

The Impact of the Cancellation of the Professional Activity Tax on Local Revenue in Algeria: A Case Study of The Municipality of M'kira, In the Wilaya of M'sila During the Period 2019-2024

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Abstract:

This study aims to shed light on the impact of the professional activity tax on financing municipal budgets in Algeria, with a focus on the Municipality of M'kira in the Wilaya of M'sila during the period 2019-2024, especially following its cancellation in the 2024 Finance Law.

The study concludes that the professional activity tax is the most significant resource, contributing significantly to financing the municipal budgets, particularly in municipalities with a large economic environment. Its cancellation will have a negative impact on the financing of municipal budgets.

Keywords: Local Taxation; Taxes and Fees; Local Authorities.

INTRODUCTION

Local taxation is considered one of the most important components of the Algerian tax system due to the significant financial resources it provides for financing the budgets of local authorities (municipalities). Given that local authorities are closely connected to the local community, they have received wide attention, particularly following the tax reforms of 1991. The importance of local taxation increased, especially after the state fully shifted from relying on petroleum revenue to regular taxation and diversified its tax sources. This was achieved through the introduction of new taxes and fees, such as the tax on total income, corporate profits tax, and the value-added tax, with the aim of increasing public revenues and also separating the tax revenues collected by the state from those collected by local authorities (municipalities and wilayas). Local authorities play a prominent role, shouldering significant responsibilities, including the implementation of development programs and plans and ensuring the welfare of citizens. In order to fulfill these duties, local authorities require financial resources, which is why the state introduced the "Local Taxation Law Project" in 2018.

The amendments introduced in the Finance Law of 2018, which led to a reduction in the professional activity tax rate from 2% to 1% for production activities, followed by its complete abolition for production activities in 2022, and its final elimination for all activities in 2024, will significantly impact the financing of municipal budgets, as it represents the most important tax revenue source for local authorities due to its high yield.

Based on the above, the issue we aim to study in this research paper is as follows: What is the impact of the abolition of the professional activity tax on the financing of municipal budgets in Algeria?

In order to address all aspects of the main issue, we can raise the following sub-issues:

- To what extent does the professional activity tax contribute to the municipalities' share of total tax revenues?
- To what extent does the professional activity tax contribute to the municipalities' share of total management revenues?

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Study Boundaries

The temporal boundaries of the study span from 2019 to 2024, while the spatial boundaries are confined to the municipality of M'kira in the Wilaya of M'sila.

1. General Framework of Local Taxation in Algeria:

1.1 Concept and Objectives of Local Taxation:

Definition of Local Taxes: Local taxes have several definitions, including: "They are all available resources that can be provided from various sources to finance local development at the level of local units in a way that achieves the highest rates of development over time and maximizes the autonomy of local governments from the central government in achieving the desired local development."

It is also defined as "the funds collected by local councils from local residents and inhabitants within their jurisdiction to achieve a public benefit that contributes to local development objectives" (Abdelhamid, 2001).

It is defined as "a financial obligation levied by a local public authority compulsorily within the administrative units it represents, without regard to any specific compensation, and its goal is to achieve a public benefit. Local taxes are considered one of the important and essential sources of financing" (Al-Ma'ani, 2010).

1.2 Objectives of Local Taxation:

The imposition of local taxes and fees aims to achieve several objectives, among which are (Walhi, 2018):

- It is a tool in the hands of the government (local authorities) to cover the expenses resulting from neighborhood services.
- It is a tool in the hands of the government (local authorities) to gather information about local communities that can be used for various purposes.
- It allows for the analysis, distribution, and development of the local tax base and the resources generated from it, based on statistical data prepared at the regional and local government levels.
- It is a tool for achieving local development, as governments (local authorities) are responsible for development within their territories. Therefore, the law related to municipalities has specified the following tasks:
 - The municipal council participates in the procedures for regional planning, sustainable development, and their implementation.
 - The municipal council initiates every process and takes any necessary action to stimulate and promote the development of economic activities that align with the municipality's capabilities.

