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Corporate Tax Collection In Algeria Between Theory And Practice – An Empirical Study

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Abstract:

The study aimed to assess the effectiveness of the tax system for corporate groups in Algeria and to address the differences between the accounting consolidation and the tax integration system of results. After addressing the research problem, it was concluded that the consolidation of financial statements does not achieve tax advantages, as it offsets losses and profits among legally independent but economically interconnected companies within the group. The study also highlighted the need to eliminate the complex and difficult conditions that have prevented entry into a special tax system for corporate groups.

Keywords: Corporate group, Tax system for the group, Tax integration, Accounting consolidation.

Introduction:

The financial accounting system and international accounting standards focus on the application of tax liability through the "consolidated balance sheet," which allows for offsetting profits of companies within the group against losses incurred by other group members. This system addresses tax issues related to transactions between companies within the same group and others.

A special system for corporate groups was established by the provisions of Ordinance No. 96-31 (dated 30-12-1996) under the Finance Law of 1997. This law focuses on the tax system applied to these entities, recognizing their unique characteristics and intertwined interests. It allows the parent company to be the sole entity responsible for paying taxes on the profits generated by all its subsidiaries under the consolidated overall result.

The tax system for corporate groups, through the technique of consolidation within the financial accounting system, recognizes the unified financial liability of the group despite the presence of multiple legal entities. This approach takes into account the economic ties between legally independent companies and the actual existence of such groups.

Research Problem:

The main research question of this study is: How is the tax treatment of corporate groups conducted under Algerian tax legislation?
To answer this question, the following sub-questions are posed:
• What are the main criteria for forming a corporate group in Algeria?
• What are the main taxes and fees that the group is subject to?
• How is the tax treatment of the Tahrawi Group handled?

Hypotheses of the Study:

To address the research problem, the following hypotheses were formulated:
• A corporate group consists of legally independent companies that are economically linked. Due to the lack of a clear picture of the group, an accounting technique that considers all results achieved should be used to create a tax base.
• The group is subject to corporate profit tax, the tax on professional activity, as well as value-added tax and the overall income tax.
• The tax treatment of the Tahrawi Group complies with the tax laws in force in Algeria.

Importance of the Study:

The importance of this study lies in the fact that the corporate group system is a voluntary one, encouraging companies to cooperate with each other. In return, the state grants these companies tax incentives, which may lead to sacrificing a portion of its financial resources to achieve these integrations between companies. This, in turn, encourages them to increase their investments and use this integration as a means to face international competition.

Objective of the Study:

In light of the study's problem and its importance, the objectives are as follows:
- To shed light on all aspects related to corporate tax groups and the developments Algeria has witnessed in this field.
- To understand the differences between the tax system applied to corporate groups and the system applied to non-integrated companies.
- To highlight the tax treatment of the Tahrawi Group – Biskra.

Methodology of the Study:

To achieve the study's objectives, two aspects of the methodology were employed:
- Theoretical Aspect: This relies on the descriptive approach, utilizing various sources such as books, journals, periodicals, and websites.
- Field Aspect: This is based on a case study to understand the practical procedures of the tax system for the group under study.

Previous Studies:
- Haroun Oruan's study, "The Conceptual Framework for Corporate Groups," *Voice of Law Journal*, Issue 4, Khemis Miliana University, 2015: Corporate groups are an innovative phenomenon in economic organization, being one of the most widespread. A group consists of legally independent companies that are economically linked. It does not have its own legal entity, nor does it acquire legal personality. Instead, it is based on the idea of control, where the parent company at the top of the group controls the subsidiaries through various means derived from corporate law.
- Yahia Abdel Laoui, Dr. Reda Zehouani, and Khir Eddine Wasif Faiza, "Management of Account Consolidation in Economic Groups," *Journal of Financial and Accounting Studies*, Issue 8, Martyr Hamma Lakhdar University – El Oued, 2017: This study aimed to give a clearer picture of the group as if it were a single company. This is highlighted through various adjustments to the individual financial statements of group companies. With the issuance of new international consolidation standards, the accounting system became more aligned with international accounting references in the methods of consolidation used.
- Abla Qoudari's study, "Determining Tax Profit for Corporate Groups in France," *Journal of Tax Studies*, Issue 5, University of Blida 2, 2017: Due to the significant role played by corporate groups, many countries rushed to regulate them, legally recognizing these entities to ensure their rights and obligations, especially from an accounting perspective. Unified accounts were introduced for the group, ensuring the accounting for both the parent company and subsidiaries. Additionally, numerous incentives were provided to encourage companies to form groups, with tax advantages being among the most important of these incentives. The article aimed to explore how to determine the tax profit of corporate groups in France.

