TUNISIA

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CORPORATE INCOME TAX Resident companies Resident companies in the oil, hydrocarbon and telecommunications sectors Resident fisheries and agriculture companies Partially exporting companies and totally exporting companies	 15% 35% 10% 10% - 35% - some sectors are exempt for the first 4 years
OTHER TAXES VAT Stamp duty Local business tax Personal income tax	 7%, 13%, 19% Exports exempt Applied at different rates 0.1%-0.2% of gross revenue 26% - 35% Non-residents: only on income from Tunisian sources
EXCHANGE CONTROLS	Repealed
BILATERAL TAX AGREEMENTS	Tunisia has signed over 40 international agreements

1- GENERAL INFORMATION

Tunisia is the northernmost country in Africa. It is a Maghreb country and is bordered by Algeria to the west, Libya to the southeast, and the Mediterranean Sea to the north and east.
Tunisia has a diverse economy, ranging from agriculture, mining, manufacturing, and petroleum products to tourism.

I- Economic policy

Agriculture is a key sector of the Tunisian economy. It provides nearly 10% of the gross domestic product (GDP) and employs almost 15% of the workforce. These performances are the result of major support and modernisation efforts of agricultural and rural activities. The industrial sector accounts for a little less than 30% of GDP and employs one third of the active population. The textile industry is relatively undermined by Asian competition. Tunisian industries are mainly oriented towards export. The local economy is largely focused on services that account for more than 60% of GDP and employs just over half of the labour force. The services sector includes ICT (Information and Communication Technologies) and the tourism industry.
The World Bank Report 'Doing Business 2020', which highlights the factors determining the ease of doing business, ranked Tunisia 78th out of a total of 190 countries.
The European Union is Tunisia's largest trade partner, accounting for 57.9% of its trade in 2020: 70.9% of Tunisia's exports went to the European Union and 48.3% of Tunisia's imports came from the European Union. Tunisia is the European Union's 35th biggest trade partner, representing 0.5% of the European Union's total trade with the world in 2020.

II- Foreign investments

In the context of social and political turmoil, foreign direct investiment (FDI) flows to Tunisia remain below their potential.
According to the latest data by the Tunisian Investment Office, at the end of the first nine months of 2023, international investments in Tunisia reached the amount of TND 1,862.1 million. Compared to the past three years, these investments have recorded variations of 13.1% compared to 2022, 34.6% compared to 2021, and 36.0% compared to 2020. During the same period, FDI was distributed as follows: 20.3% for energy, 58.9% for manufacturing industries, 20.4% for services, and 0.4% for agriculture. The breakdown by country places France in the lead with TND 444.8 million, representing over 32% of the total FDI excluding energy. Following are Qatar with TND 282.2 million, Italy with TND 184.9 million, Germany (120.4), and Switzerland with (40.6). The regional distribution confirms a great disparity among regions: more than 51.3% of FDI is concentrated in the Greater Tunis regions (mainly the governorate of Tunis) and in the Northeast region (25.6%).
The key assets of Tunisia are its proximity to Europe, sub-Saharan Africa and the Middle East, free trade agreements with the EU and much of Africa and an educated workforce. In recent years, the Tunisian government has carried out necessary structural reforms to improve Tunisia's business climate, including an improved bankruptcy law, an investment code and an initial 'negative list' and a law allowing for public-private partnerships. The government adopted laws allowing to start a business more easily (more services are available via the one-stop shop, and fees decreased); registering property is now faster and more transparent and paying taxes is easier (implementation of a risk-based tax audit system). Nevertheless, there are still huge bureaucratic barriers to investment. State-owned enterprises are a major player in the Tunisian economy and several sectors remain closed to foreign investment. The informal sector, estimated at between 40% and 60% of the overall economy, is still a concern since legal businesses are forced to compete with smuggled goods. Moreover, the country is facing high political and social instability, unemployment, inflation, and rising levels of public debt. Tunisia ranks 79th among the 132 economies on the Global Innovation Index 2023 and 150th out of 184 countries on the 2023 Index of Economic Freedom.

III- Banking system

Banks in Tunisia are the cornerstone of financial intermediation, and bank loans are the main source of financing for Tunisian companies. Twenty-two domestic banks account for 96% of banks' assets, including five state-owned lenders, five banks whose largest shareholder is a Tunisian private investor, nine banks controlled by non-Tunisian investors, and three mixed banks jointly controlled by the Tunisian state and another Arab country. The overall profitability of listed banks, which account for more than 80% of the country's banking assets, increased in the years leading up to the onset of the COVID-19 pandemic.
Retail banks typically rely on income earned from interest charged on loans to customers and on commissions and fees. Retail banks' main costs include operating costs that relate to the costs of personnel, IT and property, and impairments, which are represented by losses on NPLs.
The total revenues of Tunisia's listed banks have increased steadily since the Global Financial Crisis. Interest income represents the largest source of income and fluctuated between 50% and 58% of total revenues over the decade to 2021.