1.3 Characteristics of Local Taxation and the Key Challenges it Faces:

1.4 Characteristics of Local Taxation:

Local taxation has several characteristics that it must possess in order to perform its role effectively. These include (Qeddi, 2011):

- Its revenue should be high and grow over time to meet the increasing needs of the population.
- It should not be affected by economic fluctuations.
- The costs of its collection should not be high.
- Its distribution should be relatively equal among local communities.
- There must be a close relationship between the citizens who pay the taxes and those who benefit from them.

1.5 Challenges Facing Local Taxation

Among the main challenges facing the local taxation system in Algeria, the following are noted (Rahmani Moussa, 2004):

- Weak local tax resources, which constitute a large proportion of total local revenues, due to tax evasion, fraud, and weak tax collection.
- The specificity of regions in Algeria, which requires central government intervention, particularly in the economic field.
- The shortage of administrative staff and inadequate distribution of state officials for managing local taxation, which necessitates central government intervention. This highlights the issue of centralization in administration, as experiences have shown that the greater the autonomy of local administration, the greater its capacity to generate financial resources, thus strengthening the principle of decentralization.
- The peculiarities of the Algerian economy, based on oil rents, which is managed centrally, leading to the neglect of ordinary taxation in general, and local taxation in particular. This has resulted in a reliance on state subsidies to fund local government budgets.
- The nature of taxes and fees with weak revenue sources due to the limited tax base.
- The state's authority to establish taxes and define the tax base, which is one of the negative aspects of centralized taxation;
- The absence of an effective tax information system, as the efficiency of the taxation system begins with the availability of tax information. Without a correct database, it is impossible to achieve high tax revenues;
- The risk of the informal economy, where many activities remain out of government oversight, weakening local taxation related to certain fees, such as professional activity taxes and value-added taxes;
- The rapid growth of public expenditures compared to tax revenues;
- The accumulation of local government debts, leading to reliance on the common fund for local communities.

2. Structure of the Local Taxation System in Algeria

Local taxation plays a crucial role in financing the budgets of local governments, as it represents a significant portion of the total financial resources. Algerian law defines financial resources from taxes and fees, the revenues of which fully benefit local governments, as well as taxes and fees shared between local governments and other entities, such as the state and the common fund for local communities. This will be discussed in detail.

2.1 Tax Revenues Shared Between Local Authorities and Other Entities:

The taxes and fees, which partially benefit municipalities, are varied and precisely defined. These taxes have been regulated by the legislator in accordance with the laws governing direct and indirect taxes, taking into

account any changes made under the regular and supplementary finance laws. We will discuss them in the following points:

2.1.1 The Unique Flat-Rate Tax:

The Unique Flat-Rate Tax was introduced under Article 02 of the 2007 Finance Law, issued on December 26 under Law No. 06-24. It replaced the flat-rate system, which was established in 1992 as part of tax reforms. The Unique Flat-Rate Tax is a single tax that applies to taxpayers who were previously subject to the flat-rate system, where they were liable for several taxes and fees (e.g., VAT, TAP, IRG). Since January 1, 2007, these taxpayers have been subject to the Unique Flat-Rate Tax system.

The rate of the single flat-rate tax is defined as follows (Article 282, 2024):

- 5% for production and goods sales activities,
- 12% for other activities.

However, activities conducted under the legal framework of self-employed contractors are subject to a rate of 0.5%.

The proceeds from the single flat-rate tax are distributed as follows (Article 282, 2024, p. 96):

Table (01): Distribution of the Single Flat-Rate Tax Revenue

Item	Tax Revenue Distribution (%)
State Budget	49%
Chamber of Industry and Commerce	0.5%
National Chamber of Handicrafts	0.01%
Chamber of Handicrafts and Professions	0.24%
Municipalities	40.25%
Wilaya	0.5%
Joint Fund for Local Authorities	05%

Source: (Article 282, 2024), (Law on Direct Taxes and Similar Charges, 2024, pp. 96-97).