1. Theoretical Framework:

1.1. Criteria for Forming a Corporate Group in Algeria:
A corporate group is considered an economic entity consisting of multiple subsidiaries, each with a legally independent existence, connected through various links and governed by unified decision-making within the group. These subsidiaries are controlled by one of them, known as the parent company. The tax legislator has addressed the definition of a corporate group in terms of subsidiaries (*les filiales*), participation (*la participation*), and control (*contrôle*). In this section, we highlight the conditions for forming a group after reviewing its tax definition and discussing the exceptions related to the inclusion of companies in the group. The accounting standard is also discussed as a requirement for applying the tax integration system.

1.1.1. Conditions for Acceptance within a Corporate Group:
We need to revisit the tax definition of a corporate group to determine the conditions for its formation. It is defined as "an economic entity consisting of two or more companies with legally independent shares, one of which is called the 'parent

company,' which controls the others, known as 'members,' by owning 90% or more of the social capital. This capital should not be fully or partially owned by these companies or by another company that could also qualify as a parent company." (*Official Gazette*, 1996, p. 7).

We concluded that a corporate group is "a combination of the parent company and its subsidiaries, giving the parent company the ability to control the financial and operational policies of the subsidiaries to gain benefits from their activities."

The tax legislation allows the parent company to control the other subsidiaries, whether directly or indirectly, making it the sole taxpayer on behalf of the group. It also enables profit and loss offsetting between the companies.

The legislator has specified tax advantages for corporate groups that are subject to this law and meet certain conditions. According to this provision, a corporate group can opt for the consolidated budget system, which requires the fulfillment of several conditions to benefit from its application. These include:(Youssef Mamach, 2008, p. 225).

- The relationships between group member companies must primarily be governed by commercial law provisions.
- Companies that no longer meet the aforementioned condition are automatically excluded from the corporate group for tax purposes only.

1.1.1.1. Conditions Related to the Legal Framework of Companies:

According to Article 138 bis of the same law, a corporate group is defined as "any economic entity consisting of two or more joint-stock companies." This indicates that only joint-stock companies (SPA) are eligible to be part of a corporate group, while other types of companies, such as limited liability companies (SARL), partnerships (SNC), and limited partnership with shares (SCPA), are excluded. Although these companies are subject to corporate profit tax (IBS), they are still not eligible to join a corporate group.

It is worth noting that the tax legislator did not address the nationality of the integrated companies nor limit the geographical scope of tax integration for companies.

1.1.1.2. Conditions Related to the Activities of the Companies:

In forming a corporate group, any activity may be practiced as there are no restrictions on the nature of the activities performed by the parent company or its subsidiaries. Therefore, companies engaged in activities categorized under non-commercial profits or agricultural income profits can form a group.

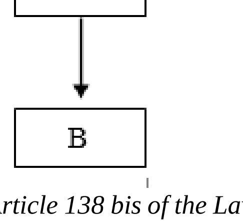
1.1.1.3. Conditions Related to Capital Ownership:

Article 138 bis defines the conditions for capital ownership as follows:

- Only companies whose capital is directly owned are eligible for the corporate group system, while indirect ownership through other companies does not grant membership status, even if the company is legally considered a subsidiary.
- The subsidiary's social capital must be at least 90% directly owned by the parent company. Thus, if a company has 85% directly owned capital and 5% indirectly owned through another company, it is not eligible for the tax group system, even if 90% of its capital is ultimately owned by the parent company.
- The social capital of the parent company should not be directly or indirectly owned, wholly or partially, by member companies. Cross-shareholdings between member companies are prohibited by Commercial Law (Article 732 bis of the Algerian Commercial Code), which states that "when a joint-stock company controls another company indirectly, the latter cannot own more than 50% of the capital of the first company." This makes it ineligible for the tax group system.
- The social capital of the parent company should not be directly owned by 90% or more by another company acting as a parent.

