limited liability company. The directors of a branch act on behalf of the parent company and should therefore have the delegation of power.

5 – LABOUR

The government is aiming to achieve higher economic growth levels to create sufficient employment opportunities for a large number of unemployed people as well as a growing population of university graduates.

In recent years, economic commentators (such as from within the OECD), have expressed concern about a skills shortage among the labour force of 3.9 million (2011) in Tunisia.

Tunisians in employment are predominantly skilled in sectors other than those sectors from which most growth is expected. (Figures from 1995 showed that 55% of the labour force were skilled in agriculture, while only 23% had industrial skills and 22% service skills.)However, gradual increases in educational opportunities are forecast to redress the balance in part at least.

EMPLOYMENT

Statutory terms of employment specify:

- The maximum number of working days per week is six
- The duration of fixed-term contracts (including renewals) is four years
- Minimum paid annual vacation for an employee with 20 years' service is 18 working days
- A third party must be notified before terminating the employment of even one redundant worker
- The notice period for redundancy dismissal after 20 years' of employment is just over four weeks
- Severance pay for redundancy dismissal after 20 years' of employment is 13 weeks' salary.

Statutory social security contributions, paid jointly between an employer and employee, total 16% of a gross salary. Work accident insurance contributions are 3.8% of gross salary.

6 – TAXATION

MAIN TAXES

INCOME TAX

Income tax is levied at 15% of annual income of TND 1,500 (USD 1,000) or more, rising on a scale to a maximum rate of 35% on earnings above TND 50,000 (USD 35,750).

Foreign staff working for an export company or an offshore company pay a flat income tax rate of 20%.

CORPORATION TAX

Since 2007, the government has widened the scope of taxation on company revenues, while at the same time reducing the corporate tax rate from 35% to 30%, and to 20% for companies listed on the Tunisian stock exchange.

Corporation tax is 10% for agriculture and fishing companies.

TAX INCENTIVES

Investments made by companies established in free zones are allowed a tax deduction against income or profits invested in the initial corporate capital subscription.

Companies established in free zones are subject to the taxes, duties, rights and fees listed below.

COMMON INCENTIVES

- Reduction in the rate tax on profits from 35% to 25% in 2014.
- Exemption from customs duties on goods that have not manufactured locally
- A limitation of 10% of the VAT on the importation of goods
- The ability to choose the regime of accelerated depreciation for equipment and production equipment whose useful life exceeds seven years.

SPECIFIC INCENTIVES

Benefits to companies that export are:

- Total exemption from tax on profits from exports during the first ten years, and exemption of 50% from the 11th year for an unlimited period
- Total exemption of profits and income reinvested
- Total exemption from duties and taxes for goods including transportation equipment goods, raw materials, semi-products and services necessary to the activity
- The possibility of sale on the local market of 20% of production.

PROMOTION OF AGRICULTURE

Benefits are:

- Total exemption from tax on reinvested profits and income
- Total exemption from tax for the first ten years of operation
- Suspension of VAT on imported capital goods which have not been manufactured locally
- The possibility of state participation in expenditure for infrastructure development areas for aquaculture and crops using geothermal energy.

- A premium about 7% of the value of the investment
- 8% an additional premium of the value of the investment may be granted for agricultural investment in areas with harsh climate: Gabes, Gafsa, Medenine Kebili, Tataouine and Tozeur
- 25% an additional premium of 25% of the value of the investment may be granted for fishing projects in the coastal ports north of Bizerte to Tabarka.

ENVIRONMENTAL PROTECTION

For investments by companies for projects of environmental protection and waste treatment, the Code provides for the following advantages:

- Abatement of 50% of revenues or profits reinvested
- Tax rate reduced to 10% of revenues and profits
- Bonus 20% of the value of investments
- Suspension of VAT for most of the goods.

PROMOTION OF TECHNOLOGY AND RESEARCH AND DEVELOPMENT

The Code encourages investment involved in the control and technology development through local integration schemes:

- Full support by the state for a period of five years, with social security contributions for the recruitment of new degree students from Tunisian higher education
- Support by the state of 50% of the payroll for five years and the use of a second or third shift for companies not operating in a continuous manner.

