Tunisia to raise taxes, lay off 3,000 workers

Tunisia will raise VAT and other taxes and lay off about 3,000 public sector workers next year in a bid to cut the budget deficit, an economic adviser to the prime minister said on Monday. Tunisia will also seek to raise 7.4 billion Tunisian dinars ($3 billion) from foreign loans including 1.4 billion dinars from the sale of bonds, Ridha Saidi told Reuters, without giving a timeframe.

Tunisia has been praised for its democratic progress since its 2011 uprising against autocrat Zine El-Abidine Ben Ali, but successive governments have failed to push through potentially painful reforms to trim deficits and create growth. The North African country is under particular pressure from the International Monetary Fund to speed up reforms and help its economy recover from the militant attacks in 2015 that hurt its vital tourism industry.

"We aim to reduce the budget deficit and we have a package of reforms including raising the VAT by 1 pct ... We aim to lay off about 3,000 employees in the public sector voluntarily next year," Saidi said. Excerpts from the 2018 budget, approved by the cabinet last week and posted online on Monday, suggested the government would also impose taxes on cars, alcohol, phone calls, hotel accommodation and other items.

Governments have balked at raising taxes, conscious of widespread concerns about the cost of living, especially in southern and central regions that were the heartland of the 2011 uprising.

In April, the IMF agreed to release a delayed $320 million tranche of Tunisia's $2.8 billion in loans, on condition that it raise tax revenue, reducing the public wage bill and cut popular energy subsidies. The cuts come under a plan to get the budget deficit down to 4.9 percent of gross domestic product in 2018, from about 6 percent expected in 2017. Tunisia also seeks to raise GDP growth to about 3 percent next year against 2.3 percent this year.