

Chandrawat
& Partners

DOING BUSINESS IN ALGERIA

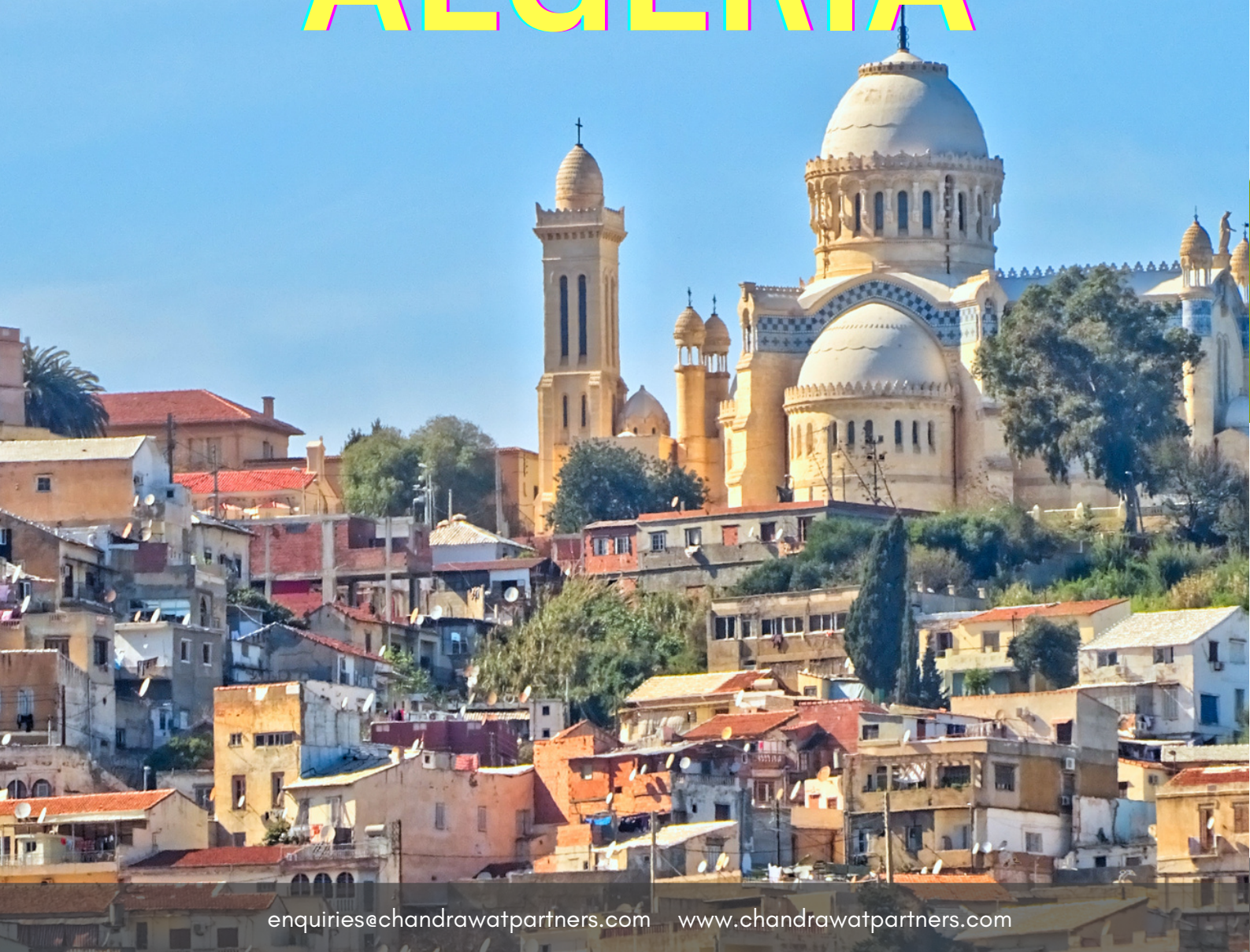


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INTRODUCTION

Algeria a country officially called as the People's Democratic Republic of Algeria, is a State of North Africa which is a part of the Maghreb. Its Capital city is Algiers and the languages spoken are here Arabic and Tamazight.

It is the largest nation by area in Africa and the Arab world, and most of the country is covered by desert. It is also the biggest country lining the Mediterranean Sea and the vaster first one of Africa. It shares ground borders in the northeast with Tunisia, in the East with Libya, in the South with Niger and Mali, in the southwest with Mauritania and territory of the Western Sahara, and on the West with Morocco.

