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COMBATING TAX EVASION IN ALGERIA: AN ANALYSIS OF THE STRUCTURAL CHALLENGES TO IMPLEMENTING INTERNATIONAL COMMITMENTS

Abstract: *This study aims to diagnose the structural challenges that hinder Algeria's effective implementation of its international commitments to combat tax evasion. While Algeria has formally adopted key global frameworks like the Automatic Exchange of Information (AEOI) and the Base Erosion and Profit Shifting (BEPS) project, a critical gap often emerges between such policy adoption and practical, on-the-ground enforcement. This paper investigates this "implementation gap" by first outlining the core operational requirements - technological, human, and regulatory - that these demanding international standards impose on any participating nation. It then provides a contextual analysis of the Algerian landscape, assessing the country's existing institutional capacity against these global benchmarks to systematically identify the key factors contributing to the gap.*

The study concludes that Algeria's formal commitment is significantly constrained by four major, interconnected structural challenges. First, an underdeveloped digital infrastructure limits the country's ability to meet the rigorous data exchange and security protocols mandated by AEOI. This limitation also affects coordination across departments and real-time processing. Second, the tax administration suffers from a critical human capital deficit, lacking the specialized expertise required to effectively audit complex multinational corporations. Third, the domestic regulatory framework is characterized by instability and complexity, creating legal uncertainty for both taxpayers and administrators. Finally, the persistence of a large informal economy erodes the national tax base, forcing tax authorities to prioritize widespread domestic non-compliance over complex international tax matters. These deep-rooted obstacles collectively prevent the country from fully translating its international commitments into effective enforcement, highlighting that true progress depends on building genuine institutional capacity.

Keywords: *Tax Evasion, Algeria, Domestic Laws, Institutional Capacity, International Agreements.*

JEL classification: *H26, H87, F53, K34*

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გადასახადებისგან თავის არიდებასთან ბრძოლა ალჟირში: საერთაშორისო ვალდებულებების შესრულების სტრუქტურული გამოწვევების ანალიზი

აბსტრაქტი. წინამდებარე კვლევა მიზნად ისახავს ალჟირში გადასახადებისგან თავის არიდების წინააღმდეგ ბრძოლის საერთაშორისო ვალდებულებების ეფექტიანი განხორციელების ხელისშემშლელი სტრუქტურული გამოწვევების დიაგნოსტიკას. მიუხედავად იმისა, რომ ალჟირმა ოფიციალურად მიიღო ისეთი ძირითადი გლობალური ჩარჩოები, როგორცაა ინფორმაციის ავტომატური გაცვლა (AEOI) და საბაზისო ეროზიისა და მოგების გადატანის (BEPS) პროექტი, ხშირად კრიტიკული ხარვეზი ჩნდება პოლიტიკის მიღებასა და პრაქტიკულ, ადგილზე აღსრულებას შორის. ეს ნაშრომი იკვლევს „განხორციელების ხარვეზს“ იმ ძირითადი ოპერაციული მოთხოვნების - ტექნოლოგიური, ადამიანური და მარეგულირებელი - განსაზღვრით, რომლებსაც ეს მომთხოვნი საერთაშორისო სტანდარტები აწესებს ნებისმიერი მონაწილე ქვეყნისთვის. შემდგომ, იგი წარმოადგენს ალჟირის კონტექსტის ანალიზს ქვეყნის არსებული ინსტიტუციური შესაძლებლობების შეფასებით ამ გლობალურ სტანდარტებთან მიმართებით, რათა სისტემატურად გამოვლინდეს ხარვეზის გამომწვევი ძირითადი ფაქტორები.

