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Algeria

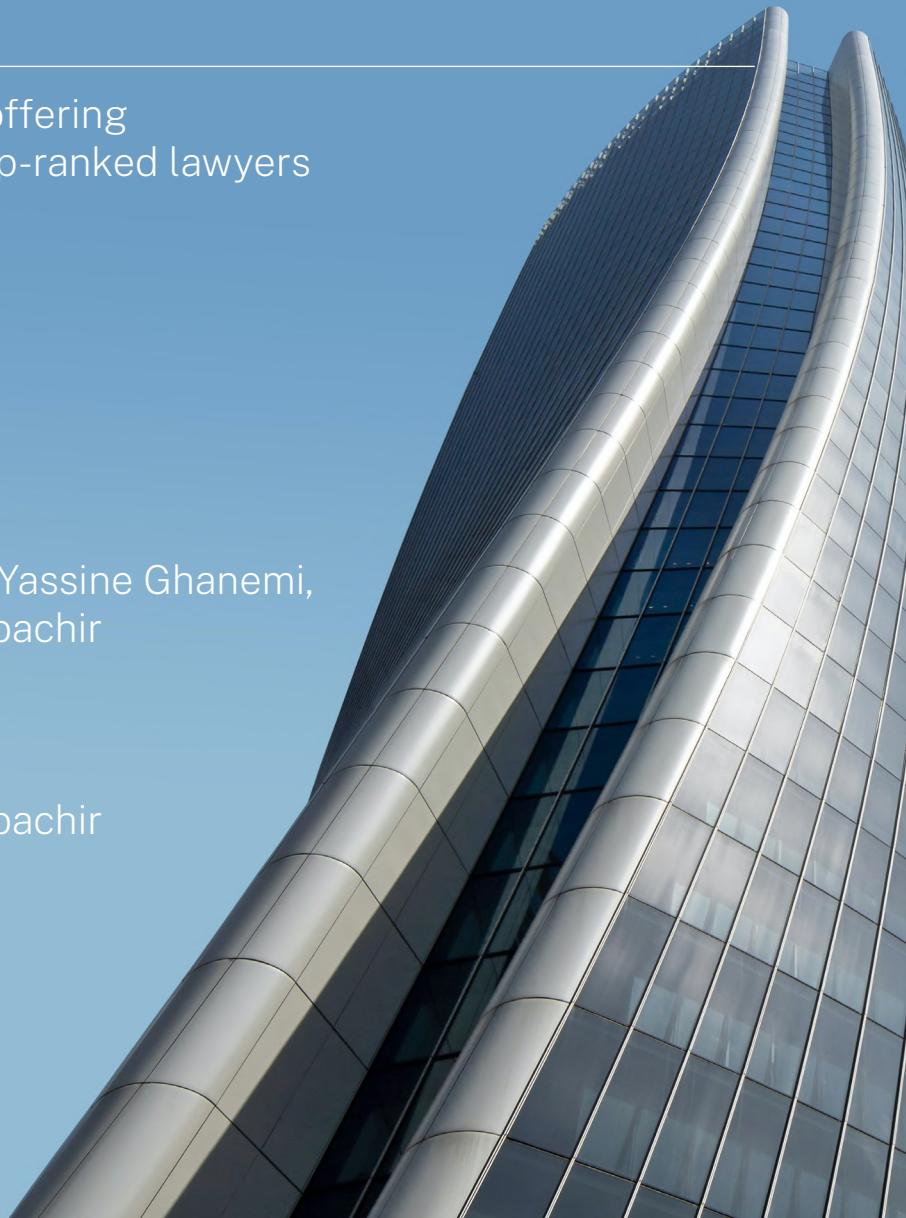
Law & Practice

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Trends & Developments

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ALGERIA



Law and Practice

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Fares Group is an international law firm with over 15 years of experience combined with deep expertise in Algerian law. The firm helps companies turn opportunities into sustainable value in Algeria, strengthening their commercial presence while mitigating regulatory risks. The team of ten lawyers, admitted in Algeria, Italy, and Libya, and fluent in Arabic, French, English,

and Italian, operates across sectors such as energy and renewables, ICT, and agribusiness. Fares Legal has extensive experience in drafting and negotiating PSCs, joint-venture agreements, EPC contracts, technology transfers, and SaaS licences, in full compliance with FCPA, OFAC, and BIT obligations.

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FARES LEGAL

1. Legal System and Regulatory Framework

1.1 Legal System

Legal System and Regulatory Framework in Algeria

Algeria has a civil law legal system, based on codified texts, in which written law is the main source of law. Case law plays an important role in the interpretation of texts. This system provides legal certainty and predictability, which are essential for businesses. Regulatory compliance is paramount.

Codification and Historical Influence

The modern legal framework is based on codes (civil, commercial, criminal) that organise contractual relations and commercial activities. This system reduces legal uncertainty and makes it easy for companies to comply with the rules. However, some branches, such as family law, are influenced by Islamic law, although this does not directly affect commercial transactions.

Hierarchy of Standards

The Algerian legal system follows a clear hierarchy: the Constitution at the top, followed by laws, ordinances, and regulations. Ratified international treaties have a higher value than the law. Companies must be attentive to the compatibility of their actions with this regulatory structure.

Judicial Organisation

Disputes are handled by different courts: the civil and commercial courts for contractual and corporate disputes, and the administrative courts for disputes involving the administration. Appeals are available to allow for a gradual review of decisions.

Regulatory Environment

Administrative and sectoral authorities play a crucial role in the application of regulations. Many activities require prior licences, approvals or authorisations, and regulators have the power to control and sanction. Companies must anticipate frequent changes in regulatory texts and adapt their strategies accordingly.

Practical Implications for Businesses

In this legal framework:

- contractual documentation must be rigorous and comply with mandatory rules;
- registration and authorisation requirements can influence the timing of projects;
- regulatory monitoring is essential to stay informed of legislative developments; and
- interactions with the administration require a structured and procedural approach.

A proactive legal strategy helps reduce exposure to compliance risks and secure business operations.

1.2 Regulatory Framework for FDI Regulatory Framework for Foreign Direct Investment (FDI) in Algeria

Algeria has reformed its investment framework to improve its attractiveness and support economic diversification. The Investment Law adopted in 2022 has increased the legal certainty, transparency and readability of the regime for foreign investors. This reform reflects a policy of controlled openness that reconciles investment facilitation and protection of the State's strategic interests.

General Principles

The general principle is based on freedom of investment, provided that local regulations are respected. In the majority of sectors, foreign investors can own up to 100% of the capital of an Algerian company, which marks a break with previous restrictions.

Investor Guarantees

The Algerian legal framework offers several guarantees to investors:

- investment ownership protection;
- equal treatment between domestic and foreign investors;
- stability of the regulatory framework; and
- right to profit shifting, in accordance with foreign exchange rules.

These guarantees are essential for structuring investments and managing legal risks.

Permitted Forms of Investment

Investors can opt for several forms of investment in Algeria:

- create a local entity to produce or provide services;
- participate in an existing business;
- modernise or expand operations; and
- take over assets or activities under certain conditions.

This flexibility allows investors to choose the entry strategy that best suits their business and industry goals.

Restricted Sectors

Some sectors remain strategic and subject to specific regulations, particularly those related to economic sovereignty, natural resources and national security. In addition, certain activities, such as importing for resale as is, are subject to specific rules.

Practical Considerations for Foreign Investors

To ensure compliance and maximise the chances of success, foreign investors are advised to:

- verify the regulatory qualification of the planned activity;
- identify the necessary licences and authorisations;
- anticipate administrative delays; and
- structure financial flows in accordance with exchange rate rules.

Rigorous legal preparation is crucial to secure the investment, reduce regulatory uncertainties and ensure the effective implementation of the project.

2. Recent Developments and Market Trends

2.1 Current Economic, Political and Business Climate

Economic, Political and Investment Climate in Algeria

Algeria operates in an economic environment that has historically depended on hydrocarbons, although significant efforts are being made to diversify the economy. Energy revenues continue to play a stabilising role

for public finances and foreign exchange reserves. At the same time, the authorities are pushing for the development of sectors such as manufacturing, agriculture, mining and the digital economy.

Short-Term Outlook

The short-term economic outlook is influenced by several factors:

- energy price volatility;
- public investment and infrastructure programmes;
- structural reforms to diversify the economy; and
- regulatory and tax developments.

Although Algeria remains affected by energy price dynamics, measures to encourage private and foreign investment are in place, especially in the non-oil sectors, which are benefiting from increasing incentives.

Recent Reforms in FDI Regulation

The adoption of the Investment Law in 2022 marks an important turning point, enhancing legal certainty and freedom of investment. This law authorises total or majority foreign ownership in the majority of sectors, subject to exceptions for strategic sectors.

Measures to simplify administrative procedures and digitalisation have also been put in place to improve transparency and regulatory predictability, thereby reducing barriers to investment.

Regulatory Environment and Litigation Environment

The regulatory framework remains under increased vigilance, with regular checks on:

- compliance with exchange rules;
- tax and customs' compliance; and
- sector-specific regulations and transparency of investment structures.

These requirements reinforce the importance of robust legal structuring and compliance governance for foreign investors.

Trends and Expected Changes

Reforms should continue to focus on:

- administrative simplification;
- strengthening sectoral incentives;
- the development of non-hydrocarbon investments; and
- increased digitalisation of administrative procedures.

Although the environment remains influenced by energy volatility, regulatory adjustments suggest a gradual consolidation of the investment framework.

3. Mergers and Acquisitions

3.1 Transaction Structures

Transaction Structures in Algeria

In Algeria, M&A transactions are mainly structured in the form of share deals or legal mergers.

In practice, the sale of securities is the dominant structure. It allows for a rapid transfer of control without affecting the legal personality of the target company, which facilitates the continuity of contracts, administrative authorisations and operating licences. Its contractual flexibility also makes it possible to set up guarantees, price-adjustment mechanisms and conditions precedent adapted to the transaction.

Mergers are generally used in the context of restructuring or strategic integration. It leads to a universal transmission of wealth and the disappearance of the absorbed company. This structure is more procedurally cumbersome and requires close co-ordination of the corporate bodies as well as a reinforced formalism.

Transactions Involving Private Companies

For private companies, the sale of shares or shares remains the preferred structure. It offers great flexibility in negotiation and makes it possible to organise post-acquisition governance by means of a shareholders' agreement.

The merger can take place in a second phase, in particular in a logic of complete integration within a group.

Transactions Involving Public Companies

Operations involving public enterprises or entities operating in strategic sectors are part of a more structured institutional framework. They are often the result of industrial policy guidelines or sectoral restructuring.

While the sale of shares remains legally possible, mergers and acquisitions are frequently used to consolidate entities within public groups. In addition, these transactions may be subject to prior merger control by the *Conseil de la Concurrence* when the legal thresholds are reached, as well as to specific authorisations in strategic sectors.

In practice, the difference between public and private companies lies less in the legal structure used than in the level of regulatory and institutional framework applicable.

Acquisitions of Control and Minority Investments

Acquisitions of control are generally carried out by majority sale of shares or by capital increase resulting in a dilution of existing shareholders. These structures make it possible to obtain effective decision-making power.

Minority investments are more frequently based on reserved capital increases or the subscription of new shares. The protection of the minority investor is ensured by veto rights, joint exit clauses and anti-dilution mechanisms.

Key Elements for a Foreign Investor

For a foreign investor, the choice of structure depends mainly on:

- possible sectoral restrictions;
- administrative approval requirements and continuity of licences;
- constraints related to exchange controls and dividend repatriation; and
- the level of control sought and the post-acquisition governance.

In practice, the sale of shares remains the most frequently used structure, with mergers reserved for strategic restructuring or sector consolidation operations.