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.
Bizerte Economic Activities Park (PAEB) is under the Tunisian ministry of energy and mines, which is subjected to a public-private partnership.
Bizerte site is located in the city center on a land, which is considered to be a continuity of Bizerte business port
Today, PAEB Park hosts around 60 leader companies who operate in various sectors. Zarzis Economic Activities Park (ZEAP) was established in 1993, with a close location to Zarzis business port, and developed on an area, partially located in the old terminal area. The park hosts all industrial activities, tax-free transactions and services destined primarily for exports. The park introduces for investors a service of 'interlocutor' concerning the procedure of implantation and exercises, coaching and assistance regarding public services and management of operations with concerned partners.

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.
In July 2023, Tunisia and the European Union signed a memorandum of understanding to boost economic partnership and reduce immigration from Tunisia to Europe.

2- COMPANIES INCORPORATION AND REGISTRATION

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
Limited company (Société Anonyme - SA)	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 (Société à responsabilité limitée - SARL)	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 (Société en nom collectif - SNC)	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.		

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
Limited partnership (Société en commandite simple)	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 (Société en commandite par actions)	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.
Branch (Succursale)	A foreign company may generally conduct business activities in Tunisia through a branch.		
Joint venture (Société en participation)	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.		

In Tunisia, companies and partnerships must be registered in the Commercial Register within one month from the date of incorporation. The contract of the company or partnership must be written in a private agreement or authenticated document and must be published publicly.
Companies and partnerships become separate legal entities from the date of their registration in the Commercial Register.
A joint venture is not required to have a contract written in a private agreement or authenticated document. A joint venture is not a separate legal entity and is not subject to registration or publication requirements.
Investments in certain sectors require prior authorisation from the relevant authority. Sectors that require prior authorisation include fishing, tourism, transportation (road, railway and air), shipping, telecommunications, education, healthcare, real estate, and arms and ammunition manufacture.

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 TND 1m and to service providers whose annual turnover did not exceed TND 500,000. 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 TND 500. The minimum tax rate is 0.1% for taxpayers subject to tax at the 10% rate, subject to a minimum of TND 300.

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 TND 200 for companies subject to the 10% corporate tax rate, TND 400 for companies subject to the 15% corporate income tax rate, and TND 500 for companies subject to the 35% corporate income tax rate.

Temporary contribution

Banks and other financial institutions (including insurance and reinsurance companies) are subject to a temporary contribution for the 2024 and 2025 tax years. The contribution applies to net profits at the rate of 4% (subject to a minimum contribution of TND 10,000).

For the 2020 and 2021 tax years the contribution rate was 2%, subject to a minimum contribution of TND 5,000.

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 - 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.

The standard rate of VAT is 19%. Lower rates of 13% and 7% apply to specifically designated operations.

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.

III - Withholding taxes

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.

IV- Personal income tax

According to the Tunisian common law, an individual is considered as resident in Tunisia in case one of the below stated criteria is met:

- The individual has one's principal residency (domicile) in Tunisia.
- The individual has one's principal dwelling abroad but stays in Tunisia, in a continuous or discontinuous way, respectively, for one period or for several periods, the total duration of which is at least equal to 183 days per calendar year.

According to the double tax agreements concluded by Tunisia, when by simultaneous application of domestic tax laws of Tunisia and another state signatory of a DTT an individual is considered as resident in both states, then the provisions of the DTT relating to the criteria of determination of the tax residency will prevail.

PIT is due by all individuals considered as tax resident in Tunisia on the basis of their worldwide income (including foreign-sourced income, except those already subject to tax abroad).

For non-Tunisian tax resident individuals, Tunisian-sourced income realised by non-resident employees is subject to income tax in Tunisia, in general, through a WHT , whose rates depend on the nature of income as well as the existence of a double tax treaty (DTT) between Tunisia and the state of residence of the individual.

The net income is calculated as the gross salary reduced by the mandatory social security contributions.

The gross salary includes the value of benefits in kind (e.g. lodging, car, transportation, meals, school expenses, medical expenses). Benefits in kind are valued at their actual value.

Income tax is to be withheld at source by the employer (or the employee in the particular case of expatriates earning salaries from outside Tunisia for work done in Tunisia) on a monthly basis.

