

TUNISIA

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CORPORATE INCOME TAX	
Resident companies	25%,
Resident companies in the oil, hydrocarbon and telecommunications sectors	35%
Resident fisheries and agriculture companies	10%
Partially exporting companies and totally exporting companies	10% - 35% - some sectors are exempt for the first 4 years
International trading companies	13.5%
OTHER TAXES	
Customs duties	10% - 230%
VAT	Ordinary rate: 18% Reduced rates: 6%, 12% Exports exempt
Consumption tax	10% - 276%
Personal income tax	0% - 35% Non-residents: only on income from Tunisian sources
EXCHANGE CONTROLS	Repealed
BILATERAL TAX AGREEMENTS	Tunisia has signed 10 free trade bilateral tax agreements and over 40 international agreements

1- GENERAL INFORMATION

I- Economic policy

Since 1986, the Tunisian government has applied a program whose purpose is to promote an export-oriented market economy. As part of this program, numerous companies were privatized, the accession to the GATT (General Agreement on Tariffs and Trade) was ratified in 1990 and exchange controls were made more flexible.

Manufacturing industries and tourism occupy a decisive position in the country's Gross Domestic Product and in exports.

II- Foreign investments

Tunisia embarked on the liberalization of its foreign trade in 1990 by becoming a member of the GATT. Foreign trade is regulated by law 94-41 of 7/3/1994, which provides for 3 import regimes:

- free import products which represent 90% of imported products;
- products excluded from this regime and subject to import authorization by the Ministry of Commerce (relating to health, hygiene, safety, protection of flora and fauna, carpets, wines and other particularly protected goods);
- products temporarily excluded from this regime and subject to special authorization (touring cars).

In January 1994 the "Investment Code" came into force which, in addition to encouraging private foreign investment, strengthens the openness of the Tunisian economy to the outside world and aims to develop growth and employment in the following sectors: agriculture and fishing, manufacturing industry, public works, tourism, crafts, transport, education and teaching, vocational training, cultural production and animation, health, environmental protection, real estate promotion, other non-financial activities and services.

In this regard, the Tunisian government has implemented a cooperation policy: agreements have in fact been signed with more than 30 countries in America, Africa, the Middle East, the Maghreb and in particular with the European Union, the main partner in terms of trade and investments. Relations with the EU are regulated by the agreement signed in 1976 which allows Tunisian industrial products to access the European market free of customs duties.

The investment is no longer subject to the issue of particular authorizations, but is made upon simple declaration, with the exception of the following activities: manufacture of weapons and ammunition, parts and spare parts, carpets weaving, recycling and transformation of waste and garbage.

Law 87-51 of 2 August 1987 establishes a regime applicable to investments made in Tunisia by Tunisian or foreign promoters, resident or non-resident. However, the majority participation of foreigners in some service activities, other than totally exporting ones, is subject to the approval of the Higher Commission for Investment, which, upon simple declaration, grants certain advantages to the promoters of investment projects:

- a 35% deduction for income or profits reinvested in subscriptions or capital increases, including income or profits reinvested within the company;
- a reduction of customs duties and taxes to 10% and a suspension of VAT and consumption tax for imported equipment that does not have similar products manufactured on site. The list of such equipment is established by decree;
- the possibility of choosing the degressive depreciation regime for production materials and equipment whose duration of use exceeds 7 years.

Under this legislation, tax advantages are granted to the following categories of companies:

1. wholly exporting companies;
2. partially exporting companies;

3. investments in industrial activities and in some service activities related to industry and located in areas of encouragement for regional development;
4. investments related to the promotion of technology and research & development.

Furthermore, in the event that the proposed investment proves to be particularly useful and advantageous for the Tunisian economy, the Higher Investment Commission may decide to grant additional tax benefits and financial aid.

The country attracts foreign investments, both as direct investments and as a portfolio acquisition, thanks to its free access to the Union market and the presence of qualified and competitive human resources, to a liberal economy, adequate infrastructure in an attractive environment, to a legislative, regulatory and administrative framework that facilitates the settlements and to the competitive production costs. In Tunisia, foreign investments benefit from particular attention: therefore, maintaining adequate security conditions and improving the business climate are the necessary prerequisites to reassure foreign entrepreneurs and to guarantee the continuity and consolidation of an economic presence, as well as the entry of potential new investors into the country. In this respect, a series of structural reforms in the economic field have been adopted to restore a more efficient business climate, inspired by sound competition criteria. In April 2017, a new Investment Law came into effect. The Tunisian authorities also presented a Tunisia 2020 Strategic Plan, inspired by the principles of inclusive growth and sustainable development, which includes, among others, a 60 billion dollars infrastructure and investment projects, public and private, considered a priority for the development of the country and the reduction of unemployment.

The strategic position of Tunisia, in the heart of the Mediterranean, favors industrial and commercial contacts with the European partners and has also facilitated the signing of several tax agreements with the EU countries.

