Mechanisms for Eliminating International Double Taxation in Algerian Tax Regulations An Overview of the Algeria-UK Tax Treaty

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Abstract :

This study aims to attain a critical and essential objective to clarify and understanding the role of international tax treaties in the international taxation practices. This will be achieved by examining the various provisions and mechanisms that are designed to eliminate or reduce double taxation, with a focus on the Algerian-UK treaty as a case study.

The study found that international tax treaties play a crucial role in preventing double taxation by establishing clear rules for allocating taxing rights between countries. The Algeria-United Kingdom tax treaty, in particular, applies key principles such as tax sovereignty, reciprocity, and non-discrimination to ensure fair taxation. It effectively addresses various types of income and profits through mechanisms like tax credits, exemptions, and allocation rules, reducing the tax burden on cross-border economic activities.

Keywords: Double Taxation, Tax Treaty, Permanent Establishment, Taxes.

JEL classification codes: H20 ; H23 ; H26.

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I. Introduction

Since the early 20th century, there has been a significant increase in crossborder trade and investment, leading to the development of a highly integrated, mobile, and complex global economy, and all countries is influenced by the effects of international trade and investment, encompassing cross-border exchanges of goods and services, foreign direct investment, technology transfer, and the migration of individuals. Both advanced and emerging economies necessitate regulatory frameworks to address the increasing array of international tax challenges that stem from these activities.

The two guiding concepts of international taxation are the principle of residence and the principle of source. According to their domestic tax laws, nations claim the right to tax income earned inside their borders, but most countries aim to tax the income of their citizens.

When multiple countries claim the authority to tax the same income—such as when income generated in one country is received by a resident of another—international double taxation may arise.

Double taxation, where money is taxed first in the place where it is earned and again when it is transported back to the company's home country, is a common problem for multinational corporations. This results in a high cumulative tax burden, making international business activities financially challenging.

Both taxpayers and governments benefit from the removal of superfluous tax obstacles to international trade and investment. At the same time, it is essential to ensure that domestic tax systems are effectively implemented and managed, even in the context of a globalized economy.

To address these challenges, many countries across the globe have engaged in various treaties designed to prevent double taxation. These agreements are often aligned with the United Nations' framework for the Double Taxation Convention between developed and developing nations, as well as the guidelines set forth by the Organisation for Economic Cooperation and Development (OECD).

Through these treaties, participating countries commit to restricting their taxation of international business activities, with the goal of fostering trade relations and eliminating instances of double taxation. Often more Tax treaties can help in eliminating tax evasion and increase coordination between the tax systems of contracting countries.

In light of these challenges, the problem of this study is raised as follows:

How can international tax treaties help to prevent international double taxation?

To elaborate on this problem, the following sub-questions can be raised:

1. What is the conceptual framework of international double taxation?
2. What are the foundations and concepts upon which international tax treaties are based?
3. How do tax agreements deal with different types of income and profits to prevent double taxation?
4. What provisions does the Tax Treaty between Algeria and the United Kingdom include to mitigate the issue of international double taxation?

Based on the problem statement and sub-questions, the following hypotheses can be formulated:

1. The conceptual framework of international double taxation is based on the principle that income and profits may be subject to taxation in multiple jurisdictions due to differences in national tax laws and residency criteria.
2. International tax treaties are founded on key principles such as tax sovereignty, non-discrimination, and reciprocity, aiming to provide legal mechanisms for reducing or eliminating double taxation.
3. Tax treaties use methods like tax credits, exemptions, and allocation rules to prevent excessive taxation.
4. The bilateral treaty effectively mitigates double taxation by promoting economic cooperation and reducing fiscal barriers.

Using a qualitative and descriptive methodology, this study focusses on the key components of the tax agreement between Algeria and the UK. The study's goal is to examine the treaty's financial and legal ramifications, highlighting its impact on tax obligations, economic cooperation, and cross-border taxation.

Given the complexity of international tax conventions, a comparative analysis is employed to assess how the provisions of this treaty align with international tax principles and similar agreements between other jurisdictions.

