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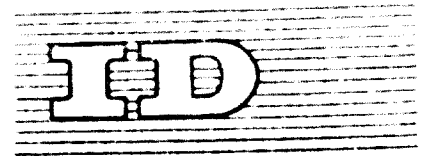
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D00097



United Nations Industrial Development Organization

Distr.  
LIMITED

ID/IG.35/19  
21 April 1969

ENGLISH  
Original: FRENCH

Investment Promotion Conference  
for Tunisian Industry

Tunis, 28 - 30 May 1969

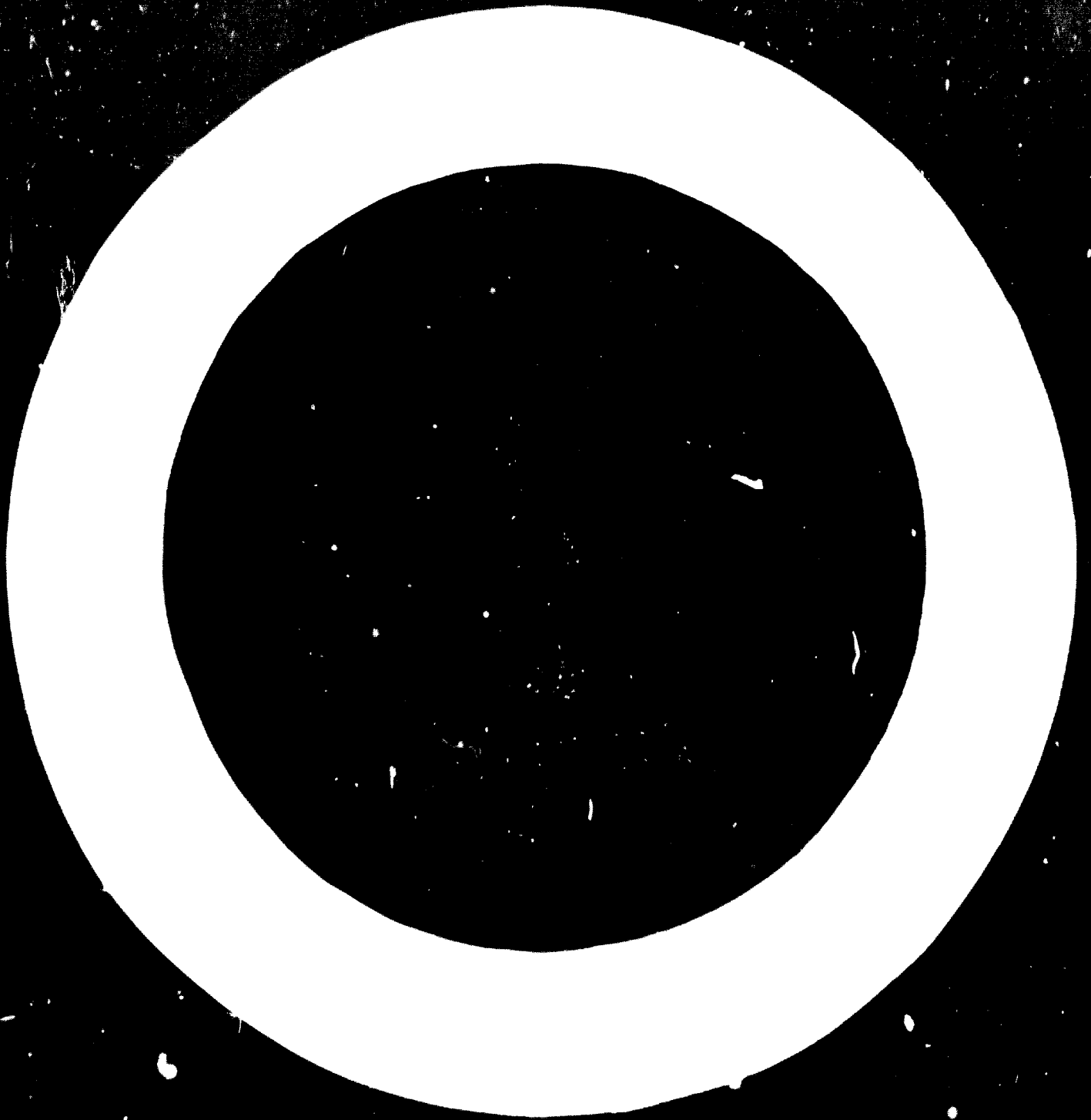
**INVESTING IN TUNISIA**

presented by

the Government of Tunisia<sup>1/</sup>

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<sup>1/</sup> The views and opinions expressed in this paper are those of the Government and do not necessarily reflect the views of the secretariat of UNIDO.



