

GLOBAL TAX SERIES

A stylized, light blue icon of a classical building with a central dome and a pediment, centered in the background. The icon is composed of several geometric shapes, including rectangles and triangles, creating a layered effect.

# Global Corporate Tax Handbook 2024



# Global Corporate Tax Handbook 2024

## Why this book?

Covering 101 tax jurisdictions worldwide, these books provide the largest, most authoritative survey of tax systems throughout the world. The Global Corporate Tax Handbook and the Global Individual Tax Handbook are designed to be used as a set – buy these two books as a set. The titles complement each other to provide the reader with a complete overview of the tax system in each country.

Similar to the other titles in the Global Tax Series, the country chapters follow a common layout that allows rapid and accurate access to precise information and enables direct comparison between countries. The country chapters have been updated to reflect the laws applicable in 2024.

<b>Title:</b>	Global Corporate Tax Handbook 2024
<b>Date of publication:</b>	June 2024
<b>ISBN:</b>	9789087228811 (PDF), 9789087228804 (e-pub)
<b>Type of publication:</b>	Book
<b>Number of pages:</b>	2027
<b>Terms:</b>	Shipping fees apply. Shipping information is available on our website.
<b>Price (eBook: e-Pub or PDF):</b>	EUR 445  USD 505 (VAT excl.)

## Order information

To order the book, please visit [www.ibfd.org/shop/book](http://www.ibfd.org/shop/book). You can purchase a copy of the book by means of your credit card, or on the basis of an invoice. Our books encompass a wide variety of topics, and are available in one or more of the following formats:

- IBFD Print books
- IBFD eBooks – downloadable on a variety of electronic devices
- IBFD Online books – accessible online through the IBFD Tax Research Platform



# **Global Corporate Tax Handbook 2024**



## Editors:

*Africa:* Aisha Aize Isa, Mamadou Bah, Tarynn Isaacs, Sabine Marsit, John Wilfred Mpoa, Yvette Nakibuule Wakabi, Abdoul Aziz Son  
*Asia-Pacific:* Karen Lim, Nikita Lingbawan, Mei-June Soo, Nina Umar  
*Caribbean:* Carissa Rodolfo, Sandy van Thol  
*Europe:* Mery Alvarado, Madalina Cotrut, Francesco De Lillo, Filip Krajcuska, Magdalena Olejnicka, Andreas Perdelwitz, Marnix Schellekens, Carla Valério  
*Middle East:* Mamadou Bah, Sabine Marsit  
*Latin America:* Vanessa Arruda Ferreira, Maria Bocachica, Diana Calderón Manrique, Ravi N. Chatlani, Gabriela Rodríguez Arguijo  
*North America:* Wooje Choi, Kelly Maurer

## IBFD

*Visitors' address:*  
Rietlandpark 301  
1019 DW Amsterdam  
The Netherlands

*Postal address:*  
P.O. Box 20237  
1000 HE Amsterdam  
The Netherlands

Telephone: 31-20-554 0100

Email: [info@ibfd.org](mailto:info@ibfd.org)

[www.ibfd.org](http://www.ibfd.org)

© 2024 IBFD

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the written prior permission of the publisher.  
Applications for permission to reproduce all or part of this publication should be directed to: [permissions@ibfd.org](mailto:permissions@ibfd.org).

## Disclaimer

This publication has been carefully compiled by the IBFD and/or its author, but no representation is made or warranty given (either express or implied) as to the completeness or accuracy of the information it contains. The IBFD and/or the author are not liable for the information in this publication or any decision or consequence based on the use of it. The IBFD and/or the author will not be liable for any direct or consequential damages arising from the use of the information contained in this publication.

However, the IBFD will be liable for damages that are the result of an intentional act (*opzet*) or gross negligence (*grove schuld*) on the IBFD's part. In no event shall the IBFD's total liability exceed the price of the ordered product.

The information contained in this publication is not intended to be an advice on any particular matter. No subscriber or other reader should act on the basis of any matter contained in this publication without considering appropriate professional advice.

Where photocopying of parts of this publication is permitted under article 16B of the 1912 Copyright Act jo. the Decree of 20 June 1974, Stb. 351, as amended by the Decree of 23 August 1985, Stb. 471, and article 17 of the 1912 Copyright Act, legally due fees must be paid to Stichting Reprorecht (P.O. Box 882, 1180 AW Amstelveen). Where the use of parts of this publication for the purpose of anthologies, readers and other compilations (article 16 of the 1912 Copyright Act) is concerned, one should address the publisher.

ISBN 978-90-8722-880-4 (eBook, ePub); ISBN 978-90-8722-881-1 (eBook, PDF)

ISSN 2590-1044 (electronic)

NUR 826

## Preface

IBFD is pleased to present the 2024 edition of the *Global Corporate Tax Handbook*. Together with the *Global Individual Tax Handbook*, these titles provide the reader with a complete overview of the tax systems in 101 countries throughout the world.

All of the country surveys have been compiled to contain the most up-to-date information possible. In addition to the country level surveys, a chapter on EU Direct Taxation is included, as well as descriptions of the seven most important Swiss cantons.

The country chapters of this book are also available in the online collection Country Surveys of the IBFD Tax Research Platform, which contains descriptions of the tax systems of over 200 countries and, in addition, descriptions of the tax systems of all Swiss cantons, US states and Canadian provinces, and selected Mexican states. The online title is *Global Tax Explorer*. It also includes the texts of income tax treaties concluded by all countries worldwide.

More comprehensive coverage of the majority of the jurisdictions can be found in the online collection Country Analyses. A combination of Country Surveys, Country Analyses and the texts of income tax treaties concluded by countries worldwide is offered via the online title *Global Tax Explorer Plus* and regional subsets of this title on Africa, Asia-Pacific, Europe, Latin America and the Caribbean, and the Middle East. Countries in North America can easily be ordered via the online title *Tax Explorer – Country Select*, which enables you to choose the exact countries for which you need coverage on the essentials on international tax. It also offers the possibility to extend this with the very detailed Country Analyses on major economies like Canada and the United States.

For the latest tax developments, see IBFD's daily *Tax News Service* online. More information about IBFD, and its various activities and products is available at [www.ibfd.org](http://www.ibfd.org).

The Editors

April 2024

## External contributors:

Ms A. Abdul Raheem, Saudi Arabia (chapters on Saudi Arabia, United Arab Emirates)  
Prof. A. Asatsuma, Rikkyo University, Tokyo (chapter on Japan)  
Mr I. Aw and Mr J. Lim, OC Queen Street LLC, Singapore (chapter on Singapore)  
Ms P. Bak, Netherlands (chapter on Ireland)  
Ms K. Balogová, Bratislava (chapter on Slovak Republic)  
Mr B. Büchel, Fiscal Authority of the Principality of Liechtenstein, Vaduz (chapter on Liechtenstein)  
Mr P. Burg, France (chapters on France, Monaco)  
Dr R. Cadosch, Cadosch Rechtsanwälte AG, Bern (chapter on Switzerland)  
Mr A. Calderón and Mr J.A. Becerra, Calderón, Gonzalez & Carvajal, Mexico City (chapter on Mexico)  
Mr A. Coronel, Deloitte, Paraguay (chapter on Paraguay)  
Mr M. Corral, CPA, MDP, FITS Financial and Tax Services, Santiago, Dominican Republic (chapter on Dominican Republic)  
Mr R. Curtis, United Kingdom (chapter on United Kingdom)  
Mr A. Durán, Bogotá (chapters on Colombia, Honduras)  
Ms M.I. Eibe, Ernst & Young, Montevideo (chapter on Uruguay)  
Mr S. El-Khoury (chapter on Lebanon)  
Mr H. Elnaggar, WTS Dhruva Consultants (chapter on Egypt)  
Ms G. Erdős, Corvinus University, Budapest (chapter on Hungary)  
Mr V. Foltea (chapter on Moldova)  
Mr J. Fonseca, Mayora & Mayora, Guatemala City (chapter on Guatemala)  
Mr E. Furuseth, BI Norwegian Business School, Oslo (chapter on Norway)  
Mr W. Grünkorn and Ms T.H.N. Nguyen, Grünkorn & Partner Law Co., Ltd. (chapter on Vietnam)  
Mr G. Guerra, Andean Strategies, Quito (chapter on Ecuador)  
Dr I. Haq and Ms H. Bukhari, Huzaima & Ikram, Lahore (chapter on Pakistan)  
Mr J. Hattingh, University of Cape Town, South Africa (chapter on South Africa)  
Mr M. Herm, ATTELA Law Firm, Tallinn (chapter on Estonia)  
Dr K. Holmes, Wellington (chapter on New Zealand)  
Instituto Nicaragüense de Investigaciones y Estudios Tributarios, INIET, (chapter on Nicaragua)  
Ms E. Jambal, the Mongolian Association of Certified Tax Consultants, Ulaanbaatar (chapter on Mongolia)  
Mr Y. Kamal-Kaikani (chapter on Morocco)  
Ms T. Kogut, Luxembourg (chapter on Russia)  
Ms H. Kristanto, PB Taxand, Jakarta (chapter on Indonesia)  
Mr Y. Lin, Ernst & Young, Taipei (chapter on Chinese Taipei)  
Mr H.W. Lovell, KPMG, Christ Church (chapter on Barbados)  
Ms I. van der Maas, Mazars, Amsterdam (chapters on Croatia, North Macedonia)  
Ms A. Maher, Cautela Pros d.o.o., Ljubljana (chapter on Slovenia)  
Ms A. Marusic, Consultant, Panama City (chapter on Panama)  
Mr S. Melnyk, Alvarez & Marsal, United Kingdom (chapter on Ukraine)  
Mr E. Meloni, Buenos Aires (chapter on Argentina)  
Ministry of Financial Services, Cayman Islands Government (chapter on Cayman Islands)  
Ms T. Morales Gil, Uría Menéndez, Spain (chapter on European Union)  
Mr T. Morstadt and Mr S. Kohrt, Lorenz & Partners Co. Ltd., Bangkok (chapter on Thailand)  
Ms M. Muñoz, Tax Advisor, Bogotá (chapters on El Salvador, Nicaragua)  
Mr M. Mushtaq Ahmed, S.F. Ahmed & Co., Dhaka (chapter on Bangladesh)

Mr J. Ocampo and Ms K. Ocampo, Ocampo and Suralvo Law Offices, Makati City (chapter on Philippines)  
Mr S. Odimma, A.P. Moller-Maersk Group, Nigeria (chapter on Nigeria)  
Mr F. Omondi, Deloitte & Touche, Kenya (chapter on Kenya)  
Mr P. Ordoñez, PPO Abogados, Santa Cruz (chapter on Bolivia)  
Mr P. Pace Ross and Ms G. Demanuele Bianco, KPMG Malta (chapter on Malta)  
Dr S. Papademetriou and Mr G. Kerameus, KPP Law Firm, Athens (chapter on Greece)  
Mr N. Papapanayiotou, Costas Tsielepis & Co Ltd, Cyprus (chapter on Cyprus)  
Mr H. Perlmutter, Barnea & Co., Israel (chapter on Israel)  
Mr Z.F. Rakotomalala, Tax Expert, Madagascar (chapter on Madagascar)  
Mr R. Ramloll, Attorney-General's Office, Mauritius (chapter on Mauritius)  
Mr B. Rodriguez, IKEA Supply AG, Basel (chapter on Spain)  
Mr B. Rodriguez, Independent Advisor, San José (chapter on Costa Rica)  
Mr L. Sahbani, PWC, Algeria (chapter on Algeria)  
Ms Y. Schuchter and Mr A. Kras, Leitner + Leitner, Salzburg (chapter on Austria)  
Mr F. Sepúlveda, RGS Abogados, Santiago (chapter on Chile)  
Mr S. Shah, Shreyas N. Shah & Associates, Mumbai (chapter on India)  
Ms N. Sharmaja, ECOVIS Georgia, Tbilisi (chapter on Georgia)  
Ms D. Shishkova, Ms S. Pandelieva and Ms G. Ahtchieva, AFA OOD, Sofia (chapter on Bulgaria)  
Ms V. Sigurvaldadóttir, Marel hf, Gardabaer (chapter on Iceland)  
Ms M.E. Simões, Nunes Costa Advocacia, Recife (chapter on Brazil)  
Mr I. Soldatović, KPMG Belgrade (chapters on Montenegro, Serbia)  
Mr V. Strachuk, Minsk, Belarus (chapter on Belarus)  
Mr M. Teixeira, CS Associados, Lisbon (chapter on Portugal)  
Mr T. Toryanik, Singapore (chapter on Australia)  
Mr J.W. Tze, Kuala Lumpur (chapter on Malaysia)  
Ms A. Uruçi, Boga & Associates, Tirana (chapter on Albania)  
Ms T. Vaičiulienė, Vilnius (chapter on Lithuania)  
Ms R. Villagra, Lima (chapter on Peru)  
Prof. Dr B. Yaltı, Koç University, Istanbul (chapter on Türkiye)  
Prof. J.H. Yoon, Seoul National University School of Law (chapter on Republic of Korea)