Tunisia is a founding member of the World Trade Organization. The country's trade regime is still protectionist, but in the latest financial laws measures have been introduced to gradually reduce tariff peaks, alongside the bilateral preferential agreements (Association Agreement with the EU, UMA Agreement - Arab Maghreb Union - Agadir Agreement). The country, however, has transiently waived some obligations regarding sea and land transport and film production and has applied quantitative restrictions on the import of products in sensitive sectors.

With regard to trade control, regulated by the Commercial Code, transfers for current operations are free. Resident firms can therefore make transfers relating to their imports of goods and services, thus aligning themselves with wholly exporting firms which, after 1972, benefit from total freedom of trade for operations relating to their production.

In April 2017, the new Investment Law came into force with the related implementing decrees dedicated to incentives, liberalized sectors, the timing of granting authorizations and the establishment of new investor support and support bodies. On 1 July 2018, Decree no. 417 - which integrates the 2017 Law - relating to the promotion of investments and administrative simplification, came into force. The decree frees many economic activities from the need for authorization, basing the new regulatory framework on the principle of freedom of investment. Activities carried out in the following sectors remain subject to authorization: natural resources, transport, banking and financial market, polluting industries, health, education, telecommunications and some commercial activities.

Foreign investments reached \$33.4 billion, that is to say nearly 72% of the country's GDP. According to the latest data from the Tunisian Investment Office, in 2022 foreign investment inflows into the country recorded an annual increase of 18.4%, reaching an amount of 2.214 billion DT.

III- Banking system

Banking activity is subject to the authorization of the Ministry of Finance and the documentation must be filed with the BCT (*Banque Centrale de Tunisie*).

The existing banks in Tunisia are the following:

1. commercial banks: they receive deposits with no limit of duration, grant essentially short-term loans and carry out all operations related to banking activities;
2. investment banks: their main activity is participation in the capital of companies and in the granting of medium and long-term loans;
3. investment banks: their main activity is consultancy and assistance in asset management, financial management, financial engineering and, in general, all services aiming to facilitating the creation, development and business restructuring;
4. offshore banks: these are natural persons under Tunisian law or organizations of natural persons with registered offices abroad, considered as non-residents by Tunisian exchange regulations and which can carry out banking transaction with non-residents. They are not subject to any control by the BCT, which significantly reduces the time required to carry out foreign exchange and banking operations in general.

Non-residents can deposit the non-transferable portion of income or salary into a special account called INR (Internal Non-Resident Accounts).

The other accounts available for non-residents are:

1. foreign currency accounts: their balance can be freely transferred abroad;
2. special accounts in Dinars, used to pay local expenses. However, the transfer abroad of these accounts requires authorization from the Central Bank of Tunisia;
3. holding accounts, intended for the deposit of funds whose use must be determined by the BCT;
4. capital accounts: funds and income from the sale of real estate, securities, etc. are deposited here. They can be used to pay, for example, Tunisian taxes, living expenses, etc.

Currently, Tunisia has a banking system consisting of a myriad of small banks. Regionally and internationally, they have little influence and, with around US \$ 30 billion in total assets, the major Tunisian banks are significantly smaller than their African counterparts.

For over twenty years, the banking system has not been stimulated, also due to a suffocating bureaucracy that has prevented banks from reaching their real potential and thus financing the economy. In recent years, banks have lived trapped by their capital structures and conflicts of interest, but, at the same time, they have also exploited their skills, capitalizing on experience. Unfortunately, their efforts have been thwarted by an anti-economic environment characterized by private interests that have not fostered entrepreneurial initiative and creativity, resulting in reduced job creation.

This situation has led the Central Bank of Tunisia towards a greater flexibility of the exchange rate in order to align the dinar with its real value (which has lost about 23% since the beginning of 2016) and to maintain reserves at an adequate level. Inflation reached 6.4% at the end of 2017 (the highest rate in about three years) and is set to grow according to the forecasts of the Tunisian Institute of Statistics. It is mainly determined by the depreciation of the national currency and by the increase in consumption, inflated by wage increases. Structural reforms by the government will be instrumental in ensuring inclusive economic growth, reducing unemployment and smoothing out social tensions. The modernization of the civil service and the pension system and the widening of access to credit will be essential to help growth, reduce macroeconomic imbalances and free up resources to finance strategic investments in the infrastructure, education and health sectors.

IV- Currency and exchange controls

The Tunisian currency is the dinar (DT), which can be divided into thousandths.

In 1993 the full convertibility of the dinar was established for current operations. Furthermore, the exchange rate regime guarantees the free transfer of foreign profits and capital. Currency controls have been abolished.

Non-residents can freely repatriate their profits, provided they have made all payments related to debts and taxes in Tunisia.

Foreign natural persons working in Tunisia can transfer 50% of their net wages abroad.

