

Taxation of E-Commerce in Algeria: Mechanisms and Challenges

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Abstract

This study sheds light on e-commerce as a set of activities that rely on computers and the Internet to exchange goods and services in a modern, direct, and electronic form. It also clarifies the legal framework governing this form of trade in Algeria and examines the taxation of e-commerce. The paper highlights the most important challenges that hinder the application and collection of taxes on electronic commercial transactions in Algeria. The study concludes that e-commerce activities should be subject to taxes and fees, while proposing practical solutions suited to the Algerian context. In light of recent technological developments and their expanding use in all areas of life—particularly in business—there has emerged a pressing need to shift from the traditional business environment to an electronic environment. This transformation has led to the emergence and rapid expansion of e-commerce. Given the many effects of operating in an e-commerce environment, disciplines connected with trade, taxation, law, accounting, and public finance must study those effects carefully. Such analysis makes it possible to identify positive impacts and benefit from them in a way that supports institutional and public-policy objectives. Since tax collection is a major source of state revenue, and since e-commerce increasingly dominates real commercial activity, linking e-commerce to taxation may constitute an important and steadily

Keywords: taxation, trade, e-commerce, Algeria, electronic commercial exchange.

Introduction

growing public resource proportional to the volume of electronic commercial exchange.

This development requires a tax policy compatible with the specific nature of electronic commercial activity. The taxation of e-commerce is commonly viewed from two angles. Some argue that subjecting Internet-based transactions to taxes or fees may restrict technological growth. Others maintain that exempting e-commerce from taxation reduces one of the state's most important sources of revenue, particularly because individuals and institutions increasingly prefer concluding contracts and commercial transactions online due to their lower cost in both value and time.

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Moreover, limiting tax systems to traditional commercial transactions while excluding electronic transactions makes such systems less efficient. Virtual taxation raises two major problems: one theoretical and the other practical. Practically, it is difficult to apply familiar and existing rules to e-commerce. Theoretically, there remains a lack of tax concepts and rules that adequately account for the radically new nature of electronic commerce.

Accordingly, the central research question may be formulated as follows: What are the mechanisms for imposing taxes on e-commerce in Algeria, and what challenges arise when subjecting it to taxation?

Significance of the Study

The significance of this study stems from the rapid development of e-commerce, the economic and social importance it has acquired globally, and the important role of taxation in regulating this activity. It also derives from the potential size and role of tax revenues from e-commerce in supporting state budgets.

Objectives of the Study

- To examine the nature, characteristics, and forms of e-commerce and to clarify the concept of taxation.
- To identify the difficulties and obstacles associated with imposing taxes on e-commerce in general.
- To study the orientations and challenges related to imposing taxes and fees on electronic trade and transactions in Algeria.

Methodology

To address the research problem, the study adopts the descriptive-analytical method and the case-study approach. The paper is organized into three main sections: first, conceptual foundations relating to e-commerce and taxation; second, the application of taxation to e-commerce; and third, the reality and challenges of e-commerce taxation in Algeria.

Previous Studies

Janan et al. (2007) examined the tax challenges of Arab e-commerce and the possibility of developing it. The study sought to identify Internet-based e-commerce as one of the most important features of the twenty-first century and emphasized the need for countries to adapt to the era of the global networked economy. It concluded that the future of e-commerce, particularly exports, is surrounded by growing risks due to insufficient familiarity with technological developments affecting online commercial operations. The study recommended rehabilitating the Syrian tax system in relation to income tax, developing tax legislation, strengthening foreign-language training, and establishing an effective supervisory body qualified in modern technological methods.

Shehata (2007) studied the possibility of imposing a tax on e-commerce transactions. The study asked whether and to what extent a tax could be imposed on such transactions, what problems obstruct taxation, and how taxable income generated from goods and services sold online should be determined. It concluded that domestic e-commerce transactions may be subject to unified tax rules, while external e-commerce transactions may be subject to customs duties and sales tax. The study also emphasized that the invisibility of e-commerce is among the major problems facing tax systems, and that electronic auditing methods are necessary to verify transactions, delivery, and the movement of goods.

Hanefah and Othman (2006) investigated Malaysian tax accountants' perceptions of the impact of e-commerce on tax collection and tax systems, particularly with regard to permanent establishment.

Their findings indicated that e-commerce may lead to double taxation, tax loss, and tax evasion. They also suggested that the basis for determining permanent establishment in e-commerce requires further review. The study recommended issuing guidelines on e-commerce taxation to help businesses understand the tax treatment of online transactions and to support professional accountants in determining taxable income.

