الجمهورية الجزائرية الديمقراطية الشعبية
وزارة المالية
المديرية العامة للضرائب

# Tax policies preferential in Algeria

January 2026

I Preferential tax policies: Objectives & Legal framework

II Preferential tax regimes

III Estimation and evaluation

# I. Legal Framework & Objectives

## Objectives of preferential tax policies

- **Economical**:
  - Promote investment
  - Employment assistance
  - Promote the southern regions and the highlands
- **Social:**
  - Supporting the purchasing power of low-income households
- **Scientific and Cultural:**

**-**Promote scientific research and technological development

- Safeguarding cultural heritage

# Legal framework

1

**Tax Codes:** - Code of Direct Taxes and Similar Levies
- Turnover Tax Code
- Registration Code

2

**Specific laws:**

- Law No. 22-18 of July 24, 2022 relating to investment
- Sectoral laws relating to: - hydrocarbon activities
  - to mining activities

# 2. Preferential tax regimes

# 2.Preferential tax regimes

- Benefits ordinary tax law
- Advantages of Law No. 22-18 of July 24, 2022 relating to investment /AAPI
- Benefits granted within the framework of support and development of entrepreneurship / ANADE
- Tax advantages granted under specific laws (hydrocarbon activities – mining activities)
- Tax advantages granted under start-up and incubator schemes

# 2.Preferential tax regimes (continued)

## Benefits ordinary tax law

1- Agriculture
2- Shipbuilding and aircraft
3- Export
4-Tourism
5- Traditional crafts
6- Activities carried out in the southern wilayas and the high plateaus
7- Scientific research and information and communication technologies
8- Banking operations

1

## Agriculture

- ➢ VAT exemption, in particular (Article 9, paragraphs 24-28 of the CTCA) for:
- • Combine harvesters manufactured in Algeria;
- • The sale of barley and maize, falling under tariff headings 10-03 and 10-05 respectively, as well as materials and products falling under tariff headings 23-02, 23-03, and 23-09, intended for livestock and poultry feed, and locally produced livestock and poultry feed.
- ➢ Permanent exemption from income tax (article 36 of the CIDTA):
- • Derived from cereal, pulse and date crops;
- • Derived from activities involving raw milk, intended for consumption as is;
- • Farms with an area less than or equal to:
- o 06 Hectares, for farms located in the South;
- o 06 Hectares, for farms located in the High Plateaus;
- o 02 Hectare, for farms located in other regions.
- ➢ Exemption from income tax, for a period of ten (10) years, for income resulting from agricultural and livestock activities carried out in (article 36 of the CIDTA):
- • The newly developed lands, starting from the date of entry into operation;
- • Mountain areas, from the start of their activities.

1

## Agriculture (continued)

- Exemption from IBS (article 138-I, paragraph 3-4-5-6-8 of the CIDTA):
- Agricultural mutual funds for banking and insurance operations carried out exclusively with their members;
- Agricultural supply and purchasing cooperatives and their unions benefiting from an accreditation issued by the authorized services of the ministry in charge of agriculture and operating in accordance with the legal and regulatory provisions that govern them;
- Cooperative societies for the production, processing, preservation and sale of agricultural products and their unions;
- Income from the collection and sale of raw milk;
- Fishing and aquaculture cooperatives and their unions.

2

**Shipbuilding and aircraft**

- VAT exemption (Article 11, paragraphs 3-4-5 of the CTCA) for transactions relating to:
  - Aircraft intended for air navigation companies;
  - Raw or manufactured articles and products intended for use in the construction, rigging, arming, repair or conversion of aircraft, approved flight schools and training centers;
  - The refitting, repairs and conversions of Algerian ships and aircraft abroad.
- Operations carried out by maritime and aeronautical construction sites are subject to the reduced VAT rate (Article 23 paragraph 3 of the CTCA).

3

Export

- Exemption from value added tax applies to sales and processing transactions relating to exported goods, as well as sales and processing transactions relating to goods of national origin delivered to legally established bonded warehouses (Article 13 of the CTCA);
- Permanent exemption from IBS, IRG, and export operations of goods and services. (Article 138-I- paragraph 7, article 13 paragraph 4 of the CIDTA).

4

**Tourism**

- ➢ Exemption from IBS (Article 138-II of the CIDTA) for the benefit of:
  - Tourism companies created by national or foreign promoters, with the exception of tourism and travel agencies, for a period of ten (10) years;
  - Tourism and travel agencies as well as hotel establishments, for a period of three (03) years from the start of business activity.
- ➢ Exemption from transfer tax for onerous transfers, for national private tourism companies created within the framework of the laws and regulations in force relating to tourism (article 272 ter of the registration code).

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## Traditional crafts

- ➢ Application of a reduced VAT rate for products from traditional craft activities (article 23 paragraph 6 of the CTCA);
- ➢ IRG exemption, income from the exercise of a traditional craft activity and the activity of artistic crafts, for a period of ten (10) years (article 13 bis, paragraph 2 of the CIDTA);
- ➢ Exemption from the Single Flat-Rate Tax (IFU) applies to traditional artisans as well as those engaged in artistic craft activities (article 282 octies of the CIDTA).

