Algeria Tax Guide

2013

FOREWORD

A country's tax regime is always a key factor for any business considering moving into new markets. What is the corporate tax rate? Are there any incentives for overseas businesses? Are there double tax treaties in place? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide international businesses with the answers to these key tax questions. This handy reference guide provides clients and professional practitioners with comprehensive tax and business information for over 90 countries throughout the world.

As you will appreciate, the production of the WWTG is a huge team effort and I would like to thank all tax experts within PFK member firms who gave up their time to contribute the vital information on their country's taxes that forms the heart of this publication.

I hope that the combination of the WWTG and assistance from your local PKF member firm will provide you with the advice you need to make the right decisions for your international business.

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PREFACE

The PKF Worldwide Tax Guide 2013 (WWTG) is an annual publication that provides an overview of the taxation and business regulation regimes of the world's most significant trading countries. In compiling this publication, member firms of the PKF network have based their summaries on information current on 1 January 2013, while also noting imminent changes where necessary.

On a country-by-country basis, each summary addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country's personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

In addition to the printed version of the WWTG, individual country taxation guides are available in PDF format which can be downloaded from the PKF website at www.pkf.com

PKF INTERNATIONAL LIMITED
MAY 2013

ABOUT PKF INTERNATIONAL LIMITED

PKF International Limited (PKFI) administers the PKF network of legally independent member firms. There are around 300 member firms and correspondents in 440 locations in around 125 countries providing accounting and business advisory services. PKFI member firms employ around 2,270 partners and more than 22,000 staff. PKFI is the 11th largest global accountancy network and its member firms have $2.68 billion aggregate fee income (year end June 2012). The network is a member of the Forum of Firms, an organisation dedicated to consistent and high quality standards of financial reporting and auditing practices worldwide.

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Please visit www.pkf.com for more information.

STRUCTURE OF COUNTRY DESCRIPTIONS

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX
CAPITAL GAINS TAX
BRANCH PROFITS TAX
SALES TAX/VALUE ADDED TAX
FRINGE BENEFITS TAX
LOCAL TAXES
OTHER TAXES

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES
DEPRECIATION
STOCK/INVENTORY
CAPITAL GAINS AND LOSSES
DIVIDENDS
INTEREST DEDUCTIONS
LOSSES
FOREIGN SOURCED INCOME
INCENTIVES

C. FOREIGN TAX RELIEF

D. CORPORATE GROUPS

E. RELATED PARTY TRANSACTIONS

F. WITHHOLDING TAX

G. EXCHANGE CONTROL

H. PERSONAL TAX

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

AT 12 NOON, GREENWICH MEAN TIME, THE STANDARD TIME ELSEWHERE IS:

A

Algeria . . . 1 pm
Angola . . . 1 pm
Argentina . . . 9 am
Australia -
- Melbourne . . . 10 pm
- Sydney . . . 10 pm
- Adelaide . . . 9.30 pm
- Perth . . . 8 pm

Austria . . . 1 pm

B

Bahamas . . . 7 am
Bahrain . . . 3 pm
Belgium . . . 1 pm
Belize . . . 6 am
Bermuda . . . 8 am
Brazil . . . 7 am
British Virgin Islands . . . 8 am

C

Canada -
- Toronto . . . 7 am
- Winnipeg . . . 6 am
- Calgary . . . 5 am
- Vancouver . . . 4 am

Cayman Islands . . . 7 am
Chile . . . 8 am
China - Beijing . . . 10 pm
Colombia . . . 7 am
Cyprus . . . 2 pm
Czech Republic . . . 1 pm

D

Denmark . . . 1 pm
Dominican Republic . . . 7 am

E

Ecuador . . . 7 am
Egypt . . . 2 pm
El Salvador . . . 6 am
Estonia . . . 2 pm

F

Fiji . . . 12 midnight
Finland . . . 2 pm
France . . . 1 pm

G

Gambia (The) . . . 12 noon
Germany . . . 1 pm
Ghana . . . 12 noon
Greece . . . 2 pm
Grenada . . . 8 am
Guatemala . . . 6 am
Guernsey . . . 12 noon
Guyana . . . 7 am

H

Hong Kong . . . 8 pm
Hungary . . . 1 pm

I

India . . . 5.30 pm
Indonesia . . . 7 pm
Ireland . . . 12 noon
Isle of Man . . . 12 noon
Israel . . . 2 pm
Italy . . . 1 pm

