Tax Reforms and Their Impact on the Algerian National Economy

الاصلاحات الضريبية وتأثيرها على الاقتصاد الوطني الجزائري

Sarah Bessas*

University Center of Aflou (Algeria), Laboratory of Economic and Legal Studies, s.bessas@cu-aflou.edu.dz

Received: 2026/02/01 *Accepted: 2026/03/24* *Published: 01/06/2026*

Abstract:

This study seeks to examine the reforms made in the taxation system of Algeria and their impact on the country's economy using the descriptive-analytical methodology. The study is divided into two aspects: the theoretical one, which relies on the descriptive method and seeks to address all aspects of the topic. The practical aspect relies on the analytical method to identify the impact of the reforms on normal revenues from taxation.

Keywords: *Tax reform; Tax system; Algerian economy; Tax equity; Investment.*

Jel Classification Codes : H21 ; H26 ; O53 ; H87.

ملخص:

تهدف هذه الدراسة إلى تحليل الإصلاحات الضريبية في الجزائر وتأثيرها على الاقتصاد الوطني ، مع اعتماد المنهج التحليلي الوصفي. حيث قسمت الدراسة إلى جزئين، جزء نظري اعتمدنا فيه على المنهج الوصفي بحيث حاولنا فيه الإلمام بجميع جوانب الموضوع بدءا بالجانب النظري للإصلاح الضريبي والنظام الضريبي، محاولين إبراز أهم ما جاء من إصلاحات في النظام الضريبي الجزائري، وجزء تطبيقي اعتمدنا فيه على المنهج بحيث حاولنا فيه تحليل انعكاسات هذه الإصلاحات على إيرادات الجباية العادية، والعدالة الضريبية، وتمويل النفقات العامة ، الاستثمار، وتشير النتائج إلى أن تطوير النظام الضريبي يظل ضروريًا لتحقيق التنمية المستدامة وتنويع مصادر الإيرادات.

الكلمات المفتاحية: إصلاح ضريبي، نظام ضريبي، اقتصاد جزائري، عدالة ضريبية، استثمار

تصنيف JEL: H21, H26, O53, H87

* ***Corresponding author***

1. INTRODUCTION :

Tax policy represents one of the essential foundations of the fiscal policies implemented by the State to realize its diverse economic and social objectives, given the importance of taxation in financing public spending and its impact on the economy and society, in addition to its role in achieving macroeconomic stability. In the face of the rapid changes in the global economy and the challenges caused by fluctuations in the prices of hydrocarbon products, there is an urgent need to review and reform the tax system in accordance with the requirements of sustainable development and to diversify the sources of public revenues.

The tax system in Algeria has witnessed a series of structural and organizational reforms in 1992 following the oil crisis in 1986 and in 2003, 2017, and 2022. These reforms were primarily intended to broaden the tax base and collection methods, combat tax evasion, and promote investment while encouraging economic enterprises, particularly within the framework of the transition towards an economic system less dependent on oil revenues. These reforms were part of a set of diverse economic reforms with the aim of consolidating fiscal governance and ensuring the major macroeconomic balances of the national economy.

Consequently, the main objective of this study is to present and analyze the tax reforms that the country of Algeria has undergone, their impacts on the tax system, and the extent to which the tax reforms have been effective in the achievement of their objectives, while highlighting the major challenges that the tax system in Algeria is undergoing, as well as the prospects for its development.

1.1. Research Problem:

In consideration of the above, the main research problem can be formulated as follows:

How have tax reforms impacted the national economy of Algeria?

On the basis of the main problem, the following sub-problems are formulated:

- What is tax reform, and what are its dimensions?
- What is meant by the tax system, and what are its components?
- To what extent have tax reforms impacted the national economy?

1.2. Research Hypotheses

1.2.1. Main Hypothesis:

Tax reforms in Algeria have positively contributed to the improvement of the tax system, public revenues, investment, and the reduction of dependence on oil revenues, which has been positively reflected on the national economy.

1.2.2. Sub-hypotheses:

- Tax reform in Algeria is a structural process aimed at increasing efficiency in the tax system, expanding the tax base, and improving tax equity;
- The tax system in Algeria consists of a set of direct and indirect taxes, as well as incentive and control mechanisms, and it was not effective in terms of revenue collection and economic equity before the reform;
- Tax reform in Algeria has led to an increase in tax revenues, improved public finance, increased investment, reduced hydrocarbon revenues, and improved economic growth, thereby promoting sustainable development.

