

Algeria Investment Guide

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contacts

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Contents

1.	Investment and Foreign exchange	4
1.1	The implementation of a legal entity	4
1.2	The registration of a Permanent Establishment	5
1.3	Investments and tax incentives	6
1.4	Accounting framework	9
2.	Companies' taxation	10
2.1	Corporate Income Tax	10
2.1.1	At a glance	10
2.1.2	Taxes on corporate income and gains	10
2.1.3	Determination of taxable income	11
2.1.4	Other significant taxes	13
2.1.5	Transfer pricing	13
2.1.6	Treaty withholding tax rates	14
2.2	Value Added Tax	15
2.2.1	At a glance	15
2.2.2	Scope of the tax	15
2.2.3	Who is liable	15
2.2.4	Rates	17
2.2.5	Time of supply	17
2.2.6	Recovery of VAT by taxable persons	18
2.2.7	Recovery of VAT by non-established businesses	18
2.2.8	Invoicing	18
2.2.9	Returns and payments	19
2.2.10	Penalties	19

2.3	Oil and Gas	20
2.3.1	At a glance	20
2.3.2	Fiscal regime provided by Law N°86-14	20
2.3.3	Fiscal regime provided by Law N°05-07 modified by Law N°13-01	21
2.3.4	Fiscal regime provided by Law N°19-13	23
2.3.5	Other duties and taxes applicable to hydrocarbon activities	26
2.3.6	Hydrocarbons contracts transactions	26
3.	Employees immigration, social and taxation regime	27
<hr/>		
3.1	Personal Income Tax	27
3.1.1	At a glance	27
3.1.2	Immigration	27
3.1.3	Social security	28
3.1.4	Income tax	28
3.1.5	Tax filing and payment procedures.	31
4.	Appendix	32
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Investment and foreign exchange

1.1 The implementation of a legal entity

legal forms:

Legal form	Number of shareholders	Minimum Capital	Setting Up
Limited Liability Company (SARL)	2 to 50	No minimum requirement	Simple Trade register registration mandatory
One-person Limited Liability Company (EURL)	1	No minimum requirement	Simple Trade register registration mandatory Cannot be considered by foreign entities or persons in case of resale activities or strategic sector(s) listed by the Executive Decree N° 21-145 which are subject to the 51%/49% partnership requirement.
Joint Stock Company (SPA)	7 to unlimited number	DZD 1,000,000	Complex Trade register registration mandatory
Partnership company (SNC)	1 to unlimited	No minimum requirement	Complex Trade register registration mandatory

To conduct business activities in Algeria, two mainly regulated operating models are considered

Common Forms of Business entities in Algeria. In practice, the Limited Liability (SARL) and the Joint-Stock (SPA) are the most used forms, please find below a deeper presentation of these two options:

Limited Liability Company "SARL". A SARL company is one of the most used forms for doing business in Algeria. Its regime is governed by articles 564 and following articles of Algerian trade code.

The SARL company is established by two or several shareholders, fifty (50) at the most. If the number of partners exceeds fifty (50), the company should be converted into a joint stock company.

Otherwise, the company will be dissolved.

The company's shareholders have power of control over the manager(s). They can meet in assembly in order to make important decisions.

It is important to note that only the SARL having turnover exceeding to DZD 10,000,000 per year, are obliged to appoint external auditors.

The amount of the share capital of a SARL company is freely fixed by the shareholders in the company's articles of association. The contributions in kind must be wholly subscribed and released by the shareholders at the time of the company creation.

The company's articles of association should contain an evaluation of each

contribution in kind and a dedicated report should be attached to the company bylaws. The evaluation should be made by an expert designated and certified by the court.

Joint-Stock Company "SPA". The minimum number of shareholders for the set-up of a Joint-Stock company in Algeria is set at seven.

Moreover, the minimal share capital is DZD 1,000,000 for a SPA that does not conduct a public offering. SPA company is required to present audited accounts certified by a statutory auditor.

The management of the SPA is either performed through:

- A board of directors ("conseil d'administration"), with at least three, but no more than twelve members,

vested with the widest powers to represent the company, elected for a duration not exceeding six-year period by the general meeting of the shareholders, headed by a chairman.

- A managing board (“directoire”), with three to five members, elected for

two to six years, and a supervisory board (“conseil de surveillance”) at least seven, but no more than twelve members elected for a six-year period.

The powers of the board of directors or the managing board could be set by the articles of associations of the company.

In relation with third parties, the board of directors or the managing board are deemed to have the broadest possible powers to act on behalf of the company, as the clauses of the articles of associations limiting their powers are non-binding toward third parties.

The process for setting up a company in Algeria:

Step	Description
Request for Company Name	Submit a request before the National Center for Trade Register (CNRC) to ensure the company name is not already taken (four name options should be provided).
Location Identification	Identify the head office premises of the company. The lease must be notarized and for commercial or office use.
Temporary Bank Account Opening	Open a temporary bank account to deposit the foreign partner’s share of the capital (if applicable).
Drafting of Company bylaws and Lease	A notary drafts the company bylaws and commercial lease, registers the documents, and publishes them in the Official Legal Bulletin (BOAL) and a national daily newspaper.
Company Registration with CNRC	Register with the CNRC and obtain the company’s commercial registration, specifying the main and secondary activities. Each activity group requires a separate commercial registration.
Tax Registration	Register with the tax administration and obtain a certificate of declaration of existence. Subsequently, request a tax card, which is typically issued within one month. The tax card is required for most formalities, including opening bank accounts.
Social Security Registration	Register the company as an employer and the first employees with the local social security administration (CNAS) within 10 days after the first employee is hired (excluding the manager).
Sector-Specific Registration (for Construction Companies)	Companies in construction and public works must also register with CACOBATPH (National Paid Leave and Bad Weather Unemployment Fund for the construction, public works, and hydraulics sectors).
Final Commercial Bank Account Opening	Open the final commercial bank account and deposit the notary’s check for the national share of the capital (which must be over 51% of the total capital in case of a company performing resale activities or in a strategic sector fixed in the list of the Executive Decree N°21-145).

1.2 The registration of a Permanent Establishment

The Algerian PE concept is a project-based notion, which means that the set-up of a PE in Algeria requires the signatory of an agreement for a temporary project with an Algerian customer or foreign entity having a PE in Algeria.

The registration of PE is a process to be conducted with the Tax and Social Security authorities, it is mainly related to the registration of the Algerian Project contract.

The registration of the contract must be completed at the level of the local tax authorities within one month. Any amendment should be submitted to the tax authorities within ten (10) days following its establishment.

The following documents must also be submitted to the tax authorities with the contract:

- The filing of an existence certificate before the local tax authorities within 30 days following the beginning of its activities in Algeria.

- In addition to the contract and existence certificate’s form submission requirement, some other documents should be submitted at the same time to the local tax authorities (such as local bank account number, local office’s lease agreement, some forms to be filled, the PE’s legal representative’s appointment decision and personal documents, etc.).

Once completed, the registered PE will receive a tax identification number (NIF), which should be disclosed in all its documents (e.g., tax returns

and invoices) as well as an existence certificate.

Note that failing to register the contract within the timelines will trigger a fine of DZD 500,000, plus DZD 30,000 for non-filing of the existence certificate.

The PE should be registered as an employer with the Social Security authority, 10 days at the latest, following the hiring of the first employee.

The PE of a foreign company is considered to be a non-resident and is permitted to open two types of bank accounts with an accredited local bank.

INR bank account. Such bank account is used for payments received in Algerian dinars and dedicated to local expenses purposes linked with one local contract (e.g., personal costs, registration costs, payment of Algerian duties and taxes, housing, food, in-country transportation etc.)

In principle, foreign companies performing several contracts in Algeria must open an INR account for each contract. The INR account's balance must always be in credit.

The INR account cannot be used to allow payment of expenses in relation with another contract performed by the foreign company or to pay expenses incurred abroad.

The INR accounts must be closed within 6 months following the end of the contract for which it has been opened. Amounts available in an INR account as well as its credit balance can neither be transferred to credit of another INR account nor to be transferred outside Algeria.

CEDAC account. This account is denominated in local currency "DZD" convertible in foreign currency.

Such account should be opened to receive transferable amounts within the frame of the contract performed in

Algeria. The CEDAC account can notably be credited with remuneration received in consideration for activities executed in Algeria or with funds in foreign currency imported from the foreign company.

Amounts of the CEDAC accounts can be used to credit an INR account in order to fund expenses in Algerian Dinars. These amounts can credit back the CEDAC account only in the situation where such amounts can be transferred abroad.

The CEDAC account can be debited notably with transfers abroad and with payments in Algeria either in foreign currencies or in DZD.

The balance of this account must always be nil or positive. The closure of the CEDAC account can occur upon request from the foreign entity. Where this account is closed, the balance should be transferred on an account opened in the name of the holder in Algeria or abroad.

1.3 Investments and tax incentives

The investment environment is governed in Algeria, by the Law 22-18 of July 24th, 2022, replacing the Law N° 16-09, which aims to establish the investment's rules, to define the rights and obligations of investors, and to determine the incentive regimes applicable to investments in economic activities of production of goods and services.

The legislation in force specifies the definition of an investor and identifies the activities that are encompassed by the provisions of the law.

Therefore, any natural or legal person, whether national or foreign, resident or non-resident, who makes an investment in accordance with the provisions of the investment law, is qualified as an investor.

For purposes of the above law, investment notion is limited to the

activities of production of goods and services, via the forms below:

- The acquisition of tangible or intangible assets directly involved in the activities of goods and services production as part of the creation of new activities, the extension of the production capacity and/or rehabilitation of the production tool.
- The participation in any corporate capital in the form of shares in cash or in kind.
- The relocation of activities from abroad.

The investment must be registered with the Algerian Agency for the Promotion of Investment (Agence algérienne de promotion de l'investissement "AAPI") to benefit from the tax incentives provided by the Law N° 22-18.

The registration of local major investment projects (that is, investments

equal to or above DZD 2 billion) and foreign investments is carried out at the unique desk for large projects and foreign investments within the AAPI. The other investments (local and for less than DZD 2 billion) should be registered within the relevant unique decentralized desk.

The Investment Law provides for the following incentive regimes:

- Sectors' regime.
- Zones' regime
- Structuring projects' regime.

Sectors' regime. Investments in the following areas of activity are eligible for this regime:

- Mines and quarries.
- Agriculture, aquaculture and fishing.
- Industry and food industry.
- Pharmaceutical and petrochemical industry.

- Services and tourism.
- New and renewable energies.
- Knowledge economy and information and communication technologies.

Zones' regime. Investments implemented in the following areas are eligible for this regime:

- Highlands, South and Deep South locations.
- Localities in development that needs special support from the Government.
- Localities with natural resource potential to be developed.

Executive Decree N°22-301 has fixed the list of places subject to this regime.

Structuring investments' regime.

According to Executive Decree N°22-302, structuring investments are defined as investments with a high potential for creating wealth and jobs likely to increase the attractiveness of the territory and to create a knock-on effect on economic activity for sustainable economic, social and territorial development, with the following objectives:

- Import substitution.
- Export diversification.
- Integration into global and regional value chains.
- The acquisition of technology and expertise.