Algeria is a member of various international organizations such as the United Nations (UN), African Union (AU) and the League of Arab States almost since independence in 1962. It joined the Organization of the Petroleum Exporting Countries (OPEC) in 1969 and took part, along with the other Maghreb states, in the creation of the organization of the Arab Maghreb Union (AMU).

Almost 90 percent of this country is covered by the Sahara Desert. So, people inhabit only 12% of the total land. Algeria is the center of many multinational firms' francophone operations in northwest Africa since it is one of the few middle-income nations in Africa with a well-developed infrastructure and a foundation for modern manufacturing.



ECONOMIC OVERVIEW

In 2022, Algeria's real GDP growth increased to 3.0%, driven by a rebound in oil prices. The monetary authorities implemented a refinancing plan, reducing the budget deficit and increasing budgetary revenue. The current account swung to a surplus of 7.8% of GDP, with foreign exchange reserves reaching 18 months of import cover.

Public debt dropped to 52.4% of GDP. Financial system modernization progressed, with a denser network of insurance companies and improved financial inclusion. Algeria's Human Development Index rank improved to 91st out of 191 countries.

The economy is projected to experience a 3.1% real GDP growth in 2023, with potential for a decline in 2024 due to limited production capacity and economic diversification policies. Inflation is expected to decrease to 7.7% and 6.7%, with global grain supply constraints and monetary policy remaining expansionist. The budget deficit is expected to widen, and the economy's dependence on the oil sector poses a risk.



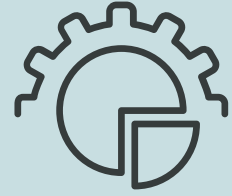
FOREIGN DIRECT INVESTMENT POLICY

Algeria's Finance Laws, including the 2020 Complementary Finance Law and 2021 Finance Law, restrict foreign direct investment. The 2022 Investment Law modernizes the 2016 version, ensuring freedom of investment and transparency for both residents and non-residents.

It also includes a national guarantee for IP protection and lists nonmaterial assets as legitimate assets. The law identifies three categories of investments eligible for incentives: those in priority industries, underserved areas, and sustainable development.

These investments will be eligible for financial incentives, such as tax exemptions and heavily discounted land concessions. The law aims to promote transparency and equality in investment treatment.





KEY SECTORS

The key sectors for doing business in Algeria elaborated in points:

Energy Sector: Algeria has abundant oil and gas reserves, making it a lucrative sector for foreign investors. Hence excessive opportunities exist in exploration, production, and renewable energy projects.

Agriculture: Agriculture plays a vital role in Algeria's economy. Investment opportunities include farming, agribusiness, and food processing industries.

Telecommunication: The telecommunications sector in Algeria is growing rapidly. Investments in mobile networks, internet services, and technology infrastructure are in huge demand.

Construction and Infrastructure: Algeria is investing in infrastructure development, including roads, bridges, and public facilities. Construction companies can find opportunities in both residential and commercial projects.

Tourism: Algeria's rich cultural heritage and natural beauty offer potential in the tourism sector. Investments in hotels, resorts, travel agencies, and tour services can be profitable.

Manufacturing: Manufacturing industries, including automotive, textiles, and electronics, are emerging sectors. Foreign companies can establish production facilities or partnerships with local manufacturers.

Healthcare: There is a demand for modern healthcare facilities and services in Algeria. Investments in hospitals, clinics, pharmaceuticals, and medical equipment are areas of interest.

Education and Training: Algeria is investing in education and skill development. Opportunities exist for setting up educational institutions, vocational training centers, and e-learning platforms.

Renewable Energy: Algeria has vast potential for renewable energy, including solar and wind power. Investments in renewable energy projects align with the country's sustainable development goals.

Financial Services: The banking and financial sector in Algeria is evolving. Foreign financial institutions can explore partnerships, investments, or establishing branches.

ADVANTAGES OF DOING BUSINESS IN ALGERIA

Rich Natural Resources: Algeria is known for its abundant natural resources, including oil, natural gas, minerals, and renewable energy sources, offering opportunities for various industries.

Strategic Location: Situated in North Africa, Algeria serves as a gateway to the African market, the Mediterranean region, and Europe, making it a strategic location for trade and business activities.

Growing Economy: Algeria's economy has been steadily growing, driven by its energy sector as well as efforts to diversify into other industries, providing a stable environment for businesses.