2.2 The Professional Activity Tax:

The Professional Activity Tax was introduced under the 1996 Finance Law and is considered one of the most important direct taxes used to finance the budgets of local authorities. It covers all economic activities and is classified as a tax on turnover, which refers to the total sales of goods and services. This tax was introduced to replace the previous taxes on commercial and industrial activities, as well as non-commercial activities, which were in place prior to the 1992 tax reforms.

The calculation of the Professional Activity Tax (TAP) is done by applying the following rates to taxable professional income or turnover as follows (Issa Ismail, 2022):

- 1% for production activities without benefiting from reductions;
- 2% for other commercial and service activities;
- 3% for the transportation of hydrocarbons via pipelines.

Table (02): Distribution of the Professional Activity Tax Revenue

Statement	Municipal Budget	Provincial Budget	Guarantee and Solidarity Budget for Local Communities
Tax Distribution	0.66	0.29	0.05

Source: (Article 11, Law No. 17-11 of December 27, 2017, Concerning the 2018 Finance Law, 2017, p. 07).

3. Wealth Tax:

The wealth tax was established under Decree 93-01 dated January 19, 1993, which includes the 1993 Finance Law. It was introduced to replace the solidarity tax on real estate properties.

The wealth tax rate is determined according to the following progressive scale ([Article 282, 2020](#)):

Table No. (03): Wealth Tax Rate

Statement	Tax Distribution (%)
Less than 100,000,000 DZD	0
From 100,000,000 to 150,000,000 DZD	0.0015
From 150,000,001 to 250,000,000 DZD	0.0025
From 250,000,001 to 350,000,000 DZD	0.0035
From 350,000,001 to 450,000,000 DZD	0.005
Above 450,000,000 DZD	0.001

Source: ([Article 282, 2020, p. 93](#)).

The proceeds from the wealth tax are distributed as follows:

Table (04): Distribution of Wealth Tax Proceeds

Item	State Budget	Municipal Budget
Tax Distribution	0.7	0.3

Source: ([Article 26, 2019, p. 12](#)).

4. Local Solidarity Tax:

The Local Solidarity Tax was established under Article 15 of Law 23-22 dated 11 Jumada II 1445, corresponding to December 24, 2023, which includes the 2024 Finance Law. This tax is applicable on the turnover achieved in Algeria by taxpayers who are engaged in business ([Article 231, 2024](#)).

Table (05): Rates of the Local Solidarity Tax

Statement	Tax Distribution (%)
Turnover from fuel transportation activities via pipelines	03%
Turnover from mining activities	1.5%

Source: ([Article 15, 2023, p. 09](#)).

Table (06): Distribution of the Local Solidarity Tax Revenue

Statement	Rate
Municipality: Location of the mine in relation to mining activities, and for the municipalities through which the petroleum pipelines pass	66%
Wilaya: Location of the mine in relation to mining activities, and for the wilayas through which the petroleum pipelines pass	29%
Local Communities Solidarity and Guarantee Fund	05%

Source: ([Article 231, 2024, p. 79](#)).

5. Tax on Gross Income from Real Estate Income

"Real estate income resulting from the rental of built and unbuilt properties"

5.1 Definition of Real Estate Income:

Real estate income is defined as the revenue derived from renting built properties or parts of them, renting all commercial and industrial premises not equipped with their own equipment, provided they are not included in the profits of an industrial, commercial, craft, agricultural, or non-commercial professional establishment. It also includes income from renting unbuilt properties of all types, including agricultural land, and income from civil rental of real estate used for residential purposes (Issam, 2018).

The proceeds from the tax on gross income from real estate income are distributed as follows (Article 42 bis, 2024, 2024):

Table No. (07): Distribution of Proceeds from the Tax on Gross Income from Real Estate Income

State Share	Municipal Share
50%	50%

Source: (Article 42 bis, 2024, 2024, p. 21).