The study utilizes both primary and secondary data sources to ensure a comprehensive analysis of the Algeria-United Kingdom tax treaty. Primary data includes official treaty documents, national tax laws, government reports, and regulatory publications from tax authorities in both countries. Secondary data consists of academic research on international taxation, OECD and UN tax model conventions, and comparative studies of similar bilateral tax agreements. These sources provide a solid foundation for examining the treaty's legal framework, economic impact, and alignment with global taxation standards.

The study applies a combination of legal, comparative, and analysis techniques to interpret the treaty's provisions. Doctrinal legal research is used to examine legal definitions and obligations, while comparative analysis assesses the similarities and differences with other international tax treaties. Tax rate computations, simulation models, and case studies help estimate the treaty's impact on individuals and businesses. Additionally, descriptive statistics, trend analysis, and graphical representations illustrate changes in taxation policies, investment patterns, and fiscal revenues in both jurisdictions.

This research focuses mainly on direct taxation, encompassing income tax, corporate tax, and capital gains tax, while deliberately omitting indirect taxes such as value-added tax (VAT). It adopts a theoretical and legislative approach due to limited access to taxpayer case studies. Furthermore, the analysis is based on the latest available version of the treaty, acknowledging potential future amendments. Despite these limitations, the study offers valuable insights into the treaty’s role in preventing double taxation, enhancing tax cooperation, and fostering economic relations between Algeria and the UK.

II. Framework of International Double Taxation

The problem of international double taxation presents a considerable obstacle in the realm of international taxation, affecting both individuals and corporations involved in cross-border economic transactions. As countries assert their fiscal sovereignty, overlapping tax jurisdictions often lead to the imposition of multiple tax liabilities on the same income. This phenomenon can create financial burdens, hinder investment flows, and discourage global economic integration.

1. What is Double Taxation?

International Double Taxation arises from the simultaneous exercise by several States of their fiscal sovereignty. Fiscal sovereignty means that each State can levy taxes independently and freely determine their constituent elements. This fiscal sovereignty is, however, limited to its own territory. In addition, there should exist a clear and effective connection between the taxpayer and the jurisdiction of the taxing Country (TRAVERSA & VINTRAS, 2013, p. 281).

The practice of taxing a person or organisation more than once on the same source of revenue is known as double taxation. For instance, when income is subject to both corporation and individual taxes, this circumstance may arise. Furthermore, double taxation can also arise in the context of international transactions or investments, where two distinct countries levy taxes on the same income (OECD, 2017, p. 9).

According to this definition, the following deductions can raised:

- Double taxation is a situation in which the income is subjected to taxation on two distinct occasions from the same source.
- This phenomenon can happen when income is taxed at the corporate and individual levels.

- Double taxation can arise when the same income is taxed at the same time by two different countries.

2. Sources of International Double Taxation:

International double taxation occurs when multiple countries simultaneously exercise their fiscal sovereignty. Fiscal sovereignty allows each country to independently impose taxes and freely establish the components of those taxes. However, this fiscal sovereignty is restricted to each country's territory. Additionally, there must be a clear and well-defined link between the taxpayer and the jurisdiction imposing the tax.

Based on fiscal sovereignty principle, every country has tax rules that govern the tax treatment of its residents operating abroad and foreign taxpayers operating in that country. In general, a country asserts its taxation jurisdiction based on either the worldwide income principle or the territoriality concept.

The country's tax legislators use a personal connection factor to determine their tax claim concerning the taxpayer's entire worldwide income (the worldwide taxation principle). This factor is usually determined by an individual's domicile, residence, or nationality, and for legal entities, by their place of incorporation or effective headquarters.

An objective connecting factor, like the taxable asset's location, the activity's nature, or the transaction site, will be taken into consideration in situations when the taxpayer and the nation have a shaky relationship. When the nation and the taxpayer are connected in this way, only the income generated or received in that country is subject to income tax (the concept of territoriality) (United Nations, 2025, pp. 3-4).

The simultaneous application of territorial and worldwide taxation principles is not the sole cause of double taxation. Additional factors may contribute to this issue, including disputes over tax classification. Such conflicts may arise from differing and opposing interpretations of what constitutes an income source, discrepancies in the categorization of identical income, or the use of various methods for determining the taxable base.