## IBFD country specialists:

Ms M. Alvarado (chapters on Gibraltar, Guernsey, Isle of Man, Jersey)  
Ms L. Ambagtsheer-Pakarinen (chapters on Denmark, Finland, Sweden)  
Mr W. Choi (chapter on United States)  
Ms G. Gallo (chapter on Italy)  
Ms L. Gerzova (chapter on Latvia)  
Mr S. Guezydi (chapters on Oman, Qatar)  
Mr F. Krajcуска (chapter on Czech Republic)  
Mr S. Ma (chapter on China)  
Ms S. Marsit (chapter on Tunisia)  
Mr L. Nouel (chapter on Venezuela)  
Dr R. Offermanns (chapters on Belgium, Luxembourg)  
Ms M. Olejnicka (chapter on Poland)  
Mr A. Perdelwitz (chapter on Germany)  
Ms O. Popa (chapter on Romania)  
Ms J. Rogers-Glabush (chapter on Canada)  
Mr M. Schellekens (chapter on Netherlands)  
Mr A. Aziz Son (chapter on Gabon)  
Ms Y. Zhang (chapter on Hong Kong)



---

## Table of Contents

---

<b>Albania</b>	9	<b>European Union</b>	583	<b>Lithuania</b>	1089
		Appendices:			
<b>Algeria</b>	21	– Merger Directive	625	<b>Luxembourg</b>	1109
<b>Argentina</b>	45	– Parent-Subsidiary Directive (recast)	633	<b>Madagascar</b>	1135
<b>Australia</b>	71	– Interest and Royalties Directive	639	<b>Malaysia</b>	1153
<b>Austria</b>	87	<b>Finland</b>	645	<b>Malta</b>	1171
<b>Bangladesh</b>	113	<b>France</b>	665	<b>Mauritius</b>	1191
<b>Barbados</b>	135	<b>Gabon</b>	693	<b>Mexico</b>	1211
<b>Belarus</b>	153	<b>Germany</b>	713	<b>Moldova</b>	1245
<b>Belgium</b>	167	<b>Gibraltar</b>	731	<b>Monaco</b>	1261
<b>Bolivia</b>	199	<b>Greece</b>	741	<b>Mongolia</b>	1269
<b>Brazil</b>	213	<b>Guatemala</b>	763	<b>Montenegro</b>	1283
<b>Bulgaria</b>	247	<b>Guernsey</b>	777	<b>Morocco</b>	1293
<b>Canada</b>	265	<b>Honduras</b>	785	<b>Netherlands</b>	1313
<b>Cayman Islands</b>	285	<b>Hong Kong</b>	801	<b>New Zealand</b>	1335
<b>Chile</b>	291	<b>Hungary</b>	819	<b>Nicaragua</b>	1349
<b>China (People’s Rep.)</b>	317	<b>Iceland</b>	849	<b>Nigeria</b>	1363
<b>Chinese Taipei</b>	345	<b>India</b>	865	<b>North Macedonia</b>	1395
<b>Colombia</b>	369	<b>Indonesia</b>	887	<b>Norway</b>	1405
<b>Costa Rica</b>	403	<b>Ireland</b>	901	<b>Oman</b>	1421
<b>Croatia</b>	421	<b>Isle of Man</b>	925	<b>Pakistan</b>	1439
<b>Cyprus</b>	433	<b>Israel</b>	933	<b>Panama</b>	1463
<b>Czech Republic</b>	453	<b>Italy</b>	951	<b>Paraguay</b>	1489
<b>Denmark</b>	471	<b>Japan</b>	975	<b>Peru</b>	1503
<b>Dominican Republic</b>	493	<b>Jersey</b>	995	<b>Philippines</b>	1519
<b>Ecuador</b>	511	<b>Kenya</b>	1005	<b>Poland</b>	1539
<b>Egypt</b>	535	<b>Korea (Rep.)</b>	1029	<b>Portugal</b>	1559
<b>El Salvador</b>	551	<b>Latvia</b>	1047	<b>Qatar</b>	1585
<b>Estonia</b>	569	<b>Lebanon</b>	1065	<b>Romania</b>	1599
		<b>Liechtenstein</b>	1079	<b>Russia</b>	1619

<b>Saudi Arabia</b>	1645	<b>Sweden</b>	1779	<b>United Arab Emirates</b>	1891
<b>Serbia</b>	1665	<b>Switzerland and selected cantons</b>	1799	<b>United Kingdom</b>	1905
<b>Singapore</b>	1677	<b>Thailand</b>	1819	<b>United States</b>	1939
<b>Slovak Republic</b>	1693	<b>Tunisia</b>	1831	<b>Uruguay</b>	1973
<b>Slovenia</b>	1711	<b>Türkiye</b>	1853	<b>Venezuela</b>	1993
<b>South Africa</b>	1727	<b>Ukraine</b>	1877	<b>Vietnam</b>	2011
<b>Spain</b>	1755				

# Albania

This chapter is based on information available up to 19 January 2024.

## Abbreviations

Abbreviation	English definition	Albanian definition
ITL	Income Tax Law	Ligji "Tatimi mbi te ardhurat"
LTSL	Law on Local Taxes System	Ligji "Per sistemin e taksave vendore"
SSL	Law on Social Security	Ligji "Per sigurimet shoqerore"
TPA	Tax on profits derived from petroleum activities	Ligji "Për regjimin fiskal në sektorin hidrokarbur"
TRUL	Law on the Right of the Privatization of Public Land on Use and on the Tax for the Right to Use It	Ligji "Per te drejten e privatizimit te truallit shtetoror ne perdorim dhe per taksen mbi te drejten e perdorimit te tij"
VATL	Value Added Tax Law	Ligji "Per tatimin mbi vleren e shtuar ne Republiken e Shqiperise"

## Introduction

The only tax on corporate profits in Albania is the corporate income tax. Employers must pay social security and health contributions. No net worth tax is imposed, but a property tax is levied annually on the owners of agricultural land, construction land, or buildings. A VAT system is in operation.

A new law "On Income Tax" (no. 29/2023) is in force in Albania as of 1 January 2024. The information in this chapter has been updated with the new provisions.

The Central Tax Administration Office (*Administrata Tatimore Qendrore*) is responsible for the administration and collection of taxes.

The jurisdiction for tax purposes (except for local taxes) is the territory of Albania.

Local taxes are imposed and collected by local municipalities (through their local tax units).

The currency is the Albanian lek (ALL).

Albania, together with other OECD/G20 Inclusive Framework members, signed a joint statement agreeing to implement a two-pillar solution to the challenges of the digitalization of the economy (see details in sections 6.2.1. and 6.4.).

## 1. Corporate Income Tax

### 1.1. Type of tax system

The Albanian corporate income tax system is a classical tax system according to which corporate profits are fully taxed and the distributed profits are taxed again in the hands of the recipient by way of a withholding tax (which may be deducted if the recipient is a tax-registered person). A tax-registered person is a person who is registered in Albania for tax purposes and files their own tax return.

However, certain profit distributions to resident corporate shareholders are exempt from both profit tax and withholding tax (see section 2.2.).

Before 2024, a definition of corporate income tax did not exist (it was commonly referred to as "profit tax"), and taxpayers were subject to it depending on the amount of turnover they generated in a year.

### 1.2. Taxable persons

Corporate income tax is imposed on all resident legal entities (article 27 of the ITL). A permanent establishment of a non-resident entity is also subject to corporate income tax. Partnerships are not transparent for tax purposes; they are subject to corporate income tax at the level of the partnership, and the partners' profit shares are subject to withholding tax (unless the partner owns an interest of 10% or more and such interest is held for a period of not less than 24 months).

Pension funds, trusts, investment funds, investment companies and other collective investment vehicles are generally taxable persons.

Exempt from corporate income tax are, among others, entities that only carry out activities of a religious, humanitarian, charitable, scientific or educational nature, whose assets or profits are not used for the benefit of their organizers or members (article 27(2) of the ITL).

Before 1 January 2024, liability to corporate income tax – commonly referred to as "profit tax" – was dependent on meeting turnover criteria, i.e. only entities with an annual turnover exceeding ALL 8 million were subject to (corporate) income tax. As from that date, it is the legal form that dictates liability to corporate income tax.

Non-resident companies (with a permanent establishment in Albania), as well as partnerships, are subject to corporate income tax (see section 6.2.).

In this survey, the term “company” is used to refer to all entities subject to CIT, unless indicated otherwise.

### 1.2.1. Residence

A company is considered resident of Albania if:

- it has been established under Albanian law; or
- at any time during the tax year, the management and control of the affairs of the entity are exercised in Albania (article 28 of the ITL).

The management and control of the affairs of an entity are deemed to be exercised in Albania if the meetings of the board of directors of the entity are held in Albania, or at least two of the following conditions are met:

- decisions relating to the daily management of the entity are made in Albania;
- at least 50% of the board members or directors of the entity are resident in Albania; and
- at least 50% of the capital or voting rights of the entity are owned, directly or indirectly, by persons resident in Albania.

Before 2024, a company was considered a resident of Albania if it had its legal seat or place of effective management in Albania.

## 1.3. Taxable income

### 1.3.1. General

Resident companies are subject to corporate income tax on their worldwide income (article 2 of the ITL), while non-resident companies are subject to corporate income tax only on the income generated in Albania. However, non-resident companies are taxed in Albania for worldwide taxable income attributed to a permanent establishment in Albania. Taxable profit is the difference between gross profits and related expenses. Income and expenses are accounted for on an accrual basis. The determination of the taxable profit is based on the profits shown on the financial statements, which must be kept and maintained in Albanian currency and in the Albanian language, in accordance with the Accounting Law and the national accounting standards, or the International Financial Reporting Standards, if certain criteria are met. The tax computation generally follows the commercial accounts quite closely.

### 1.3.2. Exempt income

Domestic and foreign-source dividends and profit shares of partnerships received by resident entities are tax-exempt income, provided that the recipient holds 10% or more of shares or voting rights of the payer company and this minimum participation was held for an uninterrupted period of 24 months (article 29 of the ITL).

### 1.3.3. Deductions

Deductible expenses are those that are incurred during the tax year, and that are:

- incurred in the direct interest of the business and aimed at the realization of profit;
- documented by the taxpayer; and

- not subject to any restriction specified in the law (article 48 of the ITL).

These expenses include the remuneration paid to employees and the mandatory social security and health insurance charges (see section 4.2.) connected therewith, but only if such payments are made through the banking system. In addition, voluntary life and health insurance premiums (up to 5% of the annual gross salary of the employee), as well as private pension premiums (up to the minimum annual salary per employee) paid by employers for their employees are deductible.

Interest and royalties paid at arm’s length are also deductible, as are overhead expenses and management fees. Representation and reception costs are deductible up to 0.3% of the annual turnover. Scholarships granted by educational institutions are deductible (under conditions).

For limitations on the deductibility of interest expenses, see section 7.3.

Expenses incurred for participation in fairs or expositions abroad, incurred by “exporting” taxpayers, are recognized as deductible tax expenses up to 3% of the annual turnover. To benefit from this rule, the taxpayer should have generated more than 70% of their income from export sales during the last 3 years. Manufacturers working under the inward processing regime do not qualify as exporters for purposes of this provision.

Furthermore, subject to the Law on Sponsorship (Law 7892 of 21 December 1994), sponsorship costs are deductible up to:

- 5% of profit before tax for press publishers and publications of literary, scientific, and encyclopedic works, as well as for cultural or artistic activities;
- 5% of profit before tax for sports activities, provided that certain conditions are met; and
- 3% of profit before tax for sponsorship of any other activities.

Legal entities with a taxable profit in excess of ALL 100 million who sponsor sports teams that are members of recognized sports federations may deduct an amount equal to three times the sponsored amount from their taxable income. The deduction may, however, not be carried forward to future tax periods. Also, the sponsorship amount may not exceed the limits set in the Law on Sponsorship (see above). To benefit from the deduction, the sponsor must obtain a “sponsorship authorization” from the General Tax Director according to the procedures as detailed in the instruction of the Minister of Finance.

Non-deductible expenses include (article 50 of the ITL):

- damage and waste related to production, transportation and storage in excess of the rates determined by a decision of Council of Ministers;
- dividends paid to shareholders and partners;
- the cost of acquisition and improvement of land (capitalized);
- the cost of purchase, improvement, renovation and reconstruction of depreciable assets;
- interest in excess of the average 12-month interest rate applied by licensed banks;
- the corporate income tax itself;
- penalties and fines;

- expenses in respect of technical, consulting and management services provided by third parties which have not been paid within the first quarter of the next year; they become deductible in the year when they are paid;
- gifts;
- salaries and other remunerations related to employment that are not paid through the banking system;
- personal consumption expenses; and
- any cash payment for a sale or purchase transaction with a tax-registered person that exceeds ALL 150,000 per transaction.

### 1.3.4. Depreciation and amortization

The legal owner is entitled to the depreciation allowances (article 51 of the ITL). In the case of finance leasing, depreciation may be claimed by the lessee, being the person who bears the risk of the loss or destruction of the asset. Depreciation is not compulsory.

Tangible and intangible assets are depreciated individually using the straight line method. Intangible assets are amortized using the rate of 15% of their historical value.

Tangible assets are divided into three major groups (article 61(6) and 51(7) of the ITL) and the below rates are used:

- (1) buildings, structures and machinery with a long useful life at the rate of 5%;
- (2) computers, software products and information systems are depreciated at the rate of 25%; and
- (3) other assets are depreciated using the declining-balance method at the rate of 20%.

The depreciation base for passenger vehicles used for personnel cannot be higher than 50% of the cost (including VAT) but in any case no higher than ALL 5 million. Before 2024, no limitation existed on this type of asset.

Where the depreciable base (i.e. acquisition or creation cost) of an asset is less than ALL 10,000 (ALL 5,000 before 2024), the full cost of the asset may be expensed in the period it was acquired or created.

Non-depreciable assets include land, fine art, antiques, and jewellery.

Revaluations and impairments of tangible and intangible fixed assets are not recognized for tax purposes.

Upon disposal of an asset, the difference between the sales price and the written down tax value will be recorded in the ordinary income/expense.

