The role of tax incentives in encouraging and incentivizing local investment
-Study the status of exemptions granted by investment support and promotion agencies at the national level-

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Abstract:

This study aims to highlight the role of tax incentives granted by investment support and promotion agencies and their impact on local investment by reviewing the theoretical framework of investment and tax incentives, in addition to investment support and promotion agencies and studying the volume of tax exemptions granted by them from 2019 to 2023 to support local investment. Both descriptive and analytical methods were used to analyze the statistics and data collected. The study concluded that the tax incentives and privileges granted by investment support and promotion agencies significantly contribute to the promotion of local investment.

Keywords: *Tax incentives, Local investment, Investment support, and promotion agencies.*

Jel Classification Codes: *H25; E22; O25.*

Résumé:

Cette étude vise à mettre en évidence le rôle des incitations fiscales accordées par les agences de soutien et de promotion de l'investissement et leur impact sur l'investissement local, en passant en revue le cadre théorique de l'investissement et des incitations fiscales ainsi que les agences de soutien et de promotion de l'investissement et en étudiant le volume des exonérations fiscales accordées par ces dernières de 2019 à 2023 pour soutenir l'investissement local. Des méthodes descriptives et analytiques ont été utilisées pour analyser les statistiques et les données enregistrées. L'étude a conclu que les incitations fiscales et les privilèges accordés par les agences de soutien et de promotion de l'investissement contribuent de manière significative à l'encouragement de l'investissement local.

Mots clés: *Incitations fiscales, Investissements locaux, Organisations de soutien et de promotion des investissements.*

Jel Classification Codes: *H25; E22; O25.*

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I. Introduction

Tax incentives are among the mechanisms that encourage investment and support economic projects and institutions in Algeria, and are considered one of the important factors in strengthening the national economy and achieving sustainable development. They provide facilities for investors and improve the investment environment.

The Algerian government shows its interest in investment by adopting incentive laws such as guarantees for the investors and tax incentives that encourage economic interaction. In addition to the creation of supportive and encouraging bodies for investment that work to promote and develop it. It is expected that this study will contribute to a better understanding of the role of tax incentives in supporting and encouraging local investment and enhancing its role in strengthening the national economy; this is what prompted us to pose the following question:

What is the contribution of tax incentives in encouraging and supporting local investment?

Sub-questions:

To capture the different aspects of the topic, the following sub-questions were asked:

- What is the concept of local investment?
- What is the concept of fiscal incentives?
- What are the mechanisms used to encourage and promote local investment?

Hypotheses of the study:

- Local investment is the activity that aims to achieve profit or future return by launching new projects that aim to add value to the local economy.
- Incentives are the economic advantages granted by the state for investments or only for some investments since the state aims to direct investments to a specific sector or to develop certain areas.
- Mechanisms are the advantages and incentives granted by the legislator to the Algerian investor by Law 18-22. They are granted through investment promotion and support mechanisms.

Methodology of the study:

Due to the nature of the topic, the descriptive approach was adopted to describe the study variables, namely local investment and tax incentives, and the statistical and analytical approach in the applied side of the study.

Structure of the study:

To answer the question posed and achieve the research objectives, the study was divided into:

- The theoretical framework of local investment.
- Tax incentives for investment.

- The level of exemptions granted by investment agencies and directed to investments at the national level.

II. The theoretical framework of local investment.

Before discussing local investment, it is important to understand the concept of investment in general:

Economic: Any expenditure that contributes to generating future income or reducing costs in the long run. (Jamal Al-Din Bargouk, 2016, pp. 18-19)

Financial: Investment represents a set of expenses that occur over time and are transformed into financial returns, which enable them to cover the initial costs of the investment project. The economic concept of investment is related to the economic flows resulting from the project, as these flows include outflows and inflows, and the difference between them represents the net financial flows. (Maraj Hawari and others, p. 4)

Accountant: The concept of investment is related to the idea of period, as evidenced by accounts related to fixed assets. They are used over several financial cycles. These assets are recorded in the financial accounting system under class II, which reflects the permanent and sustainable nature of the investment and its related assets.

Investment represents the use of funds to obtain future financial returns by allocating them for a specific period while accepting the risks associated with this behavior. The investment seeks to generate future cash flows that compensate for the present value of the funds invested and for the full risk associated with the investment.

II.1 The definition of local investment

The definition of local investment refers to the injection of funds from internal or external sources into a local or regional market to purchase capital goods, whether to establish a new business or to develop an existing one. local investment aims to promote local development and improve the local economy by taking advantage of investment opportunities available within the country. local investment plays an important role in stimulating local economies and achieving sustainable development .(Togrart Yazid. Hunting Yunus. Benzema Salima, 2019, p. 61)

II. 2 Investment objectives:

The objectives of investment vary according to the entity that carries out the investment process, and most studies on the subject of investment focus on investment in the business sector, i.e. investment that aims to achieve a return or profit and is accompanied by a certain level of risk.

The main objectives of local investment are: (Majid Ahmed Atallah, 2011, pp. 12-13).

- Securing the future: Their tendency to secure their future leads them to invest their money to.
-Achieving continuous growth of wealth with an acceptable rate of return.
- Protect their money from loss of purchasing power due to inflation.
- Achieve the greatest possible growth in wealth:
-Protect income from taxes: In this case, the investor's goal is to take advantage of the tax benefits granted by current laws and regulations.

