A Legal Reading of the Various Forms of Support for Start-ups in Algerian Legislation

قراءة قانونية في مختلف أشكال دعم المؤسسات الناشئة في التشريع الجزائري



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Abstract: The research examines the Algerian legal framework for supporting start-ups as a key pillar of the knowledge-based economy and economic diversification. It focuses on the 2020 Finance Law, which introduced tax exemptions and established a start-up support fund, as well as Law No. 22-09, which created a flexible legal form adapted to start-ups. The study concludes that these reforms demonstrate a real commitment to innovation, while emphasizing the need to strengthen legislation, improve financing mechanisms, and evaluate policies to achieve sustainable development.

Keywords: Start-ups, Tax exemptions, Start-up support fund, Law No. 22-09, Sustainable development.

ملخص: يعالج البحث الإطار القانوني الذي وضعه المشرّع الجزائري لدعم المؤسسات الناشئة باعتبارها ركيزة أساسية لبناء اقتصاد المعرفة وتنويع الاقتصاد الوطني. ويركز على قانون المالية لسنة 2020 الذي شكّل نقطة الانطلاق الفعلية للاعتراف القانوني بالمؤسسات الناشئة، من خلال الإعفاءات الجبائية وإنشاء صندوق دعم وتطوير المنظومة الاقتصادية للمؤسسات الناشئة. كما يبرز دور قانون 22-09 في استحداث الشركة ذات الأسهم المبسطة كشكل قانوني ملائم لطبيعة هذه المؤسسات، لما يوفره من مرونة تنظيمية ومالية. ويخلص البحث إلى أن هذه الإصلاحات تعكس إرادة حقيقية لدعم الابتكار، مع التأكيد على ضرورة تعزيز الإطار التشريعي، تحسين آليات التمويل، وتقييم فعالية السياسات المعتمدة لضمان نمو المؤسسات الناشئة وتحقيق التنمية المستدامة .الكلمات المفتاحية :المؤسسات الناشئة، الإعفاءات الجبائية، صندوق دعم المؤسسات الناشئة، قانون 22-09 ، التنمية المستدامة.

الكلمات المفتاحية: المؤسسات الناشئة، الإعفاءات الجبائية، صندوق دعم المؤسسات الناشئة، قانون 22-09 ، التنمية المستدامة.

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INTRODUCTION

In recent decades, start-ups have become one of the most important economic drivers relied upon in building a knowledge-based economy and achieving sustainable development, due to their high level of dynamism and their ability to innovate and create added value. States, including Algeria, have recognized the importance of this new type of enterprise as a strategic bet for diversifying the national economy and reducing dependence on the traditional hydrocarbons sector.

In this context, the Algerian legislator has sought to provide a stimulating legal framework that takes into account the specific nature of start-ups and ensures suitable conditions for their growth and innovation, through the enactment of a set of laws and support mechanisms at the legislative, regulatory, and institutional levels. However, the effectiveness of this framework remains

questionable, particularly with regard to its ability to create a competitive business environment, remove bureaucratic obstacles, and provide targeted financing that would allow these enterprises to become genuine economic actors.

Law No. 19-14 relating to the Finance Law for 2020 constituted an actual legislative starting point for supporting start-ups in Algeria, reflecting the legislator's concern to adapt legislation to economic developments. This is evident through the amendments introduced to Article 69 by successive Finance Laws whereby the legislator moved from using the term start-up companies to start-up enterprises in line with the terminology adopted by Executive Decree No. 20-254 establishing a national committee for granting the Start-up Innovative Project and Business Incubator labels as amended by Executive Decree No. 21-422, which defined the criteria required to obtain such classification.

As part of efforts to diversify the productive base of the national economy and encourage innovation, the Algerian legislator introduced, through Law No. 22-09, the simplified joint-stock company, which may be established exclusively by companies holding the Start-up label. This legal mechanism represents a flexible framework combining the characteristics of capital companies and partnerships, and its regulation incorporates provisions similar to those governing joint-stock companies, with certain exceptions.

