

Fiscal Policy as a Mechanism Influencing Investment Decision-Making in Algeria: A Comparative Case Study of Three Economic Enterprises

Benaouali Djilali ⁽¹⁾, Bouziane Karim ⁽²⁾

¹ Assistant Professor (Category B), Faculty of Economic Sciences, Commercial and Management Sciences, University of Khemis Meliana , Algeria ,

djilali.benaouali@univ-dbkm.dz

² Assistant Professor (Category B), Faculty of Economic Sciences, Commercial and Management Sciences, University of Relizane , Algeria ,

karim.bouziane@univ-relizane.dz

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Abstract :

This study aims to highlight the impact of fiscal policy on investment decisions in Algeria by analyzing the role of tax incentives in guiding the behavior of productive enterprises during both the implementation and operational phases. The study adopts descriptive-analytical and comparative approaches through a case study of three productive enterprises.

The findings indicate that tax exemptions—particularly those related to corporate income tax, value-added tax, and property tax—have contributed to reducing investment costs and improving enterprise profitability, thereby enhancing the sustainability of investment decisions. The results also show that the impact of fiscal policy varies according to the nature of the activity and the scale of investment, which confirms its role as a supportive instrument for improving the investment climate.

Mots clés:

Mot clé.1: سياسة جبائية

Mot clé.2: قرار استثماري

Mot clé.3: الضرائب

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المخلص :

تهدف هذه الدراسة إلى إبراز أثر السياسة الجبائية على القرار الاستثماري في الجزائر، من خلال تحليل دور التحفيزات الجبائية في توجيه سلوك المؤسسات الإنتاجية خلال مرحلتَي الإنجاز والاستغلال. اعتمدت الدراسة على المنهج التحليلي الوصفي والمقارن عبر دراسة حالة لثلاث مؤسسات إنتاجية. وتبين النتائج أن الإعفاءات الجبائية، خاصة الضريبة على أرباح الشركات والرسم على القيمة المضافة والرسم العقاري، ساهمت في تخفيض تكلفة الاستثمار وتحسين ربحية المؤسسات، بما يعزز استدامة القرار الاستثماري. كما يظهر أن أثر السياسة الجبائية يختلف باختلاف طبيعة النشاط وحجم الاستثمار، ما يؤكد دورها كأداة داعمة لتحسين مناخ الاستثمار.

Corresponding Author: Benaouali Djilali Email: djilali.benaouali@univ-dbkm.dz

1- Introduction:

Fiscal policy is considered one of the most important instruments of economic intervention employed by the state to influence the behavior of economic agents and guide their decisions, particularly investment decisions, which constitute a fundamental pillar for achieving economic growth and sustainable development. The tax system is not limited to mobilizing financial resources to finance public expenditures; rather, its role extends to encompass economic, social, and developmental dimensions through the incentives and tax exemptions it provides with the aim of encouraging investment, creating employment opportunities, and achieving regional and sectoral balance.

In light of the economic transformations experienced by Algeria, especially with the adoption of successive fiscal and structural reforms, fiscal policy has emerged as a strategic mechanism for supporting domestic and foreign investment by reducing the tax burden and improving the business climate. However, the effectiveness of this policy remains a subject of debate, as its impact on investment decisions varies according to the nature of the activity, the scale of investment, the cost structure, as well as the stages of the investment project (the implementation phase or the operational phase).

Within this context, the research problem of this study is articulated through the following central question:

To what extent does fiscal policy, through the system of tax incentives adopted in Algeria, contribute to influencing the investment decisions of productive enterprises?

From this main issue arise several subsidiary questions, including:

- What is the nature of the tax incentives granted to investment-oriented enterprises in Algeria?
- How do the tax burden and tax exemptions affect investment costs and project profitability?
- Does the impact of fiscal policy on investment decisions differ according to the project stage and the nature of the activity?

Based on the research problem, the study hypotheses can be formulated as follows:

- **Main Hypothesis**

Fiscal policy, through the system of tax incentives adopted in Algeria, has a positive effect on the investment decisions of productive enterprises.

- **Subsidiary Hypotheses**

- Tax incentives granted during the implementation phase contribute to reducing the initial cost of investment, thereby encouraging enterprises to undertake investment decisions.