### 1.3.5. Reserves and provisions

Only allocations to special reserves by insurance companies and provisions by banks are considered to be tax deductible expenses provided that they are created pursuant to the IFRS rules, and the external auditors have issued an unqualified opinion on them (article 31 of the ITL).

## 1.4. Capital gains

Capital gains from the sale of a company's fixed business assets are taxed as part of the company's ordinary business income. There are no rules on rollover relief.

Capital gains from sale of shares of Albanian companies are taxable.

When the seller is a resident entity, the proceeds from the sale are included in the ordinary business income. If the seller is a non-resident entity, it is taxed at a 15% rate of the difference between the sale price and the purchase price (or, where relevant, the value it has contributed to the share capital).

Exceptionally, the taxation of the gains from the sale of shares is shifted from the seller of the shares to the entity the shares of which are being transferred if the following conditions are met:

- the company whose shares are sold owns rights for exploitation of natural resources in Albania or operates in the banking or telecommunication sectors;
- during a taxable period (1 year) the direct and/or indirect ownership of stock capital or voting rights of a legal entity changes by more than 20% in value or number;
- the average annual turnover in the last 3 years of this entity exceeds ALL 500 million; and
- no tax treaty is in force between Albania and the country of residence of the seller of shares (if present, the provisions of the tax treaty prevail).

When the above conditions are met, the entity is deemed to have disposed of a proportional part of all its assets immediately before the change ("deemed disposal"). The entity is treated as:

- having received sales proceeds from the deemed disposal equal to the proportional part of the market value of the assets at that time; and
- having subsequently reacquired the assets for that same amount.

Taxation of capital gains as above is applicable irrespective of (i) whether the shares' value derives directly or indirectly from immovable property or the right to exploit natural resources situated in Albania; and (ii) the residence status of the seller of shares. When the entity pays profit tax because of a deemed disposal as outlined above, the seller of those shares is exempt from profit tax (hence, in the case of an indirect transfer of assets by a non-resident entity, the tax shall be paid by the Albanian entity whose shares are being sold – through the deemed disposal exercise – rather than by the seller of the shares).

In all other cases (i.e. when the conditions regarding the annual turnover and the limit of 20% share transfer are not fulfilled), a non-resident seller of the shares pays taxes in Albania only in the case of change of ownership of the share capital of a legal entity, either directly or indirectly, provided that more than 50% of the value of such shares, at any time for 365 days preceding the transfer, derives directly or indirectly from immovable property, or the right to exploit natural resources, situated in Albania (subject to the provisions of a tax treaty). When the seller of shares is an Albanian resident entity and the deemed disposal scheme is not applicable, the income from the sale of shares is treated as ordinary income.

## 1.5. Losses

### 1.5.1. Ordinary losses

Losses incurred as from 2024 may be carried forward for 5 consecutive years (article 54 of the ITL). The carry-forward for losses stemming from before 2024 was 3 years.

If during the tax year more than 50% of ownership of the share capital or voting rights of the company is transferred, losses may be carried forward, except when there is change in the object of activity of the company. No carry-back is allowed.

### 1.5.2. Capital losses

Because capital gains are taxed as part of the company's ordinary business income (*see* section 1.4.), the rules on ordinary losses apply also to capital losses.

## 1.6. Rates

### 1.6.1. Income and capital gains

With effect from 1 January 2024, the standard rate of corporate income tax is levied at a rate of 15% (article 41 of the ITL).

Before 2024, taxpayers with an annual turnover of up to ALL 14 million were subject to profit tax (*see* section 1.1.) at a rate of 0%. The rate was 15% for taxpayers whose turnover exceeded ALL 14 million.

For some small businesses, a 0% corporate income rate applies until 31 December 2029. For details, *see* section 1.7.6.

For other reduced corporate income tax rates, *see* section 1.7.

### 1.6.2. Withholding taxes on domestic payments

Payments made to resident companies are subject to withholding tax (articles 58 and 59 of the ITL). For withholding tax on payments to non-residents, *see* section 6.3.

## 1.7. Incentives

### 1.7.1. Free zone

A company that is a user of a technological industrial development zone enjoys a 50% reduction in the corporate income tax rate for a period of 5 years from the day of commencement of its activities in the zone.

A tax deduction of 20% of a company's annual capital expenses, in addition to the standard depreciation, is available for a period of 2 years from the day of commencement of its activities in the zone.

### 1.7.2. Tourism

Accommodation facilities falling under the category of "four and five-star hotels with special status" are exempt from CIT for a period of 10 years from the day of com-

mencement of their activity. The incentive is available to accommodation facilities that obtain "four and five-star hotels with special status" before 31 December 2024. The incentive is applied upon the commencement of the business activity but not later than 3 years from obtaining the special status.

In order to obtain this special status, a minimum of EUR 8 million must be invested in a four-star hotel, and a minimum of EUR 15 million must be invested into a five-star accommodation facility.

In addition, until 31 December 2029, a reduced corporate income tax rate of 5% applies to entities classified as a "certified agritourism entity" in accordance with the relevant tourism legislation.

### 1.7.3. Information technology

A reduced corporate income tax rate of 5% shall continue to apply until 31 December 2025 to companies established before 1 January 2024 and engaged in producing or developing software. For companies established after 2023, this incentive is no longer available.

### 1.7.4. Automotive industry

A reduced corporate income tax rate of 5% shall continue to apply until 31 December 2029 to companies engaged in the automotive industry. Specifications (e.g. criteria and procedures) relating to this reduced rate are provided by the Albanian Council of Ministers.

### 1.7.5. Agriculture cooperatives

Agriculture cooperative entities will continue to benefit from 5% CIT until 31 December 2029.

### 1.7.6. Small businesses

Sole entrepreneurs and legal entities with an annual turnover not exceeding ALL 14 million shall continue to benefit from a 0% CIT rate until 31 December 2029.

Self-employed individuals and legal entities performing professional services are, however, subject to personal income tax on business income or corporate income tax depending on their legal form.

Professional services include:

- Code 59: Motion picture, video and television program production, sound recording and music publishing activities;
- Code 62: Computer programming, consultancy and related activities;
- Code 63: Information service activities;
- Code 64: Financial service activities, except insurance and pension funding;
- Code 65: Insurance, reinsurance and pension funding, except compulsory social security;
- Code 66: Activities auxiliary to financial services and insurance activities;
- Code 68: Real estate activities;
- Code 69: Legal and accounting activities;
- Code 70: Activities of head offices; management consultancy activities;

- Code 71: Architectural and engineering activities; technical testing and analysis;
- Code 73: Advertising and market research;
- Code 74: Other professional, scientific and technical activities;
- Code 75: Veterinary activities;
- Code 77: Rental and leasing activities;
- Code 78: Employment activities;
- Code 79: Travel agency, tour operator reservation service and related activities;
- Code 80: Security and investigation activities;
- Code 82: Office administrative, office support and other business support activities;
- Code 84: Public administration and defense; compulsory social security;
- Code 85: Education;
- Code 86: Human health activities;
- Code 87: Residential care activities;
- Code 88: Social work activities without accommodation;
- Code 90: Creative, arts and entertainment activities;
- Code 93: Sports activities and amusement and recreation activities; and
- Code 96: Other personal service activities.

## 1.8. Administration

### 1.8.1. Taxable period

The tax year is the calendar year.

### 1.8.2. Tax returns and assessment

A self-assessment system applies. The profit tax return is due by 31 March of the year following the tax year (article 61 of the ITL). The tax is computed under the self-assessment system.

### 1.8.3. Payment of tax

The payment of the final tax liability is due upon submission of the tax return (article 61 of the ITL).

Taxpayers may opt to make monthly or quarterly advance payments of tax (article 63 of the ITL).

The payments for each month from January to March are equal to one twelfth of the profit tax due in the year before the previous one (i.e. tax year 2022 for 2024). If the taxpayer opts for quarterly payments, each payment is equal to three twelfths of the profit tax due in the year before the previous one. The payments for each remaining month are equal to one twelfth of the profit tax paid in the preceding tax year (i.e. tax year 2023 for 2024). For taxpayers first registered during the previous tax period, the payment of tax is based on the amount of the profit tax of that year, divided by the number of months of activity performed in that year.

Failure to pay the profit tax instalments as per the above calculation is subject to late payment interest and a fine equal to 0.06% of the obligation for each day of delay calculated for up to 365 days.

Advance payments of tax are creditable against the final tax liability (article 26 of the ITL). Any excess may be

deducted from tax arrears or, on request, from future tax liability, or may be refunded.

The general meeting of shareholders of a company must approve the result of a financial year within the first 6 months of the following year. The company must file with the tax authorities the decision concerning the use of the net profits of the financial year by 31 July of the following year. The company must transfer to the tax authorities the withholding tax applicable on dividends or profit sharing by the end of the third month after the month in which the decision to distribute dividends is taken, even if the dividends are not actually paid to the shareholders by that time.

### 1.8.4. Rulings

There is no advance ruling system.

## 2. Transactions between Resident Companies

### 2.1. Group treatment

There is no group taxation.

### 2.2. Intercompany dividends

Dividends and profit shares distributed by a resident company or partnership to another resident entity are not included in the taxable income of the recipient, provided that (i) the receiving entity owns an interest of 10% or more of shares/interest and (ii) the minimum participation is held for a period not less than 24 months (article 29 of the ITL). Withholding tax applies on dividends or profit shares paid to resident entities. Such entities have the right to deduct the withholding tax against their corporate income tax liability.

For dividends and profit shares paid to non-resident companies, see sections 6.2.1. and 6.3.1.

## 3. Other Taxes on Income

### 3.1. Tax on petroleum activities

Albania also levies a tax on profits derived from petroleum activities (TPA). The relevant legislation is contained in Law 153/2020 of 17 December 2020 on the fiscal regime in the hydrocarbon sector (*Ligj nr. 153/2020 – Për regjimin fiskal në sektorin hidrokarbur*). Subject to the TPA are legal entities that carry on authorized onshore petroleum operations. It may be applied also to subcontractors of such activities (under certain circumstances). Profits derived from petroleum operations are taxed at a rate of 50% (the general profit tax rate is 15%). Where an entity derives profits from both petroleum and non-petroleum activities, it must determine the revenue – as well as the related expenses – of each category separately.

The TPA applies to each petroleum right separately, i.e. the revenues (and expenses) of all operations relating to a single right are aggregated and subsequently taxed.

The TPA is levied on the revenue from the operation(s) reduced by expenses and carried forward losses. The

amount of the expenses and losses cannot, however, exceed 85% of the income, meaning that in each period at least 15% of the income is taxable. Where the expenses and losses exceed 85% of the revenues, the excess may be carried forward (indefinitely). Losses incurred on petroleum operations cannot be set off against profits from non-petroleum operations (and vice versa).

Revenues include, inter alia, the fair market value of the petroleum sold, proceeds from disposals of assets used for the operations and insurance proceeds. Expenses that may not be deducted include depreciation, interest, and costs of acquiring/managing the petroleum right.

The TPA return must be filed – for each petroleum right separately – by 31 March of the following year.

The TPA is not deductible nor creditable.

### **3.2. Temporary solidarity contribution on energy companies**

For the period 1 January 2022 until 31 December 2023, a solidarity contribution is levied on all Albanian electricity producers that operate on the free market (at unregulated prices) (Law 98/2022 of 22 December 2022 on the Creation of a Solidarity Contribution During the Energy Crisis). However, the contribution is only levied if, in the relevant year, the average selling price of energy on the Hungarian stock exchange exceeds EUR 180/MWh.

The contribution is levied at a rate of 50% of the “additional” income, which is defined as income generated from the sale on the free market of electricity with a price exceeding ALL 8.5 per KWh. The formula for calculating the contribution is as follows:

Solidarity contribution = 50% × (Weighted average price of electricity during the previous year (per KWh) – ALL 8.5) × Amount of electricity sold in previous year (in KWh)

The solidarity contribution is a tax-deductible expense.

Taxpayers must calculate and report the contribution due by 31 January of the following year, and subsequently pay the contribution in two equal instalments (by 31 March and by 30 November).

## **4. Taxes on Payroll**

### **4.1. Payroll tax**

There is no payroll tax.

### **4.2. Social security contributions**

Employers must make social security and health contributions for their employees at a rate of 16.7% (articles 10 and 14 of the SSL). The employer contributions consist of a 15% social insurance contribution and a 1.7% health insurance contribution. The monthly minimum and maximum bases for purposes of calculating mandatory health insurance contributions are ALL 40,000 (ALL 34,000 before 1 April 2023) (the minimum gross monthly salary) and ALL 176,416 (ALL 149,953 before 1 April 2023), respectively. The basis for the calculation of the

mandatory health insurance is the gross salary of the insured employee.

Social security and health contributions paid by employees are deductible for tax purposes.

For the social security and health contributions payable by employees and the self-employed, *see* Individual Taxation section 3.

## **5. Taxes on Capital**

### **5.1. Net worth tax**

There is no net worth tax.

### **5.2. Real estate tax**

#### **5.2.1. Tax on property and new constructions**

Property tax is levied annually on all residents and non-residents who own or use agricultural land, construction land or buildings in Albania (article 20 of the LTSL), as follows:

- agricultural land is classified into ten groups and taxed at rates varying from ALL 700 to ALL 5,600 per hectare; agricultural land planted with fruit culture or viticulture, may be exempt from the agricultural land tax for 5 years from the moment of planting;
- vacant construction land is subject to property tax at rates ranging from ALL 0.14 per m<sup>2</sup> up to ALL 0.56 per m<sup>2</sup> for individuals when used as residence, and ALL 12 per m<sup>2</sup> up to ALL 20 per m<sup>2</sup> when used for business purposes, depending on the municipality where the land is located; and
- buildings are taxed based on their market value.

