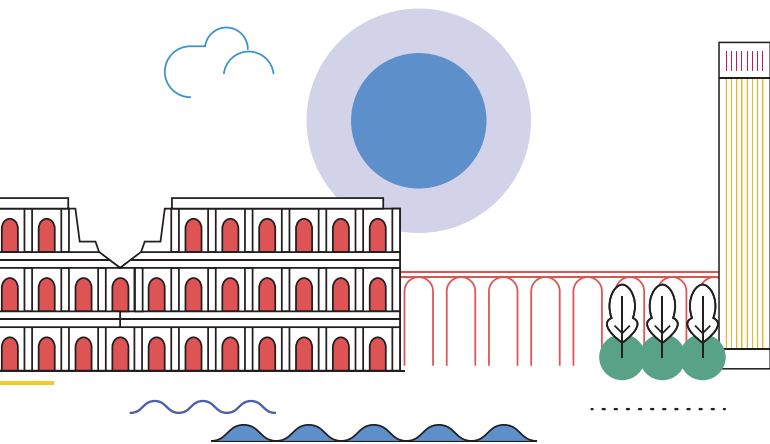


DOING BUSINESS GUIDE

SETTING UP YOUR BUSINESS IN TUNISIA:
WHY AND HOW?



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INTRODUCTORY NOTE

The success of the democratic transition in Tunisia is the exception of the Arab Spring. New horizons and a promising future present themselves injecting a new socio-economic breath into the new Tunisia which retains its development potential. It thus remains an important regional base for the development of export activities not only between North Africa and the EU (Hub to Africa) but also a good alternative to diversify supply and production risks with respect to Asian locations.

This guide aims to give you an insight into the business rules and practices in Tunisia. However, the analysis of the methods of establishment by the creation of a subsidiary or acquisition must be the subject of an in-depth strategic reflection in order to understand, from the start, the local specificities in legal, administrative, fiscal or human resources matters, for a controlled and successful implementation.

We remain at your disposal to discuss your implementation projects in more detail.



Lassaad Ennabli

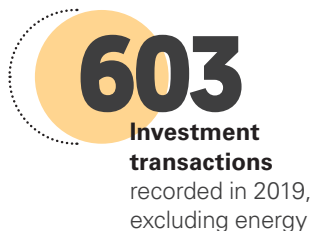
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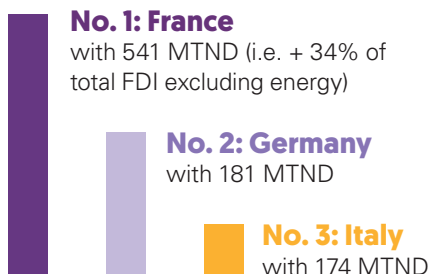
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FRENCH FOREIGN DIRECT INVESTMENTS BAROMETER IN **TUNISIA**

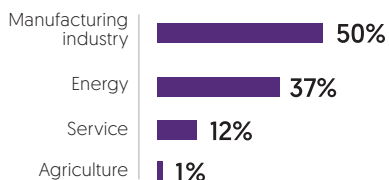


π *Pramex Office*

Breakdown of flows of FDI by country



Per sectors / Key business areas (2019)



5 KEY QUESTIONS TO BE BETTER PREPARED

Do I need to travel to Tunisia for the opening of subsidiary?

No, it is possible to open a branch without travelling by appointing an agent. It should be noted that some local banks accept the opening of a remote bank account.

What is the status of an Off-Shore company?

A subsidiary operating under the Off-Shore status is a company more than 66% owned by foreigners and whose production is entirely intended for export (subsidiary and parent company subcontracting operation, for example). The Off-Shore company benefits from the free zone scheme, regardless of its geographical location in the territory, with exemption from duties and taxes due on imports and exemption from restrictions relating to foreign trade and exchange controls. Off-Shore companies are authorized to sell 30% of their total production on the local market.

Can I invest freely?

The foreign investor is free to invest in Tunisia in most sectors and can hold up to 100% of the capital of their subsidiary without prior authorisation or obligation to associate with a Tunisian partner. However, not all sectors are unrestricted. For example, in the trade sector the exercise of a commercial activity by a foreigner is subject to obtaining a trader's card.

What are my accounting obligations?

The accounts must be kept in local currency (in Tunisian dinar) according to the Tunisian chart of accounts, quite close to the French chart of accounts.

Can I develop the Maghreb or Africa from Tunisia?

