Information Sciences Letters

Volume 12
Issue 9 *Sep. 2023*

Article 18

2023

Analysis of the Impact of Tax on Companys Investment Strategy: Case of the Biovarm Drug Company

Talbi Mohammed
Accounting and Financial Sciences Department, Faculty of Economics, Management & Commercial Sciences, Ali Lounici University, Blida, Algeria, dr.mujeeb.saif@gulfuniversity.edu.bh

Menacer Abdesslam
Accounting and Financial Sciences Department, Faculty of Economics, Management & Commercial Sciences, Ali Lounici University, Blida, Algeria, dr.mujeeb.saif@gulfuniversity.edu.bh

Belkacem Omar
Accounting and Financial Sciences Department, Faculty of Economics, Management & Commercial Sciences, Ali Lounici University, Blida, Algeria, dr.mujeeb.saif@gulfuniversity.edu.bh

Mujeeb Saif Mohsen Al-Absy
Accounting and Financial Science Department, College of Administrative and Financial Science, Gulf University, Sanad 26489, Kingdom of Bahrain, dr.mujeeb.saif@gulfuniversity.edu.bh

Follow this and additional works at: https://digitalcommons.aaru.edu.jo/isl

Recommended Citation

Mohammed, Talbi; Abdesslam, Menacer; Omar, Belkacem; and Saif Mohsen Al-Absy, Mujeeb (2023) "Analysis of the Impact of Tax on Companys Investment Strategy: Case of the Biovarm Drug Company," *Information Sciences Letters*: Vol. 12 : Iss. 9 , PP -.
Available at: https://digitalcommons.aaru.edu.jo/isl/vol12/iss9/18

This Article is brought to you for free and open access by Arab Journals Platform. It has been accepted for inclusion in Information Sciences Letters by an authorized editor. The journal is hosted on Digital Commons, an Elsevier platform. For more information, please contact rakan@aaru.edu.jo, marah@aaru.edu.jo, u.murad@aaru.edu.jo.

Information Sciences Letters
An International Journal

http://dx.doi.org/10.18576/isl/120917

Analysis of the Impact of Tax on Company's Investment Strategy: Case of the Biovarm Drug Company

Talbi Mohammed[1], Menacer Abdesslam[1], Belkacem Omar[1] and Mujeeb Saif Mohsen Al-Absy[2,]*

[1]Accounting and Financial Sciences Department, Faculty of Economics, Management & Commercial Sciences, Ali Lounici University, Blida, Algeria
[2]Accounting and Financial Science Department, College of Administrative and Financial Science, Gulf University, Sanad 26489, Kingdom of Bahrain

Received: 25 Mar. 2023, Revised: 28 Aug. 2023, Accepted: 31 Aug. 2023.
Published online: 1 Sep. 2023.

Abstract: The aim of the study is to identify and clarify the extent of the impact of the tax legislation on the investment strategy of the institution. Further, it attempts to evaluate the effectiveness of the tax incentives created by a legislator to pay positively for an economic institution. Lastly, the study looked at the outcomes that the organization can draw upon in implementing its investment strategy. Indeed, the state seeks to reduce the tax burden on the companies and tries to encourage them to make more investment. The results show that tax variable influences an enterprise's investment strategy through its imposed tax mix, rates of tax subjugation, legal provisions of the tax legislation that specify the procedures to be followed by an enterprise to determine taxable profit, and the calculations of the value of the taxes and fees to be paid. The study showed that the tax legislator sought to support the economic institution by reducing the tax burden on it by granting tax exemptions and tax breaks, especially for corporate profits. On the other hand, it has limited it to the set of legal texts regulating the procedure for determining the tax base, such as the provisions, the revaluation of assets and the accounting treatment of deductible costs.

Keywords: Tax, Economic Institution, Tax Exemptions, Tax Legislation.

1 Introduction

The tax variable is one of the constraints imposed by the legal and financial environment of an economic institution, as well as one of the external factors that create pressure that affects its financial stability, reduces the volume of its investments, and affects its strategic plans and decisions.

The outcomes of the 1992 tax reform were intended to simplify the collection of institutions, activate the tax system, and make it contribute to improving the investment environment and encourage investment, which would help establish new economic institutions. This reform was followed by new measures and measures, carried out by investment laws and successive financial laws, in the form of exemptions, tax incentives and a reduction in tax rates on profits.

The objective of these measures was to increase the motivation of the Foundation and to make it more investment-friendly by reducing tax deduction rates, reducing the breadth of taxable vessels, and reducing the burden on its funds, such as the tax-on-profits exemption for reinvested profits, and encouraging it to increase the volume of its investments, thereby ensuring their survival and sustainability.

Therefore, there is a gap in how the positive change will affect the investment strategy of the economic establishment, as the state seeks to reduce the tax burden on it and tries to encourage investment. It is claimed that tax base definitions and tax rate structures must be modified as part of the tax policy reforms, and suitable policy choices on valuation standards, appeals, collection, and enforcement must also be made [1]. Indeed, enterprise performance is vital during tax implementation [2]. Hence, the tax might in the end affect the enterprise's investment activity.

Hence, the study aims to investigate whether the Algerian tax environment creates a difficult challenge to the economic establishment and its exposure to high tax pressure that threatens its financial security and hinders its investment activity or not. Further, it attempts to explore to what extent is current Algerian tax legislation a catalyst for institutions to expand, invest, and create new enterprises.

This study dealt with the impact of levies on the enterprise by the cost of the tax it bears, as well as the evaluation of the effectiveness of the measures and procedures of the various legal acts of a tax nature in reducing this cost to promote

*Corresponding author e-mail: dr.mujeeb.saif@gulfuniversity.edu.bh

© 2023 NSP
Natural Sciences Publishing Cor.

the growth and development of economic institutions.

