

# Strengthening tax capacity to increase domestic resources in **Tunisia**



الجمهورية التونسية  
RÉPUBLIQUE TUNISIENNE



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GLOBAL FORUM ON  
**TRANSPARENCY AND EXCHANGE OF  
INFORMATION FOR TAX PURPOSES**

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# Context

**Tunisia has many assets, in particular large deposits of phosphate, oil and gas; significant agricultural and fisheries potential; a dynamic service sector (tourism and transport); a qualified workforce; and its strategic geographic location between Europe and sub-Saharan Africa.**

However, in the period following Tunisia's revolution for dignity, liberty and equality at the end of 2010, the country experienced several years of economic stagnation. This was largely the result of a deteriorating social climate and a volatile security situation.

Seeking to mobilise more tax revenues to drive growth, Tunisia joined the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum)<sup>1</sup> in 2012 and the OECD/G20 Project on Base Erosion and Profit Shifting (BEPS)<sup>2</sup> in 2014.

In 2016, the International Monetary Fund granted Tunisia a loan of USD 2.9 billion over four years. The loan was intended to enable the country to implement an extensive programme of economic and financial reform aimed at promoting more vigorous and widespread economic growth.

Tunisia's economy grew by 1.9% in 2017 and by 2.7% in 2018, with growth declining to 1% in 2019.<sup>3</sup> The country's budget deficit decreased from 6.1% of GDP in 2016 to 3.9% in 2019,<sup>4</sup> mainly thanks to tax policy and administration measures.



Participants in the workshop on transfer pricing and exchange of information, December 2016, Tunis.



# The OECD and the Global Forum provided technical assistance for domestic resource mobilisation

In 2014, in the framework of an extensive support programme financed by the Middle East and North Africa Transition Fund under the Deauville Partnership and with technical assistance from the OECD and the Global Forum, Tunisia launched large-scale tax projects. The main objective was to improve domestic resource mobilisation by strengthening the fight against BEPS, implementing international standards on tax transparency and exchange of information, combatting tax crime, reforming Value Added Tax (VAT) and developing regionally and internationally harmonised statistical data on government revenue.

## **Tackling BEPS through an improved legal and administrative framework**

In 2017, after actively participating alongside OECD and G20 countries in the development of concrete measures to tackle BEPS, Tunisia joined the OECD/G20 Inclusive Framework on BEPS. With the support of the OECD, Tunisia implemented the four BEPS minimum standards to protect its tax base: countering harmful tax practices (Action 5), preventing tax treaty abuse (Action 6), Country-by-Country reporting (Action 13) and making dispute resolution mechanisms more effective (Action 14).

To comply with European Union (EU) and OECD requirements on harmful tax practices, in 2019 Tunisia abolished preferential tax regimes that favoured companies considered harmful. Accordingly, Tunisia was removed from the EU list of non-cooperative tax jurisdictions.

Meanwhile, Tunisia received technical assistance from the OECD to strengthen its legal and administrative framework for transfer pricing as a means of addressing transfer mispricing by

multinational enterprises (MNEs) operating in its territory. It also established new documentation and reporting requirements. To enhance legal certainty for taxpayers, the country introduced an Advance Pricing Arrangement (APA) regime and published regulations to clarify the new legislation.

OECD experts travelled to Tunisia to conduct practical workshops on transfer pricing and BEPS, thereby strengthening the capacity of Tunisian tax auditors to audit MNEs. In the wake of these workshops, the Tunisian Directorate General of Taxation set up a task force in charge of drafting practical guidance on implementing transfer pricing rules.

*“Determined to take action against tax avoidance practices, Tunisia decided to join international anti-BEPS initiatives, thus enabling it to better protect its tax base and improve mobilisation of the tax resources required for its sustainable development. The OECD’s technical support made it possible to rapidly implement the appropriate measures and to strengthen Tunisia’s capacity to combat tax evasion and avoidance.”*

**Mohamed Ridha Chalhoun,**

Tunisian Minister of Finance, September 2017 – February 2020

## Box 1: A strengthened tax treaty network to combat treaty shopping

On 24 January 2018, Tunisia signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (known as the MLI). Designed to strengthen conventional tax treaties, the MLI aims to **protect countries against tax avoidance strategies that use tax treaties inappropriately, artificially transferring business profits to jurisdictions where they are subject to little or no tax** and thereby leading to a shortfall in the country's public revenues.

