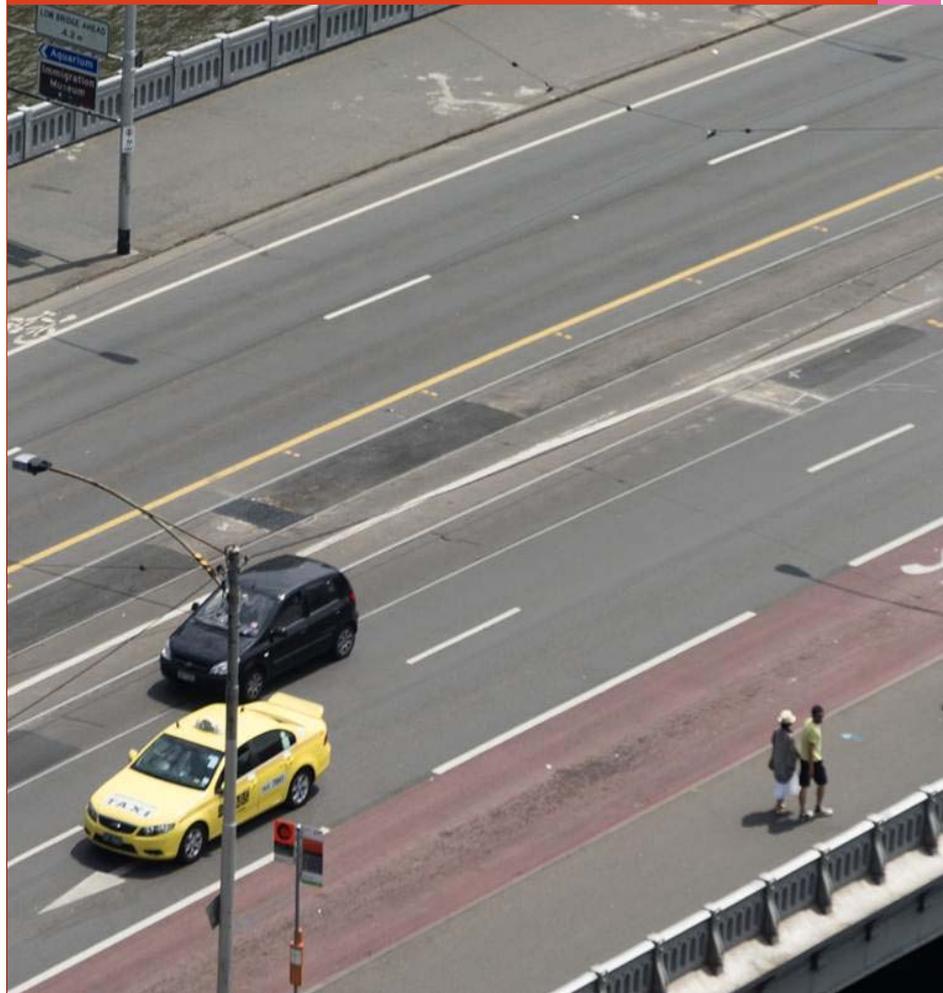


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Global Mobility Services: Taxation of International Assignees - Algeria

*Taxation issues
& related
matters for
employers &
employees 2018*



pwc

Last Updated: May 2018

This document was not intended or written to be used, and it cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

Country: Algeria

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Additional Country Folios can be located at the following website:
Global Mobility Country Guides

Introduction:

International assignees working in Algeria

PwC is the world's leading provider of professional services. The People and Organisation group works together with its clients to find solutions for the challenges they encounter when transferring people from one country to another.

This brochure is intended to inform foreign nationals and their employers about tax, social security and immigration issues in Algeria.

This guide is not exhaustive and cannot be regarded as a substitute for professional advice addressing individual circumstances.

Nevertheless, answers will be found to most of the questions raised by an expatriate or his/her employer. More detailed advice should be sought before any specific decisions are made about these issues.

More information can be obtained from our offices specializing in People and Organisation, Global Mobility (see Appendices).

Step 1:

Understanding basic principles

The scope of taxation in Algeria

Residents of Algeria for income tax purposes are taxable in Algeria on their worldwide income while non-resident are taxable on their Algerian sourced income.