2 Literature review

The tax system is employed as a powerful instrument to keep economic, social, and environmental resources from depleting [3]. However, as study conducted by Hanan [4] and investigate the the impact of tax reform in Algeria and its repercussions on the economic establishment found that the tax environment of the institution in Algeria is not conducive to investment, because the tax system is ambiguous and complicated due to its instability because it is undergoing successive amendments, which makes the institution always unable to keep up with and adapt to these amendments.

Dammak [5] found that the positive variable affects investment and financing decisions in the enterprise, depending on the financial and fiscal environment in which the enterprise is located. Recommendations were made to the enterprise to consider the positive impact of the depreciation calculation method, as well as the positive impact on the value of the enterprise by reducing the cost of capital by relying on debt financing.

According to Princen [6], the danger that financial decisions are influenced more by tax concerns than by management goals is increased by tax considerations affecting location, organizational form, kind, and timing of transactions. Particularly true for global corporations. The employment of tax planning tactics has a distorting effect on a company's financing and investment decisions, despite value maximization being the primary financial management principle.

The introduction of tax rebates greatly raises the effectiveness of corporate investment, particularly for businesses that are underinvesting [7]. Raising tax rebates reduces corporate tax stickiness, improving the efficiency of investment. In other word, the tax rebate changes in export markets are crucial for reducing tax stickiness and enhancing investment efficiency [7]. Tax reform can encourage business innovation at the expense of tax ambiguity and risk [8].

The tax law imposes on an economic institution a set of taxes and fees that differ from one another in terms of rates of subjugation, tax rates and the manner of authorization and payment. These taxes and fees are divided according to the fact that creates them into two categories. First, is known as 1IBS where the tax was introduced under article 38 of the Finance Act of 1991 under the Tax Reform Project. It is imposed on the annual profits of the institution. The accounting result is the tax base subject to it, as amended by the tax legislation [9]. It is imposed by public order at the following proportional rates: (i) 19% rate for commodity production and sale activities; (ii) 23% for construction, public works, irrigation, and tourism activities excluding travel agencies; and (iii) 26% rate for other activities.

The Second category is the Taxes on exploitation, which included several taxes. For example, Value Added Graphic (TVA). It is a general tax on goods and services produced by enterprises and is calculated on the basis of the difference between the turnover and the amount of procurement realized during the period [10], applies to operations which are carried out by the enterprise in the framework of an industrial, commercial or craft activity and which are performed by the enterprise by means of a normal or incidental tax, According to the following rates: average rate of 19% and reduced rate of 90% for some priority activities.

Other type of tax is the Professional Activity Drawing (TAP) where the total amount of total professional income is charged, and the amount of work achieved without value-added charge is the tax base for this fee, at the following relative rates: (i) 1% without the benefit of reductions for production activities; (ii) 2% construction, public works, irrigation; (iii) 3% rate for activities related to piped transport of fuels and (iv) Rate of 2% for other activities [9].

Moreover, there is other tax known as Registration rights where the amounts paid by the Foundation for the registration of various contracts, in particular official and judicial contracts, which include final decisions on administrative contracts, transfer of ownership contracts, the right to use movables or real estate, and the waiver of rental rights and incorporation rights [11]. The facts giving rise to the registration rights are as follows: (i) contracts for the establishment of companies and (ii) contracts concluded during the existence of the company, namely, increase or decrease in capital, destruction of capital, change in legal nature and extend or merge company; (iii) contracts for the dissolution and division of companies.

Another tax type is the Rights of nature. It is the fees imposed on circulation and transactions paid in the form of tax stamps or stamps, and either by the use of stamp, tax stamps or direct payment. The fees of the character, as regulated by the Law of Character, vary according to the size of paper, the nature of the bulletin boards, the nature of the clearances, the stamp on the extraction of documents, commercial papers and the vehicle voucher [12].

Configuration drawing is also one type of tax where the fee for continuing vocational training is levied at the rate of 0.5% of the annual mass of wages for workers, and the amount is paid to the Tax Authority during the first 20 days of the following month for wages paid during a month or during the first 20 days of every three months for the previous period [13].

© 2023 NSP
Natural Sciences Publishing Cor.

Another tax is the Bank settlement fee. This fee was established under the Supplementary Finance Act of 2005. It is imposed at a rate of 0.5% of the amount of each import of goods and goods destined for resale, and at a rate of 1% for imports completed under SKD/CKD, with no less than 20,000 chickens. The primary goods, equipment and materials used in production that are not destined for resale are exempt from this fee, provided that a pledge has been made prior to each import [9].

In terms of penal legislation, it refers to the set of regulations, laws and legislation issued by the competent authorities, concerning the imposition of taxes and the regulation of methods of collecting them, as well as court rulings and the decisions of the committees on tax disputes [14]. The more clear and understandable the State's criminal legislation helps the institution to carry out the planning process easily, and vice versa when the legislation is unclear and vague and frequently amended at short intervals makes the process of tax planning difficult and complex [15], and makes it difficult for it to take strategic decisions for fear that they will incur additional costs resulting from changes in the laws relating to the sector or the organization of its legal and financial environment.

In general, the level of tax will affect the surplus profits of an organization. Increase in tax rate ratios reduces the surplus profits for the organization in relation to its after-tax profits, and this reduces the profits of new investments and thus reduces the available resources, while the lower tax rates have adverse effects which stimulate economic expansion [16].

Further, the investment strategies of the organizations will be affected by the level of tax. The investment strategy represents a series of decisions that translate into plans that are implemented to achieve investment goals, with the aim of balancing the cost of invested funds with the expected future time returns [17]. The objective is to put an organization's management of a financial plan within three to five years in which the financial statements are used to anticipate potential profits and losses [18]. The positive impact of this strategy is in two respects: the disciplinary and accounting procedures imposed on the institution and the incentives and exemptions.