In addition to: (Al-Shabib Draid Kamel, 2008, p. 26)

- Maximizing the investor's wealth, i.e. making profits, which is a traditional goal of investors, i.e. achieving the highest return with the lowest degree of risk.
- Revitalizing the economy, increasing prosperity, and using funds to generate returns in its various concepts.
- Investors differ in their preference for investment instruments and the degree of risk they are willing to accept, which should be commensurate to realize profits.
- The rational investor seeks a balance between return and risk.

II. 3 Principles of Investment:

For the investor to be able to choose among the available investment alternatives, several general investment principles must be considered: (Ziad Ramadan, 1998, pp. 28-29).

- **The principle of choice:** searching for several investment opportunities for the investor's savings to choose the appropriate ones instead of using them at the first opportunity available to him, and also requires the investor who has no experience in investing to use qualified financial intermediaries.
- **The principle of comparison:** that is to say, the differentiation between the available investment alternatives to select the appropriate ones, and the comparison is made using the fundamental analysis of each alternative and the comparison of the results of this analysis to select the best alternative from the investor's point of view, according to the principle of suitability.
- **The principle of suitability:** The investor applies this principle in practice when he chooses from among the investment areas and instruments that correspond to his desires and inclinations, which are determined by his income, age, work, and social status. This principle is based on the premise that each investor has a pattern of preferences that determines the degree of his interest in the basic elements of the investment decision, which are revealed by fundamental analysis, namely The rate of return on investment, the degree of risk and the level of risk.

***II.* 4 Determinants of Investment:**

The investment process is characterized by rapid and sharp fluctuations due to the many variables and factors that affect it, including factors that can be controlled internally, and some factors that are difficult to control and predict, such as external factors, some factors encourage investment and there may be discouragement. The main determinants of investment are as follows:(Majid Ahmed Atallah, 2011, pp. 31-32)

- Interest rate.
- The marginal capital adequacy.
- The existence of economic and political stability.
- Scientific and technological advancement.
- The degree of risk.
- The degree of savings and investment awareness among members of the community.
- The availability of an efficient and active financial market.

II. 5 Types of investments:

It can be divided according to several aspects, including duration, purpose, and ownership: (Faisal Shiad, 2014, p. 19)

- Classification of investments by maturity: short-term (less than one year), medium-term (more than one year and less than five years), long-term: More than five years.

- Classification of investments by yield: Fixed-interest investments: (bonds and preferred stocks), variable-yield investments: (common or trading stocks).

- Classification of investments by investment sector: Investment in the public business sector, investment in the organized business sector, investment in the unorganized business sector, investment in the offshore sector, investment in the financial intermediary sector, and investment in the banking sector.

- Classification of investments according to the economic activity of the investors: Investments of commercial enterprises, investments of agricultural enterprises, investments of industrial enterprises, and investments of service enterprises.

- Classification of investments according to their nature: real or material investments and non-real or financial investments.

- Classification of investments according to their size: classified into small and large investments according to the amounts invested, the number of workers, and the results of their work.

Classify investments according to who makes them: personal or individual investments, institutional investments.

- Categorizing investments according to the form of ownership: public investment, private investment, and joint investment.

II. 6 Barriers and ingredients for local investment success:

The barriers and enablers to local investment success are:

***II. 6.1* Barriers to Local Investment:**

The main difficulties facing local investment can be summarized in (Chalabi Naima, 2012, p. 248)Administrative and organizational problems: The complexity of the procedures and documents required to launch the investment project.

- The problem of financing and the displacement of the public sector by the private sector: The share of loans directed to the private sector compared to the public sector indicates the extent to which the public sector crowds out the private sector in obtaining financing.
- Industrial real estate: Industrial real estate is one of the main obstacles facing investors in Algeria, such as the difficulty of obtaining a piece of land suitable for investment activity, in addition to the high prices of exploitable real estate.
- Corruption: Corruption is a global phenomenon that reduces the effectiveness of investments.
- The parallel sector: Official statistics confirm that in Algeria alone, the parallel sector controls more than half of the money circulating in the national market.

II. 6.2 Ingredients for the success of local investment:

For the success of the investment climate, it is important to have the following: (Bouchaichi Boualem, 1992, p. 16)

-Overcoming obstacles and investment problems.

-The level of technological progress achieved in the country.

- The components of the investment climate by providing political, social, cultural, and economic stability.
- Liberalization of foreign trade and opening of a wider field for foreign investment.
- Increasing investment in human resources such as education, health, treatment, and training.

-Economic reform of financial structures, revitalization of the capital market, debt planning for troubled companies, investment and development of scientific research, especially financial and administrative control.

III. Tax incentives for investment.

Tax incentives are part of the government's economic policy to encourage investment and stimulate economic growth.

III. 1. The concept of tax incentives

Tax incentives are defined as: "The sum of a country's actual and potential tax resources to produce economic, social and political effects. It takes advantage of all the tools and means surrounding the tax environment and uses them in a targeted and coordinated manner to minimize potential economic and political risks." (Abdulkader Baba and Adjri Khaira, 2017, pp. 13-14)

It is also defined as: "A special tax concession that induces economic agents to engage in a specific behavior that they want to engage in or a specific behavior that they want to engage in or a specific direction that they want to pursue A certain number of certain taxes and obligations, including reductions in tax rates or obligations as determined by the state. (MubarakLeslos, 2012, p. 50)

Through the previous definitions, tax incentives can be defined as those tax facilities and reductions provided by the government to encourage individuals or institutions, such as reducing taxes or granting exemptions, as tax incentives are used to achieve several objectives, the most important of which is to achieve economic growth by encouraging investment.

