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The impact of tax revenues on the general budget in Algeria during the period 2018-2024

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Abstract---This study aimed to clarify the role of tax collection revenues in supporting the general budget of Algeria during the period 2018-2024, as it witnessed a continuation and an increase in the deficit for the study years, and the descriptive and analytical approach was relied on to reach results that reflect the phenomenon under study, the study concluded the importance of the role played by tax collection in supporting the general budget during the study years, as it shows the persistent and worsening deficit and the inability of oil collection to provide all revenues to the budget, especially at times of low oil prices in international markets.

Keywords---Tax collection, Regular Collection, General Budget, Tax Revenues, Public Spending.

Introduction

Algeria's public budget has historically been closely linked to fuel revenues, which has negatively affected its financial stability due to fluctuations in international oil prices. The structure of the ministry and the budget has evolved several times depending on the economic and social options put forward in the economic and social arena since the year of independence to this day, and with the repeated budget deficit and dependence on large public spending to face local and international crises, it has continued to suffer from repeated deficits for many years.

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The oil tax revenues are no longer able to finance the budget, despite achieving financial surpluses over the past few years, which led to an accumulation of foreign currency reserves of 200 billion dollars, due to the poor management of this revenue and the difficulty of investing it outside the geographical borders of the country, and with the large public spending, which depends mainly on financing economic development projects, in addition to the state's knowledge of the social conditions of the country's individuals, all made it difficult to the role required to finance public spending and search for other alternatives.

The problem of studying:
The increase in the deficit in the general budget despite the increase in tax revenues with an economic situation in which it is difficult to increase these revenues, with the decline in petroleum collection revenues makes it difficult to accept this situation, which necessitates a speedy recovery before resorting to harsh measures or difficult financial and economic instruments that make the country's economic growth in a critical situation.

From this point of view, the following question can be formulated:

What is the impact of tax revenues on the general budget in Algeria during the period 2018-2024?

To answer the problem of the study, the sub-questions have been formulated as follows:
- What is the impact of direct tax revenues on the general budget of the state?
- What is the impact of excise revenues of indirect taxes on the general budget of the state?

Study objectives:
This study aims to:

- Clarification of the reasons for the persistent deficit in the general budget of Algeria;
- Determining the impact of tax revenues on the public budget deficit in Algeria;
- Developing solutions to the problem of the persistent and worsening deficit of the general budget in Algeria.

Curriculum of study:
In this study, we relied on the descriptive approach to present various theoretical aspects related to tax revenues and the general budget, relying on the descriptive and analytical approach, which is based on the analysis of data and figures related to tax revenues and the general budget deficit in Algeria.

Study divisions:
Our study was divided into three main axes, namely:
- Tax revenues during the period 2018-2024;
- The reality of the general budget in Algeria during the period 2018-2024;
- The impact of tax revenues on the general budget of Algeria during the period 2018-2024;
- Current and future challenges to the state of the general budget.

1- Tax revenues during the period 2018-2024

Tax revenues in Algeria are essential to the general budget, as they are used to finance public spending across various sectors. However, budget financing is heavily dependent on petroleum levies, which makes it vulnerable to fluctuations in global energy prices, which necessitates diversifying revenue sources by increasing regular non-petroleum levies ‹The most important positive effects of tax revenues on the general budget are as follows:

*** Financing public spending:** tax revenues contribute to covering various state expenditures such as infrastructure, education, and health care, as you indicate.

*** Achieving financial balance**: the collection seeks to achieve financial balance, especially in light of the heavy dependence on volatile oil revenues.

* **Directing behaviors:** regular collection acts as a tool to direct the behavior of individuals and economic institutions towards certain activities.

2 - The reality of the general budget in Algeria during the period 2018-2024
2.1- Foundation Stage:
The first Ministry of Finance was established in independent Algeria in 1962, then it underwent a major restructuring in 1963, which included broad powers such as trade, planning and development. During the seventies and eighties, the budget saw an increase in public spending to support economic growth, but it was associated with a heavy dependence on oil and gas revenues.