In terms of accounting and procedural aspects, the specific frameworks and measures imposed by the Penal Code on an enterprise in dealing with certain elements directly related to its financial aspect are as follows. First, tax treatment of the accounting result. The accounting result is the pre-tax profit of the organization, on which the tax is to be calculated, but the tax legislation does not recognize it because some of the legal provisions of latter are inconsistent with the Financial Accounting System (FAS), and the tax administration is therefore amending them in accordance with the provisions of the tax legislation that reject certain costs, despite their accounting reality, and eliminate some of them.

Examples of some of the projected costs are the amounts allocated for payment for services rendered by an enterprise resident abroad, such as technical assistance, financial or accounting costs, shall be subject to the reduction of taxable profit, except to the extent that: (i) 2% of the overhead costs of the debtor and 5% of the turnover; and (ii) 7% of the turnover for study firms, engineers-consultants. This cap is not applied to the costs of technical assistance and studies of a large enterprise in the context of industrial activity. Another example is the headquarters expenses up to 1% of the turnover in the same year corresponding to its obligation. Further example is the research and development expenses up to 10 per cent of the amount of profit taxable and up to a ceiling of 100,000,000 dugs, provided that the amount licensed for deduction under this research is reinvested [9].

These measures are considered an impediment to the institution's expansion of spending in order to expand its field of activity and develop its business strategies, especially since the Criminal Code relied on the Business Number Standard for some costs, a traditional standard that does not take into account the following elements: (i) Nature of the enterprise's activity: the modern enterprise pays high publicity expenses due to the requirements of the market economy, which requires the enterprise to make its products known; (ii) Size of enterprise: The allocation of ceilings and equal limits for some costs without regard to size of the enterprise is unfair to large enterprises; and (iii) This does not take into account the evolution of the accelerating rate of inflation [19].

Second, tax recognition of revaluation investments. If the value of fixed assets increases as a result of inflation, devaluation of money or for any other reason, the Foundation reevaluate its assets, and the revaluation result may lead to profits called revaluation profits [20]. These profits are treated as follows: (i) If the purpose of the revaluation is to show the value of the fixed assets in real terms, in which case the revaluation dividend is considered only an accounting procedure in books, it does not entail actual sales behavior that does not tax the actual dividends; and/ or (ii) If the purpose of the revaluation of fixed assets is to change or modify the legal form of the business and because of the liquidation of the old plant, in such a process the resulting profits are taxable capital gains [14].

Third, tax treatment of depreciations and supplies related to amortization. Prior to the issuance of the Tax Reform Project outputs, the institution was only allowed to apply the linear pattern of depreciation. However, after the promulgation of the Finance Act of 1992, it was allowed to apply the decreasing and rising depreciation within specific conditions, including obtaining approval from the Tax Administration. The positive effect of the depreciation on the

© 2023 NSP
Natural Sciences Publishing Cor.

investment strategy of the institution is that the organization's choice of the depreciation method that provides the largest net cash flow by reducing the tax base and increasing its funding capacity [21].

The depreciation method followed is determined by the following factors: (i) Enterprise Growth Policy: The determination of growth rates for years to come affects the amount and allocation of depreciation to be deducted, i.e., affects the consumption method adopted [21], since the application of the diminishing depreciation method enables quick asset regeneration and avoid looking for external sources; or (ii) An enterprise subject to high tax rates resorts to fast or accelerated depreciation methods in order to reduce the amount of taxable profit and thus benefit from the tax savings achieved [22]. It should be noted that whatever method is used to depreciate the assets, it gives equal total depreciation premiums at the end of the life of the asset.

Regarding the supplies, the tax law did not adequately address the provisions, as it stipulated that the provisions should be justified and not exaggerated, but it did not clearly address the mechanisms and types of the supplies, such as the depreciations, the valuation of assets and other items. This makes the institution hesitant in this regard for fear of rejecting the accounting provided to the tax administration or being subjected to an in-depth criminal investigation, which would result in significant circumstantial tax reductions that would enable it to increase its self-financing capacities [23].

In terms of tax incentive measures aspects, the investment strategy of an organization will be affected by tax incentive. First, for value-added fee: there are several systems used for value-added: (i) Deduction system: The enterprise is given the possibility to deduct the amount of the fee charged on its purchases from the amount of the fee due on their sales, and this method results in the impartiality of the tax, thus not impeding the expansion of the enterprise's activity; And/or (ii) Exemption Purchase System: This system allows the Enterprise to achieve purchases of materials, supplies and services that are not included in the value-added fee, thereby reducing the cost of its investments, as well as avoiding procedural delays in the completion of the reimbursement procedures.

Second, tax reductions and exemptions. The reductions and exemptions contribute to increasing the rate of capital formation by easing the tax burden on the enterprise and thus increasing its self-financing capacity, which entails the recovery and development of existing institutions, as well as encouraging the formation of new institutions [19]. The tax exemptions also have the following effects: (i) Increase in the net return expected of the investor; (ii) Self-liquidity of an investor equal to tax savings and (iii) It contributes to changing the funding structure of the institution in favour of self-financing [14].

There are several exemptions. For example, exemption of capital gains where the Algerian tax legislature gave the institution the option to renew its investments through the renewal of its assets, including waiving old investments before the end of its accounting life and investing the surplus value resulting from the waiver in the acquisition of a new asset. The tax-derived surplus values were exempted from the tax on profits as follows: (i) 35% exemption for surplus value resulting from a waiver of less than three years; and/or (ii) 70% exemption from surplus value resulting from waiver of more than three years [9].

This exemption is granted to the institution with the following privileges: (i) the raising of investments by acquisition or acquisition in order to expand their production; and (ii) the rehabilitation of investments by the acquisition of goods and services geared towards and, in particular, to increase productivity, of existing and existing worn-out equipment and equipment [24]. Another exemption is s*tock exchange exemptions.* companies whose stock prices are normal on the stock exchange benefit from a rate of tax reduction and corporate dividends equal to the rate of opening their stock in the stock market for five years [25].