III. 2. Basics about tax incentives

The basics of tax incentives are as follows:

III. 2.1. Characteristics of tax incentives:

Tax incentives have several characteristics, which can be summarized as follows: (Asma Zainat, 2017, p. 112)

- Optional survey: The Company may choose to submit to the specific conditions and standards set by the state party in exchange for benefiting from these procedures, without resulting in any action.
- Meaningful action: That is, it requires economic agents to focus on activities and sectors that are in line with established economic goals and that require the sacrifice of tax revenues to achieve future goals.
- A process has metrics: These measures are audited, controlled, and directed to a group of agents in specific areas, for a specific activity, and a specific period.
-Induce a specific behavior: Inducing a behavior or an action that has not been considered by the economic agents to motivate them to perform an action that they would not have done on their own.
- Measures characterized by the existence of a dichotomy (benefit/counterpart): To benefit from the tax incentive, it is necessary to carry out economic operations by the objectives set.

III. 2.2. Objectives of tax incentives

Tax incentives seek to achieve several objectives, which can be summarized as follows: (Younis Ahmed Al-Batriq and Saeed Abdulaziz Othman, 2002, p. 60)

- **Economic objectives:** They are:
- Tax incentives are used as a tool to intervene by reducing the number of taxpayers.
- Comparison of the objectives of the results achieved through the use of the Internet through the use of the Internet of Things (IoT) or the Internet of Things (IoT). The organization to be promoted and the precise evaluation of the performance of the organization and the incentives offered.
- Allows the development of competition between companies that have invested in the project.
- Encourage investment projects and direct them to the areas to be developed.

- Achieve the sectoral development of important activities.
- To promote exports by granting tax incentives to exporting companies.
- **Social objectives**: These are:
-Creating jobs and reducing the size of the labor market by reducing the number of job creation incentives.
-Social development and poverty reduction.

***III. 2.3.* Types of tax incentives.**

The Organization for Economic Cooperation and Development (OECD) classifies tax incentives as exemptions, credits, technical tax measures, and preferential rates.

- **Exemptions**: It is the omission of the payment of taxes by the taxpayer, whether permanent or temporary. There are two types of exemptions: permanent exemptions and temporary exemptions. In Algeria, the duration of temporary exemptions ranges from 3 to 10 years, as well as permanent exemptions.
- **Reductions**: Reducing the tax burden on the investor by reducing the tax burden, either by reducing the tax rate or by reducing the tax base.
- **Technical measures:** These include depreciation, which is deducted from taxable income and subtracted from the taxpayer's taxable income. In addition to loss carryforwards, losses are deducted from profits in subsequent years, provided that the amortization period prescribed by law is not exceeded.
- **Discriminatory rates:** These rates are granted based on the type of project, its size, importance, or contribution to the country's development plans.

***III. 2.4.* Conditions for the effectiveness of tax incentives.**

The success of the tax incentive policy and the realization of the various objectives of this policy depends on the fulfillment of several conditions, including: (Nasser Murad, 2011, p. 124)

- Tax incentives should be significant and encouraging to attract investors.
- The importance of exemptions and reductions should be proportional to the importance of each activity.
- Tax rates should be inversely proportional between desirable and undesirable activities, i.e. a reduction in tax rates on the profits of desirable economic activities and an increase in tax rates on the profits of undesirable economic activities.
- That the relative tax burden on desirable economic activities is relatively high, which makes the tax reduction on the profits of undesirable economic activities relatively high, and thus
Makes the tax reduction an effective tax benefit.
- the relationship between the relative profits realized in desirable and undesirable economic activities after the tax favors the first group of activities and disfavors the second group, i.e., the reduction in the

tax rates on the profits of desirable economic activities should be accompanied by a change in the profitability of these activities.

III. 3. Tax Incentives for Investments under Law 18-22

The investment incentives under Law No. 18/22 have been divided into three systems, namely the incentive system for priority sectors, the incentive system for regions to which the State pays special attention, and the incentive system for investments of a structural nature or so-called structured investments, and these benefits can be summarized in the following table:

Table (01): Investment Incentives by Law Investment Law 18-22

Incentive system	Who is this system for?	What are the advantages of this system?
Incentive system for priority sectors	- For the following sectors: - Mining and quarrying. - Agriculture, aquaculture, and fishing. -Industry and food industry. - Pharmaceutical and petrochemical industries. -Services and tourism. - New Energies and renewable energies. - Knowledge Economy and Information and Communication Technologies.	**During the construction phase:** - Exemption from customs duties on imported goods directly related to the realization of the investment. Exemption from VAT (*TVA*) on imported or locally purchased goods and services used in the investment. -Exemption from payment of the right to transfer real estate for compensation and the real estate advertising fee for all real estate purchases made within the framework of the investment. -Exemption from registration rights imposed in connection with the incorporation of companies and capital increases. -Exemption from registration rights, real estate advertising fees, national real estate fees, and concession fees on built and unbuilt real estate intended for the realization of investment projects. -Exemption from real estate tax on real estate included in the investment for 10 years from the date of acquisition. **In the utilization phase:** During the first 3 years, the first 5 years for the Rahab region, and the first 10 years for the Great South region. - Exemption from corporate income tax (*IBS*) -Exemption from the tax on professional activities (*TAP*).
The incentive system for regions of special	Aimed at the following regions: - Sites open to the mountainous areas of the country.	In the realization phase: You will benefit from the advantages of the sectoral system. In the exploitation phase: Within the first 5 years for the Highlands region and the first 10 years for the Great South.

