



Republic of Tunisia
Ministry of Development, Investment and
International Cooperation

INVESTMENT LAW

March 2017

CONTENT

- 1. GENERAL BACKGROUND**
2. PRESENTATION OF THE INVESTMENT LAW
3. PROVISIONS OF THE INVESTMENT LAW AND IMPLEMENTATION DECREES



1. GENERAL BACKGROUND :

STRUCTURAL, ECONOMIC AND SOCIAL REFORMS

1

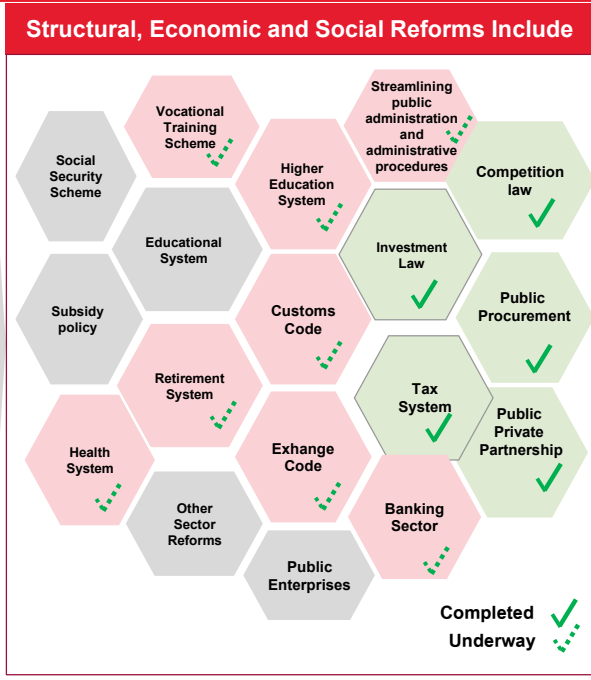
**2016 - 2020
New Economic
Development Vision**

- The GoT has prepared a guidance document for the 2016-2020 strategic vision in conjunction with the discussion of the new law, ensuring consistency between the economic vision and investment law

2

**The GoT priorities:
Improving Business
Climate and Achieving
Economic Recovery**

- The GoT has given priority to reforming the Investment Law



3

**New Tunisia's offer :
More attractive
And more competitive**

- This new offer will be promoted at international economic conferences & events.
- It has already been presented at the International Investment Conference organized in Tunis late November 2016
- The new offer of the Tunisian destination is based on a **highly attractive business environment**: political stability and security, infrastructure projects, structural and economic reforms ...



1. GENERAL BACKGROUND :

Objectives of the Investment incentive Code Review

- 1 **Meet the current development requirements of the country**
- 2 **Communicate positive messages to investors**
- 3 **Have an inclusive approach dealing with investment in all its dimensions**
- 4 **Simplify administrative procedures and reduce deadlines**
- 5 **Create new mechanisms for investment governance**

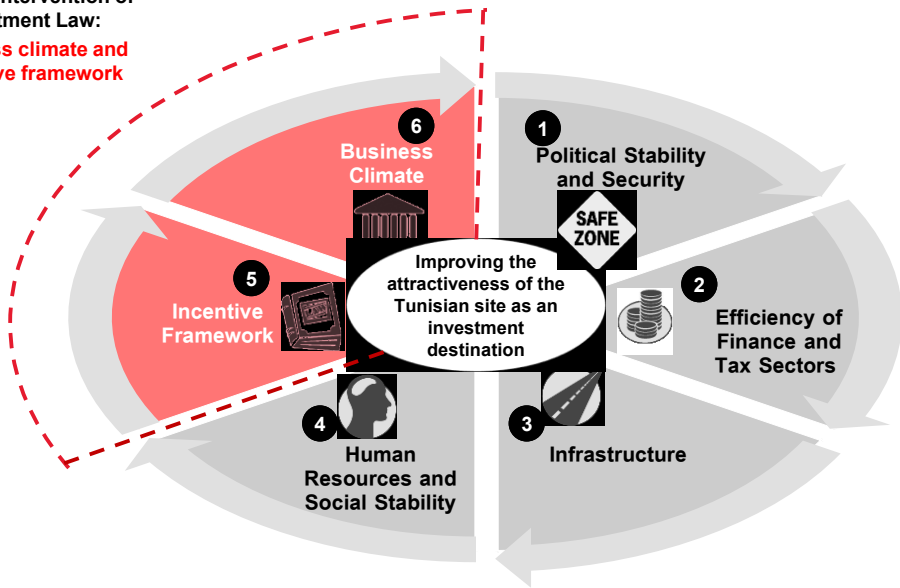


1. GENERAL BACKGROUND :

Investment law is one factor among others to improve investment attractiveness

Field of intervention of Investment Law:

Business climate and incentive framework



1. GENERAL BACKGROUND

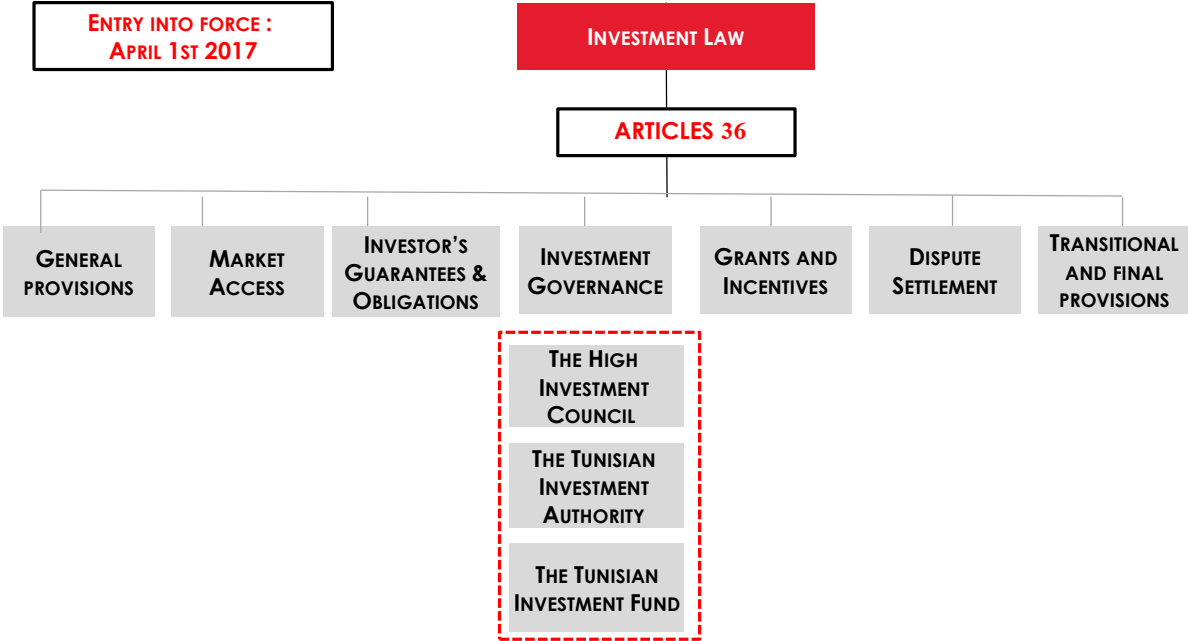
2. PRESENTATION OF THE INVESTMENT LAW

3. PROVISIONS OF THE INVESTMENT LAW AND IMPLEMENTATION DECREES

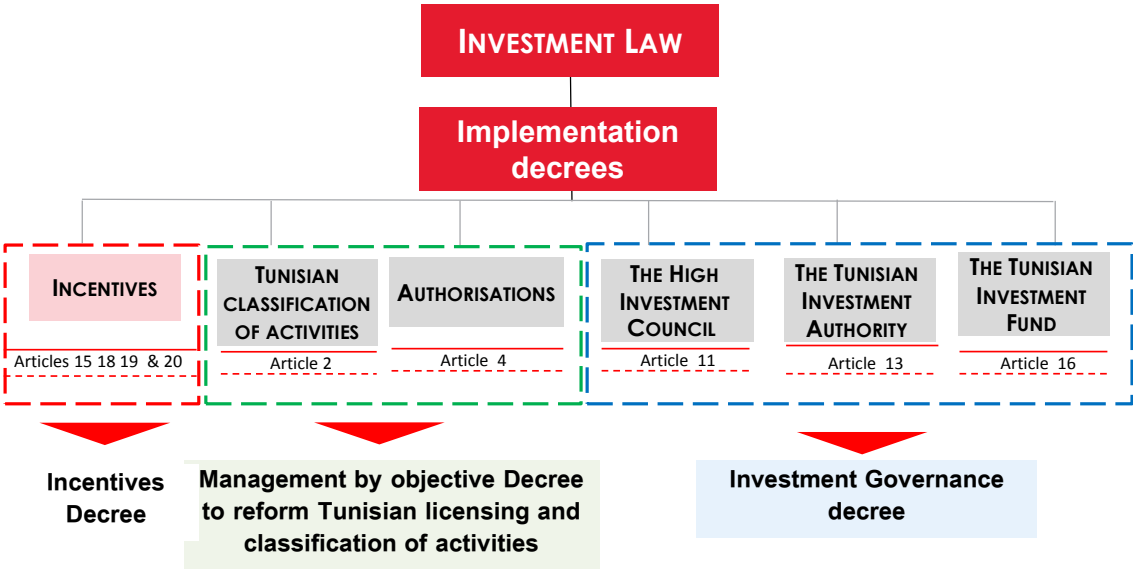


2. INTRODUCTION OF THE INVESTMENT LAW

INVESTMENT LAW STRUCTURE



IMPLEMENTATION DECREES : 3 DECREES INSTEAD OF 33 DECREES IN THE PREVIOUS CODE



2. INTRODUCTION OF THE INVESTMENT LAW

ORIENTATIONS OF THE NEW LAW – ALIGNMENT OF THE INVESTMENT LAW WITH THE OBJECTIVES OF THE NATIONAL ECONOMY :
FROM A LOW COST ECONOMY TO AN INTERNATIONAL ECONOMIC HUB

A more
diversified
economic
fabric with a
strong
potential for
Job Creation

1. Regional Development
2. Support job creation and improve employability
3. Promote innovation and creativity
4. Integrated, comprehensive and sustainable economic systems
5. Productivity, a source of sectors' competitiveness
6. Position in the global value chain, promote promising sectors and enhance export

Objectives of the law: promote investment and encourage enterprise creation and development specifically through:

1. Increasing the **value added, competitiveness and export capabilities**, as well as the technological content of the national economy at the regional and international levels and **developing priority sectors**.
