



Mobilization Of Fiscal Resources In The Algerian Tax System: Is There Any Focus On Local Taxation? A Review Of Selected Provisions Of The 2024 Finance Law

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ABSTRACT

This study presents an analytical reading of certain provisions of the 2024 Finance Law regarding the mobilization of fiscal resources within the Algerian tax system and the level of attention given to local taxation in this mobilization. It also analyzes the reallocation of shares directed toward municipalities, provinces, and the Local Communities Solidarity and Guarantee Fund, and its role in enhancing the financial capacities of these entities. The study employs a descriptive methodology and analytical approach, focusing on the year 2024.

Keywords: Fiscal Resources; Local Taxation; 2024 Finance Law; Tax Mobilization; Municipalities and Provinces.

1. INTRODUCTION

Fiscal resources are among the most crucial revenue sources upon which countries rely, and Algeria, like any other nation, seeks to mobilize its fiscal resources through its financial laws. The mobilization of fiscal resources generally pertains to a range of taxes, quasi-fiscal charges, fees, and others, by revisiting their rates, reallocating their fiscal yield, and introducing new taxes and fees, all aimed at increasing these resources. This mobilization encompasses various forms of taxation, including environmental and local taxes, among others.

Recently, local taxation within the Algerian tax system has garnered significant attention from the state, particularly noticeable in the finance laws, especially in the year 2024.

1.1 Study problem

The problem of this study can be formulated in the following main question:

What level of attention is given to local taxation concerning the mobilization of fiscal resources in the Algerian tax system as derived from the 2024 Finance Law?

1.2 Study Hypothesis

This study proceeds from the following main hypotheses:

Local taxation plays a significant role in the mobilization of fiscal resources as derived from the 2024 Finance Law.

The following sub-hypotheses fall under this main hypothesis:

- Mobilizing local taxes leads to an increase in local fiscal revenues.
- Mobilizing local taxation is a tax reform aimed at enhancing the financial capacities of municipalities and provinces.

1.3 Study importance

The importance of this study lies in demonstrating the significance of fiscal resources on one hand, and on the other, highlighting the importance of mobilizing these resources. It also underscores the importance of local taxation by illustrating the mobilization of various taxes and fees that constitute this fiscal system, based on recent finance laws, particularly in 2024.

1.4 Study objectives

This study aims to achieve the following:

- Clarify the extent of the state's interest in its fiscal resources.
- Highlight the critical role of fiscal resources in achieving various economic and social objectives of the state, among others.
- Emphasize the importance of mobilizing these fiscal resources.
- Highlight the crucial role of enhancing the financial capacities of local communities (municipalities and provinces) in achieving their developmental objectives by increasing local taxation.

1.5 Study Methodology

The study necessitates following a descriptive methodology and relying on analytical techniques. The descriptive methodology is employed to present and explain various concepts, while the analytical approach is used to clarify the importance of fiscal resources within the Algerian tax system, as well as the significance of their mobilization. Additionally, the analysis highlights the attention given to local taxation during the mobilization of these resources, based on recent finance laws, particularly in 2024.

1.6 Study Structure

To address the aforementioned problem, the study is divided into two main sections:

- An explanatory introduction to the mobilization of fiscal resources and local taxation.
- Local taxation as a significant part of fiscal resource mobilization – A review of certain provisions of the 2024 Finance Law.

2. An Explanatory Introduction to the Mobilization of Fiscal Resources and Local Taxation

2.1 Mobilization of Fiscal Resources

Fiscal resources refer to revenues derived from various taxes, quasi-fiscal charges, fees, and other related income sources. Mobilization of these resources implies increasing or enhancing these revenues, which are used to cover the state's diverse needs.

Generally, the increase in these revenues is linked to several key elements related to taxation. It is important to note that the term "tax" encompasses fees and charges as well. These elements include:

2.2 Increase in Tax Rates

An increase in the tax rate or its percentage leads to an increase in the revenues generated from that tax, thereby raising the yield from taxation (Renard, 2010, p. 55). These various revenues are used to mitigate imbalances or discrepancies arising from different taxes and fees that constitute optimal taxation (Dominique & Michel, 2005, p. 442). By "optimal taxation," we refer to a tax system that includes various taxes and fees allowing for the financing of the state's needs (Dominique & Michel, 2005, p. 443). It is worth noting that an increase in the tax rate is included in the Finance Law for the year and/or the Supplementary Finance Law.

The Finance Law for the year generally and preliminarily defines the state's expenses and resources. It is essentially the starting point of the fiscal policy for the entire year, issued before the start of the fiscal year, and is intended to remain effective throughout the year unless new developments necessitate its supplementation (Bessaid, 2009-2010, p. 37). The Supplementary Finance Law is the only law authorized to amend the annual Finance Law to align it with political and economic developments (Bessaid, 2009-2010, p. 37).

