



TAXES IN AFRICA

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2nd EDITION

24, Rue de Londres - 75009 Paris - France
Tel: +33 (0) 1 44 15 95 23 - www.eaiinternational.org


Algeria



 **Capital city :**
Algier

 **Area :**
2,381,741 km²

 **Population :**
42,200,000

 **Languages :**
Arabian, Algerian
and Berber
languages


 **Political system :**
Republic

 **GDP/capita
2019 :**
USD 4,115

 **Currency :**
Algerian dinar
(DZD)

 **ISO Code :**
DZA

 **Telephone code :**
+213

 **National days :**
1 November
5 July

1. Corporation tax

1.1 Tax base

Companies and entities liable for corporation tax (IBS) pay tax on their profit (taxable income).

Taxable income is generally very close to book profit before tax.

1.2 Residence and non-residence

A company is liable for corporation tax for the profit made in Algeria, whether it is a resident or not.

A resident company must have the following in Algeria:

- its registered office;
- or its principal establishment;
- a fixed place of business;
- a representative.

However, profits of companies that do not have a permanent establishment or appointed representatives in Algeria but still engage directly or indirectly in business leading to a complete cycle of commercial operations.

When a company operates its business both in Algeria and outside the country, its profit is presumed to be achieved in Algeria in proportion with the production operations or, failing that, the sales made in the country, unless proven otherwise by separate accounts.

Some entities are however exempted from corporation tax, such as:

- consumer cooperatives of companies;
- approved organisations of disabled individuals;
- public bodies;
- farming cooperatives;
- mutual benefit societies.

1.3 Frequency and declaration

The annual tax declarations of companies cover periods identical to their financial year. That is generally 12 months.

They must be filed electronically with the authorities. The deadline for the declaration is set to four months after the end of the financial year.

The tax must be paid no later than four months after the close of the financial year.

Three instalments are to be paid every year at the following times:

- first instalment: 20 February to 20 March;
- second instalment: 20 May to 20 June;
- third instalment: 20 October to 20 November.

1.4 Taxable income

The taxable result is very close to the book result of the company. However, some adjustments need to be made.

There are limits on the deduction of charges concerning:

- tax penalties and interest for late payment;
- gifts and donations in some conditions;
- sumptuary expenses;
- expenses, charges and rents of any type that are not directly charged to operations;
- expenses paid in cash in amounts above DZD 300,000.

Provisions are deductible when they relate to a deductible charge that is clearly specified, with a probable risk of realisation.

1.5 Group income and group agreements

Groups of companies can opt for the consolidated tax regime under which the profits and also losses of the different companies of the group can be added together. That can enable companies to save on corporation tax.

For that, the parent company must hold at least 90% of the capital of its subsidiaries.

This regime makes the relations between the parent and its subsidiaries more

fiscally secure.

Consolidation is only granted if the parent opts for it and it is accepted by member companies. It is irrevocable for a period of four years.

1.6 Capital gains

Capital gains are liable for corporation tax, but an exemption is provided for income and capital gains made following the transfer of shares and assimilated securities as part of an initial public offering or the transfer of shares, bonds and assimilates listed securities.

Capital gains from the transfer of shares of investment funds in securities are exempted for a period of five years.

1.7 Losses

Tax losses are deductible from taxable profit up to the fourth year following the year in which the loss was made.

1.8 Exemptions

There are possibilities for temporary or permanent exemptions from corporation tax in respect of the following operations or activities:

- tourist enterprises (10 years);
- venture capital companies (5 years);
- travel and tourist agencies and hotels (3 years);
- activities of young investment promoters (3 years);
- foreign exchange generating operations;

1.9 Rates

Tax rates are as follows:

Goods production	19%
Building and public work and hydraulics, tourist and spa activities (excluding travel agencies)	23%
Other activities	26%

If several activities are carried out concurrently, legal entities liable for IBS must keep separate accounts for the activities, in order to allow a determination of the share of the profit from each activity and the application of the appropriate IBS rate. Otherwise, the 26% rate applies.