Third, the Post prior years' losses. The enterprise may suffer successive losses resulting in the loss of its capital, and it may be exposed to bankruptcy if it does not achieve profits in the future, enabling it to absorb such losses, especially if the tax legislation does not contain provisions that allow for the full deduction of such losses from the net profits taxable in previous or subsequent years [14]. This is what the Algerian legislature has done, as Article 10 of the Finance Law of 2010 stipulates that "If the institution records a deficit in a fiscal year, this deficit is considered a burden and reduced from the profit achieved through the same fiscal year, and if this deficit is sufficient to reduce the fiscal deficit to the year following the year, the fiscal year, the deficit is reduced to a reduction Registration of disability".

Fourth, the Consolidated Budget System is called a corporate pool. The consolidation process consists of providing a single budget for the grouping companies and maintaining a single, concise account comprising the operations of the grouping companies. Shareholding companies are the only ones that can benefit from this system except oil companies. The choice of the unification system has been irreversible for forty (40) years. The collected companies benefit from the following tax concessions: (i) exemption from registration rights for corporate transfer contracts; (ii) exemption from professional and value-added fees: (iii) surplus exempt waiver value; and (iv) Exemption of fixed contracts for transfer of property.

Based on the literature, the study expects the following hypothesis:

H_1: The low tax cost of the economic institution and the simplicity of its legislative framework make it a catalytic environment for the institution to expand the implementation of its investment strategy.

H_2: The incentives and incentive mechanisms put in place by the Algerian State have a positive impact on the investment behavior of the institution and have encouraged it to increase its investment capacities and expand its activity.

3 Methodologies

This study addresses the impact of tax on the investment strategy of economic institutions subject to tax on corporate profits, based on the analytical descriptive method. The most important taxes to which it is subject will be discussed, and the effectiveness of incentives and tax exemptions in paying the investment capacity of the institution will be analysed positively. To take note of the foregoing aspects, we have envisaged that the limits of our theoretical study will be from the beginning of tax reform until 2020. As for the applied study, it will include the Biovarm complex as an economic institution for the production and distribution of medicines for the period 2014-2017.

4 Biopharm case study

4.1 Profile of the complex

Biofarm is a consortium of companies whose main activities are the development, production and distribution of medicines to pharmacies, medical media and logistical medical services. The consortium distributes more than 520 medicines, of which 67 are locally produced. In 2013, the consortium subtracted shares to raise its social capital by 20%, in exchange for 510,4375 shares, worth 1,225 Algerian dinars per share.

4.2 Financial Statements of the Foundation

Table 1 shows the structure of the assets and liabilities budget of the pool during the period (2014-2018), where the assets budget shows that current assets are larger.

Table 1: Financial Budget of the Campus for 2014-2017

<table>
<tr><th colspan="5">Asset</th><th colspan="5">Liabilities</th></tr>
<tr><td>2014</td><td>2015</td><td>2016</td><td>2017</td><td>2018</td><td>2014</td><td>2015</td><td>2016</td><td>2017</td><td>2018</td></tr>
<tr><td>3.7</td><td>4.1</td><td>4.2</td><td>4.6</td><td>6.6</td><td>15</td><td>19.2</td><td>23.3</td><td>28.1</td><td>33</td></tr>
<tr><td rowspan="2">28.9</td><td rowspan="2">34.1</td><td rowspan="2">36</td><td rowspan="2">43.9</td><td rowspan="2">48.7</td><td>1.18</td><td>0.9</td><td>0.7</td><td>0.53</td><td>0.54</td></tr>
<tr><td>16.5</td><td>18</td><td>16.2</td><td>19.4</td><td>21.7</td></tr>
<tr><td>32.6</td><td>38.2</td><td>40.2</td><td>48.5</td><td>55.3</td><td>32.6</td><td>38.2</td><td>40.2</td><td>48</td><td>55.3</td></tr>
</table>

Unit: One Billion DZA. Source: Prepared by the researcher based on the financial reports of the complex

The preceding table shows the structure of the assets and liabilities budget of the pool during the period (2014-2018), where the assets budget shows that current assets are larger.

The liability aspect also illustrates society's tendency towards financial independence. The Society's financial structure is made up of private funds, as opposed to the very low long-term leverage, which shows the Society's lack of interest in the tax savings resulting from debt dependence. In addition, the Society has achieved an evolution in the number of works and the result achieved over five years, as shown in Table 2.

Table 2: Business Development and Net Result of the Pool for the Period of 2014-2017

Items	**2014**	**2015**	**2016**	**2016**	**2017**	**2018**
Business number	48.94	51.04	56.37	56.37	58.56	63.55
Evolution %	-	4.29	10.44	10.44	3.88	8.52
net result Evolution %	3.85	4.45	5.55	5.55	6.49	7.52
Evolution %	-	15.58	27.71	27.71	16.93	15.87

Unit: One Billion DZA. Source: Financial reports of the complex

4.3 Tax Data

The complex is partially affiliated with the Directorate General of Large Companies (DGE) and is subject to the Collectivization System and pays the corporate profits tax and exploitation tax (DT.TAP. and other fees). The collection cost of the complex during the period (2014-2018) was as shown in table 3.

© 2023 NSP
Natural Sciences Publishing Cor.

Table 3: Shows the Total Tax Cost of the Complex for the Period of 2014-2018

Tax	2014	2015	2016	2017	2018
Exploitation taxes	0.96	0.99	1.28	1.059	1.107
(1) / (3)	%46.6	%44.39	%47.76	%41.52	%42.57
Tax on profits (2)	1.100	1.24	1.40	1.49	1.50
(2) / (3)	%53.39	%55.6	%52.23	%58.43	%57.69
Total (3)	2.06	2.23	2.68	2.55	2.6

Unit: One Billion DZA. Source: Prepared by the researcher on the basis of the financial reports of the complex

Table 3 shows the total tax cost of the complex for the period (2014-2018) and shows that the exploitation tax represents a significant financial value of the total taxes paid. Although it is deductible from the corporate profits tax deposit, it is imposed on the basis of the number of works or the amount of the transaction, i.e., it does not take into account the true position of the enterprise, be it profit or loss (see Figure 1).