კვლევამ დაასკვნა, რომ ალჟირის ფორმალურ მზაობას მნიშვნელოვნად აფერხებს ოთხი ძირითადი, ურთიერთდაკავშირებული სტრუქტურული გამოწვევა. პირველი, განუვითარებელი ციფრული ინფრასტრუქტურა ზღუდავს ქვეყნის შესაძლებლობას, დააკმაყოფილოს AEOI-ით გათვალისწინებული მონაცემთა გაცვლისა და უსაფრთხოების მკაცრი პროტოკოლები. ეს შეზღუდვა ასევე გავლენას ახდენს დეპარტამენტებს შორის კოორდინაციასა და რეალურ დროში მონაცემთა დამუშავებაზე. მეორე, საგადასახადო ადმინისტრაცია განიცდის ადამიანური კაპიტალის კრიტიკულ დეფიციტს და არ გააჩნია კომპლექსური მრავალეროვნული კორპორაციების ეფექტიანი აუდიტისთვის საჭირო სპეციალიზებული ექსპერტიზა. მესამე, შიდა მარეგულირებელი ჩარჩო ხასიათდება არასტაბილურობითა და სირთულით, რაც ქმნის სამართლებრივ გაურკვევლობას როგორც გადასახადის გადამხდელებისთვის, ისე ადმინისტრატორებისთვის. დაბოლოს, დიდი არაფორმალური ეკონომიკის არსებობა იწვევს საგადასახადო ბაზის ეროზიას და აიძულებს საგადასახადო ორგანოებს, პრიორიტეტი მიანიჭონ ფართოდ გავრცელებულ შიდა კანონდარღვევებს, ნაცვლად რთული საერთაშორისო საგადასახადო საკითხებისა. ეს ღრმად ფესვგადგმული დაბრკოლებები ერთობლივად უშლის ხელს ქვეყანას, სრულად გარდაქმნას თავისი საერთაშორისო ვალდებულებები ეფექტიან აღსრულებად, რაც ხაზს უსვამს, რომ

ქეზმარტი პროგრესი ნამდვილი ინსტიტუციური შესაძლებლობების შექმნაზეა დამოკიდებული.

საკვანძო სიტყვები: გადასახადებისგან თავის არიდება, ალჟირი, შიდა კანონმდებლობა, ინსტიტუციური შესაძლებლობები, საერთაშორისო შეთანხმებები.

JEL კლასიფიკაცია: H26, H87, F53, K34

Introduction and review of literature

The fight against international tax evasion is one of the greatest challenges countries face in the quest of tax justice as well as fairness and sustainability of public revenues. This problem has become an international one, rising as a result of the international nature of transactions between multinational firms and the divergence between national tax systems. Tax evasion is the illegal act of intentionally not declaring income or avoiding paying taxes or making deductions by not reporting them. This behaviour is unlawful and may result in administrative- or legal proceedings initiated by the authorities, generating a sense of anxiety in the evader due to the possibility of detection (Arnold, 2016; Sandmo, 2004). In other words, tax evasion is an illegal activity that a taxpayer intentionally undertakes to reduce their tax liability or avoid settling the due tax obligation. This manifests in paying less tax than what should be paid under the law, by concealing income or information from tax authorities (Chylak, 2018; Otto et al., 2015), a transnational problem with wide-reaching negative consequences that extend beyond revenue loss, threatening economic stability, fiscal equity, and the integrity of the global financial system.

Numerous studies confirm that despite international efforts to combat tax evasion, several structural obstacles hinder compliance with global standards, particularly in developing economies. Legislative instability and tax system complexity are frequently cited as key issues, as they not only create loopholes but also increase compliance costs for honest taxpayers, thereby discouraging voluntary compliance; these problems are often compounded by weak institutional infrastructure, characterized by limited administrative resources and a lack of necessary technological capacity (Pandoyo, 2025; Jovanović, 2022). These challenges are further exacerbated by the dominance of large informal sectors, where taxpayers often perceive taxes as a direct loss, leading to widespread non-compliance (Ntiamoah & Asare, 2022).

In terms of the conditions present in Algeria, research has pointed out these similar structural conditions. The tax system is described as complex and subject to constant legislative changes (Hayoula & Abdat, 2023), while the administration suffers from outdated technological infrastructure and a shortage of qualified human capital, particularly in areas like IT application and international tax law (Hayoula & Abdat, 2023; Hammouche, 2024; Senator, 2019). Furthermore, the expansion of the digital economy poses a significant challenge, as tracking and controlling online transactions proves increasingly difficult for the authorities (Rezigat et al., 2025).

Despite these structural weaknesses, the international community has continued to push for reform, prompting many countries, including Algeria, to formally adopt international tax instruments, signing up to transparency frameworks and rolling out reforms which ensure they are working towards harmonising their national tax regimes with the international norm. But it is not easy to determine how successful these attempts have been as an end in and of themselves in being 'in' international legislation. Instead it is a scrutiny of domestic capacities that determine a country's capacity to actually deliver on its commitments.

Accordingly, the central research question is: *What are the main structural factors that influence Algeria's implementation of its international commitments to combat tax evasion?*

In response to this question, this paper puts forward the central hypothesis that Algeria's capacity to effectively implement its international anti-tax evasion commitments is constrained by significant structural

challenges. These are primarily attributed to an underdeveloped digital infrastructure, a lack of specialized human capital, and a complex and unstable regulatory framework, and the widespread presence of an informal economy that operates outside the scope of tax enforcement.

