

## The Impact of Tax Policy on Social Development in Algeria

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### Abstract:

The study examines the impact of fiscal policy on social development in Algeria, which aims to promote and develop families and individuals. Where we present the most important indicators of social development of Algeria during the period 1990-2018, the most commonly used indicators such as poverty, unemployment and health.

Where we calculated the tax pressure applied to households, especially the tax pressure on their income, and its impact on their well-being and their standard of living, the study found that one third of household income paid in various taxes and fees, mostly taxes on consumption.

**Keywords:** tax policy, tax pressure, social development, IRG, household welfare.

**Jel Classification Codes:** D023.

### ملخص:

تبحث الدراسة في تأثير السياسة الجبائية على التنمية الاجتماعية في الجزائر، والتي من أهدافها ترقية و تطوير الأسر والفرد. حيث نقدم أهم مؤشرات التنمية الاجتماعية للجزائر خلال الفترة 1990-2018، وهي المؤشرات الأكثر استخداماً كالفقر والبطالة والصحة. حيث قمنا بحساب الضغط الضريبي المطبق على الأسر خاصة الضغط الضريبي على دخلها، وتأثيره على رفاهيتهم ومستواهم المعيشي، توصلت الدراسة إلى أن ثلث دخل الأسر يدفع في مختلف الضرائب والرسوم التي أغلبها ضرائب على الاستهلاك.

**كلمات مفتاحية:** السياسة الضريبية، الضغط الضريبي، التنمية الاجتماعية، ضريبة على الدخل الإجمالي، رفاهية الأسرة

تصنيف JEL : D023

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## 1. Introduction

Social development has an important role in the government's policies, as it has begun to pay attention to reducing poverty and unemployment. This is by taking care of and improving the quality of social services provided by the state. Meeting these needs requires huge funding that countries used to provide from three sources of funding: Borrowing, regular income, collection resources,

While Algeria preferred to resort to its internal sources instead of foreign borrowing, the most important of which is the regular collection.

The goal of basic fiscal policy is to redistribute income, R .Musgrave (*Richard, 1959, p. 105*) argues that fiscal policy is often used to meet the three functions of the state:

Regulation of economic activity by adjusting the level of compulsory deductions; implementing tax incentives to influence resource allocation; seeking social balance through redistribution of income by adjusting the tax on taxpayer resources, according to the desired effects.

Therefore, the state intervenes due to the failure of market mechanisms in achieving social justice and equality, where a report was issued

Entitled "Report on World Inequality for 2018" (*Zucman, 2018*), the former Prime Minister of Luxembourg approaches one of these developed by his book *Capital in the 21st Century*. According to capital income that is growing faster than the economy (R > G). Economists around Beckett: "Reducing disparities in wealth and income requires a major shift in national and international tax policies. Incremental taxation is a tool that reduces growth in income and wealth inequality at the top of the hierarchy drawn by researchers

Where did J Mirrlees (*MERRLEES, 2001, pp. 3-18*) put in an article entitled *Tax Why, How Much?* Where taxes on land, capital and labor, taxes applicable to consumers and various goods, and how to raise and reduce taxes affecting the public budget and families, have been tested. François Bourguignon (*François Bourguignon, 1998, p. 09*) has experienced the importance of redistribution by the tax system and social benefits? Where he found that approaching the negative tax system, or the negative tax which means that the total amount to be paid will be negative to the lowest income, and a positive income higher, Borgignon to the tax increases the differences in household income and between the unmarried and married.

All previous research has agreed that there are many reasons for increasing poverty and inequality and the strongest reason is the tax system imposed on families starting from tax cuts on salary.

How true is this proposal in Algeria? Which reformed its tax system following the economic and social crisis of 1992, in which it sought to achieve social justice by embodying the principles of social development, especially creating jobs, eradicating poverty and guaranteeing a high level of welfare. At the same time, On social transfers that amounted to 20% of the total public expenditure, or 10.40% of the gross domestic product, in 2017, 134 billion Algerian dinars.

Algeria applies a variety of taxes and duties to all activities and activities in fields of both a productive and a consumptive nature. It has become a tax pressure at the macro level that exceeded the threshold recommended by the International Monetary Fund (IMF) at 25% -25% Which affect their consu mer behavior to satisfy their essential needs of food, clothing, medicine, etc., or so-called luxury.

## **2. Research Problem & Methodology**

In this sense, this paper targets to study the problem of research, social conditions and the effects of tax pressure on individuals and the situation, and thus highlighted the problem of research as follows:

What is the impact of Algeria's fiscal policy on social development?