6. Environmental (Ecological) Taxes:

The proceeds from this tax are allocated as follows:

Table No. (08): Distribution of Environmental (Ecological) Tax Proceeds

Statement	State Budget	National Fund for Environment and Coast	Municipal Budget	National Water Fund	Guarantee and Solidarity Fund for Local Communities
Incentive tax to encourage non-storage of industrial waste	46%	38%	16%	/	
Incentive tax to encourage non-storage of waste related to treatment activities	30%	50%	20%	/	
Additional tax on air pollution from industrial sources	50%	33%	17%	/	
Additional tax on industrial wastewater	34%	16%	34%	16%	
Tax on oils and fats and preparation of fats within the country	42%	24%	34%	/	
Tax on oils and fats and preparation of imported fats	42%	24%	/	/	34%

Source: (Articles 89–93, 2019, pp. 35–36).

7. Tax on Petroleum Products

A tax is levied on petroleum products or similar products, whether imported or produced in Algeria, particularly in factories under customs supervision. This tax is applied to the products listed in the following table, according to the rates specified (Law on Direct Taxes and Similar Charges, 2024):

Table No. (09): Determination of the Tax on Petroleum Products

Customs Tariff Number	Material Description	Tax (DZD/Hectoliter)
10-27. M	Premium gasoline	1600
10-27. M	Regular gasoline	1700
10-27. M	Lead-free gasoline	1700

10-27. M	Gas oil	900
11-27. M	Liquefied petroleum gas/fuel	1

Source: (Article 28 bis 7, 2024).

Taxpayers are required to submit a monthly declaration by the 20th of each month, at the same time as the declaration related to the value-added tax tables. This declaration must include the quantities and values of goods subject to the tax and intended for consumption. Following this declaration, the tax on petroleum products is paid automatically.

The Customs Administration collects the tax on petroleum products upon importation under the same conditions that apply.

Petroleum products intended for export are exempt from the tax on petroleum products. The proceeds from the tax on petroleum products are distributed as follows (Law on Direct Taxes and Similar Charges, 2024, p. 26):

- 66% for the benefit of all municipalities in the country;
- 29% for the benefit of the wilaya;
- 05% for the benefit of the Local Communities Solidarity and Guarantee Fund.

The methods for distributing the proceeds of this tax for the benefit of local communities (municipalities) are determined based on the following four indicators, with corrective coefficients applied as shown in the table below (Article 02, 2024):

Table (10): Indicators for Determining the Tax on Petroleum Products Allocated to Municipalities

Index	Indicator Description	Correction Factor
M1 (*)	Share of the professional activity tax for the municipality compared to the total professional activity tax	0.5
M2 (**)	Mandatory expenses of the municipality compared to the total amount for the country	0.3
M3	Number of residents in the municipality compared to the total population of the country	0.15
M4	Area of the municipality compared to the total area of the country	0.05
Formula for calculating the correction factor to determine the municipality's share of tax on petroleum products or similar:		
$(M1 \times 0.5) + (M2 \times 0.30) + (M3 \times 0.15) + (M4 \times 0.05)$		

Source: (Article 02, 2024, p. 11).

(*) This indicator ensures that local communities where activity zones are located maintain the level of tax revenues previously generated from the professional activity tax before its abolition in 2024.

(**) Mandatory expenses refer to those related to permanent staff and contracted employees in the municipality, as well as the burdens of social contributions.

7.1 Tax Revenues for the Benefit of Local Communities Only:

The Algerian legislator has established a set of taxes and fees whose revenues are entirely allocated to the municipality's budget. These taxes and fees are stipulated under the direct taxes and similar fees law, and are regulated through annual regular and supplementary finance laws. Among these are:

7.1.1 Property Tax:

The property tax was established under Order 67-83 dated June 1967, which included the amendment to the 1967 Finance Law, and amended by Article 43 of Law 91-25 dated December 18, 1991, which included the 1992 Finance Law, and by Articles 60 to 66 of Law No. 21-16 dated December 30, 2021, which included the 2022 Finance Law.