J

Jamaica . . . 7 am
Japan . . . 9 pm
Jordan . . . 2 pm

K

Kenya . . . 3 pm

L

Latvia . . . 2 pm
Lebanon . . . 2 pm
Luxembourg . . . 1 pm

M

Malaysia . . . 8 pm
Malta . . . 1 pm
Mexico . . . 6 am
Morocco . . . 12 noon

N

Namibia . . . 2 pm
Netherlands (The) . . . 1 pm
New Zealand . . . 12 midnight
Nigeria . . . 1 pm
Norway . . . 1 pm

O

Oman . . . 4 pm

P

Panama . . . 7 am
Papua New Guinea . . . 10 pm
Peru . . . 7 am
Philippines . . . 8 pm
Poland . . . 1 pm
Portugal . . . 1 pm

Q

Qatar . . . 8 am

R

Romania . . . 2 pm

Russia -
- Moscow . . . . .3 pm
- St Petersburg. . . . . .3 pm

S

Singapore . . . . .7 pm
Slovak Republic . . . . .1 pm
Slovenia . . . . .1 pm
South Africa. . . . . .2 pm
Spain . . . . .1 pm
Sweden. . . . . .1 pm
Switzerland . . . . .1 pm

T

Taiwan .8 pm
Thailand . . . . .8 pm
Tunisia . . . . 12 noon
Turkey. .2 pm
Turks and Caicos Islands . . . . . . .7 am

U

Uganda .3 pm
Ukraine .2 pm
United Arab Emirates . . . . .4 pm
United Kingdom . . . .(GMT) 12 noon
United States of America -
- New York City. . . . . .7 am
- Washington, D.C. . . . . .7 am
- Chicago. . . . . .6 am
- Houston. . . . . .6 am
- Denver . . . . .5 am
- Los Angeles. . . . . .4 am
- San Francisco . . . . .4 am

Uruguay . . . . .9 am

V

Venezuela . . . . .8 am

Z

Zimbabwe . . . . .2 pm

Time Zones

ALGERIA

Currency: Algerian Dinar (DZD) | Dial Code To: 213 | Dial Code Out: 00

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A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES

COMPANY TAX

All companies, except partnerships and joint ventures under the Commercial Code, are liable for corporate income tax on their profits arising from any business they carry on in Algeria. Companies are liable for corporate income tax at the rate of 25% on trade activities and services and 19% on the production of goods, construction and public works and tourism activities.

Foreign companies not established in Algeria and foreign companies with no permanent establishment in Algeria are subject to the company tax or personal income tax based on their legal status and any tax must be withheld by the company or client institution established in Algeria.

SALES TAX/VALUE ADDED TAX (VAT)

VAT is an indirect tax, in that the tax is collected from someone who does not bear the entire cost of the tax. All economic activities conducted in Algeria, including industrial and handicraft activities and liberal or commercial professions, are subject to VAT. Exports by definition are consumed abroad and usually are not subject to VAT. Any VAT charged under such circumstances is usually refundable. This avoids downward pressure on exports.

TWO DIFFERENT VAT RATES APPLY IN ALGERIA :

- A special reduced rate of 7% applies to products, commodities, wares, merchandise and operations related to printing, materials for agriculture, products of traditional crafts, plants and domestic animals (aquaculture products), excluding fish and other edible products of sea and various other items
- 17% for operations related to services and goods not subject to another rate.

Registration: Registration generally is required for entities that have annual turnover of DZD 100,000.a business must register within 30 days of becoming liable.

Filing and payment: Monthly returns and the tax payable are due by the 20th of the following month.

FRINGE BENEFITS TAX

As fringe benefits are considered to be a part of the salary paid to an employee, they are subject to social security and income taxes. Taxable fringe benefits are evaluated on the basis of their market value.

OTHER TAXES AND LEVIES

SOCIAL SECURITY TAXES

The social security taxes funds both pensions and health care .

An employee must contribute 9% of his/her pre-tax salary and wages to fund social security benefits. For employers the rate is 26%.

VOCATIONAL TRAINING TAX

Companies that employ more than 20 employees are subject to a tax of 0.5% of annual payroll for vocational training and an additional tax of 0.5% for learning. The government is not subject to these taxes. An additional 0.5% tax applies to promote employee accommodation.

B. DETERMINATION OF TAXABLE INCOME

Taxable income is determined on the basis of regular accounting results. When there are discrepancies between fiscal rules and accounting principles, adjustments are made to the accounting results. Profits are habitually considered to be gross revenue less production, salary and wages and rental expenses.

Generally, all expenses generated by the conduct of business are deductible if they are incurred in gaining or producing assessable income.

DEPRECIATION

Fixed assets owned by the company are normally written off over their normal useful life. For tax purposes, the straight-line method is normally adopted but other methods may be used in certain circumstances.

