



## International tax

# Tunisia Highlights 2013

### Investment basics:

**Currency** – Tunisian Dinar (TND)

**Foreign exchange control** – Foreign-owned companies and branches of foreign companies may freely repatriate profits provided applicable taxes have been paid. Certain transfers, however, must be approved by the central bank.

**Accounting principles/financial statements** – Tunisian Accounting Standards are used. Financial statements must be filed annually.

**Principal business entities** – These are the joint stock company, limited liability company, partnership and branch of a foreign corporation. A permanent establishment may be set up if approved by the Trade Office.

### Corporate taxation:

**Residence** – Tunisia does not have a definition of residence for tax purposes.

**Basis** – Tunisia operates a territorial system under which all income derived in Tunisia is subject to tax.

**Taxable income** – Profits derived from the operation of a business in Tunisia are subject to tax after the deduction of allowable expenses.

**Taxation of dividends** – Dividends distributed by Tunisian companies are not subject to tax in Tunisia.

**Capital gains** – Capital gains are taxed as ordinary income and subject to the corporate income tax rate applicable to the company. (See also “Other” under “Withholding tax.”)

**Losses** – Net operating losses may be carried forward up to five years. Losses resulting from depreciation may be carried forward indefinitely. The carryback of losses is not permitted.

**Rate** – The normal rate is 30%. A 35% rate applies to certain banking and financial institutions; investment companies; insurance and reinsurance companies; factoring companies; and telecom companies. The rate is 50% for companies operating in the hydrocarbons sector. A lower rate of 10%

applies to agricultural, health, handicraft companies and education activities.

**Surtax** – No

**Alternative minimum tax** – A minimum corporate income tax equal to 0.1% of gross turnover (other than turnover from exports) applies to most companies, with a cap floor of TND 200 for companies subject to a 10% tax rate and TND 350 for companies subject to a rate of 30% or more.

**Foreign tax credit** – No

**Participation exemption** – See under “Taxation of dividends.”

**Holding company regime** – No

**Incentives** – Incentives are available for new investments mainly in the agricultural, industrial, service and tourism sectors, and for exports. Incentives can include a partial or full exemption from corporate and income tax, import VAT, consumption tax and customs duties. Tax relief also may be obtained for reinvested earnings and profits.

Small and medium-sized enterprises established in 2013 are granted a three-year income tax exemption.

Investments in the agriculture sector, projects implemented in regional development zones and exports are entitled to a full exemption for the first 10 years of operation. The planned introduction of a 10% tax on companies engaged in exports is postponed until 2014. As a result, companies set up before 31 December 2013 will continue to benefit from the 10-year income tax exemption on profits from export activities.

### Withholding tax:

**Dividends** – Tunisia does not impose withholding tax on dividends.

**Interest** – Interest payments made to a nonresident are subject to a 20% withholding tax (5% if paid to a bank), unless the rate is reduced under a tax treaty.

**Royalties** – Royalty payments made to a nonresident generally are subject to a 15% withholding tax, unless the rate is reduced under a tax treaty.

**Technical service fees** – Technical service fees paid to a nonresident generally are subject to a 15% withholding tax, unless the rate is reduced under a tax treaty.

**Branch remittance tax** – No

**Other** – Unless exempt under a tax treaty, gains derived by a nonresident from the sale of shares is subject to a 5% withholding tax. The taxpayer can opt to have the gain taxed at a rate of 30% of the gain, in which case the 5% withholding tax will be deductible.

Gains derived on the sale of land and goodwill are subject to a 2.5% withholding tax.

### Other taxes on corporations:

**Capital duty** – A TND 150 registration duty is levied on a contribution of capital or an increase in capital.

**Payroll tax** – The employer is required to pay a professional training tax at a rate of 1% of gross salary in the manufacturing industry, and 2% for other activities. A contribution also must be made to the social housing fund at a rate of 1% of gross salary.

**Real property tax** – The transfer of real property located in Tunisia is subject to various registration fees, such as a 5% transfer tax, a 3% tax for unregistered property and a 1% tax for the land conservation authority.

**Social security** – An employer must withhold and pay social security contributions on behalf of the employee at a rate of 9.18% of the total monthly gross remuneration. The employer social security contribution is 16.57%.

A workplace accident contribution is due at rates ranging from 0.4% to 4%.

Contribution to the retirement fund is not compulsory and is fixed at 9% on the difference between the gross wages and six times the minimum guaranteed wage, of which two-thirds is paid by the employer and one-third by the employee.

**Stamp duty** – Stamp duty is levied on the majority of contracts, agreements and

documents that are subject to registration, as well as on administrative and private documents relating to a business. The rates of stamp duty vary depending on the nature of the transaction.

**Transfer tax** – The transfer of real property located in Tunisia is subject to a 5% transfer tax (see also under “Real property tax”).

**Other** – A tax on industrial, commercial or professional establishment is due at a rate of 0.2% of turnover up to a maximum of TND 100,000.

#### Anti-avoidance rules:

**Transfer pricing** – If the price in a related party transaction does not correspond to a market price, the price will be adjusted. Advance pricing agreement are not possible.

