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The Revaluation of Fixed Assets under the Algerian Financial Accounting System: Accounting Treatment, Tax Implications, and Implementation Challenges

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Abstract

This study aims to analyse the revaluation model of fixed assets under the Algerian Financial Accounting System by examining its theoretical foundations, accounting treatment, tax implications, and implementation challenges. the importance of this study lies in the fact that the revaluation represents an alternative to the historical cost model, as it seeks to enhance the relevance of financial information by reflecting more representative asset values. The study adopts a descriptive and analytical approach based on the Algerian Financial Accounting System, Algerian tax legislation, IFRS Accounting Standards, and accounting literature. The findings indicate that the revaluation model improves the relevance of financial reporting by providing more representative information about assets and an entity's financial position. However, its implementation in Algeria remains constrained by fair value measurement difficulties, limited market information, deferred tax complexities, and reliance on professional judgement. The study recommends strengthening valuation practices and developing reliable market databases to support more objective valuation processes.

Keywords: Fixed Asset Revaluation; Algerian Financial Accounting System; Fair Value; Deferred Taxes; Financial Reporting Quality.

1. Introduction

The adoption of the revaluation model has significantly transformed the subsequent measurement of fixed assets in financial reporting. By allowing entities to depart from the historical cost model after initial recognition, the model seeks to produce carrying amounts that faithfully represent the underlying economic reality. Whether this objective is achieved in practice remains open to debate, as measurement uncertainty, accounting requirements, and tax implications may limit the expected benefits of revaluation.

The Algerian Financial Accounting System reflects this international development by recognising revaluation as an alternative subsequent measurement model to the cost model after initial recognition. Its regulatory framework is largely inspired by the principles established in *IAS 16 - Property, Plant and Equipment*. Applying the model within the Algerian economic environment, however, raises issues that extend beyond compliance with accounting standards. Limited availability of active markets, measurement uncertainty, and the recognition of deferred tax consequences all affect the quality and credibility of the financial information ultimately reported.

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These considerations suggest that evaluating the revaluation model requires more than a review of the applicable accounting requirements. It also requires examining whether the theoretical advantages associated with revaluation can be achieved under the economic and institutional conditions in which Algerian entities operate.

1.1. Research Problem

The preceding discussion suggests that the expected benefits of revaluation cannot be separated from the conditions governing its application. This observation gives rise to the following research question:

To what extent can the revaluation model improve the relevance of financial reporting information under the Algerian Financial Accounting System despite the accounting, tax, and practical constraints affecting its implementation?

1.2. Sub-questions

To answer the main research question, the study addresses the following sub-questions:

- What theoretical arguments justify the adoption of the revaluation model as an alternative measurement basis for fixed assets?
- How does the Algerian Financial Accounting System regulate the accounting treatment of the revaluation model, and does this treatment support its intended objectives?
- How do the tax consequences associated with revaluation influence the practical application of the model?
- What are the principal factors limiting the effective implementation of the revaluation model within the Algerian economic environment?

1.3. Research Hypotheses

Drawing on the research problem and the analytical framework adopted in this study, the following hypotheses are proposed to guide the analysis and to provide tentative answers to the sub-questions:

- **H1:** The revaluation model is theoretically justified as an alternative measurement basis capable of enhancing the relevance of financial reporting information;
- **H2:** The Algerian Financial Accounting System provides an accounting framework that supports the objectives of the revaluation model;
- **H3:** The tax implications of revaluation influence its practical application without undermining its accounting benefits;
- **H4:** The principal obstacles to implementing the revaluation model in Algeria arise from valuation conditions rather than from the accounting requirements themselves.

1.4. Research Objectives

This study pursues four interrelated objectives. It first examines the conceptual foundations that justify the use of the revaluation model as an alternative subsequent measurement basis for fixed assets. It then analyses the accounting treatment prescribed by the Algerian Financial Accounting System and examines the tax implications arising from the application of the model, particularly those relating to deferred taxes. Finally, the study evaluates the principal practical constraints that continue to affect the implementation of revaluation within the Algerian economic environment.