Within the scope of governmental policies on public procurement, Public Procurement Law No. 23-12 provides for the promotion of

national production and national production tools through a system of allocating and reserving public contracts exclusively for start-ups holding the official label, whenever it is possible to meet certain needs of contracting authorities, and by granting them the privilege of direct negotiation.

Moreover, the legislator's adoption of tax exemptions and the establishment of the Start-up Fund for Supporting and Developing the Economic Ecosystem as an alternative financing mechanism represent some of the most prominent practical financial support tools introduced by Law No. 19-14 under Article 69 thereof. This reflects a tangible shift toward effective support for start-ups and a clear orientation toward building a new economy. Accordingly this research paper seeks to address the following research problem:

To what extent has the Algerian legislator succeeded in establishing an effective legal system to support start-ups in a manner that enhances and guarantees the encouragement of their creative and innovative character? What legal and institutional mechanisms have been put in place to ensure the effectiveness of this support and the achievement of its objectives?

Answering this problem requires adopting the following structure:

First: Start-ups under Law No. 19-14 Relating to the Finance Law for 2020

Article 69 of the Finance Law for 2020 addressed start-ups using a different terminology, referring to them as start-up companies

when it stipulated that: Start-up companies shall be exempt from corporate income tax and value-added tax on commercial transactions[1]. Through this terminology, the legislator refers to the provisions of commercial law, particularly Law No. 22-09 amending and supplementing Ordinance No. 75-59.

Second: Start-ups under Law No. 22-09 Amending and Supplementing Ordinance No. 75-59 Relating to the Commercial Code

The characteristics distinguishing traditional commercial companies, whether partnerships or capital companies, prior to the amendment of the Commercial Code by Law No. 22-09, render them unsuitable for start-ups. This is because partnerships are based on personal consideration, whereby contractual relations depend on the identity and personal attributes of the partners, and the capital contributed plays no role in partner selection. This applies to general partnerships, limited partnerships, and undisclosed partnerships.

Conversely, the unsuitability of capital companies for start-ups particularly joint-stock companies and partnerships limited by shares-lies in the requirements relating to the number of partners and the minimum share capital, pursuant to Article 592 of the Commercial Code. As for limited liability companies and single-member limited liability companies, their unsuitability stems from the legal transformation imposed on these companies in the event of an increase in the number of partners, in accordance with Article 590 of the Commercial Code[2].

However, through the amendment of the Commercial Code by Law No. 22-09, the Algerian legislator decided that the simplified joint-stock company would be the legal form designated for start-ups holding the Start-up label, pursuant to Article 715 bis 133(4), which provides for the exclusive establishment of such companies by entities holding the Start-up label. According to Article 715 bis 134, in addition to other characteristics, this company is distinguished by the absence of a minimum requirement for the number of partners or share capital at the time of its establishment, as well as by granting flexibility in determining its organization and operation through its articles of association. Furthermore, pursuant to Article 2 amending Article 544 of Ordinance No. 75-59, the simplified joint-stock company is considered a commercial company by virtue of its form, regardless of its object.

2. The Legal Nature of Start-ups under Law No. 22-09

As part of efforts to diversify the productive base of the national economy and support innovation, the Algerian legislator introduced the simplified joint-stock company through Law No. 22-09, which may be established exclusively by entities holding the Start-up label. This company was endowed with several characteristics affecting its legal nature, positioning it between partnerships and capital companies, depending on whether personal or financial consideration prevails.

Financial consideration in commercial companies refers to the predominance of the capital contributed by partners, regardless of their personal attributes, such that the company is not affected by

the death, withdrawal, or incapacity of a partner. An examination of the provisions governing the simplified joint-stock company reveals several manifestations of financial consideration. The Algerian legislator referred its regulation to the provisions governing joint-stock companies, except where expressly excluded by law. Since the joint-stock company represents the optimal model for capital companies being established primarily for the aggregation of capital irrespective of the personal attributes of shareholders-this constitutes one of the most important manifestations of financial consideration in the simplified joint-stock company. This is further reinforced by the specific provisions governing the formation of its share capital and the status of shareholders[3].