V- Economic free trade zones

Tunisia's two economic free zones, Bizerte, to the north, and Zarzis, to the south, enjoy particular tax benefits. For example, infrastructure works are tax free, while investors and employees are subject to a 20% gross income tax. Furthermore, their personal effects are also exempt from taxes and duties - and there is also a touring car for each employee. The free zones are not subject to the customs regime, transactions are carried out freely in different currencies or in Dinars and the production is entirely intended for export. Investments in free zones can be made by individuals, resident or non-resident, in the industrial, commercial and service sectors.

The benefits granted to the companies that settle in these two areas are:

- free transfer of income and benefits
- free repatriation of invested capital
- free commercial relations with exporting companies
- recruitment flexibility
- corporation tax at 50%, but only starting from the 11th year of the first export operation.

In the free zone of Zarzis there are large companies operating in the hydrocarbon transport and petroleum engineering sectors. To respond to the increasingly numerous requests from investors, an extension of the area of 12 hectares has been planned.

The free zone of Bizerte has reached a good level of development. 90% of the investments are foreign and have multiplied over the course of five years, going from 7 million dollars to about 80 million dollars.

VI- Relations with the European Union

The first trade agreement between Tunisia and the European Economic Community dates back to 1969, followed by a cooperation agreement in 1976. In 1979, the European Commission opened a Delegation in Tunisia and, in 2009, one of the EU was opened.

Tunisia was the first country south of the Mediterranean to sign an agreement with the EU (1995) which also contained the important objective of creating a free trade area with the EU. This agreement continues to be the legal basis for bilateral cooperation. Subsequently, a program, drawn up in 2005, set strategic objectives for such cooperation.

In the framework of technical and financial cooperation, a number of financial protocols have been signed since 1980, followed by the MEDA program in the 1990s and up to 2006.

Tunisia aims at the continuous development and strengthening of relations with the EU, its first trading partner, directing approximately 75% of exports to the European market and from which it obtains approximately 55% of total imports. On November 19, 2012, the political agreement on the privileged partnership and the action plan was signed in view of the conclusion of a complete and in-depth free trade agreement that will allow Tunisia to be integrated into the European Economic Area.

In recent years, there have been signs of greater dynamism in foreign policy, both in the reshaping of relations with the EU and in the strengthening of its presence on the regional scene, in particular with respect to the relations with Turkey and with the countries of the Gulf. Due to its geographical position, Tunisia is also actively engaged in the field of sub-regional integration, in particular within the framework of the Arab Maghreb Union (UMA), not only for security reasons, but also for a more effective collaboration with the EU.

Tunisia is a signatory to the OECD's Multilateral Convention on Mutual Administrative Assistance in Tax Matters. The Convention entered into force in Tunisia on 1 February 2014.

Tax information can be provided by Tunisian authorities to foreign tax authorities when mutual cooperation is afforded. The foreign tax authority must guarantee that the information will be used only for the purposes of taxation or investigation of a breach of tax law, that the rights of Tunisian

citizens will not be breached, that confidentiality can be guaranteed, and that all other routes possible have been attempted to obtain the information. If the Tunisian tax authority refuses to provide information, it must provide reasons for this.

2- COMPANIES INCORPORATION AND REGISTRATION

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
Limited company (<i>Société Anonyme - SA</i>)	A limited company may be formed by a minimum of seven shareholders. The liability of shareholders is generally limited to the extent of their contributions. The minimum capital requirement is TND5,000 if the company does not make public offerings, and TND50,000 if the company does make public offerings. The capital of the company is divided into shares with a nominal value of at least TND1.		A limited company is managed by a board of directors comprised with a minimum of three and a maximum of 12 directors, or by a management board with up to five members and a supervisory board with a minimum of three and a maximum of 12 members. The functions of the management board may be undertaken by a sole person if the company's capital is less than TND100,000.
Limited liability company (<i>Société à responsabilité limitée - SARL</i>)	A limited liability company may generally be formed by two or more persons. The maximum number of members is 50. A single-member limited liability company may also be formed by a sole member (individual or legal person). The liability of members is generally limited to the amount of their contributions. The capital of the company is determined by the company's constitution and is divided into shares of equal nominal value. A limited liability company may not take the form of a bank or other financial institution, credit institution, or insurance company.		A limited liability company is managed by one or more individuals, who may or may not be members of the company. In a single-member limited liability company, the powers of the manager are exercised by the individual sole member, or by an individual appointed by the legal person.
General partnership (<i>Société en nom collectif - SNC</i>)	A general partnership may be formed by two or more persons. The partners are jointly and severally liable for the debts and obligations of the partnership.		
Limited partnership (<i>Société en commandite simple</i>)	A limited partnership is formed by general partners and limited partners. General partners are jointly and severally liable for the debts and obligations of the partnership. The liability of limited partners is generally limited to the extent of their contribution.		Limited partners may not take part in the management of the partnership. If they do so, they become liable for any debts and obligations resulting from their management as if they were general partners. Depending on the number of management acts and their severity, liability may also be extended to all of the debts and obligations of the partnership.
Partnerships limited by shares (<i>Société en commandite par actions</i>)	A partnership limited by shares may be formed by two or more general partners with a minimum of three limited partners. General partners are jointly and severally liable for the debts and obligations of the partnership. The liability of limited partners is generally limited to the extent of their contribution. The minimum capital requirement is TND5,000 which is divided into shares.		Limited partners may not take part in the management of the partnership. If they do so, they become liable for any debts and obligations resulting from their management as if they were general partners. Depending on the number of management acts and their severity, liability may also be extended to all of the debts and obligations of the partnership.

