WORLD TRADE ORGANIZATION

G/SCM/N/284/TUN

8 February 2018

(18-0854)

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Committee on Subsidies and Countervailing Measures

Original: French

SUBSIDIES

NEW AND FULL NOTIFICATION UNDER ARTICLE XVI:1 OF THE GATT 1994 AND ARTICLE 25 OF THE SCM AGREEMENT

TUNISIA

The following communication, dated 29 January 2018, is being circulated at the request of the delegation of Tunisia.

This communication is being submitted by the delegation of Tunisia as a new and full notification under Article XVI:1 of the GATT 1994 and Article 25 of the SCM Agreement and covers the period 2013-2014.

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1 BENEFITS GRANTED FOR REGIONAL DEVELOPMENT

1. Investment incentives for industrial activities taking place in regional development areas comprise tax rebates, capital grants, payment by the State of employer contributions to the statutory social security scheme and certain infrastructure expenses.

2. This notification covers the period 2013-2014.

3. These incentives come within the overall regional development programme aimed mainly at the central and southern regions of Tunisia, which are still at a disadvantage compared to the coastal areas where economic activity is heavily concentrated. They are designed to encourage the establishment of small and medium-sized enterprises in these regions and reduce interregional disparities.

4. The legal texts governing regional development incentives are as follows:

(1) Law No. 93-120 of 27 December 1993 enacting the Investment Incentives Code, as amended or supplemented by subsequent texts;

(2) Law No. 73-82 of 31 December 1973 containing the Finance Law for the 1974 budget year and establishing the Industrial Promotion and Decentralization Fund (FOPRODI), as amended or supplemented by subsequent texts;

(3) Decree No. 99-483 of 1 March 1999 delimiting regional development areas, as amended or supplemented by subsequent texts;

(4) Decree No. 94-539 of 10 March 1994 setting out the capital grants, lists of activities and infrastructure and community facility projects eligible for regional development incentives, as amended or supplemented by subsequent texts and, in particular, by Decrees Nos. 99-486 of 1 March 1999, 2002-1363 of 11 June 2002 and 2011-528 of 9 May 2011;

(5) Decree No. 94-494 of 28 February 1994 setting out the procedures for State payment of employer contributions to the statutory social security scheme, as amended or supplemented by subsequent texts, and, in particular, by Decree No. 95-1729 of 25 September 1995.

The areas for the promotion of regional development were designated in Annex I and I *bis* of Decree No. 99-483 of 1 March 1999 on the basis of objective standards, principally the level of economic and social development of the regions concerned. This Decree was amended by Decree No. 2008-387 of 11 February 2008.

5. Incentives for investment made in regional development areas take the following form:

(a) deduction of all income or profits ploughed back into equity or used to increase the initial capital of the enterprise from personal income tax (IRPP) or corporation tax (IS), notwithstanding a minimum tax payment;

(b)

(1) deduction of income or profits from the investment from personal income tax or corporation tax for the first ten years, and deduction of 50% of such income or profits for the following ten years for projects located in priority regional development areas;

(2) deduction of income or profits from the investment from personal income tax or corporation tax for the first ten years for projects located in regional development areas of the second group, as defined by Decree No. 99-483 of 1 March 1999, as amended by Decree No. 2008-387 of 11 February 2008;

(3) deduction of income or profits from the investment from personal income tax or corporation tax for the first five years for projects located in regional development areas of the first group, as defined by Decree No. 99-483 of 1 March 1999, as amended by Decree No. 2008-387 of 11 February 2008;

(c) full deduction of profits reinvested in the company from net profits subject to corporation tax;

(d) waiver of contributions to the low-income housing development fund for an unlimited period of time for projects located in priority and second-group regional development areas;

(e) an investment grant of 8%, 15% or 25% of the cost of the project, excluding working capital, but including the cost of studies;

(f) a grant by way of State participation in the cost of infrastructure necessary for the implementation of the project. This grant may cover 25% or 75% to 85% of expenditure on infrastructure outside the enterprise;

(g) payment of employer contributions to the statutory social security scheme: full payment for five years for regional development areas of the first group; full payment for five years and an additional five years of reduced payment for regional development areas of the second group, and full payment for ten years for priority regional development areas.

6. All investors in the manufacturing activities set out in Decree No. 94-492 of 28 February 1994, establishing the lists of activities by sector covered by the Investment Incentives Code, and located in areas for the promotion of regional development, are eligible for the benefits provided under the Code, except for following industrial activities, which are no longer entitled to the benefits aimed at encouraging regional development: bakeries, pastry-making plants, stone quarries, manufacturing of miscellaneous condiments, preparation of chicory, coffee processing and roasting, and motion picture development and production (Decree No. 2002-1363 of 11 June 2002).