To answer the central research question and investigate the proposed hypothesis, this study pursues a three-stage analytical approach. First, it identifies the key implementation requirements of major international anti-tax evasion frameworks like BEPS and AEOI. Second, it assesses Algeria's domestic institutional capacity against these global standards. Finally, it analyzes the structural challenges that emerge from this comparison, in order to characterize the "implementation gap" and explain the factors limiting the effectiveness of Algeria's response.

Methodology

This study employs a qualitative, document-based research methodology to perform a structured analysis of the structural challenges facing Algeria's execution of international anti-tax evasion commitments. The "intellectual work performed" is based on a structured and focused comparative approach, which systematically compares the requirements of global standards against the realities of a specific national context. The research was executed in three distinct and consecutive stages:

The first stage involved a comprehensive descriptive review of primary international instruments, primarily the OECD's frameworks for Automatic Exchange of Information (AEOI) and Base Erosion and Profit Shifting (BEPS). The intellectual task here was not merely to summarize these frameworks, but to synthesize and distill them into a clear set of core implementation requirements. This created the analytical benchmark for the subsequent stages.

The second stage centered on the Algerian context. Data were collected through a thorough analysis of several sources, including Algerian legal texts (tax codes, finance laws), official reports and publications, and relevant international indicators. The analysis of this data was to provide a complete picture of Algeria's current institutional capabilities.

The final—and most critical—stage involved analyzing the data from Stage 2 against the benchmark framework established in Stage 1. This comparative analysis made it possible to characterize the "implementation gap" and systematically identify the main structural issues. The intellectual contribution of this stage lies in moving beyond a simple list of problems to framing them as interconnected structural weaknesses that explain the disconnect between Algeria's formal commitments and its practical enforcement capabilities.

1. The International Anti-Tax Evasion Framework: Mechanisms, Stakes, and Requirements

Knowing the worldwide framework against tax evasion is critical to properly comprehending the problem and the difficulty it poses. This section discusses the primary techniques employed in international tax evasion, the stakes involved, and the institutional and technological requirements imposed by significant global instruments.

1.1. Mechanisms and Consequences of International Tax Evasion

International tax evasion relies on complex and evolving mechanisms. Understanding these schemes is essential to grasp the scale and sophistication of the challenges that states face. Tax havens are among the most well-known, as they not only provide little or no taxation but also high levels of financial secrecy and a sophisticated network of financial services that make it easier to implement complex financial arrangements. These environments provide appealing financial benefits to foreign individuals and businesses without needing considerable or actual economic involvement within the country (Cobham & Gibson, 2016; Henn, 2013).

Another common strategy is profit shifting via manipulated transfer pricing, where firms strategically reallocate earnings between their subsidiaries to shift income from high-tax nations to low-tax ones. A related practice is contract manufacturing, a sort of outsourcing in which one firm produces items or

components to the requirements of another company (Pandya & Shah, 2013). Though a common and legitimate business practice, its exploitation with malicious intent transforms it into a tool for tax evasion, whereby profits are shifted from the primary production site where tax rates are high to countries with lower tax rates.

Mergers and acquisitions (M&As) also offer opportunities for tax minimization through the shifting headquarters to a low-tax jurisdiction, where the acquiring firm can significantly cut the target company's combined tax rate, improving the financial benefits of the purchase (Duarte & Barros, 2018).

Additionally, debt shifting allows for the transfer of funds from high-tax countries to low-tax countries (Turner, 2017), when a subsidiary company located in a low-tax country providing loans to a company in a high-tax country, both belonging to the same multinational corporation. As a result, the interest paid by the second company to the first is considered a cost that is deducted from the company's revenue to obtain profit, which reduces the tax burden.

Table1 provides a comparative overview of the most common international tax evasion practices.

Table 1. Comparative Overview of International Tax Evasion Mechanisms

Mechanism	Primary Tool	Legal Status
Tax Havens	Offshore accounts, secrecy laws	Illegal / Grey Area
Profit Shifting	Manipulated transfer pricing	Legal Misuse
Contract Manufacturing	Outsourced production	Generally Legal
Mergers & Acquisitions	Tax inversion, restructuring	Legal with Abuse Risk
Debt Shifting	Intra-group loans	Legal with Abuse Risk

Source: Prepared by the researcher

Table 1 demonstrates that, while the legal status of various approaches differs, they all pose a significant threat to the global economy. The scope of this issue is staggering, in 2022, for instance, profit shifting worldwide reached an estimated \$1 trillion, representing 35% of multinational firms' total profits outside their home countries. This led to an estimated reduction of approximately 10% in worldwide corporate tax revenues (Alstadsæter et al., 2024). Worldwide, total tax losses reached \$492,355.2 million, with \$347,578.9 million attributed to corporate tax evasion and \$144,776.3 million to offshore wealth (Tax Justice Network, 2024).