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- Reducing the tax burden during the operational phase leads to improved financial performance and profitability of enterprises, which enhances the sustainability of investment decisions.
 - The impact of fiscal policy on investment decisions varies according to the nature of economic activity, the scale of investment, and the cost structure within the enterprise.
 - Tax exemptions related to corporate income tax and value-added tax are among the most influential fiscal instruments in directing investment decisions.
 - Fiscal policy, as a complementary instrument to other economic policies, contributes to improving the investment climate; however, it does not represent the sole determining factor of investment decisions.

- **Significance of the Study**

The importance of this study lies in highlighting the actual role of fiscal policy as an instrument for guiding investment, by combining theoretical grounding with applied quantitative analysis. This approach contributes to assessing the effectiveness of the adopted tax incentives and to presenting findings that may benefit policymakers, investors, and researchers in the fields of public finance and investment.

- **Objectives of the Study**

This study aims to demonstrate the impact of fiscal policy on investment decisions in Algeria and to analyze the extent to which tax incentives contribute to reducing investment costs and improving the financial performance of enterprises, while evaluating the implications of this impact for the sustainability and expansion of investment projects.

- **Methodology**

To achieve these objectives, the study relies on the descriptive–analytical method in the theoretical dimension and the comparative analytical method in the applied dimension, through a comparative case study of three productive enterprises operating in different sectors, with an analysis of financial and tax data during both the implementation and operational phases.

- **Structure of the Study**

- In response to the research problem and in pursuit of its objectives, this study is structured into three main sections:
 - The theoretical framework of fiscal policy and its incentive system
 - Investment decision-making and the impact of fiscal policy on it;
 - An applied study of the impact of fiscal policy on investment decisions in Algeria.

2- Theoretical Foundations of Fiscal Policy and Its Incentive System:

Financial incentives occupy a central role in a state's fiscal policy. This approach is employed to achieve economic development by directing investment toward specific regions with pre-defined objectives. This is accomplished through the provision of advantages and facilitation measures that enhance and simplify the commitment of enterprises across various investment sectors.

2.1- Fiscal Policy System:

Fiscal policy is defined as “a set of decisions taken to establish and organize tax levies in accordance with the objectives of public authorities. (Al-Issawi, (2021))

It is also defined as: “Fiscal policy is the method by which revenue is generated from taxes to cover public expenditure and the manner in which this arrangement contributes to influencing the economic and social environment, in line with general economic trends. (Ben Hammouda, 2022)

Furthermore, fiscal policy is described as: “the totality of planned and coordinated measures designed by the state, using all its actual and potential financial resources, to create desirable economic, social, and political effects while avoiding undesirable consequences, thereby contributing to the achievement of societal objectives. (Al-Issawi, (2021))

From the above, fiscal policy can be defined as follows: it is a set of integrated programs, instruments, and measures planned and implemented by the state, using taxation as a tool, aimed at achieving a range of economic, social, and political objectives that serve the broader goals of society.

2.1.1- Objectives of Fiscal Policy:

The objectives of fiscal policy have evolved alongside the development of state finance, shifting from a neutral role in ancient times to an interventionist role in the present day. These objectives can be summarized as follows (Bank, 2023):

2.1.1.1- The Financial Objective of Fiscal Policy:

This constitutes the primary and traditional objective of tax policy in any state, namely the financing of public expenditure. Accordingly, the financial objective of fiscal policy in covering public expenditures is closely linked to what is known as fiscal balance.

2.1.1.2- The Economic Objectives of Fiscal Policy:

Tax measures exert a significant influence on various economic agents. Differences in tax rates affect societal behavior, thereby influencing consumption patterns on one hand, and shaping the attitudes of savers, thus affecting the level of savings on the other. Additionally, tax measures impact investment decisions, thereby affecting the overall level of investment. Fiscal policy recognizes certain tax exemptions or incentives in order to encourage these groups to direct their resources toward investments aligned with the adopted economic policy.

2.1.1.3- The Social Objectives of Fiscal Policy:

Fiscal policy establishes its social objectives based on the premise that the mechanisms of a market economy lead to class disparities and social inequality at the macroeconomic level, which must be mitigated and corrected through taxation. Progressive tax rates are often applied to achieve this goal, as is the case with income tax and wealth tax.

