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## BUSINESS ENVIRONMENT

### THE CONSUMER

#### Consumer Profile

Tunisia has a population of 11.9 million people, growing at a 0.69% rate (CIA, 2022). The Tunisian median age is 33.5 years (Data Reportal, 2022). 24% of the population is between 0 and 14 years, 67% is between 15 and 64 years old, and 9% of the population is 65 or older (World Bank, 2021). 70.2% of total population live in urban areas, the urbanisation rate stand at 1.34% annually (CIA, 2022). The overwhelming majority of the population is located in the northern half of the country; the south remains largely underpopulated. Tunis, the capital city, count 2.439 million people. The average household counts four people (Institute of Statistics, latest data available).

In Tunisia, the gross enrollment rate in primary education is 113.45% for both girls and boys combined. This goes down to 92.9% in lower secondary and 32.8% in tertiary (Unesco). 81.8% of the population over 15 years can read and write; 89.6% of the men and 74.2% of women (CIA, latest data available). The unfair geographical distribution of schools and universities is the largest and most difficult obstacle to modernising the system and raising the quality of Tunisian education. The infrastructure in the periphery regions is insufficient or in a bad state. Roughly 14% of the population work in agriculture, 33% work in industry and 53% work in services (World Bank, latest data available).

#### Purchasing Power

The GDP per capita (PPP) in Tunisia is estimated at USD 11,594.7 (2021, World Bank). A person working in Tunisia typically earns around TND 914 per month. The latest "Households and living conditions report" from the National Institute of Statistics shows that the average annual expenditure per household stands at TND 15,561, with food and accommodation having the higher share. Nevertheless, people living in urban areas tend to have higher consumption levels than those in rural areas. The poverty rate stands at 15.2%, with the mapping designed by the INS showing disparities on the national territory: the regions with the highest poverty rate are the North-West (35.3%), the Centre-West (29.3%), and the South West and South-East (18.2 and 17.8%, respectively); whereas lower ratios are found in North-East (11.9%), Centre-East (11.7%) and Grand Tunis (6.1%) regions. The Gini index for Tunisia stands at 32.8 (World Bank, latest data available), with an unemployment rate at 16.1% in Q1 2022 (Institute of Statistics).

Gender equality in the Middle East and North Africa is among the highest in Tunisia, but the country still ranks poorly in the latest Global Gender Gap Index 2022, 120th out of 146 countries surveyed. In fact, after a decade of progress, the gender gap has been widening in recent years.

#### Consumer Behaviour

Tunisian consumers have generally become more demanding when making purchases: they seek substantive information on the products they are interested in purchasing, their availability, the brand and the value for money. They will also compare the quality of goods with competing products before buying. They value having a variety of choices. Brand image has become fundamental in positioning a product and reassuring the consumer. Word-of-mouth from a consumer's family and friends has a particularly strong impact on the decision to buy.

Local customers are not very confident with new products and brands without local representatives. Direct selling is an important phenomenon in Tunisia and the leaders in direct selling have brand representatives in every city and neighbourhood. In urban and rural areas, consumers can buy the latest products without having to travel to major cities. The competition is intensifying within modern grocery retailers. With the development of the channel, retailers are working to increase brand awareness by implementing loyalty programs and special discount offers, and by widening their product ranges.

Tunisian consumers look for the novelty in products as well as the protection of the environment. Well-educated and globally connected, Tunisia's young consumers are expected to drive the development of a modern consumer culture in the coming years. The second-hand market for clothes is very strong.

Tunisians are one of the least digitally connected consumers across the MENA region (internet penetration stands at 66.7% - Digital 2022 report) and do not give preference to e-commerce (even less to mobile e-commerce). Online shopping is also impeded by the fact that Tunisians credit cards cannot be used for purchases made on foreign websites and the Tunisian dinar's status as a non-convertible currency. Although laptops and desktops remain by far the most popular devices for purchasing goods online, the rising penetration of smartphones and tablets in Tunisia is set to continue stimulating growth in the number of internet users in the country. With increasing numbers of people conducting online research on potential purchases before heading to stores, it is natural that more people will take the extra step and place online orders. Despite the development of online services and payment methods, a large proportion of Tunisian consumers still prefer to pay by cash rather than using credit cards. In Tunisia, cash on delivery remains the most popular payment method.

