

The New Exceptional Fiscal and Financial Measures Proposed to fight against the repercussions of Coronavirus

The Government has announced a set of financial and fiscal measures to deal with the repercussions of the cantonment of citizens and the drastic drop in activity that results from it. The total amount of the envelope announced is 2,500 MD.

The aim of these measures is to avoid bankruptcies or permanent cessation of business activity, to maintain employment and to provide financial support to the poorest and the most affected businesses.



I/ Tax mesures

I-A Tax mesures intended for all businesses

All companies, regardless of size and sector of activity, will systematically benefit from the following measures:

- 1) The extension of the corporate tax declarations until the end of May 2020, with the exception of companies subject to the corporate tax at the rate of 35%.**
- 2) The suspension of all control operations and all deadlines related to tax audit procedures as well as deadlines for oppositions until the end of May 2020.
- 3) The compression of the deadlines for restitution of the tax credit and this by accelerating the cadence of the meetings of the commission for examining requests for restitution by the transition to a weekly cadence instead of bimonthly. Payment will take place within a period not exceeding one month.
- 4) The I revaluation of built and undeveloped buildings registered in their property according to their real value and the exemption from the capital gain of revaluations subject to non-disposal.
- 5) Cancellation of late payment penalties for companies having concluded public contracts, for a maximum duration of 6 months.

I-B Tax mesures for the most affected companies

The concept of «companies affected by the repercussions of the coronavirus» will be defined by government decree after consultation with representatives of the monitoring unit to the government's presidency.

The most affected companies are allowed to benefit from the following possibilities:

- 1) The rescheduling of their tax and customs debts for a maximum period of 7 years.

- 2) **The suspension of late payment penalties for three months from April 1 to June 30, 2020.**
- 3) **The deferral of payment of CNSS contributions from the 2nd quarter for 3 months (which excludes the 1st Quarter due on April 15 or 25).**
- 4) Simplification of the procedures for returning the VAT credit from operations by removing the condition of its continuity over a period of 6 months. Payment will be made within a maximum of one month.
- 5) Obtaining, on an exceptional basis, purchase certificates suspended from duties and taxes as well as other tax certificates instantly without presenting the necessary documents, provided that you agree to present them later.

I-C Tax measures intended for fully exporting companies

Exceptionally and only for the 2020 financial year, fully exporting companies can benefit from the authorization to sell their goods on the local market within the following new limits:

- For fully exporting companies operating in the food and health sectors: the percentage from 30% is increased to 100%.
- For other fully exporting companies, the percentage of sales on the local market is increased from 30% to 50%.

EXPECTED TAX RETURNS DUE ON MARCH 25 AND 28, 2020

- **With regard to the annual corporate income tax return, the deadline for filing is:**
 - extended from March 25 to May 31, 2020 for companies which are subject to corporate income tax at the rate of 10%, 15%, 20% and 25%,
 - while it is maintained on March 25 for companies which are subject to corporate income tax at the rate of 35%
- **With regard to monthly declarations, the deadline of March 28 has not been extended and any filing beyond this date is subject to the payment of late interests.**

This interpretation is based on our current understanding of the measures taken. We are awaiting further clarification on this subject from the competent authorities in order to better inform our customers.



II/ Financial measures

II-A Direct financial aid (450 MD)

- An envelope of 300 MD for the benefit of workers placed on technical unemployment. This envelope would primarily interest SMEs, according to the proposal of the Ministry of Finance, with a view to strengthening the support fund for SMEs, in addition to the implementation of the previous decision of an interest bonus of 3 points for the latter.
- An envelope of 150 MD for the benefit of the poor and with specific needs and constitutes support for the program of the needy families in the form of direct aid to be paid to individuals directly affected under the supervision of the Ministry of Social Affairs.

II-B Financial support for businesses (1.700 MD)

- An envelope of 500 MD to increase the stock of basic products for public enterprises in medicines (PCT), food (OC) and petroleum (STIR).
- A guarantee line of 500 MD to allow private companies in difficulty to obtain bank credits to maintain the activity (credits granted until the end of December 2020, over a period of 7 years with 2 years of grace). The tourism sector (hotels, travel agencies, restaurants, artisans, transport, culture) is notably targeted by this measure according to the MF.
- Three new investment funds, financed by the CDC according to the MF, (700 MD):
 - The 1st in the amount of 500 MD (including 100 MD to be released as the first tranche) for large companies, especially strategic, to strengthen their capital and maintain employment;
 - the second of an amount of 100 MD is a bridging fund for a resumption of the holdings of the investment funds existing in the companies in difficulty in the strategic sectors, these funds will then be able to finance other projects;
 - the 3rd of an amount of 100 MD to finance the acquisition of equipment for hospitals and public health establishments.

The CDC's contribution will come at the expense of the Treasury, which was the main use of the Fund's resources, which would force the State to resort even more to the financial system.

II-C Exemptions and financial support

- Postponement of repayments of bank loans over 6 months for employees whose salary is less than 1000 D per month. This measure relates to limited amounts because the credits for this population represent a small part of the total credits to individuals which are 24 billion dinars. It should therefore not be a problem for banks provided that other individuals continue to repay. It remains to deepen the case of BH which can hold a significant portfolio of construction loans for these households.
- Postponement of repayments of bank loans over 6 months for companies affected by the crisis. This measure, on the other hand, can relate to large amounts if it covers several sectors.

By way of illustration, the central clearinghouse accounts for 67 billion D in business loans, including 39 billion in the short term. Deferrals should be limited to the most affected among them to avoid suffocating the banking system.

Admittedly, the BCT has a possible margin for refinancing because the average need of banks for liquidity decreased from 16 billion dinars in early 2019 to 11 billion currently. This decrease took place over 12 months and helped reduce the inflation (from 7.3% to 5.8% in one year). A refinancing resumption is therefore expected to allow the banks to postpone the maturities of the affected customers but it would be limited to 5 billion D over a year if the objective is not to exceed the level of end 2018 considered high and inflationary. This amount represents 13% of companies' short-term loans only. For this, the carryover of credits must be targeted towards the companies most affected by the crisis.



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