

**The Reality of Fiscal Decentralization in Algeria**  
**Case Study: Municipalities of Algerian Province – Saida**  
واقع اللامركزية المالية في الجزائر-دراسة حالة بلديات ولاية سعيدة-الجزائر  
**Cheikh yahia<sup>1\*</sup>, Chaib Baghdad<sup>2</sup>**

<sup>1</sup>University de Tlemcen, Laboratoire Management des Hommes et des Organisation  
, cheikhuniv@yahoo.fr

<sup>1</sup>University de Tlemcen, Laboratoire Monnaie et Institutions Financières dans le  
Maghreb, chaibbaghdad@yahoo.fr

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**Abstract**

Algeria took the path of fiscal decentralization within the administrative decentralization and the principle of financial autonomy of local groups through several reforms in this field. On the light of these reforms, the aim of the study is to highlight the results of these reforms and their reflection on the reality of fiscal decentralization supposed to highlight the components local collection. Yet, in this context, we took a sample of the taxes and fees collected for some municipalities of the Algerian province – Saida - and we analyzed the data on the basis of the return for each of the components of the collection and ratios allocated to the municipality. In addition, it is aimed to identify the differences in the outcome and the ability of these sources to finance the municipal budget. Finally, the assessment revealed the suitability of the tax line and the rates of benefit of local groups from Taxes in the tax system with their economic and social realities.

**Key words:** Fiscal decentralization, Domestic taxation in Algeria, Reforms, State, Municipalities, Incomes, Saida.

**ملخص**

سلكت الجزائر طريق اللامركزية المالية ضمن اللامركزية الإدارية ومبدأ الاستقلال المالي للجماعات المحلية من خلال عدة إصلاحات في هذا المجال. في ضوء هذه الإصلاحات، تهدف الدراسة إلى تسليط الضوء على نتائج هذه الإصلاحات وانعكاسها على واقع اللامركزية المالية المفترض بتسليط الضوء على مكونات التحصيل المحلي. وفي هذا السياق أخذنا عينة من الضرائب والرسوم المحصلة لبعض بلديات ولاية سعيدة وقمنا بتحليل البيانات على أساس العائد لكل مكون من مكونات التحصيل والنسب المخصصة للبلدية. بالإضافة إلى تحديد الفروق في العوائد وقدرة هذه المصادر على تمويل ميزانية البلدية. وأخيراً، كشف التقييم عن ملائمة الخط الضريبي ومعدلات استفادة المجموعات المحلية من الضرائب في النظام الضريبي مع واقعها الاقتصادي والاجتماعي.

**الكلمات المفتاحية:** اللامركزية الجبائية، الضرائب المحلية في الجزائر، الإصلاحات، الدولة، الجماعات الإقليمية، المداخيل، ولاية سعيدة

\*Corresponding Author: Cheikhyahia, Email: [cheikhuniv@yahoo.fr](mailto:cheikhuniv@yahoo.fr)

## 1. INTRODUCTION

Decentralization is regarded as eliminating the focus in the administrative management of the various aspects of the state, that is, the central government gives all or part of its powers to the regional groups for the purpose of managing their affairs. Further, the fiscal decentralization is one of the aspects of financial decentralization that expresses the financial independence of the local groups, so that they are able to benefit from their own funding sources. Therefore, the local fiscality became an important place in the local financial resources, as it constitutes the primary source for financing its activities, and achieving its development goals since local development is a group of increasing needs and demands that require an actual response by providing adequate sources of funding by local groups that constitutes 90% of the taxes and fees that local groups must mobilize better and more sufficient to meet the requirements of the population and public service.

In this context, the Algerian government has undertaken a set of reforms at the level of the tax system in general to mobilize and exploit the tax resources collected for the benefit of its budget as the public utility closest to understanding and assessing public needs, giving a set of powers to the local electorate to supervise the collection of revenue, and the latter was allocated to include a set of taxes and fees, and no other method for distributing a central tax proceeds. Accordingly, we can raise the following research question:

What is the reality of fiscal decentralization in Algeria in light of the current reforms?

In order to answer this research question, we considered the following two hypotheses:

- The fiscal decentralization in Algeria may have given the local group a relative freedom to control the approval of the appropriate taxes, fees and rates, and to collect them in accordance with their economic and social reality.