Article 715 bis 133 of Law No. 22-09 stipulates that the simplified joint-stock company is a company whose capital is divided into shares and whose partners are liable for losses only up to the value of their contributions. It may be established by one or more natural and/or legal persons. Where it is established by a single person, it is referred to as a single-member simplified joint-stock company.

Article 715 bis 134 further provides that, in addition to other characteristics, the simplified joint-stock company is distinguished by the absence of a minimum requirement for the number of partners or share capital at the time of establishment, as well as by flexibility in determining its organization and operation through its articles of association.

Article 715 bis 140 allows the simplified joint-stock company to issue non-transferable shares resulting from contributions of work. Although such shares do not enter into the formation of the company's capital, they participate in the distribution of profits, net assets, and losses and the methods for valuing such contributions and the rights they confer are determined in the articles of association.

Second: Measures Supporting Start-ups

1. Measures Introduced by the 2020 Finance Law

Paragraph 2 of Article 69 of Law No. 19-14 refers the conditions and modalities for benefiting from tax exemptions for start-ups - namely exemptions from corporate income tax and value-added tax-to regulatory provisions. Since tax exemption constitutes one of the principal fiscal incentive tools, it is necessary to clarify its concept and nature.

1. Definition of Tax Incentives:

Tax incentives are among the methods and mechanisms used by the state to achieve various economic and social objectives by granting advantages and facilities that encourage enterprises of all sizes to invest. They involve reducing tax rates or tax bases and constitute indirect financial assistance granted to economic agents who meet specific criteria and conditions established by the legislator, with the aim of generating positive effects that encourage domestic or foreign investors[4].

From an economic perspective, tax incentives aim to[5]:

- Promote investment by reducing or eliminating the tax burden, thereby allowing enterprises to redirect tax savings toward investment and enhance competitiveness against foreign products;
-Support imports of capital goods necessary not only for initiating development but also for sustaining it;
-Increase future public revenue by expanding the tax base through diversified economic activity.

2. Tax Exemption:

Tax exemption refers to the non-imposition of tax on a specific income, either permanently or temporarily, pursuant to the law. States resort to this measure based on economic, social, and political considerations. Tax exemptions may be permanent or temporary; with permanent exemptions involving the waiver of the state's right to tax so long as the grounds for exemption persist[6].

3. Type of Tax Exemption under Law No. 19-14:

Article 33 of Law No. 20-07 (Supplementary Finance Law for 2020) amended Article 69 of Law No. 19-14 to provide that start-up companies are exempt from professional activity tax[7], global income tax, or corporate income tax for three years starting from the commencement of activity[8].

This provision was subsequently amended by Article 86 of Law No. 20-16 (Finance Law for 2021), extending the exemption period to four years starting from the date of obtaining the Start-up label, with an additional year in the event of renewal, and

granting VAT exemption and a reduced customs duty rate of 5% on equipment directly used in investment projects…[9]

The legislator referred the implementation of the provisions of Article 86 to regulatory instruments. Accordingly, Executive Decree No. 23-323 was issued, amending Executive Decree No. 21-170. Article 1 thereof, as amended by Article 2, provides as follows:

Pursuant to the provisions of Article 69 of Law No. 19-14 containing the Finance Law for the year 2020, as amended and supplemented, and Article 87 of Law No. 20-16 containing the Finance Law for the year 2021, this decree aims to determine the conditions and modalities for benefiting from the tax incentives granted to enterprises bearing the 'Start-up' label or the 'Incubator' label.

The remaining articles of the decree set out these conditions and modalities[10].

A- Exemption from the Professional Activity Tax (TAP) for a period of four (4) years

This tax was levied on the turnover achieved by natural and legal persons engaged in industrial or commercial activities, regardless of the financial results of the enterprise. Its rate was set at 2%, and its proceeds were distributed as follows: 66% to municipalities, 29% to wilayas, and 5% to the Joint Fund of Local Authorities, pursuant to Article 222 of the Direct Taxes and Similar Levies Code (2020 edition).

However, the legislator repealed, under Article 14 of the Finance

Law for 2024, the provisions of Articles 217 to 231 of the Direct Taxes and Similar Levies Code relating to the Professional Activity Tax. Under Article 15 of the Finance Law for 2024, a new Chapter III bis entitled **Local Solidarity Tax** was introduced into Part Two of the Direct Taxes and Similar Levies Code, comprising Articles 231 bis to 231 bis 9.

