



Tax Planning Strategies and their Impact on Tax base Corrosion - The Case of Algeria as a Model-

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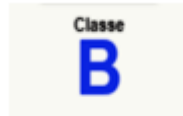
Scientific review of economic future

Décembre 2022, Vol 10 -n°01

Page: 616-633

E-ISSN 2676-2218

P-ISSN 2352-9660



Article disponible en ligne à l'adresse:

<https://www.asjp.cerist.dz/en/PresentationRevue/583>

Pour citer cet article :

GUENDEZ N, KERROUCHE N., (2022), «Tax Planning Strategies and their Impact on Tax base Corrosion - The Case of Algeria as a Model-», *Scientific review of economic future*, Vol.10. n°01, p. 616-633.

Tax Planning Strategies and their Impact on Tax base Corrosion - The Case of Algeria as a Model-

إستراتيجيات التخطيط الضريبي وتأثيرها على تخفيض الوعاء الضريبي - حالة الجزائر نموذجاً

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Received: 20/10/2021

Accepted: 22/10/2022

Abstract : The study aims to identify the various methods that companies use as tools to achieve some of the tax planning strategies to influence the reduction of the tax base, by taking advantage of the various tax advantages granted by law, as well as the legal gaps in the tax texts, in order to achieve the largest possible amount of tax savings.

The study concluded that companies are striving to reduce tax obligations to a minimum, postponing them or completely avoiding them by knowing all the laws that regulate economic activity, especially those with a positive tax impact, in order to achieve the optimum benefit from tax savings.

Keywords: Tax planning strategies, tax base, tax advantages, tax savings.

JEL classification: H26; H25; E62.

الملخص: تهدف الدراسة إلى التعرف على مختلف الأساليب التي تستخدمها الشركات كأدوات لتحقيق بعض استراتيجيات التخطيط الضريبي للتأثير على تخفيض الوعاء الضريبي، من خلال الاستفادة من مختلف المزايا الجبائية التي يمنحها القانون الضريبي والثغرات القانونية الموجودة فيه بغرض تحقيق أكبر قدر ممكن من الوفورات الضريبية.

وقد خلصت الدراسة إلى أن الشركات تسعى جاهدة إلى التقليل من الالتزامات الضريبية إلى ادني حد أو تأجيلها أو تجنبها بالكامل، من خلال الإلمام بجميع القوانين المنظمة للنشاط الاقتصادي وخاصة ذات الأثر الضريبي الايجابي لتحقيق الاستفادة المثلى من الوفورات الضريبية.

الكلمات المفتاحية: استراتيجيات التخطيط الضريبي، الوعاء الضريبي، المزايا الجبائية، الوفورات الضريبية.

تصنيف JEL: H26، H25، E62.

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INTRODUCTION

The business climate environment today is characterized by intense competition between companies, which drives it to search continuously for opportunities to reduce burdens and avoid them or improve their revenues, and since the tax is among the burdens that the company bears and is obligated to pay on the due date, it becomes imperative to search for appropriate methods and strategies to reduce the amount of Tax to the lowest levels or sometimes completely avoided, through good planning of the transactions practiced by the company, to take advantage of fiscal privileges or legal loopholes for the purpose of achieving tax savings.

The interest in this type of planning has increased in the last period due to the savings it is achieving, and in the same context, many countries, including Algeria, are seeking to limit these legal and illegal practices, by filling the gaps in the tax texts to reduce the damage to the public treasury to the lowest possible extent, and Despite this, each time these gaps are overcome in the annual and corrective financial laws, new ones emerge due to deceptive accounting methods or good planning in the area of accounting and taxation, by organizing financial transactions in a way that reduces the tax burden or increases tax savings in a way that maximizes the profitability of the company.

Tax avoidance using legitimate tax planning, "legal loopholes, Benefiting from tax concessions," has become a major issue for developed countries and developing countries alike, as it has been established that the creation of most Algerian companies in the past two decades has been in the framework of benefiting from state subsidies or in the framework of encouraging investment, This type of method used to avoid paying taxes due, whether in the stage of completion or exploitation, is what is called in preferential tax systems by tax planning.

