THE CONSUMER

Consumer Profile
The population in Algeria is relatively young even if the amount of old people is increasing. The median age is 28.1 years up about 3 years from 10 years ago. There are 45.5% of people under 24, 42.2% of 25 to 55 and 12.3% of over 55. The population growth rate in 2018 is 1.7%. On average, there are 6.12 people per household, a relatively high figure. Women represent 49.4% and men 50.6% of the population with 71.3% of Algerians live in urban areas. The northern part, close to the coast, is denser than the centre and the south of the country. The main cities are Algiers, Oran, Constantine and Annaba. The level of education in Algeria is estimated as one of the worst in the world according to the OECD. There are 17% of illiterates, and 82% of adults have not passed secondary school. However, the number of students enrolled in university is increasing.

Purchasing Power
The GDP per capita PPP in Algeria is about 486,044 dinars ($4,123), a relatively low level. The average annual salary is 478,800 dinars. In 2018, the purchasing power in the country has decreased. The latest available data for private consumption published by Moody’s date from 2016 show a sharp increase. The Gini index on income inequality is 27.6, a figure to be taken with caution because it dates from 2011. In 2017, when inequalities had previously decreased they have now widened again. The gender gap index is estimated at 0.6052.

Consumer Behaviour
In Algeria, it is difficult assert that the country is a consumer society. Generally, the consumption is determined by price since the organization of the expenses is important. Purchases are often made from small retailers even though supermarkets are growing. However, in the big cities one can find shopping centres. About 66% of the population has confidence in the future of the economy, but the political and social tensions linked to the elections may affect this figure. Online commerce is growing and consumers are increasingly attracted by easier and faster ways of buying. However, online payments are still abandoned in favour of cash payments made after the order. As a general rule, consumers are open to international products. However, the government has launched a campaign to promote local products. In terms of loyalty branding is an important buying factor but consumers are willing to go elsewhere for a better price. About 50% of the population has internet and is active on social networks. However, purchasing decisions on networks are not as developed as in Europe or the United States.

Organic and non-intensive agriculture attracts a tiny part of the population. Dietary habits are changing to a diet richer in animal fat and sugar. The second-hand
market is very developed like ready-to-wear but also for furniture and vehicles. The collaborative economy is developing, particularly with Airbnb and carpooling sites.

**Consumer Recourse to Credit**
Payments in Algeria are mostly in cash, however, the use of debit cards is growing. Household loans increased by 11% between 2011 and 2018, thanks to a law authorizing consumer credit. Household loans reached 716.4 billion dinars in June 2018. The majority of loans to households relate to mortgages (for housing) but consumer loans are growing. They are used mainly for the purchase of electrical appliances, furniture and automobiles. Consumer loans are expected to continue to grow in Algeria thanks to the new law allowing them. Capitalist and Islamist banks offer these credits. However, the regulations are strict and only concern the goods produced by companies in Algeria.

**Growing Sectors**
Tobacco, hair care, mouth care, beauty, sun care, specific products for children and infants, perfume, dishwasher, internet, men’s clothing, video games.

**Consumers Associations**
Ministry of Commerce, List of Consumer Associations

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**IMPORTING & DISTRIBUTING**

**Import Procedures**
Customs clearance in Algeria has two focal points:

1. Custom clearance file including invoice with a bank domiciliation, a copy of company register, a copy of the tax card issued by relevant fiscal authorities: additional documents can be required in case of a specific administrative procedure or a preferential tax regime application
2. Customs clearance procedure

To consult import procedures, click here (in French).

**Specific Import Procedures**
It is forbidden to import firearms, explosives, drugs, certain pharmaceutical products (around 260 in total), certain categories of simple medical equipment and all types of used equipment. The import of pork products is also banned for religious reasons. Consult the Algerian Customs website dedicated to these issues for further information.

**Distribution channels**
Although the distribution market has, for a long time, been the domain of public companies, informal shops now dominate the retail trade sector and Algeria has a fairly well-developed distribution system with mostly wholesale and retail outlets.
Private businesses control the retail trade at 95% (with strong participation of European investments), and grocery stores and small supermarkets are spread out evenly in the country. According to the estimates of Numidis (the retail and distribution arm of Cevital - a major local private sector group), modern retail accounts for only 3% of annual turnover.

Algeria is today the first importer of food products on the African continent - 75% of the total needs are imported - and the food industry is the second market in the country after the oil industry. Algeria ranked 3rd worldwide for milk and dairy product imports, according to Euromonitor International. The EU accounts for 53% of Algerian imports and 53% of Algerian exports.