According to Executive Decree N°22-302, investments that meet the following criteria are eligible to this regime:

- The creation of 500 direct jobs, and
- An investment amount equal to or greater than DZD 10 billion.

Tax incentives. The Investment Law offers the tax incentives described below during the Implementation and Operational Phases:

The following tax incentives are available during the implementation phase.

- Exemption from customs duties for goods imported and used directly during this phase.
- Value-added tax (VAT) exemption for goods and services imported or acquired locally that enter into this phase.
- Exemption from transfer duties and land registration tax for real estate acquisitions made in the context of the investment.
- Exemption from registration duties for company constitutions and capital increases.
- Exemption from registration duties, cadastral tax ("taxe de publicité foncière") and cadastral remuneration ("remuneration domaniale") on concessions of built and unbuilt real estate intended for the implementation of investment projects.
- Exemption from property tax ("taxe foncière") on investment properties for a period of 10 years from the date of acquisition.

The above benefits are applicable to the three above mentioned regimes.

The above Implementation phase's benefits are applicable for 3 years maximum for the sectors' regime and for 5 years maximum for the two other regimes.

The following tax incentives are available during the operational phase.

- Exemption from corporate income tax.
- Exemption from the tax on professional activities (this tax has been cancelled by the Finance Act for 2024).

The above Operational phase's benefits are applicable from 3 to 5 years for the sectors' regime and from 5 to 10 years for the two other regimes.

The investor must request an attestation for the starting of the Operational phase from the relevant authorities. Otherwise, the cancellation of the registration certificate of the investment could be

conducted, in addition to the request to reverse of the tax incentives granted during the Implementation phase.

Reinvestment obligation. Investors which have benefited from tax incentives during the Operational phase must reinvest 30% of these tax incentives within four (04) years starting from the closed year whose profits have benefited from tax incentives.

The amount to reinvest calculated as provided above is withheld from the distributable profit of the year at the limit of 30% of the latter. Reinvestment can take the form of:

- Acquisition of tangible or intangible assets entering directly in the production of goods or services activities.
- Acquisition of security.
- Acquisition of shares in the capital of a company performing production of goods, public works, construction or services under the condition that the total reinvested incentives have been released.
- Participation in the capital of a company under the label "startup" or "incubator".

It is important to highlight the fact that the part of the profit to be reinvested should neither be distributed as dividends nor allocated to an increase in the company's capital.

Disposal and transfer of benefits. Article 14 of the Investment Law provides for the possibility of selling the goods that have benefited from the tax incentives, after obtaining the approval of the AAPI (if the goods have not been totally amortized yet).

Article 20 of Executive Decree N°22-299 provides for a repayment of the granted tax incentives in the case of selling goods that have not been totally amortized yet. The repayment of benefits is calculated in proportion to the remaining amortization period.

It is also possible to transfer an investment that has benefited from tax

incentives. The new acquirer will handle all the initial investor's engagements and commitments.

Guaranties provided to foreign investors. Article 8 of the Investment Law provides for a guarantee of repatriation of invested foreign shares' capital and the income derived from it. This article specifies that to benefit from this repatriation guarantees, the foreign investor must bear at least 25% of the overall cost of the investment.

Investment projects registered before the publication of the Law 22-18 remain under the Law 16-09.

Foreign exchange framework. The foreign exchange regulation is primarily governed by two major texts from the Bank of Algeria, which are Regulation N°2007-01 concerning the rules applicable to current transactions with foreign countries and foreign currency accounts, as well as Regulation N°2005-03 concerning foreign investments, therefore, in accordance with the provisions of foreign exchange regulation, the following aspects are considered:

■ **Fund transfer.**

The regulation N°2005-03 of the Bank of Algeria defines the terms for the transfer of dividends, profits, and net real proceeds from the sale or liquidation of foreign investments made under the investment law.

Hence, Investments made from external contributions, in accordance with the investment Law criteria (above presented), benefit from the guarantee of transfer of income from the invested capital and net real proceeds from the transfer or liquidation.

The fund transfer is proceeded through banks and financial institutions (authorized intermediaries), for an amount proportional to the foreign contribution, duly recorded in the capital.

The resale activity is not recognized as an investment and consequently not eligible for the guarantees provided by

the regulation N°2005-03 of the Bank of Algeria and the Investment Law.

■ **Foreign trade.**

In Algeria, the regulation 2007-01 of the Bank of Algeria is governing transfers of funds from and to foreign countries in the course of current transactions, as well as the rights and obligations of foreign trade operators.

To this end, the foreign regulation states that are considered as international current transactions, notably, payments and transfers related to foreign trade transactions on goods, services, including technical assistance and current operations related to production.

Thus, the transactions considered as "international current transactions" are eligible for funds transfer via authorized banks for this purpose, subject to compliance with other legal and regulatory provisions in force.

Indeed, as per the foreign exchange regulation any transfer/repatriation of funds, engagement and/or customs clearance assumes a domiciliation at the level of an authorized bank.

Through, the domiciliation process, several regulatory conditions should be fulfilled among the nature of the transaction which should be qualified as an International current transaction, as well as other regulatory conditions including those related to the core domiciliation document and to the documentation post service performance and/or importation reception.

Conditions on the core domiciliation document. The commercial agreement or any document in lieu of proof of transfer of ownership and/or assignment of a good or provision of services between an Algerian resident operator and a non-resident operator, must indicate in particular:

- Names and addresses of co-contracting parties.
- The country of origin, provenance and destination of the goods or services.

- The nature of the goods and services.
- Quantity, quality, and technical characteristics.
- The transfer price of the goods and services must be reported in the commercial agreement as well as the payment currency
- Delivery times for goods and performance for services.
- Contractual provisions for the assumption of risks and other incidental costs.
- Payment terms.

Conditions on the documentation post service performance/or importation reception. Any payment or financial engagement provided related to the commercial agreement is conditioned by the provision of the following documents to the authorized intermediary:

- Definitive invoices.
- Shipping documents or customs document(s) of release for consumption for imported goods.
- Certificates of service rendered.
- For the importation of services, a "fund transfer certificate" should be obtained at the level of the competent tax authorities Art. 182 of the Code of Direct Taxes.

The import operations of services initiated by Algerian law operators, intended for resale in their current state and which are not related to production activities in Algeria are not considered as per the Forex regulation notably, the Instruction N°02-07 of the Bank of Algeria as an "international current transaction" and thus not eligible to fund transfer.

1.4 Accounting framework

Introduced on November 25th, 2007, through the adoption of Law N°07-11, the accounting and financial system, commonly referred to as SCF, establishes, in particular, the conceptual framework for financial accounting in Algeria. This pivotal framework aims to:

- Define the concepts that form the basis for the preparation and presentation of financial statements, the rules for evaluation and accounting, the accounting principles to be respected, and the qualitative characteristics of financial information.
- Serve as a reference for the establishment of new standards.
- Facilitate the interpretation of accounting standards and the understanding of transactions or events not explicitly provided for by accounting standards.

The maintenance of financial accounting in accordance with the provisions of the SCF is a legal obligation in general for individuals or legal entities bound by

legal or regulatory means, specifically the following entities:

- Companies subject to the provisions of the commercial code.
- Cooperatives.
- Individuals or legal entities producing goods or services, whether commercial or non-commercial, to the extent that they engage in economic activities in Algeria based on repetitive acts whether incorporated under the Algerian Law or not (Permanent Establishment).

To this end, the aforementioned subject entities are required to keep bound and initialed physical accounting books, without blanks or alterations of any kind, nor marginal annotations, materializing the application of the provisions of the SCF. These books include a journal, a general ledger, and an inventory book, and must be retained for a period of 10 years from the closing date of each accounting period.

Additionally, under the responsibility of the company's board, the financial

statements must be finalized annually in the local currency (i.e., Algerian Dinars), including:

- A balance sheet.
- An income statement.
- A cash flow statement.
- A statement of changes in equity, and notes that specify the accounting rules and methods used and provide additional information to the balance sheet and income statement.

Companies with a turnover exceeding ten million dinars (10,000,000 Algerian Dinars), except for single-member limited liability companies, are required to appoint an auditor for a term of 3 years, renewable once, for the certification of the annual financial statement.

Companies' taxation

2.1 Corporate Income Tax

2.1.1 At a glance

Corporate Income Tax Rate (%)	10/19/23/26
Capital Gains Tax Rate (%)	15/20
Branch Income Tax Rate (%)	19/23/26
Withholding Tax (%)	
■ Dividends	5/15
■ Interest	10
■ Royalties from Patents, Know-How, etc.	30
■ Foreign Services	30
■ Fees for Technical Assistance and Other	
■ Remuneration for Services	30
Branch Remittance Tax	15
Net Operating Losses (Years)	
■ Carryback	0
■ Carryforward	4

2.1.2 Taxes on corporate income and gains

Corporate income tax. The following companies are subject to corporate income tax (*Impôt sur le Bénéfice des Sociétés*, or IBS):

- Resident companies (those incorporated in Algeria).
- Nonresident companies that have a permanent establishment in Algeria.

In general, IBS is levied on income realized in Algeria, which includes the following:

- Income derived from trading activities carried out by companies.
- Income of representative agents of companies.

- Income of companies that do not have an establishment or a representative agent but realize a complete cycle of commercial activities.

- Income for which the right to tax is attributed to Algeria, under a tax treaty.

Tax rates. The following are the IBS rates:

- 10% (preferential rate) for companies carrying out a production activity if they reinvest during the fiscal year. Reinvestments can be made through acquiring production equipment and shares or equity interests or similar securities of up to at least 90% in the capital of another company.

- 19% for companies carrying out production activities.
- 23% for companies engaged in the construction sector and tourism.
- 26% for companies carrying out other activities, such as services and importation for resale in the same condition.

Companies carrying out activities that are subject to different rates of IBS are charged an IBS rate for each activity according to its portion (pro rata) of the consolidated turnover.

A complementary tax of:

- 16% in case the integration rate is equal to or exceeds 40%, otherwise

the rate is 20%, this complementary tax on company profits is introduced for tobacco manufacturing companies. The tax base of this tax is the same as the tax base subject to the corporate income tax.

Capital gains. Capital gains are included in ordinary income and taxed at the applicable IBS rate.

Capital gains derived from the sale of fixed assets are taxed differently, depending on whether they are short-term capital gains (on assets held for three years or less) or long-term capital gains (on assets held for more than three years).

The following percentages of capital gains derived from the partial or total sale of assets within the framework of industrial, commercial, agriculture or professional activities are included in taxable profits:

- 35% of long-term capital gains.
- 70% of short-term capital gains.

Capital gains derived from the sale of shares realized by nationals are taxed at a rate of 15%.

Unless otherwise provided by a double tax treaty, nonresident individuals and companies that derive capital gains from the sale of shares of an Algerian entity are subject to a final withholding tax at a rate of 20%.

Administration. An annual tax return must be filed with the tax administration within four months after the end of the financial year. Foreign companies carrying out activities in Algeria through a permanent establishment are

subject to the same filing obligations as companies incorporated in Algeria. These obligations include the filing of an annual corporate tax return (IBS return, named G4 form or G4 Bis form), by April 30th of each year.

The IBS is generally paid in three down payments from 20th February to March 20th, from May 20th to June 20th and from October 20th to November 20th of the year following the financial year, if profit has been realized and used for the base of tax calculation. The amount of each down payment is equal to 30% of the CIT due on profits realized during the last closed financial year.

