



Legal Incentives for Startups in Algerian Law

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Abstract:

Since independence, Algeria has been searching for alternative ways to support the national economy, moving away from a rentier economy. It has begun supporting startups, starting with encouraging university students to graduate with startup-based thesis proposals, and extending to offering tax incentives to facilitate the entry of startups into the job market, It also recently added a new institution in 2025, the Accelerated Foundation.

In addition, the authorities have sought to establish bodies to assist these institutions with the issue of financing. These are the Startup Funding Fund and digital platforms that can be external through crowdfunding platforms.

Keywords: Legislation ;Startup ; Scale up ; Tax; Financing; Incentives.

المخلص:

منذ الإستقلال والجزائر تبحث عن طرق بديلة أخرى لدعم الاقتصاد الوطني بعيدا عن الاقتصاد الريعي ، فأخذت تدعم المؤسسات الناشئة إنطلاقا من تحفيز الطلبة في الجامعة على التخرج بمذكرات عبارة عن مؤسسة ناشئة وصولا إلى تقديمها تحفيزات متعلقة بالضريبة وذلك لتسهيل على المؤسسة الدخول سوق الشغل ، كما أضافت مؤخرا في 2025 مؤسسة جديدة وهي المؤسسة المتسارعة .

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بالإضافة إلى ذلك فقد سعت السلطات إلى إنشاء هيئات لمساعدة هذه المؤسسات في مسألة التمويل. وهما مؤسسة صندوق تمويل المؤسسات الناشئة، ومنصات رقمية يمكن أن تكون خارجية من خلال منصات التمويل الجماعي .

الكلمات المفتاحية : التشريع ، المؤسسة الناشئة ، المؤسسة المتسارعة ، الضريبة ، التمويل ، التحفيزات .

Introduction :

Not rely on rent but on an alternative economic model that contributes to moving the wheel of economic growth away from that rentier vision on which the country's economy has relied since independence. The government has adopted the idea of startups, which has become a model to be emulated in many fields¹ .

Startups in Algeria draw their inspiration from the challenges facing contemporary societies, striving to provide solutions to these challenges. Furthermore, these companies work to promote a culture of entrepreneurship and stimulate the spirit of innovation and creativity among Algerian youth.

Startups in Algeria has an increasing support from the state and local and international institutions, which contributes to enhancing their ability to grow and thrive. Tax exemptions and other government facilitations are among the main factors that contribute to supporting and promoting the activity of these companies²

Undoubtedly, supporting startups has become a priority for economic decision-makers in the Algerian government. The Algerian state has shown great interest in supporting youth in materializing their ideas, innovations, and projects on the ground. This is through fiscal and financial incentives for startups, the creation of a special fund for financing startups in Algeria, and the observer of the provisions of finance laws from 2020 to 2026 notices the government's interest in the issue of startups through tax incentives to overcome obstacles facing these companies. Added to this are financial incentives through the Algerian Fund for

¹ - Bahiri Qada, Karfis Fatima Zohra, "Tax and Financing Incentives for the Benefit of Startups in Algeria with Reference to the Startup Fund," Journal of Horizons of Management and Economic Sciences, Volume 07, Issue 01, year 2023, p.192.

² - Mohamed Nabil Chaib, Omar Al-Farouk Zarqoun, "Tax Privileges for Startups in Algeria - An Applied Study in the State of El Oued (Algeria)," Journal of Quantitative Economic Studies, Volume 11, Issue 01, year 2025, p.272.



Financing Startups, which offers many economic advantages, including covering the project's potential losses³.

Based on the above, the following problem arises: To what extent has the Algerian legislator succeeded in granting sufficient legal incentives to startups in order to support the national economy as an alternative to the rentier economy?

The importance of the topic lies in its being a current issue, especially given the attention the Algerian state has given to this company, starting from encouraging university students to embark on this adventure to their entry into the job market.

To address this problem, we used a set of methodologies: the comparative method when referring to the experience of other countries in this field, the analytical method when analyzing the legal texts detailing the incentives, in addition to the descriptive method, which is indispensable, to encompass the jurisprudential opinions mentioned in this regard.

The study can be divided into two main axes:

The First Topic: General concepts related to startups.

The Second Topic: Legal incentives for startups in Algerian law.

THE FIRST TOPIC : General Concepts Related to Startups

This section will address the concept of a startup and distinguish it from small and medium-sized enterprises, as well as clarify the characteristics of this startup.

