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Sciences

## **BUSINESS TAXATION COURSE**

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## **Introduction:**

Taxes constitute an important source of state revenue. Therefore, imposing various taxes and fees enables the state to cover the burden of public spending and achieve the public interest.

Due to the significance of taxes, this publication is designed to familiarize students with various fundamental concepts regarding taxation, its elements, legislation, regulations, and procedures, as well as the techniques related to calculating different types of taxes and fees imposed on taxpayers, whether individuals or legal entities, according to Algerian tax laws.

This publication includes several lectures aligned with the ministerial program. Based on this, the publication is divided into five main axes:

1. Introduction to taxation: This section allows distinguishing between the following terms: tax, fee, and other deductions. It covers understanding the rules and objectives of taxation, as well as the classification of taxes.

The remaining four chapters enable students to:

2. Understand the most important taxes and fees imposed on businesses, such as Corporate Income Tax (IBS), Global Income Tax (IRG), Value Added Tax (TVA), and Professional Activity Tax (TAP).
3. Study the most important deductions and exemptions applied to various types of taxes.
4. Identify the rates applied to different types of taxes.
5. Calculate various taxes and fees applicable to individuals

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# Chapter One

## Introduction to Taxation



In this section, we will familiarize ourselves with the fundamental concepts of taxation as an introduction, laying the groundwork for the subsequent chapters. This will be achieved through the following elements:

First: The Concept of Taxation and Its Characteristics

1. **Definition of Tax:** There are several definitions of tax, including:

- "Tax is a financial contribution imposed on taxpayers based on their contributory capacities. The authority, by means of compulsion, transforms the collected funds, ultimately and without specific consideration, towards achieving specific objectives set by the public authority."
- "A mandatory cash deduction imposed by the state, paid by the taxpayer without any specific return, for the benefit of local communities (state and its local authorities) to achieve the public interest."
- "Tax is a financial obligation paid by an individual to the state or one of its local public entities, conclusively, as a contribution to bearing public costs and burdens without any specific private benefit in return for paying the tax."

In a comprehensive definition, tax can be described as "a financial obligation, compulsorily collected by the state or its representative, conclusively and without specific private benefit. It is imposed by the state according to the contributory capacity of the taxpayer and used to cover public expenses."

2. **Characteristics of Tax:** Based on the above definitions, we can summarize the characteristics of tax as follows:

- Tax is mandatory and conclusive: The imposition and payment of taxes are acts of public authority, and tax collection is compulsory.
- Taxation is determined unilaterally by the state: The state has the exclusive authority to establish the legal framework for taxation, determining the tax base, rate, taxpayer obligations, and the method of collection. Taxation does not result from an agreement between the state and the taxpayer.

It also results from basing taxation on compulsion that when the taxpayer refrains from paying it, the state resorts to coercive enforcement methods for its collection. The element of compulsion that taxation relies on distinguishes it from what individuals pay as a price for purchasing services sold by public projects. It also distinguishes it from optional loans provided by others to the state voluntarily.

2-2 - Taxation is a Financial Obligation: It means that the taxpayer pays it in cash, not in kind.

In ancient times, taxes were often paid in kind, where individuals committed to providing a specific service (known as *corvée*) or delivering goods or a portion of the harvest. It is evident that the in-kind tax system suits barter economies, which rely on in-kind exchange and have limited use of money. In contemporary societies based on cash economies, in-kind taxes are

not applicable, and cash taxes constitute the general basis of taxation, as they are the most suitable form for a cash economy and modern financial systems.

-3-2 Tax Without Return: This means that the taxpayer pays the tax without receiving a specific personal benefit in return. It does not imply that the taxpayer does not benefit from it; on the contrary, the taxpayer benefits as a member of the community from the expenditure of the tax revenue on public facilities.

4-2 - Achieving Public Benefit: As mentioned earlier, the state does not impose taxes in exchange for a specific benefit provided to the taxpayer. Additionally, the purpose of taxation is to achieve a public benefit.

Secondly : Definition of Fee and Its Characteristics:

-1 Definition of Fee: A fee is a cash amount compulsorily deducted by the state, one of its local authorities, or its administrative organizations from individuals. It is in exchange for a specific benefit received by individuals for the fee, along with a public benefit that accrues to all members of society.

2- Characteristics of Fees: From the above, a set of characteristics can be extracted, including:

- Fees are collected by the state, relying on its various institutions.
- Fees are collected in the form of cash amounts.
- Fees are paid compulsorily as soon as an individual requests a service from the state and obtains it.

- Fees are paid in exchange for a specific service received by the individual, in addition to achieving a public benefit.

**Third: Basic Principles of Taxation** The principles that govern taxation refer to a set of rules and foundations that the entity must follow and consider when establishing the foundations of the tax system. These principles have dual benefits and can be summarized as follows:

1. **Equality or Justice Principle:** Adam Smith's concept of the justice principle suggests that each member of the community should contribute to bearing the burdens of the state according to their relative ability. The idea of relative ability as the basis for taxation goes back to Jean-Baptiste Say, who based it on three criteria: wealth, income, and net income.

This relative ability of taxpayers has been defined in terms of the income they possess under the protection of the state. Members of the community contribute to public burdens proportionally to their income. Starting from the 18th and 19th centuries, both in England and France, thinkers such as Adam Smith and Jean-Baptiste Say saw the necessity of proportionality between taxation and income. This is because the service received by the taxpayer increases with the growth of income. Additionally, modern financial thought has leaned towards the idea that progressive taxation achieves tax justice. Progressive taxation allows contributors to share public burdens according to their ability to bear them.

Thus, the idea of tax justice was not universally agreed upon among financial thinkers. Some believed that proportional taxation alone achieves tax justice. Furthermore, modern financial thought has shifted towards the belief that progressive taxation achieves tax justice because it allows contributors to share public burdens according to their ability to bear them. The concept of tax justice was not universally agreed upon among financial thinkers, and it was not until later that it became associated with progressive taxation as the means to achieve fairness in tax sacrifice.

And it's worth noting that the idea of justice in modern financial thought is not limited to progressive taxation alone. It also requires financial exemptions to address personal considerations, acknowledgment of certain deductions for debts, and costs necessary for income.

-2 **Principle of Certainty:** This principle requires that the taxpayer be fully aware of the payment deadlines, methods, and the required amount so that they can understand their rights and obligations. The state should provide sufficient information to all taxpayers and ensure the clarity and stability of tax laws as much as possible. Excessive amendments and disruptions burden the taxpayer and erode trust in the administration. Trust plays a crucial role in all tax systems, and its absence often leads taxpayers to tax evasion. However, the application of the certainty principle remains relative in developing countries compared to advanced ones.

**3- Principle of Proportionality in Payment:** This principle emphasizes the need for collection deadlines and procedures to be suitable for the taxpayer to avoid overburdening them. The time when the taxpayer receives their income is most suitable for paying taxes imposed on work earnings or value-added income. The installment of taxes in spaced payments makes it easier for the taxpayer to pay with the least possible sacrifice.

The concept of suitability is relative in indirect taxes since the consumer may bear some of the unsuitability. However, this depends on their freedom to purchase goods subject to this tax.

**4- Principle of Economic Efficiency in Taxation:** This principle, as defined by Adam Smith, necessitates efficiency in tax collection expenses. Each tax should be organized so that what it takes from the taxpayers does not exceed what is received by the public treasury except with the least possible amount. Typically, taxes are collected from taxpayers in an amount that far exceeds what goes to the public treasury if the collection requires a large number of employees. Their salaries consume a significant portion of the revenue, meaning that employing these workers constitutes an additional tax on the individuals subject to taxation.

#### **Fourth: Types of Taxes**

##### **1. Single Tax and Multiple Taxes:**

- **Single Tax:** Imposing a single tax on real estate ownership is considered.

Some view this tax as imposed on the net income of real estate, which is the basis for creating any wealth. It is characterized by simplicity in its organization and collection. However, it is criticized for not being the fertile resource available to achieve economic and social goals.

- **Multiple Taxes:** The tax structure includes various types of taxes, imposing taxes on different vessels and varying burdens to achieve tax justice. This means it can compensate for shortcomings in one source by increasing another. The diversity of taxes can create complexity for the taxpayer, making it difficult to evade all types of taxes. Most countries use this system.

## 2. **Direct Taxes and Indirect Taxes:**

- **Direct Taxes:** Direct taxes involve the direct deduction of a financial amount from individuals or properties. They are collected directly from the taxpayer, relying on nominal lists. The person responsible for the tax pays it directly to the general treasury, and the entire burden shifts entirely. Direct taxes include:
  - **Income Tax:** Imposed on various sources of income, such as capital, personal work, and professional or business activities. Each source contributes to the total income, and each type of income has its specific name.

- **Capital Gains Tax:** Imposed on capital that individuals own, whether material, financial, or real estate. It directly moves the entire tax burden to the taxpayer.
- **Indirect Taxes:** Indirect taxes involve the financial value being indirectly transferred from the taxpayer to the general treasury. These taxes are typically passed on to another person, and their burden can be shared among different individuals. Indirect taxes include:
  - **Value Added Tax (VAT):** Imposed on the value added to a product or service at each stage of its production or distribution.
  - **Customs Duties:** Taxes imposed on imported or exported goods. The burden can be passed on to consumers through higher prices.
  - **Excise Tax:** Applied to specific goods, such as tobacco or alcohol, at the point of manufacture or sale.

### **Indirect Consumption Tax:**

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- This is the first type of indirect taxes. It is imposed on the consumption of goods and services. It involves spending on something or using services subject to taxation. There are two types of indirect consumption taxes:



- **Specific Consumption Tax:** Imposed on the consumption of specific services and goods such as electricity, transportation fees, internet services, petroleum derivatives, etc.
  - **Sales Tax:** Imposed on all products during their trading or sale. It is usually applied at each stage of product trading, accumulating at each stage until it reaches the final consumer.
  
- **Taxes on Trading:**
  - These are taxes imposed when properties and wealth are transferred from one person to another. Types of taxes on trading include:
    - **Registration Tax:** Imposed when transferring ownership of something from one person to another.
    - **Stamp Duty:** A tax on financial transactions involving the transfer of money from one person to another. It is also known as consumption tax.
  
- **Relative Taxes and Progressive Taxes:**
  - **Relative Taxes:** These taxes are imposed on income or wealth at a fixed percentage or a specific rate that remains constant regardless of the value it is imposed on. They are straightforward and easy to apply but are criticized for

their lack of fairness, particularly in countries with significant income disparities.

- **Progressive Taxes:** Progressive taxes are those where the tax rate increases as the taxable amount increases. The aim is to distribute the tax burden more fairly by taxing higher incomes at higher rates. This system is considered more just as it aligns with the ability-to-pay principle. It can help alleviate the burden on lower-income individuals while collecting a more significant portion from those with higher incomes.

**Definition:** Progressive taxes, as defined by Dr. Atef Sedky in his book "Principles of Public Finance," are taxes whose rate changes with the change in the value of the subject matter. In other words, the tax rate increases with an increase in the taxable amount.

**Advantages:** Progressive taxes are seen as achieving tax justice to a greater extent compared to relative taxes. Each taxpayer pays a proportionate amount based on their income, unlike relative taxes where the burden is higher for lower-income individuals. Progressive taxes also consider economic and social considerations, potentially reducing class disparities in society. However, critics argue that they may reduce the incentive for individuals to accumulate capital due to higher tax rates.