3. Forms of International Double Taxation

Double taxation can arise in various contexts, leading to distinct forms of double taxation. In practice, international double taxation is generally categorized into two main types: legal double taxation and economic double taxation (SCHREIBER, 2012, p. 12).

3.1. Legal Double Taxation

International legal double taxation is typically characterized by the imposition of similar taxes by multiple jurisdictions on a single taxpayer, pertaining to the same taxable entity and occurring within the same timeframe (Li, 2013, p. 117).

This situation arises when there are overlapping tax jurisdictions, leading both the taxpayer's country of residence and the source country—where the income is produced—to claim the right to tax the same earnings. As a result, the taxpayer is confronted with the challenge of fulfilling multiple tax obligations on the same income or asset within the same period (SCHREIBER, 2012, p. 12).

This issue primarily arises due to differing tax principles:

- **The Residence Principle**: According to this principle, a country imposes taxes on its residents' global income, irrespective of the location where it is earned.
- **The Source Principle**: Based on this principle, a country taxes income that is generated within its borders, regardless of the taxpayer's residency.

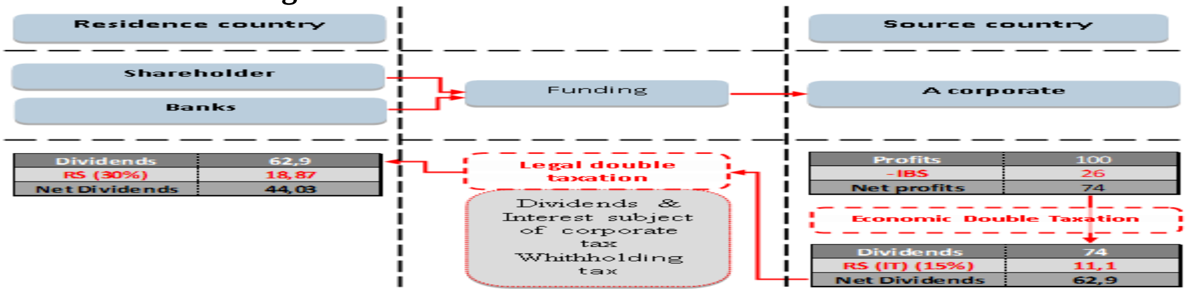
3.2. Economic Double Taxation

The OECD Committee on Fiscal Affairs defines economic double taxation as «the situation in which two different persons are taxable on the same income or capital» (OECD, 2017, p. 227). It arises when the same income is subject to multiple tax impositions within the same economic framework but at different levels or entities (LEDUC & MICHIELSE, 2021, p. 139).

Unlike legal double taxation, which involves multiple jurisdictions imposing taxes on the same taxpayer, economic double taxation affects different but economically related entities or individuals within a single or multiple tax systems, One common example of economic double taxation arises in multinational corporate structures where related companies operating in different countries are taxed on the same earnings.

The taxation of business profits and dividends is another well-known instance of economic double taxation. A corporation must first pay corporate income tax on its profits. These After-tax profits are frequently subject to additional individual taxation when they are paid out as dividends to shareholders. This basically results in two taxes on the same income: one at the business level and another at the shareholder level.

Figure 1: Framework of Double Taxation Mechanisms



Source: Prepared by the researcher based on study sources

III. International Tax Treaties:

In the globalized economic landscape, international tax treaties have become indispensable instruments for regulating cross-border taxation. As countries strive to protect their tax bases while fostering international trade and investment, tax treaties play a crucial role in preventing double taxation and ensuring tax fairness. These agreements not only enhance economic cooperation but also establish clear guidelines for allocating taxing rights between jurisdictions, reducing uncertainty for businesses and individuals engaged in cross-border activities.

1. Definition of International Tax Treaties

"A treaty is an international agreement concluded between States and governed by international law" (Lorenzo & Giorgio, 2022, p. 3), in the light of this definition, Tax convention can be considered as a Double Taxation Avoidance Agreement established between two countries to facilitate and enhance the exchange of goods, services, and capital investments by preventing international double taxation.

International Tax Treaties, also known as Conventions for the Avoidance of Double Taxation, signify a consensual restriction on the fiscal sovereignty of each participating state. They define key concepts such as permanent establishment and tax residency and they establish the taxation rules for different categories of income and allow taxpayers to determine in advance the applicable tax regime (SAIOUD & SAIOUD, 2019, p. 220).

