Accountants &
business advisers

Finance Act 2024

Law n°13-2023 of 11th December 2023

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The main provisions introduced by Act no. 13 of December 11, 2023 on the Finance Act for the year 2024 are asfollows:

1/- Corporate and personal income tax

1.1 Creation of a national fund for national education reform (art 15)

This fund, designed to prepare educational facilities to meet the desired pedagogical objectives of educational reform, is financed in particular by:

- 0.5% of profits from private educational establishments, including schools, institutes, colleges and training centers,

- 0.25% of the profits of oil companies, insurance companies, banks, large retailers and pharmacies.

1.2 Encouraging business start-ups and private initiative (art 33)

Newly-created businesses in 2024 and 2025 are exempt from Corporate and personal income tax for 4 years from the date of commencement of operations, with the exception of those operating in the financial, insurance, mining, property development, on-site consumption, trade and telecoms sectors.

1.3 Encouraging individuals to save by subscribing to government-issued securities (art. 34)

Individuals subscribing to government-issued securities benefit from the deduction of interest up to a limit of 10,000 TD/year.

1.4 Encouraging startup financing (art 36)

Non-deductible interest on subscriptions to interest-free bonds convertible into shares or other similar interest-free instruments issued by startups is deductible in determining the taxable income of subscribers.

1.5. Deduction of income and profits reinvested in issue premium paid-in capital (art 37)

Income and profits reinvested in share premiums when participating in the capital increase of companies are eligible for the tax benefit deduction under current Legislation provided that such share premiums are not distributed or used for a period of 5 years from January 1e of the year following its release, except to finance the reinvestment operation in question or to absorb losses.

In order to benefit from this deduction, the annual tax return must include a copy of the decision of the shareholder meeting approving the capital increase, including the value of the issue premium.

1.6 Support for the green economy and sustainable development (art 48 to 50)

The Finance Act 2024 provided for the following :

- Companies benefit from an additional deduction from their tax base of 30% for equipment producing renewable or alternative energy, purchased or produced in the first year from the date of acquisition or production, or from the start of business, as the case may be, subject to presentation of a certificate issued by the competent bodies concerning the nature of the equipment.

- Deduction of income and profits reinvested in subscriptions to initial capital or capital increases for companies making investments in the green, blue and circular economy and sustainable development projects, from the tax base subject to the minimum tax.
- Reduction in VAT rate from 19% to 7% for cars with electric motors only (other than hybrids).
- Reduction in VAT rate from 19% to 7% for electric motorcycles only (excluding hybrids).
- 50% reduction in initial registration fees for electric cars and road tax for electric cars

1.7 Introduction of an exeptional contribution for banks and financial institutions (art 64)

Banks, financial institutions and insurance and reinsurance establishments are subject to a contribution at a rate of 4%of their corporate income tax base, with a minimum amount of 10,000 TD, for the years 2024 and 2025. This contributioncannot be deducted from corporate income tax.

1.8 Promotion of initial public offerings and financial market incentives (art. 35)

The capital gain arising from the contribution of shares to the capital of the parent or holding company is deductible from taxable profit, provided that the parent or holding company undertakes to list its shares on the Tunis Stock Exchange no later than the end of the 2 years (of the year before) following that of the deduction. This deadline may be extended by a single year by order of the Minister of Finance, on the basis of a reasoned report from the Financial Market Council.

2/- VAT, customs duties and Tax on building

2.1 Deferral of application of the 19% value-added tax rate on sales of housing by real estate promoters (art 39)

The 19% (instead of 13%) VAT rate on housing sales by property developers scheduled for January 1, 2024 hasbeen postponed to January 1, 2025.

2.2 Exceptional tariff procedures on a list of imported products of Turkish origin (art 44)

The products of Turkish origin mentioned in the tariff headings of Annex n°1 are subject to customs duties up to 75% of the duties applied under the general regime, taking into account the percentages of customs duties set out in the partnership agreement establishing a free trade zone between the Republic of Tunisia and the Republic of Turkey.

