Accountants &
business advisers

Doing business in Tunisia


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Foreword

This booklet has been drawn up with the aim to provide foreign investors with a general understanding of doing business in Tunisia. The contents of this booklet are not intended to be exhaustive and is designed to provide information on major issues that foreign investors should consider when investing in Tunisia.
The Tunisian laws are in constant state of change, both in legislation and taxation and, therefore, clients are advised to seek specific professional advice from any member firm of PKF International before entering into any activities involving Tunisia.

The main services we provide include:

- Audit and assurance advisory
- Corporate Finance
- Tax and Business Advisory
- Company Secretarial and Corporate Services
- Management Consultancy
- Legal and Labour Consultancy
- Bookkeeping

We have more partners and staff operating in the main Tunisian cities and wherever you do business, we can offer local expertise who can assist youadequately.
We are a member firm of PKF International Limited, a worldwide association of 300 legally independent firms in 440 locations in 125 countries.
Your next step should be talking to PKF. We have long experience of giving businesses a helping hand. As one of the leading firms of accountants and business advisers in Tunisia, with offices in all the major business centres, we provide a comprehensive range of services to inward investors based on a broad range of
business-sector expertise.
Tunisia can be a strange place for those not familiar with the way business is conducted and regulated. However, with PKF's assistance, it provides an excellent opportunity both as a market in its own right and as a staging post for those wishing to expand.

Our services for inward investors

Establishing a presence in Tunisia, from a straightforward place of business or branch to the more complex joint-venture company or partnership, is a significant step for any business. You will want to focus on building a profitable business and maximising the return on your investment but will also have to deal with the many regulatory and administrative issues triggere0d by entering the Tunisian market.

Our main services are :

Audit and Assurance advisory

All audits should provide assurance to users of accounts. Our partners and staff have amassed a wide range of knowledge, skill and experience working with large and small clients across a very broad range of industries and sectors. They can bring these to bear on your business to ensure that you get maximum value out of an audit, an advisory assignment or even a simple accounts preparation task.

Corporate finance

We help with corporate transactions involving both public and private companies by advising borrowers and investors on fund raising and financial structures. This can include identifying sources of private-equity finance, arranging sales and purchases of businesses and helping business managers acquire their company from external investors.

Consultancy

We provide a wide range of consultancy services to clients, ranging from small private companies to central government. Whether helping organisations to establish corporate objectives or manage change, review IT systems or raise project finance, we give objective advice that delivers real benefits.

Taxation

Changes in tax law and practice constantly create new tax-planning opportunities but also increase the burden of bureaucracy on individuals and businesses. We help businesses and individuals to unravel the complexities of the tax system, select a sensible strategy to maximise their after tax returns and take care of the tax returns and paperwork.

Business support services

Any new business trading in Tunisia will have a large number of tax and administrative requirements to meet in addition to internal accounting routines. We help inward investors to design, select and implement management information systems and accounting software to simplify and reduce administrative burdens. We also offer a fully outsourced accounting function that leaves your organisation free to focus on core business activities.
We can also take on specific tasks, including production of statutory financial statements, management accounts, international reporting packs, budgets and forecasts, and VAT and payroll tax administration.

Company secretarial

Companies trading in Tunisia must comply with a number of legal requirements and complex procedures: breaching the rules can lead to a company being struck off, or its directors prosecuted. Our team of company secretaries can ensure that your business is set up correctly to meet regulatory obligations in Tunisia, through incorporation of limited companies, Sas, Snc, branches of overseas entities. We can then undertake the ongoing administration by acting as the companies' registered office and as company secretary, to ensure that annual returns, meetings and record keeping are completed correctly and on time.

1. Introduction

1.1 Geography

Tunisia is located in a good strategic position in North Africa, surrounded by Algeria, Libya and the Mediterranean, While relatively nearby countries of Europe and the Middle East.
It has an area of about 162,155 Kilometres square and its capital is Tunis.
The last census, in late 2008 puts the population at 10,326 million.
The main language is Arabic, but French and English are widely spoken.

1.2 Constitution

Tunisia is a constitutional Republic and has a parliamentary system. Parliament and the President of the Republic are chosen by general election every five years. Administrative power is held by the Prime Minister and the Council of Ministers, who are appointed by the President of the Republic after consultation with the various party leaders.

1.3 Political environment

Tunisia is a republic with a president who is the chief executive of the country, with major powers on the prime minister cabinet and armed forces.
The cabinet executive is appointed by the government responds to a National Assembly composed of 217members elected for 5 years.
All tunisian more than 18 years can vote. The socialist political system, under various names, has led Tunisia since its independance in 1956.
Tunisia is divided into 23 governorates.
Since 1950 Tunisia has established a social security that provides free care and aid to mothers and the elderly.
On the international political scene, Tunisia wants to mediate peace in the Middle East. She is also involved in humanitarian relief efforts, and ever since 1960.

1.4 Language and Currency

The main language spoken in Tunisia is Arabic. The currency used is Dinars (TND).

1.5 Economics

Tunisia exports about 7 millions tons per year of phosphate from the region of Gafsa. The phosphoric acid and fertilizers account for 8% of total exports.
Agriculture is the basis of the Tunisian economy and employs 23% of the manpower in Tunisia. The main crops are cereals, lemons, tomatoes, melons, olives and grapes.
The fishing industry produces about 6% of the food reserve for the country, with 95 000 tonnes of fish (sardines, tuna, ect…) caught each year.
Finally, tourism, one of the major pillars of Tunisian economy has suffered an increasing very significantly in recent decades, and many Europeans travel to Tunisia to spend a vocation. Many investments, both local and foreign, have been in hotels and other leisure centers.

1.6 Communications

The standard of tunisian infrastructure is very high and considerable on going investment is made to improve it.