### **Consumer Recourse to Credit**

Tunisian consumers are less likely to use credit cards than most other countries across the MENA region as only 13% of purchases are paid by card. Nonetheless, the number of credit cards has been rising in recent years. However, only 27% of the Tunisian population has a bank account.

According to the 2020 report from the Central Bank of Tunisia, total household debt stood at TND 24 billion in 2019, 0.4% higher compared to the previous year. Of this amount, TND 3.2 billion were destined for consumer credit. The outstanding amount of unpaid debts or credits in litigation rose from TND 981 million in 2018 to TND 1,024 million at the end of 2019.

A survey by the National Institute of Consumption (INC) published in December 2018 showed that around 1.8 million Tunisian families cannot live without recurring to credit, and six out of ten Tunisians are systematically or often indebted, with an increase in outstanding loans from Tunisian banks that reached 125% compared to the level of 2010. Moreover, 43% of Tunisian households have at least one family member who is indebted. The household debt ratio, which corresponds to the outstanding bank loans in relation to gross national disposable income, is around 22%.

### **Growing Sectors**

Textiles, automotive, agribusiness.

### **Consumers Associations**

National Council of Consumer Protection

## **IMPORTING & DISTRIBUTING**

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### **Import Procedures**

Operators in the economic free zone and imports necessary for production in companies engaged only in export are not subject to carrying out any foreign trade formalities. All goods benefiting from the free import regime are imported with an import certificate and a commercial invoice.

Goods excluded from the free import regime can only be imported with import authorisations issued by the Ministry of Trade. These import authorisations are valid for a year except for certain sensitive goods. These applications obtained from Chambers of Commerce are filed with a receipt from an approved intermediary who sends them to the Ministry of Trade.

Customs procedures are either a quick collection by simplified procedure (Request for Collection Authorisation: DAE), carriage to the factory under Customs seal, escort or inspection at the factory by the on-site Customs officer or later regularisation before export.

Please consult the Tunisian Customs' [Import Procedures Manual](#) for more information (in French).

### **Specific Import Procedures**

It is strictly forbidden to import certain goods and effects such as:

- Tunisian dinar
- Weapons other than authorized hunting weapons
- Explosives
- Narcotic drugs and other psychotropic products
- Counterfeits
- Thrift stores
- Palm trees, branch of palm trees and their derivatives
- Henna
- Dangerous dogs belonging to the following breeds: Pit Bull, Rott Weiler, Tosa, Mastiff or Boer bull
- Any product likely to endanger good morals, health and public safety (e.g. pornography)
- Any product likely to endanger the security of the State.

### **Distribution channels**

The Tunisian retail sector has enjoyed steady growth of over 10% in recent years, a trend expected to continue. Modern retail food sales reached around USD 2 billion in 2020. Modern distribution accounts for a fifth of total retail sales (USDA).

Although the traditional distribution network, based on over 250,000 neighbourhood grocery shops scattered throughout the country, continues to dominate the Tunisian market, modern distribution channels have been growing rapidly in the last decade, also thanks to joint ventures with foreign investors (mostly French). Recent years have seen expansion in the numbers of hypermarkets and supermarkets in the country as well as the opening of new shopping centres, with the number of large surface outlets increasing from 200 in 2010 to 655 in 2020 (USDA). However, especially in the centre of the country and outside urban areas, modern retail distribution is not well developed, thus grocery shops remain the backbone of Tunisia's food retailing, together with the local out-door markets known as "souks".

