



Tax reforms in Algeria and their impact on economic institutions

A case study of the Tax Directorate in Souk Ahras State

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Abstract:

Algeria is witnessing a wide and comprehensive process of reforming its economy, in order to keep pace with the global economy, especially in recent times after the financial crises that hindered the course of correction and economic reform it is witnessing, and this is the result of the drop in oil prices, which negatively affected most economic indicators, and fiscal reform is one of the programs The focus is on, as this economic reform cannot succeed without it, and this fiscal reform in Algeria comes with the reform of the direct tax in general and the tax on gross income in particular, and for this we have studied the effectiveness of fiscal reforms in influencing economic institutions.

Keywords: *fiscal reforms, direct taxes, fraud and tax evasion, economic institutions*

Résumé :

L'Algérie connaît actuellement un vaste processus de réforme économique global, visant à s'aligner sur l'économie mondiale, en particulier ces derniers temps, après les crises financières qui ont entravé le processus de redressement et de réforme économique en cours. Cette situation résulte de la chute des prix du pétrole, qui a eu un impact négatif sur la plupart des indicateurs économiques. La réforme fiscale figure parmi les programmes prioritaires, car cette réforme économique ne peut aboutir sans elle, Cette réforme fiscale en Algérie s'accompagne d'une réforme de la fiscalité directe en général et de l'impôt sur le revenu brut en particulier. À cet effet, nous avons étudié l'efficacité des réformes fiscales sur les institutions économiques.

Mots-clés : *réformes fiscales, impôts directs, fraude et évasion fiscales, institutions économiques*

Introduction:

Taxation is considered an effective tool for shaping the contours and frameworks of the current world economy by funding countries' expenses. Therefore, it is the main source of revenue for public treasuries, and it is one of the means used by countries to emerge from the cycle of underdevelopment and gain a place on the world map, especially in light of recent transformations and developments. While development in advanced countries proceeds smoothly, it presents challenges for developing countries characterized by weak economies, including high inflation rates, poverty, unemployment, and scarcity in financial resources, which pose significant obstacles to their development trajectory and limit their potential.

The goal of all these measures and reforms in Algeria, brought about by the amendments, was to integrate the taxation system into the economic system. Tax reform was introduced in 1992 and followed by further reforms to address the shortcomings of the old Algerian tax system, which did not respond to the needs of growth or changes in the economic system. These reforms highlighted the effective role of taxes in financing the state budget and influencing economic institutions of all types and forms.

Economic institutions are the foundation of the Algerian national economy, as they contribute to the growth of the country's national income, bearing the burden of taxation and fees imposed on them, whether through production, profits, including corporate income tax, income tax, professional activity tax, value-added tax, and other fees borne by economic institutions.

Problem Statement:

Given the relationship between taxation and economic institutions, which involves interactions and effects, the problem of this research is formulated as follows:

- What is the impact of tax reforms on economic institutions in Algeria?



Received: 15/11/2025 Accepted: 03/02/2026 Published: 07/04/2026

To delve deeper into the subject, we have formulated the following sub-questions:

- What is tax reform? What does it entail?
- What are the motives and objectives of tax reform?
- How does tax reform affect Algerian economic institutions?

Hypotheses:

- The contribution of tax reforms to increasing tax collection.
- The positive impact of tax reforms in Algeria on economic institutions.
- The effectiveness of new tax reforms compared to the previous tax system.

Significance of the Study:

Taxation is considered a primary source of funding for state expenditures. Therefore, the importance of our study lies in attempting to evaluate the desired reforms and understanding how to establish an effective tax system that contributes to financing the state treasury through tax collection from economic institutions, as well as understanding its most significant effects on them.

Study Objectives:

The aim of the research is to find answers to the aforementioned questions, as well as to determine the effectiveness of the applied tax reform and to what extent it has contributed to achieving the desired objectives.

Methodology Used:

To address the research problem and analyze its hypotheses, a combination of descriptive and analytical methods was employed:

- Descriptive Method: Definitions and characteristics regarding tax reform and economic institutions were presented.

- Analytical Method: Statistics from the Tax Directorate of Souk Ahras Province were analyzed.

Previous Studies:

- a- **Walid Nawal:** The Impact of Tax Reforms on Economic Institutions, a dissertation for the Master's degree in Economics, Commerce, and Management Sciences, specializing in Finance and Taxation, at Mohamed Boudiaf University in M'Sila in 2015. Its problematics revolve around the necessity of tax reform and its impact on economic institutions in Algeria. It aims to identify the main criteria that can be used to measure the effectiveness of the tax reform implemented since 1992 and clarify the real reasons that prompted Algeria to introduce tax system reform.
- b- **Belhadj Fatima Zahra:** Tax Reform and Its Impact on Economic Institutions, a dissertation submitted for the Master's degree in Economics, Commerce, and Management Sciences, specializing in Financial and Accounting Sciences at Mohamed Boudiaf University - M'Sila in 2018. Its problematics revolve around the extent of the impact of tax reform on economic institutions. It aims to identify the main tax incentives provided by Algeria to encourage both local and foreign institutions to invest and expand.
- c- **Qitoun Najjah:** Tax Reforms and Their Impact on Companies, a dissertation for the Master's degree in Business Law at the Faculty of Law and Political Science, specializing in Business Law at the University of Oum El Bouaghi in 2020. Its problematics revolve around the extent to which tax reforms have been able to alleviate the burdens on companies to activate their role in economic development and how these reforms have affected companies.

1-Tax Reforms in Algeria:

Tax system reform is considered one of the fundamental steps in economic reform, as it is integrated into the financial structure of the



Received: 15/11/2025 Accepted: 03/02/2026 Published: 07/04/2026

economy and plays a vital role in mobilizing savings and financing development. Economic developments in developing countries striving for development have underscored the importance of the tax system in financing economic development and maintaining economic stability. The Algerian economy is emblematic of a developing economy that initially adopted centralized planning after independence as a means to advance national economic development and achieve growth. Consequently, Algeria has undertaken several tax reforms across multiple stages in line with the economic reforms it has pursued to keep pace with comprehensive development and progress.

1.1. Generalities about Tax Reform:

1.1.1. Concept of Tax Reform:

Taxation encompasses various deductions applied to the incomes and profits of establishments for the benefit of the state and its public administrations to finance projects for the common good.(Hamed,2016).

