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ENVIRONMENTAL TAXATION IN ALGERIA BETWEEN DETERRENCE AND INCENTIVE MECHANISMS FOR PROTECTING THE ENVIRONMENT

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ABSTRACT

This study aims to identify the tax laws and regulations related to the environmental taxation that were approved in the Algerian tax legislation starting from the year 1992 in order to protect the environment. The study used the descriptive approach when addressing the basic concepts about the environment and sustainable development, and then identifying environmental taxation which is a deterrent and motivational mechanism to control environmental behavior. The study concluded that the tax system in Algeria worked to protect the environment through the enactment and application of environmental taxes and fees that have a motivational effect and a deterrent effect.

KEYWORDS

Environmental Taxation, Environmental Pollution, Environmental Taxes and Fees, Tax System

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Introduction

Within the framework of achieving a sustainable development and for keeping the natural resources for the coming generations in order to satisfy their own needs, and protecting the environment from the forms of pollution, Algeria worked on protecting the environment through making laws and fiscal legislations that care about keeping an environmental medium less polluted, these laws and legislations their goal is to modify the behavior of the polluters whether by deterrence or by incentive.

1- The Problematic:

From what was mentioned before, the problematic of the research is focused in the following question:

– To what extent the environmental taxation is effective as a mechanism for deterrence and incentive in achieving the optimal protection of the environment in Algeria?

2- Sub-questions:

- What are the incentive taxes and fees applied in Algeria for the sake of protecting the environment?
- What are the deterrence taxes and fees applied in Algeria for the sake of protecting the environment?

3- Research Hypotheses:

First hypothesis: The environmental incentive taxes and fees are a mechanism to reduce the environmental pollution.

Second hypothesis: The environmental deterrence taxes and fees are a mechanism to reduce the environmental pollution.

4- Study Objectives:

This study seeks to achieve the following objectives:

– Knowing the environmental taxes and fees as incentive and deterrence mechanisms and their role in modifying the behavior of the polluters for protecting the environment in Algeria.

– Knowing the laws and legislations that belong to the environmental taxation in the Algerian fiscal system.

5- Importance of the Study:

It is represented in the importance of protecting the environment and knowing the fiscal laws and legislations that belong to environmental taxation and what they include from incentive and also deterrence mechanisms which Algeria follows in order to improve the behavior of the polluters and keep the environment.

6- Study Methodology:

The descriptive method was depended because it is suitable for the subject of the study, through addressing the basic concepts about the environment and sustainable development and then knowing the environmental taxation which is considered a deterrence and incentive mechanism for controlling the environmental behavior.

First: Basic concepts about the environment and sustainable development

1- Definition of the environment:

The environment was defined as a set of biological, chemical, natural and geographical factors that surround the human and surround the spaces he lives in, and that determine the activity of the human and his directions and affect his behavior and his way of life. That is, the environment is the medium in which the human and living creatures live, and it consists of water, air, and soil, which these creatures use to practice their different activities (Razik, 2007, p. 96).

Also, it was defined by the researcher (Ricardosaler), founder of the Friends of the Environment Association, as a set of surrounding natural factors that affect the living being and its existence, and that determine the life system of a group of living beings present in a place and form an interconnected ecological unit (Mehdi & Jbeil, 2017, p. 361).

As for article 04 of law number: 10/03 dated 19 July 2003, related to protecting the environment in the frame of sustainable development, the environment was defined as: "The environment consists of non-living and living natural resources such as air, atmosphere, water, earth, underground, plant, animal, including the genetic heritage, and ways of interaction between these resources, as well as places, landscapes, and natural landmarks" (Algerian Official Journal, 2003, p. 10).

There are several indicators concerned with the environment, the most important are (Ben Azza, 2013, p. 432):

– Environmental Sustainability Indicator (ESI): which represents the ability of nations to protect the environment in the coming decades.

– Environmental Performance Indicator (EPI): focuses on the present environmental performance of a state and on the present experiences.

