

Foreword

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It is designed to give some general information to those contemplating doing business in Tunisia and is not intended to be a comprehensive document. You should consult us, therefore, before taking further action.

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Contents

	Page
FOREWORD	
About HLB INTERNATIONAL	3
GENERAL INFORMATION	4
INVESTMENT FACTORS	5
INVESTMENT INCENTIVES	6
EMPLOYMENT REGULATIONS	8
TYPES OF BUSINESS ORGANISATIONS	9
TAXATION	13
HLB IN TUNISIA	16

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General Information

Location and climate

Tunisia is located at the junction of the eastern and western basins of the Mediterranean, just where the straits of Sicily separate it by 140 kilometres from Europe. It is bordered by Algeria in the west and Libya in the south-east.

Despite its relatively small size, Tunisia has great geographical and climactic diversity, with Mediterranean influences in the north and Saharan in the south. Temperatures are moderate along the coast, with an average annual reading of 18°C (64°F), and hot in the interior south.

Legal system

Tunisia is governed by a republican constitution promulgated on June 1, 1959, three years after independence. It has been modified later on several occasions.

The legal system in Tunisia is inspired mainly by the French law system and Islamic law.

Tunisia is subdivided into 24 governorates. The governorate constitutes the largest administrative unit.

Currency

Tunisian currency is Tunisian Dinar (TND).

1TND = 0, 54€

1TND = 0, 86\$

Language

Arabic is Tunisia's official language.

French, English and Italian also have a major role in the country, despite having no official status. They are used widely in education, the press, and in business, and most educated Tunisians are able to speak them.

Business hours

Businesses generally work a 6 day week with Sunday day as a day of rest.

Government offices are closed on Friday and Saturday afternoons.

Financial institutions and some service companies work a 5 days week.

During the summer (July and August) and the month of Ramadan, most people work until 2 pm (Single time system).

Economic arrangements

Tunisia's association agreement with the European Union, (The very first such agreement between the European Union and a Mediterranean country) entered into force on March 1, 1998.

Tunisia is a member of the Arab Maghreb Union. The treaty signed between Tunisia, Algeria, Morocco, Libya and Mauritania tries to develop industrial, agricultural, commercial and social areas, and adopted free circulation of people, services, goods and capital between the Member States.

Tunisia belongs also to the Arab League and The African Union and has concluded a number of preferential economic agreements.

Facts and figures (*)

Area	162,155 sq. Km
Population	10,255 millions
Capital	Tunis
Currency	Tunisian Dinar (TND)
Languages	Arabic and French
Time	GMT+1
PIB	44 860,500 million dinars (*)
Exports	24 284,800 million dinars (*)

(*) Data of year 2007

Investment Factors

Special features

With its temperate climate, proximity to Europe, socio-political stability, and a fairly skilled labour force, Tunisia enjoys significant comparative advantages.

Having opted early on for a market economy and progressive integration in the world economy, the country's economic policy has succeeded in boosting private sector involvement, diversifying its industrial base, and holding the social cost of structural adjustment.

The Tunisian government tries to stimulate foreign direct investments through to a competitive tax system.

Investment is free for nationals and foreigners in most economic sectors.

Up to 50% of the share capital of Tunisian companies can be purchased by foreigners without authorisation.

Exchange controls

Foreign investment in projects in Tunisia is free in term of creation or expansion. Prior authorisation is required for projects in some sectors or activities.

Non-residents having made investments, in accordance with regulation in force, are free to transfer current transactions and net real proceeds as well as the value added from the sale or liquidation of capital invested previously through foreign currency import.

All other transactions and commitments from which a transfer arises or may arise as well as any clearing of debts with foreign countries require prior authorization.

Foreign accounts in foreign currency or convertible dinars can be opened freely by resident individuals or legal entities

whatever their nationality. They are freely credited and debited in foreign currency.

Non-residents Individuals not residing in Tunisia and Tunisian or foreign legal entities carrying out their activities abroad, are not subject to foreign exchange control.

Non-resident status is granted to totally-exporting companies created within the investment incentives code (IIC) or established in the various economic free zones in Tunisia.

It is also granted to international trade companies when their capital is held by Tunisian or foreign non-residents through an import of convertible currencies equal to 66% at least of the capital.

Sources of finance

The Tunisian Financial Market is governed by the CMF (Conseil du Marché Financier). It organises the markets, controls procedures and financial information's.

The CMF has under its responsibility the Tunisian Stock Exchange (Bourse des Valeurs Mobilières de Tunis)

The banking sector has undergone reforms aimed essentially at consolidating its financial foundations, promoting its structural development, and adapting its whole system to today's transformations and developments on a worldwide scale.