To answer the problem we put the following hypotheses:

- There is a financial pressure on families affects their well-being
- The fiscal policy in Algeria increases the social differences of families
- The aim of this study is to achieve a number of objectives, the most important of which are:

A. knowledge of the effectiveness of fiscal policy and the tax system in Algeria

B. Measuring the tax pressure on families

C. knowledge of the effects of tax pressure on the welfare of families

Where the temporal boundaries of the study were extended from 1970 to 2018. This is done by addressing the most important indicators of social development and the fiscal system in Algeria. Based on the statistics and data of the Central Bank and the World Bank and the data of the Algerian Ministry of Finance, we analyzed and interpreted them. In the applied part We have examined the situation of a public official by calculating the taxes and fees paid by any measure of tax pressure on his family.

We divided the study into two sections, the first dealt with the reality of social development in Algeria, while the second section attempted to measure the effectiveness of fiscal policy.

### 3.1 The situation of social development in Algeria

The term social development was not as common as the terms of growth and economic development, which were measured by increasing economic growth, quantitative commodity production and increasing income, which indicate the development of the state and its development. However, with the emergence of crises which affected the social and environmental aspects of individuals, to re-examine the pillars of the development and development of countries and this by establishing new concepts such as human development and sustainable development.

Sustainable development is defined by the United Nations as a "moral commitment of the present generation of the next generation," in which the current generation ensures that its needs are met without compromising the ability of future generations to meet their needs. Of resources similar to the one he inherited or better»

#### 3.1.1 Definition of social development

The term "social development" was first mentioned in the United Nations in 1950 as part of the five-year plan adopted by the Indian government, which drew attention to its methods and objectives since 1951. In January 1955, the United Nations Secretariat sent an important report to the Economic and Social Council On the theme "Social progress through social development".

Higgins defined it as "human investment in areas or sectors that affect people's lives, such as education, public health, housing, social welfare, etc., so that the return of that process is directed to economic activity in society." (*Ali, 1985, p. 07*)

It is clear here that Higgins is attached to the social development in the pace of economic activity revolving in society and because it is economically thought that the social areas return, and that it can be calculated and reinvested in economic activity again. (*Imam, 1962, p. 70*)

Richard Ward believes that social development is "a scientific and realistic approach to study and guide the growth of society in various respects, with a focus on the human aspect of it, in order to achieve integration and interdependence among the components of society" (*Imam, 1962, p. 30*)

In the study of social relations, Hobbes explained that development is "the development of human beings in their common relationships. This is what he calls social harmony. Social change (*Shalabi, p. 14*) means nothing to him unless there is a change in the nature of social relations. Mutual human ":

Hobbes spoke of four criteria for "high development", which he says is a continuous and comprehensive development. He argues that for the sake of society's progress, these

four criteria must be met and that development will not be incomplete if one of these conditions fails: (*Shalabi, p. 14*)

a\_ Population

b\_ sufficient

c\_ Freedom

d\_ Participation

Therefore, social development can be defined as a participatory process among the various actors in order to achieve prosperity and quality of life by mobilizing all financial, economic, human, legal and institutional frameworks to ensure their continuity over time.

### **3.1.2 Principles and fundamentals of social development**

As a modern concept, social development is based on some basic principles to achieve the required objectives. These are necessary principles that are interrelated and integrated. Development and implementation of projects can be planned only if these principles are taken into consideration. Or local.

The principles of social development can be summarized as follows:

Principle 1: Participation of members of the local environment in thinking and working to develop and implement development programs

Principle 2: Integration of service projects and coordination of their work.

Principle 3: The principle of self-help

Principle 4: The principle of reaching concrete material results.

Principle 5: The principle of reliance on local resources.

Principle 6: Identification of needs (*Jamal Halawa, 2009, pp. 150-155*).

Social development should be based on strategic plans based on complementarity and balance between economic and social development so that it is clear to the planners that social development has two main functions related to economic development: social change, human resources development,

The strategy is based on several considerations, the most important of which are:

Conditions and conditions prevailing in the underdeveloped country

\_ Nature of the economic system

\_ The quality of the class structure of the population

There are strategic and other tactical objectives. It is noted that the social goals that most plans in the developing countries are classified as are to provide employment opportunities for the growing population, reduce inequality in the distribution of wealth, and to promote social development and success. It is also clear that it can be

implemented at all levels and within defined time limits. In determining the appropriate strategy for development, the role of the government and the role of voluntary communities in developing countries' development processes should be determined and prioritized. State. "

### **3.1.3 Indicators of measurement of social development:**

Social indicators emerged in the late 1960s in order to address the shortcomings of conventional indicators of social and economic realities and changes through the expansion of data and economic statistical analyzes to include a large number of social issues such as development planning, assessing progress in achieving their objectives and examining policy alternatives for selecting most appropriate. This movement has moved to areas of deep social concern for individuals and families, such as meeting basic needs, welfare, and growth.