The tax rate is:

- 0.05% of the market value for buildings used as a dwelling;
- 0.2% of the market value for buildings used for economic activity; and
- 30% of the respective tax amount for the entire building, if the developer failed to complete the construction within the deadline set forth in the construction permit.

Buildings owned by the state and municipality, as well as by religious institutions are exempted from this tax.

The tax on buildings is due every month.

The infrastructure tax on construction of new residence or business units varies from 4% to 8% of the sale price of such units.

The infrastructure tax on other construction (such as touristic, industrial and public construction) is calculated on the value of the investment at the rate of 1% to 3% (except for Tirana, where the rate is 2% to 4%). The local municipality determines the actual rate. For infrastructure projects (e.g. construction of national roads, ports, airports, tunnels, dams and energy infrastructure), including machinery and equipment, the tax is 0.1% of the investment value, but no less than the cost of rehabilitation of damaged infrastructure.



Accommodation facilities falling under the category of a “five-star hotel with special status” are exempt from the infrastructure tax. From 1 January 2019, this exemption also covers entities classified as “certified agritourism entities” (see section 1.7.2.).

The investment for the reconstruction, repair or restoration of residential buildings, damaged as a consequence of the earthquake are exempted from the payment of the infrastructure tax. The terms, rules and documents that accompany the request for exemption from the payment of the infrastructure tax are defined by the decision of the Council of Ministers. Also exempted from the payment of such tax are the investments within the framework of the reconstruction programmes, according to the provision of the law on the management of natural disasters.

For individuals who are non-tax-registered taxpayers, the property tax is not a tax-deductible expense.

### 5.2.2. Tax on use of state-owned land

Resident and non-resident companies and individuals that use state-owned construction land are subject to a tax on use of state-owned land (article 4 of the TRUL). The tax is levied at a 10% rate on the value of the land, as determined by the authorities. For taxpayers subject to simplified profit tax or profit tax, the tax is deductible expense.

## 6. International Aspects

### 6.1. Resident companies

For the concept of residence, see section 1.2.1.

#### 6.1.1. Foreign income and capital gains

Resident companies are subject to profit tax on their worldwide income. Foreign-source business income, including capital gains, and income from immovable property is fully taxable. Foreign interest and royalties are also fully taxable. Foreign-source dividends are exempt from corporate income tax. The rules applicable to domestic income are also applicable to foreign income (see section 1.3.3. onwards), and the same rates apply (see section 1.6.).

#### 6.1.2. Foreign losses

There are no special rules regarding foreign losses. They are treated in the same manner as domestic losses (see section 1.5.).

#### 6.1.3. Foreign capital

There is no net worth tax. Foreign-situs immovable property is not subject to real estate tax in Albania.

#### 6.1.4. Double taxation relief

Double taxation relief may be obtained either unilaterally or under a tax treaty. Treaty relief is optional. Unilaterally, an ordinary credit is granted for foreign taxes

incurred on foreign-source income (article 42 of the ITL). The credit is calculated on a per-country basis, and may not exceed the amount that would have been payable if the income had been generated in Albania. Any excess credit may not be carried forward.

For a list of tax treaties in force, see section 6.3.5.

## 6.2. Non-resident companies

For the concept of residence, see section 1.2.1.

### 6.2.1. Taxes on income and capital gains

Income from business activities is subject to tax if the activities are carried on in Albania through a permanent establishment (article 4 of the ITL). The term “permanent establishment” is defined in the legislation in terms generally comparable with the OECD Model Convention (article 5 of the ITL).

Permanent establishment means a fixed place of business through which a non-resident person conducts business activities in whole or in part. This particularly includes a place of administration, a branch, an office, a factory, a workshop, a mine, an oil or gas well, a quarry or any other place for extracting natural resources, as well as:

- a building or construction site, installation or assembly project or any related supervisory activity only if such construction site, project or activity in Albania continues for a period or periods in total of more than 6 months during any 12-month period;
- any activity, including the use or installation of substantial equipment carried out in Albania in relation to the exploitation, extraction or exploration of natural resources for a period or periods in total of more than 3 months during each 12-month period; and
- performance of services, including consulting services provided by a non-resident person through its employees or other individuals, only if these activities in Albania continue (for the same person or a related person) for a period or periods in total of more than 6 months during any 12-month period.

In addition, the following Albanian-source income is taxable (article 4 of the ITL):

- (1) business income attributable to a permanent establishment in Albania;
- (2) income from:
  - immovable property, its accessories and fruits, and income from rights deriving from immovable property if such property is located in Albania;
  - the rights to exploit mineral resources, the rights to exploit hydrocarbon resources or other rights for the exploitation of natural resources, as well as the information pertaining to these rights; and
  - income from the ownership of movable property located in Albania.
- (3) income from the disposal of:
  - property, rights and information mentioned under item (2) above; and
  - shares or similar interests, such as partnership or trust interests, according to the definitions of the respective laws, wherever they are, if, at any

time during the 365 days before the disposal took place, these shares or similar interests derive more than 50% of their value directly or indirectly from immovable property, rights or information mentioned under item (2) above;

- (4) dividends distributed by a resident person/partnership;
- (5) capital gains from the disposal of shares in resident entities, and any securities in Albania;
- (6) interest paid by local or central government bodies by a resident taxpayer or by a non-resident through an Albanian permanent establishment;
- (7) rents, leases, license fees, service fees and royalties borne by a resident person or by a non-resident through an Albanian permanent establishment; and
- (8) income from any other activity physically carried out in Albania.

Regarding income attributable to a permanent establishment in Albania and item (1) above, non-resident companies are taxed by assessment at the same rate of profit tax as resident taxpayers (*see* section 1.6.1.). Other types of income are generally taxed by way of final withholding (*see* section 6.3.).

Under certain circumstances, in the case of an indirect transfer of assets by a non-resident entity, the tax shall be paid by the Albanian entity whose shares are being sold – through the deemed disposal exercise – rather than by the seller of the shares (*see* section 1.4.).

### OECD/G20 Inclusive Framework – Pillar One

As indicated in the Introduction, Albania is a signatory of an agreement to implement a two-pillar solution to the challenges of the digitalization of the economy. The solution includes a plan to reallocate part of the taxing rights over large and high-profit enterprises from their home countries to jurisdictions in which goods or services are supplied or consumers are located (market jurisdictions), regardless of whether these enterprises have a physical presence there (Pillar One). The new taxing right for market jurisdictions (“Amount A”) would affect multinational groups with global turnover above EUR 20 billion and profit before tax above 10%. Pillar One is expected to be implemented by way of a multilateral convention that will also require parties to that convention to remove all digital services taxes and other relevant similar measures (as well as not to introduce such measures in the future).

### 6.2.2. Taxes on capital

There is no net worth tax. Non-resident companies are subject to real estate tax on their immovable property located in Albania and to tax on use of state-owned land.

### 6.2.3. Administration

Non-resident companies are taxed by assessment with respect to income attributable to their permanent establishment in Albania and income from immovable property located in Albania. For details on assessment, *see* section 1.8. For withholding taxes, *see* section 6.3.

## 6.3. Withholding taxes on payments to non-resident companies

### 6.3.1. Dividends

Dividends and profit shares of partnerships paid to non-resident companies are subject to a final withholding tax on the gross amount at the rate of 8% (articles 58 and 59 of the ITL), unless a treaty provides for a lower rate (*see* section 6.3.5.).

### 6.3.2. Interest

Interest paid to non-resident companies is subject to a final withholding tax on the gross amount at the rate of 15% (articles 58 and 59 of the ITL), unless a treaty provides for a lower rate (*see* section 6.3.5.).

### 6.3.3. Royalties

Royalties paid to non-resident companies are subject to a final withholding tax on the gross amount at the rate of 15% (articles 58 and 59 of the ITL), unless a treaty provides for a lower rate (*see* section 6.3.5.).

### 6.3.4. Other

A final withholding tax of 15% is levied on the gross amount of articles 58 and 59 of the ITL):

- technical service fees, management fees, insurance fees and payments for financial services;
- payments for construction, installation, assembly or related supervisory work;
- rental payments; and
- payments for performance of entertainment activities.

However, the withholding tax does not apply if payments are made to a tax-registered entity in Albania.

### 6.3.5. Withholding tax rates chart

	Dividends	Interest	Royalties
Domestic Rates (%)	8	15	15
Treaty Rates (%)			
Austria	15/5 <sup>1</sup>	5/0 <sup>2</sup>	5
Belgium	15/5 <sup>1</sup>	5	5
Bosnia and Herzegovina	10/5 <sup>1</sup>	10	10
Bulgaria	15/5 <sup>1</sup>	10/0 <sup>3</sup>	10
China (People's Rep.)	10	10/0 <sup>3</sup>	10
Croatia	10	10/0 <sup>3</sup>	10
Czech Republic	15/5 <sup>1</sup>	5/0 <sup>4</sup> /0 <sup>3</sup>	10
Egypt	10	10	10
Estonia	10/5 <sup>1</sup>	5/0 <sup>5</sup>	5
Finland	15/5 <sup>1</sup>	5/0 <sup>3</sup>	5

	Dividends	Interest	Royalties
France	15/5 <sup>1</sup>	10/0 <sup>5</sup>	5
Germany	15/5 <sup>1</sup>	5/0 <sup>3</sup>	5
Greece	5	5/0 <sup>6</sup>	5
Hungary	10/5 <sup>1</sup>	0	5
Iceland	10/5 <sup>1</sup>	10/– <sup>7</sup>	10
India	10	10/0 <sup>3</sup>	10
Ireland	10/5 <sup>1</sup> /0 <sup>8</sup>	7/0 <sup>3</sup> /0 <sup>9</sup> /0 <sup>10</sup>	7
Israel	15/5 <sup>11</sup>	10/0 <sup>5</sup>	5
Italy	10	5/0 <sup>4</sup> /0 <sup>3</sup>	5
Korea (Rep.)	10/5 <sup>1</sup>	10/0 <sup>3</sup>	10
Kosovo	8/5 <sup>11</sup>	10	10
Kuwait	10/5 <sup>1</sup> /0 <sup>12</sup>	10/0 <sup>13</sup>	10
Latvia	10/5 <sup>1</sup>	10/0 <sup>3</sup> /5 <sup>14</sup>	5
Malaysia	15/5 <sup>1</sup>	10/0 <sup>3</sup>	10
Malta	15/5 <sup>1</sup>	5	5
Moldova	10/5 <sup>1</sup>	5	10
Montenegro <sup>15</sup>	15/5	10	10
Netherlands	15/5 <sup>16</sup> /0 <sup>17</sup>	10/0 <sup>3</sup> /0 <sup>14</sup>	10
North Macedonia	10	10	10
Norway	15/5 <sup>1</sup>	10/0 <sup>3</sup>	10
Poland	10/5 <sup>1</sup>	10	5
Qatar	5/0 <sup>12</sup>	5/0 <sup>13</sup>	6
Romania	15/10 <sup>1</sup>	10/0 <sup>3</sup>	15
Russia	10	10	10
Saudi Arabia	5	6 <sup>18</sup>	8/5 <sup>19</sup>
Serbia <sup>15</sup>	15/5	10	10
Singapore	5/0 <sup>12</sup>	5/0 <sup>13</sup>	5
Slovenia	10/5 <sup>1</sup>	7/0 <sup>5</sup>	7
Spain	10/5 <sup>16</sup> /0 <sup>17</sup>	6/0 <sup>4</sup> /0 <sup>3</sup> /0 <sup>20</sup> /0 <sup>10</sup>	0
Sweden	15/5 <sup>1</sup>	5	5
Switzerland	15/5 <sup>1</sup>	5/0 <sup>3</sup> /0 <sup>21</sup>	5 <sup>22</sup>
Türkiye	15/5 <sup>1</sup>	10/0 <sup>3</sup>	10
United Arab Emirates	10/5 <sup>1</sup> /0 <sup>23</sup>	0	5
United Kingdom	10/5 <sup>1</sup> /5 <sup>24</sup>	6/0 <sup>4</sup> /0 <sup>3</sup> /0 <sup>20</sup> /0 <sup>21</sup>	0

- This rate applies if the dividend is paid to a substantial corporate shareholder.
- This rate applies if the interest is paid to the government.
- This rate applies if the interest is paid to the government, Central Bank.
- This rate applies if the interest is paid by the government.
- This rate applies if the interest is paid by, or to, the government, Central Bank.
- This rate applies if the interest is paid by, or to, the government.
- The domestic rate applies. This rate applies if the interest is paid to the government, Central Bank.
- This rate applies if the dividend is paid to the government, Central Bank.
- This rate applies if the interest is paid by, or to, a financial institution.
- This rate applies if the interest is paid to an exempt pension fund.
- This rate applies if the dividend is paid to a substantial corporate shareholder subject to a prescribed holding period.
- This rate applies if the dividend is paid to the government, Central Bank, Sovereign Wealth Fund.
- This rate applies if the interest is paid to the government, Central Bank, Sovereign Wealth Fund.
- This rate applies if the interest is paid to a bank.
- The treaty concluded with the former Serbia and Montenegro.

- This rate applies if the dividend is paid to a minority corporate shareholder.
- This rate applies if the dividend is paid to a majority corporate shareholder.
- This rate applies to income from debt-claims.
- This rate applies in respect of a royalty for the use of industrial, commercial or scientific equipment.
- This rate applies if the interest is paid to a financial institution.
- This rate applies if the interest is paid to a pension scheme.
- This rate is subject to a most favoured nation clause.
- This rate applies if the dividend is paid to the government.
- This rate applies if the dividend is paid to a pension scheme.