2. Creating **jobs** and enhancing the human resources **skills**
3. Achieving an integrated and balanced **regional development**
4. Achieving **sustainable development**.



1. GENERAL BACKGROUND

2. PRESENTATION OF THE INVESTMENT LAW

3. PROVISIONS OF THE INVESTMENT LAW AND IMPLEMENTATION DECREES



3- PROVISIONS OF THE INVESTMENT LAW AND IMPLEMENTATION DECREES

MARKET ACCESS : REVIEW OF AUTORISATIONS RELATING TO ECONOMIC ACTIVITIES

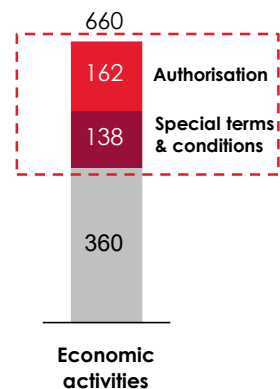


Procedures included in the law and in the government order

- Issuing a government order within one year to set a negative list of administrative and sector specific authorisations
- Reducing the number of authorisations and reviewing special terms and conditions → A 3 year Government program
- Implementing an objectives - based management unit for the implementation of the program
- Removing the authorisation requirement to be issued by the High Investment Commission for the service activities that are not fully exporting and which are subject to an authorisation for foreigners (49 activities) **unless provided for under sector related laws**
- **Exempting foreign acquisitions of Tunisian securities granting the right to vote or of shareholders' shares in companies operating in Tunisia from authorisation requirement**

