

## 01 New Legislative Framework

- > *Investment Law: Law n°71 of 2016 promulgated on the 30th of September 2016;*
- > *Fiscal incentives Law: Law n°8 of 2017 promulgated on the 14th of February;*
- > *Financial incentives Decree: Decree n°389 of 2017 promulgated on March 9, 2017;*

### *What does the New Legislative Framework provide?*

- **Sets clear and transparent rules for the Access to the Market** regarding the list of administrative authorizations required for investment , procedures, conditions and time period of their issuance;

## 01 *New Legislative Framework*

- **Establishes a common legal framework for Investment**, this includes definitions of terms related to investment operation and investment's governance authorities;
- **Improves the investment's governance** by setting a new governance institutions and investment incentives;
- **Clarifies the investor's Guarantees and Obligations** and introduces the principle of equality between Tunisian and foreign investors;
- **Reinforces the principle of free international transfer of funds** for foreign investors;

## Definition

Are considered projects of national interest, investment projects contributing to the realization of one of the following national economic priorities:

- > Increasing the value added, competitiveness, export capacity and technological content of the Tunisian economy at the regional and international levels, as well as developing priority sectors;
- > Creating jobs and enhancing human resources skills;
- > Achieving inclusive regional development;
- > Achieving sustainable development ;

And which meet one of the following criteria:

- > Minimum investment cost equal to fifty **(50) million Dinar**;
- > Creation of minimum of **500 jobs** in a 3 year period as from the effective date of the operation of the project;

## 02 *Projects of National Interest*

### *Incentives*

Projects of National Interest benefit of the following incentives:

- Deduction of the benefits from the tax basis in the limit of 10 years period;
- An investment grant within the limit of 1/3 of the investment cost of the project including internal infrastructure expenses;
- State participation to the coverage of infrastructure expenditure;

## *List of eligible investments for Economic Performance grants:*

Are eligible for Economic performance grants:

- > Material investments in mastering new technologies and improving productivity;
- > Intangible investments;
- > Research and development expenditures;
- > Employee training expenditures leading to certification of skills;

## *Financial Incentives:*

- **Material investments in mastering new technologies and improving productivity:** Economic performance grant equal to 50% of approved investment component with a maximum amount of 500.000 Dinar;
- **Intangible investments:** Economic performance grant equal to 50% of approved investment component with a maximum amount of 500.000 Dinar;

- **Research and development expenditures:** Economic performance grant equal to 50% of approved investment component with a maximum amount of 300.000 Dinar;
- **Employee training expenditures leading to certification of skills:** Economic performance grant equal to 70% of employee training expenditures leading to certification of skills in accordance with international standards with a maximum annual amount of 20.000 Dinar per enterprise;

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## 04 Sustainable Development

### *List of eligible investment for sustainable development grant:*

Are eligible for sustainable development grant:

- Investment in Water and air pollution treatment resulting from the activity of the Enterprise;
- Projects for the adoption of clean and non-polluting technologies to reduce pollution from their origin or control the exploitation of resources;
- Collective decontamination equipment used jointly by a public or private operator for enterprises that carry out the same activity;

### *Financial Incentives:*

Sustainable development grant equal to 50% of approved investment component with a maximum amount of 300.000 Dinar.

# Encouragement of Export and Innovative Sectors

## Export

Are considered export transactions:

1. The sale of locally produced goods and merchandise, the provision of services abroad and services provided in Tunisia and used abroad,
2. The sale of goods and products by enterprises operating in the agricultural and fishery sectors, manufacturing and craft industries to enterprises wholly exporting and to enterprises established in economic activity parks, provided that these goods and products constitute a component of the final product for export as well as to the wholly exporting international trading companies;
3. Provision of services to enterprises wholly exporting to companies established in the economic activity parks and totally exporting, international trading companies in the framework of subcontracting operations and operating in the same sector or within the framework of Services directly related to production, except for guarding, gardening, cleaning and administrative, financial and legal services

*Are not considered as export operations, financial services, leasing of buildings, sales of fuels, water, energy and mining products and quarries.*

The following enterprises are considered as wholly exporting enterprises:

- Enterprises that sell all their goods or products or provide all their services abroad or those who provide all their services in Tunisia and that are used abroad;
- Enterprises that sell all their products or provide all their services in accordance with the export transaction defined above;

*Such enterprises may sell part of their production or provide part of their services on the local market within the limit of 30% of their export turnover in the previous calendar year*

# Encouragement of Export and Innovative Sectors Export

## Tax incentives

### - In terms of investment:

- Total deduction from the income tax base for persons or corporate income tax, income or profits reinvested in the subscription to the initial capital or capital increase in fully exporting companies, within the limit of the income or profit subject to tax.
- The suspension of value added tax on imported and local purchases of materials, products and services giving entitlement to deduction and necessary for the execution of export transactions.

### - In terms of the exploitation:

- Deduction from the income tax base of two-thirds of income from exports, and exceptional profits.
- Profits from export operations are subject to corporation tax at a reduced rate of 10%.