- The reforms taken towards fiscal decentralization may be nothing more than distributing some of the revenues of central taxation with high returns to local groups.

To answer the research question and the proposed hypotheses, we divided our research into four parts, so that the theoretical framework and concepts related to fiscal decentralization were presented in the first part so that we can project it on the Algerian reality when comparing the theoretical side with the components of local collection that the legislator assigned to local groups in the second part of The research. In the third part, we will diagnose the reality of local fiscality for some municipalities of the Algerian province – Saida – and to determine the outcome of a certain total of taxes and fees to know the extent of their effectiveness and their ability to local financing, then make a comparison between the state’s revenue share from these taxes and fees and the municipal revenue shares.

## **2. The Significance of the Study**

In recent times, the importance of research is the global economic changes and the openness of Algeria to the outside world, and its connection to the global economy, thus, the state in general and local groups in particular must rely on its local self-revenue, mainly represented in taxes and fees outside of hydrocarbons (regular taxation) and permanent control in order to maintain the challenges towards the confrontations of the tasks entrusted to it and to achieve local development.

What has increased the importance of the research is also the decline and fluctuation in fuel prices nowadays and the consequent deficit in the general budget and the budget of local groups that affects the provision and mobilization of financial resources to ensure the continuation of the activity of the public utility and the provision of services.

## **2. Theoretical Framework for Fiscal Decentralization:**

**2.1. The concept of fiscal decentralization** (F Setiawan 2019, P01): The fiscal decentralization is a manifestation of the financial independence of local groups, so that within the framework of the mandate delegated to them by the central authority, so the latter can carry out the process of fiscal legislation at the local level and the scope of their authority. Besides, this gives them the right to determine tax rates, their vessels, and collect them In

Algeria, however, decentralization is limited only to local groups obtaining certain percentages of national taxes, approving and fixing some local fees only. In addition to collecting the revenues resulting from their services, the absolute authority in legislation and tax administration remains at the highest level of the government.

Based on this, a definition of local taxation can be developed regarding the approach made by (Nyawo Gumede 2019, PP56,58), that is:

“These are all fiscal revenues, formed from all taxes, and fees collected for municipalities and states (local groups), according to the principle of regional activity, and fiscal allocation within the framework of fiscal policy, aimed at influencing economic, social and environmental indicators through the balance of the public budget, its composition and its direct impact on spending Domestic investment, the protection, stability of economic growth and the achievement of local economic development”.

Based on what has been stated, the question can be raised about the reasons and motives that necessitated the establishment of taxes that benefit the local authorities.

### **2.2. Reasons and Justifications for Allocating Local Taxes:**

-According to Von Hayek: Governments or local authorities can access sufficient information, that is, have good knowledge about all information at the local level from the actual needs and costs resulting from performing the service which makes them provide the service more efficient and less expensive compared to the central authority. (Phuong Duy Nguyen 2019, P03)

-According to Robbin, competition between local governments results in a mechanism that enables more congruence between the service provided and user options. (Suzana Makreshanska . Goran Petrevski 2019, P34)

-According to Oates and Musgrave, the appropriate and suitable allocation of taxes and spending to various levels of government can increase social welfare.

- Also, modern theories are problematic under what circumstances can local bodies be stimulated to maximize social welfare? And this is what requires financial and political incentives.

On the other hand, the process of planning and implementing services becomes better when done by the concerned persons, that is, the local authority.

When local authorities rely on their own resources, this gives them the freedom to approve and adopt the spending programs that suit them instead of government subsidies that are often conditional on a specific spending. Moreover, the disposal of local resources makes local officials more vulnerable to accountability.