According to the text of Article 248 of the Law on Direct Taxes and Similar Levies, as amended by Article 04 of the Supplementary Finance Law of 2015, "An annual property tax is imposed on built properties, regardless of their legal status, located within the national territory, except for those explicitly exempted" ([Article 248 of Direct Taxation Law and Similar Duties, 2024](#)).

The property tax is divided into two categories: the property tax on built properties and the property tax on unbuilt properties.

7.2 Real Estate Tax on Built Properties:

Article 249 of the Law on Direct Taxes and Similar Fees stipulates that the real estate tax on built properties applies to the following ([Article 249 of Direct Taxation Law and Similar Duties, 2024](#)):

- Facilities designated for housing people and goods or for storing products;
- Commercial establishments located in the vicinity of airports, ports, railway stations, and road stations, including their annexes such as warehouses and maintenance workshops;
- Building plots of all types and land parcels that are directly attached to them and are indispensable;
- Uncultivated land used for commercial or industrial purposes, such as workshops, places for storing goods, and other similar locations, whether they are occupied by the owner or leased out, either free of charge or for a fee.

7.2.1 Calculation of Real Estate Tax:

According to Article 261 of the Law on Direct Taxes and Similar Fees, the real estate tax is calculated by applying the following rates to the taxable base ([Article 263, 2024](#)):

- Full ownership in the truest sense of the word: 3%;
- Vacant secondary properties constructed for residential use and owned by natural persons that have not been rented are subject to an increase of 7%. For lands that form annexes to the built properties, the following rates apply:
 - 5% when their area is less than or equal to 500 m²;
 - 7% when their area exceeds 500 m² but is less than or equal to 1,000 m²;
 - 10% when their area exceeds 1,000 m².

7.2.2 Property tax on unbuilt properties:

According to Article 261 of the Direct Taxes and Similar Fees Law, "Property tax on unbuilt properties of all kinds is established, except for those explicitly exempted from the tax" ([Article 261, 2024](#)).

The property tax on unbuilt properties is particularly applicable to:

- Lands located in urban sectors or those suitable for development, quarries, sand extraction sites, open-pit mines, salt mines, salt flats, and agricultural lands.

7.3 Sanitation Tax:

The sanitation tax was established in 1966 under the name "Household Waste Removal and Sewerage Tax." Later, the Algerian legislator attempted to incorporate it into a new tax, the fixed water consumption tax, starting in 1968. Eventually, the legislator reverted to the term "Sanitation Tax" under Law 80-12, issued on December 31, 1980, as part of the 1981 Finance Law.

7.3.1 Definition of the Sanitation Tax:

"The sanitation tax is established for the benefit of municipalities that provide a household waste removal service. It is an annual tax levied on all built properties. The tax collector, located where the property is situated, is tasked with collecting this tax" ([Article 263, 2024](#)).

The sanitation tax is assessed in the name of the owner or the beneficiary of the built property, and properties that do not benefit from household waste removal services are exempt from this tax.

The tax amounts are defined as follows:

Table (11): Sanitation Tax Rates

Description	Tax Rate (DZD)
Residential property	2000 DZD
Property used for professional, commercial, or artisanal purposes, or similar uses	10,000 DZD
Land prepared for camping and trailers	18,000 DZD
Property used for professional, commercial, or artisanal purposes, or similar uses, producing waste quantities exceeding the waste of the categories mentioned above	80,000 DZD

Source: ([Article 69, 2021, p. 29](#)).

7.4 Stay Tax:

This tax was established under the provisions of Article 59 of Law 97-02 dated December 31, 1997, which includes the 1998 Finance Law, and amended by the provisions of Article 69 of Law 21-16 dated December 30, 2021, which includes the 2022 Finance Law.

7.4.1 Definition of Stay Tax:

The stay tax applies to individuals residing in the municipality who do not have a private residence. These individuals are subject to the real estate tax ([Article 266, 2024](#)).