Tunisian law does not allow wholesale or retail marketing by foreign businesses, as the local government restricts domestic market distribution to Tunisian nationals. Every joint venture with a foreign investor is considered an exception subject to a license dependent on the advantages of the project to the Tunisian economy. This process allowed the opening of several hyper/supermarkets, set up under joint ventures, with France's Carrefour and Casino groups (Géant and Monoprix). Legislation designed to protect smaller businesses from such competition limits the number of hypermarkets authorised in a specific area.

Following the COVID-19 outbreak, malls and hypermarkets were temporarily closed, thus the modern retail sector lost market share to boutique retail and mom-and-pop grocery stores.

Finally, while also still quite low, e-commerce has experienced steady growth in recent years, fostered by widening access to banking services and the internet.

## Distribution market players

While there has been a gradual rise in the number of retail properties in greater Tunis, the sector itself remains concentrated in terms of activity, with the market divided between three primary operators. The main players in the Tunisian modern grocery retail sector in 2021 were:

- Ulysse Hyper Distribution remains the leader in modern grocery retailers in value terms via its three chains: Carrefour Market (supermarkets), Carrefour Express (superettes) and Carrefour (hypermarkets), for a total of 94 outlets
- Groupe Mabrouk, operating two brands of French origin: Monoprix in supermarkets (with 87 outlets) and Géant in hypermarkets (3 outlets in Tunis, Azur City and Bourgo Mall)
- Groupe Magasin Général with Mg Maxi, with around 4,000 employees and more than 90 outlets. Established in 1920, Magasin Général is the longest standing operator in the retail sector.

## Retail Sector Organisations

Ministry of Trade (in French)

## OPERATING A BUSINESS

### Type of companies

#### The individual company

**Number of partners:** 1 person

**Capital (max/min):** No minimum capital

**Shareholders and liability:** The individual businessman is liable for company debts on his personal property.

#### Limited liability company (SARL)

**Number of partners:** 2 partners minimum.

**Capital (max/min):** TND 1,000 minimum. The minimum nominal value of a share must be TND 5.

**Shareholders and liability:** Their liability is limited to the amount of capital contributed.

#### Public limited company (SA)

**Number of partners:** Minimum 7 partners.

**Capital (max/min):** Minimum capital: TND 5,000. 1/4 of the capital must be paid upon creation. The balance must be paid up within a maximum of 5 years.

TND 50,000 if the company does make a public invitation.

**Shareholders and liability:** Their liability is limited to the amount of capital contributed.

#### General partnership

**Number of partners:** Minimum 2 partners, with a maximum of 50.

**Capital (max/min):** No minimum capital.

**Shareholders and liability:** Their liability is unlimited.

#### Limited joint-stock partnership

**Number of partners:** There are 2 types of partner, the active partners and the silent partners.

**Capital (max/min):** No minimum capital.

**Shareholders and liability:** The liability of the active partners is unlimited. The liability of the silent partners is limited to the amount of capital contributed as long as they do not participate in the management of the company.

Setting Up a Company	Tunisia	Middle East & North Africa
Procedures (number)	3.0	6.3
Time (days)	9.0	19.5

*Source: Doing Business - Latest available data.*

## Cost of Labour

### Minimum Wage

In 2022, it was equal to TND 429.312 per month for 48 hours worked per week for non-agricultural workers (TND 365.732 in case of 40 weekly hours of work); and to TND 16.512 per day for agricultural workers according to the data from the National Institute of Statistics (latest available data).

### Average Wage

The ILO does not publish data on the average wage in Tunisia.

In 2020, according to different private surveys, the average monthly salary was estimated at TND 914 (for non-agricultural services).

## Social Contributions

Social Security Contributions Paid By Employers: The social security contributions rate for employers is 16.57%.

Social Security Contributions Paid By Employees: Total of 9.18%:

- Old age, invalidity, survivors: 4.73%;
- Sickness, maternity: 3.16%;
- Family benefits: 0.88%;
- Other services: AT/MP, PST, FSE: 0.38%.