**Property Taxes and Personal Taxes:**

- **Property Taxes (Real Taxes):** These taxes are related to tangible items like money.

Real taxes focus on money as the subject without considering the owner's personality.

They are economically driven, with no consideration for the individual's financial situation. Examples include property tax and registration rights. Real taxes can be applied to several individuals paying the same tax on the same tax base. They are easy to implement and have a substantial revenue yield as they focus on money alone.

- **Personal Taxes:** Personal taxes also focus on money as the tax base but consider the individual's personal, social, and economic circumstances. Personal taxes are more mindful of the tax justice principles, taking into account the conditions of the taxpayer. Examples of personal taxes include income tax, which considers the taxpayer's income and other factors, making it more flexible and just.

**International Economic Dependence:** Developing countries aim to reduce external dependence by relying on taxes to finance economic development. This helps decrease reliance on external funding and minimizes the risks associated with foreign borrowing, safeguarding the sovereignty of borrowing countries

**Reduction of External Financing:** Increased reliance on tax contributions for economic development reduces dependence on external financing. The strategy involves relying on taxes to boost domestic resources, thus reducing the need for external financial support.

**Algeria's Experience:** Algeria, as a developing nation, has actively increased its tax revenues since 1969. This shift aimed to enhance financial independence and reduce reliance on external financing. The country's tax revenues now constitute approximately 40% of state revenues.

### **Economic Objectives of Taxes:**

- **Economic Balance:** Taxes contribute to achieving economic balance by controlling the value of taxes in line with the prevailing economic conditions. This involves assessing the economic impact of taxes and adjusting them accordingly to maintain fiscal equilibrium.
- **Economic Impact of Taxes:** Taxes can have a general or selective impact on different economic sectors. In terms of the general impact, taxes help redirect surplus purchasing power towards the public sector through careful fiscal management.
- **Selective Impact:** Taxes can also have a selective impact on specific economic sectors, influencing consumer behavior and investment patterns. For example, taxes may be used to encourage or discourage specific activities, contributing to economic goals.

### **Combatting Inflation and Selective Taxation:**

- Governments may strategically use taxation to combat inflation. This falls under the framework of contingency tax policy. This policy was defined through tax reforms in

Algeria in 1990. In certain cases, taxes are selectively applied to encourage specific economic sectors, such as the housing sector.

- **Selective Nature of Taxation:** The selective nature of taxation can go beyond simply incentivizing economic sectors. It may involve more specialized targeting, where the goal is not just to stimulate one sector at the expense of another.

### **Economic Impacts of Taxes:**

1. **Impact on Production:** Taxes can lead to an increase in production costs, reducing competitiveness and profits or causing losses.
2. **Impact on Consumption and Savings:** Taxes can reduce available income, leading to decreased consumption and savings. They can also influence consumption patterns and incentivize savings.
3. **Impact on Investment:** Taxes can either stimulate or reduce the volume of investment, influencing investment patterns.

### **Social Objectives of Taxes:**

- Taxes contribute to stabilizing general income, supporting various population segments, especially those with limited income. This aims to assist them in their daily and monthly expenses, providing financial support to the poor.

- The social objectives of taxes also involve using taxation to redistribute national income in favor of low-income groups. This helps reduce social inequalities and eliminate class distinctions in society.
- Additionally, taxes are used to maintain the possibility of producing certain widely consumed goods, such as milk and bread, or combat the consumption of harmful goods, such as tobacco. These tax measures effectively contribute to achieving a form of social justice.
- **Political Objectives of Taxes:**
- Taxes are used to achieve political objectives, sometimes favoring one class over another. For example, tax exemptions may be granted to institutions like ANSEJ and CNAC, or taxes may be adjusted to facilitate or restrict trade with specific countries by raising or lowering customs duties on imports.
- The objectives of taxation go beyond providing necessary resources for the state treasury or influencing social and economic conditions. The impact of taxes extends to the political situation in countries and political systems.
- There are both internal (domestic) and external (foreign) objectives of taxation.

### **Internal Objectives:**

Internally, taxes are considered a tool in the hands of the ruling authority or influential social forces controlling the mechanisms of governance. Taxes serve as an important means to protect the interests of these controlling forces at the expense of other

**External Objectives:**

- Externally, taxes are considered a tool used by a state or authority to facilitate trade with other countries. This is achieved by providing customs facilitations, such as exemptions and tax privileges. Taxes can also be used to limit or boycott the products of other countries, for example, by raising customs duties.

# **Chapter Two:**

# **Income Tax**



## **Section One: Definition and Characteristics of General Income Tax**

### ***1. Definition of General Income Tax and Its Characteristics:***

The Algerian legislator defines general income tax in the first article of the Direct Taxes and Similar Duties Law as follows: "A single annual tax is levied on the income of natural persons called general income tax. This tax is imposed on the net total income of the taxpayer."

Characteristics of general income tax include:

- **Annual Tax:** It is imposed annually on the earnings generated throughout the year, with an exception for salaried individuals subject to a monthly tax scale.
- **Single Tax:** Imposed once on the total net income for specified income categories.
- **Applied to Natural Persons Only:** Applicable exclusively to individuals.
- **Progressive Tax:** Calculated based on a progressive table, with an exception for income subject to withholding tax, which follows a fixed rate.
- **Personal Tax:** Takes into account the personal situation of the taxpayer.

- **Declaration Tax:** Depends on the taxpayer's declaration, as individuals subject to income tax must submit a declaration before April 1st of each year to the tax inspectorate, disclosing their total income.

## **Section Two: Individuals Subject to General Income Tax**

### ***1. Individuals Subject to Income Tax:***

Those subject to income tax include individuals with their tax residence in Algeria and those with income from an Algerian source. The tax residence is considered to be in Algeria for:

- Individuals who own, benefit from, or lease a residence in Algeria.
- Individuals with their main residence or the center of their primary interests in Algeria.
- Individuals engaging in a professional activity in Algeria, whether self-employed or not.

This section outlines the criteria for tax residence and emphasizes that the tax is applicable to all sources of income, ensuring comprehensive coverage within the Algerian jurisdiction.

### ***2. Specific Cases for Tax Residence:***

- Individuals owning or benefiting from a residence in Algeria, whether as owners, beneficiaries, or renters, are subject to tax.

- Individuals with their main residence or the center of their primary interests in Algeria are considered tax residents.
- Individuals conducting a professional activity in Algeria, regardless of being self-employed or not, are also considered tax residents.

### **Third: Exemptions and Deductions for General Income Tax:**

#### *1. Exemptions:*

- **Industrial and Commercial Profits Exemption:** According to Article 13 of the Tax Law, the following activities benefit from a complete exemption from general income tax for a period of three years from the start of operation:
  - Activities conducted by youth with qualified projects eligible for support from the National Fund for Youth Employment or the National Microcredit Support Fund.
  - The exemption period extends to six years if these activities are carried out in areas requiring development, as determined by regulations.
- **Extension of Exemption Period:** The exemption period is extended by two years when investors commit to employing at least three workers indefinitely. Failure to meet employment commitments results in the withdrawal of accreditation and the demand for due rights and fees.

- **Special Areas Exemption:** Activities conducted by youth with qualified projects eligible for support from the National Fund for Youth Employment, the National Unemployment Insurance Fund, or the National Microcredit Support Fund in areas benefiting from the Special Fund for the Development of Southern Regions enjoy an extended exemption period of ten years from the start of operation.
  
- **Traditional Crafts and Artisan Activities Exemption:** Traditional craftsmen and those engaged in artistic craft activities benefit from a complete exemption from general income tax for ten years.
  
- **Permanent Exemption:** Permanent exemptions from general income tax include:
  - Profits of establishments belonging to associations for disabled persons and related structures.
  
  - Revenues generated by theatrical teams.
  
  - Incomes from activities related to natural milk consumption as is.

These exemptions aim to encourage specific sectors, such as youth entrepreneurship and traditional crafts, contributing to economic development and social welfare.

## *2. Deductions:*

Deductions from general income tax include:

- **Deduction for Family Responsibilities:** Taxpayers can benefit from a deduction for family responsibilities, which considers the number of dependents and their situation.
- **Deduction for Dependents with Disabilities:** Additional deductions are provided for dependents with disabilities.

#### **Exclusions from the General Income Tax Base:**

- Amounts received in the form of fees and rights for literary, scientific, artistic, or cinematographic works for the benefit of artists, authors, musicians, and inventors are exempt from the general income tax.

#### **Deductions:**

- A deduction of 35% of the profit derived from the bakery activity.
- A deduction of 25% of the profit for individuals who are members of the National Liberation Army or the civil organization of the National Liberation Front and widows of martyrs, applicable in the first two years of starting the activity.
- A deduction of 30% on reinvested profits.

#### **Categories Subject to General Income Tax:**

1. **Industrial and Commercial Profits:** This includes the total profits earned by natural persons engaged in commercial, industrial, or artisanal professions and profits from mining activities.

2. **Profits from Non-Commercial Professions:** Refers to individuals practicing a profession or activity where personal production, knowledge, skill, art, or expertise is prominent. This category includes professions like doctors, court experts, lawyers, etc.

### 3) Agricultural Income:

a) **Definition of Agricultural Revenue:** According to the provisions of Article 35 of the Tax Code, agricultural revenues are considered those derived from agricultural activities and livestock farming. This includes profits from poultry farming, beekeeping, oyster farming, sea figs, rabbits, and the exploitation of fungi in underground caves.

However, poultry and rabbit farming activities are considered agricultural revenues only if:

- They are practiced by a farmer on his farm.
- They do not have an industrial character.

If these conditions are not met, the proceeds from poultry and rabbit farming are subject to the provisions of Article 125 of the Tax Code, and, when necessary, the activity's industrial nature is determined by regulation.

b) **Exemptions:** According to Article 36 of the Tax Code:

- Profits from growing grains, legumes, and the cultivation of certain crops are exempt from general income tax.

- Agricultural and animal husbandry activities in newly reclaimed lands and mountainous regions are exempt from general income tax for ten years from the start of their activities. The specific mountainous areas will be defined by regulation.
- Permanent exemption from general income tax is granted for revenues related to natural milk consumption.

**Note on Determining the Tax Base for Agricultural Income:** The tax base is calculated as follows:

$$\text{Tax Base} = (\text{Average Price per Hectare} - \text{Costs per Hectare}) \times \text{Area}$$

#### **4) Category of Revenues from Real Estate Leases:**

a) **Definition of Real Estate Revenues:** In accordance with Article 42 of the Tax Code:

- Revenues from renting built or unbuilt properties, as well as the leasing of all commercial or industrial premises unequipped with their equipment, fall under the category of real estate revenues.

**Note:** The provided text might be complex or contain specific legal and financial terms. If you have further questions or need clarification on specific points, feel free to ask

#### **Taxation on Real Estate Leases and Capital Gains:**

1. **Tax Base for Bare Lease Contracts:** The tax base for bare lease contracts consists of the determined summary value based on the local market or according to the established standards through regulation.
  
2. **Classification in the Category of Real Estate Leases:** Real estate lease category includes revenues from leasing unbuilt properties of various types, including agricultural lands.
  
3. **Taxation of Civil Leases:** Revenues from leasing residential real estate are subject to income tax at the following rates:
  - 7% exempt from tax for revenues from leasing properties with a communal character.
  - 10% exempt from tax for revenues from leasing individual residential properties.
  - 15% exempt from tax for revenues from leasing commercial or professional premises.

