

6. International Aspects

6.1. Resident companies

See section [1.2.1](#).

6.1.1. Foreign income and capital gains

Companies which carry on activities both in Algeria and abroad are taxed in Algeria pro rata on the profits derived from production or sales operations in Algeria, unless they keep regular and separate accounts for domestic and foreign activities. In the latter case, they are taxed on Algerian-source income as recorded in their accounts.

Foreign dividends, interest and capital gains received by resident companies are taxed in Algeria to the extent that they are not attributable to a foreign permanent establishment of the Algerian company. The same rule applies to royalties, except those deemed to be exports (exportation of services) which are entitled to a permanent exemption.

6.1.2. Foreign losses

Foreign losses may not be taken into consideration for corporate income tax purposes.

6.1.3. Foreign capital

Net worth tax does not apply to companies.

6.1.4. Double taxation relief

No unilateral double taxation relief is granted under domestic tax law for foreign tax. Bilateral relief is provided under Algerian income tax treaties. For the list of tax treaties in force, see section [6.3.5](#).

6.2. Non-resident companies

The Income Tax Code does not define non-resident companies. For a definition of the concept of residence, see section [1.2.1](#).

6.2.1. Taxes on income and capital gains

Non-resident companies with no permanent establishment in Algeria are subject to a final withholding tax on their Algerian-source income at varying rates. For the applicable withholding tax rates, see section [6.3](#).

Algerian permanent establishments of non-resident companies are subject to the standard corporate income tax in Algeria on their net income (see section [1](#)).

Up to 50% of the capital gains realized by non-resident investment companies on the disposal of shares in resident companies are deductible from the taxable base (article 143-3 of the Income Tax Code).

Article 47 of Finance Law 2009 introduced a 20% capital gains tax on the disposal of shares and units in Algerian companies by non-resident corporate shareholders. This tax is levied by way of a final

withholding payment in conformity with the procedure provided by article 256 of the Registration Duties Code.

6.2.1.1. Taxes on procurement and other service contracts

Non-resident companies carrying on their activities in Algeria under procurement contracts are subject to a 0.5% advance payment on the global contract value. This payment discharges such companies from the payment of the three quarterly prepayments. The advance is payable monthly on the payments received in the previous month and is creditable against the final corporate income tax liability (article 356 bis of the Income Tax Code).

Foreign companies that operate temporarily in Algeria for the execution of service contracts subject to the 24% withholding tax (see section 1.6.2.) must submit an annual declaration by 30 April. Otherwise, a fine of DZD 1 million will apply. Moreover, failing to provide a detailed statement of amounts paid to third parties within 30 days following the notification of a formal notice will be subject to a fine of DZD 10 million.

6.2.2. Taxes on capital

Non-resident companies owning real estate located in Algeria are subject to the property tax on developed land and on undeveloped land (see sections 5.2.1. and 5.2.2.).

6.2.3. Administration

Tax is paid by non-residents by way of a final withholding tax (see section 6.3.).

Permanent establishments of non-resident companies are subject to the same compliance requirements as resident companies (see section 1.8.).

Non-resident companies may elect to be subject to tax on a net basis in respect of income from procurement contracts. The election must be filed with the Large Taxpayers Office within 15 days from the date of signature of the contract (see section 6.3.4.).

6.3. Withholding taxes on payments to non-resident companies

6.3.1. Dividends

Tax is withheld at the rate of 15% from gross dividends distributed by resident companies to non-resident companies. This is a final withholding tax.

6.3.2. Interest

Interest on debts, deposits and guarantees paid by resident persons to non-residents companies is subject to a final withholding tax at the rate of 10%.

A 40% final withholding tax rate applies to interest on bearer securities.

The withholding tax is levied on the gross amount of the interest payments.

6.3.3. Royalties

Royalties paid by resident persons to non-resident companies are subject to a final withholding tax at the rate of 24% on the gross amount (article 150.2 of the Income Tax Code).

Where the royalties are for the use of computer software, the 24% rate is calculated on 20% of the gross amount (article 156.2 of the Income Tax Code). The effective withholding tax rate then becomes 4.8%.

6.3.4. Other

Fees paid by resident persons to non-residents under management contracts are subject to a final withholding tax at the rate of 20% on the gross amount (article 150.2 of the Income Tax Code).

Rental payments made by resident persons under international leasing contracts are subject to a 24% withholding tax rate on 40% of the gross amount (article 156.2 of the Income Tax Code).

Other payments by resident persons to non-resident companies are subject to a 24% final withholding tax on the gross amount (article 150.2 of the Income Tax Code).

Finance Law 2009 introduced a branch profits tax at the rate of 15%. The branch tax is levied on the after-tax profits of Algerian permanent establishments remitted to their foreign head office.

6.3.5. Withholding tax rates chart

[See Algeria - Treaty Withholding Rates Table](#) , Quick Reference Tables IBFD.

7. Anti-Avoidance

7.1. General

Finance Law 2014 introduced an anti-avoidance rule into the Income Tax Code. The rule is based on the French concept of *abus de droit* (“abuse of rights”). Under this rule, the tax authority is allowed to recharacterize transactions whose main purpose is to avoid taxes.

7.2. Transfer pricing

There are no detailed transfer pricing rules. However, Finance Law 2007 introduced a provision applicable to transactions between resident and non-resident related parties (companies operating in Algeria or outside of Algeria, involved directly or indirectly in the management, control or capital of a company operating in Algeria or outside of Algeria) (article 141 bis of the Income Tax Code). Under this provision, Algeria may tax all profits that should have been derived in Algeria but were not subject to tax due to conditions set up between the parties. SFL 2010 provides examples of situations where profits may be considered to have been transferred to non-resident related parties. These include:

- increasing the sale price or decreasing the acquisition price;
- the payment of excessive royalties or a disproportionate consideration for services rendered;
- granting interest-free loans or loans with a reduced interest rate; and
- giving up interest payments due under loan agreements.

SFL 2010 also imposes an obligation upon companies under the supervision of the Large Taxpayers Office to annex to their corporate income tax return documentation clarifying their transfer pricing policy with regard to transactions with non-resident related parties.

The Minister of Finance published in the Official Gazette No. 4 of 20 January 2013 a decision which specifies the transfer pricing documentation requirements. The obligation to produce transfer pricing documentation applies only to large taxpayers (see section [1.8.3.1.](#) for the definition of large taxpayers).

Article 8 of Finance Law 2017 provides that taxpayers under the management of the Large Taxpayers Office required to submit transfer pricing documentation, must keep cost accounting records.

From 2018, any company that realizes intercompany and cross-border transactions is subject to this obligation.

In addition, companies that keep consolidated accounting records are bound to provide them to the tax auditors upon request.

The fine applicable in the event of failure to present upon request documentation justifying transfer pricing charges was raised to DZD 2 million by article 10 of Finance Law 2017.

Advance pricing agreements are not provided for in Algeria.

7.3. Thin capitalization

There are no thin capitalization rules.

7.4. Controlled foreign company

Algerian tax law does not contain any CFC rules.