It is governed by the Central Bank of Tunisia who enacts management rules and prudential norms applicable to banks and financial establishments.

Investment Incentives

The Tunisian State promotes national and foreign investment by means of its Investment Incentives Code (IIC).

IIC confirms the freedom to invest in most fields and reinforces the Tunisian economies openness to the global world.

There are numerous incentives, which can be summarized as tax exemption, investment bonuses, no-cost infrastructure, and assumption of an employer's share of social costs.

Common incentives

Resident or non-resident foreigners are free to Invest in the activities listed in the IIC. Some of these are subject to special regulation.

The participation of foreigners, when exceeding 50% of the capital of a company, needs the approval of the High Commission for Investments, if it isn't a totally exporting company.

Common advantages are tax relief on profits reinvested within a limit, the waiving of customs duty and a reduction of the VAT rate, for capital goods imported.

Totally exporting regime

Totally exporting enterprises are those whose production is totally intended for export or companies providing services abroad or in Tunisia for a foreign use.

Tunisian free economic zones were created to shelter companies whose business activities, whether production of goods or services, are wholly for export.

Totally exporting companies are considered as non-residents when at least 66 % of the capital is held by non-residents.

Totally exporting companies may recruit foreign managerial and supervisory staff. This staff (which should be recruited in accordance with the labour code and the IIC) is entitled to the following advantages:

- Income tax fixed at 20% of wages.
- Importing personnel effects and a private car is free from customs duties.

Totally exporting companies benefit from total tax exemption. They have to pay very few indirect taxes such: private cars tax, road transport duties, municipal tax and some others.

Regional development zones

Tunisia has established many regional development zones. Every enterprise established in these zones is entitled to very important fiscal, financial and social incentives.

Agricultural development

Every Enterprise which invests in the agricultural or fishing sector can have the advantage of:

- Total Tax exemption.
- Many premiums for investment.
- Support by the State of the employer's contribution to obligatory social security.

Environmental protection promotion

Investments made in fighting against pollution and in the activities of collecting, converting and processing of waste and rubbish can take advantage of these incentives:

- Many financial advantages.
- Exemption from customs duties and VAT related to most of imported equipment.

Research and Development and Technology promotion

It concerns Investments that contribute to mastering and developing technology by means of a local integration approach.

Support investment

Many fiscal incentives are provided for investments in education, training, cultural production, health and transport sectors.

Employment Regulation

Social regulations

Tunisian labour legislation is administrated by:

- The labour– code. This code sets the policy and principles of labour between employer and employee.
- The collective agreements made to organize the specific needs of each economic sector of activity.
- The international labour agreement (Tunisia has ratified 57 international labour agreements).

Employment contracts

The relationship between employees and employers is governed by the labour code, sectoral collective agreements and employment contracts.

The most used employment contracts are a limited period contract and an unlimited period contract.

Several other forms of specific employment contract are accepted by the Tunisian labour law.

Social security

Every company has to be registered under the Tunisian social security (CNSS), and affiliate all its employees.

Social security is administrated by law n°60-30 published in December, 1960 which provides all procedures of registration.

Employee contribution	7.75%
Employer contribution	16.57%

Tunisia has signed 12 bilateral agreements with neighbouring and European countries

in order to prevent double payment of social contributions.

Health Insurance

The National Health Insurance Fund is responsible for managing health insurance. It was setup in July 2007.

The health insurance fund guarantees to affiliates and their dependants several healthcare services.

To ensure a better service of health insurance, contribution rates have increased and will gradually increase over a period of time between 2 and 5 years. These increases affect the rate of Social security.

Labour cost

With the same level of qualifications and background, the salary of a Tunisian engineer is the fifth of an engineer from southern European countries.

Wages are determined on the base of the guaranteed minimum salary.

Several important Incentives are provided for companies which take on Tunisian employees (such as support by the State of the employer's contribution to the obligatory social security).

Employment of foreign workers

Any foreigner who wants to get a salaried job in Tunisia needs authorisation (except for totally exporting companies), which is delivered by the administration.

Types of business organisation

PRINCIPAL FORMS OF BUSINESS

From experience, it is highly recommended that the potential investor selects the appropriate type of organisation, after taking into account the main features of each type, and which is most adaptable to its business unit.

Partnerships

Partnerships are companies dominated by the importance of the person of the associates. It is said that they are concluded *intuitu personae*.

In this kind of company, all the associates are indefinitely responsible for company's liabilities. Such partnerships include:

- A general partnership.
- A limited partnership.
- An Undisclosed partnership.