3.2 Regulation of Domestic M&A Transactions

Regulation of Domestic M&A Transactions

In Algeria, mergers, acquisitions or takeovers may be subject to prior merger control if they are likely to affect the structure of the market. If the transaction creates or strengthens a dominant position, it must be notified to the *Conseil de la Concurrence*. The latter may authorise, authorise under conditions or prohibit the transaction. This control is the main regulatory mechanism applicable to domestic M&A.

Sectoral Authorisations in the Event of a Change of Control

In some regulated sectors, a change of control entails a requirement for prior approval by the competent authority. These sectors include:

- banking and financial institutions;
- insurance;
- telecommunications;
- hydrocarbons and energy; and
- certain pharmaceutical activities.

The approval relates to the financial capacity, regulatory compliance and compatibility of the new shareholding with industry requirements.

AAPI Interventions

The AAPI does not directly control M&A transactions, but intervenes when a company benefiting from an incentive scheme undergoes a change in ownership. In this case, the project registration may need to be updated, and eligibility for tax incentives must be verified.

In-kind Contribution Requirements

In capital increase operations, contributions in kind must be valued by an independent expert, in accordance with company law. This assessment is a condition for the validity of the transaction, but does not require discretionary authorisation.

Foreign Exchange Regulations and Financing

Transactions involving cross-border flows must comply with foreign exchange rules. Foreign currency investments must pass through a bank domiciled in Algeria and be declared in accordance with the rules of the Bank of Algeria and approved banks. This for-

mality is crucial to secure the transfer of dividends or proceeds from the sale.

Practical Summary

In summary, a domestic M&A transaction may require:

- merger control;
- sectoral approval in the event of a change of control;
- verification of incentive schemes;
- input evaluation requirements; and
- compliance with exchange regulations.

Regulatory mapping depends on the nature of the target's sector, the structure chosen and the tax advantages or foreign exchange flows.

4. Corporate Governance and Disclosure/Reporting

4.1 Corporate Governance Framework

Corporate Governance Framework in Algeria

Corporate governance in Algeria is based on the Commercial Code, which governs the creation, operation, and control of commercial companies. This legal framework defines the corporate bodies (general meetings, management, board of directors), the distribution of powers between partners and managers, as well as the civil and criminal liability of directors. Governance is mainly derived from legal and regulatory provisions, supplemented by the articles of association of companies and agreements between shareholders.

Courant Corporate Vehicles

The main legal structures used are as follows.

- Limited Liability Company (SARL): Preferred for SMEs, it allows simplified management with concentrated control.
- Joint Stock Company (SPA): More formal, it is suitable for large-scale projects, structured companies or economic public companies, offering an organisation with a board of directors or a management board.

Organisation of Powers and Control

The Algerian legal system provides for a clear separation between:

- the meeting of partners or shareholders, sovereign bodies; and
- the management bodies, responsible for operational management.

In SPAs, a board of directors defines the strategic orientations and monitors their implementation. An auditor is appointed to guarantee financial transparency in these structures, and sometimes in SARLs.

Practical Realities for Public and Private Companies

- Public companies: SPAs in the public sector have the State as the majority shareholder. Governance is often influenced by administrative supervision.
- Private sector: Concentration of ownership is common, especially in family businesses. Management is often more informal, but can raise issues of succession and internal control.

Disclosure and Reporting Obligations

Companies must prepare annual financial statements, which must be approved by the general meeting and filed with the commercial register. Listed companies, as well as those subject to specific regulations, must meet increased requirements for certification and publication of financial statements.

Implications for Foreign Investors

The choice of legal structure has a direct impact on governance.

- SARL: Flexible structure, ideal for medium-sized projects.
- SPA: Offers a more formal architecture, suitable for large-scale projects and facilitates governance with clear institutional bodies, which is appreciated by financial or institutional investors.

For foreign investors, it is essential to define clearly:

- the structuring of powers in the articles of association;
- control and audit mechanisms;

- the liability of directors; and
- the terms and conditions for the exit and transfer of the securities.

4.2 Relationship Between Companies and Minority Investors

Relationship Between the Company and Minority Investors

In Algeria, the relationship between a company and its minority investors is governed by the Commercial Code, which sets out the rights and obligations of partners and shareholders. This legal framework guarantees minority investors essential rights, including the right to information, to participate in meetings and to a voting right proportional to their participation. These rights ensure a balance with the majority shareholders.

Rights of Information and Control

The right to information is fundamental to protecting minority investors. The corporate documents (annual accounts, management reports, auditors' reports) must be provided to them before the general meetings. This right allows investors to:

- evaluate the company's performance;
- control management; and
- anticipate strategic decisions.

Private equity investors often benefit from additional contractual clauses, such as periodic financial reports and performance indicators.

Participation in Strategic Decisions

Important decisions, such as amendments to the articles of association or mergers, are the responsibility of the extraordinary general meeting. While a minority investor cannot impose decisions, it can influence the process through supermajority, veto rights or concerted actions with other minority shareholders. In private equity, additional rights can be negotiated, such as a seat on the board of directors or control over certain major transactions.

Protection Against Abuse

Algerian law recognises the notion of abuse of majority, allowing minority investors to challenge decisions

taken solely to serve the interests of the majority. Available remedies include:

- the action for nullity of decisions;
- the liability of managers in the event of mismanagement; and
- forensic expertise.

In practice, these remedies are often cumbersome, and private equity investors prefer to secure their rights through prior contractual protections.

Contractual Tools Strengthening the Position of Minority Shareholders

In addition to legal rights, private equity investors rely on contractual instruments to strengthen their position. These mechanisms include:

- shareholders' agreements;
- joint exit clauses;
- anti-dilution clauses; and
- licensing and governance fees.

These instruments make it possible to adapt the relationship to the investor's economic objectives and to secure their exit strategy.

Profit Distribution and Exit Strategy

The right to dividends depends on the decisions of the general meeting. The minority shareholder may not impose a distribution except in the case of manifest abuse. For private equity investors, the primary objective is usually the valuation of the stake for future disposal, not immediate dividends. Exit strategies include industrial disposal, buyout by the founders, or opening up the capital.

Practical Summary

In Algeria, minority investors benefit from a protective legal framework, but the real security lies in the combination of legal rights, contractual negotiations and corporate governance.

4.3 Disclosure and Reporting Obligations

Disclosure Requirements for FDI in Algeria

General principle

The foreign direct investment (FDI) system in Algeria relies mainly on administrative and financial formal-

ties, rather than continuous reporting based on participation thresholds. Disclosure requirements relate mainly to investment registration, changes in the capital structure, and divestitures to foreign investors.

These obligations are governed by several pieces of legislation, including Law No 22-18 on investment, the Algerian Commercial Code, and Law No 23-09 on money and credit.

Obligations when carrying out an FDI

All investments must be registered with the Algerian Investment Promotion Agency (AAPI). This registration is essential to benefit from legal guarantees, such as investment protection and the right to transfer profits. The registration must include the identification of the investor, the nature of the investment, the amount of contributions and the legal structure of the project.

When the investment is made in foreign currency, the funds must transit through a bank in Algeria and be registered according to the rules of the Bank of Algeria. This registration is essential to ensure the future transfer of dividends or proceeds from disposals.

Obligations during detention

There is no reporting threshold for holding shares in unlisted companies. However, certain obligations must be met:

- the capital structure must be kept up to date in the corporate registers;
- any changes to the articles of association must be registered and published; and
- some regulated activities require prior approval in the event of a change in ownership.

Companies must also prepare annual financial statements in accordance with the obligations of the Commercial Code.

Divestment in strategic sectors

For companies under Algerian law operating in a sector qualified as strategic within the meaning of Law No 20-07 of 4 June 2020 and Executive Decree No 21-145 of 17 April 2021, any transfer, total or partial, of shares or shares to a foreign natural or legal person,

or an Algerian company majority controlled by foreigners, is subject to prior authorisation.

This requirement, specified by Executive Decree No 25-304 of 16 November 2025, requires the company concerned to submit an application to the competent ministry by sector/field of activities. The procedure includes a mandatory interministerial investigation and must lead to a reasoned decision within a maximum period of 60 days from the issuance of the deposit receipt.

Transfer of proceeds of disposal

The transfer of the proceeds of the sale abroad remains subject to foreign exchange regulations. The foreign investor must justify the initial registration of their foreign currency contributions and comply with the requirements of the Bank of Algeria in terms of repatriation and capital transfer.

Summary

In terms of foreign direct investment (FDI), the main obligations revolve around:

- the initial registration of the investment with the competent authorities;
- reporting and updating changes affecting the capital structure; and
- obtaining prior authorisation when the transaction concerns a strategic sector.

The system is thus based on a mechanism for the targeted control of transactions likely to affect fundamental economic interests or cross-border financial flows, without establishing a general periodic reporting regime for foreign investors.

5. Capital Markets

5.1 Capital Markets Overview

Overview of Financial Markets in Algeria

General structure of the financial system

The Algerian financial system is mainly dominated by banking intermediation. Although capital markets exist, their role in corporate financing remains limited. The Bank of Algeria supervises the financial system, under Law No 23-09 on Currency and Credit, which

organises the operation of the banking and financial system.

The stock market

The stock market is managed by the *Société de Gestion de la Bourse des Valeurs* (SGBV), and the Algiers Stock Exchange remains modest in size, with a limited number of listed companies and a relatively low trading volume. The Fellowship includes:

- a main market for equities;
- a bond compartment; and
- a debt market.

The regulator of this market is the Commission for the Organisation and Supervision of Stock Exchange Operations (COSOB), which ensures transparency and investor protection. Despite efforts to boost the market, access to the equity market remains limited, largely due to the concentration of ownership in family-owned and state-owned companies.

Bank financing

Bank credit is the main source of financing for companies in Algeria. The banking sector is dominated by public institutions, supplemented by private banks and subsidiaries of foreign groups. Companies mainly use:

- investment credits;
- liquidity facilities; and
- documentary credits for import-export transactions.

Bank financing is preferred for industrial projects, infrastructure and productive investments. However, access to credit is conditioned by the financial strength of the borrower and the guarantees offered.

Bond market and public debt

The bond market is mainly oriented towards sovereign issues. Large companies can issue bonds under the control of the COSOB, but these issues remain marginal compared to bank financing.

Alternative Financing and Private Equity

Private equity is starting to develop, especially to support innovative SMEs and start-ups. Although this

ecosystem is still in the structuring phase, crowdfunding mechanisms and Islamic instruments are gaining popularity, thanks to recent regulatory developments.

Practical summary

The main sources of financing for companies in Algeria are:

- bank credit, which remains predominant;
- public and semi-public funding for certain strategic sectors;
- the stock and bond markets, in a more limited way; and
- emerging private equity mechanisms.

For a foreign investor, the financing of a project is generally done through a combination of equity and local or international bank credit, while respecting foreign exchange regulations. The gradual development of capital markets could provide more medium-term financing opportunities.

5.2 Securities Regulation

Securities Regulation in Algeria

General legal framework

The regulation of financial markets in Algeria is based on a codified framework that organises the issuance, trading and information of securities. The main text governing this area is Ordinance No 96-10 on the securities market, supplemented by the regulations and instructions of the Commission for the Organisation and Supervision of Stock Exchange Operations (COSOB).

The COSOB is the independent administrative authority in charge of:

- the approval of market participants;
- the approval of the issue prospectuses;
- supervision of listed companies; and
- the protection of savings invested in securities.

The organised market is managed by the *Société de Gestion de la Bourse des Valeurs* (SGBV), which administers the Algiers Stock Exchange.