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## INVESTING IN TUNISIA

### Some questions and answers

#### I. What fiscal and financial benefits are granted to investors in Tunisia?

##### 1. Letter of establishment

- Five-year exemption from the tax on profits, renewable.
- The deficit balance accruing over the first five years of operation may be carried forward for five years.
- Registration of fixed dues:
  - incorporation
  - increase in capital
  - change of legal status
  - merging and transfers.

##### For a five-year period:

- Exemption from tax on the rental value.
- Exemption from tax on income from transferable securities backing loans contracted by the enterprise.
- In certain cases, guarantee of a minimum volume of orders from the State.
- In certain cases, the provision of assurances regarding the import of competing products.

##### 2. Plant

- (a) A foreign enterprise wishing to set up operations in Tunisia is permitted to import free of customs duty equipment previously used by it abroad.
- (b) Enterprises are entitled to reimbursement of production tax paid on industrial equipment imported or acquired in Tunisia for their plant.

3. Letter of guarantee

This provides the lending bank with a State guarantee on loans granted for plant and construction.

4. Letter of approval

This enables the enterprise to finance part of its stock (about 80 per cent) by giving them an industrial pledge without loss of title.

5. Taxes

Companies and individuals are permitted to deduct from the tax payable on their profits or incomes the sum of their share in certain enterprises. Furthermore enterprises are exempted from paying tax on the amount of profits re-invested in the enterprise.

6. Long-term fiscal regime:
- Tax stability for fifteen years
  - Direct taxation
  - Export taxes and dues

7. Exports:

Exports are exempt from turnover tax and similar dues and duties.

"Producers" may also claim a refund of the turnover tax on their purchases of raw materials.

8. Exchange arrangements

Dividends, office costs, royalties, freightage costs and commission fees are transferable.

- The proceeds of liquidation are transferable
- Net actual profit may be transferred by "producers"
- Transfers limited to eight per cent and to the amount of foreign exchange imported for "non-producers".

9. Guarantees:

- These are intended to guarantee foreign investors against any spoliation and enable them to have recourse to international arbitration.
- Bilateral guarantees between Tunisia and certain countries.

10. Inducements for investments in Southern Tunisia

- Letter of guarantee
- Letter of approval
- Exemption from business licence
- Exemption on investment of re-invested profits
- Five-year carry-forward for losses
- Registration of fixed dues
- Exemption from tax on rental value
- Exemption from tax on income from transferable securities backing loans borrowed for the enterprise
- Guarantee of a certain volume of orders from the State for five years
- Restrictions on imports of competing products
- Favourable terms for exporting
- Unchanged fiscal regime guaranteed for twenty years
- Free land grants
- Infrastructure works undertaken.

11. Special benefits provided in the tourist sector

- The State will be responsible for:
- Cost of studies (architecture and reinforced concrete)
  - Works on infrastructure and outside roads
  - Electricity lines
  - Drinking-water supply
  - Access roads
  - Telephone lines

Reimbursement of customs duties on equipment.

Interest allowance at a maximum rate of 3 per cent a year.

II. What bilateral and international contractual protection is granted by Tunisia for investments?

1. Bilateral agreements

In keeping with its policy of promoting foreign investment in Tunisia, the Tunisian Government has already signed a number of bilateral agreements. Such agreements have been signed with:

France

Federal Republic of Germany

Belgian-Luxembourg Economic Union

United States of America

Switzerland

Sweden

Netherlands

The main provisions of these agreements are as follows:

- (1) Investments as well as property, rights and interests of individuals and bodies corporate, that are nationals of one of the contracting parties, enjoy, in the territory of the other party, non-discriminatory treatment at least equal to that recognized by each party with regard to its own nationals.
- (2) Each party undertakes to authorize, under its existing or future regulations:
  - (a) The transfer of actual profit, interest, dividends and dues, accruing to bodies corporate and individuals nationals of the other party.