interest to the state	- Sites in the Great South. - Sites whose development requires special assistance from the State. - Sites with potential natural resources that can be developed.	-Exemption from Corporate Income Tax(*IBS*) -Exemption from the Tax on Professional Activities (*TAP*)
System of incentives for structural investments	Aimed at investments with a high potential for wealth creation and job creation, which will increase the attractiveness of the region and be a driving force for economic activity for sustainable development.	In the construction phase: It will benefit from the advantages of the cluster system. In the exploitation phase: Within the first 5 years for the Highlands region and the first 10 years for the Big South. - Exemption from corporate income tax(*IBS*) -Exemption from Tax on Professional Activity (*TAP*) You can benefit from state support in the form of partial or total coverage of the development works and facilities necessary for their realization, based on an agreement between the investor and the agency acting on behalf of the investor. Between the investor and the agency acting on behalf of the State, which agrees with the approval of the Government.

Source: (Law No. 18-22 of the Official Journal of the Republic of Algeria, No. 50, 2022)

IV. The amount of exemptions granted by investment promotion agencies (IPAs) to support local investment at the national level.

The investment promotion agencies are the Algerian Investment Promotion Agency AIPA *(AAPI)*, the National Agency for Microcredit Management NAMM *(ANGEM)*, the National Fund for Unemployment Insurance NFUI *(CNAC)*, and the National Agency for Support and Promotion NASP, formerly known as ANSEJ, then ANADE and currently known as NEZDA.

The taxes which are the subject of the IPA exemption are **VAT**« Value Added Tax » (*TVA*)**;** **CIT** « Corporate Income Tax »(*IBS*)**;** **GIT** « Global Income Tax »(*IRG*); **FT** « Flat-rate Tax » *(IFU)*; **TPA** « Tax on Professional Activities »*(TAP);* **VF** « Verification fee » *(TF)*and **SSGA** « Study of the Specific Global Annuity » *(ERGS)*.

IV.1. Algerian Agency for the Promotion of Investment (AAPI)

Here's everything you need to know about the agency's concept and mission, as well as the exemptions the agency has granted between (2018 – 2022).

IV.1. 1. Introduction to the Algerian Agency for the Promotion of Investment IAAP (AAPI)

It is defined as a public institution of an administrative nature, with legal personality and financial independence, placed under the tutelage of the Prime Minister and headquartered in Algiers. According to the second article of Executive Decree 22-298 to the naming and definition of the agency, the previous name "National Agency for Investment Development" NAID*(ANDI)*, which appeared in 2001, is replaced by the "Algerian Agency for Investment Promotion" AAIP, where the first roots of the establishment of the Algerian Agency for Investment Promotion date back to 1993, when it was called the National Agency for the Support, Development and Follow-up of Investment (Article 2 of Executive Decree 22-298.)

According to Article 18(2) of the Investment Law 18-22, the agency undertakes a set of tasks, which can be summarized as follows: (Law No. 18-22 of the Official Journal of the Republic of Algeria, No. 50, 2022)

- Promoting and valorizing investment in Algeria and abroad and the attractiveness of Algeria, in liaison with diplomatic and consular representations in Algeria.
- Informing and sensitizing the business community.
- Ensuring the operation of the digital investor platform.
- Registration and processing of investment files.
- Accompanying the investor in the completion of investment procedures.
- Monitoring the progress of the status of investment projects.
- Management of benefits, including those related to the portfolio of projects authorized or registered before the date of promulgation of this law.

IV.1.2. the volume of exemptions granted through the Algerian Agency for the Promotion of Investment AAPI

The basics of tax incentives are as follows:

Table (02): Amount of exemptions granted by" AAPI" Unity: Algerian Dinar

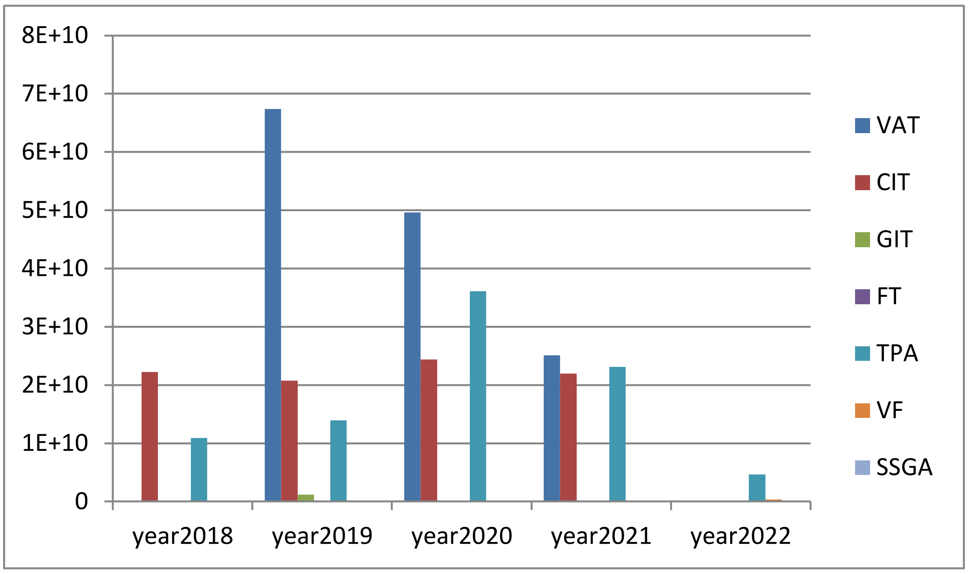
The year	Amount of tax exemptions							
	VAT	CIT	GIT	FT	TPA	VF	SSGA	Total
2018	49 173 640 270	22 246 865 494	12 644	-	10 915 091 535	174 595	2 399	**82 335 786 937**
2019	67 362 836 381	20 733 118 587	1 160 801 618	-	13 951 941 911	-	-	**103 208 698 497**
2020	49 609 225 702	24 404 193 702	21 884 701	-	36 072 109 300	-	-	**110 107 413 405**
2021	25 073 848 374	21 965 487 965	40 649 315	-	23 113 268 851	-	-	**70 193 254 505**

2022	25 123 746 295	20 739 468 302	-	-	21 618 531 863	375 387 778	982 534	**67 858 1 16 772**
Total	**216 343 297 022**	**110 089 134 050**	**1 223 348 278**	-	**105 670 943 460**	**375 562 373**	**984 933**	**433 703 270 116**

Source: Statistics provided by the General Directorate of Taxation

The results of Table(02)can be seen in the following figure:

Figure (01): Amount of exemptions granted by" AAPI"



Source: Prepared by the researchers based on the data in the previous table.

The previous table and figure, represent the volume of exemptions for various taxes granted by the Algerian Investment Promotion Agency for local investment; during the five years from **2018** to **2022**. In **2018**, the largest exemption granted for VAT was **49 173 640 270** or **59,72%** of the total volume of exemptions during the year, which amounted to **82 335 786 937** while in **2019**, the largest exemption was **67 362 836 381** granted to the same tax, or **65,27%** of the total exemptions during the year, which amounted to **103 208 698 497**; In **2020**, the VAT tax received the largest exemption during the year of **49 609 225 702**, bringing the total exemption during the year to **110 107 413 405**, or **45, 06%,** and both in **2021** and **2022**, the largest exemption granted in both years was also directed to this tax, as the volumes of exemptions granted to it were estimated at **25 073 848 374** and **25 123 746 295** of the total exemptions of **70 193 254 505** and **67 858 116 772**, with percentages of **35,72%** and **37,02%**, respectively, in the same order.

Since the tax is the one that received the largest number of exemptions throughout the study period (2018-2022), the total number of exemptions granted during the same period was estimated at **216 343 297 022**.

The smallest exemption size granted during the study period was **2022** with a size of **67 858 116 772** and the largest exemption size was **2020**with a size of **110 107 413 405**.

IV.2. National Fund for Unemployment Insurance « NUIF » (CNAC)

Here's everything you need to know about the agency's concept and mission, as well as the exemptions the agency has granted between (2018 – 2022).

IV.2.1. Application to the National Fund for Unemployment Insurance "NUIF " (CNAC)

Defined as a public social security institution (under the auspices of the Ministry of Labor, Employment and Social Security) to "mitigate" the cascading social effects of layoffs in the economic sector. According to the structural adjustment plan, the National Unemployment Insurance Fund (CNAC) has undergone several stages in its evolution to meet the new tasks assigned by the public authorities. (the National Unemployment Insurance Fund, 2024)

The CNIC's tasks include (the National Unemployment Fund, 2024)

- Support the creation of activities by unemployed entrepreneurs between 35 and 50 years of age.
- Support the creation and development of activities for unemployed entrepreneurs between thirty (30) and fifty (50) years of age.

IV.2.2. the anumberof exemptions granted by " the National Unemployment Insurance Fund* NUIF *"CNAC"

The basics of tax incentives are as follows:

Table (03): Amount of exemptions granted by "NUIF" *(CNAC)*

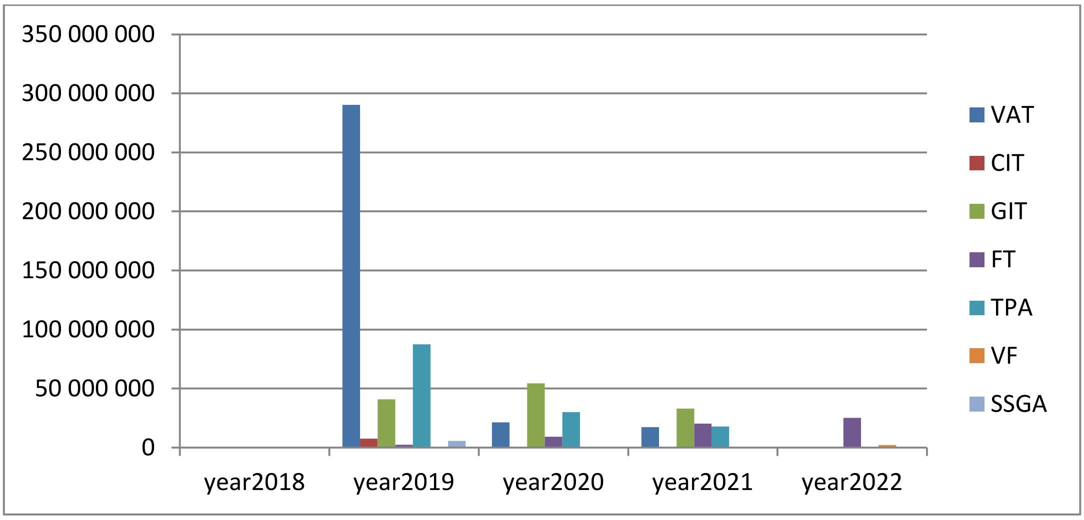
Unity: Algerian Dinar

The year	**Amount of tax exemptions**							
	VAT	**CIT**	**GIT**	**FT**	**TPA**	**VF**	**SSGA**	**Total**
2018	140 895	6 660	4 900	16 955	28 060	18 221	-	**215 691**
2019	290 339 727	7 459 200	40 791 082	2 346 197	87 529 612	38 100	5 710 906	**434 214 824**
2020	21 339 971	3 594 915	54 364 476	9 261 800	30 157 828	-	30 000	**118 748 990**
2021	17 196 397	4 952 045	33 139 970	20 415 526	17 872 557	-	266 499	**93 842 994**
2022	39 507 372	2 210 604	19 821 040	25 218 141	27 367 184	2 028 000	-	**116 152 341**
Total	**368 524 362**	**18 223 424**	**148 121 468**	**57 258 619**	**162 955 241**	**2 084 321**	**6 007 405**	**763 174 840**

Source: Statistics provided by the General Directorate of Taxation

The results of Table(03)can be seen in the following figure:

Figure(02): Amount of exemptions granted by " NUIF" *(CNAC)*



Source: Prepared by the researchers based on the data in the previous table.

The table and figure above represent the amount of exemptions for various taxes granted by ***the National Unemployment Insurance Fund* NUIF *" (CNAC)*** for local investments during the five years from 2018 to 2022. We note that the Agency has granted exemptions for various taxes. In **2018**, the largest exemption was granted for **VAT** by **140 895** or **65,32%** of the total amount of exemptions during the year, which was **215 691**, while in **2019**, the largest exemption was granted for the same tax by **290 339 727**, or **66,86%** of the total exemptions during the year, which amounted to **434 214 824**; In **2020**, the largest exemption for the **GIT** tax during the year amounted to **54 364 476**, bringing the total exemptions during the year to**118 748 990**, or **45,78**%, In **2021**, the **GIT** tax received the largest exemption amount of **33 139 970** out of a total of **93 842 994** exemptions, or **35,31%,** and in the last year of the study period **2022**, the largest exemption granted to the **VAT** tax amounted to **39 507 372**, where the volumes of exemptions granted during the year were estimated at **116 152 341**, or **34,01%.**

The largest volume of exemptions granted during the study period (**2018-2022**) in **2019** was **434 214 824**, while the smallest volume of exemptions granted during the same period was in **2018** (**215 691**).

IV.3. The National Agency for the Support and Development of Entrepreneurship NASDE (*NESDA)*

Here's everything you need to know about the agency's concept and mission, as well as the exemptions the agency has granted between 2018 - 2022

IV.3.1.General Introduction of the National Agency for the Support and Development of Entrepreneurship NASDE (*NESDA)*

The National Agency for the Support and Development of Entrepreneurship is a special government body with legal personality and financial autonomy. This agency provides support to entrepreneurs to establish and expand small enterprises for the production of goods and services. « NASDE » assists entrepreneurs in establishing and expanding small enterprises for the production of goods and services. (The National Agency for the Support and Development of Entrepreneurship, 2024)

Functions of the National Agency for the Promotion and Development of Entrepreneurship NASDE: The functions of the National Agency for the Promotion and Development of Entrepreneurship include: (The National Agency for the Support and Development of Entrepreneurship, 2024)

- Support, advice, and accompaniment.
- Providing all economic, technical, legislative, and organizational information related to the activities of entrepreneurs.
- Developing relationships with partners and stakeholders (banks, tax authorities, social security funds).
- Developing partnerships between different sectors to identify investment opportunities.
- Training of project holders within the Entrepreneurship Development Centers.
- Financing youth projects and informing them about the different subsidies available.
- Follow-up and remote monitoring of micro-enterprises created by entrepreneurs.
- Encouraging all actions and measures aimed at promoting the creation and expansion of activities.