As soon as Tunisia and its treaty partners have ratified the MLI, an **anti-abuse rule will be included in 55 tax treaties established by Tunisia**. This rule will ensure that the benefits derived from each treaty are consistent with the objective of the treaty, thus protecting Tunisia's revenue base.

To prevent tax avoidance practices aimed at unduly circumventing the qualification of permanent establishment – a key concept for source taxation of company profits,

the **definition of permanent establishment will be strengthened in 11 tax treaties established by Tunisia**.

This is intended to address practices such as commissionaire arrangements and the splitting-up of contracts and activities.

*“Signing the Multilateral Convention will help Tunisia to more effectively fight against tax planning strategies aimed at artificially transferring profits to jurisdictions with more favourable taxation, and thus to recover its right to tax profits generated in the country. At the same time, the application of international tax rules concerning mutual agreement procedures will provide companies with greater certainty by reducing the number of disputes.”*

**Sihem Nemsia**, Director General of Studies and Tax Legislation

MLI signing ceremony – 24 January 2018, Paris



### Implementation of international standards on tax transparency and exchange of information, and their effective use in the fight against tax evasion

In 2012, Tunisia joined the Global Forum and thereby committed to implementing the international standards on transparency and exchange of information for tax purposes. This enabled the country to benefit from an intense capacity building programme involving remote assistance as well as onsite missions.

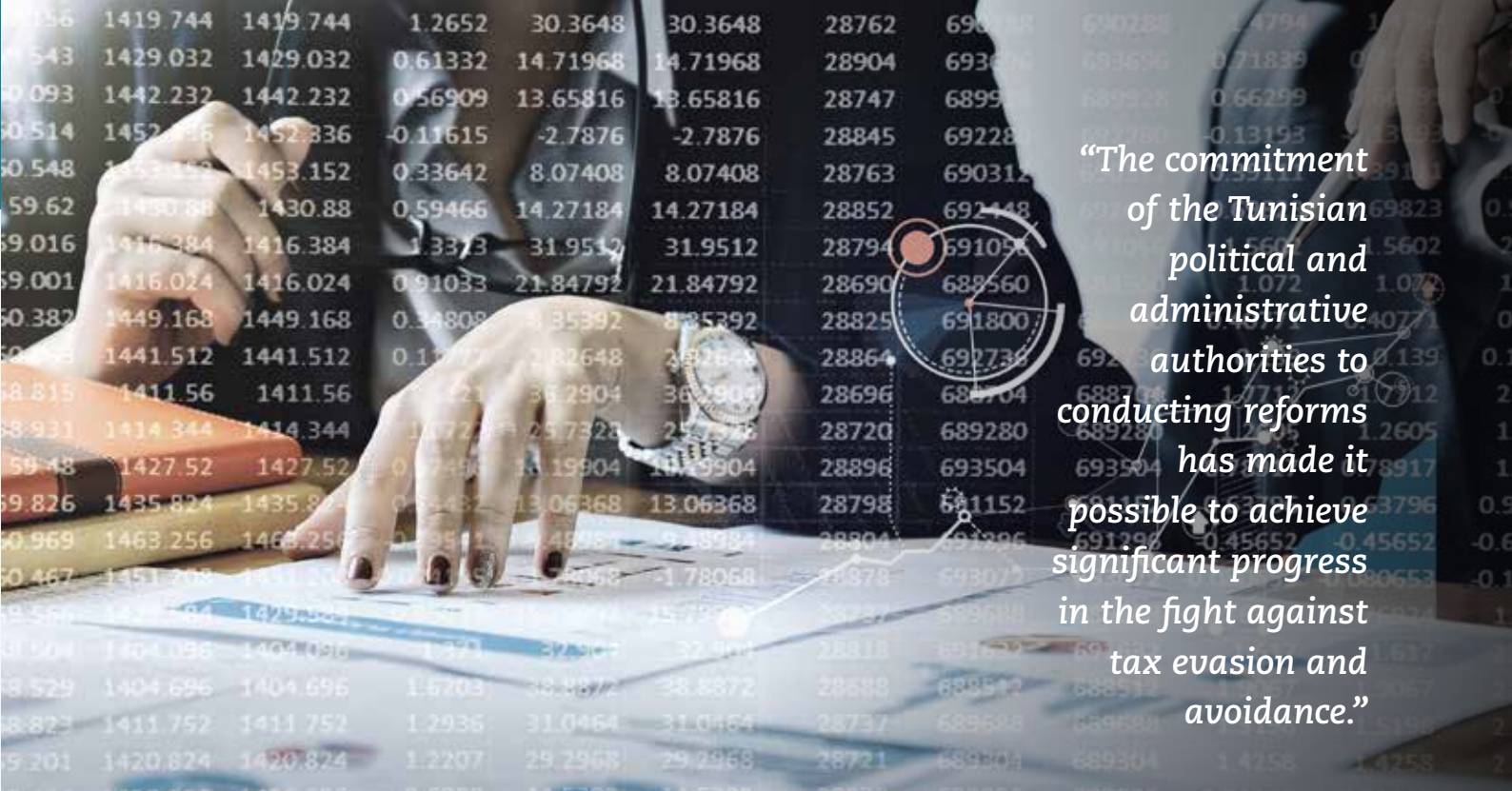
With the technical support of the Global Forum and in view of its approaching peer review, Tunisia carried out significant structural reforms to introduce the standard for Exchange of Information on Request. Two examples illustrate the improvements:

- In the space of a few years, Tunisia was able to put in place a new system whereby a large portion of banking information is automatically transmitted via a national register of bank accounts managed by the tax administration. Previously, the tax

administration had to obtain a court order to access the slightest piece of information.

- Tunisia upgraded its anti-money laundering legislation and introduced a new national business register based on the use of a unique tax identifier to improve the framework for identifying beneficial owners. It ensures the availability of complete and up-to-date information on the owners and beneficial owners of all legal entities and arrangements.

Tunisia has also put in place the infrastructure necessary to make effective use of exchange of information in the fight against illicit financial flows, thus enhancing the sustainable mobilisation of domestic resources. The capacities of Tunisian officials were strengthened thanks to a series of training sessions organised in the country by the Global Forum, as well as the secondment of two Tunisian officials to the Global Forum for a period of three months. These efforts have helped Tunisia to develop a genuine culture of international exchange of information and administrative cooperation.

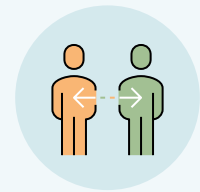


“The commitment of the Tunisian political and administrative authorities to conducting reforms has made it possible to achieve significant progress in the fight against tax evasion and avoidance.”

## Box 2: Exchange of information to fight tax evasion

In 2017, the Tunisian tax authorities carried out a tax audit of a Tunisian company operating in the tourism sector. Thanks to exchange of information with two foreign countries, they were able to confirm a major case of tax evasion: the company was using foreign companies and bank accounts to conceal a significant portion of its turnover. Previously, because it relied on domestic information obtained without recourse to exchange of information, the Tunisian tax administration had only been able to establish a reduction in turnover of USD 2.6 million between 2013 and 2016.

**The information received through exchange of information enabled them to revise this figure to USD 4.1 million, an increase of 54%.**



“ The continued support of the Global Forum since 2012 has facilitated the reforms and modernisation required to ensure a high level of tax transparency in Tunisia. The assistance has fostered the development of a genuine culture of information exchange, which is reflected in a more effective fight against international tax evasion, as well as additional revenues for the financing of public goods and services. ”

**Sami Zoubeydi**, Director General of Taxation

### A clear resolve to tackle illicit financial flows

Aware that illicit financial flows were depriving the country of the revenues necessary for sustainable development, in 2017 Tunisia created the *Brigade des investigations et de la lutte contre l'évasion fiscale* (Investigation and Anti-Tax-Evasion Brigade, or BILEF). This brigade investigates tax offences, under the authority of the Prosecutor's Office attached to the Court of Appeal or within the framework of rogatory commissions issued by investigating judges.

Since 2015, eight BILEF managers have been trained in detecting financial crime, conducting and managing investigations, and recovering sums generated by illegal activities at the OECD International Academies for Tax Crime Investigation<sup>5</sup> in Ostia (Italy) and Nairobi (Kenya). This training has enabled them to better target criminal acts, plan investigations, co-ordinate actions among different agencies and establish a prosecution procedure that is effective in terms of indictments, but also efficient in terms of the staff and material resources allocated.