Joint stock companies

Joint stock companies are companies defined by their capital structure.

Every shareholder contributes to the company's capital and is liable for its debts only up to the capital contributed;

A shareholder receives a certificate indicating the number of shares which he holds. He can freely transmit his share without prior agreement of the other shareholders.

We find:

- Limited Companies.
- Partnerships limited by shares.

Limited liability companies

In addition to joint stock companies and partnerships, there is the limited liability company (SARL) and the one-man limited liability Company (SUARL), they are in the form of a «hybrid company », and located between the legal mode of partnerships and joint stock companies.

This table summarises the main types of companies:

General partnership	
Management	One or more managers (Partner or not, individuals or legal entities)
Minimum capital	No minimum
Number of Partners	Minimum 2 partners (Individuals)
Liability of Partners	Unlimited joint liability
Special features	<ul style="list-style-type: none">- Partners automatically have the status of a trader.- The name of the company must be the name of one or all partners

Limited liability company	
Management	One or more managers (Shareholders or not, individual obligatory)
Minimum capital	No minimum
Number of Partners	2-50, Individuals or legal entities
Liability of Shareholders	Limited to capital contributed
Special features	<ul style="list-style-type: none"> - A statutory auditor required if the company exceeds at least 2 of the following 3 thresholds at year end: Total gross assets : 100 000 TND Gross turnover: 300 000 TND Average number of employees: 10

One-man Limited liability company	
Management	The sole shareholder
Minimum capital	No minimum
Number of Shareholders	1
Liability of Shareholders	Limited to capital contributed
Special features	<ul style="list-style-type: none"> - A statutory auditor required if the company exceeds at least 2 of the following 3 thresholds at year end: Total gross assets : 100 000 TND Gross turnover: 300 000 TND Average number of employees: 10

Limited company	
Management	<p>A board of director with 3-12 members or</p> <p>A management board with max 5 members and a supervisory board with 3-12 members</p>
Minimum capital	<p>5 000 TND for companies whose shares are not offered to the public.</p> <p>50 000 TND for companies whose shares are offered to the public.</p>
Shareholders	Minimum of 7 Individuals or legal entities
Liability of Shareholders	Limited to capital contributed
Special features	- A statutory auditor is required

OTHER LEGAL BUSINESS ORGANISATION

Economic interest grouping

In Tunisia, an economic interest grouping acquires a legal personality after its registration in the commercial register and must be formed by two or more individuals or companies for a fixed term.

The aim of the grouping shall be to facilitate or develop the economic activity of its members and to improve or increase the results of their activity.

Holding

A holding is a company possessing a legal personality and its activity is limited to holding shares in other companies.

A holding must have the form of a limited company. It must enclose its quality as a holding company in all its documents.

A holding is obliged to submit an annual consolidated financial report to the shareholder's general meeting.

Liaison office

A foreign company may be represented in Tunisia by a liaison office if the activities in Tunisia are not of a commercial nature.

This liaison office is obliged to be registered in the commerce register as an office of a foreign company.

LEGAL, ACCOUNTING AND AUDITING REQUIREMENTS

Accounting and reporting

The Tunisian Accounting system is regulated by law n° 96-112, which governs the businesses accounting system in Tunisia.

The accounting system is made up of a conceptual framework and accounting standards. Most Tunisian accounting standards comply with international accounting standards.

Regulated industries such as banks, insurance companies are covered by specific accounting standards.

Each company has to submit its annual financial statement and the management report for approval of the shareholders' meeting that must be held within 6 months of the financial year end.

Auditing

Statutory auditors are appointed to a company for a 3 years period.

The appointment of a statutory auditor is required for:

- Limited companies,
- And Limited liability companies, if they exceed 2 of the following conditions:

- Total gross assets: 100 000 TND
- Gross turnover: 300 000 TND
- Average number of employees: 10

The major Audit and Accounting organisation in Tunisia is OECT (which is a member of IFAC)

OECT members must hold a certified accountant diploma (a national exam) and three years internship supervised by the OECT.

Incorporation procedures

All businesses must be registered at the Registry of Commerce. This formality requires some supporting documents for their incorporation. Companies must provide detailed information about management, equity capital and the shareholders list.

Companies must publish a notice in the Official Journal of the Republic of Tunisia and two gazettes at the time of their incorporation.

These formalities of deposit and of advertisement are required for all future decisions taken by shareholders' meetings.

Taxation

(Important note: the taxation section should be considered in conjunction with the investment incentives section)

GENERALITIES

As part of the opening of its economy, the Tunisian government has restructured the Tunisian tax system since 1990.