1.5. Research Contribution

Although the revaluation of fixed assets has received considerable attention in the accounting literature, studies addressing revaluation under the Algerian Financial Accounting System have generally examined its accounting, tax, and practical dimensions separately. By analysing the theoretical foundations, accounting treatment, tax implications, and implementation challenges within a unified analytical framework, this study provides a more integrated assessment of the revaluation model in the Algerian context.

1.6. Methodological Approach

The study adopts a descriptive and analytical approach. The analysis draws on the Algerian Financial Accounting System, the relevant tax legislation, the principles derived from International Financial Reporting Standards (IFRS Accounting Standards), and academic literature dealing with the measurement and revaluation of fixed assets. These sources are examined jointly in order to analyse the theoretical foundations of the revaluation model, explain its accounting and tax treatment, and assess the practical issues associated with its implementation in Algeria.

2. Theoretical Foundations of the Revaluation of Fixed Assets

The revaluation of fixed assets did not emerge merely as an alternative accounting technique, but as a

response to the growing demand for financial information capable of reflecting current economic conditions more faithfully. As financial reporting evolved beyond the exclusive reliance on historical cost, increasing attention was given to measurement approaches that could provide users with information that is more relevant to economic decision-making. Within this context, the revaluation model has become an important component of contemporary accounting, linking the measurement of fixed assets to the broader concept of fair value measurement and supporting the objective of improving the quality of financial reporting.

2.1. Evolution and Definition of the Concept of Revaluation

The concept of revaluation emerged from the recognition that historical cost does not always provide the most informative basis for measuring fixed assets throughout their useful lives. As economic conditions change, the carrying amounts reported in financial statements may gradually diverge from the current values of the assets they represent. This concern led to the development of accounting approaches capable of updating asset values whenever reliable measurement became possible.

Against this background, revaluation came to be recognised as an alternative subsequent measurement basis rather than a replacement for historical cost model. Under the Algerian Financial Accounting System, entities may elect to measure eligible fixed assets using the revaluation model after initial recognition, provided that fair value can be measured reliably. The model therefore allows carrying amounts to be adjusted to reflect more faithfully the fair value of the assets at the reporting date (Decision of July 26, 2008, 2009, p. 10).

The growing acceptance of revaluation also reflects a broader evolution in accounting thought. Historically, financial reporting relied almost exclusively on historical cost because transaction prices were regarded as objective and readily verifiable. Over time, however, concerns emerged regarding the ability of historical cost to represent assets whose carrying amounts no longer reflected their current values since acquisition (Langlois, Friédéric, Burlaud, & Ben Rabia, 2013, pp. 92-93). Rather than abandoning historical cost, International Financial Reporting Standards (IFRS Accounting Standards) introduced the revaluation model as an alternative subsequent measurement approach intended to improve the relevance of financial information while preserving an appropriate degree of measurement reliability.

2.2. Fair Value as the Basis for Revaluation

The effectiveness of the revaluation model depends largely on the measurement basis used to determine the updated carrying amount of fixed assets. Within contemporary financial reporting, this role is performed by fair value, which provides the reference point for measuring assets at amounts intended to reflect their market conditions at the reporting date. Consequently, the quality of a revaluation exercise is closely linked to the reliability with which fair value can be measured. Understanding this concept is therefore essential for explaining both the rationale and the practical application of the revaluation model under the Algerian Financial Accounting System.

2.2.1. Definition of Fair Value

Under the Algerian Financial Accounting System, fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties acting under normal competitive market conditions. Rather than focusing on the historical cost of an asset, this definition reflects the price that could reasonably be obtained under current market conditions. In this respect, fair value serves as the measurement basis that enables the revaluation model seeks to align carrying amounts more closely with economic reality (Decision of July 26, 2008, 2009, p. 73).

The increasing importance of fair value stems from its ability to provide information that is more useful for economic decision-making. By incorporating current market conditions into the measurement process, it allows financial statements to present assets at amounts that better reflect their current economic conditions at the reporting date. This enhances the relevance of financial information for investors, creditors, and other users; however the reliability of such information ultimately depends on the quality of the valuation evidence supporting the measurement (International Accounting Standards Board, 2021a, pp. A25-A26).

2.2.2. Main Methods for Determining Fair Value

Determining fair value is not based on a single valuation technique. The approach adopted depends on the characteristics of the asset being measured and the

availability of reliable market information. Whenever an active market exists, observable market prices provide the most appropriate evidence of fair value because they are derived from actual market transactions and therefore require the lowest degree of professional judgement (International Accounting Standards Board, 2021d, pp. A699-A701).