These important statistics have serious real-world effects. Most notably, Tax evasion undermines the equity of the tax system and exacerbates inequality among taxpayers, with rich individuals commonly profiting from such actions (Dabla-Norris et al., 2019; Ahrens et al., 2021). Furthermore, it is frequently related with other unlawful acts such as money laundering, terrorist financing, bribery, and corruption, which contribute to a broader variety of financial crimes (Beer et al., 2019). In addition, the decline in direct tax revenue often compels governments to shift towards indirect taxation, thereby altering the overall structure of tax revenues (Bilicka et al., 2023)

1.2. Key International Instruments and Their Implementation Requirements

International tax evasion is a global concern due to its detrimental effects on national economies. This transnational issue has attracted significant attention from multiple parties, including governments and international organizations, necessitating intensified international efforts and the establishment of global tax cooperation to devise appropriate mitigation strategies. Information exchange emerges as a pivotal tool for this cooperation, which aims to achieve several objectives, including detecting and preventing instances of tax evasion, ensuring proper application of domestic tax laws and double taxation agreements, and promoting national-level tax compliance. Information exchange is not a recent requirement in the

international community; it has evolved from a secondary clause in treaties to become the central pillar of the modern anti-evasion architecture.

This section analyzes the key international instruments designed to operationalize this cooperation, structured around two main pillars: frameworks for Automatic Exchange of Information (AEOI) and those designed to combat Base Erosion and Profit Shifting (BEPS).

1.2.1. The Framework for Automatic Exchange of Information (AEOI)

Tax evasion in the globalized financial system thrives on opacity, fragmented oversight, and capital movement across borders. As a response, the principle of automatic exchange of financial information (AEOI) has emerged as a central tool for restoring transparency and enabling tax authorities to track undeclared assets abroad.

The Evolution of the AEOI Standard

The exchange of information, particularly the Automatic Exchange of Information (AEOI), has become a pivotal tool for international cooperation, which has evolved into a global standard for enhancing tax transparency. While not a new concept, it has been included in international agreements for many years. In 1927, the League of Nations issued the “Convention on Mutual Administrative Assistance in Tax Matters”, with Article 1 dealing specifically with the exchange of information for administrative support. Similarly, while Double Taxation Agreements (DTAs) are generally intended to prevent double taxation, they have contained provisions -most notably Article 26- concerning information interchange while emphasizing secrecy in such handling (Huiskers-Stoop et al., 2022; OECD, 2017a). In 2002, the OECD created a model Tax Information Exchange Agreement (TIEA) to promote transparency and international collaboration by sharing information on natural and legal people within respective jurisdictions (OECD, 2002).

The United States passed the overseas Account Tax Compliance Act (FATCA) in 2010, which aims to prohibit US persons from hiding overseas assets from the Internal Revenue Service (De Simone et al., 2017). This legislation requires non-US financial institutions to transmit certain information on US account holders to the IRS using automated information exchange protocols, or face a 30% withholding tax on US-sourced revenue (Eccleston & Gray, 2014).

Although FATCA is a one-sided initiative that primarily serves the interests of the U.S. Treasury; it compelled the international financial system to adapt by developing Intergovernmental Agreements (IGAs) that facilitate information exchange (Gravelle & Marples, 2022). Against this backdrop, the OECD, in cooperation with G20 countries and the EU, introduced a comprehensive international standard for AEOI in 2014. This standard, operationally referred to as the Common Reporting Standard (CRS), draws heavily from the principles of FATCA Model 1 (FATCA/IGAs1).

This standard mandates the regular and systematic transfer of taxpayer data from the source country to the residence country, imposing due diligence obligations on financial institutions to collect and submit this information (CRS), and the framework is supported by a Model Competent Authority Agreement (CAA) to govern the exchange, along with detailed commentaries and technical guidelines to ensure consistent application and data security (OECD, 2018; OECD, 2017b).