The tax benefits mentioned in paragraph 5(a), (b), (c) and (d) are accorded directly by the relevant departments of the Ministry of Finance upon presentation of an investment declaration certificate.

The capital grant and the grant by way of State participation in the cost of infrastructure necessary for the project, described in paragraph 5(e) and (f) above, are made available by the State through the Industrial Promotion and Decentralization Fund (FOPRODI) set up under Law No. 73-82 of 31 December 1973.

Any company wishing to benefit from these incentives must submit an application supported by a project feasibility study.

Applications are examined by a committee chaired by a representative of the Ministry of Industry and made up of representatives from the departments concerned as well as a representative of the profession.

The amounts of the grants are based on the investment project as approved by the Incentives Committee. Grants are made by decision of the Minister of Industry. The grants are disbursed in three instalments, as follows:

- 40% at project start-up;
- 40% upon completion of major infrastructure work;
- 20% when production begins.

The benefit of State payment of employer contributions to the statutory social security scheme is granted by decision of the Minister of Social Affairs on the proposal of the above-mentioned Committee.

7. See Section 9 (Amounts of the incentives granted).

8. See paragraph 5.

9. -

10. The incentives accorded for the establishment of enterprises in regional development areas have no effect on trade. These incentives are given once only, at the time when the investment is made and not during the production phase.

2 INCENTIVES FOR POLLUTION CONTROL AND ENVIRONMENTAL PROTECTION

1. The incentives for investment made by enterprises to combat pollution resulting from their activities or by enterprises specializing in waste and refuse collection, processing and treatment comprise tax rebates, investment grants and exemption from duties and taxes on capital goods.

2. This notification covers the period 2013-2014.

3. These incentives are aimed at helping industrial enterprises introduce separate wastewater networks, make changes to manufacturing processes, avoid wastage, reduce and recycle waste, recycle wastewater, use clean technology to eliminate pollution including industrial pollution-problems at source, set up liquid and gaseous effluent pre-treatment units consistent with discharge standards, detoxify hazardous waste, and enhance the management of industrial waste through recovery or ecological elimination.

4. The legal texts governing pollution control incentives are the following:

- Law No. 93-120 of 27 December 1993 enacting the Investment Incentives Code, as amended or supplemented by subsequent texts;
- Law No. 2005-106 of 19 December 2005 containing the Finance Law for 2016 (Articles 12 and 13 establishing the National Fund for Energy Management);
- Law No. 92-122 of 29 December 1992 containing the Finance Law for the 1993 budget year and providing for the establishment of a Pollution Cleanup Fund (FODEP) (Articles 35 to 37), as amended or supplemented by subsequent texts;
- Decree No. 93-2120 of 25 October 1993 setting out the procedures and conditions for FODEP support, as amended by Decree No. 2636 of 24 September 2005.

5. The incentives granted for investment in pollution control and environmental protection are the following:

(a) exemption from customs duty and suspension of VAT on capital goods;

(b) tax deduction on income or profits invested in or used to increase initial company capital, of up to 50% of income or profits subject to personal income tax or corporation tax;

(c) tax deduction of up to 50% of profits reinvested in the company;

(d) tax deduction of income or profits from these activities for personal income tax or corporation tax purposes; and

(e) a grant capped at 20% of the cost of the investment. The grant is made by FODEP, established by Law No. 92-122 of 29 December 1992.

6. These benefits are accorded to all enterprises wishing to invest in pollution control and environmental protection.

Exemption from duties and charges on the equipment needed for the investment is granted by decision of the Minister of Finance, based on an opinion by the National Environmental Protection Agency (ANPE).

The tax benefits mentioned in paragraph 5(b), (c) and (d) are accorded directly by the relevant departments of the Ministry of Finance.

State financial aid covering 20% of the cost of the investment is paid from FODEP funds. It is granted by decision of the Minister of the Environment and Land-Use Planning, based on an opinion by the advisory panel responsible for awarding FODEP support.

To be eligible for FODEP funding, the following conditions must be met:

- presentation of a pollution certificate issued by the ANPE;
- submission of a project study approved by the ANPE;
- conclusion of a performance contract setting out the timetable for the operations to be carried out; and
- an investment and financial plan involving at least 30% of equity assets.

FODEP support is targeted, being restricted to the transformation of existing facilities.

7. See Section 9 (Amounts of the incentives granted).

8. See paragraph 5.

9. -

10. The incentives granted for investment in pollution clean-up programmes have no effect on trade.

3 PROMOTION OF TECHNOLOGY, RESEARCH AND DEVELOPMENT AND ENERGY SAVING

A. RESEARCH AND DEVELOPMENT

1. The incentives provided for investment made by companies in research and development comprise tax rebates for investors, exemption from certain duties and charges, capital grants and State payment of certain infrastructure expenses and social security costs if young graduates are employed.

