UHY

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 over 95 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:

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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 June 2021.

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 11.6 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.
he Tunisian presidential election of 2014 is the first presidential election by universal, free and democratic suffrage of the country. This is the eleventh presidential election in Tunisia, the tenth in direct universal suffrage and the first since the 2011 revolution.

Following the parliamentary elections that saw the Nidaa Tounes Party top the list and their leader Béji Caïd Essebsi was elected president of the Tunisian Republic on 21 December 2014 for a 5 years term.

Béji Caïd Essebsi - leader of Nidaa Tounes, was a former minister under Habib Bourguiba and president of the Chamber of Deputies under Zine el-Abidine Ben Ali.

After serious discomfort on June 27, 2019, President Béji Caïd Essebsi died on July 25 in Tunis. In accordance with the Constitution, the president of the Assembly of People's Representatives, Mer Mohamed Ennaceur is invested as interim head of state until the election of Mr. Kaïs Saïed as President of the Tunisian Republic since October 23. 2019

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.

Before the revolution, Tunisia had an average annual growth of economic activity of about 5% and controlled the financial balance relatively well. After the revolution, growth rates collapsed, the Tunisian economy slowed down sharply and weakened since the political, economic, social and security upheavals that affected the country.
This situation was worsened by the Coronavirus -19 pandemic which affected all countries and had negative repercussions on the world economy and particularly the Tunisian economy which is very open to the rest of the world and therefore vulnerable. to exogenous shocks since it depends largely on its European partners with whom it carries out 65% of its imports and 70% of its exports.
The Covid-19 pandemic has resulted in a further deterioration of the global economic outlook, a persistent disruption of trade, a longer-than-expected restriction on travel and activity around the world and in Tunisia. Such an aggravation would be detrimental to economic activity in Tunisia and in particular to tourism and exports, resulting in a further slowdown in growth and job creation and reduction in public revenues as well as a potential increase. prices of imported goods leading to higher inflation.
Weak economic growth (from minus 1% in 2019 and from minus 6 to minus 7% in 2021), a worsening of the trade deficit (reaching 76% of GDP) a decline in investment due to a context of political sluggishness and tight monetary policy and sharp increases in public spending, including wages, coupled with delays in implementing key reforms, exacerbated by the spread of the Coronavirus-19 pandemic, have maintained budget deficits and high currents. The unemployment rate remains high (17.4% in 2020 and 17.8% in the 1st quarter of 2021).
Tunisia is not the only country to suffer from a rise in the unemployment rate due to the coronavirus-19. The repercussions of the pandemic are significant in countries which do not give entitlement to unemployment.
While the national strategy advocates the enhancement of human capital and the strengthening of governance of the labor market, all the bills of successive governments that have taken turns have failed to reduce unemployment in Tunisia.
Over the years, the socio-economic situation has not improved. The pandemic comes at a time of great fragility in the history of the Tunisian economy, due to the instability that has persisted since the revolution.

Tunisia is progressing well in its political transition program, but concrete economic results are taking longer than expected: weak growth, persistent macroeconomic imbalances in public finance management and delays in the practical implementation of strategic reforms (fiscal reforms, civil service), labor market, public enterprise reforms, etc.) have failed to meet the main challenge Tunisia has been facing since 2011: unemployment. Growth is too weak to really weigh on unemployment in a context of growing budget deficit and current account deficit, worsened by the spread of the coronavirus which has blocked all growth sectors except the agriculture sector and the fishing and non-market services.

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 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.

The 2020-2024 strategic development plan forecasts a growth rate of 5% over the next five year.

The realization of this rate will also depend on the improvement of the business environment, the progress in the implementation of tax reforms, the modernization of the administration and the regression of the unemployment rate.

To succeed in the 5% challenge, Tunisia faces a number of challenges:

1 — the liberation of the Tunisian economy and the improvement of the business climate. This component provides for the improvement of the business climate and the simplification of trade and the inclusion of the informal economy.

2- As part of the tax reform, the program provides for the creation of an agency in charge of modernizing and digitizing the tax administration and tax collection.

3- the reform of the subsidy policy with the revision of the compensation system by orienting the budgets allocated to product subsidies directly to needy families.

4- The improvement and digitization of public services.

5- Better management of public enterprises through the transfer of the state of these minority holdings: restructure public enterprises and reduce prior authorizations for investments.

6- The development of investments and economic recovery.

The main tax measures of the 2021 finance law

The TOP 10 tax measures provided for by the new 2021 finance law are as follows:
1. Unification of corporate income tax rates of 13.5%, 20% and 25% to a rate of 15%.

2. Reduction of withholding tax rates and harmonization of certain tax provisions:
 * from 25 to 15% for the sale and retrocession of units or shares
 * from 15% to 10%, for fees, commissions, brokerage, rents and remuneration for non-commercial activities.

3. Increase of the threshold from 20 MTD to 200 MTD for legal obligations relating to transfer pricing.

4. Raising of the deduction limit for savings, life insurance and capitalization contracts, to 100 KDT.

5. Abolition of the 35% withholding tax on income from term deposits.

6.Encouragement of natural persons to acquire housing for residential use during the years 2021 and 2022.