When observable market prices are unavailable, alternative valuation techniques become necessary. *IFRS 13 - Fair Value Measurement* identifies, among others, the cost approach, which estimates value by reference to the current replacement cost of an asset adjusted for relevant factors, and the income approach, which determines value by discounting the future cash flows or economic benefits expected from its use. Selecting the most appropriate technique depends on the nature of the asset, the availability of observable inputs, and the reliability of the underlying assumptions. Regardless of the method adopted, the objective remains the same: to produce a measurement that faithfully reflects the asset's fair value at the reporting date (International Accounting Standards Board, 2021d, p. A699; A715).

2.3. The Objectives and Benefits of the Revaluation of Fixed Assets

The adoption of the revaluation model serves purposes that extend beyond updating the carrying amounts of fixed assets. Its significance lies in its contribution to the quality of financial reporting by improving the representation of an entity's economic resources and supporting more informed economic decisions. At the same time, the effects of revaluation are not confined to accounting measurement. They also influence the presentation of financial statements, the assessment of financial position, and the interpretation of key financial indicators. Examining these objectives therefore provides a clearer understanding of the role assigned to the revaluation model within contemporary financial reporting.

2.3.1. Enhancing the Relevance of Financial Reporting

One of the principal objectives of the revaluation model is to improve the relevance of financial reporting. When fixed assets remain in use for extended periods, their historical carrying amounts may no longer reflect their current values. As the gap between historical cost and the conditions prevailing at the reporting date widens, the information presented in the statement of financial position becomes less capable of supporting informed economic decisions. By updating carrying amounts on the basis of fair value, the revaluation model seeks to reduce this gap and present financial information that better reflects the economic resources controlled by the entity (International Accounting Standards Board, 2021a, pp. A25-A26).

The use of updated values also improves the comparability of financial statements. Under a measurement system based exclusively on historical cost, similar assets may be reported at significantly different carrying amounts simply because they were acquired at different dates. Such differences may complicate comparisons across entities and reporting periods without necessarily reflecting underlying economic differences. By incorporating current economic conditions into the measurement process, the revaluation model reduces these inconsistencies and provides a more comparable basis for financial analysis (Nobes & Parker, 2020).

2.3.2. Strengthening Equity and the Financial Structure

The effects of revaluation are not limited to improving the informational value of financial statements. Where the revaluation of fixed assets results in an increase in their carrying amount, the corresponding surplus is generally recognised directly in equity. This treatment may strengthen the equity position of the entity by improving indicators such as the equity ratio and other measures commonly considered by lenders and investors when evaluating financial stability and creditworthiness. From this perspective, revaluation may indirectly reinforce confidence in the financial position presented in the financial statements (Boubir, 2015, pp. 31-32).

These effects, however, should be interpreted with appropriate caution. Revaluation does not create additional economic resources, nor does it generate new cash inflows. Instead, it revises the accounting measurement of assets already controlled by the entity. The increase recognised in equity therefore reflects a reassessment of existing assets' carrying amounts rather than the creation of new wealth. Distinguishing between accounting remeasurement and genuine economic growth remains essential when interpreting the financial effects of revaluation (International Accounting Standards Board, 2021a, p. A92).

2.3.3. The Contribution of Revaluation to Economic Decision-Making

The usefulness of the revaluation model ultimately extends to the decisions taken by the various users of financial statements. Carrying amounts that more closely reflect current measurement bases provide investors, creditors, and other stakeholders with a more reliable basis for evaluating an entity's financial position and future prospects. More relevant asset values also improve the quality of the information available for assessing financial performance, investment opportunities, and financing decisions.

The benefits of revaluation are equally relevant to internal decision-making. Updated asset values provide management with information that may support investment planning, financing decisions, and the allocation of economic resources. The usefulness of such information nevertheless depends on the reliability of the valuation process. Where fair value is derived from robust valuation techniques supported by appropriate market evidence, revaluation can enhance managerial decision-making. Conversely, where valuations rely heavily on assumptions and professional judgement, the quality of the resulting information may be affected accordingly (Nobes & Parker, 2020).

