TUNISIA

MEMBER FIRM

Name of Firm: CLM&co
City : Tunis

Contact:
Name: Lassaad MAROUANI
Telephone: 0021671889835
Email: pkf.marwani@gnet.tn

KEY TAX POINTS

- Companies are generally liable to corporate income tax at the rate of 25%, incentive tax rate of 15% if the company shares are introduced in stock exchange market.
- Value Added Tax is charged at 6% (IT services, hotels and restaurant activities, and equipment), 12% (raw materials, craft industry products, medical activities, and canned food) or 18% (operations related to services and goods not subject to another rate).
- Inherited property and gifts are subject to tax at rates varying from 2.5% to 35%, depending on the closeness of relation.
- For certain categories of income, the payer of income has to withhold tax at source, file a tax return and submit the amount of tax withheld to the finances.

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Companies, partnerships and cooperatives are liable to corporate income tax on their profits stemming from any business they carry on in Tunisia and also lottery gains since 2016. Foreign companies not carrying on business in Tunisia but deriving certain types of income from Tunisia are subjected to company tax.

Tax rates: Companies are liable to corporate income tax at the rate of 25%. It is reduced to from 30% to 25% since 2014. However, a number of companies and legal entities such as companies operating in handicraft activities, agriculture and fishing are taxable at the rate of 10%. This tax rate is also applicable to profits made on export activities from 2015. Other companies operating in sectors of banks, insurance, production and services linked to petroleum, telecommunications are subject to a rate of 35% on their income.

Exporting companies are liable to income tax at 10% since 2014. Individuals are taxed on the third of revenues of exportation.

Minimum tax liability: A corporation has to pay a minimum tax liability of 0.2% of the total gross turnover with a minimum account, due even without any turnover, of TND 300 for companies taxable at the rate of the 10%. For those taxable at the rate of 25% or 35%, the minimum amount is TND 500.

Legal entities liable to company tax and individuals liable to personal income tax carrying on a trade business are subjected to three tax instalments each representing 30% of the total levy calculated on incomes and profits of the previous year.

Tax instalments should be paid during the 28 days of respectively the 6th, 9th and 12th months following the balance sheet date.

Exceptional contribution : 7.5% on taxable income of 2016 with minimum of 5000 , 1000 or 500 tnd depending on income tax rate (35, 25 or 10%).

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CAPITAL GAINS TAX

Capital Gains or Losses: For non-resident legal entities, gains stemming from disposal of buildings established in Tunisia or rights related to them are subject to corporate income tax.
A capital gain is the difference between sale price (or the quoted price in stock exchange of Tunis) and cost price or purchase price.
These entities are imposable at a withholding discharge of 25% of the capital gain.
For closed-end investment companies and credit institutions, capital gains related to securities are deductible from taxable income.

For both residents and non-residents, interest is subject to a withholding tax at 20% (a more favourable rate if the case is covered by a non-double imposition treaty). For the non-resident, the amount withheld is offset against ordinary income tax on this income.

From 1 January 2011, the following are exempt from capital gain for the sale of securities:

- The gain from the sale of shares listed on the Stock Exchange of Tunis acquired or subscribed before 1 January 2011 and the sale of shares in a transaction introductory Stock Exchange of Tunis is deductible from taxable income.

- The gain from the sale of shares listed on the Stock Exchange of Tunis acquired or subscribed from 1 January 2011 is also deductible from taxable income when the transfer `takes place after the expiry of the year following the year of acquisition or subscription of a maximum of 10,000 dinars per year'.

  Otherwise the gain described above shall be subject to income tax at 10% with a maximum of 2.5% of sale price or 25% thereof with a maximum of 5% (individual or company).

- Corporation tax is payable by non-resident legal persons not established in Tunisia at a rate of surplus value cited above. The capital gain subject to tax on companies is equal, in this case, to the difference between the sale price (or the quoted price in stock exchange of Tunis) and the purchase price of stocks, shares or units or the subscription price and from transfer operations performed during the year preceding the tax after deduction of capital loss from operations in question.

VALUE-ADDED TAX

VAT is an indirect tax, in that the tax is collected from someone who does not bear the entire cost of the tax. All economic activities conducted in Tunisia, including industrial and handicraft activities, liberal or commercial professions, are subject to VAT.

Exports by definition are consumed abroad and are usually not subject to VAT and any VAT charged under such circumstances is usually refundable. This avoids downward pressure on exports and, ultimately, export-derived income or revenue.

VAT that is charged by a VAT-registered business and paid by its customers is known as "output VAT" (that is, VAT on its output supplies). VAT that is paid by a business to other businesses on the supplies that it receives is known as "input VAT" (that is, VAT on its input supplies). A business is generally able to recover input VAT to the extent that the input VAT is attributable to (i.e, used to make) its taxable outputs. Input VAT is recovered by setting it against the output VAT for which the business is required to account to the Tunisian government or, if there is an excess, by claiming a repayment from the Tunisian government.