Key requirements for listed companies

Listed companies are subject to strict transparency and governance obligations, including:

- the preparation and publication of certified financial statements;
- immediate information to the market in the event of an event likely to affect the share price;
- the communication of changes affecting the capital structure; and
- compliance with the rules relating to takeover bids in the event of crossing thresholds or taking control.

Any issue of securities intended for the public requires a prospectus approved by the COSOB.

Takeover bids and changes of control

When an investor takes control of a listed company, they may be obliged to launch a public offer, according to the thresholds defined by the regulations. The aim is to ensure equal treatment of shareholders and to ensure transparency of transactions.

Squeeze-out or delisting procedures are also strictly regulated.

Interaction with FDI

A foreign investor wishing to acquire a stake in an unlisted Algerian company is not subject to the rules of the financial markets, unless the operation involves a public offering of securities. However, in the case of a company listed on the Algiers Stock Exchange, the investor must respect:

- the reporting obligations in the event of crossing thresholds;
- the rules relating to public offers; and
- information requirements in the event of significant ownership.

In addition to stock market regulations, financial flows associated with investment must comply with the Bank of Algeria's foreign exchange rules.

Practical summary

Securities' regulation in Algeria is well-structured, but mainly applies to listed companies or public issues of securities. For a foreign investor:

- no specific obligation arises solely from the status of foreign investor;
- the bonds arise mainly from the status of the target company (listed or not); and
- any public transaction or takeover of a listed company triggers transparency requirements and, where appropriate, a public offer.

In practice, securities' regulation is relevant mainly for transactions involving listed companies or public issues, while the majority of FDI in unlisted companies is more relevant to corporate law and foreign exchange regulation.

5.3 Investment Funds

Investment Funds in Algeria

Existence of a regulatory review

Foreign direct investments made in Algeria by investment funds may be subject to regulatory review, depending on the nature of the operation and the sector concerned. In principle, foreign investment funds are not subject to specific authorisation because of their status as funds. However, the investment operation itself can trigger several reviews:

- sector control in regulated or strategic sectors;
- a notification or authorisation in competition matters; and
- reporting obligations to the authorities in charge of investment and exchange control.

The examination therefore focuses more on the target activity and the economic impacts of the operation rather than on the form of the investment vehicle.

Cases in which control is likely to be strengthened

Further consideration may be required if the investment is in:

- sensitive sectors such as energy, infrastructure, telecommunications, defence, or natural resources;
- strategic assets or companies with public participation; or

- a takeover with a significant impact on the competition.

In such cases, the authorities can analyse the identity of the beneficial owners of the fund, the origin of the capital, and the economic and security implications.

Possible exemptions and flexibilities

There is no general exemption for investment funds as an investor category. However, some transactions may not require prior approval when:

- there is no change of control;
- the investment is in unregulated sectors; and
- the notification thresholds for economic concentration shall not be exceeded.

Purely financial investments, which do not have a significant influence on the management of the target company, are generally subject to more limited control.

Evaluation criteria

When a review is required, the authorities consider several criteria:

- the nature and sensitivity of the target activity;
- the level of ownership acquired and the existence of direct or indirect control;
- the post-transaction governance structure;
- the impact on the competition;
- transparency of the fund's structure and identification of beneficial owners; and
- compliance with foreign exchange rules and financial requirements.

Practical points of attention for foreign funds

For a foreign investment fund, it is recommended to:

- anticipate the regulatory analysis from the structuring phase;
- clearly document the chain of custody and beneficial owners;
- assess the competitive and sectoral impact upstream; and
- integrate authorisation deadlines into the transactional calendar.

In practice, adequate structuring and transparency are key levers to secure and accelerate an investment in Algeria.

6. Antitrust/Competition

6.1 Applicable Regulator and Process

Overview

Competent Authority and General Framework

Algeria has a formal merger control regime provided for by Ordinance No 03-03 of 19 July 2003 on competition, as amended. The competent authority is the *Conseil de la Concurrence*, an independent administrative authority responsible for the control of mergers and the repression of anticompetitive practices.

The regime applies without distinction between domestic and foreign investors. Foreign direct investment is therefore analysed according to the same criteria as a purely domestic operation when it leads to a structural change in the market.

Affected operations

The following are considered to be concentrations:

- mergers between previously independent companies;
- acquisitions of control, direct or indirect; and
- the creation of a joint venture carrying out an autonomous economic activity on a sustainable basis.

Purely financial minority shareholdings, which do not confer control or decisive influence, are generally not subject to notification.

Notification threshold

The Algerian system is mainly based on a market share criterion. Notification is required where the transaction is likely to increase the parties' combined market share to 40 % or more on a relevant market in Algeria.

Unlike other jurisdictions, there is no turnover-based threshold. The economic analysis of the relevant market therefore plays a central role in the prior assessment of notification risk.

Procedure and suspensive nature

The control is suspensive: the operation cannot be carried out before obtaining the authorisation. The procedure generally includes:

- the submission of a file describing the operation and the contracts concerned;
- a preliminary review to identify possible competition concerns;
- a thorough examination if necessary; and
- a decision to authorise, authorise subject to conditions or prohibit it.

The deadlines are not strictly calibrated as in some European jurisdictions. In practice, the duration depends on the complexity of the operation and the quality of the information provided.

Lack of specific exemptions for FDI

There is no exemption related to the nationality of the investor, their public or private status, or the status of an investment fund. The decisive criterion remains the structural impact of the transaction on competition.

Foreign investors operating in regulated sectors may, however, be subject to separate sectoral authorisations in parallel.

Review without mandatory notification

Even when a transaction does not cross the 40% threshold or does not confer control, it remains subject to the general rules of competition law. The Council may intervene a posteriori if the transaction leads to:

- anti-competitive co-ordination;
- abuse of dominant position; or
- a substantial restriction of competition.

The analysis is based on the definition of the relevant market, market shares, barriers to entry, and the potential effect on prices or market access.

Practical approach

In practice, merger control in Algeria remains focused on transactions with a significant impact on the structure of the national market. For foreign investors, an early competitive analysis is recommended in order to anticipate:

- the possible obligation of notification;
- the suspensive nature of the proceedings; and
- the articulation with sectoral authorisations or exchange rate rules.

The Algerian regime favours a logic of protection of the structure of the market rather than a purely formal control based on financial thresholds.

6.2 Criteria for Antitrust/Competition Review

Criteria for Antitrust/Competition Examination in Algeria

Merger control framework

Algeria has a formal merger control regime, regulated by Ordinance No 03-03 on competition. The purpose of this system is to prevent transactions that may harm competition in the market, in particular in mergers, acquisitions and takeovers that result in a lasting change in control or influence over a company.

Scope of the competitive assessment

The examination carried out by the Competition Council goes beyond a simple formal verification. It includes an in-depth economic analysis to assess the actual or potential effects of a transaction on the relevant market. The main objective is to identify whether the transaction could:

- substantially restrict competition;
- create or strengthen a dominant position; and/or
- alter the normal functioning of the market.

Main analysis criteria

The Competition Council's evaluation criteria include:

- the definition of the relevant market, both in terms of products and geographical area;
- the structure and level of market concentration;
- the market shares of the companies concerned;
- post-transaction market power;
- barriers to entry and competitive pressure; and
- the economic efficiency gains invoked by the parties.

The assessment focuses on the overall economic effects of the transaction rather than the intention of the parties.

Related anti-competitive practices

Apart from merger control, the regulations prohibit certain anticompetitive practices such as:

- restrictive agreements;
- abuse of dominant position; and
- certain contractual clauses that distort competition.(eg, exclusivity or co-operation agreements that are too restrictive).

Investors should structure their trade agreements carefully in order to avoid sanctions.

Practical implications for investors

For an M&A transaction, it is crucial to incorporate early competitive analysis. In practice, the following steps are essential:

- verify the existence of a notification obligation;
- evaluate the market effects of the transaction; and
- secure the drafting of settlement agreements to anticipate possible corrective commitments.

Summary

The Algerian legal framework combines merger control and anti-competitive practices' monitoring. The analysis focuses on the economic effects of the transaction, not the intention of the parties.

Rigorous legal and economic preparation is essential to reduce regulatory risks and secure the operation.

6.3 Remedies and Commitments

General Framework

When the control of a merger reveals competition concerns, the *Conseil de la Concurrence* may make its authorisation subject to commitments intended to prevent or correct the effects identified. Such commitments must be proportionate to the competitive risks and appropriate to the structure of the market concerned.

The approach is based on a case-by-case analysis, taking into account the nature of the transaction and the sector of activity.

Types of measures that may be considered

Actions may include:

- the total or partial sale of assets or activities;
- the reduction of shareholdings likely to strengthen a dominant position;
- obligations to access certain infrastructures or networks;
- commitments of non-discrimination in commercial conditions; and
- the limitation of certain restrictive contractual clauses.

In practice, commitments may combine structural and behavioural elements where this is deemed necessary to preserve effective competition.

Procedure and binding nature

Commitments may be proposed by the parties during the investigation or discussed with the authority. Once incorporated into the authorisation decision, they become legally binding.

Failure to comply may result in financial penalties and, where appropriate, a revocation of the authorisation.

Practical approach

The use of commitments remains pragmatically appreciated. The *Conseil de la Concurrence* retains a wide margin of appreciation in the evaluation of their adequacy and effectiveness.

For investors, early preparation, including the identification of realistic remedies, can facilitate obtaining conditional approval and limit the risk of prohibition.

6.4 Antitrust/Competition Enforcement

Power to Block or Challenge

In Algeria, the Competition Council has the power to authorise, condition or prohibit a merger. When an operation is subject to notification, it cannot be carried out before authorisation has been obtained. The regime is therefore suspensive.

After implementation, the authority may intervene in the event of non-notification, non-compliance with commitments or anticompetitive practices resulting from the transaction.

Decision-Making Process

Transactions that are likely to increase the parties' combined market share to 40 % or more in a relevant market must be notified. The file must present the transaction, the parties involved and an analysis of the affected markets.

At the end of the investigation, the Council may:

- authorise the operation;
- authorise it under certain conditions; and
- ban it.

The Council is the decision-making authority. Its decisions may be appealed to the competent administrative court.

Consequences of carrying out without authorisation

The completion of a notifiable transaction without prior authorisation exposes the parties to financial penalties. The Authority may also order remedies, including structural measures, to restore the conditions of competition.

Depending on the circumstances, it may require the modification or reversibility of the operation.

Practical approach

A prior competitive analysis is essential before any merger. It makes it possible to identify the obligation to notify and to anticipate any concerns.

Contractual structuring generally includes a condition precedent related to obtaining the authorisation, in order to secure the transaction legally.

7. Foreign Investment/National Security

7.1 Applicable Regulator and Process Overview

Lack of a Cross-Cutting Screening Mechanism

Algeria does not have an autonomous and centralised foreign investment screening regime based exclusively on national security considerations. There is

no mechanism equivalent to the screening systems adopted in some Western jurisdictions.

FDI control, however, is exercised through a set of sectoral and regulatory mechanisms that can have a comparable effect in sensitive sectors.

Applicable Regulatory Framework

Foreign investments are mainly governed by Law No 22-18 on investment, as well as:

- sectoral regulations (hydrocarbons, mining, telecommunications, banking and finance);
- competition law;
- foreign exchange regulations; and
- the rules applicable to strategic activities.

In certain sectors considered sensitive, prior authorisations or specific limitations may apply.

Competent Authorities

The Algerian Investment Promotion Agency (AAPI) is the administrative entry point for investment projects. It ensures the registration of projects and the management of incentive schemes.

The National Investment Council intervenes for large-scale or strategic projects, particularly when specific benefits are requested.

The relevant sectoral authorities (ministries and regulators) issue the required approvals and authorisations in the regulated sectors.