The Off-Shore company scheme provides several competitive advantages; it thus becomes simpler and more expedient to export under this scheme to the Maghreb or Africa thanks to the various bilateral and multilateral free trade agreements with Arab or African countries. The availability of inexpensive local resources such as technical sales assistants further facilitates the export process to new markets.



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TUNISIA IN FIGURES

KEY FIGURES



+2.7%

growth in 2020
according to the IMF

1st

African country in
social development

3,475

Active foreign companies

2nd

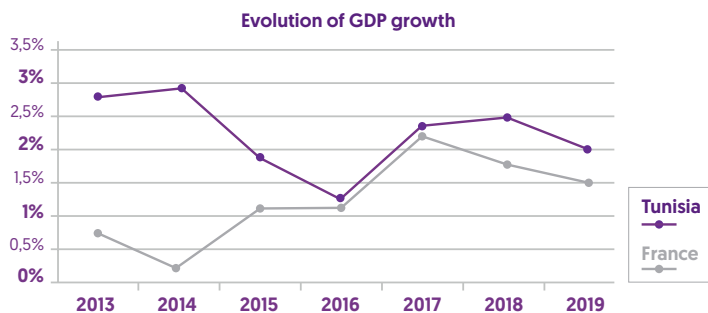
African producer of
automotive components

2019



| | | |
|----------------------------------|--------------|------------|
| Country ranking (GDP) | 7 | 96 |
| GDP (in billions of \$) | 2,778 | 40 |
| GDP growth (%) | 1.5 | 2 |
| Population (in M) | 67 | 12 |
| Standard & Poor's sovereign risk | AA | BB+ |
| Ease of doing business [1 – 189] | 32 | 78 |

Source: World Bank



THE KEY STRENGTHS

- Favourable geographical position.
- Favourable competitiveness-cost ratio
- Cultural proximity
- Advanced partner of Europe
- Skilled workforce
- France = leading trade partner
- Hub to Africa
- Legal incentive investment framework
- Diversified economy

10 GOOD REASONS TO SET UP A BUSINESS IN TUNISIA



A PRIVILEGED GEO-STRATEGIC POSITION

- Located at the junction of the eastern and western Mediterranean, Tunisia is an ideal hub for accessing numerous regional markets.
- The proximity to Europe and means of transport allow flexible delivery and even *just-in-time* production. Its exports and imports have always been the driving force behind its growth.
- Tunisia remains an ideal international platform to cover the Maghreb and Central Africa.



A POOL OF GRADUATES AT COMPETITIVE COSTS

- Very high level skills and a qualified workforce are available in Tunisia at very competitive costs.
- Tunisian developers have acquired expertise that is exported to different parts of the world.
- In Tunisia, the cost of a beginner engineer is around €600 and that of a senior technician €350.
- In 2019, OFII noted an 11% increase in permanent contracts to reach 2,573 contracts. Among these permanent contracts, there is a majority of qualified jobs, in particular 2,291 engineers, including 2,265 in the IT sector (computer and network security, software engineering, development, project management).
- Most qualified jobs are covered by fixed-term contracts. Among the 308 contracts, 128 concern the medical sector.



CORPORATE TAX IS LOWER THAN THAT OF FRANCE AND EMPLOYER CONTRIBUTIONS ARE CAPPED

- Corporate taxes in 2020: 25% with a reduced rate of 10% for fully exporting companies which are exempt from VAT
- Employer contributions: capped at 16.07% for the employer and 9.18% for the employee



HIGH QUALITY TRANSPORT INFRASTRUCTURE

- There has been strong investment to provide the country with quality infrastructure that contributes to reinforcing the country's integration into the international economy.
- Tunisia has 7 major commercial ports spread over the entire territory, thus reducing the risk of regions being landlocked, and 6 international airports.
- Geographical proximity to France plays an important role: 2 hours 20 minutes by plane for a flight from Paris to Tunis.



A TRADE AND INVESTMENT HUB

- Tunisia is an open, welcoming country. It is even more favourable to foreign investment than it was in the past.
- The main trading partners are France, Italy and Germany.
- France is the leading foreign presence with 1,200 companies and 125,000 employees.



A LARGE FRENCH-SPEAKING COMMUNITY

- Tunisia has always been a privileged destination for the French with a large community estimated at over 30,000 people.
- 37% of members of the French community in Tunisia reside in the Governorate of Tunis and 66% in Greater Tunis.



A YOUNG AND EDUCATED POPULATION

- 1st country in Africa for the availability of engineers and scientists.
- Concentrated efforts, since its independence, have been made to promote education through generalised and free education.
- Almost 8% of GDP devoted to education and vocational training.
- A current enrolment rate close to 99%.