The study problematic: In order to detail the subject of the study, the problem was formulated in the following main question:

How important is the use of tax benefits within the corporate tax planning strategies? And What is its effect on the tax base?

Inevitably this question will lead us to ask the following sub-questions:

- What is the conceptual framework for tax planning, and what are its methods?
- What are the different Tax liens that companies use in tax planning?

- What are the effects of the use of tax planning strategies on the tax base?

The importance of the study: The importance of the study is highlighted through the identification of tax planning strategies and its various methods, which are considered one of the mechanisms adopted by companies in reducing the tax burden, it is based on defining the goal and drawing appropriate policies and strategies to achieve this goal, through the optimal use of the available legal texts, As well as the various tax privileges granted under the preferential tax systems used in tax planning strategies, and highlighting various aspects the phenomenon of tax avoidance in legal terms.

The study objectives: The goals that the study seeks to achieve are as follows:

- Working to reach tax obligations to their lowest levels, in order to allow the drawing up of the company's expansionary investment policy.

- Highlighting the role and importance of tax planning as a mechanism to enhance the financial capacity of the company and its contribution as well as an instrument in making sound decisions and opportunities for financing and investment, as a result of tax savings obtained from good tax planning.

- Highlighting the differences between legal terminology, tax planning, tax evasion and tax avoidance.

- Learn about the extent of the ability of tax planning to achieve the company's tax savings, the methods used to reduce the tax burden and identifying the various tax benefits.

Structure of the study: To address and analyze the problem, the study was divided into three axis, which we present as follows:

The first axis: the conceptual framework for tax planning.

The second axis: Tax planning methods.

The third axis: Tax planning implications for the tax base.

2-the conceptual framework for tax planning:

2-1 The concept of planning: planning, in turn, is imperative to the success of any business. It is concerned with defining the goals, means, and capabilities required to achieve them and clarifying the role of each factor in implementing the goals of the plan, and we are satisfied in our study with a comprehensive definition given For similarity of definitions.

2-1-1 Definition of planning: Planning is practiced by all natural and legal persons at all levels of the different institutions, whatever their size or nature of their activity, and whatever their legal purpose or form, the

institutions and on top of which the managers are always looking to take the right decisions that maximize the value and profitability of the company.

In its broadest sense planning can be defined as follows: (unesco international institute for education planning, 2010, p. 9) The anticipation of possible future situations, the selection of desirable situations to be achieved (objectives) and the determination of relevant actions that need to be taken in order to reach those objectives at a reasonable cost.

2-1-2 The definition of tax avoidance: Tax avoidance and measures to reduce it are considered important matters for both the tax administration and the taxpayer, so much so that the tax payer has come to believe in tax avoidance that it's his right.

On this basis, (otto f. , 2015, p. 5) Tax avoidance is defined as acting within the law, sometimes at the edge of legality, to minimize or eliminate tax that would otherwise be legally owed. It often involves exploiting the strict letter of the law, loopholes and mismatches to obtain a tax advantage that was not originally intended by the legislation, manipulating texts or focusing on the formal aspects without paying attention to the essence of the transactions that this law takes care of.

2-1-3 The definition of tax evasion: Tax evasion is the taxpayer arranging for his or her affairs fraudulently or in contravention of the laws in order to achieve the same goal of the avoider, which is the reduction or non-payment of taxes, meaning that both evasion and avoidance are similar in purpose but they are different in the means, meaning a voluntary act is provided with the intention of concealing or distorting the nature of the transaction to evade payment of the tax, and in this we notice the existence of an intentional and deliberate behavior, (gautam, 2013, p. 83) by stating an untrue statement knowingly, submitting documents, suppression of facts, not maintaining proper accounts of income earned "if required under the law" omission of material facts in assessments. An assessee guilty of tax evasion is punishable under the relevant law.