Permanent establishments of foreign companies must make an CIT down payment equal to 0.5% of the amounts collected every month. When filing the annual IBS return, these CIT down payments are offset against the IBS due.

Companies importing goods for resale in state pay an CIT down payment equal to 2% of the goods value including duties and taxes (excluding DAPS).

Certain listed documents must be attached to the CIT return, including the balance sheet and a summary of the profit-and-loss account.

Taxes withheld at source and those paid in cash must be declared on a monthly tax return ("G 50" form). These taxes include the following:

- Personal income tax (Impôt sur le Revenu Global, or PIT).
- Withholding tax due on passive income and remuneration paid to nonresident service suppliers.

- Professional training tax and apprenticeship tax.
- CIT down payments.
- VAT.

This form must be filed within 20 days following the end of the month of payment of the relevant remuneration together with the payment of the related taxes.

Dividends. A withholding tax rate of 15% applies to dividends distributed, subject to double tax treaties, while a 5% withholding tax applies to income derived from the distribution of dividends between two Algerian entities.

Royalties and remuneration of foreign service providers. Unless otherwise provided by double tax treaties, a 30% withholding tax is imposed on royalties and remuneration for services paid to nonresident entities.

For contracts relating to the use of computer software, a tax allowance at a rate of 30% is applicable on the amount of the royalties. Consequently, the effective rate of the withholding tax is 21%.

A tax allowance at a rate of 60% is applied to the amount of the rent amount paid under an international leasing contract. As a result, the effective rate of the withholding tax is 12%.

Foreign tax relief. The Algerian Direct Tax Code does not provide for foreign tax relief.

2.1.3 Determination of taxable income

The computation of taxable income is based on financial statements prepared according to generally accepted accounting principles, provided they are not incompatible with the provisions of the Algerian Direct Tax Code.

Taxable income is determined on the basis of profits and losses. Taxable

income includes operating income and "extraordinary income," such as capital gains, gains from the revaluation of business assets and subventions, subject to certain exclusions and business incentives.

In the determination of taxable income, any expenditure that is wholly,

exclusively and necessarily incurred for the purposes of the exploitation of the business and the generation of income is deductible from gross income.

Financial expenses related to overseas loans, royalties, technical assistance fees and other fees payable in foreign currencies may be deducted for tax

purposes during only the financial year of their effective payment.

Certain expenses are not deductible for tax purposes, including the following:

- Expenses, costs and rents of any type that are not directly assigned to operations (for example, premises leased for accommodation of members of the company's management).
- Fines, interest on late payments and penalties, interest and increases in duties as a result of defaults or insufficiencies generated by non-respect of legal provisions.
- Fines, interest on late payments and penalties, interest and increases in duties paid to non-Algerian tax residents.
- Gifts (except those for advertisements, the value of which does not exceed DZD 1,000 per unit) in a global amount limit of DZD 500,000.
- Subsidies or donations except those made to humanitarian organizations or associations or those made to nonprofit research organizations up to DZD 4 million.
- Restaurant, hotel and entertainment expenses not directly linked to the business.
- Expenses fulfilling the conditions of deductibility, whose payment is carried out in cash, when the amount of the invoice exceeds DZD 1 million, including tax. The deduction is allowed when the payment is carried out by a payment in cash in a bank or postal account.
- The portion of rental of passenger vehicles exceeding DZD 200,000 per year, and maintenance and reparation expenses of passenger vehicles that do not constitute the main tool of the activity that are higher than DZD 20,000 per vehicle.
- Amounts allocated to sponsoring, patronage and godfathering of sports activities and the promotion of youth initiatives are allowed as a deduction

for the determination of the taxable income, subject to being duly justified up to 10% of the turnover of the exercise and within the limit of a maximum of DZD 30 million.

- Remuneration for technical assistance, financial and accounting services rendered by a company established abroad to the extent it exceeds 20% of general expenses of the debtor company and 5% of turnover or, for design and engineering consulting firms, to the extent that it exceeds 7% of turnover.
- Interest paid to partners on account of sums made available to the company, in addition to capital shares, whatever the form of the company, to the extent that it exceeds the effective average interest rate reported by the Bank of Algeria (a deduction for such interest is allowed only if the capital has been fully paid up and if the sums made available do not exceed 50% of the capital).
- Expenses incurred on behalf of third parties without a link to the activities performed by the company.
- Professional training tax and apprenticeship tax.
- Expenses related to the promotion of pharmaceutical and para-pharmaceutical products to the extent that they exceed 1% of annual turnover.

Inventories. Inventories are valued at cost in accordance with the new Algerian accounting and financial system.

Provisions. Provisions are generally deductible for income tax purposes if they satisfy the following conditions:

- They are established for losses or charges that are clearly identified and likely to occur.
- They are recorded both in the books and financial statements.
- They are listed on the statement of reserves attached to the annual tax return.

Reserves or the portion of them that are not used in accordance with their intended purposes or no longer have a purpose in the following financial year must be added back to the income in such financial year. Abusive establishment of provisions may result in the provisions being added back to taxable income and related penalties applied.

Depreciation. Under the Algerian Direct Tax Code, depreciation of fixed assets must be calculated in accordance with the following:

- Generally accepted limits (please refer to Appendix)
- Applicable practices for each type of industry, business or operations.
- Rules provided in tax laws with respect to the depreciation system.

The following are the three depreciation methods:

- Straight-line method.
- Progressive method.
- Declining-balance method.

The straight-line method is the standard method, while progressive or declining-balance methods may alternatively be used on election.

Under the Algerian Direct Tax Code, the basis of computation of deductible depreciation is limited for private passenger-type vehicles to a purchase value of DZD 3 million. This cap of DZD 3 million does not apply if such vehicles constitute the main object of the company's activities.

Relief for losses. Tax losses may be carried forward four years. They cannot be carried back.

Groups of companies. Under the Algerian Direct Tax Code, related companies subject to IBS may elect to form a tax-consolidated group. The parent company must make the election for this regime for a four-year period and the election must be accepted by the affiliated companies.

The group tax consolidation regime is based on the consolidation of the balance sheets of the related companies with the parent company.

A tax consolidation group may consist of an Algerian parent company and Algerian subsidiaries in which the parent

company owns directly at least 90% of the capital if both of the following conditions are satisfied:

- The capital of the parent company is not owned partially or totally by the subsidiaries.

- 90% or more of the parent company is not owned by another company eligible to be a parent company.

- The parent and the group members companies must be under the legal form of joint-stock company "SPA".

2.1.4 Other significant taxes

The following table summarizes other significant taxes.

2.1.5 Transfer pricing

Transfer pricing declaration. The introduction of article 151 ter of the Algerian Code of Direct Taxes, companies established in Algeria, under the control of or who have control over companies located in Algeria or abroad, must submit an annual transfer pricing declaration via online filing, following a format provided by the tax administration. This should be done at latest the April 30th.

The obligation to file applies to any company with an annual turnover or gross assets equal or above one billion Dinars or holding, directly or indirectly,

owns more than 50% of a company's share capital or more than 40% voting rights in a company, located in Algeria or abroad, with the same financial conditions (i.e., dependency/control links conditions).

Failure to file the transfer pricing declaration correctly and within the designated deadline can result in a financial penalty of DZD 15 million, as set out in article 192 of the same Code.

Transfer pricing documentation. As per the Decree of February 15th, 2024, setting the content and format of transfer pricing documentation, a

documentation including information related to the group of affiliated companies to which the company undergoing a tax audit belongs, and information related to the company undergoing a tax audit, must be presented to the tax authorities, on the date of commencement of the accounting audit, in both paper and electronic format, the taxpayer should provide the requested documentation at least two weeks after the reception of an official request from the tax auditors.

2.1.6 Treaty withholding tax rates

<i>(in percent)</i>	Dividends	Interest	Royalties
Austria	5/15 ^(a)	0/10	10
Bahrain	0	0	0
Belgium		0/15 ^(e)	5/15
Bosnia and Herzegovina	10	10	12
Bulgaria	10	10	10
Canada	15	0/15 ^(e)	15
China Mainland	5/10 ^(b)	7	10
Denmark	5/15 ^(d)	8	10
Egypt	10	5	10
France	5/15 ^(a)	12 ^(e)	5/12
Germany	5/15 ^(a)	10	10
Indonesia	15	15	15
Iran	5	0/5	5
Italy	15	15	5/15
Jordan	15	0/15 ^(e)	15
Korea (South)	5/15 ^(b)	10	2/10
Kuwait	0	0	15
Lebanon	15	0/10	10
Netherlands	5/15	8	5/15
Oman	5/10 ^(d)	0/5	10
Portugal	10/15 ^(b)	15	10
Qatar	0	0	5
Romania	15	15	15
Russian Federation	5/15 ^(b)	0/15 ^(e)	15
Saudi Arabia	0	– ^(f)	7
South Africa	10/15 ^(b)	10	10
Spain	5/15 ^(a)	5	7/14
Switzerland	5/15 ^(c)	0/10	10
Syria	15	10	18
Türkiye	12	10	10
Ukraine	5/15 ^(b)	0/10	10
United Arab Emirates	0	0	10
United Kingdom	5/15 ^(b)	7	10
Yemen	10	10	10
Non-treaty jurisdictions	15	10	30

(a) The 5% rate applies if the beneficiary of the dividends is a company, other than a partnership, that holds directly at least 10% of the capital of the payer of the dividends. The higher rate applies to other dividends.

(b) The lower rate applies if the beneficiary of the dividends is a company, other than a partnership, that holds directly at least 25% of the capital of the payer of the dividends.

(c) The lower rate applies if the beneficiary of the dividends is a company, other than a partnership, that holds directly at least 20% of the capital of the payer of the dividends.

(d) The lower rate applies if the beneficiary of the dividends is a company, other than a partnership, that holds directly at least 15% of the capital of the payer of the dividends.

(e) The Algerian domestic rate of 10% applies if the rate under the treaty is higher.

(f) The treaty does not include an article regarding interest.

2.2 Value Added Tax

2.2.1 At a glance

Name of the tax	Value-added tax (VAT)
Date introduced	April 1992
Administered by	General Directorate of Taxes at the Ministry of Finance (DGI) (https://www.mfdgi.gov.dz/)

2.2.2 Scope of the tax

VAT applies to the following transactions:

- Sales transactions, construction works and services of industrial, commercial or artisanal nature, when they are carried out in Algeria on an usual or occasional basis.
- Import operations.

In respect of the Algerian VAT territoriality, a business is deemed performed in Algeria:

- Sales transactions: when they are carried out with conditions of delivery in Algeria or
- Other operations: where the service rendered, the right assigned, the object rented, or the carried-out studies are used or exploited in Algeria.

Effective use and enjoyment. To avoid instances of non-taxation or double taxation, jurisdictions can apply “use and enjoyment rules” provisions to

tax services that are consumed, “used and enjoyed”, within their borders and exempt those used outside the jurisdiction. If a service is taxed in the jurisdiction under the “use and enjoyment” provisions, a non-established supplier of the service may be required to register for VAT in that jurisdiction where it has customers that are not taxable persons. In Algeria, if a service is consumed, “used and enjoyed», within its borders, it’s taxable. Non-established suppliers must be tax registered in Algeria (for all taxes including VAT) if their service leads to a permanent establishment (PE) in Algeria. However, in case no PE is triggered in Algeria for the foreign supplier, the local customer will be in charge of withholding tax (WHT) reporting and payment (including notably VAT), which can vary depending on whether a double tax treaty is in place or paying the VAT via the reverse-charge mechanism if a double tax treaty

exists and provides a neutralization or reduced tax rate for the WHT.

