

Guide to do business in
ALGERIA

**Chandrawat
& Partners**





ABOUT ALGERIA

North African nation Algeria is home to a wide range of cultural traditions. It provides a variety of business opportunities across numerous sectors, including energy, agriculture, and manufacturing, and is the largest country in Africa. Algeria is a desirable location for foreign investors due to its advantageous location at the intersection of Africa, Europe, and the Middle East, which acts as a gateway to the African market.

Algeria is the largest producer of natural gas in Africa and the second-largest non-regional supplier of natural gas to Europe.

Algeria has the fourth-largest GDP on the African continent (144 billion USD in 2020) and the highest GDP per capita in North Africa. The country has a territory of 2.4 million km², a dynamic population (+900,000 inhabitants/year, 44 million inhabitants on 1 January 2020), and the highest GDP per capita in North Africa.

ADVANTAGES

With a population of over 46,016,572, Algeria is the largest country in Africa and the tenth largest in the world. The economy of the nation is diverse, with a focus on the oil and gas industry, but it also includes the agricultural, manufacturing, and service sectors. The following are some benefits of conducting business in Algeria:

Government incentives:

To entice foreign investment, the Algerian government provides a variety of incentives, such as tax breaks, exemptions from customs duties, and financial support for R&D.

Large domestic market:

The domestic market in Algeria, which has a population of over 46,016,572, is sizable and expanding. With a median age of just 29, the nation's young population offers opportunities for companies that provide goods and services for consumers.

Natural resources:

Natural resources are abundant in Algeria, especially oil and gas. The nation has sizable reserves of oil, iron ore, and phosphates and is the third-largest natural gas producer in the world.

Strategic location:

Algeria is strategically located, making it a desirable hub for companies looking to expand into North Africa and beyond. The nation has access to important trade routes and shipping lanes due to its location between Europe, Africa, and the Middle East.

Strong infrastructure:

An advanced infrastructure, including cutting-edge ports, highways, and airports, exists in Algeria. The nation has plans to expand its rail and road networks and is also making significant investments in renewable energy.

Algeria's tax regime is the body of laws that control the collection and distribution of taxes. Direct and indirect taxes, imposed by both the federal and local governments, make up the foundation of the tax system in Algeria.

Types of taxes in Algeria

1. Corporate Tax :

Corporate entities are taxed on activities performed in Algeria via the following two regimes:

The standard rate of Corporate Income Tax (CIT) :

19% for manufacturing activities.

23% for building activities, public works, and hydraulics, as well as tourist and thermal activities, excluding travel agencies.

26% for all other activities not mentioned above.

Withholding tax ("WHT") regime :

Non-resident entities performing service contracts in Algeria are subject to the WHT regime.

The 30% WHT, which encompasses the CIT, the TAP, and the VAT, is required to be levied on services only.

2. Individual Tax :

Individuals may be subject to taxation in Algeria:

On worldwide income if they are considered as Algerian tax residents, irrespective of source or recharge arrangements.

On income sourced in Algeria (received in consideration of a professional activity performed in Algeria) if they are not considered as Algerian tax resident.

Personal income taxation is applied with progressive scale rates (marginal rate 35%).

Annual taxable income (DZD):

Less than 240,000 - 0%

240,001 to 480,000 - 23%

480,001 to 960,000 - 27%

960,001 to 1,920,000 - 30%

1,920,001 to 3,840,000 - 33%

More than 3,840,000 - 35%

Value Added Tax (VAT) :

In Algeria, Value Added Tax (VAT) is imposed on the provision of goods or services. It covers all of Algeria's economic activities. 19% is the standard VAT rate. For a number of basic items listed by law, the reduced rate is 9%.

VAT payments and returns are due on the twentieth day of each month.

Property Tax :

Property taxes, also referred to as "taxe foncière" in Algeria, are levied against real estate. This tax is assessed against the property owner and is determined using the estimated value of the asset.