Dividend paid to legal entities as part of the distribution of profit that has been subject to corporation tax is taxable at the rate of 15% (LF 2020).

1.10 Relief for double taxation

Tax agreements signed by Algeria provide for the avoidance of double taxation.

2. Income tax of natural persons

2.1 Tax base

Natural persons are liable for tax on overall income (IRG) in respect of all their income, regardless of the origin or place of such income.

However, tax agreements between countries limit double taxation of income earned outside Algeria.

Natural persons who have their tax domicile in Algeria are liable for wealth tax (IP).

In addition to the actual profit regime and taxation on the basis of overall income (IRG), some activities can opt for the single flat-rate tax regime (IFU) detailed below.

2.2 Residence and non-residence

Individuals liable for tax on natural persons are those whose tax domicile is located in Algeria:

- those who have a dwelling in Algeria, as owners or usufructuaries or tenants;
- or those that engage in an occupational activity in Algeria, whether or not as employees;
- or those whose main place of residence is in Algeria;
- or those who have their centre of economic interest in Algeria.

Individuals whose tax domicile is located outside Algeria are liable for such tax on their income earned in Algeria.

2.3 Frequency and declarations

The tax declaration of natural persons is to be submitted to the tax authorities no later than on 30 April of each year. It relates to the income of the previous year.

In addition of the overall income declaration, the taxpayer is required to produce the following special declarations (professional profit (series G no 11); farming income (series G no 15); salaries (series G no 29 and 29b)).

When the time limit for filing the declarations expires on a public holiday, the limit is put off to the next working day.

2.4 Taxable income

Income is divided into six broad categories:

- professional profit;
- farming income;
- rental income;
- income from securities;
- salaries;
- capital gains from the sale of built or unbuilt property;

Professional profit is profit made from a commercial, non-commercial, industrial or small-scale profession and that made from mining or resulting from it. Income tax is applied to the net amounts of salaries and pensions.

Income from securities includes two main categories:

- income from shares;
- income from debts, deposits and sureties. They are liable for 10% withholding tax applied by the payer.

The amount withheld constitutes tax credit that can be deductible from IRG.

Income from land is income for immovable property.

The income used as the basis for IRG under this category is equal to the value of the annual gross rent.

2.5 Capital gains

Capital gains from the sale of built or unbuilt property are liable to fixed final tax at the rate of 5%.

Capital gains from the transfer of shares by non-resident natural persons attract final tax at the rate of 20%.

Capital gains from the transfer of shares by resident natural persons attract final tax at the rate of the rate of 15%.

However, these gains are exempted from tax when the amount is reinvested.

2.6 Exemptions

Companies that are approved organisations of disabled individuals and dependent organisations, income of theatre companies and income from activities relating to raw milk for consumption as it is benefit from permanent exemption.

Other activities may benefit from temporary exemption under the professional and farming profit categories.

2.7 Reductions and rates

The tax rate is progressive:

- 0% up to DZD 120,000;
- 20% for the income bracket from DZD 120,001 to DZD 360.000;
- 30% for the income bracket from DZD 360,001 to DZD 1,440,000;
- 35% for the income bracket above DZD 1,440,000.

Spouses who opt for joint taxation benefit from 10% allowance applicable to their total taxable income.

Individuals who voluntarily take out personal insurance contracts (individual or collective) for a minimum period of 8 years benefit from allowance for IRG equal to 2% of the amount of the net premium paid, subject to a maximum of DZD 20,000.

2.8 Social security

Social security, retirement and unemployment:

- 9% of base of the contribution is withheld from employees by employers.
- employers also pay contributions equal to 25% of the base of the contribution.
- further, social benefits funds pay contributions equal to 0.5% of the gross payroll.

Particular categories (home workers, artists, transport crew, car park guards, employees of natural persons) pay contributions from 3% to 34.5% of their profit or pay.