Transfer of a going concern. The sale of assets of a VAT-registered or VAT-registrable business is subject to VAT at the appropriate rate. However, if the sale is a transfer of a business as a going concern (TOGC), it may not be subject to VAT if certain conditions are met. A TOGC involves selling a business or a part of it that can operate independently, including its assets. When the sale meets the conditions, the supply is treated as outside the scope of VAT. In Algeria, the concept of TOGC is not explicitly recognized and there is no specific guidance on the criteria and requirements for a transfer of business to satisfy the requirements of a TOGC. Nevertheless, in general a transfer of business should not be subject to VAT, as it could not be considered as a turnover (not included in the list of taxable transactions as provided above).

2.2.3 Who is liable?

A taxable person is any person carrying out transactions within the scope of VAT, whether such transactions give rise to the payment of VAT or are exempt. Persons liable for VAT in Algeria are:

Producers. such as:

- Individuals or legal persons who, mainly or incidentally, extract or manufacture goods, fashion them or

transform them as manufacturers or entrepreneurs of manufacturing activities to give them their final form or their commercial presentation under which they will be delivered for use or consumption by the consumer, whether the processing operations involve the use of other materials or not.

- Individuals or legal persons who replace the manufacturer to carry out, either in its factories or outside its factories, all operations relating to the manufacture or the definitive commercial form of products such as packaging or in receptacles, the shipments or deposits of such goods whether they are sold under the brand

name or on behalf of those who carry out such operations.

- Persons or companies that have the operations referred to above, carried out by third parties.

Wholesalers. performing the following:

- Deliveries relating to articles which, because of their nature or use, are not usually used by individuals.
- Deliveries of quantities of goods of the same prices, performed in bulk or in detail.
- Deliveries of products for resale regardless of the quantity delivered.

Subsidiaries. performing the following:

- A subsidiary company would be any company that ensures the operating part of one or more branches of another company, which is under the control or direction of the latter.
- Independent professionals opting for the common tax regime option (added by article 93 of the Finance Act for 2022).

Self-supplies. subject to VAT. The taxable base is determined as follows:

- For self-supplies of movable assets: by the wholesale prices of similar goods or, otherwise by the price increased by the normal profit of the manufactured goods.
- For self-supplies of immovable assets: by the cost price.

Exemption from registration. There are no VAT registration requirements applicable to non-established businesses that source cross-border supplies of goods or services. Indeed, there is no registration dedicated to VAT only, but rather a tax registration (covering all applicable taxes, notably VAT) required for non-established businesses if a taxable presence is triggered in Algeria.

For imported goods, there is no requirement for the nonresident supplier to collect the Algerian VAT. In practice, the VAT is paid by the Algerian importer when the goods are cleared at customs.

For imported intangibles (i.e., supplies that do not require payment of the VAT at customs), if the Algerian client is a business, it is required to reverse-charge VAT.

Voluntary registration and small businesses. Taxable persons under the common law taxation regime may voluntarily apply for VAT. It must be natural or legal persons whose activity is outside the scope of VAT, insofar as they deliver:

- Through exports.
- To oil companies.
- To other VAT liable taxable persons.
- To companies benefiting from the VAT-free purchase option.

Group registration. In Algeria, instead of a "VAT group," there is a concept of a "tax group", which consists of at least two Algerian entities under the form of a joint stock companies (SPA), where one, called "parent company" holds the other(s) at 90% minimum of share capital.

Tax groups can opt for consolidated accounting (i.e., consolidation of balance sheet accounts), except for those operating in O&G activities. If this option is approved, is valid for four irrevocable years.

It is possible to consolidate VAT at the level of a group's head company, which must be an Algerian company. Note that it is not possible for a non-established business to be a member of tax group.

The group is treated as a single entity for all tax purposes without needing a specific VAT registration (tax registration is required covering all taxes).

In Algeria each member of a tax group in Algeria is independently accountable for its VAT obligations. Additionally inter-group transactions are exempt from VAT.

Fixed establishment. Algerian common tax regime does not provide a specific definition of the concept of permanent establishment (PE). However, its article

162 provides that foreign companies carrying out an activity in Algeria which requires a presence of their experts for a duration exceeding 183 days per a period of 12 months should be considered as having a taxable presence in the country; consequently, they should register their contracts and keep their books locally.

In Algeria, a foreign entity which has a taxable presence/PE in this country should be subject to the common tax regime including the VAT.

Non-established businesses. VAT registration is not allowed in Algeria for non-established businesses (i.e., those that do not have a presence in Algeria). However, if such businesses carry out transactions deemed to be within the scope of Algerian VAT, they may be subject to Algerian VAT by way of the reverse-charge mechanism.

Reverse charge. The reverse-charge mechanism is applicable to the supply of services by taxable persons established outside Algeria, in a country that has a double tax treaty with Algeria, the local customer must withhold and pay the due VAT on behalf of the foreign provider and declare it on its monthly tax returns.

Domestic reverse charge. There is no domestic reverse charge in Algeria.

Digital economy. Internet access royalties are exempted from VAT until December 31st, 2026, as well as:

- Expenses relating to the leasing of bandwidth intended exclusively for the provision of fixed Internet services.
- Web server hosting costs at data centers located in Algeria and in the domain (.dz).
- Website design and development costs.
- Maintenance and support costs relating to website access and hosting activities in Algeria.

There is no registration threshold for VAT purposes in Algeria. A nonresident that provides electronically supplied services is subject to WHT at the rate of

30% covering all taxes including VAT, the filing and payment of which should be borne by the local customer on behalf of the foreign provider.

Registration procedures. Every individual, legal entity or PE starting an industrial, commercial, or non-commercial activity must file a

declaration of existence at the territorially competent tax authority within 30 days. Upon declaration, a tax registration certificate is issued for all tax purposes, including VAT as well as a tax identification card. The Registration must be done by the taxable person itself, their legal representative, or an authorized person.

Deregistration. There is no special procedure or form required to deregister. It should be part of the overall tax deregistration. However, companies that cease to be subject to VAT are required to attach to their declaration a detailed statement of the stocks of goods that they hold in their factories, stores or depots.

2.2.4 Rates

The term “taxable supplies” refers to supplies of goods and services that are liable to a rate of VAT, including the zero rate.

The VAT rates are:

- Standard rate: 19%.
- Reduced rate: 9%.

The standard rate of VAT applies to all supplies of goods or services, unless a specific provision allows for a reduced rate or exemption.

Examples of goods and services taxable at 9%.

- Sales transactions involving the distribution of electricity and natural gas for a consumption of less than 250 kilowatt hours (KWH) and 2,500 thermal units per quarter.
- Sales of heavy fuel oil, butane, propane and their mixture consumed in the form of liquefied petroleum gas (GPL-C).
- Pawnbroking transactions with households.
- Sale of tickets to cinematographic theaters.

- Operations carried out by maritime and air construction sites.
- Services related to tourist activities, hotel, spa, classified tourist catering, travel and rental of tourist transport vehicles (with effect until December 31st, 2024).
- Recyclable waste: aluminum, iron, wood, glass, cardboard, plastic, paper, rubber, used tires, used engine, gearbox and lubricating oils, edible oils and fats and lead batteries.

The term “exempt supplies” refers to supplies of goods and services that are not liable to VAT and that do not qualify for input tax deduction.

Examples of exempt supplies of goods and services.

- Transactions carried out by startup (where the taxable person meets certain conditions to be qualified as “startup company”).
- Constructions and services relating to the prospecting, research, exploitation, liquefaction or pipeline transport of liquid and gaseous hydrocarbons, carried out by or on

behalf of the national hydrocarbon company SONATRACH.

- Acquisition operations carried out by banks and financial institutions within the framework of leasing operations.
- Sales operations relating to pharmaceutical products mentioned in the national drug nomenclature.
- Exportations of goods and services.
- Internet access royalties (with effect until December 31st, 2026).
- Promoters engaged in activities subject to VAT as part of investment projects eligible for employment support schemes.

Note that the following are subject to the “lump sum tax regime” - natural persons exercising industrial, commercial or artisanal activity, whose annual turnover does not exceed DZS 8 million, excluding some activities listed by the Article 282ter of the Code of Direct Taxes.

Option to tax for exempt supplies.

Taxable persons making exempt supplies may opt to tax such supplies by request to the tax authorities.

2.2.5 Time of supply

The VAT tax point rules depend on the nature of the transaction and the related sector as follows:

- The tax point for the sale of goods is the earlier of physical delivery or invoice issuance to the customer.
- The tax point for construction works is when the full or partial payment is made.
- The tax point for services is when the full or partial payment is made.

2.2.6 Recovery of VAT by taxable persons

A taxable person may recover input tax charged on goods and services supplied to it, for business purposes. A taxable person generally recovers input tax by offsetting it against output tax charged on supplies made.

A valid tax invoice or customs document is compulsory for a VAT refund claim.

Nondeductible input tax. The right to deduct is not available where there is no conformity with the operating principles of VAT. Moreover, input tax is not recoverable on purchases of goods and services that are not used for business purposes (for example, goods acquired for private use).

Examples of items for which input tax is nondeductible.

- Acquisition of passenger's cars that are not considered as the main means of the company.
- Restaurant meals and entertainment for employees and clients.
- Goods, services, materials, real estate and offices that are not used for the purposes of the carrying on of a taxable activity.
- Hotel accommodation for clients.
- Reception costs.

Examples of Items for which input tax is deductible (if related to a taxable business use).

- Acquisition of goods to be resold to the company's customers.

- Service costs related to the business such as consulting reports, studies.
- Lease payments related to the company's office.

Partial exemption. In Algeria, a taxable person performing both VAT liable and non-VAT liable supplies may only recover a portion of the input tax.

Partial taxable persons. subject to specific deductible VAT calculations rules, limiting their deduction to a fraction of the tax collected on their services and goods. This fraction is equal to the amount of the said tax affected by a general percentage of deduction called "pro rata".

Taxable persons. required to report this percentage of deduction they applied during the current year and its calculation basis to the tax authorities where they are registered by March 25th of each year.

Capital goods. There are no specific regulations that apply to the refund of VAT for capital goods in Algeria. As such, the general input tax recovery rules apply.

The transfer of capital good acquired for less than five years generates the reversal of VAT to a pro rata for the remaining years.

Refunds. In case of a VAT credit, it is possible to ask for a refund of VAT in the following four cases:

- Exempt supplies (including exports).

- Supplies to a sector or clients benefiting from a VAT exemption purchase certificate.
- Termination of taxable activities.
- In case of VAT rate differences between input and output tax.