## Intellectual Property

### National Organisations

The National Institute for Standardization and Industrial Property (INNORPI)

### Regional Organisations

The World Intellectual Property Organization (WIPO).

### International Membership

Member of the WIPO (World Intellectual Property Organization)

Signatory to the Paris Convention For the Protection of Intellectual Property

## TAX RATES

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### Consumption Taxes

#### Nature of the Tax

Value-added tax (VAT) - *Taxe sur la Valeur Ajoutée* (TVA)

#### Tax Rate

19% (since 1 January 2018)

#### Reduced Tax Rate

A reduced rate of 7% applies to: the transport of goods; activities carried out by doctors and analytical laboratories; charging equipment for electric motor vehicles; materials and supplies for pharmaceutical products; tourism activities.

The following transactions are subject to a 13% reduced rate:

- Sales of low-voltage electricity for residential consumption.
- Sales of medium and low-voltage electricity used for agricultural irrigation through water pumping equipment.

Additionally, there are specific tax regulations for the sales of buildings constructed for housing purposes:

- Real estate developers who sell buildings exclusively for residential use are subject to a 13% tax rate, which will increase to 19% starting from January 1, 2024.
- Real estate developers are allowed to deduct the VAT charged on the inventory held as of December 31, 2017, for buildings exclusively used for housing.
- However, this VAT deduction does not result in the possibility of refunding any unattributed VAT credit.

Exports and related services are zero-rated.

The Finance Law 2023 states the objective of limiting VAT rates to two levels (19% and 7%) and gradually phasing out the 13% rate:

Starting from 2023, the following activities are be subject to a 19% tax rate instead of 13%:

- Architects and consulting engineers.
- Draftsmen, surveyors, and topographers, excluding services related to the land registration of agricultural lands.
- Lawyers, notaries, solicitor-notaries, and interpreters.
- Tax advisors.
- Accounting services providers.
- Experts and consultants, regardless of their specialization.

Additionally, medical and cosmetic surgery services will now be taxed at a 19% VAT rate instead of 7%.

## **Other Consumption Taxes**

No excise taxes are levied in Tunisia.

A hotel residency tax is applied on guests older than 12 years, at the following rates: TND 1 for each night spent in a 2-star hotel; TND 2 for each night spent in a 3-star hotel; TND 3 for each night spent in a 4 or 5-star hotel.

Guests have to pay the tax for a maximum of seven nights.

A hotel tax is due by entities that work with tourists; provide accommodation, food, and beverages; or organise leisure activities for clients, at a rate of 2% of the gross turnover generated from the tourism and related activities (payable monthly before the 28th day of the following month). A Tourism Sector Development Fund tax is levied on entities operating in the tourism sector at a rate of 1% of turnover (excluding VAT).

## **Corporate Taxes**

### **Company Tax**

15%

### **Tax Rate For Foreign Companies**

A company is considered resident for tax purposes if it is registered or has its effective place of management in Tunisia.

## **Capital Gains Taxation**

Capital gains are included in ordinary income and are taxed at the regular corporate income tax rate. Gains are calculated as the difference between the sale price, which is supposed to be equal to the fair market value, and the net book value. In case of a merger, capital gains arising from the transfer of assets, other than inventories, are deductible from the taxable income of the merged company and are to be added back to the taxable income of the absorbing company at up to 50% of their amount, spread out over five years.

In the case of mergers, the merged company can deduct a portion of the capital gains resulting from transferring assets (excluding inventories) during a merger. This deduction applies to the merged company's taxable income. However, the absorbing company must add back up to 50% of the deducted capital gains to its taxable income. This addition is done gradually over five years.

## **Main Allowable Deductions and Tax Credits**

All taxes due by the company are considered as tax-deductible charges, except corporate income tax and social solidarity contributions. Interest expenses relating to loans contracted by the company and necessary for its proper functioning are tax-deductible, whereas fines and penalties are not (unlike contractual penalties). Interest expenses on shareholders current account are tax-deductible within the limit of the maximum rate of 8% (conditions apply).