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
<i>Branch (Succursale)</i>	A foreign company may generally conduct business activities in Tunisia through a branch.		
<i>Joint venture (Société en participation)</i>	A joint venture may be formed by a contract between the parties. The joint venture contract should determine the rights and duties of the parties and fix each party's share in the profits or contribution to the losses of the joint venture.		

3- TAXATION SYSTEM

I- Corporate tax

Subject to certain exemptions, corporation tax is payable in particular by:

- corporations and similar
- foreign companies established in Tunisia
- profit-making cooperatives and public bodies of a non-administrative nature,
- non-resident legal entities not established in Tunisia but only on income from Tunisian sources.

The net profit is determined on the basis of the accounting required by the relevant legislation, after deducting all professional expenses and charges and in particular:

- depreciation, with the exception of the depreciation of assets acquired by resident or entities in tax havens;
- bad debt provision, bad debt provision for inventories held for sale and listed shares bad debt provision, within the limit of 50% of taxable income;
- gifts and grants up to a limit of 2% of turnover.

Instead, they are deductible in their entirety:

- gifts and subsidies to the State, local authorities and public companies;
- cost of purchasing or building housing donated to spouses, ascendants and descendants of the nation's martyrs from the Army, Internal Security Forces and Customs;
- gifts and subsidies to associations promoting people with disabilities and carrying out their activity in compliance with the legislation governing them;
- sponsorships of companies, projects and works of a cultural nature that have obtained the approval of the competent Ministry for culture;
- previous deficits within the limit of 5 subsequent years;
- deferred amortization without time limits.

The standard corporate income tax rate is 15% (25% before 1 January 2021).

Non-residents are subject to tax in Tunisia only on their Tunisian source income and capital gains. A permanent establishment (PE) in Tunisia of a non-resident company is subject to tax in the same manner as a resident company. Tax treaties concluded between Tunisia and another state may also contain provisions relating to the taxation of PEs. There is no definition of permanent establishment in Tunisian legislation.

A 35% rate applies to certain entities, including certain banking and financial institutions and companies engaged in investment, insurance, telecommunications, or oil and gas operations (in respect of income obtained directly from oil and gas operations), new car dealership companies, certain companies that use a foreign brand name, and large retail companies (as defined).

A 10% rate applies to profits from certain activities, including crafts, farming, fishing, and exportation.

Before 1 January 2021, a reduced corporate income tax rate of 20% applied to certain small and medium sized enterprises (SMEs). The reduced rate applied to manufacturing and sales businesses whose annual turnover did not exceed TND1m and to service providers whose annual turnover did not exceed TND500,000. From 1 January 2021, such entities are subject to the standard 15% corporate tax rate.

Minimum tax

A minimum tax of 0.2% of gross revenue generally applies, subject to a minimum of TND500. The minimum tax rate is 0.1% for taxpayers subject to tax at the 10% rate, subject to a minimum of TND300.

Social solidarity contribution

A social solidarity contribution applies to companies. The contribution is calculated using a formula prescribed by legislation, subject to a minimum contribution of TND200 for companies subject to the 10% corporate tax rate, TND400 for companies subject to the 15% corporate income tax rate, and TND500 for companies subject to the 35% corporate income tax rate.

Temporary contribution

Banks and other financial institutions (including insurance and reinsurance companies) were subject to a temporary contribution for the 2020 and 2021 tax years. The contribution applied to net profits at the rate of 2% (subject to a minimum contribution of TND5,000).

Foreign branch income and losses

Foreign source income that is obtained from a Tunisian company's permanent establishment located abroad is not subject to tax in Tunisia. Foreign source losses are not deductible for tax purposes.

Foreign source capital gains

Foreign source capital gains are subject to tax in Tunisia if obtained from a Tunisian company's permanent establishment located abroad.

Foreign tax credits

If a tax treaty is in place, Tunisian businesses can deduct income tax paid abroad from the amount of income tax payable in Tunisia, up to the amount of income tax payable in Tunisia.

Reduction in capital

In Tunisia, a limited company or a partnership limited by shares may reduce its capital by shareholders making total or partial withdrawals of their capital contribution. The articles of incorporation must state the amount below which the capital of the company or partnership may not be reduced. This amount must not be less than 20% of the share capital.

Repurchase of shares

In Tunisia, there are no specific legislative provisions relating to the repurchase of shares.