Taxable persons must meet the following conditions for being eligible for a VAT refund:

- Hold regular and compliant bookkeeping.
- Provide a copy of the tax role (no tax debts).
- The reporting of the estimated deductible VAT amount on the monthly declarations by the beneficiary.
- The VAT refund request must be made to the director of the competent tax authorities' office no later than the 20th of the month following the quarter for which the refund is requested. Taxable persons who are "partially liable" as defined above should submit their refund request annually (before April 30th of the year related to this VAT credit for which a refund is requested).
- The amount of VAT credit related to a given quarter for which a refund is requested should be equal or more than DZD 1 million. This limitation amount does not apply on taxable persons who are "partially liable" as defined above.

2.2.7 Recovery of VAT by non-established businesses

Input tax incurred by non-established businesses that are not registered for VAT in Algeria is not recoverable.

2.2.8 Invoicing

VAT invoices. Any person liable for VAT who supplies goods or services to another taxable person must issue to the latter an invoice or document serving as an invoice, in which it must necessarily show, in a distinct manner, notably the following information:

- Seller's information: corporate name, legal form of the taxable person.
- Customers information: denomination, address, trade register number, tax ID.
- Date.
- Unit price excluding taxes.

- Total price excluding taxes.
- Nature and rate of the applicable taxes, notably VAT.
- The total amount of the invoice including VAT.

Credit notes. A VAT credit note may be used to reduce the VAT charged and to be reclaimed on a supply. It is also

possible to cancel an incorrect invoice and issue a revised one.

Records. In Algeria, for VAT purposes, it is mandatory to maintain and promptly present upon request various records during tax audits. These records include accounting documents, notably invoices, contracts, purchase orders, monthly tax filings, as well as identification details of suppliers and customers.

Record retention period. In accordance with the Algerian trade legislation, invoice records must be retained for a duration of ten fiscal years within the local company (i.e., in Algeria). Electronic archiving. In Algeria, documents can be archived electronically and physically. However, in case of a tax audit, the physical document should be made available for the tax authorities.

2.2.9 Returns and payments

Periodic returns. VAT-registered entities must file a monthly tax return to the competent tax authority, detailing turnover and VAT figures (collected, payable and deductible VAT), within 20 days following the end of the month, including exempt sales.

VAT reporting obligations for exempt sales: It is now compulsory to declare VAT-exempt revenues when submitting monthly tax returns to the tax authorities under the same approach as the VAT subject revenues.

Periodic payments. Monthly tax payments must be made by the 20th of the following month, and penalties for late payments counted from the original due date.

Electronic filing. In Algeria, electronic filing is mandatory for taxable persons registered at the Direction of Large Companies (DGE), via the online platform "JIBAYA'TIC". While taxable persons registered in location which have not yet been connected to the

JIBAYA'TIC must submit the physical monthly tax return to the tax collector.

Special schemes. Lump sum tax regime. The lump sum tax regime is a single global tax regime that covers VAT, PIT (personal income tax).

Annual returns. Annual returns related to VAT are not required in Algeria. However, an annual tax return in term of corporate income tax (CIT) is required before April 30th of FY(n+1).

2.2.10 Penalties

Penalties for late registration. Taxable persons who fail to subscribe their declaration of existence within the required time are liable to a fiscal fine amounting at DZD 30,000.

Penalties for late payment and filings. The late submission of the monthly tax return (G50 form) results in a 10% penalty on the unpaid due VAT, which increases to 25% if not resolved within a month of a formal notice. The penalty is based on the date the tax authority receives the form.

Penalties for errors. When following an audit, it appears that the annual turnover declared by a taxable person is insufficient or in the case of a deduction

made in error, the amount of the eluded rights (i.e., the unpaid tax due to the error) is increased by:

- 10% when the amount of rights eluded, per year, is less than or equal to DZD 50,000.
- 15% when the amount of rights eluded, per exercise, is greater than DZD 50,000 and less than or equal to DZD 200,000.
- 25% when the amount of duties established, per financial year, is greater than DZD 200,000.
- In case of fraudulent maneuvers, the penalty is set at 100% on all rights. In addition, the tax authorities

could instruct to apply the below correctional sanctions ("Penalties for fraud") in case the eluded amount exceeds 10% of the amount due.

There are no specific penalties associated with the late notification or failure to notify the tax authorities of changes to a taxable person's VAT registration details. For further details, see the subsection Changes to VAT registration details above.

Statute of limitations. The statute of limitations in Algeria is four years. Hence, the tax authorities may review the last four years' returns to identify errors and charge penalties.

2.3 Oil and Gas

2.3.1 At a glance

Fiscal regime. Depending on the date on which the petroleum contract was signed, the Algerian fiscal regime applicable to the oil and gas upstream industry is governed by one of the following laws:

- Law N°86-14 dated August 19th, 1986, governs the appraisal, exploration, exploitation and transportation of hydrocarbons, as well as the construction and installation of sites enabling these activities.

- Law N°05-07 dated April 28th, 2005 (as amended by Ordinance N°06-10 dated July 19th, 2006 and Law N°13-01 dated February 20th, 2013) is broader in application, as it also provides for the refining of hydrocarbons; the commercialization, storage and distribution of petroleum products; as well as the construction and installation sites enabling these activities.

- Law N°19-13 dated December 22nd, 2019, provides the legal

regime applicable to hydrocarbon activities, the institutional framework framing the exercise of hydrocarbon activities, the tax regime applicable to upstream activities and the rights and obligations of persons exercising hydrocarbon activities.

Each law replaces the previous one and it is systematically used for the hydrocarbons contract signed after its publication.

The contract signed remains subject to the law under which it was signed.¹

2.3.2 Fiscal regime provided by Law N°86-14

Law N°86-14 refers to any contracts signed under its governance as association contracts. This type of contract allows foreign companies to participate in the exploration, research and exploitation of hydrocarbons in association with the national oil company (NOC). Profits and costs are shared between the parties according to the terms defined in the contract, the international oil company (IOC) is remunerated in hydrocarbons in proportion to its participation in the contract.

Royalties. Royalties are due on the hydrocarbons production and are paid by the NOC at a rate of 20%. The royalty rate can be reduced to 16.25% for Zone A and 12.5% for Zone B (different zones of the Algerian territory). The Ministry of Finance can reduce the royalty rate further to a limit of 10%.

Income tax. For the upstream activities including the prospecting, research and exploitation of hydrocarbon, the income tax rate is 85%. It could be reduced to 65% for Zone B, 75% for Zone A.

Income tax for the downstream activities is set at 38%.

This profit is calculated by subtracting the royalties paid, transportation costs, amortization costs and exploitation costs from the gross income.

This tax is payable in twelve (12) installments and applicable on the profit oil of the NOC.

Tax on remuneration. The net remuneration of the IOC is converted to gross remuneration and subject to this tax, levied at 38%.

This tax is applicable on the profit oil of the IOC, it is paid by the NOC on its behalf.

The tax is paid in twelve (12) installments.

TEP or windfall tax. TEP was introduced by Ordinance N°06-10 dated July 29th, 2006 and only applies to contracts signed under Law N°86-14.

TEP applies to the output share of the IOC when the arithmetic average price of oil exceeds US\$30 per barrel and applies at rates ranging from 5% to 50%.

Rates apply depending on the type of contract signed by the IOC, including:

- Contracts in which there is production sharing, without distinction between hydrocarbons for reimbursement and hydrocarbons as a profit for the IOC and without a "price cap" mechanism.
- Contracts in which there is production sharing, with a clause containing a specific formula for calculating the compensation of the IOC without a "price cap" mechanism.
- Contracts in which there is production sharing, with a clause containing a specific formula for calculating the compensation of the IOC with a "price cap" mechanism.

¹ Exception provided under law N°19-13 for contracts signed under law N°05-07, with conditions.

2.3.3 Fiscal regime provided by Law N° 05-07 modified by Law N° 13-01

Law N°05-07, modified and complemented by Law N°13-01, refers to any contracts signed under its governance as concession agreements. This contract grants the companies the right to explore and exploit

hydrocarbon resources in a defined area. The concessionaire company(ies) pay(s) royalties and taxes to the state in exchange for this right.

Surface tax. The surface tax is an annual tax that is not deductible. The amount of this tax payable depends on the territorial zone in which the operations are carried out and the surface perimeter.

The rates of the surface tax per square kilometer (in Algerian dinars) are given in the table below:

	Exploration period			Retention period and exceptional period	Production period
	Years 1-3 (inclusive)	Years 4-5	Years 6-7		
Area A	4,000	6,000	8,000	400,000	16,000
Area B	4,800	8,000	12,000	560,000	24,000
Area C	6,000	10,000	14,000	720,000	28,000
Area D	8,000	12,000	16,000	800,000	32,000

Zones A, B, C and D correspond to areas in the territory of Algeria.

Please note that the surface tax is indexed annually to the US dollar.²

According to Law N° 13-01, the rates for Area A are applied for the site perimeters of unconventional oil and gas exploration and production.

Royalties. Royalties are calculated on the amount of hydrocarbons extracted from each perimeter of exploitation multiplied by the average monthly fixed price, and paid monthly to ALNAFT.³

Royalties are established on the basis of the quantity of hydrocarbon production at the agreed spot (point de mesure),

the location at which the measurement of the hydrocarbons production will take place (Art 5 and 26 L. 2005).

The fixed price is calculated by reference to published indexes, depending on the nature of the hydrocarbons.

The rate of royalties is determined under the terms of each contract. Nevertheless, the Law has fixed a minimum rate for each area of production:

Production (barrels of oil equivalent, BOE) Area	A	B	C	D
0-20,000 BOE/day	5.5%	8.0%	11.0%	12.5%
20,001-50,000 BOE/day	10.5%	13.0%	16.0%	20.0%
50,001-100,000 BOE/day	15.5%	18.0%	20.0%	23.0%
> 100,000 BOE/day	12.0%	14.5%	17.0%	20.0%

The royalty is deductible for APT purposes.

According to Law N° 13-01, a reduced rate of 5% applies for unconventional oil and gas, site perimeters located in underexplored areas, and those that

have complex geography and/or that lack infrastructure (the list of which is set by regulation).

² As per article 83 of law 05-07, completed and modified.

³ National Agency for the Valorization of Hydrocarbon Resources (ALNAFT)

Established according to the law of 2005 and affiliated with the Ministry of Energy and Mines, ALNAFT is responsible for promoting investments in the exploration and exploitation of hydrocarbons in Algeria. It issues exploration permits and oversees exploration and production activities, playing a key role in managing the country's hydrocarbon resources.

Petroleum income tax (PIT). The taxable basis corresponds to the value of the production of each perimeter of exploitation during the year, less deductible expenses.

PIT is deductible for APT purposes and must be paid monthly by the operator.

The following taxes and expenses are deductible:

- Royalties.
- Annual investments for exploration and development increased by the up-lift rate.

- Cost for the purchase of gas for assisted recuperations.
- Reserves for abandonment and/or restoration costs.
- Training costs, under some conditions.

According to the changes provided by Law N° 13-01, a distinction must be made for contracts entered into for an exploitation period before February 20th, 2013. For which the tax rate is calculated by taking into consideration the volume of production since production started (accrued production) (PV) and is determined as follows:

Accrued production in DZD 109	First accrued production point (S1)	70
	Second accrued production point (S2)	385
PIT rate	First level	30%
	Second level	70%
	Level when PV is between S1 and S2	$40 \div (S2-S1) \times (PV-S1) + 30$

Law N° 13-01 amends the method for calculating the rate of the PIT, which then ranges from 20% to 70% on the basis of the profitability of the project and which will be updated annually (coefficient R1 and R2 according to the scope under consideration), instead of the previous thresholds (S1 and S2) fixing the application of the rate at 30% or 70% depending solely on the cumulative value of production (VP) or turnover.