A tax treaty is not a regulation that imposes or determines tax rates but rather a comprehensive agreement between two sovereign states, it outlines in detail the taxation procedure and methods, including well-defined written conditions that must be strictly adhered to.

2. Historical Background of International Tax Treaties

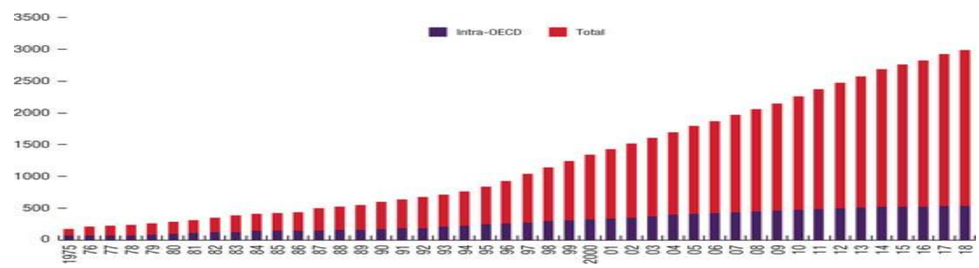
The tax laws controlling overseas payments and income are based on and heavily influenced by international tax treaties. Most of these treaties are based on the Organisation for Economic Co-operation and Development's (OECD) Model Tax treaty on Income and on Capital or the United Nations Model Double Taxation Convention between Developed and Developing Countries (UN Model).

The origins of international tax agreements can be traced back to a time before the formation of the United Nations following World War II. Early tax treaties primarily emerged in Europe and between neighboring countries, where they were built upon the similarity of national tax systems. As a result, these agreements had a limited international scope.

They introduced significant concepts such as reciprocity and the removal of double taxation, which contributed to the establishment of the contemporary international taxation framework. The OECD Model, which underpins most modern tax agreements, continues to be largely dependent on the principle of reciprocity.

The initial tax treaties laid down the essential principles for distributing taxing rights, which are based on either the origin of the income or the residence of the taxpayer. Modern tax treaties still follow these foundational principles when establishing tax jurisdiction. The early tax treaties laid the groundwork for fundamental concepts such as "permanent establishment", which determines the location where a business is subject to taxation.

Figure 2: Development of Worldwide Tax Treaty Network From 1975 to 2018



Source: (LEDUC & MICHIELSE, 2021, p. 127)

3. Scope and Objectives of International Tax Treaties

In an increasingly interconnected global economy, tax treaties play a vital role in regulating cross-border economic activities (Lorenzo & Giorgio, 2022, pp. 9-10):

- Tax treaties primarily aim to facilitate international trade and investment by eliminating double taxation, which could otherwise hinder cross-border economic activities (Mohamed, 2018, p. 114). The rationale behind this objective is that taxing income, trade, and investment in two jurisdictions without relief would discourage economic transactions. For instance, the UN Model Convention provides a mechanism to determine the residency of individuals or entities with ties to both contracting states, ensuring that they are taxed in only one jurisdiction.
- Furthermore, to prevent double taxation, tax treaties play a crucial role in combating tax evasion. Their fundamental principle is that income should be taxed once ensuring fair and equitable taxation across jurisdictions. Just as double taxation can obstruct international commerce, allowing fiscal evasion and tax avoidance creates an undesirable incentive. Although both the United Nations and OECD recognize this objective.

- In addition to these core objectives, tax treaties also pursue secondary goals. One such goal is preventing discrimination against foreign nationals and non-residents (MARINHO, 2015, p. 71), ensuring that a country's residents conducting business in the other contracting state receive equal treatment to that country's own residents.
- A further essential aim is to promote administrative collaboration among the contracting states. This encompasses the sharing of tax-related information, joint efforts in tax collection, and the creation of frameworks for addressing tax disputes.
- A key advantage of tax treaties is the assurance they offer to taxpayers concerning the tax consequences associated with international investments. Given that tax treaties generally remain in effect for an average of 15 years, non-resident investors can rely on the stability of treaty provisions despite changes in a country's domestic tax laws.