1.7 Intellectual property

Tunisian law governs copyright and neighbouring rigts, databases, patents, trade marks, designs and models, know how, topographies of semiconductor products and plant variety rights.

1.8 Unfair trade practices

The law on unfair trade practices is designed to protect free competition. Its fundamental principle is that everyone is free to enter into the business of his choice and to compete in Tunisia in any market at his discretion. A trader may thus lawfully attempt to attract the customers of his competitors. However, certain methods of competing and attracting the customers and attracting clients are prohibited in Tunisia under a theory of unfair trade practices.
This means that persons engaged in trade of business must comply with certain rules of "fair play" and, more specifically,"fair trade practices".

1.9 Money laundering

For some years Tunisia has specific legislation to tackle money laundering. This requires compliance with procedures designed to help prevent, identify and report suspected cases of money laundering to enforcement authorities.
The regulations apply not only those conducting "relevant financial business" such as credit institutions, money change and insurance business, but also to certified auditors, accountants, tax advisers, lawyers, notaries and casino's.
The regulatory framework is extensive and covers matters such as client identity verification, record-keeping requirements and required procedures for reporting suspected money laundering to the relevant authorities.

1.10 Financial and insurance services

Tunisia is a country in which major financial institutions provide the ful rang of financial services.
Banking, finance and insurance services are subject to the supervision of a banking, finance and insurance commisiion. Its areas of responsability include credit institutions, investment firms, the collective managment of saving products, public offers, listed companies, financial markets, insurance companies and intermediaries, mortage credits, surety companies, pension funds and consumers protection.
To obtain a autorisation to carry out a business offering such "financial services", an applicant is required to show that he is "fit and proper" to carry out these services.
The financial resources and the competance, integrity, honesty, reputation and experience of the members of the Board of Directors will also be taken into account to obtain.

1.11 Exchange controls

The regulation of the monetary system in Tunisia is provided by the Central Bank of Tunisia. It is the only agency responsible for provinding and absorbing liquidity in Tunisia. He is also responsible for administering the exchange rate under a currency basket annd setting the money market rates.
The BCT also has role to control the movements of funds on the Tunisian dinar. This latter type of operation must meet certain conditions and are allowed only in certain settings, the risk to represent a finanacial crime in Tunisia. The movement of funds between Tunisia and abroad must be made by the central Bank of Tunisia or delegation thereof, by intermediary banks approved.
Since 1986, Tunisia has embarked on an optical convertability of the dinar. The two main factors that will allow Tunisia to achieve this goal, will play at two keys data such as stability of the value of the dinar and contol inflation.
The monetary system in Tunisia is spirited to undegro changes which Tunisia needs to conform to international standards and so that it fits the standards and average of developed country.

1.12 Currency and common financial instruments

The tunisian Dinars is the currency of Tunisia. Tunisia has sophisticated banking and financial services and there are numerous financial instruments available for those wishing to raise funds or manage its finances and this facility can be opened with any bank, subject to certain requirements (see money laundering section above). Banks and other financial institutions offer opportunities for investment in the form of bank deposits or investment accounts. These range in the length of commitment required from deposit accounts accessible "on demand", to fixed-term accounts of serval years. The majority of individual retail transactions take place either in cash or by credit card or debit card, with cheque payments on the decline.
The main source of business finance is the financial institutions and most frequently takes the financial institutions and most frequently takes the form either of an overdraft or of a term loan, fixed for an agreed period and on specified terms. Security is often requierd by the lending insititution with a change being taken over one or more of the company’s assets. Depending upon the company’s risk profile and credit rating, personal guarantees may be also required.
An overdraft facility can be negotiated on current accounts, although security may be required as wirh loans.Overdrafts are usually repayable on demand. Bonds can be a vehicule for both investment and source of long-term finance, with either fixed or floating interest rates. Besides government bonds, companies issue bonds, pay

interest at regular intervals and repay capital on redemption. Such bonds may also carry a right for conversion into the ordinary shares of the company.
Businesses starting out often do not wish to incur large initial capital expenditure and therefore hire-purchase (HP), and leasing are widely used methods of acquiring assets. With HP transactions, the finance company purchases the goods but the lessee is able to use them in return for a regular payment have been made, when it transfers to the lessee. Leasing is very similar, except that the lessee does not necessarily become the legal owner.
The management of cashflow in a trading business can be assisted by debt factoring. The provision of finance is the most widely used service although factor companies also provide credit insurance and administration of the sales ledger. The general principle is that the supplier company sells the right to receive the invoice amount to the factor in return for a percentage of the face value of the debt, receivable immediately. The full debt is later collected by either the factor or the supplier. Costs and the percentage paid will vary depending upon the nature of the trade debtors.
Other financial instruments, trade on stock exchanges and often highly complex in their operation, are widely available. Futures contracts, for instance, are agreements between two parties to undertake a transaction at an agreed price on a specified date in the future and are most commonly used to buy or sell commodities and foreign currency against Dinars. Swaps are exchanges of cash-payment obligations. Currency swaps are agreements to use a certain currency for payment under a contract in exchange for another currency and enable the companies involved to buy one of the currencies at a more favourable rate. Similarly there are interest-rate swaps, which enable one company to exchange a fixed-rate obligation for the variable-rate obligation of another.

1.13 Legal system

Parliament has legislative power. Judicial authority is exercised by independent courts. The constitution of the Tunisian Republic promulgated on 10th february 014 is the fundamental law of the country and all the other laws have to comply with it. The Constitutional Court is appointed to control the constitutionality of the laws passed by Parliament.