Government Initiatives: The Algerian government has been implementing reforms and initiatives to attract foreign investment, offering incentives such as tax breaks, reduced customs duties, and favorable regulations for businesses.

Young and Skilled Workforce: Algeria has a relatively young population, and the workforce is skilled in various fields, making it easier for businesses to find talented employees.

Infrastructure Development: The country has been investing in infrastructure projects, including transportation, energy, and telecommunications, improving connectivity and facilitating business operations.

Market Potential: Algeria has a growing middle class and a large consumer market, offering opportunities for businesses in sectors such as retail, healthcare, technology, and consumer goods.

Stable Political Environment: Algeria has a relatively stable political environment, providing a sense of security for businesses operating in the country.

Trade Agreements: Algeria is a member of several trade agreements and organizations, facilitating international trade and opening up opportunities for businesses to access global markets.

TYPES OF BUSINESS IN ALGERIA

Joint Stock Company ("SP"):

SPAs can be owned by the public or by private individuals. For publicly traded corporations, the minimum capital base is five million dinars, and for privately held businesses, it is one million dinars (DZD 1,000,000). Seven partners are required for SPAs. A board that includes either a President and Chief Executive Officer or only a Chief Executive Officer must be in charge of the organization. The CEO and president may have a different nationality.

Limited Liability Company ("LLC"):

The majority of small and medium-sized firms have the legal status of a Limited Liability Company (SARL). They are not obliged to be actively involved in the business and can have two to fifty associates. Managers, partners, or employees who are either Algerian or foreign nationals run SARLs.

General Partnership Company ("SNC"):

In an SNC, all partners are jointly and severally liable for partnership debts and are required to be actively participating in the firm. Shares are recorded and can only be transferred with the partners' agreement. This structure is often chosen when partners have a high level of trust and cooperation.

Publicly Traded Partnership Company ("SCA"):

A general partnership and a joint stock company combined to create the SCA.

Limited Liability Sole Proprietorship Company ("EURL"):

An EURL is an LLC that has just one member, called the "sole associate."

Limited Partnership ("SCS"):

According to their contributions, partners in the SCS are liable for the company's debts. SCS is a limited partnership where it consists of both general partners (with unlimited liability) and limited partners (whose liability is limited to their contributions).

Limited partners cannot participate in the management of the company.

MINIMUM ELIGIBILITY CRITERIA FOR COMPANY REGISTRATION

The procedure of registering a business in Algeria requires the following Minimum requirements to be fulfilled:

There should be a minimum of 2 Directors and 2 Shareholders.

A minimum of \$1000 of share capital

Foreigners are not allowed to fully own Algerian businesses; instead, they must find a resident partner to make up 51% of the joint venture.

A lease of physical premises for office must be signed before registering a company in Algeria.

Since most of the population speaks French, the documents should be translated into Arabic, French or Berber.



HOW TO SET UP A BUSINESS ?

Choose a Business Structure:

Determine the legal structure for your business, such as a sole proprietorship, partnership, or a limited liability company (SARL). Each structure has different requirements and implications for liability and taxation.

Reserve a Business Name:

Check the availability of your desired business name and reserve it with the Algerian National Institute of Industrial Property (INAPI).

Draft the Articles of Association:

Prepare the Articles of Association outlining the internal regulations of the company, ownership distribution, and decision-making processes.

Register the Business:

Register your business with the Commercial Registry Office (Registre de Commerce et du Crédit Mobilier - RCCM). You will need to submit various documents, including the Articles of Association, proof of name reservation, and identification documents of the founders/shareholders.

Tax Registration:

Obtain a tax identification number from the Algerian tax authorities. You will need this for corporate taxation and Value Added Tax (VAT) purposes.

Obtain Business Licenses and Permits:

Depending on your business type and industry, you may need specific licenses and permits to operate legally. Check with local authorities to identify the required licenses for your business activities.

Open a Business Bank Account:

Open a business bank account in a local Algerian bank under your company's name. This account will be used for financial transactions related to your business.

TAXATION IN ALGERIA

The corporate income tax rate is a tax that is levied against businesses in Algeria. Its amount is determined by the net profits businesses make from operating their businesses, often over the course of one fiscal year. The corporate tax rate is a significant source of money for the Algerian government.

The taxation in Algeria is as follows:

The VAT is 17%

The corporate tax for:
a. Production activities is 19%
b. Companies engaging in construction works, public works, building hydraulic structures and tourism activities is 26%

Income tax of 5% is applied to importers of medical supplies and equipment

Representative offices of companies are also subject to a 15% tax on remittances to a foreign head office

Dividends are taxed at the rate of 15% and only 29 DTA agreements reduce such tax payments, mostly signed with other African countries.