1.3. Objectives of the Study

- ❖ To define the concept of tax reform, including its economic and social dimensions;
- ❖ To analyze the tax system before and post reform, including the Global Income Tax, Corporate Profit Tax, Value Added Tax, and Professional Activity Tax;
- ❖ To assess the impact of tax reform on non-oil public revenues, expenditure financing, tax equity, and investment.

1.4. Methodology of the Study

The researcher used the descriptive method to describe and explain the concepts of tax reform and the tax system, and the analytical method to study the impact of tax reform on the tax system in Algeria.

1.5. Previous Studies

1.5.1. Study by (Derbal, 2023–2024), entitled "Tax Reform and Its Role in Improving the Effectiveness of the Tax System in Algeria"

The study aimed to analyze and assess the tax system in Algeria through tax reform, in addition to identifying the most important challenges facing the tax system and the most important needs to address these challenges. The researcher used the deductive (inferential) method to achieve the objectives of the study, as it involves using a top-down analytical method to move from general concepts to specific cases. The results showed that there is a positive relationship between tax reform and the tax system in Algeria, as it is reflected in tax elasticity, ordinary tax revenues, and investment. However, the study also indicated the obstacles facing the tax system in Algeria. The researcher recommended, most notably, the establishment of a tax legislative system in accordance with the internal and external conditions in Algeria.

1.5.2. Study by (Mansour & Adda, 2020, p. 55), entitled "The Algerian Tax System amid Tax Reforms"

This study highlighted the importance of the tax system and its efficiency in the proper functioning of the national economic system, in addition to the role of the Algerian government in reforming the tax system to avoid the dependency on the hydrocarbon sector. To attain the study's objectives, the researchers relied on the descriptive-analytical method to analyze the data issued by the Ministry of Finance. The researchers concluded that the Algerian tax system failed to maintain stability, and the rapid and frequent changes in the tax system reflected positive and negative impacts on the economic system. The most important recommendations proposed by the researchers were the need to reconsider the adopted policy in the tax system, reducing the burden on individuals, and the need to introduce new bases for taxation.

1.5.3. Study by (Benkedidah, 2025), entitled "The Role of Fiscal Reforms and Measures in Enhancing Tax Revenue in Algeria"

This study addressed the importance of fiscal reforms and tax measures and their role in the development of tax revenues in Algeria, by presenting the most prominent measures and procedures adopted by the government in the recent period, especially in 2023 and 2024, and analyzing their role in the development of tax revenues in the country. The researcher used the descriptive method to explain the theoretical framework of the study, depending on the official statistics issued by the Directorate General of Taxes on tax revenues collected in Algeria during the period 2019-2023. The researcher also used the comparative method to analyze the evolution of tax revenues collected in the recent period. The study reached important conclusions confirming the role of the tax reforms adopted by the government in the recent period in the development of tax revenues collected in Algeria. The study put forward several recommendations, most notably the activation of tax vigilance within the tax administration to ensure the full and effective implementation of fiscal reforms and measures, as well as a strong focus on digitalization and the use of artificial intelligence tools in various tax procedures and transactions.

1.6. Commentary on Previous Studies

Most previous studies have focused on the relationship between tax reforms and aspects related to tax administration, such as the tax system and tax collection. The main characteristic that distinguishes the current research from previous studies is the emphasis on the impact of tax reforms on the Algerian economy, specifically on ordinary revenues, public expenditures, tax equity, and investments, using the tax system in Algeria. In addition, the current research is distinguished from previous studies based on the period under consideration, as the previous studies were conducted between 1992 and 2003, between 2003 and 2017, or up to 2023, while the current research is relatively more recent.

2. Concept of Tax Reform

The problem of tax reform has received significant attention in most countries across the globe. This is due to the growing concerns about the

current tax systems, which are often complex and unfair, leading to tax evasion.

2.1. Definition of Tax Reform

Tax reform definitions differ among researchers; thus, it can be defined as follows:

2.1.1. First definition:

Tax reform means changes to the tax system of a particular country with the aim of adapting to the changes in the economy and society, or to attain the objectives set by the development plan for a particular period of growth. Tax reform can be complete, referring to all aspects of the tax system of the particular state, or partial, referring to a particular kind of tax. This process is a necessity that requires an integrated assessment of the tax structure to be effective (Othman & Al-Ashmawy, 2007, p. 535).