The Core Requirements for Effective Implementation

Implementing the standard is more than simply an administrative process; it necessitates many arrangements for effective implementation. It requires a legislative and regulatory framework that clarifies the reportable persons and entities, has strong oversight mechanisms, and sets penalties for non-compliant institutions. It also requires the establishment of an advanced technological infrastructure to collect and transmit information through secure channels (CASI et al., 2019). In more detail, the OECD identified four core requirements that enhance a country's readiness to implement the standard: (OECD, 2018)

- **Translating the Standard into domestic law:** It is important to translate the due diligence and reporting rules into clear domestic legislation and use detailed guidance to clarify implementation.
- **Establishing a legal basis for exchange:** An international legal instrument must be selected to regulate the exchange of information, such as the Multilateral Competent Authority Agreement (MCAA), in addition to adopting other administrative procedures to define the information to be exchanged, the timing, and the operational procedures.
- **IT and administrative infrastructure:** This includes a strong digital infrastructure to collect and transmit information, as well as sufficient operational capacity to ensure data integrity and verification.
- **Protecting confidentiality and information security:** This requirement is extremely important, as it involves not only technical security but also a legal and administrative framework to protect taxpayer information and privacy, including strict penalties for the misuse of data.

1.2.2. The Framework for Base Erosion and Profit Shifting (BEPS) Project

The BEPS Project, headed by the OECD and G20, is a global effort to realign tax regulations with economic reality. This approach reflects a growing consensus on the need to improve international tax policy and reduce opportunities for abuse.

The Emergence and Objectives of the BEPS Framework

In 2016, the OECD and G20 collaboratively established the Base Erosion and Profit Shifting framework to tackle harmful tax practices, treaty abuse, and loophole exploitation. This initiative introduced 15 actions to address these issues, with peer review mechanisms in place. Four key measures are emphasized: counter harmful tax practices (Action 5), preventing treaty abuse (Action 6), implementing country-by-country reporting (Action 13), and enhancing dispute resolution mechanisms (Action 14) (OECD, s. d.).

The BEPS project aims to reform international tax rules by limiting multinational corporations' ability to exploit gaps in global tax laws. It seeks to update existing regulations to align with the current economic landscape and promote fairer tax rights distribution among nations. The project also focuses on developing model provisions to prevent the granting of inappropriate treaty benefits. Moreover, BEPS encourages stronger international cooperation to address tax challenges arising from globalization, striving for a more cohesive and efficient global tax system (Herzfeld, 2017).

The Core Requirements for Effective Implementation

Implementing BEPS requires changes in several aspects, including legal, human, and technical aspects, as follows:

Legal Requirements

- **Domestic Law Alignment:** Countries must review their domestic laws and make the necessary amendments, particularly regarding tax rates and tax incentives, to ensure compatibility with BEPS rules (O'Sullivan & Gómez, 2022). This requires reconsidering domestic policies to align with international rules.
- **Tax Treaty Modification:** Implementing some BEPS rules, such as the subject-to-tax rule, requires amending existing bilateral treaties. This can be achieved through negotiations, treaty amendments, or, more effectively, by joining to a multilateral agreement (MLA) (O'Sullivan & Gómez, 2022).

Institutional and Human Capital Requirements

- **Specialized Training:** It is important to provide the necessary training to develop skilled personnel. One of the main challenges hindering BEPS implementation is the lack of fundamental knowledge in international taxation, a weak understanding of international treaties, and the inability to handle complex issues related to transfer pricing (Barrogard et al., 2018).
- **Establishing Specialized working groups:** Successful BEPS implementation requires the formation of a specialized task force composed of officials from the Ministry of Finance and the Tax Administration to implement the project (O'Sullivan & Gómez, 2022).
- **Leveraging the external audit function:** Relying on consolidated financial statements implies external auditing by independent auditors, which improves the external audit function in BEPS implementation and promotes the transparency and reliability of the accounting information used to apply tax legislation (OECD, 2020).

Technical Requirements

- **Adoption of Accepted Accounting Standards:** BEPS implementation requires the use of consolidated accounting rules in accordance with International Financial Reporting Standards (IFRS) or any other accepted standard, ensuring a common basis for accounts and reducing compliance costs (OECD, 2020).
- **Development of IT Infrastructure:** Advanced technical tools must be used to collect, store, and manage information effectively, as many tax administrations lack specialized software and hardware (Barrogard et al., 2018; Valderrama, 2018).

2. Analysis and Results: Implementation Gap in Algeria context

While international standards provide a common roadmap, each country's success depends on its unique domestic context. This section, therefore, examines Algeria's formal response to these international efforts and assesses the deep-rooted structural challenges that create a significant gap between its stated commitments and its practical ability to enforce them.