Section One: Definition, Emergence, and Development of E-Commerce

In recent years, the terminology of e-commerce has become widely disseminated, to the point that it has become a symbol of information culture and of the technological revolution. The term is now common among financial and business communities and across institutions generally. E-commerce denotes a set of activities that rely on computers and the Internet to exchange goods and services in a modern, direct, and electronic format. Linguistically, the term combines “commerce,” meaning the exchange of goods and services according to agreed rules, and “electronic,” meaning the performance of commercial economic activity through modern communication technologies such as the Internet.

Definitions of E-Commerce

Definitions of e-commerce vary in scope. From a business perspective, it is a means of delivering information, services, and products through information-technology tools. From the perspective of the Internet, it is the commercial process that enables the sale and purchase of goods and services through the global network. Jurists commonly define e-commerce as the process of buying and selling through electronic networks at both the goods and services levels, including information, computer programs, and other activities that support commercial practices. Some or all transactions may be conducted between businesses or between businesses and consumers using information and communication technologies.

The UNCITRAL Model Law on Electronic Commerce, adopted on December 16, 1996, did not provide a comprehensive definition of e-commerce; rather, it focused on electronic data interchange, defining it as the electronic transfer of information from one computer to another using an agreed system for structuring information. The Saudi Electronic Transactions Law defines it broadly as any exchange, correspondence, or other procedure concluded or executed wholly or partly by electronic means.

The World Trade Organization (WTO) views e-commerce as an integrated set of operations involving the conclusion of transactions, the establishment of commercial relationships, and the distribution, marketing, and sale of products through electronic media. This broad definition does not limit e-commerce to the exchange of goods and services electronically; it also covers production, marketing, sales, advertising, promotion, delivery, and after-sales services. The WTO has classified e-commerce within the scope of services, particularly under the General Agreement on Trade in Services (GATS).

Coppel defines e-commerce through a matrix that covers all commercial operations carried out among institutions and companies, whether governmental or non-governmental, and between those institutions and their customers and consumers. Algerian legislation, under Article 6/1 of Law No. 18-05, defines e-commerce as the activity by which an electronic supplier proposes or guarantees the provision of goods and services remotely to an electronic consumer through electronic communications.

Characteristics of E-Commerce

- Global character: e-commerce activities are not constrained by geographical boundaries. A commercial website can enable even a small company to penetrate markets and reach Internet users worldwide.

- Interactivity and integration: goods and services may be delivered by traditional means or directly online, requiring institutions to restructure themselves to face the changes imposed by e-commerce.
- Paperless transactions: a complete commercial transaction may be concluded without exchanging paper documents, supporting the emergence of a paperless society.
- Relative anonymity of parties: the identity and location of parties may be difficult to verify, creating regulatory and tax challenges.

Emergence of E-Commerce

The term e-commerce began to gain prominence after 1994, closely associated with the invention and spread of the Internet. The development of e-commerce among business sectors passed through three main stages: first, the link between major companies and their suppliers within supply chains; second, electronic data interchange between major companies and suppliers through value-added networks; and third, the exchange of documents and completion of commercial transactions over the Internet. This final stage reduced transaction costs, shortened commercial cycles, improved financial and cash flows, reduced errors, strengthened competitiveness, and expanded exchange among commercial institutions.

Forms of E-Commerce

- Business-to-business (B2B): transactions among business institutions, including electronic marketing, electronic data interchange, procurement, invoicing, and payment through information and communication networks.
- Business-to-consumer (B2C): online shopping that enables consumers to purchase goods and pay through credit cards, electronic banking, or cash on delivery.
- Government-to-business and government-to-consumer (G2B/G2C): electronic interactions between companies, individuals, and public administrations, including access to procedures, regulations, fees, and forms online.
- Consumer-to-consumer (C2C): direct sale and purchase among individuals through websites and online platforms.

Importance of E-Commerce

E-commerce is an exceptional means of reaching global markets simultaneously and at low cost. It allows sellers to access remote and diverse markets and enables buyers to enjoy similar advantages. It is a practical manifestation of globalization, trade liberalization, and the idea of the world as a small village unconstrained by time and place. It also enables round-the-clock shopping, improves the exchange of information within institutions, reduces dependence on paper documents, lowers administrative costs, opens new markets for businesses, increases competitiveness, supports more effective marketing, provides consumers with broader information about products and prices, and may contribute to lower prices compared with traditional stores.

Conceptual Foundations of Taxation

A tax may be defined as a compulsory monetary contribution imposed on taxpayers according to their contributive capacity. The competent public authority collects it definitively and without a specific direct consideration in order to achieve public objectives. It is also defined as a final compulsory monetary deduction borne by individuals and paid to public authorities under specified rules to cover the burdens of the state.

Types and Objectives of Taxes

Taxes are commonly divided into direct and indirect taxes. Direct taxes are imposed and deducted directly from income or wealth, and their burden cannot easily be shifted; the person legally liable for them generally bears them. Indirect taxes, often called expenditure taxes, are imposed on income when it is spent and therefore affect income indirectly through specific acts of consumption or circulation.