Tax reform refers to introducing changes for the betterment of the tax system. It involves addressing legal gaps and loopholes in the previous tax system to enhance its efficiency and contribute to both the national and private economies. Reform entails transitioning from an undesirable state to a more desirable one. It also involves aligning the tax system of a country with its public policy and economic needs by introducing more advanced taxes and seeking tax mechanisms that ensure social justice, income and wealth redistribution, and the elimination of taxes that distort the economy's image. Qualified individuals, both academically, technically, and ethically, are selected to form the tax administration, enabling the state to combat tax evasion. This ensures that tax procedures are sufficient to cover expenses, thereby enabling the state to advance its developmental projects. Tax reform can be considered a package of reforms or a set of policies adopted by the state affecting the tax system. The aim is to rectify tax

imbalances by introducing new taxes, abolishing old taxes, adapting to changes, simplifying tax laws, and enhancing administrative efficiency to ensure an abundant tax revenue that fulfills the state's obligations towards its citizens and meets their needs, as well as ensuring fair income distribution to achieve social justice.(Sahmi,2016)

Tax reform is carried out in two main stages: planning and execution. If one of them is absent, it cannot be described as a tax reform process:

- **Tax Planning:** It is one of the means used by successful administration to take advantage of legal benefits. It helps in following a certain investment policy, whether it is in fixed assets, financial investments, reducing the tax liability, or even avoiding taxes altogether. Concepts such as tax gap are also considered, referring to the difference between taxes actually paid based on declarations and the taxes that should be paid based on actual profits.
- **Implementation Stage:**
Where all the plans and programs previously developed by the relevant authorities are executed, and the tax administration is responsible for their implementation and ensuring the smooth progress of the reform process (Berrish,2019)

1.1.2. Reasons and Objectives of Tax Reform:

Reasons for Tax Reform.

The reasons and motivations for tax reform lie in the shortcomings and defects of the old tax system. The flaws that have prompted tax reforms include:

□ **Weakness of the Administrative Apparatus:** The deficiency in financial information and data primarily reflects the weakness of the tax administration system, leading to increased tax evasion as well as administrative corruption. Complexity and Instability of the Tax System: The institution has encountered a complex tax system due to the variety and multitude of taxes, in addition to the differences



Received: 15/11/2025 Accepted: 03/02/2026 Published: 07/04/2026

in their collection schedules. These factors have made the tax system difficult to apply and control, making tax administration and management challenging.

□ **Inadequate Tax System for Current Data and Increased Tax Pressure:** The old tax system has become inadequate and does not adapt to the institution, especially after the economic reforms witnessed by the country and the new market data, in addition to the inflexibility of the old tax system, where the increase in revenue is less than the increase in GDP.

□ **Tax Burden:** Algerian institutions have suffered from high corporate tax burdens, with the tax burden being very heavy due to the diversity and high rates of taxes. This puts pressure on the institution's treasury and is one of the main factors contributing to the financial imbalance of the institution.

□ **Ineffectiveness of Tax Incentives in Guiding Private Investment:** Despite the issuance of many laws encouraging private investment during the period preceding the 1992 reforms, primarily through tax incentives, they failed to achieve their intended goals. This failure can be attributed to several reasons, including the cumbersome procedures for the private sector introduced by successive laws during the period 1991-1963, in addition to unfavorable political and economic conditions at that time.

□ **Weak Tax Justice:** The Algerian tax system lacks tax justice, evidenced by:

- Withholding tax is applied only to certain incomes, leading to unequal opportunities for tax evasion. Incomes subject to withholding tax have minimal opportunities for tax evasion, unlike other incomes.
- Differences in tax collection schedules for taxpayers can be unjust to some taxpayers.
- Direct taxes tend to be proportional rather than progressive, where the proportional rate does not consider income level, resulting in injustice to low-income earners.

- Differential tax treatment, where public and socialist institutions benefit from significant advantages compared to private institutions.(Baa Ali,2015)

Motives for Tax Reform.

According to the National Committee for Tax Reform in its final report, tax reforms aim for one thing only: establishing an effective tax system based on proportionate, socially acceptable taxes that can generate sufficient revenue, uphold tax justice principles, broaden the tax base, and reduce tax rates. To achieve this, the committee outlined several objectives at the level of the tax system:

- **Establishing a Simple and Stable Tax System:**

Achieving a stable tax system in its legislation aims to eliminate complexity and ambiguity that characterized previous periods, reinstating the basic principles of the tax system structure to enhance transparency and clarity, benefiting taxpayers and tax administration alike.

- **Alleviating the Tax Burden:**

Easing the tax burden encourages enterprises to expand their activities and fosters the creation of new institutions. Initial measures allowing for the reduction and flexibility of the tax burden in favor of enterprises have been adopted.

- **Effective Tax Management:**

Success of any tax system depends on the presence of an efficient tax administration responsible for its implementation and monitoring. Therefore, an important goal of tax reform is to achieve effective management by increasing the number of employees in the tax administration and establishing a national tax school.

- **Generalization of Automated Information Use and Removal of Bureaucracy:**

Implementing automated information use and removing bureaucratic obstacles within tax administration build trust between taxpayers and tax authorities. Opening tax doors annually aims to engage citizens more closely.



Received: 15/11/2025 Accepted: 03/02/2026 Published: 07/04/2026

- **Achieving Tax Justice:**

The new tax system aims to achieve tax justice among taxpayers through fair distribution of the tax burden, including:

- Distinguishing between natural and legal persons and subjecting each to specific tax treatment.
- Fair redistribution of revenues and protecting purchasing power by adjusting taxes to control inflation. This involves expanding the use of progressive taxation over proportional taxation, as progressive taxation is fairer since it considers income levels.

Considering the taxpayer's ability to pay by taking into account their personal circumstances and exempting the minimum living standard. Directing Economic Activity: This is done by controlling economic activity and encouraging economic agents, including institutions, to increase investment by granting tax incentives such as exemptions and using stimulating techniques to expand projects. This is achieved through:

- Protecting domestic production through customs duties.
- Directing investment towards targeted activities in line with the adopted economic policy.
- Encouraging economic agents, including institutions, to initiate investment through facilitations and tax incentives.
- Achieving economic growth by promoting and directing savings towards productive investment, while alleviating the tax pressure on institutions resulting from the multiplicity and high rates of taxes.
- Increasing the regular tax rate to finance the public budget and cover operational expenses.

