

# GMS Flash Alert



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## Tunisia - New Investment Law Eases Conditions on Hiring Foreign Workers

The Tunisian Chamber of Representatives approved, on 17 September 2016, a new Investment Law aimed at attracting foreign investment and stimulating the economy.<sup>1</sup> The law features provisions that make it easier for qualifying investors and businesses to hire foreign workers. The Investment Law will take effect from 1 January 2017.

### WHY THIS MATTERS

Under the current Labour Code there are restrictions on the hiring of or bringing in of foreign workers in Tunisia. However, the new rules for qualifying foreign investors and businesses will reduce some of the red tape involved with hiring foreign workers in Tunisia or bringing them to Tunisia. They will also help expand the opportunities, in Tunisia, for hiring more foreign workers or assigning more foreign workers to the country. The new law is expected to enhance business expansion and market opportunities for businesses in Tunisia.

### Key Changes

Previous treatment (until 1/1/2017)	New treatment (from 1/1/2017)
<p>1. The Investment Incentive Code caps the recruitment of foreigners to four managing staff employees. The incentive is only available to wholly exporting companies.</p>	<p>Investors will be allowed to recruit foreign managing staff up to:</p> <ul style="list-style-type: none"> <li>30% of the entire managing staff size during the business' first 3 years of activity;</li> </ul>

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	<ul style="list-style-type: none"> <li>• 10% of the whole managing staff size starting from the 4<sup>th</sup> year onwards.</li> </ul>
<p>2. Beyond the cap, the hiring of foreigners is subject to restrictive conditions, under the Labour Law, including:</p> <ul style="list-style-type: none"> <li>• limiting the employment contract to 1 year renewable once (unless authorized by relevant authorities);</li> <li>• making it possible to hire foreign workers only when there is no similar professional competence available among Tunisian nationals.</li> </ul>	Beyond the cap, the hiring of foreigners remains subject to the prior approval of the Labour Ministry.

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## KPMG NOTE

There are still some important aspects of the Investment Law that remain unclear, and these need to be addressed in the implementing regulations, the applicable income tax rate for foreign workers being just one example.

It should be noted that foreign workers hired under the previous Investment Code (that continues to apply until 1 January 2017) have been subject to an advantageous income tax rate of 20 percent on their gross remuneration; however, this advantageous tax rate has not been confirmed under the new law.

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## FOOTNOTE:

1 For Investment Law 2016 : Law n° 71-2016 dated 30th September 2016, see: <http://www.investintunisia.tn>.

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## Contact us

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