Taxes pursue several objectives. Financially, they secure permanent internal revenues for the state treasury. Socially, they may contribute to redistribution, prevent excessive concentration of wealth, support social policy, and address phenomena such as poverty. Monetarily, taxation may be used, especially during inflationary periods, to reduce excess money supply and preserve the value of money, thereby contributing to a relative balance between supply and demand.

Section Two: Applying Taxation to E-Commerce

The shift from a materially limited commercial environment to an electronic, knowledge-based environment has created serious challenges for traditional tax systems. Historically, goods were physical, and their production, distribution, and consumption could be traced and taxed relatively easily. Global e-commerce, however, has made cross-border movements of goods, capital, services, and work less transparent. This allows companies and individuals to exploit differences among tax systems and may facilitate tax avoidance or evasion anywhere in the world.

International Efforts to Tax E-Commerce

International and domestic legislative approaches to the taxation of e-commerce transactions have varied. Although many developed countries have enacted laws governing e-commerce as a form of commercial activity, coordination and codification concerning the taxation of revenues generated by e-commerce have not advanced at the same pace. At the international level, the World Trade Organization has emphasized the implementation of principles associated with the GATT framework and the liberalization of global trade from tax and customs restrictions that impede capital movement and international economic development.

The Organisation for Economic Co-operation and Development (OECD) has played a significant role in addressing the economic and tax aspects of e-commerce and electronically concluded contracts. It has contributed to the development of an international tax framework by emphasizing traditional tax principles, particularly residence and source, and by encouraging bilateral treaties to prevent double taxation. At the same time, globalization and e-commerce have intensified tax evasion, harmful tax competition, and the emergence of tax havens, all of which require international cooperation.

Tax Challenges Raised by E-Commerce

- Identifying taxpayers and verifying their legal and geographical location.
- Determining the place where income is generated and the jurisdiction entitled to tax it.
- Establishing whether an electronic presence constitutes a permanent establishment.
- Tracing digital transactions and verifying electronic invoices, contracts, and payments.
- Preventing double taxation while also preventing non-taxation and tax evasion.
- Adapting traditional customs, income-tax, and value-added-tax rules to intangible digital goods and services.

Section Three: The Reality and Challenges of E-Commerce Taxation in Algeria

In Algeria, the taxation of e-commerce must be understood in connection with the broader development of the digital economy, electronic payment systems, consumer protection, and the legal recognition of electronic commercial activity. Law No. 18-05 established an important legal foundation by defining e-commerce and regulating the relationship between the electronic supplier and the electronic consumer. Nevertheless, the effective taxation of e-commerce requires operational mechanisms capable of identifying taxable persons, transactions, income, and the location of economic activity.

The main challenges in Algeria include the limited spread of formal electronic payment, the difficulty of monitoring online platforms and social-media sales, the absence or insufficiency of specialized tax-audit tools, the limited integration of databases among tax, customs, commercial-register, and banking authorities, and the need to train tax officials in digital-audit techniques. Additional challenges include the cross-border nature of many transactions, the difficulty of valuing digital services, the use of foreign platforms, and the possibility that suppliers may operate without a stable physical establishment.

Proposed Solutions

- Develop a clear legal and regulatory framework that explicitly addresses the tax treatment of e-commerce income, digital services, electronic platforms, and online marketplaces.
- Strengthen electronic invoicing and require electronic suppliers to maintain auditable digital records.
- Expand secure electronic payment systems and link them, within the limits of privacy and due process, to tax-control mechanisms.
- Create specialized units within the tax administration for digital transactions and electronic auditing.
- Enhance cooperation among tax, customs, banking, telecommunications, and commercial-register authorities.
- Adopt international standards on residence, source, permanent establishment, and value-added taxation of cross-border digital services.
- Support taxpayer awareness so that electronic suppliers understand registration, declaration, and payment obligations.

Conclusion

E-commerce has become an essential component of contemporary economic activity. Its growth offers major opportunities for market access, cost reduction, competitiveness, and consumer choice. At the same time, it challenges traditional tax concepts built around physical presence, paper documentation, and easily traceable flows of goods. In Algeria, the legal recognition of e-commerce represents an important step, but the fiscal treatment of electronic transactions still requires further institutional, technological, and legislative development.

The study concludes that e-commerce activity should be subject to taxes and fees in a way that preserves fiscal equity without obstructing technological development. This requires a balanced approach: modernizing tax legislation, developing electronic auditing, strengthening inter-institutional coordination, supporting electronic payment, and aligning domestic rules with international tax principles. Such measures would enable Algeria to protect public revenues while encouraging the orderly growth of the digital economy.

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