This rate also applies to contracts concluded with companies.

The due tax amount must be paid to the tax collector within 30 days from the date of rent collection. The tax is due on the first day of each month if the contract does not specify agreed-upon deadlines. This rule applies even if the tenant does not pay the rent on time.

In the case of early termination of the contract, the landlord can request a refund of the tax for the remaining period, provided that the tenant justifies the refund by returning the collected rent for the unfinished period.



b) **Distribution of Tax Proceeds for Real Estate Leases:** According to Article 42 of the Tax Code:

- 50% of the tax proceeds for real estate leases go to the state budget.
- 50% of the tax proceeds for real estate leases go to the municipal budget.

c) **Obligations:** According to Article 44 of the Tax Code: Taxpayers receiving income from real estate leases are required to submit a special declaration to the tax inspector at the location of the leased property before February 1st of each year.

#### 5. **Revenues from Capital Transfers:**

a) **Definition of Revenues from Capital Transfers:** Revenues from capital transfers refer to the incomes, benefits, or revenues obtained by the taxpayer through profits from capital transfers. Taxpayers receiving such incomes are required to declare and specify the types of these incomes.

b) **Category of Revenues from Stocks or Company Shares:** According to Article 45 of the Tax Code: Revenues from stocks, company shares, and similar incomes are distributed by:

- Joint-stock companies under commercial law.
- Limited liability companies.
- Civil companies adopting the form of a joint-stock company.

- Personal companies and joint-stock companies that have chosen the tax system for capital gains

## **b) Revenues from Debts, Deposits, and Guarantees:**

1. **Definition of Taxable Revenues:** Revenues from debts, deposits, and guarantees include interests and amounts due from income and all other accruals, including:

- Outstanding mortgages, whether preferred or ordinary, and debts represented by stocks and publicly tradable bonds, excluding any commercial transaction that does not have the legal character of a loan.
- Financial deposits on demand or for a specified period, regardless of the depositor and the purpose of the deposit.
- Cash guarantees.
- Current accounts.
- Fund bonds.

## **6) Category of Salaries, Wages, Allowances, and Age Benefits:**

**a) Determination of Taxable Incomes:** Salaries and wages are a category of taxable income (the category of wages and salaries) subject to income tax. This tax is deducted at the source,

where the employer is required to deduct it from the wages of employees in his institution and pay it to the tax authority.

### **General Concepts about Wages:**

1. **Wage:** It is the consideration paid by an employer to a worker for work or service provided within an individual contract or collective agreement.
2. **Salary:** It is a term used for the remuneration of public sector workers and does not differ in substance and content from the term "wage."
3. **Allowance:** It is the cash amount paid to the worker in addition to their regular wage as compensation for extra effort and encouragement for additional effort (performance allowance).
4. **Compensations:** These are granted to the worker as compensation for the working conditions and the costs of practicing the profession (dust, dirt, etc.).
5. **Pension:** It is a cash amount paid to a specific person after their retirement.

### **Secondly: Elements of Salary:**

1. **Base Salary:** It is the salary paid to the worker based on their professional qualifications and the position they hold.
2. **Professional Experience Compensation:** This compensation is granted to reward work experience, usually calculated as a percentage of the base salary for each year.

3. **Permanent Work Compensation:** Granted to workers for whom leaving their job during working hours is difficult. It is also given to workers on shift duty as a percentage of the base salary.
4. **Compensation for Damage:** Given to workers as compensation for working conditions that may pose health risks.
5. **Individual Performance Bonus:** A bonus awarded for individual efforts, calculated based on the worker's performance rating given by their direct supervisor. It is typically a percentage of the base salary.
6. **Collective Performance Bonus:** Awarded for collective efforts of workers and is usually linked to the percentage of goals achieved in the established program.
7. **Geographical Area Allowance:** This allowance applies to workers or employees working in specific regions (defined by regulation) with challenging natural conditions, such as in the south.
8. **Basket (Meal) Allowance:** Given to workers who are not provided with meals by the institution.
9. **Transportation Allowance:** Given to workers as compensation for daily commuting expenses.
10. **Overtime Compensation:** According to labor law, enterprises can request workers to perform additional hours beyond the legal working period.

**11. Task and Travel Allowances:** Workers often perform tasks away from their usual workplaces and may incur costs (transportation, food, accommodation), and it is the responsibility of the institution to pay these allowances.

**12. Family-oriented Allowances:**

- **Sole Breadwinner Allowance:** Granted in cases where one spouse is not engaged in any activity.
- **Family Grants:** Given to children under 18 years old or 26 years old if they are confirmed to be pursuing studies, with an amount of 300 DZD.

**Thirdly: Determining Incomes Subject to Tax:** Taxable income includes:

1. **Main Salaries (Wages and Salaries)**

2) **Additional Compensation (Allowances, Bonuses, etc.):**

3) **In-Kind Benefits (Food, Housing, Lighting, etc.) provided to the Employee:**

In addition, the following are considered wages:

1. Incomes paid to partners and managers of limited liability companies, partners in personal companies, civil professional companies, and members of joint-stock companies.
2. Amounts received by individuals working individually in their homes for others, against their work.

3. Compensation, payments, and discretionary allocations paid to company directors for their expenses.
4. Periodic bonuses for non-monthly periods, usually arising from occasional intellectual activities performed by employees.
5. Amounts paid to individuals who, in addition to their main activity, engage in teaching, research, monitoring, or work as temporary assistant professors. Also, bonuses resulting from incidental intellectual activities.

**Fourthly: Elements Excluded from Taxable Income:**

1. Compensation granted for travel or mission expenses.
2. Geographical area allowances.
3. Family-oriented benefits such as sole breadwinner allowance, family grants, maternity benefits.
4. In-kind benefits related to meals and housing for employees and areas requiring upgrading.

**B - Tax Exemption:**

Exemption from tax is granted to:

- a) Foreign nationals working in Algeria under international agreements for assistance without compensation.
- b) Foreign nationals working in central supply warehouses,

whose customs system is established by Article 196 of the Customs Law. c) Wages and other benefits paid under youth employment programs, according to specified conditions through regulation. d) Disabled workers, whether physically, mentally, visually impaired, or deaf-mute, whose wages or pensions are less than twenty thousand Algerian Dinars (30,000 DZD) monthly. This also applies to retired workers whose pensions in the general system are below this.

b) Humma (Willingness):

Compensations allocated for travel expenses, geographical area compensations, and social legislation allowances such as family-oriented benefits, including sole breadwinner allowance, family grants, and maternity benefits.

c) Compensation Deductions:

Temporary compensations, grants, and age-related benefits paid to victims of work accidents or their dependents.

d) Unemployment Benefits and Compensation:

Unemployment benefits, compensation, and grants paid in any form by the state, local authorities, and public institutions in accordance with laws and decrees related to assistance and insurance.

e) Age-Related Benefits as Compensation for Damages:

Age-related benefits paid as compensation for damages under a court ruling for bodily harm resulting in permanent total disability, compelling the victim to seek assistance from others to perform ordinary life activities.

f) Benefits for Veterans, Widows, and Heirs of the National Liberation War:

Pensions paid to veterans and the widows and heirs due to events of the National Liberation War.

g) Pensions Paid Compulsorily Following a Judicial Ruling:

Pensions paid compulsorily following a judicial ruling.

h) Severance Compensation:

**6. Surpluses in value resulting from relinquishing built and non-built properties:**

**A. Application Scope:**

Surpluses in value resulting from the relinquishment of built or non-built properties fall within the scope of income tax for the overall income. These surpluses are realized by individuals who relinquish properties or parts of built or non-built properties outside the scope of professional activity. However, certain components are not included in the taxable base:

- Surpluses in value realized when relinquishing an estate property for the purpose of settling a joint inheritance common to the parties involved.



- Surpluses in value realized when relinquishing a leased property by the lessor or lessee within the framework of a back lease contract.
- Relinquishments for consideration, gifts provided to relatives beyond the second degree. For the application of this article, relatives are considered to be non-relatives.

**B. Determining Taxable Surpluses in Value:**

Taxable surpluses in value consist of the positive difference between:

- The price of relinquishing the property.
- The acquisition price or construction value by the relinquisher.

and, in addition to that, the administration can, furthermore, evaluate the built or non-built properties based on their actual market value, within the framework of respecting the contradictory procedure stipulated in the provisions of Article 19 of the Algerian General Tax Code.

Surpluses in value resulting from relinquishing collective dwellings, which constitute the sole ownership and primary residence held for more than ten (10) years, are not subject to income tax.

**C. Payment and Collection of Taxable Amounts:**

Taxpayers who acquire value surpluses must calculate and pay the tax themselves on these realized surpluses within a period not exceeding thirty (30) days from the date of signing the sales contract. If the seller does not have a residence in Algeria, their legally authorized representative must settle and pay the tax.

The payment is made at the Tax Collector's office, where the property is located. The taxpayer receives a form from the tax administration, or it can be downloaded electronically.

**Calculation of Income Tax:**

Table No. (01): Progressive Tax Scale on Total Income.

Taxable Income Bracket	Tax Rate	difference	Dif*rate	cumulative tax
Does not exceed 120,000 DZD	0	-	0	-
From 120,001 DZD to 360,000 DZD	20	240000	48000	48000
From 360,001 DZD to 1,440,000 DZD	30	1080000	324000	372000
More than 1,440,000 DZD	35	-	-	-

Following the government's decision to cancel income tax for monthly wages equal to or less than 30,000 Algerian Dinar, there will be a recalculation of the income tax table issued in 2008 (2008 IRG bareme). The cancellation applies to up to 20% of the tax starting from June

2020. This allows all income categories to benefit from this reduction in income tax, as a measure to support the purchasing power of those with low income.

It's important to note that income tax is a direct deduction from the employee's salary, with rates ranging from 10% to 35%. It is paid monthly or quarterly by employers to the tax authorities.

Calculating the income tax table (2008 IRG bareme):

Income tax is not a fixed and simple percentage deducted from the monthly income like social contributions. Instead, it consists of progressive portions based on the amount of wages paid.

Each portion is subject to a specific escalating rate. The tax rates increase as the monthly income rises.

The income tax for the monthly salary can be calculated without referring to the income tax table (2008 IRG bareme) using the following progressive table:

Table No. (02): Monthly Progressive Tax Table for Salaries and Wages

The amount subject to income tax	Tax rate
From 01 DZD to 10,000 DZD	0 %
From 10,001 DZD to 30,000 DZD	20 %
From 30,001 DZD to 120,000 DZD	30 %

More than 120,000 DZD	35 %
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"The monthly installments subject to tax are as follows: • Income up to 10,000.00 DZD, tax rate is 0%. • Income from 10,001.00 DZD to 30,000.00 DZD, tax rate is 20%. • Income from 30,001.00 DZD to 120,000.00 DZD, tax rate is 30%. • Income over 120,000.00 DZD, tax rate is 35%.

Note: The individual subject to income tax is entitled to a reduction of 40% of the calculated tax, provided that the minimum reduction is 1000 DZD and the maximum is 1500 DZD. The reduction is calculated as follows:

- If the reduction amount exceeds 1500 DZD, the individual is entitled to a reduction of 1500 DZD.
- If the reduction amount is less than 1500 DZD, the individual is entitled to a reduction of 1000 DZD.

As for calculating the income tax table for 2020 after its cancellation for monthly salaries equal to or less than 30,000 Algerian Dinars, the same calculation method is used with the elimination of the first installment (0 to 10,000 DZD) and the second installment (10,001 DZD to 30,000 DZD).