The Tunisian tax administration now has auditors familiar with the innovative investigative techniques required for new forms of fraud, such as laundering the proceeds of tax evasion or fraud linked to e-business, the dark web, online gambling, casinos, etc. The Financial Action Task Force (FATF) has welcomed the concrete measures Tunisia has undertaken, with the support of the OECD, to combat illicit financial flows; in 2019 it removed Tunisia from the grey list of countries with significant money laundering and terrorist financing deficiencies.<sup>6</sup>

### **Alignment with international VAT standards and practices**

In 2014, Tunisia launched a VAT reform to improve the neutrality of its system, simplify legislation and strengthen the competitiveness of its companies.

The OECD helped Tunisia to align itself with international VAT standards and best practices, and also to modernise the Tunisian VAT Code and improve its legal interpretation. OECD experts worked closely with Tunisian tax authorities to prepare a draft of the new VAT Code, rationalising its structure, clarifying its provisions and adapting it to international standards. The draft includes recommendations on territoriality rules, based on the OECD VAT guidelines; modernising the rules for taxation of distance selling; and simplifying the system for refunding VAT credits.

Moreover, in 2015 two Tunisian officials were seconded to the OECD's Consumption Taxes Unit for three months to strengthen their VAT expertise.

Tunisia's VAT reform resulted in a number of significant advances, including a massive reduction in exemptions, the rationalisation of reduced rates, the adoption of a single registration threshold for the exemption of small businesses based on annual turnover and the simplification of the system for refunding VAT credits.

### **Reliable government revenue statistics to inform fiscal policies**

Since 2016, the OECD, the African Tax Administration Forum (ATAF) and the African Union Commission (AUC) have been working closely with Tunisian tax experts and statisticians to produce harmonised statistical data on tax and non-tax revenues that meet international standards. This information is showcased in the annual *Revenue Statistics in Africa*, which for the 2020 edition compiled data from 30 African countries.<sup>7</sup>

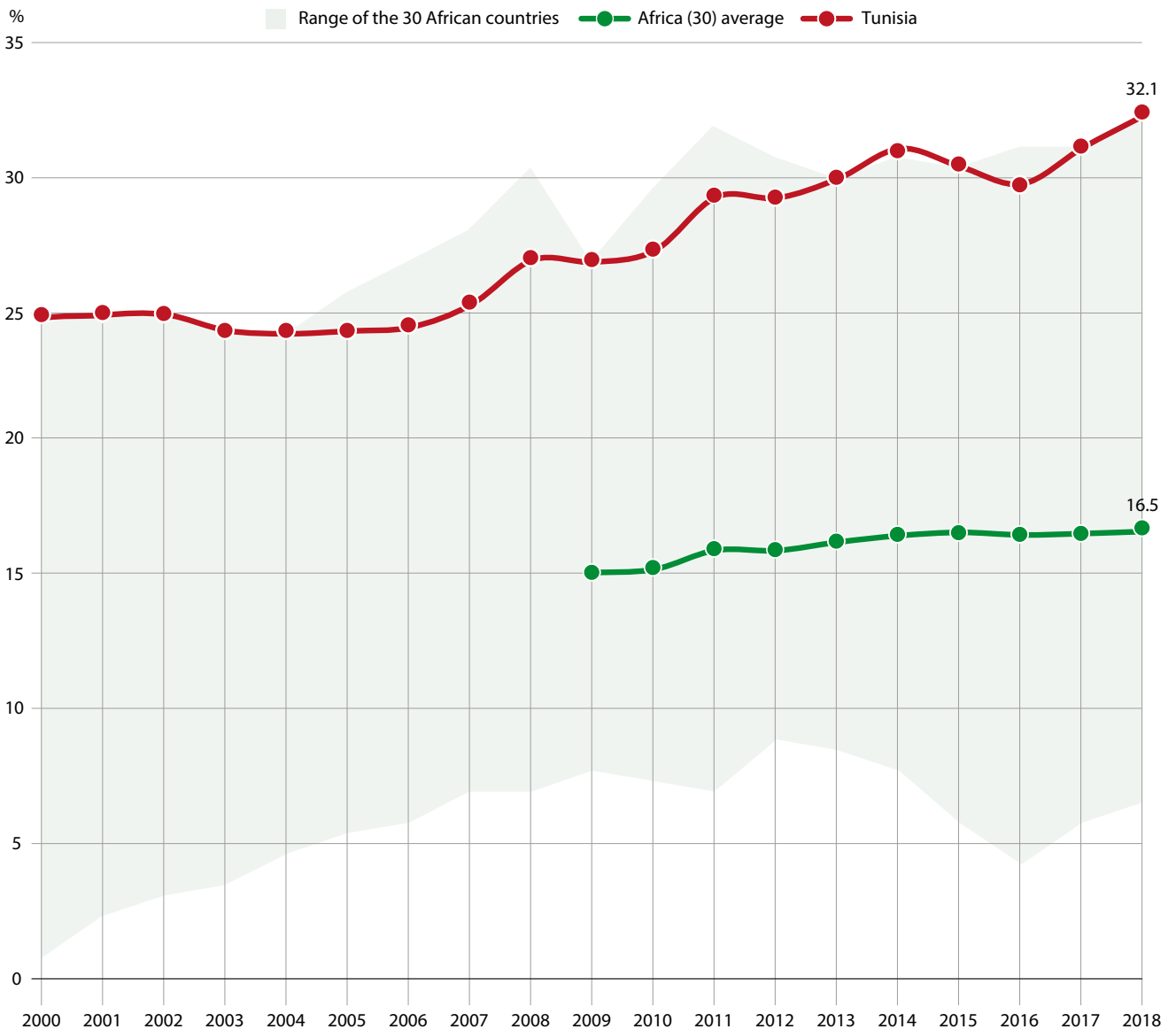
The availability of harmonised and comparable data at the regional and international levels helps to inform decisions by Tunisian policy makers on the development of fiscal policies. It also improves their ability to mobilise domestic resources to support sustainable economic growth and fight inequalities.