2.1.2- The Impact of Fiscal Policy on Selected Economic Variables:

Fiscal policy exerts a significant influence on several economic variables, including consumption, savings, and investment. The principal effects can be summarized as follows (IMF, 2022):

2.1.2.1- The Impact of Fiscal Policy on Consumption:

For fiscal policy to be effective in regulating consumption, attention must be given either to public expenditure or to reducing progressive taxes, particularly income tax. Through individual incomes and the prices of goods and services, fiscal policy affects consumption, depending on the type of taxes—whether direct or indirect.

2.1.2.2- The Impact of Fiscal Policy on Savings:

In developing countries, fiscal policy is employed as a form of compulsory savings, which is utilized to finance economic development, given the scarcity of financial resources necessary for development. Fiscal policy also plays a fundamental role in the redistribution of national income. It channels portions of income that might otherwise have been directed to luxury consumption toward productive investment. On this basis, the state uses fiscal policy as a means of mobilizing surpluses within the economy and redistributing national income, thereby initiating an accumulation process that accelerates economic development

2.1.2.3- The Impact of Fiscal Policy on Investment:

While the propensity to invest depends on the prevailing market interest rate

as well as the marginal efficiency of capital, fiscal policy exerts a significant influence on the investment propensity through its effect on profit rates. Investment propensity increases with higher profit opportunities and decreases when they decline. Moreover, fiscal policy serves as a fundamental instrument of economic and social regulation, directing investment. Tax legislation grants fiscal advantages to attract investors toward activities of economic significance.

2.2- Fiscal Incentive System

The concept of tax incentive policy is embodied in the measures and methods adopted by the state to stimulate its economic agenda, aiming to reconcile the interests of the state on one hand with those of economic actors on the other.

2.2.1- Definition of Fiscal Incentives

a. Fiscal incentive policy is defined as tax exemptions granted by the tax legislator to national or foreign investors, with the objective of enticing capital owners to direct their funds within the country through investment in various regions (al-Jaza'iriyya, 2025).

b. Fiscal incentives are considered reductions in tax rates, the tax base, or tax obligations granted to beneficiaries under certain conditions (Nasser, 2002, p. 151) These are indirect financial benefits provided to investors who comply with obligations and conditions stipulated by the legislator.

From the above definitions, it can be concluded that fiscal incentives constitute a set of measures and methods of an incentivizing nature, represented in indirect financial assistance provided by the state to promote a specific sector within the framework of development. These incentives are subject to defined conditions and criteria that the beneficiaries must fulfill. Accordingly, the state relinquishes a portion of its tax revenue in favor of the recipients of the incentive policy.

2.2.2- Characteristics of Fiscal Incentive Policy:

Based on the preceding definitions of fiscal incentives, their characteristics can be outlined as follows (Ben Saïd, 2023):

a. Voluntary Measure: Fiscal incentives, as a mechanism of fiscal policy, provide taxpayers with tax advantages in return for fulfilling certain conditions set by the state. However, investors have complete freedom to accept or reject these incentives without any penalties or negative

repercussions, as participation in fiscal incentive programs is entirely voluntary.

b. Purposeful Measure: The state aims, through fiscal incentives in the form of exemptions, benefits, or facilitation measures, to influence investor behavior and guide their decisions toward establishing investment projects in sectors that the state seeks to promote, develop, and advance.

c. Conditional Measure: Fiscal incentives are directed at a specific targeted group of investors, who are required to comply with conditions established by the legislator. These conditions may include the nature of the activity, the location of the investment, the legal and organizational framework of the investor, the creation of a specified number of jobs, or the establishment of investments in particular sectors identified by the state for development.

d. Reciprocity (Benefit–Consideration): Investors benefit from tax exemptions granted by the state in exchange for being influenced to invest in the economic development sectors prioritized by the government.

e. Instrumental Measure: Fiscal incentives serve as a tool used by the state to influence and guide investors’ decisions. These are manifested in specific tax exemptions and reductions, structured according to criteria and conditions established within fiscal incentive programs.

2.3- Taxes Representing Fiscal Incentives within the Algerian Tax System

The Algerian tax system is characterized by the presence of several types of taxes. In this context, we will focus on the most significant taxes imposed on enterprises engaged in professional activities—commercial, industrial, service-oriented, or artisanal. This discussion will cover various types of taxes of major importance within the tax base, which can be utilized as fiscal incentives to influence and guide investors’ decisions (Ben Saïd, 2023).