2.1.2. Second definition:

Tax reform is also defined as a process of incorporating improvements into the existing tax system with the aim of resolving loopholes and shortcomings of the previous system with an aim of increasing efficiency and effectiveness of the tax system in serving the national economy at both public and private levels. The process involves simplification of the tax system through a reduction in the number of tax rates, making them more realistic, expanding the tax base while excluding poor and vulnerable groups, alleviating their burden, thereby mitigating tax costs while increasing efficiency. The process also involves increasing the scope of the tax system, making it more compatible with domestic performance, while being responsive to rapid economic changes in the external environment (Khelassi, 2014, p. 568).

Tax reform can be defined as a set of legal, administrative, and structural measures taken by the state with an aim of modifying its tax system with an aim of increasing its economic efficiency, attaining tax equity, expanding its base, and increasing sustainability.

2.2. Characteristics of Tax Reform

The characteristics of tax reform can be outlined as follows (Derbal, 2023–2024):

- Making a proper diagnosis of the current tax system before starting the reform process, taking into consideration the strengths and weaknesses of the current system in place;
- Tax reform is an inevitable necessity for reaching the state's set goals, especially sustainable development;
- Tax reforms are a dynamic and continuous process, especially regarding economic integration, as well as social and political developments;
- Tax reform results in enhanced performance of the tax system, making it easier to attain its goals;
- Tax reform can be comprehensive, covering the whole tax system, or partial, focusing on particular elements of the tax system.

2.3. Drivers of Tax Reform

The Algerian tax reform was a result of the political, social, and, most importantly, economic changes that the country has undergone, particularly the transition of the Algerian economy to a market-oriented economy, the signing of the Euro-Mediterranean Partnership Agreement, and the country's accession to the World Trade Organization. These factors made the previous tax system incompatible with the current changes, aside from the need to establish a new tax system that would be able to cater to the country's economy and reduce its overdependence on oil revenues. Thus, the drivers of the tax reform can be identified as follows (Messdour & Rezig, 2003, p. 163):

- The constant changes in the tax laws have contributed to the complexity of the tax system;
- The high tax burden due to the multiplicity of taxes and high tax rates;
- The ineffectiveness of the tax equity and the increasing gap of tax evasion and fraud;
- The inflexibility of the previous tax system, whereby the growth in tax revenues was less than the growth in the gross domestic product.

2.4. Objectives of Tax Reform

The types of tax reform depend on the objectives and purposes pursued by policymakers and the expected outcomes. Tax reform can be partial in order to overcome a legislative defect in a particular tax law, close loopholes in the tax system, or limit the phenomena of tax evasion and avoidance.

Tax reform can be comprehensive in order to achieve a group of objectives, first and foremost simplification of the tax system and attaining tax neutrality, i.e., taxation not having a direct impact on individual behavior.

In this regard, comprehensive tax reform takes the form of a variety of measures, including:

- Reducing the quantity and volume of tax expenditures;
- Introducing tax incentives for savings;
- Reducing tax rates in general;
- Linking taxation with the individual instead of the family as a tax unit;
- Imposing taxation on capital gains as a form of income.

When the tax reform is focused on corporate income, it is accomplished by:

- Reducing tax rates;
- Expanding the tax base;
- Introducing special treatment for dividends.

When the tax reform is focused on personal income taxation, the main aim is to mitigate the burden of taxation on taxpayers by:

- Expanding the tax base;
- Reducing the number of tax brackets;
- Raising exemptions allowed to low-income earners (Lachleh, 2015, pp. 76–78).

3. The Tax System under Tax Reforms

The tax system in Algeria is one of the basic tools of fiscal policy, as it helps to finance the state budget and support the economic and social role of the state. With the escalation of economic difficulties, especially the fluctuations of the hydrocarbon revenues - notably the crisis of 1986 - the need arose to apply tax reforms to improve the performance of the tax system and make it more effective.

In this respect, Algeria started the application of a series of tax reforms to widen the tax base, enhance tax collection, fight tax evasion, ensure a higher degree of tax equity, and encourage investment. These reforms aim to create a transparent and simplified tax system, which will help to ensure financial stability, support the diversification of sources of revenue, and achieve sustainable economic development.

3.1. Definition of the Tax System

3.1.1. First definition:

The tax system is a particular and carefully chosen set of technical forms of taxation, tailored to the characteristics of the environment in which it operates. It is made up of integrated tax programs that operate in a particular way through enacted tax legislation and laws, and their accompanying executive regulations and interpretative notes, all of which aim to fulfill the objectives of tax policy (Othman S. A., 2000).