Social indicators are defined as "selected measures of the conditions, conditions and trends of well-being in society, which are derived from the large amount of social statistics that are available, once organized in an integrated framework."

The UN and regional bodies are concerned with the issue of indicators for PNUD, the World Bank and the African Index for Social Development.

On March 29, 2015, the United Nations Economic Commission for Africa (ECA) launched the African Index of Social Development, which includes six key dimensions of well-being:

- a. Survive
- b. Health
- c. Education
- d. Operating
- e. Living resources
- f. A decent life.

There are also many indicators that measure social development and well-being, especially those that measure poverty, such as the human development index (IDH) and the human development index (IDH), and other indicators that develop according to the development of human needs, the extent to which individuals are able to achieve them,

## **3.2 The Composition of Public Expenditure in Algeria**

Public expenditure since the beginning of the third millennium has been steadily increasing, reflecting the expansionist policy of the state, which was aimed at raising the level of economic growth and calculating the standard of living of citizens, based on the increase in oil revenues.

### **3.2.1 The social objectives of the Algerian state: (*The Algerian Ministry of Foreign Affairs, Government Work Plans , 2017*)**

The Government of Algeria, within its development objectives, has set up a series of policies aimed at promoting human rights and achieving social justice, especially policies for the promotion and expansion of human development. The social objectives of the government plan focused on two main axes:

#### **A. Combating poverty: through**

- The qualitative and quantitative development of the educational system, training, higher education and scientific research: In the field of national education, the promotion of technical education and vocational training and their adaptation to the environment.
- Continuing to improve the living standards of the population: in the area of housing, supply of drinking water and connection to disinfection networks, linking homes to the power grid.
- Improving the access to treatment and performance of health interests and maintaining the national system of social security and retirement, with regard to the national health system, with regard to the system of social security and retirement, the protection of the Mujahideen and those with rights "(Plan of Action of the Algerian Government 2015-2019).
- Maintaining the policy of national solidarity and social justice, protecting and promoting women
- Youth promotion and exercise

#### **B. Reduce unemployment rates**

- Follow-up rationalization of the control of the labor market and raise the support capacity to absorb unemployment
- Develop social policies for job creation, such as the ANSEJ ANEM programs, which provide financial and technical assistance (in the form of low-interest loans) for youth with economic ideas.

### **3.2.2 Social Development Indicators in Algeria:**

The talk about social development in Algeria is not described by literary description, but what is actually achieved by the achievement of governments at this level in accordance with international indicators of international organizations, especially those standards that measure the well-being and standard of living of individuals, and the quality of life.

### 3.2.2.1 The level of poverty in Algeria:

The poverty level in Algeria can be measured by several measures including the Gini index and the poverty threshold. The World Bank has set three levels of poverty: \$ 1.90 per day is the poverty line that guarantees the individual to live and provide for his needs. Mindfulness, especially those with less than \$ 1.90 consumption, is classified as the poorest, followed by a consumption category of less than \$ 3.20 a day and \$ 5.50.

In Algeria, the poorest number was 7% of the total population in 1988, ie during the period of crisis until 1995, but in 2011 the number of the poorest poor fell to 0.2 million. This is a very good improvement. Algeria achieved this threshold. The poor, whose income is less than \$ 3.20 a quarter of the population lived in poverty during the period of crisis from 1988 to 2000, but fell to only 4%, and it is evident that more than half the population of Algeria lived under the line of \$ 5.50 per day, Recent about 30% of the population live below the line of \$ 5.50 per person, a very high percentage of poverty compared to living standards in Algeria and such price inflation and low purchasing power.

#### Evolution of the number of poor in Algeria 1988-2011

	Population	Year	Population	Year	Population	Year
	36,82	2011	28,9	1995	24,6	1988
	Proportion of poor pop	number of poor	Proportion of poor population	number of poor	Proportion of poor population	number of poor
<b>The number of poor (million people) lives on less than 1.9\$</b>	1%	0,2	6%	1,7	7%	1,6
<b>The number of poor (million people) lives on less than 3.20\$</b>	4%	1,4	24%	7	25%	6,1
<b>The number of poor (million people) lives on less than 5.50\$</b>	29%	10,7	55%	16	58%	14,2

Source: Prepared by the researcher based on worldbank data

### 3.2.2.2 \_the health

The health sector in Algeria has undergone several transformations and reforms.

