Transfer Pricing Country Profile ALGERIA

A decision-oriented overview of ALGERIA Transfer Pricing - implications, risks, and strategic considerations

1 ALGERIA's Transfer Pricing Framework

Algeria introduced formal transfer pricing rules under Article 141 bis of the Algerian Direct Tax Code (DTC) and Article 169 of the Tax Procedures Code (TPC). The regime has been strengthened through Executive Decrees and Finance Laws, including the Executive Decree of 17 November 2020 relating to TP documentation requirements. The framework is generally inspired by the OECD Transfer Pricing Guidelines.

Companies established in Algeria that depend on or control companies located in or outside Algeria are required to adhere to the transfer pricing requirements in Algeria when they meet one of the following conditions:

- Realisation of annual turnover before taxes or ownership of gross assets equal to or greater than DZD 1 billion.
- Ownership, directly or through an intermediary, of more than 50% of the capital or 40% of voting rights of a company established or not in Algeria whose annual turnover before taxes or gross assets are equal to or greater than DZD 1 billion.
- Capital or voting rights being held by 50% or 40%, respectively, directly or indirectly, by a company whose annual turnover before taxes or gross assets are equal to or greater than DZD 1 billion.

Definition of Related Parties

Article 141 bis of the Algerian DTC defines related parties broadly where companies are considered associated where:

- One company directly or indirectly participates in the management, control, or capital of another company established in Algeria or abroad
- The same persons directly or indirectly participate in the management, control, or capital of two companies
- Parent-subsidiary relationships involving significant ownership or voting rights
- Transactions with entities located in low-tax or privileged tax jurisdictions may automatically attract TP scrutiny.

2 Transfer Pricing Methods

- Comparable Uncontrolled Price (CUP)
- Resale Price Method (RPM)
- Cost Plus Method (CPM)
- Transactional Net Margin Method (TNMM)
- Profit Split Method (PSM)

3 Transfer Pricing Documentation

Master & Local File

Transfer pricing documentation is mandatory for taxpayers meeting the applicable thresholds of annual revenue of DZD 100 million, particularly companies under the Large Taxpayer Directorate or entities with significant related-party transactions.

Requirements

. Documentation must be prepared in French or Arabic
. Documentation must be maintained annually
. Submitted upon request during a tax audit
. Additional supporting documentation may also be requested during audits.

TP Disclosure Forms

Mandatory annual TP e-filing declaration through the Algerian tax portal "Jibayatic". Includes:
· Details of related-party transactions
· Nature and value of transactions
· Identification of associated enterprises
· Transfer pricing method applied
Filing:
. Submitted annually with the corporate income tax return.

4 Key Areas of Focus

. Mandatory TP documentation and annual e-filing declaration
. Increased scrutiny of cross-border related-party transactions
. Transactions involving low-tax jurisdictions
. Intra-group financing and interest deductibility limitations
. Management fees and head office charges
. Persistent losses and low profitability of Algerian entities
. Functional and comparability analyses during tax audits

Dispute

. High audit focus on multinational enterprises and cross-border arrangements
. Common dispute areas include:

- Functional analyses
- Selection of comparables
- Management fees
- Intra-group financing arrangements

5 Compliance, Disputes & Outlook

Compliance Requirements

· Annual TP e-filing declaration is mandatory
. TP documentation must be maintained and provided upon request during a tax audit
. Documentation must generally be submitted within 30 days following a request from the tax authorities
. Documentation must include economic and comparability analyses supporting arm's length pricing

Penalties

Failure to comply with Algerian TP requirements may result in significant penalties:

- Failure to submit TP e-filing declaration: DZD 15 million penalty
- Failure to provide TP documentation or incomplete documentation:
- 2% of the value of related-party transactions concerned per fiscal year
- Minimum penalty of DZD 10 million per financial year

Additional penalty

- DZD 2 million for failure or incomplete submission following tax authority request
- Additional 25% penalty on reassessed profits/tax adjustments where applicable

HOW CAN WE HELP?

TP Governance and Strategy

Designing robust frameworks and strategic advisory

- Economic Substance & TP Policy Design
- TP Policy, Restructuring & Planning
- Value Chain Analysis and TP / Tax Optimization
- Intangible Property Structuring

TP Reporting and Compliance

Ensuring compliance with evolving regulations

- TP Documentation (Local File, Master File, TP Disclosure Form)
- Benchmarking Analyses
- Country by Country Reporting
- Permanent Establishment (and profit attribution)

TP litigation and Controversy

Protecting your position across the audit lifecycle

- Mock Tax Audits & Pre-audit Strategy
- Defense File Preparation
- Tax Rulings & Advance Pricing Agreements (APA)
- Mutual Agreement Procedure (MAP)
- Post-audit Assessment & Implementation Support

GET IN TOUCH

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At The Tax Point, we support groups operating in the UAE where transfer pricing is not a compliance checkbox, but a strategic control tool.