2.3.1- Income Taxes

Income taxes generally include those levied on the earnings of legal entities (companies) as well as the income of natural persons (individuals) subject to the real profit system. These taxes primarily consist of the Corporate Income Tax (CIT) and the Personal Income Tax (PIT).

2.3.1.1- Corporate Income Tax (CIT)

This tax was established under the 1991 Finance Law. Corporate Income Tax is defined as follows: “An annual tax is levied on the total profits or

income earned by companies and other legal entities... This is referred to as Corporate Income Tax (CIT). (., 2024)

Since its introduction in 1992, the corporate income tax rate has undergone several amendments, which can be illustrated in the following table:

Table 02-01: Evolution of the Corporate Income Tax Rate in Algeria
(1992–2015)

Finance Laws	F.L 1992	F.L 1994	F.L 1999	F.L.S 2006	F.L.S 2008	F.L 2015	F.L.S 2015
Standard rate	42%	38%	30%	25%	19% 25%	23%	19% 23% 26%
Reduced rate	5%	5%	15%	12.5%	-	-	-

Source: Prepared by the student based on the Finance Laws of the years 1992, 1994, 1999, and 2015, and the Supplementary Finance Laws of the years 2006, 2008, and 2015.

a. Personal Income Tax (PIT):

The Personal Income Tax was established under the 1991 Finance Law. It is defined as follows: “A single annual tax levied on the income of natural persons, referred to as Personal Income Tax, imposed on the taxpayer’s total net income...” (Finance, 2025)

• Calculation of Personal Income Tax:

The tax due is determined based on the taxpayer’s total net income, calculated by summing all income earned and deducting expenses legally allowed. A progressive tax schedule is then applied to the total net income. However, certain types of income are exempted through withholding at the source.

Table 02-02: Annual Progressive Scale of Personal Income Tax

Taxable income	Bracket width	Rate
Less than 240.000	120.000	0%
From 240.001 to 480.000	240.000	23%
From 480.001 to 960.000	480.000	27%
From 960.001 to 1.920.000	960.000	30%
From 1.920.001 to 3.840.000	1.920.000	33%
Greater than 3.840.000	-----	35%

Source: Article 104 of the Direct Taxes and Similar Duties Law, 2025

2.3.1.2- Taxes on Turnover

Turnover taxes generally include those levied on economic activity, calculated based on the turnover generated by natural or legal persons, primarily represented by the Value-Added Tax (VAT).

The Value-Added Tax (VAT) is an indirect tax introduced as part of the fiscal reform implemented by Algeria in 1992, replacing the General Single Tax on Production (TUGP) and the General Single Tax on Service Delivery (TUGPS). Its application commenced on April 1, 1992, under the 1992 Finance Law, and it was extended from 1995 (Taxes, 2024) to cover banking and insurance activities, replacing the tax previously applied to banking and insurance operations (TOBA), which was also abolished under the 1995 Finance Law.

The VAT rates have undergone several modifications since its introduction in 1992, as illustrated in the following table:

Table 02-03: Evolution of the Value-Added Tax Rate in Algeria (1992–2017)

Finance Law	1992	1995	1997	2001	2017
Reduced rate private	7%	7%	7%	-	-
Reduced rate	13%	13%	14%	7%	9%
Standard rate	21%	21%	21%	17%	19%
Double rate	40%	-	-	-	-

Source: Prepared by the student based on the Finance Laws of the years 1992, 1995, 1997, 2001, and 2017.

3- Investment Decisions and Their Relationship with Fiscal Policy:

An investment decision involves making choices regarding the allocation of financial resources to various investment projects with the aim of achieving anticipated future returns. Fiscal policy plays a significant role in influencing investment decisions, as well as in the continuous analysis of available investment opportunities. Through such mechanisms, individuals and companies can achieve long-term returns and build substantial financial wealth.

3.1- Definition of Investment Decision:

Investment decisions are among the most important and challenging decisions undertaken by management within an enterprise. Typically, financial management engages in these decisions with the objective of

increasing the return on investment or enhancing the owners' wealth (Zerrouki, 2022).