Example: Let's say we have a gross monthly salary for a worker amounting to 83,000.00 DZD. The deduction for social security is 9%, which equals 7470 DZD. The taxable income is calculated as  $83000 - 7470 = 75530$  DZD.

Now, the income tax is calculated based on the 2008 tax table by dividing the income into parts and applying the corresponding rates:

1. First part of income (up to 10,000 DZD), tax is 0.
2. Second part of income (20,000 DZD), tax is 20% (4,000 DZD).
3. Third part of income (45530 DZD), tax is 30% (13659DZD).

The total tax is  $4,000 + 13659 = 17,659$ DZD."

Calculation of the reduction:  $17659 * 40\% = 7063.6$  (which is greater than the maximum limit of 1,500 DZD, so the reduction is applied as 1,500 DZD only).

Income tax after applying the reduction:  $17659 - 1,500 = 16159$  DZ

### **Application Exercises on Total Income Tax**

Exercise Number 01: A farmer owns several crops as detailed in the following table."

The nature of the farm.	AREA
Onions.	70 hectares.

Potatoes	55 hectares.
Peppers	25 hectares.

The costs applied per hectare for the year 2018 are as follows:

	Minimum Price,	Maximum Price	Average Price	Costs
Onions.	10500	15000	12250	8560
Potatoes	50800	75020	62910	49560
Peppers	320000	710000	515000	343200

Exercise 1:

1. Determine the tax base.
2. Calculate the income tax.

Exercise 2: Let's consider a livestock breeder owning the following animals:

- 200 local origin milking cows.
- 500 local origin rams.

Specify as follows:

Animal Type	Local Origin
Milking Cows	42500
Rams	11500

"The reduction rate is 60%.

Required 1: Determine the tax base?"

**Exercise 2:**

1. Calculate the taxable income?
2. Calculate the income tax for the category of commercial, industrial, or craft profits?

**Exercise 3:** A wholesale merchant declared the following information for the year 2019:

- Sales = 45,000,000 DZD
- Opening inventory = 1,500,000 DZD
- Purchases = 20,000,000 DZD
- Closing inventory = 10,000,000 DZD

1. Determine the taxable profit.

2. Calculate the income tax for the category of commercial, industrial, or craft profits.

**Exercise 4:** An investor made a profit of 3,000,000 DZD during the year 2020 and decided to reinvest 1,000,000 DZD.

1. Calculate the taxable G.R.I profit for the year 2020.
2. Calculate the advances and the balance of the settlement for the year 2020.

Note: Merchants achieved the following results for the years 2018 and 2019, respectively:

600,000 DZD (profit) and 400,000 DZD (loss).

**Exercise 5:**

A taxpayer engaged in income tax activities has the following activities:

1. As a partner in a solidarity company, he owns a 30% share. The company achieved a profit of 5,200,000 DZD and retained a legal reserve of 5%.
2. He also conducts a commercial activity selling children's clothing. For the year 2018, the opening inventory was 1,000,000 DZD, closing inventory was 2,000,000 DZD, and purchases were 6,000,000 DZD. The gross profit margin is 25%, and the net profit margin is 12%.

Calculate the amount of income tax.

**Exercise 6:**

A person receives a monthly wage composed of the following elements:



- Basic salary: 20,000 DZD
- Performance bonus: 10%
- Meal allowance: 200 DZD per day
- Transportation allowance: 100 DZD per day
- Single salary allowance: 600 DZD

Calculate the net wage received by this person.

**Exercise 7:**

An employee in a company is married and a father of 3 children. His basic salary is 40,000 DZD. He worked during the month of January 2020 without absence. The following additional information is available:

He worked extra hours during the month of January, totaling 20 hours at a rate of 400 DZD per hour.

Experience compensation: 20%, Performance bonus: 3,000 DZD, Marriage compensation: 300 DZD per day, Transportation compensation: 1,000 DZD, Single salary allowance: 600 DZD, Family allowances: 300 DZD per child.

Calculate the total income tax amount and the net wage.

**Solution to the first exercise:**

1. Determine the taxable base:

	Average price(1)	Costs(2)	Area/hectares (3)	The taxable base.(1-2)*3
Onions.	12250	8560	70	258300
Potatoes	62910	49560	55	734250
Peppers	515000	343200	25	4295000
The global taxable base				5 287 550

**(2) Calculate the tax (according to the progressive tax table).**

The taxable base.	the difference	rate	tax	the cumulative tax.
Does not exceed 120,000.	0	0	0	0
From 120,001 to 360,000 DZD.	240000	20%	48.000	48000
From 360,001 to 1,440,000 DZD.	1080000	30%	324.000	372.000
From 1440,001 to 5287,550 DZD.	3.847.550	35%	1.346.642.5	1,718,642.5

Income tax on the total income:  $(5,287,550 - 1,440,000) \times 35\% + 372,000 = 1,718,642.5$

DZD.

**Note:** Soft wheat is exempt from tax.

For income derived from breeding animals (sheep, cattle, goats), it must comply with the growth of these species and the tax base for income derived from them is calculated as follows:

"By multiplying the product of the average commercial value, as determined by the Tax Administration, by the number of animals, with a reduction of 60% applied."

Tax base = (Average commercial value - Reduction)  $\times$  (Number of animals for each category).

**Solution for Exercise 2:**

**1. Determining the Tax Base:**



**Solution for Exercise 4:**

**1. Calculating Taxable Profit for the General Income Tax (IRG) for the Year 2020:**

- Taxable Profit = Net Profit - Deduction Amount - Deferred Deficit
- Deduction Amount =  $1,000,000 \text{ DZD} \times 30\% = 300,000 \text{ DZD}$

- Deferred Deficit = 400,000 DZD
- Taxable Profit = 3,000,000 DZD - 300,000 DZD - 400,000 DZD = 2,300,000 DZD

## 2. Calculating Prepayments and Clearance Balance for the Year 2020:

- Prepayments are calculated based on the IRG for the year 2018 (which is 120,000 DZD) and the current year's IRG.
- IRG for the year 2020 = 372,000 DZD + 35% × (1,440,000 DZD - 2,300,000 DZD) = 673,000 DZD
- Prepayments: 673,000 DZD - 120,000 DZD = 553,000 DZD

## 3. Calculating the Definitive Tax for the Year 2020:

- Definitive Tax = IRG for the year 2020 - Prepayments
- Definitive Tax = 673,000 DZD - 553,000 DZD = 120,000 DZD

Therefore, the definitive tax for the year 2020 is 120,000 DZD.

## Advance Payments:

- **Advance Payment 02:** 120,000 DZD × 30% = 36,000 DZD
- **Total Advance Payments:** 72,000 DZD

- **Settlement Balance:** Income Tax Amount for the 2020 Total Income - Total Advance Payments

- Settlement Balance = 673,000 DZD - 72,000 DZD = 601,100 DZ

### **Solution for Exercise 5:**

#### **Exercise 5:**

#### **As a Partner: Calculating the Legal Reserve:**

- Legal Reserve = Gross Profit  $\times$  Legal Reserve Rate (5%)
  - Legal Reserve = 5,200,000 DZD  $\times$  5% = 260,000 DZD

#### **Net Profit After Deducting the Legal Reserve:**

- Net Profit After Deducting Legal Reserve = Gross Profit - Legal Reserve
  - Net Profit After Deducting Legal Reserve = 5,200,000 DZD - 260,000 DZD = 4,940,000 DZD

#### **Taxpayer's Share:**

- Taxpayer's Share = Net Profit After Deducting Legal Reserve  $\times$  Share Percentage (30%)

- Taxpayer's Share =  $4,940,000 \text{ DZD} \times 30\% = 1,482,000 \text{ DZD}$

**Calculating Consumptions:**

- Consumptions = Inventory 1 + Purchases - Inventory 2
- Consumptions =  $2,000,000 \text{ DZD} - 6,000,000 \text{ DZD} + 1,000,000 \text{ DZD} = 5,000,000 \text{ DZD}$

**Business Indicator:**

- Business Indicator =  $(\text{Gross Profit Margin} \times \text{Consumptions}) + \text{Consumptions}$
- Business Indicator =  $5,000,000 \text{ DZD} \times 1.25 = 6,250,000 \text{ DZD}$

Solution for Exercise Six:

Calculate the Income:

Income = Business Number  $\times$  Net Profit

Income =  $6,250,000 \times 12\% = 750,000 \text{ DZD}$

Calculate Total Income:

Total Income = Shareholder's Share + Income



$$\text{Total Income} = 1,482,000 + 750,000 = 2,232,000 \text{ DZD}$$

Calculate Income Tax (IRG):

$$\text{IRG} = \text{Taxable Income} \times \text{Tax Rate} + \text{Fixed Amount}$$

$$\text{IRG} = (1,440,000 - 2,232,000) \times 35\% + 372,000 = 649,200 \text{ DZD}$$

The individual's monthly income is below 30,000 DZD, and therefore, they are not subject to income tax.

### **Solution for Exercise Seven:**

#### **1. Calculate Gross Salary:**

- Gross Salary = Basic Salary + Additional Wages (Overtime Compensation, Productivity Bonuses, Experience Allowance)
- Gross Salary =  $40,000 + (20 \times 400) + 3,000 + (40,000 \times 20\%) = 59,000 \text{ DZD}$

#### **2. Calculate Total Salary:**

- Total Salary = Gross Salary + Compensations
- Total Salary =  $59,000 + (300 \times 22) + 1,000 = 66,600 \text{ DZD}$

#### **3. Calculate Social Security Contribution:**

- Social Security Contribution = Gross Salary  $\times$  9%

- Social Security Contribution =  $59,000 \times 9\% = 5,310$  DZD

#### 4. Calculate Taxable Income:

- Taxable Income = Total Salary - Social Security Contribution
- Taxable Income =  $66,600 - 5,310 = 61,290$  DZD

#### 5. Calculate Income Tax (IRG):

- IRG =  $(\text{Taxable Income} - 30,000) \times 4,000 + 30\%$
- IRG =  $(61,290 - 30,000) \times 4,000 + 30\% = 13,387$  DZD

**Conclusion:** The income tax on the total income is 13,387 DZD

**Note:** The taxpayer is eligible for a reduction of 40% of the calculated tax, provided that the minimum reduction is 1,000 DZD and the maximum is 1,500 DZD. The calculation is as follows: If the reduction amount is greater than 1,500 DZD, the taxpayer benefits from a reduction of 1,500 DZD.

#### Calculation:

1. If  $1,500 - 13,387 = 11,887$  DZD.

#### Salary Calculation:

- Gross Salary = Total Salary + Family Allowances
- Gross Salary =  $66,600 + (600 \times 3) = 68,100$  DZD

**Net Salary Calculation:**

- Net Salary = Gross Salary - Deductions (Social Security + Income Tax)
  - Net Salary = 68,100 - (5,310 + 11,887) = 50,903 DZD

**Conclusion:** The net salary, after deductions, is 50,903 DZD.

**The third section:**

**Corporate Income Tax**

The third chapter: Corporate Income Tax

First: Basic Concepts of Corporate Income Tax

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1. Definition and Characteristics of Corporate Income Tax

1.1 Definition of Corporate Income Tax: Corporate income tax is an annual tax on the total profits or income earned by corporations and other legal entities. Through this definition, it can be said that corporate income tax is a direct tax imposed on legal entities that have a residence in Algeria.