The tax year

The tax year for individuals covers the calendar period to 31st December.

The tax position of the spouse

The assignee can file jointly a tax return with his spouse. Joint taxation entitles to a discount of 10% on the total personal income tax, hereafter 'PIT'.

Determination of residence

According to Algerian tax law, individuals are considered as tax residents in Algeria if one of the below criteria is applicable, whether or not they are Algerian nationals:

- Individuals who either own a home in Algeria or have a rental agreement, during at least one whole year, for their current place of dwelling.
- Individuals for who Algeria is either their principal place of residence or the centre of their economic interests.

- Individuals having a professional activity in Algeria (salaried activity or not).
- Algerian Government agents performing activities in a foreign country in which they are not subject to personal income taxation for their worldwide revenues.

Under provisions of double taxation tax treaties (OECD model), the individual will generally be considered as a tax resident of the contracting state where:

- The individual has his permanent home,
- The individual has his center of vital interests,
- The individual has his habitual abode ;
- The individual is a national.

According to double tax treaties (OECD model), the salary is normally taxable in the country where the activity is performed.

Nevertheless, if the individual fulfills the three following cumulative criteria, he will remain fully taxable in his country of residence:

- The individual is present in the other State for a period not exceeding in the aggregate 183 days cumulated on a twelve

month period, starting or ending in the calendar year; and

- The remuneration is paid by, or on behalf of, an employer who is not a resident of the host state; and
- The remuneration is not borne by a permanent establishment or a fixed base that the employer has in the host State.

Please note that Algeria has signed a Double tax treaty with 32 countries.

Step 2:

Understanding the Algeria tax system

Employment income

The Algerian income taxes are calculated on the full individual's remuneration, including:

1. Base salary;
2. Any variable remuneration;
3. All benefits in kind (food, housing, car, etc.) and cash benefits (reimbursement of taxes, schooling, etc.).

Food and transportation are considered as benefits in kind and are taxable based on their real value. However, without justification the amount to be considered for food is fixed by law. Expense reimbursement (including travel expenses/food) will not attract tax if they are effectively used pursuant to their objective and not excessive.

Taxation of investment income

Interest

1%, for the fraction of interest less than or equal to 50,000 DZD and 10% above for the savings account.

Dividends

15% for residents and non residents

Capital gains

15% for gains derived by resident individuals from the disposal of shares into an Algerian company.

20% withholding tax on gains derived by a non-resident from the disposal of shares into an Algerian company.

Exchange control

The notion of residence

Are resident in Algeria for exchange regulation purposes, the individuals who have the principal center of their economic activities therein.

Consequently, foreigners who exercise their professional activities and haven't their main economic interests in Algeria are non residents as defined in the exchange central regulations (art.2 regulation n° 07-01).

When employed by an Algerian entity, expatriates must be paid totally in Algeria and in dinars, with the possibility to transfer part of their salary abroad.

Salary transfer

The transfer of part of the salary (up to 90% or 95% of total salary) received in Algeria by foreign workers is authorized by the

exchange control regulations under certain conditions:

- The employer must be the owner of a work permit and a local employment contract; are excluded the individuals having dual nationality as well as corporate officers registered in the Trade Registry.
- The employer must be an economic agent under Algerian law: permanent establishment and the liaison offices are not economic agents according to Algerian law.
- The premiums and bonuses cannot be transferred.

Salary transfer procedure involves the following administrations:

- Labour Inspection for the visa
- The tax administration
- The commercial bank

Employees' tax

Income tax is determined using progressive tax rates based on the global net revenue of the taxpayer.

The taxable basis includes salaries and wages, including allowances in-kind (housing, electricity, food for example).

PIT is withheld at source by the employer on a monthly basis (Payroll mechanism).

The taxes and social security withheld at source by the company need to be paid to the local tax authorities by the 20th day of the month following the payment of the salary.

Social security

Every business set-up in Algeria has to be registered with the Social Security authorities. Salaried employees should also be registered with the said administration.

The employer has to declare himself as well as all employees to the relevant Social Security Agency of the wilaya (region) with territorial jurisdiction, irrespective of the nationality of the employee.

