Tunisia Tax Guide

2013

FOREWORD

A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions. This handy reference guide provides clients and professional practitioners with comprehensive tax and business information for over 90 countries throughout the world.

As you will appreciate, the production of the WWTG is a huge team effort and I would like to thank all tax experts within PFK member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication.

I hope that the combination of the WWTG and assistance from your local PKF member firm will provide you with the advice you need to make the right decisions for your international business.

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PREFACE

The PKF Worldwide Tax Guide 2013 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world's most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 1 January 2013, while also noting imminent changes where necessary.

On a country-by-country basis, each summary addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

In addition to the printed version of the WWTG, individual country taxation guides are available in PDF format which can be downloaded from the PKF website at www.pkf.com

PKF INTERNATIONAL LIMITED
MAY 2013

ABOUT PKF INTERNATIONAL LIMITED

PKF International Limited (PKFI) administers the PKF network of legally independent member firms. There are around 300 member firms and correspondents in 440 locations in around 125 countries providing accounting and business advisory services. PKFI member firms employ around 2,270 partners and more than 22,000 staff. PKFI is the 11th largest global accountancy network and its member firms have $2.68 billion aggregate fee income (year end June 2012). The network is a member of the Forum of Firms, an organisation dedicated to consistent and high quality standards of financial reporting and auditing practices worldwide.

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Please visit www.pkf.com for more information.

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I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

AT 12 NOON, GREENWICH MEAN TIME, THE STANDARD TIME ELSEWHERE IS:

A
Algeria . . . . 1 pm
Angola . . . . 1 pm
Argentina . . . . 9 am
Australia -
- Melbourne . . . . 10 pm
- Sydney . . . . 10 pm
- Adelaide . . . . 9.30 pm
- Perth . . . . 8 pm

Austria . . . . 1 pm

B
Bahamas . . . . 7 am
Bahrain . . . . 3 pm
Belgium . . . . 1 pm
Belize . . . . 6 am
Bermuda . . . . 8 am
Brazil . . . . 7 am
British Virgin Islands . . . . 8 am

C
Canada -
- Toronto . . . . 7 am
- Winnipeg . . . . 6 am
- Calgary . . . . 5 am
- Vancouver . . . . 4 am

Cayman Islands . . . . 7 am
Chile . . . . 8 am
China - Beijing . . . . 10 pm
Colombia . . . . 7 am
Cyprus . . . . 2 pm
Czech Republic . . . . 1 pm

D
Denmark . . . . 1 pm
Dominican Republic . . . . 7 am

E
Ecuador . . . . 7 am
Egypt . . . . 2 pm
El Salvador . . . . 6 am
Estonia . . . . 2 pm

F
Fiji . . . . 12 midnight
Finland . . . . 2 pm
France . . . . 1 pm

G
Gambia (The) . . . . 12 noon
Germany . . . . 1 pm
Ghana . . . . 12 noon
Greece . . . . 2 pm
Grenada . . . . 8 am
Guatemala . . . . 6 am
Guernsey . . . . 12 noon
Guyana . . . . 7 am

H
Hong Kong . . . . 8 pm
Hungary . . . . 1 pm

I
India . . . . 5.30 pm
Indonesia . . . . 7 pm
Ireland . . . . 12 noon
Isle of Man . . . . 12 noon
Israel . . . . 2 pm
Italy . . . . 1 pm

J
Jamaica . . . . 7 am
Japan . . . . 9 pm
Jordan . . . . 2 pm

K
Kenya . . . . 3 pm

L
Latvia . . . . 2 pm
Lebanon . . . . 2 pm
Luxembourg . . . . 1 pm

M
Malaysia . . . . 8 pm
Malta . . . . 1 pm
Mexico . . . . 6 am
Morocco . . . . 12 noon

N
Namibia . . . . 2 pm
Netherlands (The) . . . . 1 pm
New Zealand . . . . 12 midnight
Nigeria . . . . 1 pm
Norway . . . . 1 pm

O
Oman . . . . 4 pm

P
Panama . . . . 7 am
Papua New Guinea . . . . 10 pm
Peru . . . . 7 am
Philippines . . . . 8 pm
Poland . . . . 1 pm
Portugal . . . . 1 pm