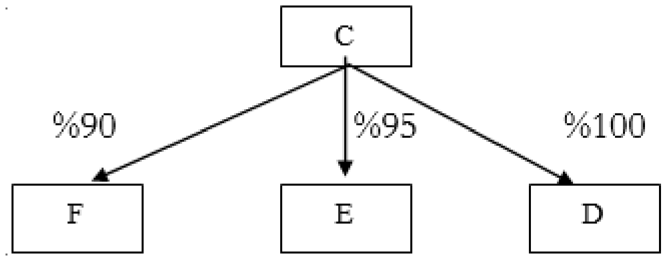
Thus, owning social capital under the aforementioned conditions grants a company membership status, making it ineligible to act as the parent company in the corporate group system. The following diagram illustrates the different ownership structures that either prevent or allow the formation of a corporate group:

Diagram 1: Illustration of Direct Ownership



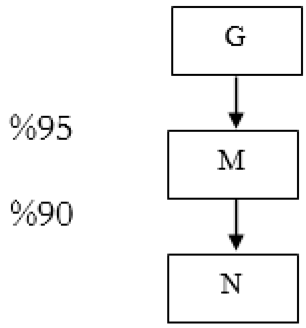
Source: Prepared by the researchers based on Article 138 bis of the Law on Direct Taxes and Similar Duties, 2017.

Figure No. (02): Illustration of Corporate Group Formation



Source: Prepared by researchers based on Article 138 bis of the Direct Taxes and Similar Fees Law, 2017.

Figure No. (03): Illustration of Indirect Ownership



Source: Prepared by researchers based on Article 138 bis of the Direct Taxes and Similar Fees Law, 2017.

From Figure No. (01), we can see that Company A is not owned by any other company and directly holds 95% of Company B's capital. This allows it to form a corporate group with Company B. Figure No. (02) shows that Company C directly holds 90% or more of its subsidiary companies—E, F, and G—allowing it to form a group with them as the parent company. Figure No. (03) indicates that Company M cannot form a group with Company N since it holds 90% of its capital through another company, G. However, Company G can form a group with Company M as the parent company. Company Z cannot be included in this group because it is not directly owned by Company G.

1-1-2 : Exceptions to Companies Joining the Group

The Algerian law specifies the types of companies that can benefit from the corporate group system, limiting it to stock companies (SPA) and excluding other forms such as limited liability companies (SARL) and partnerships (SNC). However, some companies, though organized as stock companies, are expressly excluded from this system by law. There are also cases in which companies may lose their eligibility to benefit from this system.

1-1-1-1 : Exceptions Regarding Eligibility for the Corporate Group System

According to Article 138 bis of the Direct Taxes and Similar Fees Law, the following are excluded from the corporate group system:

- Oil companies, i.e., companies involved in the exploitation, conversion, or transportation of hydrocarbons and their derivatives (Article 138 of the Direct Taxes and Similar Fees Law, 2017).
- Companies governed by laws other than the commercial law, as well as public holding companies (Les holdings publics) and public economic institutions whose social capital is owned by holding companies. These companies cannot form a tax group due to their organization under Order No. 95-25 of September 25, 1995, which regulates the management of state-owned commercial capital, as amended by Order 01-04 of August 20, 2001, concerning the organization, management, and privatization of public economic institutions. However, public institutions whose social capital is held 90% or more by holding companies may form a tax group as the parent company alongside the companies under their control, provided they meet other legal conditions (Official Gazette, Issue 47, 2001, pp. 09-11).
- It's important to note that the condition disqualifying companies that have recorded losses in the last two fiscal years from benefiting from the system was repealed (Finance Law, 2008).

1-1-1-2 : Exceptions Related to Losing the Right to Benefit from the Corporate Group System

In certain cases, member companies may no longer be able to continue applying the tax group rules. This happens when either the subsidiary companies or the parent company no longer meet the requirements for the system. For example, if the parent company sells a portion of its shares in a subsidiary so that the subsidiary's social capital is no longer at least 90% owned by the parent, the subsidiary exits the tax group system as of the date it no longer meets the capital ownership requirement.