## 6.4. Pillar Two

Albania is a signatory of an agreement to implement a two-pillar solution to the challenges of the digitalization of the economy. The solution includes a plan to ensure that large multinational enterprises (with revenues exceeding EUR 750 million) pay a minimum level of tax on the income arising in each of the jurisdictions where they operate (Pillar Two). A key component of this plan is the Global Anti-Base Erosion (GloBE) rules, which provide for a coordinated system of taxation that imposes a top-up tax on profits arising in a jurisdiction whenever the effective tax rate is below the minimum rate of 15%.

### 6.4.1. GloBE rules

Albania has not yet implemented/enacted the GloBE rules. Draft legislation to do so is not available.

### Subject-to-tax rule

The subject-to-tax rule (STTR) allows source jurisdictions to impose an additional tax on certain categories of intra-group payments where (i) the recipient of the payment is subject to nominal income tax rates (taking into account preferential adjustments) below the defined STTR minimum rate (9%); and (ii) the domestic taxing rights over that income are ceded under a treaty.

On 3 October 2023, the OECD/G20 Inclusive Framework published the text for a multilateral instrument in order to more swiftly implement the STTR.

Albania has not signed the STTR multilateral instrument.

### 6.4.2. Domestic minimum top-up tax

Not applicable.

### 6.4.3. Administration

Not applicable.

## 7. Anti-Avoidance

### 7.1. General

With effect from 1 January 2023, a general anti-avoidance provision was introduced (article 71/2 of the Tax Procedures Law (no. 9920/2008)). Under this provision, for the purposes of calculating the corporate income tax liability, the tax authorities may disregard an arrangement (or series of arrangements) put in place by the tax-

payer(s) for the main purpose of obtaining a tax advantage. These arrangements will be assessed for tax purposes using the “substance over form” principle. The provision provides for certain criteria that the tax authorities will use to determine whether an arrangement or a series of arrangements will be regarded as non-genuine (i.e. not put into place for valid commercial reasons to reflect economic reality).

## OECD/G20 Inclusive Framework – Pillar Two

Albania is a signatory of an agreement to implement a two-pillar solution to the challenges of the digitalization of the economy. For details, see section 6.2.1. (Pillar One) and section 6.4. (Pillar Two).

### 7.2. Transfer pricing

The rules on transfer pricing are based on the OECD Transfer Pricing Guidelines 2010. However, in case of conflict between the OECD guidelines and the provisions of Albanian legislation, the latter prevail.

Subject to the transfer pricing rules are persons engaging in controlled transactions with related parties (article 3 of the ITL). Persons are considered related if:

- one of the persons participates directly or indirectly in the management, control or capital of the other person; or
- the same person(s) participates directly or indirectly in the management, control or capital of both persons.

Persons are deemed to participate directly or indirectly in the management, control or capital of another person if they directly or indirectly own 50% or more of the share capital or voting rights of that other person (article 3 of the ITL).

The new rules also stipulate the methods that the taxpayer may use when performing a controlled transaction, depending on the specifics of the transaction. The methods (article 34 of the ITL) mentioned are:

- the comparable uncontrolled price method;
- the resale price method;
- the cost plus method;
- the transactional net margin method; and
- the profit split method.

The method chosen by the taxpayer depends on, and should take into account, the circumstances of the transaction. The taxpayer may choose another transfer pricing method, if it shows that none of the methods listed in the legislation can be used in a reasonable way to apply the market principles for controlled transactions.

### 7.3. Limitations on interest deductibility

The thin capitalization rules limit the deduction for interest paid on a loan to the portion of interest paid on the loan not exceeding four times the company’s net assets (i.e. debt/equity ratio of 4:1) (article 30 of the ITL). The rules apply to all loans taken, except for short-term loans (less than 1 year).

In the case of loans and funding, the “net interest expense” is considered deductible up to 30% of EBITDA.

Net interest expense means the interest expense less the interest income, within the tax period. The taxpayer has the right to carry forward the non-deducted part of the interest and claim its tax deductibility in the following five periods. This thin capitalization does not apply to banks, non-bank credit financial institutions, insurance and financial leasing companies.

### 7.4. Controlled foreign company

Controlled foreign company (CFC) legislation was introduced on 1 January 2024. The rules, however, only apply in relation to individuals, and not to legal entities.

When a natural person has an interest in a foreign-controlled entity, the profits of which are not taxable or are exempt from tax in Albania, any retained earnings arising from “passive income” shall be included in the taxpayer’s taxable investment income (article 19(1) of the ITL).

Any foreign entity is considered a CFC if the following cumulative conditions are met:

- the natural person, alone or together with related persons, (i) directly or indirectly has more than 50% of the voting rights, (ii) directly or indirectly owns more than 50% of the capital, or (iii) has the right to receive more than 50% of the profit of that entity; and
- the current nominal tax paid by the CFC on its profit is less than 50% of the tax that would have been charged to the entity if it had been a resident entity in Albania.

The following earnings are considered to derive from “passive income”:

- interest or any income realized from financial assets;
- royalties or any other income realized from intellectual property;
- dividends and income from the disposal of securities; and
- income from financial leases.

If the “passive income” does not exceed 30% of the total profit of the foreign-controlled entity, the CFC rules do not apply.

Where the entity distributes profits to the natural person, and those distributed profits are included in the taxable income of the natural person, the amounts of income previously included in the tax base according to the CFC rules shall be deducted from the tax base when calculating the amount of tax due on the distributed profits.

Where the foreign-controlled entity paid tax in its state of tax residence or location on income included in the tax base of the natural person according to the CFC rules, this tax may be credited against the overall tax liability.

## 8. Value Added Tax

### 8.1. General

Albania applies a VAT system under which tax is levied at each stage of the supply of goods and services (article 1 of the VATL). The VAT law broadly reflects the EU VAT Directive (2006/112).

## 8.2. Taxable persons

A taxable person is any person who, independently, carries out in any place any economic activity, whatever the purpose or result of that activity is (article 3 of the VATL).

Any person making taxable supplies and having an annual turnover in excess of ALL 10 million and/or intending to import goods is required to register; voluntary registration is also possible for any person with an annual turnover in excess of ALL 5 million. An exception is made for notaries and bailiffs, who are required to register for VAT irrespective of their annual turnover.

The threshold also affects agricultural producers, who previously had a minimum turnover for VAT registration of ALL 5 million.

## 8.3. Taxable events

Taxable transactions include the supply of goods and services in Albania by a taxable person, as well as the importation of goods to Albania by any person (article 2 of the VATL). Also, the following transactions are taxable:

- transactions for no consideration or for a consideration less than the market value;
- barter transactions; and
- the private use of taxable goods by a taxable person (self-supply).

## 8.4. Taxable amount

The taxable amount for goods and services (other than the transactions between related parties, self-supplies and barter transactions) includes all consideration (to be received by the supplier, in return for the supply, from the customer or a third party, including subsidies directly linked to the price of the supply (article 39 of the VATL).

The taxable amount for the transaction between the related parties, self-supplies and barter transactions is the open market value (i.e. arm's length consideration).

The taxable amount includes taxes, duties, levies and charges, excluding VAT itself, as well as incidental expenses such as commission, packing, transport and insurance costs charged by the supplier to the customer (article 39 of the VATL).

The taxable amount of the imported goods is the value for customs purposes, which includes taxes, duties, levies and other charges due outside the territory of Albania. Also included are incidental expenses, such as commission, packing, transport and insurance costs incurred up to the entry of the goods into the customs territory of Albania.

## 8.5. Rates

The standard rate of VAT is 20% (article 48 of the VATL).

The law provides that the following supplies are zero rated (article 57-62 of the VATL):

- exports;

- inward processing activity allowing the deduction of the relevant input VAT;
- supply of goods destined to be transported in personal luggage of passengers travelling outside Albania;
- supply of gold to the Bank of Albania;
- supply of services by intermediaries where they take part in transactions treated as exports, or in transactions carried out outside Albania; and
- supply of goods for the fuelling and provisioning of vessels used for navigation carrying passengers or used for the purpose of commercial, industrial or fishing activities.

A reduced rate of 6% applies to:

- the supply of accommodation services from all accommodation structures as well as the supply of accommodation and restaurant services offered within "certified agritourism entities". The taxpayer that falls under this category must issue a separate invoice for the supply of accommodation services, to which the reduced rate of 6% applies, and for the supply of other services, to which the standard VAT rate of 20% applies;
- the supply of all services offered within the accommodation facilities falling under the category of a "five-star hotel with special status";
- the supply of construction works related to investments (i) by the state in sports clubs and federations and (ii) by private entities in sporting infrastructure;
- the supply of advertising services from audio-visual media;
- the supply of books; and
- the supply of electric vehicles used for public transport (having more than nine seats).

A reduced rate of 10% applies to the supply of seeds, fertilizers and agrochemicals.

## 8.6. Exemptions

Important exemptions include certain activities in the public interest including, inter alia (article 51 of the VATL):

- the supplies by the public postal services;
- the supply of medicinal products and active implantable medical devices;
- the supply of human organs, blood and milk;
- the supply of services by dental technicians;
- the provision of children's or young people's education, school or university education including the supply of services and of goods closely related thereto, private tuition given by teachers and covering school and university education;
- the supply of certain services closely linked to sport or physical education;
- the supply of certain cultural services and the supply of goods closely linked thereto;
- the supply of transport services for sick or injured persons and the activities, other than those of a commercial nature, carried out by public radio and television bodies;
- the supply of certain agricultural machineries;
- the supply of veterinary services (except for veterinary services for pets); and

- the import of raw materials used for the production of authorized medicines.

Also exempt are other activities such as (article 53 of the VATL):

- insurance and reinsurance transactions;
- financial services;
- the supply of a building or parts thereof, unless the taxpayer opts for taxability and of the land on which it stands;
- the supply of land;
- the leasing of immovable properties unless the taxpayer opts for taxability (except for hotels and in those cases where the lease period does not exceed 2 months);
- the supply of services rendered by contractors and their subcontractors related to the exploration phase of hydrocarbon operations and import of goods during the exploration phase, when attested as such by National Agency of Natural Resources;
- the supply of ID cards;
- the supply of newspapers, magazines and newspaper printing services;
- the supply of advertising in written media;
- the supply of services relating to gambling activities, betting and lotteries;
- the supply of new electric vehicles (that have only electric motors, excluding vehicles used for public transport having more than nine seats) and that are not registered in any other state (including import or local supplies); and
- (until 31 December 2023) the import and supply of fuel wood.

Furthermore, the supply of construction services for construction of buildings destroyed from the earthquake shall be VAT exempt during the rebuilding process. The same exemption is granted to direct suppliers of constructors for services and goods acquired during the said process. The exemption should be authorized by the General Tax Director. The procedure is determined upon the decision of the Council of Ministers and the General Tax Director reviews the application for obtaining the authorization for exemption within 5 days from the filing of complete documents.

## 8.7. Non-residents

Non-resident persons engaged in taxable transactions in Albania are taxable in the same manner as residents and are subject to the same VAT registration requirements (article 2 of the VATL).

The reverse charge mechanism may be applied by the Albanian taxable person who receives the supply of services or goods carried out by the foreign supplier who is not registered in Albania.

## 9. Miscellaneous Taxes

### 9.1. Capital duty

There is no capital duty or similar duty on the formation and expansion of capital of companies.

## 9.2. Transfer tax

### 9.2.1. Immovable property

A tax is levied upon the transfer of Albanian-situs immovable property by tax-registered persons whether Albanian or foreign (article 28 of the LTSL).

Taxable transfers include the sale and donation. In the case of a sale, the taxable base is the gross proceeds realized; in the case of a donation, it is the value of the property as assessed by the immovable property registration office. No deductions are allowed.

The seller and the donor are the persons liable for the tax. The tax is calculated as a fixed amount per m<sup>2</sup> for buildings (ALL 1,000 for residential buildings; ALL 2,000 for commercial buildings in Tirana and Durres; ALL 1,500 for other buildings; less for other cities) and as a percentage (2%) of the taxable base for other immovable property.

### 9.2.2. Shares, bonds and other securities

There is no transfer tax on securities.

## 9.3. Stamp duty

There are no stamp duties.

## 9.4. Customs duty

Customs duties are payable on certain goods imported into Albania. Among the goods subject to customs duty are cocoa, coffee and tea, metals and mineral fuels.

Exemptions apply to:

- goods imported under government agreements and where the duty exemption is explicitly stated in the agreement;
- certain imports for contractors in the oil exploration sector;
- humanitarian aid;
- donated goods imported for charitable, philanthropic, or aid purposes by not-for-profit organizations, religious institutions or public entities; and
- goods imported for trade promotion purposes and advertising.

Pursuant to the Stabilization and Association Agreement between the European Union and Albania, customs duties for products originating from EU Member States are eliminated.

## 9.5. Excise duty

Excise duties are payable on certain goods imported into or produced in Albania, including coffee, cigarettes, beer, wine, alcohol, tobacco (products) and petroleum by-products (Excise Law 61/2012).

# Algeria

This chapter is based on information available up to 1 January 2024.