IV. 3.2 The amount of exemptions granted by the National Agency for the Promotion and Development of Entrepreneurship NASDE (NEZDA)

The basics of tax incentives are as follows:

Table (04): Amount of exemptions granted by *NASDE* *(NEZDA)*

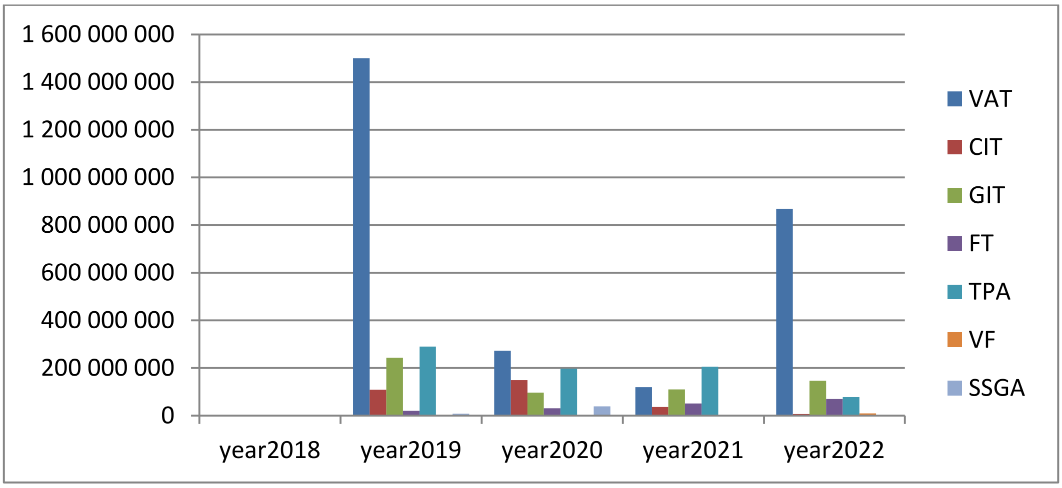
Unity: Algerian Dinar

The year	Amount of tax exemptions							
	VAT	**CIT**	**GIT**	**FT**	**TPA**	**VF**	**SSGA**	**Total**
2018	877 984	123 633	67 766	27 459	344 205	1 469	2 414	**1 444 930**
2019	1 500 055 037	108 680 079	242 627 419	19 639 492	289 750 582	2 477 647	8 634 806	**2 171 865 062**
2020	272 941 182	148 820 619	96 048 892	30 412 802	196 908 167	1 598 807	38 725 050	**785 455 519**
2021	119 329 423	36 257 743	109 358 255	51 285 601	205 239 798	1 156 000	1 554 500	**524 181 320**
2022	867 943 293	6 678 175	146 390 613	69 820 102	78 458 610	8 863 111	-	**1 178 153 904**
Total	**2 761 146 919**	**300 560 249**	**594 492 945**	**171 185 456**	**770 701 362**	**14 097 034**	**48 916 770**	**4 661 100 735**

Source: Statistics provided by the General Directorate of Taxation

The results of Table(04)can be seen in the following figure:

Figure(03): Amount of exemptions granted by *NASDE* (*NEZDA*)



Source: Prepared by the researchers based on the data in the previous table.

The previous table and figure, represent the volume of exemptions for various taxes granted by the NASDE (NESDA) and directed to local investment; during the five years from 2018 to 2022. We note that the agency has granted exemptions for various taxes. In **2018**, the largest exemption was granted for **VAT** of **877 984**, or **60,67%** of the total amount of exemptions during the year, which was **1 444 930**, while in **2019**, the largest exemption was granted for the same tax of **1 500 055 037**, or **69, 07%** of the total exemptions during the year, which amounted to **2 171 865 062**; In **2020**, the largest **VAT** exemption granted during the year was also **272 941 182**, bringing the total exemptions during the year to**785 455 519**, or **34,75%**, In **2021**, the **TPA** tax received the largest exemption amount of **205 239 798**out of a total of **524 181 320**exemptions, or **39, 15%**, and in the last year of the study period 2022, the largest exemption granted for **VAT** tax was **867 943 293**, where the volumes of exemptions granted during the year were estimated at **1 178 153 904**, or **73,67%.**

The largest volume of exemptions granted during the study period (2018-2022) in **2019** was **2 171 865 062**, while the smallest volume of exemptions granted during the same period was in **2018** (**1 444 930**).

IV.4. The National Agency for Microcredit Management NAMM(ANGEM)

Microcredit is an effective way to promote economic development and fight poverty in developing countries. The concept of microcredit was first introduced in Algeria in 1999, but it did not achieve the desired success due to a lack of support and technical follow-up for the projects. This was confirmed during an international forum organized in December 2002 on the experience of microcredit in Algeria.

IV.4.1. General Introduction of the National Agency for Microcredit Management NAMM(ANGEM)

The National Agency for Microcredit Management was created by Executive Decree No. 04-14 of January 22, 2004, to promote microcredit as a tool to stimulate the economy and achieve sustainable development.

The Agency's operational network consists of 49 wilaya agencies distributed throughout the country, with local support cells to follow up and support projects at the level of administrative departments. (to the National Agency for Microcredit Management, 2024)

The main tasks of the National Agency for Microcredit Management include the following: (the National Agency for Microcredit Management, 2024)

- Management of the microcredit system by the applicable laws and regulations.
- To support, guide, and accompany the beneficiaries in the implementation of their activities, especially in the financing of their projects.
- Informing the beneficiaries, whose projects have qualified in the apparatus, of all the support granted.
- To follow up on the activities carried out by the beneficiaries with attention to compliance with the agreements and contracts related to the Agency, and to assist them with institutions and bodies related to the implementation of their projects, including the financial partners of the program.
- Maintain ongoing relationships with banks and financial institutions regarding project financing, implementing financing plans, and following up on the implementation and utilization of loans promptly.
- Train project owners and microloan beneficiaries in financing techniques and management of income-generating activities.
- Organize regional and national exhibitions of microcredit products.
- Provide continuous training to the staff responsible for the management of the facility.