INVESTMENT SUPPORT

Areas of education, training, cultural production, health and transport benefit from:

- A deduction of profits reinvested to 50% of net profits subject to corporate income tax,
- The tax rate reduced to about 10% of revenues and earnings
- The suspension of VAT on imported goods that do not have an equivalent manufactured locally.

MAIN REGIONAL AID TO TUNISIA

The Investment Incentives Code provides benefits for investments in the areas of incentives and priority areas:

- Total exemption from income tax for a period of ten years and 50% reduction in the tax base for a further period of ten years
- Total exemption from tax on reinvested profits and income
- Support by the state for the employer's contribution to statutory social security, or 15.5% of the wage during the first five years
- The possibility of participation of the state in infrastructure spending.

Areas of encouragement investment are set at a premium of 15% of the value of the investment, working capital excluded and limited to TND 450,000.

Priority areas are set at an investment premium of 25% of the value of the investment, excluding working capital at TND 750,000.

BUSINESS TAXATION

INCOME TAX

Subject to international conventions and specific agreements, income tax is payable by any person resident in Tunisia under all income earned during the year.

Those considered as residents are:

- People who have their habitual residence in Tunisia
- People who live in Tunisia for at least 183 days (continuously or not) per calendar year, if they do not have a principal residence in the country.

Taxable income includes:

- Income from immovable property
- Revenues from capital and securities
- Salaries and annuities
- Revenues from paid activity
- Revenues from operating in Tunisia.

CORPORATE TAX

The standard rate is 35%.

However, a 10% rate applies to certain types of businesses engaged in craft, agricultural, fishing or fishing boat equipment, as well as cooperatives or consumer services.

Resident companies are exempt from export tax during the first ten years of their activity.

The minimum tax required is based on the net taxable income of a company, subject to a statutory minimum of 0.5% of turnover, with a ceiling of TND 2,000.

TAX INCENTIVES

Total exemption from income tax for the first ten years can apply to:

- Revenues from exports
- Agricultural activities
- Activities implemented in specified areas for regional development.

There is a 50% reduction in the tax base for:

- Export earnings from the 11th year of activity and for an unlimited duration.

There is a total exemption (except the minimum required tax) for the tax on profits under Section 49 of the Investment Code, for activities in the following sectors:

- Education, teaching and training
- Protection of the environment.

REBATES

Allowances are granted in respect of profits and reinvested earnings ranging from 35% (rule) to 100%, subject to a minimum tax of 15% of general benefit to the company and 45% of the tax income for individuals.

DIVIDENDS

Dividends received by corporations are not taxable in Tunisia. They are freely transferable to the extent that they arise from activities under the Investment Incentives Code.

OTHER TAXES

VALUE ADDED TAX

The value added tax applies to all industrial production, crafts and services. It does not apply to agriculture.

There are four VAT rates:

- Socially important products, as well as medical and educational products are taxed at 6%
- Capital goods having no equivalent locally produced and some service industries such as tourism, transportation, training services and internet subscriptions are taxed at 10%
- Capital goods from locally manufactured raw materials and semi-products, and non-food consumer goods are taxed at 18%
- Luxury products are taxed at 29%.

PROFESSIONAL TAX

This tax applies to the products of mechanical and chemical industries.

It is overseen by the Fund for Industrial Competitiveness (FODEC).

The rate is 1% on turnover excluding VAT productive enterprises.

MUNICIPAL TAX

Companies are subject to local taxation. This fee applies for a whole range of companies from institutions to industrial and commercial firms. The rate is 0.20% of sales.

7 – ACCOUNTING & REPORTING

The Financial Market Council is responsible for monitoring the observance of reporting obligations for all companies listed on the stock exchange, all insurance companies, all banks and companies with more than 100 shareholders, etc.

Its role is to confirm that the information provided or reported conforms to legal and statutory requirements. Economic observers have suggested that the volume of work it monitors is too large for the resources it has at its disposal.

The World Bank, among other global financial organisations, has acknowledged an increased transparency in Tunisia's account reporting over recent years. Tunisia scores relatively well compared with other countries in the Middle East and North Africa. However, compared with international reporting standards, economic observers consider that further regulatory reforms are still needed.