2. This notification covers the period 2013-2014.

3. These incentives fall under the national policy to promote industrial research and technological advancement. They are intended to encourage research and development within the company, the acquisition of technological expertise and technological development to enhance productivity and foster relations between businesses and research centres.

4. The legal texts governing incentives for research and development are as follows:

- Law No. 93-120 of 27 December 1993 enacting the Investment Incentives Code, as amended or supplemented by subsequent texts;
- Decree No. 94-536 of 10 March 1994 establishing the amount and procedures for according capital grants for investment in research and development activities by enterprises in the industrial, agricultural and fisheries sectors, as amended or supplemented by subsequent texts;

- Decree No. 94-494 of 28 February 1994 setting out the procedures for State payment of employer contributions to the statutory social security scheme;

- Decree No. 94-1191 of 30 May 1994 establishing the conditions of eligibility for the tax benefits provided for in Articles 37, 41, 42 and 49 of the Investment Incentives Code and granted for facilities for energy saving, research into and the production and marketing of renewable energy, research into geothermal energy, equipment for pollution control and waste collection, processing and treatment, and research and development facilities, as amended or supplemented by subsequent texts;

- Decree No. 2005-1857 of 27 June 2005 establishing the modalities and procedures for implementing Article 43 *bis* (new) of the Investment Incentives Code.

5. Investments in industrial research and development are entitled to:

(a) exemption from customs duty and suspension of VAT and excise duty on purchases of capital goods needed for the investment;

(b) State payment of the following:

(1) 50% of social security contributions over five years, for foreign personnel brought in to optimize production capacities and for Tunisian nationals holding certificates of higher education;

(2) part of the employer's contribution for graduate recruitment, over seven years, as follows:

- 100% the first and second years;
- 85% the third year;
- 70% the fourth year;
- 55% the fifth year;
- 40% the sixth year; and
- 25% the seventh year.

(c) a capital grant for research and development activities representing 20% of the cost, up to a limit of TND 100,000, of the creation and technical testing of prototypes, field experiments and the acquisition of scientific laboratory equipment needed for research and development projects, and 30% of the cost, up to a limit of TND 25,000, of original studies necessary for developing new products or processes.

This grant is charged to the budget of the Ministry of Scientific Research and Skills Development.

6. All investments in industrial activities aimed at promoting research and development and enterprise-research centre links are eligible for the benefits provided under the Code in respect of research and development.

The tax benefits for the purchase of capital goods needed for research and development projects are granted to enterprises by decision of the Minister of Finance, based on an opinion by the committee attached to the Ministry of Finance.

The capital grant for research and development mentioned in paragraph 5(c) is given by the Ministry of Higher Education and Technology on the basis of a performance contract setting out the investment and financing plan, a list of the equipment needed, a timetable for the operations to be carried out, the amount of the grant as well as the procedures for its disbursement and the undertakings given by the beneficiary enterprise.

The incentive of State payment of contributions to the statutory social security scheme mentioned in paragraph 5(b)(1) is accorded by decision of the Minister of Social Affairs, on the proposal of a committee chaired by the representative of the Ministry of Social Affairs.

State payment of contributions to the statutory scheme mentioned in paragraph 5(b)(2) is accorded by decision of the governor having geographical jurisdiction, based on the opinion of an advisory committee attached to the regional vocational training and employment offices.

7. See Section 9 (Amounts of the incentives granted).

8. See paragraph 5.

9. -

10. The incentives granted for investment in research and development have no effect on trade.

B. PROMOTION OF TECHNOLOGY AND TECHNOLOGICAL EXPERTISE

1. Incentives for investment made to promote technology and technological expertise take the form of direct financial assistance paid from the Industrial Competitiveness Development Fund (FODEC) and payment by the State of human resource training costs.

2. This notification covers the period 2013-2014.

3. The objective of the aid is to help industrial companies to finance the acquisition of technology and technological expertise in order to increase their local content and boost productivity.

4. The legal texts governing incentives for the promotion of technology and technological expertise are as follows:

- Law No. 93-120 of 27 December 1993 enacting the Investment Incentives Code, as amended or supplemented by subsequent texts;

- Law No. 90-111 of 31 December 1990 containing the Finance Law for the 1991 budget year, as amended or supplemented by subsequent texts;

- Decree No. 94-540 of 10 March 1994 establishing the conditions and procedures for benefiting from State payment of human resource training costs in connection with investment in technology, as amended or supplemented by subsequent texts;

- Decree No. 99-2741 of 6 December 1999 establishing the rules governing the organization, working and operating procedures of the FODEC, as amended or supplemented by the relevant texts.

