

# SETTING UP BUSINESS IN TUNISIA



## General Aspect

- Location: Northern Africa, bordering the Mediterranean Sea, between Algeria and Libya
- Area:
  - Total: 163,610 sq. Km;
  - Land: 155,360 sq. Km;
  - Water: 8,250 sq. Km
- Land boundaries: 1,495
- Border countries: Algeria 1034 and Libya 461 Km,
- Languages: Arabic (official)/ French
- Other languages Italian/ English
- Population: 11 446 300
- Median age: 31,4 years
- Population growth rate: 1,4%
- Major urban areas-population Tunis (capital) 2,643 Million
- Literacy: age 15 and over can read and write: 81,8%.

## Economic indicators:

- GDP: \$42.06 billions of dollars
- GDP growth rate: 1,5 %
- GDP -per capita (Purchasing power parity (PPP) ): \$11700 (2016 est.)
- GDP -composition, by sector of origin: Agriculture (10,1%) / Industry (28,3%) / Services: 61,6%
- Labor force: 4,038 million
- Unemployment rate: 14%
- Inflation rate (consumer prices): 6,9% (2017 )
- Exchange rates: US dollar -Tunisian dinars (TND) = 2,4249



# Legal Forms of Business Entities

According to the local laws, the type of legal companies are as follows:

Legal form	Feature	Remarks
<b>Sole Proprietorship</b>	Set up by a single natural person, who is fully liable for the debts contracted by the firm with his own present and future wealth. No requirement for Minimum of Capital.	Form suitable for Liberal professions and individual consultants.
<b>Limited liability company (LLC)</b> (Société à responsabilité limitée (SARL))	<p>The number of partners should be between 2 and 50.</p> <p>The minimum of capital is 1000 DT.</p> <p>Partners could be companies or natural persons.</p> <p>The company is managed by one or two managers. The manager can be responsible for the company liabilities in case of bankruptcy.</p> <p>The manager have penal responsibility regarding tax authorities.</p> <p>Modification of the company status including the increase of the capital needs the approval of 75% of partners.</p> <p>The introduction of new partners need the approval of the partners.</p> <p>The company financial statements should be certified by an external auditor if the company fulfill two of the following indicators:</p> <ul style="list-style-type: none"> <li>• The company turnover exceed 300 000 DT;</li> <li>• Total of balance sheet exceeds 100 000 DT; and</li> <li>• Number of employees exceeds 10 employees.</li> </ul>	Form suitable for families business or foreign investors who want to establish business in Tunisia.
<b>Limited liability company (LLC) sole owner</b> (Société unipersonnelle à responsabilité limitée (SUARL))	<p>Set up by a single natural person . The minimum of capital is 1000 DT.</p> <p>The company is managed by the sole owner. The manager can be responsible for the company liabilities in case of bankruptcy.</p> <p>The manager have penal responsibility regarding tax authorities.</p>	
<b>Public Limited liability company (LLC)</b> (Société anonyme)	<p>The minimum number of partners should be 7. The minimum of capital is 5000 DT.</p> <p>The company is managed by board of directors (conseil d'administration) or Surveillance board (conseil de surveillance).</p> <p>The members of the board directors can be companies or natural persons and their number should be between 3 and 12.</p> <p>The capital shares can be sold to foreign partners.</p> <p>The financial statements should be certified by an independent auditor.</p>	Form of company suitable for big investment with several investors and looking for an introduction in the Tunisian Stock market.

## Other form of business establishment

Legal form	Feature	Remarks
<b>Permanant Establishment (Etablissement stable)</b>	Foreign companies who have construction or assembly contracts in tunisia for a period exceeding 6 months are obliged to declare their contracts to the Tax authorities and establish a 'Permanent Establishment'' and obtain a tax identification. The PE is not a legal form of entity, but it has the same obligations regarding tax authorities as other form of companies.	This type of establishment is useful for foreign compagnies which dont have regular business in Tunisia and have separate contracts for construction.
<b>Representative office</b>	Foreign companies are allowed or have the right to establish a representative office but only for the objective of making market surveys or feasibility studies and not allowed to enter any commercial operations.	