FIRST REQUIREMENT: The Concept of a Startup:

First Definition: It is a temporary institution designed for rapid growth, offering a new, innovative product or service, targeting a large market with the aim of making a change in the world to build a better future, under conditions of high

³ - Bahiri Qada, Karfis Fatima Zohra, previous reference, p.193.



risk and uncertainty, with the potential to achieve huge revenues in case of success, regardless of its size or sector of activity ⁴.

Second Definition: Every institution that has experienced strong and rapid growth, and is concerned with presenting a new, innovative idea using the latest technologies under conditions characterized by a high degree of risk and uncertainty and reaping large profits in case of success⁵.

Definition by the Algerian Legislator:

The Algerian legislator mentioned in Article 11 of Executive Decree No. 20-254 dated September 15, 2020, concerning the creation of a national committee for the "Startup," "Innovative Project," and "Business Incubator" labels, and specifying their tasks, composition, and operation, a set of criteria through which he defined a startup as: "Any institution subject to Algerian law, and respecting the criteria we will mention when addressing the legal conditions for granting the Startup label.

From the above, it appears that startups in Algeria pertain to institutions based on innovation and their potential for significant growth, in addition to their adherence to criteria related to maximum limits for their age, turnover, and the number of workers they contain.

A startup is terminologically known as a project that has just started. The word 'startup' consists of two words: 'start,' which refers to the idea of launching, and 'up,' which refers to the idea of strong growth. It can be said that the use of the term began immediately after World War II, with the beginning of the emergence of venture capital companies, and the term became commonly used thereafter. The French dictionary defines it as young, innovative companies in the modern technology sector.

It is also defined as a company designed to grow rapidly, and being newly established does not make it a startup in and of itself. It is also not necessary for companies to work in the field of technology ⁶.

⁴ - Ben Lakhdar Said, Chenbi Souria, Mekhnache Yasmine, Brik Ahmed, "The Concept of Startups in Algeria Between Adoption and Reality," Journal of Administrative and Economic Research, p. 29.

⁵ - Hamrouche Nour El Houda, "Startups Between Support Mechanisms and Reality in Algeria," Journal of Cognitive Issues, Volume 02, Issue 02, June 2022, p. 138

⁶ - Bahiri Qada, Karfis Fatima Zohra, previous reference, p. 195.



SECOND REQUIREMENT: Characteristics of a Startup:

Startups are characterized by a set of characteristics and features that can be summarized as follows:

- a. Temporary Institution: Being a startup is not an end in itself; it does not seek to remain as such throughout its life. The startup is only a stage, and the goal for its manager is to exit it and reach the stage of maturity and sustainability.
- b. Innovation: The owners of these companies seek to create and innovate a new product or service to improve the overall economic efficiency of society.
- c. Flexibility: Being oriented towards the public makes these companies more exposed to problems that require experimentation and improvisation, especially in their early stages, which requires sufficient flexibility to face these challenges.
- d. Growth: Like other institutions, startups have a great potential for increasing capital, which helps them in rapid growth⁷.
- e. Uncertainty: It is a lack of knowledge about the future. Uncertainty involves the occurrence of both bad and good, so the entrepreneur must plan to reduce uncertainty.
- f. Searching for a Business Model: It is the one that covers the four areas of business (customers, offer, infrastructure, and financial feasibility). As a startup, the challenge it faces is finding and building a business model⁸.

THE THIRD REQUIREMENT: The Difference Between Startups and Small and Medium-Sized Enterprises:

There is often confusion between startups and small and medium-sized enterprises, especially the small ones, but there are fundamental differences between them.

⁷ - Ben Lakhdar Said, Chenbi Souria, Mekhnache Yasmine, Brik Ahmed, previous reference, p.30,31.

⁸ - Hocine Youcef, Siddiqui Ismail, "A Field Study of the Reality of Creating Startups in Algeria," Annals of the University of Béchar in Economic Sciences, Volume 08, Issue 01, year 2021, p. 73.



Firstly: Points of Difference:

Novelty: A startup is a modern institution where every employee has the opportunity to be an entrepreneur. It respects its employees and their ideas at a fundamental level. This feature allows the employee to innovate, unlike small and medium-sized enterprises, which are considered classic institutions that sanctify management and restrict the freedom of their employees. Their obligations are multiple: legal, fiscal, etc.

The Life Cycle of the Institution According to Its Growth: The life cycle of small and medium-sized enterprises is simple: it starts with launching, passing through survival and stability, ending with maturity, according to a direct relationship between growth (size of the institution and its age) interspersed with crises. While startups go through a series of unpredictable declines and advances between the creation stage until finding a business

model, then they enter the stage of rapid maturity and transform from a startup into a large company.