IV. 4.2 amount of exemptions granted by the National Agency for Microcredit Management NAMM(ANGEM)

The basics of tax incentives are as follows:

Table (05): Amount of exemptions granted by *NAMM(ANGEM)*

Unity: Algerian Dinar

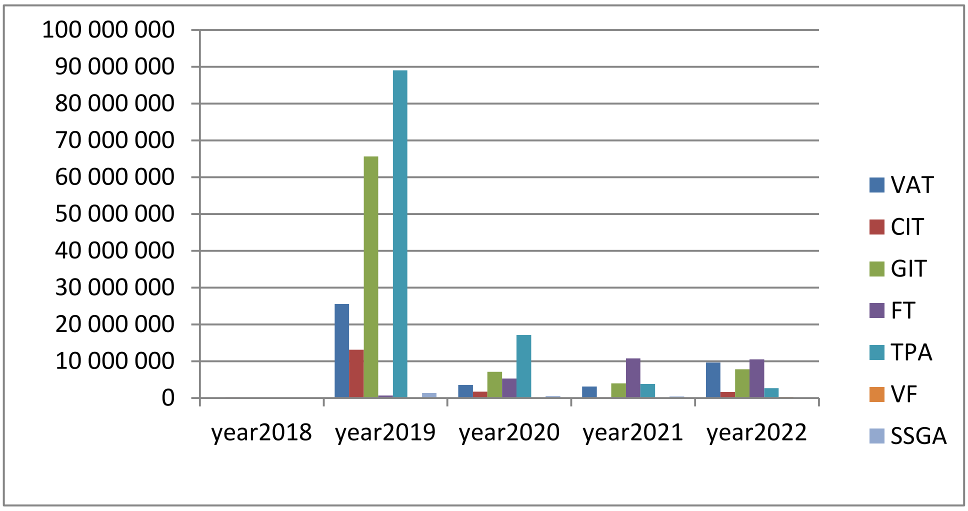
The year	Amount of tax exemptions							
	VAT	**CIT**	**GIT**	**FT**	**TPA**	**VF**	**SSGA**	**Total**
2018	32 543	90 000	1 551	2 006	3 225	4 200	-	**133 525**
2019	25 547 184	13 108 702	65 660 998	666 000	89 045 959	-	1 382 961	**195 411 804**
2020	3 560 028	1 685 208	7 117 724	5 289 312	17 050 135	5 700	476 220	**35 184 327**

2021	3 106 090	100 000	3 928 773	10 702 211	3 778 578	-	412 000	**22 027 652**
2022	9 614 092	1 638 448	7 777 702	10 483 912	2 619 354	254 000	-	**32 387 508**
Total	**41 859 937**	**16 622 358**	**84 486 748**	**27 143 441**	**112 497 251**	**263 900**	**2 271 181**	**285 144 816**

Source: Statistics provided by the General Directorate of Taxation

The results of Table(05)can be seen in the following figure:

Figure(03) : Amount of exemptions granted by *NAMM*(*ANGEM*)



Source:: Prepared by the researchers based on the data in the previous table.

The previous table and figure, represent the volume of exemptions for various taxes granted by NAMM (ANGEM) and directed to local investment; during the five years from 2018 to 2022. We note that the agency has granted exemptions for various taxes. In **2018**, the largest exemption was granted to the **CIT** tax of **90 000**, or **67, 40%** of the total amount of exemptions during the year, which amounted to **133 525**, while in **2019**, the largest exemption was granted to the **TPA** tax by **89 045 959**, or**45,57** % of the total amount of exemptions during the year, of the total amount of exemptions during the year, which amounted to **195 411 804**; In **2020**, the largest **TPA** tax exemption was also granted during the year, amounting to **17 050 135**, bringing the total exemptions during the year to **35 184 327**, or **48,46**%, and in **2021**, the **FT** tax received the largest volume of exemptions amounting to **10 702 211** out of a total of **22 027 652** exemptions, or **48,59%**, and in the last year of the study period **2022**, the largest exemption granted for the same **FT** tax was **10 483 912**, where the volumes of exemptions granted during the year were estimated at **32 387 508**, or **32,37% .**

The largest volume of exemptions granted during the study period (2018-2022) in **2019** was **195 411 804**, while the smallest volume of exemptions granted during the same period was in **2018** (**133 525**).

V. Conclusion

Based on the study, it can be said that the tax incentives provided by the investment support and promotion agencies during the period from 2018 to 2024 have significantly contributed to boosting local investment and supporting economic development. This reflects an ongoing commitment to strengthening the local economic environment by providing the necessary facilities for investors and investment projects. This support must continue to achieve economic sustainability and realize the region's development goals.

The study concluded with several results, the most important of which are as follows:

- The tax incentives granted are one of the reasons for going to the agencies active in the field of local investment.

-Creation of jobs and reduction of the labor force.

-Achieving social development and poverty reduction.

- Increased investment in economic institutions leading to economic development.

Based on the above findings, the following recommendations can be made:

- Continue to provide tax incentives to encourage local investment and economic development.

- The need to incentivize investors by providing the necessary tax facilities to promote economic growth and create new employment opportunities.

- Increase confidence and transparency in the business environment to attract more investment and strengthen the local economy.

- Encourage cooperation between the public and private sectors to achieve comprehensive development and sustainability of the local economy.

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