2- The concept of sustainable development:

Sustainable development is a description for a wide and comprehensive concept of economic and social development in which the environmental aspect is regarded. Every country is interested and seeks to achieve sustainable development, so the global interest in the concept of sustainable development appeared during the United Nations Conference on Environment which was held in Rio de Janeiro "Earth Summit" in 1992.

2-1- Definition of sustainable development:

Sustainable development was defined during the United Nations Conference on Environment held in Rio de Janeiro "Earth Summit" in 1992 as "the management of economic resources in a way that preserves or improves the natural resources so future generations can live a better honorable life" (Debish and others, 2018, p. 77).

Also, the World Commission for Sustainable Development in 1987 in the report titled "Our Common Future and Sustainable Development" said it is the meeting the needs of the present generation without destroying the ability of future generations to meet their own needs.

And in Algerian legislation, sustainable development was defined through law 03/10 about protecting the environment in the frame of sustainable development as "a concept meaning to reconcile social and economic development able to continue and the protection of the environment, that is, to include the environmental aspect in development that ensures meeting the needs of present and future generations" (Algerian Official Journal, 2003, p. 09).

2-2- Dimensions of sustainable development:

Sustainable development has three main dimensions: economic dimension, social dimension, and environmental dimension. These dimensions are integrated, and it is not possible to separate them or to focus on one without the others, and giving attention to these aspects together leads to achieving sustainable development, and they are as follows (Zouine & Rejraj, 2019, pp. 127-128).

2-2-1 The economic dimension:

It means improving the quality of life for the members of society by meeting their needs for goods and services, and the most important elements of the economic dimension of sustainable development can be limited to the following: achieving sustainable economic growth, achieving efficiency in using capital, as well as changing consumption patterns that threaten biological diversity in order to stop the waste of natural resources, the share of individual consumption from natural resources, and also the responsibility of developed countries for pollution, treating it and reducing the dependence of developing countries, and the necessity to devote natural resources for purposes of continuous improvement in living standards, reducing income inequality, and trying to equalize the distribution of resources.

2-2-2 The social dimension:

The idea of sustainable development is centered on reducing extreme poverty, hunger, and unemployment, and reducing the large gap between rich and poor, where the social dimension is very important in achieving sustainable development through social equality. The most important elements of the social dimension of sustainable development can be limited to the following: achieving social justice between members of the current generation on one hand and between the current and future generations on the other, optimal distribution of population between urban and rural areas, stabilizing demographic growth, education, health, optimal use of human resources, popular participation.

2-2-3 The environmental dimension:

The environment is considered one of the basic and necessary conditions for the existence of human activity, and that is why sustainable development has come with a group of elements which fall under the environmental dimension and aim to protect the environment with its components and transfer it in a sound state to future generations. The environmental dimension of sustainable development is related to the preservation of natural resources, rational use of agricultural land, forest and water resources in the world in a sustainable way. The most important elements of this dimension are as follows: protecting seas and oceans, protecting natural resources like not destroying the soil by using pesticides, maintaining water meaning putting an end to its wasteful uses, improving water network efficiency, protecting the climate from global warming, rational use of natural resources and energy, and preserving biological diversity.

Second: The aims of environmental taxation according to the tax system in Algeria:

Environmental taxation is a broad and comprehensive concept that includes both taxes and fees imposed by the state on individuals and legal persons who pollute the environment, and to achieve its goals it includes taxes and fees that have a motivational effect by giving exemptions and tax reductions to individuals and companies who use environmentally friendly technologies in their economic activities, as well as taxes and fees that have a deterrent effect in exchange for negative environmental behaviors (Atallah Saadi & Wafdi Al-Shammari, pp. 147-148).

The environmental taxes and fees are divided according to their goals into motivational taxes and fees and into deterrent taxes and fees (Zouine & Rejraj, 2019, pp. 129-131).

