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## BUSINESS ENVIRONMENT

### THE CONSUMER

#### Consumer Profile

The population in Algeria is relatively young even if the amount of old people is increasing. The median age is 28.9 years, up about 3 years from 10 years ago (CIA). There are 31% of people under 15 years old, 62% aged between 15 and 64, and 7% aged 65 and older (UN, 2022). The population growth rate in 2022 is 1.34% (CIA). On average, there are between 4.5 and 5 people per household according to estimates, a relatively high figure (Conjoncture DZ). Women represent 49.5% and men 50.5% of the population with 74.8% of Algerians live in urban areas in 2022. 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 was estimated as one of the worst in the world according to the OECD, but it has recently improved. According to official data there were 7.94% of illiterates in 2021. Less than 40% of adults aged 25 and older have passed secondary school (UNDP, 2015-2019). However, the number of students enrolled in university is increasing.

#### Purchasing Power

The GDP per capita PPP in Algeria is about USD 11,324.2, a relatively low level (2020, World Bank). The average monthly salary is estimated at 40,000 dinars. The latest available data for private consumption published by CEIC Data show a 6.4% decrease year-on-year at the end of 2020. The Gini index on income inequality is 27.6, a figure to be taken with caution because it dates from 2011 (World Bank, latest data available). Although inequalities had previously decreased, they are now widening again. With a gender gap index estimated at 0.633, Algeria occupied the 136th position out of 156 countries (WEF, 2021).

#### Consumer Behaviour

In Algeria, it is difficult to 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. Since the Covid-19 pandemic and the war in Ukraine, inflation and food shortages have negatively impacted consumer confidence. Online commerce is growing, especially since the Covid-19 pandemic, 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 60% of the population has internet and is active on social networks (Data Reportal, 2022). 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, agro-industry.

## Consumers Associations

[Ministry of Commerce](#) , List of Consumer Associations

## IMPORTING & DISTRIBUTING

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### 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. Distributors must obtain an authorization from the Ministry of Health to import and sell drugs. Food products entering the country must have at least 80% of their shelf life remaining. Consult the Algerian Customs website dedicated to these issues for further information.

### Distribution channels

Algeria is the 4th largest grocery retail market in Africa, and the second largest in North Africa (Trendtype). 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. Despite increasing urbanisation, traditional grocery retailers remain the most popular distribution channel.

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. The modern grocery retail sector is very fragmented. Among international

retailers, only the French chain Carrefour is present.

Due to the Covid-19 pandemic, modern grocery retailers have been focusing on developing supermarkets and minimarkets, which are generally located in neighbourhoods with large populations. The pandemic also accelerated the performance of e-commerce (Euromonitor).

### 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 (Cevital, latest available data). Due to the high volume of independent modern outlets, Numidis holds a relatively small value share of the market (Euromonitor, 2021).

According to the latest data available by the Algerian Register of Commerce, in 2016 there were 1,415 retail markets in the country, 38 Hypermarkets, 1,919 superette and 232 supermarkets.

### Retail Sector Organisations

Algerian Ministry of Trade

## OPERATING A BUSINESS

### Type of companies

#### Limited liability company (SARL)

**Number of partners:** From 2 to 20 partners (1 shareholder and 1 director). The maximum holding by foreigners is now 100% except for trading companies (import for resale as is) and companies in the military, pharmaceutical, energy and mining, and transport industries, which remain subject to the 51/49% rule (51 Algerians and 49 foreigners).

**Capital (max/min):** DZD 100,000 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 contributed.

#### Public limited company (SPA)

**Number of partners:** Minimum of 7 shareholders. The maximum holding by foreigners is now 100% except for trading companies (import for resale as is) and companies in the military, pharmaceutical, energy and mining, and transport industries, which remain subject to the 51/49% rule (51 Algerians and 49 foreigners).

**Capital (max/min):** DZD 1 million fully paid / DZD 5 million 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):** DZD 1 million 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.

Setting Up a Company	Algeria	Middle East & North Africa
Procedures (number)	12.0	6.3
Time (days)	18.0	19.5

Source: Doing Business - Latest available data.