These customs duties will be exceptionally applied to products of Turkish origin for a period of three years from January 1, 2024, with gradual elimination of these customs duties after the expiry of this period, from the fourth year of entry into force of the regime over two years in equal proportions.

3/- Registration and stamp duties

3.1 Rationalization of the progressive-rate registration advantage for land acquisition (art 53)

Registration at the progressive rate for the acquisition of land intended for the construction of houses is limited to the first acquisition.

3.2 Revision of vehicle registration fees (art 68)

As for cars and vehicles, the Finance Act 2024 increased registration and ownership transfer fees:

- From sixty dinars to 120 dinars for five-horsepower cars and from five to ten dinars for each additional horse.

- From 4.52 dinars to 10.52 dinars for three- and four-wheel two-horsepower motorcycles and motorcycles, and from two to four dinars for each additional horse.

- From 10.52 dinars to 20.52 dinars for tractors, agricultural machinery and equipment used in public or industrial works.

- From 10.52 dinars to 20.52 dinars for trailers.

The same article introduces an increase in driving license fees. The fee for the theory test is raised from five to ten dinars. The same applies to the practical test, for which the fee rises from five to ten dinars. The fee for granting and renewing a license is raised from five to 10.52 dinars.

4/- Other provisions

4.1 Facilitating the regularization of tax debts and omissions (art. 58 and 59)

The Finance Act 2024 provides for:

1. Waiver of penalties for late payment, collection and prosecution of tax debts recorded before January 1er 2024, or settled before June 20, 2024, on condition to subscribe to a quarterly repayment schedule over a maximum of 5 years before June 30, 2024.
2. Waiver of fines and administrative penalties recorded by the tax authorities before January 1, 2024, with the remaining amount not exceeding 100 TD per fine and 50% of fines, financial sanctions and administrative penalties under the same conditions cited below in 1.
3. Waiver of road tax for 2020, 2021 and 2022. This measure applies to taxes for which penalty notices were issued before January 1, 2024, on condition that these taxes are paid for the years 2023 and 2024 in accordance with the deadlines set by law, and no later than December 31, 2024.
4. Waiver of penalties for omissions in tax returns due before October 31, 2023, subject to regularization before April 30, 2024, and payment of taxes and filing of corrective returns, even following a tax control.
5. Waiver of tax on buildings for 2021 and prior years and late payment and prosecution penalties subject to payment of taxes for 2024, 2023 and 2022 for individuals
   - and waiver of late payment and prosecution penalties for tax on building for 2023 and prior years subject to payment of taxes for 2024 and 2023 and prior years for corporate bodies (by December 31, 2024 at the latest).

4.2 Relief from penalties for late payment of taxes and customs duties (Art 61)

The Finance Act revised the amount of penalties as follows:

• 1.25% per month or fraction of a month of the amount declared before the tax inspection.
• **3% (instead of 5%)** Fixed fine if more than sixty days late **Penalties may not exceed the principal amount of the tax.**

• From 1.25% to 2.25% per month or fraction of a month in the event of late payment being detected by the tax inspection authorities.
• 10% fixed fine reduced to 20% for VAT and other duties applied to undeclared sales, taxes applicable in the event of official tax assessments, taxes applicable in the event of a reduction in sales equal to or greater than 30% (not previously specified) or tax fraud.
Penalties may not exceed the principal amount of the tax.

-**Reduction of the rate from 2.25% to 1.25**% provided for in paragraph 1 of article 82 of the tax procedures code and 50% of fixed fines when :
• Payment is made in the month following recognition of the tax debt.
• If there is recognition of the tax debt prior to automatic taxation.