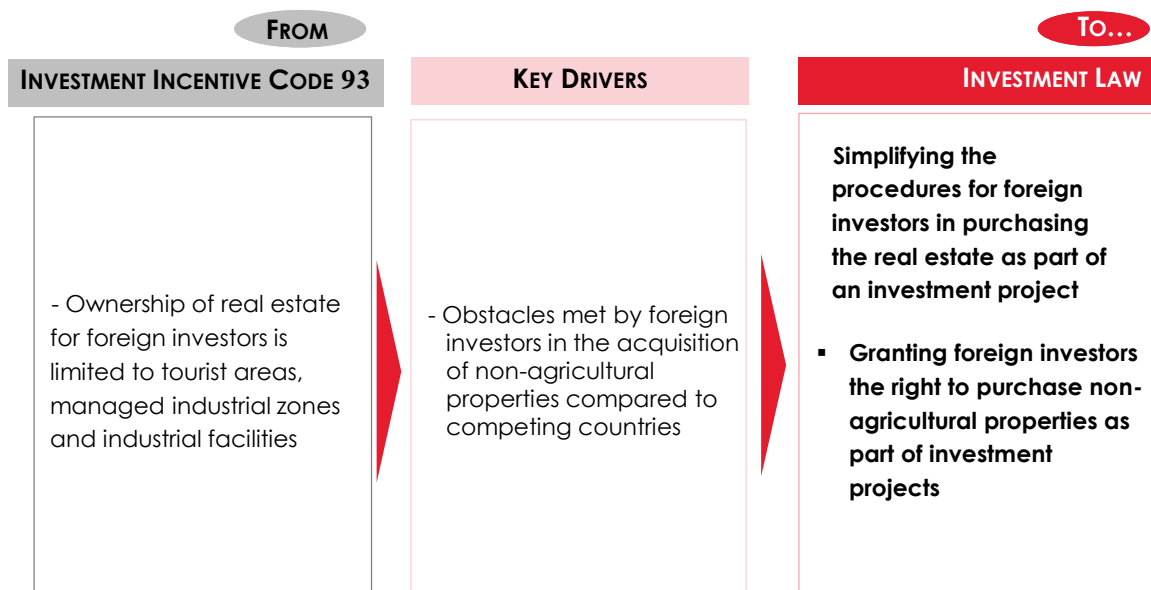
- Setting the deadlines of authorisation agreements
- Requirement to justify the refusal to issue an authorisation
- Where the administrative authority fails to reply after the expiry of the deadlines, the authorisation is considered as granted
- Authorisations to be granted by the Investment Authority if the administrative authority fails to reply within the deadlines

50 % of economic activities are regulated and subject to an authorisation or submitted to special terms and conditions



3- PROVISIONS OF THE INVESTMENT LAW AND IMPLEMENTATION DECREES

MARKET ACCESS : PROPERTY OWNERSHIP, SUPPORTING REAL ESTATE ROLE IN INVESTMENT



3- PROVISIONS OF THE INVESTMENT LAW AND IMPLEMENTATION DECREES

MARKET ACCESS : HIRING FOREIGN MANAGERIAL STAFF,



POSSIBILITY TO HIRE FOREIGN MANAGERIAL STAFF WITHIN A LIMIT OF 30 % OF TOTAL MANAGERIAL STAFF'S FOR EVERY ENTERPRISE

FROM

To...

INVESTMENT INCENTIVE CODE 93

- The possibility to hire a maximum number of 4 foreign managerial staff granted to totally exporting firms, with the possibility of hiring more than 4 by adopting a program to gradually integrate Tunisian staff

KEY DRIVERS

- Low rate in terms of expertise and technology transfers especially in high technological content activities,
- Investors expressed their urgent need to employ foreign highly-qualified human resources, especially during the start-up phase of their projects.