Four different VAT rates apply in Tunisia:

- 6%: information technology services, hotels and restaurant activities and equipment;
- 12%: raw materials, craft industry products, medical activities, and canned food;
- 18%: operations related to services and goods not subject to another rate.
- 29%: luxury articles

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According to article 18 of the Tunisian VAT code, a sales invoice issued by a VAT registered business should contain certain compulsory information including client name, address and fiscal register, date of the transaction, price of the goods or services sold, VAT rate and amount.

FRINGE BENEFITS TAX

Fringe benefits are considered to be a part of the salary paid to an employee; hence they are subject to social security and income taxes. Fringe benefits taxable are evaluated on the basis of their market value.

LOCAL TAXES

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

OTHER TAXES AND LEVIES:

SOCIAL SECURITY TAXES

The social security rates are 9.18% on behalf of the employee and the 16.57% on behalf of the employer and 0.5% for employer's compensation on behalf of the employer.

REAL ESTATE TAX

The purchase of real estate is subject to the following:

- A registration duty of 5% on the purchase price increased by VAT;
- A Stamp Duty of TND 15 per sheet of contract;
- A real estate property Conservation Duty of 1% on the purchase price increased by VAT;
- A registration will be increased by 1% of the purchase price for non-registration of the property purchased;
- A supplementary charge of 3% in cases where the owner has failed to declare the value of his property in cases where the owner has failed to declare the value of his property.
- A supplementary charge of 2% when the purchase price exceeds 500.000 tnd and 4% for more than 1000.000 tnd except professional buildings or acquisition by incentive companies

Any real estate buyer who is an individual or a corporate entity subject to a regular accounting system must withhold tax on the real estate purchase price. This tax is 2.5% on the purchase price increased by VAT (15% for non resident). The buyer shall pay 5, 10 or 15% on the plus value on real estate.

EXCISE TAX

This is a federal tax on specific goods and services either imported or manufactured in Tunisia. It is levied on a variety of items such as cigarettes, tobacco, alcoholic beverages, cosmetics, perfume and private cars. Excise tax is levied on sale price or customs value for imported goods.

According to the Tunisian Excise Tax Code, several rates apply to different goods. A joint list is available on the code, fixing different rates.

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GIFTS, WEALTH, ESTATE AND/OR INHERITANCE TAX

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

- Direct line relatives (children, spouses, parents, etc): 2.5%;
- Brothers and sisters: 5%;
- Collateral line relatives: 25%;
- Relatives beyond the fourth degree: 35%;
- Unrelated individuals: 35%.

VOCATIONAL TRAINING TAX

This is payable monthly at the rate of 2% of the total gross wages. A special rate of 1% is applicable to the manufacturing sector.

TAX FOR PROMOTING EMPLOYEES' ACCOMMODATION

Employers have to pay a tax at the rate of 1% of total gross salaries to promote the employee's accommodation. Farmers are exempt from this tax.

B. DETERMINATION OF TAXABLE INCOME

Taxable income is determined on the basis of regular accounting results. When there are discrepancies between fiscal rules and accounting principles, adjustments are made to the accounting results.

Profits are habitually considered gross revenue less production, salary and wages and rental expenses.

Generally, all expenses generated by the conduct of business are deductible if they are incurred in gaining or producing assessable income and not paid cash for amounts more than TND 5,000.

Taxable income includes also capital gains, except for capital gains stemming from disposal of securities listed on the Tunisian Stock Exchange (TSE) and capital gain from an initial public offering on the TSE.

DEPRECIATION

Fixed assets owned by the company are normally written off over their normal useful life. For tax purposes, the straight-line method is normally adopted.

Assets of a lower value than TND 200 may be fully written off during their first year.

Companies may choose the declining-balance method to calculate depreciation on hardware, agriculture equipment and newly purchased manufacturing equipment (from 1 January 1999). From 1 January 2008, a company is eligible to use the declining balance method to compute depreciation on manufacturing equipment financed by leasing.

STOCK / INVENTORY

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For the determination of net income, inventories must be valued at their cost price. If market value or realisable value is lower at the end of the year, the company must set up reserves for depreciation of inventories, which is deductible within the limit of 30% of the taxable income.

DIVIDENDS

Collected dividends that are distributed by Tunisian companies are tax-exempt for residents. Non-residents companies and individuals are subject to withholding tax at 5% since 2015 (25% if resident in tax haven).
The non-capitalised earnings, amounts given to partners or shareholders and attendance fees given to members of the board of directors are assimilated to dividend payment.

Gains from stock option exercises: in Tunisia, stock options are recognised only in the following sectors of activities:

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

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

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

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

INTEREST DEDUCTION

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

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

A limitation of interest rates is not applicable when the partner or shareholder who benefits from the interest is a bank, in which case interest is deductible from the taxable base to the limit applicable on the market.

LOSSES

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

(a) Reportable deficits;

(b) The depreciation of the concerned business year;

(c) Deferred depreciation in deficit periods.

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

FOREIGN SOURCED INCOME

According to the Tunisian tax legislation, revenues from foreign-source realised by individuals and which were subject to tax payment in the country of origin are not taxed.

Non-resident legal entities are taxable on their Tunisian source income and on the gain from the disposal of buildings and the disposal of shares in real estate companies. The taxable capital gain is the difference between the sale price and the purchase cost.