2. Basic business structure

2.1 Business enterprises

According to the law 93-2000 of November 3, 2000 there are 3 types of companies in Tunisia :

- Limited liability companies (SARL and SUARL) whose capital is represented by quotas;
- Joint stock companies (SA, SCA) whose capital is represented by shares
- Compagnies of partnership. (SNC, SCS and holding companies)

The majority of medium size businesses in Tunisia are set up as limited liability companies.
A company registered in Tunisia is considered resident there for tax purposes, even
though the management or control of the company is exercised abroad. In this case, the company will be liable to taxation in Tunisia on a world-wide basis.

2.2 Forming an Sarl or Sa

A company may be established by contract or unilateral deed. To incorporate a new company it is necessary to draw up the by-laws by public deed before a notary, who then has to deposit them within 10 days at the Register of Commerce (RC) for the place where the company has its registered offices.
To incorporate a company:

- the rules on contributions in kind have to be complied with: this involves having a sworn report drawn up by an expert designated by the President of the Court of the First Instance, containing the description and value of the property contributed, as well as a declaration that the value ascribed is not lower than the nominal value.
- the authorizations and other conditions required by special laws for the formation of a company in relation to its specific object have to be met.

On registration with the RC, the company acquires legal personality. For any transactions undertaken in the name of the company before its registration, the individuals who acted towards third parties have joint and unlimited liability.
The company can be formed by one or more shareholders.
Companies or entities that exercise coordination and strategic direction of other companies and which operate in their own interest or in that of another entity in breach of the principles of correct corporate and entrepreneurial management of these companies are directly liable to the shareholders of such companies for any damage caused to the profitability and value of the corporate holding, as well as to the creditors of the company for any harm caused to the integrity of the company's assets. The company must indicate the company or entity that exercises coordination and strategic direction over it in its official deeds and correspondence, as well as through filing in the special section of Register of Enterprises.
The following are considered subsidiary or “controlled” companies:

- companies in which another company has the majority of the votes exercisable at an ordinary shareholders' meeting;
- companies in which another company has sufficient votes to exercise a dominant influence at an ordinary shareholders' meeting;
- companies which are under the dominant influence of another company by virtue of particular contractual undertakings with it.

For the purposes of points 1) and 2) above, the votes belonging to subsidiaries, fiduciary companies and nominees are also to be included in the computation: the votes available on behalf of third persons are not included in the computation.
Companies on which another company exercises a considerable influence are considered associated companies. Such influence is presumed when at least one fifth of the votes can be exercised at an ordinary shareholders' meeting (one tenth if the company has shares listed on a regulated market).
There are no restrictions as to the nationality of the founders or managers.
Self companies are not usually available in Tunisia.

2.3 Joint stock company (SA et SCA)

The capital of the company may not be less than five thousand dinars if it does not involve public Offerings when the company uses public offering, its capital may not be less than fifty thousand dinars.
In both cases, the capital must be divided into shares with a nominal value may be not less than one dinar.
However, the by-laws may create categories of shares with different rights, also as far as the losses are concerned. In such cases, the company may freely determine the content of the shares for the various categories. All shares belonging to the same category attribute equal rights.
Shares cannot be issued to the bearer until they have been fully paid in.

An SA can issue bearer or registered bonds for an aggregate amount not exceeding twice the capital, the legal reserve and the available reserves shown in the latest approved set of financial statements.
The company may create one or more pools of business assets, each of which is allocated in priority and exclusively to a specified business activity.
If it appears that the company's capital has fallen by more than 50% as a result of losses, the directors or management board, or if they fail to do so, the board of statutory auditors or supervisory board, have to call a meeting without delay to take appropriate action. If, within the following, the loss has not been reduced to less than
50% of capital, the shareholders' meeting that approves the annual accounts for that period has to reduce the capital in proportion to the losses that have been ascertained.
If by reason of the loss of over 50% of the capital, it falls below the minimum, the directors or management board or if they fail to do so, the supervisory board have to call a meeting without delay to decide on a reduction of capital and to reconstitute it at an amount not less than the said minimum; alternatively, the company has to be reorganized.
The category of SA can include:

- Companies that do not involve public offering
- Companies making a public offering

Reference will be made to the above classification in dealing mainly with the company's governance and control.
One of two different governance systems can be chosen at will by joint stock companies:

- the board of directors
- the executive board and the supervisory board

a) The board of directors

Directors

The company is managed by a board of directors elected by the shareholders at a general meeting. Directors can be shareholders.
Directors can only be appointed for less than three-year period, completing their term of office on the date of the meeting called to approve the financial statements for their third and last year.
The board of directors selects the chairman from among its members, unless he is appointed by the shareholders. The board of directors may delegate its functions to an executive committee formed by certain of its members.

Statutory Auditors

Companies with certain indicators (turnover, gross assets and staff) must have a board of statutory auditors. The shareholders' ordinary meeting appoints the statutory auditors for three years.
The following duties relating to the control and supervision of the company's management are entrusted to the statutory auditors :

- monitoring compliance with the law and the by-laws;
- monitoring respect for correct management principles and in particular the adequacy of the organizational, administrative and accounting structure adopted by the company, as well as the way
that it functions in practice;
- verification that the company's annual financial statements have been prepared in conformity with the relevant provisions of the Commercial Code and other pertinent legislation;

The statutory auditors has to attend board meetings and shareholders' meetings. They are required to issue a report on the results for the financial year and the activities performed in the fulfilment of their duties, making any observations or proposals regarding the accounts, together with their favourable or adverse opinion.
The statutory auditors are personally liable for the accuracy and truthfulness of their statements and, together with the directors, are jointly liable for the directors' actions or omissions whenever it can be shown that a loss could have been avoided if the auditors had performed their duties properly.