1.1.3. Most important tax reforms in Algeria.

Since 1992, the Algerian tax system has undergone a series of gradual and deep reforms to deal with various sectors more transparently and efficiently. These reforms have introduced several

amendments that have helped simplify and enhance the tax system, making it closer to modern systems used worldwide. This is evident through:

- Personal income tax, which has been unified and streamlined by introducing progressive tax rates based on total income.
- Corporate income tax, where the tax on company profits is calculated based on a relative rate.
- Consumption tax, which has been simplified by including value-added tax. This transition reduced the multiple rates ranging from 0% to 80% to only two rates of 7% and 17%.
- Capital gains tax incurred during transactions and property transfers due to death or between living persons, which has been adjusted with a noticeable reduction in associated fees.
- Abolishing many tax declarations and replacing them with a single document, unifying monitoring rules across all taxes and fees, and increasing guarantees granted to taxpayers.

The Algerian tax system now includes(Aissous,2014)

- Income Tax (IRG)
- Corporate Income Tax (IBS)
- Value-Added Tax (TVA)
- Professional Activity Tax (TAP)
- Single Lump Sum Tax (IFU)
- Other taxes and fees (cleansing tax, property tax, petroleum product tax, etc.).

1.1.4. Areas and stages of tax reforms in Algeria.

Stages of tax reforms:

Tax reform has been comprehensive and profound, touching many aspects of taxation. These reforms can be categorized into several issues that require review and specific strategies, including:

- a- **Tax Administration Reform:** International experiences in this field emphasize the importance of coordination between tax reform levels and the effectiveness of the administrative apparatus. The ability of the administrative apparatus to correct and



Received: 15/11/2025 Accepted: 03/02/2026 Published: 07/04/2026

adapt quickly is crucial for the success or failure of the reform process.

The tax reform process can be divided into three stages:

- The first stage involves implementing the law and determining the tax base.
- The second stage evaluates the amount of tax due according to the applicable laws and the applicable tax tool.
- The third stage involves collecting the due tax.

In all these stages, the role of the administrative apparatus is important, and any weakness in any stage negatively affects the entire process, especially the final stage related to tax collection. Therefore, the main objectives of administrative reform are to increase taxpayers' compliance and enhance the efficiency of tax assessment, review, and collection processes through modernization and computerization.

b- Expanding the Tax Base:

Expanding the tax base can be achieved through two methods: creating new tools to include new types of taxes such as income taxes, consumption taxes, or environmental taxes aimed at protecting the environment or imposing taxes on unorganized sector activities through specific indicators reflecting the type and level of activity. The second method is to increase the efficiency of the system to reach segments that were previously not covered.

In reality, the second type is the primary focus of tax reforms in Arab countries, as the inefficiency of the administrative apparatus in imposing and collecting taxes results in significant tax revenue loss for the state.

c- Reforming Tax Incentives:

Tax incentives aim to encourage economic agents to invest and enable policies to take several forms, including:(Kherchouch,2017)

- Temporary or permanent tax exemptions.
- Achieving tax deduction rates or reducing the taxable base. However, this policy has not led to expanded investment due to economic and social environments that did not suit

investment initiatives, as these laws included many bureaucratic procedures and complexities. Despite the advantages of this incentive policy, such as:

- Increasing production as a result of investment support.
- Increasing employment in institutions that receive this support. However, we may overlook some drawbacks of this policy, such as changes in the existing production structure, as such changes could lead to unintended consequences like the diversion of investments from other sectors to those benefiting from these privileges

Areas of tax reforms:(Walid,2015)

- **Expanding the Tax Base:** This expansion is achieved through two methods. The first is creating new tools to include new types of taxes such as income taxes or consumption taxes. The second method is increasing the efficiency of the system to cover segments that were not previously covered.
- **Rationalizing the Tax Rate:** This involves reducing the disparities between tax rates in the tax structure. Accurate information is crucial for this process to differentiate between subcategories or components.
- **Harmonizing Tax Instruments:** Achieving harmonization means that reforming one type of tax should not come at the expense of another type. There should be coordination between them.
- **Improving the Performance of the Administrative Apparatus:** This aims to increase its effectiveness and ability to adapt to new reforms.

1.2. Diagnosing Tax Reforms in Algeria:

Tax reform in Algeria is characterized by the introduction of new and modern taxes that rival tax systems in advanced countries. These include:



Received: 15/11/2025 Accepted: 03/02/2026 Published: 07/04/2026

1.2.1. The tax on total income (IRG): has replaced various types of qualitative taxes previously imposed, which were characterized by complexity and inconsistency with the principle of tax personalization. Therefore, they were replaced with a single tax on the aggregate types of income.

According to the Direct Taxation and Similar Duties Law for the year 2016, Article 01 states, "A single annual tax is levied on the income of natural persons called 'tax on total income.'" This tax is imposed on the net total income of the taxpayer as determined according to the provisions of Articles 85 to 98 of the Direct Taxation and Similar Duties Law.

The net total income consists of the total net incomes of the following categories:

- Professional profits.
- Agricultural investment returns.
- Revenues derived from the realization of built and unbuilt properties, as stipulated by Article 42 of the Direct Taxation and Similar Duties Law.
- Returns on movable capital.
- Salaries, wages, pensions, and urban allowances.

Additionally, the following are exempt from tax on total income:

- Individuals whose annual net total income equals or is less than the minimum threshold for tax liability as specified in the schedule of tax on total income.
- Ambassadors, diplomatic staff, consuls, and consular officers of foreign nationality when the countries they represent grant the same privileges to Algerian diplomatic and consular staff.

The tax on total income is calculated according to the following progressive schedule:

Table No. (1): Progressive Schedule for Calculating Tax on Total Income

Income Bracket Subject to Tax (DZD)	Tax Rate
Not exceeding 120,000	0%
From 120,001 to 360,000	20%
From 360,001 to 1,440,000	30%
More than 1,440,000	35%

Source: Ministry of Finance, National Directorate of Taxes, Direct Taxes and Similar Duties Law, 2016, p. 39

Taxpayers' Declarations for Total Income Tax:

Individuals subject to total income tax must subscribe and send, at least by April 30th of each year, to the direct tax inspectorate of their place of residence, declarations of their total income, provided by the tax administration, as stipulated in Article 99 of the Direct Taxes and Similar Duties Law for the year 2017.