## Innovative Sectors

**Total deduction**, within the limit of the income or profit subject to tax, of the income or profits **reinvested** in the **subscription** to the **initial capital or capital increase** of companies making investments allowing the development of technology or its control and investments in innovation in all economic sectors, with the exception of investments in the financial sector and the energy sectors other than renewable energy, mining, real estate development, on-site consumption, Trade and Telecommunication Operators.

# Priority Sectors and Economic Sectors in Industry and Services

## Priority sectors

### Definition:

Sectors characterized by their strategic nature and their ability to raise the growth pattern or have high employment capacity and priority according to the development plans.

### List of priority sectors in industry and services:

- Primary transformation of agricultural and fishery products;
- Nanotechnology industry ;
- Biotechnology Industry ;
- Weaving and clothing industry;
- Electronics industries ;
- Engineering plastics and composites ;
- Automotive, aircraft and ship components manufacturing ;
- Medical supplies and Pharmaceutical Industry;
- Clinical research and development centres ;
- Industrial Equipment Manufacturing;
- Military industries ;
- Cultural and creative industries;
- Collection, valorisation, recycling and treatment of solid and liquid waste ;
- Biodiversity valorisation and protection and desertification prevention projects ;
- Renewable energy manufacturing ;
- Information and Communication Technologies;
- Logistic services provided in logistic activity zones ;
- Sports and Entertainment Centres;

## Financial Incentives:

Direct investment carried out in priority sectors benefit from the following incentives:

- **Premium for the improvement of value-added and competitiveness:** 15% of the approved investment cost with a maximum amount of 1 million Dinar;
- **Premium for the development of employment capacity:** Total payment of employers' social contribution by the state for the first 3 years as from the effective date of operation of the project for the salaries paid to Tunisian employees hired for the first time permanently;

## Priority Sectors and Economic Sectors in Industry and Services

- Participation in the capital of Enterprises created whose investment volume does not exceed (15) million dinar including working capital as well as expansion investments as follows:
  - **60% of the capital** : for investment projects costing less than or equal to (2) million dinar
  - **30% of the capital** : for investment projects costing more than (2) million dinars

### **Economic Sectors:**

**Definition:** Activities which are mainly based on the valorisation of structural and agricultural resources as well as natural and cultural reserves through manufacturing and employment in the production areas. They contribute to the development of value chains through the radical transformation of the nature of the product.

### **List of Economic Sectors in Industry:**

- Economic sector of Structural materials;

### **Financial Incentives:**

Direct investment carried out in economic sectors benefit from the following incentives:

- Premium for the improvement of value-added and competitiveness: 15% of the approved investment cost with a maximum amount of 1 million Dinar;

### Eligible activities:

Incentives are granted to investment projects carried out in the economic activities covered by the framework of the Investment Law and **excluding the following:**

Extraction and commercialization of structural material as raw products; Financial and insurance services; Telecommunication networks operators and Internet service providers; Retail and wholesale trade; Restaurants and cafes services and on-site consumption services except classified touristic restaurants and cafes; Production and distribution of electricity, gas and fuel except production of Renewable energies; Real estate, civil engineering and associated services civil; Real estate and rental services; Services provided by small businesses; Shaving and beauty services; Transportation; Travel agencies; Agriculture, fishing and aquaculture; Liberal professions; Paramedical and pharmaceutical services and clinical laboratories; Celebration Halls; Baking, desserts and sweets production; Miscellaneous condiment processing and coffee grinding; Unstructured Handcrafts industry (less than 5 employees);

### Financial Incentives:

#### 1- Investment grants :

- For the first group of regional development areas:
  - 15% of the approved investment cost with a maximum amount of 1.5 Million Dinar for investment project located in the first group of the regional development areas;
  - 65% of the total cost of the infrastructure with a maximum of 10% of the approved investment cost and a maximum amount of 1 million Dinar for industrial projects located in the first group of regional development areas;
- For the second group of regional development areas:
  - 30% of the approved investment cost with a maximum amount of 3 Million Dinar for the investment project located in the second group of the regional development areas;
  - 85% of the total cost of the infrastructure with maximum amount of 10% of the approved investment cost and a maximum amount of 1 million Dinar for industrial projects located in the second group of regional development areas;

#### 2- Coverage of social contributions :

- For investment project located in **the first group** of regional development areas: Total payment of employers' social contribution by the state for the first 5 years as from the effective date of operation of the project for the salaries paid to Tunisian employees hired for the first time permanently;
- For investment project located in **the second group** of regional development areas: Total payment of employers' social contribution by the state for the first 10 years as from the effective date of operation of the project for the salaries paid to Tunisian employees hired for the first time permanently;

**3- Participation in the capital** of Enterprises created whose investment volume does not exceed (15) million dinar including working capital as well as expansion investments as follows:

- **60% of the capital** : for investment projects costing less than or equal to (2) million dinar
- **30% of the capital** : for investment projects costing more than (2) million dinar