5. The incentives granted for investment made to promote technology and technological expertise include:

(a) financial assistance paid out of FODEC funds;

(b) payment by the State of 50% of the cost of human resource training in connection with technological investment, up to a ceiling of TND 125,000.

Training expenses include registration fees, transport and accommodation costs and other training-related outlays. They are paid from the budgeted funding of the Ministry of Employment and Professional Integration of Youth.

6. All industrial enterprises may benefit from FODEC assistance, which is granted by decision of the Minister of Industry, Energy and Small and Medium-Sized Enterprises, based on a study and report by an advisory committee.

As regards payment of human resource training costs, any enterprise wishing to benefit from this measure must submit to the National Centre for Continuing Education and Vocational

Advancement a training plan along the lines of a model drawn up by the relevant departments in the Ministry of Employment and Professional Integration of Youth.

7. See Section 9 (Amounts of the incentives granted).

8. See paragraph 5.

9. -

10. Incentives granted for investment made to promote technology and technological expertise have no effect on trade.

C. ENERGY SAVING

1. Incentives accorded to enterprises making energy-saving investments take the form of exemption from duties and taxes on capital goods and financial assistance from the National Energy Management Agency (ANME).

2. This notification covers the period 2013-2014.

3. These incentives come under the national programme for the management of energy consumption designed to prepare for the post-petroleum phase when Tunisia will have an energy deficit. They are meant to encourage companies to make energy savings, and conduct research into and develop renewable sources of energy as well as geothermal energy.

4. The legal texts governing incentives for energy saving are as follows:

- Law No. 93-120 of 27 December 1993 enacting the Investment Incentives Code, as amended or supplemented by subsequent texts;
- Law No. 2005-82 of 15 August 2005 establishing an energy management system;
- Law No. 2005-106 of 19 December 2005 containing the Finance Law for 2016 (Articles 12 and 13 establishing the National Fund for Energy Management);
- Decree No. 2005-2234 of 22 August 2005 setting the rates and amounts of capital grants made for measures falling under the energy management regime and the criteria and procedures for awarding them, as amended by Decree No. 2009-362 of 9 February 2009;
- Decree No. 94-1191 of 30 May 1994 establishing the conditions of eligibility for the tax benefits provided for in Articles 37, 41, 42 and 49 of the Investment Incentives Code and granted for facilities for energy saving, research into and the production and marketing of renewable energy, research into geothermal energy, equipment for pollution control and waste collection, processing and treatment, and research and development facilities.

5. Investment incentives in the field of energy management take the following forms:

(a) exemption from customs duty and reduction to 12% of VAT on purchases of capital goods needed for the investment;

(b) a specific grant for energy management projects, including those relating to renewable and geothermal energy; this grant covers:

(1) energy audits, performance contracts and prior consultation:

- 50% of the cost of energy audits, up to a ceiling of TND 20,000;
- 50% of the cost of demonstration projects, up to a ceiling of TND 100,000;

- 20% of the cost of investment in energy management projects, up to a ceiling of:

    - TND 100,000 for establishments whose total average annual energy consumption does not exceed 4,000 tonnes of oil equivalent (TOE);

    - TND 200,000 for establishments whose average total annual energy consumption ranges between 4,000 and 7,000 tonnes TOE;

    - TND 250,000 for establishments whose average total annual energy consumption exceeds 7,000 tonnes TOE.

(2) the setting up of vehicle engine test units: 20% of the cost of the investment, up to a ceiling of TND 6,000;

(3) solar-powered water heating in the residential and private business sectors: 20% of the cost of solar collectors, up to a ceiling of TND 100 per m^2;

(4) the energy switch to natural gas in the industrial sector: 20% of the cost of internal connection and conversion of equipment, up to a ceiling of TND 400,000;

(5) the energy switch to natural gas in the residential sector: TND 140 for individual homes and TND 20 per unit in apartment buildings.

6. All industrial enterprises wishing to make energy-saving investments are eligible for the incentives mentioned in paragraph 5.

Tax benefits for the purchase of capital goods needed for research and development projects are accorded to enterprises by decision of the Minister of Finance, based on the opinion of the Technical Committee attached to the Ministry of Finance.

The specific grant is accorded by decision of the Minister of Industry, Energy and Small and Medium-Sized Enterprises, based on an opinion by the committee chaired by the managing director of the ANME. It is provided under a performance contract between the ANME and the enterprise concerned, setting out all the technical, economic and financial aspects of the investment project, as well as the amount of the aid granted, the eligibility conditions and the procedures for its disbursement.