3.1.2. Second definition:

The tax system is the set of taxes selected and implemented within a given society and at a particular point in time in order to fulfill the tax policy objectives approved by that society (Derraz, 1999).

From the two preceding definitions, it can be said that the tax system is a set of taxes selected on a technical basis in accordance with social, environmental, and political factors, with the objective of fulfilling the objectives of tax policy.

3.2. Definition of Tax Policy

Tax policy is a group of integrated schemes designed and implemented by the state utilizing all its potential and real resources aimed

at achieving certain desirable economic, social, and political effects, and preventing undesirable effects, with the aim of attaining social objectives (Al-Batriq & Hegazy, 2004).

3.2.1. Definition of Tax

A tax can be defined as an instrument of fiscal policy, which is a compulsory financial contribution paid on a final assessment for the attainment of public interest.

3.3. Objectives of the Tax System

Accordingly, when adopting a special tax system, a set of objectives has to be established; this can involve the following: (Hani et al., 2018, p. 3)

- ✓ To obtain financial resources or significant amounts of tax revenue to be used by the state in its activities in economic life; this is the primary objective of imposing taxes by the state;
- ✓ As an instrument useful to attain economic growth and stability, and to manage economic fluctuations;
- ✓ In redistributing incomes and obtaining social equity, as well as resolving particular socially oriented crises;
- ✓ The protection of the environment, as modern and contemporary tax systems have increasingly shifted their focus in imposing so-called "green taxes" in order to maintain or protect the environmental system.

3.4. Components of the Tax System

The taxation system in Algeria is two-fold: ordinary taxation and petroleum taxation. Nevertheless, the major focus is on the ordinary taxation system because it covers a bigger range of taxes and charges that influence economic and social activities. This comprises : (Oualha, 2012, p. 138)

3.4.1. Direct Taxes, which are revenue from the following taxes and duties:

Income taxes, especially the Global Income Tax and the Corporate Profit Tax;

- Registration and Stamp Duties: The duties of registration refer to the taxes paid to the state to secure the registration of various contracts, especially official judicial contracts that include final decisions on administrative contracts, ownership contracts, usufruct rights on movable or immovable property, as well as the assignment of leasehold and establishment rights. On the other hand, stamp duties refer to the various fees paid on transactions and dealings of various forms, paid as fiscal stamps.

3.4.2 Indirect Taxes (Taxes on Expenditure), including Value Added Tax; Indirect Taxes on Specific Products: Specific Taxes on the Consumption of Alcoholic Products in Money—Fixed Rates—Ad Valorem; Internal Consumption Tax of Tobacco and Match Products; Customs Duties.

3.5. The Path of Tax System Reform in Algeria

The process of economic transformation that the Algerian economy underwent is considered to be multi-dimensional, going hand-in-hand with the successive efforts implemented to shift the economy toward the market-oriented type. This economic transformation forced Algeria to implement a series of economic reforms, including but not limited to tax reforms, aiming to adapt the monetary-fiscal policies followed by the state to the requirements of the new phase, within the context of structural adjustment programs. In consideration of the transformations the national economy underwent, the tax system was subject to major transformations.

During this period, the Algerian tax system underwent significant changes, particularly in 1992, including the application of the Global Income Tax, the adoption of a new tax on legal persons, referred to as the Corporate Profit Tax, the application of the Value Added Tax, and others. The objective of these changes is to modernize the tax system, reinforcing its role in supporting the national economy, correcting the fiscal imbalance on various levels, leading to economic equilibrium.

Before these reforms took place, under the heading of direct taxes in the Algerian tax system, a number of these taxes were mainly levied on income generation. This category of taxation applied to the following types of income: industrial and commercial profits, non-commercial profits, taxes

on wages and salaries, agricultural income, taxes on income from debts, deposits and guarantees, rental income, and capital gains.

Global Taxation on Income: Article 01 of the Code of Direct Taxes and Similar Levies establish one annual tax on the income of natural persons called the Global Income Tax. It is imposed on the taxpayer's net global income. The Global Income Tax has been adopted after the 1992 reforms. In this regard, Article 02 of the Code of Direct Taxes and Similar Levies, 2012, explains that net income is the total net income obtained from all of the following categories:

- Industrial, Commercial, and Artisanal Profits;
- Profits from non-commercial professions;
- Income from industrial investments;
- Income from movable capital;
- Wages, salaries, pensions, life annuities.

