

**The Legal Framework Governing Company Mergers and Transformations
According to Algerian Commercial Law**

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Received : 16/06/2025 ; Accepted : 19/12/2025 ; Published : 15/03/2026

Abstract

Undoubtedly, the reforms and amendments adopted by the Algerian legislator regarding company mergers and transformations under the Algerian Commercial Law issued in 2022 focused on the importance of these legislative reforms in enhancing the legal environment to attract labor and investments and to stimulate economic development in Algeria. This research highlights the relevant provisions in Algerian legislation that regulate company mergers and transformations, emphasizing the procedures and conditions required to implement these operations transparently and legally. It also discusses the economic and legal impacts of these operations on shareholders, companies, and the national economy. The research examines the efforts made by the Algerian legislator to regulate these operations meticulously within commercial law, encouraging investors and companies to benefit from this new legal framework. This research highlights how to improve the labor environment in Algeria by regulating company transformations and mergers and how to promote stability and economic growth in the country.

Keywords: Company mergers; Company transformations; Legal regulations

Introduction

Companies undertake many strategic operations to ensure their continuity, achieve their goals, or address potential financial and administrative crises. Among the most important operations are mergers and transformations. A company merger refers to the process of combining two or more companies into a single unit under a common umbrella. It is a strategic topic that attracts the interest of many businesspeople, investors, and the economic community. Mergers update company structures, redirect new investments, and achieve competitive advantages. Over time, regulating these operations has become essential to maintain integrity, protect shareholders' interests, and ensure business sustainability. Understanding the importance and regulation of mergers is crucial to ensuring business continuity and economic prosperity.

Conversely, a company transformation refers to adopting a different legal form for the company. This process requires careful thought and planning and can provide significant benefits for companies and the economy in general. However, its comprehensive and social impacts must be considered to ensure success. The Algerian legislator has made significant efforts to regulate company transformations in Algeria according to the new commercial law.

These efforts are part of the 2030 national vision to improve the business environment, increase investment, and promote economic development.

Given the economic and legislative developments in Algeria in recent decades, Algeria seeks to stimulate the business environment, attract investments, and enhance economic development. Company mergers and transformations are vital decisions made by businesspeople and investors in Algeria, responding to market changes, new opportunities, and challenges faced by companies. Implementing these operations requires a strict legal framework specifying procedures and carefully detailing the required conditions to protect shareholders' interests.

Due to the difficulty of determining the most suitable option for an investor—whether to merge the company or transform it into another legal form—and the complexity of understanding the legal implications of mergers or transformations, this research will track legal and legislative developments and how company mergers and transformations are organized under Algerian legislation. The research explores the concepts, procedures, and economic and legal effects of these operations on investors and companies.

This research aims to answer several questions:

1. How has the Algerian legislator regulated companies in Algeria, and what types of companies does Algerian law cover?
2. What are the legal regulations for company mergers and transformations according to Algerian Commercial Law?
3. What legal measures are necessary to develop company mergers and transformations in Algeria?

The issues addressed in this research revolve around challenges companies may face when applying laws governing mergers and transformations due to the novelty of these laws, the difficulty of applying the laws and provisions to all company types, and the emergence of new types of companies. Additionally, investors and entrepreneurs may struggle to make appropriate decisions when facing risks that hinder company continuity or when seeking to expand activities, which leads to conflicts in applying legal provisions and thus disrupts economic growth operations.

Chapter One: The Legal Framework of Companies in Algeria

Economic development is the cornerstone of growth, and companies play a central role in this process. In Algeria, one of the largest economies in Africa, national and foreign companies constitute a vital part of the economic system. The legal framework for companies in Algeria is a complex legal and organizational structure that requires continuous adaptation by the legislator due to its direct impact on the economy.

In recent decades, Algeria has undergone significant economic transformations, giving companies a greater role in supporting development through changes in the legislative and economic environment, major infrastructure projects, and economic diversification. Companies face new challenges and opportunities to improve performance and market position. Companies and economic institutions are the backbone of development and prosperity in any economy, playing a crucial role in achieving economic sustainability and creating

employment opportunities. Companies and institutions in Algeria have a particular and important role due to the substantial economic and developmental transformations witnessed in recent years.

Section One: Development of the Legal Framework of Companies in Algeria

Regulations issued by higher authorities significantly affect the business environment and company organization. In Algeria, laws and regulations concerning companies form a critical legal framework for protecting shareholders' rights and ensuring business sustainability.

The Algerian legal system for companies has evolved over decades with continuous changes and improvements. Initially, companies relied on inherited French colonial laws and customary laws without formal regulation. With economic development and increasing foreign trade and investment, Algeria issued regulatory legislation to organize and facilitate company establishment and management.