A SUCCESSFUL DEMOCRATIC TRANSITION

- The only successful experience of the Arab Spring, Tunisia is gradually turning to democracy with a stabilisation of the political and social situation.
- Tunisia, a peaceful and mature country, has once again proven to be at the forefront of political and social development in the Arab world.
- As a reminder, the Nobel Peace Prize was awarded in 2015 to Tunisia for the successful construction of a pluralist democracy.



A CONNECTED COUNTRY

- Tunisia has an educational system open to its environment based on the dissemination of ICT culture.
- Launch of the “Tunisie Digitale 2020” project to position Tunisia as an international digital development benchmark and major lever for socio-economic development and give Tunisia technological infrastructure worthy of a modern economy.



A STABLE BANKING AND FINANCIAL SECTOR

- The growth of the Tunisian banking sector confirms the role played by this sector in financing the economy in an environment in the recovery phase.
- The banking sector is developed and covers the entire territory.
- The main French banks are present there.



BNP PARIBAS



**SOCIETE
GENERALE**

OVERVIEW OF THE LOCAL/LEGAL STRUCTURES IN TUNISIA

LIAISON OR REPRESENTATIVE OFFICE

Little used form, simply an "observation post"

- + Simple start-up formalities
- + No bookkeeping or corporate tax requirements
- ⚡ Commercial activity is not authorised

BRANCH

Administrative management similar to the subsidiary, considered as a stable establishment

- + Appropriate for commercial activity
- ⚡ No legal autonomy

LIMITED LIABILITY COMPANY

The most common legal form in Tunisia, including for subsidiaries

- + Relatively low share capital contribution
- ⚡ Liability of the partners limited to the amounts of the contributions

PUBLIC LIMITED COMPANY

Mainly used for large companies (minimum 7 shareholders)

- + Gives credibility in the eyes of banks and partners
- ⚡ Capital contribution of at least €2,000 and higher cost than for the limited company (SARL)

INCORPORATING YOUR SUBSIDIARY IN TUNISIA

1

Registration of the company name

2 DAYS

2

Obtaining the certificate of filing of the investment project declaration

3 TO 5 DAYS

3

Opening of a bank account and contribution of the share capital

1 TO 2 DAYS

4

Filing of articles of association with the finance department for registration

1 DAY

5

Tax registration: declaration of existence and tax number

1 DAY

6

Filing of the company's incorporation documents at the National Register of Companies

1 DAY

7

Registration with the National Register of Companies and declaration of the Ultimate Beneficiary

2 DAYS



Overall timeline
approx.
2 weeks

MANAGING A SUBSIDIARY IN TUNISIA

INCENTIVES FOR INVESTMENT IN TUNISIA

Tunisia offers an incentive tax framework for foreign companies that fully export (off-shore):



■ Low corporate tax at 10%



■ VAT exemption for local purchases of goods and merchandise



■ Opening an account in foreign currency, no exchange risk and freedom of transfer without declaration to the Central Bank of Tunisia





■ Freedom to recruit up to 4 foreign executives without authorisation



■ Possibility of selling 30% on the local market

ESTIMATED COSTS RELATED TO THE MANAGEMENT OF A SUBSIDIARY

| Data in euros (€) |  |  | |
|---|---|---|-------|
| Average annual cost per sqm of office space | 526 | 65 | ↘-88% |
| Average gross annual salary of a Sales Director | 105,000 | 1,165 | ↘-99% |
| Legal gross minimum hourly wage | 10.15 | 0.61 | ↘-94% |
| Fastfood menu | 9 | 3.8 | ↘-58% |
| Monthly public transport subscription cost | 75 | 13 | ↘-83% |
| Monthly internet subscription 10Mbps | 27 | 17 | ↘-37% |
| Prepaid mobile local rate - 1min | 0.23 | 0.08 | ↘-65% |
| Monthly rent (2-bedroom downtown apartment) | 2,655 | 354 | ↘-87% |

01/11/2021: 1 TDN= 0.31 EUR

Sources: Robert Walters - Salary survey 2020
Le coût de l'Expatrié - Banque Populaire

FRANCE VS TUNISIA: EMPLOYMENT LAW AND TAX OVERVIEW

LABOUR LAW



| | | |
|---------------------------|-------------------|-----------------------|
| Contributions | | |
| Employer contributions | 35% to 45% | 16.57% |
| Employee contributions | 20% | 9.18% |
| Legal weekly working time | 35 hours | 40 or 48 hours |
| Paid leave in days | 30 | 22 |






2 types of dismissal in Tunisia

- Dismissal for personal reasons
- Dismissal for economic reasons

Dismissal is simpler than in France but is subject to standard compensation except in the event of serious misconduct. This implies that proof of the existence of employee misconduct is incumbent on the employer.