1- Environmental taxes and fees with a motivational effect:

They are represented in exemptions and tax reductions, and this type is marked by automatic response (obliging the taxpayer with positive behavior towards the environment) and benefits the taxpayer in reducing the tax burden, and can be divided into:

1-1 Permanent exemption: It is the exemption that is final from the taxes and fees imposed on the various economic activities, and this is to distinguish between economic activities that pollute the environment and those that are friendly to it.

1-2 Temporary exemption: It is the exemption that is for a limited period of time, for example companies can be exempted from environmental taxes and fees in the first five years of starting their activity, and this is to motivate them and compensate them for acquiring costly environmental-friendly technologies as well as help them indirectly in producing more competitive goods compared to goods that use technologies polluting the environment. There are examples of temporary tax exemptions which are as follows:

1-2-1 Temporary exemption from the encouragement fee for not storing special and/or dangerous industrial waste:

Through it, the project owner is given exemption from this fee for three years starting from the year of launching the project (Lemlekchi, 2021, p. 424).

This fee was founded according to article 203 of the Finance Law for the year 2002, aiming to encourage not storing special and/or dangerous industrial waste, considering that storing such waste pollutes the environment, and its amount was set at 30,000 DZD for each ton stored of this waste after amendment through article 89 of the Finance Law for the year 2020. The revenues of this fee are allocated as follows (Finance Law of Algeria, 2019, article 89):

- 16% for the benefit of municipalities.
- 46% for the benefit of the state budget.
- 38% for the benefit of the National Fund for Environment and Coast.

In addition, the concerned project owner is given a period of 3 years to create waste removal facilities starting from the date of beginning to execute the sorting facility project.

1-2-2 Temporary exemption from the encouragement fee for not storing waste related to therapy activities:

Through it, the project owner is granted exemption from these fees for three years starting from the year of launching the project (Lemlekchi, 2021, p. 424).

This fee was founded according to article 204 of the Finance Law for the year 2002, and it was amended by article 127 of the Finance Law for the year 2021. The goal of this fee is to encourage getting rid of waste resulting from medical or veterinary therapy and/or joint research, considering that storing such waste pollutes the environment, with a reference price evaluated at 60,000 DZD for every ton stored of this waste, and it is defined according to the treatment capacities and forms in every relevant institution or by direct measurement. The revenue of this fee is allocated as follows (Finance Law of Algeria, 2020, article 127):

- 20% for the benefit of municipalities.
- 30% for the benefit of the state budget.
- 50% for the benefit of the National Fund for Environment and Coast.

In addition, a period of 3 years is granted to hospitals and medical clinics to get suitable cooling equipment or to possess them.

1-2-3 Temporary exemption that benefits waste collection activities:

The Algerian legislator recognized, in article 32 of the Finance Law of 2014, that the activities of collecting used paper, household waste, as well as other recoverable waste practiced by natural persons, benefit from a tax exemption in the first two years of the activity, with reductions for the first three years of being subject to taxation (Finance Law of Algeria, 2014, article 32, p. 12).

1-3 Tax reductions:

It is a partial exemption from taxes and fees for limited years for a fixed time period and is found as follows:

1-3-1 Tax reductions provided in law 03-10 related to protecting the environment in the framework of sustainable development:

The legislator established a system of tax incentives related to development activities targeting the protection of the environment and its resources within law 03/10 related to protecting the environment in the

framework of sustainable development through its indication that industrial establishments that import equipment which, in their industry or products, allow the removal or mitigation of global warming phenomenon and the reduction of pollution in all its forms, benefit from financial and customs incentives determined through finance laws. Also, the legislator pointed out in the content of article 77 of the same law that every natural or moral person who carries out activities to promote the environment benefits from a reduction in taxable profit (Algerian Official Journal, 2003, article 77, p. 18).

