

SETTING UP BUSINESS IN ALGERIA



General Aspects

Location: north of the African continent

Land: 2,381,741 km².

Neighbors: The country borders Morocco to the west, Tunisia and Libya to the east, and Niger and Mali to the south.

Population: 40 million.

Capital City: Algiers.

Government: Republic.

National Day: the revolution day 1st of November

Independence Day: July, 5th

Algeria is a democratic and popular republic .The country spreads across an area of 2,381,741 km², with 1,200 km of Mediterranean coastline. Algeria is a member of the Arab Maghreb Union (AMU) and has common borders with Tunisia, Libya, Morocco, Mauritania, and with two countries of the African Sahel, Mali and Niger and the Western Sahara.

Legal Forms of Business Entities

Legal form	Feature	Remarks
Limited liability company (LLC)	Limited liability companies are formed, it is formed by two or more partners who shall be only liable for losses in proportion to their contributions generally for small projects that doesn't need a big finance such as service activities, a minimum of 100.000 DZD of capital is required, The appointment of a statutory auditor is mandatory since 2006, it takes from four to five weeks to complete all procedures to start the activity for LLC.	
Joint stock company	The joint stock company whose capital is divided into shares and which is constituted between shareholders who bear losses only in proportion to their contribution." The company is required to designate a statutory auditor. It may be formed by conducting a public offering. Only the rules governing joint stock companies which do not conduct public offerings will be mentioned in this publication. The number of shareholders cannot be less than seven (07), except in the case of State-owned corporations. It takes from five to six weeks to complete all procedures to start the activity for LLC.	
PE	The Permanent Establishment exists through the contract it carries out in Algeria. This contract must be domiciled with the tax authorities, company has no legal existence, it acquires certain rights (to a bank account, to hire personnel) and obligations (obligation to pay taxes).	
Representative office:	Foreign companies are allowed or have the right to establish a representative office but only for the objective of making market surveys or feasibility studies and not allowed to enter any commercial operations.	

Organizational Questions

Topic	Feature	Remarks
Limited Partnership	A limited partnership may have 2 types of partners, general or limited partners. General partners are members of a partnership with the status of trader and unlimited liability whilst limited partners are liable up to the extent of their investment in the partnership.	
Partnership limited by shares	The creation of this type of company is considered when general partners, founders of the partnership, give themselves excessive managerial powers to thwart hostile takeover bids. Indeed, third parties are not tempted to acquire companies in which power is held by the general partners, whilst most of the share capital belongs to the limited partners.	
Bank Account	When applying to have a bank account, companies must have ID Tax register and commercial registration.	

Employment

Topic	Feature	Remarks
Work permit	Employment in Algeria are coordinated by the Labor Law n° 90-11 of April 21st 1990. The working relationship starts with the written contract or not written. It exists in any case the mere fact of working on behalf of an employer. The probation period must be written in the labor contract and Probation period cannot exceed twelve months, Employees that spend one complete year in service are allowed to have annual of 30 days' vacation.	
Social system	Legal Holidays 1-Jan New Year's Day 1-May Labor Day 14th 16th-June Eid el Fetr 05th July Independence day 21nd 23rd-Aug Aid Adha Oct 01st Achoura 22 Sep Islamic new year 01st nov Revolution day 01-dec Prophet Mohamed's birthday	
Labour law	Employer Contribution 26% from the gross monthly salary Employee Deduction 09% from the gross monthly salary	Basic monthly salary up to 18.000 DZD

Taxation

Tax	Feature	Remarks
Corporate Income Tax	Explorariation and production of oil and gas companies taxed To : <ul style="list-style-type: none"> • Superficiary tax • Tax on the fees • Tax on oil revenus • Supplementary income tax 	Law 05-07 April 28th 2005 hydrocarbons Due from area explored Due on basis of the quantities of hydrocarbons produced and counted Due on petroleum revenue Due on result achieved by each person participating in the re-search and / or exploitation
Personal Income Tax	Less than 120.000 Dzd from 120.001 Ddz to 360.000 Ddz from 360.001 Dzd to 1.440.000 Dzd More than 1.440.000 Dzd	0% 20% 30% 35%
Compagnies revenu tax	19% for production, 23% public works', 26% other activities	
Turnover tax	Tax is applied at a rate of 1% for activity of production, 2% for other activities with reduction of 25% for public works and 30% for wholesales, 3% for the activity of pipeline transportation of hydrocarbons.	
Value Added Tax (VAT)	There are two rates of VAT, 9% reduce rate for strategic Products or area and 19% rate for other activities.	
Wealth tax	Are subject to the wealth tax: 1) Natural persons having their fiscal domicile in Algeria, because of their property located in Algeria or outside Algeria. 2) Natural persons not having their fiscal domicile in Algeria because of their property located in Algeria.	Fraction of the taxable net worth of the assets in dinars Less than 100,000,000 AD (0%) from 100,000,000 to 150,000,000 AD (0,50%) from 150,000.001 to 250,000,000 AD (0,75%) from 250.000.001 to 350.000.000 DA (1,00%) from 350,000.001 to 450,000,000 AD (1,50%) greater than 450.000.000 DA (2%)
Non-resident Taxation	Non-residents are liable only for their income derived from Algerian sources.	



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