7. See Section 9 (Amounts of the incentives granted).

8. See paragraph 5.

9. -

10. The grants given for investments in energy-saving projects have no effect on trade.

4 ENCOURAGEMENT OF NEW ENTREPRENEURS, LIGHT INDUSTRIES AND SMALL AND MEDIUM-SIZED ENTERPRISES

A. NEW ENTREPRENEURS

1. Incentives for new entrepreneurs comprise capital grants, grants by way of State participation in the cost of studies, technical assistance fees and expenses relating to the acquisition of serviced sites or premises necessary to the implementation of industrial projects, and equity participation.

Those considered as new entrepreneurs include natural persons of Tunisian nationality, whether or not grouped together in a company, undertaking their first investment project, managing and taking responsibility for the project personally on a full-time basis and having the requisite experience and qualifications, but insufficient capital of their own.

2. This notification covers the period 2013-2014.

3. These incentives are designed to encourage the creation of micro, small and medium-sized enterprises, foster the spirit of private enterprise, combat unemployment and encourage the renewal of the production apparatus.

4. The legal texts governing these incentives are as follows:

- Law No. 93-120 of 27 December 1993 enacting the Investment Incentives Code, as amended or supplemented by subsequent texts and, in particular, by Law No. 99-4 of 11 January 1999;

- Law No. 73-82 of 31 December 1973 containing the Finance Law for the 1974 budget year and establishing the Industrial Promotion and Decentralization Fund (FOPRODI), as amended or supplemented by subsequent texts;

- Decree No. 2008-388 of 11 February 2008 granting incentives to new entrepreneurs, small and medium-sized enterprises, small businesses and light industries, as amended or supplemented by subsequent texts and, in particular, by Decree No. 2011-442 of 26 April 2011;

- Decree No. 94-494 of 28 February 1994 setting out the procedures for State payment of employer contributions to the statutory social security scheme, as amended or supplemented by subsequent texts.

5. New entrepreneurs who make investments in industry not exceeding a total cost of TND 10 million may receive the following benefits:

(a) a capital grant of 10% of the cost of the equipment, up to a ceiling of TND 100,000;

(b) a State grant towards defraying the cost of the project study; this grant is set at 70% of these expenses, up to a ceiling of TND 20,000;

(c) a minimum equity participation granted for manufacturing and services sector projects on the following basis:

(1) for the first part of the investment and up to TND 1 million, FOPRODI's share in the equity may not exceed 60% of the minimum equity, and the investor must guarantee personal input of at least 10% of the equity and a contribution from a risk capital investment company;

(2) for the balance of the investment and up to TND 10 million, FOPRODI's share in the equity is limited to 30% of the additional minimum equity, and the investor must guarantee personal input of at least 20% of the equity and a contribution from a risk capital investment company;

(d) State payment of one third of the price of the land or premises required for the project, up to a ceiling of TND 30,000;

(e) a capital grant of 50% of intangible investments;

(f) a capital grant of 50% of priority investments in technology, up to a ceiling of TND 100,000.

In all instances, the participation paid from FOPRODI funds corresponds to that of the risk capital investment company.

6. The capital grants and loans mentioned in paragraph 5 are made available by the Industrial Promotion and Decentralization Fund (FOPRODI) for industrial projects, following examination and a study by the technical committee and on the basis of a project feasibility study.

The incentive of State payment of employer contributions to the statutory social security scheme is accorded by decision of the Minister of Social Affairs on the proposal of a committee chaired by the representative of the Ministry of Industry, Energy and Small and Medium-Sized Enterprises.

7. See Section 9 (Amounts of the incentives granted).

8. See paragraph 5.

9. -

10. The grants given for investments by new entrepreneurs have no effect on trade, as the incentives are given upon establishment of the enterprise and not during the production phase.

B. LIGHT INDUSTRY AND CRAFTS AND TRADES

1. Incentives for light industry and crafts and trades take the form of equity participation and a grant by way of State participation in the cost of studies and technical assistance.

2. This notification covers the period 2013-2014.

3. Incentives for investment in crafts and trades and light industries come under the strategy launched over ten years ago to promote craft projects and encourage the trades, considering their impact on employment.

4. The legal texts governing these incentives are as follows:

- Law No. 81-76 of 9 August 1981 creating the National Fund for the Promotion of Crafts and Trades and Light Industries (FONAPRAM), as amended by Law No. 86-106 of 31 December 1986 containing the Finance Law for the 1987 budget year;

- Law No. 93-120 of 27 December 1993 enacting the Investment Incentives Code, as amended or supplemented by subsequent texts and, in particular, by Law No. 99-4 of 11 January 1999;

- Decree No. 2008-388 of 11 February 2008 granting incentives to new entrepreneurs, small and medium-sized enterprises, small businesses and light industries, as amended or supplemented by subsequent texts.