## Abbreviations

Abbreviations	English definition	French definition
ALNAFT	National Agency for Hydrocarbon Resource Valorization	Agence Nationale pour la Valorisation des Ressources en Hydrocarbures
CIT	Corporate income tax	Impôt sur les bénéfices des sociétés
CTCA	VAT Law	Code des Taxes sur Chiffre d'Affaires
DGE	Large Taxpayers Office	Direction des Grandes Entreprises
DGI	Algerian tax authority	Direction Générale des Impôts
DZD	Algerian dinar	Dinar algérien
ITC	Income Tax Code	Code des Impôts Directs et Taxes Assimilées
PE	Permanent establishment	Etablissement stable
SFL	Supplementary Financial Law	Loi de Finances Complémentaire
TAP	Tax on professional activities	Taxe sur l'activité professionnelle
TS	Local Solidarity Tax	Taxe locale de solidarité
VAT	Value added tax	Taxe sur la valeur ajoutée

## Introduction

Companies are subject to corporate income tax (CIT) on profits from business carried on in Algeria. Dividends are exempt from withholding tax if received by resident companies.

Employers must pay social security contributions on behalf of their employees.

Value added tax (VAT) applies in Algeria at a standard rate of 19%.

The Algerian Direct Income Tax Law, Indirect Income Tax Law and Registration Duties Law are all published together within the Income Tax Code (ITC).

The currency is the Algerian dinar (DZD).

The Algerian tax authority (*Direction Générale des Impôts*, DGI) is the authority responsible for the administration and collection of taxes.

Algeria is not part of the OECD/G20 Inclusive Framework on BEPS and has not signed the joint statements with members of the Inclusive Framework on the agreement to implement a two-pillar solution to address the tax challenges arising from the digitalization of the economy.

## 1. Corporate Income Tax

### 1.1. Type of tax system

Algeria uses a classical corporate taxation system. Profits are taxed at the CIT rate in the year earned. An exemption from tax is, under certain conditions, granted to certain entities specified by law.

CIT is computed on net profits derived from Algerian sources.

Resident and non-resident companies are subject to tax on their Algerian-source income.

Domestic dividends and similar distributions are subject to withholding tax when distributed to resident companies (exempt before 2022) and to resident or non-resident individuals.

### 1.2. Taxable persons

The following are subject to CIT in Algeria:

- all types of resident companies, whatever their form or purpose (including cooperatives), with the exception of those specifically exempt from the CIT;
- public undertakings and state enterprises of an industrial or commercial nature; and
- permanent establishments of non-resident companies (see section 6.2.).

The following are not subject to CIT:

- non-commercial companies not incorporated as joint-stock companies (unless they elect to be subject to CIT; such an election is irrevocable);
- UCITS (undertakings for collective investments in transferable securities, *organismes de placements collectifs en valeurs mobilières*), including common investment funds (*fonds commun de placement*) and common investment companies with variable capital (*société d'investissement à capital variable*); and
- funds for investment in job creation (*fonds de soutien à l'investissement pour l'emploi*) established under Finance Law 2005.

This survey is restricted to the taxation of Algerian-incorporated companies, as well as foreign-incorporated entities of a similar nature, whether or not resident in Algeria. These entities are collectively referred to as companies.

Partnerships and joint ventures are not subject to CIT, unless they so elect. The exercise of this option is irrevocable.

### 1.2.1. Residence

The ITC provides that profits realized by corporate entities in Algeria are subject to CIT (article 137 of the ITC). However, the ITC does not provide any definition of the concept of residence. In practice, specific types of companies and legal persons incorporated in Algeria are considered to be resident there.

## 1.3. Taxable income

### 1.3.1. General

Companies are subject to tax on profits from activities carried on in Algeria. The foreign-source income of Algerian companies is not subject to tax in Algeria. CIT is computed on net profits derived from Algerian sources. The computation of taxable income is based on the company's profit and loss account after deduction of all expenses and excluding exempt income.

Capital gains realized by resident companies are generally taxed as ordinary income and are subject to CIT at the standard rate.

The law deems the following to be profits derived from Algeria, and therefore subject to CIT:

- profits realized by companies from the regular exercise of an industrial, commercial or agricultural activity in the absence of a permanent establishment;
- profits derived by enterprises through an independent agent based in Algeria; and
- profits derived by enterprises with no permanent establishment or designated agent in Algeria, but which nevertheless carry on activities which can be regarded as a complete commercial cycle.

From 1 January 2022, income and expenses denominated in foreign currencies must be valued according to the exchange rate in force on the date of their realization. In the case of foreign currency receivables and liabilities, the exchange rate to be used for conversion is the rate in effect on the balance sheet date of each financial year (generally 31 December). Foreign exchange gains and losses must be linked to the year in which they are realized (Finance Law 2022).

### 1.3.2. Exempt income

The law provides for the following permanent and limited exemptions:

- a permanent exemption for:
  - capital gains realized within a group of companies;
  - unrealized gains from the revaluation of fixed assets if they are booked in a special reserve;
- capital gains resulting from a merger, division or partial transfer of assets between group companies in Algeria;
- export transactions, including the sale of goods and supply of services, with the exception of transportation, reinsurance, banking activities, mobile telephone operators, companies holding authorization for the establishment and operation of transfer of voice over internet protocol and companies involved in the upstream or downstream mining sector in relation to export operations for raw or processed mining products. This exemption is granted in proportion to revenues realized in hard currency and is subject to the presentation by the company of proof that revenues have been transferred to an Algerian bank (article 138-5 of the ITC);
- income derived from the production of milk intended to be consumed before any processing or transformation;
- (from 1 January 2023) income derived by fishing and aquaculture cooperatives as well as their unions that benefit from an approval delivered by the authorized services of the ministry in charge of fishing and aquaculture (Finance Law 2023);
- income from the collection and sale of raw milk, in accordance with article 8 of Finance Law 2024, amending the provisions of article 138 of the ITC; and
- proceeds from the obligatory use of financial instruments, carried out within the framework of TAKAFUL insurance, when the related amounts are intended to be spent on charitable acts, under the supervision of the National Shariah Fatwa Authority for the Islamic Finance;
- an exemption for 3 years for:
  - activities undertaken by new enterprises (or new investors) within the framework of the youth employment programme (*Fonds national de soutien à l'emploi des jeunes*). The exemption period is increased to 6 or 10 years in the case of activities carried on in development zones. In addition to the above, article 8 of Finance Law 2024 amended article 138 of the ITC in order for self-funded investment projects to be deemed eligible for employment aid mechanisms, and, thus, to benefit from a temporary exemption of their revenues from the CIT tax base;
  - production activities undertaken within the framework of the special regime for the encouragement of the setting up of activities supervised by the National Fund for Unemployment Insurance (*Caisse nationale d'assurance chômage*). Eligible activities, which had to be approved prior to 1 January 2007, are also entitled to an exemption from the tax on business activities and the property tax on developed land for the same period from the date of realization (i.e. 3 years); and
  - income from the production of nitrogen-based fertilizers as of 1 January 2013; and
- an exemption for 5 years for:
  - (from 1 January 2023) profits from investment accounts maintained within the framework of



the banking operations related to Islamic finance (Finance Law 2023); and

- (from 1 January 2024) income earned by companies that have used the local stock market to finance their operations; the percentage of exempt income will be determined proportionally to the share capital that has been floated on the stock market.

Start-up companies are exempt from CIT for a period ranging from 4 to 5 years as from the date on which the start-up label is granted (Finance Law 2021).

Companies created under business incubators are exempt from CIT for a period of 2 years as from the date on which the incubator label is granted (Finance Law 2021).

Before 1 January 2022, 95% of income from domestic dividends were exempted.

### 1.3.3. Deductions

The costs and expenses are generally deductible if:

- they are not listed as non-deductible items in the domestic law;
- they are registered in the company's accounts and justified;
- they are incurred in the interest of the company; and
- they are certain, of a fixed amount, and payable during the financial year.

Finance Law 2022 provides further that, from 1 January 2022, the following specific conditions must be met to claim costs and deductibility of expenses:

- the costs and expenses must be related to the core business activity of the company; and
- the costs and expenses must result in a decrease of the company's net equity.

#### 1.3.3.1. Deductible expenses

In computing net profit, deductions are specifically allowed for the following:

- all costs incurred in the production or operation of the business, such as personnel and labour costs and the rent paid for premises;
- financial charges on loans contracted outside Algeria (subject to certain conditions), royalties paid in respect of industrial property, technical assistance fees, headquarters expenses and fees paid in foreign currency, if transfer thereof has been expressly authorized by the competent financial authorities;
- donations and subsidies not exceeding DZD 4 million per year paid to organizations established for humanitarian objectives (DZD 2 million before 2022) (Finance Law 2022);
- promotional gifts not exceeding DZD 1,000 per gift, up to a maximum of DZD 500,000 per year (from 1 January 2022) (Finance Law 2022);
- allowances for research activities (R&D) are deductible up to 30% (10% before 2023) of the taxable profits and DZD 200 million (DZD 100 million before 2023). From 2023, these allowances are also available for open innovation by start-up or incubator companies. The total amount of expenditure may, however, not exceed DZD 200 million when the expenditure incurred concerns both R&D and open

innovation simultaneously. This deduction is subject to the reinvestment of these costs in the research and development of the company (article 171 of the ITC);

- expenses related to the medical promotion of pharmaceutical and para-pharmaceutical products are deductible up to 1% of annual turnover, in particular, expenses related to advertising in all its forms and the costs of launching new medical products (Finance Law 2020);
- sums paid in respect of sport and cultural sponsorship, patronage, etc. and promotion of new initiatives, substantiated and not exceeding both the limits of 10% of annual revenue and DZD 30 million;
- substantiated hotel and restaurant expenses incurred for business purposes;
- depreciation allowances (*see* section 1.3.4.);
- (from 1 January 2022) rents and expenses for maintenance and repair of passenger vehicles which are not the main assets used in carrying out the activities of the company up to certain limits (*see* section 1.3.3.2.);
- all taxes incurred by the company (including training and apprenticeship taxes), with the exception of CIT; and
- management fees not exceeding 1% of annual revenue (excluding VAT), subject to certain conditions.

Dividends are not deductible, but royalties and interest are generally deductible for CIT purposes. Supplementary Finance Law (SFL) 2010 added a general condition for the deductibility of interest, royalties and services paid by resident companies to non-resident entities that are resident in a non-treaty country. It requires the resident taxpayer to prove that such costs are neither disproportionate nor exaggerated (article 141 quater of the ITC).

Amounts intended to remunerate the services rendered, by way of technical, financial or accounting assistance costs, by a company established abroad, will be deducted from taxable profits only within the limit of:

- 20% of the general expenses of the debtor company and 5% of the turnover; or
- 7% of the turnover for engineering and consulting firms.

This limitation does not apply to the costs of technical assistance and studies relating to heavy installations in the context of an industrial activity, in particular the plants assembly.

For special rules on the deductibility of interest payments, *see* section 7.3.

#### 1.3.3.2. Non-deductible expenses

The following items are not deductible for purposes of computing the taxable base:

- CIT;
- training and apprenticeship taxes (*see* section 4.3.);
- fines and penalties for the violation of legal provisions;
- restaurant and hotel expenses other than those listed in section 1.3.3.1.;
- depreciation of cars (tourism vehicles) relating to the portion of their value in excess of DZD 3 million (DZD 1 million before 2022). This restriction does

not apply where the vehicle is the main asset used in carrying out the activities of the company (see section 1.3.4.) (Finance Law 2022);

- rents and expenses for maintenance and repair of passenger vehicles which are not the main assets used in carrying out the activities of the company, relating to the portion of their value in excess of DZD 200,000 per year. From 1 January 2022, the part of the rental expenses exceeding DZD 200,000 per year, and the part of the repair expenses exceeding DZD 20,000 per year, are not deductible (Finance Law 2022);
- the costs borne by a company in place of a third person unrelated to its activity;
- cash payments over DZD 1 million (DZD 300,000 before 2023) including taxes; and
- the portion of management fees exceeding 1% of the company's revenue.

### 1.3.4. Depreciation and amortization

The following three depreciation methods are permitted:

- the straight-line method;
- the declining-balance method; and
- progressive depreciation.

The *straight-line method* of depreciation is the method that is generally used by taxpayers. The depreciation rates vary according to the nature of the business and the normal useful life of the fixed asset in question.

Low-value fixed assets, i.e. assets with a value which does not exceed DZD 60,000, may be expensed immediately (Finance Law 2022). Before 2022, this value was set at DZD 30,000.

The depreciation base is capped at DZD 3 million for cars (DZD 1 million before 2022). This ceiling does not apply when the car is the main asset used for business purposes.

Equipment acquired via finance lease is depreciated over the lease period.

Banks and financial institutions can deduct depreciation for assets acquired for leasing purposes on the basis of the write-off of the lessee's debt (financial depreciation).

The *declining-balance method* of depreciation is applied to fixed assets used directly in the production process of enterprises other than housing, workshops and business premises, and to enterprises in the tourism sector with respect to boats and premises used for tourism activities.

The declining-balance method is applied annually to the residual value of the assets. Companies permitted to use this system are those taxable on their actual profits.

The coefficients used in calculating this type of depreciation have been fixed at 1.5, 2 and 2.5, respectively, depending on whether the normal life of the assets is 3-4 years, 5-6 years, or more than 6 years.

Companies may elect for the declining-balance depreciation method when filing their CIT return. The election is irrevocable.

Equipment depreciable according to the declining-balance depreciation method is specified by Decree.

### Progressive depreciation

Corporate taxpayers may choose to write off their fixed assets using the progressive depreciation method. The depreciation is calculated by multiplying the depreciable base by a figure calculated according to the following formula:

$$\frac{n \times (n + 1)}{2}$$

where:

n = the total number of years over which the asset is to be written off

Finance Law 2014 clarified the tax regime of financial lease operations. The leasing company is considered the owner of leased assets for tax purposes and, therefore, may deduct the depreciation of such assets on the basis of the financial amortization of the leasing credit.