The tax is applied to individuals staying in the following types of establishments:

- Hotels, tourist complexes, or resorts, including apartments or hotel residences, motels, traveler lodgings, tourist reserves, and other types of hotel establishments not mentioned above.

7.4.2 Definitions of Stay Tax Rates According to the Law:

The stay tax rates apply to each person for every day of stay, as follows:

Table (12): Stay Tax Rate Amounts

Description	Tax Rate (DZD)
Five-star classified hotels (05 stars)	600 DZD
Four-star classified hotels (04 stars)	500 DZD
Three-star classified hotels (03 stars)	300 DZD
Two-star classified hotels (02 stars)	200 DZD
One-star classified hotels (01 star)	100 DZD

Source: ([Article 69, 2021, p. 29](#)).

7.5 Housing Tax:

The housing tax was established under the provisions of Article 67 of the 2003 Finance Law. This tax is levied on all properties used for residential or professional purposes located within the territory of municipal districts, as well as in the municipalities of the Wilaya of Algiers, Annaba, Constantine, and Oran. The annual housing tax amount is set as follows ([Article 67 of Law 11-02, 2002](#)):

- Residential premises: 300 DZD
- Professional premises: 1,200 DZD

This tax is collected by the agents of the electricity and gas distribution company and is fully allocated to the municipalities in accordance with Article 37 of the Finance Law of 2016. Article 41 of the Supplementary Finance Law of 2015 initially allocated the proceeds from this tax to the fund responsible for restoring the real estate stock, but it was later reallocated to municipalities under the provisions of Article 111 of the Finance Law of 2022.

7.6 Event Tax:

This tax was established under Article 105 of Ordinance 65-320, which includes the Finance Law of 1966, dated December 31, 1965, and amended by Article 36 of Law 2000-06, dated December 23, 2000, which includes the Finance Law of 2001.

7.6.1 Event Tax Rate:

The tax rate is set as follows:

- 500 DZD to 800 DZD per day when the event duration does not exceed 7:00 PM.
- 1000 DZD to 1500 DZD per day if the event extends beyond 7:00 PM. The rates are determined by a decision of the mayor, following deliberation by the municipal council and approval by the relevant authority.

7.7 Special Tax on Urbanization Contracts and Related Permits and Certificates:

This tax was established under Article 55 of Law 99-11, dated December 23, 1999, which includes the 2000 Finance Law, and was amended and supplemented by the provisions of Article 77 of Law 17-11, dated 8 Rabi' al-Thani 1439 (December 27, 2017), which includes the 2018 Finance Law.

7.7.1 Definition of the Special Tax on Urbanization Contracts:

According to the text of Article 77 of Law No. 17-11, "A special tax is established for the benefit of municipalities on urbanization contracts and all permits and certificates related to them. The following permits and certificates are subject to the special tax on urbanization contracts upon issuance:

- Building permits
- Subdivision permits
- Demolition permits
- Compliance certificates
- Subdivision certificates
- Urbanization certificates
- Certificate of suitability for use" ([Article 77, 2018](#)).

7.8 Tax on Advertisements and Professional Signboards:

This tax was established under the provisions of Article 56 of Law No. 99-11, dated December 23, 1999, which included the 2000 Finance Law, and amended and supplemented by the provisions of Article 78 of Law 17-11, dated 08 Rabi' al-Thani 1439 (corresponding to December 27, 2017), which included the 2018 Finance Law.

7.9 Tax on Slaughter:

The tax on slaughter is an indirect tax collected for the benefit of municipalities. It was established under Order 69-107, issued on December 30, 1969, which included the 1970 Finance Law. This tax has undergone several

amendments in various Finance Laws.
The tax is payable by the owner of the meat at the time of slaughter, and the tax is imposed based on the weight in kilograms (kg) of the slaughtered animals' meat. According to Article 445 of the Direct Taxation Law, owners who slaughter or have animals slaughtered are required to submit a declaration within 24 hours to the tax collection office.