Generally, the term "investment decision" refers to the process of allocating a set of resources in the present with the expectation of generating returns over several future periods. It involves selecting the investment alternative that yields the highest return among at least two options, based on a series of feasibility studies conducted prior to the decision-making process (Zerrouki, 2022)

Investment decisions also involve the selection of one alternative among several options related to acquiring capital assets, focusing on expenditures whose returns extend beyond a single year. (Bouhassan, 2024)

Based on the above, it can be stated that an investment decision requires investors to explore available options and consult experts before taking any action. This approach enables them to achieve sustainable success and enhance the growth of their investment portfolio over the long term.

3.2- Importance of Investment Decisions:

Investment decisions hold considerable importance for several reasons: (Auerbach, 2021,p.11)

- Long-term investment serves as the primary driver for ensuring the continued existence of the enterprise;
- Investment processes require substantial financial resources relative to the funds available to the enterprise or project;
- Investment decisions commit the enterprise over the medium and long term, making reversal difficult;
- Investment decisions impact the image of the enterprise by influencing its economic and financial environment.

3.3- Objectives of Investment Decisions:

Investment decisions aim to achieve a set of objectives, summarized as follows (Auerbach, 2021,p.25):

- To attain an appropriate return and profitability that ensure the continuity of the project;
- To preserve the original capital of the project from depletion or erosion through the investment process;
- To continuously evaluate investment alternatives that guarantee the ongoing flow and growth of income;

- To ensure sufficient liquidity to meet unforeseen circumstances and obligations arising from the investment decision.

3.4- The Impact of Fiscal Policy on Investment Decisions

Fiscal policy constitutes a fundamental determinant of investment decisions, as taxes—particularly income taxes—directly affect the net present value of projects. This impact can be summarized as follows: (De Mooij, 2022)

- **Reduction of Expected Returns:** Increases in tax rates lead to a uniform reduction in net returns, potentially rendering marginally profitable projects economically unviable.
- **Significance of Tax Legislation (Loss Carryforwards):** In cases of projects with irregular returns, legislation plays a critical role. The absence of provisions allowing the deduction or carryforward of losses may result in the preference of certain investments over others, even when their pre-tax expected values are identical.
- **Impact of Depreciation (Tax Shield):** Financial management often employs declining-balance depreciation to maximize cash flows. Although it represents a non-cash expense, it functions as a “tax shield” that reduces taxable income during the initial years, thereby deferring tax obligations and improving liquidity available for investment.
- **Tax Burden and Development:** Progressive taxes (with higher marginal rates) increase the financial burden on investors, potentially discouraging investment expansion and hindering economic development plans due to reduced retained and distributed profits.

04- Comparative Case Study of Three Productive Enterprises and the Impact of Fiscal Policy on Investment Decision-Making in Algeria.

This section aims to examine the applied impact of fiscal policy on investment decision-making through a comparative multi-case study of three productive enterprises operating in different sectors of the Algerian economy. This methodological orientation is adopted with the purpose of enhancing the explanatory capacity of the research by comparing diverse investment experiences subject to the same fiscal and legal framework.

To this end, the comparative analytical method is employed by tracing the trajectory of the selected investments during both the implementation and operational phases, and by analyzing the scope and nature of the fiscal incentives from which they benefit, as well as the extent to which these incentives are reflected in investment costs, project profitability, and the adoption of investment expansion decisions.

04.01- General Presentation of the Institutions Under Study

Three productive enterprises operating in priority sectors within the State's economic policy were selected, all of which are subject to the provisions of the Investment Law and the Algerian fiscal system.

Table (4-1): Characteristics of the Institutions Under Study

Enterprise	Nature of Activity	Year of Establishment	Investment Cost (DZD)	Number of Jobs
Enterprise (A)	Processing and canning of fruits and vegetables	2019	400.000.000	18
Enterprise (B)	Building materials manufacturing	2020	650.000.000	25
Enterprise (C)	Food industries (grain processing)	2018	520.000.000	22

Source: Prepared by the researchers based on information obtained from the enterprises

These enterprises were selected on the grounds of their benefiting from the fiscal incentives granted within the framework of investment support, despite differences in the nature of activity and the scale of investment, thereby allowing for an objective comparison.

04.02 – Fiscal Incentives During the Implementation Phase (Comparative Quantitative Analysis)

The implementation phase is considered one of the stages that benefits most from fiscal incentives, as the State seeks, through this phase, to reduce the initial cost of investment projects and to improve their economic feasibility prior to entering the operational phase. In this context, the institutions under study benefited from substantial tax and customs exemptions, which were directly reflected in a reduction of investment costs.