2.2. The period of crises and fluctuations in oil prices:
The state budget was significantly correlated with fluctuations in oil prices, which led to frequent budget deficits despite an increase in revenues in some periods. The dependence on imports and the transformation of Algeria from an exporter of wheat to an importer of it, which increased the cost of imports. The 1990 budget was characterized by increasing inflationary pressures in the private sector and the privatization of public companies faced difficulties and administrative obstacles. Part of the oil revenues were used to clear external debts, but governments continued to maintain a high level of public spending for fear of social pressures.
The government was forced to rely on other resources to finance the budget deficit, such as the revenue Control Fund, which was depleted over time, which affected the overall budget position.

2.3. Recent crises and growing deficits:
The budget has suffered from a growing deficit over recent years, which has reached high levels. Economic and social crises affected the sustainability of the budget, which necessitated the need for an effective strategy to maintain financial sustainability.

Table No. 01: the development of revenues and expenditures after the oil crisis (unit: one billion DJ)

years Statement	2018	2019	2020	2021	2022	2023	2024
General expenses	7732.1	7741.3	7372.7	7428.7	9935.7	12142.02	13232.69
General revenue	6313.9	6586.6	4991.2	6586.6	9524.1	10735.15	8302.41
Petroleum tax collection	2887.1	2668.5	1921.6	2609.2	5507.7	5576.98	3840.80
Non-hydrocarbon revenues	3939.7	3933.1	3719.4	1209.2	4016.5	5158.5	4461.6
Tax revenues	2711.8	2843.5	2625.2		2988.0	3496.1	3375.7
Budget balance	**1833.4**	**1953.4**	**2381.5**	**1589.6**	**949.6**	**1857.6**	**4978.7**
Budget balance of PIB	**-9**	**-9.6**	**-17.5**	**-7.2**	**-2.3**	**-3.8**	**-13.78**

Source: Annual Report-economic and monetary Development, Bank of Algeria 2025

-In 2018, the budget showed a difficult financial situation due to the decline in oil prices, with an estimated deficit of about 20 billion dollars and expenditures of about 75 billion dollars. To counteract this, taxes were slightly increased (especially on fuel, tobacco and liquor), with a reduction in some budgets and restrictions on imports, but they maintained a large allocation of social benefits.

- In 2019, the total budget expenditures amounted to about 8500 billion dinars, and the budget was characterized by an increase in the support budget by 0.7% to the value of social transfers to 1.77

trillion dinars, focusing on rationalizing public spending as a strategy of the government. (Union of Chambers, 2019) - It also imposed an austerity budget with new taxes in 2020 with an estimated negative growth of -5% (tradingeconomics, 2024) and a budget deficit of 62 billion dollars. Due to the impact of the corona pandemic, which necessitated a reduction in the operating budgets of ministries and departments by 50%, after being reduced in the finance law of 2020.(Gabriel, 2020)

- With regard to 2021, Algeria's budget witnessed an improvement in the deficit compared to 2020, reaching 2700 billion Algerian dinars, which was accompanied by an increase in public expenditures due to the increase in management and processing expenses, and an improvement in the current account with the achievement of a trade surplus.(Abd elrahman,, 2022).

Public expenditures increased significantly in 2022 and. 2023 with an estimated increase of 17,97% in 2023 and moved from 9 935,65 billion dinars to 721,53 11 billion dinars. This significant increase in budget expenditures has directly affected the proportion of budget expenditures in the gross domestic product,which currently amounted to 35.97% in 2023 compared to 31.02% in 2022.total budget expenditures continued an upward trend with an increase of 8.98% between 2023 and 2024, budget expenditures increased from 142.02 12 billion dinars in 2023 to 13232.69 billion dinars in 2024.

In 2022,budget revenues increased by about 869.82 billion dinars compared to 2021, reaching 467.3 billion dinars at the end of 2022 compared to 597.56 billion dinars at the end of 2021 with an increase of 43.5%, mainly due to the increase in taxes on fuels. In 2024, the total budget revenues recorded a contraction of 22.66%, falling from 735.15 10 billion dinars in 2023 to 8302.41 billion dinars, with a 69% decrease in its balance.

The general budget in Algeria has shown a trend towards a historical increase in spending, as the budget for 2025 amounted to about 128 billion dollars, with expectations to increase it to 131 billion dollars for 2026, in order to face challenges such as inflation and promote economic growth that depends heavily on oil and gas revenues. Despite the increase in spending, the fiscal deficit remains a major concern, with the government expecting it to worsen to almost USD 62 billion in 2025.