Nevertheless, investors highlight regulatory uncertainty, tight foreign exchange controls, lax intellectual property rights (IPR) protections, customs delays, and a large informal sector among ongoing commercial challenges. In 2009 and 2010, Algeria voted several laws which imposed a requirement of at least 51% Algerian ownership of foreign investments. For these reasons, the French chain Carrefour has struggled with its plans to develop hypermarkets in Algeria. In 2006, it planned to build 18 such stores, but reversed course a few years later. Nonetheless, in 2015, Carrefour opened one hypermarket located in the 'City Center' shopping mall in Mohammadia.

**Distribution market players**

The Algerian retail sector today is highly fragmented, dominated by a multitude of small, privately owned stores and hard-to-monitor informal vendors. The distribution system is shared between public and private companies. State firms sell mainly wholesale imported foodstuffs, pharmaceutical products and industrial materials, although some private companies are also active in these sectors. In terms of retail trade, the majority of distributors are private companies, namely informal shopkeepers in small shops.

Numidis, known in Algeria by the brand name UNO, is a subsidiary of the Algerian group Cevital, the largest private conglomerate in Algeria, with interests in the agri-food sector, retail, industry and services. There are today 23 UNO stores in the country: 5 hypermarkets, 1 supermarket, 16 motorway services, 1 convenience store.

According to the Algerian Register of Commerce, there were 1415 retail markets in the country in 2016, 38 Hypermarkets and 232 supermarkets.

**Retail Sector Organisations**

*Algerian Ministry of Trade*

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**OPERATING A BUSINESS**

**Type of companies**

**Limited liability company (SARL)**

**Number of partners:** From 2 to 20 partners.

**Capital (max/min):** 100 000 DZD divided in shares (1 000 DZD per share) minimum fully subscribed and paid up.

**Shareholders and liability:** Liability is limited to the amount of capital
Joint-stock company (SPA)

Number of partners: Minimum of 7 shareholders.
Capital (max/min): 1 million DZD fully paid / 5 million DZD in the event of a public offering.
Shareholders and liability: Their liability is limited to the amount of capital contributed.

General partnership (SNC).

Number of partners: Minimum 2 partners.
Capital (max/min): no minimum capital.
Shareholders and liability: Their liability is joint and indefinite.

Limited Partnership

Number of partners: There are two sorts of partners, the active partners and the silent partners. There must be a minimum of one of each partner.
Capital (max/min): no minimum capital.
Shareholders and liability: The liability of the active partners is joint and indefinite. The liability of the limited partners is limited to the amount of capital contributed.

Limited partnership with shares

Number of partners: There are two types of partners. Those with the same obligations and rights as in a joint partnership and limited partners (at least 3) with the same status as shareholders of a Joint Stock Company.
Capital (max/min): 1 million DA fully paid.
Shareholders and liability: The general partners have joint and indefinite liability. The liability of the limited partners is limited to the amount of capital contributed.

<table>
<thead>
<tr>
<th>Setting Up a Company</th>
<th>Algeria</th>
<th>Middle East &amp; North Africa</th>
</tr>
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</tr>
<tr>
<td>Time (days)</td>
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Source: Doing Business.

Cost of Labour

Minimum Wage
The minimum wage (SNMG) is DZD 18,000 per month (source ILO, effective since 2013)

Average Wage
Average monthly gross earnings is DZD 39,900 in 2016 (around USD 340)
according to the National Office of Statistics. The International Labour Organisation does not provide any data.

**Social Contributions**
Social Security Contributions Paid By Employers: 25% of the gross salary in monthly contribution.
Social Security Contributions Paid By Employees: 9% monthly withholding tax.

**Intellectual Property**

**National Organisations**
Patents, trademarks and copyright are protected in Algeria. For patents, requests for information should be made to the Algerian Institute of Standardization and Industrial Property (INAPI). Concerning trademarks, the request should be made to the National Trade Register Center (CNCR).

**International Membership**
Member of the WIPO (World Intellectual Property Organization)
Signatory to the Paris Convention For the Protection of Intellectual Property

**TAX RATES**

**Consumption Taxes**

**Nature of the Tax**
Value added tax (VAT) (Taxe sur la valeur ajoutée - TVA)

**Tax Rate**
19%

**Reduced Tax Rate**
A special reduced rate of 9% applies to sales operations carried out on the internet, the supply of natural gas for a consumption of less than 2,500 thermal units per quarter, specific kits dedicated to the automobile industry, and the supply of electrical energy, for low-voltage electricity consumption of less than 250 KWH per quarter.

The acquisition of products, goods and services already benefiting from a VAT exemption or VAT franchise regime is zero-rated.