In this respect, the Global Income Tax is a progressive, direct, comprehensive, single, and annual tax, as shown in the table below:

Table N°1: Global Income Tax between 2017 and 2022 Reform

Taxable income amount (DZD) 2017	**Tax rate %**	**Taxable income amount (DZD) 2022**	**Tax rate %**
Not exceeding 120,000	0	Not exceeding 240,000	0
From 120,001 to 360,000	20	From 240,001 to 480,000	23
From 360,001 to 1,440,000	30	From 480,001 to 960,000	27
Over 1,440,001	35	From 960,001 to 1,920,000	30
		From 1,920,001 to 3,840,000	33
		Over 3,840,001	35

Source: (Article 02 of the Finance Law , 2017, p. 44)**;** (Article 104 of the Finance Law, 2022)

- ✓ **Corporate Profit Tax:** This tax is the second category of direct taxes that were created by the tax reform of 1992. Article 135 of the Code of Direct Taxes provides that there shall be a tax on the total profits or income actually realized by companies and other legal persons referred to in Article 136, which is called the Corporate Profit Tax. Its essential features are that it is an annual, general, proportional, single, and declarative tax. The last amendment was made in 2017, when the rates were set as follows:

- 19% for goods production activities; an additional rate of 10% is applied to tobacco-producing companies in addition to the standard 19% rate;
- 23% for construction, public works, and irrigation activities, as well as tourism-related activities and thermal baths, excluding travel agencies;
- 26% for other activities.

- ✓ **Value Added Tax:** Value Added Tax replaced Single Global Production Tax and Single Services Tax. The introduction of Value Added Tax was one of the pillars of tax reform in Algeria. Value Added Tax is a tax on goods and services that is collected at various stages of production. The final consumer of the goods or services pays the tax. Tax reform on Value Added Tax has led to an increase in its scope of application, reduction of several tax rates, generalization and comprehensiveness of deduction of input tax, introduction of a new tax base, and reduction of several exemptions.

The latest reform of Value Added Tax was implemented in 2017. The tax has two rates (Directorate General of Taxes, 2025):

- 9%, reduced rate: applied to goods and services of special importance to the Algerian economy, society, or culture. The Finance Law for 2025 extends this rate to services related to tourism activities, hotel services, thermal baths, classified tourist catering services, travel services, and rental of vehicles for tourist transport.
- 19%, standard rate: applied to transactions, goods, and services not subject to the reduced rate.

- ✓ **Professional Activity Tax:** Professional Activity Tax replaced both Industrial Activity Tax and Non-Commercial Activity Tax by substituting them with a single tax that was introduced in 1996. The tax

is applied to natural and legal persons who carry out industrial, commercial, or non-commercial activities. Articles 57 and 59 of the Finance Law for 2022 introduced a major change to Professional Activity Tax, including: (Ministry of Finance, 2022, p. 67)

- Goods producers are no longer subject to Professional Activity Tax;
- Non-commercial professions are no longer subject to Professional Activity Tax;

Other activities are now entitled to a reduction in Professional Activity Tax, as its rate has been reduced from 2% to 1.5%, with the exception of activities related to the transportation of hydrocarbons via pipelines.

✓ **Single Lump Sum Tax:** This tax was introduced by the Finance Law of 2007 in replacement of the former prevailing system of lump sum tax. This tax replaced the Global Income Tax, Value Added Tax, and Professional Activity Tax. This tax is applied to natural persons whose annual turnover does not exceed 30,000,000 Algerian Dinars and who carry out commercial activities related to selling goods or providing services. The legislator also extended the scope of this tax to include legal persons as well as production activities. This tax is applied at the following rates :

- 5% in case of selling goods or providing services;
- 12% in case of other activities (Mansour & Adda, 2020).

3.6. Major Tax Reforms under the Finance Law of 2024

The following table shows the most important changes in the tax system in Algeria in 2025.

