

## Algeria enacts 2020 Finance Act

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On 30 December 2019, the Algerian Government enacted the *Finance Act for 2020*.

This Alert summarizes the key fiscal measures under the Act.

### Investment

- The **removal of the local shareholding majority obligation** (51/49 rule) **for sectors considered as non-strategic to the national economy**. This measure is pending. Implementing texts will be issued to clearly define the classification of sectors regarded as strategic. An official ad hoc commission is to be established during fiscal year (FY) 2020 for this purpose.
- **Authorization to allow foreign financing for projects with strategic and structuring interest to the national economy** (prior to approval by the Finance Minister and the Finance and Budget Committee of the National People's Assembly). Strategic and structuring projects, previously exclusively financed by the state budget, are now open to external financing from international development financial institutions such as the African Development Bank or the World Bank.

## Direct taxes

- ▶ **Companies' profits** (earnings after tax) that were **neither distributed nor subscribed to the share capital** of the firm within a period of three years, **will be considered as distributed income** and shall be subject, in the same way as **dividends**, to a **withholding taxation at a rate of 15%**. This provision applies to profits realized from FY 2016 onwards.
- ▶ **Dividends paid to corporates will going forward be subject to a withholding tax at the rate of 15%**. This taxation only applies to non-specifically exempted categories of profits.
- ▶ The **tax allowance applicable to royalties paid to a foreign provider for the use of software will be reduced from 80% to 30%** (setting the effective rate of the withholding tax at **16.8%**).

## Taxes on turnover

- ▶ **Sales operations** carried out by electronic means (**via the internet**) are now **subject to value-added tax (VAT) at a reduced rate of 9%**.

- ▶ **Elimination of the VAT liability threshold**, which was previously set at **DZD30 million** (total turnover).
- ▶ **Introduction of a new VAT rate set at 0%**. This rate is applicable to the acquisition of products, goods and services already benefiting from a VAT exemption. This disposition will at first only be applicable to companies registered for tax purposes at the level of the Large Companies Directorate, before being extended to all tax administrations.

## Other taxes

- ▶ **The bank registration tax** applicable to imports operation is **increased from 0.3% to 0.5% for goods** intended for resale as is, from **3% to 4% for services and 0% to 1% for SKD<sup>1</sup> kits**.
- ▶ The rate of **the solidarity contribution** applicable to imports of goods released for consumption in Algeria **is raised from 1% to 2%**.

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## Endnote

1. SKD: "semi knocked-down" (a product that is exported in a set of parts that have been partly put together).

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