**Thin capitalization** – No

**Controlled foreign companies** – No

**Other** – No

**Disclosure requirements** – No

#### Administration and compliance:

**Tax year** – The tax year is the calendar year, although a company can request another 12-month period.

**Consolidated returns** – A group of companies may opt to file a consolidated tax return provided approval is obtained from the Ministry of Finance and the following requirements are met: (1) the parent company is quoted on the Tunisian stock exchange (or commits to go public before the end of the year following the year of application for filing a consolidated tax return); (2) the parent company holds directly or indirectly at least 75% of the share capital of each subsidiary in the group; (3) the financial statements of the companies in the group are certified by an external auditor; (4) the group companies all have the same tax year and accounting period; and (5) all companies in the group are subject to corporate income tax.

**Filing requirements** – The tax return must be filed before 25 March or before the 25th day of the third month following the closing date if that is different from 31 December. Companies must make advance payments of tax before the 28th day of the sixth, ninth and 12th month following the end of the financial year, with each payment equivalent to 30% of the corporate income tax of the previous year. Advance tax paid may be credited against the final corporate tax liability for the year.

**Penalties** – Late payment penalties are imposed at the following rates: 0.5% per month or fraction thereof if the tax due is paid voluntarily (i.e. without intervention of the tax authorities), and 1.25% per month or fraction thereof if the tax authorities have to intervene. For withholding taxes, the penalty for failure to withhold or report is equal to the amount of nonwithheld tax; the amount can double for a subsequent offense.

**Rulings** – No

#### Personal taxation:

**Basis** – Residents are subject to tax on worldwide income; nonresidents are subject to tax only on most Tunisian-source income.

**Residence** – An individual is resident in Tunisia if he/she has a main residence in Tunisia or is present in Tunisia for at least 183 days in the relevant calendar year.

**Filing status** – Joint tax returns are not allowed; each taxpayer must file his/her own return.

**Taxable income** – Income tax is assessed on the total annual income derived from Tunisia or abroad if the foreign income was not subject to tax in the source country.

**Capital gains** – Capital gains are taxed as ordinary income. For transfers of immovable property, the rate is 15% if the seller holds the property for less than five years and 10% if the property is held for more than five years.

Unless exempt under a tax treaty, gains derived by a nonresident from the sale of shares is subject to a 2.5% withholding tax applied to the sales price. The taxpayer can opt to have the gain taxed at a rate of 10% of the gain, in which case the 2.5% withholding tax will be deductible.

**Deductions and allowances** – Various deductions are available, such as interest incurred on certain loans, life insurance payments and grants to the National Solidarity Fund. Family allowances also are available.

**Rates** – Individual income tax is levied at progressive rates up to 35%. However, foreign national workers in certain sectors (e.g. export enterprises, offshore banks and hydrocarbon exploitation) can opt to pay a lump sum tax of 20% of gross salary.

#### Other taxes on individuals:

**Capital duty** – No

**Stamp duty** – Stamp duty is levied on the majority of contracts, agreements and

documents that are subject to registration, as well as on administrative and private documents relating to a business. The rates of stamp duty vary depending on the nature of the transaction.

**Capital acquisitions tax** – No

**Real property tax** – The transfer of real property located in Tunisia is subject to various registration fees, such as a 5% transfer tax, a 3% tax for unregistered property and a 1% tax for the land conservation authority.

**Inheritance/estate tax** – Inheritance and gift tax is calculated at rates ranging from 2.5% to 35% depending on the decree of succession.

**Net wealth/net worth tax** – No

**Social security** – Social security contributions are required at a rate of 9.18% of the total monthly remuneration. The employer must withhold and pay the contribution on behalf of the employee, but also must make its own contribution.

**Other** – As from 1 January 2013, individuals whose annual income exceeds TND 20,000 are required to pay a 1% contribution up to a cap of TND 2,000.

#### Administration and compliance:

**Tax year** – Calendar year

**Filing and payment** – Individuals carrying out a trade must file a return by 25 April and service providers and those carrying on an industrial activity or a noncommercial profession by 25 May. Salaried employees and pensioners must file by 5 December. Individuals deriving income from movable capital, land and foreign sources must file an annual return by 25 February.

**Penalties** – Late payment penalties are assessed at the following rates: 0.5% per month or fraction thereof if the tax due is paid voluntarily (i.e. without intervention of the tax authorities), and 1.25% per month or fraction thereof if the tax authorities have to intervene. For withholding taxes, the penalty for failure to withhold or report is equal to the amount of non-withheld tax; the amount can double for a subsequent offense.

#### Value added tax:

**Taxable transactions** – VAT is levied on the supply of goods and services and the import of certain goods.

**Rates** – The standard rate is 18%, with reduced rates of 6% and 12%. Exports and certain agricultural-related services are zero-rated.

**Registration** – VAT registration is required upon the establishment of a company in Tunisia.

**Filing and payment** – VAT returns and payments of tax are due monthly, by the 28th of the following month for companies and by the 15th of the following month for individuals.

**Source of tax law:** Individual and Corporate Income Tax Code of 1989; Tax Rights and Procedures Code of 2000; VAT Code of 1988; Investment Incentives Code 1993, Capital and stamp duties Code 1993

**Tax treaties:** Tunisia has concluded 48 tax treaties.

**Tax authorities:** Ministry of Finance and its departments and administrations/Inland Revenue

**International organizations:** OECD

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