2-1-4 Definition of tax planning: (shameem, 2015, p. 5) Tax Planning is an exercise undertaken to minimize tax liability through the best use of all available exemptions, deductions, rebates and reliefs to reduce income. Tax planning can usually lead to a decrease in the value of the tax due or not due, and as such it approaches tax avoidance, where tax planning can be considered the means and that tax avoidance is one of its goals.

2-1-5 Definition of aggressive tax planning: It is considered essentially tax avoidance, but it is close to tax evasion, or almost because

(european commission, 2017, p. 23) it is theoretically possible to draw a line between acceptable tax planning and aggressive tax planning, the boundaries will in reality be somewhat blurred. In other words, the taxpayer reconciles the transactions and their familiarization with the legal form, without agreeing with the economic reality, because of the harm involved, whether at the level of the market or the level of the public treasury.

2-2 Distinguishing between tax planning and the like: We must distinguish between tax planning and similar actions by the taxpayer, and among the most important concepts similar to tax planning we find tax avoidance and tax evasion, And we differentiate each of them as follows:

We can distinguish between tax planning and tax avoidance, although both lead to a reduction in tax burdens, by taking advantage of the provisions of laws without defrauding them, but tax planning regulates the conditions of the taxpayer over a long period, through long-term strategies aimed at achieving advantages Or reduce the tax due. As for tax avoidance, it does not reach this extent, as it is often limited to some transactions without others, or deals with a specific tax law without the other, meaning that tax avoidance is an exploitation of the legal loopholes that the legislator aims to correct, but was unable to do so for one reason or another.

We can also distinguish between tax planning and tax evasion, through what we discussed previously, on the basis that tax evasion uses fraudulent methods and violation of laws in order to achieve the same goal of tax planning, which is to reduce or not pay the tax in part or in whole, meaning that both are very similar in purpose, but they are different in means, therefore tax evasion represents concealing, obscuring, or distorting the nature of the transaction and its reality, while tax planning shows the reality of the transaction in the manner permitted by law, Even if this transaction was prepared in a way that makes its tax treatment different from what the legislator intended, the taxpayer benefits from this difference in achieving tax benefits and savings.

2-3 the advantages and disadvantages of tax planning: institutions undertake large-scale planning for the long term, this does not prevent that tax planning despite the advantages it provides in the framework of forward-

looking planning, but it also has defects, each of which can be summarized as follows: (pomar, 2016, p. 16)

2-3-1 Tax Planning Benefits:

- Tax planning increases the institution's ability to use its assets efficiently, by setting a comprehensive plan for both tax and financial matters.

- Tax planning helps to ensure easy control over the implementation of the plan, by analyzing deviations and correcting them in the best ways, And not to leaving them to pure coincidence.

- Tax planning provides an opportunity for the corporation to review various tax laws periodically and to monitor their development, and to work on modifying the plan in a way that is compatible with the amendments introduced in the future.

- Tax planning is concerned with the tax impact as one of the important variables that affect the organization's production and investments.

2-3-2 Defects of tax planning:

- Tax planning indicates that there is no tax neutrality, because the taxpayer makes his economic decision based on the advantages granted by tax legislation.

- Tax planning reduces the resources of the public treasury, represented in taxes that corporations do not pay due to the savings that they accrue from planning.

- The future is unclear, as the planning area is in the future and the circumstances are unknown and uncertain in this field, which leads to the failure of the plans for which a lot of money was made.

- Misinformation, since tax planning is drawn to the future in light of relying on existing laws and information, many of which lack the required degree of validity in light of the amendments mentioned in the financial laws and legislative instability, so the institution's managers will be shaded when making the decision.

-Slow decision-making, since planning requires a package of measures within an integrated and comprehensive system; this does not allow quick and immediate action to be taken to address emerging problems.