- Fiscal decentralization gives local authorities an incentive to increase their revenues when there are taxes that they control and responsible for their outcome, while they lack this incentive when they are managed by the central government. (Sean Dougherty 2019, P04)

In order to achieve fiscal decentralization and create conditions for local bodies to properly use their resources, criteria must be established that define the scope of fiscal independence for them and are at several levels according to the OECD as follows:

**2.3.Criteria for Fiscal Independence for Local Authorities:** (OECD, Fiscal decentralisation database 2019).

- 1): The local authority determines the tax rate and any tax exemption.
- 2): Local authorities to amend and reform the level of tax rates and provide exemptions in consultation with the central authority.
- 3): The local authority determines tax rates not included by the central authority.
- 4): The local authority determines the tax rates, provided they are listed by the central authority.
- 5): That the local authority only provide tax exemptions on the side of deductions.
- 6): Local authorities provide exemptions, but only tax loans.
- 7): The local authority must provide all tax exemptions and privileges, such as discounts, postponement of payment, etc.
- 8): Local authorities decide their share of the tax revenue distributed.
- 9): The distribution of the fiscal proceeds is not changed according to the formula of sharing except with the approval of the local authority.

10): The formula for the distribution of tax returns is specified by law, and this distribution in proportions can be changed by a higher central authority.

11): Tax returns are distributed and their rates determined by the central authority.

12): Other cases where central authorities can determine tax rates and rules for local authorities.

Also, local taxes can be divided into several types:

**3. Types of local taxes:** (OECD, 2019 Report world observatory on subnational government finance and investment 2019, PP68,69)

**3.1. Exclusive taxes:** The excise tax system is a pure tax allocation system, meaning that each local authority at the decentralized level and the central government has a set of its own taxes and has complete financial sovereignty over them, so it can take advantage of the tax bases and take full advantage of their proceeds.

**3.2. Taxes shared:** In this situation there are several levels of government that can benefit from the same tax base, but since all levels have the same financial sovereignty so that you can define and limit the tax base, however, problems may arise at the level of tax coordination between them. If there is sovereignty Partial, it can only define specific parts about taxation. For example, the base, exemption, reduction, tax expenditures, rates, and this type corresponds to a specific type of tax in which the vessels are identical or common between several levels of government, so that each body selects the rate freely. Thus, we will be in front of the term tax flexibility when the central government decides its rate and its tax coefficient (base, reduction and corresponding scale). Also, the systems that apply additional centimeters (Peggy back tax) are also included in this category.

**3.3. Transferred Tax Revenue or The Sharing of Tax Revenue:** This tax base is at the national or central level and the applied rate is determined by the central authority with a fixed percentage of revenue, whether a certain percentage of a particular tax or a percentage of the sum of different sources for the benefit of local bodies on the basis of functional or so-called derivation principle, or on the basis of distribution that is based on several elements including the population of the region, or a tambourine to reduce potential tax differences (resource parity between regions).

**4. Good Local Tax Characteristics:** (Mihaly Kopanji 2016, p150)

- When tax base be is fixed, the local authority can change the rate without moving the base to another location.
- That its revenues are sufficient to meet local needs and that it is stable and predictable.
- That its container is difficult to move and move because the tax base fluctuations between a local authority and another will complicate the imposition of taxes on the transferable rules in addition to its clarity so that control can be exercised on it.
- To be fair in the eyes of those charged with it and easy to manage.
- That the taxes on redistribution be the responsibility of the central government, because local taxes whose purpose is the (progressive) redistribution may result in an inefficient allocation of production factors between regions.
- The services provided by these bodies should be funded as much as possible from the benefits of their use and the related taxes.
- -To protect the taxes that is the subject of periodic fluctuations, from new adjustments in the rates to prevent their exploitation by local officials.
- The local tax should be clear in order to enhance responsibility and accountability at the local level.
- -Taxes that result in significant economies of scale must be centralized.

**5. The Components of the Local Collection in Algeria:**

The local tax system in Algeria includes all taxes and fees collected for the benefit of the municipality, the state and the security and solidarity fund for local groups, and some of which are entirely devoted to local groups, including what is partially allocated to them, and we will try to highlight the most important of these taxes, according to the allocation criterion, which was included in the path of reform.

**5.1. Taxes and Fees Partially Allocated to Local Communities.**

**1. Taxe on the Professional Activity:** fee is imposed on the number of works achieved by the taxpayers, whether they are natural or legal persons,

and they practice an activity whose profits are subject to tax on the gross income, the category of professional profits, or the tax on corporate profits. In regard to productive activities, by raising the rate to 3%, while the number of works resulting from the activity of transporting fuel by pipelines is allocated, the municipality's share of the proceeds of the fee is 66%, the state is 29%, and the guarantee and solidarity fund is the local groups by 5%. (Ministry of finance 2020, article n 220) .