Taxpayers must also declare the following items:

- Rent or rental value and address: primary residence.
- Secondary residences in Algeria and abroad.
- Tourist cars, housing carts, yachts or pleasure boats, and tourist planes.
- Services, domestic workers, and maids.

1.2.2. Corporate Profit Taxes (IBS):

The corporate profit tax is imposed annually on the total profits or incomes earned by companies and other legal entities, referred to as "corporate profit tax." This tax is applied to all companies regardless of their form or purpose, except for:

- Personal companies and joint stock companies within the meaning of commercial law, unless these companies choose to be subject to corporate profit tax. In this case, the declaration provided for in Article 151 must be attached, and



Received: 15/11/2025 Accepted: 03/02/2026 Published: 07/04/2026

there is no going back on this choice for the life of the company.

- Civil companies not formed as joint-stock companies, except for those companies that choose to be subject to corporate profit tax. In this case, the declaration provided for in Article 151 must be attached, and there is no going back on this choice for the life of the company.
- Collective employment bodies for movable and real properties approved under the forms and conditions stipulated in the legislation and regulations in force.
- Companies and cooperatives subject to unified flat-rate tax.
- Public industrial and commercial institutions and entities.

The corporate profit tax is calculated as follows:

[Table 2: Method of Calculating Corporate Profit Tax]

Taxable Activities	Tax Rate
For goods production activities	19%
For construction, public works, irrigation, as well as tourism and baths activities, excluding price agencies	23%
For other activities	26%

Individuals subject to corporate profit tax who engage in multiple activities simultaneously must provide separate accounting for these activities. This allows for the determination of the profit share for each activity suitable for the applicable corporate profit tax rate. Failure to maintain separate accounting will result in the application of a uniform rate of 26%.

Taxation of Corporate Profits:

- Corporate profits tax is levied in the name of legal entities rather than their company headquarters or main residence.
- Every legal entity with a residence in Algeria that generates income under the conditions specified in Article 137 must

appoint a representative residing in Algeria, legally qualified to comply with the procedures applicable to legal entities subject to corporate profit tax. This representative will pay the tax on behalf of the relevant legal entity. If this is not possible, the tax and associated penalties for corporate profits will be paid by the person acting on behalf of the legal entity without a residence in Algeria.

Corporate Obligations:

- Legal entities must submit, before April 30th of each year, to the tax inspectorate affiliated with the location of their company headquarters or main residence, a declaration of the taxable profit for the previous fiscal year.
- If the company records a deficit, a declaration of the deficit amount must be submitted under the same conditions. The tax authority may provide an electronic declaration form for submission when the deadline falls on a legal holiday, extending the deadline to the next business day.

1.2.3. Value-Added Tax (TVA):

Is considered an indirect tax imposed on total expenditure or consumption and is applied to operations that have an industrial, commercial, or artisanal character.

Value Added Tax is applicable to:(Kherchouch,opcit)

- a- Sales operations, real estate activities, and services other than those subject to specific fees, which have an industrial, commercial, or artisanal character and are usually carried out in Algeria.

This tax is applied automatically based on:

1. The legal status of individuals involved in the completion of taxable operations or their status regarding all other taxes.
2. The form or nature of involvement of these individuals.

- b- Import operations. Operations subject to TVA mandatorily, including:

- c- Sales and deliveries carried out by producers.



Received: 15/11/2025 Accepted: 03/02/2026 Published: 07/04/2026

- Real estate activities.
 - Sales and deliveries in their original state of products or goods subject to tax, imported and executed according to wholesale sale conditions by importing merchants.
 - Sales carried out by wholesalers.
 - Deliveries for themselves:
 - Operations to fix movable values carried out by those subject to the tax.
 - Unrelated real estate properties fixed by those subject to the tax, for their own use or to meet the needs of their various investments, provided these properties are not used to carry out operations subject to VAT or are exempt according to Article 9.
 - Leasing operations, services provision, service works, research, and all operations other than sales and real estate activities.
 - Real estate properties or commercial premises owned by individuals who buy these properties in their name for resale, whether habitually or occasionally.
 - Operations carried out within the framework of freelance professions by natural persons or companies, excluding medical, quasi-medical, and veterinary operations.
 - Artistic events, games, and entertainment.
 - Telephone and telefax services provided by postal and telecommunications authorities.
 - Sales operations conducted by large retail spaces, multiple trade activities, and retail trade, except for operations conducted by VAT-registered taxpayers subject to the lump-sum regime.
 - Operations conducted by banks and insurance companies.
 - Optional TVA-liable operations:
- 1- Natural or legal persons whose activities fall outside the scope of TVA can opt, upon declaration, to acquire the status

of TVA-liable entities. They must provide goods or services for:(<https://www.mfdgi.gov.dz/>)

- Export.
- Petroleum companies.
- Other TVA-registered persons.
- Institutions benefiting from the purchase system are exempted as stipulated in Article 42.

The concerned parties are required to adhere to the actual profit system:

They can request this option at any time during the year. However, it's mandatory to notify the tax inspectorate of the business's registration number, where the tax is imposed. The option becomes effective from the first day of the month following the month in which the choice is made. The choice can cover all operations or a part of them. Unless there is a waiver or cessation of activity, the choice obligatorily covers a period ending on December 31 of the third year following the year in which the choice came into effect. The implicit choice is determined, unless explicitly stated otherwise, to be submitted within three months before the end of each period.

Entities subject to TVA include:

- Producers: Individuals or legal entities primarily or secondarily involved in extracting or manufacturing products. They undertake manufacturing or transformation as manufacturers or subcontractors to give them their final form or commercial presentation for delivery to consumers.
- Individuals or legal entities owning stores where packaging and packing operations are carried out or where products are sent and deposited.
- Retailers subject to the conditions of retail sales are exempt from TVA.

TVA rates: Currently, there are two rates for value-added tax.