Foreign Business Entities :

A foreign entity is a legal person formed under the laws of a foreign country, having a place of business in Algeria. Mainly, there are three types of foreign business entities in Algeria:

1. Representative office
2. Branch office
3. Subsidiary

Joint Stock Company ("JSC"):

A Joint Stock Company (JSC) is a business that is owned by investors who hold stock in the business. The shareholders' liability is capped at the value of their share capital. A JSC must have at least five shareholders in order to be formed.

Limited Liability Company

A Limited Liability Company ("LLC") is a type of company in where the owners are not personally liable for the company's debts or legal obligations. The LLC is considered a separate legal entity from its owners, and the liability of the owners is limited to the amount of their investment in the company.

Limited Partnership (LP):

A limited partnership (LP) is a type of partnership in which one or more limited partners have limited liability and at least one general partner is personally liable for the debts and obligations of the company.

Partnership :

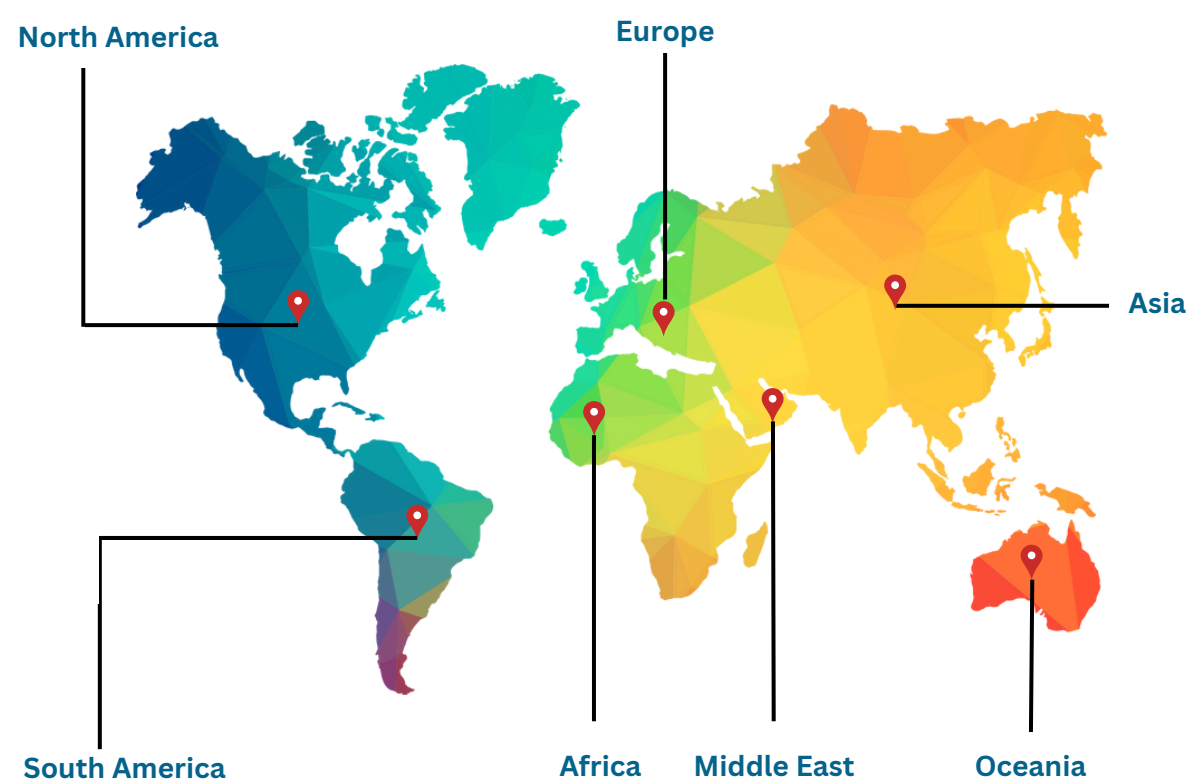
A partnership is a type of company in that is owned and operated by two or more individuals. There are 3 types of partnerships in :

1. General partnership
2. Limited partnership
3. Silent partnership

Sole proprietorship :

A sole proprietorship is a type of company in that is owned and operated by a single individual. The owner is fully responsible for all aspects of the business, including any debts or legal liabilities that may arise.

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