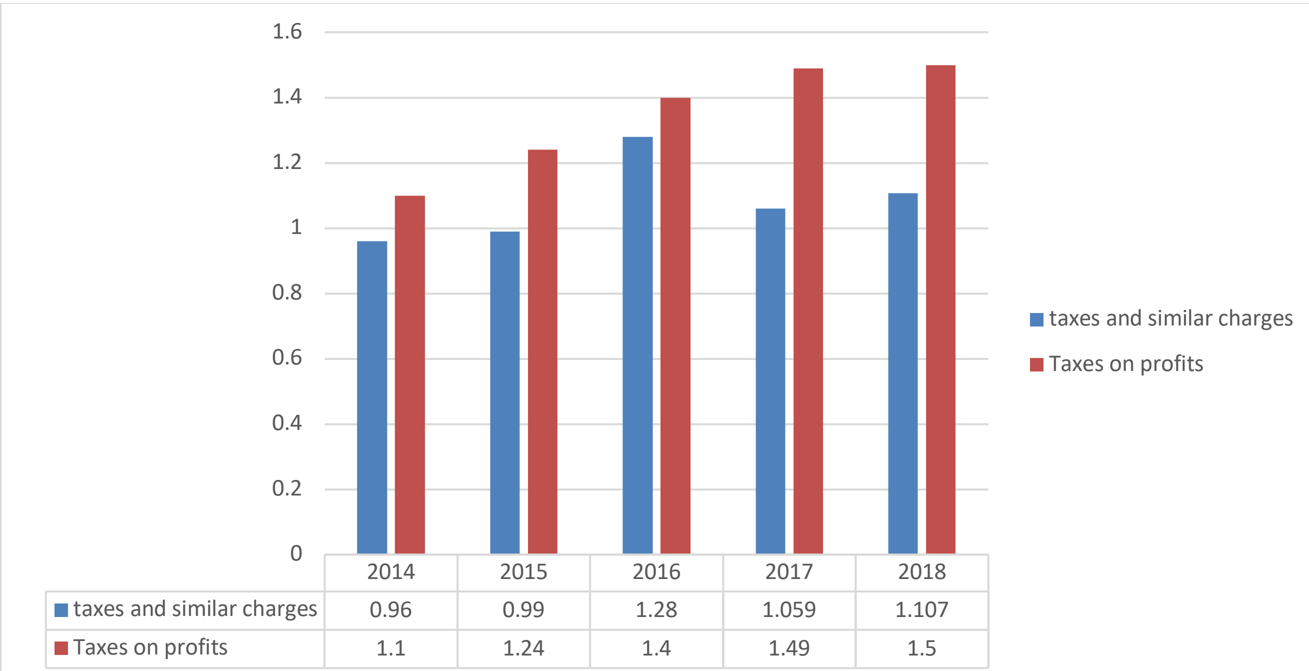

Fig. 1: Total Collection Cost of the Complex for the Period of 2014-2018. Source: Prepared by the researcher based on the gatherer data and Excel output

From Table 4, we will decide on deductible taxes and fees from the tax-on-profit pool.

Table 4: Value of Exploitation Taxes (Similar Taxes and Fees) for the Complex for 2017 and 2018

Number		2017	2018
01	Occupational Activity Fee	0.79	0.852
02	Medical product import fee 5%	0.135	0.134
03	settlement fee	0.078	0.67
04	Other charges	0.051	0.051
Total		1.059	1.107

Unit: One Billion DZA. Source: Financial reports of the complex

4.4 How to impose the profits of the complex to tax.

The profits of the complex are subject to two different tax rates. This is due to the multiplicity of the activities of the complex, where each activity is subject to its own rate. Profits resulting from the production activity are subject to a rate of 19%, and profits resulting from services and other activities are subject to a rate of 26%. We will clarify this in table 5.

Table 5: Shows How Realized Profits Are Taxed for The Period 2015-2017

Years	Yield Rate	Gross Profit	Stock Market Devaluation (20%)	Submissive Vessel	Tax	Total
2015	%19	1.33	0.266	1.066	0.202	0.99

© 2023 NSP
Natural Sciences Publishing Cor.

	%26	3.831	0.767	3.0655	0.797	
	Exempt ANDI	0.602	-	-	-	
2016	%19	1.415	0.283	1.132	0.215	1.405
	%26	5.722	1.144	4.578	1.19	
	Exempt ANDI	0.53	-	0.53	-	
2017	%19	2.306	0.416	1.845	0.35	1.49
	%26	5.521	1.104	4.417	1.148	
	Exempt ANDI	0.143	-	-	-	

Unit: One Billion DZA. Source: Prepared by the researcher on the basis of the financial reports of the complex

It is clear from the above table that the activities of the transport and distribution are dominated by the activity of the complex, and that there is a portion of the profits that are exempt from taxes, namely the profits that are reinvested under the National Agency for Investment Support and Improvement (ANDI), and another part of the profits is exempt by 20%, which is a temporary exemption from which the complex benefits under the offer of its capital for subscription, as shown in figure 2.