Accounting control

Accounting control is performed by a registered auditor or auditing firm with.
However, the by-laws of a company not using public offering and which is not required to prepare consolidated accounts can have their accounting control performed by the statutory auditors. However, accounting control is normally entrusted to an auditing firm, especially in the case of companies that are required to draw up consolidated financial statements. The auditors are appointed by the shareholders' meeting for three mondata every three years.
The audit report has to certify that the financial statements agree with the company's books, that they have been prepared in the prescribed form and reflect the operations of the business in compliance with generally accepted accounting principles.
Auditing firms are required to be independent of the companies they audit, they must carry out all work that they consider necessary to enable them to fulfil their duties and they can not accept any restrictions on their work.

b) Executive board and supervisory board

The by-laws can provide for the company's management and control to be exercised by an executive board and a supervisory board.

Executive board

The executive board operates in much the same way as the board of directors, but its members are appointed by the supervisory board within the limits laid down in the by-laws.

Supervisory board

The supervisory board consists of at least three members and twelve members at most.
The members of the supervisory board are appointed by the shareholders and remain in office for six years.
Among its other duties, the supervisory board:

- approves the financial statements (unless the by-laws establish otherwise)
- reports at least once a year in writing to the shareholders on its supervisory activities, on censurable omissions and acts found.

Accounting control

The accounting control is exercised in accordance with the same rules as for the system of board of directors.

2.4 Limited liability company (Sarl)

The minimum capital required for a Sarl is 1,000 TND The participation in such a company is represented by quotas.
In case of losses the same rules apply as for an Sa.

Directors
The company is managed by either a sole director or a board of directors elected by the quota-holders' meeting. The directors, who do not have to be quota-holders, areappointed either for a fixed term such as three years, or for an unlimited period.
Quota-holders not involved in running the company have the right to receive news on the company's performance from the directors and to consult the company's books and documents relating to its management.

Statutory auditors
A board of statutory auditors has to be appointed if the company has the minimum amount of indicators in turnover, gross assets and staff.

Accounting control
Accounting control is performed in the same way as under the ordinary system.

2.5 Branch of a foreign company

General information
A branch may be defined as a permanent place of business having a certain degree of independence in its operations and dealings with third parties but no separate legal existence from the company creating it. Generally, the corporate formalities required for a branch are less burdensome than those for a subsidiary.. On the other hand, since the branch and the foreign company of which it is part are considered the same legal entity, the foreign company is not isolated from the liabilities of the branch.

Bookkeeping and taxes
While carrying on business in Tunisia, the branch is subject to all Tunisian laws on bookkeeping and taxes, in the same way as a limited liability company.
The branch will therefore need its own books (separate from those of the foreign company) and will have to draw up its own annual financial statements and income tax return. The branch will also be required to file a translation of its head office's financial statements with the Commercial Register.

2.6 Partnership
There are two main types of partnership:

- a general partnership (société en nom collectif SNC) in which the partners are jointly liable for the partnership's obligations without limit;
- a limited partnership (société en commandite simple SCS.) composed of at least one partner with unlimited liability (usually the managing partner) and at least one partner with liability limited to the amount of capital that they have paid in.

The partnership contract between the partners (at least two) must be drawn up before a notary.
The bookkeeping rules are the same as for companies, but partnerships do not have to file their financial statements with the Commercial Register.
Partnerships do not have a body called the "general meeting", as partners are free to meet whenever they want and to take decisions even on matters not included on the agenda. Their decisions are taken unanimously, but the by-laws can indicate certain matters on which decisions can be taken by a majority of the partners.
The partnership is a taxable entity only for the purpose of IRPP (local income tax). The taxable income for IRPP purposes and the allocation of the individual income must result from the tax return that the partnership has to file each year.
Management rules are similar to those of companies, although they tend to be less strict.

2.7 Sole proprietorship

A sole proprietor is required to report to the Commercial Register of Enterprises within 30 days of setting up in business.

2.8 Joint ventures

A joint venture generally involves a contract-based co-operation on a project between two or more parties, where they may agree to share expenses or income, or both, derived from the project. Its legal implications are to be determined in the joint venture contract by the parties concerned.

2.9 Economic Interest Grouping (EIG)

The EIG is a grouping established by two or more parties the sole aim of which is to facilitate or develop the economic activities. The activities of the grouping must be related to the activities of its members and must not be more than ancillary to theses activities. This means that an EIG may not replace the activities of its members.
The EIG could be used as a vehicules for co-operation in a number of areas including lobbying, co-operation between law firms, point purchasing of raw materials, advertising, provision of ancillary services in the contest of franchises networks and research and development. The purpose of an EIG may noot be to pursue profits. However, this does not mean that an EIG cannot make profits in the course of this activities.

3. Reporting requirements, accounting principles and auditing

3.1 Financial statements

An annual general meeting must be held by an Sa or Sarl within 3 months of each year end to approve the financial statements. Under particular circumstances, companies are allowed to hold their general meeting within 6 months of the year end.
The financial statements have to be filed with the Commercial Register of within one month of approval.
The financial year cannot last more than twelve months. A company is allowed to have shorter financial years under specific and exceptional circumstances. The year end is established in the by-laws and can be altered by an extraordinary shareholders' meeting. Companies usually close their financial year either on December 31st (which coincides with the tax year) or June 30th, but this is not compulsory.

3.2 Accounting principles

It’s the law 96-112 of December 30, 1996 which presented the business accounting system to harmonize the rules and accounting practices in Tunisia.

3.3 Auditing

There is an obligation to nominate auditors for companies showing at least 2 indicators for for 2 successively years of a turnover more than 300 000 TND, gross assets with an amount exceeding 100 000 TND and a number of staff more than 10.

4. Taxation of business operations

General information

As a rule, corporate income tax (IS) is applicable to all resident companies on income from any source, whether produced in Tunisia or abroad ("world-wide basis"). Non-resident companies are subject to IS only on income earned in Tunisia. IS is normally charged on the net of revenues less business costs, except for some non-deductible expenses.
A company is resident in Tunisia for tax purposes when it is registered or when it has its administrative offices or main scope of business in Tunisia.