For a given calendar year, the coefficient (R1) is the ratio of accumulated gross profit (updated at a rate of 10%), from the year of entry into force of the contract up to the year preceding the year determining the rate of PIT, to cumulative investment expenses (updated at the rate of 10%), since the year of entry into force of the contract until the year preceding the determination of the rate of PIT.

For a given calendar year, the coefficient (R2) is the ratio of accumulated gross profit (updated at the rate of 20%), from the year of entry into force of the contract until the year preceding the year in determining the rate of PIT, to cumulative investment expenses (updated at the rate of 20%), since the year of entry into force of the contract until the year preceding the year determining the rate of PIT.

The following table is applied to the values of R1 and R2:

	Case 1	Case 2	Case 3	
PIT rate	$R1 \leq 1$	20%	30%	20%
	$R1 > 1$ and $R2 < 1$	$20\% + 50\% \times R2$	$30\% + 40\% \times R2$	$20\% + 50\% \times R2$
	$R2 \geq 1$	70%	70%	70%

Case 1 includes all exploitation perimeters except the perimeters included in Case 3 where the daily production is less than 50,000 BOE.

Case 2 includes all exploitation perimeters excluding the perimeters included in the Case 3 where the daily production is more than 50,000 BOE.

Case 3 includes small deposits and underexplored perimeters that have complex geology and/or that lack infrastructure.

For contracts mentioned above, “up-lift” rules apply to the annual research and development investments as follows:

Zones	Uplift rate	Depreciation rate
A and B	15%	20% (5 years)
C and D	20%	12.5% (8 years)

Additional profits tax (APT). This tax is due by all parties who entered in a hydrocarbon exploration or production contract, based on the annual profits after PIT.

The following expenses are deductible for the calculation of the taxable basis:

- Royalties.
- PIT.
- Depreciation.
- Reserves for abandonment or restoration costs.

There are two applicable rates:

- 30%.
- 15% (for profits that are reinvested).

This tax must be paid by the day that the annual income tax return is filed.

For calculation of this tax, legal persons who participate in research and/or exploitation agreements can consolidate their activities in Algeria under some conditions.

According to Law N° 13-01, for unconventional hydrocarbons, and within the perimeters of the three previously defined cases for the calculation of the PIT, they are subject to

APT at a rate of 19% (for an $R2 < 1$) and 80% (for an $R2 \geq 1$)

As a reminder, the APT is still applicable at the reduced rate of 15% in the case of investments – notably in gas pipeline transport and in upstream petroleum activities.

Ancillary tax: Gas flaring tax

Gas flaring is forbidden; however, ALNAFT can give exceptional authorization for a period not exceeding 90 days. The contractor is liable for a tax of DZD 8,000 per thousand normal cubic meters (nm³). This tax is not deductible.

2.3.4 Fiscal regime provided by Law N° 19-13

Law N° 19-13 provides that any upstream hydrocarbons activity can either be performed through an upstream concession granted to the NOC or through a hydrocarbons contract.

The law provides that an upstream concession is the act by which ALNAFT grants the NOC the right to carry out research and/or exploitation activities within a specific scope and establishing its rights and obligations.

The NOC may nonetheless decide to transfer part of its rights and obligations in an upstream concession. In this case,

it concludes a hydrocarbon contract with the transferee.

A hydrocarbon contract is then a contract relating to upstream activities concluded by the contracting parties.

This contract could be signed under one of the following types:

- Participation contract.
- Production sharing contract.
- Service risk contract.

Participation Contract. Allows IOCs to participate in the exploration, research,

and exploitation of hydrocarbons in association with the NOC, with a sharing of profits and costs.

■ **Surface tax.**

The surface tax is an annual tax, paid by the contracting parties, which is non-deductible for the calculation of the IRH and the income tax. The surface tax is applicable:

- To the area covered by the search period, which may be extended.
- To the area subject to retention.
- To the exploitation perimeter.

The amount of the surface tax is calculated per square kilometer (km²), fixed as follows:

Period	Research period		Extension period / Retention Period	Period of exploitation
	From the 1 st year to the 4 th year included	From the 5 th year to the 7 th year inclusive		
Unit amount in DA/km ²	7,000	14,000	40,000	30,000

Payment is made to the tax authorities by the 20th of the month following each anniversary date of the entry into service of the upstream concession or hydrocarbon contract.

■ Hydrocarbons royalty.

Any quantity of the hydrocarbons extracted from the exploitation perimeter and counted at the measuring point after the processing operations is subject to the payment of a monthly hydrocarbon royalty.

The following quantities of hydrocarbons are excluded from the calculation of the hydrocarbon royalty:

- Consumed for production purposes.
- Lost, without negligence, before the measuring point.
- Reinjected into the deposit(s), provided that these deposits have been the subject of an approved development plan.

The royalty rate applicable to the production value is 10% and payable by the contracting parties. This tax is declared to the tax authorities on the 15th of the month following the month of production and paid to ALNAFT by bank check or any other authorized payment instrument.

The royalty is deductible for the calculation of the IRH and Income tax.

A reduced royalty rate, not less than 5%, can be granted to allow the companies and the contracting parties to reach a reasonable economic profitability, if at least one of the following situations occurs:

- Complex geology; and/or
- Technical difficulties in extracting the hydrocarbons; and/or
- High development or exploitation costs.

To benefit from this advantage, an application must be submitted to ALNAFT.

The reduced rate is granted by joint order of the Minister of Finance and the Minister of Energy.

■ Hydrocarbons revenue tax (IRH).

The taxable base for the calculation of the hydrocarbon revenue tax is obtained from the production of hydrocarbons from the exploitation perimeter covered by an upstream concession or a hydrocarbon contract, this tax is paid annually.

Hydrocarbon revenue tax is declared and paid to the tax authorities by the contracting parties in the case of a participation contract.

The annual hydrocarbon revenue is equal to the value of the annual hydrocarbon production, less the following annual deductions:

- The hydrocarbon royalty.
- The annual instalments of development investments exclusively charged to the exploitation perimeter.
- The annual instalments of research investments made on the perimeter.
- Annual operating costs related to hydrocarbon production, including the costs of abandonment and restoration of sites during the course of operations.
- Provisions set aside to cover abandonment and restoration costs.
- The cost of purchasing gas for production and recovery purposes.
- The negative base of the previous year.

IRH of a fiscal year is paid in twelve (12) monthly installments, no later than the 25th of each month.

The rate of IRH, applied for a given year (n), is determined on the basis of the factor (R) calculated by the ratio of cumulative net incomes and cumulative expenses.

The rates applied for the calculation of the IRH are detailed in the following table:

Value R	IRH rate
R ≤ 1	10%
1 > R > 3	20% x R - 10%.
R ≥ 3	50%

The IRH rate to be applied for the fiscal year of the entry into force of the hydrocarbon contract or upstream concession, covering a producing field, is fifty percent (50%).

Companies and contracting parties may benefit from a reduced rate for the calculation of the IRH by applying the same conditions as for the reduced rate of the hydrocarbon royalty.

The reduced rate of the maximum IRH "T max" is 20%.

The application of the reduced rate of the IRH are detailed on the following table:

Value R	IRH rate
$R \leq 1$	10%
$1 > R > 3$	$((T \text{ max} / 2) - 5\%) \times R + (15\% - (T \text{ max} / 2))$
$R \geq 3$	20%

■ Income tax (IT).

The income generated during the fiscal year by the contracting parties are subject to the income tax at a rate of 30%

For the NOC, the IT basis for a fiscal year is determined by taking into account all the hydrocarbon contracts and upstream concessions.

For the IOC, the IT basis for a fiscal year tax is determined by taking into account its participation rate in all the participation contracts, to which the said company is a party.

The income of each fiscal year is calculated by taking into account the provisions of the hydrocarbons law, the provisions of the Direct Taxes Code relating to the determination of the taxable income.

Under a participation contract IT is paid by both IOCs and the NOC.

■ The Flat Royalty on the advance production.

Section 6 of Law 19-13 provides for the payment of a flat royalty with a rate of 50% on the value of the anticipated production.

■ Production sharing contract (PSC).

This contract allows the sharing of hydrocarbon production between the NOC and IOCs. If a commercially viable discovery is made, a production-

sharing mechanism is implemented between the parties in the PSC. In this framework, the IOC is entitled to recover its investment and operational costs. Including the recovery of its part of the production.

■ **Surface tax.** The surface tax is paid by the NOC.

■ **Hydrocarbons royalty.** The royalty is paid by the NOC.

■ **Hydrocarbons revenue tax (IRH).** The hydrocarbon revenue tax is declared and paid to the tax authorities by the NOC.

■ **Income tax (IT).** Under the production sharing contract, the tax liability applies to the NOC.

■ **Tax on the Remuneration of the Foreign co-contractor.** The remuneration of foreign co-contractors, under a production sharing contract, is determined in accordance with contractual provisions. The tax on the remuneration of the foreign co-contractor is levied at 30%. It is declared in 12 monthly installments by the IOC by the 25th of each month and paid by the NOC on its behalf. In case the gross remuneration of the foreign co-contractor is determined in kind, the valuation of the quantities concerned is made by applying the

prices defined in accordance with the hydrocarbon contract.

Risk Service Contract. In this type of contract, a foreign company finances and carries out exploration and exploitation operations. If the operations are successful, it is reimbursed and remunerated based on the results obtained.

■ **Surface tax.** The superfiiciary tax is paid by the NOC.

■ **Hydrocarbons royalty.** Under a service risk contract, the tax is paid by the NOC.

■ **Hydrocarbons revenue tax (IRH).** The hydrocarbon revenue tax is declared and paid to the tax authorities by the NOC.

■ **Income tax (IT).** Under a service risk contract, the tax is paid by the NOC.

■ **Tax on the Remuneration of the Foreign co-contractor.** The tax on the remuneration of foreign co-contractors, under a risk services contract, is also determined in accordance with the contractual provisions. It is determined and paid in the same conditions as for production sharing contracts.

2.3.5 Other duties and taxes applicable to hydrocarbon activities

Gas flaring tax. Flaring operations are subject to a specific, non-deductible tax of twelve thousand dinars (12,000 DA) per thousand normal cubic meters (NM3) of flared gas.

The amount of the tax is calculated based on the quantities flared during

a given calendar year and the indexed rate notified by ALNAFT for upstream activities and by ARH for downstream activities.

Hydraulic royalty applicable to hydrocarbon activities. This tax applies to the use of water, in upstream

activities, by withdrawal from the public hydraulic domain.

This non-deductible tax is paid, depending on the case, by the NOC in the case of an upstream concession or by the contracting parties in the case of a hydrocarbon contract.

2.3.6 Hydrocarbons contracts transactions

Under the three hydrocarbon laws, the transfer of interests in hydrocarbon contract is subject to a 1% tax on the value of the transaction.