Q
Qatar . . . . 8 am

R
Romania . . . . 2 pm

Russia -

Moscow . . . . .3 pm

St Petersburg. . . . . .3 pm

S

Singapore . . . . .7 pm

Slovak Republic . . . . .1 pm

Slovenia . . . . .1 pm

South Africa. . . . . .2 pm

Spain . . . . .1 pm

Sweden. . . . . .1 pm

Switzerland . . . . .1 pm

T

Taiwan .8 pm

Thailand . . . . .8 pm

Tunisia . . . . 12 noon

Turkey. .2 pm

Turks and Caicos Islands . . . . . . .7 am

U

Uganda .3 pm

Ukraine .2 pm

United Arab Emirates . . . . .4 pm

United Kingdom . . . .(GMT) 12 noon

United States of America -

New York City. . . . . .7 am

Washington, D.C. . . . . .7 am

Chicago. . . . . .6 am

Houston. . . . . .6 am

Denver . . . . .5 am

Los Angeles. . . . . .4 am

San Francisco . . . . .4 am

Uruguay . . . . .9 am

V

Venezuela . . . . .8 am

Z

Zimbabwe . . . . .2 pm

TUNISIA

Currency: Tunisian Dinar (TND)	Dial Code To: 216	Dial Code Out: 00

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A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX

Limited companies, limited partnerships and cooperatives are liable to corporate income tax on their profits stemming from any business they carry on in Tunisia. 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 30%. 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 2014.

Minimum tax liability: A corporation has to pay a minimum tax liability of 0.1% of the total gross turnover with a minimum account, due even without any turnover, of 200 DTs for companies taxable at the rate of the 10%. For those taxable at the rate of 30%, the minimum amount is 350 DT.

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

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

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. Capital gain is the difference between sale price and cost price or purchase price. These entities may choose to be imposable at withholding discharge of 15% of the sale price. 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.

Rental income from student accommodation or catering is deductible from taxable income during the first 10 years. This rent should respect specifications established by the supervisory ministry.

From 1 January 2011, the following are exempt from capital gain from 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% or 30% thereof (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 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.

SALES TAX/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 charged by a VAT-registered business and paid by its customers is known as “output VAT” (that is, VAT on its output supplies). VAT 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 (ie, 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.

Three 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.

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.

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 are evaluated on the basis of their market value.

LOCAL TAXES

The tax on the rental value is a municipal tax on buildings. 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, 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 6% on the purchase price increased by VAT
- A stamp duty of 3 DT 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 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 .

Any real estate buyer who is an individual or a corporate entity subject to a regular accounting system must withhold

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.

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 typically considered to be 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.

Taxable income includes also capital gains, except for capital gains stemming from disposal of securities listed on the Tunisian Stock Exchange and capital gain from an initial public offering on 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 200 DT may be fully written off during their first year. Companies may choose the declining-balance method to calculate depreciations 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 depreciations on manufacturing equipment financed by leasing.

STOCK/INVENTORY
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 both residents and non- residents.

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 not 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.

Limitation of interest rates is not applicable when the partner or shareholder who benefits from these interests is a bank in which case interests are 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 depreciations 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. 100 % of the exporting activity income is deductible from total taxable income up until 31 December 2013. This deduction is made notwithstanding the minimum tax. From 1 January 2014 the exporting activity income is taxable at the rate of 10%.

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 300,000 DT for service activities and non-commercial professions, and 600,000 DT for trade and activities such as processing and consumption on the premises.

Companies are 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 prayer of income has to withhold tax at source, file tax return and submit the amount of tax withheld to the finances.

In the context of harmonization of the rate of withholding tax on interest paid for loans to banks, non-resident, non-established in Tunisia with those contained in the conventions on avoidance of double taxation, the finance law for the management of 2011 replaced the rate of withholding tax of 2.5% by 5%.

H. PERSONAL TAX

With respect to the international taxation agreements, personal income tax is a direct tax levied on income of an individual.

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)
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.

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

Income Tax Rates Amount	Rate	Effective tax rate of the upper limit
0 TO 1,500 DT	0%	0%
1,501 TO 5,000 DT	15%	10.5%

5,001 TO 10,000 DT	20%	15.25%
10,001 TO 20,000 DT	25%	20.12%
20,001 TO 50,000 DT	30%	26.05%
Over 50,000 DT	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 100 DT 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%
- Invoice that exceed 1000 DT (with State)..1.5 %
- Invoice that exceed 2000 DT (with Private) ....1.5 %

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