**2. Value Added Tax:** This tax applies especially to sales operations, for real estate works and services that are subject to import fees, and is applied to the aforementioned processes, whether the latter are normal or exceptional in aspects, and from the fee rate of 19% the normal rate, and 9% reduced rate. (Ministry of finance 2018, article n 21)

The municipality's share of the proceeds is 10, and the share of the social security and solidarity fund is 15% in the local community. The fee is collected by the tax authorities.

**5.2. The Tax on Gross Income:** (Ministry of finance 2018, article n 66)

Income from civil rent on real estate with residential or commercial use is subject to tax on gross income, the property rents category. This tax is administered by the tax authorities, from tying and collecting.

Set the tax rate as follows:

- 7% in relation to the income from renting housing for collective use.
- 10% in relation to income from renting single-use housing.
- 15% in relation to the income from renting stores of commercial or professional use.
- The municipality's share of the tax revenue is equal to 50%.

**5.3. Car Voucher:** A voucher is established on numbered cars in Algeria under Article 299 of the Stamp Act. The burden of this voucher falls on every natural or legal person who owns a private car and defines the voucher tariff starting from the year it was placed ..... according to a special schedule drawn up from by the competent authorities.

The distribution of the proceeds of this tax between the fund, solidarity and social security for the local groups 30%, the state budget 50%, and 20% for



the National Fund for Roads and Highways. (Ministry of finance 2020, article n 309)

**5.4. Sole tax:** The only tax is included in the 2007 finance law that applies to natural and moral persons whose annual turnover does not exceed thirty million Algerian dinars (30,000,000 DJ) and practitioners of commercial, industrial or professional activity or the provision of services. It compensates for Professional activity fee; value added fee and total income tax.

The sole tax rate is set according to Article 282 of the Direct Tax Law as:

- 5% for production and sale activities.

- 12% in relation to other activities (services, free industry, crafts ...).

The municipality's share of the outcome of the outcome of the sole tax is estimated at 40.25%, the state is 5%, and the guarantee and solidarity fund for local groups is 5%. Like the rest of the taxes, the tax is managed by the tax authorities.

**5.5. Property tax:** subject to property tax on the natural persons who have their tax office in Algeria in relation to their property in Algeria and natural persons who do not have a tax office in Algeria in relation to their property in Algeria whether the property is built or not built, rights Real estate movable property (cars, ships, stairs, planes, antiques and art paintings, racing horses ... etc) which exceeds 500,000 dinars, and the tax rate has been determined according to Article 281 from Direct Taxation Law, Financial Law, 2018.

The share of local groups from the outcome of the proceeds of the property tax was estimated at 20% for the municipality and the rest for the state and the National Housing Fund. The tax is estimated and obtained by the tax authorities.

**5.6. Charges for Polluted Activities:**

In the framework of fiscal reforms, new fees are imposed for local groups by the tax administration, and most of them are imposed to protect the environment from pollution, and the most important of them is.

**5.7. Fees on Oils and Figures and Preparing Grease:** Determine the amount of the fee for the customer and the grease that results in the use of

manufactured oils, and the fee is obtained by the Tax Administration (Tax Hire).

The share of the Solidarity and Guarantee Fund for local groups is estimated at 34% for imported oils and fats.

**5.8. Supplementary Fee for Collective Pollution:** This fee is imposed on air pollution without the industrial source on the quantities emitted from industrial waste and determines the amount of the fee with reference to the annual base amount specified under the provisions of Article 117 of the Finance Law No. 91-25 of December 18, 1991 containing the Finance Law For the amended and complemented 1992.

The local share of the fee is estimated at 17% for municipalities and the remainder between the state and the National Environment and Coastal Fund.

**5.9. A storage fee for waste associated with hospital treatment activities:** determine the amount of the fee at a reference price of 30,000 JD per ton and adjust the weight concerned according to the capabilities and patterns of treatment in each specific institution or by direct measurement, and the fee is collected by the tax clerk.

The municipality's share of the fee is estimated at 20%, and the rest is distributed between the state budget and the National Environment and Coast Fund.