## Cost of Labour

### Minimum Wage

The minimum wage ("*salaire national minimum garanti*" - SNMG) is DZD 20,000 per month (effective from June 1, 2020; official government source)

### Average Wage

Average monthly gross earnings is around DZD 41,800 in 2019 according to the National Office of Statistics (latest data available). It is estimated at around DZD 41,000 (EUR 205) in 2020 (Dzair Daily).

The International Labour Organisation does not provide any data.

## Social Contributions

Social Security Contributions Paid By Employers: 26% of the gross salary is paid by the employer in monthly contribution (while the employee contributes 9%).

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).

## Regional Organisations

World Intellectual Property Organization (WIPO)

## International Membership

Member of the WIPO (World Intellectual Property Organization)

Signatory to the Paris Convention For the Protection of Intellectual Property

## TAX RATES

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### 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 transactions involving the distribution of electricity and natural gas for a consumption of less than 250 kilowatt hours (KWH) and 2,500 thermal units per quarter; sales of heavy fuel oil, butane, propane and their mixture consumed in the form of liquefied petroleum gas (GPL-C); pawnbroking transactions with households; sale of tickets to cinematographic theatres; operations carried out by maritime and air construction sites. As a transitional measure and until 31 December 2024, the services related to tourist activities, hotels, spas, classified tourist catering, travel and rental of tourist transport vehicles are subject to the reduced VAT rate.

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 customs duties with the following rates: duty-free, 5%, 15%, 30%, or 60%.

Tobacco products are subject to excise tax set at the rate of 5% starting from 2022. An annual property tax is levied on real estate, with rates varying according to the location of the property.

Various stamp duties apply.

### Corporate Taxes

#### Company Tax

19% (10% reduced rate for reinvested profits in the frame of manufacturing activities)

#### Tax Rate For Foreign Companies

Corporate tax (Impôt sur les bénéfices des sociétés - IBS) is levied on economic activities 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 Algerian law and is realising (a) commercial, industrial, or agricultural activities (physical presence obligation) or (b) taxable profits through dependent agents.

Furthermore, corporate income tax (CIT) is applicable in Algeria for both resident and non-resident individuals or entities if:

- They conduct trade, industry, or agricultural business regularly in Algeria without having a permanent establishment based on traditional tax laws.
- They earn profits through an agent based in Algeria.
- They conduct business activities in Algeria that represent an entire commercial cycle.
- They earn profits from the property they own in Algeria.
- They earn profits that fall under the scope of a tax treaty, which gives Algeria the right to tax them.

### 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 30% 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 three years.

### Main Allowable Deductions and Tax Credits

In general, expenses are deductible if they are: registered in the accounts and supported by an invoice; not specifically listed as non-deductible items; incurred in the company's interest, and certain, liquid, and due during the financial year.

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 3 million).

Starting from 2022, the deductibility threshold of low-value expenses is raised from DZD 30,000 to DZD 60,000.

Start-up expenses are deductible when paid and cannot be capitalised and depreciated. Bad debts are deductible if 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 4 million). Advertising gifts are deductible up to DZD 1,000/unit (capped at DZD 500,000).

Companies with the "start-up" or "incubator" label can deduct 30% of their taxable profit for expenses related to research and development, as well as expenses incurred in "open innovation programs." The maximum deduction is capped at DZD 200 million.

The rate of tax deductibility of amounts invested in research and development is 30% of the taxable profit (up to DZD 200 million).

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 \(AAPI\)](#), 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 500 jobs.

## Other Corporate Taxes

An annual property tax is levied on real estate, with rates varying according to the location. A wealth tax applies with rates varying from 0% (up to DZD 100 million) to 1% (for a value of holdings above DZD 450 million).

Other significant taxes include the Tax on Professional Activity (TAP) of 1.5% of turnover (or 3% for companies engaged in the transport of hydrocarbons, with several rebates according to the sector of activity), Apprenticeship Tax of 1% of payroll, and Training Tax of 1% of payroll (should be declared and paid on an annual basis). Social contributions paid by the employer amount to 26% of the 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 be harmful to the environment.

Various stamp duties apply.

## Other Domestic Resources

[Directorate-General of Taxes](#)

## Double Taxation Treaties

### Countries With Whom a Double Taxation Treaty Have Been Signed

[Directorate-General of Taxes](#)

## Withholding Taxes

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

Interest: 10%, unless the rate is reduced under a tax treaty.

Royalties: 30% for both residents and non-residents. (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).