4.1 Taxation of profits

Corporate income tax (IS) is levied on the world-wide income of companies resident in Tunisia. The same tax is levied on the income of the permanent establishment in Tunisia of a foreign company (in this case only the income arising in Tunisia is taxable).
Taxable income is based on the net income of the company, branch or partnership for the year as shown in the statement of income, as adjusted in accordance with current tax legislation at a common level of 25%. A reduced level of 10% is for agriculture and exporting companies. A high level of 35% is for banks, insurance, telecommunications ans petroleum companies.

Depreciation

Fixed assets owned by the company are normally written off over their normal useful life. For tax purposes, the straight-line method is normally adopted.
Assets of a lower value may be fully written off during their starting of, year.
Companies may choose the declining-balance method to calculate depreciations on hardware, agriculture equipments and newly purchased manufacturing equipments (from 1st January 1999).
From 1st January 2008, a compagny is eligible to use declining balance method to compute depreciation on manufacturing equipments financed by a leasing.

Inventories

Inventories can be valued at FIFO, LIFO or average cost, providing the method is not changed from year to year. Long term contracts are valued at cost plus mark-up according to the stage of completion of each contract.

Dividends

Dividends received by a resident company or resident shareholder are not subject to withholding tax, except individuals receiving more than 10 000 TND per year imposable at 5%.
Collected dividends that are distributed by Tunisian companies are tax-exempt, either for resident or non resident companies; The non capitalized earning, amounts given to partners or shareholders and attendance fees given to dividend payment.
Gains from stock options are recognized only in certain sectors of activities, which are as follows :

- Software engineering ;
- Software services
- Telecommunications and new technologies sectors ; and
- Listed companies

When the plan is not recognized, by Tunisian Law, to be a stock option, the gain is not subject to taxation. The advantages is awarded under the double condition that :

- At the date the stock option is granted, the employee does not hold more than 10% of the subscribed share capital ; and
- The shares are not sold during a period of three years starting from 1 January of the subsequent year in which the option is exercised.

When the Tunisian law does not recognize the stock option plan, the exercise gain made by the employee (difference between the exercise price and the fair market value of shares at the date of exercise) will be subject to income tax.

Interest

Interest from foregin currency deposits or from convertible Dinar is deductible from taxable income.
The interests on loans granted, or left at the disposal of the Tunisian company by partners or shareholders are fully deductible from the taxable income of shareholders or partners, under the following conditions :

- The intrest rate does not exceed 8%
- The amounts do not exceed 50% of the capital which should be fully paid up.

Limitation of interest rates is not applicable when the partner or shareholder who benefits from the taxable base to the limit applicable on the market.

Losses

The deficit recorded during a business year which resulted from a regular accounting record in compliance with corporate accounting legislation is deducted successively from the results of the following business years up until including the fourth year.
For any profit business year, the deduction of deficits and depreciations is carried out according to the following order :

- Reportable deficits
- The depreciation of the concerned business year
- Deferred depreciation in deficit periods

During a business year and when the profit is not sufficient to carry out the total deduction of the deficit and depreciation, the remaining part is put back successively on the results of the subsequent business years up until and including the fourth year.

Capital gains

For non-resident legal entities, gains stemming from disposal of buildings established in Tunisia or rights related to them are subject to corporate income tax. Capital gain is the difference between sale price and cost price or purchase price. These entities are imposable at the rate of 25% of the capital gain. For closed-end inveestment companies and credit institutions capital gains related to securities are deductible from taxable income.
Either for resident or nonresident, interest is subject to a withholding tax at 20% (a more favorable rate if the case is covred by non-double imposition treaty). For the nonresident, the amount withheld is offset ordinary income tax on this income.

Rental income from student accommodation or catering is deductible from taxable income during the first 10 years. This rent should respect specifications established by the supervisory ministry.
Exemption from capital gain from the sale of securities
From 1 January 2011:
- Is deductible from taxable income the gain from the sale of shares listed on the Stock Exchange of Tunis acquired or subscribed before 1 January 2011 and the sale of shares in a transaction introductory Stock Exchange of Tunis.
- Is also deductible from taxable income, the gain from the sale of shares listed on the Stock Exchange of Tunis acquired or subscribed for from 1 January 2011 and that when the transfer takes place after the expiry of the year following the year of acquisition or subscription of a maximum of 10,000 dinars per year.
- Otherwise the gain described above shall be subject to income tax at 10% thereof.
- The corporation tax is payable by non-resident legal persons not established in Tunisia, and this at a rate of surplus value at 25%. The capital gain subject to tax on companies is equal, in this case, the difference between the sale price and the purchase price of stocks, shares or units or the subscription price and from transfer operations performed during the year preceding the tax after deduction of capital loss from operations in question.

4.2 Tax consolidation of corporate groups

When a Tunisian company holds 75% or more of the shares of one or more Tunisian companies, the group may choose to be taxed as a single entity. Hence, the subsidiaries are treated as branches of the parent company and corporate taxi s payable only by the parent compagny.
To benefit from the results integrating scheme, the parent company must make the commitment to list its shares on the stock market, before the end of the year. Under this system, the profits and losses of all contolled branches, subsidiaries and partnerships in Tunisia and abroad are consolidated.

4.3 Controlled foreign companies

Relief from foreign tax in Tunisia depends on double tax treaty concluded by Tunisia. of
Tunisia has concluded 67 non-double imposition treaties applicable on 1st of January 2008.

4.4 Minimum taxable income

A corporation has to pay a minimum tax liability of : 0,2% of the total turnover with a minimum amount, due even without any turnover, of 300 Dinars for companies taxable at the rate of the 10% and those taxable at hte rate of 25% this minimum amount is 500 Dinars.