B-Exemption from the Global Income Tax (IRG) for a period of four (4) years

Pursuant to Article 1 of the Direct Taxes and Similar Levies Code (January 2025 edition), a single annual tax on the income of natural persons, called the 'Global Income Tax,' is established. This tax is imposed on the taxpayer's net total income, as determined in accordance with Articles 85 to 89 of Ordinance No. 76-101 on Direct Taxes and Similar Levies[11].

C- Exemption from the Corporate Profit Tax (IBS) for a period of four (4) years

The Corporate Profit Tax is a tax applicable to legal persons subject to the real tax regime and is calculated on the profit achieved by the company during the fiscal year. Article 135 of the Direct Taxes and Similar Levies Code provides that:

An annual tax is established on the total profits and income realized by companies and other legal persons referred to in Article 136, called the 'Corporate Profit Tax.

Under Article 136, all companies, regardless of their legal form or purpose, are subject to this tax, with the exception of partnerships and joint-stock companies within the meaning of commercial law.

Notwithstanding the exception provided for in Article 136, and as previously noted, the legislator referred the regulation of the simplified joint-stock company to the provisions governing joint-stock companies. The text thus reflects the exemption granted by the legislator under Article 33 of the Supplementary Finance Law for 2020, amending Article 69 of Law No. 19-14 mentioned above.

D-Exemption from Value Added Tax (VAT) for a period of four (4) years and application of a 5% customs duty rate upon importation

Value Added Tax is a tax calculated on turnover exclusive of tax, generated in Algeria by taxpayers subject to either the real or simplified regimes (including liberal professions). It applies to transactions falling within industrial, commercial, or artisanal activities carried out habitually or occasionally by the taxpayer, pursuant to Article 1 of the Turnover Tax Code. It is levied at rates of 19%, 23%, and 26%.

2. Measures established by Law No. 23-12 on the general principles governing public procurement with regard to supporting start-ups

Third: Establishment of the Fund for Supporting and Developing the Economic Ecosystem of Start-ups as an alternative financing mechanism

Article 131 of Law No. 19-14 containing the Finance Law for 2020, as amended by Article 68 of Law No. 20-07 containing the Supplementary Finance Law, and further amended by Article 42

of Law No. 21-07 containing the Supplementary Finance Law for 2021, provides for the opening of a special appropriation account in the Treasury under No. 150-302, entitled **:Fund for Supporting and Developing the Economic Ecosystem of Start-ups.**

The following items are recorded in this account[12]:

Revenues:

- State subsidies,
- Proceeds from tax and parafiscal levies,
- Donations and bequests,
- All other resources and contributions.

Expenditures:

- Financing feasibility studies,
- Financing the development of business plans,
- Financing technical assistance,
- Financing costs related to the creation of prototypes,
- Financing training,
- Incubation of start-ups,
- Promotion of the start-up economic ecosystem.

The Minister Delegate to the Prime Minister in charge of the Knowledge Economy and Start-ups is the authorizing officer for this account, notwithstanding the provisions of Article 26 of Law No. 90-21 of 15 August 1990 on public accounting, as amended and supplemented[13].

The conditions and modalities for the operation of this account are determined by regulation. Accordingly, Executive Decree No. 21-

303 was issued, specifying the procedures for managing this account. The final paragraph of Article 3 thereof provides that the list of revenues and expenditures recorded in this account shall be determined by a joint decision of the Minister in charge of Finance and the Minister in charge of Start-ups. Article 4 of the same decree provides that the procedures for monitoring and evaluating this account shall also be determined by a joint decision[14].

In application of Article 3 of Executive Decree No. 21-303, a joint ministerial decision dated 23 August 2021 was issued, determining the revenue and expenditure classification of this account, as supplemented by the joint ministerial decision dated 30 November 2022. Article 2 thereof detailed the provisions relating to expenditures.