Investments Subject to Enhanced Review

Although there is no single screening procedure, some investments may be subject to in-depth scrutiny when they concern:

- strategic sectors related to natural resources or critical infrastructure;
- activities subject to prior approval; and
- projects with a significant impact on the national economy.

Registration with the AAPI is required to qualify for the incentives provided by law. An investment can be

made without seeking benefits, but remains subject to other applicable regulations.

Process and Timeline

The process typically follows these steps:

- submission of the project via the AAPI platform;
- administrative instruction and issuance of a registration certificate;
- obtaining sectoral authorisations, if necessary; and
- decision on the benefits claimed.

Timelines vary depending on the nature of the project and the number of authorisations required. There is no uniform timetable applicable to all sectors.

Remedies

Administrative decisions related to the investment may be subject to:

- administrative appeals; and
- judicial appeals before the competent administrative courts.

Practical Approach

In practice, the absence of a formal screening mechanism does not mean the absence of control. Projects in sensitive sectors may be subject to substantial review at sectoral or governmental level.

A prior regulatory analysis is recommended to identify:

- the required approvals;
- any restrictions; and
- foreign exchange and competition risks.

7.2 Criteria for National Security Review Lack of a Standalone National Security-Based Foreign Investment Screening Mechanism

To date, Algeria does not have a formal and transversal foreign investment (FDI) screening regime based specifically on national security, comparable to regimes such as the Committee on Foreign Investment in the United States (CFIUS) in the United States or the European Union. The control of foreign investments is mainly carried out through:

- Law No 22-18 on investment;

- sectoral regulations, particularly for sensitive sectors (hydrocarbons, defence, telecommunications, banking, etc); and
- the rules relating to competition, foreign exchange and economic public order.

Nature of the Criteria Applied

Neither the Algerian Investment Promotion Agency (AAPI) nor the National Investment Council (CNI) carry out an explicit review of “national security” in the strict sense. Their intervention focuses on:

- the administrative compliance of the investment project;
- eligibility and granting of benefits/incentives; and
- monitoring of the commitments made by the investor.

Sovereignty or security concerns are more a matter for sectoral authorities (for the granting of authorisations/licences in regulated sectors) and, where appropriate, specific provisions for strategic activities.

Specificities According to the Structure of the Investment

While there is no formal national security screen, there are some situations that may require increased attention.

- Partnerships and joint ventures: Verification of compliance with sectoral regulations and compliance with market access conditions.
- Investments by foreign states or public entities: Further analysis can be carried out based on sectoral rules and capital transparency, to ensure that the investment does not contravene national economic interests.
- Non-controlling minority investments: These are generally assessed based on effective control, rights conferred and applicable industry obligations.

Foreign Ownership Rules

The so-called “51/49” rule, which imposed a limit on foreign ownership, is no longer transversal to all sectors. It remains mainly in certain strategic sectors specified by the legislation. Compliance with this rule is monitored by:

- the competent registration and regulatory authorities; and
- sectoral authorities, rather than a central ministry such as the Ministry of Trade.

Practical Observation

While there is no formal national security screening for foreign investment, foreign investors should always anticipate:

- sectoral restrictions;
- accreditation requirements; and
- risks related to competition and foreign exchange rules.

Prior regulatory review, especially for sensitive sectors, is strongly recommended to ensure the investment complies with local standards.

7.3 Remedies and Commitments

Lack of a Standalone National Security-Based Screening Mechanism

In the absence of an autonomous foreign investment screening regime based exclusively on national security, Algeria does not provide for “national security remedies” comparable to those observed in some jurisdictions, such as the United States or the European Union. However, the Algerian authorities may impose certain commitments on foreign investors in the context of the investment review, based mainly on the following principles:

Regulatory Compliance Commitments

Compliance commitments may include:

- compliance with reporting obligations to the Algerian Investment Promotion Agency (AAPI); and
- implementation of the project in accordance with the approved documents, including the nature of the activity, the location, and the timing of the investments.

Conditions Related to Benefits and Incentives

Conditions related to incentives may require:

- maintaining investments and jobs for the required period;

- compliance with the deadlines and the thresholds for completion set; or
- restitution of benefits if these commitments are not respected.

Specific Sector-specific Requirements

Commitments may also include:

- obtaining and maintaining approvals/licences for certain activities;
- restrictions on ownership or control in certain strategic sectors; and/or
- operational obligations regarding the location, capacity, or formation of technical partnerships.

Corrective Actions for Non-compliance

Possible sanctions for non-compliance include:

- suspension or withdrawal of benefits;
- compliance injunctions; and/or
- administrative or financial penalties provided for by law.

Clarification of the “51/49” Rule

The “51/49” rule on national majority shareholding is no longer of general application. It remains applicable mainly in certain strategic sectors defined by the legislation in force. If this rule is applicable, it may be a prerequisite for registration, sectoral approval or the granting of advantages.

Practical Observation

In practice, the Algerian authorities do not negotiate “national security remedies” in the strict sense, but can make the granting of authorisations, approvals or incentives conditional on compliance with specific commitments. Adequate legal and regulatory structuring of the project makes it possible to limit the risks of:

- denial of benefits;
- administrative delays; and
- subsequent corrective actions.

7.4 National Security Review Enforcement

Ability to Block or Challenge FDI

Algeria does not have an autonomous and transversal foreign investment screening regime based exclusively on national security. The control of foreign invest-

ments is mainly based on sectoral regulations (strategic or regulated activities), prior approval/licensing requirements, and the general framework of Law No 22-18 on investment.

Before the investment is made: The competent authorities may refuse approval, authorisation or registration when legal conditions are not met (eg, sectoral restrictions, limitations on foreign ownership).

After the investment has been made, the authorities may withdraw a licence or impose penalties for non-compliance (carrying out a regulated activity without authorisation, violating legal obligations).

This is not a “national security veto” in the strict sense, but a regulatory compliance check that can have substantial consequences for investors.

Foreign Ownership Rules

The “51/49” rule is no longer general and applies only in certain specific strategic sectors defined by the legislation. This rule may be a prerequisite to:

- registration;
- sectoral accreditation; and
- the granting of advantages.

Compliance with this rule is verified by the registration authorities and the relevant sectoral regulators.

Decision-Making Process

The ultimate decision-maker depends on the nature of the control.

- Sectoral approvals/licences: regulatory authority or supervisory ministry.
- Benefits/incentives: AAPI/CNI.
- Competition: Competition Council.

Remedies

Unfavourable administrative decisions may be subject to:

- administrative appeals when provided for by the texts; and
- judicial recourse before the competent administrative courts.

Contrary to what might be suggested in some cases, arbitration is not an automatic mechanism for appealing an administrative decision. It is only possible when:

- an applicable investment treaty provides for this; or
- a valid arbitration clause/arbitration agreement is included in the contract.

Treatment of International Arbitrations

Algeria is a signatory to many bilateral investment treaties (BITs), which include guarantees such as:

- protection against unlawful expropriation;
- fair and equitable treatment;
- the free transfer of income under certain conditions; and
- access to investor-state arbitration.

Arbitration forums are defined in each treaty, including institutions such as:

- the International Centre for Settlement of Investment Disputes (ICSID); and
- *Commission des Nations Unies pour le Droit du Commerce International* (CNUDCI) arbitration.

Enforcement of Foreign Arbitral Awards

Algeria is a State party to the New York Convention. Foreign arbitral awards may be recognised and enforced, subject to:

- judicial review;
- compliance with the conditions set out in Law No 08-09 (Code of Civil and Administrative Procedure); and
- compliance with international public policy.

Practical Observation

In practice, although there is no formal national security screening regime, an Investment Development Unit (IDE) can be blocked or challenged via:

- refusal or withdrawal of approval;
- non-compliance with sectoral restrictions; or
- violations of competition or foreign exchange rules.

Thus, prior regulatory and institutional due diligence is essential to ensure compliance with Algerian requirements and reduce investment risks.

8. Other Review/Approvals

8.1 Other Regimes

In addition to foreign investment screening and corporate law requirements, foreign investors effecting FDI in Algeria may be subject to several complementary regulatory regimes, depending on the nature of the activity, the structure of the transaction and the sector concerned.

Anti-Bribery and Anti-Corruption Framework

Algeria's anti-corruption regime is primarily governed by Law No 06-01 on the Prevention and Fight against Corruption, adopted in implementation of the United Nations Convention against Corruption, ratified by Presidential Decree No 04-128.

This framework criminalises, inter alia:

- active and passive bribery;
- influence-peddling;
- embezzlement of public funds; and
- money-laundering.

Legal entities may incur criminal liability. Sanctions may include fines, exclusion from public procurement procedures and, in serious cases, dissolution.

Investigations are conducted notably by the Central Office for the Repression of Corruption.

For foreign investors, compliance risk is particularly relevant where operations involve public contracts, regulated industries or interactions with state-owned entities. In practice, multinational groups must also co-ordinate local compliance with applicable extra-territorial regimes, such as the US Foreign Corrupt Practices Act and the UK Bribery Act.

Foreign Exchange Regulation

Algeria maintains a regulated foreign exchange system administered by the *Banque d'Algérie* and implemented through authorised intermediary banks.

Foreign investors may repatriate:

- dividends proportional to their shareholding;
- directors' fees; and
- proceeds from the sale or liquidation of their investment.

Such transfers are permitted provided that:

- the initial foreign currency contribution was duly registered;
- the investment complies with tax and accounting obligations; and
- required banking documentation is submitted.

Dividend distributions must be approved by the ordinary general meeting within statutory deadlines. Advance dividends or profit deposits are not transferable.

Certain activities, particularly those involving importation for resale as such, may be subject to enhanced scrutiny or additional formalities, depending on the economic nature of the activity and banking instructions in force.

Although the regime does not impose a general prohibition on repatriation, foreign exchange compliance is a critical structuring consideration and may affect transaction timing and liquidity planning.

Strategic Sector Screening

Transfers of shares to foreign investors in designated strategic sectors are subject to a prior-authorisation regime.

This screening mechanism is grounded in Law No 20-07 and subsequent implementing regulations, which form part of the broader investment framework established under Law No 22-18 on Investment.

Prior approval is generally required where:

- the target is an Algerian company operating in a strategic sector;
- the acquirer is a foreign individual or legal entity, or an Algerian entity controlled by foreign interests; and

- the transaction results in a change in the capital structure, whether direct or indirect.

Strategic sectors typically include areas such as energy, mining and certain critical infrastructure activities.

The authorisation process involves review by the competent sectoral ministry, with interministerial consultation. The authorities may refuse approval where the transaction poses risks to public order, national security or fundamental economic interests.

In practice, transactions in strategic sectors require:

- a condition precedent relating to governmental approval;
- enhanced due diligence regarding ownership structure and beneficial ownership; and
- careful transaction planning to accommodate administrative review timelines.

Sector-Specific Licensing and Regulatory Oversight

In addition to strategic sector screening, certain industries are subject to specific licensing or supervisory regimes, including:

- banking and financial services;
- insurance;
- telecommunications;
- pharmaceuticals; and
- transport and civil aviation.

Foreign investors entering regulated sectors must obtain the relevant approvals from the competent supervisory authority prior to commencing operations or completing certain transactions.

These sectoral approvals may involve capital requirements, fit-and-proper assessments and technical compliance conditions.

Real Estate and Land Use

Foreign investors may acquire or lease real estate necessary for their business activities, subject to land use and urban planning regulations.

However, agricultural land and certain sensitive or border areas are subject to restrictions. Industrial land is often allocated through concession mechanisms rather than outright ownership.

Real estate structuring may therefore affect the legal design of industrial or infrastructure projects.