Table N°2: Key Tax Measures in the Finance Law of 2024

	Objective	**Tax measure**	**Articles of the Finance Act**	**Details**
Supporting investment and the national economy	- Support investment and improve the business environment;	Abolition of the professional activity tax	**Articles 14 and 24**	This measure aims to improve the business environment by reducing the tax burden on companies and promoting financial and fiscal integration.
	- Encouraging self-employment;	Reduction of the flat-rate tax on eligible activities ( ) in the legal system for self-employed entrepreneurs from 5% to 0.5%	**Article 18**	Encourage self-employment in Algeria.
	- Encouraging investment in aquaculture	Application of reduced VAT rate of 9% on inputs intended for aquaculture	**Article 90**	Aims to promote investment in the aquaculture sector
Maintaining the purchasing power of citizens	- Reducing the burden on citizens;	Temporary exemption from value added tax on certain widely consumed goods	**Article 65**	The exemption covers the import and sale of legumes, rice, fresh fruit and vegetables, table eggs, chicken meat and locally produced turkey.
	- Easing the burden on citizens	Reduction of stamp duty on 48-page passports	**Article 32**	Reduction of stamp duties on passports issued in Algeria or for the benefit of the

				Algerian community abroad
Mobilisation of tax resources	- Increase national revenues; - Increase in national pension fund revenues	Review of the additional tax on the profits of tobacco manufacturing companies Increasing the solidarity contribution rate on imports of raw materials and supplies used in the manufacture of tobacco products from 2% to 5%	**Article 10** **Article 87**	The additional tax rate has been raised according to the percentage of integration in the manufacturing process: 16% when >=40% and 20% when <40% Aims to boost the resources of the National Pension Fund
Tax compliance and combating tax fraud and evasion	- Ensuring salary declarations; - Monitoring tax-exempt transactions	Imposing fines for failure to file declarations on wages Require those subject to value added tax to declare exempt transactions	**Article 13** **Article 40**	A fine of 5% of the annual wage bill for natural persons or legal entities who fail to submit declarations within the legal deadlines Enabling the administration to monitor exempt transactions and assess tax expenses through monthly declarations
	- Standardising tax	Harmonising	**Articles 44**	Harmonisation of the

	control procedures	comprehensive control procedures with accounting and guidance	**and 45**	formal conditions for initiating comprehensive tax control with those for accounting and management control
Facilitate, simplify and standardise procedures	- Easing payment terms	Easing the conditions for granting payment schedules and reducing the initial payment from 10% to 5%	**Article 57**	Makes it easier for taxpayers to arrange their financial payments
	- Improving customer follow-up;	Remote declaration of customer lists for taxpayers under the Directorate of Large Enterprises	**Article 12**	Requiring taxpayers to declare their customer lists electronically
Digitisation of procedures	- Improving tax identification	Inclusion of the national identification number in tax identification requests	**Article 62**	This includes the national identification number of the taxpayer and the numbers of partners and directors of legal entities, whether via the electronic portal or at the tax authorities
Other measures	- Regulation of real estate concession contracts;	Subjecting the preparation of concession contracts relating to state-owned property to registration rights and real estate advertising fees	**Article 78**	Registration fees of 2% and real estate advertising fees of 0.5% on commercial real estate development projects
	- Support for	Exemption from	**Article 89**	Includes the import

	international cooperation projects	bank settlement fees for international cooperation and solidarity projects		of equipment, goods and services for projects implemented outside Algeria within the framework of international cooperation, under the supervision of the National Agency for International Cooperation for Solidarity and Development

Source: (Benkedidah, 2025)

4. Assessment of the Tax System after Tax Reforms for the Period (2017–2024)

The tax system of Algeria has undergone a series of structural and organizational reforms during the period 2017-2024 to enhance the efficiency of the tax system and the collection of revenue, in addition to supporting investment and the tax base. These reforms have been carried out in the context of the economic difficulties that Algeria faces, including the fluctuations of hydrocarbons and the COVID-19 pandemic.

4.1. Impact of Tax Reform on Ordinary Revenues for the Period (2017–2024)

The following table shows the evolution of ordinary revenue outcomes resulting from tax reform.

Table N°3: Impact of Tax Reform on Public Revenues during the Period (2017–2024), in Percentage Terms

Year Statement	2017	2018	2019	2020	2021	2022	2023	2024
Direct taxes	45	44	44	44	43	41.4	44.69	48.36
Indirect taxes	38	41	40	40	42	44	40.3	36.28
Stamp + registration	3	3	3	3	3	3.2	3.37	2.41
Customs duties	14	12	13	13	12	11.4%	10.13	10.90

Source: Annual Reports of the Bank of Algeria

The table shows the evolution of the growth rate of tax revenues by type of tax over the period 2017-2024, thus clearly illustrating the impact of the tax reforms implemented by the Algerian state, particularly through the application of the last Finance Laws, on the performance of the tax system.