The net weight used as the basis for calculating the tax is determined at the slaughterhouse, where animals are weighed before slaughter, with percentage rates applied to the live weight.

8. Analysis of Tax Revenues:

After addressing the theoretical aspects of the main taxes and fees that make up local taxation, we will apply the theoretical discussion to the budget of the Municipality of M'kira in the Wilaya of M'sila, through an analytical study of the components of local taxation, which are divided into direct taxes, similar fees, and indirect taxes, and their contribution to financing the budgets of the municipalities under study during the period (2019-2024).

Development of Tax Revenues Collected Partially for the Municipality of M'kira in the Wilaya of M'sila during the period (2019-2024): In this section, we will address the main taxes and fees that are partially collected for the municipality relative to the total tax revenues of these municipalities through percentages and indicators.

Table (13): Development of Local Tax Revenues for the Municipality of M'kira Compared to Total Tax Revenues during the period (2019-2023)

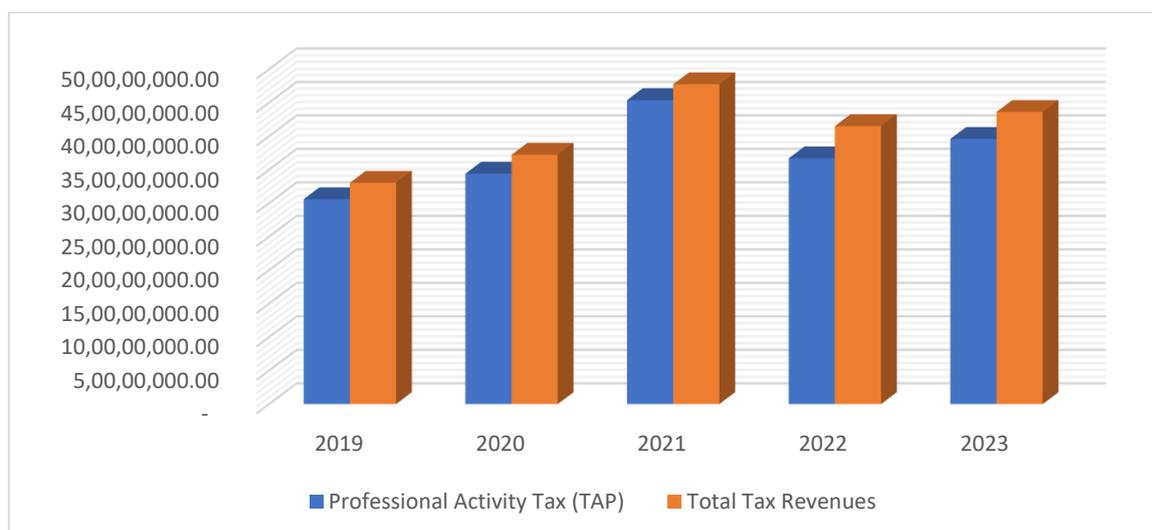
Unit: DZD

Statement	2019	2020	2021	2022	2023	2024
Professional Activity Tax (TAP)	305957684	343962374	453962374	366985429	395969888	0
Value Added Tax (TVA)	12570928	18640080	13759617	26487626	16397762	19459732
Single Flat-Rate Tax (IFU)	11182550	9067462	8380758	9771377	10700339	14151021
Income Tax on Rentals (IRG/RF)	0	0	0	0	0	615911
Environmental and Property Tax	177245	564525	468014	1781692	1394229	2083969
Event Tax	426000	471000	436000	428000	745000	802000
Residency Tax	0	0	0	0	0	0
Housing Tax	0	0	0	9718054.00.	10967229	8874439
Total Tax Revenues	330458667	372356822	477644096	415172179	436194930	296061102
TAP Contribution to Total Tax Revenues (%)	92.58	92.24	95.04	88.39	90.77	0
Change in TAP Contribution	-	12.26	32.16	-19.15	7.82	0

(%)						
Average TAP Contribution to Total Tax Revenues						91.8
Total Management Revenues	409 492393.00	437 218671.00	642502443	1069329125	1335940612	837588827
TAP Contribution to Total Management Revenues (%)	74.71	78.67	70.65	34.31	29.63	0
Average TAP Contribution to Total Management Revenues						57.59

Source: Prepared by the researcher based on the administrative accounts of the Municipality of M'kira.