The monthly income tax is calculated as 1/12 of the annual income tax determined according to the progressive scale below.

However, the income tax may be due at a flat rate of 20% of their gross income for:

- Non-resident employees working in Tunisia for a period or periods not exceeding six months per fiscal year.
- Certain employees of foreign nationality (managers and trainers).

Tax rates

Income bands DT	***Rates %***
5,000 – 20,000	26
20,000 – 30,000	28
30,000 – 50,000	32
Oltre 50,000	35

The Finance Law 2018 implemented a social solidarity contribution of 1% to the benefit of the social funds, which is due by individuals (resident or not resident in Tunisia) on their taxable income taxable. Hence, that contribution is not applicable to the income that is not taxable.

The Finance Law 2020 provided that individuals realising exclusively salaries, wages, pensions, and life annuities and whose annual net income does not exceed TND 5,000 are exempted from the said contribution as of 1 January 2020.

Social security contributions

The Tunisian social security system is financed by contributions from both employers (16.57%, reduced to 0.5% for wholly industrial exporting companies) and employees (9.18%) based on salaries. Employers collect and pay the social security contributions from each wage-earner.

For individuals carrying out independent activities, they may opt freely for one social regime among the regimes made available by the social authorities.

Net wealth/worth taxes

The Finance Law 2023 has introduced the 'immovable property wealth tax'. This tax concerns only individuals who hold, on 1 January of the fiscal year, real estate with net value equal to or exceeding TND 3 million.

The tax rate is of 0.5%.

The taxable assets subject to this tax are built and not built real estate of any kind (e.g. villas, apartments, bare land).

However, the main house of the taxpayer and the real estate intended for the exercise of a professional activity (other than those not attached to a professional asset and intended for the rent to third parties) are not taxable.

This tax concerns real estate located in Tunisia, notwithstanding the country of residence of the taxpayer, and real estate located abroad for taxpayers tax resident in Tunisia.

Inheritance, estate, and gift taxes

Inheritance of movable and immovable goods are subject to registration fees at rates calculated on the basis of the inherited goods value as follows:

- Inheritance from ancestors and descendants: 2.5%
- Inheritance from brothers and sisters: 5%
- Inheritance from uncles, aunts, nephews, nieces, and cousins: 25%
- Inheritance from relatives beyond the fourth degree and non-relatives: 35%.

V- Other 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.
Social lodging tax
Employers established in Tunisia, regardless of being liable or not to income tax, are subject to a social lodging tax, calculated at 1% of the gross amount of salaries paid to its employees, including benefits in kind.
The social lodging tax is filed on the monthly tax return through which VAT and other direct taxes, except CIT, are filed.
This tax is payable monthly before the 28th day of the following month.
Vocational training tax
Entities subject to CIT are subject to monthly vocational training tax, calculated at 2% of the gross amount of salaries paid to its employees, including benefits in kind. The rate of this tax is 1% for manufacturing industrial companies.
Tourism Sector Development Fund (FDCST) tax
The FDCST tax is a tax that is paid by entities operating in the tourism sector. The tax is calculated at 1% of the turnover, excluding VAT, generated from tourism and relating activities.
Tourist/sojourn tax
A tourist/sojourn tax was implemented by the Finance Law for 2018. The tax is due by the hotels' residents (aged more than 12 years) of the hotels of 2 to 5 stars category.

VI- Tax Incentives
Enterprise Zones
Companies established in an Economic Activity Park in Tunisia benefit from:
- a tax deduction for reinvested profits
- exemption from taxes and duties relating to certain imports, and
- exemption from a range of other taxes and duties.

Research and Development
The Finance Law for 2022 provides an additional deduction of 50% of R&D expenses incurred by companies under agreements concluded with public scientific research establishments, public education and research establishments, or other public establishments authorised for research under the laws and regulations in force.
The following conditions apply:
The company's contribution to the total R&D expenses covered by the agreement is not less than 10% of the total amount of these expenses.
The additional deduction does not exceed TND 200,000 per year.
The Finance Law for 2023 increased the cap of TND 200,000 per year to TND 400,000 per year for R&D expenses incurred in the context of the green, blue, circular, and sustainable development economy.
Also, the Finance Law for 2023 provides that companies benefit from an additional deduction of 50% of innovation expenses, capped at TND 400,000 per year.
Export incentives
Export companies 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, 2020, 2024 or 2025 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 Foprolos (*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.

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:

	Dividends %	*Interest* %	*Royalties* %
Non-treaty countries	10/25	10/20/25	15/25
Treaty countries			
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.