The figures show that the revenues generated by the ordinary tax sector have experienced important positive growth rates, particularly over the first eight months of 2023, during which the overall growth rate was 22.1% compared to the same period in 2022, and 25.2% compared to 2019 (pre-COVID period). This is the result of the recovery of the tax system following the exceptional decline experienced in 2020 because of the economic consequences of the pandemic.

In terms of tax structure, the growth rates of indirect taxes were relatively high, which can be attributed to, on the one hand, the improvement in economic activity, and on the other hand, the efficiency of tax collection systems. However, this situation may pose certain issues with regard to equity in taxation, as the burden of such taxes is largely on the consumer.

Registration and stamp duties based on turnover also showed significant growth, which can be attributed to the relative improvement in economic and property transactions, besides the efficiency of tax control and the expansion of the tax base. However, direct taxes showed relatively

stable growth, which can be attributed to the restricted expansion of the tax base pertaining to income and profits compared to the case of indirect taxes.

The above statistics also reveal that the ordinary tax revenues, excluding the Global Income Tax (wages), showed significant growth rates.

4.2. Impact of Tax Reform on Tax Equity

Tax equity means that there are equality and fairness in the distribution and collection of tax among taxpayers. To achieve this, tax system reform aims to address a number of important issues, among them: (Mohamed Taifour, 2024, pp. 149–150)

- Establishing trust among taxpayers by introducing reforms that help reduce conflicts between taxpayers and tax authorities, leading to a reduction in tax evasion through increased awareness among taxpayers;
- Fixing taxes according to income levels or purchasing power, i.e., ensuring a fair balance in tax distribution by placing more emphasis on direct taxes, as they are more reflective of a taxpayer's financial condition, while reducing reliance on indirect taxes. This also includes progressive taxation according to a taxpayer's ability to pay, which makes it easier to achieve tax equity among taxpayers;
- Fighting tax evasion by simplifying tax procedures, building taxpayer confidence, and increasing tax oversight to reduce or limit tax evasion, leading to fairness among taxpayers.
- Offering incentives to encourage tax compliance, as offering tax incentives such as exemptions in certain taxes or certain classes of taxpayers, in order to ensure a fair distribution of the tax burden, promotes tax compliance.

4.3. Impact of Tax Reform on Public Expenditure for the Period (2017–2024)

The following table shows the degree to which public expenditures were covered by revenues from normal taxes during the period from 2017 to 2024.

Table N°4: Coverage of Public Expenditure by Ordinary Tax Revenues during the Period 2017–2024 (Unit: Billion Algerian Dinars)

Statement and years	2017	2018	2019	20	2021	2022	2023	2024
Ordinary revenue	2703.3	2736.7	2862.5	2719.9	2762	2988	3496	2609
General expenses	7282.6	7726.2	7741.3	6902.8	7436.0	9936	12,925	13,206
Coverage ratio	37	35	37	39	38	30.5	30	25.51

Source: Annual Reports of the Bank of Algeria

The above information clearly shows that the revenues from ordinary taxation experienced gradual growth over the period from 2017 to 2019. The revenues increased from 2,703.3 billion Algerian Dinners in 2017 to 2,862.5 billion Algerian Dinners in 2019. This shows that there was relative improvement in the performance of tax revenues before the onset of the COVID-19 pandemic. This was coupled with the stability of the coverage ratio, ranging from 35% to 37%, representing a moderate level that shows the limited capacity of revenues from ordinary taxation. However, the coverage ratio remained at 39% in 2020 despite the negative impacts of the COVID-19 pandemic. This was mainly driven by the decline in public expenditures compared to the previous years, rather than the improvement in tax revenues. Consequently, this improvement remains temporary and does not reflect a structurally sound basis for budget financing.

Starting from 2021, the public expenditures showed a significant increase, from 7,436 billion Algerian dinars to 12,925 billion Algerian dinars in 2023, and then to 13,206 billion Algerian dinars in 2024. This increase in spending was due to the increase in public spending, especially in the fields of social and investment spending. The increase in ordinary tax revenues was significant, amounting to 3,496 billion Algerian dinars in 2023, but the coverage ratio decreased to 30% and then to 25.51% in 2024.

The decline in the coverage ratio is due to the persistence of the fiscal imbalance problem, where ordinary taxation is unable to keep up with the high rates of increase in public expenditures. This problem requires the use of alternative sources of funding, especially hydrocarbon taxation instruments. This problem also indicates the failure of tax reforms to increase the contribution of ordinary tax revenues to the funding of the budget, even with the improvement in the amount collected.