2.1 Characteristics of Corporate Income Tax:

- Single Tax: As it relates to a single tax imposed on legal entities.
- General Tax: Because it is imposed on the total profits without distinction for their nature.
- Annual Tax: Since its scope includes the profit of a single closed year.
- Proportional Tax: Because the tax base is subject to a single rate rather than a progressive schedule.
- Tax Based on the Taxpayer's Declaration: Through obligating them to submit an annual declaration, represented by the tax return, to the tax inspection or tax center, no later than April 30 of the year following the year in which the profit was earned.
- 
- Scope of Application of Corporate Income Tax Based on the texts of the Direct Tax Law and similar regulations, three cases can be distinguished to determine the scope of application of corporate income tax.

- The first case: Mandatory submission to corporate income tax Companies that are mandatorily subject to the corporate income tax system include:
- Commercial companies classified as capital companies, including joint-stock companies and limited liability companies.
- Civil companies formed in the form of shares.
- This provision lacks logic according to commercial law because civil companies formed in the form of shares are not recognized entities in commercial law
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- It is important to note that this translation is a literal one and may need further refinement depending on the context of the legal and tax terminology in use.

- TO

- **Vous**

- شركة أسهم تخضع إلى الضريبة على أرباح الشركات لأنها وفقا لأحكام القانون التجاري تعتبر شركة تجارية من جهة أخرى فإن مثل هذا الحكم يمكن أن يكون خطيرا . الشكل حتى ولو كان موضوع نشاطها غير تجاري لأن انتقال الشركة المدنية من نظام الضريبة على الدخل الإجمالي إلى نظام الضريبة على أرباح الشركات لا يتعلق فقط بإخضاع الأرباح التي حققها ولكن أيضا الحقوق المتصلة بالحصص والرسم على القيمة المضافة المؤسسات والهيئات العمومية ذات 3- . والرسوم المهنية أين تكون شروط الإعفاء غير مكتملة وغير متوافرة الطابع الصناعي والتجاري تخضع أيضا للضريبة على أرباح الشركات وبصفة وجوبية المؤسسات والهيئات ويعني ذلك . العمومية ذات الطابع الصناعي والتجاري، وهو ما يستفاد من المادة 136 / 2 من القانون الضريبي بحسب الفقه المؤسسات التي تهدف إلى تحقيق الربح ومثالها ديوان الترقية والتسيير العقاري، مؤسسة سونلغاز، الشركات التي تنجز العمليات المذكورة في المادة 12 من القانون الضريبي فبالرجوع إلى المادة - 4 . وغيرها الوساطة من أجل - : 12 من القانون الضريبي، فإن العمليات التالية تكتسي طابع الأرباح الصناعية والتجارية الاستفادة من وعد بالبيع من جانب - . شراء عقارات أو محلات تجارية أو بيعها أو شرائها باسمهم لإعادة بيعها تأجير مؤسسة تجارية أو صناعية بما فيها من - . واحد يتعلق بعقار ويقومون بالتنازل عن الاستفادة إلى الغير

. ممارسة نشاط الراسي عليه المناقصة وصاحب الامتياز ومستحق الحقوق البلدية - . عتاد وأثاث لازم لاستغلالها  
تحقيق إيرادات من استقلال الملاحات - . تحقيق أرباح من أنشطة تربية الدواجن عندما تكتسي طابعا صناعيا -  
فإذا ما قامت . مداخيل التجار الصيادين، ومجهزي السفن ومستغلي قوارب الصيد - . أو البحيرات المالحة  
translate to . الشركة بإنجاز أي من العمليات المذكورة أعلاه فإنها تخضع للضريبة على الأرباح الشركات  
english

- ChatGPT
- **ChatGPT**
- A joint-stock company is subject to corporate income tax because, according to the provisions of commercial law, it is considered a commercial company even if its activity is non-commercial. On the other hand, this ruling can have serious implications, as the transition of a civil company from the general income tax system to the corporate income tax system not only involves the taxation of the profits it has earned but also affects the rights related to shares, value-added tax, and professional fees, where the conditions for exemption are not met.
- Entities and public bodies with an industrial and commercial nature are also mandatorily subject to corporate income tax. This includes entities and public bodies with an industrial and commercial nature, as stipulated in Article 136/2 of the tax law. This encompasses institutions aimed at making a profit, such as the Promotion and Management Office, Sonelgaz, and others.



- Moreover, companies engaging in operations mentioned in Article 12 of the tax law fall under the category of industrial and commercial profits. These operations include intermediation for buying or selling real estate, leasing commercial or industrial entities, engaging in maritime or salt lake navigation, and deriving income from poultry farming with an industrial character, among others. If a company performs any of these operations, it is subject to corporate income tax.
  - Cooperative companies and their affiliated unions are also included in the scope of corporate income tax, as stated in Article 136/2 of the tax law. This expansion encompasses cooperative companies and their affiliated unions, excluding those referred to in Article 138 of the same law, which are the exempted companies or those subject to special regulations.
1. In the case of optional application of corporate income tax, companies that voluntarily

**Partnership Companies:**

- This refers to solidarity companies, simple recommendation companies, and joint venture companies. These types of commercial companies are initially subject to the general income tax system. However, they have the option to choose the corporate income tax system. In this case, the choice must be accompanied by the declaration specified in Article 151 of the tax law, and once the choice is made, it is irrevocable for the lifespan of the company.

2. **Civil Companies that are not Formed as Joint-Stock Companies:**

- Civil companies that have not been formed in the form of joint-stock companies can also opt to be subject to the corporate income tax system. This allows them to choose between the general income tax system and the corporate income tax system. The choice is made by submitting the required declaration as outlined in the tax law. Once the choice is made, it remains in effect for the duration of the company's existence.

Similarly, they too can choose to be subject to corporate income tax. In this case, the choice must be accompanied by the declaration specified in Article 151, and there is no turning back on this choice throughout the company's lifespan.

The optional application of corporate income tax can be advantageous for partnership companies that prefer it over the general income tax system. The significance of this choice lies in the amount of tax payments, as the corporate income tax is determined based on a specific percentage of the total net profits.

### **Third Case: Exemptions**

In order to encourage investment in specific regions and sectors, the legislator has introduced various exemptions and special regimes that apply to certain entities. These exemptions and special regimes are outlined in Article 138 of

the Direct Tax and Similar Levies Law. They can be categorized into permanent exemptions and temporary exemptions.

### **1. Permanent Exemptions:**

- Consumer cooperatives affiliated with public institutions and entities are exempt from corporate income tax.
- Institutions affiliated with approved associations for people with disabilities, as well as structures under their supervision, benefit from corporate income tax exemption.
- Revenues generated by theater activities performed by teams and devices.
- Agricultural cooperatives for banking and insurance operations, benefiting only their partners.
- Agricultural cooperatives for supply and purchase, as well as unions benefiting from the accreditation received by qualified services under the Ministry of Agriculture, excluding operations with non-partner users.
- Cooperative companies for the production, transformation, preservation, and sale of agricultural products, along with their accredited unions.
- Revenues generated from activities related to natural milk intended for consumption in its natural state.

### **2. Temporary Exemptions:**

- Activities carried out by qualified youth projects eligible for support from the National Fund for Youth Employment or the National Fund for Microcredit Support, or the National Fund for Unemployment Insurance, benefit from full exemption from corporate income tax for a period of three years from the start of operation.
- The exemption period is extended to six years if the activities are conducted in an area requiring development, starting from the date of commencement. This exemption period is extended by two years when investors commit to employing at least three workers indefinitely.
- When the young investor conducts activities within an area that needs development, and this area is specified by regulation, or outside these areas, the exempted profit from corporate income tax is uplifted translate to english.

#### **Calculation of the Exempt Profit Rate:**

The tax is calculated based on the ratio between the business figure achieved in the area that needs development and the total business figure.

Exempt Profit Rate Formula:

**Exempt Profit Rate= Exempted Business Figure / Total Business Figure**

If the activities conducted by young entrepreneurs qualify for support from the National Fund for Youth Employment, the National Fund for Unemployment Insurance, or the National Fund for Microcredit Support, and these activities are in an area benefiting from the fund for the development of regions, the exemption period is extended to 10 years from the start of operation.

Article 138/3 also stipulates that newly established tourist enterprises by national or foreign investors, excluding travel agencies, tourism agencies, and mixed economy companies operating in the tourism sector, benefit from exemption for a duration of 10 years.

As for Article 138/4, it concerns travel and tourism agencies, as well as hotel establishments. According to their share of business figures achieved in foreign currency, they are exempt from tax for a period of 3 years starting from the date of commencement of their activities.

Additionally, venture capital companies benefit from a tax exemption on corporate profits for a period of 5 years from the date of the start of their activities.

It can be observed that the legislator aims, through these exemptions, either to develop certain sectors of economic activity, such as establishing tourism enterprises, or to promote certain activities in specific locations, such as inland or southern regions.

These exemptions also aim to encourage the establishment of small and medium-sized

enterprises, particularly those supported by the state. While these enterprises may benefit from temporary exemptions, they contribute to providing more revenue for the treasury in the medium and long term. The success of these enterprises not only benefits the treasury but also contributes to overall economic development.

Secondly, determining corporate profit tax:

The profit subject to tax is the net profit determined based on the result of various operations, regardless of their nature, achieved by each entity. Determining the net profit means identifying the profit resulting from the difference between the revenues or proceeds generated by the company and the burdens it has incurred.

This element can be divided into two sub-parts: first, how to determine the net profit subject to tax, and second, calculating the corporate profit tax and how to pay it.

1. **Determining Net Profits:** The net profit refers to the net positive result that a company achieves during a complete fiscal year of its activity. This is calculated after deducting all the burdens and costs that the tax law allows the company to reduce or deduct, within the conditions specified by this law.
2. The profit subject to tax, or what is known as taxable profit, is not the gross profit that the institution achieves; rather, it is the net profit determined by taking into account deductible operational expenses. In other words:
3. Net Profit = Total Revenues – Total Costs

4. **Calculation of Corporate Profit Tax and Payment Methods:**
5. The calculation of corporate profit tax depends on the tax rates, and it varies based on the nature of the company's activities. The tax rate differs due to the value of profits and the nature of the business.
6. **Calculation of Corporate Profit Tax:** The calculation of corporate profit tax varies depending on the type of activity the company engages in. According to Article 150/1 of the Direct Taxation and Similar Duties Law, the tax rates are determined as follows:
  7. 19% for manufacturing activities.
  8. 23% for construction, public works, irrigation, tourism, and baths, excluding travel agencies.
  9. 26% for other activities.
10. Legal entities subject to corporate profit tax, engaging in multiple activities simultaneously, must provide separate accounting for these activities. This allows determining the share of profits for each activity applicable to the corporate profit tax rate.
11. For activities such as construction, public works, irrigation, and tourism, qualified for applying the 23% tax rate, an additional note is specified for activities recorded in the commercial register that require payment of sector-specific social contributions.

**12. Corporate Profit Tax Payment Systems:** The corporate profit tax is typically paid through the spontaneous payment system, also known as the automatic payment system, which is the primary system. However, there are other methods, such as the withholding tax system, considered as an exceptional system.

First: Automatic Payment System:

Corporate profit tax is automatically paid at the tax offices after the taxpayer calculates the tax amount without prior notice from the tax authority. This system involves three installments followed by a settlement installment representing the remaining balance of the due tax.

