

INVESTMENT PROMOTION REGIME IN TUNISIA

Law n°2016-71 of September 30, 2016 *on investment law* provides for two schemes for granting bonuses and incentives. The Government Decree n°2017-389¹ clarified the terms of this Law².

There is:

- a first regime provided for in Article 20 of Law n°2016-71 for projects of national interest; and
- a second regime provided for in Article 19 of Law n°2016-71 for any project constituting direct investment operations.

1. INCENTIVES FOR PROJECTS OF NATIONAL INTEREST

An investment project is only applicable for these incentives if several conditions are met, such as the classification of the project as being of national interest.

According to Decree No. 2017-389, projects of national interest are those, that contribute to the achievement of one of the priorities of the national economy mentioned in the Investment Act and that meet one of the following criteria:

- an investment cost of fifty (50) million dinars [15,6 million EUR] or more;
- the creation of at least five hundred (500) new jobs for a period of three years from the date of entry into effective operation³.

National priorities under the Investment Act include:

- increasing the value added, competitiveness and export capacity of the national economy and its technological content at the regional and international levels, as well as the development of priority sectors;
- the creation of jobs and the promotion of human resource competence;
- the achievement of integrated and balanced regional development;
- the achievement of sustainable development.

¹ Government decree n°2017-389 of 9 March 2017 *relating to financial incentives for investments made within the framework of the investment law.*

² Government decree n°2017-389 of 9 March 2017 *relating to financial incentives for investments made within the framework of the investment law.*

³ Article 16 of Government Decree n°2017-389 of 9 March 2017.

In such a case, investments would be eligible for the following incentives.

1	A deduction of the profits resulting from the project from the corporate tax base within the limit of ten years.	
2	An investment premium of up to one third of the investment cost, including expenditure on intramural infrastructure works.	Ceiling of thirty million dinars (approx. 10,905,588 euros).
3	The State's participation in covering the costs of infrastructure works.	

The Government Decree n°2017-389 mentioned above, specifically encourages investments into the production of renewable energies, as well as agriculture, biotechnology, manufacturing, and electronic/automotive/aeronautic/maritime/railway industries as projects of national interest⁴.

In the absence of eligibility for the scheme dedicated to projects of national interest, there remains the possibility of the scheme resulting from Article 19 of Law 2016-71.

2. GRANTS AND PREMIUMS FOR DIRECT INVESTMENT OPERATIONS

2.1 Eligibility:

Premiums allowed due to direct investment operations are granted as follows:

1) **Premium for the improvement of added value and competitiveness:**

- for the direct investment operation projects in
 - Priority Sectors
(such as, but not limited to: agriculture, biotechnology, manufacturing, and electronic/automotive/aeronautic/maritime/railway industries),
 - economic Sectors
- for the economic efficiency in the field of:
 - physical investments to control the modern technologies and improve productivity,
 - intangible investments,
 - research and development,
 - staff training, leading to skills certification.

2) **Development of the operational capacity grant:**

⁴ Annex 1 of Decree No. 2017-389.

- For the employer's contribution to the social security system for the salaries paid to Tunisian officers for a period that does not exceed 10 years starting from the date of entry into the actual activity,
- 3) **Regional development Grant based on the regional development index in some of the activities, for:**
- achievement direct investment operations,
 - expenses resulting from the infrastructure works.
- 4) **Sustainable development grant for the investments in the pollution fighting and environment protection.**

The following investments benefit from this premium:

- the projects of water and atmospheric depollution, caused by the activity of the company,
- the projects adopting the clean and nonpolluting technologies, allowing the reduction of pollution at the source or the control of the exploitation of resources,
- the collective depollution equipment carried out by public or private operators, on behalf of several enterprises exercising the same activity or releasing the same nature of pollution.

Grants provided for in the Law or under other legal texts could be combined. However, the total amount of the grants shall not to exceed in all cases one third of the investment cost without consideration to the State contribution to infrastructure expenses and operational capacity development grant.

2.2 Rates, ceilings, and conditions:

The direct investment operations benefits from grants and premiums provided for by article 19 of the investment law as follows:

- 1) **Premium for the improvement of added value and competitiveness:**
- under the title of the realization of the operations of direct investment in:
 - Priority sectors fixed at the annex n° 1 of the Governmental decree herein: 15% of the cost of the approved investment with a ceiling of one (1) million dinars [310.000 EUR]. This rate is brought to 30% for the investments of category "A" in the sector of agriculture, fishery and aquaculture.
 - Economic sectors fixed at the annex n° 1 of the Governmental decree herein: 15% of the cost of the approved investment with a ceiling of one (1) million dinars [310.000 EUR].

- under the title of economic performance in the field of:
 - Material investments for the control of new technologies and the improvement of productivity fixed at the annex n° 1 of the Governmental decree herein: 50% of the cost of the approved investments with a ceiling of five hundred (500) thousand dinars [155.000 EUR]. This rate is brought to 55% for the investments of category "A" in agriculture, fishery and aquaculture and to 60% for the mutual companies of agricultural services and of the development groupings in the sector of agriculture and fishery.
 - Immaterial investments, as well as Research and development costs fixed at the annex n° 1 of the Governmental decree herein: 50% of the cost of the approved immaterial investments with a ceiling of five hundred (500) thousand dinars [155.000 EUR] including the premium for studies whose ceiling is fixed at twenty (20) thousand dinars [6200 EUR].
 - The training of employees with the Tunisian nationality with an annual ceiling of twenty (20) thousand dinars [6200 EUR] for each company.

2) Development of the operational capacity grant:

A: The employers' contribution to the social security scheme in the form of wages paid to employees of Tunisian nationality recruited on a permanent basis for the first three to ten years, depending on the priority sector or region.

B: The State contribution to part of the wages paid to Tunisian employees according to level of supervision in all the activities except the activities excluded from the incentives under the title regional development fixed at the annex n° 1 of the Governmental decree herein.

3) Regional development Grant:

The first group of the regional development zones fixed at the annex n° 2 of the Governmental decree herein:

- 15% of the approved investment sum with a ceiling of 1.5 million dinars [466.000 EUR].
- 65% of the expenses of infrastructure works in the sector of industry within the limit of 10% of the project cost with a ceiling of one (1) million dinars [310.000 EUR].

The second group of the regional development zones fixed at the annex n° 2 of the Governmental decree herein:

- 30% of the investment sum with a ceiling of three (3) million dinars [955.000 EUR].
- 85% of the expenses of infrastructure works in the sector of industry within the limit of 10% of the project cost with a ceiling of one (1) million dinars [310.000 EUR].

The participation of the State in the taking in charge of the infrastructures expenses is granted to the projects carried out inside the zones developed in this respect.

The list of the activities excepted from the benefit of the regional development premium is fixed at the annex n° 1 of the Governmental decree herein.

4) Sustainable development grant for the investments in the pollution fighting and environment protection:

Investments under this title may receive a bonus of 50% of the value of the approved investment components with a ceiling of three hundred (300) thousand dinars [933.000 EUR].