In 2015, two Tunisian officials were seconded to the OECD's Tax Data and Statistical Analysis Unit for three months. Thanks to their strengthened expertise, Tunisia has been able to refine its classification of tax and non-tax revenues and complete the relevant data, improving its granularity and comparability.



*“Tunisia’s alignment with international tax standards and practices has helped strengthen the tax administration’s capacity to mobilise domestic resources.”*

**Changes in Tunisian tax revenues as a percentage of GDP (2000-2018)**



Source: Revenue Statistics in Africa 2020 – Tunisia, <https://www.oecd.org/tax/tax-policy/revenue-statistics-africa-tunisia.pdf>.

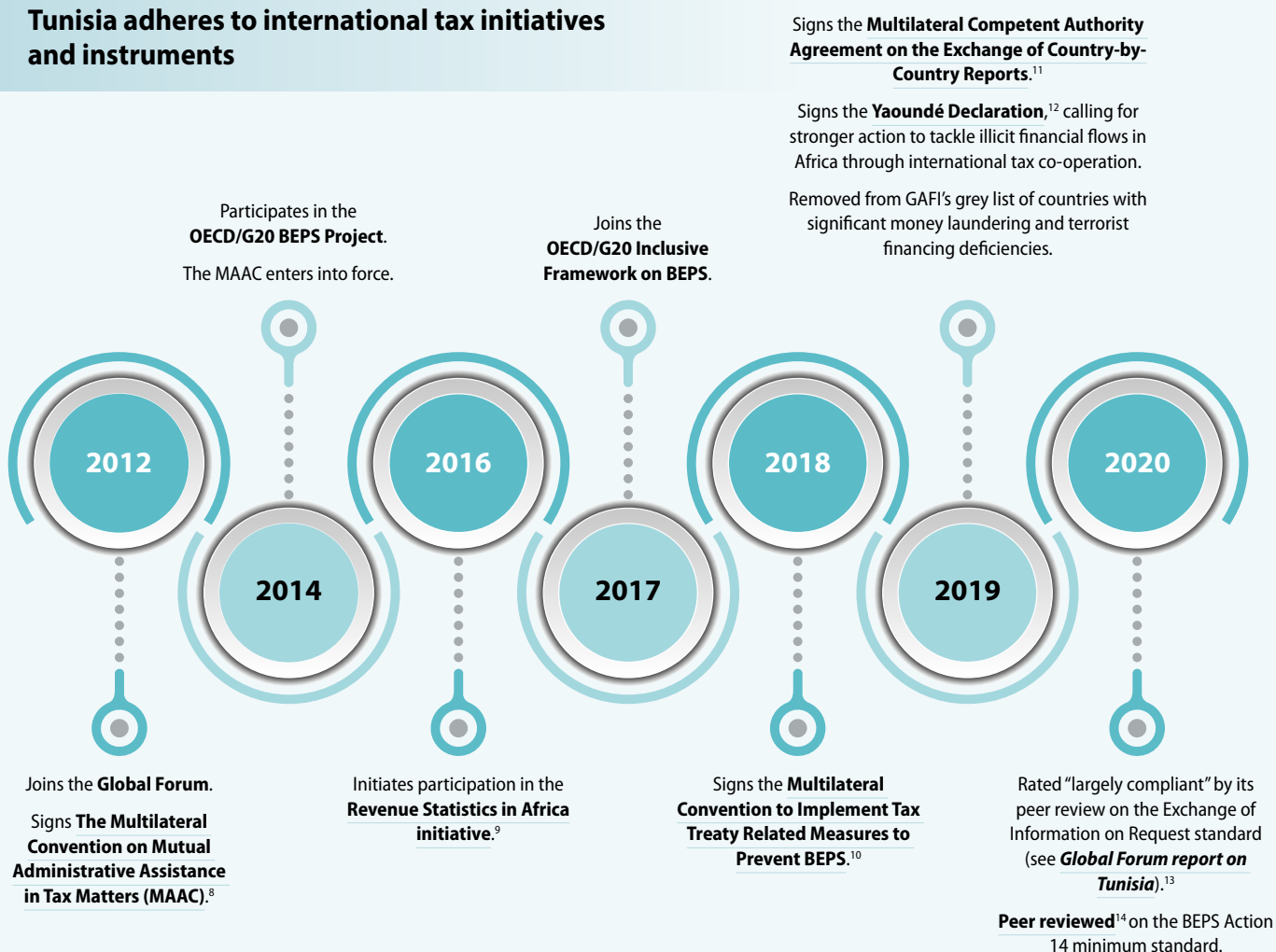


# Outcomes

The assistance provided to Tunisia by the OECD and the Global Forum has helped the country to align itself with international tax standards and practices, enabling it to better combat tax evasion and avoidance and to take advantage of the new tax transparency environment.