3. Accounting Treatment of Revaluation under the Algerian Financial Accounting System

The effectiveness of the revaluation model ultimately depends on the accounting rules governing its application. Beyond recognising revaluation as an alternative subsequent measurement basis, the Algerian Financial Accounting System establishes the conditions under which revaluation may be performed and prescribes the accounting treatment of the resulting increases or decreases in the carrying amounts of assets. These provisions, which are largely inspired by *IAS 16 - Property, Plant and Equipment*, provide the framework for ensuring that revaluation is applied consistently and that its effects are appropriately reflected in the financial statements. Understanding this framework is therefore essential before examining the accounting procedures applicable to different categories of fixed assets.

3.1. Regulatory Framework for Revaluation under the Algerian Financial Accounting System

The accounting treatment of revaluation derives from a regulatory framework that determines both the circumstances in which the revaluation model may be adopted and the principles governing its application. Rather than leaving the decision entirely to the discretion of individual entities, the Algerian Financial Accounting System establishes specific rules intended to ensure consistency in subsequent measurement while maintaining comparability between financial statements. Since these provisions reflect the influence of IFRS Accounting Standards, examining their development provides a clearer understanding of the accounting approach adopted in Algeria.

3.1.1. The Evolution of Algerian Regulations Governing Revaluation

Before the introduction of the Financial Accounting System, the revaluation of fixed assets in Algeria was not regarded as a permanent accounting policy. Instead, it was introduced through successive legislative and regulatory measures adopted in response to changing economic conditions and the need to improve the financial position of enterprises.

The first organised regulatory framework appeared through Executive Decree No. 90-103 of March 27, 1990, which set out the conditions for the revaluation of depreciable tangible fixed assets recorded in the balance sheets of enterprises and entities subject to commercial law. This measure aimed primarily to improve the presentation of corporate financial statements by permitting the adjustment to the carrying amounts of eligible assets under specified regulatory conditions (Executive Decree No. 90-103, 1990, pp. 408-409).

The regulatory framework was subsequently strengthened by Executive Decree No. 93-250 of October 24, 1993, which introduced a new revaluation exercise intended to further improve the financial structure of enterprises in light of the economic reforms undertaken during that period. The decree updated the applicable valuation procedures and maintained the exceptional nature of revaluation as a legislative measure rather than a permanent accounting policy (Executive Decree No. 93-250, 1993, pp. 13-14).

A significant legislative development followed with the Finance Act for 1996, which established the tax treatment applicable to revaluation differences. The Act required the revaluation surplus to be recognised in

a specific equity reserve and provided for its gradual integration into taxable income through the additional depreciation resulting from the revaluation. This reform therefore linked the accounting effects of revaluation to their corresponding tax consequences (Ordinance No. 95-27, 1995, p. 06; 32).

To implement these legislative provisions, Executive Decree No. 96-336 of October 12, 1996 established the practical conditions governing the revaluation process. The decree specified the assets eligible for revaluation, introduced official revaluation coefficients, regulated the treatment of accumulated depreciation, determined the revised useful lives applicable after revaluation, and defined the accounting treatment of the resulting revaluation surplus (Executive Decree No. 96-336, 1996, pp. 05-06).

The revaluation framework was further expanded through the Finance Act for 2007, which authorised an optional revaluation of both depreciable and non-depreciable tangible fixed assets recorded in the balance sheet as at December 31, 2006. Unlike previous revaluation exercises, this reform expressly provided that the resulting revaluation surplus should be recognised in equity without immediate taxation, subject to the conditions established by the applicable legislation (Law No. 06-24, 2006, p. 19).

The detailed implementation procedures were subsequently established by Executive Decree No. 07-210 of July 4, 2007, which required a physical inventory of assets, valuation by qualified experts, review by the statutory auditor, recognition of the revaluation surplus in dedicated equity accounts, and the recalculation of depreciation on the basis of the remaining useful life of depreciable assets (Executive Decree No. 07-210, 2007, pp. 09-10).