Received: 15/11/2025 Accepted: 03/02/2026 Published: 07/04/2026

- **Standard Rate:** 19% This rate applies to products, goods, services, and operations not explicitly subject to the reduced rate.
- **Reduced Rate:** 9% This rate applies to products, materials, works, operations, and services that represent a special benefit on the economic, social, and cultural levels, as referred to in Article 23 of the Business Registration Law for the year 2017.

1.2.4. Professional Activity Tax (TAP):

The tax on professional activity applies to business registration numbers generated in Algeria by taxpayers subject to income tax, who engage in activities whose profits are subject to personal income tax or corporate profit tax. However, revenues derived from the exploitation of legal entities or companies subject to tax under Article 217 of the Direct Taxes and Similar Taxes Law for the year 2017 are excluded from the scope of taxation. The business registration number refers to the amount of revenue generated from all sales, services, or other operations within the aforementioned activity. However, transactions conducted between units of the same entity are exempt from taxation.

The tax rate on professional activity is set at 2%, as shown in the following table:

Table No. (3) Professional Activity Tax Rate at 2%

Occupational Activity Tax	Joint Fund for Local Communities	Municipality Revenue Share	State Revenue Collection	Total
General Rate	0.11%	1.30%	0.59%	2%

Source: Ministry of Finance, National Tax Directorate, Direct Taxes and Similar Duties Law, 2016, p 101

However, the tax rate on professional activity increases to 3% regarding the revenue generated from the activity of transporting

fuels through pipelines. The tax revenue from professional activity is distributed as shown in the following table:

Table No. (4) Professional Activity Tax Rate at 3%

Occupational Activity Tax	Joint Fund for Local Communities	Municipality Revenue Share	State Revenue Collection	Total
General Rate	0.16%	1.96%	0.88%	3%

Source: Ministry of Finance, National Tax Directorate, Direct Taxes and Similar Duties Law, 2016, p 101

The rate of this tax is reduced to 1% without benefiting from reductions for production activities. This tax is distributed according to the following table:

Table No. (5) Professional Activity Tax Rate at 1%

Occupational Activity Tax	Joint Fund for Local Communities	Municipality Revenue Share	State Revenue Collection	Total
General Rate	0.05%	1.66%	0.29%	1%

Source: Ministry of Finance, National Tax Directorate, Direct Taxes and Similar Levies Law, 2016, P101

- Regarding construction, public works, and irrigation activities, the fee is set at 2%, with a 25% reduction.

**The individuals subject to the tax and its place of imposition:

a) The fee is established as follows: (Baa ali, opcit)

- In the name of the beneficiaries of taxable revenues, according to the place of practicing the profession or in the name of the main establishment when necessary.
- In the name of each establishment based on the business number achieved by each subsidiary establishment or unit within each municipality where it operates.



Received: 15/11/2025 Accepted: 03/02/2026 Published: 07/04/2026

b) The fee is established in companies, regardless of their form, such as joint-stock companies, in the name of the company or the group.

1.2.5. Real estate tax.

1. Real estate tax on built properties: A real estate tax is established on built properties, regardless of their legal status on the national territory, excluding those expressly exempted from tax. The real estate tax also applies to the following built properties:
 - Facilities designated for housing people and materials or for storing products;
 - Commercial facilities located near airports, ports, railway stations, and highways, including their annexes consisting of warehouses and maintenance workshops;
 - Building floors of all types and land parcels directly attached to them and indispensable;
 - Uncultivated lands used for commercial or industrial purposes such as workshops, warehouses, and similar places, whether occupied by others for free or for a fee.
 - The following properties are exempted from the real estate tax, provided they are dedicated to public facilities or public benefit and do not generate income: properties belonging to the state, municipalities, and public institutions with administrative nature operating in education, scientific research, health care, social protection, culture, and sports; buildings dedicated to religious rituals; and public properties belonging to endowments.

The tax is calculated by applying the specified rates below to the taxable basis.

- Built properties in the true sense of the word 3%.

However, for residential properties owned by individuals located in designated areas regulated by zoning laws and unoccupied whether for personal or family use or rented out, a multiplied rate of 10% applies.

- Land parcels attached to built properties:
 - 5% when their area is less than or equal to 500 square meters;
 - 7% when their area exceeds 500 square meters and is less than or equal to 1000 square meters;
 - 10% when their area exceeds 1000 square meters.

2. Real estate tax on unbuilt properties:

- An annual real estate tax is established on all types of unbuilt properties, excluding those expressly exempted from tax, including lands in urban sectors or areas subject to development, including lands designated for future development not yet subject to real estate tax on built properties; quarries and outdoor sand extraction sites; salt mines and salt flats; agricultural lands.
- The tax exemption on unbuilt properties applies to:
 - Properties belonging to the state, municipalities, public institutions, scientific, educational, or relief institutions when dedicated to activities of public benefit and non-profit-generating. However, this exemption does not apply to properties belonging to state entities, municipalities, or states that have an industrial or commercial character.
 - Lands occupied by railways.
 - Properties belonging to public endowments consisting of unbuilt properties.
 - Lands and land parcels subject to real estate tax on built properties.
- The tax is calculated after applying the tax rate to the tax base as follows:



Received: 15/11/2025 Accepted: 03/02/2026 Published: 07/04/2026

- 5% when the land area is less than 500 square meters or equal to it;
- 3% for agricultural lands;
- 7% when the land area exceeds 500 square meters and is less than or equal to 1000 square meters;
- 10% when the land area exceeds 1000 square meters.

However, for undeveloped properties located in urban areas or areas designated for development, where no buildings have been constructed for three years since the date of obtaining the building permit or the issuance of the subdivision permit, the applicable rights subject to real estate tax are increased by four times.

2. Applied Study at the Tax Directorate of Souk Ahras

2.1. Presentation of the Tax Directorate of Souk Ahras:

As the tax administration is a significant administrative, financial, and economic structure in Algeria, branching into several units including the Regional Tax Directorate of Souk Ahras, it plays a crucial role in influencing various economic institutions within the Souk Ahras province.