04.02.01– Quantitative Presentation of Fiscal Exemptions During the Implementation Phase :

First: North Africa Canning Group Enterprise – Chlef

The total cost of project implementation amounted to DZD 400.000.000 distributed as follows:

Type of Equipment	Value (DZD)	Type of Exemption	Exemption Value (DZD)
Locally sourced equipment	120.000.000	VAT exemption (19%)	22.800.000
Imported equipment	280.000.000	Customs duty exemption (5%)	14.000.000
	VAT exemption	55,860,000	

	on import (19%)		
Total	400.000.000	—	92.660.000

Source: Prepared by the researchers based on information obtained from the enterprises.
Total Fiscal Incentives During the Implementation Phase: 92.660.000 DZD

Second: Western Algerian Cement and Construction Enterprise (Building Materials)

The total investment cost amounted to 650.000.000 DZD allocated primarily to imported equipment.

Type of Equipment	Value (DZD)	Type of Exemption	Exemption Value (DZD)
Locally sourced equipment	150.000.000	VAT exemption (19%)	28.500.000
Imported equipment	500.000.000	Customs duty exemption (5%)	25.000.000
	VAT exemption on import (19%)	99.750.000	
Total	650.000.000	—	153.250.000

Source: Prepared by the researchers based on information obtained from the enterprises.
Total Fiscal Incentives During the Implementation Phase: 153.250.000 DZD

Third: Central Food Mills Enterprise (Grain Processing)

The total investment cost amounted to 520.000.000 DZD with a greater reliance on locally sourced equipment.

Type of Equipment	Value (DZD)	Type of Exemption	Exemption Value (DZD)
Locally sourced equipment	400.000.000	VAT exemption (19%)	76.000.000
Imported equipment	120.000.000	VAT exemption on import (19%)	22.800.000
	Customs duty exemption (5%)	6.000.000	
Total	520.000.000	—	104.800.000

Source: Prepared by the researchers based on information obtained from the enterprises.
Total Fiscal Incentives During the Implementation Phase: 104.800.000 DZD

04.02.02 – Comparative Quantitative Analysis of Fiscal Incentives During the Implementation Phase

Table (4-2): Quantitative Comparison of Fiscal Incentives

Enterprise	Investment Cost (DZD)	Total Exemptions (DZD)	Reduction Rate
North Africa Canning Group	400.000.000	92.660.000	23.16%
Cement and Construction Enterprise	650.000.000	153.250.000	23.57%
Food Mills Enterprise	520.000.000	104.800.000	20.15%

Source: Prepared by the researchers based on the enterprises' tax declarations.

Analysis and Interpretation of Results

- The Western Algerian Cement and Construction Enterprise recorded the highest absolute value of fiscal incentives (DZD 153.25 million), owing to its substantial reliance on imported equipment.
- The North Africa Canning Group Enterprise – Chlef achieved a significant reduction rate exceeding 23% of total investment costs, which constituted a decisive factor in the realization of the project.
- Although the Central Food Mills Enterprise benefited from relatively lower exemptions, fiscal incentives nevertheless contributed to reducing the overall investment cost by more than DZD 100 million.

Overall, it is evident that fiscal incentives during the implementation phase constitute an effective instrument for reducing investment costs; however, the magnitude of the benefit remains closely linked to the nature of the activity and the structure of the equipment employed.

04.03 – Fiscal Incentives During the Operational Phase (for the Period 2022–2024)

After entering the operational phase, fiscal incentives shift from being a tool for reducing investment costs to an effective mechanism for enhancing financial performance and project profitability, by alleviating the annual tax burden on productive enterprises. In order to analyze this impact, the numerical values of the fiscal exemptions benefited from over three consecutive years will be presented.