Groups of companies

Group tax consolidation is available in Tunisia for qualifying group companies; consequently losses can be offset against the profits of another company in the same group. Certain conditions need to be satisfied, including the requirement that the parent company holds (whether directly or indirectly) at least 75% of the capital of the other company/companies, and that the parent company commits to introducing its shares on the Tunisia Stock Exchange within a specified timeframe. Group tax consolidation is only available to companies established in Tunisia. If granted, group tax consolidation applies for a period of at least five years, which is renewable for further five year periods.

II- Miscellaneous taxes

Excise Tax

In Tunisia, excise taxes are imposed on certain goods, including alcoholic beverages, non-alcoholic beverages, petroleum products, vehicles, and jewellery.

Real estate tax

In Tunisia, local authorities generally levy an annual tax on land and buildings at varying rates, subject to exemptions.

Immovable property registration fee

Transfers of immovable property are generally subject to a registration fee of 5%. In addition, transfers of immovable property valued at over TND500,000 to TND1m are subject to an additional registration fee of 2%. An additional 4% registration fee applies to transfers of immovable property valued at over TND1m.

Stamp duty

Stamp duty is levied on certain documents and transactions at varying rates, subject to exemptions.

Local business tax

Local authorities generally levy a local business tax on entities subject to corporate income tax, subject to exemptions. The rate is generally 0.1% or 0.2% of gross revenue, subject to a maximum of TND100,000.

Hotel tax

Entities that provide services to tourists are generally subject to tax at the rate of 2% of revenue.

Tourism sector development fund

Entities in the tourism sector are generally subject to a tourism sector development fund (FDCST) contribution at the rate of 1% of revenue.

Digital services tax

From 1 January 2020, a 3% tax applies to digital services and computer software sales made by non-residents.

III - VAT

VAT is applied to: imports, industrial production, crafts and services, operations relating to the liberal professions, wholesale trade other than that of food products, retail trade when the total annual turnover is equal to or greater than 100,000 TND.

Food products, products subject to the administrative price approval system (fuel, alcohol, tobacco, matches, school notebooks, etc.) are excluded.

In particular, the following are exempt from VAT: some basic food products (couscous, pasta, flour, semolina, etc.), books, newspapers, periodicals, brochures, agricultural and fishing equipment, including fishing boats, devices for physically handicapped, international sea and air transport (excluding services rendered in exchange for the sale of tickets), bank debit interest.

Starting from 2023, the VAT for the following professions/activities will increase from 13% to 19%: architects, technical consultants, draftsmen, surveyors and topographers (excluding services related to land registration of agricultural land), lawyers, notaries, bailiffs and interpreters, tax and accounting consultancy, various experts and consultants.

Medical services and cosmetic surgery are subject to 19% VAT.

IV - Withholding tax

Interest paid to residents or non-residents is generally subject to a withholding tax of 20% (25% for interest paid to a recipient in a preferential tax regime jurisdiction). A 10% withholding tax rate applies to interest paid to non-resident banks. From June 10, 2020, a 35% withholding tax rate applies in respect of interest from fixed term bank deposits, except for bank deposits in a foreign currency or to convertible TND. Certain interest payments are exempt from withholding tax. The interest withholding tax rate may be reduced by a tax treaty.

The withholding tax rates for payments made to non-residents are generally 10% for dividends, 20% for interest, and 15% for royalties. A 10% withholding tax rate applies to interest paid to non-resident banks. From June 10, 2020, a 35% withholding tax rate applies in respect of

interest from fixed term bank deposits where the interest rate on 1 January of the year of investment exceeds the average financial market rate minus 1%. The 35% rate does not apply to bank deposits in a foreign currency or to convertible TND. Certain payments are exempt from withholding tax. Payments made to a recipient in a preferential tax regime jurisdiction are subject to withholding tax at the rate of 25%. The withholding tax rates may be reduced by a tax treaty.

V- Personal income tax

The tax is payable by every individual with habitual residence in Tunisia. Non-residents are subject to tax only on income of Tunisian origin.

Persons who have their habitual residence in the country or persons who, continuously or discontinuously, reside in Tunisia for at least 183 days a year are considered residents without having a habitual residence.

Net income is determined after a standard deduction of:

- 10% for wages and salaries with a ceiling set at 2,000 dinars per year;
- 25% for pensions and annuities, this rate is raised to 80% for pensions and annuities from abroad and transferred to Tunisia;
- 20% for income from land and profits from non-commercial professions.

The following are not subject to taxation: remuneration of diplomatic and consular agents of foreign nationality, payments for the compensation of personal injuries, dividends distributed by companies established in Tunisia if their annual amount does not exceed 10,000 dinars; interest on deposits and securities in foreign currency or convertible dinars and on savings accounts.