Financing: Startups, which often need large funding, tend to prefer sharing risks with investors rather than paying interest on loans, meaning resorting to investment instead of borrowing from banks (venture capital). Banks are also reluctant to finance these companies due to the high degree of risk, unlike small and medium-sized enterprises, as the latter rely on a clear business model built on prior experiences.

Goals: Startups start small with a very large vision. The entrepreneur seeks to find a business model that achieves enormous growth in the short term, to be able to develop the company into a large company in a short time. While small and medium-sized enterprises follow a known and stable business model that ensures they achieve revenues in the short term and thus can grow in the long term.

Regarding the Ownership of the Institution: Small and medium-sized enterprises often take the character of individual or family ownership (partnerships) and rarely in the form of capital companies (corporations). Owners are free to develop, merge, or convert them into capital companies that publicly resort to savings, and they can also relinquish them. While a startup, as mentioned earlier, involves investors entering into ownership with the founders, and this relationship imposes a kind of commitment between the two parties (meaning restricting the freedom of the startup's founder).



Secondly: Points of Overlap.

Regarding the Workforce in Both Institutions: According to Articles 5, 6, 7 of the Framework Law for Small and Medium-Sized Enterprises⁹, both institutions employ between 1 and 250 workers.

Job Creation: Both startups and small and medium-sized enterprises share in reducing unemployment rates by creating job opportunities¹⁰.

TES SECOND TOPIC: Legal Incentives for Startups in Algerian Law.

In this section, we will explain the most important legal incentives that the legislator has granted to startups in terms of establishment, taxation, and financing.

FIRST REQUIREMENT: Legal Incentives When Establishing the Company:

The Algerian state has set conditions for granting the "Startup" label, which are:

- The institution's age must not exceed 8 years (4 years renewable once).
- The institution must propose innovation in its products, services, business model, or organizational model.
- Its turnover must not exceed 4 billion Algerian dinars.
- The institution's capital must be owned by at least 50% by natural persons, accredited investment funds, or by other institutions holding the "Startup" label.
- The institution's growth must be sufficiently large.

⁹ - Law 17-02 dated January 10, 2017, containing the Framework Law for the Development of Small and Medium-Sized Enterprises, Official Journal No. 02 dated January 11, 2017.

¹⁰ - Ben Lakhdar Said, Chenbi Souria, Mekhnache Yasmine, Brik Ahmed, previous reference, p.31,32,33.



-The number of workers must not exceed 250 workers¹¹.

The legislator also set the condition for the "Innovative Project" label, and obtaining it requires the following:

-Submitting an application via the National Electronic Platform for Startups.

-A presentation about the project and its aspects of innovation.

-Elements proving the great potential for growth.

-The scientific and technical qualifications and experience of the team in charge of the project.

And when applicable:

-Any intellectual property document.

-Or any award or prize obtained.

-A presentation proving a design or a prototype.

-A document proving that half or more of the founding partners hold a doctorate degree.

-An incubation certificate obtained from a business incubator holding the "Business Incubator" label.

-The "Innovative Project" label is granted to a person or group of persons for two years, renewable twice¹².

Pursuant to Executive Decree 25-311, which amended Executive Decree 20-254, the Algerian legislator added a new label, namely the Scale-up label. Its conditions are to submit an application to the National Electronic Portal for Startups accompanied by several documents, which are:

- A copy of the commercial register and its tax identification card.

¹¹ - Executive Decree No. 20-254 dated September 15, 2020, concerning the creation of a national committee for the "Startup," "Innovative Project," and "Business Incubator" labels, and specifying their tasks, composition, and operation, Official Journal No. 55 issued on September 21, 2020, amended and supplemented by Executive Decree No. 25-311 dated 01/12/2025, Official Journal No. 81 dated 07/12/2025.

¹² - Mohamed Nabil Chaib, Omar Al-Farouk Zargoun, previous reference, p. 273.



- A copy of its articles of association.
- A detailed presentation of the product/service and its aspects of innovation.
- The curriculum vitae of its founders.
- A detailed 3-minute video presentation on the company's growth.
- Any intellectual property document and/or any award or prize obtained by it and/or any proof of its international expansion, notably the carrying out of export operations or the opening of branches, where applicable.

With this arrangement, the committee becomes the regulatory passage point for the various stages of the entrepreneurial journey, starting from an innovative project, passing through a startup, and reaching a scale-up, parallel to the role of business incubators as the supporting structure for this journey¹³.