Employees immigration, social and taxation regime

3.1 Personal Income Tax

3.1.1 At a glance

The main rules governing the employment relationship are provided by the Law N°90-11, which are as follows:

- Working in Algeria requires to be at least 16 years old.
- The legal number of working hours is 40 per week.
- Each employee has the right to at least one day of rest per week and 2,5 days per month.
- The notice period should not exceed 10 months and could reach 12 months

maximum for positions requiring high qualification.

- The employment relationship arises via the set-up of a contract, written or not. Indeed, the employment relationship can be proved by any means.
- Unless it is mentioned, the employment contract is for an unlimited period.
- The legal minimum salary is 20,000 DA.

The employer must keep the following special books and registers:

- Payroll's book.
- Paid leave's register.
- Employees' register.
- Foreign employees' register.
- Register of technical verifications of installation and industrial equipment.
- Register of hygiene, security and occupational medicine.
- Register of work accidents.

The employer can hire foreign employees under the conditions and requirements provided by law.

3.1.2 Immigration

Entry visas are required for foreign nationals traveling to Algeria. Some nationalities (such as Tunisian and Libyans nationals) are not required to have entry visas.

Algerian embassies or consulates can provide information regarding the documents necessary for the obtaining of a visa.

A business visa allows foreign nationals to enter Algeria for meetings only (internal or with clients) but not the performance of activities such as the provision of services.

Foreign nationals who wish to work in Algeria will need to apply for a specific authorization/permit as provided by the Law N°81-10:

- A foreigner who is assigned to Algeria for a duration of less than 15 days (with an accumulated duration not exceeding three months in a year) to perform an exceptional and urgent work will require a temporary work visa and a declaration called "ANNEXE 13".
- For a duration of less than three months (other than exceptional cases eligible for ANNEXE 13), the foreign national must obtain a temporary work visa and a temporary work authorization (it can be renewed once in a year).
- Foreign nationals who wish to work in Algeria for a duration that exceeds three months must obtain a work visa and work permit. A work permit's

validity may not exceed two years, but it is renewable. French nationals benefit from a special regime. They need to obtain a foreign worker declaration called "ANNEXE 10" instead of a work permit (but it has the same delivery procedure).

As per articles 13 and 17 of the Decree N°82-510, the work permit renewal application must be submitted for renewal 45 days before its expiry to avoid any difficulties. Additionally, Temporary Work Authorization should be renewed at least 8 days before its expiry.

A foreign worker working as a managing director (who is, not as an employee) of an Algerian entity is exempt from the work permit requirement but needs

a business professional card and a residence card as well if necessary.

Residence card. Foreigners who are intending to extend their stay in Algeria beyond the duration specified in the work visa must request a residence card 15 days before expiration of the visa's

validity. This card is usually granted for the same duration of the work permit. A residence card with a validity of 10 years can be issued after a regular residency of seven years in Algeria.

The application form for the residence card must be sent to the local police office.

Family and personal considerations. Family members intending to reside with a working expatriate in Algeria can benefit from family reunification.

3.1.3 Social security

Registration. The social security regime depends on the nature of the activity carried out by the individual person. Two possible regimes are applicable. One regime is for employees (the relevant social security authority is called "CNAS") and the other is for non-employee persons (the relevant social security authority is called "CASNOS").

In all cases, the social security registration/declaration of any individual should be performed within 10 days following the requirement of the employee (to "CNAS") or the beginning of business (to "CASNOS").

Employees. Social security contributions for employees are based on gross compensation paid, including fringe benefits and bonuses. Some benefits paid on an exceptional basis can be exempt from social security contributions under certain circumstances.

Contributions. Employer is responsible for the withholding of contributions on behalf of its employees and their remittance to "CNAS". The contribution rate is fixed at 35%, split as follows:

- Part borne by the employer: 26%
- Part borne by the employees: 9%

Coverage. Foreign workers from countries with which Algeria has entered into social security agreements

in force (Belgium, France and Tunisia) who are pursuing an employment activity in Algeria while maintaining an employment contract with their employers abroad may elect to be subject to the social security system of their home countries and be exempt from social security contributions in Algeria. To implement this election, it will be necessary to apply for a certificate of coverage (certificat de détachement) with the relevant social security authorities in the foreign employee's home country, who then submits it to the relevant Algerian social security authority.

(The same coverage applies to Algerian employees performing an activity in the above-mentioned countries).

An additional specific social security regime with the National Fund for Paid Leave and Unemployment of Bad Weather of Building, Public Works and Hydraulic Sectors "CACOBATPH" applies to companies operating in the building, public works and hydraulic sectors. The rate of this contribution is fixed at 12.96%.

Non-employees. Persons carrying out activities in Algeria as non-employees/self-employed person are required to register for the social security regime at the National Social Security Fund of Non-Employees "CASNOS". The

contribution is based on the annual operating revenue.

Contributions. Contributions are paid on an annual basis. The applicable rate is 15%. The minimum contribution is DZD 32,400, and the maximum contribution is DZD 648,000.

Social security filing and payment procedures. Social security contributions due to "CNAS" are withheld by the employer and paid on behalf of the employee. In this regard, employers having under 10 employees are required to submit a quarterly social security declaration, whereas companies having 10 employees, or more are required to submit a monthly declaration.

The declaration and payment of social contributions must be made within 30 days following the month of declaration for companies subject to monthly declarations, and within 30 days following the quarter for companies subject to quarterly declarations.

Besides, the employer has to file a form named "Déclaration Annuelle des Salaires" (DAS) before January 30th of each year, including notably the salaries paid to each employee and withheld social security contributions in respect of the precedent year.

Social security contribution due to "CASNOS" is payable before July 01st.

3.1.4 Income tax

Who is liable.

Tax residents. Individuals who are tax residents in Algeria are subject to

personal income tax on their worldwide incomes. Individuals who are not tax residents in Algeria are subject to tax on their Algerian-source incomes.

The following individuals are considered to be tax resident in Algeria:

- Individuals who are owners or beneficial owners of a home in Algeria.
- Individuals who are tenants in Algeria with a rental term of a continuous period of at least one year, whether by single or by successive agreements.
- Individuals who have their place of principal residence or the center of their main interests in Algeria.
- Individuals working in Algeria.
- Agents of the Algerian government who serve at a mission in foreign countries and who are not subject in the foreign countries to a personal tax on all of their income.

Non-tax residents. Individuals who are not tax resident in Algeria are subject to tax on their Algerian-source income. The types of income considered to be Algerian sourced include notably the following:

- Income related to an Algerian real estate and related rights.
- Income generated from Algerian securities and capital assets.
- Income generated from business carried out in Algeria.
- Income from professional activities (including employment and self-employment) carried out in Algeria.
- Capital gain generated from operations mentioned in article 77 of the Algerian direct taxes code, including transfer of real estate and the associated rights and transfer of business operation.

Taxable incomes.

Employment income. Employment taxable income includes salaries, wages, indemnities, bonus and other similar payments as well as benefits in kind (e.g.: accommodation, car...), after deduction of social security contributions.

Article 68 of the direct tax Code lists some elements that should be excluded

from the taxable basis subject to income tax which are notably:

- Indemnities allocated for traveling and assignment expenses duly justified.
- Area geographical indemnities.
- Indemnities with family character as defined and limited by the social security legislation (indemnity for sole salary, maternity allowance, family allowances' whose amount is fixed by law),

Isolation allowance is exempted at the limit of 70% of the base salary and it is defined by law as incentives paid to workers subject to two or more of the following conditions:

- Housing in a mobile cabin, tent, mobile camp or base camp
- A shift system requiring a continuous cycle of several weeks of actual work, followed by a rest period during which the allowance is not paid to the worker
- A work location far from any urban center and difficult to access.
- Dismissal indemnities.

Self-employment and business income.

Income derived by self-employed individuals from business profits (such as profits derived by individuals from commercial, industrial, artisanal or mining activities) and other benefits such as those derived from artistic and scientific occupations are subject to personal income tax.

Generally, the above activities performed by individuals are subject to the Single Flat Rate Tax (Impôt Forfaitaire Unique, or "IFU") under the condition that their annual turnover is below DZD 8 million. Under this tax regime, their annual turnover is subject to the tax rate set below.

It is important to note that "IFU" is a single tax that includes personal income tax and value-added tax.

If the annual turnover is DZD 8 million or more, the individual's business should

become subject to the "common tax regime".

Businesses under the "auto entrepreneur regime" are also subject to the "IFU" tax regime and is set for some specific activities having a maximum DZD 5 million annual turnover.

Service fees. Amounts paid as fees to service providers (individuals) who have their tax residence outside Algeria are subject to 24% withholding tax.

Artist's fees. Amounts paid as fees to artists who have their tax residence outside Algeria are subject to 15% withholding tax. However, these fees are exempted if they are earned by the artists in the context of cultural agreement exchanges, national holidays, festivals, and cultural and artistic events organized by the Ministry of Culture.

Dividends. Dividend paid to individuals (nationals and foreigners) are subject to a withholding tax at a rate of 15%. This rate can be reduced or neutralized in case the foreign shareholder is located in a country which has concluded a double tax treaty with Algeria.

Compensation paid to foreign members of the Management Board ("tantièmes/jetons de presence") are considered as distributions of income. Consequently, they are subject to a withholding tax at a rate of 15%. This tax can be reduced or neutralized in case the foreign beneficiary is located in a country which has concluded a double tax treaty with Algeria.

Capital gains. Capital gains realized by an Algerian shareholder through the transfer of shares are subject to a taxation of 15% (reduced to 5% if such gains have been reinvested).

Capital gains realized by foreign shareholders are subject to a withholding tax at a rate of 20%, this rate can be reduced or neutralized if the foreign shareholder is located in a country which has concluded a double tax treaty with Algeria.

Rates. The following are the personal income tax's progressive rates in Algeria, which apply to the taxable income of individual persons:

Portion of the monthly taxable income (DZD)	Rate (%)
0 to 20,000	0
From 20,001 to 40,000	23
From 40,001 to 80,000	27
From 80,001 to 160,000	30
From 160,001 to 320,000	33
From 320,000	35

With regard to employment revenues, the monthly taxable base is subject to a reduction of 40% (first tax relief) with a minimum per month of DZD 1,000 and a maximum of DZD 1,500.

Monthly taxable income below DZD 30,000 is completely exempt from the income tax.

Monthly taxable income from DZD 30,000 to DZD 35,000 benefits from a second tax relief as follows:

Income tax = (income tax after applying the first tax relief) x (137/51) - (27,925/8)

All bonuses paid by the employer on a non-monthly basis are subject to a

reduced rate of 10% instead of the above progressive scale.

As provided above, self-employment and business income realized by individual persons which is below DZD 8 million is subject to "IFU" at the following rates:

- Income from production activities and sales of goods are subject to tax at a rate of 5%.
- Income from other activities is subject to tax at a rate of 12%.
- Regarding the auto entrepreneur taxable regime, the latter is also subject to IFU at a rate of 0,5%.

Registration Duty on donations. Donations are taxable on the basis of

the value of donated property. The tax rate is 5%, with a preferential rate of 3% for donations between parents, children and spouses. Same rate applies (3%) to the fixed assets of a company that heirs agree to continue the company exploitation.

Wealth tax. Individuals who are tax residents in Algeria are subject to wealth tax on their property and assets located in Algeria and abroad. Individuals who are not tax residents in Algeria are subject to wealth tax on their property located in Algeria. The assessment to determine the eligibility to such tax should be performed on January 1st of each year.