3- Tax planning methods:

Tax planning is carried out through the exploitation of fiscal concessions or legal loopholes without violating the law by legitimate means, and this planning is accomplished by several forms or strategies, the most important of which are:

3-1 Dividing the income: The taxpayer resorts to avoiding the tax by dividing the income and profits for the purpose of exemption from the tax. This is when all income or profit is less than the taxable minimum, or

to avoid high tax rates in light of applying the progressive tax. And the progressive tax encourages the spread of this type of method of breaking income into parts, and thus reduces its taxation, and it seems available in the case of distributing profits to more than one person to avoid the high rate.

3-2 Postponing the tax: the tax can be avoided through postponement, by delaying the taxpayer's acquisition of income or profit for years to come, or expediting the depreciation of the installments and deducting the burdens, and achieving a reduction in the tax due during the first years, provided that the payment of the tax is postponed to future years. This type of planning is useful in providing liquidity, whereby the taxpayer has the right to invest the amount of the tax that was postponed, provided that he then commits to pay this amount to the value of the money due to inflation.

3-3 Change of tax residency: One of the forms of tax avoidance is that the taxpayer can transfer his residence from the country that imposes high tax rates to other countries where there are no taxes, or impose taxes at low rates, which constitute for him tax havens or shelters, or remain in the traveler always.

Work in the border areas known as offshore is also considered a form of tax avoidance that achieves for those working in these areas a reduction in the tax burden.

And some multinational companies use the so-called transaction transfer rates between these subsidiaries to transfer profits visually from countries with high taxes to countries with low taxes, the purpose of transfer rates is to reflect market prices that would prevail in transactions that It takes place on a commercial basis between two unrelated parties, but these prices are often not easily identifiable, and the public treasury loses annually large sums that were supposed to be as fiscal resources due to the pictorial transfer of profits transferred by internationally active companies, and countries that take the principle of regionalism as a basis for imposing the tax suffer from residency changes, as they are prohibited from imposing taxes on establishments owned by citizens or residents off its land, or its money is invested abroad avoiding the state tax that the owners of these facilities benefit from its services. In case associated enterprises have set conditions for their commercial and or financial transactions other than conditions set with independent enterprises. Where such conditions lead either to reduce the tax base or shift the tax burden from a taxable enterprise to an exempt or non –taxable enterprise

.eta has the right to determine the taxable profit on the basis of the arms length price. (egyptian tax authority, 2012, pp. 11-12)

As specified of the law; the arm's length price shall. Be determine according to one of the following methods:

- comparable uncontrolled price "c.u.p" method.
- cost plus method "c.p.m".
- resale price method "r.p.m".
- Profit split method "p.s.m".
- Transactional net margin method "t.n.m.m".

3-4 Shopping through tax agreements:(WEYZIG, 2013, p. 1)is a particular form of tax avoidance by multinational corporations. It involves the diversion of Foreign Direct Investment (F.D.I) through a third country to achieve reduction of withholding taxes under favorable tax treaties. International agreements are an important source of preventing double taxation, in addition to the internal laws of countries, where tax double prevention agreements aim to define the conditions for imposing tax on international operations, that is, those operations performed by a person residing in a countryWithin the territory of another country, or with a person residing in another country.

The subject of international double taxation is not considered a foundation if the tax base, such as income or wealth, is taxable by two or more different tax authorities,So that each authority sees that this basis falls within the scope of its tax jurisdiction,In other words, international agreements include provisions, procedures and methods for distributing tax jurisdiction to countries and trying to avoid overlapping of those jurisdictions, as they are the most important source of preventing double taxation, and adopt mechanisms to avoid double taxation, the most important of which are exemption and deduction, in addition to measures to combat tax evasion and prevent Discrimination on the basis of nationality when imposing a tax or any tax obligation, Contracting countries can adopt this agreement with amendments that they deem appropriate, and international companies take advantage of tax agreements to avoid double taxation in selecting the best texts and adapting the positions of the taxpayer to take advantage of the exemptions or reductions available to obtain a discount that helps the taxpayer benefit from tax avoidance. Despite the fact that the essence of the activity or the reality of matters is not consistent with the apparent adaptive conditions with the provisions of the agreements.