However, Finance Law 2023 provided that as of 1 January 2023, the depreciation periods of the assets will be determined by a (not yet published) decree of the Minister of Finance.

### 1.3.5. Reserves and provisions

All reserves and provisions are deductible, provided that they are:

- created for predictable losses or expenses;
- recorded in the company's books; and
- included within the provision statements annexed to the company's CIT return.

However, special rules are applicable to certain types of companies; specifically, banking and credit establishments granting medium- and long-term loans, as well as companies granting real estate loans. Such companies may deduct provisions for particular risks relating to the above-mentioned loans, the annual amount of which may not exceed 5% of the loan amount. Moreover, companies granting medium-term loans in respect of payments for operations carried on abroad may deduct a provision for particular risks of up to 2% of the above-mentioned loans.

## 1.4. Capital gains

Capital gains from the disposal of property forming part of a resident company's fixed assets are taxed differently, whether they are considered as short-term or long-term capital gains (article 172 of the ITC).

A distinction is made between long-term and short-term capital gains. As a general rule, gains realized on the partial transfer of business assets held for more than 3 years are deemed as long-term capital gains. Where the assets were held for a period of less than 3 years, the capital gains are deemed to be short-term gains. Seventy per cent of short-term capital gains are included in the company's taxable base, while 35% of long-term capital gains are included in the company's taxable base.

The above-mentioned regime applies to gains realized on the disposal of all business assets (i.e. on the cessation of activities) or a partial disposal thereof.

Participation of at least 10% in the share capital of an Algerian company is considered as a business asset and therefore qualifies for the capital gains tax regime on the disposal of such participation.

Exceptions to the rules described above include the following:

- capital gains realized within a group of companies (*see* section 2.1.) are tax free;
- gains from the revaluation of fixed assets are exempt if they are transferred to a special reserve account. Finance Law 2019 introduced the possibility to conduct a revaluation of non-depreciable fixed assets. The revaluation gain is not taxable subject to the condition that it is included into a special account which must not be distributed. The gains of revalued assets are computed based on their pre-revaluation value;
- the taxation of capital gains realized on the disposal of fixed assets is deferred if, in the tax return of the financial year in which they were realized, the taxpayer undertakes to reinvest in new assets within a period of 3 years from the end of the financial year the aggregate amount of such gains plus the cost of the transferred assets. The capital gains are gradually included in the taxable base by depreciating the newly purchased assets on the basis of their acquisition price, reduced by the capital gains deferred on the transferred assets; and
- capital gains realized (i) on the transfer of ownership of assets of financial institutions to a lessee under a leasing agreement and (ii) on lease-back transactions when the asset is initially sold by the lessee to the financial institution.

Under article 44 of Finance Law 2019, capital gains on the disposal of the following financial assets are exempt from CIT for a 5-year period as of 1 January 2019:

- the proceeds and capital gains from the sale of shares and similar securities listed on the stock exchange as well as those from the shares or units of collective investment schemes in transferable securities (UCITS);
- proceeds and capital gains from the sale of bonds, similar securities and similar Treasury bonds listed on the stock exchange or traded on an organized market with a minimum maturity of 5 years issued during a period of 5 years, from 1 January 2019. This exemption covers the entire period of validity of the security issued during this period; and
- bank term deposits for a period of 5 years or more.

A rollover relief is granted in respect of capital gains resulting from mergers, divisions or partial transfers of assets between joint-stock companies or limited liability companies. Such gains are therefore exempt from CIT.

## 1.5. Losses

The loss incurred during a year is considered as a charge for the ensuing year and is deducted from the profit made during that year.

If the profit is not sufficient for the deduction to be made, the excess of loss is carried forward to subsequent years up until the fourth year following the fiscal loss.

In case of coexistence of successive losses, the oldest loss must be carried forward first.

The carry-forward is made one loss at a time, in order to identify which loss would be affected by the carry-forward deadline.

### 1.5.1. Ordinary losses

Losses arising from normal business activities of an enterprise are deductible.

Losses may be carried forward for 4 years.

Carry-back of losses is not allowed.

Goods continue to be depreciated even in case of a loss-making year.

### 1.5.2. Capital losses

No distinction is made between ordinary losses and capital losses.

## 1.6. Rates

### 1.6.1. Income and capital gains

The CIT rates were amended by the SFL 2015 and are currently as follows:

- 19% for manufacturing activities;
- 23% for construction, public works and hydraulic activities in addition to tourism and spa activities, except travel agencies; and
- 26% for other activities (including trade and services).

Non-resident companies with no permanent establishment in Algeria are subject to a final withholding tax on their Algerian-source income at varying rates (*see* section 6.3.).

Any company conducting various activities, which are subject to different tax rates, must provide separate accounting records in order to determine the taxable base for each activity. Should this requirement not be fulfilled, the 26% tax rate is applicable to the total taxable profits (SFL 2015).

In addition, manufacturing activities include production, extraction, moulding, and processing, but exclude packaging and commercial display for sales purposes. Oil and mining activities are also expressly excluded. Furthermore, construction and public work businesses eligible for the 23% tax rate are those registered as such at the commercial registrar and required to pay the specific social security contributions applicable to this specific sector (SFL 2015).

A 5% tax rate is applicable to investment capital companies (*sociétés de capital investissement*) other than venture capital investment companies exempt from tax during the first 5 years as from the commencement of their activities.

The CIT rate is reduced for listed companies for a 3-year period as from 1 January 2021. The CIT rate is reduced by the percentage of the share capital quoted on the Algerian stock exchange (article 133 of SFL 2021).

With effect from 1 January 2022, Finance Law 2022 introduced a reduced CIT rate of 10% for manufacturing companies that meet certain conditions. For details, see section 1.7.7.

An annual minimum CIT of DZD 10,000 applies.

### 1.6.1.1. Special lump-sum tax regime

A special lump-sum tax regime (*impôt forfaitaire unique*, IFU) applies to industrial, commercial or cooperative activities whose annual net profits do not exceed DZD 8 million (DZD 15 million before 2022) (article 282 ter of the ITC).

From 1 January 2023, businesses engaged in trading activities relating to large-scale consumption goods and for which the price or margin is regulated by the Algerian government, the tax is applied to the margin realized (article 282 quarter of the ITC).

The lump-sum tax rate is set as follows:

- 5% for the activities of production and sale of goods; and
- 12% for other industrial, commercial or agricultural activities.

The following are excluded from the IFU regime:

- real estate promotion and land subdivision activities;
- non-commercial profit activities (from 1 January 2022);
- import activities of goods intended for resale in the state;
- the resale purchasing activities carried out under wholesale conditions, in accordance with the provisions of article 224 of the ITC;
- the activities carried out by the concessionaires;
- activities carried out by private health clinics and establishments, as well as medical analysis laboratories;
- classified catering and hotel activities;
- refiners and recyclers, precious metals, manufacturers and merchants of gold and platinum works; and
- public, hydraulic and building works.

Article 18 of Finance Law 2024 reduces the rate of the IFU for taxpayers under the status of self-entrepreneur to 0.5%, previously set at 5% (article 282 sexiès of the ITC).

Taxpayers who have realized a turnover exceeding the threshold for taxation under the IFU at the end of the year following the year where the threshold mentioned above was exceeded, will be subject to the standard tax regime (Finance Law 2020).

The payment of this deduction must be made, at the latest, on the 20th of the month following the invoicing.

Article 282 septies A of the ITC provides that the proceeds of the IFU withdrawn in the form of withholding tax in accordance with the provisions of article 282 sexiès A, shall be repaid to the state budget.

Taxpayers subject to the IFU are required to subscribe and send to the local tax inspector, before 1 February of each year, a special declaration. The model is set by the DGI.

For taxpayers who have not subscribed to the special declaration after expiration of the time limit, the contribution is increased from 1 May 2020 (SFL 2020), as follows:

- 10% if the delay does not exceed 1 month; and
- 20% when the delay exceeds 1 month.

Taxpayers must make full payment of the IFU corresponding to the turnover determined between 1 and 31 July each year. These taxpayers can make the payment in instalments. In this case, they must pay, during the above-mentioned period, 50% of the amount of the IFU. For the remaining 50%, their payment is made in two equal instalments, between 1 and 15 September, and between 1 and 15 December. Article 26 of Finance Law 2024 introduces adjustments to article 365 of the ITC regarding the terms of instalment payment of the provisional IFU. Henceforth, this instalment payment convenience is contingent upon the timely submission of the provisional declaration.

The IFU regime can only be granted to new taxpayers from 1 January of the year following the start of activity and provided that they have at least 3 months of exercise. Otherwise, they can only be admitted to this scheme from 1 January of the second year of their activity (Finance Law 2020).

Finance Law 2022 provides that, from 1 January 2022, start-ups can benefit from the IFU exemptions for a 4-year period (with a possibility for a 1-year extension).

### 1.6.2. Withholding taxes on domestic payments

#### Dividends

Dividends received by resident companies are subject to a withholding tax of 5% to be applied by the distributing company (Finance Law 2022). Before 1 January 2022, such dividends were exempt.

#### Interest

Interest is subject to CIT in the form of a 10% withholding tax, which is creditable against the final CIT liability (article 150.2 of the ITC).

The above also applies to interest received by companies on their loans and proceeds from shares or similar shares distributed by:

- joint-stock companies;
- limited liability companies;
- civil companies constituted in the form of joint-stock companies; and
- partnerships and joint ventures that have opted for the tax treatment of limited companies.

Companies must include such interest in their taxable profits subject to CIT. However, the tax withheld may be credited against the tax so payable.

A final withholding tax at the rate of 40% applies on bearer securities (*bons de caisse anonymes*).

Investment income (dividends and interest) derived from the following financial assets is exempt from CIT up to 31 December 2023:

- shares, bonds and similar securities listed on the stock exchange with a minimum maturity period of 5 years;
- treasury bonds and other similar securities listed on the stock exchange when issued within a 5-year

period from 1 January 2019 with a minimum maturity period of 5 years; and

- shares and units of UCITS (*see* section 1.2.).

### Royalties

The law regards the following as royalties:

- copyright royalties received by authors, composers, and their heirs; and
- patent and trademark royalties, and royalties paid for the use of manufacturing processes or formulae.

Royalties sourced in Algeria and paid to resident companies are subject to CIT in Algeria.

### Fees

Fees paid for services are subject to a 30% withholding tax.

Fees paid by the state, local authorities and public bodies to persons carrying on professional activities are subject to corporate CIT at the standard rate.

A withholding tax is levied, as a final tax, at the rate of 20% on amounts earned under management contracts.

For withholding rates on payments to non-residents, *see* section 6.3.

## 1.7. Incentives

### 1.7.1. General considerations

Under Finance Law 2014, a general rule was introduced whereby tax incentives were granted to projects in proportion to the rate of integration of local input used in the manufactured products.

In addition, all foreign investments made in Algeria may benefit from specific tax incentives decided by the National Investment Council, in case the investment contributes to the transfer of technology to Algeria or consists of establishing manufacturing activities where the minimum local integration rate in the final product is 40%. The method of calculating the integration rate is to be determined in a yet-to-be released regulation.

Under Finance Law 2016, amended by Finance Law 2023, taxpayers entitled to specific exemptions from CIT and the tax on professional activities (*taxe sur l'activité professionnelle*, TAP) are required to reinvest 30% of their distributable income within a 4-year period as of the end of the tax year to which the preferential regime applies. Starting from 1 January 2023, the 4-year reinvestment limit is to be considered separately for each fiscal year in case of cumulative tax benefits granted for several years. This reinvestment obligation may be fulfilled in the following ways:

- acquisition of assets, tangible or intangible, directly relating to the production of goods and services;
- acquisition of investment securities;
- acquisition of shares, allowing the participation in the capital of another company of production of goods, services, etc., and/or
- acquisition of shares in the capital of start-ups or incubators, particularly in the context of support for the open innovation program.

### 1.7.2. Investments in development zones

For the implementation phase of investments in development zones, the following benefits may be granted:

- exemption from the customs duties on imported items directly related to the investment;
- purchase in franchise from VAT for goods and services imported or acquired locally and entering directly in the investment;
- exemption from the property transfer duties and real estate tax publicity, for all real estate acquisitions performed in the framework of the investment;
- exemption from registration fees, the real estate tax publicity as well as federal lands covering concessions of developed and undeveloped real estate designed for the execution of projects (these incentives apply for the duration of the concession);
- reduction of 90% on the amount of the annual rent determined by the administration (*Administration des domaines*) during the implementation phase of the investment;
- exemption from the tax on real estate for a period of 10 years starting from the date of the acquisition; and
- exemption from the registration fees that apply on the deed of a company and on share capital increases.

In respect of the exploitation phase, the following benefits may be granted for a period of 10 years:

- exemption from the CIT;
- exemption from the tax on professional activities; and
- reduction of 50% on the annual rent fixed by the administration.

Article 13 of the Law for Investments in Development Zones (Law 16-09) provides additional incentives for the implementation phase, as follows:

- the partial or total carry-forward of expenses related to infrastructure works that are necessary for the realization of the investment upon the evaluation of the ANDI agency (*Agence Nationale de Développement d'Investissement en Algérie*); and
- the reduction of the annual rent amount that corresponds to the concession of lands for the realization of the investments.

### 1.7.3. Activities of importance to the Algerian economy

The incentive regime for investments of particular importance to the Algerian economy was introduced by Law 16-09.