Competition Law

Mergers and acquisitions meeting applicable turnover thresholds may be subject to notification to the Algerian competition authority. Transactions that significantly affect market structure may require prior approval.

Merger control considerations should be assessed at an early stage in transaction planning.

Practical Considerations

For foreign investors effecting FDI in Algeria, the principal additional regulatory considerations include:

- compliance with anti-corruption legislation;
- registration and foreign exchange formalities to secure dividend repatriation;
- prior authorisation in strategic sectors;
- sector-specific licensing requirements; and
- competition law notification, where applicable.

While these regimes do not preclude foreign investment, they may materially influence transaction structuring, documentation and timing. Early regulatory mapping and compliance planning are therefore essential to mitigate implementation risk.

9. Tax

9.1 Taxation of Business Activities

The Algerian tax system imposes on companies carrying out commercial activities a set of direct and indirect levies, the burden and terms of which vary according to the legal form of the company, its tax regime and its local presence.

The main taxes applicable to companies are:

- income tax (IBS for legal entities, IRG for natural persons);
- value-added tax (VAT);
- certain sectoral or local taxes and parafiscal contributions;
- withholding taxes on income paid to non-residents.

The Algerian tax system is mainly based on a principle of territoriality, under which profits made in Algeria or that can be linked to a permanent establishment located on the national territory are taxable.

Single Lump Sum Tax (IFU) Regime

The Single Lump Sum Tax (IFU) regime applies to small businesses and self-employed workers whose annual turnover does not exceed eight million Algerian dinars.

The IFU combines several taxes into a single levy covering:

- income tax;
- VAT; and
- certain similar taxes.

This regime mainly concerns industrial, commercial and craft activities, with legal exclusions (in particular, certain real estate activities, import-resale activities in the same state or under specific regimes). The rates vary according to the nature of the activity, with a reduced rate for production and a higher rate for the provision of services. Eligible taxpayers may opt for the actual regime, subject to compliance with the regulatory conditions and deadlines.

The 2026 Finance Law confirmed the maintenance of the IFU reporting regime, abandoning the proposed contractual regime, thus strengthening the stability and legibility of the tax framework.

Actual Tax Regime

The real regime is the ordinary law regime and applies in particular when:

- the company is constituted as a legal person;

- the turnover exceeds the thresholds of the flat-rate regime; and
- the activity carried out is excluded from the scope of the IFU.

Under this regime, the company must keep regular accounts and determine its tax result according to local tax rules.

Corporate Income Tax (IBS)

The profits made by companies are subject to the IBS, according to rates differentiated according to the nature of the activity:

- 19% for goods-producing activities;
- 23% for public works, construction and tourism (excluding travel agencies); and
- 26% for other commercial and service activities.

Where the company has more than one business, the rates are applied in proportion to the share of revenue generated by each segment.

A reduced rate is provided for profits reinvested in productive assets, subject to compliance with strict reinvestment and traceability conditions.

Value Added Tax (VAT)

VAT applies to the majority of economic transactions carried out in Algeria, whether they are supplies of goods or services. The main rates are:

- a reduced rate of 9% applicable to certain priority operations or operations of general interest; and
- a standard rate of 19% applicable to other taxable transactions.

The right to deduct VAT is subject to compliance with formal conditions, such as compliant invoicing, traceable payment and connection to a taxable activity.

Abolition of the Tax on Professional Activity (TAP)

The TAP, formerly based on turnover, has been definitively abolished by recent tax reforms. This abolition has helped to reduce the tax burden on companies with high turnovers, especially in sectors where profitability is low. In return, some targeted sectoral

contributions have been introduced to preserve the resources of local authorities.

Foreign Companies

Foreign companies are subject to different tax rules depending on their mode of presence in Algeria.

- With permanent establishment (branch, construction site, professional installation): they are assimilated to a local entity and subject to taxes under common law (IBS, VAT, internal withholding taxes, etc), based on the results achieved in Algeria.
- Without permanent establishment: income from Algerian sources (provision of services, royalties, technical assistance) is in principle subject to withholding tax, generally in full discharge of liability, applied to the gross amount, unless there is a more favourable provision resulting from an international tax treaty.

The 2026 Finance Law has strengthened the approach based on economic substance, specifying that the taxation of the profits of non-resident companies is linked to their realisation in Algeria, regardless of their actual transfer abroad.

Other Taxes and Contributions

Depending on the nature of the activity and the assets held, companies may also be subject to:

- the property tax on built and unbuilt properties;
- taxes related to vocational training and apprenticeships; and
- specific contributions applicable to certain regulated sectors.

Practical Observation

For an investor, the key tax issues in Algeria lie mainly in:

- the correct identification of the applicable tax regime;
- mastery of VAT and deductibility rules;
- the structuring of the local presence in order to anticipate the risk of permanent establishment; and
- the use, where appropriate, of international tax treaties to avoid double taxation.

9.2 Withholding Taxes on Dividends, Interest, Etc

General Rules

Under Algerian tax law, income from Algerian sources paid to non-resident beneficiaries is, in principle, subject to withholding tax when these beneficiaries do not have a permanent establishment in Algeria to which the income can be attached. This mechanism is the main method of taxation of passive cross-border flows (dividends, interest, royalties) and applies on a gross basis, unless there is a more favourable provision provided for in an international tax treaty.

Dividends

Dividends distributed by an Algerian company to a non-resident shareholder are subject to withholding tax.

- Domestic withholding tax rate (LF 2026): 10%. This reduction in the rate, introduced by the 2026 Finance Law, is part of a logic of improving the attractiveness of investments and gradually aligning with regional standards.

The internal rate may be further reduced, or even reduced or eliminated, pursuant to a double taxation agreement concluded between Algeria and the State of residence of the shareholder. Agreements generally provide:

- a reduced rate conditional on a minimum stake in the capital of the distributing company depending on the relevant treaty (commonly 10% or 25%); and/or
- sometimes, a condition of the duration of ownership.

The application of the conventional rate presupposes in particular:

- production of a valid tax residence certificate;
- demonstration of the status of beneficial owner of dividends; and
- the absence of a permanent establishment in Algeria to which the dividends would be attachable.

Interests

Interest paid to non-resident lenders in respect of financing granted to Algerian entities is also subject to withholding tax.

- Domestic withholding tax rate: 15%. This rate may be reduced by the effect of an applicable tax treaty. Some agreements provide for preferential rates or even exemptions, in particular for:
 - (a) interbank loans;
 - (b) institutional or sovereign financing; and
 - (c) some projects funded in priority sectors.

The deductibility of interest at the borrower level remains subject to domestic rules on thin capitalisation and arm's length.

Royalties and Similar Income

Royalties, licence fees and other remuneration paid in return for the use of intangible rights or similar services are also subject to withholding tax.

- Domestic withholding tax rate: 15%. Tax treaties may provide for reduced rates, provided that the foreign beneficiary meets the treaty conditions, in particular with regard to tax residence, beneficial ownership and economic substance.

These flows are the subject of particular attention by the tax authorities, particularly when the payments are intra-group.

The Case of Permanent Establishment

When the foreign beneficiary has a permanent establishment in Algeria and the income can be linked to this establishment, withholding tax does not apply.

In this case, the income is included in the tax result of the permanent establishment and subject to taxation under ordinary law (IBS or IRG), according to the rules applicable to local companies.

Limitations and Administrative Practice

Access to conventional benefits is not automatic and may be limited by:

- anti-abuse clauses provided for in certain tax treaties;

- strengthened requirements in terms of economic substance; and/or
- the need to demonstrate beneficial ownership status.

In practice, the application of a reduced rate presupposes the prior production of complete documentation and may be subject to a posteriori control by the tax authorities.

Practical Observation

For foreign investors and international groups, the main issues related to withholding taxes in Algeria concern:

- the correct identification of the beneficial owner of the income;
- verification of the participation thresholds and the conditions provided for by the applicable agreements;
- anticipation of the effective residual taxation after treaty relief; and
- co-ordination with tax credit or imputation mechanisms in the State of residence.

In practice, cross-border structuring requires prior analysis of the applicable treaty network and domestic anti-abuse standards.

9.3 Tax Mitigation Strategies

General Approach to Tax Planning

In Algeria, corporate tax planning strategies are part of a relatively regulated legal framework, based on a logic of compliance, economic substance and the use of incentives expressly provided for by law. The tax system does not encourage aggressive arrangements, but allows for an effective reduction of the tax burden through an adequate structuring of investments, financing and intra-group flows. Recent reforms, in particular those resulting from the 2026 Finance Law, reflect an orientation towards tax planning “by law”, based on legal, targeted and transparent mechanisms.

Acquisition structures and depreciation of assets

Acquisition structures can in some cases optimise the depreciable base of assets, particularly when they take the form of acquisitions of assets rather than securities. The tax depreciation of tangible and

intangible assets is permitted as long as their valuation is based on objective and economically justified elements.

However, the acquisition of securities does not, in principle, entail a tax revaluation of the underlying assets. The tax authorities are attentive to restructuring operations whose main objective would be the artificial creation of a depreciation expense.

Intra-group financing and interest deductibility

The use of intra-group debt is a commonly used financing lever, subject to compliance with local tax rules. Interest paid is deductible when:

- the financing meets a real economic need;
- the financial conditions are in line with the arm’s-length principle; and
- the rules on underfunding and capping of financial charges are respected.

Administrative practice is increasingly attaching importance to the economic substance of intra-group financing and to the consistency between the level of debt and the activity carried out. Adequate documentation, particularly in terms of transfer pricing, is essential to secure these schemes.

Intra-group agreements and contractual flows

Intra-group agreements such as service, management, licensing or cost-sharing contracts are permitted, provided that they correspond to services actually provided and valued at market conditions. These mechanisms can contribute to a consistent allocation of burdens within a group, but they are subject to increased scrutiny, in particular where payments are cross-border and result in withholding taxes. The tax authorities ensure that these agreements do not lead to an artificial transfer of profits out of the jurisdiction.

Use of Carry-Forward Tax Losses

Tax losses can be carried forward to subsequent years in order to offset future profits, in accordance with the rules laid down in tax legislation. This mechanism is a central tool for managing the tax burden, in particular for projects requiring significant initial investments or with a gradual ramp-up phase.

However, the use of losses may be called into question in the event of restructuring or a change of activity without economic justification, where the main objective appears to be the absorption of losses for tax purposes.

Absence of a tax consolidation regime

Algerian tax law does not provide for a general tax consolidation regime allowing the automatic offsetting of results between companies in the same group. Each entity is taxed autonomously, based on its own tax result.

Nevertheless, an appropriate structuring of intra-group flows, financing and distribution policies, as well as the use of sectoral incentives and relief schemes provided for by law, can allow for an optimised management of the group's overall tax burden.

Tax incentives and targeted tax burden mitigation

Tax mitigation is increasingly based on the use of incentives specifically provided for in legislation, including:

- preferential regimes applicable to certain production activities;
- the benefits of reinvesting profits in productive assets; and
- targeted deductions and exemptions introduced by recent reforms, in particular in the areas of innovation, energy transition and entrepreneurship.

These mechanisms offer opportunities for legal optimisation, subject to strict compliance with the eligibility and monitoring conditions.

Practical observation

In practice, tax mitigation strategies in Algeria are mainly based on:

- rigorous structuring of acquisitions and investments;
- balanced and documented funding;
- prudent management of tax losses; and
- the use of tax incentives provided for by law.

Tax planning should be seen as an extension of the company's business strategy, within a framework

of enhanced compliance. A conservative approach, based on the substance of the transactions, remains the most effective way to secure the tax position of companies in the long term.