4. Contents of a Typical Tax Treaty

A standard tax treaty typically outlines its framework and essential provisions, largely based on the Model Conventions established by the United Nations and the OECD. The key aspects are as follows (Lorenzo & Giorgio, 2022, p. 11):

- **Scope and Coverage**

With a focus on citizens of the contracting states, this section mainly outlines the people and organisations that are covered by the treaty. Additionally, it makes clear the scope of taxation by outlining the many kinds of taxes that are covered, with a particular emphasis on the income and capital taxes that the contracting states and their affiliated subdivisions impose.

- **Definition of Key Terms**

This section offers foundational definitions aimed at promoting a consistent understanding of treaty provisions. It establishes explicit criteria for identifying tax residency, clarifying which individuals or entities are considered residents of a contracting state. Furthermore, it articulates the notion of a permanent establishment, a critical element for the distribution of taxation rights between contracting states, by outlining the scope of a business's taxable presence within a specific jurisdiction.

- **Administrative Cooperation:**

The treaty establishes mechanisms for administrative cooperation, including dispute resolution procedures to address conflicts arising from the interpretation and application of treaty provisions. It provides information about:

  - Income Taxation;

- Capital Taxation;
- Method for Elimination of Double Taxation
- Special Provisions (Herzfeld & L.Doernberg, 2018, pp. 118-120): This part outlines special provisions related to taxation between Contracting States to ensure non-discrimination in taxation, it establishes a mutual agreement procedure for resolving tax disputes and it mandates the exchange of relevant tax information between the States.

▪ **Entry into Force and Termination**

It is considered a final provision, as it establishes the procedures and timelines for the treaty's implementation and outlines the conditions under which it may be amended or terminated.

5. Technics for Eliminating International Double Taxation

International tax treaties play a crucial role in mitigating double taxation, ensuring that cross-border income is not taxed twice by both the source and residence countries. To achieve this, tax treaties typically adopt two primary methods: the exemption method and the credit method (OCDE, 2023, pp. 65-67).

5.1. Exemption method

The exemption method follows a straightforward approach. It stipulates that if income has been duly taxed in its country of origin, the country of residence should prevent double taxation by excluding that foreign-sourced income from its own tax base (Li, 2013, p. 122).

However, an exemption system into place is much more difficult, particularly if the home country wants to stop possible exploitation. Granting an exemption for foreign-sourced income in the residence country means that the income is completely untaxed if the source country does not charge any taxes. This circumstance could lead to an inefficient allocation of resources and erode the justification for the home country to provide such assistance. Because of this, tax treaties often limit the exemption technique to income that is fully taxable in the nation of origin.

5.2. Credit method

The foreign Tax Credit method represents a key strategy employed by residence countries to mitigate the effects of double taxation on income sourced from abroad. Similar to the exemption method, it is generally regarded as at least a residual approach (Li, 2013, p. 126).

By allowing the residence country's tax responsibility on foreign-sourced income to be reduced by the amount of tax imposed on that income by the source country, the foreign tax credit system helps to avoid double taxation. Every foreign tax credit scheme needs to account for the potential for excess foreign tax credits, which could arise when the tax in the source nation is higher than the tax in the dwelling country.

IV. Key Provisions of the Algeria-UK Tax Treaty

The Convention between Algeria and the United Kingdom establishes a comprehensive framework for determining tax obligations, ensuring the fair allocation of taxing rights and preventing double taxation. By defining clear rules, it aims to foster economic cooperation and provide greater fiscal certainty for individuals and entities operating across both jurisdictions.

To facilitate consistent interpretation and application, the Convention provides precise definitions of key terms, including the territorial scope of each state, the concept of businesses and companies, and the identification of competent tax authorities. It also clarifies essential notions such as enterprises, international traffic, and nationality, helping to eliminate ambiguities and promote legal certainty in cross-border taxation.

1. Scope of Taxation and Covered Taxes

The Convention essentially concerns capital and income taxes, which include various forms of taxes imposed by individual governments. This includes the worldwide income tax, corporate profits tax, professional activity tax, and hydrocarbon-related taxes in Algeria. On the other hand, income tax, corporation tax, and capital gains tax are all included in the UK (Journal Officiel de la Republique Algerienne Democratique et Populaire N.33, 2016, pp. Art 2-4).