2.1.1. Organizational Structure of the Tax Administration in Algeria:

First: General Directorate of Taxes:

- 1- The General Directorate of Taxes is considered a cornerstone of the national economy relied upon by the government to implement its programs. It is tasked with managing the tax system, controlling all its aspects from legislation and regulation to implementing tax policy plans aimed at collecting resources, which are the primary source of state treasury revenue after hydrocarbons. The main purpose of the General Directorate of Taxes is to fulfill its duties as an effective and responsive administration to the taxpayers' expectations, especially regarding adopting the core values of society and ensuring individual and collective

rights. It is responsible for implementing the state's sovereign right of tax collection. According to Executive Decree No. 364-07 dated 18 Dhu al-Qi'dah 1428 corresponding to November 28, 2007, organizing the central administration in the Ministry of Finance, the General Directorate of Taxes is tasked with the following (Wilaya Directorate of Taxes for Souk Ahras)

- Studying, proposing, and preparing legislative and regulatory texts, as well as implementing necessary measures to prepare and settle taxes and collect tax revenues, fees, and quasi-taxes.
- Preparing and discussing international tax agreements and international agreements containing tax or quasi-tax provisions.
- Implementing necessary measures to combat tax evasion and fraud.
- Overseeing administrative and judicial disputes related to taxes, fees, and rights, regardless of their nature.
- Providing tools for analysis and monitoring of the tax administration's management and performance, especially tax service efficiency indicators.
- Improving the tax administration's relations with taxpayers.

Second: Regional Tax Directorate:

The Regional Tax Directorate serves as the central administration at the regional level and acts as a link between the provincial tax directorates and the General Directorate of Taxes to connect the base with the top. It ensures the implementation of programs and application of instructions and decisions issued by the central administration and maintains functional relations between the central administration and the provincial tax directorates. Among its tasks, the regional tax directorates stimulate the work of provincial tax directorates under their regional jurisdiction, guiding, coordinating, and monitoring them. According to Executive Decree No. 06-327 dated 18/09/2006, which specifies the organization and



Received: 15/11/2025 Accepted: 03/02/2026 Published: 07/04/2026

jurisdiction of the external services of the tax administration, there are nine regional tax directorates responsible for 54 provincial directorates. Each regional tax directorate consists of up to four sub-directorates, and each sub-directorate has up to four offices.

2.1.2. Presentation of the Tax Directorate of Souk Ahras and its Functions:

The Regional Tax Directorate of Souk Ahras, with its various branches, plays a key role in managing and monitoring the tax situation through tax monitoring and investigations of individuals and legal entities.

1- **Establishment and Organizational Structure of the Tax Directorate of Souk Ahras:** Before 1991, the Coordination Inspection of External Services of the Ministry of Economy, which dealt with financial policy, specifically taxation, on the provincial level, comprised five sub-directorates:(Province Tax Center for Souk Ahras Province)

- Sub-directorate for Taxable Base.
- Sub-directorate for State Property.
- Sub-directorate for Collection.
- Sub-directorate for Competition and Prices.
- Along with the Provincial Treasury and the Financial Controller of the province. With

The issuance of Executive Decree No. 60/91 dated February 23, 1991, which organizes the external services of the tax administration, provincial tax directorates were established, including the Tax Directorate of Souk Ahras, comprising five sub-directorates:

- Sub-directorate for Tax Operations.
- Sub-directorate for Tax Monitoring.
- Sub-directorate for Collection.
- Sub-directorate for Means.

- Sub-directorate for Disputes. It has 11 inspections and 23 collections, including eight collection offices and 15 management offices.

Tasks of the Tax Directorate of Souk Ahras:

The tasks of the Tax Directorate of Souk Ahras, like other provincial tax directorates, encompass various duties summarized below:

- Managing employees and monitoring their professions.
- Providing necessary means for work and smooth operation.
- Evaluating needs, especially employees' salaries.
- Monitoring activities and management of inspections.
- Organizational work, good activation, distribution of instructions, and circulars from the central administration.
- Monitoring the financial management of municipalities and local public institutions.
- Monitoring the handling of results related to statistics prepared by collectors.
- Searching for tax information and ensuring timely interventions and sending collected information to the collection office.
- Managing cards and comparing obtained information.
- Conducting tax investigations of institutions and individuals likely to be subject to review or deep scrutiny by tax authorities aiming for exemptions or tax reductions established by tax inspections.
- Monitoring the tax situation of significant taxpayers.

Digitization of the tax administration:

Tax reforms, new legislation, and facilities provided to taxpayers aim to modernize tax transactions within the sector and improve public service, continuing the modernization program, especially in digitalization. This includes:



Received: 15/11/2025 Accepted: 03/02/2026 Published: 07/04/2026

First: Launch of the Tax Services Reception System (ERP-SAP):

A modern tax system based on an ERP-SAP information solution, composed of integrated units responding to most professional tasks of tax management. It aims to achieve better control over taxpayers concerning their activities and available properties.

Second: Declaration System:

An information system simplifying tax obligations, allowing transactions to be securely and digitally conducted without visiting tax authorities, encouraging and facilitating taxpayers to fulfill their tax obligations and debts. The General Directorate of Taxes introduced a remote declaration system (Télé Déclaration), shifting tax administration from information dissemination to the efficient utilization of information technology and electronic access to the central system.

Towards the journey of using information technology and communication in its relationship with taxpayers, the introduction of the remote declaration system (JIBAYATIC) was pivotal.

The adoption of online declaration and electronic payment for taxpayers under the Directorate of Major Enterprises (DGE), including foreign companies operating in the field of hydrocarbons or those exceeding a certain business threshold, was considered a significant step. Starting from January 2018, the remote declaration system became mandatory for them. They are required to comply with it, and they can settle all taxes and fees through electronic payment.

As for taxpayers under tax centers and tax peripheral centers, the remote declaration system is optional. Twenty-two model centers were established to introduce the process and familiarize taxpayers with this informational application before its widespread implementation. All a taxpayer needs to do is request registration in

the remote declaration system, and the registration file includes the following documents:(Remadlia,2018)

- Registration application form downloadable from the tax directorate's website.
- General terms and conditions.
- Bank identity statement (RIB).
- Legal authorization from the taxpayer to a representative mentioned in the registration form for remote declaration to carry out all procedures on behalf of the taxpayer.

After compiling the file, the taxpayer schedules an appointment according to their preference through the (JIBAYATIC) website to make payment to the authorized departments. They are then handed a sealed envelope containing their password to access their dedicated space and make tax declarations.