In a report by the Financial Standards Foundation – a standards compliance index measuring 81 countries globally against key financial systems standards – Tunisia achieves a low overall compliance rating when set against international standards and codes, with a score of 30.83 out of 100 in its standards compliance index. The foundation also acknowledges, however, that Tunisia continues to improve the quality and dissemination of its statistical data and increase the transparency of its monetary policy.

Tunisia has two professional accountancy bodies authorised to conduct statutory audits. Originally, the Institute of Chartered Accountants (*Ordre des Experts Comptables de Tunisie*, or OECT) had the exclusive right to conduct audits, but this right was later extended to another professional body, the Society of Accountants.

The OECT adopted International Standards on Auditing (ISAs) in 1999, which came into effect for reporting periods beginning in 2000. Before the adoption of ISAs, the OECT issued auditing standards which, according to the World Bank, were "seriously deficient". This judgement prompted Tunisia to switch to international standards.

The Society of Accountants has never adopted ISAs, raising concerns about the quality of some audits according to the World Bank.

The World Bank has recommended all statutory audits should be conducted in accordance with ISAs. It has also pointed out discrepancies in the legal and regulatory framework, stressed the necessity to resolve these discrepancies, and recommended upgrading academic and professional education and training in accounting and reporting standards.

Meanwhile, state-owned banks are gradually being sold off and measures to improve the quality of service are being implemented. The banks are also set to take a more active role in providing finance to the private sector. Currency reform is being accelerated and emphasis placed on the Tunisian dinar being fully convertible.

The statutes of the Central Bank of Tunisia have also been reformed and its role modified.

Indicators relating to bad debt have improved, with the reported level of 'bad' loans (deemed to be unproductive or a risk) held by public sector banks falling. The government is looking to improve public sector bank management further through privatisation and mergers, by restructuring non-productive loans particularly in the tourism sector and reducing risky loans to 10%.

8 – UHY REPRESENTATION IN TUNISIA

UHY CNBA TUNISIA

CONTACT DETAILS

UHY CNBA
Tour Narcisse, Avenue du Japon
Montplaisir
Tunis
Tunisia
Tel: +216 71 951 058
Fax: +216 71 901 864
www.uhy-cnba.com

CONTACTS

Liaison contact:	Islem Ridane
Position:	Managing Partner
Email:	i.ridane@uhy-cnba.com
Liaison contact:	Bechir Ouiba
Email:	b.ouiba@uhy-cnba.com

Year established:	1983
Number of partners:	4
Total staff:	20

ABOUT US

CNBA provides multi-disciplinary services covering key sectors such as hospitality, service, transport, manufacturing and agriculture. Our approach is innovative and proactive.

BRIEF DESCRIPTION OF FIRM

UHY CNBA is a cross-disciplinary service firm managed by experts and multidisciplinary consultants capable of providing a wide variety of client engagement services and tasks, such as management consulting, tax and legal assistance, accounting, auditing, and many more.

Highly-qualified auditors and consultants are brought together to foster a team spirit which is the basis of our strength. We are led by professional and trust relationships and our expert knowledge leads to an assured and efficient solution to client needs.

SERVICE AREAS

Audit
Tax and legal
Advisory
Bookkeeping

SPECIALIST SERVICE AREAS

Japanese business advisory services.

PRINCIPAL OPERATING SECTORS

Hospitality
Transportation
Manufacturing
General Services
Agriculture

LANGUAGES

Arabic, French, English, Japanese

The network for doing business

UHY CNBA
TUNISIA

CURRENT PRINCIPAL CLIENTS

RIU Palace Marhaba Hotel
SDV Tunisia
GEODIS Tunisia
SMTT
SITPEC
Star Tourisme (Vincci Eden Star Hotel)
ZENITH Hotel
Nesrine Hotel
BAMI
PROSAMI

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

Our firm's recent admittance to UHY membership has not yet provided an opportunity for international work.

BRIEF HISTORY OF FIRM

Established in 1983, the firm was founded by the late Nouri Ben Abdelkrim, a member of the Tunisian Board of Chartered Accountants.

The firm's prior history includes experience with several international accountancy networks and steady growth over the years has led to an acknowledged and respected reputation within the professional community in Tunisia.

The firm joined UHY in 2012, re-branding to UHY CNBA in the process.

The network for doing business

LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

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