

Business in Algeria



As a country in the Maghreb region of North Africa, Algeria has a Mediterranean coastline of more than 1200 km, with 6734 km of land bordering seven countries and territories: Libya, Mali, Mauritania, Morocco, Niger, Tunisia and the Western Sahara.

The official languages of Algeria are Arabic and Tamazight (Berber). The French language is widely spoken, especially in the business environment.

Algeria as a leading African producer of hydrocarbons, ranks first in Africa in gas production with proven oil reserves of 12.2bn barrels and proven gas reserves of 4.5trn cu meters. Algeria has also large reserves of phosphates, proven deposits of iron ore, gold, zinc, copper and uranium.

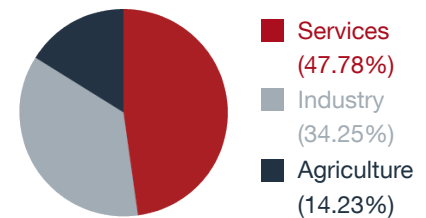


Population

44
million



GDP Breakdown by Sector



Currency

Algerian
Dinars (DZD)

Foreign Direct Investment (est. 2019)

320 million (USD)

GDP Growth (est. 2020)

-5.5%

Business Climate

Intellectual Property

Algeria has signed several international agreements related to international registration of marks, patent cooperation and intellectual property. Several laws govern the protection of trademarks and patents.

Banking System

The Algerian banking market is characterized by the strong presence of the public sector. The banking system is composed of the Central Bank (Bank of Algeria), 17 commercial banks (six state owned banks and 11 private banks) and 10 other financial institutions.

Exchange Regulation

There are a few statutory exchange restrictions exercised by Bank of Algeria, due to the high dependence from export resources, which highly depends on oil and gas exports (97%).

All transactions incurred in Algeria shall be paid in Algerian dinars (DZD), while Algerian corporate entities have access to foreign currencies to pay their import of goods and services. Service contracts are subject to a pre-registration, prior to their start of performance. The pre-registration is also extended to import goods and equipment.

International Trade

Trade Agreements

Algeria is a member of the African Continental Free Trade Area. It is also a member of the Greater Arab Free Trade Area and has an association agreement with the European Union that mainly covers tariff dismantling.

Foreign Direct Investment Policy

Algeria is an important market with attractive investment opportunities, access to competitive means of production and a skilled workforce.

After restrictive foreign investment rules enacted in 2009 imposed a minimum of 51% Algerian stake holder in any foreign investment, the current legislation enables any foreign investor to set up a presence in Algeria, without any constraints of share capital structure in manufacturing industries and services. Trading for the purpose of pure resale is not considered as an investment.

The 51% majority rule still applies for some strategic sectors, as defined by law, including:

- Pharmaceutical Industry
- Rail, Sea and Air Transport
- Energy and Mining
- Military

Algeria offers incentives to investors such as tax holidays, VAT exemption on capital expenditures and exemption of customs duties on imported assets.

In addition to these incentives, additional benefits are granted to the investments made in southern regions and highlands, as well as in any other zone which development requires a particular contribution of the State. These benefits include the taking in charge of the expenses for the infrastructure works necessary for the realization of the investment.

Algeria is a leading producer of hydrocarbons and ranks first in Africa for gas production.



Tax Regime

The Algerian tax department is organized through three kind of offices:

- A Large Enterprise Division for Algerian corporate entities, which annual turnover exceeds DZD 2 billion (approx. USD \$14.7 million), and Permanent Establishments of Foreign entities, which total contracts value exceeds DZD 1 billion (Approx. USD \$7.35 million)
- Tax centers dedicated to corporate entities with thresholds below those mentioned above.
- Tax offices at districts level for individuals and small businesses.

Algerian tax legislation covers direct taxes and indirect taxes, including VAT, registration and stamp duties.

Direct Taxes

Corporate Income Tax rates (IBS) apply as follows:

- 19% for manufacturing activities
- 23% for construction activities, civil and hydraulics, same for tourism and thermal activities excluding travel agencies
- 26% for the other activities

The other direct tax is the turnover tax (Taxe sur l'Activité Professionnelle-TAP), which taxable basis is the amount of the monthly sales for trading activities and the total of collections for services and construction works.

VAT

VAT is assessed at a standard rate of 19% or at a reduced rate of 9%, according to the goods or services. Input VAT can be deducted from output VAT, for the items that are directly related to the activity of the business.

An internal consumption tax is also applied to some products considered as not being of primary necessity, including tobacco. Subject to the products, this tax (Taxe Intérieure de consommation – TIC) applies at various rates between 10% and 30%.

Personal Income Tax

Personal income tax applies to individuals performing a commercial activity at different tax rate, within a climbing scale range of 20 to 35%.

The same rates apply for salaries, with the tax withheld at source by the employer. It is expected that the 2022 Finance Act will reduce the rates for some ranges of salaries' income.

Other Taxes Related to Employment

Employers are also liable to an apprenticeship tax of 1% of the total wage cost. The apprenticeship tax may be reduced when a fixed headcount of apprentices is met.

Another 1% tax on total wage cost applies as a Professional Training Tax, which amount can be reduced based on the assessment of the training effort made by the employer.

Establishing a Business

Corporate Entities:

- Joint Stock Company (Société par actions – Spa) with a minimum share capital of DZD 1 million, requiring a minimum of seven (07) shareholders
- Limited Liability Company (Société à Responsabilité Limitée – Sarl), with no minimum share capital, with the possibility to consider industry intake
- Sole Partner Limited Liability Company (Entreprise Unipersonnelle à Responsabilité Limitée.) with no minimum share capital
- Limited Partnership (Société en Commandite par actions), with a minimum share capital of DZD 1 million

Start-Up Label:

In order to qualify for the start-up label, companies must meet the following conditions:

- The share capital must be held at least 50% by individuals, approved investment funds or other companies with the start-up label
- Its growth potential must be sufficiently high
- The company should not have more than 250 employees

Permanent Establishments:

Foreign companies may set up a Permanent Establishment, when they perform a construction contract, or when they fall under the provisions of a tax treaty, which extends the same tax system applicable to local companies. Permanent Establishments can enjoy a business presence in Algeria as long as the foreign company has a valid ongoing contract with a client established in Algeria. The existence of a Permanent Establishment enables the foreign contractor to contract with third parties, including employees and to open bank accounts.

Representative Office:

This kind of presence is restricted to the representation activity, as representative offices of foreign companies (Bureaux de liaison) can only have a presence to prospect the Algerian market, liaising with potential and existing clients but with no right to

Employment Affairs

Work Permits:

The temporary work authorization (for a period of less than three months) or the work permit allow the applicant to carry out a specific salaried activity for a given period of time with a single employer.

Social Security:

Companies performing an activity related to the construction sector, civil works and hydraulic works are also required to contribute to a special fund (CACOBATPH) to cover vacation paid. In November 2019, the minimum wage was increased to MUR 10,200 (approx. USD \$284). Workers' rights are protected under the 2019 Workers' Rights Act.

Employers contribute to this fund at the rate of 12.21% for the vacation paid, with an additional contribution at the rate of 0.75% shared by half between the employee and the employer, to cover the paid days for interruption of works under bad weather conditions.

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