4.5 Withholding Tax

For certain categories of income, the payer of income has to withhold tax at source, file tax return and submit the amount of tax withheld to the finances.
In the context of harmonization of the rate of withholding tax on interest paid for loans to banks, non-resident, non-established in Tunisia with those contained in the conventions on avoidance of double taxation, the finance law for the management of 2011replaced the rate of withholding tax of 2.5% to 5%.

4.6 Value Added Tax

VAT is an indirected tax, in that the tax is collected from someone who does not bear the entire cost of the tax.
All economic activities conducted in Tunisia, including industrial and handicraft activities, liberal or commercial professions, are subject to value-added tax.
Exports by definition are consumed abroad and are usually not subject to VAT ; VAT charged under such circumstances is usually refundable. The avoids downward pressure on exports and ultimately export derived income or revenue.
VAT that is charged by a business, when it is VAT registred, and paid by its customers is known as "output VAT" (that is, VAT on its output supplies). VAT that is paid by a business to oher businesses on the supplies that it receives is known as "input VAT" (that is, VAT on its input supplies). A business is generally able to recover input VAT to the extent that the imput VAT is attribuable to (that is, used to make) its taxable outputs. Input VAT is recovered by setting it against the output VAT for which the business is required to account to the Tunisian government, or, if there is an excess, by claiming a repayment from the Tunisian governement.
Three different VAT rates apply in Tunisia :

- 6% : information technology services, hotels and restaurant activities, and equipment.
- 12% : raw materials, craft industry products
- 18% : operations related to services and goods not subject to another rate.

According to article 18 of the Tunisian VAT code, selling invoice issued by a VAT registered should contain compulsory notices (client name, address and fiscal register, date of the transaction, price of the goods or services sold, VAT rate).

4.7 Tax Claims

The taxpayer has the right to seek recourse against assessments and undue payment demands. In addition, a tax conciliation system allows taxpayers to settle their tax liability directly with the tax office or with any of the tax tribunals or court of justice.

4.8 Other Taxes

Local tax

The tax on the rental value is a municipal tax on buildings. The owner of the proprety is liable for collection o the tax. The base of this tax is the gross rental value determined in accordance with a general census carried out every three to five years by the local authorities. The rate is fixed per local authority, which may be divided into two zones, urban and suburban (where the rate is lower).
The land tax on undeveloped land is owed by occupiers, owners or persons enjiying the land.

Real estate Tax

The purchase of real estate is subject to the following : A registration

- A registration duty of 5% on the purchase price increased by VAT.
- A stamp duty of 15TND per sheet of contract
- A real estate property conservation duty of 1% on the purchase price increased by VAT.

Any real estate buyer who is an individual or a corporate entity subject to a regular accounting system must withhold tax on the real estate purchase price. This tax is of 2,5% on purchase price increased by VAT.

Gift, wealth, estate, and/or and inheritance taxes :

Inherited property and gifts are subject to tax at the following rates :

- Direct line relatives (children, eposes, parents, ect.) : 2,5%
- Brothers and sisters : 5%
- Collateral line relatives : 25%
- Relatives beyond the fourth degree : 35%
- Unrelated individuals : 35%

Excise tax

This is a federal tax on specific goods and services either they're imported or manufactured in Tunisia, levied on a variety of items such as cigarettes, tobacco, alcoholic beverages, cosmotics perfumes, private cars. Excise taxi s levied on sale price or customs value for imported goods.
According to the Tunisian Excise Tax Code, several rates apply to different goods. A joint list is available on the code, fixing different rates.

4.9 Tax treaties

Tunisia has entered into double taxation agreements with many countries in order to reduce the burden of double taxation.

4.10 Incentives

The tunisian tax legisaltion has established a certain number of incentives to investment and creation of projects, in certain sectors of activity, either by Tunisian or foreign promoters being resident or nonresident or in partnership according to the overall development strategy, mainly aiming at accelerating growth rate and job creation within activities related to fields determined in article one of the Investment Incentives Code.
Various tax incentives are available for totally exporting companies 50% of the exporting activity income is deductible from total taxable income up until 31 December 2011. From 1st January 2014 the exporting activity income is taxable at the rate of 10%.
Major incentives are available for investments made by companies settled in areas that need development (regional development zones). Income stemming from investments carried out in these areas is fully deductible from the taxable income during the first ten years of activity, for the subsequent years only 50% is deductible from the tax base.
As part of the promotion of Small and Medium Enterprises, the Finance Act 2011 has provided the management measures to support businesses created from 1 January 2011 provided it is a new investment and the turnover does not exceed 300,000 dinars for service activities and non-commercial professions, and 600,000 dinars to trade events and activities Processing and consumption on the premises.
Companies are deductible from taxable income, revenues or profits from operations conducted during the first three years of operation, in the limit:
- 75% for the first year;
- 50% for the second year;
- 25% for the third year.

The benefit of this advantage is subject to the condition that the keeping of accounts in conformity with accounting law firms.

5. Individuals

5.1 Taxation

Individuals resident in Tunisia are liable to Tunisian income tax (IRPP) on a world-wide basis and to local taxes on real estate . Residence in Tunisia is presumed if the individual is registered as an Tunisian resident, if they had their principal residence in Tunisia or they lived in Tunisia for more than 183 days during the tax year or if they have the centre of their economic interests in Tunisia.
Non-residents are taxed only on the income arising in Tunisia.
Taxable income is determined by aggregating earnings from the following seven sources.
If the income cannot be classified in one of the following categories, it is not taxable in Tunisia.

5.2 Income from commerce and industry

Are regarded as business profits, profits in companies carrying on business under the Commercial Code.
Is a merchant, who, in a professional capacity, shall undertake the production, circulation, speculation, through, with the exceptions provided by law.