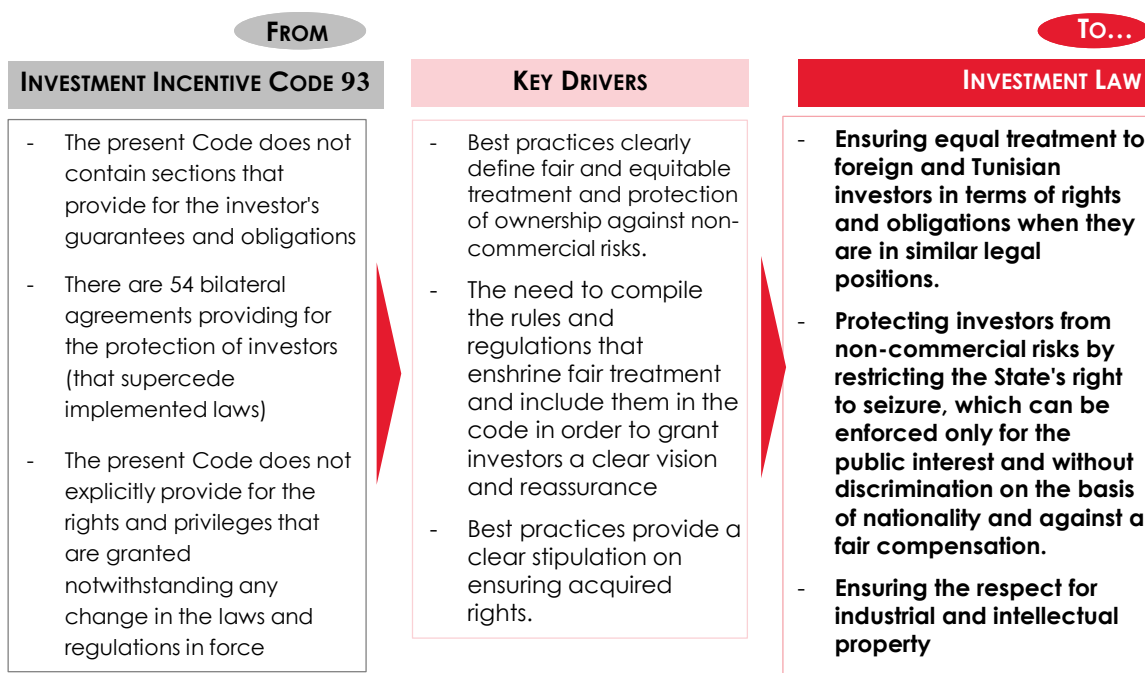
INVESTMENT LAW

- Hiring foreign managerial staff within a limit of 30 % of the total number of managerial staff til the end of the third year from the date of the legal incorporation of the company or from the start date of its actual operation depending on the company's choice. This proportion is reduced to 10 % in the fourth year as from this date.
- In all cases, the company can hire four managerial staff of foreign nationality
- Beyond this number, a formal authorisation is required



3- PROVISIONS OF THE INVESTMENT LAW AND IMPLEMENTATION DECREES

INVESTOR'S GUARANTEES AND OBLIGATIONS : THE NEW LAW INCORPORATES THE PRINCIPLE OF FAIR TREATMENT AND PROTECTION OF PROPERTY AGAINST NON-COMMERCIAL RISKS



3- PROVISIONS OF THE INVESTMENT LAW AND IMPLEMENTATION DECREES

INVESTOR'S GUARANTEES AND OBLIGATIONS : REDUCING PROCEDURE BARRIERS FACED BY FOREIGN INVESTORS RELATING TO INTERNATIONAL CURRENCY TRANSFERS

FROM

TO...

CURRENT EXCHANGE CODE

- The present Exchange Code includes two types of transfers: current transfers and non-current transfers
- Current transfers are regulated by the Central Bank of Tunisia
- Current transfers are carried out without authorisation from the Central Bank and are under the responsibility of commercial banks
- The Central Bank is responsible for authorising non-current transfers

KEY DRIVERS

- Several investors complained about the length of time taken to respond to authorisation requests for non-current transfers and about the absence of justification for the refusal decisions.
- A number of investment protection agreements concluded by Tunisia with several countries which have a stronger legal force than the Exchange Code include the free transfer of funds abroad without restrictions.
- The list of current operations is not defined and does not, for example, include the possibility of paying a first instalment before delivery of goods.
- Some transfers are referred to the Central Bank, although this is not a legal obligation.
- The documents required for the transfer operations are not clearly defined (No standardisation), or request of documents that are difficult to provide in some cases.