2.1. The Scale of Tax Evasion in Algeria

Understanding Algeria's status on a global scale is critical. While not among the most affected countries, Algeria still feels the impact of international tax evasion. Tax Justice Network (2024) report reveals that profits shifted into Algeria totaled \$335.8 million, while outward profit shifting amounted to \$81.0 million. This imbalance is explained by weak oversight, as regulatory gaps allow capital to flow into Algeria without proper control, given that the country is not a main destination for tax evasion. However, the country still incurred tax losses of \$21.1 million. These figures highlight a key point: although potentially benefiting from certain inward flows, Algeria continues to face considerable revenue losses due to international tax evasion methods.

Algeria's situation demonstrates the complexities of worldwide tax systems. While Algeria's tax policies have unintentionally resulted in an estimated \$82.2 million in tax losses for other countries, the country itself faces challenges with offshore riches. Algerian citizens hold approximately \$2.9 billion in foreign assets, resulting in a \$50.8 million tax loss to the government (Tax Justice Network, 2024). This situation raises two challenges: enhancing systems to track foreign assets and improving domestic investment appeal to encourage fund repatriation. These challenges are set against a backdrop of global wealth inequality in taxation. Billionaires globally pay extremely little taxes, ranging from 0% to 0.5% of their total wealth (Alstadsæter et al., 2024). This huge gap in tax burden between the ultra-wealthy and the ordinary population not only reflects a worldwide concern, but it may also impair Algeria's efforts to attract investments and achieve tax justice.

The relatively minor losses Algeria incurs from international tax evasion stem from various factors inherent to its national economy and the structure of its external financial relationships. While Algeria is

part of the global economy through numerous agreements and financial commitments, the actual foreign direct investment within the country is comparatively limited. This condition diminishes the volume of financial transactions vulnerable to practices like profit shifting or transfer pricing. As a result, the magnitude of profits transferred into and out of Algeria is modest compared to nations with more attractive investment environments. Additionally, challenges persist within Algeria's institutional and regulatory framework, notably the slow digitalization of the tax system and the difficulties in monitoring cross-border financial movements. These issues occasionally position Algeria as either a direct or indirect conduit for tax leakages that impact other countries.

2.2. Algeria's Formal Response: A Two-Pillar Strategy

Faced with the scale of the tax evasion challenge, Algeria has built its formal response on a two-pillar strategy. The first pillar focuses on strengthening the domestic legislative framework, while the second centers on active engagement in international cooperation.

2.2.1. The Domestic Legislative Pillar

As part of its local efforts in to combat tax evasion, the Algeria government has implemented several legislative and regulatory measures aimed at enhancing financial transparency and ensuring tax compliance, particularly concerning international transactions and multinational corporations. The authorities have imposed stringent reporting requirements, such as mandating the prior declaration of fund transfers by non-resident persons and requiring the established firms in Algerian to submit an annual declaration for transfer pricing (DGI, 2025a). These strict measures seek to close loopholes that could be exploited for tax evasion.

Furthermore, in the context of Corporate Income Tax, the tax code implements a comprehensive withholding tax system, delineating specific rates for various types of income (DGI, 2025a). This graduated tax system, which applies different rates based on the type of activity and income, aims to achieve balance and tax equity without overburdening investors.

To enhance oversight, the law also mandates that foreign entities engaged in temporary activities in Algeria maintain a specialized accounting book to chronologically record their local operations (DGI, 2023).

Collectively, these actions demonstrate that the tax policy in Algeria adopts comprehensive and multifaceted measures, reflecting a significant awareness of the complexities and challenges of the global financial system.

2.2.2. The International Cooperation Pillar

Complementing its domestic laws, Algeria continues to develop its strategies in line with international initiatives, by enhancing international tax cooperation and concluding several international tax agreements. The country has established a comprehensive network of Double Taxation Agreements (DTAs), and has pursued an active policy of concluding agreements to avoid tax evasion since the early 1990s, having signed more than 30 agreements with various countries (DGI, 2025b). These initiatives reflect Algeria's efforts to strengthen its global economic position while also protecting its own tax base.

More recently, Algeria has taken significant steps to align with evolving global standards. It signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS) in 2024 (Ministère des Finances, 2024). This initiative addresses the critical issue of base erosion and profit shifting, which poses a major challenge to global tax systems, as multinational corporations frequently employ strategies to avoid tax obligations by transferring profits to tax havens.