Furthermore, the treaty anticipates future tax law developments, requiring both countries to notify each other of significant legislative changes, thereby ensuring ongoing transparency and alignment.

2. Tax Residency Determination

A fundamental aspect of the Convention is the determination of tax residency, as it directly influences an individual’s or entity’s tax obligations. Residency is generally based on factors such as domicile, place of management, or habitual abode. In cases of dual residency, the resolution process considers additional criteria, including the location of a permanent home, the center of vital interests, and nationality. If these factors remain inconclusive, the competent authorities of both states will resolve the matter through mutual agreement. For entities, residency determination follows a similar negotiation-based approach to prevent conflicts and ensure equitable tax treatment (Journal Officiel de la Republique Algerienne Democratique et Populaire N.33, 2016, p. 4).

The concept of a "permanent establishment" is equally significant, as it is essential for assessing the tax obligations of enterprises functioning in both jurisdictions. The Convention delineates that a fixed business location, which may include an office, manufacturing facility, or site for natural resource extraction, qualifies as a permanent establishment (Journal Officiel de la Republique Algerienne Democratique et Populaire N.33, 2016, p. 5).

Furthermore, construction endeavors lasting more than six months and service operations that exceed 183 days are also classified as permanent establishments. Conversely, certain activities, such as storage, display, or ancillary functions, are excluded from this classification. Likewise, the presence of independent agents does not automatically create a taxable presence, nor does simple ownership or control of a business in the other jurisdiction.

3. Mechanisms for Eliminating Double Taxation

The key clauses in the tax treaty between Algeria and the United Kingdom pertaining to the elimination of double taxation are included in the table below. It draws attention to the ways that each nation helps its citizens avoid paying taxes twice on their income, profits, and dividends. The table lists Algeria's and the UK's various tax policies, including credits, exemptions, and deductions for corporate earnings and cross-border revenue.

Table 1: Taxation Rules for Different Types of Income under the Algeria-United Kingdom Tax Treaties

Revenue	Residence Country	Source Country	Taxation Country (Residence or Source)	Other Important Information
Income from Immovable Property	Contracting State	Where the property is located	Source	Includes direct use, leasing, usufruct, and rights related to natural resources
Business Profits	Contracting State	Where a permanent establishment exists	Residence, unless a permanent establishment exists in the source country	Profits must be attributed as if the permanent establishment were independent
Shipping and Air Transport	Contracting State	Operations of ships or aircraft in international traffic	Residence	Includes rental income from ships, aircraft, and containers if incidental
Associated Enterprises	Contracting State	Other contracting state	Residence	The other State will implement a suitable modification to the tax amount levied on those profits.
Dividends	Other Contracting State (Resident of recipient)	Contracting State (Where the company paying dividends is located)	Both, but source country limits tax to 5%-15%	If dividends are connected to a permanent establishment, Article 7 applies
Interest	Other Contracting State (Resident of recipient)	Contracting State (Where interest arises)	Both, but source country limits tax to 7%	Some state institutions are exempt from source taxation
Royalties	Other Contracting State (Resident of recipient)	Contracting State (Where royalties arise)	Both, but source country limits tax to 10%	Covers copyrights, patents, trademarks, etc.
Capital Gains	Contracting State (A Resident)	Other contracting state	- Source (for immovable property, shares with >50% value from property, and permanent establishments); - Residence (for other cases)	Gains from ships/aircraft in international traffic are taxed only in residence country
Income from Employment	Contracting State (A Resident)	Other contracting state	Residence, If three conditions are met. - Source, (for other cases)	The conditions: - Presence <183 days in one year, and, - The remuneration is paid by a non-resident employer of the other State, and, - Salary is not paid by a permanent establishment.

Source: Prepared by the researchers based on Algeria/UK Tax Treaty

The following table provides a comparative overview of the tax treatment of cross-border income between Algeria and the United Kingdom. It highlights how each country applies tax relief mechanisms, such as deductions, credits, and exemptions, to mitigate the impact of double taxation on profits, income, dividends, and permanent establishments. The analysis focuses on key aspects, including the general rule for tax treatment, the handling of profits and income, and specific provisions related to dividends and permanent establishments.