1-1-3 : Accounting Standard as a Condition for Applying the Tax Integration System

Accounting plays a key role in monitoring operations within a corporate group, enabling the supervision of these activities. This requires regulations that align accounting and tax rules.

Article 139 of the Direct Taxes and Similar Fees Law states: "Taxes are due annually on the profits earned during the previous year or over a twelve-month period for which the results were used to prepare the most recent balance sheet when this period does not coincide with the calendar year." This refers to determining the opening and closing dates of corporate activities, which must span twelve months in accordance with the annual tax principle.

To simplify the accounting process for determining group results, companies within the group must open and close their fiscal years on the same date for a full twelve months. The tax administration prefers not to change the opening and closing dates of the group's companies during the application of the integration system, as such changes would complicate tax collection and supervision. The auditing methods for subsidiaries may differ from those for the parent company, raising questions about which years should be audited. For example, the parent company might be audited for pre-integration years, integration years, and post-integration years for its subsidiaries. As a result, the tax administration should approach any changes to activity dates with caution.

On the other hand, the financial accounting system offers companies more flexibility regarding the unified budget system, which allows companies in the group to close their accounts on dates different from those of the parent company.

In practice, the tax rule results in several adjustments to company accounting, requiring synchronization of the fiscal year closing dates for subsidiaries where the parent company owns more than 90% of their capital. Additionally, the tax integration system requires efficient accounting organization to quickly and accurately obtain information about the companies involved in the system, especially regarding the duration and closing dates of their fiscal years. Since the law does not provide exceptions to the annual principle, subsidiaries must adjust their fiscal year closing dates to align with the rest of the group. Otherwise, they will only benefit from the system in the next year, as the activity year containing the adjustment would not span twelve months. In contrast, the French tax legislator has modified this rule by accepting an activity year of less than twelve months as the first year of the new tax integration period, demonstrating the flexibility of French tax law, which encourages the formation and development of corporate groups.

Article 139 also stipulates that if the financial year exceeds twelve months, taxes are calculated based on the profits made during that extended financial year. If no balance sheet is prepared for a given year, the taxes due for the following year are based on the profits made from the end of the last taxed period or from the start of operations for new companies up to December 31 of the current year. These profits are then reduced by the results in the next balance sheet.

When multiple balance sheets are prepared in one year, the results are aggregated to determine the taxable base for the following year.

The Algerian tax legislator should consider introducing provisions for whether subsidiaries can have different opening and closing dates for their fiscal years and how this would affect the monitoring of the tax group system. This would address the current legislative gap. However, the reason why such provisions have not been introduced may lie in the limited practical application of the corporate group tax system in Algeria.

1-1-3: The Tax Integration System

Algeria has adopted a special corporate group system that allows for comprehensive offsetting of profits and losses across all companies within the same group, provided that the previously mentioned conditions and criteria are met. To understand the tax system for corporate groups in Algeria, we will look into the procedural requirements for both the parent company and the subsidiaries to apply the tax integration system.

Procedures for Implementing the Tax Integration System

The tax system for company groups consists of:

- Consolidating the taxable profits of all subsidiaries within the group.
- Exemption for dividends distributed between the subsidiaries.
- Exemption from the corporate tax on capital gains resulting from transactions between the subsidiaries.
- Exemption from registration fees for contracts concerning the transfer of assets between the subsidiaries.
- A 50% reduction in the professional activity tax for transactions between subsidiaries.

Profit consolidation is defined as "the total budgetary accounts rather than the numerical accounts of the group's subsidiaries' results. In other words, consolidation involves creating a single budget for the subsidiaries while respecting deduction limits and related rules." (Khelassi, 2005, p. 187)