1962-1973: Progressive construction of the national health system

1974: Public Health Law First amendments

1990 to 1999: First two texts from Reform.

1999 - Present: Final Reform: Hospital repair.



As the health sector is watching over its NBh workers and doctors, the total number of health practitioners reached in 2014, about 291 437 between doctors and nurses in the table below gives the figures for the use of doctors and pharmacists per thousand people, where at the beginning of the 1960s there was a shortage of medical staff where we find for nearly a thousand citizens a doctor and 3700's a dental surgeon and more than 6000 citizens frequented by one pharmacist,

But with subsequent years, these provisions were reduced to 75 % for doctors and 50 % This is due to increased spending on health, higher education and the formation of health practitioners.

In the period 2001-2017, Algeria established 290 hospitals, 403 hospital units and 10 university hospital centers. The following table shows the infrastructure implemented in the health sector since 1962.

**Table 01 represents the completed health structure 1962-2010**

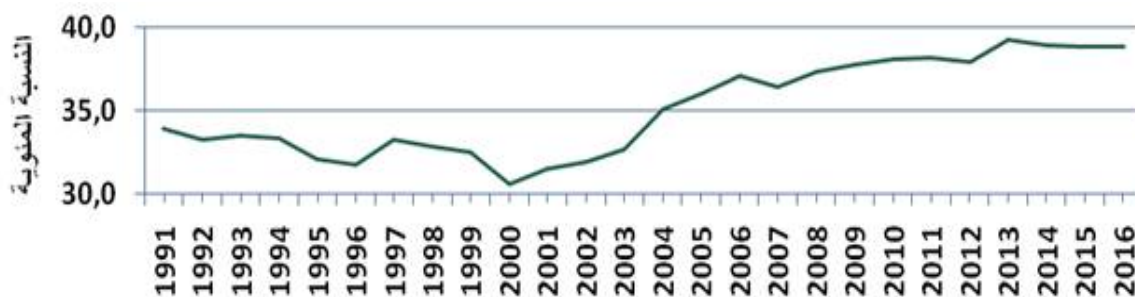
	1962	1974	1982	1992	2002	2010
<b>Hôpitaux</b>	143	143	196	263	372	276
EHU						1
CHU					13	13
EPH						194
EH						04
EHS				19	32	64
Nbre lits Hop		43404	45830	53068	55233	61779
<b>Sect. San.</b>				<b>191</b>		-
<b>EPSP</b>						271
Polycliniques		106	228	451	513	1491
Centres de santé		558	820	1117	1281	
Salles de soins		1402	1660	3848	4228	5350
Maternités (rur +urb)		50	54 (en1980)	<b>506</b>	403	431
<b>CMS</b>				670	563	616
<b>Laboratoires HYG Wil</b>				76	48	48
<b>Agences Pharm. Etat</b>				1060	1051	942

Source: Algerian Ministry of Health

### 3.2.2.3 Employment and unemployment

Unemployment is obsessed with governments, especially rent-poor countries that do not have the economic base that absorbs unemployment. The following figure shows the development of unemployment in Algeria compared to the population, where it is increasing only in 2000 did the beginning of reforms emerge, but despite all the programs aimed at employment and employment, ANEM But in 2016 it reached about 40 % Of the population of 40 million.

Figure 01 represents the evolution of the unemployment rate 1991-2016



Source: Prepared by researcher based on World Bank data

#### 4. The impact of fiscal policy in achieving social objectives

The fiscal policy does not achieve its objectives only by measuring the effectiveness and the extent of achieving economic and social goals, and one of the most important aspects affected by social policy on the economy and well-being of individuals is the size of the deduction or so-called tax pressure known as:

«\_ Is the effect that highlights the weight of the deduction compared to a source of wealth or the source of the deduction itself " (*Al-Harashi, 2012, p. 78*)

\_ "It means pressing fiscal impact that the imposition of various taxes and the effects of the size of the cuts and the image of the technical structure of the tax structure of the process also reflects the pressure on the fiscal burden that the h Dth tax deduction on the national economy." (*Barriere, 1981, p. 202*)

There is fiscal pressure at the macro level, and tax pressure at the micro level, that is, on individuals and institutions.