4.4. Impact of Tax Reform on Investment

Tax administration has a significant and very important role in attracting investment. The legislator has always included tax incentives and benefits in investment legislation, based on policies of tax reduction and exemption—especially through Law No. 16-09 on the Promotion of Investment. This law amended the tax incentives offered therein and established new types of benefits that work for both investors and the government. These incentives are related to the degree to which investment projects can offer job creation, in order to achieve the transfer of advanced technology and technical know-how, as well as access to international markets, according to criteria that work for the benefit of the national economy (Ziouch, 2021, p. 283).

5. CONCLUSION

Through this study, we sought to emphasize the impact of tax reform on the Algerian national economy with particular variables such as normal revenue, financing public expenditures through normal taxation, tax equity, and investments. From the study, the following findings were reached:

- Tax reform, in general, has led to profound changes in the path of the tax system and the national economy;
- Tax reform has been characterized by a rapid pace of change since 1992, which has led to low levels of tax awareness and low levels of tax collection during the early years of implementing the reforms;
- In recent years, tax reform has led to an increase in tax revenues, thus improving the level of tax equity, investments as a result of tax incentives, and financing public expenditures, thus contributing to the diversification of state revenues.

However, despite these positive findings, the study also came up with a set of recommendations, the most significant of which are:

- ✓ The implementation of progressive taxation in accordance with the financial capability of each taxpayer, and the imposition of taxes that are in line with the economic, social, and political conditions of the country;
- ✓ The slowing down of the speed of tax reform to avoid tax gaps and improve tax awareness among taxpayers.

6. Bibliography List :

1. Al-Batriq, Y., & Hegazy, A.-M.-S. (2004). *Tax Systems.* Alexandria, Egypt: University House for Publishing.
2. Article 02 of the Finance Law . (2017). *(77)*. Official Journal.
3. Article 104 of the Finance Law. (2022). *(100)*. Official Journal.

4. Benkedidah, S. (2025). The Role of Fiscal Reforms and Measures in Enhancing Tax Revenue in Algeria. *International Journal of Economic Perspectives, 19*(2), 562–566.
5. Derbal, S. (2023–2024). Tax Reform and Its Role in Improving the Tax System in Algeria. Batna, Algeria: University of Batna, Department of Financial and Accounting Sciences.
6. Derraz, H. A.-M. (1999). *Tax Systems.* Alexandria, Egypt: University House for Publishing.
7. Directorate General of Taxes. (2025). Value Added Tax (VAT) Guide. Algiers: Ministry of Finance.
8. Hani, M., Challali, A., & Ammara, M. (2018, April). The Impact of Tax Reforms on the Algerian Tax System. *National Conference on the Contribution of the Algerian Tax System to Diversifying the National Economy Beyond Hydrocarbons*. Bouira.
9. Khelassi, R. (2014). *Fragments of Tax Theory.* Algiers, Algeria: Houma Publishing and Distribution.
10. Lachleh, S. (2015). The Effectiveness of the Tax System Through Tax Reforms: A Case Study of the Algerian Tax System. *Magister's Thesis*. Laghouat: Amar Telidji University of Laghouat, Department of Management Sciences.
11. Mansour , C., & Adda, A. (2020). The Algerian Tax System Under Tax Reforms. *Journal of Economics and Development*.
12. Messdour, F., & Rezig, K. (2003, May 11–12). Evaluation of Tax System Reform. *National Conference on Tax Policy in Algeria in the Third Millennium*. Blida, Algeria: Saad Dahlab University of Blida.
13. Ministry of Finance. (2022). Articles 57–59 of the Finance Law. *(100)*. Official Gazette.
14. Mohamed Taifour, A. (2024). Challenges of Tax Reform Between Achieving Tax Justice and Tax Collection in Algeria (2012–2022). *Journal of Economics and Finance.*
15. Othman, S. A. (2000). *Tax Systems (A Comparative Analytical Approach).* Alexandria, Egypt: University House for Publishing.
16. Othman, S., & Al-Ashmawy, C. (2007). *Tax Economics.* Alexandria, Egypt: University House for Publishing.
17. Oualha, B. (2012). Features of the Algerian Tax System in Light of Economic Challenges. *Journal of Economic Sciences and Management Sciences*(12).
18. Ziouch, A. (2021). The Impact of Tax Reform on Investment in Algeria. Algeria: Mouloud Mammeri University of Tizi Ouzou, Faculty of Law.