5. Light industries and crafts and trades engaging in the activities specified by decree are eligible for the following:

(1) a capital loan not exceeding 90% of equity assets corresponding to the part of the investment up to TND 10,000, 80% of equity assets of the part of the investment between TND 10,000 and TND 50,000, and 60% of equity assets of the part of the investment between TND 50,000 and 100,000. This sum is repayable free of interest over four years as of the eighth year;

(2) a capital grant of 6% of the total cost of the investment. This grant is increased to:

(a) 14% for projects located in regional development areas of the first group;

(b) 21% for projects located in regional development areas of the second group;

(c) 25% for projects located in priority regional development areas.

6. The grants and equity participation mentioned in paragraph 1 are paid out of FONAPRAM funds, which are managed by banks.

7. See Section 9 (Amounts of the incentives granted).

8. See paragraph 5.

9. -

10. The grants given to small and medium-sized enterprises have no effect on trade.

C. ENCOURAGEMENT OF SMALL AND MEDIUM-SIZED ENTERPRISES

1. Incentives for small and medium-sized enterprises take the form of equity participation and a grant by way of State participation in the cost of studies and technical assistance.

2. This notification covers the period 2013-2014.

3. –

4.

- Law No. 93-120 of 27 December 1993 enacting the Investment Incentives Code, as amended or supplemented by subsequent texts;

- Law No. 73-82 of 31 December 1973 containing the Finance Law for the 1974 budget year and establishing the Industrial Promotion and Decentralization Fund (FOPRODI), as amended or supplemented by subsequent texts;

- Decree No. 2008-388 of 11 February 2008 granting incentives to new entrepreneurs, small and medium-sized enterprises, small businesses and light industries, as amended or supplemented by subsequent texts and, in particular, by Decree No. 2011-442 of 26 April 2011.

5. Small and medium-sized enterprises are eligible for the following support from FOPRODI:

(a) minimum equity participation in accordance with the following criteria:

- for the first part of the investment and up to TND 2 million, FOPRODI's share may not exceed 30% of the minimum equity;

- for the balance of the investment and up to TND 10 million, FOPRODI's share may not exceed 10% of the additional minimum capital;

(b) a studies and technical assistance grant representing 70% of the total cost, up to a ceiling of TND 20,000;

(c) a capital grant of 50% of intangible investments;

(d) a capital grant of 50% of priority investments in technology, up to a ceiling of TND 100,000.

6. Incentives for small and medium-sized enterprises take the form of equity participation and a grant by way of State participation in the cost of studies and technical assistance.

7. See Section 9 (Amounts of the incentives granted).

8. See paragraph 5.

9. -

10. The incentives granted to encourage small and medium-sized enterprises have no effect on trade. These incentives are given once only, at the time when the investment is made and not during the production phase.

5 EXPORT PROMOTION

1. The benefits accorded to export enterprises take the form of tax rebates for investors in equity and for the enterprise when it ploughs back equity.

2. This notification covers the period 2013-2014.

3. The system of wholly export-oriented enterprises was established in 1972 in order to attract foreign direct investment and create jobs for an expanding labour force.

It was prolonged by Law No. 93-120 of 27 December 1993, and affects all foreign or domestic investment in export processing zones. A partial export regime has also been established to benefit companies exporting part of their output.

The incentives granted to wholly or partially export-oriented enterprises are intended to build up export production capacity to meet international standards.

4. These incentives are provided for in Law No. 93-120 of 27 December 1993 enacting the Investment Incentives Code, as amended and supplemented by subsequent texts and, in particular, by Article 20 of Law No. 2012-27 of 29 December 2012 containing the Finance Law for 2013.

5. ***Total export regime*:**

Wholly export-oriented enterprises may apply for full tax deduction of income or profits derived from exports, for corporation or personal income tax purposes, for a period of ten years as from the first export operation.

Profits from exports were subject to corporation tax at a rate of 10% as from 2014.

Article 29 of Law No. 2002-101 of 17 December 2002 extends the time-limit for full deduction of income and profits derived from exports. Full deduction of income and profits from exports continues to apply, under the tax legislation in force, to export-oriented enterprises for which the period of full deduction of income and profits from exports expires before 2013, in respect of income and profits made up to 31 December 2013. A corporation tax rate of 10% was introduced as from 1 January 2014.