5.3 Income from non-trading professions

They are considered from the exercise of a profession non-commercial profits made by the professions, by the charges and offices whose holders are not as a trader, and all occupations or non-commercial farms profit.
estate.

5.4 Income from agriculture and fishing activities

There are consideredprofits explanation farming or fishing, income from operations provides rural property owners or operators themselves, either to tenants or others, as well as income from fishing.
These benefits include products derived from grain, viticulture, the citrus, olive cultivation, arboriculture, poultry, beekeeping, horticulture, vegetable corps, the forestry, livestock and livestock products from the sea and the graning of grazing rights, made by any person operating as owner or tenant.

5.5 Wages, salaries, pensions and life annuities

This income is determined by deducting from the gross items of income including benefits in kind :

- Statutory deductions made by the employer to provide an annuity, pension retirement or for coverage under compulsory social security ;
- Professional fees fixed in 10% of the balance after deduction of such deductions.

Pensions and annuities for their tax benefit from a reduction of 25% of their gross.
Benefits in kind are valued according to their real value, however, those entitled to receive a housing allowance and who occupy a dwelling owned by the employer without benefit of compensation is subject to the tax on the basis of the amount of compensation that they should be served.
The same process is successful when using a car service for personal needs.

5.6 Income property

Are including in this category of income property when not included in other income categories :

- The rental properties built and unbuilt properties including land occupied by quarries.
- The gain from the sale of social rights in property investment, building lots located in urban development plans in the intervention stores and land within the boundaries of land reserves…
- The capital gain from the sale of lots or portions of lots behind the property from sale, other than by way of exchange of lands for agricultural purposes and have lost that vocation.

5.7 Income in the nature of dividends and interests resulting from the detention of securities and bonds

Income from securities

As such are considered as income dIstribution :

- All the profits or products which are neither set aside nor incorporated into the capital ;
- All moneys or securities available to partners, shareholders or unitholders and not levied on profits ;
- Income shares of mutual funds in securities.
-

Are treated as income distribution : unless proved otherwise, are made available to associates, directly or through intermediaries, as advances, loans except those provided between a parent and its subsidiaries.

Income from movable capital

Are considered as income from movable capital :

- The interest arrears, lots and redemption premimus and other bonds, treasury bills and other negotiable debt securities issued by the State, local public authorities, public institutions, associations of any kind and the companies civil and commercial ;
- Interest receivables ;
- Interest on deposits of money ;
- Note interest bonds in cash ;
- Interest payments and bonds ;
- The products of current accounts ;
- The income shares and proceeds of liquidation of mutual fund claims.

5.8 Other revenue

Other revenues consist of foreign sources income was not subject to payment of taxes in the country of origin.

5.9 Wealth tax

There is no wealth tax in Tunisia.

5.10 Bracket of taxable income

For each category of income, certain deductions and allowances are allowed in the calculation of the taxable income. Taxpayer shall keep the books in compliance with the accounting legislation, in order to benefit from these deductions.
In general a person liable to Personal Income Tax has to compute his tax liability, file tax return and pay tax, if any accordingly on a calendar year basis.
Married couples file tax returns as separate individuals. Income of children is reported on the tax return of the head of family. A spouse can report income of the children on his/her tax return in certain circumstances.

	Rate	**Effective tax rate the superior limit**
0 TO 1500 Dinars	0%	0%
1500,001 TO 5000 Dinars	15%	10.5%
5000,001 TO 10000 Dinars	20%	15.25%
10000,001 TO 20000 Dinars	25%	20,12%
20000,001 TO 50000 Dinars	30%	26,05
Over 50000 Dinars	35%	-

For trading and non-trading activities in accordance with the revenue code, a minimum tax liability is due, of 0, 1% of the total gross turnover or receipts with a minimum amount of 100 Dinars due even without any turnover.

6. Employment in Tunisia

6.1 Labour relations

Tunisian labour law is similar to that of other mondial countries.
The main legal sources are the Labor Code, the civil law code and the various collective labour contracts agreed between labour unions and employer organisations.
The following is a summary of the main regulations:

- Employees' wage cannot be lower than the minimum laid down in the pertinent collective labour contract.
- Employees usually have to be hired under a labour contract "with no time limit". But flexible contracts, such as part-time or for single projects, are also possible.
- Employees cannot be dismissed without sound objective reasons.

• All employees are entitled to a fully paid annual vacation period whose length varies according to their contract and rank.
Tunisian law prohibits any discrimination between sex or race.

• Accident insurance is compulsory and paid for entirely by the employer; the premium varies according to the risk profile of the job.

6.3 Payroll taxes

As in many other countries, in Tunisia all employers have the legal responsibility to withhold tax from salaries paid to their employees. They also have to pay social security contributions.
The current IRPP rates are the following :
Annual income in _ Rate %
Up to 1500 Dinars: 0%
From 1500,001 to 5000 Dinars : 15%
From 5000,001to 10000 Dinars : 20%
From 10000,001 to 20000 Dinars : 25%
From 20000,001 to 50000 Dinars : 30%
Over 50000,001 Dinars : 35%

7. Selling into Tunisia

7.1 Direct selling from abroad

For many non-resident businesses, the easiest way of conducting trade within Tunisia is to sell directly into the country. This can be done through a variety of legal intermediaries.
Direct selling into Tunisia can take place either through a non-resident business or via sales personnel based in Tunisia. Such staff can create a "permanent" (in case there is an applicable tax treaty) or Tunisian (In the abscence of an applicable tax treaty) establishment which leads to a taxable presence in Tunisia.
If it is the intention to evade exposure to Tunisian tax, then a creation of an establishment has to be avoided. Generally, this can be achieved by making the contractual arragements outside Tunisia through the non-resident head office and without the use of sales staff in Tunisia. To ensure that no establishment is being generated in Tunisia, reference should always be made to the relevant tax treaty. Tunisia has concluded double tax treeaties with most of the industrial nations. Whether the activities of a non-resident business constitute a taxable establishment in Tunisia can be different from one treaty to another.
The majority of Tunisian treaties will conclude to the existence of an establishment when the non-resident business maintains an office in Tunisia, or when a dependent agent concludes contracts on behalf of the non-resident business.