The tax installments are paid as follows:

**Table 3: Tax Installment Payment System**

advances	payment date
----------	--------------



<ul style="list-style-type: none"> <li>• First on April 30th of the following year as the final deadline.</li> </ul>	from February 20th to March 20th
:	
Second advance:	from May 20th to June 20th
Third advance:	from October 20th to November 20th
Settlement balance	on April 30th of the following year as the final deadline.

These advances are paid each fiscal year, where each advance represents 30% of the tax due on the profits of the last observed cycle. In the absence of a last cycle, we rely on 5% of the company's capital to calculate the advance amount.

Therefore, the advances are calculated as follows:

First Advance = Taxable Profit for Year (n-2) × Tax Rate × 30% Second Advance = 2 ×

[Taxable Profit for Year (n-1) × Tax Rate × 30% - Taxable Profit for Year (n-2) × Tax Rate ×

30%] Third Advance = Taxable Profit for Year (n-1) × Tax Rate × 30% Settlement Balance =

Profit for the Year (n) × (Tax Rate - Sum of the three advances paid)

Based on the above calculations, three cases can be observed:

1. In the first case, the total of provisional advances equals the tax amount. This is a rare case, and in this situation, there is no settlement balance.

2. In the second case, the total of provisional advances is less than the taxable profit, resulting in a positive settlement balance. The taxpayer needs to pay the difference between the tax amount and the advances made.
3. In the third case, the total of provisional advances exceeds the tax amount, leading to a negative settlement balance. In this scenario, the excess balance is either refunded in the next year's advance or deducted from the settlement balance for the following year.

For newly established companies, the advances are calculated based on 30% of the tax computed from a taxable profit assessed at a rate of 5% of the social capital required.

#### Secondly: Source Withholding System

The legislator stipulates that all incomes generated by foreign enterprises, as well as incomes from transferred securities, are subject to corporate profit tax under the source withholding system.

1. Withholding from incomes of foreign enterprises without a main office in Algeria:  
Algerian companies dealing with foreign companies in the services sector must withhold at the source, with a rate of 24%, at each payment. The withholding amount is then paid within 20 days from the month following the payment month to the Tax Collection Fund at the location of the transaction (representation office, agency, or the main headquarters of the foreign company).

2. Withholding from incomes of transferred capital: Incomes from transferred capital are divided into:

- Incomes from transferred securities: Debtors generating incomes from transferred securities must pay withholding for each payment they make. This is done within 20 days from the first day of the month following the payment month at the various Tax Collection Funds. It is important to note that if the primary profits are transferred for the benefit of the beneficiaries of transferred securities and their registered office is outside Algeria, the banking institutions must ensure that all tax obligations on civilians have been fulfilled beforehand. Additionally, the transfer file must be accompanied by a certificate issued by the Tax Collection Fund, confirming that the withholding has been completed.
- Incomes from rights, deposits, and guarantees: Loans, lending companies, and various debtors paying interest must withhold from the source under the corporate profit tax on the total amounts paid each month. The withholding amount is paid to the relevant Tax Collection Fund within 20 days from the first day of the month following the payment month

The deadline for payment is within twenty (20) days from the first day of the month following the payment month at the Tax Collection Fund where the taxable company is located under the corporate profit tax.

Companies subject to corporate profit tax must acquire a tax declaration represented by series number (04 04G) from the tax inspection office corresponding to the location of their main office. The declaration should include the taxable profit for the previous fiscal year and must be submitted before April 30 of the year following the year in which the taxable profit was generated.

Practical exercises on corporate profit taxes:

Exercise 1: A company subject to corporate profit tax, specialized in retailing non-VAT exempt children's clothing, reported its results for the following fiscal years:

- In 2017, it incurred a deficit of 900,000 DZD.
- In 2018, it achieved a net profit of 400,000 DZD.
- In 2019, it incurred a deficit of 200,000 DZD.
- In 2020, it conducted several sales operations amounting to 3,500,000 DZD, with consumables costing 1,100,000 DZD.

At the end of the fiscal year, the company took the closing balance and considered the following data:

- Rent for a commercial space specialized in advertising amounted to 50,000 DZD.
- Food and accommodation expenses allocated to its importers were initially set at 600,000 DZD, but the actual documented expenses did not exceed 400,000 DZD.

- Donated 2,000 DZD to a recognized charity association.
- Allocated depreciation installments for two tourist cars, the cost of the first one being 1,000,000 DZD without VAT, and the second one also without VAT, costing 800,000 DZD

Given that the VAT rate is 19%, and expenses related to professional activity subject to tax amount to 90,000 DZD, the exercise requires calculating the corporate profit tax considering the deficit.

**Exercise 2:**

Company X (EURL) recorded the following results during the year 2017:

statements	The amounts
Sales	42,500,000 DZD
Services Provided	2,500,000 DZD
Raw Materials	15,500,000 DZD
Employee Expenses	7,250,000 DZD
Taxes and Fees Paid	90,000 DZD
Financial Charges	250,000 DZD
Depreciation	1,500,000 DZD

The depreciation amount includes a value of 240,000 DZD, with an approved depreciation rate of 20%.

**1. Calculation of Accounting Profit for the year 2017:**

- Revenue: Sales + Provided Services = 42,500,000 + 2,500,000 = 45,000,000  
DZD
- Costs: Raw Materials + Employee Expenses + Financial Charges +  
Depreciation = 15,500,000 + 7,250,000 + 250,000 + 1,500,000 + 240,000 =  
24,740,000 DZD
- Accounting Profit = Revenue - Costs = 45,000,000 - 24,740,000 = 20,260,000  
DZD

**2. Calculation of Taxable Profit subject to Corporate Income Tax:**

- Taxable Profit = Accounting Profit - Depreciation = 20,260,000 - 240,000 =  
20,020,000 DZD

**3. Calculation of the Corporate Income Tax Due:**

- Tax Rate = 30% (as per the previous exercise)
- Tax Amount = Taxable Profit × Tax Rate = 20,020,000 × 30% = 6,006,000  
DZD

years	2015	2016	2017	2018	2019
Taxable	450000	650000	700000	900000	1000000
Profit					

Required: Fill in the following table after calculating the advances to be paid, along with the settlement balance, for the years 2015, 2016, 2017, 2018, 2019

	2015	2016	2017	2018	2019
First advance					
Second advance					
third advance					
Settlement balance					

"The corporate tax rate applied over the years is 26%.

### **Solution to Practical Exercises**

#### **Solution to Exercise 1:**

Gross Margin = Total Sales - Expenses

$$3,500\,000 - 1,100,000 = 2\,400\,000 \text{ DZD}$$

Net Operating Result = Gross Profit - Total Expenses + Revenues

$$\text{Car Depreciation: } 1 \left( (1\,000\,000 * \%19) + 1\,000\,000 \right) * \%20 = 238,000 \text{ DZD.}"$$

1. Car Depreciation:  $2(000\ 800 * \%19)000 + 800) * \%20 = 190,400$  DZD

2. Net Operating Result =  $2,400,000 (- 2000 + 600,000 + 50,000 + 190,400\ 000 + 238,000 + 90) = 1,229,600$  DZD

3. Taxable Result = Accounting Result + Total Non-legal Costs

•

1. Food and Accommodation =  $400,000 - 600,000 = 200,000$  DZD

•

2. Depreciation S1 =  $238,000 (- 1,000,000 * 20\%) = 38,000$  DZD

•

3. Depreciation S2 =  $-190,400 (800,000 * 20\%) = 30,400$  DZD

•

4. TAP =  $70,000 - 90,000 = 20,000$  DZD

5. Taxable Result =  $1,229,600 + 20,000 + 38,000 + 30,400 + 200,000 =$

$1,518,000$  DZD Loss in 2019 compared to 2018 =  $900,000 - 400,000 =$

$-500,000$

6. Total Loss =  $- 500,000 - 200\ 000 = -700,000$

Profit in 2020 =  $700,000 - 1,518,000 = 818,000$  DZD



$$\text{Tax Amount} = 818,000 \times 26\% = 212,680 \text{ DZD}$$

Solution for Exercise 2:

$$\text{Profit in 2020} = 700,000 - 1,518,000 = 818,000 \text{ DZD}$$
$$\text{Tax Amount} = 818,000 \times 26\% = 212,680 \text{ DZD}$$

Solution for Exercise 2:

1. Calculation of the Accounting Profit achieved by the Company: Accounting Profit is

determined by the following equation: Accounting Profit = Total Revenues - Total

$$\text{Expenses Accounting Profit} = (2,500,000 + 42,500,000 - 90,000 + 7,250,000 +$$

$$15,500,000 + 250,000 + 1,500,000) = 20,410,000 \text{ DZD}$$

$$\text{Accounting Profit} = 20,410,000 \text{ DZD}$$

2. Calculation of the Taxable Profit for the Company: Taxable Profit = Accounting Profit

+ Refund - Deductions Refund Processing the depreciation of the tourist car:

For the third exercise, the calculation of the provisional payments (تسبيقات) is based on the following relationships:

1. Provisional Payment 1:

Provisional Payment 1 = Taxable Profit for Year  $(n-2) \times 30\% \times \text{Tax Rate}$   
Provisional Payment 1 = Taxable Profit for Year  $(n-2) \times 30\% \times \text{Tax Rate}$

2. Provisional Payment 2:

Provisional Payment 2 = Taxable Profit for Year  $(n-1) \times 30\% \times \text{Tax Rate} - [\text{Taxable Profit for Year } (n-2) \times 30\% \times \text{Tax Rate} + \text{Taxable Profit for Year } (n-1) \times 30\% \times \text{Tax Rate}]$   
Provisional Payment 2 = Taxable Profit for Year  $(n-1) \times 30\% \times \text{Tax Rate} - [\text{Taxable Profit for Year } (n-2) \times 30\% \times \text{Tax Rate} + \text{Taxable Profit for Year } (n-1) \times 30\% \times \text{Tax Rate}]$

3. Provisional Payment 3:

Provisional Payment 3 =  $[2 \times \text{Taxable Profit for Year } (n-1) - \text{Taxable Profit for Year } (n-2)] \times 30\% \times \text{Tax Rate}$   
Provisional Payment 3 =  $[2 \times \text{Taxable Profit for Year } (n-1) - \text{Taxable Profit for Year } (n-2)] \times 30\% \times \text{Tax Rate}$

For the year 2015, considering the enterprise is newly established and the tax is imposed at a rate of 5% on the capital, the calculation is as follows:

1. **Taxable Profit for 2015:**

Taxable Profit for 2015 = Capital  $\times$  Tax Rate  
Taxable Profit for 2015 = Capital  $\times$  Tax Rate

Taxable Profit for 2015 =  $15,000,000 \times 5\% = 750,000$  DZD  
Taxable Profit for 2015 =  $15,000,000 \times 5\% = 750,000$  DZD

2. **Provisional Payments and Settlement for 2015:**

- Provisional Payment 1:

Provisional Payment 1 = Taxable Profit for Year  $(n-2) \times 30\% \times \text{Tax Rate}$

Provisional Payment 1 = Taxable Profit for Year  $(n-2) \times 30\% \times \text{Tax Rate}$

Provisional Payment 1 =  $750,000 \times 30\% \times 26\% = 58,500$  DZD

Provisional Payment 1 =  $750,000 \times 30\% \times 26\% = 58,500$  DZD

- Provisional Payment 2:

Provisional Payment 2 = Provisional Payment 1

Provisional Payment 2 = Provisional Payment 1

Provisional Payment 2 =  $58,500$  DZD

Provisional Payment 2 =  $58,500$  DZD

- Provisional Payment 3:

Provisional Payment 3 = Provisional Payment 1

Provisional Payment 3 = Provisional Payment 1

Provisional Payment 3 =  $58,500$  DZD

Provisional Payment 3 =  $58,500$  DZD

- Total Provisional Payments:

Total Provisional Payments = Provisional Payment 1 + Provisional Payment 2 + Provisional Payment 3

Total Provisional Payments = Provisional Payment 1 + Provisional Payment 2 + Provisional Payment 3

Total Provisional Payments = Provisional Payment 1 + Provisional Payment 2 + Provisional Payment 3

Total Provisional Payments =  $58,500 + 58,500 + 58,500 = 175,500$  DZD

Total Provisional Payments =  $58,500 + 58,500 + 58,500 = 175,500$  DZD

- Settlement Balance:

$$\text{Settlement Balance} = \text{Tax Due} - \text{Total Provisional Payments}$$

For the year 2016:

**1. Provisional Payments and Settlement for 2016:**

- Provisional Payment 1:

$$\text{Provisional Payment 1} = 58,500 \text{ DZD}$$

- Provisional Payment 2:

$$\begin{aligned} \text{Provisional Payment 2} &= 450,000 \times 26\% \times 30\% - (15,000,000 \times 5\% \times 26\% \times 30\% - 450,000 \times 26\% \times 30\%) \\ &= 11,700 \text{ DZD} \end{aligned}$$

- Provisional Payment 3:

$$\begin{aligned} \text{Provisional Payment 3} &= 450,000 \times 26\% \times 30\% = 35,100 \text{ DZD} \end{aligned}$$

- Total Provisional Payments:

$$\begin{aligned} \text{Total Provisional Payments} &= \text{Provisional Payment 1} + \text{Provisional Payment 2} + \text{Provisional Payment 3} \\ \text{Total Provisional Payments} &= 58,500 + 11,700 + 35,100 = 105,300 \text{ DZD} \end{aligned}$$

- Settlement Balance:

Settlement Balance = Tax Due - Total Provisional Payments

Settlement Balance = Tax Due - Total Provisional Payments

Settlement Balance =  $(650,000 \times 26\%) - 105,300 = 5,200$  DZD

Settlement Balance =  $(650,000 \times 26\%) - 105,300 = 5,200$  DZD

For the year 2017:

### 1. Provisional Payments and Settlement for 2017:

- Provisional Payment 1:

Provisional Payment 1 =  $450,000 \times 30\% \times 26\% = 35,100$  DZD

Provisional Payment 1 =  $450,000 \times 30\% \times 26\% = 35,100$  DZD

- Provisional Payment 2:

Provisional Payment 2 =  $650,000 \times 26\% \times 30\% - (450,000 \times 26\% \times 30\%) = 66,300$  DZD

Provisional Payment 2 =  $650,000 \times 26\% \times 30\% - (450,000 \times 26\% \times 30\%) = 66,300$  DZD

Provisional Payment 2 =  $650,000 \times 26\% \times 30\% - (450,000 \times 26\% \times 30\%) = 66,300$  DZD

- Provisional Payment 3:

Provisional Payment 3 =  $650,000 \times 26\% \times 30\% = 50,700$  DZD

Provisional Payment 3 =  $650,000 \times 26\% \times 30\% = 50,700$  DZD

- Total Provisional Payments:

Total Provisional Payments = Provisional Payment 1 + Provisional Payment 2 + Provisional Payment 3

Provisional Payment 3  
Total Provisional Payments=Provisional Payment 1+Provisional Payment 2+Provisional Payment 3

Total Provisional Payments=35,100+66,300+50,700=152,100 DZD  
Total Provisional Payments=35,100+66,300+50,700=152,100 DZD

- Settlement Balance:

Settlement Balance=Tax Due–Total Provisional Payments  
Settlement Balance=Tax Due–Total Provisional Payments

Settlement Balance=(152,100–(26%×700,000))=29,900 DZD

Settlement Balance=(152,100–(26%×700,000))=29,900 DZD

For the year 2018:

### 1. Provisional Payments and Settlement for 2018:

- Provisional Payment 1:

Provisional Payment 1=54,600 DZD  
Provisional Payment 1=54,600 DZD

- Provisional Payment 2:

Provisional Payment 2=900,000×26%×30%–(–700,000×26%×30%)=900,000×26%×30%–(–700,000×26%×30%)=70,200 DZD  
Provisional Payment 2=900,000×26%×30%–(–900,000×26%×30%–700,000×26%×30%)=70,200 DZD

- Provisional Payment 3:

Provisional Payment 3 =  $900,000 \times 26\% \times 30\% = 54,600$  DZD

Provisional Payment 3 =  $900,000 \times 26\% \times 30\% = 54,600$  DZD

- Total Provisional Payments:

Total Provisional Payments = Provisional Payment 1 + Provisional Payment 2 + Provisional Payment 3

Total Provisional Payments = Provisional Payment 1 + Provisional Payment 2 + Provisional Payment 3

Total Provisional Payments = Provisional Payment 1 + Provisional Payment 2 + Provisional Payment 3

Total Provisional Payments =  $54,600 + 70,200 + 54,600 = 179,400$  DZD

Total Provisional Payments =  $54,600 + 70,200 + 54,600 = 179,400$  DZD

- Settlement Balance:

Settlement Balance = Tax Due - Total Provisional Payments

Settlement Balance = Tax Due - Total Provisional Payments

Settlement Balance =  $(163,800 - (26\% \times 900,000)) = 70,200$  DZD

Settlement Balance =  $(163,800 - (26\% \times 900,000)) = 70,200$  DZD

For the year 2019:

### 1. Provisional Payments and Settlement for 2019:

- Provisional Payment 1:

Provisional Payment 1 = 54,600 DZD

Provisional Payment 1 = 54,600 DZD

- Provisional Payment 2:

$$\text{Provisional Payment 2} = 1,000,000 \times 26\% \times 30\% - (700,000 \times 26\% \times 30\% - 1,000,000 \times 26\% \times 30\%) = 85,800 \text{ DZD}$$

- Provisional Payment 3:

$$\text{Provisional Payment 3} = 1,000,000 \times 26\% \times 30\% = 70,200 \text{ DZD}$$

- Total Provisional Payments:

$$\text{Total Provisional Payments} = \text{Provisional Payment 1} + \text{Provisional Payment 2} + \text{Provisional Payment 3}$$

$$\text{Total Provisional Payments} = 54,600 + 85,800 + 70,200 = 210,600 \text{ DZD}$$

- Settlement Balance:

$$\text{Settlement Balance} = \text{Tax Due} - \text{Total Provisional Payments}$$

$$\text{Settlement Balance} = (210,600 - (26\% \times 1,000,000)) = 49,400 \text{ DZD}$$



Based on the calculations that have been done, the table can be filled in as

follows:

	2016	2016	2017	2018	2019

"The Fourth Chapter:

Taxation on Professional Activities"

Chapter Four: Taxation on Professional Activities

First: Basic Concepts on Taxation on Professional Activities

1. Scope of Application of Taxation on Professional Activities: Taxation on professional activities is considered a direct tax imposed on the income generated in Algeria. This tax was established by the Financial Law of 1996 by integrating "Tax on Industrial and Commercial Activities" and "Tax on Non-Commercial Activities" into a single tax named "Taxation on Professional Activities." Its provisions are specified in Articles 217 to 228 of the "Direct Taxes and Similar Duties" law.

2. Entities Subject to Taxation:

- Natural or legal persons engaged in activities generating industrial or commercial profits subject to the total income tax or profits subject to corporate income tax.
- Natural persons subject to the total income tax in the non-commercial profits category (such as owners of freelance professions).

Second: Exemptions and Deductions

1. Exemptions: The following are exempt from taxation on professional activities:

- Income generated from the sale of widely subsidized consumer products.
- Income generated from export operations (sale, transfer, brokerage).
- Income generated from retail sales of certain strategic materials when the profit margin does not exceed 10% (Decree 26/...).

- Income generated from operations between entities belonging to the same group.
- Income generated in foreign currency in tourism, hotel, and restaurant activities, etc.
- Exemption for a period of 3 years from the Professional Activity Tax for activities carried out by youth beneficiaries of the "National Fund for Youth Employment Support." This period is extended to 6 years if these activities are in specific areas designated by law.
- Exemption from the "Tax on Professional Activities" as stipulated in the Algerian Investment Law (exemption from the tax for 3 years for the general system and 10 years for the exceptional system).
- Deductions:
  - 30% reduction for the following activities:
  - Business transactions from wholesale sales, provided that a customer list is deposited. Failure to deposit the list leads to the loss of the reduction, and false declarations expose the taxpayer to a fine ranging from 1,000 DZD to 50,000 DZD.
  - Business transactions from retail sales of products with a selling price exceeding 50% of indirect rights.

- Business transactions by retailers who are members of the National Liberation Army or the Civil Organization of the National Liberation Front, widows of martyrs, in the first two years of activity, provided that the taxpayer is subject to the actual system.
- Sales operations by producers and wholesale traders related to locally produced medicines have a 50% reduction.
- 50% reduction for business transactions from wholesale sales of products with a retail selling price exceeding 50% of indirect rights.
- Retail sales operations for certain specified strategic medicines mentioned in Executive Decree 96/31 dated 15/01/1996, with a profit margin ranging from 10% to 30%.
- 75% reduction for business transactions from retail sales of regular gasoline, premium gasoline, and diesel.

**Third: "Tax on Professional Activities" Fund, its rate, revenue distribution, and payment method**

- **Tax Rate Imposition:**
  - 1% without benefiting from reductions for production activities.
  - 2% for construction, public works, and irrigation activities, with a 25% reduction.

- 3% for transport activities through pipelines for hydrocarbons.
- 2% for other activities.
- **Revenue Distribution:**
  - The revenue from the "Tax on Professional Activities" is allocated to the General Treasury of the National Budget.
- **Payment Method:**
  - The tax is payable monthly, and the declaration must be submitted to the tax authorities within 30 days following the end of each tax period. The tax is payable to the revenue collector or tax service in the taxpayer's residence.

**Table No. 4: Distribution of the Tax on Professional Activities**

<b>rate</b>	<b>municipal</b>	<b>the province</b>	<b>Joint Fund for Local Communities</b>
3%	1.96%	0.88%	0.16%
2%	0.59%	1.3%	2%
1%	0.66%	0.29%	0.05%

The third branch: Place of payment for the professional activity tax

The "professional activity tax" is paid at the tax collector's office affiliated with the municipality where the company or its branches are located. Each branch of the company is responsible for paying the professional activity tax to the tax collector's office within its jurisdiction.

Applications related to the fourth chapter concerning the professional activity tax:

Exercise 1: During the months of January and February 2019, the construction company "x" carried out several operations, as indicated in the following bank statement:

**The third branch: Place of payment for the professional activity tax**

The "professional activity tax" is paid at the tax collector's office affiliated with the municipality where the company or its branches are located. Each branch of the company is responsible for paying the professional activity tax to the tax collector's office within its jurisdiction.