TAX LAW

Income tax

| Taxable income between | Tax | |
|------------------------|---|------------|
| under 5,000 TND |  | 0% |
| 5,000 to 20,000 TND |  | 26% |
| 20,000 to 30,000 TND |  | 28% |
| 30,000 to 50,000 TND |  | 32% |
| More than 50,000 TND |  | 35% |

Corporate tax

15%
General rate in 2021

35%
For banks,
insurance companies...

10%
For off-shore companies
(totally exporting)

SOCIOCULTURAL FEATURES

BUSINESS BEHAVIOUR



Tunisians still prefer face-to-face contact rather than communicating in writing or by telephone. Building a long-term relationship of trust takes time.



Tunisians use more animated body language and expressive gestures.



The qualities valued by the Tunisians are cordiality, modesty and trust.



Feelings and relationships play a very important role for the Tunisians and personal relationships must be prioritised.

SPECIFIC PROFESSIONAL AND BUSINESS FEATURES

45

**Average late
payment days**

94

**Average
settlement time
of payables**



The exercise of a commercial activity by a foreigner is subject to authorisation materialised by obtaining a trader's card.

LABOUR CODE

4 Weeks' paid leave per year

8 Official public holidays in the year



The Labour Code is much simpler than the French code.

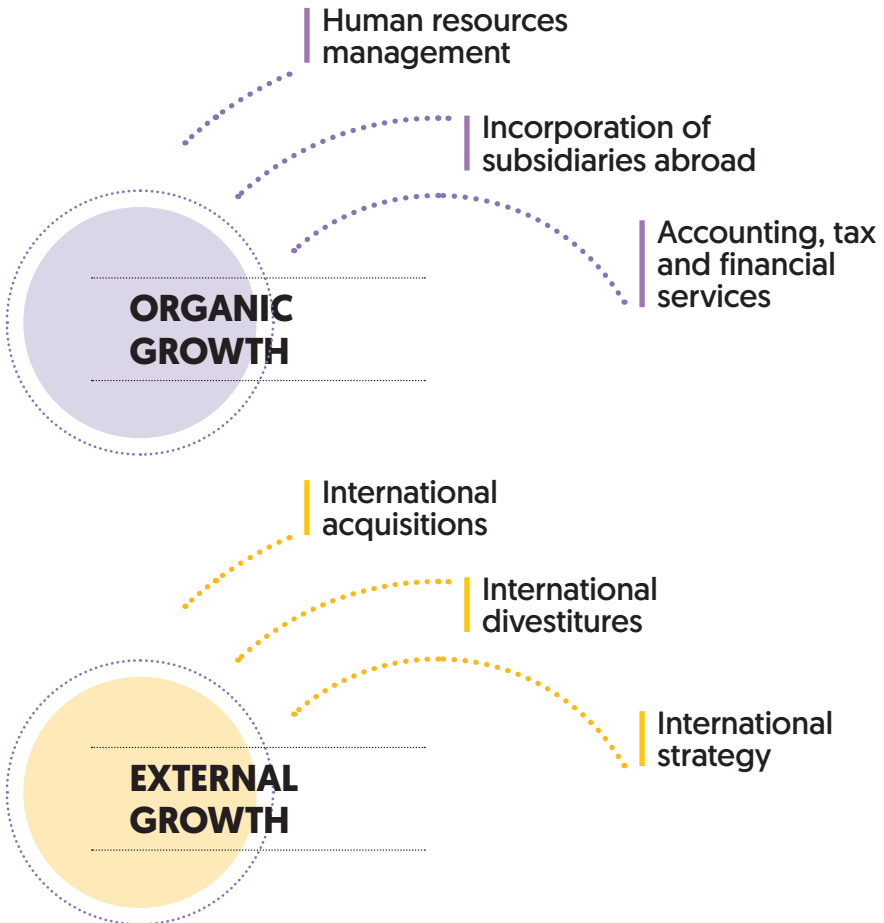


Most of the protection and remuneration of employees derives from sectoral agreements

OUR RANGE OF SERVICES

THE SPECIALIST IN SETTING-UP SUBSIDIARIES ABROAD

No. 1 IN OUTSOURCED FINANCIAL, HR & LEGAL CORPORATE SERVICES FOR STAR-UPS, SMES AND SMALL GROUPS





The specialist in creating subsidiaries abroad

We manage over **800 subsidiaries of French companies abroad.**



Multiculturalism

Multicultural experts with perfect understanding of the French environment and local characteristics.