The technical assistance has also helped to modernise Tunisia’s legal, organisational and operational frameworks for better tax governance. Finally, it has contributed to strengthening the tax administration’s capacity to mobilise domestic resources while improving the legal certainty of taxpayers.

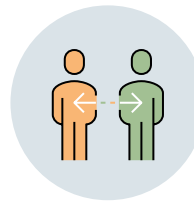
## Tunisia adheres to international tax initiatives and instruments







The significant progress made by Tunisia testifies to the commitment of its political and administrative authorities to conducting reforms and driving change. It also testifies to the excellent relationship of trust and tax co-operation that exists among the country, the OECD and the Global Forum.



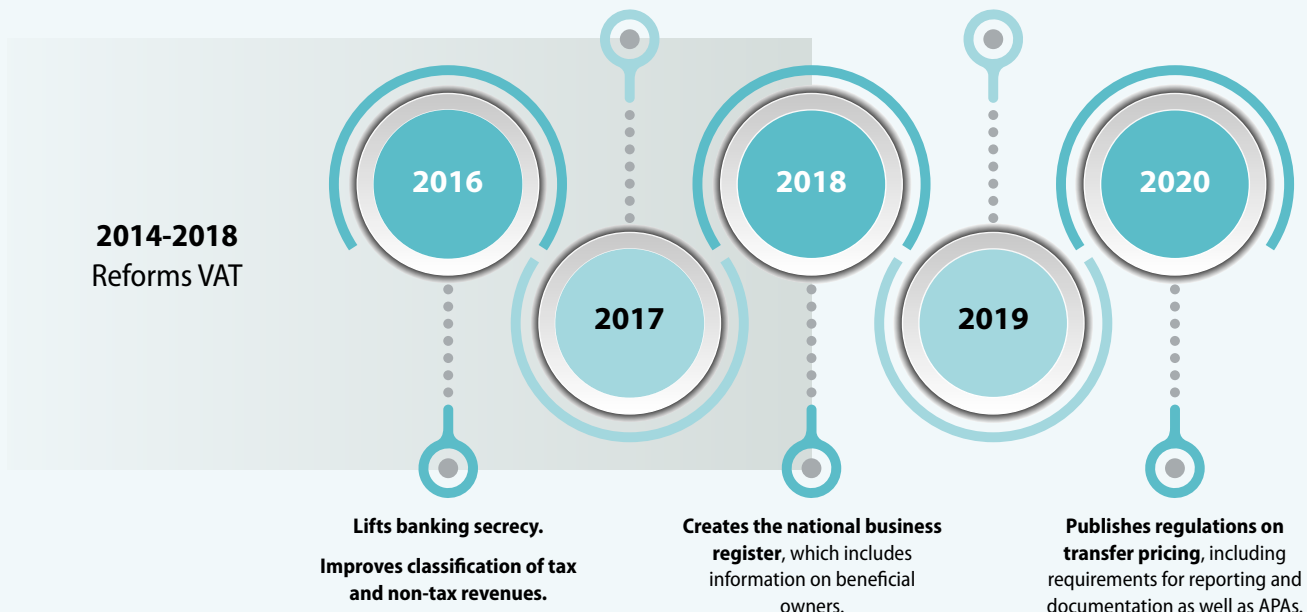
## Tunisia strengthens its legislative and administrative framework