3-5 Tax havens: Names differ from tax havens, or tax oases to express countries or places that are considered as resorts for groups of

businessmen to achieve tax relaxation for them, away from managing taxes in their own countries or other countries. Tax haven is defined as a country that does not impose taxes or impose taxes at low rates, and lacks the mechanism for exchanging information about them, and there is no transparency about them, or regions that enjoy low taxes and provide investors with confidentiality which is necessary for anyone who wants to avoid paying taxes in his country so that the tax administration in his country cannot access information about this money.

the OECD in any case defines four criteria that a tax haven fundamentally fulfils: (otto, p. 3)

- The tax system in the respective country provides for zero or low nominal tax rates.

- There is no effective information exchange with other countries.

- There is a lack of or inadequate transparency with regard to disclosure requirements. Basic regulations and their implementation are not clearly defined and regulated.

- Economic activity is not a necessary precondition. This results in the conclusion that investments or transactions are carried out purely for taxation reasons.

Tax havens have multiple benefits and uses. At the level of companies, many of them are known as countries or regions that grant tax exemptions or reductions to wealthy individuals and companies to attract money and investments to them, and these havens provide protection and immunity to the wealthy from the prosecutions of international tax investigators and collectors, as it is difficult for them to track the money of the wealthy, which can be subject to large taxes in their countries of origin.

Such havens are a cover to protect taxpayers in these countries, help them cover their financial positions and prevent the imposition of international taxes due on them, thanks to tax planning.

4- Tax planning implications for the tax base:

the tax concession takes several forms, it may be in the form of an exemption from tax or in the form of technical procedures that pertain to some elements related to tax, and the form of the concession varies according to the goal to be achieved, and generally it can be presented in the following forms:

4-1 Technical tax procedures: It means tax procedures of a technical nature, such as the tax treatment of some procedures related to the project and have incentive tax effects that allow to reduce the tax burden, such as

procedures for determining the base or fiscal methods applied in calculating depreciation or setting ceilings to deduct some of the burdens taxed, including among them:

4-1-1 Depreciation system: it is defined (IMPOTS, 2004, p. 2) as the accounting examination of the loss borne by the value of fixed assets, which decreases with the passage of time resulting from the use over time or technical development and is considered to be an unpayable and compulsory deductible burden, whether the organization made a profit or loss, the default in his account makes the accounting works wrong and results in an enlarged profit resulting in the distribution of fictitious profits to the shareholders, In order to show the value of investments in the budget at their net value, depreciation cannot be deducted unless the asset is shown in the institution's budget, whether through legal ownership or economic ownership, the "financing lease contract", According to the text of Article 174 of the Law on Direct Taxes and Similar Fees, tax legislation requires all institutions to apply the linear system of depreciation by the force of the law to all Investments, but depreciation can be calculated according to other methods of depreciation, which we address in detail as follows:

linear depreciation: This method is applied by the force of law in the absence of another method more suitable for the corporation. According to this method, the annual depreciation premium is calculated according to equal installments during the period designated for use, meaning the depreciation premium is fixed in each cycle, and is calculated according to the following equation:

Depreciation premium = acquisition cost / duration of use. We note that this method is easy, but it raises the problem of limiting the period of use.

Diminishing depreciation: According to this method, the first portion of depreciation at the end of the first year is the largest premium, then the premium begins to decrease year after year due to its calculation of the remaining value of the property to be depreciated. Accordingly, his installments appear unstable and even diminishing from one session to the next, and this type is optional for the institution and is not compulsory and in the case of choosing it, the institutions must respond to some conditions.

- To take advantage of this depreciation, institutions must be subject to the tax system imposed on real profit.

- That this kind of depreciation is obligatory and this is done by sending a written request made to choose this type, and it is considered irreversible

regarding the same Investments, and shall be attached with the statement of the results of the closed fiscal year.

- Waiver of depreciation applies to earned installations established at least for 3 years, whose period of use is less than 03 years; this type cannot be applied to it.