At the Parent Company Level: According to Article 138 of the Direct Taxes and Similar Duties Act, a company group may choose to submit to the unified budget system, excluding petroleum companies. The selection must be made by the parent company with the approval of all subsidiaries, remaining effective for four years without reversal.
The parent company submits a request signed by the General Manager, Chairman of the Board, or the Chairman of the Supervisory Board, containing the following information:
• Statement of acceptance by the majority of the board members.
• Activity, headquarters, and tax identification number of the parent company, in addition to the article number.
This correspondence must be accompanied by a letter of acceptance from each subsidiary, signed by the General Manager and the Chairman of the subsidiary's Board or Supervisory Board, which must include:
• Statement of acceptance by the majority of the board members.
• Reason for establishment, activity, headquarters, and tax identification number of the subsidiary.
These letters must be accompanied by the financial statements of the last two fiscal years of the group's companies (the parent company and subsidiaries) reflecting operating results without carried-over losses.
These formal procedures do not precisely clarify the meaning of the option expressed by the parent company toward the tax administration, which enforces the principle of managerial freedom. Therefore, the decision to opt for the system is treated as a managerial one, binding both the taxpayer and the tax authorities. Despite the relative ease of the required formal procedures, the parent company must conduct a detailed analysis of the subsidiaries' situations before applying the system, as it entails responsibility for jointly paying taxes among the group's members.
The list of member companies attached to the parent company's request is not final; it is reviewed annually during the period of the tax integration system's application. The parent company must notify the tax administration of any subsidiaries that have exited or entered the group. (Ben Zra'a, 2010, pp. 58-60)
Finally, the competent tax authorities, represented by the Directorate of Major Companies, are responsible for processing the parent company's request for applying the tax integration system if any member's turnover equals or exceeds 100 million Algerian dinars. This also applies to Algerian resident companies that are part of foreign company groups, as well as companies that do not have a professional residence in Algeria, as per Article 160 of the Tax Procedures Act. (Article 160, Tax Procedures Act, 2017)

At the Subsidiary Level: Article 138 of the Direct Taxes and Similar Duties Act only requires subsidiaries to accept the option proposed by the parent company. The tax integration system does not rely solely on the parent company's request to the Directorate of Major Companies but also requires the subsidiaries to agree to the option. The request for the option submitted by the parent company must be accompanied by letters of acceptance from each subsidiary, signed by their General Managers and Board Chairmen.
The subsidiary's acceptance letter must include the following:
• Statement of acceptance by the majority of the board members.
• Reason for establishment, activity, headquarters, and tax identification number of the subsidiary.
These letters, expressing acceptance of the tax integration system, must be accompanied by the financial statements of the last two fiscal years for the group companies (the parent and subsidiaries), reflecting operating results without carried-over losses.
Additionally, the financial statements must be accompanied by an authenticated copy of the parent company's tax integration request and an original certificate of acceptance issued by the Tax Inspectorate at the parent company's headquarters.
Upon receiving these documents, the regional Tax Inspectorate sends a copy of the financial statements to the Tax Inspectorate at the parent company's headquarters, accompanied by a certificate confirming that the corporate tax on profits has been paid.

One consequence of subsidiaries submitting to the tax integration system is the loss of their independent tax identities, as they merge with the parent company, which is solely responsible for taxation. Subsidiaries are also required to settle tax collections in the amounts they would have been liable for if they had not benefited from the integration system.
If a subsidiary exits the group during the legally defined period, as stipulated by the parent company, the subsidiary is only required to notify the competent tax authorities through a regular correspondence. Meanwhile, the parent company must send a letter notifying the exit of the subsidiary and omit any reference to it in the list of companies benefiting from the tax integration system. (Ben Zra'a, 2010, pp. 61-66)

1-2 : Corporate Taxation for Grouped Companies under the Financial Accounting System
The tax system for corporate groups, through the consolidation technique under the financial accounting system, recognizes the financial unity of the group despite the multiple legal entities involved. This approach acknowledges the economic ties that can exist between legally independent companies and the reality of these groupings. The system enables corporate groups to benefit from various deductions and exemptions, which we will discuss in this study, focusing on the main taxes and fees applicable to corporate groups, the deductions and benefits they receive, and finally, the declarations submitted to the tax administration.