04.03.01 – Fiscal Incentives: North Africa Canning Group Enterprise (A)

Basic Data:

- Average annual turnover: 190–215 DZD million

- Taxable result before exemption: variable depending on the year
- IBS rate (Corporate Income Tax): 19%
- Annual property tax: 4.350.000 DZD

Table (4-3): Fiscal Incentives for Enterprise (A) During the Operational Phase (2022–2024)

Year	Taxable Result (DZD)	CIT Outside Exemption (19%)	CIT Paid	Property Tax Exemption	Total Exemptions
2022	14.800.000	2.812.000	0	4.350.000	7.162.000
2023	18.260.300	3.469.457	0	4.350.000	7.819.457
2024	21.400.000	4.066.000	0	4.350.000	8.416.000

Source: Prepared by the researchers based on the enterprise tax declarations.

Total Exemptions Over Three Years: 23.397.457 DZD

04.03.02 – Quantitative Fiscal Incentives: Western Algerian Cement and Construction Enterprise (B)

Specific Characteristics of the Enterprise:

- Partial exemption from CIT (50%)
- Exemption from property tax for a period of five years
- Capital-intensive activity

Table (4-4): Fiscal Incentives for Enterprise (B) During the Operational Phase (2022–2024)

Year	Taxable Result (DZD)	CIT Outside Exemption (19%)	CIT Paid	Property Tax Exemption	Total Exemptions
2022	28.000.000	5.320.000	2.660.000	2.660.000	5.800.000
2023	32.500.000	6.175.000	3.087.500	3.087.500	5.800.000
2024	36.000.000	6.840.000	3.420.000	3.420.000	5.800.000

Source: Prepared by the researchers based on the enterprise tax declarations

Total Exemptions Over Three Years: 26.567.500 DZD

04.03.03 – Quantitative Fiscal Incentives: Central Food Mills Enterprise (C)

Specific Characteristics of the Enterprise:

- Full exemption from IBS
- Exemption from property tax for a period of ten years
- Medium-scale activity

Table (4-5): Fiscal Incentives for Enterprise (C) During the Operational Phase (2022–2024)

Year	Taxable Result (DZD)	CIT Outside Exemption (19%)	CIT Paid	Property Tax Exemption	Total Exemptions
2022	16.500.000	3.135.000	0	3.900.000	7.035.000
2023	19.200.000	3.648.000	0	3.900.000	7.548.000
2024	22.000.000	4.180.000	0	3.900.000	8.080.000

Source: Prepared by the researchers based on the enterprise tax declarations

Total Exemptions Over Three Years: 22.663.000 DZD

04.03.04 – Comparative Quantitative Analysis of Fiscal Incentives During the Operational Phase

Table (4-6): Overall Comparison of Fiscal Exemptions (2022–2024)

Enterprise	Total Exemptions (DZD)	Average Annual Exemption
Enterprise (A)	23.397.457	7.799.152
Enterprise (B)	26.567.500	8.855.833
Enterprise (C)	22.663.000	7.554.333

Source: Prepared by the researchers based on the enterprise tax declarations

Analysis and Interpretation of Results

- Full exemption from corporate income tax enabled Enterprises (A) and (C) to retain their entire taxable results, thereby strengthening their capacity for self-financing.
- Enterprise (B) recorded the highest total value of exemptions during the operational phase, despite benefiting only from a partial CIT exemption, due to its higher turnover and the magnitude of the exempted property tax.
- Exemption from property tax contributed to alleviating fixed cost burdens, particularly for enterprises with large industrial facilities.
- The results demonstrate that fiscal incentives during the operational phase play a strategic role in enhancing financial stability and improving project profitability, thereby encouraging business continuity and investment expansion.

04.04 – Comparative Analysis of the Impact of Fiscal Policy on Investment Decision-Making in the Institutions Under Study

This analysis aims to highlight the manner in which fiscal policy, through its various incentive instruments, has influenced investment decision-making

within the institutions under study, both during the implementation phase and the operational phase. This is carried out on the basis of a quantitative and financial comparison among the three cases previously examined.

First: The Impact of Fiscal Policy During the Implementation Phase on Investment Decision-Making

The comparative results indicate that the fiscal incentives granted during the implementation phase played a decisive role in reducing the initial cost of investment, which was positively reflected in the decision to launch the projects under study.

- The Cement and Construction Enterprise (B) recorded the highest absolute value of fiscal exemptions (DZD 153.25 million), which encouraged the realization of a capital-intensive investment project that relies heavily on imported equipment.
- The North Africa Canning Group Enterprise (A) achieved a reduction rate exceeding 23% of total investment costs, contributing to improved economic feasibility and reduced risks associated with the start-up phase.
- Although the Food Mills Enterprise (C) benefited from relatively lower exemptions, the reduction of investment costs by more than DZD 100 million constituted a motivating factor in the investment decision, particularly given its greater reliance on locally sourced equipment.