A significant change occurred with the introduction of the Financial Accounting System, adopted pursuant to Law No. 07-11 of November 25, 2007. Under this new accounting framework, revaluation ceased to be an exceptional legislative measure and became a recognised accounting option available after the initial recognition of fixed assets, provided that the prescribed conditions were satisfied. This transition reflects more than a simple regulatory amendment. It illustrates the shift from exceptional statutory revaluation procedures towards a permanent accounting framework based on subsequent measurement principles inspired by IFRS Accounting Standards. By incorporating these principles, the Financial Accounting System aimed to improve the relevance and comparability of financial reporting in Algeria (Decision of July 26, 2008, 2009).

3.1.2. The Provisions of the Algerian Financial Accounting System Governing Revaluation

The accounting treatment of revaluation is principally governed by Article 121 of the Decree of July 26, 2008, particularly paragraphs 121-20 to 121-23, which establish the rules applicable to property, plant and equipment after their initial recognition. These provisions allow entities to select either the cost model or the revaluation model as the basis for subsequent measurement. Where the revaluation model is adopted, assets are measured at their fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses. The objective is to ensure that the carrying amount continues to reflect the asset's updated accounting value while improving the relevance of the information presented in the financial statements (Decision of July 26, 2008, 2009, pp. 09-10).

The Algerian Financial Accounting System also requires that the selected measurement basis be applied consistently within each class of fixed assets. Once an entity elects to use the revaluation model for a particular class, the same accounting policy must be applied to all assets belonging to that class. This requirement limits the possibility of selective revaluations intended to improve the appearance of financial statements by recognising only favourable changes in asset values. Consistent application of the measurement basis therefore contributes not only to comparability between reporting periods but also to the credibility of the information presented to users of the financial statements.

3.1.3. The Influence of IAS 16 and IAS 38

The provisions governing revaluation under the Algerian Financial Accounting System clearly demonstrate the influence of IFRS Accounting Standards, particularly *IAS 16 - Property, Plant and Equipment*. Like the international standard, the Algerian framework permits entities to choose between the cost model and the revaluation model for the subsequent measurement of property, plant and equipment. Although adapted to the legal and economic characteristics of the Algerian environment, the accounting treatment retains the essential principles

established by *IAS 16 – Property, Plant and Equipment*, thereby promoting greater consistency between national practice and IFRS Accounting Standards (International Accounting Standards Board, 2021c, p. A1134).

The influence of IFRS Accounting Standards also extends to intangible assets through *IAS 38 - Intangible Assets*. In practice, however, the application of the revaluation model remains far less common for intangible assets than for tangible fixed assets. This difference does not arise from the accounting requirements themselves, but from the practical difficulty of determining reliable fair values for many categories of intangible assets. The absence of active markets for such assets limits the use of the revaluation model in Algeria, as in most jurisdictions applying IFRS Accounting Standards, illustrating that the feasibility of revaluation ultimately depends on the availability of sufficiently reliable valuation evidence (Boubir, 2015, p. 31).

3.2. Accounting for the Revaluation of Non-Depreciable Fixed Assets

Once the regulatory framework governing revaluation has been established, the accounting treatment itself can be examined. The procedures applied under the revaluation model differ according to the nature of the asset concerned. This distinction is particularly important because non-depreciable and depreciable fixed assets are subject to different accounting requirements following revaluation. As land represents the most common category of non-depreciable fixed assets, it provides an appropriate starting point for analysing the accounting treatment prescribed by the Algerian Financial Accounting System.

3.2.1. Accounting Treatment for the Revaluation of Land

Land occupies a particular position within the revaluation model because, unlike most other fixed assets, it is not subject to depreciation. It carrying amount is therefore not affected by accumulated depreciation before revaluation, which considerably simplifies the accounting treatment. Following revaluation, the carrying amount of land is adjusted directly to its fair value at the revaluation date, allowing the statement of financial position to present an amount that more faithfully reflects its current value.

Where the revaluation results in an increase in value, the corresponding gain is generally recognised directly in equity as a revaluation surplus rather than in profit or loss. This treatment reflects the principle that the increase does not arise from a realised transaction but from a reassessment of the asset's carrying amount. Consequently, the revaluation improves the representation of the entity's financial position without affecting the financial performance reported for the current accounting period. This distinction between unrealised value adjustments and realised operating results contributes to a more faithful presentation of financial statements and prevents the artificial inflation of reported profit (Decision of July 26, 2008, 2009, p. 10).