The following are deductible, with some limitations: allowances for family status and responsibility (head of household, dependent children, dependent parents), premiums relating to life insurance and capitalization contracts with a minimum duration of 10 years up to a limit of 10,000 dinars; the income reinvested in the subscription of company capital under the conditions provided for by the legislation on tax benefits.

Certain exemptions are possible, such as interest on deposits and securities in foreign currency or convertible dinars, interest from domestic savings accounts, interest from special savings accounts of the National Bank of Tunisia or dividends distributed by a company established in Tunisia (maximum annual amount of 10,000 dinars).

Tax rates

<i>Income bands DT</i>	<i>Rates %</i>
5,000 – 20,000	26
20,000 – 30,000	28
30,000 – 50,000	32
Oltre 50,000	35

VI- Wage taxes

Employers pay a vocational training tax equal to 1% of gross salary for the manufacturing sector and 2% for other sectors, and a contribution to the housing promotion fund for employees, equal to 1% of the gross salary for the public and private sector, excluding farmers.

VII- Social security contributions

Employers must join the National Social Security Fund (*Caisse Nationale de Sécurité Sociale - CNSS*) and enroll employees within one month from the date of employment.

Family allowances are paid to employees enrolled in the CNSS for children under the age of 16, for children under the age of 18 if they are in an apprenticeship and receive a wage of less than 75% of the minimum wage, for those under the age of 21, if they are students. There are no age limits in case of disability or handicap.

The employer's contribution to the Fund amounts to 16.97-20.57% of the salary (16.57% for the social security and 0.4-4% for the special fund), while that of the employee amounts to 9.18% of the salary.

VIII- Local taxes

Locally, the following taxes apply:

- Tax on industrial, commercial or professional properties at the rate of 0.1% - 0.2% of gross turnover.
- Tourist tax at a rate of 2% of the total gross turnover.
- Tax on buildings, equal to 2% of the reference price per square meter built for each category of building multiplied by the area covered at rates ranging from 8% to 14%.
- Tax on undeveloped land calculated on the real market value of the land at the rate of 0.3%.

In the absence of market value, the tax is due per square meter with a progressive rate taking into account the density of the urban areas delimited by the urban plan.

IX- Tax on insurance premiums

They are applied at the rate of 5% on the premiums for insurance on the risks of aviation and shipping and 10% for other insurance.

X- Research and Development

From 1 January 2022, an additional 50% deduction is available for R&D expenditure incurred in respect of an agreement with certain public organisations. To qualify, the taxpayer must contribute at minimum of 10% of the cost of the project. The maximum annual deduction is TND200,000 (increased to TND400,000 for R&D expenditure incurred in the field of green, blue and circular economy and sustainable development).

Before 2022, there were no specific tax incentives for research and development activities in Tunisia.

XI- Tax Incentives

Export incentives

Export companies (as defined) may benefit from incentives, including:

- no VAT or excise duties in respect of supplies acquired locally
- payroll tax exemption, and
- exemption from VAT, excise duties and customs duties in relation to certain imports.

Regional development incentives

Qualifying investments in regional development areas qualify for incentives, including:

- an exemption from corporate income tax for a period of 5 or 10 years; followed by a reduced corporate income tax rate of 10%, and
- payroll tax exemption.

Certain business activities are excluded from these incentives, including financial and insurance activities, mining, retail, and telecommunications.

Start-up incentives

Qualifying new companies created in 2018, 2019 or 2020 may benefit from income tax exemptions for four years from the date of commencing economic activity. Certain business activities are excluded from these incentives, including the financial sector, mining, and telecommunications.

4- TUNISIA COMPANIES

I- International trading companies (SCI)

The main activities of an International Trade Company (SCI) are import and export of goods and products and brokerage.

The SCI, established starting from 1988, are regulated by law N. 94-42 of 1994, modified and completed by law N. 96-59 of 1996 and by N. 98-102 of 1998.

The minimal capital required for the creation of an ITC young entrepreneur is lowered to 20,000 dinars.

The minimum initial capital is 150,000 dinars - reduced to 20,000 dinars for *jeunes promoteurs* - and must be fully paid up at the time of incorporation. The term *jeune promoteur* means a Tunisian natural person with a high school diploma, who does not exceed 40 years of age at the time of submission of the request for incorporation, who personally takes responsibility for the management of the project and who possesses at least 51% of the capital.

In order to establish a SCI, a declaration must be submitted to the Ministry of National Economy indicating:

- the place where the project is carried out;
- any foreign participation in the company's capital;
- the investment and financing plan.

SCIs can be wholly or partially exporting, resident or non-resident.

II – Totally exporting companies

Totally exporting companies work exclusively with foreign companies, non-resident financial institutions or in free zones, i.e. geographically limited areas that benefit from a preferential tax regime.

To obtain this status with the connected advantages, a company must be declared a 100% exporter at the time of incorporation, but can still sell up to 20% of its production on the local market.