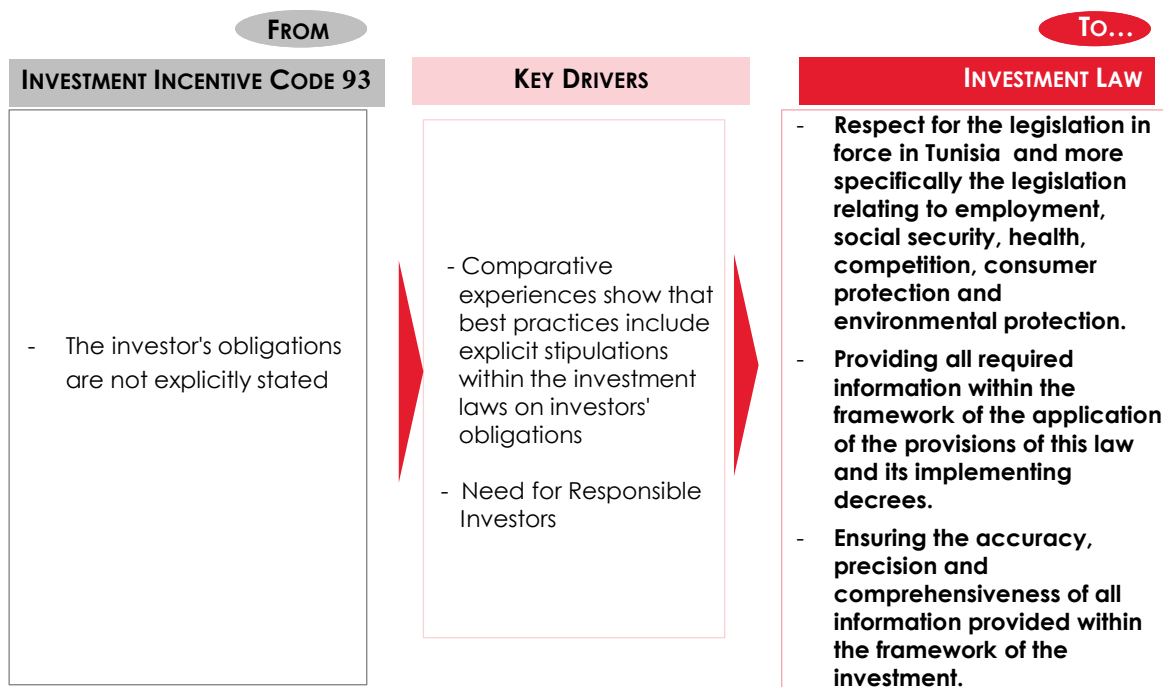
INVESTMENT LAW

- **Enabling foreign investors to transfer their profits and assets abroad in foreign currency in full freedom in compliance with the Exchange Code by simplifying the procedures and reducing the deadlines.**
- **Foreign investor must be informed of the reasons for being denied the authorisation for the transfer of funds abroad.**



3- PROVISIONS OF THE INVESTMENT LAW AND IMPLEMENTATION DECREES

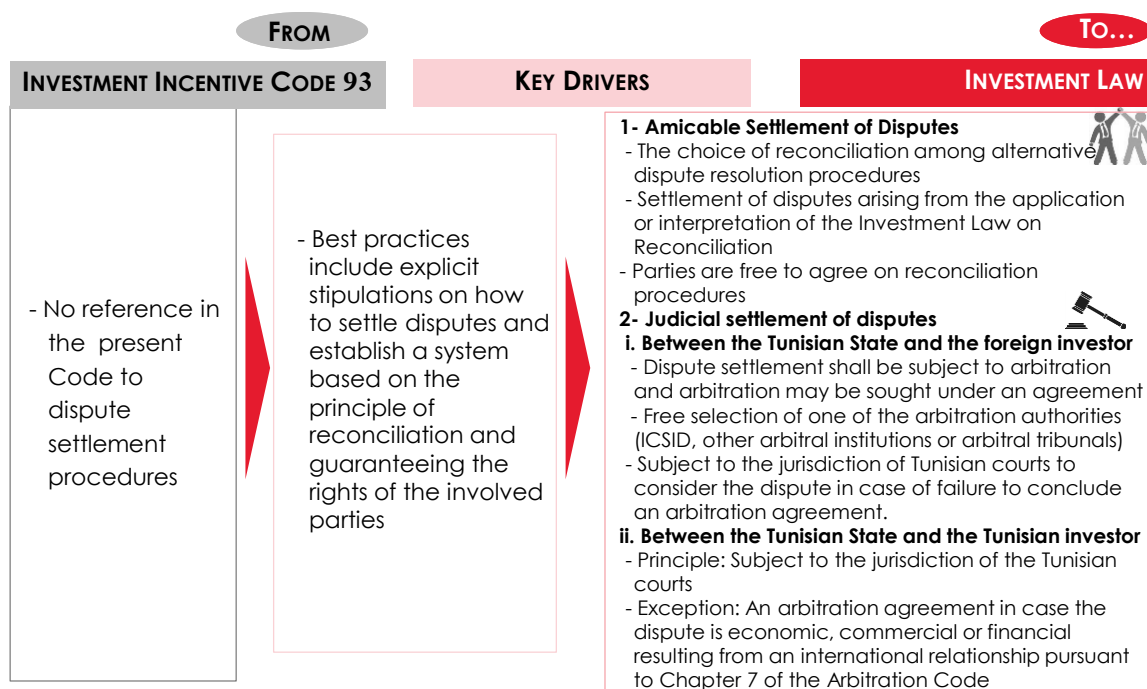
INVESTOR'S GUARANTEES AND OBLIGATIONS : BEST PRACTICES FOR INVESTOR'S OBLIGATIONS ARE PROVIDED FOR IN INVESTMENT LAWS