Your international partner

We support you in Europe, the United States, Brazil, Asia and North Africa.

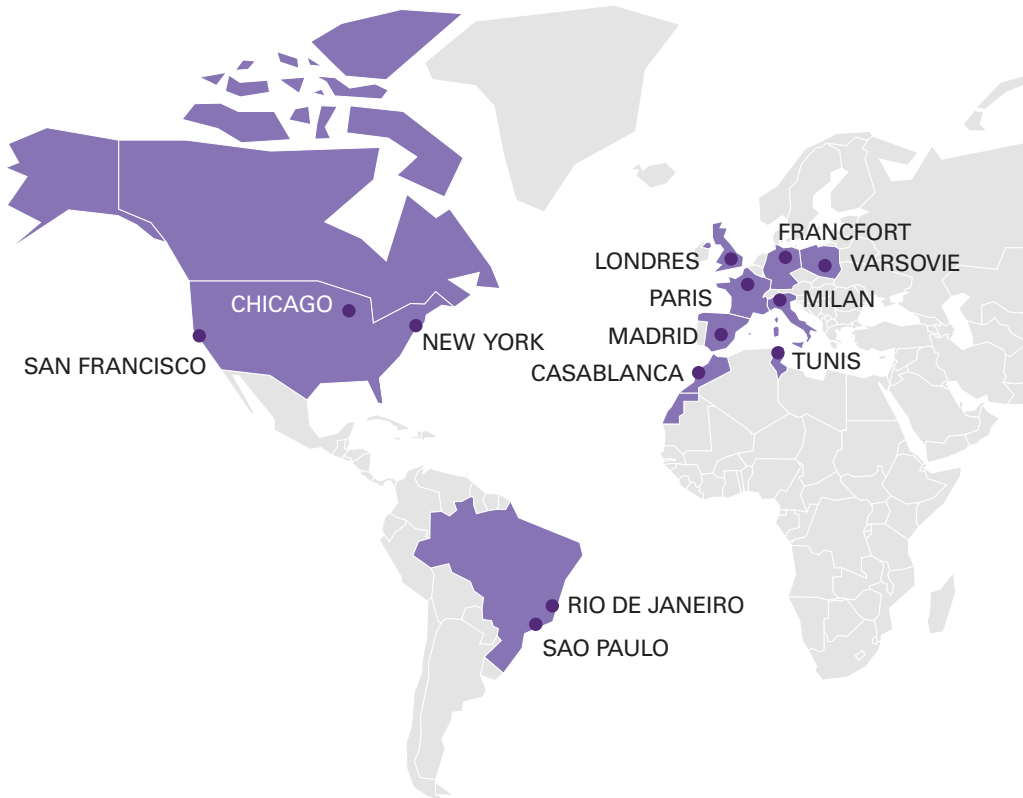


A one-stop shop

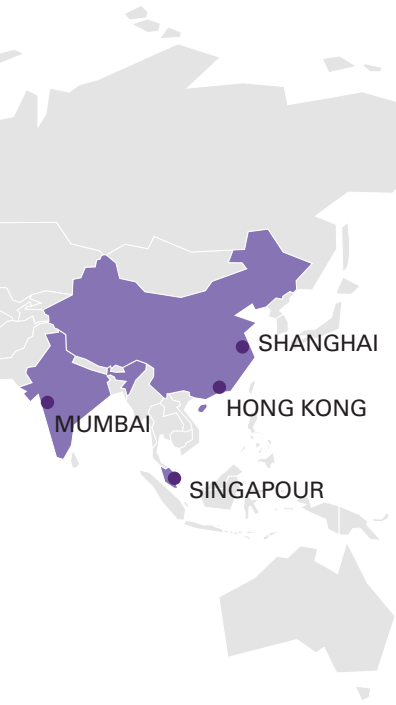
To assist you in the administration of your subsidiary (accounting, tax, HR, reporting, insurance, etc.).

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THE FRENCH LEADING CONSULTING FIRM FOR INTERNATIONAL DEVELOPMENT



Subsidiary of  **GROUPE BPCE**, a cooperative bank and insurance group present in more than 40 countries and 2nd leading bank in France.



+1,000

companies supported annually

13

countries

17

offices

130

bicultural experts and
professionals worldwide

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