Over time, legislation and regulations regarding company formation and management in Algeria have undergone significant changes to improve the business environment and attract investors. This legal development led to the issuance and amendment of several primary laws directly affecting companies and their operations, including provisions in the Algerian Commercial Law.

Historically, the Algerian company system was governed by old and complex laws, resulting in complex procedures and high costs for company establishment and management. A major shift occurred with the issuance of the Commercial Law in 1975, forming the foundational framework for regulating companies. Since then, the law has been repeatedly amended and improved.

With Algeria's social and economic developments, the company system underwent fundamental transformations to align with market changes and economic needs. This legal development reflects the interaction between the public and private sectors and the government's efforts to enhance a business-friendly and investment-attractive environment.

The Algerian Commercial Law has undergone multiple amendments aimed at simplifying company formation procedures. Additionally, the Investment Law regulates foreign investment in Algeria, providing incentives and guarantees to investors. Intellectual property laws have been continuously developed to improve protection, encourage innovation, and attract investment. Tax laws have also been amended to encourage investment and stimulate economic activity, including VAT and income tax adjustments. Environmental regulations have been issued to promote corporate social responsibility.

Regarding oversight, regulatory structures and roles have been developed to ensure compliance, enhance transparency, and modernize the Algerian capital market. Arbitration and dispute resolution systems have been strengthened to facilitate the resolution of commercial disputes between companies.

In 1975, Algeria issued its first commercial law regulating business activities (Law 75/59, September 26, 1975). This law was revised and updated multiple times to keep pace with economic and social changes, with the latest update in 2022 (Law 22/09). In recent years, major amendments have aimed to make Algeria's business environment more attractive, enhance transparency, and protect shareholders' rights.

CORPS & PSYCHISME

P-ISSN: 2496-4476 E-ISSN: 2273-1571

Volume 13/ Issue 1/ 2026

The new commercial law significantly transformed Algeria's company regulatory environment, facilitating the creation of companies, simplifying establishment procedures, and supporting local and foreign investments, thus strengthening the private sector. Algeria aims to improve its regulatory framework to achieve economic goals and diversification. Legislative developments have been part of broader economic reforms to improve the business environment, attract local and foreign investors, and enhance economic competitiveness.

Improvements in commercial law have simplified company establishment procedures and enhanced flexibility in company structures, creating a favorable investment environment. These reforms improved protections for shareholders and investors, updated investment laws for better foreign investment facilitation, supported technology adoption in company management, improved cybersecurity, and enhanced oversight to ensure law and regulation compliance, aiming to strengthen transparency and combat corruption.

Section Two: Types of Companies in Algeria

The Commercial Law provides multiple company types, allowing investors and businesspeople to choose the most suitable legal structure for their business needs. Algerian Commercial Law 22-09 recognizes several company types:

1. **Partnership Company (Société en Nom Collectif):** Includes two or more partners who bear unlimited liability for debts and obligations. Partners may lose personal assets if the company incurs losses. Each partner acquires the status of a trader and is fully and jointly liable for company debts.
2. **Limited Partnership (Société en Commandite Simple):** Includes two types of partners: general partners with the same legal status as partners in a partnership company and limited partners who are not traders and are liable only up to their contributions. Limited partners cannot engage in management activities, though they can review company records twice per year.
3. **Joint-Stock Company (Société Anonyme):** Ideal for capital companies, with capital divided into equal shares, tradable commercially. Partners are not traders, and liability is limited to their shares. A minimum of seven shareholders is required, with a minimum capital of five million Algerian Dinars for public subscription or one million otherwise.
4. **Simplified Joint-Stock Company (Société par Actions Simplifiée):** Capital is divided into tradable shares of equal value. The company alone is responsible for its debts and obligations, with partners' liability limited to their shares.
5. **Limited Liability Company (Société à Responsabilité Limitée):** Consists of one or more partners with liability limited to their capital contributions. Company assets are independent of partners' personal assets. Shares transfer to heirs upon death. Minimum capital is 100,000 DZD, divided into equal nominal shares of at least 1,000 DZD.

Foreign companies may be organized separately to provide protection and encourage foreign investment, aligning with international laws and treaties. Specific provisions can facilitate operations for foreign-invested companies. Sector-specific companies (agriculture, investment, real estate) may also be established, but the above main types form the core business framework in Algeria.

The new 2022 Commercial Law simplifies company formation and management, reduces administrative procedures, offers online services, enhances structural flexibility, strengthens financial disclosure and transparency, facilitates foreign company establishment and operation, and better addresses mergers, transformations, and acquisitions compared to the 1975 law. The system encourages transparency and accurate reporting of financial and administrative activities, building investor confidence and economic stability.