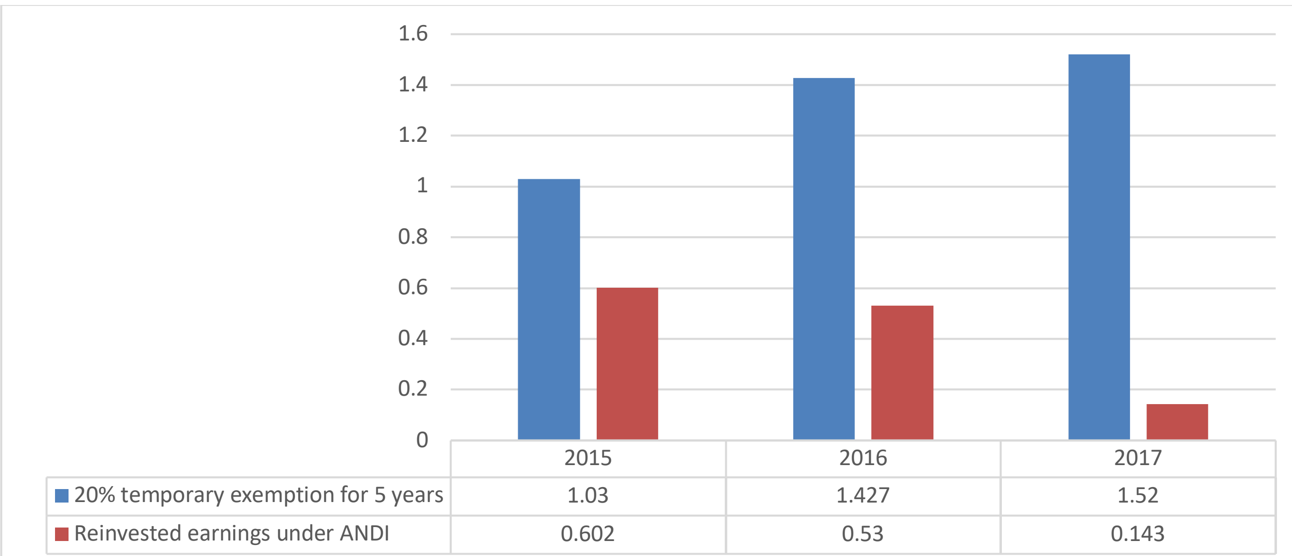

Fig. 2: Value of Tax Exemptions on Profits for the Period of 2015-2017. Source: Prepared by the researcher based on the gatherer data and Excel output.

The previous figure shows that the exemptions resulting from the stock exchange are more than the value of the reinvested earnings exemptions under the National Agency for Investment Support and Improvement, and the following table (Table 6) shows the most total exemptions with respect to the corporate profits tax.

Table 6: Total Tax Exemptions for Corporate Profits

Years	**20% Temporary Exemption For 5 Years**	**Reinvested Earnings In an Andi Window**	**Total Exemptions**	**Taxes on Paid Dividends**
2015	1.03	0.602	1.632	0.99
2016	1.427	0.53	1.957	1.405
2017	1.52	0.143	1.663	1.149

Unit: One Billion DZA. Source: Prepared by the researcher on the basis of the financial reports of the complex

The previous table shows the value of the tax on the profits paid by the collector for the period (2015 - 2016) and the total exemptions for this tax, as it is clear that the total exemptions exceed the value of the tax paid. This is further illustrated by figure 3.

© 2023 NSP
Natural Sciences Publishing Cor.

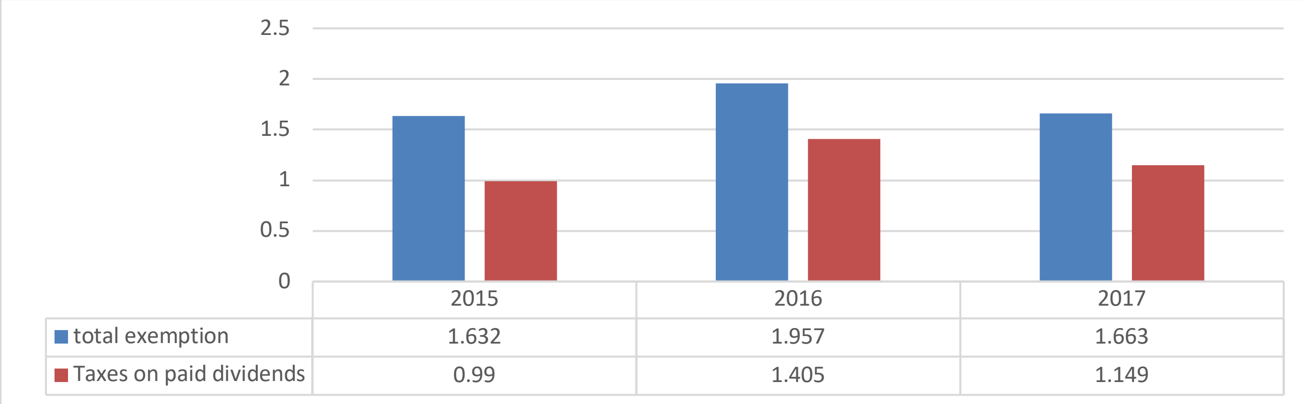

Fig. 3: Taxes Show the Profits Paid and The Value of Exemptions for This Tax (2015-2017). Source: Prepared by researchers based on the gatherer data and Excel output

4.5 Tax cost analysis based on some indicators.

Table 7 illiterates that the amount of taxes paid represents 4% of the number of jobs. It means that the complex pays the sum of 0.04 Gs for every 100 Gs of the net number of jobs [26]. This percentage can be increased with the increase in the number of jobs, as this is subject to the latter's fee for professional activity, which can be a difficult situation for the enterprise in the event of negative results, as it is not exempt from paying or recovered in the event of a deficit.

Table 7: The Empirical Cost Study of Indicators Based on Some Indicators For 2014-2017

Items	**2014**	**2015**	**2016**	**2017**	**2018**
(Total Taxes)/(Business Number)	%4.2	%4.3	%4.7	%4.35	%4.09
(Total Taxes)/(Net Result)	%53.5	%50.11	%48.28	%39.3	%34.57
(Total Taxes)/(Total External Costs)	%67.32	%65.85	%68.19	%66.75	%63.26
(Total Taxes)/(User Costs)	%98.56	%93	%101	%91.72	%86.66
Profitability Rate (1) = (Net Result)/(CA HT)	%7.4	%8	%9	%11	%11.8
Tax Pressure Rate (2) = (Tax Deduction)/(Private Capital)	%13.73	%11.61	%11.5	%9.07	%7.87

Note: with regard to (1) and (2), Arab Damush, Golf Glacier, an attempt to assess the tax pressure in the Economic Establishment, Journal of Economics and Society, Constantine University, No. 2, 2004, p. 156. Source: Prepared by the researcher on the basis of the financial reports of the complex

Further, the table shows that the percentage of taxes paid to the net result ranges from 34% to 53%. This percentage shows the heavy burden of taxes on the enterprise, which is high, indicating the cost to the complex. In addition, the table shows that the proportion of total taxes paid to user costs ranged from 86% to 101%, as well as the ratio of total taxes to the ratio of external costs (63% and 67%), which is high, indicating the amount of tax cost incurred by the compound despite the benefit of tax exemptions.