2.9 Expatriates

The place of the tax domicile is used to determine the place of taxation of natural persons.

Specific measures are applicable to the year of transfer of the domicile or the abandonment of all residence in Algeria in favour of another country or vice versa.

The salaries of technical and managerial employees who are foreign national employed by foreign companies in Algeria are liable for IRG using the monthly schedule.

There are tax exemptions for foreign nationals working on a voluntary basis in Algeria or employed by central procurement stores.

2.10 Voluntary organisations and partnerships

Approved organisations of disabled individuals and dependent organisations are not taxable.

Organisations with for-profit activities are taxed like companies.

2.11 Pensions

Pensions are generally taxed like salaries.

3. Wealth tax

3.1 Residence and non-residence

The following natural persons are liable for wealth tax:

- those who have their tax domicile in Algeria, in respect of their assets in Algeria or outside the country;
- those who do not have their tax domicile in Algeria, in respect of their assets in Algeria.

3.2 Tax base

Wealth tax is only owed by natural persons in respect of their wealth made up of taxable assets in a net taxable value above DZD 100,000,000 on 1 January of the year of taxation.

It includes all the taxable assets belonging to natural persons and their minor children (residences, land, real property rights etc.)

3.3 Rates

The wealth tax rate is set as follows (LF2020):

Fraction of the net taxable value of assets in DA	Rates
Below DZD 100,000,000	DZD 0
DZD 100,000,000 to DZD 300,000,000	DZD 100,000
DZD 300,000,001 to DZD 500,000,000	DZD 250,000
DZD 500,000,001 to DZD 700,000,000	DZD 350,000
Above DZD 700,000,000	DZD 500,000

4. Single flat-rate tax

4.1 Residence and non-residence

The single flat-rate tax applies to the following:

- Natural persons or legal entities, companies and cooperatives that engage in industrial, commercial, small-scale or non-commercial professional activities with a turnover of not more than DZD 15,000,000;
- Investment promoters who engage in activities or projects eligible for grants from the national support fund for youth employment or the national support fund for micro credit or the national unemployment insurance fund.

4.2 Rates

The rate of the single flat tax is calculated on the turnover achieved and set as follows:

- 5% for the activities of production and sale of goods;
- 12% for other activities.

In respect of the rate of the single flat-rate tax applicable to combined activities,

it is determined in proportion with the turnover from each activity.

The IFU is settled through a provisional declaration of the turnover. An additional declaration is required if the turnover achieved is greater than the declared turnover.

5. Tax on business

The tax is owed on the turnover achieved in Algeria by taxpayers who engage in business where profit is liable for overall income tax, in the category of professional profit or corporation tax.

The rate ranges from 1% to 3% depending on the activity.

6. Land tax

Land tax is assessed every year on built and unbuilt property located in Algeria, regardless of its legal position, with the exception of property that is expressly exempted.

The tax base results from the product of the rental value per square metre or hectare depending on the property and the taxable area.

The tax base is determined after applying an annual allowance of 2% to take account of the depreciation of residential buildings.

The rate ranges from 3% to 10% depending on the area and type of the property.

7. Value added tax

7.1 Rates

The VAT rates applied are as follows:

- 20%: normal rate;
- 9%: reduced rate.

7.2 Declaration and payment

Declarations are monthly and filed within the first 20 days of each month.

8. Solidarity contribution

The import of goods is liable for 2% tax.

9. Other taxes

A large number of taxes apply to certain products (tobacco, spirits, wine, petroleum products, gold objects).

The main ones are as the following:

- domestic consumption tax;
- tax on petroleum products;
- circulation duties;
- guarantee and trial duties.

Contact

CABINET ABDELMAJID DOUIRI
Immeuble Lac des Cygnes
Rue Lac Victoria
1053, Les Berges du Lac - Tunis
Tel. +216 71 960 966 (lignes groupées)
Fax +216 71 961 588
ami.douiri@planet.tn
Abdelmajid Douiri
Nizar Douiri