In another significant step, in 2015, Algeria signed the Foreign Account Tax Compliance Act (FATCA) agreement with the United States, which entered into force pursuant to the Presidential Decree No. 16-328 on December 14, 2016, mandating the sharing of data on reportable U.S. accounts (Décret présidentiel n 16-328, 2016).

Algeria's accession to international tax agreements is highly significant. From a tax perspective, these agreements aim to regulate tax relations between contracting states, support international investment and

trade, and address cross-border tax issues such as international tax evasion. From a political standpoint, the agreements contribute to enhancing the image of the contracting state and demonstrating its ability to coordinate and comply with international standards (IMF et al., 2020; Pickering, 2013).

2.3. The Structural Challenges and the Implementation Gap

While Algeria has demonstrated a strong commitment to international tax cooperation through the ratification of numerous agreements, the effective implementation of these frameworks depends on substantial institutional capacity and advanced technical readiness. For example, the CRS requires robust digital systems to collect, manage, and exchange financial information securely. Similarly, the BEPS framework expects countries to apply complex rules, which demand skilled personnel and modern audit tools.

In Algeria's case, this implementation faces several challenges, which can be summarized into four main categories:

2.3.1. The Digital Infrastructure Deficit

Algeria has taken important steps toward modernizing its tax administration by adopting several digital initiatives, including the development of the tax information system "Jibayatic", along with other digital services such as "Mousahamatic" and "Tabioucom", the implementation of an integrated tax management platform, and the restructuring of its organizational architecture through the establishment of Large Taxpayer Directorates and Tax Centers.

These efforts aim to enhance taxpayer services, improve the traceability of tax transactions, and support the digitization of declarations and payments. However, several obstacles persist, including poor internet connectivity, high data costs, and increased risk of data breaches and manipulation of sensitive taxpayer information (Rezigat et al., 2025). The lack of technical resources hinders the management of changes required by BEPS and compromises the CRS, which requires advanced systems to collect data and ensures privacy protection (CASI et al., 2019; Christians & Shay, 2017). This technical deficit directly hinders Algeria's ability to meet international requirements for secure and timely data exchange.

2.3.2. The Scarcity of Specialized Human Capital

Despite the efforts made to provide continuous training, the tax administration in Algeria still suffers from a clear shortage of qualified and experienced personnel. This problem is especially noticeable in technical areas that require strong knowledge of international tax law, modern auditing tools, and complex financial structures used in tax evasion. The lack of such expertise limits the administration's ability to identify and manage advanced tax evasion strategies (Lachlah & Bourenane, 2024). It also exacerbates the problem of finding the specialized team recommended in the BEPS implementation, which requires a deep understanding of tax treaties, complex tax schemes, and transfer pricing matters (Barrogard et al., 2018). Similarly, the CRS demands specialists capable of interpreting domestic laws and applying due diligence obligations correctly (CASI et al., 2019; Matras, 2023).

Ultimately, this shortage of expertise makes it difficult to apply international tax agreements effectively and to engage in tax information exchange with other countries.

2.3.3. Legislative Instability and Regulatory Gaps

The Algerian tax system is frequently characterized by complexity and instability, stemming from the continuous amendments to finance and tax laws. New, amending, or supplementary laws are issued every year, complicating compliance for taxpayers and enforcement for the administration (Bouderra & Ait Bachir, 2024). This instability increases legal uncertainty and contributes to higher risks of tax evasion.

Moreover, the legal framework remains insufficiently aligned with the requirements of the digital economy. The absence of clear provisions governing the taxation of digital transactions hinders the administration's ability to control online activity (Rezigat et al., 2025). These gaps create legal loopholes that can be exploited by businesses to avoid taxation.

Balancing international obligations and privacy is also a major challenge. The automatic exchange of data, as required by the CRS, may conflict with privacy protections stipulated in domestic laws (Scarfone & Kerr, 2018), potentially undermining public trust in the state (Matras, 2023). Furthermore, maintaining sovereign domestic legislation might not fully align with BEPS guidance, which is sometimes conflicting (Christians & Shay, 2017).

2.3.4. Informal Economy and Oversight Limitations

The move to a market economy has resulted in informal and covert economic activities that are difficult to track or tax (Lachlah & Bourenane, 2024). In 2018, the informal economy represented about 31.4% of Algeria’s GDP, and it is expected to decrease to 25.6% by the year 2043 (Chipanda, 2025). These informal sectors operate outside of the legal frameworks, making enforcement difficult and leading to a major loss of the national tax base (Almi & Mehadjebia, 2023).