Applications related to the fourth chapter concerning the professional activity tax:

Exercise 1: During the months of January and February 2019, the construction company "Achghal AlBinaa" carried out several operations, as indicated in the following bank statement:

Date	Statement	Amounts TTC DZD	VAT Rate
------	-----------	-----------------	----------

02/ 01/ 2019	Works Invoice 2018	2.618.000	19%
04/ 01/ 2019	"Purchase of Materials and Supplies 2019	1500000	19%
06/ 01/ 2019	Purchase car 2019	2400000	19%
02/ 02/ 2019	Works Invoice 2019	4998000	19%
04/ 02/ 2019	Purchase of a Truck 2019	6000000	19%
08/ 02/ 2019	Works Invoice 2019	1199000	%0 9

The required: Calculation of TAP, the due tax, and 50G for the months of January and February (2019). It is known that the achieved business volume during January and February 2019, respectively, is 9,000,000 DZD (including 19% VAT) and 7,000,000 DZD (excluding VAT).



**Chapter Five:**

**Value Added Tax (VAT)**

## First: Definition and Characteristics of Value Added Tax (VAT)

### 1. Definition of Value Added Tax:

- Value Added Tax (VAT) is an indirect tax paid by the final consumer, while businesses act as intermediaries between the consumer and tax authorities. Businesses have the legal status of taxpayers. VAT is applied to operations with industrial, commercial, artisanal, or freelance service characteristics. The consumer pays the product's value outside the tax, plus the added tax value, according to the formula:  $TTC = HT + VAT$ , where  $VAT = HT \times VAT \text{ Rate}$ .

### 2. Characteristics of Value Added Tax:

- Real Tax: It concerns the use of incomes, i.e., expenses or the final consumption of goods and services.
- Indirect Tax: It is borne by the final consumer and is not paid directly to the treasury.
- Value-Related Tax: It is calculated based on the product's value, regardless of its nature, quantity, or quality.

## Second: Scope of Application of Value Added Tax

Operations subject to VAT include:

- Operations related to industrial, commercial, artisanal activities conducted by VAT taxpayers.
- Operations related to real estate activities.
- Sales and deliveries by producers and wholesale traders.
- Lease operations (e.g., leasing of public works equipment).
- Sale of real estate and commercial premises.
- Trade-in used goods.
- Freelance services, except those with a medical, quasi-medical, or veterinary nature.
- Festivals and various games.
- Telephone and telex services.
- Operations carried out by banks and insurance companies.

Operations subject to VAT on an optional basis: Individuals or entities outside the VAT system may choose, upon declaration, to acquire the status of VAT taxpayers, provided that their products are destined for export or petroleum companies.

### **Third:** Exemptions

The law on value-added tax (VAT) includes various exceptions and exemptions from the scope of application of VAT. Some examples include:

1. Sales subject to specific taxes, such as:
  - Meat subject to slaughter tax.
  - Jewelry made of gold, silver, and platinum, as they are subject to guarantee tax.
2. Retail sales.
3. Social exemptions, such as:
  - Sale of bread, flour, used wheat for flour production.
  - Sale of milk.
  - Certain pharmaceutical products.
  - Sale of cars, vehicles, and wheelchairs for disabled individuals.
  - Bank loans for obtaining individual housing.
4. Cultural exemptions, including:
  - Sporting, cultural, and artistic events.
5. Economic exemptions, such as:
  - Maritime navigation ships.
  - Raw and manufactured materials directed to the shipbuilding industry, etc.

Fourth: VAT Base, Rate, and Late Payment Penalties

1. VAT Base and Rate:

- The VAT base is the turnover subject to VAT.
- The standard VAT rate is 19% of the turnover.
- The reduced rate is 9% for specific operations.

2. List of operations subject to the reduced rate (9%):

- Retail sale of specified products.
- Operations by the electricity and gas company related to electricity and gas.
- Printing operations.
- Products of handicraft activities.
- Rental of social housing.
- Internet access services.
- Railway passenger transport.
- Plastic bags manufactured in Algeria and used for milk packaging.

Basis for deduction in settling VAT: The VAT amount payable by the legal taxpayer is the difference between the VAT on turnover (sales) and the VAT on purchases, services, and acquired investments in the relevant period.

The declaration of turnover and payment of VAT must be made within the first 20 days of the month following the relevant month for those under the real regime and within the first 20 days of the month following the relevant quarter for those under the simplified regime and monitored declaration system. This is done at the tax collector's office using document G 50..

Attach document 50G with a detailed table of invoices in which the "Value Added Tax" (VAT) has been reclaimed. This table should include the following information: supplier's name and title, address, commercial registration number, tax identification number, invoice date, invoice number, amount of the invoice excluding VAT, and the amount of VAT.

2-Late Payment Penalties: Late submission of the declaration with document 50G incurs the following penalties:

- If the declaration is submitted between the 22nd and 31st of the month, a penalty of 15% of the value of the payable duties specified in document 50G is imposed.
- If the payment is made between the 1st and 31st of the following month, this penalty increases to 23%.
- This percentage increases by 3% for each additional month of delay, up to a maximum of 35% (35%, 32%, 29%, 26%, 23%, 15%).

**Exercise 1:** A company engaged in wholesale trade (wood) and construction works achieved a turnover of 10,000,000 HT in February 2019, with a VAT rate of 19%. The company conducted the following operations according to the bank statement:

date	Statement	Amounts TTC dz	vat Rate
2/ 01/ 2019	Sales invoice 2018	2380000	19%
04/ 01/ 2019	Purchases of goods 2019	1300000	19%
06/ 01/ 2019	Construction works invoice 2019	5355000	19%
08/ 02/ 2019	Sales invoice 2019	2380000	19%
09/ 02/ 2019	Construction works invoice 2019	3808000	19%
10/ 02/ 2019	Purchases of materials and supplies2019	2975000	19%

Required: Calculate VAT for the months of January and February 2019, and complete Form

50G

**Exercise 1 Solution:**

The company engages in two activities: wholesale trade and construction works.

For the wholesale trade, the event triggering the tax is the physical or legal delivery of goods.

However, in January, there were no sales or invoices, and thus, no physical or legal delivery of goods.

For construction works, the event triggering the tax is the total or partial receipt of the price.

Calculation of VAT for January 2019:

For wholesale trade: No sales, no invoices, and no legal delivery of goods. VAT = 0 DZD.

For construction works: Revenue = 4,500,000 DZD. VAT collected =  $4,500,000 \times 19\% = 855,000$  DZD. VAT refundable (purchases of goods) =  $4,500,000 \times 19\% = 855,000$  DZD. Net VAT payable =  $855,000 - 293,930 = 561,070$  DZD.

Calculation of VAT for February 2019:

For wholesale trade: Revenue = 10,000,000 DZD.

VAT collected =  $(10,000,000 + 3,200,000) \times 19\% = 2,508,000$  DZD.

VAT refundable (purchases of goods) =  $3,200,000 \times 19\% = 608,000$  DZD.

Net VAT payable =  $2,508,000 - 608,000 = 1,900,000$  DZD.

**Exercise 2:**

Company "A" sells its products to Company "B," and Company "B" sells its products to Retailer "C." Retailer "C" in turn sells its purchases to Retailer "D," who is considered a retail merchant. Here is the following table:

Statement	A	B	C	D
Selling price excluding tax (HT)	7000	.....	.....	14800
translates to "VAT on sales	.....	2615	.....	.....



Selling price including tax TTC	.....	.....	14090	.....
VAT on purchases	0	.....	.....	.....
VAT due for payment	.....	.....	.....	.....
VAT RATE	%19	%19	%19	0

Task: Fill in the previous table, knowing that establishments "A" and "B" and the wholesaler "C" are subject to the actual profit system, while the retailer "D" is subject to the sole lump sum tax.

**Exercise 3:**

a product is manufactured by "B" using raw materials purchased from product "A" valued at 700 DZD without fees. The raw material purchase is subject to a 9% Value Added Tax (TVA). The product is sold by "A" to wholesaler "C" for 1000 DZD without fees. The wholesaler "C" sells it to retailer "D" for 1100 DZD, excluding fees, where the Value Added Tax (TVA) rate on the added value is 19%. Finally, retailer "D" sells the product to the consumer for 1300 DZD.

**Required:** Determine the TVA value at each stage, showing the total TVA collected for the tax authorities, as "D" is exempt from TVA.

**Exercise 2 Solution:**

Since company "A" sells its products to company "B," and company "B" sells its products to the wholesaler "C," and wholesaler "C" in turn sells its purchases to the retailer "D," who is considered a retail merchant, the table is filled as follows:

Statement	A	B	C	D
Selling price excluding tax (HT)	7000	11000	17000	18800
translates to "VAT on sales	1330	2615	3230	/
Selling price including tax TTC	8330	13090	14090	20230
VAT on purchases	0	1330	2090	/
VAT due for payment	1330	760	1140	/
VAT RATE	%19	%19	%19	0

Calculations for Company "A"

Sales VAT Calculation Sales VAT = Selling price excluding feCalculation of Selling Price

Including VAT (TTC):

Selling Price Including VAT TTC=Selling Price Excluding Fees HT+VAT Amount TVA

Selling Price Including VAT TTC=Selling Price Excluding Fees HT+VAT Amount TVA

or

Selling Price Including VAT TTC=Selling Price Excluding Fees HT×(1+VAT Rate)

Selling Price Including VAT TTC=Selling Price Excluding Fees HT×(1+VAT Rate)

Therefore:

Selling Price Including VAT TTC=7,000 DZD+1,330 DZD=8,330 DZD

Selling Price Including VAT TTC=7,000DZD+1,330DZD=8,330DZD

Selling Price Including VAT TTC=7,000×(1+0.19)=8,330 DZD

Selling Price Including VAT TTC=7,000×(1+0.19)=8,330DZD

Selling Price Including VAT TTC=8,330 DZD

Calculation of VAT to be Paid:

VAT to be Paid=Sales VAT–Purchase VAT

VAT to be Paid=1,330 DZD–0=1,330 DZD

VAT to be Paid=1,330 DZD

For Company "B":

Calculation of Selling Price Excluding Fees (HT):

Selling Price Excluding Fees HT=Sales VAT/VAT Rate

Selling Price Excluding Fees HT=VAT Rate/Sales VAT

Selling Price Excluding Fees HT=2,090 DZD/0.19=11,000 DZD

Selling Price Excluding Fees HT=0.19/2,090 DZD=11,000 DZD

Calculation of Selling Price Including VAT (TTC):

Selling Price Including VAT TTC=Selling Price Excluding Fees HT+VAT Amount TVA

Selling Price Including VAT TTC=Selling Price Excluding Fees HT+VAT Amount TVA

Selling Price Including VAT TTC=11,000 DZD+2,090 DZD=13,090 DZD

Selling Price Including VAT TTC=11,000 DZD+2,090 DZD=13,090 DZD

Selling Price Including VAT TTC=13,090 DZD

Selling Price Including VAT TTC=13,090 DZD

Calculation of VAT to be Paid:

VAT to be Paid=Sales VAT-Purchase VAT  
VAT to be Paid=Sales VAT-Purchase VAT

es x HT VAT rate Sales VAT = 7,000 DZD x 19% = 1,330 DZD  
Sales VAT = 1,330 DZD

The retailer "D" is subject to the single lump-sum tax and not to the real profit system.

Therefore, he is not obligated to pay Value Added Tax (VAT), and he does not engage in the process of discounting to settle the tax (Sales Tax - Purchase Tax). As for the tax paid by him

on purchases, he adds it to his selling price before calculating the profit margin and passes it on to the final consumer. Consequently, the selling price excluding tax (HT) is the same as the selling price including tax (TTC).

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