**5.10. Fees on the New Rubber Tires:** This fee is imposed on the new imported rubber tires, and set the amount of the drawing as follows:

- 750 DA for heavy duty tires.
- 475 DA on a dedicated tire for light cars.

The share of local groups in the collector's fee was 35% for municipalities, and the rest is distributed between the state and the National Solidarity and National Fund.

**5.11. Fee for The Right to Use Mining Area:** This fee is imposed on the basis of the schedule, and it is paid by the beneficiaries of licenses for exploitation and holders of concessions for mining areas, by paying the fee to the tax collector.

**5.12. Supplementary Fee for Wastewater Of Industrial Source:** the fee was created on the basis of the volume of wastewater discharged and the

resulting pollution as a result of exceeding the permissible limit The fee is paid to the tax collector, and the share of local associations in the amount of the fee is estimated at 50% for the benefit of the municipalities, and the rest is distributed between the state budget and the National Fund for Environment and National Pollution.

**5.13. A Fee for Not Storing Private or Dangerous Industrial Waste:** This fee was established at 16,800 dinars per ton of storage. The fee is paid to tax collectors, and the share of local groups in the product of the collector's fee is 16% for municipalities.

**5.14. A Tax on The Income of Marine Fishing:** This tax is imposed on the income of trade, fishers, owners of small and small professions and sea fishing. The share of local groups is estimated at 70% for the benefit of the municipalities, remaining for the benefit of the state budget and the amount of the tax, set as follows:

- 900 DA for users of imported ships.
- 2000 DA for recreational fishing.

The tax is paid to the tax clerk every three months of the fiscal year, and its proceeds are distributed to the municipality at 50% and 30% for the benefit of the state.

## **6. Taxes and fees entirely designated for local communities**

**6.1. Real Estate Fee:** The real estate fee is defined from the text of Article 248 of the Direct Tax Law that it "establishes a real estate fee on the built property, which is located above the national territory", and Article 201 of the Direct Tax Law states that this fee is allocated to non-built municipalities The amount of the fee is calculated by applying The following rates:

### **A / Built Properties.**

- % 3% on fully built units.
- 10% on built-up residential properties that are not occupied in person or family, or by purchase.

### **B / Unconstructed property:**

- % 5% when its area is less than or equal to 500 square meters.
- % 7% when its area exceeds 500 square meters, and is less than or equal to 1000 square meters.

- % 10% when its area exceeds 1000 square meters.
- The proceeds from the real estate fee for the built and non-built properties are entirely allocated for the benefit of the municipalities, i.e. a rate of 100%.

**6.2. Disinfection Fee:** Under Article 263 of the Direct Tax Law, an annual fee is established for the benefit of municipalities, in which the interest of lifting household garbage is used by all the built property, and determines the amount of the fee as follows:

- ✓ Between 1500 and 2000 dinars for each residential use.
- ✓ Between 4000 and 14,000 dinars for each store with professional, commercial, craftsmanship or similar use.
- ✓ Between 2000 and 25,000 dinars on each land prepared for camping or trailers.
- ✓ Between 22,000 and 132,000 dinars for each store with industrial, commercial or professional use that produces more waste than the above mentioned items.

The fee is paid to the treasury of the municipalities, and the outcome of the fee is allocated 100% to the municipalities.

**6.3. Health related fees on meat:** A healthy fee for meat is imposed on the process of slaughtering meat, which is obligatory to perform on the owner of the meat during slaughter and imposes on the net weight of the meat of animals slaughtered from the species of bugs, lamb, camels, goats, horses ... etc.

The tariff was set at 10 dinars on fresh, chilled, cooked, salted or processed meat sourced from horses, camels, goats, sheep and cows.

The proceeds of the drawing are entirely devoted to the benefit of the municipalities located in its soil.

**6.4. Residence Fee:** This fee applies to persons who are not permanently residing within the municipalities and who do not have a residence visa, as they must pay the fee to the concerned municipality and its resident. The fee tariff is established on a person and on a single day of hotel stay as follows:

- 200 DA for a three-star hotel.
- 400 DA for a 4-star hotel.
- 600 DA for a 5-star hotel.

The fee is collected by the hotels for the benefit of the municipalities, with the municipality having 100% share of it.