3- PROVISIONS OF THE INVESTMENT LAW AND IMPLEMENTATION DECREES



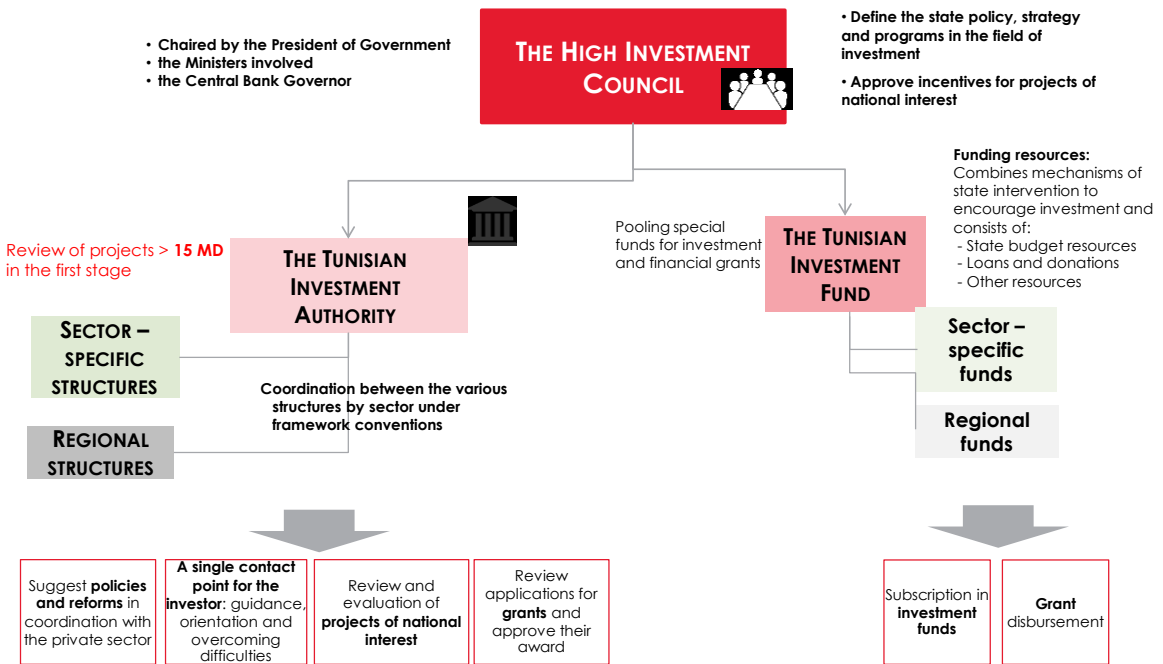
INVESTOR'S GUARANTEES AND OBLIGATIONS : RESORT TO ARBITRATION IF A DISPUTE CANNOT BE SETTLED THROUGH RECONCILIATION



3- PROVISIONS OF THE INVESTMENT LAW AND IMPLEMENTATION DECREES

INVESTMENT GOVERNANCE : NEW MECHANISMS AND STRUCTURES TO PROMOTE INVESTMENT -

MORE HARMONIOUS ROLES WITHIN THE INSTITUTIONAL FRAMEWORK



3- PROVISIONS OF THE INVESTMENT LAW AND IMPLEMENTATION DECREES : FINANCIAL INCENTIVES

Types of Grants		Calculation method		Maximum Ceiling
1. Investment Grants	Regional Development	15 % to 30 % of investment cost		1.5 Md / 3 MD
	Priority Sectors	15 % of investment cost		1 MD
	Economic Regimes	15 % of investment cost		1 MD
	Infrastructure expenditure under regional development	Component cost	65 % / 85 %	10 % of the project cost with a ceiling of 1 MD
2. Economic performance grants	Material investments to master modern technologies and improve productivity	Component cost	50 %	500,000 TND
	Intangible investments	Component cost	50 %	500,000 TND
	Research & development expenses	Component cost	50 %	300,000 TND
	Employee Training cost leading to certification of competencies	Component cost	70 %	20,000 TND per Company
3. Grant based on Job Creation Capacity		1. Subsidy of employers' contribution : - Three years in priority sectors - 5 and 10 years for regional development 2. Grant under the subsidy of wages according to the ratio of supervisory staff		
4 . Sustainable Development Grant		Component	50 %	300,000 TND



3- PROVISIONS OF THE INVESTMENT LAW AND IMPLEMENTATION DECREES : ELIGIBILITY CONDITIONS AND PROCEDURES FOR FINANCIAL INCENTIVES