In application of Article 4 of the aforementioned Executive Decree No. 21-303, a joint ministerial decision dated 23 August 2021 was issued concerning the procedures for monitoring and evaluating this account. Article 2 thereof provides that:

The Fund for Supporting and Developing the Economic Ecosystem of Start-ups finances, in the form of financial allocations, activities related to supporting and developing the economic ecosystem of start-ups and innovative project holders, in accordance with the joint ministerial decision dated 23 August 2021 determining the revenue and expenditure classification of this account, as supplemented by the joint ministerial decision dated 30 November 2022[15].

A funding grant agreement is concluded between the Minister in charge of Start-ups and the enterprise owner, specifying the modalities for implementing, executing, and monitoring the activities benefiting from the Fund's allocation, as well as defining rights and obligations, the amount of the granted allocation, and the methods of disbursement, in accordance with Article 4 of this decision.

The second paragraph of the same article confirms that benefiting from the Fund's financing is conditional upon the signing of the agreement by both parties. Beneficiary enterprises are required to submit periodic reports on the use of allocations to the services of the Minister in charge of Start-ups, pursuant to Article 5 thereof[16].

Conclusion

It is clear that Algeria is steadily moving toward building a diversified knowledge-based economy through the adoption of legislative and structural reforms aimed at encouraging innovation and enabling start-ups to play a central role in advancing the national economy. The establishment of the simplified joint-stock company, created exclusively by enterprises holding the Start-up label and governed by the provisions applicable to joint-stock companies as the optimal model for capital companies, together with the tax exemption measures provided under Law No. 19-14, constitutes evidence of the Algerian legislator's awareness of the importance of adapting the legal framework to contemporary requirements and market changes.

These efforts are expected to create a flexible and stimulating economic environment capable of attracting skills and investments and achieving the desired sustainable development.

Accordingly, the main findings and recommendations of this research may be summarized as follows:

First: Research Findings:

1. Algeria's adoption of a new economic strategy through the promotion of start-ups highlights its political will to transition toward a diversified economy based on innovation and entrepreneurship.
2. The Finance Law for 2020 represented an effective legislative starting point for supporting start-ups in Algeria and reflects the legislator's concern with adapting legislation to economic developments, notably through the shift from the term start-up companies to start-ups.
3. Article 69 of Law No. 19-14 constituted the cornerstone of legal recognition of start-ups by establishing an initial definition and paving the way for subsequent legal developments in line with economic realities.
4. The introduction of the simplified joint-stock company represents a flexible legal mechanism combining features of capital companies and partnerships, thus providing a suitable legal environment for start-ups to grow and develop.
5. The granting of tax exemptions and the establishment of the Fund for Supporting and Developing the Economic

Ecosystem of Start-ups are among the most prominent financial support tools adopted by Law No. 19-14, reflecting a tangible shift toward effective support and the construction of a new economic model.

6. The establishment of a legislative framework that encourages innovation and investment in modern sectors as a pillar of economic development reflects the State's orientation toward global trends and the transition from a rent-based economy to a knowledge-based economy.

Second: Recommendations

1. Strengthening the legal framework for start-ups by issuing a comprehensive and integrated law addressing their establishment, organization, financing, and monitoring mechanisms.
2. Continuing to update the legal framework for start-ups in line with global developments in digital and innovative business environments, drawing on successful international experiences.
3. Ensuring the continuity of tax exemptions and expanding them to cover all stages of start-up development, while monitoring their effective implementation by tax authorities.
4. Establishing a periodic evaluation system to assess the impact of financial measures (such as exemptions and funds) on the growth of start-ups, in order to adjust policies according to on-the-ground results and their actual

contribution to increasing the number and technological and economic development of projects.

5. Strengthening the role of the national fund supporting start-ups by increasing its financial resources and expanding its financing mechanisms to include venture capital and interest-free loans.
6. Encouraging public-private partnerships to support innovation and guide start-ups toward strategic, high value-added sectors (such as digitalization, renewable energy, and smart agriculture).

Marginalisation:

[1] **Law No. 19-14** of 14 Rabīʿ al-Thānī 1441,corresponding to 11 December 2019, containing the Finance Law for the year 2020, Official Gazette of the People's Democratic Republic of Algeria, Issue No. 81.