## Employment

Topic	Feature	Remarks
<b>Work permit</b>	<p>According to the new investment law of April 2017;</p> <p>The exporting companies are authorized to recruit up to 30% of the total staff numbers foreign staff and this for the first three years of establishment.</p> <p>Starting from the fourth year the rate of the foreign staff in the company should not exceed 10% and a number 4 persons.</p> <p>The recruitment of staff out of these limited percentages should be subject to an authorization from the Ministry of Employment.</p>	
<b>Labour law</b>	<p>The number of working hours should not exceed 48 hours per week.</p> <p>There are two types of employment contracts:</p> <ul style="list-style-type: none"> <li>• Fixed term contract, the period of this contract should not exceed 4 years; and</li> <li>• Permanent Employment contract.</li> </ul>	
<b>Social system</b>	<p>The rates of social security are as follow:</p> <ul style="list-style-type: none"> <li>• 9,18%* Gross salary: employee contribution;</li> <li>• 17,07%* Gross Salary: company contribution.</li> </ul>	The company recruiting graduates are exempt from social security for one year, with the possibility of extension to a second year.
<b>Minimum legal salary</b>	<ul style="list-style-type: none"> <li>• The minimum legal salary is 331,361 dt.</li> </ul>	<ul style="list-style-type: none"> <li>• The start salary for engineer is from 800 Dt to 1200 dt.</li> <li>• The start salary for finance/Accountant is from 500 Dt to 800 dt.</li> </ul>

# Taxation

Companies in Tunisia are subject to direct and indirect tax.

Tax	Feature	Remarks
<b>Corporate Income Tax (Impôt sur les sociétés)</b>	<ul style="list-style-type: none"> <li>The standard corporate income tax rate is 25% on all taxable earnings of the corporation.</li> <li>This rate is reduced to 20% for the companies realising a turnover less than 1 Million Dt for companies operating in trading sector and 500 Thousand Dt for companies operating in the service sectors.</li> <li>Companies operating in the financial, telecommunications, insurance, Hyper market sectors and companies using a foreign franchise are subject to 35% income tax rate.</li> <li>The companies operating in Tunisia and exporting their merchandises or services are subject to 10% tax rate.</li> <li>The companies operating in agriculture sector are subject to 10% tax rate.</li> <li>However, tax advantage are allocated for companies established in rural zones (as per local law defined so).</li> <li>Companies operating in rural areas are exempt from form income tax for 5 and 10 years depending on the area of establishment.</li> <li>Companies introduced in the stock market benefit from the reduction of tax rate from 25% to 15%.</li> <li>The payment of corporate tax is collected by the tax authorities through withholding tax, three advances and the annual tax statement.</li> </ul>	In addition to the Income Tax Code, a new law entitled "Investment Law" contains several tax benefits for local and foreign investors.
<b>VAT</b>	<p>All service and sales are subject to VAT and three VAT rates applied depending on the activities 19%, 13% and 7%.</p> <p>VAT collected are paid to tax authorities on monthly basis.</p>	The exporting companies are exempt from VAT for the purchase of their services and equipment.
<b>Community Tax (TCL)</b>	<p>TCL is due on a monthly basis and calculated as follows:</p> <p>Turnover (local market) * 0,2%</p> <p>Turnover (Export market) * 0,1%</p>	
<b>FOPROLOS</b>	FOPROLOS is due on a monthly basis and represents 1% of total gross salaries.	Exporting companies are exempt from this tax.

<b>TFP</b>	TFP is due on a monthly basis and represents 2% of total gross salaries. This rate is reduced to 1% for companies operating in industries.	Exporting companies are exempt from this tax.										
<b>Income tax for natural person</b>	<p>The income tax for natural persons is progressive. A new scale was approved by the government and applicable starting from January 2018:</p> <table border="0"> <tr> <td>From 0 Dt to 5,000 Dt/annual</td> <td>1%</td> </tr> <tr> <td>From 5,000 Dt to 20,000 Dt/annual</td> <td>27%</td> </tr> <tr> <td>From 20,000 Dt to 30,000 Dt/annual</td> <td>29%</td> </tr> <tr> <td>From 30,000 Dt to 50,000 Dt/annual</td> <td>33%</td> </tr> <tr> <td>Over 50,000 Dt/annual</td> <td>36%</td> </tr> </table>		From 0 Dt to 5,000 Dt/annual	1%	From 5,000 Dt to 20,000 Dt/annual	27%	From 20,000 Dt to 30,000 Dt/annual	29%	From 30,000 Dt to 50,000 Dt/annual	33%	Over 50,000 Dt/annual	36%
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