Chapter Two: Company Transformations and Mergers in Algerian Law

Sustainable economic growth and continuous business and investment development in Algeria have led to tangible improvements in the corporate sector. Mergers and company transformations are a vital part of these developments, promoting business expansion, diversification, and competitiveness. Algeria works to provide an encouraging business environment for these operations, contributing to its vision and global economic positioning. The Algerian Commercial Law contains detailed legal provisions governing these operations.

section One: Company Mergers

The strategy of company mergers in Algeria aims to improve the business environment, enhance attractiveness as a global investment destination, and align with Algeria 2030 goals to diversify the economy, promote competitiveness, and achieve sustainable development. The legislator provides an appropriate legal and regulatory framework, facilitates procedures, and increases transparency to attract investments and strengthen the private sector's role in economic development.

Subsection One: Concept of Company Mergers:

A company merger is the union of one company with another, resulting in the dissolution of one or both to form a single company. The first company is called the merged company, and the second is the merging company. In the United States, a merger is defined as a "legal arrangement combining two or more companies to form a new company or merge one into another."

Company mergers reflect business strategies for growth and sustainability. They enhance economic integration, increase workforce efficiency, and consolidate efforts, resources, and skills to achieve broader goals and strengthen companies.

In Algeria, mergers are regulated under the Commercial Law. Mergers involve an agreement between two companies to combine into one, transferring assets to the newly created company and dissolving the merging companies. Article 744 of the Commercial Law addresses mergers, leaving legal definitions to legal scholars.

Mergers aim to provide a clear legal framework, ensuring transparency, protecting shareholder rights, and reflecting Algeria's efforts to enhance the business environment and investment attractiveness while promoting sustainable economic development.

Subsection Two: Legal Regulations for Mergers

The merger in the business sector has significant importance for the Algerian legislator and the national economy in general, as these operations constitute one of the strategic tools that support the development and growth of companies, enhance the diversity of the economic sector, and increase investment opportunities. It should be noted that merger operations are

included within the framework of Algeria Vision 2030, which aims to diversify the Algerian economy, achieve self-sufficiency, and strengthen non-oil sectors by supporting and encouraging mergers. Organizing company mergers helps increase foreign investments by attracting more foreign direct investments to Algeria, which contributes to improving the economic structure and providing job opportunities.

Company merger operations in Algeria are regulated under the Commercial Code and its related executive regulations. The law sets out the basic rules and regulations that must be followed during the implementation of mergers. The process of merging companies in Algeria under the Algerian Commercial Code involves ensuring that the merger complies with all applicable Algerian laws and regulations. Detailed financial reports must be submitted to the General Authority for Control and Financial Verification. After fulfilling all conditions and procedures, the regulatory authorities issue the final decision approving the merger.

It is evident that merger operations have been organized in a precise and comprehensive manner, reflecting the great interest in ensuring the implementation of this process transparently and legally. Attention is directed toward specifying the necessary conditions and procedures and guiding participating companies to comply with applicable regulations, taking into account that there is no legal obligation for companies to merge in certain cases, as it is a contractual process carried out under an agreement between two or more companies at any stage of the company's life, even if it is in the liquidation phase.

Second Section: Transformation of Companies

Company transformation is a legal and economic concept representing the process of changing company structures and configurations to achieve specific objectives. It includes modifications in ownership structure, management, assets, or operations. Company transformation is implemented through various processes such as mergers, acquisitions, splits, restructuring, liquidation, and others, aiming to improve company performance, expand its business scope, and increase its value.

Moreover, company transformation can enhance competitiveness by improving organization and increasing efficiency, enabling companies to offer products and services at competitive prices, thus strengthening their market position. Economically, company transformation can attract investments, as a more effective and successful company draws greater investor interest in participating in capital and benefiting from expected growth.

Company transformation is highly significant in business and economics, as it can be an effective means of increasing competitiveness and achieving economic growth. Transformation operations help concentrate resources and efforts on the company's core areas, eliminate unnecessary assets, enhance operational efficiency, and increase revenues. The success of company transformation operations relies on careful planning and effective implementation, in addition to compliance with local and international laws and regulations. These operations must be conducted meticulously to ensure that the intended objectives are achieved without negatively affecting shareholders and other stakeholders. This will be further clarified in two subsections.

CORPS & PSYCHISME

P-ISSN: 2496-4476 E-ISSN: 2273-1571

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Subsection 1: Concept of Company Transformation

Company transformation generally refers to the process of changing the structure and function of companies to achieve new objectives or improve overall performance. This change can include adjustments in ownership structure, management, technology, assets, and the company's overall strategy. The aim of company transformation is to improve the company's ability to continue achieving its goals.

Legally, company transformation is defined as a substantial change in a company's structure or ownership, including its reorganization or merger with other companies. In law, transformation practices may lead to the creation of a new company or the restructuring of existing companies. In comparative law, company transformation is seen as a change in the structure or ownership of a company that results in a fundamental change in its nature or activity, usually subject to oversight and regulation by competent authorities in the state.