SECOND REQUIREMENT: Tax Incentives for Startups:

The most prominent tax incentives provided to startups are:

-The acquisition of equipment and machinery that directly enters the project is exempt from Value Added Tax (VAT) on one hand, and a low rate of 5% of customs duties in case of reimbursement on the other hand¹⁴.

Institutions bearing the stamp or label of a startup are exempt from the following taxes and duties for a period of four years, extendable by one year in case of renewal¹⁵:

- Professional Activity Tax (PAT) for services at 1.5% of annual receipts.
- Corporate Income Tax (for natural persons).
- Corporate Profit Tax for goods production or service activities.

¹³ - A scale-up is a startup that has proven its success and achieved rapid and sustainable growth, moving beyond the launch phase to transition to a phase of local and international expansion, and relies on innovation in its products or business models. This label aims to support projects that have moved beyond the creation stage, proven their effectiveness, and provide them with broader growth prospects.

¹⁴ - Article 117 of Law 21-16 dated December 30, 2021, containing the Finance Law for the year 2022, Official Journal No. 100 dated December 30, 2021.

¹⁵ - Same aforementioned article.



-Amounts of expenses incurred for research and development within the institution or company are deducted from income or profit up to a maximum of 30% of this income or profit amount and within a ceiling equal to 200,000,000.00 DZD.

-In the case of simultaneously incurring expenses related to research and development and open innovation, the total amount of expenses cannot exceed two hundred million Algerian dinars¹⁶.

Firstly: Tax Incentives in the 2025 Finance Law:

The Finance Law for 2025 introduced new tax incentives supporting digital transformation in Algeria, with a focus on supporting startups and the innovation sector:

-Granting a deduction for determining taxable profit regarding expenses paid in research and development activities carried out within the institution and in open innovation programs.¹⁷

To promote research, development, and open innovation activity, the 2025 Finance Law stipulated granting a reduction from taxable profit, matching the amount of expenses paid in research and development activities carried out within the institution as well as those paid within open innovation programs, achieved with startups or business incubators. This reduction applies within a limit of 30% of the accounting profit amount without exceeding the ceiling of 200,000,000.00 DZD.

If the expenses include both in-house research and development and open innovation, the reduction amount cannot exceed 30% of the accounting profit amount and without exceeding the aforementioned ceiling.

-Granting tax advantages for the benefit of startups, innovative projects, and business incubators. The 2025 Finance Law stipulates the following:

-Exempting startups or business incubators¹⁸ from property transfer duties, real estate acquisitions related to establishing industrial activities.

¹⁶ - Article 171 of the Law on Direct Taxes and Similar Levies for the year 2024.

¹⁷ - Articles 10, 11 of Law No. 24-08 dated November 24, 2024, containing the Finance Law for the year 2025, Official Journal No. 84 dated December 26, 2024.



-Exempting contracts related to the establishment of created companies from registration duties.

-Extending exemptions related to Corporate Income Tax or Corporate Profit Tax granted to business incubators for two years.

The Finance Law for 2025 seeks to achieve a set of goals:

-Enabling the startup to obtain financing more easily.

-Stimulating the attraction of local and foreign investments in the technological sector.

-Enhancing the research and development system and adopting innovation as a fundamental lever for development.

-Doubling the number of business incubators from 14 to 60 within three years.

These Algerian reforms represent a firm legislative will to establish the country's position as a leading African technological hub. According to the latest ranking issued by the site Startup Ranking in October 2023, Algeria ranks 18th globally and second in Africa in terms of the number of active startups, as Algeria includes about 815 startups¹⁹.

Secondly: The 2026 Finance Law

The Finance Law for 2026 also includes a set of measures aimed at supporting investment and stimulating institutions, particularly by simplifying tax procedures as well as encouraging startups and supporting exporters.

The law includes extending the tax exemption period granted to startups to two years instead of one year in case of renewing their label, with the renewal of advantages granted to business incubators whenever the latter renews its label.

This measure aims to introduce an important change in the tax incentive system for the benefit of supporting bodies holding the incubator label, which is to

¹⁸ - Articles 39, 41, 124 of the aforementioned 2025 Finance Law.

¹⁹ - Mohamed Nabil Chaib, Omar Al-Farouk Zargoun, previous reference, p. 275, 276.



make the exemption from Corporate Income Tax or Corporate Profit Tax renewable.

Each time the "Incubator" label is renewed, thus responding to two main challenges: the sustainability of supporting bodies while ensuring their quality.

On the other hand, and in order to encourage institutions and exporters to participate in specialized economic events abroad, the law includes full coverage instead of partial (between 50% and 80%) of their participation expenses through the Special Fund for Export Promotion.