- Reduced depreciation is calculated on the basis of net accounting value, using the factors used to calculate depreciation, respectively:

- 1.5 Depending on the duration of use and specified as 03 or 04 years.

- 2 Depending on the duration of use and set at 05 or 06 years.

- 2.5 Depending on the period of use and specified by more than 06 years.

We get the descending depreciation rate by multiplying the constant depreciation rate by the depreciation factor, and the time proportion rule is not counted in this type of depreciation, wherever the date of acquisition of the asset, the depreciation premium is calculated on the basis of the year.

Increased depreciation: This method lies in applying an incremental depreciation rate gradually over time to the original value of the Investment until it is completely depleted, and it is not required in its application to specify specific Investments, but rather applies to all Investments without exception, as it gives the institution a low self-financing possibility in the first years of the depreciation period, and in order to benefit from it, the institutions must attach the message of choosing this system to their annual declaration. The implementation of this system requires that all other systems be excluded.

The depreciation premium is calculated according to this method by multiplying the depreciation base by a fraction that is multiplied by the number of years corresponding to the period of use of the original and its denominator represents $n(n+1)/2$ and "n" represents the number of depreciation years that represents the sum of the Investment life numbers including:

Increased depreciation premium = original Investment value x number of years of use / $n(n+1)/2$.

Therefore, institutions seek to take advantage of these options to obtain financial savings from tax planning that achieves the lowest possible costs and the highest possible return.

4-1-2 Posting the fiscal losses that have not yet been exhausted forward: In the event that the institution achieves a loss in a year, it is deducted from the profits for the following year, and if it is not enough,

it is carried forward to the next year, and so on until 04 years according to the Algerian tax legislation. Consequently, the Corporation has the right to carry forward the losses for a period of 04 years, as it leads to the achievement of tax savings as a result of deduction of these losses, but the amount of these savings depends on the institution's ability to achieve future profits to cover these losses during the period specified for this right, which is 04 years, and the value of the loss expected to be covered by a profit in the next year is recorded in the deferred tax assets. (, DIRECTION GENERALE DES IMPOTS, 2020, p. 47)

4-2 Concession to transact under the finance lease: according to the text of Article 27 of Complementary Finance Law 2010 that allows the Tenant Lender to apply the depreciation, and he therefore continues to exercise this right as the economic owner of the asset in the sense of the criteria set forth in S.C.F by practicing depreciation in accordance with the term of the loan because the period of fiscal depreciation has become compatible with the period of the financial depreciation of the asset and the depreciation is calculated in relation to the Tenant Lender on the basis of the rent owed and due, in addition to the remaining accounting value set in the contract in the event the tenant chooses to own the property. (K.P.M.G., 2012, pp. 49-50) By this measure, he grants a double concession to the tenant, by giving him the opportunity to obtain an asset and he has neither the funds nor the guarantees, as well as granting him the right to calculate depreciation and allowing him the right to deduct it according to the tax law, in addition to deducting the rental dues according to the tax law.

Re-investing profits: According to this form of tax concession, the corporation will benefit from a tax reduction from the net profits achieved in a given fiscal year, which the corporation decided to reinvest, provided that it complies with certain conditions and obligations set by the tax legislator.

4-3 Surplus value resulting from the assignment: the surplus value represents, according to the Tax Law, revenue achieved by the Foundation on the occasion of operations of an exceptional nature related to some elements of the assets, Where the surplus value resulting from the assignment represents the positive difference between the price of the assignment and the accounting value of the asset after subtracting the accumulated depreciation.

The surplus of value is subject to taxable profit according to whether the surplus is short-term or long-term, and it also differs tax treatment in

the case of the commitment of the institution to reinvest it according to the conditions prescribed for that.

A distinction can be made between two types of surplus value resulting from the assignment of a component of the fixed assets: (DIRECTION GENERALE DES IMPOTS, p. 176)

4-3-1 Short-term value surplus: It is the surplus of value achieved on the occasion of the assignment of installations acquired or accomplished by the Corporation for at least three years and incorporated into the taxable profit at 70% of the value surplus.