##### 4.1. Taxes affecting social aspects:

###### 4.1.1- Gross Income Tax:

Is one of the oldest types of taxes in the tax systems applied in Algeria and these taxes paid by the workers on the basis of a permit and pay them on the basis of authorization until the year 1965 is deducted directly from the source, Subject Salaries and wages Paid From Before Users, For a table Tax On Income Total Calculated Per month, \_ Bonuses Return And Rewards or Guy Rhea As well

as Istrakat Salaries, Which Granted For periods Not monthly As Normal From Before Users 10%, From Without Application Reduction, \_ Amounts Outstanding Of people They practice addition to me Activity e m The main A s measure a , Activity Teaching or search or Monitoring or As professors Assistants As temporary, As well as Rewards Resulting About As activity circumstantial The a stamp Intellectual 15<sup>th</sup> % , Without Application Reduction .

Isacquired the e Truncation,Character Liberally fromm Tax on Income Total,  
 Except ina status Rewards Resulting About Activities Circumstance Related Character I  
 ntellectual, When Overcomes The amount Annual 2.000.000 DZD

\_ Subject wages Employees Technicians And The Framers People Nationality Foreign  
 countries Operators From party Institutions Foreign countries Operating in a Algeria: For  
 a table Tax On Income Total Calculated monthly « (*Algerian tax system for 2017,*  
*Directorate General of Taxation, 2018)*

The tax table on gross income for wages starts at 15010 dinars as a taxable  
 amount [i] and its ceiling is 120000 dj and on this basis the rates of deduction shall be  
 increased by 3.33 % A minimum of 24.59 % It is the rate of deduction of salary and it  
 also creates tax pressure on the wage earner.

**4.1.2-Sm cleansing:** Effective draw Walt Tahir in

a Municipalities Which Works Q guardian an interest upload Fountains Home.

Is borne Draw Tenant which it is possible that it costs with owner to  
 pay Draw As Solidarity.\_ Between 1000 DZDand 1500 DZD On Each Shop The use resi  
 dential.

**4.1.3- Value Added Taxation:** This fee was established under Law No. , Which was  
 introduced in April 1992, as compensation for both my tax tanc and is a drawing on  
 consumption applied to processes of an industrial, commercial, literal, and free  
 professions. Excluding this drawing is excluded the self-employment of the peasantry  
 and the non-commercial administrative works. Under the Finance Act of 2017 amended  
 in proportion and became as follows:

Reduced Rate: 09 % It applies to goods and services that have an interest in economic  
 planning and social activities,

Normal rate: 19 % And applied to operations without those concerned with the reduced  
 rate.

Internal drawing on consumption: This fee applies to some goods and imported textiles  
 such as cars, clothing and foodstuffs, and is estimated at 30%.

In addition to these taxes and fees, there are other, but not monthly, or permanent  
 fees such as the registration fee for vehicles, the official document extraction fee, such as  
 the normal 24-page passport, which is estimated at 6000 DZD

## 4.2. Measuring the tax pressure on individuals:

"Taxation means the effect of the process of imposing various taxes and the effects of the size of deductions and the image of the technical structure of the tax structure as the pressure reflects the burden of tax burden on the national economy" (*Barriere, 1981, p. 202*)

The tax pressure is measured at the macro and micro levels, as its measurement allows us to know the degree of its impact on the source of the deduction, whether it is institutions, families or individuals, so as not to be in the problem of where to spend tax collection with more taxes, Taxation.

### 4.2.1 Tax pressure on wages for tax on gross income:

In Algeria, the wage mass is continuously rising due to the increase in the size of the country and its demographic growth and its economic policies towards raising public expenditure. The table below shows that at the beginning of the millennium wages in the economic sector were relatively high in public administration until 2008, in the industrial sector to 939.30 billion compared to 1098.40 billion for public administrations. This is because of the subsidized labor policies of the state and integration programs such as DAIP. The situation is still continuing to the present hour, as the rise of the wage mass in this sector does not mean higher wages, the increase in the number of workers compared to other economic sectors such as agriculture, which does not exceed the mass in 2016, and 267 billion. On the other hand, these sectors suffer from the movement of informal workers or unauthorized in the legal framework of social security funds, leaving these blocks of wages in both the economic sectors and the farmer is not really telling about reality.