Table 2: Comparative Tax Treatment under the Algeria-United Kingdom Tax Treaty

Aspect	Algeria's Tax Treatment	United Kingdom's Tax Treatment
General Rule	Permits a **deduction** for taxes paid in the United Kingdom, while ensuring that the deduction does not surpass the tax associated with income subject to UK taxation	Allows a **credit** or **exemption** for tax paid in Algeria, following UK tax laws.
Profits, Income, and Gains	Tax paid in Algeria is credited against UK tax on the same income.	UK tax credit applies to Algerian tax paid (excluding dividend tax on distributed profits).
Dividends (General Rule)	No specific provision.	Dividends from an Algerian company to a UK company are **exempt** from UK tax if conditions are met.
Permanent Establishments (PEs)	No specific provision.	Profits of a UK company's Permanent Establishment in Algeria are **exempt** from UK tax if conditions are met.
Dividends (Special Case)	No specific provision.	If the UK company controls at least 10% of the Algerian company, the tax credit includes the underlying Algerian corporate tax.

Source: Prepared by the researchers based on Algeria/UK tax Treaty

4. Other Key Provisions

The treaty establishes the principle of non-discrimination in tax matters, ensuring that nationals and enterprises of one Contracting State are not subjected to more onerous taxation than those of the other State under comparable conditions (Journal Officiel de la Republique Algerienne Democratique et Populaire N.33, 2016, p. 11). It guarantees equitable tax treatment for permanent establishments and prohibits discriminatory fiscal measures based on foreign ownership or control. Nevertheless, it does not impose an obligation on a State to extend specific tax benefits, such as personal allowances, to non-resident individuals or entities.

A systematic procedure is also offered to resolve disagreements resulting from taxes that are thought to be in conflict with the convention's requirements. Taxpayers who feel they have been unfairly taxed can file a claim with the tax authority in their home nation, which will consult with the relevant body in the other state to try to reach a mutually agreeable solution. If an agreement cannot be reached within two years, the matter may be sent to arbitration, where the outcome will be legally binding unless a domestic court decision has previously been rendered. Additionally, to improve efficiency in addressing tax-related concerns, direct communication lines between the tax authorities of both States are facilitated.

In order to ensure compliance with the treaty’s provisions and to facilitate the effective execution of internal tax laws, the treaty also requires the tax authorities of the involving states to exchange pertinent tax data. Such data is strictly used for tax-related purposes and is considered confidential (Journal Officiel de la Republique Algerienne Democratique et Populaire N.33, 2016, p. 12).

However, a State is not obligated to furnish information that would contravene its legal framework, is not ordinarily accessible under its domestic laws, or would result in the disclosure of proprietary or trade-sensitive information. This obligation extends to financial institutions and other entities holding relevant financial data to enhance fiscal transparency.

Finally, the treaty provides for mutual assistance in tax collection, enabling one State to recover outstanding tax liabilities—including interest, penalties, and related costs—on behalf of the other. Tax claims deemed enforceable in one State may be collected in the other as though they were domestic obligations. However, such assistance remains subject to national legal constraints and may be declined if it is deemed contrary to public policy, imposes an excessive administrative burden, or pertains to taxes that do not align with widely accepted taxation principles.

V. Conclusion

The Algeria-United Kingdom Tax Treaty represents a significant step in strengthening economic and fiscal cooperation between the two countries. By establishing clear rules for taxation, residency, and dispute resolution, the treaty aims to prevent double taxation, promote cross-border investment, and ensure fair tax treatment for individuals and businesses operating in both jurisdictions. The study’s findings highlight the treaty’s impact on tax transparency, compliance mechanisms, and economic integration, providing valuable insights into its role in shaping bilateral financial relations. Below are the key results derived from the analysis:

- The treaty effectively eliminates double taxation by implementing tax credit, exemption, and deduction mechanisms. It ensures that income earned in one country is not taxed twice, thus encouraging investment and reducing tax burdens on individuals and businesses operating across both jurisdictions.
- The agreement defines residency criteria and establishes clear guidelines for determining a permanent establishment (PE). It outlines that companies or individuals with substantial economic activities in either country are subject to taxation based on their business presence and duration of operations. These rules help prevent tax evasion and clarify obligations for multinational corporations.