ACCOUNTING STANDARDS IN ALGERIA

Tax Year:

The tax year begins on 1 January and finishes on 31 December of the same year.

Accounting Standards:

The Act 07-11 of 25 November 2007 (only in French) on the financial accounting system has ended the rule of the national accounting plan dating from 1975. This law, which is in force as of 2010, aimed to harmonize the Algerian accounting plan with the international standards (IFRS) of the IASB. New accounting standards largely based on these IFRS have been officially adopted (IFRS Standards with several exceptions)

Accounting Regulation Bodies:

a. Accounting Reports

All business enterprises, public enterprises, quasi-public enterprises, cooperatives, and other ongoing commercial entities are required to prepare financial statements in accordance with Algerian accounting standards, with the exception of very small enterprises for which a simplified set of standards has been developed. Accounting structure includes: the balance sheet, the income statement, the cash-flow statement, the statement of change in shareholders' equity and an appendix.

b. Publication Requirements

Monthly and Annual declarations are compulsory:

a. A monthly declaration of tax paid in cash or deducted at source. Before the 21st of every month, each company must make a monthly declaration, series GN50, if they belong to the Real Regime.

b. An annual declaration of company profits (IBS: tax on company profits). Before 1 April of every year, each company must make an annual declaration of its profits, series E N6, to the tax office it comes under.

Large companies have to pay provisional tax three times a year: 20 March, 20 June, 20 November. Companies are no longer required to close their books by 31 December if that is not compatible with their activities according to the new accounting framework. This provision still has to be accepted by the tax authority.

Professional Accountancy Bodies:

ONCA the National Organization of Chartered Accountants

Certification and Auditing:

Most companies are required to appoint auditors and audit their accounts, according to the 2011 Finance Law. However, companies with a turnover below DZD 10,000,000 are not required to have their accounts certified by an auditor.

EMPLOYMENT AND LABOUR LAWS IN ALGERIA

1. Employment Contracts:

There are two (2) types of employment contracts in Algeria.

- a. Limited (fixed) term contracts
- b. Unlimited term contracts (can either be a verbal or written contract)

The law does not provide a maximum duration for employees with a fixed-term contract. However, the court can deem a contract as an unlimited term if there is more than one renewal. The law sets out a minimum for employment entitlements and standards. Companies can provide more entitlements depending on the said agreement.

2. Employee Probation Period in Algeria:

An employee may be employed on probation for up to six months, although highly qualified individuals may be subject to a probationary period for up to 12 months.

3. Annual Leave in Algeria:

The Algerian Labor Law provides employees a minimum entitlement to 30 calendar days' paid annual leave.

4. Maternity Leave in Algeria

A female employee is entitled to 14 weeks' fully paid maternity leave, provided that the employee has worked:

- a. at least either 15 calendar days or 100 hours during the three months preceding the date of the first medical acknowledgment of pregnancy
- b. 60 calendar days or 400 hours during the 12 months preceding the first medical acknowledgment of pregnancy,

This maternity leave includes a compulsory period of not less than 6 weeks of leave before the expected date of birth and following delivery.

5. Paternity Leave in Algeria

Male employees can take three days of paid paternity leave as long as they submit a written notice and reason.

6. Sick Leave in Algeria

Employees are entitled to 15 days' paid sick leave at half salary; and full salary from the 16th day of sickness onwards.

7. Working Hours in Algeria

According to Algerian Labor Law, a typical work week runs from Sunday to Thursday and the maximum prescribed working hours for an employee is 40 hours per week. This is based on a five-day week, and eight hours per day excluding a one-hour break. Friday is the mandatory day of rest each week.

8. Overtime in Algeria

Overtime hours must not exceed 20% of the maximum working hours (i.e. eight hours per week) and an employee must not be required to work more than a total of 12 hours per day. If an employee is required to work additional hours, they are entitled to overtime pay, for a minimum of 150% of the normal hourly wage. If circumstances require the employee to work on their weekly day off, they must be granted another day off (in lieu) and 150% off their wage for the overtime period.

9. Termination in Algeria

Algeria has different termination rules for Limited term and unlimited term employment contracts. Limited term contracts end on expiry, while unlimited term contracts can only be terminated for cause or redundancy.