**Table 2 represents the evolution of the wage mass 2000-2016**

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Mois de DA																	
<b>Rémunération des salariés</b>																	
Secteur économique hors Agriculture	428,5	460,8	502,9	531,7	606,5	651,8	723,6	820,6	939,3	1 012,1	1 156,3	1 297,5	1 441,4	1 598,5	1 660,5	1 777,6	1 881,9
Agriculture	51,2	56,3	56,8	63,1	74,1	78,1	90,9	90,7	96,6	114,0	123,7	129,4	132,4	167,8	187,6	221,8	267,4
Administration (y c AI et IF)	404,9	453,5	489,1	543,1	598,0	634,1	684,0	810,7	1 098,4	1 229,5	1 627,5	2 439,5	2 717,5	2 624,5	2 811,8	2 984,3	3 089,5
Total Rémunérations des Salariés	884,6	970,6	1 048,8	1 137,9	1 278,6	1 364,0	1 498,5	1 722,0	2 134,3	2 355,6	2 907,5	3 866,4	4 291,3	4 390,8	4 659,9	4 983,7	5 238,8

Source: Prepared by the researcher based ONS

As for the rates of tax deductions from wages, they are also rising continuously. During the ten years 2000/2009, they increased weakly, from 4% to 80%, while the base wage rose by only 2000% in 2004 and 2007, The reduction of the wage mass in the increase of 14% without recording any increase in the base wage, and inflation was weak in 2000 by 0.34% and then jumped to 40% in a year and then returned to decline in 2005 by 1.38%, but then continued to rise, On the other hand, inflation is a pressure on household incomes and negatively affects their welfare, because of the increase in the tax cuts of the tax on the gross income, Where 14% of the wage mass paid in 2016 is irg at 6.40% inflation and with guaranteed national wage guaranteed at 18000 DZD, it can be judged that the entry of families is weak and is a contribution to the state budget.

**TABLE04: represents tax deductions on total income from wages00-16.**

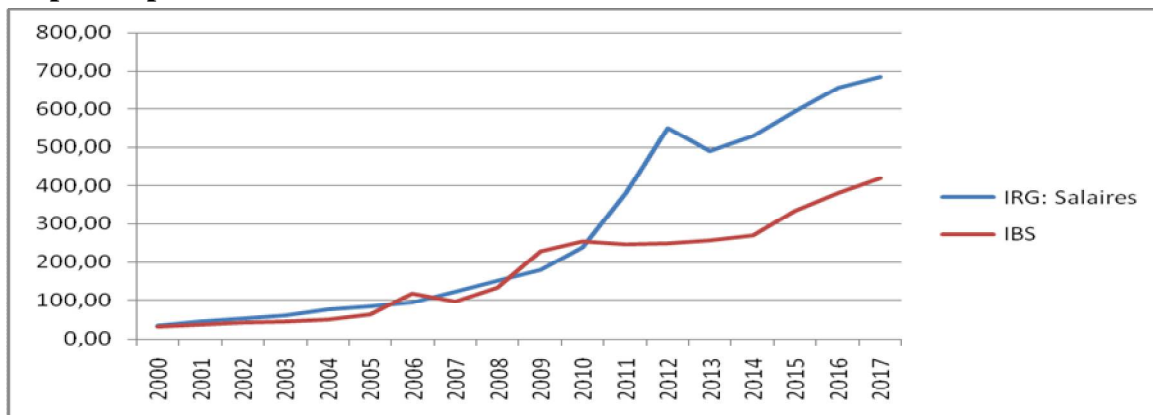
<i>year</i>	IRG	Block wages	Tax Deduction	Inflation rate	Base salarySNMG
<b>2000</b>	<b>34.3</b>	884.6	4%	0.34	8 000.00
<b>2001</b>	<b>44.7</b>	970.6	5%	4,23	
<b>2002</b>	<b>51.63</b>	1 048,80	5%	1.42	
<b>2003</b>	<b>59,73</b>	1 137,90	5%	4.27	
<b>2004</b>	<b>74.88</b>	1 278.90	6%	3.96	10 000.00
<b>2005</b>	<b>82.77</b>	1 364.00	6%	1,38	
<b>2006</b>	<b>94.96</b>	1 498.00	6%	2.31	
<b>2007</b>	<b>122.67</b>	1 722.90	7%	3.67	12 000.00
<b>2008</b>	<b>151,91</b>	2 134.00	7%	4.86	
<b>2009</b>	<b>180.42</b>	2 355,60	8%	5,73	
<b>2010</b>	<b>239,3</b>	2 907,50	8%	3,91	15 000,00
<b>2011</b>	<b>380,35</b>	3 866,60	10%	4,52	
<b>2012</b>	<b>548,47</b>	4 291,30	13%	8,89	18 000,00
<b>2013</b>	<b>489,06</b>	4 390,80	11%	3,25	
<b>2014</b>	<b>527,24</b>	4 659,90	11%	2,92	
<b>2015</b>	<b>592,13</b>	4 983,70	12%	4,78	
<b>2016</b>	<b>719,8</b>	5 238,80	14%	6,40	

**Source: Prepared by the researcher based on ONS**

On the other hand, the figure below shows a comparison between the tax on total income of wages compared to the tax on corporate profits, that the tax on wages is double the tax on corporate profits, as the number of taxpayers on profits of companies only 81932 for 2016, and this indicates two things Is the weakness of production and their contribution

to the national economy, such as fraud and tax evasion, while the number of taxpayers on the total income category of wages for the same year more than 50 million, It can be said that the tax on gross income is a burden on families, and reduces their welfare.