Accordingly, it becomes evident that fiscal policy during the implementation phase has a direct influence on the decision to enter into investment; however, the magnitude of this effect varies according to the nature of the activity and the structure of the investment.

Second: The Impact of Fiscal Policy During the Operational Phase on the Sustainability of the Investment Decision

During the operational phase, the effect of fiscal policy shifted from reducing investment costs to supporting financial performance and enterprise profitability, thereby reinforcing the sustainability of the investment decision and the potential for expansion.

- Full exemption from corporate income tax (IBS)CIT enabled Enterprises (A) and (C) to retain their entire taxable results, strengthening self-financing capacity and reducing reliance on external financing.
- Enterprise (B) achieved the highest average annual exemption despite benefiting only from a partial IBS exemption, owing to its higher turnover and the magnitude of the exempted property tax, which contributed to improving its competitive capacity.
- Exemption from property tax helped alleviate fixed cost burdens, particularly for enterprises with an industrial character and large production areas.

These results confirm that fiscal incentives during the operational phase constitute a strategic element in supporting project stability and enhancing profitability.

Third: Overall Comparison of the Impact of Fiscal Policy on Investment Decision-Making

Based on the comparative analysis, the following conclusions may be drawn:

- Fiscal policy positively influences the decision to initiate investment by reducing initial costs and mitigating risks.
- Fiscal incentives during the operational phase contribute to enhancing the sustainability of the investment decision and encouraging expansion.
- The magnitude of the fiscal impact varies from one enterprise to another depending on the nature of the activity, the scale of investment, and the cost structure.
- Fiscal policy represents a complementary instrument to economic policies, rather than a sole determinant of investment decision-making.

Conclusion

In light of the theoretical analysis and the applied findings reached in this study, it becomes evident that fiscal policy constitutes one of the influential determinants in guiding investment decisions within the Algerian economy, through the incentive mechanisms it provides aimed at reducing tax burdens and improving project returns. The integration of the theoretical framework with the comparative applied study has made it possible to highlight how fiscal policy moves from a general legislative framework to a practical instrument with a direct impact on the investment behavior of enterprises.

The study also demonstrates that the effectiveness of fiscal policy is not measured solely by the scale of tax exemptions granted, but rather by the extent of their alignment with the characteristics of investment activities and their stages of development, in addition to their capacity to support the financial stability of enterprises and enhance the sustainability of their investment decisions. Accordingly, assessing the role of fiscal policy requires viewing it within an integrated system of economic policies that interact with one another to achieve development objectives and promote productive investment.

Findings

- The study shows that tax incentives during the operational phase—particularly exemptions from corporate income tax and property tax—contribute to improving financial performance and enhancing profitability, thereby supporting the sustainability of investment decisions.

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- The results reveal a variation in the impact of fiscal policy among enterprises, depending on differences in the nature of activity, the scale of investment, and the cost structure, which confirms the relative and non-uniform nature of fiscal policy effects.
 - Fiscal policy represents an important factor in directing investment decisions; however, it remains a complementary instrument to other economic policies and cannot be considered the sole determinant of investment.
 - Tax exemptions have contributed to strengthening enterprises' capacity for self-financing and reducing reliance on external financing, thereby supporting financial stability.
 - Fiscal policy has enabled the enterprises under study to improve their competitive position in the market by reducing fixed and variable costs.
 - The findings highlight that the clarity and stability of tax incentives encourage enterprises to engage in long-term planning and pursue investment expansion.

Recommendations

- Ensuring the stability and clarity of tax legislation in order to reduce uncertainty that may negatively affect investors' decisions.
- Directing tax incentives more precisely toward productive sectors with high value added and strong employment-generating capacity.
- Improving mechanisms for supporting investors, particularly during the implementation phase, to facilitate effective access to tax incentives.
- Conducting periodic evaluations of the effectiveness of adopted tax incentives and linking them to clear performance indicators such as job creation, expansion of productive capacity, and the achievement of regional development.
- Strengthening coordination between fiscal policy and other economic policies to ensure the realization of an integrated and sustainable developmental impact.

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