The following progressive scale includes the rates of the wealth tax:

Portion of the monthly taxable income (DZD)		Rate (%)
Exceeding DZD	Not exceeding DZD	
0	100,000,000	0.00
100,000,001	150,000,000	0.15
150,000,001	250,000,000	0.25
250,000,001	350,000,000	0.35
350,000,001	450,000,000	0.50
450,000,001		1.00

Eligible persons should pay the tax each four (4) years before March 31st.

Property tax.

Developed properties. The property tax is payable annually on buildings

located in Algeria, except those that are specifically exempt.

Facilities also subject to this tax include, but are not limited to, the following:

- Facilities to house people and goods, or to store products.
- Commercial facilities within the perimeters of airports, port terminals and railway and bus stations.

The tax rate for buildings is 3%. However, a 7% rate applies to secondary buildings for residential use that are not employed and not rented.

The following are the tax rates for land considered dependency property (land attached to the building property):

- 5% if the size is less than or equal to 500 square meters.

- 7% if the size is greater than 500 square meters and not more than 1,000 square meters.
- 10% if the size is greater than 1,000 square meters.

Undeveloped properties. Property tax is imposed annually on all undeveloped properties, except those that are specifically exempt.

The tax base is determined by the product of the fiscal rental value of

undeveloped properties, expressed per square meter or per hectare, as the case may be, multiplied by the taxable area. In this regard, the fiscal rental value is weighted by coefficients set by zone and sub-zone. The classification of undeveloped properties by zone and sub-zone, as well as the coefficients applicable to them, are established by a joint order of the Minister of Finance and the Minister of the Interior and Local Authorities.

The value of the rental tax is set as follows:

Item	Rental value
Land located in urbanized areas	DZD 100 for building plots and DZD 18 for other plots used as leisure parks, playground gardens that are not dependencies of built properties
Land located in areas to be urbanized in the medium term and future urbanization areas	DZD 34 for building plots or 14 DA for other plots used as leisure parks, playground gardens that are not dependencies of built properties
Quarries, sandpits, open-pit mines, saltworks, and salt marshes	DZD 34.
Agricultural land	DZD 994 per hectare for dry land or DZD 5,962 per hectare for irrigated land

The applicable tax rate is set at 5% for undeveloped properties located in non-urbanized areas.

For urbanized land, the following are the tax rates:

- 5% if the land size is less than or equal to 500 square meters.

- 7% if the land size is more than 500 square meters and less than or equal to 1,000 square meters.
- 10% if the land size is greater than 1,000 square meters.
- 3% for agricultural land.

For properties located in urbanized or urbanizing areas on which construction has not begun in three years, the normal property tax rate is multiplied by four.

3.1.5 Tax filing and payment procedures.

Employment income. The Algerian employer is responsible for the tax filing requirements on behalf of its employees.

The Algerian tax law provides for monthly, quarterly and annual returns.

Personal income tax on salaries should be paid and declared by the employer via the monthly tax return (G50 form). This tax return must be filed by the 20th day of each month.

By April 30th of each year, each employer must file an annual tax return related to personal income tax on salaries withheld and remitted to the tax authorities in the preceding year.

For auto-entrepreneurs and business subject to the lump sum tax (IFU). The tax must be paid by the taxpayer annually. The taxpayers are required to file two tax returns: a provisional return known as "G N° 12" before June

30th FY(n), and a final return known as "G N° 12 Bis" before January 20th FY(n+1).

Non-employment income. Taxable incomes (other than employment remunerations) that an individual perceives; are subject to personal income which should be paid and declared via an annual personal tax return (G1 form) by June 30th of each year.

Appendix

Depreciation period by nature of capital assets (Order of February 25th, 2024, setting the depreciation period for fixed assets, applied in determining the tax result)

I- Intangible assets

Patents	3 to 5 years
Industrial and commercial property rights	5 years
Computer software and similar	2 to 3 years
Enterprise Resource Planning (ERP)	5 to 10 years
Licenses, Trademarks	3 to 5 years
Other intangible assets	3 to 5 years

II- Tangible capital assets

1- Construction (except for the value of the land)

Industrial buildings (light timber or sheet metal construction)	10 to 20 years
Steel frame constructions	10 years
Caravans and Saharan cabins (transportable shelters)	20 years
Commercial buildings (heavy construction)	20 to 30 years
Industrial buildings (heavy construction)	30 years
Office (Administrative) Buildings	30 years
Residential buildings	50 to 100 years
Hotel buildings	30 years
Sanitary building	20 years
Canteen building and supplies	20 years
Locomotive garage	20 years
Other buildings	20 years
Water towers	25 to 50 years
Warehouses, sheds	25 years
Outdoor Fence	20 to 30 years
Water cover	20 to 30 years
Storage silos	30 to 50 years
Metal frame	20 years
Retention basins	20 years
Security post	20 years
Solid for machine	20 years

II- Tangible capital assets**2- Industrial machinery and equipment****Purpose-specific industrial machinery and equipment**

Steam boilers	20 years
Cement tanks	20 years
Paper and cardboard machines	20 years
Hydraulic presses	20 years
Presses & Compressors	10 years
Heavy-duty high-power transformers	10 years
Turbines and steam engines	10 years
Mechanical mixers and mixers	10 years
Brewery, distillation or winemaking tanks	10 years
Purification and sorting equipment	10 years
Laminating and dewatering devices	10 years
Industrial equipment for pharmaceutical production	15 years
Pharmaceutical Development Laboratory Equipment	15 years
Safety equipment	5 to 10 years
Animal Facility Equipment	10 years
Electrical and Electronic Industrial Equipment	8 to 20 years
Control cabinet	8 to 20 years
Other Industrial machinery and equipment	5 years
Survey Materials	5 to 10 years
Laboratory equipment	5 to 10 years
Diving equipment	5 years
Hydraulic and Wave Basin Equipment	5 years
Boats and accessories	5 years
Oceanographic and bathymetric equipment	5 to 10 years
In situ test equipment	5 to 10 years
Surveying equipment	5 to 10 years
Maintenance equipment	5 years
Camping equipment	5 years
Calibration equipment	5 years
Pre-cleaning equipment	10 to 20 years
Cleaning equipment	10 to 20 years
Milling equipment	10 to 20 years
Packaging and bagging equipment	10 to 20 years
Cubing station equipment	10 to 20 years

II- Tangible capital assets**3- Materials and tools****Duration-specific equipment**

Metal detector	10 to 20 years
Firefighting network	10 to 30 years
Generator	10 to 20 years
Exterior and interior lighting	10 to 30 years
Remote monitoring system	10 to 20 years
Smoke detection system	10 to 20 years
Compensating Battery System	10 to 20 years
Medium voltage transformer	10 to 30 years
Truck weighbridge	10 to 30 years
Wagon weighbridge	10 to 30 years
Milling machine	10 to 20 years
Turning machine	10 to 20 years
Hacksaw	10 to 20 years
Machine canneleuse	10 to 20 years
Electric Hoist	10 to 20 years
Cash register	4 years
Presentation materials	4 years
Carts and baskets	6.5 years
Electronic laboratory equipment and instruments	5 years
Fire extinguishers	5 years
Telephone installations (switchboard, etc.)	5 years
Fixed sanitary equipment	10 years
Furniture (beds, chairs, tables, wardrobes, etc.)	5 years
Chemically Affected Equipment	5 years
Mussels	5 years
Handling and lifting equipment on wheels	5 to 10 years
Recoverable packaging	3 to 10 years
Welding station	
Fixed	10 years
Mobile or intended to be transported	5 years
Appliances	
Central air conditioning	10 years
Other air conditioners	5 years
Refrigerators, cooling fountains and similar	5 years
Washing machine	5 years
Other materials	6.5 to 10 years

II- Tangible capital assets**Equipment**

Carpentry tools	5 years
Carpentry tools	6.5 years
Production tooling	5 to 10 years
Maintenance tools	5 to 8 years old
Office equipment	5 to 10 years
Office furniture	10 years
Computer, electronic and communication equipment	3 to 5 years
Air conditioning and heating equipment	10 years
Safes and armored cabinets	10 to 20 years
Video recorder	3 years

Computer tools

Computers	3 to 5 years
Reprography equipment	3 to 5 years
Other tools	5 to 10 years
Shop furniture	5 to 10 years

4- Motor vehicles, rolling stock and transport equipment**Motor vehicles**

Passenger vehicles	5 years
Commercial vehicles	5 years
Fire-fighting vehicles	5 years
Passenger transport vehicles	5 to 10 years
Trucks	5 to 10 years
Heavy transport equipment	4 years
Motorcycles and mopeds	3 to 5 years
Rolling stock	5 to 10 years
Other transport equipment	5 years

III- Specific fixed assets**1- Transport****a- Rail transport equipment**

Superstructure of the railway track	25 to 30 years
Station fencing	70 years
Stations-shelters-docks-footbridges	50 years
Locomotives and wagons	30 years
Railway Signal Structures	30 years

b- Air transport equipment

Airplane	20 years
Engine	10 years
Resetter	10 years
Flight simulator	15 years
Tracks and dirt routes	4 years

c- Maritime transport equipment

Hulls ships	25 years
Ship decks	20 years
Installation of machine rooms	15 years
Equipment on board ships	10 years
Shipboard light mast	10 years
Ship telecommunications equipment	10 years
Air conditioning and heating systems for ships	10 years
Computer equipment, ships	3 years
Miscellaneous equipment on board ships	10 years
Ship Safety Equipment	10 years
Mooring structures	5 years
Weighbridges	5 years
Self-propelled cranes	5 years
Containers	5 to 10 years

2- Games (operators of automatic machines)

Pinball	5 years
Electrophones, table football and other similar equipment (car rallies, bowling alleys, etc.)	10 years
Other Games	5 years

3- Advertising

Billboards	4 years
Advertising hoardings	4 years
Advertising signs	10 years
Other advertising media	5 to 10 years

III- Specific fixed assets**4- Agriculture****a- Agricultural materials and equipment**

Watering equipment	5 years
Water wells	10 years
Agricultural tractors	5 years
Other agricultural materials and equipment	7 years

b- Biological active ingredients

Capital Animals (Production and Service)	5 years
Plantations	
Olive trees	
Oil extraction olive trees	33 years old
Table olive trees	20 years
Date palms	33 years old
Fig	33 years old
Citrus fruits	20 years
Grapevines	33 years old
Almond	20 years
Apricot	20 years
Apple trees	20 years
Medlars	20 years
Other plantings	20 years

5- Hotel activity

Dishwasher	3 years
Tableware, glassware and kitchen utensils	3 years
Bedding	3 years
Decorative fittings (carpets, curtains, etc.)	4 to 5 years
Rolling stock	5 years
Kitchen stoves	5 years

6- Medical devices

Fixed sanitary equipment	10 years
Mobile sanitary equipment	5 years
Exam bed or table	5 to 10 years
Dental chair and unit	5 to 10 years
Armchair and podiatry unit	5 to 10 years
ECG, Doppler, ultrasound, endoscope	5 years
Dermatological Laser	3 to 5 years
Other medical, surgical, dental, veterinary or related equipment	5 to 10 years

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