9.4 Tax on Sale or Other Dispositions of FDI

General Principle of Taxation of Capital Gains

In Algeria, capital gains realised by foreign investors on the sale of foreign direct investment (FDI) do not benefit from a general exemption. Algerian tax law is based on the principle of taxation of gains from an economic source in Algeria, including those resulting from the sale of assets or shareholdings when the value is located in the jurisdiction.

Sale of shareholdings

In the absence of a specific regime or a more favourable treaty provision, capital gains realised by non-residents are, in principle, taxable in Algeria.

Capital gains resulting from the sale of shares in Algerian companies are, in principle, taxable in Algeria when they are realised by foreign investors, regardless of where the transaction was concluded.

The tax treatment depends in particular on:

- the nature of the securities sold (listed or unlisted companies);
- the qualification of the seller (resident or non-resident); and
- the existence and content of an applicable double taxation agreement.

Some tax treaties concluded by Algeria assign the right to tax the capital gain exclusively to the transferor's state of residence, in particular when the transferred company does not derive its value mainly from real estate located in Algeria. In the absence of such a contractual provision, the capital gain remains taxable locally.

Sale of real estate assets and companies with a preponderance of real estate

Capital gains from the sale of real estate located in Algeria are systematically taxable in Algeria, including when they are realised by non-residents.

Similarly, when the securities transferred derive their value mainly from real estate assets located in Algeria, tax treaties generally reserve the right to tax the capital gain to Algeria. These situations are one of the main exceptions to conventional relief mechanisms.

Absence of a general exemption and scope of the exceptions

Algerian tax law does not provide for a general capital gains exemption regime applicable to FDI. Any relief is mainly the result of:

- the application of international tax treaties;
- specific, sectoral or temporary measures; and
- the legal and economic structuring of the investment.

Intra-group sale or restructuring operations may, in certain limited cases, benefit from an adjusted tax treatment, subject to strict compliance with the legal conditions and the absence of a primarily tax purpose.

Structuring via intermediary companies

The structuring of an investment via a foreign intermediary company can, in certain cases, make it possible to optimise the tax treatment of capital gains, in particular through the application of a more favourable double taxation agreement.

However, the tax authorities are attaching increasing importance to:

- the economic and decision-making substance of the intermediary company;
- the reality of its functions and governance; and
- identification of the beneficial owner.

Structures that are purely artificial or devoid of economic substance are likely to be called into question, both under domestic law and under conventional anti-abuse clauses.

Other tax provisions related to FDI

Regardless of the regime applicable to capital gains, the tax legislation in force provides for a withholding tax on Corporate Profits (IBS) applicable to the import of goods intended for resale in the same state.

This withholding tax:

- is paid at the time of customs clearance;
- is based on the overall value of imported goods, including duties and taxes, excluding Provisional Additional Safeguard Duty (DAPS); and
- is deductible from the IBS due for the financial year concerned.

Although it is not a definitive taxation, this mechanism can have a significant impact on the cash flow of companies, including those controlled by foreign investors.

Practical Observation

For foreign investors, the main tax issues related to the sale of FDI in Algeria are:

- the absence of a general exemption for capital gains;
- the decisive role of tax treaties in the allocation of the right to tax;
- the specific treatment of real estate assets and companies with a preponderance of real estate; and
- the importance of a legally and economically robust structure from the start.

A prior tax analysis of exit scenarios remains essential in order to anticipate the applicable tax burden and secure the investment.

9.5 Anti-Evasion Regimes

General Approach

In Algeria, the tax framework applicable to foreign direct investment (FDI) includes several mechanisms to prevent tax evasion and artificial transfer of profits out of jurisdiction. These measures are mainly based on transfer pricing rules, limitations on the deductibility of certain expenses, and general anti-abuse clauses.

The approach of the tax authorities is largely based on the economic substance of the operations and the coherence between the creation of value and the allocation of profits.

Transfer pricing rules

Transactions between an entity established in Algeria and related companies, whether resident or non-resident, must comply with the arm's-length principle. In other words, the prices and conditions applied must be those that would have been agreed between independent undertakings in comparable circumstances.

The legislation requires, in particular:

- the rationale for the transfer pricing policy;
- maintaining appropriate documentation demonstrating the compliance of intra-group transactions; and
- the possibility for the tax authorities to make corrections when indirect transfers of profits are recorded.

The controls focus mainly on intra-group services, royalties, intra-group financing and distribution transactions.

Limitation of the deductibility of expenses and underfunding

The deductibility of financial charges, in particular interest paid in an intra-group context, is regulated in order to avoid the stripping of profits by excessive debt.

The tax authorities may call into question:

- financing that does not meet a real economic need;
- interest rates that are not in line with market conditions; and
- financing structures that lead to an artificial erosion of the tax base.

These rules are essential to fight against tax evasion within international groups.

Absence of a specific “anti-hybrid” regime

Algerian tax law does not provide for a specific formalised regime for hybrid mismatches within the meaning of international standards (asymmetries in the qualification of instruments or entities). However, cross-border arrangements based on such asymmetries may be called into question on the basis of:

- transfer-pricing rules;
- general anti-abuse clauses; and
- requirements relating to economic substance and beneficial ownership.

Anti-abuse clauses and economic substance

Tax legislation allows the tax authorities to reclassify transactions or arrangements when their main or exclusive objective is to obtain an undue tax advantage.

Particular attention is paid to:

- the reality of the functions carried out locally;
- the presence of human and material resources; and
- consistency between legal structuring and operational reality.

Interposed structures that lack economic substance are particularly exposed to the risk of recovery.

International co-operation and exchange of information

Algeria is a party to a network of international tax treaties that include mechanisms for the exchange of information. These instruments strengthen the capacity of the tax administration to detect evasion patterns involving cross-border flows and complement internal arrangements.

Practical Observation

For foreign investors, the main points of vigilance in terms of anti-tax evasion regimes concern:

- the compliance of intra-group transactions with the arm's-length principle;
- preparation and maintenance of appropriate transfer pricing documentation;
- the economic justification of cross-border financing and flows; and
- the real substance of investment structures.

A preventive, documented approach that is aligned with operational reality remains essential to secure investments and limit the risk of tax adjustments.

10. Employment and Labour

10.1 Employment and Labour Framework

Labour law in Algeria is mainly regulated by Law No 90-11 of 21 April 1990, as amended and supplemented. This legal framework defines the relationship between employers and employees, covering aspects such as employment contracts, working conditions and social security.

Types of Employment Contracts

Employment contracts in Algeria are mainly divided into two categories.

- Permanent contract (CDI): This is the standard and preferred type of contract in Algerian legislation.
- Fixed-term contract (CDD): This contract is limited in time and cannot exceed 24 months, including renewals. Fixed-term contracts must be justified by exceptional reasons and are subject to strict restrictions.

Foreign Workers

Foreign workers must obtain a work permit before working in Algeria. Although their working conditions are subject to the same rules as those of local workers, these permits are subject to rigorous administrative formalities. This includes checks on compliance with quotas and national employment priorities.

Collective Bargaining and Trade Unions

Collective bargaining is a fundamental right for employees in Algeria, particularly in the context of labour relations. It is governed by Article 121 of Law No 90-11 and takes place at two levels.

- At the company level: Each company can negotiate conventions or agreements with its employees.
- At sectoral level: Collective agreements are negotiated between workers' unions and employers' organisations.

The main workers' representative organisation is the General Union of Algerian Workers (UGTA), which plays a central role in these negotiations.

Works Councils and Joint Committees

Algerian legislation also provides for the establishment of works councils and joint committees to ensure workers' representation and deal with internal conflicts over working conditions.

Other Labour-Related Regulations

Foreign investors should also be aware of several other important regulations, including:

- workplace safety – companies must adhere to strict safety and working conditions standards to ensure that employees are protected;
- equality in the workplace – laws are in place to promote gender equality and to ensure equal rights in terms of access to employment and working conditions; and
- pension rights – the right to retirement is a fundamental right, and companies must contribute to the social security system, including for foreign workers, in compliance with the laws in force.

Conclusion

The working environment in Algeria is heavily regulated by law, guaranteeing rights to workers while imposing obligations on employers. Foreign investors should consider labour laws, collective bargaining processes, and rules regarding foreign workers to ensure compliance with local regulations.

10.2 Employee Compensation

The remuneration of employees in Algeria is governed by Law No 90-11. This legislation governs various aspects of compensation, including base salary, allowances and bonuses, as well as the management of compensation in the event of a change of control or acquisition.

Current Employee Compensation Frameworks

- Base salary: The basic salary is set according to the company's occupational classification. This is the principal amount paid to the employee in exchange for their work.
- Allowances and bonuses: Employees may receive allowances for a variety of reasons, including:
 - (a) seniority – employees with a long period of service may receive additional allowances based on their seniority;

- (b) overtime – hours worked in excess of the legal duration are paid with a surcharge;
 - (c) night work – allowances are also paid for work performed at night;
 - (d) special working conditions – this includes specific risks related to certain occupations, such as working in hazardous conditions; and
 - (e) productivity and performance bonuses – these bonuses are paid based on the employee's performance or the achievement of set objectives.
- **Cash Compensation:** Compensation must be paid in cash and only in cash. Statutory benefits cannot be used as a form of direct compensation (eg, bonuses or benefits cannot replace monetary remuneration).

Compensation on an acquisition or change of control

When making an acquisition, change of control, or any other investment transaction, employers must comply with specific rules regarding the modification of employment contracts or the termination of those contracts.

- **Modification of employment contracts:** In the event of a change in the contractual conditions, negotiations should be conducted with the employees to inform them and discuss the changes. Any modification must comply with the terms of Law No 90-11.
- **Termination of employment contracts:** If an employment contract is terminated in the context of a change of control or an acquisition, the employer must compensate the employee in accordance with Articles 73-5 to 74 of Law No 90-11. The minimum compensation is six months' salary in the event of unfair dismissal. However, this compensation can be increased, depending on the circumstances, and it is up to the judge to decide the exact amount depending on the situation.
- **Damages:** If a dismissal is found to be unfair or if the employer fails to comply with the rules on notification or unemployment, employees can claim damages in court. The amount of these allowances is determined by the judge, but it may be reduced

or eliminated, depending on the particular circumstances.

Employees' recourse in the event of non-compliance with the rules

If the employer does not comply with the rules on remuneration or compensation in the event of termination of the employment contract, the employee may file a complaint with the competent court to claim compensation.

Conclusion

In summary, the system of remuneration of employees in Algeria is based on a framework strictly defined by law. Employers must comply with legal obligations regarding wages, allowances and bonuses, while paying attention to the specific rules in the event of an acquisition or change of control. Respect for employees' rights is paramount, and compensation must be paid in the event of unfair dismissal or violation of the rules.

10.3 Employment Protection

In Algeria, the rights of employees are protected in the event of a change of control, acquisition, or other investment transactions. The legislation provides for measures to ensure continuity of employment, allowances and benefits in the event of such changes. Here are the key points about this protection:

Employment Protection and the Right to Continuity of the Contract

During an investment transaction, such as an acquisition, merger, or change of control, employees retain their rights under their existing employment contracts. This includes:

- the continuity of their contract without modification, unless specific conditions are negotiated;
- the right to severance pays if the employer unilaterally terminates the contract, particularly in the event of job cuts or reorganisation; and
- contractual privileges (bonuses, benefits, etc) must be maintained, except in the case of a specific agreement negotiated with the employees.

Collective Bargaining and the Duty to Consult

In the context of acquisitions or changes of control, employers are required to follow procedures for consultation and collective bargaining with trade unions or employee representatives. These obligations are governed by:

- Law No 90-11, on labour relations, which requires consultations on working conditions, social benefits, and other essential aspects of work; and
- Law No 23-08 of 21 June 2023, which governs the prevention and settlement of collective labour disputes, and imposes negotiation procedures before any collective redundancies or substantial changes in working conditions.