The employer has to pay contributions at a 26% rate, while the employee contribution amounts to 9% of the gross salary.

For information, local authorities usually apply a 5% fixed penalty in case of delay and 1% by late month.

Foreign employees are subject to local social security, except if a social security (SS) treaty is in force between Algeria and their home

country. Algeria has concluded five social security treaties respectively with France, Tunisia, Morocco, Belgium and Romania. These treaties are in force.

For example, the SS treaty concluded between France and Algeria provides that French employees temporary assigned to Algeria remain subject to the French SS regime if they are assigned for a specific and determined job, as long as the assignment duration does not exceed three years, including vacations (with a certificate of coverage).

According to Algerian law, expatriates working in oil companies and contributing to their home SS system are exempted from national social security under conditions (Article 98 of Law 05-07).

Deductions, credits and allowances

According to article 73 of Algerian Direct Tax Code, the taxable revenue is equal to the gross amount of the amount paid and the benefit in-kind granted minus the mandatory contributions withheld by employers for social contributions and retirement.

According to article 85 of Algerian Direct Tax Code, the voluntary contributions to social insurance schemes and retirement funds could also be deductible from the net revenue under conditions.

Desert allowance and hardship allowances paid to employees working in certain areas of the south of the country (usually petroleum fields in the Sahara) are exempted from tax payment (article 68 of the direct tax code).



Step 3:

What to do before you arrive in Algeria

Before arrival, the individual will need to obtain a provisional work authorization (APT) which will allow him to apply for a work visa.

Short term

When the work visa is granted, short term assignees (less than 3 months) should obtain a temporary work authorization (ATT, 3-month-length, renewable once within the year).

Long term

When the work visa is granted, long term assignees will apply for a work permit.



Step 4:

What to do when you arrive in Algeria

Registration as a taxpayer for employer

Each foreign national working in Algeria must be registered at the tax and social security authorities by his employer.

Registration to the local police station

Algerian laws relating to circulation of foreigners in Algeria provide for registration of the foreigner to his local police station.



Step 5:

What to do at the end of the tax year

Tax return

A resident employee who receives other sources of income than his monthly declared salary, is required to report the additional revenues on the specific global revenue return (Gn°1). The tax monthly withheld at source by the employer on salary income will be deducted of the tax liability. The return must be filed