**Other Consumption Taxes**
Imports are subject to custom duties with the following rates: duty-free, 5%, 15%, 30%, or 60%.
Tobacco products are subject to excise tax. Various stamp duties apply.

**Corporate Taxes**

**Company Tax**

19%

**Tax Rate For Foreign Companies**

Corporate tax (Impôt sur les bénéfices des sociétés - IBS) is levied on economic activity carried out in Algeria regardless of residency (including income generated through a representative office and income generated through a full trade life cycle in the absence of a representation office).

According to article 137 of the [Algerian Tax Code](#), a company is considered as an Algerian tax resident entity if it is incorporated under the Algerian law and is realising (a) commercial, industrial, or agricultural activities (physical presence obligation) or (b) taxable profits through dependent agents.

For further information concerning the tax measures taken in order to address the impact of the COVID-19 crisis, please consult the following [link](#).

**Capital Gains Taxation**

Capital gains are generally taxed as ordinary income at the corporate income tax rate (Impôt sur le Bénéfice des Sociétés, or IBS). In some cases, a 35% relief is granted if the assets have been held for up to three years, or 65% if the assets have been held for longer periods.

An exemption can be granted on capital gains deriving from the disposal of assets, provided that the company commits to re-invest them within a three-year period.

**Main Allowable Deductions and Tax Credits**

Expenses are deductible for amortisation, reserves, interest expenses, rents for premises and equipment, wages, pension expenses, etc. Some non-deductible expenses include fines, gifts, subsidies and restaurant, hotel and entertainment expenses not directly linked to the business.
The depreciation rates usually follow this scheme: office items depreciation rate is 10% or 20%; industrial buildings 5%; cars 20% or 25% (limited to DZD 1 million). Start-up expenses are deductible when paid and cannot be capitalised and depreciated. Bad debts are deductible if a legal action has been taken to recover the debt or when evidence is provided that the receivable has become irrecoverable. Charitable contributions are deductible (capped at DZD 1 million). Some specific provisions apply to R&D expenses: they are fully deductible when paid by the entity bearing the expenses and when justified. Revenues derived from R&D activities are exempted from corporate income tax (capped at 10% of the taxable benefit or DZD 100 million), provided that the exempted amount is reinvested in R&D activities.

Taxes are generally deductible (except the IBS itself, the tax on apprenticeship and training and that on passenger cars).

Incentives are further available for qualifying investments that are declared to the National Agency for Investment Development (ANDI), such as investments to acquire assets included in the creation of new activities, to participate in the share capital of an Algerian company and to take over privatisation activity. Exemptions could apply to VAT, IBS or the Tax on Professional Activity (TAP). Specific rates depend on whether the investment qualifies in the general regime or the derogatory regime (which requires contribution from the Algerian state). A temporary exemption from IBS is granted to investing companies creating at least 100 jobs.

**Other Corporate Taxes**

An annual property tax is levied on real estates, with rates varying according to the location. A wealth tax applies with rates varying from 0% to 1.75% (for a value of holdings above DZD 450 million).

Other significant taxes include: Tax on Professional Activity (TAP) of 2% of turnover (or 3% for companies engaged in the transport of hydrocarbons, 2% with a 25% concession for construction and water engineering works, 1% for manufacturing), Apprenticeship Tax of 1% of payroll, and Training Tax of 1% of payroll. Social contributions paid by the employer amount to 26% of gross salary.

A Transfer Tax applies to land, buildings, and ongoing business at a rate of 5% for registration fees, plus 1% for publication formalities for the transfer of ownership of land and buildings.

A 4% tax applies on the import of services (Bank Domiciliation Tax, reduced to 0.5% for the importation of goods or merchandise with a minimum amount of DZD 20,000). A pollution tax is levied on assets that may cause environmental damage. Various stamp duties apply.

**Other Domestic Resources**

Directorate-General of Taxes

Consult Doing Business Website, to obtain a summary of the taxes and mandatory contributions.

**Double Taxation Treaties**

Countries With Whom a Double Taxation Treaty
**Withholding Taxes**

Dividends: 15% for both residents and non-residents.

Interest: when paid to a non-resident is subject to a 10% withholding tax, unless the rate is reduced under a tax treaty.

Royalties: 24% (unless specified otherwise by a treaty, with rates varying between 5%, 10%, and 12%).

Technical service fee (withholding tax applied on service fees paid abroad by a local company to a foreign company): 24% (unless specified otherwise by a treaty).

Branch remittance tax (applied to remittances by a permanent establishment to its foreign head office): 15% (unless specified otherwise by a treaty).