- The treaty allocates taxing rights between Algeria and the UK based on the nature of income (e.g., business profits, dividends, interest, royalties, employment income, and capital gains). While some forms of income are primarily taxed in the residence country, others (such as real estate income and PEs) are taxed in the source country. This structured approach ensures fairness in tax distribution.
- The agreement prohibits discriminatory tax treatment between residents and non-residents, ensuring equal tax obligations for businesses and individuals from both contracting states. Additionally, the treaty mandates exchange of information between tax authorities to enhance compliance, prevent tax fraud, and support transparency in financial reporting.
- A structured mechanism for resolving tax disputes is established, allowing taxpayers to seek mutual agreement procedures (MAP) between both countries' tax authorities. If disputes remain unresolved, the treaty provides for arbitration as a final resolution mechanism. Additionally, provisions for mutual assistance in tax collection enable authorities to enforce outstanding tax liabilities efficiently.
- By reducing tax uncertainties and aligning tax rules, the treaty promotes bilateral economic cooperation and facilitates foreign direct investment (FDI). Businesses benefit from lower withholding tax rates on dividends, interest, and royalties, making Algeria and the UK more attractive for cross-border commercial activities.

In light of these results, the proposed hypotheses can be tested as follows:

- **Hypothesis 1:** International double taxation arises from differing national tax laws and residency criteria.

The study confirms that double taxation occurs when the same income or profit is taxed in multiple jurisdictions due to conflicting tax laws. The treaty addresses this by defining tax residency criteria and providing mechanisms such as tie-breaker rules for dual residents, **thus aligning with the hypothesis**.

- **Hypothesis 2:** International tax treaties are founded on key principles such as tax sovereignty, non-discrimination, and reciprocity, aiming to provide legal mechanisms for reducing or eliminating double taxation.

The study **validates this hypothesis** by demonstrating how the Algeria-UK treaty ensures fair tax treatment, prevents discriminatory taxation, and fosters transparency. Provisions such as non-discrimination principles and mutual exchange of information reinforce reciprocity and fairness in tax administration.

- **Hypothesis 3**: Tax treaties use methods like tax credits, exemptions, and allocation rules to prevent excessive taxation.

The study confirms this hypothesis as the treaty employs various mechanisms—including tax deductions, exemptions, and credits—to eliminate double taxation on business profits, dividends, interest, and royalties. The allocation of taxation rights between the residence and source countries ensures a balanced tax burden.

- **Hypothesis 4**: The bilateral treaty effectively mitigates double taxation by promoting economic cooperation and reducing fiscal barriers.

The findings confirm this hypothesis by showing that the treaty facilitates cross-border trade and investment by providing tax relief mechanisms. Additionally, dispute resolution procedures and information exchange contribute to enhanced fiscal cooperation, reinforcing economic ties between Algeria and the UK.

To maximize the effectiveness of the Algeria-United Kingdom tax treaty and ensure its smooth implementation, it is essential to address certain challenges and areas for improvement. The following recommendations aim to enhance treaty application, promote cooperation between tax authorities, simplify procedures for taxpayers, and foster a more transparent and investment-friendly environment:

- Governments and tax authorities in Algeria and the UK should organize training sessions and awareness campaigns to help businesses and individuals better understand the provisions of the tax treaty and how to benefit from its mechanisms.
- Strengthening collaboration between Algerian and UK tax authorities through regular meetings, information exchange, and digital platforms can improve treaty implementation and reduce tax disputes.
- Both countries should work on simplifying tax procedures for companies and individuals operating across borders, reducing administrative burdens and ensuring smoother tax compliance.
- Considering the evolving nature of global taxation, including digital economy taxation and new business models, Algeria and the UK should periodically review and update their tax treaty to remain aligned with international best practices.
- Establishing clear guidelines for dispute resolution and enhancing transparency in tax enforcement can help prevent conflicts and ensure fair tax treatment under the treaty.
- By ensuring effective application of the treaty's provisions, both countries can create a more attractive environment for foreign investment and trade, further strengthening economic ties.

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