1-3-2 The tax reduction benefiting waste collection activities:

In the text of article 32 of the Finance Law for the year 2014, activities of collecting used paper, household waste, and other recoverable waste practiced by natural persons (Khbeiti & Younes, p. 170), after benefiting from exemption in the first two years of the activity, also benefit from tax reductions in the first three years of being subject to tax as follows (Finance Law of Algeria, 2014, article 32, p. 12):

- The third year of being subject to tax: reduction of 70%
- The fourth year of being subject to tax: reduction of 50%
- The fifth year of being subject to tax: reduction of 25%

2- Environmental taxes and fees with deterrent effect:

The environmental tax or green tax is "a compulsory financial deduction paid by the taxpayer by force for the purpose of protecting the environment." The first to address it was the economist "Pigou" Cecil Arthur in his book "The Economics of Welfare" in 1920, where he suggested imposing these taxes as an effective way to fight environmental pollution.

It is also defined as "those taxes imposed on polluters who cause environmental damage through their various economic activities resulting from their polluting products and/or their use of production technologies that are harmful to the environment."

The Algerian tax system uses environmental taxes and fees as deterrent mechanisms to protect the environment, especially on activities that cause major environmental damage. These environmental taxes and fees conform with the principle of "the polluter pays," a principle that aims to make polluters bear the costs of environmental damages. However, deterrence by using taxes first harms the taxpayer, who may resort to fraudulent ways and cheating to reduce this tax burden and keep his negative environmental behavior, compared to the incentive procedures covered above. The Finance Law for the year 1992 is considered the first Finance Law to address the creation of environmental taxes and fees, and the first environmental fee was created, which is the fee on polluting and dangerous activities to the environment. After it, other environmental fees were founded, which can be classified into (Ghermit & Ould Amar, 2021, pp. 563-568):

- Fees imposed on polluting emissions;
- Fees imposed on products;
- Fees imposed on the exploitation of natural resources.

2-1 Fees imposed on polluting emissions:

These fees are imposed on all that is left by the productive activities of economic units, as they mainly target the negative effects caused by projects that pollute the environment.

A- The fee on polluting activities or those dangerous to the environment (TAPD):

The fee on polluting or dangerous activities to the environment was founded by article 117 of the Finance Law for the year 1992 and was considered the first initiative to create environmental fees, where these activities are defined by regulations, and the annual amounts of this fee were increased by article 88 of the Finance Law for the year 2020 as shown in table no. (02) (Finance Law of Algeria, 2021, article 149).

Table 1. The amount of the fee on polluting or dangerous activities to the environment

Activities subject to	Amount (DZD)	Facilities with more than 2 persons	Facilities with less than 2 persons
License from the Minister in charge of environment	360,000	68,000	
License from the territorially competent Wali	270,000	50,000	
License from the territorially competent President of Municipal People's Assembly	60,000	9,000	
Declaration	27,000	6,000	

Source: Prepared by researchers based on article 88 of the Finance Law for the year 2020.

The multiplier coefficient, ranging between 1 and 10, is applied to each of these activities according to their nature and importance. The multiplier coefficient applied to each polluting or dangerous activity is set by regulatory text, so the fee amount due for each activity is equal to the result of the basic amount multiplied by the coefficient.

Late payment of the fee entails applying collection penalties as stated in tax legislation.

The revenue from this fee is allocated as follows:

- 50% for the benefit of the state budget.
- 50% for the benefit of the National Fund for Environment and Coast.

B- Fee on fuel:

This fee was established according to article 38 of the Finance Law for the year 2002. Its rate is set at one dinar for each liter of premium and regular gasoline, and the fee is deducted and collected similar to the fee on petroleum products. The revenue from the fuel fee is allocated as follows (Finance Law of Algeria, 2001, article 38):

- 50% for the National Roads and Highways Fund.
- 50% for the National Fund for Environment and Coast.

C- The supplementary fee on industrial-source air pollution:

This fee was established according to article 205 of the Finance Law for the year 2002, and amended by article 91 of the Finance Law for the year 2020. This fee is imposed on the quantities emitted that exceed the values, and its amount is set by referencing the annual base rate determined by the provisions of article 54 of the Finance Law for the year 2000, with a coefficient included between 1 and 5, depending on the degree of exceeding limits. The revenues are allocated as follows (Finance Law of Algeria, 2001, article 205):

- 17% for municipalities.
- 33% for the state budget.
- 50% for the National Fund for Environment and Coast.