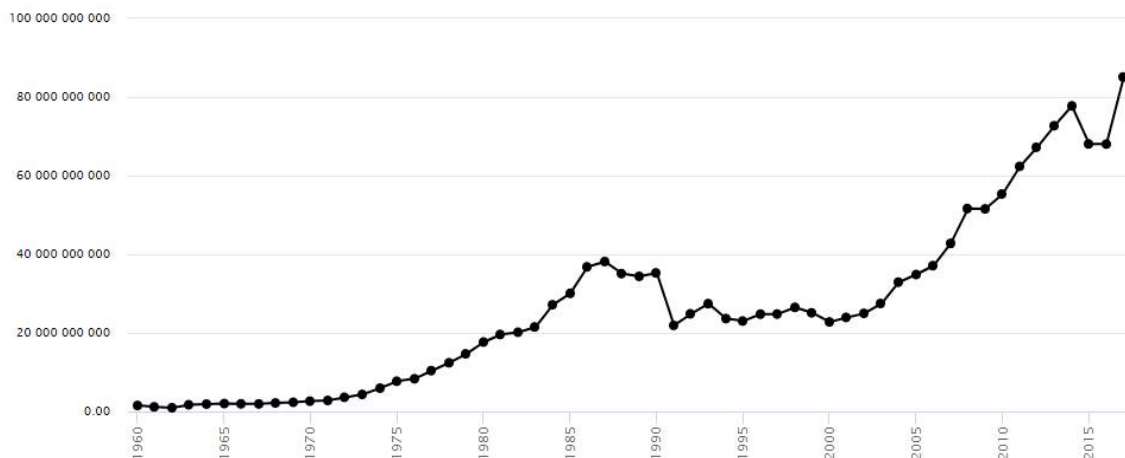
**Figure 03 represents the evolution of the tax on wages compared to the tax on corporate profits 2000-2017**



Source: Prepared by the researcher based on financial ministry of Algeria

As for household consumption in Algeria, according to World Bank data, there are three different periods of household consumption from 1960 to 2020, where in the first period 1960-1986, the increase was very slow due to the number of people who did not exceed 8 Million in the beginning of the period, while the period of 1986-2000 was a marked decline despite the increase of the population, which exceeded 28 million in 2000, but the economic and social conditions, especially the economic crisis and the associated unemployment and inflation and the decline in revenue revenues of oil, contributed to reduce consumption In other words, it was the cause of poverty among families during that period However, at the beginning of the millennium, consumption accelerated rapidly, reaching more than \$ 80 billion in 2016. This increase in household consumption is due to the improvement of economic and social conditions in Algeria due to the recovery of oil prices, Households in terms of strengthening the prices of some consumables and energy, as well as operating policies that have maintained unemployment and improved household income, on the other hand, the population increase of 30% annually.

**Figure 05 represents the evolution of household consumption in Algeria from 1960-2020 in US dollars**



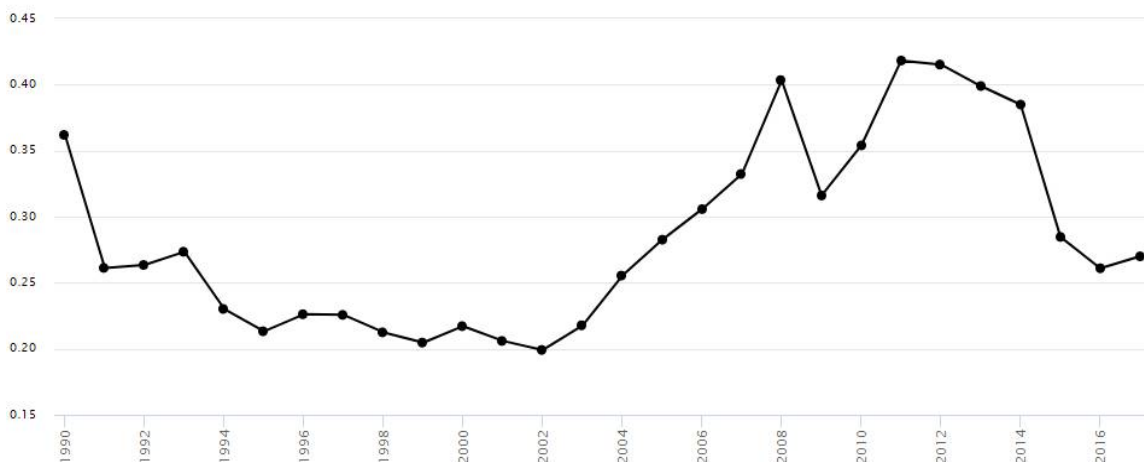
**Source:** World Bank Database, 15-12-2018