Lastly, the table shows that the tax deduction rate and profitability rates are higher than the profitability rate for the period 2014-2016. This means that the tax deductions for the Tax Authority are greater than the net sales margin for each "100" of the net business figure. The tax pressure rate has decreased compared to the profitability rate for 2017 and 2018. This is due to the noticeable development in the net result of the complex and the rise in private capital from 15 billion levies for 2014 to 33 billion levies for 2018, as compared to the fixed cost for the same years of study.

5 Results and Discussion

The tax rates imposed on the enterprise are non-progressive, and their rates are determined in the light of its activity, but they do not take into account the size of the enterprise and the size of the profits achieved. The legislator has placed all institutions at the same level, which is not in the interest of small enterprises seeking to expand. The authors found the following matters. First, the Foundation is exposed to double taxation, as there are taxes affecting the overall surplus of exploitation and it is considered a deductible cost that reduces profits, as opposed to the tax on profits.

Second, regarding the procedures for the settlement of some costs and the lack of recognition of some of them, they are an obstacle to the expansion of the Foundation's spending in order to expand its field of activity and develop its business strategies. In particular, the Criminal Code has relied on the Business Number Standard to cover some costs, which is a traditional standard that does not consider the true financial situation of the Enterprise and the added value it achieves.

To avoid the cost being capped, the Foundation must raise its production capacity to achieve a higher number of jobs. Third, the capping of certain costs and services affects an enterprise's strategy and competitiveness, so it can afford a significant cost value for the circumstances of the activity and the competition rules and is only allowed to deduct a fraction of it.

Fourth, the tax legislator has sought the survival and continuity of the enterprise by allowing it to carry forward the deficit of previous cycles for four consecutive years starting from the year of the loss in order to keep its capital from erosion. However, the limitation of the period of deportation by four years is insufficient for the emerging institutions that have not yet expected to be in their surroundings to achieve sufficient profits at the beginning of their years of activity. It also does not motivate large enterprises to expand their activity in order to avoid large losses that they cannot absorb in a short period of time. This incentive procedure is therefore insufficient for them to increase their investment. On the contrary, we find, for example, in the United States of America, the enterprise is allowed to carry losses forward for three years and 15 years.

Fifth, the VAT deduction system provides the enterprise with the possibility of deducting the amount of the fee charged to its purchases from the amount of the fee payable to their sales. This system allows the tax to be neutral on the gross surplus of exploitation and the result of the enterprise. Sixth, the VAT exemption purchasing technology is an effective tool, allowing an organization exempt from VAT to make purchases that are not included in VAT, thereby reducing the cost of investment. In this regard, VAT ranks first in terms of exemptions for the benefit of the enterprise. Table 8 shows the value of the exemptions granted by the Tax Administration in respect of value-added tax, corporate profits tax and professional activity.

Table 8: Value of Tax Exemptions at The State District Level

Value	**At the Level of The Directorate of Senior Companies**			**At the District Level**	
	2014	**2015**	**2016**	**2015**	**2016**
value-added Fee	95.50	97.78	58	289.72	308.81
corporate profit tax	6.74	6.08	3.53	12.11	11.61
Occupational Activity Fee	3.72	3.66	2.97	3.86	5.16

Source: Accounting Board: -Annual Report 2018, p. 22. -Evaluation Report of the Finance Act 2016, pp. 47-48.

Seventh, although one of the most important outcomes of the policy of tax reform has been to allow the Enterprise to apply decreasing and escalating depreciation systems, the restriction of the Enterprise in choosing and restricting the depreciation pattern to only three types affect the Enterprise Growth Policy because it impedes the process of asset renewal in a short time. Eighth, the fact that the content of the tax legislation is inconsistent with the Financial Accounting System makes it difficult for an enterprise to plan its financial and fiscal policies. When it proceeds with any decision, it will take the Penal Code as a priority for fear of being subjected to criminal danger.

In this respect, the Enterprise's Criminal Code is also characterized by inconsistency due to the abundance of laws and exceptional and unregulated tax articles contained in the various annual and supplementary financial laws. In this regard, the Accounting Board noted in its evaluation report on the preliminary draft of the Budget Adjustment Act of 2013, that there is a set of legislative texts devoted to the Penal System through various laws, including direct taxes, indirect work figures. The Fuel Law, the Mining Code, the Investment Development Act and various partnership agreements affect the uniformity and comprehensiveness of Algerian penal law.

6 Conclusions

The purpose of the study is to determine and make clear how much the tax laws have an impact on the institution's investment plan. Additionally, it makes an effort to assess the success of tax incentives designed by a lawmaker to support an economic organization. The study also examined the outcomes that the company can use to accomplish its investment strategy. The findings demonstrate that tax variables have an impact on an organization's investment strategy through the tax mix that is imposed, the tax subjugation rates, the legal provisions of the tax legislation that outline the steps an organization must take to calculate its taxable profit, and the calculations used to determine the amount of taxes and fees that must be paid. According to the report, tax legislation intended to encourage economic institutions by lessening their tax obligations by offering tax discounts and exemptions, particularly for corporate profits. On the other hand, it has restricted it to the collection of legal texts that govern the process for calculating the tax base, including the provisions, the revaluation of assets, and the treatment of deductible expenditures in the accounting system.