D- Fee on household waste (purification fee):

This fee is generally imposed on waste with family use, and collected fully for the benefit of municipalities. The Finance Law for the year 2002 amended article 263 of the law on direct taxes and similar fees, and the rate was modified according to article 67 of the Finance Law for the year 2022, and its amount was set as follows (Finance Law of Algeria, 2021, article 67):

- 2,000 DZD on each property for residential use.
- 10,000 DZD on each property for professional, commercial, craft use, or similar.
- 18,000 DZD on any land prepared for camping and trailers.
- 80,000 DZD on each property for industrial, commercial, craft use, or similar, that produces waste quantities exceeding those mentioned above.

Weighting coefficients are applied to these rates according to the sub-areas of the municipalities.

E- The supplementary fee on industrial-source wastewater:

This fee was established according to article 94 of the Finance Law for the year 2003, and was amended in the Finance Law for the year 2020 by article 92. The fee is determined according to the wastewater and pollution load resulting from the activity that exceeds the set limits. The amount of this fee is determined by referencing the annual rate determined by article 54 of law no. 99-11 (Finance Law for the year 2000), with a multiplier coefficient from 1 to 5 depending on the rate of exceeding the limits. The revenue from this fee is allocated as follows (Finance Law of Algeria, 2019, article 92):

- 34% for municipalities.
- 34% for the state budget.
- 16% for the National Fund for Environment and Coast.
- 16% for the National Water Fund.

2-2 Fees imposed on products:

Environmental fees appear on products that cause pollution in the environment as follows:

A- Fee on petroleum products:

This fee was established according to article 82 of the Finance Law for the year 1996 and article 28 repeated from the law on turnover tax. The fee is applied to petroleum products and similar products, imported or obtained in Algeria, especially in a factory under customs control. This is according to the rates introduced by article 24 of the supplementary Finance Law for the year 2020 (Finance Law of Algeria, 2020, article 24):

- 1600.00 DZD for premium gasoline.
- 1700.00 DZD for regular gasoline, unleaded gasoline.
- 900.00 DZD for gas oil.
- 1.00 DZD for liquefied petroleum gas fuel.

The revenue from this fee is paid to the state budget.

B- Fee on imported and locally manufactured plastic bags:

This fee was established according to article 53 of the Finance Law for the year 2004. A fee of 200 DZD is set for each kilogram of plastic bags imported and/or manufactured locally, according to the latest amendment in the 2020 Finance Law (article 94). The revenues are allocated as follows (Finance Law of Algeria, 2019, article 94):

- 73% for the state budget.
- 27% for the National Fund for Environment and Coast.

C- Fee on oils and greases and grease preparation:

This fee was established according to article 61 of the Finance Law for the year 2006. The fee amount is set at 37,000 DZD for each ton imported or manufactured inside the national territory (according to article 93 of the 2020 Finance Law), which is due to their use of used oils. The revenues are allocated as follows (Finance Law of Algeria, 2019, article 93):

- 42% for the state budget.
- 24% for the National Fund for Environment and Coast.
- 34% for municipalities for oils and greases and grease preparations manufactured inside the national territory.

- For the Solidarity and Guarantee Fund for Local Communities, in case of imported oils and greases and grease preparations.

D- Fee on new rubber tires:

This fee was established according to article 60 of the Finance Law for the year 2006. The fee is applied to new rubber tires imported, and its amount is set as follows (Finance Law of Algeria, 2019, article 54):

- 750 DZD per tire intended for heavy vehicles.
- 450 DZD per tire intended for light vehicles.

The revenue from this fee is allocated as follows:

- 35% for the Solidarity and Guarantee Fund for Local Communities.
- 34% for the state budget.
- 30% for the National Special Fund for National Solidarity.
- 1% for the National Fund for Environment and Coast.