4-3-2 Long-term value surplus: It is the realized value surplus on the occasion of the assignment of acquired or updated installations for more than three years, and they are incorporated into the taxable profit at 35% of the surplus value.

4-3-3 The case of re-investing the surplus value resulting from the assignment: In this case, if the establishment expresses its desire to reinvest the realized value surpluses, the latter does not fall within the taxable profits for the fiscal year in which it was achieved, but by fulfilling some conditions:

- That the amount reinvested be equal to the amount of surplus value realized and the cost of the asset sold.

- That the surplus value be reinvested before the three-year period has passed, Starting from the end of the year during which the surplus was achieved.

- Attach the pledge of the request for reinvestment with the annual declaration.

The corporation can benefit from this procedure and provide tax savings whether it achieves a value surplus or a minus value, and whether it decides to reinvest it or not, because in the event of achieving a short-term value surplus, the surplus that is subject to tax is within 70% and benefit from 30% as an exemption from Tax, With regard to the long-term surplus value, the surplus is subject only to 35% of the tax, while the remaining 70% is considered an exemption for the taxpayer.

4-4 Re-evaluation of Investments: Investments are evaluated during the stability mode with the acquisition value, but in the case of inflation (DIRECTION GENERALE DES IMPOTS, 1997, pp. 1-3), they are directly reflected on the real values of the Investments elements, which leads to a discrepancy between depreciation calculated on the basis of historical value and real depreciation, so the fiscal administration restricted the revaluation process in Specific periods and did not leave it free as approved in accounting, and given the implications of this process,

whether the revaluation is positive or negative, it leads to several treatments and adjustments, the most important of which is the reassessment of the value of the investments, the revaluation of the premiums for depreciation and the extraction of the revaluation differences and their incorporation into private capital representing shareholders' equity pending Waiting for the fiscal administration to take a position on adopting a reassessment of the Investments in a free capacity in the future, All additional depreciation resulting from the free revaluation by the company are not taxable deductible and are reintegrated into the taxable profit. In this situation, the Algerian tax lawmaker authorized the re-evaluation of Investments whether they were completely depreciated or in the process of depreciation, provided that they are usable during a period of no less than 03 years, using revaluation rates, meaning updating their value taking into account the inflation factor and time to correct historical values of the Investments.

The depreciation premium for the revalued Investments is calculated on the basis of the difference between the revalued original value and the depreciation obtained from the revaluation process, and it is considered a deductible cost in the same year in which the Investment is revalued and it should be deducted entirely at one time even if it comes to several years according to the text of the article 10 of the Supplementary Finance Act 2009.

4-5 Recognition of revenue in the context of long-term contracts: According to the text of Article 04 of the Supplementary Finance Law, long-term contracts related to the completion of materials, services, whose implementation extends at least for two accounting periods or several financial years, the permitted method for determining taxable profit is the way to proceed in works, regardless of the type of contract (MECHTA, 2010, p. 53). Therefore, the tax legislation adopted only the method of work in progress other than the financial accounting system that recognizes two methods, namely the method of work in progress and in the event that it cannot be applied, the completion method is applied, and the action taken by the tax administration is based on the precautionary principle, because the way work in progress is more Suitable for determining the taxable base and more reliable compared to the second method.

5- Conclusion:

The idea of planning is based on drawing a short or medium-term vision for the future of the organization, and this vision must be

compatible with the principles and values of the company and be clear, and the vision is achieved, through modern strategies and methods that rely on the use of accounting policies and tax exempt policies in a manner that affects the tax base, Therefore, the choice of strategy is affected by the company's own goals, regardless of whether these goals are compatible or not with the objectives of the tax administration or society, so the financial gain is achieved through tax savings that result from reduced or postponed tax due. After we touched on the various aspects of the study, we can limit the results and suggestions that we came to below:

5-1 Results: Based on the above, the following results were reached:

- Tax avoidance is a human behavior that accompanies the individual and does not defect him when resorting to it in legitimate ways, because it is derived from the instinct of people to love money, and there are those who represent the tax and planning to avoid it, such as a person and his shadow, that cannot be separated from each other.