© 2023 NSP
Natural Sciences Publishing Cor.

7 Recommendations

One factor influencing an organization's strategy and ability to expand its investments is the positive variable, with the tax burden of all deductions being an additional cost that reduces the value of its net profits. The study showed that the tax legislator had reduced the rate of tax on profits but had instead expanded the taxable containers to include the number of businesses and all transactions related to the company's activity, which increased its tax cost and reduced the value of the profits realized, making it necessary for the enterprise to seek other alternative financial sources because of insufficient self-funds. In return, the volume of its investments decreases because of the heavy tax burden. The study give the following recommendations and suggestions: (i) allow for the accounting and passive posting of realized losses to the rear as is the practice in some States' legislation or make the period of forward posting of losses unlimited by a certain period until the posting of all such losses has been exhausted; (ii) give the organization the freedom to choose an asset consumption pattern; and (iii) the need to recognize in a positive manner all costs incurred by the Foundation during its normal activity.

Conflicts of Interest Statement

The authors certify that they have NO affiliations with or involvement in any organization or entity with any financial interest (such as honoraria; educational grants; participation in speakers' bureaus; membership, employment, consultancies, stock ownership, or other equity interest; and expert testimony or patent-licensing arrangements), or non-financial interest (such as personal or professional relationships, affiliations, knowledge or beliefs) in the subject matter or materials discussed in this manuscript.

References

[1] J.E. Adaletey, T.M. Alkadash, R.A. Achiyaale, K.M. Oware, Property tax and tax system for revenue mobilization, *Specialusis Ugdymas*, 1, 429-449 (2022).
[2] S. Chandren, M.S.M. Al-Absy, A. Qasem, Internal and external governance impact analysis and contribution on operating performance during goods and services tax implementation. A Malaysian evidence, *International Journal of Supply Chain Management (IJSCM),* 9, 908-920 (2020).
[3] H.Z. Mohamed, K.M. Mahmoud, M.S.M. Al-Absy, H. Osman, *A Proposed Accounting Framework for Tax Accounting for Sustainable Development Activities in SMEs*, Examining the Vital Financial Role of SMEs in Achieving the Sustainable Development Goals, IGI Global, pp. 1-17, (2023).
[4] S. Hanan, *The impact of tax reform in Algeria and its repercussions on the economic establishment*, University Of Mentouri Constantine (2012).
[5] S. Dammak, *Impact de la fiscalité sur les décisions et modalités de financement des investissements*, ainsi que sur la valeur de la firme: analyse comparative (France, Allemagne, Royaume Uni, Etats Unis et Tunisie), Nice, 2006.
[6] S. Princen, Determining the impact of taxation on corporate financial decision-making, *Reflets et perspectives de la vie économique*, 51, 161-170 (2012).
[7] X. Wang, L. Zhu, How does export VAT rebates policy affect corporate investment efficiency? Evidence from corporate tax stickiness, *Pacific-Basin Finance J.*, 102130, (2023).
[8] W. Chen, R. Jin, Does tax uncertainty affect firm innovation speed?, *Technovation*, 125, 102771 (2023).
[9] Ministery of Finance, *General Tax Directorate: Ordre 14-19 Portant Lois Des Finances*, in: F. government (Ed.), https://www.finances.gov.ma/Publication/db/2019/lf2020.pdf, (2020).
[10] H. Kruger, *Les principes generaux de la fiscalite*, Ellipses (2001).
[11] H. Bouzideh, *Forensic techniques*. Algeria, University Press Office, (2007).
[12] M. Rahmani, *Algerian tax legislation,* Alexandria: New University House, (2018).
[13] Ministery of Finance, *Lois 02-97 Portant Lois Des Finances 1998, in*: F. Government (Ed.), Government, 1998, (1997).
[14] S.A. Othman, S.R. Al-Ashmawy, Tax economics policies - systems - contemporary issues, Alexandria: University House, (2007).
[15] M.A. Badawy, A.E.-S. Zaki, H.M. Ismail, *Contemporary studies in tax accounting*, Alexandria: The Modern University Office, (2016).
[16] K.W. Al-Rawi, A. Barakat, N. Al-Ramahi, *International finance theory*, Curriculum House for Publishing and Distribution, (2017).
[17] Q.N. Alwan, *Investment management between theory and practice*, Amman: House of Culture for publication and distribution, (2009).
[18] D. Ogien, *Gestion financière de l'entreprise*, Dunod (2015).
[19] N. Murad, *Tax reform in Algeria*, Algeria: Al-Baghdadi Publications, (2003).
[20] K.S. Al-Khatib, N.F. Tafesh, *Scientific and practical principles in tax accounting*, Amman: Dar Al-Hamid for

publication and distribution, (2008).
[21] Y.H. Yusuf, *Finance in economic institutions*, Alexandria: University Education House, (2012).
[22] A.N. Al-Tamimi, *Fundamentals of financial management*, Amman: Dar Al Masirah for publication and distribution, (2007).
[23] T. Rifaa, S*tudying the financial behavior of the economic institution in light of the financial transformations*, Faculty of Economic Sciences, University of Algiers, 2015.
[24] National Agency for Investment Development and Improvement, *Law N° 22-18 of 25 Dhou El Hidja 1443 corresponding to July 24, 2022 relating to investment*., Retrieved from https://aapi.dz/wp-content/uploads/2022/11/Law-N%C2%B0-22-18-of-July-24-2022-FINAL.pdf, (2019).
[25] Ministry of Finance, *Lois 13-08 Portant Lois Des Finances 2014*, in: F. government (Ed.), government, (2013).
[26] D. Al-Arabi, N.T. Jaghlouf, An attempt to assess the tax pressure in the economic institution, *Journal of Economy and Society*, Constantine University, 143 - 159 (2004).

© 2023 NSP
Natural Sciences Publishing Cor.