****Partial export regime*:**

Enterprises engaging in export operations under the partial export regime receive the following benefits:

(a) suspension of VAT payable on imports into the home market of capital goods and raw materials needed for production;

(b) full tax deduction of income or profits from exports for a period of ten years;

(c) refund of expenses and charges incurred in respect of inputs imported for processing and re-export;

(d) refund of duties paid on capital goods imports.

Article 29 of Law No. 2002-101 of 17 December 2002 extends the time-limit for full deduction of income and profits derived from exports. Full deduction of income and profits from exports continues to apply, under the tax legislation in force, to export-oriented enterprises for which the period of full deduction of income and profits from exports expires before 2013, in respect of income and profits made up to 31 December 2013. A corporation tax rate of 10% was introduced as from 1 January 2014 (Law No. 2012-27 of 29 December 2012 containing the Finance Law for 2013).

6. All enterprises producing exclusively or partially for export are eligible for the benefits envisaged in the Investment Incentives Code.

7. See Section 9 (Amounts of the incentives granted).

8. See paragraph 5.

9. -

10. These benefits have no effect on trade.

6 OTHER ADVANTAGES GRANTED UNDER LAW NO. 93-120 OF 27 DECEMBER 1993 ENACTING THE INVESTMENT INCENTIVES CODE

1. Tax and financial benefits may be accorded to investments of particular importance or interest to the national economy or for the development of border areas.

Additional incentives and benefits may be granted for investments in the areas of education, higher education, including university housing, vocational training and investments relating to preparatory years.

2. This notification covers the period 2013-2014.

3. These benefits are designed to foster the creation of enterprises in pursuit of the objectives of the economic and social development programmes laid down in the five-year plan.

4. These incentives are provided for in Law No. 93-120 of 27 December 1993 enacting the Investment Incentives Code, as amended or supplemented by subsequent texts and, in particular, by Law No. 2014-59 containing the Finance Law for 2015.

5 and 6. The benefits are accorded by decree, based on the opinion of the High-Level Investment Committee, in the form of:

(a) income or corporation tax exemption for up to five years;

(b) a State contribution towards the cost of infrastructure;

(c) a capital grant not exceeding 5% of the amount invested; the grant may be as high as 20% for projects involving promising activities;

(d) suspension of duties and taxes on the purchase of capital goods needed for the purposes of investment.

For investments in the areas of education, higher education, including university housing, vocational training and investments relating to preparatory years, the benefits are accorded in the form of:

(a) a capital grant not exceeding 25% of the cost of the project;

(b) State payment of part of the salaries paid to Tunisian teaching or training personnel recruited on a permanent basis, up to a limit of 25% and for a period not exceeding ten years;

(c) State payment of employer contributions to the statutory social security scheme in respect of salaries paid to Tunisian teaching or training personnel recruited on a permanent basis, up to a limit of 25% and for a period not exceeding ten years;

(d) State payment of employer contributions to the statutory social security scheme in respect of salaries paid to Tunisian teaching or training personnel recruited on a permanent basis for a period of five years, which may be extended once only for an equal length of time;

(e) provision of land for investors under concession agreements in accordance with the legislation in force;

(f) exemption from the vocational training tax (TFP) and contributions to the low-income housing development fund (FOPROLOS) (Law No. 2007-69 of 27 December 2007 promoting economic initiative).

7. See Section 9 (Amounts of the incentives granted).

8. See paragraph 5.

9. -

10. These benefits have no effect on trade.

7 NATIONAL UPGRADING PROGRAMME

1. The national upgrading programme initiated in 1996 provides financial assistance to industrial companies carrying out restructuring. Such restructuring includes:

(a) physical investments, in particular investments in the technical and technological modernization of the production process, conversion in order to adapt to markets and improvement of company competitiveness;

(b) intangible investments, in particular those covering diagnostic studies prior to the upgrading and those fostering greater company competitiveness.

2. This notification covers the period 2013-2014.

3. The opening up of the economy and the establishment of a free trade area with the European Union calls for upgrading of the industrial sector by setting up a programme and structures for modernizing the economy and strengthening the capacities of firms to adapt to the demands of the international market.

Upgrading entails a package of actions within the company and its environment. It therefore affects aspects such as technology, organization, financial balance, vocational training, etc.

With regard to the company's environment, upgrading affects basic infrastructure, support structures and the range of production and service entities related to the industry.

Initial cost estimates for the first phase of this programme (1996-2000) stand at around TND 2.5 billion, 60% of which is allocated for upgrading and modernizing enterprises and 40% for upgrading and reinforcing their infrastructural environment.

The programme is financed by both the enterprises and the financial sector. State aid complements market mechanisms and is designed to foster and support efforts by enterprises, in view of the cost of the operation.