- The instability of tax legislation and the frequent amendment makes the rule of law not prevail, which makes the texts ambiguous and unclear to administration employees before the taxpayers, which increases their interpretation according to the requirements of the private interest and not the essence of the text, which leads the taxpayer to consider avoiding paying the tax.

- Weak tax awareness and failure to acquire a culture of adherence to laws and compliance with them, leads to weak voluntary commitment to authorization and automatic payment of taxes, which makes the taxpayer choose tax planning as a solution to reduce or avoid the tax in whole or in part.

- The business climate environment is characterized by administrative complexity and widespread bribery and love of interest, the taxpayer meets him by using all means to avoid the tax and abide by the laws in general and the tax in particular, as a reaction, until tax avoidance has become a common thing.

- The tax administration in its structural or functional aspect does not have the competence in the field of examination, and in return the taxpayer has specialized law firms, accounting and taxoffices to provide advice in the field of reducing tax liabilities within the framework of the law or deviant ways to get around the law, which made tax planning widespread in economic institutions, and large amounts of money are used for it to reach the lowest possible tax cost, under the so-called tax planning industry.

- Severe tax planning generates the search for legal loopholes and the desirability of using them instills in individuals immoral behavior, instead of contributing to covering public expenditures in the framework of tax citizenship and social responsibility.

-Tax planning has become a phenomenon in which current taxpayers compete with those who preceded them and developed new methods, which increased the spread of the so-called culture of tax avoidance.

- Tax planning with the tax file changes the options for activity and investment, moving towards areas where there is less commitment and tax burden, leaving the areas in which the tax burden increases, despite the fact that the latter is more important and beneficial to the economy as a whole.

- The taxpayer who depends on tax planning in all his actions may lead to the search for exempt activities and if he does not find he may choose to work in the informal activity or engage in marginal activities in order not to exceed the exemption limit, and thus fall into the tax trap.

- Tax planning aimed at avoiding taxation can be measured relatively in comparison with the size of tax evasion, on the basis that tax avoidance verifies foreseeable transactions that benefit from procedures provided by multiple alternatives in the law, while tax evasion hides those transactions or reduces their value by fraudulent methods that makes the truth invisible.

5-2 Recommendations: In light of the results reached, the following procedures were suggested:

- Limiting the continuation of making amendments to tax laws, and giving a sufficient period of time to ascertain whether or not the desired economic and social impact of these amendments has occurred.

- Tax planning must be exercised as a right without infringing the spirit of the law, by exploiting the differences that exist between local legislation for its inconsistency.

- The penalty should be tightened and increased for tax evaders.

- Reducing the increasing volume of tax losses resulting from tax planning processes and the expansion of exemptions.

- The necessity of upgrading the function of investigation, control, and tax and accounting examination, as it is the main pillar for facing severe tax planning, by raising the efficiency of the tax system, especially with regard to investigators, and emphasizing the specialized training of these groups to address this type of planning.

- Preparing a database for all economic dealers to obtain a data bank through which a financial policy can be drawn up, so that everyone is

obliged to provide data on the nature of the activities practiced, even if they are in the period of exemption and everyone is committed to dealing with the bill to add transparency to the transactions that take place.

- The necessity of setting a long-term financial and accounting policy by the tax administration that specializes in facing acute (aggressive) tax planning that takes into account all the privileges granted to economic dealers and carefully controls them and follows their destination and the results achieved from behind them.

- Track profit transfer strategies and benefit from transfer rates between the parent company and the associated subsidiary companies, or complete the actions between the associated companies for the purpose of postponing the tax due.

- Reconsidering the determination of the tax base related to determining profit and income in terms of recognizing revenue and the ability to deduct in relation to burdens and other tax concessions.

- The use of the right to change accounting methods, especially those affecting the determination of the tax base, should be controlled to reduce tax adjustments and treatments when moving from the accounting result to the tax result.

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