1-2-1 : Main Taxes and Fees Applicable to Corporate Groups Companies within a corporate group, due to the transactions they conduct with each other and with the parent company, are subject to the following taxes:
1-2-1-1 : Professional Activity Tax and Value Added Tax (VAT): Corporate group companies are subject to these taxes under the same conditions as non-integrated companies, without regard to their legal structure. The tax base for the professional activity tax is the total gross revenue or turnover excluding VAT, generated between the group companies. The same rate applies as for non-integrated companies. To encourage transactions between integrated companies and prevent them from being overburdened by taxes, a tax deduction is allowed, in addition to other deductions, which we will examine later. Regarding VAT, it applies to legal transactions between the parent company and member companies. It is a consumption tax imposed on the gross turnover at the same rates prescribed by law and applied to non-integrated companies at the parent company level. Unlike non-integrated companies, where the parent company can transfer VAT to its subsidiaries, this is not allowed for group companies. Additionally, to encourage group companies to generate revenue amongst themselves, VAT exemptions are granted on equipment delivered by member companies, provided that they are also subject to VAT.
1-2-1-2 : Corporate Income Tax: This tax applies to the unified taxable profit of all the companies in the group. The profit is determined by applying one of the accounting methods for preparing the consolidated group balance sheet. Corporate income tax is levied at a standard rate of 23%, as prescribed by law. If the activities of the group's member companies are subject to different corporate income tax rates, the unified profit is taxed at a rate of 19% if the turnover falls under that lower rate category (Article 138 of the Direct Taxes and Similar Charges Law, 2017). For the first tax period after choosing the consolidated accounting system—whether when the group is formed or when new companies join the group—both the parent and subsidiary companies calculate and pay their tax installments over 12 months as if they were taxed separately. These installments are deducted from the corporate income tax owed by the parent company, calculated based on the group's total profit (the consolidated profit). In subsequent periods, the parent company remains solely responsible for paying the corporate income tax installments. To prevent double taxation of the same profits, the legislator has exempted distributed profits from corporate income tax and authorized the exemption of capital gains resulting from internal asset transfers between integrated companies.

1-2-2 : Tax Benefits Granted to Corporate Groups The tax benefits granted to corporate groups can be summarized as follows:
1-2-2-1 : Taxing Profits at Lower Rates: According to Article 138, profits from shares, company dividends, and other movable capital assets that enable 90% ownership in the capital of other companies within the same group are taxed at a standard rate of 23%. If the activities of the group's member companies are subject to different tax rates, unified profits are taxed at a 19% rate, as stated earlier.
1-2-2-2 : Exemption for Property Transfer Contracts: Contracts related to the transfer of property between companies within the same group are exempt from registration duties, as are contracts documenting the mergers of companies into the corporate group. However, these companies are still required to complete registration procedures (Article 347, Section 4 of the Registration Law, 2017).
1-2-2-3 : Exemption from VAT on Transactions Between Group Companies: Operations between member companies of the same group are exempt from VAT as specified in Article 138 of the Direct Taxes and Similar Charges Law (Article 8 of the Law on Turnover Charges, 2017).
1-2-2-4 : Exemption from the Professional Activity Tax on Transactions Between Group Companies: Operations between member companies of the same group are exempt from the professional activity tax, as defined in Article 138 of the Direct Taxes and Similar Charges Law (Article 220 of the Direct Taxes and Similar Charges Law, 2017).
1-2-2-5 : Exemption from Capital Gains Tax: Capital gains resulting from asset exchanges between companies within the same group are exempt from corporate income tax (Article 173, Paragraph 3 of the Direct Taxes and Similar Charges Law, 2017).

2-6: Declarations Submitted to the Tax Administration Once the corporate group system is chosen and the conditions mentioned earlier are met, the group's subsidiary companies must submit two copies of their balance sheets to the relevant regional tax office. These balance sheets must be accompanied by a certified copy of the letter opting for the corporate group tax system, along with the original certificate of approval for their request, provided by the regional tax office of the parent company's headquarters. Upon receiving these documents, the regional tax office will send a copy of the balance sheet to the tax office of the parent company's headquarters, along with a certificate confirming non-subjection to corporate income tax. Despite this, the subsidiary companies remain jointly liable with the parent company for the payment of corporate income tax.

2: Field Study

To apply the theoretical framework, we conducted a case study on the Tahraoui Group, which consists of the holding company "Tahraoui General Trading" and two subsidiaries: "Mineral Water Factory of Ouzellaguen" and "Tahraoui Public Works and Hydraulics."