**6.5. Fees on Advertisements and Professional Pages:** This fee for municipalities is based on advertisements and professional pages with the exception of those related to the country and local groups of a humanitarian nature. It is subject to imposing fees on advertisements and professional pages the following categories:

- Advertisements on regular papers.
- Ads on printed and handwritten papers.
- Painted and suspended ads in a vertical position.

The fee amount is determined based on the area of the advertisement in square meters as follows:

- 200 to 300 DA for advertisements on regular sheets per square meter.
- From 400 DA to 800 DA for advertisements on printed and handwritten papers.
- From 1000 DA to 1500 DA for painted and hanging ads in a public place.
- From 2000 DA for luminous ads.

**6.6. Fees on Musical Ceremonies:** This fee is established for the benefit of municipalities, and it is imposed on parties held on the soil of municipalities and paid by a emitted bond by the municipality to the party who paid in cash before the start of the ceremony. The tariff fee is defined as follows:

- From 500 to 800 DA for each working day if the period of the ceremony extends beyond seven o'clock in the evening.
- From 1000 to 1500 DA for each day if the period of the ceremony extends beyond seven o'clock in the evening.

## **7. Field Study:**

To find out clearly the reality of local collection, we have selected a set of taxes and fees entirely or partially allocated to some municipalities of the Algerian province of Saida including major municipalities and small municipalities in remote areas. As for the type of resources chosen, it is the

fee for value added and the only judicial tax and the fee for professional activity and the tax on the gross income in the real estate class, which the municipalities benefit partly with the difference in the percentage of benefit from one tax to another. In addition with regard to housing and cleansing fees, the whole return will return to the municipality, so we will analyze the data of the table below and compare between The return for the municipalities in addition to comparing the return of each tax in comparison with the other, based on the proportion allocated to the municipality for each of them in order to know which one has an abundance of the outcome and the effectiveness of the allocated rates.

**Table 01. The Cumulative Outcome of Some Taxes and Fees for A Group of Municipalities of the Algerian Province – Saida – During -2016, 2017, and 2018.**

**Unit DZD**

<b>IRG/F</b>	<b>VAT</b>	<b>REF/C F</b>	<b>ST</b>	<b>PF</b>	<b>Municipality</b>
1635412 2	18321935 1	6823024	9194571 7	88538975	Saida
1083414	11664516	7484037	1077431 8	58622123	Ain El Hadjar
1162863	14231212	5579692	9936941	54247736	WladKhaled
910858	31045058	674499	4200985	11782098 3	Youb
60222	11125149 8	1415727	5189860	12647010 1	Hassassna
39874	132149	557369	480934	5998027	DouiTabet
62802	29285	125800	1010094	1247662	Tirssin

**Source:** It was prepared by the researchers of this article based on database of Direction of Taxes.

**ST:** The sole tax

**VAT:** Value Added tax.

**CF:** Cleansing fee.

**REF:**Real estate fee.

**PF:**Professional fees.

It is observed that the municipality of Saida, Ain Hadjar, Youb, Hassasna,, in addition to the municipality of Oueled Khaled, have achieved significant tax returns in the various classes of these taxes, however, the rest of the municipalities suffer from the problem of weak fiscal revenue, as these municipalities are remote municipalities and characterized by lack of economic activities due to the low population density and limited urban expansion. Hence, the lack of tax containers in them unlike other municipalities despite the variation from one municipality to another which is due to several factors it is linked to the tax system as a whole or also to regulatory factors at the local level. For example, it is remarked that the proceeds of real estate and cleansing fees for the municipality of Ain Al-Hajar are estimated at 7.48 million dinars while in the Saida municipality which is greater than the municipality of Ain El - Hadjar is estimated at 6.28 million dinars, so that this reflects this the difference is the difference in the real estate fee because the purge fee is automatically obtained by the Algerian water interests within the water consumption bill, and this explains the inability of Saida municipal interests and fiscal authorities to limit their tax containers or the method of calculating and estimating them.

