

Boussayene Knani
& Associés | Law Firm

www.bkassocies.com

info@bkassocies.com.tn

29 Avenue Alain Savary, Belvédère – 1002 Tunis

Tél: (+216) 71 288 688

Legal framework for startups in Tunisia

I. Start-up: legislation and regulations

A start-up is an innovative company that benefits from an advantageous legal framework in Tunisia created in 2018 and called "Start-Up Act". As of June 2022, Tunisia's ecosystem included 1,081 start-ups¹.



¹ <https://www.disruptunisia.com/ecosysteme-startups-tunisie>

A startup has 4 features²:

- Its existence is limited in time
- Its activity is innovative
- It can be reproduced on a larger scale
- Its activity has strong growth potential

In Tunisia, for a company to be considered a startup, it must obtain the startup label whose validity cannot exceed 8 years from the date of incorporation of the company.³

The Start-Up Act is essentially governed by:

- Law **no. 2018-20 of 17 April 2018**
- Decree **no. 2018-840 of 11 October 2018**
- Circulars of the Central Bank of Tunisia **n°2019-01 and n°2019-02**

II. Conditions, procedures and deadlines for granting the startup label

1. The conditions for granting the startup label

They appear in Article 3 of Law No. 2018-20 of 17 April 2018 and are 5:

- The existence of the company does not exceed 8 years from the date of its incorporation.
- Its human resources do not exceed 100 employees, its total assets and its turnover do not exceed 15 million dinars.
- More than two-thirds of its capital is held by natural persons, venture capital firms, seed funds and any other investment organization according to the legislation in force or by foreign startups.
- Its business model has a strong innovative and particularly technological dimension.
- Its activity has strong economic growth potential.

2. The procedure to be followed:

Any natural person or company wishing to obtain the startup label must submit an application by filling out a form via the electronic portal of startups.⁴

² <https://www.legalplace.fr/guides/start-up-definition/>

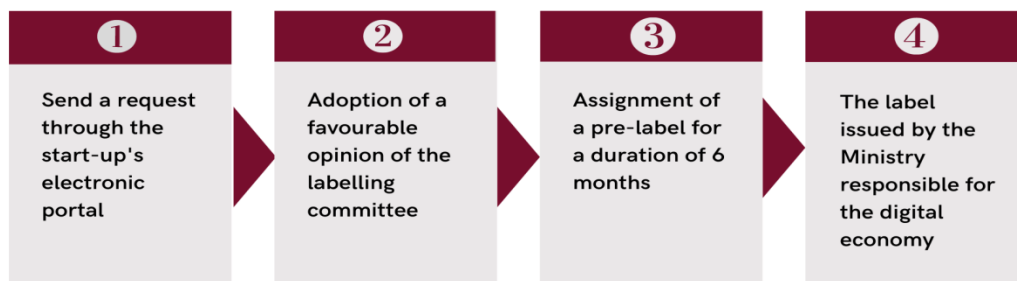
³ Article 3 of Law No 2018-20 of April 17 2018, related to startups

⁴ Article 4 of decree No 2018-840 of October 11, 2018

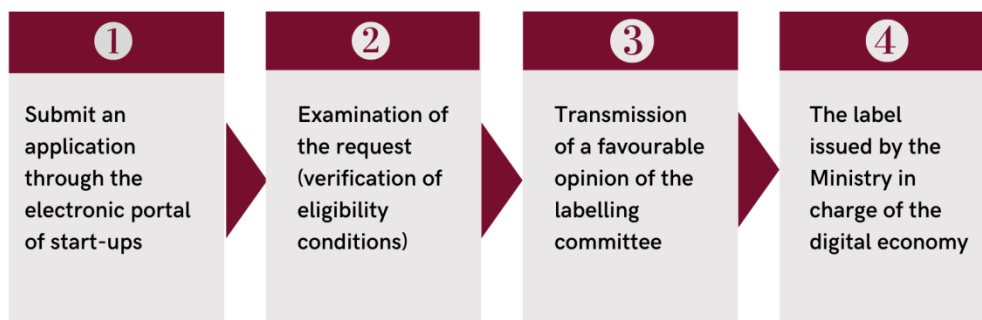
The application shall be examined by the labelling committee, which shall give a favourable or unfavourable opinion within 30 days. If the eligibility conditions are met and in the event of a favorable opinion by the Committee, the label shall be issued by the Minister responsible for the Digital Economy ⁵.