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## Activities carried out in the southern wilayas and the high plateaus

- A 50% reduction in the amount of the IRG (Income Tax) or IBS (Corporate Income Tax), for a transitional period of five (5) years, starting January 1, 2025, for income derived from activities carried out by individuals or companies in the wilayas (provinces) of Illizi, Tindouf, Adrar, Tamanghasset, Timimoun, Bordj Badji Mokhtar, In Salah, In Guezzam and Djanet (Article 124 of Law No. 24-08).of Finance for 2025).

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## Scientific research and information and communication technologies

- Deduction of profit, up to 30% of the amount of this income or profit, within the limit of a ceiling of two hundred million dinars (200,000,000 DA) (article 147 quater of the CIDTA):
  - Expenditure incurred in research and development activities within companies, as well as that incurred within the framework of open innovation programs, carried out with companies having the "start-up" or "incubator" label;
  - When the expenses incurred relate simultaneously to research and development and open innovation, the amount of the allowance cannot exceed 30% of the amount of accounting profit, nor exceed the ceiling of two hundred million dinars (200,000,000 DA).

8

**Banking operations**

**8-1-Islamic Finance:**

- IRG exemption, profits from deposits in investment accounts made within the framework of banking operations falling under Islamic finance (article 56 bis of the CIDTA);

➢ Exemption of profits from taxes on investment accounts made within the framework of banking operations related to Islamic finance for a period of five (5) years, from January 1, 2023 (Article 138-II paragraph 4 of the CIDTA).

➢ VAT exemption (Article 9, paragraphs 16-23-27 of the CTCA).

  - Banking operations under Islamic finance "Murabaha", "Istisna'a" and "Ijara Mountahia Bitamlik", relating to the acquisition or construction of individual housing.
  - Acquisition operations carried out by banks and financial institutions within the framework of the “Ijara Mountahia Bitamlik” operations.
  - The portion corresponding to the repayment of loans within the framework of Islamic finance banking operations “Murabaha” and “Ijara Mountahia Bitamlik”.

➢ Exemption from land registration tax, Deeds relating to real estate acquisitions made by banks and financial institutions, within the framework of an IJARA Mountahia Bitamlik contract, Murabaha financing contract, intended for the financing of investments made by economic operators for commercial, industrial, agricultural use or for the exercise of liberal professions (art. 353-5, paragraph 6 of the registration code).

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**Banking operations (continued)**

**8-2-Lease financing:**

- Exemption from value added tax (Article 9, paragraphs 23-27 of the CTCA):
  - Acquisition transactions carried out by banks and financial institutions within the framework of leasing transactions.
  - The portion corresponding to the repayment of loans under medium and long-term real estate loan contracts, including that related to real estate leasing.
  - Exemption from land registration tax, Deeds relating to real estate acquisitions made by banks and financial institutions, within the framework of a real estate lease, intended for the financing of investments made by economic operators for commercial, industrial, agricultural use or for the exercise of liberal professions (art. 353-5, paragraph 6 of the registration code).

# II- Preferential tax regimes (continued)

## Advantages of Law No. 22-18 of July 24, 2022 relating to investment / AAPI

# AAPI

**Implementation phase**

- Exemption from customs duties for imported goods directly involved in the execution of the investment;
- VAT exemption for goods and services imported or acquired locally, directly contributing to the realization of the investment;
- Exemption from transfer tax, for valuable consideration, and from land registration tax, for all real estate acquisitions made within the framework of the investment concerned;
- Exemption from registration fees payable for company formation documents and capital increases;
- Exemption from registration fees, land registration tax and state remuneration relating to concessions of built and unbuilt real estate intended for the implementation of investment projects;
- Exemption from property tax on real estate properties, within the framework of the investment, for a period of ten (10) years, from the date of acquisition.

**Operational phase**

Investments registered under this investment law benefit, during the operational phase, from exemption from corporate income tax for a period:

- Ranging from 3 to 5 years from the date of entry into operation for the sectors regime;
- Ranging from 5 to 10 years from the date of entry into operation for the zone regime and the structuring investment regime.
- Structuring investments can benefit from state support through partial or total funding of development and infrastructure work necessary for their realization, based on an agreement established between the investor and the AAPI acting on behalf of the state.
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# II- Preferential tax regimes (continued)

**Benefits granted within the framework of support and development of entrepreneurship / ANADE**

# ANADE

**Implementation phase**

- VAT exemption for equipment and services directly involved in the execution of the investment;
- Exemption from registration fees for company formation documents;
- Exemption from property transfer tax for all real estate acquisitions made within the framework of the investment in question;
- The application of the reduced rate of 5% customs duty on imported equipment directly used in the execution of the investment.