So, some observations raised from this table:

- The increase in the proceeds of the fee for professional activity in most municipalities is explained by the high rate of return for the municipality from the fee, which is estimated at 66%.
- The increase in the proceeds of the value-added fee in some municipalities is due to the economic reason related to the concentration and popularity of commercial and industrial activities in these municipalities compared to others.
- The cumulative outcome of the only tax is considered to be sub-standard due to the proportion allocated to the municipality, which is estimated at 40.25%, despite its high rate compared to drawing on professional activity (5% and 12%), and the main reason for its low return is the ceiling of the number of works subject to it, which It includes in most of

the young taxpayers, as well as the system of authorization and subordination to it is the punitive system in place of the real system or the system of controlled permission applied in relation to drawing on professional activity, this affects its outcome, especially in areas of weak activity.

- Total income taxes for the real estate category, the real estate fee, and the disinfection fee are considered to have a weak return, despite the high percentage allocated to the municipality 50%, 100%, respectively, and this is due to the lack of coordination between the municipal and tax authority interests in the actual count of real estate tax vessels and updating them from time to time And strict control over the operations of renting stores and houses that are mostly done in an illegal way to evade the performance of the tax, and thus the inability to manage this type of tax.

## **7. Study Results and Recommendations**

Amongst the most significant results attaining answering the research problem and the validity of the hypotheses is that:

- I. Algeria is still too far from the modern concept of fiscal decentralization, although it has considerably adopted a part of it and the reforms that have given more powers to local groups to shape their own resources as well as the reforms in the tax system between allocating fees and taxes that are fully returned to the local groups and between granting them proportions. Yet, all these steps are still not sufficient due to what is reflected in the reality of the municipalities' finances and the escalating deficits in their budgets and the large number of them who suffer from the disability problem due to their inability to mobilize their resources. This reality has several reasons, the most important of which are:
- II. Providing full freedom to local groups in controlling tax legislation at the local level is still difficult to achieve because the sovereignty of the state is linked to some central or national taxes and cannot abandon them in favor of regional groups. On the one hand, the local groups in Algeria lack the infrastructure of the



administration of taxes and fees is that it lacks the qualified human component in the tax field beside the lack of awareness of the local elected and their lack of interest in improving the financial position of their regions as long as the municipalities receive transfers and subsidies from the central government or solidarity funds between local groups, from one side.

- III. Note that many of the taxes and fees entirely or partly allocated to the municipality are inactive; therefore, their outcome is almost nonexistent. As an example: property tax, pollution taxes, fees for slaughter and concerts and fees on advertising boards.
- IV. The only tax to be considered of relatively little revenue, although it drains the vessels of the tax on the gross income, the value-added fee and the fee for professional activity.
- V. There are some fees that may accommodate municipalities, but they do not fit others, such as the fee for residence, which is suitable for tourist municipalities, and some other fees that suit industrial areas, while not suitable for rural and agricultural areas.
- VI. It can also be noted that the proportion of the allocation of taxes to local groups is considered insufficient, especially with regard to fees on value added.

Among some suggestions:

- The possibility of involving local groups in the process of linking and collecting taxes and fees with local tax authorities.
- The possibility of establishing a specialized tax cell at the municipality level, with the aim of researching the necessary modalities for accessing the tax vessels and conducting the linking and liquidation process in addition to the tax administration.
- The possibility of introducing a local tax on the productive agricultural investments that the municipality will benefit from in a holistic way, especially the rural municipalities.
- The necessity of reviewing the ratios allocated to the municipality from the distributed taxes, for example, that a 100% share of the fee be allocated to the municipality's professional activity.

- Conducting training in the field of collection for the local voters and sensitizing them to the necessity of valuing the local tax resource and urging them to attract productive investments by providing potential facilities, which is necessarily reflected in the creation of new tax vessels?

**Conclusion:** we say that despite the measures taken by the government to support the finances of the local groups, especially the municipalities, this is still not sufficient due to the increase in the number of municipalities that suffer from a deficit in their budgets and are completely unable to perform their tasks due to the percentages deducted from their local collection and in front of the lack of taxation vessels in some municipalities due to the lack of expansion in income-generating economic activities, so we conclude that the state must take into account the economic conditions of these municipalities and the possibility of taking full advantage of their fiscal returns without deduction for the benefit of any other party, which may add some recovery in its finances and enable it to carry out tasks Lying on it.

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