The taxation of totally exporting companies provides for:

- corporate tax reduced to 15%
- non-reinvested dividends taxed at 10%
- social security contributions paid by the employer between 0% and 16.57%
- VAT exemption for payments received from abroad
- VAT exemption for purchases in Tunisia for industrial companies
- exemption from registration rights on the company's assets
- exemption from duties and taxes on imported goods necessary for production
- exemption from TFP and Foprols (*Fonds de Promotion des Logements Sociaux* - Funds for social housing)
- possibility of paying 20% of dividends in foreign currency.

The 2022 Finance Law (art. 25) has also provided for totally exporting industrial companies the possibility of selling up to 50% of their production on the local market during 2022, without however losing the status of totally exporting companies.

III- Partially exporting companies

Partially exporting companies are ordinary companies.

Since they sell part of their production on the Tunisian market, they have to pay the related customs duties, unlike companies in a total export regime.

The taxation of partially exporting companies provides for:

- corporate tax reduced by 15%
- non-reinvested dividends taxed at 10%
- social security contributions paid by the employer between 0% and 16.57%
- deduction of two-thirds of export income for personal income tax purposes
- exemption from VAT and consumption tax on goods, products and services necessary for carrying out export operations.

IV- Offshore companies

Fully exporting companies benefit from the advantages of offshore, while partially exporting companies do not fall under this regime.

A fully exporting company is considered offshore when

- at least two thirds of the capital is held by Tunisian or foreign non-residents through the importation of convertible currencies
- the registered office is located in a country where the company does not carry out its business and neither directors nor shareholders are domiciled there.

The offshore company in Tunisia benefits from double taxation agreements which allow the profits made in Tunisia - and already taxed - to be transferred to the country of origin without further taxes.

Although this type of company represents only 4% of Tunisian companies, it still generates almost three quarters of the country's export volume (source: Tunisian Ministry of Economy and Finance).

The offshore company can carry out different types of activities: services, call centres, consultancy and assistance, research and development, manufacturing activities, import/export and international trade, sale of licenses and patents.

The advantages of a Tunisian offshore are:

- agreement against double taxation between European, North African countries and Tunisia
- VAT exemption for payments received from abroad
- 10% tax on non-reinvested dividends,
- 15% income tax
- possibility of having a bank account in currency and convertible dinars for transactions abroad
- no risk in exchange transactions and the possibility of making transfers without declarations to the Tunisian Central Bank
- bank secret
- social security contributions between 0% and 16.57% paid by the employer
- no social security contributions for self-employed workers
- labor cost much lower than in Europe
- minimum capital of 300 euros to set up a company
- dividend transfer guarantee
- company registration in 72 hours
- remote bank account management services
- no limit on foreign transactions
- possibility of using different withdrawal methods (international card, Swift transfer, etc.).

The 4-year profit tax exemption for companies incorporated in 2019 and 2020 is no longer in effect.

Instead, a deduction of 100% of the profits is applied for the 1st year, 75% for the 2nd year, 50% for the 3rd year and 25% for the 4th year. Companies in the financial, energy (except renewable energy), mining, real estate, commerce and telecommunications sectors are excluded.

A further deduction of 30% is envisaged for the depreciation of machinery, materials and equipment intended for company operation, with the exception of motor vehicles other than those which constitute the main object of the operation, or acquired or produced as part of taxable operations.

These companies are not subject to the foreign exchange regulation code and therefore have no restrictions regarding the transfer of international funds, be it profits, dividends or financial assets.

V- Agricultural businesses

Foreigners are not allowed to invest directly in agriculture or fishing. They must operate through a Tunisian company and in this case the participation must not exceed 66% of the capital.

Any investment in the agricultural sector requires authorization from the Ministry of Agriculture. The application must indicate:

- share capital;
- shareholders' identity;
- the nature of the project;
- expected investment value;
- bylaws;
- the list of the members of the board of directors;
- the financial plan approved by the Agency for the Promotion of Agricultural Investments (APIA).

Investments in the agriculture and fisheries sector are classified as follows:

- Category A: investments made by small farmers and fishermen
- Category B: medium investors
- Category C: large investments made in the primary processing of agricultural and fishery products and in the services associated with these activities.

The concessions provided for by the "Code" benefit from investments aimed at the use of natural resources in order to increase agricultural and fishing production, the modernization of the sector, the transformation of products and related services.

Such investments can have three types of financial assistance from the state:

- a) assumption of part of the costs associated with the investment;
- b) discount of interest rates on bank loans contracted for the realization of the project;
- c) specific prizes.

Non-residents cannot purchase land, which however can be the subject of a long-term lease, for a period of up to 40 years.

If agricultural and fishing companies export at least 70% of their production, they are considered to be fully exporters and therefore benefit from all the tax advantages granted to these companies.

Tax advantages and concessions:

1. exemption of income or profits reinvested in subscription or capital increase, or in the company itself;
2. exemption from income tax for the first 10 years of activity;
3. 10% customs duties, VAT and consumption tax suspension for imported equipment of which there are no similar in Tunisia;
4. suspension of VAT and consumption tax for equipment purchased on the local market;
5. fixed tax registration for the first 10 years;
6. exemption of dividends distributed to shareholders.