- (b) The transfer of the proceeds from the total or partial liquidation of investments approved by the country in which they are made.
- (3) In the event of expropriation or nationalization of property, rights or interests belonging to nationals of the other party, the opposing party shall pay effective and adequate compensation in accordance with international law.
- (4) In the case of disputes, the International Court of Justice shall be the final arbiter.

2. International guarantee

Tunisia's accession to the International Convention for the settlement of disputes relating to foreign investments, which is wider in scope than the bilateral agreements, clearly reflects the desire of the Tunisian Government to provide every guarantee for foreign capital invested in the country.

This Convention, which was prepared by the International Bank for Reconstruction and Development (IBRD), is especially intended to provide safeguards for foreign private investors against any risks of nationalization or spoliation, and enables them to have recourse to international arbitration for the settlement of any disputes.

III. Which industries are open to foreign investments? Which are the main public enterprises?

1. In Tunisia industry is open to any form of public, private or co-operative enterprise, national and foreign.

The State intervenes at three levels:

- as overseer in the key activities which form the basis of Tunisian industry,
- as partner of private individuals in the establishment of new industries,

- as public authority, through the operation of the law, the taxation system and credit facilities, in order to promote industrialization in accordance with the provisions of the plan.

Sometimes public enterprises are set up when the investments involved are not directly productive and cannot interest the profit-seeking private sector.

2. List of public enterprises<sup>1/</sup>

(a) Public establishments:

(i) Departments

Office des Terres Domaniales (State Property Department)

Office des Souassis (Souassis Department)

Office de la Mise en Valeur de la Vallée de Madjerda (Madjerda Valley Development Department)

Office de l'Enfida (Enfida Department)

Office de l'otoculture et de Mise en Valeur Agricole  
(Department of Power, Agriculture and Agricultural Development)

Office de l'Elevage et de Pâturage (Livestock-raising and Grazing Department)

Office National des Pêches (National Fisheries Department)

Office National des Mines (National Mining Department)

Office des Ports Nationaux de Tunisie (Tunisian National Port Department)

Office National de l'Artisanat (National Handicraft Department)

Office du Commerce de Tunisie (Tunisian Commerce Department)

Office National des Céréales (National Cereals Department)

Office National de l'Huile (National Oil Department)

Office National du Vin (National Wine Department)

Office de la Formation Professionnelle et de l'Emploi (Department of Vocational Training and Employment)

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<sup>1/</sup> This list only enumerates public establishments of a commercial and industrial nature and mixed-economy companies in which the State participates directly.

(ii) Companies

Société Tunisienne d'Electricité et de Gaz (Tunisian Electricity and Gas Company)

Société Nationale des Chemins de Fer Tunisiens (National Tunisian Railway Company)

Ciments Portland de Bizerte (Portland Cements of Bizerta)

Régie Nationale des Tabacs et Allumettes (National Tobacco and Match Company)

Pharmacie Centrale de Tunisie (Tunisian Central Pharmacy)

Société Nationale Immobilière de Tunisie (National Building Society of Tunisia)

Maison Tunisienne de l'Edition (Tunisian Publishing House)

Banque Centrale de Tunisie (Central Bank of Tunisia)

Caisse Nationale de Retraite (National Pension Fund)

Caisse Nationale de Sécurité Sociale (National Social Security Fund)

Société Nationale d'Exploitation et de Distribution des Eaux (National Company for Water Development and Supply)

(iii) Mixed-economy companies

Société Tunisienne du Sucre (Tunisian Sugar Company)

Société Italo-Tunisienne d'Exploitation Pétrolière (Italo-Tunisian Petroleum Development Company)

Société d'Etudes et de Recherches Pétrolières (Petroleum Study and Research Company)

Société Tuniso-Italienne de Raffinage (Tuniso-Italian Refining Company)

Société Anonyme AGIP (AGIP Company)

Compagnie des Phosphates et des Chemins de Fer de Gafsa (Gafsa Phosphates and Railway Company)