In Algerian law, there is no specific definition of company transformation; however, the concept can be inferred from Articles 715 bis 15 to 715 bis 18 of the Commercial Code, which mention the possibility of transforming a company into another form listed in the system by a decision issued according to the procedures prescribed for amending its articles of incorporation or statutes and after fulfilling the conditions for incorporation, registration, and publication for the new form. Article 715 bis 17 specifically refers to the requirement to transform a general partnership into a limited partnership if the founding contract provides for its continuation with heirs in case of a partner's death, making the minor or legally incapacitated partner a limited partner, with the transformation to occur within one year of the founder's death.

Thus, according to the Algerian Commercial Code, the concept of transformation represents a legal process by which the company's legal form is changed either voluntarily under a partner agreement or mandatorily under the provisions of the system, in cases specified to ensure the continuity of the company in performing its duties and achieving its goals.

Subsection 2: Legal Controls for Company Transformation

Company transformation is a strategic process aimed at changing the legal form of a company to achieve new objectives or improve overall performance. Its importance lies in enabling companies to respond to rapid market challenges and remain competitive. Transformation results in positive outcomes such as increased efficiency, broader scope, and higher value for shareholders and partners. However, these operations must be carefully planned and executed to avoid potential risks and challenges.

The Algerian Commercial Code has significantly evolved over the years to keep pace with global market changes and encourage investments. Regulations have been updated to provide a more transparent and attractive business environment for investors. Development efforts related to companies and the legislative environment in Algeria are expected to continue to support growth and achieve the objectives of Algeria Vision 2030. Transformation can contribute to increased efficiency and productivity, allowing companies to restructure internal operations and improve resource allocation, enhancing the quality of products and services provided.

CORPS & PSYCHISME

P-ISSN: 2496-4476 E-ISSN: 2273-1571

Volume 13/ Issue 1/ 2026

The legislator has set a series of legal controls to be observed during company transformation. Article 715 bis 17 requires the unanimous consent of partners or shareholders for transforming a company into a simplified joint-stock company. For transforming a general partnership, limited partnership, or limited liability company into a joint-stock company, it is permissible by request of partners owning more than half of the capital, unless the incorporation contract specifies a lower percentage. All company shares must be owned by related parties or designated through a trust or testament. Compliance with all legal procedures and requirements for the intended form of transformation is mandatory to protect the interests of partners and third parties. This pertains to public order, and any violation results in absolute nullity affecting the new company form, meaning the transforming company remains valid in its original form. Transformation of a general or limited partnership into another company form does not release the general partners from liability for prior debts under Article 715 bis 17, except if creditors explicitly accept or fail to object within thirty days of notification. The legislator intended to preserve the specificity of the general partner's liability for company debts and obligations, even extending to personal assets, ensuring greater protection for creditors in recovering their rights resulting from transactions concluded before the transformation.

Conclusion

The Algerian legislator has undertaken numerous legislative reforms and updates concerning companies, including the introduction of the simplified joint-stock company and expansion of family and non-profit companies, to keep pace with Algeria's rapidly evolving economy. These updates in the new Commercial Code represent an important step toward simplifying and facilitating company mergers while improving efficiency, enhancing transparency, and protecting shareholders' and investors' rights.

The law reflects a significant effort by the Algerian legislator to strengthen the business environment and guide companies toward sustainable economic development. Organizing these operations demonstrates dedication to developing Algeria's legal business framework, and these efforts are expected to continue stimulating investment and supporting economic growth.

Implementation and compliance with this law are key to ensuring the anticipated benefits of these legal reforms, enhancing Algeria's position as an influential and attractive investment destination for national and international investors. Mergers are organized precisely and comprehensively under the new law, ensuring transparency and legality, defining necessary conditions and procedures, and guiding participating companies to comply with applicable regulations. No legal obligation exists for companies to merge, as mergers are contractual processes that can occur at any stage of a company's life, even during liquidation.

A key legal effect of mergers is the dissolution of the merged company's legal personality into the acquiring company, with all assets transferring without prejudice to shareholders' and creditors' rights. In contrast, company transformation under the Algerian Commercial Code is a legal process that changes the company's legal form either voluntarily by agreement or mandatorily under system provisions to maintain company continuity. Unlike mergers, transformation does not create a new legal entity; the transforming company retains its legal

personality, rights, and obligations prior to transformation. Assets, commitments, and debts remain with the company and are fully enforceable.

Nevertheless, further efforts are needed to simplify and expedite legal procedures for company transformation and mergers, encourage companies to use these processes, increase transparency in financial and administrative operations, support research on the economic effects of transformation, mergers, and divisions, provide tax incentives to encourage investment, and strengthen international cooperation through agreements and information exchange.

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CORPS & PSYCHISME

P-ISSN: 2496-4476 E-ISSN: 2273-1571

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