Investments contributing to environmental protection and natural resources, safe energy or sustainable development may be entitled to incentives which will be determined within the framework of an agreement to be concluded between the investor and the National Investment Development Agency. The agreement must be approved by the National Investment Council and published in the Official Gazette.

A 3-year exemption from CIT, tax on professional activities and a reduction of 50% on the annual rent fixed by the administration may be granted in respect of the active business phase. Additional incentives may also be

granted at the discretion of the National Investment Council.

The National Investment Council is authorized to grant, on terms laid down by regulation and for a period not exceeding 5 years, exemptions or reductions of duties and VAT for the selling price of incoming goods produced within the emerging industrial activities.

#### 1.7.4. Residents of Illizi, Tindouf, Adrar or Tamanghasset

Finance Law 2000 introduced incentives for resident companies carrying on activities in the cities of Illizi, Tindouf, Adrar or Tamanghasset. Accordingly, income from activities carried on in these areas benefit from a 50% reduction in CIT for a 5-year period. This incentive does not apply to income from hydrocarbon activities, with the exception of the distribution and sale of oil and gas.

The reduction was extended under Finance Law 2015 for 5 years up to 31 December 2019. Finance Law 2013 specified that mining companies which are established in these areas are no longer entitled to the 50% reduction of CIT.

Finance Law 2020 extended this incentive to include the regions of Timimoun, Bordj Badji Mokhtar, In Salah, In Guezzam and Djanet, for an extended transitional period of 5 years from 1 January 2020, while excluding taxpayers that are not fiscally resident or permanently established in Algeria.

Under Finance Law 2014, projects started by young entrepreneurs in the Algerian southern areas, which are entitled to the support of the Special Fund for the development of the southern regions (*Fonds spécial de développement des régions du Sud*), are exempt from CIT, individual income tax and tax on professional activities (TAP) for a 10-year period.

#### 1.7.5. Small and medium-sized enterprises

A CIT reduction is applicable to small and medium-sized enterprises (SMEs) operating in certain areas (Finance Law 2004). The reduction is granted for a 5-year period at the rates of 15% for SMEs operating in certain *wilayas* (provinces) in the highlands and 20% for SMEs operating in certain *wilayas* of the south. Companies operating in the hydrocarbon sector (*see* section 1.7.6.) are not entitled to this rate reduction. SFL 2020 introduced start-up and business incubator status in Algeria. Finance Law 2021 provided specific incentives to young entrepreneurs, start-ups and business incubators as follows:

- an exemption from CIT and tax on professional activities is granted to start-ups for a period ranging from 4 to 5 years (i.e. starting from the date on which the start-up receives its legal title) with an additional year of exemption in case of renewal. VAT exemption is also included along with a reduced customs duty rate up to 5% on equipment acquired by legally titled start-ups directly involved in the execution of their investment projects;
- an extension of the 5% reduced customs duty rate to young entrepreneurs benefiting from financial assistance and investment incentive arrangements (i.e.

*Caisse Nationale d'Assurance Chômage, Agence nationale d'appui et de développement de l'entrepreneuriat, and Agence Nationale de Gestion du Micro-crédit*). Young entrepreneurs residing abroad are fully exempt from customs duties and benefit from the investment incentives arrangements; and

- an exemption from CIT and tax on professional activities is granted to companies incorporated under a business incubator for a 2-year period, starting from the date on which the incubator label is granted. Companies created under a business incubator may also benefit from a VAT exemption on equipment directly involved in the investment projects execution.

#### 1.7.6. Hydrocarbon activities

Law 19-13 of 2019 (Hydrocarbons Law) introduced a new hydrocarbon tax regime applicable to upstream activities. The Hydrocarbons Law set forth new roles for local agencies and redefined the existing hydrocarbon contracts in addition to the different types of contractual forms available. Several executive decrees implementing the provisions of the Hydrocarbons Law were issued in 2021. See below for tax incentives related to hydrocarbon activities.

##### 1.7.6.1. Incentives for upstream activities

Upstream activities are exempt from VAT on goods and services, as well as from the tax on professional activities and bank domiciliation tax. In addition, imports of equipment, materials and products intended for use in the exploration and exploitation of hydrocarbons are exempt from customs duties, taxes and fees.

Foreign oil companies in Algeria are exempt from local social security contributions if their employees remain affiliated to the same foreign social security body to which they were contributing prior to their establishment in Algeria.

##### 1.7.6.2. Incentives for downstream activities

The Hydrocarbons Law provides for exemption from VAT on goods and services, from customs duties, taxes and other levies on the importation of equipment, materials and products intended for use in relevant activities relating to pipeline transportation, gas liquefaction and the separation of liquefied petroleum gases.

Additionally, and in order to encourage hydrocarbon companies to invest in downstream activities, as well as activities covered by the Electricity and Gas Distribution Law, exploration and exploitation companies may consolidate profits derived from their activities with those derived from other activities. The details of such consolidation are yet to be published in regulations.

##### 1.7.7. Manufacturing activities

With effect from 1 January 2022, Finance Law 2022 introduced a reduced CIT rate of 10% for manufacturing companies that, during the year of realization of the profit, reinvest such profits whereby that reinvestment results in either:

- the acquisition of production equipment relating to the business activity; or
- the acquisition of equity shares and stocks or similar securities representing at least 90% of the share capital of another manufacturing, construction or service company (under conditions).

To be entitled to the reduced rate, companies must:

- separately disclose the profit likely to be taxed at this rate in an annual tax return;
- disclose as part of the CIT annual tax return a detailed list of investments made, indicating the following information:
  - the nature of the equipment acquired;
  - the date of recognition of the equipment as assets;
  - the costs of acquiring the equipment; and
  - the identification and location of the companies involved in the acquisition, and the number of shares acquired.

To remain eligible, investments made in the assets of the company must be kept for a minimum of 5 years. Failure to comply with any of the requirements will result in the reassessment of the unpaid CIT with the application of a penalty of 25% of the unpaid CIT.

## 1.8. Administration

### 1.8.1. Taxable period

The tax year for corporate taxpayers is the calendar year. However, if the taxpayer's financial year is other than the calendar year, the tax year is, according to accounting rules, the financial year ending during the calendar year.

CIT is assessed on income derived during the previous tax year.

### 1.8.2. Tax returns and assessment

Taxpayers subject to CIT must file by 30 April of each year a return of taxable profits derived in the preceding year.

From 2021, taxpayers are required to file an annual summary statement, in addition to the annual tax return, by 20 May of each year. The annual summary comprises information extracted from the annual tax return and the annexed statements.

Finance Law 2021 introduced new electronic filing requirements. Taxpayers must submit the following statements electronically:

- wages statement under form G no. 29 (formerly 301bis);
- statement of subcontracting payments, studies, equipment rentals, provision of staff, rentals of any kind and other remuneration of any kind (article 176 of the CIDTA); and
- statement of transactions performed under the wholesale conditions including information provided for in article 224 of the CIDTA for the purposes of the tax on professional activities.

### 1.8.3. Payment of tax

CIT is paid through advance payments, which are credited against the final tax liability. These advance payments are summarized below.

Finance Law 2021 introduced the possibility for taxpayers to claim a refund of any CIT excess payment if it is not offset against future instalments.

#### 1.8.3.1. Prepayments

Under article 356 of the ITC, resident companies must make three quarterly prepayments of tax, as follows:

- the first, between 20 February and 20 March;
- the second, between 20 May and 20 June; and
- the third, between 20 October and 20 November.

Large taxpayers administered by the Large Taxpayers Office (*Direction des grandes entreprises*, DGE) include:

- companies or groups operating in the hydrocarbon sector governed by the legislation on hydrocarbons;
- companies incorporated under Algerian law and groups of companies for which the annual turnover is equal to or above DZD 2 billion; and
- non-resident foreign companies under the standard tax regime for which the amount of contracts in Algeria is equal to or greater than DZD 1 billion.

Each instalment is of 30% of the CIT due on the profits of the previous year or taxable period and must be paid by the taxpayer. Where the taxable period is longer or shorter than 12 months, the CIT base used to calculate each instalment is adjusted accordingly. Furthermore, where the deadline for an instalment is after the end of the fiscal year or taxable period and before the deadline for filing the annual tax return, the instalment must be calculated on the basis of the tax return (i.e. that of the preceding year). However, the amount of the instalment must be adjusted on payment of the next instalment.

Each instalment payable by new companies amounts to 30% of the tax calculated on 5% of paid-in capital profits.

The liquidation balance of the CIT is payable through the April monthly tax return which must be submitted before 20 May.

Where a company considers that the amount of instalments already paid in the current year exceeds the tax which will ultimately be levied for that year, it may dispense with making any further instalment payments. However, it must file a signed and dated declaration to that effect with the receiver of taxes no later than 15 days prior to the expiry date of the instalment payments.

Entertainment companies (*entreprises de spectacles*) are required, under SFL 2008, to make a prepayment of CIT on the day following a performance. The prepayment is 20% of the revenues derived from the performance and is deductible from the final tax liability.

Non-resident companies carrying on procurement activities in Algeria must make an advance payment of 0.5% of the total value of the procurement contract instead of paying the above-mentioned three quarterly payments. This advance is payable monthly and is based on the payments received the previous month. It is creditable against the final CIT liability (article 356 bis of the ITC).

From 1 January 2022, a 2% prepayment of CIT is made on the importation of goods exclusively intended for straight resale without any transformation, packaging or modification. The tax base is the total value of the imported goods (including import duties and taxes), and the payment must be made to Customs at the time of importation. The prepayment is creditable against the CIT due in the CIT return (Finance Law 2022).

### 1.8.3.2. Withholding tax

The withholding tax on interest is creditable against the CIT. However, when the recipient is a company exempt from tax, the tax is final. For rates, *see* sections 1.6.2. and 6.3.

For payments other than interest, the withholding tax will be set off against the CIT due.

CIT is withheld as a final tax on:

- income from receivables, deposits and guarantees;
- amounts earned by companies under management contracts; and
- bearer securities (*bons de caisse anonymes*).

For rates, *see* section 1.6.2.

### 1.8.4. Rulings

An advance ruling procedure was introduced by Decree 12-333 of 6 September 2012.

Taxpayers administered by the DGE may obtain an advance ruling in respect of the interpretation or application of any provision of the ITC. For a definition of large taxpayers, *see* section 1.8.3.1.

The advance ruling allows a taxpayer to request a ruling that sets out the formal position of the tax administration on the taxpayer's particular situation. Under the Algerian advance ruling process, if the tax administration responds to a ruling request within 4 months of receipt, it is regarded as having taken a formal position; if it fails to respond within 4 months, it is regarded as having taken a position in favour of the taxpayer.

## 2. Transactions between Resident Companies

### 2.1. Group treatment

Groups (*consortia*) whose creation, organization and operation are provided for by the provisions of the Commercial Code are not subject to CIT as from 1 January 2022 (Finance Law 2022).

Law 96-31 of December 1996 introduced the concept of "group companies" formed by two or more legally independent joint-stock companies; where the parent company holds at least 90% of the capital of each subsidiary, the group can choose to be taxed as a single entity. Companies operating in the hydrocarbon sector are excluded from this regime.

Consolidated return rules are optional; once elected, the option is binding for 4 years.

Group companies benefit from special treatment under the following rules:

- intra-group dividend distributions are tax exempt;

- capital assets may be transferred within the group without liability to capital gains tax; and
- reinvested profits are subject to the reduced CIT rate (*see* section 1.6.1.) if they have been used to purchase up to the required 90% of shares and similar securities of other companies in the same group.

In the reverse case, each portion of the consolidated profits is subject to the relevant CIT rate.

There are no specific provisions applicable to group contributions.

Groups whose creation, organization and operation are provided for by the provisions of the Commercial Code are not subject to CIT.

Profits and losses that arise in the context of the implementation of the grouping contract are attached to the taxable income of each of the member companies in the financial year in which they arise, according to their rights as stipulated in the grouping contract (or, where that does not prove possible, in equal portions to each member).

Non-resident companies are excluded from this regime.

### 2.2. Intercompany dividends

As from 1 January 2022, dividends distributed by Algerian resident companies to other resident companies are subject to withholding tax (Finance Law 2022) (for rates, *see* section 1.6.2.). Previously, such dividends were exempt.

Dividends distributed to a non-resident company are subject to withholding tax. The rate for dividends could be reduced or neutralized under an applicable tax treaty (for rates, *see* section 6.3.).

### 2.3. Statement of commissions, brokerage, rebates, fees and miscellaneous remuneration

Business leaders who, in connection with the practice of their profession, pay third parties who are not part of their salaried staff fees, royalties for patents, licences, trademarks, technical assistance, headquarters, subcontracting of any kind, studies, equipment rental, provision of staff, rent of any kind and other remuneration, must attach to their annual tax return, including on computer media, a declaration for each beneficiary of these payments:

- last name, first name(s) and name of the company;
- tax identification number;
- registration number in the commercial register;
- number of the approval;
- associated tax structure;
- reference, date and amount of the contract or agreement;
- nature of the transactions to which these payments relate;
- precise address of its seat and the place of exercise of its activity;
- amount of payments made for their accounts;
- amount of the value added tax invoiced by these operators; and
- payment method used.











The Home of International Taxation

## Contact

**IBFD Head Office**

Tel.: +31-20-554 0100 (GMT+2)

Email: [info@ibfd.org](mailto:info@ibfd.org)

**Visitors' Address:**

Rietlandpark 301  
1019 DW, Amsterdam  
The Netherlands

**Postal Address:**

P.O. Box 20237  
1000 HE Amsterdam  
The Netherlands

Order online at [www.ibfd.org/Shop/Book](http://www.ibfd.org/Shop/Book)