Human Resources Capabilities:

The tax administration still faces a shortage of human resources, including inadequate staff training, low levels of competence, and insufficient periodic training. However, efforts are underway to strengthen human resources by increasing the number of employees, improving their efficiency, and providing training to qualified personnel at various levels, both academically and practically, to enhance the effectiveness of tax services. The following table illustrates the development of the number of tax administration employees:

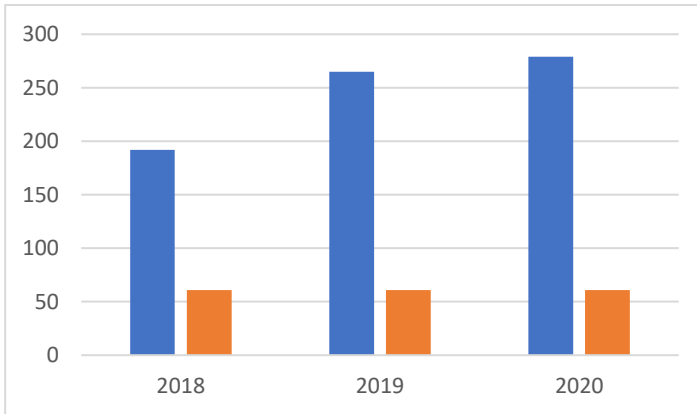
Table (6) Development of the number of tax administration employees for the Souk Ahras province between (2018-2020).

Year	2020	2019	2018
Employees	279	265	192
Contractors	61	61	61
Growth Rate	0.05	0.28	//

Source: Compiled by the researcher based on the Tax Center for Souk Ahras Province.



Received: 15/11/2025 Accepted: 03/02/2026 Published: 07/04/2026



A graphical representation (1): Represents the evolution of tax administration employees in Souk Ahras between (2020-2018)

We notice from Table (6) and its corresponding graphical representation an increase in the number of employees at the Tax Directorate of Souk Ahras Province by 0.28% and 0.05% during the years 2019 and 2020 respectively, with a stability in the number of contractors. This reflects the Tax Directorate's efforts towards expansion and intensification of the workforce.

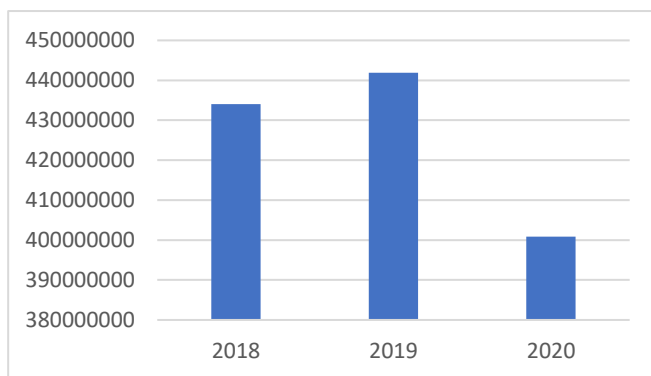
Tax on Business Numbers (TAP):

Through our study of tax records at the Tax Center for Souk Ahras Province during the period of 2018-2020, we obtained tax revenues on business numbers. The following table shows the evolution of these revenues:

Table (7): Evolution of various tax revenues on business numbers between (2018-2020).

Year	2020	2019	2018
Different Taxes on Business Number	400857779	441885201	434010945
Annual Growth Rate (%)	-0.05	0.02	//

Source: Compiled by the researcher based on the Tax Center for Souk Ahras Province.



Graph (2): Represents the evolution of various tax revenues on business numbers between (2018-2020).

Through Table (7) and its graphical representation, it becomes clear to us that the percentage of revenues from various taxes on business numbers evolved during the year 2019 by a growth rate of 0.02%, which generally remains at a modest rate. This can be attributed to tax reforms (such as reducing the tax burden on enterprises...), allowing companies to achieve better results.

We also observe a decline in this percentage during the year 2020 by -0.05%, which is attributed to the health crisis that affected the



Received: 15/11/2025 Accepted: 03/02/2026 Published: 07/04/2026

world in general and Algeria in particular, negatively impacting it. This reflects the inflexibility of the tax system to unexpected external environmental changes.

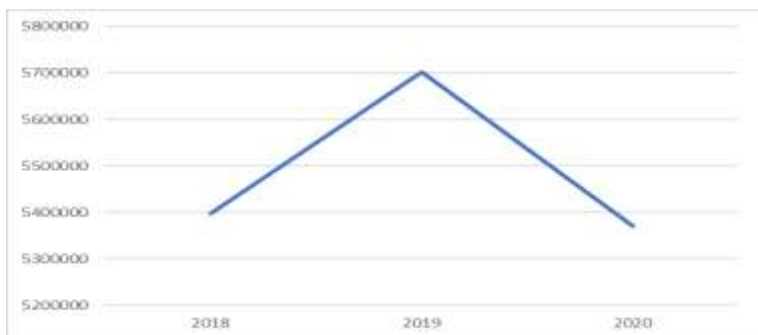
Direct Tax:

We studied the impact of direct taxation on enterprises after the tax reforms at the level of the Souk Ahras Province during the period between (2018-2020), and the results are shown in the following table:

Table (8): Evolution of direct tax revenues between (2018-2020).

Year	2020	2019	2018
Direct Taxes	5371800.359	5702193.559	5398218.722
Annual Growth Rate (%)	-0.06	0.05	//

Source: Compiled by the researcher based on the Tax Center for Souk Ahras Province.



Graph (1): Represents the evolution of direct tax revenues between (2020-2018).

From Table (8) and its graphical representation, it is observed that during the year 2019, direct tax revenues amounted to 5,702,193.559 DZD, compared to 5,398,218.722 DZD in 2018, indicating an increase in revenue by 0.05%. Although this increase is not very significant, it is evident that the aim of reducing the tax burden on economic agents, especially enterprises, to encourage expansion and growth, has not been fully achieved. This is because it burdens both the worker and the enterprise equally, negatively impacting productivity.

During the year 2020, revenues reached 5,371,800.359 DZD, representing a decline of -0.05%. This decline is attributed to the negative impact of the global health crisis, COVID-19, highlighting the problem of the inflexibility of the tax system.