The analysis of household consumption alone is incomplete, without talking about purchasing power, as it was known to decline during the black decade where the index reached its lowest level in 1999 by 0.20, due to the aforementioned reasons and the devaluation of the dinar with the most traded currencies in Algeria such as the euro and the dollar, 2000 The level of purchasing power of Algerians began to improve beyond the 2008 financial crisis, where it fell from 0.08 points but improved, until 2014 it has retreated to this day (*end of 2018*).

It is therefore possible to say that the standard of living of individuals in Algeria, their consumption and purchasing power is due to internal and external economic reasons, mainly related to fuel prices and international crises, considering that Algeria is an imported country not manufactured, which makes its economic, social and food security and the well-being of the families dependent on it. Economic conditions.



Figure 06: PPP in Algeria 1990-2020



Source: World Bank Database, 15-12-2018

### 4.3 Measuring the tax pressure on the individual and his family:

In order to measure the tax pressure on individuals, we chose a public sector employee, who is responsible for a family of 4 individuals. We calculated the monthly net wage, as the wage he earns is a single income, and we calculate the taxes and fees he pays. Per month in the following formats: (see annexes)

Where the gross wage is: 46205.25 DZD

- Deduction of social security: 4158.47 DZD

Pay before subtraction of IRG: 42046.78 DZD

- Tax on gross income: 6122.00 DZD

Net wage: 35934.78 DZD

The monthly tax account is as follows

Value of monthly goods and services:

Value Added Tax:

Water bill: 73 DZD

TVA Gas and Electricity bill: 673.84 DZD

TVA Home Phone Bill: 114.00 DZD

TVA Home Internet Bill: 256.00 DZD

TVA Monthly Transport Value .800.00 DZD

TVA Food consumption and miscellaneous expenses: 4000.00 DZD

2- Drainage fee 1500 DZD

3 - The internal drawing of the consumption tax on some consumer goods and cleaning materials and cosmetics: 1000.00 DZD



$$\text{Calculation of Tax Pressure} = \frac{\text{Total Tax Deductions}}{\text{Pay before subtraction}} * 100$$

$$= 100\% * 13980.42 / 42046.78$$

$$\text{Individual tax pressure} = 33.25\%$$

Thus, the individual in this case pays 33.25% of his tax and fee.

Economic analysis indicates that consumption depends on two factors: income and consumption (Mohammed Jamal Thunbyat, 2003, p. 155) as savings are part of the income that is not consumed, factors that determine the consumption itself that determine savings:

Margin of consumption + marginal inclination of savings 1 =

The impact of tax deductions on small income earners is greater than the effect on income earners

The fact that the transfer of indirect taxes reduces the consumption of goods. Taxes reduce the consumption capacity of individuals. The increase in taxes affects the large incomes, which affects the percentage of their savings in order to maintain their consumption.

And the tax pressure affects income and consumption for both high and low incomes. The first category of low income is sacrificing its consumption or social welfare because of taxes. The second category does not sacrifice its consumption and well-being, but rather sacrifices the savings that affect the financing of the economy in general.

## 5. Discussion and Conclusion

In this study, we sought to know the impact of fiscal policy on social development by measuring the tax pressure and its impact on welfare. We discussed the concepts and principles of social development and how they are measured. Where many international organizations, such as the United Nations Development Program, have sought to develop standards and indicators that measure the degree of development And to achieve the social development goals of poverty eradication, health, education, employment, living resources, decent life, which is essential to the welfare desired by the countries,

We find that the reality in Algeria does not reflect the fact that the state of the efforts and reforms and a number of social policies that have achieved quantity at the expense of quality and quality of social services provided, and among the reasons is the imposition of fiscal policy of pressure on incomes and salaries Households, and on the other hand, the large number of taxes on consumer goods, where households pay 9% as monthly social deductions, 15% on gross income tax and 19% on every consumption or service. Very few are limited to state-subsidized goods. The individual pays one-third of his

monthly income on tax deductions. In other words, according to economic theory, the individual sacrifices his consumption in exchange for paying taxes, which are paid to the public treasury and spent in the form of social transfers and public services for social development.

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