Figure (01): Shows the contribution of the professional activity tax to the total tax revenues



Source: Prepared by the researchers

Figure No. (02): Shows the contribution of the professional activity tax to operational revenues



Source: Prepared by the researchers

From the table and figure above, we observe the following:

The average contribution of this tax to total tax revenues is estimated at 91.80%, which is a high percentage, reflecting the significance of this tax (TAP) in the overall tax revenues of the Municipality of M'kira. In contrast, the combined contribution of other taxes and fees amounts to 8.2%, which is very low compared to their number (property tax, sanitation tax, flat-rate tax, value-added tax, housing tax, event and accommodation tax, etc.).

We also notice that the revenues from the professional activity tax (TAP) are not entirely stable. There was growth in the years 2020 and 2021, with rates of 12.26% and 32.16%, respectively, due to the recovery of economic activity in the municipality after the COVID-19 pandemic. However, the tax revenues declined in 2022 with a growth rate of -19.15% due to the complete exemption of productive activities from the professional activity tax, as the Municipality of M'kira hosts numerous production factories, which negatively affected the tax yield that year.

As for 2023, the revenue from this tax reached DZD 395,969,888.00, showing a growth rate of 7.82%. This increase can be attributed to the direct link between the yield of this tax and the level of economic activity. When economic activity thrives, it leads to an increase in the tax amount, and vice versa.

Additionally, as shown in the table, the contribution of the professional activity tax to operational revenues is estimated at an average of 57.59%.

Conclusion

Study Results:

- Local taxation is the total of taxes and fees imposed on taxpayers and collected for the benefit of local governments (the wilaya and municipality). Its revenue is entirely allocated to local governments or partially, shared with other entities.
- The professional activity tax represents the main source of financing for the municipality's budget, contributing 91.80% to the total tax revenue of the Municipality of M'kira, while the other taxes and fees combined contributed a very small percentage of 8.80%.
- The professional activity tax contributes significantly to operational revenues, accounting for 57.59% of the total operational revenues for the Municipality of M'kira, while the remaining income from taxes, fees, property income, and exploitation revenue combined accounted for 42.41%.
- Weak human and material resources assigned to tax and fee collection at the municipal treasury, such as the severe lack of computer equipment, internet access, modern software tools, transportation means, and insufficient staff training and development. This hinders their ability to master tax techniques and effectively manage all collection processes.
- The non-implementation of compulsory tax collection as stipulated in Article 59 of the 2006 Finance Law, as the Treasury officer was not provided with the necessary work card to carry out the process of following up on compulsory collections.
- The spread of the informal economy, which led to a significant loss of tax revenues and also contributed to tax evasion.
- There are major obstacles that have hindered the development of the local tax system in Algeria, including issues with applying laws, weak oversight of taxpayers, and bureaucratic procedures such as property settlement (15/08), resulting in a large loss of tax revenues (property and sanitation taxes).

Study recommendations:

- Involve local communities in the process of establishing and adapting taxes and fees according to their economic environment.

- Increase the rates of certain taxes and fees that partially benefit local communities, such as value-added tax (VAT), where only 10% of its proceeds are allocated to local communities, which is a small percentage, and income tax on rentals, which allocates 50% of its proceeds to local communities.
- Digitize the tax collection process to increase tax revenues in order to combat tax evasion and the phenomenon of the informal economy.
- Attempt to integrate the informal economy into the formal channels.
- Establish a committee at the local community level to evaluate the performance of local taxation and address any shortcomings during each financial cycle (year).

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