**Creates BILEF and the International Exchange of Information Unit**, dedicated exclusively to international administrative co-operation.

**Strengthens transfer pricing legislation**; introduces transfer pricing reporting and documentation requirements, as well as an APA regime.

**Strengthens anti-money laundering legislation**, in particular for the identification of beneficial owners.

**Creates a national database of bank and postal accounts.**





# The main impacts

## Box 3: Key figures

- **218 exchange of information requests sent in 2019** (equivalent to almost 69% of all EOI requests sent by African countries), **compared to only five in 2015** (see *Tax Transparency in Africa 2020*).<sup>15</sup>
- **Nearly USD 5 million in additional revenue collected** between 2018 and 2019 thanks to information exchange.
- **More than 500 tax officials trained** since 2015.
- **Six tax officials seconded to the OECD and the Global Forum** to strengthen their expertise in international taxation.
- **14 training workshops on international taxation** organised in Tunisia.

Tunisia is already benefiting from the significant progress made in recent years. In the area of transparency and exchange of information, the various legislative measures introduced since 2016 have enabled Tunisian tax officials to access banking information and data on beneficial owners, thus improving their ability to combat tax evasion and avoidance, whether national or cross-border. In addition, Tunisia has been able to significantly increase the number of its requests for exchange of information thanks to the ratification of the MAAC in 2014, the establishment of a structure dedicated to the exchange of information in 2017 and capacity building among tax officials. This, in turn, has increased tax revenues. Today, Tunisia is a leader among African countries in the application of administrative co-operation, and the results are tangible. The reforms the country has undertaken have also strengthened its capacity to combat money laundering and terrorist financing.

Tunisia's forthcoming ratification of the MLI should enable it to put an end to tax treaty shopping and other tax avoidance practices while better protecting its tax base, thanks to its extensive treaty network, and strengthening its dispute resolution mechanisms.

Moreover, with the forthcoming implementation of automatic exchange of information, Tunisia will be able to receive Country-by-Country reports from MNEs operating in its territory, thereby strengthening the assessment of the tax risks of the MNEs.

Finally, the improvement of the legal and administrative framework for transfer pricing, as well as the strengthened capacity of tax officials in this area, should enable Tunisia to strengthen tax audits of MNEs, ensuring that they pay their fair share of tax.





# Outlook

Tunisia's initial success in tax reform encouraged the country to continue. It requested further support from the OECD and the Global Forum and in 2020 a new three-year EU-funded technical assistance programme was initiated.

Tunisia has focused this new programme on the ongoing fight against BEPS and tax and financial crimes. It will also emphasise implementation of automatic exchange of information to allow the tax administration to obtain, on a yearly basis and without prior request, financial information on accounts held in foreign institutions by Tunisian tax residents. In addition, this will enable Tunisia to receive Country-by-Country reports.

As part of the new technical support programme, the country has prioritised combatting informality by implementing fiscal measures that encourage companies, self-employed workers and employees to formalise their status.

Tunisia will continue to promote the country's development and growth by addressing issues related to domestic resource mobilisation and launching new projects aimed at improvements in this important area.



## Notes

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