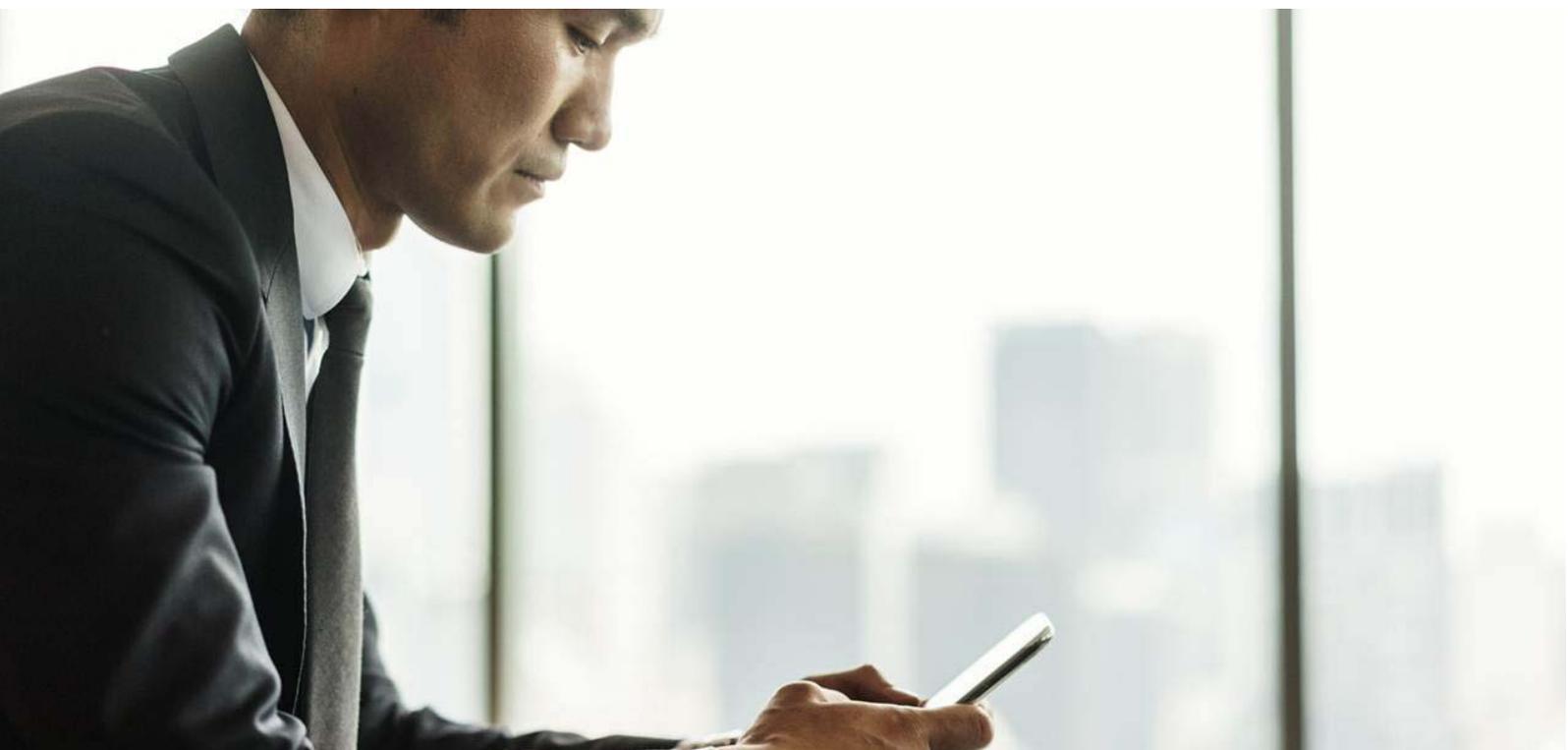
before April 30th of each year to the Tax office of the place of residence.

Payment of taxes

If the assignee is an Algerian tax resident, he will be taxable on his worldwide income. If the assignee is not an Algerian tax resident, he will be taxable on Algerian sourced income.

Penalties

Generally, a penalty levied at a rate of 25% of the PIT amount, is applied in case of delays in payment. Although, it is rarely applied, should the authorities in Algeria determine that the delayed payments are the result of tax evasion/fraud, then a 100% penalty may be applied.



Step 6: **What to do when you leave Algeria**

General

At the end of employment, the company must declare to the tax authorities the departure of the employee and settle all tax duties if necessary.

Before leaving, the assignee need to give back his work permit to his employer.

Appendix A:

Rates of tax

Personal income tax rates for 2018;

Tax revenue (Algerian Dinars) - lower limit	Upper limit	Tax rate
0	120,000	0%
120,001	360,000	20%
360,001	1,440,000	30%
1,440,000	And above	35%

Note: Allowances, bonuses and allocations which are not paid on a monthly basis are taxed at a PIT flat rate of 10%.

Social Security rates for 2018

Contribution	Employer rates	Employee rates	Social funds rates
Social Security	11.5%	1.5%	
Work accident and professional disease	1.25%	0%	
Retirement	11%	6.75%	
Anticipated retirement	0.25%	0.25%	
Unemployment insurance	1%	0.5%	
Social housing	0,50%	0%	0,50%
Total	25,5%	9%	0,50%

Note: Please note that the Global rate of social contributions is levied at 35% (26% borne by the employer and 9% by the employee).

Appendix B:

Double-taxation agreements

***Countries with which
Algeria has double-
taxation agreements***

Austria	Indonesia	Russia
Arab Maghreb Union	Iran	Saudi Arabia
Bahrein	Italy	South Africa
Belgium	Jordan	South Korea
Bosnia	Kuweit	Spain
Bulgaria	Lebanon	Switzerland
Canada	Mauritania	Turkey
China	Oman	United Arab Emirates
Egypt	Portugal	United Kingdom
France	Qatar	Ukraine
Germany	Romania	

Appendix C:

Algeria contacts and offices

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