3-the impact of tax revenues on the general budget of Algeria during the period 2018-2024

Tax revenues are a major primary source of financing public expenditures and government activities and directly affect the general budget, where regular tax revenues and oil levies play a pivotal role, but the almost complete dependence on oil levies makes the budget vulnerable to fluctuations in world prices, which negatively affects its financial stability, and the following figure shows the extent of dependence of the general budget on tax revenues, as its role has increased in recent years due to the decline in the role of oil levies in the general budget.

The tax revenues of direct and indirect taxes received by the state consist of individuals and enterprises, which include income, corporate and other taxes. These taxes are an essential part of financing the general budget and contribute to covering public expenditures.

Regular collection revenues in 2024 continued their upward trend recorded in recent years, as they increased by 8.6 percent year-on-year until the end of last August, and that regular collection revenues (outside of gross income tax /salaries and wages), recorded a value of 3,000 Billion DJ in the period from January to August 2024, compared to 2,817 billion DJ in the same period from 2023.(elattif, 2025)

Non-tax revenues include asset sale revenues, loan revenues, investment revenues in stocks and bonds, fines and interest, and their contribution was reduced in 2024 compared to 2023 and 2022, and although their percentage is weak, they have a role in enhancing the contribution of collection to finance the budget deficit.

3-1 The impact of tax revenues from direct taxes on the general budget of the state:
Direct tax revenues include taxes on income such as gross income tax (IRG) and corporate profit tax (IBS), as well as similar fees such as the fee on professional activity (TAP) and real estate fees. These revenues are a major source of financing public expenditures and are collected directly from individuals and companies.

It represents a major source of financing for management expenses and local development programs, and its role is to contribute to enhancing the total tax revenues, where it contributed 40.6% of the total ordinary collection revenues, which amounted to 4232.5 billion dinars, as the latter contributed 72% of non-hydrocarbon revenues until December 31, 2023(Council, 2024). the tax reforms aim to expand the tax base, improve the economic climate and combat tax evasion.

The tax revenues in Algeria witnessed a significant increase during 2024, reaching 3375.7 billion dinars, an increase of 6.8% compared to the same period in 2023, this increase reflects its increasing contribution to budget revenues, such as 72% of revenues outside hydrocarbons, for the following reasons:
- Increase these revenues as a result of the application of billing in commercial transactions.
- Increase public spending and economic growth in the non-hydrocarbon sector.
- Digitization of tax collection, as its application contributed to the increase in tax collection.

Table No. 02: tax and non-tax revenues for Algeria during the years 2018-2024

years Statement	2018	2019	2020	2021	2022	2023	2024
Taxes on income	1203.8	1264.7	1183.4	1193.2	1249.9	1562.4	1632.6
Taxes on capital	/	/	/	/	50.8	60.0	66.7
Taxes on consumption	1097.1	1134.1	1044.7	1155.2	1255.3	1399.1	1224.8
Customs duties and similar rights	324.2	362.1	328.2	331.8	337.4	354.1	367.8
Other taxes and fees	39.5	85.9	115.8	111.2	92.1	118.1	81.2
Tax revenues	**3939.7**	**2668.5**	**1921.6**	**2762.1**	**2988.0**	**3495.1**	**3375.7**
Non-tax revenues	1228.0	1089.6	1094.2	1219.9	1028.5	1662.4	1085.9

Source: Annual Report-economic and monetary development, of the Bank of Algeria for 2020, 2022, 2025

From the above table, we note that in 2018, there was no "capital" tax in the sense of a one-time tax on total wealth in Algeria, but the state imposed a tax on "capital gains" at 15% for residents and 20% for non-residents. The 2018 budget also saw other tax amendments such as an increase in the fuel, tobacco and liquor tax, and the abolition of the wealth tax in the 2018 Finance Bill.(Directorate General of taxes Algeria, 2022)

The increase in many tax and fee rates for the years 2015, 2016, 2017 resulted in an improvement in the regular collection, the lifting of many taxes and fees, such as the value-added fee, which increased from January 2017 to 19%.