**Operational phase**

- Investments made by project promoters within the framework of employment support schemes benefit, during the operational phase, from exemption from Global Income Tax (IRG) or Corporate Profits Tax (IBS), for a period of three (03) years, starting from the date of commissioning.
- When these activities are carried out in a zone to be promoted, the exemption period is extended to six (06) years from the date of commissioning.
- These periods are extended by two (02) years when project promoters commit to recruiting at least three (03) employees on permanent contracts.
- The exemption period is extended to ten (10) years, when the activities carried out are located in a southern area benefiting from the aid of the "Fund for the management of public investment operations registered under the State equipment budget and for the development of the Southern and High Plateau regions".
- Exemptions from Property Tax on built properties (TF) for a period of three (03) years, starting from the date of completion of the construction used for the exercise of the activity.
- The exemption period is six (06) years, when these constructions and additions to constructions are installed in areas to be promoted.

# II- Preferential tax regimes (continued)

Tax advantages granted under specific laws (hydrocarbon activities – mining activities)

# TAX BENEFITS GRANTED TO HYDROCARBON ACTIVITIES

**Up stream activities**

➢ Up stream activities are exempt:

- of value added tax (VAT) on capital goods, materials, products and services related to upstream activities;
- customs duties, taxes and fees, on imports of capital goods, materials and products related to upstream activities;
- of the bank domiciliation tax on imports of services intended for upstream activities;
- of any other tax, duty or levy not covered by this title, levied on operating results and established for the benefit of the State, local authorities or any other legal entity under public law.

**Pipeline transport**

➢ The activities of transporting hydrocarbons by pipeline, refining and processing, are exempt:

- of value added tax (VAT), relating to capital goods, materials, products and services relating to the activities mentioned above;
- customs duties, taxes and fees, on imports of capital goods, materials and products related to said activities.

# II- Preferential tax regimes

Tax advantages granted under start-up and incubator schemes

# START-UP / INCUBATOR

**START-UP**

- VAT exemption and the application of a 5% customs duty rate for equipment acquired, directly related to the implementation of their investment projects;
- Exemption from IRG or IBS for a period of four (4) years, from the date of obtaining the "start-up" label, with two (2) additional years, in case of renewal.

**incubator**

- VAT exemption for equipment acquired that directly contributes to the execution of their investment projects;
- Exemption from IRG or IBS for a period of two (2) years, from the date of obtaining the "incubator" label, renewable in the same manner at each renewal of the label.

# SELF-EMPLOYED

**SELF-EMPLOYED**

- Activities carried out under the status of self-employed are subject to the IFU rate of 0.5% (article 282 sexies of the CIDTA);
- For activities carried out under the status of self-employed, the amount due for the single flat-rate tax cannot be less than 10,000 DA, set at 30,000 DA for other activities subject to this tax (article 365bis of the CIDTA).

# III. Estimation and evaluation

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1 Framework and objectives

2 Instruments and data

3 Challenges and pperspectives

# III. Estimation and Evaluation

## 1 Framework and objectives

Organic Law Decree No. 18-15 of 2 September 2018, as amended and supplemented, relating to finance laws

It is mandatory to attach to each draft Finance Bill a "H" statement outlining the forecasts of tax expenditures, starting with the draft Finance Bill for 2023.

Evaluate the cost of the tax benefits granted and assess the relevance of the tax benefits in relation to the assigned objectives.

- Ensuring better budget transparency
- Informing the authorities in their decision-making
- Streamlining the tax system

# III. Estimation and Evaluation

2 **Instruments and data**

Digital transformation of the DGI

**Tax Data Analyst Unit (CADI)**

**Tax Expenditure Unit (CDF)**

Technical support from the World Bank team

# III. Estimation and evaluation: instruments and data (continued)

**Phase 1: Identification of FDs**

- Define the Reference Tax System
- List the exceptional tax measures

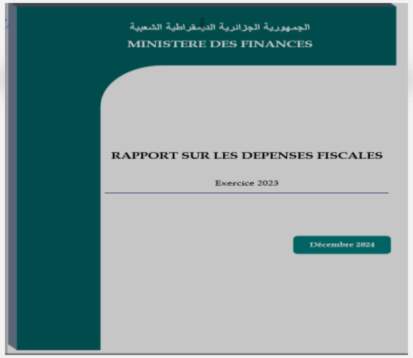
**Phase 2: Approach to Estimating Functional Differences**

- Define the scope of the estimation
- Collect the data
- Identify the methodology and prepare the estimation tools
- Estimate the DF

**Phase 3: Preparation of the DF report**

- Prepare the tax expenditure report

**2022**

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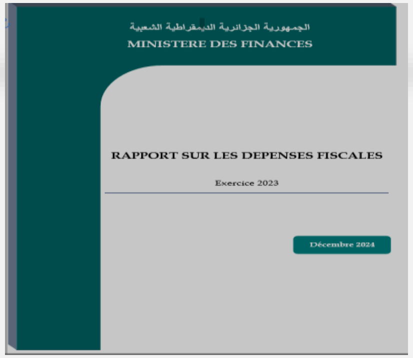

# III. Estimation and Evaluation

## 3 Challenges and pperspectives

The evaluation of tax expenditures is the starting point for a process that should lead to the rationalization of the tax system.

- Detailed data relating to tax expenditures
- Interoperability between the information systems of the administrations and bodies involved in tax expenditure

➢ Expansion of the scope of estimation and analysis

➢ Preparation of the tax expenditure evaluation report

# THANK YOU FOR YOUR ATTENTION

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