[2] **Law No. 22-09** dated 4 Shawwal 1443, corresponding to May 5, 2022, amends and supplements Order No. 75-59 dated 20 Ramadan 1395, corresponding to September 26, 1975, concerning the Commercial Code, Official Journal of Algeria, No. 32.

[3] **Sabrina Bouammar, Hamza Boukhrouba**, The Legal Nature of the Simple Joint-Stock Company "Start-up Companies", Journal of Legal Studies and Research, Faculty of Law and Political Science, University of M'sila, Vol. 8, No. 2, 2023, p. 242.

[4] **Support Start-up Companies in Algeria**: A Review of the Finance Laws 2020, 2021, 2022, University of Algiers 3, National Forum on the Role of the Algerian University in Developing an Entrepreneurial and Innovative Spirit through the Creation of Start-up Companies: A Study on Challenges and Mechanisms, 2023, p. 11, published at:https://www.researchgate.net/publication/374617561_202020212022mttlbat_ttbyq_altthfyzat

[5] Ibid., p. 12.

[6] Ibid., p. 13.
[7] Pursuant to the provisions of Article 222 of the Direct Tax and Similar Levies Law, Bulletin 2020.
[8] **Law No. 20-07** dated 12 Shawwal 1442, corresponding to June 4, 2020, concerning the Supplementary Finance Law for the year 2020, Official Journal No. 33 dated June 4, 2020.
[9] **Law No. 20-16** dated 12 Jumada al-Awwal 1441, corresponding to 4 June 2020, containing the Finance Law for the year 2021, Official Gazette No. 83 dated 31 December 2020.
[10] **Executive Decree No. 21-149** dated 16 Ramaḍān 1442, corresponding to 28 April 2021, determining the conditions and modalities for benefiting from the tax incentives granted to enterprises holding the "Start-up" label or the "Incubator" label, *Official Gazette of the People's Democratic Republic of Algeria*, No. 33, dated 5 May 2021.
Executive Decree No. 23-323 dated 20 Ṣafar 1445, corresponding to 6 September 2023, amending Executive Decree No. 21-149, *Official Gazette of the People's Democratic Republic of Algeria*, No. 60, dated 13 September 2023.
[11] **Ordinance No. 76-101** dated 17 Dhū al-Ḥijjah 1396, corresponding to December 1976, containing the Direct Taxes and Similar Levies Code, *Official Gazette of the People's Democratic Republic of Algeria*, No. 102, dated 22 December 1976.
[12] **Ordinance No. 21-07** dated 27 Shawwāl 1442, corresponding to 8 June 2021, containing the Supplementary Finance Law for the year 2021, Official Gazette of the People's Democratic Republic of Algeria, No. 44, dated 8 June 2021**.**
[13] **Repealed by Law No. 23-07** dated 3 Dhū al-Ḥijjah 1444, corresponding to 21 June 2023, relating to public accounting rules and financial management, *Official Gazette of the People's Democratic Republic of Algeria*, No. 42, dated 25 June 2023.
[14] **Executive Decree No. 21-303** dated 22 Dhū al-Ḥijjah 1442, corresponding to 1 August 2021, determining the procedures for managing a special appropriation account in the Treasury under No. 150-302 entitled "Fund for

Supporting and Developing the Economic Ecosystem of Start-ups", Official Gazette of the People's Democratic Republic of Algeria, No. 60, dated 5 August 2021.

[15] **Joint Ministerial Decision** dated 14 Muḥarram 1443, corresponding to 23 August 2021, determining the revenue and expenditure classification of Special Appropriation Account No. 150-302 entitled "Fund for Supporting and Developing the Economic Ecosystem of Start-ups", Official Gazette of the People's Democratic Republic of Algeria, No. 81, dated 24 October 2021

[16] **Joint Ministerial Decision** dated 14 Muḥarram 1443, corresponding to 23 August 2021, determining the procedures for monitoring and evaluating Special Appropriation Account No. 150-302 entitled *"Fund for Supporting and Developing the Economic Ecosystem of Start-ups", Official Gazette of the People's Democratic Republic of Algeria,* No. 81, dated 24 October 2021.