The increase in the rates of fees and taxes reflected positively on the rates of public revenues in the budget, but the percentage of the contribution of ordinary revenues was weak compared to the rates

before the crisis; in addition to directing the savings derived from regular collection to the consumer sector ؛The deficit is expected to increase in 2025 as a result of the following:
- A historical deficit and the level of spending is the highest in the history of the country.
- The budget is free of new fees and taxes.
- Numerous tax and customs exemptions for goods and products imported from abroad, as part of the government's efforts to preserve the purchasing power of citizens.

3.2-the impact of excise revenues of indirect taxes on the general budget of the state

Through the analysis of the above table, we note that the contribution of indirect taxes (namely, VAT and customs duties in addition to other taxes and fees) to the tax revenues represents only 36% of the total tax revenues during 2018, and this percentage increased to 47.17% in 2024, which explains the increase in the contribution of VAT and customs duties to the total revenue, as the growth rate of VAT increased to 11.36% in 2024 compared to 2018, and the highest in 2023 at a growth rate exceeded 27.52%.

Table 3: the ratio of regular collection of total revenues with oil prices during the period 2018-2024

years	The normal collection percentage of total revenue	Oil prices in dollars
2018	41.9	71.35
2019	43.06	64.42
2020	50.72	41.72
2021	42	72.7
2022	31.56	101
2023	32.57	82.5
2024	40.66	79.9

Source: Annual Report-economic and monetary development, of the Bank of Algeria for 2020, 2022, 2025

Indirect tax revenue is usually affected by the economic and social conditions of the country, and global conditions can also do this, economic growth in the non-hydrocarbon sector by 4.3% increased tax revenues, including those related to consumer goods. However, they significantly affect the state's general budget, as they are a major source of financing public expenditures and increasing treasury revenues. It plays a role in financing economic and social projects, contributes to the stability of the general budget and reducing the deficit, despite its impact on the prices of goods and services, and affects the purchasing power of consumers, especially those with limited incomes. And guide the behavior and purchasing decisions of consumers, as it can be used to reduce the consumption of certain goods or encourage the consumption of other desirable goods.

Indirect taxes contribute 20.87%. Of the total public revenues during 2018, where it is observed to decrease in 2023 by 17.43% mainly due to the increase in other direct taxes and the increase in petroleum revenues, as these increases overshadowed its contribution to the total revenue.

Also, economic cycles and the recession and boom affect their yield and instability because they are related to the conditions of the ability of companies, institutions, as well as individuals to make purchases and sales of various goods and services, and this makes their yield unstable.

4-current and future challenges:

The current and future challenges in Algeria to the state of the general budget are the growing budget deficit, the decrease in foreign exchange reserves, and the impact of revenues on oil price fluctuations, while addressing this requires facing structural difficulties in balancing funds allocated for spending and applying long-term strategies to achieve effective financial sustainability.

4.1. current challenges:

The most important current budget challenges in Algeria are the following:

* The budget deficit has increased, as the budget deficit witnessed a significant increase in 2024 to reach 13.8% of GDP, a significant increase from 2023.As a result of the increasing rise in expenses. * Falling reserves foreign exchange reserves decreased to 68.3 billion dollars, which poses an additional challenge to the general budget. Although it will rise in 2023 to 72billion US dollars.(Union of Arab chambers, 2024)

* Budget revenues decreased by about 22% during 2024, as a result of the slowdown in economic activity, which contributes to the aggravation of the fiscal deficit.

* The weak ability of the Import Control Fund to support the budget, as shown by the following round:

Table No. 4: balances of the Import Control Fund to finance the budget deficit during the period 2018-2024

years	Fund balance before deduction	Deductions from the fund				The balance of the fund after
		Racing Bank of Algeria	Repayment of public debt	Budget financing		
				Deductible amount	Percentage of contribution to financing	
2018	437.4	0	0	131.9	7.2	305.5
2019	305.5	0	0	0	0	305,5
2020	305.5	0	0	8323.54	0	0
2021	0	0	0	0	0	6821.04
2022	6821	0	0	3410.55	14.82	2295.80
2023	2295.8	0	0	0	0	3650.02
2024		0	0		14.82	

Source : Ministère des Finances, Situation du Fonds de Régulation des Recettes.mf.gov.dz https://www.mf.gov.dz › index.php 11/11/2025

New resources were formed in 2018, estimated at KD 437.4 billion, from which KD 131.9 billion was deducted to finance the budget deficit, where it financed 7.2% of the deficit, and with the decline in oil prices in 2020 to 40 dollars, all the balance of the Import Control Fund, which was specified in the finance law at 45 dollars, was consumed, but in 2021 the rise in oil prices to 70 dollars led to a decrease in the deficit, and in 2022 the budget deficit was recorded despite the rise in oil prices due to mainly to increase expenses. The budget deficit will continue during the years 2023 and 2024, respectively, mainly due to low oil prices and an increase in public spending.