In the case of applications submitted by natural persons, that is to say, who have not yet incorporated a company, the labelling committee grants them a pre-label for a period of 6 months, during which they must proceed with the creation of the company. Before the pre-label expires, the documents completing the dossier must be submitted and the label issued within a maximum of 3 days. ⁶

In the case of application submitted by natural person :



In the case of application submitted by a company :



⁵ Article 5 of decree No 2018-840 of October 11, 2018

⁶ Article 6 of decree No 2018-840 of October 11, 2018

3. The Labelling Committee

The labelling committee is a technical committee set up by the Ministry responsible for the digital economy. The committee is responsible for deliberating on the applications submitted to it in order to decide whether to grant or withdraw the startup label. Voting takes place electronically and requires the approval of at least 5 members.

The committee is composed of 9 members appointed by decision of the head of government on the proposal of the minister responsible for the digital economy for a period of 3 years and renewable only once.

According to **Article 11 of Decree no. 2018-840 of 11 October 2018**, the latter consists of the following:

- A President among the recognized skills in the fields of investment and innovation and with experience in management and management
- 2 managers representing ministries and public structures in relation to innovation, the digital economy, entrepreneurship and financing
- 4 private sector skills among specialists in the fields of financing, coaching and innovative entrepreneurship
- 2 experts selected from expertise in innovation, technology and entrepreneurship

III. Financial and Tax Benefits

Subject to the conditions laid down by the legal and regulatory provisions, start-up promoters or founders-shareholders may benefit from the following advantages:

- Benefit from one-year leave for the creation of startup, renewable only once ⁷
- Benefit from a startup grant for a single year between 1000 and 5000 dinars ⁸
- Benefit from national and international patent registration fees cover ⁹

⁷ Article 8 of Law No 2018-20 of April 17, 2018, related to Startups

⁸ Article 18 of decree No 2018-840 of October 11, 2018

⁹ Article 20 of decree No 2018-840 of October 11, 2018

- Corporation Tax Exemption and social contribution Coverage ¹⁰
- Possibility of opening a special foreign currency account with authorised intermediaries and an International Technology Card with a maximum annual allocation of 100,000 dinars ¹¹
- Access to the guarantee mechanism called the Guarantee Fund for startups which “guarantees the participation of risk investment firms, collective investment funds, seed funds and any other investment firm in accordance with the legislation in force in the capital of startups” ¹²
- Exemption from the tax on capital gains and profits arising from the sale of securities relating to investments in startups ¹³
- Simplification of the procedure for choosing the statutory auditor ¹⁴
- Possibility to issue several convertible bonds into shares without taking into account the option periods for conversion¹⁵

IV. The obligations inherent in the award of the startup label

During the validity of the label, the startup is required to comply with a series of obligations for the retention of the label mentioned in Article 7 of Law No. 2018-20 of 17 April 2018:

- Achieve growth targets in terms of human resources, total assets and annual revenue:¹⁶

¹⁰ Article 19 of Law No 2018-20 of April 17, 2018, related to Startups

¹¹ Tunisian Central Bank Circular No 2019-01 and No 2019-02

¹² Article 18 of Law No 2018-20 of April 17, 2018, related to Startups

¹³ Article 14 of Law No 2018-20 of April 17, 2018, related to Startups

¹⁴ Article 15 of Law No 2018-20 of April 17, 2018, related to Startups

¹⁵ Article 16 of Law No 2018-20 of April 17, 2018, related to Startups

¹⁶ Article 9 of decree No 2018-840 of October 11, 2018

Duration	Staff	Turnover or total balance sheet
3 years after the provision of the label	more than or equal to 10 employees	more than or equal to 300000 dinars
5 years after the award of the label	more than or equal to 30 employees	more than or equal to 1 million dinars

- Maintain accounting in accordance with applicable legislation and regulations and make available to the Ministry responsible for the Digital Economy its financial statements by 31 March of the year following that of the relevant fiscal year
- Notify the ministry in charge of the digital economy of a possible change in one of the conditions relating to the granting of the label (mentioned in article 3 of law n°2018-20 of 17 April 2018) within one month. If one of these obligations has not been met, a procedure for withdrawing the startup label may be initiated. A report is drawn up after hearing the legal representative of the startup. As a result, the Startup label is withdrawn by decision of the Minister for the Digital Economy, on the advice of the Technical Committee and the withdrawal procedure is set by government decree.