2.3 Redistribution of Tax Proceeds (Reallocation)

Redistribution of tax proceeds, or reallocation, is also a fundamental element related to the increase in fiscal resources. This measure is typically used when the state intends to enhance the financial capacities of a specific special allocation fund, for instance. Concerning taxes related to local taxation, the state employs reallocation to increase the financial capacities of local communities (municipalities and provinces).

2.4 Introduction of New Taxes

The introduction of a new tax contributes to the increase in fiscal resources and is directly related to their mobilization. When it concerns a tax with a local character, for example, the effect is also directly reflected in local taxation, where the financial capacities of local communities are enhanced.

3. Local Taxation as Part of Fiscal Resource Mobilization

Local taxation encompasses a set of taxes, quasi-fiscal charges, fees, and other related income sources, a significant portion of which is allocated to local communities (municipalities and provinces), as well as the Solidarity and Guarantee Fund between them.

An example of this is: The fiscal revenue of the environmental tax is used to mitigate the imbalances and/or distortions originating from various other taxes and fees (Zanat & Hamouche, 2024, p. 146).

The environmental tax can enhance the overall effectiveness of the tax system, as its fiscal revenues are added to other revenues from these taxes and fees (Zanat & Hamouche, 2024, p. 146).

The increase in fiscal revenues derived from the local taxation system's taxes and fees implies the mobilization of local fiscal resources.

4. Mobilization of Local Fiscal Resources: A Tax Reform Aimed at Enhancing the Financial Capacities of Local Communities (Municipalities and Provinces)

The set of resources generated from local taxes and fees reflects the self-generated local revenues (Mergad, 2005, p. 02). Increasing these resources leads to an increase in these self-generated revenues, which, in turn, enhances the financial capacities of municipalities and provinces.

It is important to note that revenues collected at the local level should also be expended at the local level, thereby benefiting local taxpayers. To achieve greater benefits, local taxpayers should contribute more in taxes to receive additional services (Yargi, 2010, p. 59). When self-generated local revenues increase, the rate of local expenditure also rises, thereby enhancing the benefits realized by local taxpayers.

The use of local finances by the local community (municipalities and provinces), particularly when the volume of local resources is sufficient to cover expenses without relying on subsidies received from the Local Communities Solidarity and Guarantee Fund, as well as state subsidies, will have a direct impact on local development (Zenat & Fatima, 2024, p. 314).

Municipalities with substantial local revenues will be able to (Zenat & Fatima, 2024, p. 314):

- Rehabilitate their roads;
- Maintain public lighting;
- Provide adequate heating fuel for their educational institutions (schools), among other services.

5. Local Taxation as a Significant Part of Fiscal Resource Mobilization: An Analytical Review of Certain Provisions of the 2024 Finance Law

5.1 Article 15 of the 2024 Finance Law: Introduction of the Local Solidarity Tax (TLS) as a Pillar of the Local Tax System

Article 15 of the 2024 Finance Law introduces the Local Solidarity Tax (TLS), which is associated with mining activities and hydrocarbon transportation activities. The taxable base is the total turnover of the economic enterprise, excluding value-added tax (VAT), with the tax rate set at 1.5% and 3%, respectively, for the activities mentioned above (Directorate General of Taxes, 2024, p. 05).

The tax revenue is allocated as follows: 66% to the municipalities where mining activities occur or where hydrocarbon pipelines pass through, 29% to the provinces where these activities also take place, and 5% to the Local Communities Solidarity and Guarantee Fund (Directorate General of Taxes, 2024, p. 05).

The TLS is considered a crucial pillar of the local tax system, as it is a distinctly local tax with its revenue distributed among the municipality, the province, and the Local Communities Solidarity and Guarantee Fund. The introduction of this tax has led to the mobilization of local fiscal resources. The municipalities and provinces where these activities are conducted will use the tax revenues to finance various public expenditures, thereby fostering local development.

This tax will contribute to increasing the fiscal revenues of municipalities and provinces, thereby boosting local self-generated revenues and enhancing the value of local taxation.

5.2 Article 33 of the 2024 Finance Law: Enhancing the Financial Capacities of Municipalities and Provinces and Strengthening the Cooperation System among These Communities through the Increase in the Share of Vehicle Stamp Tax Revenue Allocated to the Local Communities Solidarity and Guarantee Fund

Article 33 of the 2024 Finance Law addresses the reallocation of the Local Communities Solidarity and Guarantee Fund's share of vehicle stamp tax revenue, increasing the share from 30% to 50% (Article 33 of Law No. 23-22, 2024, p. 18). This represents a 20% increase in the share, reflecting the state's policy aimed at enhancing the financial capacities of municipalities and provinces and strengthening the solidarity system among these communities.

Given the large number of vehicles in Algeria, the fiscal revenues from the stamp tax are significant. Increasing the share allocated to the Local Communities Solidarity and Guarantee Fund serves as a mobilization of these fiscal resources, which will, in turn, propel local development forward.