- Interest on late payment of bonded bonds for the payment of duties and taxes to be recovered by customs is set at 1.25% per month or fraction of a month, **capped at the principal amount of the debt.**

4.3 Extending the scope of the compensation fee and revising its rates (art. 45)

The compensation fee covers :

* Tourist establishments that provide accommodation for their customers,
* Bars,
* Manufacturers of soft drinks, beer, wine and alcoholic beverages,
The rate has been raised from **1% to 3% of pre-tax sales** for classified tourist restaurants, second and third

categorycafés and tea rooms,
For nightclubs and casinos not affiliated to tourist establishments, and pastry-making establishments, with the exception of establishments devoted exclusively to the manufacture of certain varieties of traditional popular confectionery, the list of which will be set by order of the Minister of Finance, the rate of the compensation fee is raised **from 3% to 5% of sales excluding tax**.

4.4 Revision of the hotel tax for foreigners (art 46)

Hotel taxes have been revised as follows :

- 1 to 4 DT per night spent in 2-star tourist hotels, and equivalent.
- 3 to 8 DT per night spent in 3-star tourist hotels
- 4 to 12 DT per night spent in 4- and 5-star tourist hotels

With a threshold of 10 consecutive nights and exemption for children.

4.5 Introduction of a tax on milk derivatives (art 47)

A tax is levied on imported or locally produced milk derivatives, with the exception of yoghurt :

- 1.5 DT/kg Ricotta
- 2 DT/kg for local and imported fresh cream
- 3 DT/kg for all types of local and imported cheeses

4.6 FCR benefits granted to Tunisians resident abroad every 10 years (art 24)

The 2024 Finance Act allows Tunisians living abroad to benefit, from January 1, 2024, from tax advantages linked tothe acquisition of a passenger vehicle, a commercial vehicle or a motorcycle not exceeding the load of three and a half tons (3.5T) under the FCR every 10 years.

4.7 Introduction and generalization of the carbon tax (art 51)

The Finance Act provides for an increase in the duty levied for the benefit of the energy transition fund in the form of a carbon tax on petrol, diesel, light fuel oil, liquid petroleum gas, petroleum coal and electricity products, as well as an increase in the circulation tax for international flights from 20 to 40 dinars, and from 40 to 60 dinars for first-class or business flights.

4.8 Support for tax authorities' right of access (art 54)

Banking, financial and insurance organizations and establishments are required to provide the tax authorities with all information requested in writing within a maximum period of twenty days from the date of the request, on pain of a fine of between **5,000 and 50,000 dinars** plus a fine of **200 dinars** per item of information not provided or provided inan inaccurate or incomplete manner (1,000 to 20,000 dinars and 100 dinars prior to 2024).

4.9 Reconsideration of the work of the commission for the review of taxation orders (art 57)

The reconsideration commission rules on requests for taxation orders are as follow:

- submit the request for reconsideration within one year of the date of the final judgment for formal defect or the fifth year following the year of notification of the tax assessment.

- have not lodged an appeal with the courts on receipt of the official tax assessment order, or for which a judgment of rejection on formal grounds has been handed down because the legal time limit has been exceeded,

- failing to submit accounts despite receiving notification of the in-depth or ad hoc control.

4.10 Revision of monthly declaration filing deadlines (art 69)

The deadline for filing the monthly tax return will be **the 20th of the following month** (instead of the 28th) for legalentities subscribing to the electronic tax return system.

4.11 Transfer of frozen funds to Tunisian treasury accounts (art 65)

Within the first fifteen days of each quarter, banks must declare and pay to the Trésorier Général de la Tunisie theamounts of funds allocated in accounts opened with them and belonging to persons of Tunisian nationality and to bodies and entities constituted in accordance with the legislation in force in Tunisia and included in the freezing orders in force during the previous quarter, using a form drawn up by the administration.

4.12 Qualification of heads of control offices to issue taxation orders relating to defective tax returns (art 63)

Heads of tax inspection offices are now empowered to issue tax assessment orders for failure to file declarations and to carry out the acts required by law for tax assessment, within a maximum period of thirty days from the date of formal notice.

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