Relief from foreign taxes in Tunisia depends on double tax treaty concluded by Tunisia.

INCENTIVES

Tunisian tax legislation has established a certain number of incentives to investment and creation of projects in certain sectors of activity, either by Tunisian or foreign promoters being resident or non-resident or in partnership according to the overall development strategy. These are mainly aimed at accelerating growth rate and job creation within activities related to fields determined in Article One of the Investment Incentives Code.

Various tax incentives are available for total exporting companies. From 1 January 2015 the exporting activity income is taxable at the rate of 10% with minimum of 0.1% of gross turnover.

Major incentives are available for investments made by enterprises settled in areas that need development (regional development zones). Income stemming from investments carried out in these areas is fully deductible from the taxable income during the first ten years of activity but, for subsequent business years, only 50% is deductible from the tax base.

As part of the promotion of small and medium enterprises, the Finance Act 2011 has provided management measures to support businesses created from 1 January 2011. It concerns new investment for which the turnover does not exceed TND 300,000 for service activities and non-commercial professions, and TND 600,000 for trade and activities such as processing and consumption on the premises.

Such income is deductible from taxable income, revenues or profits from operations conducted during the first three years of operation. The benefit of this advantage is subject to the condition that the keeping of accounts in conformity with accounting law firms.

C. FOREIGN TAX RELIEF

Relief from foreign taxes in Tunisia depends on whether a double tax treaty has been concluded by Tunisia. Tunisia has concluded 67 non-double imposition treaties applicable on 1 January 2008.

D. CORPORATE GROUPS

When a Tunisian company holds 75% or more of the shares of one or more Tunisian companies, the group may choose to be taxed as a single entity. Hence, the subsidiaries are treated as branches of the parent company and corporate tax is payable only by the parent company.

To benefit from the results integrating scheme, the parent company must make the commitment to list its shares on the stock market before the end of the year. Under this system, the profits and losses of all controlled branches, subsidiaries and partnerships in Tunisia and abroad are consolidated.

F. WITHHOLDING TAX

For certain categories of income, the payer of income has to withhold tax at source, file tax return and submit the amount of tax withheld to the finances. In all cases, purchases exceeding 1000 TND VAT included are subject to withholding tax at 1.5%
Different rates of withholding taxes are provided ;
- 2.5% for study fees not subject to real system of VAT, real state selling price
- 5% for fees subject to real system of VAT or hotel leases
- 15% on fees, commissions or leases
- 20% on capital gains or fees of directors
- 25% capital gains by non residents

The Finance Act for 2014 has proposed a rate of 25% as a withholding tax rate on revenues or income of non-residents located in tax free areas.

H. PERSONAL TAX

With respect to the international taxation agreements, personal income tax is a direct tax levied on income of an individual more than TND 5,000 per year. Taxpayers are classified into resident and non-resident.

According to Tunisian laws, three criteria are used to indicate that an individual has a habitual residence in Tunisia.

(1) Main residence of the person is in Tunisia;

(2) Principal place of residence (period equal to, or more than, 183 days during a civil year) is in Tunisia;

(3) Civil servant or state employee carrying out his/her duty in a foreign country, where they aren't subject to personal income tax on global income.

A non-resident is subject to tax only on personal income from Tunisian sources. Income chargeable to personal income tax is called assessable income and is divided into seven categories:

(1) Income from commerce and industry;

(2) Income from non-trading professions;

(3) Income from agriculture and fishing activities;

(4) Wages, salaries, pensions and life annuities;

(5) Land income;

(6) Income in the nature of dividends and interests resulting from the detention of securities and bonds;

(7) Income from any other activity not specified earlier.

For each category of income, certain deductions and allowances are allowed in the calculation of the taxable income. A taxpayer shall keep the books in compliance with the accounting legislation, in order to benefit from these deductions.

In general, a person liable to personal income tax has to compute his tax liability, file tax return and pay tax, if any, accordingly on a calendar year basis.

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Married couples file tax returns as separate individuals. The income of children is reported on the tax return of the head of the family. A spouse can report income of the children on his/her tax return in certain circumstances.

Income tax rates (since 01/01/2017):

Amount (TND)	Rate	Effective Tax Rate of the Upper Limit
0 to 5.000	**0%**	**0%**
5.000,001 to 20.000	**26%**	**19,50%**
20.000,001 to 30.000	**28%**	**22,33%**
30.000,001 to 50.000	**32%**	**26,20%**
over 50.000	**35%**	

For trading and non-trading activities in accordance with the revenue code, a minimum tax liability is due of 0.1% of the total gross turnover or receipts except for turnover or receipts from export activities, with a minimum amount of TND 200 and TND 100 due even without any turnover.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

- Fees, royalties and non-trading activities compensation paid to non-resident: 15%.

  When a treaty exists, apply the treaty rate if less than 15%.

- Capital gains paid to non-resident: 20%.

  When a treaty exists, apply the treaty rate if less than 20%.

- Interests on loans paid to banks non-established in Tunisia: 5%.

  When a treaty exists, apply the treaty rate if less than 5%.