The Tunisian tax system consists of the following taxes:

- Income tax (Individuals).
- Corporate tax (Companies).
- Value Added Tax.
- Registration and Stamps duties.
- Customs duties.
- Local taxes and duties.
- Wages tax.

Tunisia has signed numerous double taxation treaties with European countries, the USA, countries of the UMA, and many other countries, to avoid double taxation

INCOME TAX

Income tax is due to January 1 of each year, by any individual who has in Tunisia a usual residence, on the whole of his benefit or income obtained during the previous year.

Income tax is also due by all non-resident individuals who received income from Tunisian source.

Income tax includes seven categories of incomes:

- Industrial and commercial profits.
- Earnings from the non-commercial Professions.
- Agricultural and fishing profits.

- Salaries, wages, allowances and pensions.
- Income from property.
- Investment income and capital gains.
- Other income.

Net total income consists on totalising amount of the incomes Nets determined distinctly according to the rules of each category of income.

Moreover, there are several allowances which are deductible from total Net income such as allowances for head of family, dependent children, etc.

Net total income, adjusted by deductions, is subject to progressive tax rates from 0% to 35%

CORPORATE TAX

Corporate tax applies to any corporate entity carrying on its activity in Tunisia.

In the same way will be subjected to this tax, the corporate entity not established nor domiciled in Tunisia, obtaining income having its source in Tunisia in accordance with international tax conventions. Thus, are imposed all income obtained within the framework of establishments located in Tunisia and those whose taxation is allotted to Tunisia by Treaties for the Prevention of Double Taxation.

Branch offices of foreign companies having industrial or commercial activities are subject to Tunisian tax.

Taxable profits are the profits per the accounts as adjusted by adding back items not deductible for tax purposes and deducting non-taxable items.

The rate of corporate income tax is:

- **10%** for:
 - Companies carrying on an artisanal, agricultural activity or fishing.
 - Co-operatives for services.
 - Profits earned from projects involving youth employment programmes or promotional funds for craft industries or small businesses.
 - Profits coming from export operations until January 2011.

- **35%** for:
 - Credit institutions.
 - Financial and banking organisations working exclusively with non-residents.
 - Investment companies.
 - Reinsurance and insurance companies.
 - Factoring companies.
 - Operators of network telecommunications.
 - Service companies in the hydrocarbon sector.
 - Companies trading in the hydrocarbon sector of production and transport.
 - Companies trading in the sector of oil refining and sale of petroleum products.

- **30% for all other companies.**

WITHHOLDING TAX

Corporate tax and Income tax are subject to a withholding tax operated on:

- Fees, Commissions, Brokerage, and rents.
- Earning from non-commercial professions.
- Income paid to non residents.
- Share income.
- Amount paid for transactions within an agreement.
 - Salaries, wages and pensions.

The withholding tax constitutes a tax advance and the rate vary between 1.5% and 20%

Dividends are exempted from corporate and income tax in Tunisia

VALUE ADDED TAX

Value-added tax (VAT) is an indirect tax and is the main fiscal revenue source in Tunisia. All business in Tunisia is subject to VAT. The tax due is paid monthly being the difference between the amount of VAT collected on sales and the amount of VAT paid on purchases and investments.

The Tunisian VAT code gives some exemptions for totally exporting companies and some services and products listed in the code.

VAT has to 3 rates:

- 18%, the general rate.
- 6% in particular for medical activities, pharmaceutical and craft industries.
- 12% in particular for services, transport, hotels companies and restaurants.

CUSTOMS DUTY

The importation of raw materials and finished products is subject to customs duty according to nomenclatures and tariffs fixed by Tunisian laws.

Several products are exempt or have a reduced tariff according to the tax incentives.

STAMP DUTY

Stamp duty is applicable to some transactions.

The tariff can be proportional, progressive or fixed in according to the types of transaction.

Certain company documents are obligatorily subjected to the formalities of registration: statutory documents, minutes of shareholders' meetings, statute, Goodwill transactions and share transactions.

LOCAL TAXES

Tunisia has adopted a local taxation code from 1997. This code covers the following taxes:

- Buildings and Land tax (for individuals): This rate is calculated on the basis of the localisation and the surface of the property.
- Local municipality tax (for companies): its rate is 0.2% of the gross turnover.
- Hotel tax: its rate is 2% of the gross turnover all taxes included.
- Other local taxes.

WAGES TAX

There are 2 wages taxes in Tunisia:

- Professional training tax (TFP), whose rate is 2% of the total salary cost for industry, and 1% for all other activities.
- Employee loading tax (FOPROLOS), whose rate is 1% of the total salary cost.

HLB in Tunisia

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