2-3 Taxes imposed on the exploitation of natural resources:

These are fees imposed on all users of water, whether in the industrial or agricultural sector, and who use, in the field of public water property, water extraction equipment which can be fixed or temporary for their own use regardless of the source. The aim is to protect the quality of water.

- **Water quality protection fee:**

- This fee was established according to article 174 of the Finance Law for the year 1996 and is collected for appropriation account 086-302 under the title of the National Fund for Integrated Management of Financial Resources. The procedures for collecting this fee were amended by article 51 of the Finance Law for the year 2010. It is collected as follows (Finance Law of Algeria, 2009, article 51):

- The water quality protection fee is collected from every user connected to a collective network of drinking water for industrial or agricultural use, and managed according to the case by: the public institutions holding the concession, or by the delegates for managing public water services, or public benefit departments, or municipal departments managing public water services, and legal persons with a concession for managing irrigation areas, applying the following rates:

- (4%) of the amount on the invoice for drinking water for industrial or agricultural use for the northern provinces.

- (2%) of the amount on the invoice for drinking water for industrial or agricultural use for the following southern provinces: Laghouat, Ghardaia, El Oued, Tindouf, Bechar, Illizi, Tamanrasset, Adrar, Biskra, Ouargla.

- Also, the water quality protection fee is collected by the basin agencies, each within its jurisdiction, from any natural or legal person, public or private, who owns and uses, in the field of public water property, water extraction equipment, fixed or temporary, for his own use, regardless of the source.

- (4%) of the invoiced amount for the water extraction fee in the northern provinces.

- (2%) of the invoiced amount for the water extraction fee in the following southern provinces: Laghouat, Ghardaia, El Oued, Tindouf, Bechar, Illizi, Tamanrasset, Adrar, Biskra, Ouargla.

Conclusions

Algeria has worked on enacting laws and tax legislations that would eliminate or reduce the effects of environmental pollution. These included environmental taxes and fees with motivational effect and deterrent effect. The first (motivational) encourages the use of non-polluting machines, applying modern technologies, acquiring machines that are friendly to the environment, and granting temporary exemptions and/or tax reductions which are marked by automatic response from institutions and individuals as they benefit from advantages, and this contributes to strengthening environmental protection. The second (deterrent) aims to force polluters to reduce the effects of pollution they cause under the principle "polluter pays," and this is not enough, but it must be followed by a general social awareness of the necessity to preserve the environment and guarantee the rights of future generations. Environmental taxes and fees are costs that put a burden on the taxpayer and thus push the taxpayer to avoid paying them (tax evasion), which reduces the contribution of environmental taxes and fees to environmental protection.

In general, the tax legislation in the field of environmental protection in Algeria keeps up with evolutions at the world level, but the effect of environmental taxes remains weak and limited compared to incentives and exemptions which have a bigger effect if well applied.

- **Proving the correctness of the hypotheses:**

• **The first hypothesis:** "Motivational environmental taxes and fees are a mechanism to reduce environmental pollution:"

• Its correctness was proven through the laws and tax legislations including exemptions and tax reductions benefiting developmental and investment project owners contributing to promoting the environment.

• **The second hypothesis:** "Deterrent environmental taxes and fees are a mechanism to reduce environmental pollution:"

Its correctness was proven through the special deterrent environmental taxes and fees legislated on polluting activities and products and on the exploitation of natural resources.

- **Recommendations of the study:**

1- Give more incentives to investment projects that preserve the environment by granting them loans without interest.

2- Include a clause related to environmental preservation in the investment development law as a condition for benefiting from tax advantages.

3- Take into account environmental protection standards when granting the advantages mentioned in article 27 of the law related to investment.

4- Focus on the motivational procedures to preserve the environment while keeping the deterrent procedures under the principle “polluter pays.

5- Do not include the costs of environmental fees in determining taxable profit.

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