2-1: Introduction to the Tahraoui Group Nationally, the Tahraoui Group is one of the most important groups, following a logical development path and always favoring the integration of economic companies to create significant added value. The group is a collection of companies operating in various sectors, all managed under a single administration.
2-2- Presentation of the Subsidiaries of the "Taharawi" Group: The Taharawi Group consists of the holding company (the parent) Taharawi General Trading and two subsidiaries: the Mineral Water Factory at Manbaa El Ghazlan and the Public Works and Water Company "Taharawi."
2-2-1- Holding Company (the Parent) Taharawi General Trading: This is an independent company specializing in the trade (sale) of Italian agricultural equipment such as submersible pumps, surface pumps, generators, and specialized pumps with their accessories. It is located in the Wilaya of Biskra, employing 250 workers, with a social capital of 81,000,000 DZD. The globally recognized Italian brand Saer-Elettropompe has authorized Taharawi General Trading to exclusively trade its products in Algeria. The company controls 100% of its subsidiaries, namely the Mineral Water Factory and the Public Works and Water Company.

2-2-2- Subsidiaries of the "Taharawi" Group:
2-2-2-1- Mineral Water Factory at Manbaa El Ghazlan: This is a unit for the production and bottling of mineral water with a social capital of 20,000,000 DZD, employing 80 workers. It owns its own transportation means and is located in the municipality of Manbaa El Ghazlan, 35 km from Biskra. Specialized laboratories conducted physical tests, confirming that the mineral water source is safe for consumption.
2-2-2-2- Taharawi Public Works and Water Company: This company specializes in public works and various water-related projects. It has a social capital of 35,000,000 DZD and employs 280 workers. The company plans to start major projects, including water treatment plants, desalination plants, and engineering constructions such as bridges.
2-3- Benefits Achieved by the Taharawi Group from Choosing the Fiscal Integration System:
- Exemption from registration fees for company transfer contracts;
- Exemption from applying VAT on transactions between member companies within the same group.

2-4- Tax Management of the Group:
After interviewing the Head of the Management Department of the Taharawi Group, we received the following information regarding the group's tax declarations, which consist of cumulative declarations for the entire year of 2019 as follows:
- The internal turnover of the group for 2019 is estimated at 3,584,572,520 DZD, excluding tax.
- The external turnover of the group for 2019 is estimated at 7,720,530,280 DZD, excluding tax.
- Annual Transactions Related to VAT:

As is known, the VAT rate is 19%. Therefore:
- VAT = 3,584,572,520 * 0.19 = 681,068,778 DZD. This amount represents the VAT for internal transactions between the group's companies, which is not paid by the group since it is exempt, demonstrating the impact of the fiscal system on corporate groups.

For external transactions between the group and other economic operators:
- VAT due for 2019 = 7,720,530,280 * 0.19 = 1,466,900,753 DZD
- VAT recovered for 2019 = 7,102,887,857 * 0.19 = 1,349,548,693 DZD
- VAT to be paid for 2019 = 1,466,900,753 - 1,349,548,693 = 117,352,060 DZD
- Annual Transactions Related to the Business Activity Tax:
- The internal turnover achieved between the parent company and the subsidiaries, amounting to 3,584,572,520 DZD, is exempt from the Business Activity Tax according to the applicable rate for each activity, depending on the nature of the business. This shows the impact of the fiscal system on corporate groups.
- The external turnover, amounting to 7,720,530,280 DZD, consists of:

• General trading activity turnover outside the tax base: 3,474,238,626 DZD, noting that the rate for the Business Activity Tax for this activity is 2%:
• The wholesale trade turnover is 2,953,102,832 DZD, benefiting from a 30% reduction in the Business Activity Tax:
Business Activity Tax payable = 2,953,102,832 * 0.70 * 2% = 41,343,440 DZD
• The retail trade turnover is 521,135,794 DZD, not benefiting from a reduction in the Business Activity Tax:
Business Activity Tax payable = 521,135,794 * 2% = 10,422,715 DZD
• The mineral water factory's turnover outside the tax base is 1,930,132,570 DZD, noting that the rate for the Business Activity Tax for this activity is 1%:
Business Activity Tax payable = 1,930,132,570 * 1% = 19,301,325 DZD
• The turnover of the Public Works and Water Company is 2,316,159,084 DZD, benefiting from a 25% reduction in the Business Activity Tax, with a tax rate of 2%:
Business Activity Tax payable = 2,316,159,084 * 0.75 * 2% = 34,742,386 DZD
• Transactions Related to the Total Income Tax (for wages):
The gross annual wage subject to the total income tax is estimated at 43,755,020 DZD. Applying the total income tax schedule for wages, the annual total income tax is 6,461,019 DZD.
• Transactions Related to the Corporate Profits Tax:
There is no direct impact of the Corporate Profits Tax, as the company incurred a loss.
2-5- Key Tax Declarations Made by the Group:
The Taharawi Group makes key tax declarations through the Directorate of Major Companies via the "Jibayatik" portal, allowing taxpayers to submit tax declarations and pay taxes electronically. These declarations include:
• Tax balance sheets
• Immediate or withholding tax declarations (Form G50)
• Detailed customer lists
• Declarations of various salaries and wages.

3- Results Analysis:

To apply the theoretical concepts obtained and to learn about one of the groups, specifically the Taharawi Group, it was concluded that despite the tax system for groups offering advantages and discounts, the group does not follow this system. This is because of the requirement to submit the last two positive balance sheets to apply the fiscal integration system, which should be eliminated to facilitate the entry of groups into this system.

4- Conclusion:

After addressing the taxation of corporate groups in Algeria in line with the financial accounting system, we have learned that the tax system applied is the unified profit system, which requires that the subsidiaries forming the group be joint-stock companies in which the parent company holds at least 90% ownership. Additionally, the relationships between these companies must be governed by commercial law provisions. To encourage the formation of corporate groups, the Algerian tax legislator has provided several tax advantages. However, to prevent abuses, the legislator has also imposed restrictions, such as prohibiting the deduction of pre-merger losses from the unified total profit or excluding groups that experience losses for two consecutive cycles from the tax definition of a group.

4-1- Hypothesis Testing Results:
By studying the topic of the impact of the tax system on corporate groups, we tested the following hypotheses:
• Hypothesis 1: The group consists of legally independent companies economically linked. Due to the lack of a true picture of the group, an accounting technique was needed that considers all achieved results to create a tax base, confirming the first hypothesis.
• Hypothesis 2: The group is subject to several taxes and fees, including the Corporate Profits Tax, VAT, and Business Activity Tax, the same taxes and fees applied to non-integrated companies, confirming the second hypothesis.
• Hypothesis 3: Despite the existence of a special tax system for corporate groups, Algerian corporate groups, such as the Taharawi Group, do not apply this system due to conditions that need to be changed to facilitate the formation of corporate groups in Algeria, confirming the third hypothesis.

4-2- Study Results:
From the above, we reached the following key findings:
• The Algerian tax system for corporate groups imposes difficult-to-apply conditions, as evidenced by the restriction of forming groups to joint-stock companies.

• The tax system for corporate groups, in light of the financial accounting system, theoretically offers advantages granted by the legislator to encourage the integration of companies into groups.
• From a tax perspective, groups benefit from special treatment under the financial accounting system, with the controlling company being the sole taxpayer before the tax authorities under the unified budget system.
• The high ownership threshold required to form a group poses a barrier to companies seeking integration.
• The requirement to submit two consecutive positive balance sheets and the prohibition against incurring consecutive losses excludes companies from the tax definition of a group.

4-3- Recommendations:

Based on the study's findings, we suggest the following key points:
• The tax legislator should simplify the entry conditions into the tax system for corporate groups.
• The tax authorities should encourage and incentivize the application of the special tax system for corporate groups due to its advantages.
• The requirement to submit two consecutive positive balance sheets to apply the fiscal integration system should be eliminated.
• The Algerian tax legislator should create a truly motivating system to encourage the formation of corporate groups, studying its impact on the national economy.
• The impact of tax laws on the transparency and credibility of consolidated financial statements should be understood.
• A special accounting information system for consolidation in Algeria should be established.

5- References:

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