5.3 Article 37 of the 2024 Finance Law: Compensating for the Loss of Fiscal Resources Resulting from the Abolition of the Professional Activity Tax (TAP) through the Reallocation of Revenue from the Tax on Petroleum Products or Similar

It should be noted that the Professional Activity Tax (TAP) was abolished under the provisions of (Article 14 of Law No. 23-22, 2024, p. 09). This tax was a distinctly local tax, with its revenue distributed among municipalities, provinces, and the Local Communities Solidarity and Guarantee Fund.

To compensate for the loss of local fiscal resources from this tax, the fiscal revenue from the tax on petroleum products or similar has been reallocated to the municipalities and provinces nationwide and the Local

Communities Solidarity and Guarantee Fund, at the respective rates of 66%, 29%, and 5% (Article 37 of Law No. 23-22, 2014, p. 19).

It is important to note that these allocations from the tax on petroleum products or similar are identical to the previous allocations from the TAP tax revenue. This compensation for the loss of local fiscal resources clearly demonstrates the state's serious consideration of its municipalities and provinces through local development.

This compensation for the reduction in local fiscal resources is, in effect, a mobilization of these resources.

5.4 Article 71 of the 2024 Finance Law: Continued Enhancement of the Financial Capacities of Municipalities and Provinces and Strengthening of the Solidarity System among These Local Communities through the Reallocation of Revenue from the Tax on Prepaid Mobile Phone Recharges

Article 71 of the 2024 Finance Law addresses the reallocation of the share of the Local Communities Solidarity and Guarantee Fund from the tax revenue on prepaid mobile phone recharges. The share was increased from 1% to 50% of the tax revenue, representing a substantial 49% increase (Article 71 of Law No. 23-22, 2024, p. 30). This significant increase in the allocated share of tax revenue clearly reflects the state's ongoing policy aimed at enhancing the financial capacities of municipalities and provinces and strengthening the solidarity system among them.

The increase in the allocated share will lead to the improvement and development of local development, serving as a pillar of the local tax system.

5.5 Article 88 of the 2024 Finance Law: Allocating a 50% Share of the Tax Revenue from the Gas Flaring Tax Applied to Hydrocarbon Activities as a Clear Continuation of Enhancing the Financial Capacities of Municipalities and Provinces and Strengthening the Solidarity System among These Local Communities

Article 88 of the 2024 Finance Law allocates a share of the tax revenue from the gas flaring tax applied to hydrocarbon activities to the Local Communities Solidarity and Guarantee Fund, with a designated percentage of 50% (Article 88 of Law No. 23-22, 2014, p. 34). This is a substantial share and a clear indication of the continued policy aimed at enhancing the financial capacities of municipalities and provinces and reinforcing the cooperation system among them.

Allocating a 50% share of the tax revenue from this tax will bolster the local tax system, thereby improving local finances, which will, in turn, enhance local development. This demonstrates the clear focus on mobilizing local fiscal resources, which will contribute to increasing local fiscal revenues.

Based on this analytical review of certain provisions of the 2024 Finance Law, the subsidiary hypotheses can be validated: mobilizing local taxes leads to an increase in local fiscal revenues, and the mobilization of local taxation is a tax reform aimed at enhancing the financial capacities of municipalities and provinces.

With the subsidiary hypotheses proven, the main hypothesis can also be validated: local taxation is a significant part of fiscal resource mobilization as derived from the 2024 Finance Law.

6. CONCLUSION

In this study, we conducted an analytical review of specific provisions in the Finance Law for the year 2024 regarding the mobilization of tax resources within the Algerian tax system, with particular attention to the focus on local taxation in this mobilization process. We also analyzed the reallocation of shares designated for municipalities and provinces, as well as the Solidarity and Guarantee Fund for Local Communities, and its role in enhancing the financial capabilities of these entities.

6.1 Study Results

The results obtained from this study are as follows:

- Algeria, like other countries, places importance on its tax resources.
- Algeria mobilizes its tax resources based on its financial laws (the annual Finance Law and the supplementary Finance Law).
- Algeria pays attention to local taxation, which contributes to enhancing local finances and, thereby, achieving local development.
- Local taxation has received notable attention, particularly in recent times, and this study includes an analysis of the 2024 Finance Law.
- In the Algerian tax system, local taxation has become a significant component in the recent mobilization of tax resources, and this study also addresses the 2024 Finance Law.

6.2 Hypothesis Testing

In this study, we were able to confirm the proposed hypotheses, where:

- The mobilization of local taxes leads to an increase in local tax revenues.
- The mobilization of local taxes is a tax reform aimed at enhancing the financial capacities of municipalities and provinces.
- Consequently, the main hypothesis was confirmed, asserting that local taxation is an essential component in the mobilization of tax resources, as demonstrated by the 2024 Finance Law.

6.3 Recommendations

- Increased focus on tax resources through their mobilization.
- Greater prioritization of local taxation in the mobilization of tax resources.
- Emphasis on local taxes as the primary tool for implementing local development.
- Emphasis on local taxes as the primary tool for enhancing the financial capacities of municipalities and provinces.
- Increased attention to the mobilization of local tax resources.

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