For causing termination, serious misconduct is required, and dismissal is only allowed after a disciplinary procedure. Failure to follow this procedure results in dismissal being deemed 'abusive', with employers required to pay termination compensation.

The Algerian Redundancy Law allows employers to terminate employment on redundancy grounds if economic reasons justify it and all alternatives have been exhausted. If a breach occurs, termination is considered 'abusive'. Termination for other reasons or without proper procedures is considered 'abusive', with compensation of up to six months' salary and uncapped damages determined by the court.

10. Social Security

In Algeria, both employees and employers pay into the National Social Security Fund (CNSS), which covers pensions, health insurance, and unemployment benefits. The employer contributes 26% of the employee's gross salary, while the employee is required to contribute 9% of their gross salary.



EMPLOYMENT POLICY OF ALGERIA

Algeria has a comprehensive employment policy framework that encompasses various laws, regulations, and initiatives aimed at governing labor relations, promoting employment, ensuring workers' rights, and fostering a conducive work environment. Employment policies in Algeria are designed to address the diverse needs of the labor market and contribute to the country's economic and social development.

The key aspects of employment policy in Algeria are:

Job Creation and Economic Growth: Employment policies focus on strategies to stimulate economic growth, attract investments, and promote sectors that can generate sustainable employment opportunities.

Skills Development and Training: Policies emphasize the development of skills and competencies through vocational training, education programs, and skill enhancement initiatives to meet labor market demands.

Employment Promotion: Various programs and incentives are in place to encourage the creation of new jobs, especially for youth and vulnerable groups, by supporting entrepreneurship, small and medium-sized enterprises (SMEs), and startups.

Youth Employment: Specific policies target youth employment, aiming to reduce youth unemployment rates through apprenticeships, internships, mentorship programs, and entrepreneurship support.



Promotion of Decent Work: Policies advocate for the provision of decent work, ensuring fair wages, safe working conditions, and social protections for all workers in alignment with international labor standards.

Gender Equality and Women's Empowerment: Policies promote gender equality in the workplace, encouraging equal opportunities and fair treatment for women, as well as initiatives to enhance women's participation in the workforce.

Labor Market Flexibility: Policies aim to strike a balance between providing job security for employees and allowing flexibility for employers to adapt to changing market conditions, fostering a dynamic labor market.

Occupational Health and Safety: Measures are in place to enforce occupational health and safety standards, ensuring a safe and healthy work environment for all employees.

Employment of Persons with Disabilities: Policies promote the inclusion of persons with disabilities in the workforce, providing support, reasonable accommodations, and equal employment opportunities.

Social Dialogue and Industrial Relations: Employment policies encourage social dialogue between employers, employees, and government representatives to address labor issues, promote peaceful industrial relations, and ensure collective bargaining processes.

Migration and Employment: Policies address the employment of migrant workers, providing guidelines and regulations to safeguard their rights and contribute to their integration into the labor market.

Employment of Foreign Workers: Specific regulations govern the employment of foreign workers, outlining procedures for work permits, residency, and legal requirements.



HOW WE CAN HELP ?

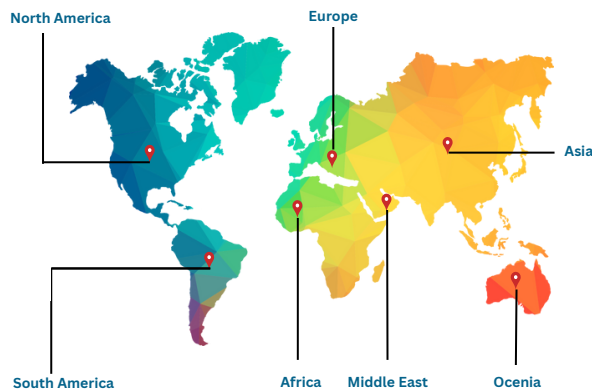
1. Market Research: We can provide extensive research on the various business markets of Algeria. We also identify legal barriers to market entry, such as tariffs, import/export restrictions, or foreign investment regulations.

2. Business Advice and Consultancy: We can provide the right consultancy service and advice on matters related to conducting business on Algeria. We advise on the most suitable legal structure for the business in Algeria, such as a joint venture, branch office, or local subsidiary.

3. Market analysis: We provide tailored market analysis of various types of businesses that can help in making informed decision. We analyze the legal framework governing specific industries in Algeria. Understand regulations related to licensing, permits, and certifications required to operate in various sectors.



SERVING CLIENTS WORLDWIDE



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