4.2. Future challenges:

The most important challenges faced by the Algerian economy, especially the growing budget deficit, are due to several factors, which can be summarized as follows:

* The challenges of relying on petroleum levies, as fluctuations in international oil prices directly affect tax revenues and the general budget, creating a situation of economic uncertainty. The Algerian economy remains heavily dependent on oil and gas exports, making the budget vulnerable to external shocks and global price fluctuations, which pose a constant threat to the sustainability of public finances.

* **Structural difficulties:** budget reform efforts are facing challenges caused by the effects of the previously directed economic system, which hinders the implementation of radical reforms in public administration.

* **Increased demand for spending**: the demand for public spending increases with the weak growth of the economy and the increase in the needs of society, one of the most important requirements of basic needs, which necessitates the need for public projects.

4.3. Addressing challenges:

The most important solutions to reduce the budget deficit are to address the causes of increased spending and address the causes of low revenues on both sides of the budget through an accurate diagnosis of both budget are mainly as follows:

*** Modernization of the budget system:** modernization of budget systems is necessary to reform public administration and ensure transparency and efficiency in spending.(Hassan, Jabara, 2022)

*** Expanding the revenue base:** diversification of revenue sources highlights the need to increase reliance on non-oil revenues (regular collection) to ensure the sustainability of budget financing. This requires expanding the tax revenue base and relying on non-traditional sources of financing to avoid future deficits. (Beloved, 2015).

* While improving the efficiency of the tax system, through tax control, it is possible to improve the performance of the tax system in general and increase revenue collection.

* Follow-up of economic developments: in-depth follow-up of economic developments is required to ensure that the tax system responds to existing challenges, as evidenced by the reports submitted by the General Directorate of taxes

* **Rationalization of expenditure:** an effective strategy was required to rationalize public expenditures and maintain financial commitments.

Conclusion:

The general budget deficit is expected to worsen, which requires measures to rationalize expenditures and increase non-oil revenues. With the modernization of the public budget system to cope with fluctuations in oil revenues. The study has reached the following main results:

- Tax revenues are the main source of financing public spending in Algeria, including operating expenses in various facilities and ministries.
- The collection of tax revenues contributes to achieving the financial balance of the general budget in Algeria. There is a direct relationship between the volume of tax revenues and the volume of public spending; the more revenues, the more public spending. While a decrease in tax collection does not lead to a decrease in public spending due to social, economic and political considerations, it is difficult to reduce these expenditures.
- The impact of oil tax fluctuations on the Algerian economy significantly on oil tax revenues, which makes it very vulnerable to fluctuations in oil prices globally. The fall in oil prices leads to a significant decline in tax revenues, which weakens the general budget and increases its fiscal deficit.

– The decline in tax collection directly affects the ability of the state to cover its public expenditures. The inadequacy of tax revenues also affects the budget's ability to finance economic and social development.

The study concluded by making the following main recommendations:

- Enhancing the role of the regular tax as a result of the fluctuations of the Petroleum Tax, as Algeria seeks to activate the regular tax (non-petroleum taxes) to increase its contribution to the financing of the general budget. This requires reforms in the tax system to increase its effectiveness.
- Expanding the tax base by containing the parallel economy and combating forms of the informal economy by activating billing in commercial transactions, which contributes to an increase in tax revenues.
- Activating the role of tax digitization in all the various states of the country in order to combat the shortcomings in the previous tax system, such as speed in implementation, information exchange and combating forms of tax evasion.
- Work on studying the appropriate tax rates for each economic sector so that they allow increasing economic activity and not harming the productive process, while providing actual tax incentives for each sector or taxpayer, with updating them according to economic and social conditions.

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