Collective agreements or collective bargaining agreements must be respected, especially regarding dismissals, compensation, and the way employees are treated during structural changes.

Employees' rights in the event of a change of control

Employees do not have the automatic right to transfer their employment to the acquired company, but they do enjoy the protection of their employment contract. In the event of a change of control.

- If employment contracts are changed, these changes must be negotiated with the employees, or a severance pay must be provided.
- If the employer decides to terminate the contract, employees are entitled to compensation defined by Law No 90-11, such as severance pay and compensatory compensation for non-compliance with notice.

Conflict Process

Employees can use several mechanisms to protect their rights in the event of a dispute with their employer.

- Individual labour disputes: Governed by Law No 90-04 of 6 February 1990, this law allows employees to bring an individual dispute (such as unfair dismissal or non-payment of compensation) before the competent court, after having exhausted internal procedures.

- Collective labour disputes: If a collective disagreement arises regarding a settlement or the change in working conditions, unions can intervene and organise meetings with the employer to discuss socio-professional relations. In the event of a conflict, there are several possible procedures such as conciliation, mediation, and arbitration (provided for by Law 23-08).

Specific Requirements for Acquisitions and Investment Transactions

There is no absolute right for employees to transfer their employment to the acquired company, but the conditions for the transfer of employees or contract changes must be clearly defined in collective agreements or employment agreements. In the event of collective redundancies or reorganisations, the employer must comply with Law 90-11 on collective redundancies and consult with union representatives to avoid legal action.

Conclusion

In summary, Algerian legislation protects the rights of employees during changes of control or acquisitions of companies. Employees retain their employment contracts, benefit from collective consultations and must be compensated in the event of unfair termination or substantial changes to their working conditions. Individual and collective disputes can be resolved through legal procedures and employees can resort to social justice or conciliation mechanisms in the event of disputes.

11. Intellectual Property and Data Protection

11.1 Intellectual Property Considerations for Approval of FDI

Intellectual property (IP) is a key factor in the context of foreign direct investment (FDI) in Algeria, although it is not directly subject to systematic scrutiny during the approval of FDI by authorities such as the Algerian Investment Promotion Agency (AAPI). However, foreign investors must be particularly vigilant about IP protection, especially in strategic or sensitive sectors.

Importance of IP in FDI

In the context of FDI, IP represents a strategic asset for foreign investors. They can choose different methods to enter the Algerian market while preserving and protecting their IP.

- Local subcontracting: Maintaining ownership of IP rights while outsourcing certain productions or processes to local companies.
- Technology licensing and transfers: Licensing or transfer of know-how to local entities, allowing for an entry model with reduced financial risk.
- Franchises: Running a franchise network while retaining the IP associated with the brand.
- Trade marks: Registration of trade marks in Algeria to protect the commercial identity of products or services.

Intellectual Property FDI Review Process

Although the AAPI does not directly control the IP aspects of FDI review, IP registration remains a crucial step for foreign investors. In order for their intellectual property to be protected in the Algerian market, investors must ensure that their IP rights are duly registered, especially for sensitive sectors such as technology, consumer goods, and services.

Specific regulations on intellectual property

Some regulations apply specifically in terms of IP to protect the intellectual assets of foreign investors in Algeria.

- Trade-mark Registration: In accordance with Ordinance No 03-06 on Trade marks, trade-mark registration is mandatory for all goods and services offered in Algeria. This protects exclusive trade mark rights and avoids litigation.
- E-commerce: According to Law No 18-05 on e-commerce, foreign investors wishing to sell goods or services through a website in Algeria must register their IP rights and submit a trade-mark registration certificate to the Business Registry during the e-commerce operation.
- Sector Review: Certain strategic industries such as technology, pharmaceuticals and agri-food are subject to special control with respect to IP management. This is due to the need to protect innovations and trade secrets in these sensitive sectors.

Conclusion

IP plays a central role in the review of FDI in Algeria, although AAPI does not assess it directly when approving investments. Nevertheless, it is imperative for foreign investors to comply with Algerian laws regarding IP registration, such as those governing trade marks and e-commerce, in order to protect their assets and avoid legal risks. Before proceeding with any transaction or investment, foreign investors are advised to comply with legal requirements for intellectual property protection and consult with experts to ensure the legal certainty of their investments.

11.2 Intellectual Property Protections

Algeria offers a strong legal framework for the protection of intellectual property (IP), but some sectors may face specific challenges or limitations. The country has put in place appropriate mechanisms to protect the rights of foreign creators and investors, while ensuring compliance with the international conventions to which it is a party.

Legal Framework for Intellectual Property

Algeria offers two main avenues for foreign investors to protect their intellectual property.

- Extension of international protection: An investor who already has IP rights in their country of origin may apply for the extension of this protection to Algeria, in accordance with Article 13 of Executive Decree No 05-277.
- Domestic Registration: Foreign investors can also register their IP rights directly in Algeria through the Algerian National Institute of Industrial Property (INAPI), or through the World Intellectual Property Organization (WIPO).

Types of Intellectual Property Protection in Algeria

Algeria protects various types of intellectual property.

- Trade marks: The registration of trade marks is mandatory for all products or services offered on the Algerian market. A registered trade mark benefits from a ten-year protection, renewable indefinitely. Owners can take legal action against the unauthorised use of their trade mark.
- Copyright: The law automatically protects original literary and artistic works, including computer pro-

grams. Protection lasts 50 years after the author's death for economic rights, while moral rights are inalienable and perpetual.

- Patents: Inventions, whether they concern products or processes, can be protected by a patent issued by INAPI or by the international PCT (Patent Co-operation Treaty) system. The protection lasts for 20 years from the date of filing.

Sectors and Limitations of Intellectual Property Protection

Although Algeria offers strong IP protection, some sectors face specific challenges.

- Compulsory licensing: In sectors such as pharmaceuticals, compulsory licensing may be imposed to ensure access to essential medicines, which could limit the ability of rights holders to control the exclusive use of their innovations.
- Protection of AI-generated works: Algerian legislation does not yet have specific regulations for the protection of works created by artificial intelligence (AI). This raises complex legal issues, particularly with respect to the ownership of rights and the recognition of works generated by autonomous systems.
- Delays in granting rights: Although the IP system in Algeria is in place, administrative delays can occur in the processing of applications, particularly for patents and trade marks, which can lead to frustration for investors looking to secure their rights quickly.

Sanctions and Remedies

IP rights' violations in Algeria are punishable by civil and criminal penalties. Rights holders can sue infringers for:

- unauthorised use of their trade mark;
- patent infringement; and
- copyright infringement.

Appeals may be brought before the competent courts to obtain compensation for the damage suffered.

Franchise and IP Transfer

Although franchising is not specifically defined in Algerian law, it is possible for a foreign investor to

grant rights to use the brand, distribute products, or exploit technologies in exchange for royalties. This requires extensive legal advice to ensure that the IP is protected and that the transfer of royalties is done in compliance with local regulations.

Conclusion

Algeria provides robust intellectual property protection for foreign investors. However, some strategic sectors, such as pharmaceuticals and AI-based technologies, may face additional challenges. Investors should ensure that they comply with local IP registration and protection obligations, while being accompanied by experts to ensure full legal protection of their intellectual assets.

11.3 Data Protection and Privacy Considerations

In Algeria, the protection of personal data is governed by Law 18-07 on the Protection of Personal Data, adopted to ensure the protection of citizens' privacy and govern the collection, processing, and storage of personal data. This legislation is crucial in an ever-changing digital context and imposes strict obligations on companies, including foreign investors.

Scope of Law 18-07 and its Extraterritorial Impact

Law 18-07 guarantees the fundamental rights of individuals, including:

- the right to information – individuals must be informed about the collection and use of their data;
- the right of access to data – individuals have the right to see the personal data collected about them;
- the right to rectification and erasure of data – individuals can request the correction or deletion of incorrect or irrelevant data; and
- limitations on commercial prospecting and prohibition of fully automated decision-making.

The law provides for severe penalties, including fines and jail time, for companies and data processors that fail to comply with data security rules. These penalties may exceed proven economic losses. Moreover, the extraterritorial scope of this legislation means that even foreign companies operating outside Algeria can be subject to this law if they process personal data of

Algerian citizens. This gives the law an international character in terms of data protection.

The National Authority for the Protection of Personal Data (ANPDPD)

The ANPDPD is the competent authority for the supervision and enforcement of regulations relating to the protection of personal data in Algeria. It ensures that companies comply with data collection and processing rules and takes action in the event of non-compliance.

Data Protection Obligations of Companies

Companies operating in Algeria and processing personal data must comply with several legal obligations.

- Designation of a Data Protection Officer: Each company must designate a person responsible for managing data protection.
- Prior declaration of data processing: The company must inform the ANPDPD of any processing of personal data before proceeding with this processing.
- Data security: Organisations must have technical and organisational security measures in place to protect data from breaches and unauthorised access. This includes internal policies, regular risk assessments, and employee training.
- Transfer of data abroad: If the data is to be transferred outside of Algeria, the company must ensure that the destination country offers an adequate level of protection. An international transfer requires prior authorisation from the ANPDPD to ensure compliance with security standards.
- Contracts with processors: When processors process data, a written contract is required to specify the responsibilities of each party and ensure compliance with data protection law.

Enforcement and Penalties

Violations of data protection rules can result in severe penalties, including:

- high fines – companies can be subject to hefty financial fines for non-compliance;
- prison sentences – those responsible for the violation can be criminally prosecuted; and
- in the event of serious violations, the ANPDPD may take administrative measures, such as stopping data processing activities or imposing substantial financial penalties.

Conclusion

Algeria has a strict legislative framework for the protection of personal data, thus enhancing the security and privacy of citizens' information. Law 18-07 is rigorously enforced, and companies must comply with data security and privacy standards. Foreign investors should be aware of the extraterritorial impact of this legislation and the severe penalties that can be applied in case of non-compliance. It is therefore essential for any company operating in Algeria to have a data protection policy in place that complies with legal requirements to avoid legal and financial consequences.

Trends and Developments

Contributed by:

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Fares Group

Fares Group is an international law firm with over 15 years of experience combined with deep expertise in Algerian law. The firm helps companies turn opportunities into sustainable value in Algeria, strengthening their commercial presence while mitigating regulatory risks. The team of ten lawyers, admitted in Algeria, Italy, and Libya, and fluent in Arabic, French, English,

and Italian, operates across sectors such as energy and renewables, ICT, and agribusiness. Fares Legal has extensive experience in drafting and negotiating PSCs, joint-venture agreements, EPC contracts, technology transfers, and SaaS licences, in full compliance with FCPA, OFAC, and BIT obligations.

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The logo for Fares Legal, consisting of the words "FARES LEGAL" in a white, uppercase, sans-serif font, centered within a dark teal rectangular background.

Introduction on the new Finance Law 2026

The Finance Law for 2026 (FL 2026) marks a decisive step in the reform of the Algerian tax system. Going beyond the scope of a simple annual budgetary adjustment, it introduces a structural transformation focused on fiscal discipline, transparency and the alignment of taxation with economic substance. This reform forms part of a broader effort to modernise the tax administration and secure State revenues, while steering investment toward strategic sectors.

For companies, FL 2026 introduces a dual paradigm: on the one hand, a significant strengthening of compliance, traceability and documentation obligations; on the other hand, a rationalisation of tax incentives, which are now conditional upon performance criteria and alignment with national economic priorities (innovation, energy transition and exports).