<p>Committees in charge of granting advantages</p>	<ul style="list-style-type: none"> • National Commission for structured projects under the supervision of the Tunisian Investment Authority : investment cost exceeding 15 MD • National sectoral committees within relevant structures at the national level : investment cost between 1 MD and 15MD • Sectoral regional committees within relevant structures at the regional level : investment cost under 1 MD
<p>Grant disbursement</p>	<ul style="list-style-type: none"> • 40 % upon completion of 40 % of the approved investment cost • 60 % upon entering the actual operation phase of the project



3- PROVISIONS OF THE INVESTMENT LAW AND IMPLEMENTATION DECREES : FINANCIAL INCENTIVES FOR THE AGRICULTURAL SECTOR

CATEGORIES	COST	GRANT	ECONOMIC PERFORMANCE GRANT FOR INVESTMENTS MASTERING TECHNOLOGIES AND IMPROVING PRODUCTIVITY	
Category A : Small Investments	- Agriculture below 200,000 TND	30 %	60 % cooperative companies	55 %
	- Fishing below 300,000 TND			
	- Aquaculture below 500,000 TND			
Category B : Medium and large investments	Above the cost of category A	15 % with a ceiling at 1 MD	60 % cooperative companies	50 %

AGRICULTURAL REAL ESTATE LOANS

CONDITIONS	1993 CODE	INVESTMENT LAW
Maximum ceiling	150,000 TND and when purchasing from ascendants 75,000 TND	250,000 TND and when purchasing from ascendants 125,000 TND
Interest rate	5%	3 %
Cooperative grace period	5 Years	7 Years
Duration of payment	25 Years	25 Years



3- PROVISIONS OF THE INVESTMENT LAW AND IMPLEMENTATION DECREES : PARTICIPATION IN CAPITAL

1. Enabling the Tunisian Investment Fund to contribute to the creation of investment funds to support the self-financing of investments in **regional development and priority sectors**
2. Enabling the Tunisian Investment Fund to participate in the capital of enterprises (investment cost under 15 MD)

PROJECT COST	OWN CONTRIBUTION	TUNISIAN INVESTMENT FUND	GLOBAL CEILING OF THE FUND'S CONTRIBUTION
Investment cost under 2 MD	10 % of the capital	60 %	2 MD
Investment cost between 15 MD and 2 MD	20 % of the capital	30 %	







3- PROVISIONS OF THE INVESTMENT LAW AND IMPLEMENTATION DECREES : PROJECTS OF NATIONAL INTEREST

1. **Definition of projects of national interest** : the investment cost is no less than **50 MD** or the creation of **500** jobs within three years.
2. **Incentives**
 - Deduction of profits from the corporate tax base within ten years,
 - Investment grant within one third of the investment cost and with a ceiling of **30 million MD**
 - Contribution of the State to the expenses resulting from infrastructure works
3. These incentives shall be granted by a governmental decree following the approval of the High Investment Council.



SUMMARY OF INVESTMENT LAW PROVISIONS

 I. MARKET ACCESS RULES	 II. INVESTMENT PROMOTION MECHANISMS AND STRUCTURES 	III. INVESTOR'S SAFEGUARDS AND OBLIGATIONS 
<p>1. No reference to any authorisation in the new law and removing the authorisation of the High Investment Commission</p>	<p>6. Creating a Tunisian Investment Authority: a single contact for the investor and facilitating his procedures</p>	<p>11. The principle of investor's freedom to transfer funds in foreign currency abroad</p>
<p>2. Setting up a negative list of authorisations within a year</p>	<p>7. The establishment of the Tunisian Investment Fund : allocating grants and contributions and combining mechanisms of state intervention to promote investment</p>	<p>12. Provisions granting fair and equitable treatment</p>
<p>3. Setting the deadlines of , authorisation agreement, requirement to justify the refusal to grant an authorisation, and considering the non-response of administrative authorities beyond the deadlines as an implicit authorisation</p>	<p>8. Creation of the High Investment Council : regulate the state's policy, strategy and programs in the field of investment</p>	<p>13. Protecting ownership against non-commercial risks</p>
<p>4. Employing foreign managerial staff (30 % of all managerial staff in the first 3 years and 10 % thereafter, with 4 foreign managerial staff in all cases)</p>	<p>9. Granting financial incentives and channeling them towards national priorities (Regional development, employment, increased value added and competitiveness, sustainable development)</p>	<p>14. Obligations of the responsible investor and respect for the legislation in force</p>
<p>5. Enabling foreign investors to own non-agricultural properties</p>	<p>10. Granting special privileges to projects of national interest (benchmarks according to national priorities)</p>	<p>15. Integrated system for the settlement of disputes</p>