Currently the agri-food sector represents the second industrial activity in the country.

VI- New promoters

Natural persons of Tunisian nationality, whether or not grouped in a company, are considered new promoters if :

- they have the required experience or qualifications and take responsibility for project management personally and full time;
- they do not have sufficient personal movable or real estate assets;
- they carry out their first investment project.

The following are also considered new promoters in the agriculture and fisheries sector:

- children of farmers or fishermen under the age of 40 and carrying out their main activity in the agriculture or fishing sector;
- young people under the age of 40 who carry out activities in the agricultural or fishing sectors;
- technicians with diplomas in the agriculture or fishing sectors.

New promoters can benefit from the following incentives for projects whose amount does not exceed 500,000 Dinars:

- a contribution to the investment equal to 6% of the cost of the project;
- the State pays the employers' social security contributions during the first 5 years of effective activity.

VII- Small and medium-sized companies

In Tunisia there are about 15,000 medium and small companies, i.e. companies with fewer than 199 employees.

These structures are the most involved in the development of Tunisian economic growth and represent over 90% of the Tunisian economic fabric.

Small and medium-sized enterprises contribute to territorial rebalancing, thanks to their establishment in hinterland regions and disadvantaged areas, and to reducing the rural exodus, thanks to the improvement of infrastructure and the development of agriculture.

However, the recovery of these companies, expected from January 2020, was slowed down by the coronavirus epidemic, against which the government has implemented a series of measures such as tax exemptions or reductions.

VIII- Companies incorporated in regional development areas

Tunisia grants many advantages to investments made in some internal areas of the country and far from the sea. These areas are divided into two groups according to the geographical location. The second group has more advantages and bonuses than the first because it is further away from cities and the coast.

Companies located in the first group area benefit from:

- bonus equal to 15% of the total investment (including working capital) within the limit of 1,500,000 DT
- exemption from income tax for the first five years and taxation at a rate of 10% for the following years
- total exemption from the social security burden paid by the employer for 5 years (this burden is equal to 16.57% of gross salary).

Companies located in the second group area benefit from:

- bonus equal to 30% of the total investment (including working capital) within the limit of 3,000,000 DT
- total exemption from income tax for the first 10 years and taxation at a rate of 10% for the following years.
- total exemption from the social security burden paid by the employer for 10 years (this burden is equal to 16.57% of gross salary).

5- BILATERAL TAX AGREEMENTS

Tunisia has concluded tax treaties with a number of countries which specify the withholding tax rates that apply. Non-treaty withholding tax rates apply when they are lower than the rate specified in the treaty.

The following rates of Tunisian withholding tax apply to non-resident entities:

	<i>Dividends</i> %	<i>Interest</i> %	<i>Royalties</i> %
<i>Non-treaty countries</i>	10/25	10/20/25	15/25
<i>Treaty countries</i>			
Austria	10	10	10/15
Belgium	5/10	0/5/10	11
Cameroon	10	10/15	15
Canada	10	0/10/15	0/15
China	8	0/10	5/10
Czech Republic	10	0/10/12	5/15
Denmark	10	10/12	15
Egypt	10	10	15
Ethiopia	5	0/10/11	5
France	10	10/12	5/15
Germany	5/15	0/2.5/10	10
Greece	10	10/15	12
Hungary	10	10/12	12
Indonesia	10	0/10/12	15
Iran	10	0/10	8
Italy	10	0/10/12	5/12/15
Ivory Coast	10	0/10	10
Jordan	10	10/20	15
Korea	10	0/10/12	15
Kuwait	10	0/2.5/10	5
Lebanon	5	0/5	5
Luxembourg	10	7.5/10	12
Mali	0/5	0/5	10
Malta	10	0/10/12	12
Mauritius	0	0/2.5	12
Netherlands	0/10	0/10	11
Norway	10	10/12	5/15
Oman	0	10	5
Pakistan	10	10/13	10
Poland	5/10	10/12	12
Portugal	10	10/15	10
Qatar	0	10/20	5
Romania	10	0/10	4
Saudi Arabia	5	2.5/5	5
Senegal	10	10/20	15
Serbia	10	10	10
Singapore	0/5	0/5/10	5/10
South Africa	10	0/5/12	10
Spain	5/10	5/10	10
Sudan	0/5	10	5
Sweden	10	10/12	5/15
Switzerland	10	10	10
Syria	0	10	15
Turkey	10	0/10	10
United Arab Emirates	0	5/10	7.5
United Kingdom	10	10/12	15
United Maghreb Arab	5	10/20	15

United States	10	0/10/15	15
Vietnam	10	0/10	10
Yemen	0	0/10	7.5

Tunisia has not signed any TIEAs. Tax information exchange provisions are generally included in Tunisia's tax treaties.