7.2 Selling through a Tunisia based agent

Persons whose activities may create a "Tunisian" establishment for a non-resident business are so-called dependent agents, whether employees or not, who are not independent agents. Such persons may be either individual or companies.

It is not in the interest of international economic relations to provide that the maintenance of any dependent agent would always to a "Tunisian" establishment, which is liable to Tunisian tax.
According to most of the Tunisian double tax treaties, there will only be a permanent establishment in Tunisia when the dependent agent has the authority to conclude contracts on behalf of the non-resident business. This authority to conclude contracts must cover contracts relating to operations, which constitute the proper business of the entreprise. The sale of gooods will generally meet this qualification.
When a dependent agent has such authority and makes use of it repeatedly, then there will generaly be a "permanent " establishment, hence a taxable presence in Tunisia. If the dependent company, then it must be assured that the transactions with the parent non-resident business are at arm’s length.

7.3 Selling through a Tunisia based distributor

A distributor actually acquires goods from the non-resident business and resells them to customers in his own name. Where the distributor is set up as a seperate company, the non-resident business should not create a Tunisian tax exposure.
When an establishment acts as distributor, this establishment will be taxed on its Tunisian profits.
At all times the mark-up made by the Tunisian distributor needs to be carefully reviewed, as prices should be on an arm’s length basis.

8. E-business

There is no general definition of e-commerce. E-commerce generally refers to :

- The use of internet applications in order to reactivate consumers or suppliers, the placing of on-line orders and the making of on-line payments ;
- The trading of electonic goods and services ; and
- Financial transactions over the internet.

E-commerce has given businesses increased autonomy and flexibility as to where to base their activities. It has changed traditional ways of doing business and in so doing raised new tax issues and oppotunities. Businesses are rapidly adapting their strategies for e-commerce and updating their websites to take account of changes in the marketplace. The importance of a business plan at hte initial stages cannot be overstated. The means by which key employees are retained and the implentation of the business strategy, will determine the success of any fundraising.
Every business needs to be aware of legal developments affecting e-commerce, for example changes to contract and intellectual property law, as well as changes in tax law.
Tunisian law concerning e-commerce deals amongst others with contracting on the internet, electonic signatures, liability of intermediaries, registration of domain names, codes of conduct and application of the competition rules to e-commerce.

9. Ceasing to have a presence in Tunisia

An investor may cease to have a business presence in Tunisia in a variety of ways.
This could arise through sale, insolvency or migration.
Each will be considered in turn before we touch on the implications for individuals leaving Tunisia.

9.1 Disposal of a business or subsidiary

The disposal of a Tunisian business will involve various tax, commercial and legal issues.

Legal and commercial considerations on the disposal of a business

Legal agreements drafted to cover the sale of a business can be very complicated and typically include provisions for indemnifying the purchaser, should unforseen liabilities arise. It is therefore vitally important, when selling a business in Tunisia, that legal, accounting and tax advice is sought.

Tax considerations on disposal a bisiness

Any capital profit of the disposal of a Tunisian bisiness may only be taxable in Tunisia in the hands of the seller, if the seller is a Tunisian resident or has a Tunsian presence through a branch or agency. In some cases, no taxation is due.
If this is not the case, the seller will only need to consider his own domestic tax laws in relation to the sale.
Were the business is unincorporated, capital profits can arise on such assets as land and buildings, goodwill, intellectual property or equipment if sold for more than book value. They may be taxable at separate, flat rates on certain conditions.

9.2 Windings up a company

A business could cease to have a presence in Tunisia either because it is insolvent or because the owners decide to close it down by a process of winding-up.

Legal considerations on insolvency and winding-up

Sometimes the words "bankruptcy" and "winding-up" (or "liquidation") are used interchangeably, although a company can be wound up by its shareholders at any time without being insolvent. If the company is insolvent, there are basically two things that can happen : filing for a composition or a bankruptcy.
When a composition is granted, the company can possibly survive if the company's debts are temporarily put on hold.
When the Court declares that the company is bankrupt, a professional insolvency practitioner must be appointed to realise the company's assets for the benefit of its creditors.
Only when the creditors have all been paid in full, will the company's owners (shareholders) be entitled to any remaining assets.
Directors of a company can be held personally liable the company goes bankrupt in case of director's negligence or breaches against the company law, the laws on accountancy (incorrect bookkeeping) or against the articles of association or bylaws of the company.

Tax considerations of insolvency, winding-up and striking-off

The fact that a company goes into liquidation does not alter its requirement to pay tax or to file tax returns (although the administrative responsablity for this will lay on the company's liquidator rather than the company).
One of the main tax planning considerations will be that of maximising the use of any trading losses. These losses cannot be carried forward beyond a cessation of trading (exception) and therefore it is important to ensure the most tax-efficient timing of events.
There are no special tax rules for corporate insolvency, winding-up or striking-off.
A business will normally prepare a tax return related to the same period as its annual accounts, but the end date will be brought forward to the date of cessation of trade, if earlier

. 9.3 Company migration

It is possible for a Tunisian company to become non-resident for (lega land) tax pruposes, as a result of the moving of its place of managment (or again outside), Tunisia.
In both cases there is a deemed disposal at market value of certain types of chargeable assets held by the company, at the time of migration. At the occasion of emigration, the company should therefore file a tax return, it twill be imposed on the capital gains deemed to be realised.

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