According to Tunisian tax laws, tax losses are divided into two categories: operating losses and deferred depreciation. Operating losses can be carried forward for a maximum of five years, beginning from the year following the year they were recorded. On the other hand, deferred depreciation can be carried forward indefinitely, starting from the year following the one in which it was recorded. Carrying losses back to previous years is not allowed.

The allowance for bad debt is deductible up to 50% of taxable income (after deducting non-taxable income and adding back non-deductible costs).

A foreign tax credit is available for companies that are residents of countries that have signed a double taxation agreement with Tunisia.

Charitable contributions are either fully deductible (in cases where they are granted notably to the state, local

authorities and state-owned companies, and to organisations dedicated to disability promotion), or within 0.2% of the revenue in other cases.

Recently established companies can claim a tax exemption in the first four years of activity (total exemption in the first year, 75% in the second year, 50% in the third year and 25% in the fourth year; subject to conditions). Start-up costs are also fully deductible.

## **Other Corporate Taxes**

Municipalities levy a real estate tax (RET), with rates varying. A Local authority tax (LAT) is paid to the local authority at the rate of: 0.2% of the total turnover of the entity, with a minimum calculated on the basis of the number of square metres of construction used by the entity; 0.1% of the turnover deriving from exportation as defined by the legislation in force.

Stamp duties are generally due on certain contracts expressly designated and on invoices (TND 1 for invoices). The registration of some operations is compulsory. In these cases, the registration fees are expressly determined by the Registration and Stamp Fees Code. Some transactions are subject to proportional registration fees (5% for property transfer taxes, 3% for the acquisition of social housing from real estate developers for the portion exceeding TND 500,000 - 2.5% in the case of a transfer of business).

A hotel tax is due by entities that work with tourists; provide accommodation, food, and beverages; or organise leisure activities for clients, at a rate of 2% of the gross turnover generated from tourism and related activities. A Tourism Sector Development Fund tax is levied on entities operating in the tourism sector at a rate of 1% of turnover (excluding VAT).

According to the Finance Law 2022, stamp duty of 100 millimes per receipt issued to customers is due by large commercial areas and multi-department stores that are under the Large Businesses Direction (DGE) or to the Medium-Sized Businesses direction), and operators of a brand or a foreign commercial sign.

The Tunisian social security system is financed by contributions from both employers (16.57%, reduced to 16.07% for wholly exporting companies) and employees (9.18%) based on salaries. Employers are also required to pay a premium for workplace injuries ranging from 0.4% to 4% of earnings. Employers collect social security contributions from each employee and pay on their behalf. Contributions to the CSS were increased with the Finance Law 2023, as follows:

- 4% with a minimum of 500DT for companies subject to a 35% corporate tax rate (banks, insurance companies, telecommunications operators, companies operating in the oil sector, hypermarkets, etc.).
- 3% with a minimum of 400DT for companies subject to the normal corporate tax rate of 15% and a 20% tax rate for companies going public through an initial public offering (IPO).
- 3% with a minimum of 200DT for companies subject to a reduced corporate tax rate of 10%. This applies specifically to companies in the agriculture or fishing sectors.

Companies are also subject to vocational training tax (2% of the gross amount of salaries; 1% for manufacturing industrial companies).

Employers established in Tunisia, regardless of being liable or not for income tax, are subject to a social logging tax, calculated at 1% of the gross amount of salaries paid to its employees, including benefits in kind.

## **Double Taxation Treaties**

### **Countries With Whom a Double Taxation Treaty Have Been Signed**

List of double taxation treaties signed by Tunisia



**Withholding Taxes**

Dividends: 0 (resident companies)/10%/25% (paid to a non-resident company located in a jurisdiction with a privileged tax regime); Interest: 20% (paid to residents)/10% (non-residents)/25% (paid to a non-resident company located in a jurisdiction with a privileged tax regime); Royalties: 0 (residents)/15% (non-residents)/25% (residents in low-tax jurisdictions).