The main pillars of the reform include:

- The primacy of economic substance: Value creation becomes the determining criterion for taxation, with enhanced scrutiny of permanent establishments, transfer pricing and complex contractual arrangements.
- Digitalisation and traceability: The digitalisation of tax procedures is accelerated, and control is extended to the integrity of accounting and cash register information systems.
- Transformation of tax audits: Audits evolve from a purely declarative review toward an in-depth examination of taxpayers' processes and IT systems.

This report analyses the key measures introduced by FL 2026, details their practical implications for various economic actors' international groups, large Algerian companies, SMEs and start-ups, and proposes a roadmap to anticipate the new requirements and transform these constraints into levers of legal certainty and strategic control. Fares Legal summarises the main changes due to FL 2026 and provides practical advice to companies willing to comply.

Taxation of Non-Resident Companies

FL 2026 introduces significant clarifications and reinforcements regarding the taxation of non-resident entities operating in Algeria, aligning Algerian legisla-

tion with international principles aimed at combating base erosion and profit shifting (BEPS).

Clarification of the profit regime applicable to permanent establishments

Article 6 of the 2026 Finance Law amends Article 46 of the Direct Taxes and Similar Taxes Code (CIDTA), providing that net profits generated in Algeria by branches and professional installations of non-resident companies are deemed distributed.

This provision eliminates any uncertainty regarding the taxation of such profits, even in the absence of actual repatriation, and reinforces the territoriality principle of taxation.

Practical implication: International groups must reassess their establishment models (branch v subsidiary) and profit repatriation structures, taking into account applicable tax treaties.

Strengthened framework for the taxable base of EPC contracts

Article 12 of FL 2026 introduces a new paragraph into Article 140 of the CIDTA. It reinforces the principle of global taxation of non-resident companies operating in Algeria under Engineering, Procurement and Construction (EPC) contracts and integrated projects. From now on, the taxable profit must include all profits generated in Algeria, including those relating to the supply of equipment, even where that equipment is invoiced separately by the foreign head office and/or cleared through customs in the name of the Algerian contractor. This measure aims to counter tax-optimisation schemes based on contractual fragmentation and offshore invoicing.

Practical implication: Companies involved in EPC or integrated projects in Algeria must review their contractual and invoicing structures to ensure compliance with this new global taxation approach.

Clarification of tax obligations applicable to permanent establishments

Article 13 of FL 2026 introduces Article 153 ter into the CIDTA, explicitly defining the tax obligations applicable to non-resident companies operating in Algeria through a permanent establishment or any other pro-

professional installation. As of 2026, permanent establishments of non-resident companies are subject to the same tax obligations as Algerian companies.

The Algerian legislator thus confirms a broad and economic interpretation of permanent establishment, which may rely on factual criteria such as the duration of activities, operational autonomy, local decision-making and value-creating functions, beyond mere formal legal presence.

Practical implication: Groups operating through temporary projects, service arrangements or hybrid structures face increased risks of requalification as permanent establishments, requiring a thorough analysis of their presence in Algeria.

Strengthening of declarative obligations of foreign companies

The amendment of Article 161 of the CIDTA by Article 15 of FL 2026 reflects a logic of clarification and increased accountability for foreign companies carrying out temporary activities in Algeria without a permanent professional installation. The scope of the notification obligation is expanded to include not only the initial contract, but also any new contract entered into, as well as any amendment, modification or termination. The tax obligation now rests entirely with the foreign company, including in cases of occasional or temporary intervention.

Practical implication: Rigorous contract management and enhanced traceability of documentary flows are imperative for foreign companies.

Framework governing the deductibility of internal charges

Article 16 of FL 2026, amending Article 169 of the CIDTA, clarifies the tax treatment of expenses borne by permanent establishments or other professional installations of non-resident companies.

Amounts paid to the head office or other offices of the same company such as royalties, fees, commissions or interest are no longer deductible unless they correspond to reimbursement of actual expenses. This approach aligns Algerian tax audits with a transfer-pricing-type analysis focused on economic reality.

Practical implication: Companies must be able to justify the reality and necessity of intragroup charges for their Algerian activity through robust documentation. The implementation of a sound transfer-pricing policy becomes essential.

Taxation of Algerian Companies

FL 2026 also introduces significant changes for Algerian companies, whether large enterprises or SMEs, with a focus on encouraging investment, modernising procedures and strengthening compliance.

Reduction of dividend taxation for individuals

Article 11 of FL 2026, amending Article 104 of the CIDTA, introduces a five-point reduction in the withholding tax rate applicable to income from shares, equity interests and similar income received by resident individuals. The withholding tax rate is now set at 10%. This measure aims to encourage equity investment and reduce the tax burden on income from movable capital.

Practical implication: This reduction makes investment in Algerian companies more attractive for individuals and may stimulate the local financial market.

Mandatory investment in R&D and innovation for large companies

Article 119 of the 2026 Finance Law requires large companies (with an annual turnover of DZD2 billion) to allocate at least 1% of their taxable profit to research, development or innovation. These activities may be carried out internally or through partnerships with certified start-ups and incubators. In the event of non-compliance, a compensatory tax will apply to the difference between the required minimum and the actual expenditure incurred. The sectors concerned and the modalities of application will be determined by regulation.

Practical implication: Large companies must integrate this obligation into their investment and governance strategies by implementing robust mechanisms for documenting and monitoring R&D expenditures. This also represents an opportunity to collaborate with the start-up and innovation ecosystem.

Fares Legal recommends that:

- a company include investments in the R&D into the calculation of its taxable income; and
- a company liaise with a lawyer or the administration to stay updated regarding the upcoming regulation that will define modalities of application.

Reform of the professional training and apprenticeship tax

Article 18 of FL 2026 revises Articles 196 bis to 196 sexies of the CIDTA, introducing a structural evolution of the professional training and apprenticeship tax regime. The new mechanism is semi-annual, based on the gross payroll for each semester, with an obligation to declare and pay no later than the 20th day of the month following the relevant semester. The scope of eligible expenses is expanded to include, in addition to training and apprenticeship activities, student internships in a professional environment and allowances paid to employees supervising apprenticeships.

Practical implication: Companies must adapt their declaration and payment processes to this new periodicity and explore new eligible expenditure opportunities to optimise their contribution to training and apprenticeship.

Tax Procedures and Audits

FL 2026 significantly strengthens tax audit mechanisms and modernises procedures, particularly through digitalisation and the introduction of new obligations for taxpayers.

Strengthening of audits of computerised accounting systems

Articles 58, 74 and 81 of FL 2026 introduce measures aimed at modernising and strengthening audits of accounting systems maintained through IT systems. Taxpayers subject to audit must now present a compliance undertaking for their accounting or cash-register software, certifying compliance with legal requirements relating to data integrity, security, retention and archiving. The audit extends to all IT information and processing contributing to the determination of accounting and tax results, with mandatory submission of dematerialised copies of accounting files and related documentation. In addition, software

publishers and operators are required to provide the tax authorities, upon request, with all codes, data and technical documentation relating to software that directly or indirectly affects accounting records.

Practical implication: Companies must anticipate compliance work on their information systems and accounting software. Close co-operation between IT and tax departments is essential to ensure data integrity and audit readiness.

Exceptional voluntary tax regularisation mechanism

Article 93 of FL 2026 establishes an exceptional voluntary tax regularisation mechanism, with a declaration deadline set at 31 December 2026. Furthermore, Article 93 of the 2026 Finance Law establishes that this exceptional voluntary tax regularisation mechanism is subject to a flat rate of 8%. This mechanism applies to resident individuals and legal entities in Algeria that are in an irregular tax situation. Regularisation is carried out through a simplified declaration subject to a single flat discharge tax of 8%, with no fiscal penalties. Taxpayers benefiting from this mechanism are assured that no proceedings may be initiated in respect of the declared amounts.

Practical implication: This measure offers a unique opportunity for compliance, particularly ahead of the strengthening of digital audit tools. A prompt assessment of regularisation opportunities is recommended.

Notification of tax acts at the address communicated by the taxpayer

Article 71 of FL 2026, amending Article 19 of the Tax Procedures Code, provides that procedural acts and tax assessments are now notified and transmitted to the last address communicated by the taxpayer to the tax office managing its file.

Practical implication: Regular and proactive updating of declarative information with the tax authorities becomes a critical issue for tax security, in order to avoid forfeiture or non-receipt of important notifications.

Sector-Specific Provisions and Incentives

FL 2026 introduces targeted measures to encourage certain sectors and promote economic behaviour aligned with Algeria's sustainable development and diversification objectives.

Tax deductions for green and energy investments

Article 103 of FL 2026 allows companies to deduct from their taxable profit expenditures incurred in connection with investments relating to green hydrogen development, afforestation and reforestation operations, as well as renewable energy production and valorisation projects. The total amount of such deductions may not exceed 5% of the taxable profit of the relevant financial year. The application modalities will be specified by regulation.

Practical implication: This measure provides a strong incentive for companies to engage in energy transition and sustainable development, offering tax optimisation opportunities for "green" investments.

Fares Legal advises that eligibility for tax exemptions should be checked, as well as the limits applicable for tax deductibility.

Transfers of shares in strategic sectors subject to prior authorisation

Article 164 of FL 2026, amending Article 52 of the 2020 Supplementary Finance Law, requires prior authorisation from the competent authorities for any transfer of shares or equity interests held in the share capital of an Algerian company operating in strategic sectors as defined by applicable regulations. This authorisation is required when transfers are made to foreign individuals or legal entities, or to Algerian companies that are majority-owned by a foreign person.

Practical implication: This provision strengthens State control over foreign investment in strategic sectors, increasing the complexity of M&A transactions involving non-resident investors. Thorough due diligence and anticipation of administrative procedures are essential.

Extension of the tax incentive promoting electronic payments

Article 114 of FL 2026 extends until 31 December 2026 the benefit of the reduction of the corporate income tax (IBS) taxable base granted to commercial banks and *Algérie Poste*. The amount of the reduction corresponds to the commissions borne by these entities on transactions carried out through electronic payment instruments.

Practical implication: This extension aims to support sustainably the generalisation of electronic payments in Algeria, a key pillar of economic modernisation and the fight against informality. Eligible entities benefit from a favourable tax framework to support this transition.

Roadmap and Compliance

To navigate effectively the new tax environment introduced by FL 2026, companies must adopt a proactive and structured approach. A roadmap of key actions and milestones follows:

Short-term priorities (2026)

- Mapping of non-resident contracts and intragroup flows.
- Assessment of the risks of permanent establishment.
- Evaluation of voluntary regularisation opportunities.
- Audit of computerised accounting systems.

Medium-term priorities (2027 and beyond)

- Migration to dematerialised tax procedures.
- Implementation of R&D and innovation governance.
- Review of transfer pricing and intragroup cost-allocation policies.
- Strengthening of internal controls and IT governance.

Mandatory deadline – 1 January 2027

- Full compliance and certification of accounting and cash-register software in application of Articles 58, 74 and 81 of the 2026 Finance Law.

Conclusion – From Constraint to Strategic Opportunity

The Finance Law for 2026 should not be viewed as a mere accumulation of regulatory constraints. It represents a structural shift toward a more disciplined, transparent and substance-driven Algerian tax environment. While demanding, this evolution also offers significant opportunities for companies capable of anticipating change, strengthening tax governance and demonstrating robust economic substance.

FL 2026 transforms tax compliance from a purely declarative and ex-post function into a strategic component of corporate governance. Integrating tax considerations upstream into investment decisions, contractual structuring and operational models becomes imperative. Data integrity, operational traceability and the reliability of IT systems now constitute fundamental elements of tax risk management.

By adopting a proactive approach and relying on advanced tax expertise, companies can transform the challenges of FL 2026 into levers of legal certainty and strategic control, ensuring sustainable and secure growth within Algeria's evolving regulatory framework.

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