STOCK/INVENTORY
For the determination of net income, inventories must be evaluated at their cost price. If, at the end of the year, the market or realisable value is lower, the company must set up reserves for depreciation of inventories.

DIVIDENDS
Dividends paid by an Algerian company to another Algerian company are not subject to withholding tax and are exempt from tax in the hands of the recipient.

Dividends and distributions of profit paid to a nonresident company are subject to a 15% withholding tax unless the rate is reduced under a tax treaty.

LOSSES
Losses may be carried forward for four years. The carry back of losses is not permitted.

FOREIGN SOURCED INCOME
Revenues from a foreign source that are subject to tax payment in the country of origin are not subject to tax in Algeria.

Non-resident legal entities are taxable on their Algerian source income and on the gain from the disposal of buildings and the disposal of shares in real estate companies. The taxable capital gain is the difference between the sale price and the purchase cost. Relief from foreign taxes in Algeria depends on whether a double tax treaty has been concluded by Algeria.

INCENTIVES
The Algerian tax legislation has established a number of incentives to investment and creation of projects in certain sectors that are aimed at accelerating growth rate and job creation within activities related to fields determined by the specific legislation. Major incentives are available for investments made by enterprises located in areas that need development.

The Finance Act of 2012 has removed the debit tax (3%) on the operations of reinsurance and the exemption from the TAP (tax on professional activities) of the promoters of activities or projects eligible for support from the National Fund to support micro-loans.

Also, the Finance Bill 2012 proposes the re-assignment of the 10-year participatory social housing (LSP) payments and to authorise recipients a payment for the settlement of the sale price of state land to be given to areas of real estate held for the production of promoted assisted housing programs (LPA).

C. FOREIGN TAX RELIEF

Relief from foreign Taxes in Algeria depends on whether the country in question has agreed a double tax treaty with Algeria.

Algeria has concluded more than 20 non-double imposition treaties.

D. CORPORATE GROUPS

When an Algerian company holds 90% or more of the shares of one or more Algerian companies, the group may choose to be taxed as a single entity. Hence, the subsidiaries are treated as branches of the parent company and corporate tax is payable only by the parent company.

To benefit from the results integrating scheme, the parent company must make the commitment to list its shares on the stock market before the end of the year. Under this system, the profits and losses of all controlled branches, subsidiaries and partnerships in Algeria and abroad are consolidated.

F. WITHHOLDING TAX

For certain categories of income, the payer of income has to withhold tax at source, file tax returns and submit the amount of tax withheld to the financial authorities.
- Dividends: Dividends paid to non-resident shareholders are subjected to a 15% withholding tax which may be reduced under a tax treaty.
- Interest: Interest paid to a non-resident company is subjected to a 10% withholding tax which may be reduced under a tax treaty.
- Royalties: The withholding tax on royalties is 24% which may be reduced under a tax treaty.
- Technical service fees: The withholding tax is 24% and applies to the gross income derived from any service fee paid abroad by a local company to a foreign company.

H. PERSONAL TAX

With respect to the international taxation agreements, personal income tax is a direct tax levied on the income of an individual. Taxpayers are classified into residents and non-residents.

Income subject to tax is called assessable income and is divided into seven categories:
1. Industrial profits, commerce and craft
2. Professional non-profit business
3. Income from agriculture
4. Income from rental properties (built and unbuilt)
5. Income from movable capital
6. Wages, salaries, pensions and life annuities
7. Gains from transfer for value of buildings or undeveloped and related rights.

For each category of income, certain deductions and allowances are allowed in the calculation of the taxable income. Taxpayers shall keep the books in compliance with the accounting legislation in order to benefit from these deductions.

In general, a person liable to personal income tax has to compute his tax liability, file tax return and pay tax, if any, on a calendar year basis.

Married couples file tax returns as separate individuals. Income of children is reported on the tax return of the head of the family. A spouse can report income of the children on his/her tax return in certain circumstances.

INCOME TAX RATES

Through 2012	Rate (%)
0 to 120,000 DZD	0%
120,000,001 to 360,000 DZD	20%
360,000,001 to 1440,000 DZD	30%
Over 1,440,000 DZD	35%

Since 2011, a flat 25% rate has applied to professionals and small business whose turnover is between 5 and 10 million DZD.

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES

- 18%: Fees, royalties and non-trading activities compensation paid to non-resident
- 18%: Capital gains paid to non-resident
- 18%: Interests on loans paid to banks not established in Algeria
- If a treaty exists, apply the treaty rate if less than 18%

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