The law also added a set of customs facilitations related to micro-import activity, so that import operations carried out in this framework are subject to the low rate of customs duties of 5%, and are exempt from paying Value Added Tax, customs fees, and other duties and taxes due upon import.

Moreover, customs clearance is done according to a simplified declaration to customs, while taxpayers practicing micro-import activity are subject for each import operation to the single lump-sum tax at a rate set at 0.5%, calculated on the basis of the customs value, plus customs duties and a lump-sum margin of 30%²⁰.

THE THIRD REQUIREMENT: Financing Incentives for Startups.

Among the financial incentives known for startups in Algeria is the creation of a fund that takes care of them, which is the Fund for Financing Startups.

Firstly: The Fund for Financing Startups.

It is the first investment fund entirely dedicated to supporting startups in Algeria and is considered one of the basic pillars that help establish and develop an ecosystem that contributes to enhancing startups that have the ability to add real value to the Algerian economy. The establishment of this fund was announced in October 2020 during the first edition of the Algeria Disrupt event in Algiers. The fund aims to enable entrepreneurs to create innovative projects away from the bureaucratic obstacles that characterize traditional financing mechanisms, and it provides them with the same financing mechanisms available in developed

²⁰- "Finance Law 2026: Numerous Measures to Support Investment and Stimulate Institutions," Algerian Press Service News, WWW.aps.dz .economy, accessed on December 23, 2025.



countries. The fund relies on a venture capital mechanism to provide financing specifically directed to support startups²¹.

It is in the form of a joint-stock company, with owned or semi-owned capital, established in cooperation with the Ministry of Startups and 06 public banks, namely the Bank of Agriculture and Rural Development, the National Bank of Algeria, the National Popular Credit, the National Savings and Provident Fund, the Local Development Bank, and the External Bank of Algeria. It can be said that the fund is still in the establishment phase since it was only established in 2020 and needs state support and backing by raising its capital, which exceeds 1.2 billion dinars. With the launch of this fund, a large part of the startup financing problems may be solved²².

Secondly: Crowdfunding Platforms

The Supplementary Finance Law for 2020, in its Article 45, included the authorization to open platforms for investment advisors in participatory investment via the internet, and the Commission for the Organization and Supervision of Stock Exchange Operations (COSOB) is responsible for issuing the conditions for their accreditation by it.

During 2019, a group of French-Algerian institutions launched a platform for financing innovative projects for youth under the name "INVESTI," which is considered, according to a statement by its president "Nazim Seni," the first crowdfunding platform in Algeria. The representative of the Algerian-French Chamber of Commerce and Industry in Marseille added that it was created by a group of young people and owners of French-Algerian economic institutions with the aim of making it a site for cooperative financing, through which it will be possible to link youth carrying innovative projects with businessmen. It is worth noting that the platform is financed by traditional methods in addition to the possibility of electronic payment with any type of bank card, while the platform is provided with applications that ensure the security of professional information²³.

²¹- Sofiane Fellag, Ahmed Masnoua, "The Newly Created Support Mechanisms for Accompanying and Qualifying Startups in Algeria," *Journal of Economics and Finance*, Volume 11, Issue 02, year 2025. p. 161.

²² - Bahiri Qada, Karfis Fatima Zohra, previous reference, p. 202,203.

²³ - Bahiri Qada, Karfis Fatima Zohra, previous reference, p. 203,204.



Conclusion:

After the great importance, that Algeria has given to this topic related to startups, starting from the university (graduation dissertations constituting a startup) to practical and economic reality, all in order to push the wheel of the economy and not rely on the rentier economy.

Among the results reached in this study are, firstly, arriving at a precise definition of startups, which are completely different from small and medium-sized enterprises. It is a temporarily startup, and by raising the challenge, it can become a large institution.

We also noticed in the second part of this study a valuable set of tax incentives and facilitations enacted by the Algerian legislator for this institution in order to allow it to enter the world of work through several finance laws starting from 2020 to 2026.

We also noted some financing incentives for startups, such as the Fund for Financing Startups and crowdfunding platforms.

We can say that Algeria is making a great effort to succeed in startup projects, but it has not yet reached the results it expected from enacting this arsenal of laws.

So we have come out with the following recommendations:

- Develop electronic infrastructure and provide means of payment, communication, and the internet (considering that most startups are digital platforms).
- Provide cybersecurity and confidentiality for electronic users.
- Work on spreading a culture of dealing in the stock exchange among people.
- Provide guidance for startup owners by specialists, whether in the financial or other aspects.
- Activate and frame the Fund for Financing Startups and crowdfunding platforms.



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