7.Exemption from the payment of the next 4 installments and postponement of the payment of the IS 2020 declaration for companies affected by the COVID19 crisis as well as tourism and craft businesses.

8. Suspension of VAT for donations for the benefit of the State and associations of family support and the disabled.

9.Subordination of the payment of road taxes (vignettes) to the regularization of the fiscal situation.

10.Reduction of response times from the tax administration, to objections on audit results, from 6 months to 90 days.

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 15% 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 at the rate of 15%
- 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:
  - 65% of expenditure on infrastructure works in the sector of the industry of group 1, zones of incentive to regional development with a ceiling of 1 million dinars
  - 85% of expenditure on infrastructure works in the industrial sector, up to a limit of 10% of the cost of the project with a ceiling of 1 million dinars for regional development zones of group 2
    - 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

Foreign investment flows in Tunisia reached 620.8 million dinars (MDT) at the end of the 1st quarter of 2019, whereas they were 565.5 MTD at the same period in 2018, an increase of 9.77 %.
Foreign direct investment reached 616.3 million dinars and portfolio holdings 4.5 MTD.
Those of energy, in terms of foreign investment have also increased to the same comparison period from 252 MD to 286.1 MDT.
Surprisingly, the services fell from 116.2 MTD in 2018 to 59 MTD in 2019, or -49%.
In addition, foreign agricultural investment was almost zero (0.6 MTD) in the first months of 2019.

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.

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.

Foreign direct investment in Tunisia accounts for 10% of productive investment and generates one-third of exports and more than 15% of total employment.
After their downturn as a result of the global recession, the socio-political revolution that erupted in the country and the Eurozone crisis, FDI has rebounded strongly. However, they fell in 2013 and 2014 due to the deteriorated security environment and lack of medium-term economic visibility. Tunisia lost several places between 2016 and 2019 in the World Bank's Doing Business climate ranking (80th out of 199). However, according to the Tunisian agency for the promotion of foreign investment, FDI flows increased by 20.3% in 2015 compared to 2014. These FDIs have been reinforced towards the industrial sector for the first time since the revolution. On its own, the capital region, Tunis attracts more than half of FDI.

The main investment sectors are energy, textiles, data processing, business services and tourism
France remains the largest investor in Tunisia and accounts for 28% of total foreign investment, the United Arab Emirates: 14%; Qatar: 9%, l'Italie: 7%, l'Allemagne: 7%, Malte: 7%, Arabie saoudite: 5%, Espagne: 4% , Pays Bas: 2% and Libye : 1%

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:

- Denomination reservation
- 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 *RNE* The following documents are required:
  - Printed forms (provided by the *RNE*) 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 RNE*)
- 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 360) , 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 1.79).

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 1,785).

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 4.1 million (1er Tri 2021) 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 16,57% and employee 9,18%.

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 pays 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 to 15% in 2021.
- 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 15%.

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.

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.

Under the 2014 Finance Law, profits or income distributed from January 1, 2015 are subject to a withholding tax at the rate of:
• 5% when distributed to:
• Individuals resident in Tunisia;
• Non-resident individuals;
• Non-resident legal entities.
• 25% when distributed to residents of tax havens
Contribution of the 2015 Finance Law
Since profits earned by Tunisian permanent establishments of non-resident companies are considered distributed as soon as they are realized, the permanent establishments in question are required to report these distributed profits and to pay tax thereon at the rate of 5%, or possibly at the rate of 25% for permanent establishments belonging to companies resident in tax havens.
Contribution of the 2018 Finance Bill.
Increasing the tax rate from 5% to 10%
In the context of greater harmonization between the taxation of labor income and that of capital income, the 2018 Finance Bill proposes raising the tax rate on dividends from 5% currently to 10% on:
• The profits distributed as of January 1, 2018;
• The profits made in 2017 and subsequent years by Tunisian permanent establishments of non-resident companies.
Exemption from tax on dividends distributed in 2018 and 2019 by fully exporting companies
On the other hand, in order to encourage investors to maintain their participation in the capital of fully exporting companies and ensure their sustainability, given the economic difficulties faced by the country, Article 47 of the 2018 draft budget law proposes to Exempt the profits distributed, during the years 2018 and 2019, by fully exporting companies within the meaning of the legislation in force.
The proposed exemption includes distributions to resident and non-resident individuals and non-resident corporations (resident corporations are exempt), notwithstanding the existence of an agreement to avoid double taxation of the taxpayer.

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 7%
- Capital goods having no equivalent locally produced and some service industries such as tourism, transportation, training services and internet subscriptions are taxed at 13%
- Capital goods from locally manufactured raw materials and semi-products, and non-food consumer goods are taxed at 19%
- 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

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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

LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

To find out how UHY can assist your business, contact any of our member firms. You can visit us online atwww.uhy.com to find contact details for all of our offices, or email us atinfo@uhy.com for further information.