Combatting Tax Evasion and Fraud:

Tax reforms have been introduced with amendments aimed at reorganizing to detect all forms of tax evasion and fraud to the fullest extent possible. The following tables illustrate the evolution of the tax control yield during the period between (2020-2018).

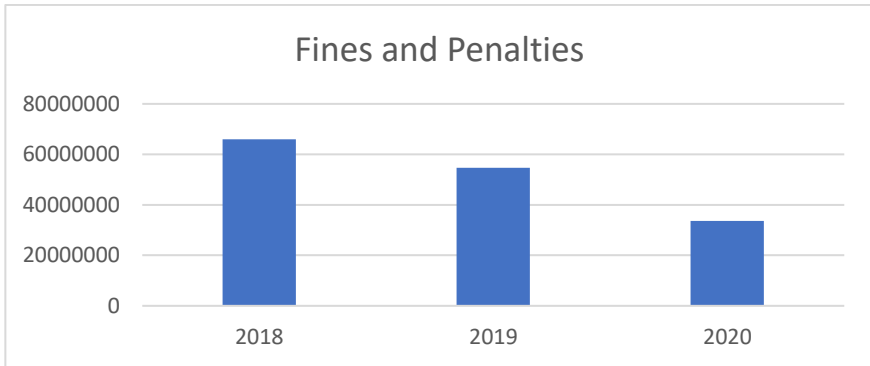
Table (9): Investigation in accounting for the period between (2020-2018)

Year	Completed Files	Number of Employees	Fines and Penalties	Development Rate (%)
2018	25	04	65912330	//
2019	27	04	54650908	-0.17
2020	20	04	33612490	-0.38

Source: Compiled by the researcher based on the Tax Center for Souk Ahras Province



Received: 15/11/2025 Accepted: 03/02/2026 Published: 07/04/2026



Graph (3): Represents the investigation in accounting for the period between (2020-2018).

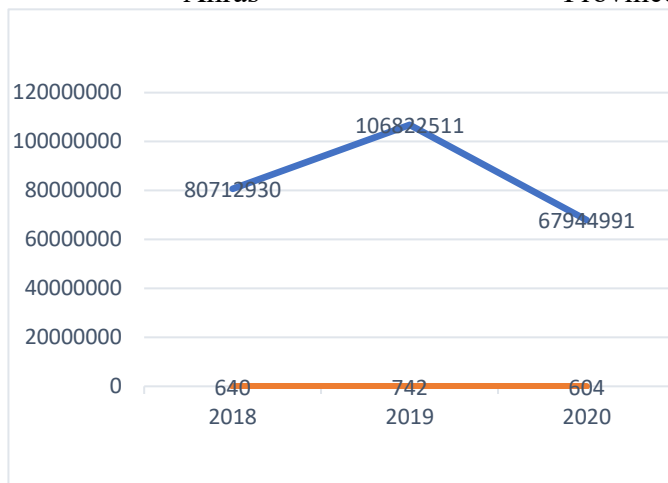
From our study of Table (9) and Graph (3), it is noted that despite the increase in the number of programmed files for supervision within the framework of tax reforms, there is a decrease in revenues from 65,912,330 DZD in 2018 to 54,650,908 DZD in 2019, by a percentage of -0.17%. Similarly, the same downward trend continues in 2020, where revenues were 33,612,490 DZD, with a percentage decrease of -0.38%. This does not meet the acceptable level targeted by tax control operations to curb the growing phenomenon of tax evasion.

Real Estate Transactions:

Table (10) monitors real estate transactions for the period between (2020-2018).

Year	Number of monitored files	The number of employees	The output	The growth (%) rate
2018	640	05	80712930	//
2019	742	06	106822511	0,14
2020	604	05	67944991	-0,23

Source: Compiled by the researcher based on the Tax Center for Souk Ahras Province



Graph (2): Represents the evolution of real estate transactions for the period between (2020-2018).

Both Table (10) and Graph (2), pertaining to the period between (2020-2018) for the evolution of real estate transaction monitoring, show a consistent increase in the number of supervised files each year. In 2018, there were approximately 640 monitored files resulting in revenue of 80,712,930 DZD. In comparison, in 2019, there were 742 monitored files resulting in revenue of 106,822,511 DZD, indicating an increase of 0.14%. However, there is a noticeable decline in 2020 by -0.23%, attributed to the global health crisis, COVID-19.

Based on our findings, we conclude the following:

- Taxation plays a crucial and impactful role on entities, akin to any other variables.
- Digitization of administration using ICTs through e-filing and reception desks aims to alleviate taxpayer burdens and improve service quality, enabling alignment of operational methods with institutional strategic practices.



Received: 15/11/2025 Accepted: 03/02/2026 Published: 07/04/2026

- Despite recruitment efforts by the Tax Directorate, there is a lack of necessary material and human resources, affecting the quality of service provided to taxpayers, especially dynamic externalized institutions.
- Tax burden reduction, despite rate decreases, affects enterprise activities and employees because these rates aren't based on in-depth field studies.
- Tax evasion and fraud rates remain high despite measures to simplify the system and modernize tax administration to change taxpayers' attitudes toward reducing these negative phenomena.

Conclusion:

Tax reforms are based on a comprehensive and simplified approach allowing for organizational improvements across all governmental tax departments, aiming to establish a more diagnostic tax system, particularly through digitization, raising fairness levels by diagnosing, standardizing, and simplifying the tax system with tools and methodologies for tax improvement in line with state objectives and economic agents' demands, to facilitate procedures, reduce tax levels, and improve communication with taxpayers.

Research Results:

- Tax reforms in Algeria have a direct and effective impact on entities.
- New tax reforms are more effective when compared to the previous tax system.
- Unstable tax legislation due to continuous amendments makes it difficult for entities to adapt.
- Tax reforms have provided enterprises with an opportunity for expansion and growth by reducing the tax burden,

directly affecting their productivity and financial capabilities.

Recommendations:

- Establish an efficient monitoring mechanism to combat administrative corruption and monitor enterprise activities, especially those that received loans from the state.
- Continue tax reforms to be comprehensive and radical for the Algerian tax system.
- Further simplify the tax system through administrative procedures and tax collection.
- Continue opening job positions in all structures under the Tax Directorate.
- Be well-prepared to face tax challenges, especially in electronic taxation.
- Intensify training sessions for agents to understand and implement tax reforms.

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