Compagnie Nouvelle des Phosphates du Djebel Md'hilla (CIPHOS) (National Phosphates Company of Djebel Md'hilla)

Société Tunisienne d'Exploitation Phosphatière (Tunisian Phosphate Mining Company)

Société du Djebel Jerissa (Djebel Jerissa Company)  
Compagnie Générale des Salines de Tunisie (COTUSAL) (General Tunisian Salt Mine Company)  
Société Industrielle d'Acide Phosphorique et d'Engrais (Industrial Phosphoric Acid and Fertilizer Company)  
Société Tunisienne des Engrais Pulvérisés (Tunisian Pulverized Fertilizer Company)  
Raffinerie Tunisienne de Soufre (Tunisian Sulphur Refinery)  
Industries Chimiques Maghrébines (Maghreb Chemical Industries)  
Société El Fouledh (El Fouledh Company)  
Société de Construction et de Réparations Mécaniques et Navales (Mechanical and Naval Construction and Repair Company)  
Société de Fonderies Mécaniques (Mechanized Foundry Company)  
Société "La Tunisie Industrielle" ("Industrial Tunisia" Company)  
Fonderie de Sidi Fathallah (Sidi Fathallah Foundry)  
Société Générale des Industries de Textiles (General Textile Industry Company)  
Société Nationale Tunisienne de Cellulose (Tunisian National Cellulose Company)  
Société Nationale du Liège (National Cork Company)  
Société Tunisienne de l'Air "Tunis-Air" ("Tunis-Air" Tunisian Airways)  
Compagnie Tunisienne de Navigation (Tunisian Navigation Company)  
Société Nationale des Transports (National Transport Company)  
Société de Transport de Marchandises (Goods Transport Company)  
Société Hôtelière et Touristique de Tunisie (Hotel and Tourist Company of Tunisia)  
Imprimerie Officielle (Official Printing House)  
Agence Tunis Afrique Presse (Tunis Africa Press Agency)  
Société Tunisienne de Diffusion (Tunisian Broadcasting Company)  
Société Tunisienne de Publicité (Tunisian Advertising Company)  
Société Anonyme de Production et d'Exploitation Cinématographique (Company for Cinematic Production and Operations)  
Banque Nationale Agricole (National Agricultural Bank)  
Société Tunisienne de Banque (Tunisian Banking Company)

Société El Bouniane (El Bouniane Company)

Société Bâtiment (Building Company)

Société d'Assurances et de Réassurances (Insurance and Reassurance Company)

Société Tunisienne Commerciale (Tunisian Trading Company)

Société Tunisienne Commerciale (Tunisian Trading Company)

Société Nationale de Mise en Valeur du Sud (National Southern Development Company)

Société El Anabib (El Anabib Company)

IV. What taxes and rights are at present in force?

Incorporation dues payable by the company: on assets introduced in cash or in kind:

- Business licence: 36.5 per cent on the commercial profits of enterprises engaging in industrial, handicrafts, tourist or transport activities. 25 per cent in the case of individuals.
- Increase in capital by way of transfer: 1.2 per cent.
- Company changes not involving the establishment of a new company: 0 D, 480
- Consumption tax (C.T.) The rate varies according to the article (7.35%, 14.7%, 21%), and is charged wither at the time of importation or the time of manufacture. An industrialist is allowed to deduct the C.T. on his purchases of raw materials from the C.T. which he is required to pay to the Exchequer.
- Tax on performance of services (T.P.S.): This is levied on such items as electricity production, transport, banking and hotel-keeping, building and repairs of all kinds. The rates are 5.25 per cent and 2.1 per cent.
- Production tax (P.T.): This is levied on the manufacturer's turnover and on imported articles. The rate is 13.13 per cent of the selling price inclusive of tax.

- Vocational training levy: 2 per cent.
- Tax on income from transferable securities: This is a direct tax on dividends distributed by the company. It is payable by the holders of stocks or shares but deducted at source by the companies, which are responsible for effecting the statement and payment. The rate is 17.75 per cent.
- Fixed business licence dues: On filing his statutory declaration, the licensee is required to pay fixed business licence dues, the tariff varying according to profession and type ranging from 1 D,200 and to 240 D approximately).

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