This reality raises a fundamental dilemma. The primary concern for many nations is often "domestic tax evasion" stemming from these large informal sectors. This issue, however, is not the main focus of international frameworks like BEPS. This misalignment of priorities can lead countries to divert limited administrative and financial resources towards complex international compliance, while a more significant source of domestic revenue loss remains under-tackled (Christians & Shay, 2017).

The implementation gap in Algeria can be summarized by mapping the key structural challenges against their corresponding international requirements, as illustrated in Table 2.

Table 2. The Implementation Gap in Algeria's Anti-Tax Evasion Efforts

Domain	Core International Requirement	Identified Structural Weakness / Gap	Impact on Implementation
Technological	A robust and secure IT infrastructure for automated data processing and exchange.	Underdeveloped digital infrastructure, poor connectivity, and data security vulnerabilities.	Difficulty meeting international data exchange protocols; risks to data confidentiality and integrity.
Human Capital	A pool of highly specialized personnel in international tax law, auditing...	A significant shortage of qualified experts, particularly in complex areas like transfer pricing and treaty interpretation.	Weak capacity to audit multinational corporations and effectively apply complex international rules.
Legal & Regulatory	A clear, stable, and harmonized domestic legal framework that supports international cooperation.	Legislative instability, a complex tax code, and significant legal gaps concerning the digital economy.	Creates legal uncertainty, provides loopholes for tax avoidance, and complicates compliance for both taxpayers and the administration.
Informal Economy & Oversight	A comprehensive tax base with effective oversight mechanisms to ensure widespread compliance.	The persistence of a large informal economy operating outside the formal tax system.	Significant erosion of the national tax base and a diversion of limited resources away from complex international cases.

Source: Prepared by the researcher

It bears emphasis that it is these structural difficulties are not separate problems but are fundamentally intertwined and mutually reinforcing. For instance, with weak technology infrastructure, the development of human capital is not possible; with instability in the legal framework there is uncertainty which inhibits

even investment in technology and training. In the end the structural difficulties are closely interrelated, as they all lead to one practical barrier: unreasonable costs for implementation. Not just the direct cost to the state for overhauling its systems and getting the expertise set, but the massive compliance costs that will need to be passed onto the private sector in order to renew their operations and train new specialists (Matras, 2023; Christians & Shay, 2017). This cost factor in particular can often be the last sticking point to meaningful reform, originating from the underlying structural weaknesses.

Conclusions

This study set out to analyze the structural factors influencing Algeria's implementation of its international commitments to combat tax evasion. The analysis confirms that while Algeria has demonstrated a clear commitment by adopting key international frameworks, its practical ability to enforce these measures is significantly constrained by deep-rooted structural challenges. The findings reveal a significant implementation gap between policy and on-the-ground capacity, highlighting that true progress depends on building genuine institutional capacity rather than relying on formal policy adoption alone.

Study Results

- Algeria has established a formal response to tax evasion by ratifying major international instruments and enacting domestic legislation, but this response is undermined by deep-rooted structural weaknesses.
- The country's technological infrastructure struggles to meet the rigorous data exchange and security requirements mandated by international standards.
- A significant human capital deficit, characterized by a shortage of specialized expertise in complex areas of international tax law, weakens the state's auditing and enforcement capabilities.
- The domestic legal and regulatory framework suffers from instability and complexity, creating legal uncertainty and loopholes, particularly in the context of the digital economy.
- The persistence of a large informal economy erodes the national tax base and diverts limited administrative resources away from complex international tax matters.

Study Recommendations

- **Establish a national capacity-building program in international taxation:** This can be achieved by forming a specialized training unit within the Ministry of Finance, in collaboration with international bodies, to certify a core group of experts in advanced transfer pricing and treaty application.
- **Adopt a phased digital infrastructure modernization project:** This should include the development of a secure data exchange portal compliant with ISO 27000 standards, which would become the sole channel for financial institutions to report data, ensuring standardization and data integrity.
- **Strengthen the legal framework for the digital economy:** Develop clear and specific legislation for the taxation of digital transactions and establish robust data protection protocols to govern the exchange of sensitive taxpayer information.
- **Develop a targeted strategy for the informal sector:** Implement sector-specific programs that incentivize formalization through simplified tax regimes and digital payment solutions.

These targeted actions, focused on capacity building and institutional reform, can help Algeria move from formal commitment to effective implementation, thereby strengthening its position in the global fight against tax evasion.

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