4. State aid is financed from the Industrial Competitiveness Development Fund (FODEC), established by Law No. 94-127 of 26 December 1994 containing the Finance Law for the 1995 budget year.

The organization, working and operating procedures of the FODEC are laid down in Decree No. 99-2741 of 6 December 1999 establishing the rules governing the organization, working and operating procedures of the FODEC, as amended and supplemented by subsequent texts.

5. State aid takes the form of capital grants set as follows:

- Physical investments:

  (1) 20% of physical investments financed from equity assets;

  (2) 10% of investments financed with other resources;

  (3) 50% of the cost of priority equipment purchased in the context of upgrading, up to a ceiling of TND 100,000;

- Intangible investments:

  (1) 70% of the cost of diagnostic studies preliminary to upgrading, up to a ceiling of TND 30,000;

  (2) 70% of the cost of any other non-tangible investment designed to improve the company's competitiveness.

6. The upgrading programme covers private-sector industrial enterprises and industry-related service companies, regardless of size, category or location.

State aid is granted by decision of the Minister of Industry, based on an opinion by the steering committee of the upgrading programme. To that end, an agreement is concluded between the Ministry of Industry and the enterprise, setting out the rights and duties of each of the parties.

7. See Section 9 (Amounts of the incentives granted).

8. See paragraph 5.

9. -

10. The upgrading programme has no effect on trade.

8 INDUSTRIAL COMPETITIVENESS DEVELOPMENT FUND (FODEC)

1. The Industrial Competitiveness Development Fund provides funding for programmes to enhance the quality of industrial products, industrial restructuring processes and strategic sectoral studies.

2. This notification covers the period 2013-2014.

3. FODEC financial support is designed to enhance the quality of industrial products and industrial restructuring processes.

4. The FODEC was established by Law No. 94-127 of 26 December 1994 containing the Finance Law for the 1995 budget year.

The operation of the Fund was determined by Decree No. 99-2741 of 6 December 1999 establishing the rules governing the organization, working and operating procedures of the FODEC, as amended and supplemented by subsequent texts.

5. FODEC funding takes the following forms:

(a) financial assistance of up to 50% of the cost of priority equipment, up to a ceiling of TND 100,000 for each enterprise;

(b) financial assistance of up to 70% of the cost of isolated, intangible and priority investments, up to a ceiling of TND 70,000 for each enterprise;

(c) financial assistance of up to 70% of the cost of diagnostic studies prior to the restructuring of enterprises in financial difficulties, up to a ceiling of TND 30,000.

The funding is granted by decision of the Minister of Industry.

6. FODEC support is intended for private-sector industrial enterprises and industry-related service companies.

7. See Section 9 (Amounts of the incentives granted).

8. See paragraph 5.

9. -

10. The FODEC has no direct effect on trade.

9 AMOUNTS OF THE INCENTIVES GRANTED

2013-2014

The following is a breakdown of the amounts of the incentives accorded to enterprises for the period **2013-2014**:

1. Tax incentives for all categories of investment:

- Corporation tax:

  - **2013**: TND 1,180 billion;
  - **2014**: TND 1,079 billion.

- Personal income tax:

  - **2013**: TND 47 million;
  - **2014**: TND 59 million.

- Suspension of duties and taxes on capital goods purchases:

  - **2013**: TND 490 million;
  - **2014**: TND 424 million.

2. Financial incentives for all categories of investment:

(a) Capital grants:

- Agriculture (Special Agricultural Development and Fisheries Fund (FOSDAP)):

  - **2013**: TND 67 million;
  - **2014**: TND 69 million.

- Tourism (Section II)

  - **2013**: TND 9 million;
  - **2014**: TND 8 million.

– Industry (FOPRODI):

- **2013**: TND 49 million;
- **2014**: TND 34 million.

– Crafts and trades and light industries (FONAPRAM):

- **2013**: TND 25 million;
- **2014**: TND 26 million.

(b) Contribution to the cost of basic infrastructure:

- **2013**: TND 3 million;
- **2014**: TND 0.068 million.

(c) State payment of employer contributions to the statutory social security scheme:

- **2013**: TND 46 million;
- **2014**: TND 34 million.

(d) Export promotion (FOPRODEX):

- **2013**: TND 20 million;
- **2014**: TND 22 million.

(e) Industrial Competitiveness Development Fund (FODEC):

- **2013**: TND 77 million;
- **2014**: TND 57 million.

(f) Fund for the Development of Competitiveness in the Agricultural and Fisheries Sectors (FODECAP):

- **2013**: TND 32.04 million;
- **2014**: TND 30.63 million.

(g) Loan interest subsidies:

- **2013**: TND 7.4 million;
- **2014**: TND 7.2 million.