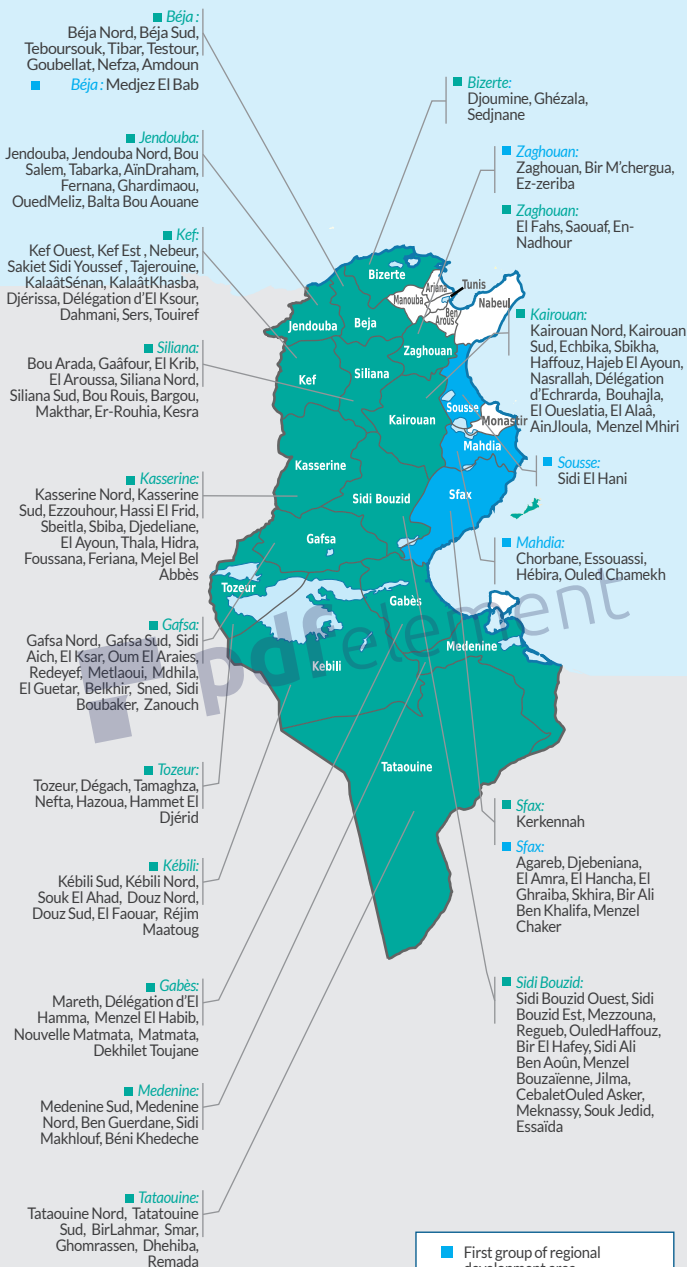
### Tax Incentives:

#### In terms of investment:

- Are fully deductible, the income or profits reinvested in the subscription to the initial capital or its increase of the enterprises established in regional development areas

#### In terms of exploitation:

- Total deduction of corporate tax for the first 5 years as from the effective date of operation of the project for the project located in the first group of regional development areas;
- Total deduction of corporate tax for the first 10 years as from the effective date of operation of the project for the project located in the second group of regional development areas;



■ First group of regional development area

■ Second group of regional development area

## 08 Other Tax Incentives

### *Support and Anti-Pollution Activities:*

- For individuals: Deduction from the income tax basis of 2/3 of income from:
- For companies: Application of the reduced tax rate of 10% of profits from:
  - Direct investment carried out by the childcare and support for the elderly, education, teaching and scientific research institutions and by vocational training establishments and establishments of production and cultural industries, youth and leisure activities and by health and hospital facilities
  - Direct investment in private student housing projects;
  - Direct investment carried out by collection, processing, recovery, recycling or treatment of waste specialised companies;

### *Encouragement of young promoters:*

- Are fully deductible and Within the limits of the income or profit subject to tax, the income or profits reinvested in the subscription to the initial capital or its increase of the enterprises created by **Young Promoters**: Young graduates of higher education, whose age does not exceed thirty years at the date of the creation of the company and who personally and permanently assume the management of their project

### *Newly established companies:*

Newly established companies other than those operating in the financial sector, energy sectors with the exception of renewable energies, mining, real estate development, and local consumption, and trade and telecommunication operators benefit from:

- Deduction of profits and income during the first 4 years of activity as follows:
  - 100% during the first year;
  - 75% during the second year;
  - 50% during the third year;
  - 25% during the fourth year;
- Additional deduction at the rate of 30% for depreciation of machinery, equipment and equipment intended for use, with the exception of passenger cars other than those constituting the main object of the undertaking, Operating, acquired or manufactured in the context of extension operations, the basis of income tax or corporation tax due for the first year from the date of acquisition, Manufacture or commencement of use.