3.2.2. Recognition of Revaluation Surpluses and Revaluation Losses

Every revaluation gives rise to a difference between the carrying amount of an asset immediately before revaluation and its fair value at the measurement date. The accounting treatment of this difference depends on whether the revaluation results in an increase or a decrease in the asset's carrying amount. Under the Algerian Financial Accounting System, an upward revaluation is generally recognised directly in equity under the heading Revaluation Surplus, thereby distinguishing unrealised valuation gains from income generated through the entity's operating activities (Decision of July 26, 2008, 2009, p. 10).

Recognising the revaluation surplus in equity reflects the nature of the increase itself. Since no sale or exchange has occurred, the additional value does not represent realised income but merely a revision of the carrying amount of an existing asset. Recording the increase outside profit or loss therefore avoids overstating financial performance while ensuring that the statement of financial position reflects the revalued carrying amount of the asset. This treatment is consistent with *IAS 16 – Property, Plant and Equipment*, which requires positive revaluation gains to be recognised in other comprehensive income before being accumulated in equity as a revaluation surplus (International Accounting Standards Board, 2021c, p. A1136).

The accounting treatment differs when revaluation results in a reduction in the carrying amount of the asset. In this case, the revaluation loss is recognised immediately in profit or loss to the extent that it

reflects a decline in the asset's recoverable amount. Where a revaluation surplus relating to the same asset already exists, however, the decrease is first deducted from that surplus before any remaining balance is recognised as an expense. This approach ensures consistency in the treatment of successive increases and decreases affecting the same asset while avoiding unnecessary fluctuations in reported earnings.

The revaluation surplus therefore occupies a distinct position within equity. Unlike retained earnings, it does not arise from operating activities or realised transactions but from the reassessment of existing assets. For this reason, its distribution is generally subject to specific legal and accounting restrictions intended to preserve the financial stability of the entity and protect the interests of creditors. The surplus should therefore be interpreted as an unrealised reserve reflecting revalued asset carrying amounts rather than as distributable profit.

3.3. Accounting for the Revaluation of Depreciable Fixed Assets

Unlike non-depreciable assets, the revaluation of depreciable fixed assets involves additional accounting considerations because it affects not only the carrying amount of the asset but also the accumulated depreciation recognised before revaluation and the depreciation charges recorded in subsequent reporting periods. The accounting treatment must therefore ensure that the revalued amount remains consistent with the asset's remaining useful life and future pattern of economic benefits. To achieve this objective, the Algerian Financial Accounting System, in line with *IAS 16 – Property, Plant and Equipment*, permits two alternative methods for accounting for the revaluation of depreciable fixed assets.

3.3.1. Methods for the Revaluation of Depreciable Fixed Assets

The presence of accumulated depreciation distinguishes the revaluation of depreciable assets from that of non-depreciable assets and requires additional accounting adjustments. Following revaluation, the relationship between the gross carrying amount, accumulated depreciation, and the resulting carrying amount must remain internally consistent. To accommodate different accounting circumstances, the Algerian Financial Accounting System, consistently with *IAS 16 – Property, Plant and Equipment*, permits two alternative methods for recording the revaluation of depreciable fixed assets.

First Method: Proportional Revaluation of Asset Components

Under the first method, both the gross carrying amount of the asset and its accumulated depreciation are adjusted simultaneously by applying the same revaluation coefficient. This coefficient is generally determined by comparing the asset's revalued amount with its carrying amount immediately before revaluation. Applying the coefficient to both accounting components preserves the proportional relationship between the gross carrying amount and accumulated depreciation while updating the carrying amount to its revalued amount (International Accounting Standards Board, 2021c, pp. A1135-A1136).

The principal advantage of this method lies in preserving the historical accounting structure of the asset. Following revaluation, the financial statements continue to present both the revised gross carrying amount and the revised accumulated depreciation, thereby maintaining a clear record of the asset's original acquisition cost while incorporating the effects of the revaluation. For this reason, the method is often preferred when entities wish to retain full traceability of the different components making up the carrying amount of the asset (Walton & Aerts, 2006, p. 198).

Second Method: Elimination of Accumulated Depreciation

The second method adopts a different accounting approach. Instead of revaluing accumulated depreciation, it eliminates accumulated depreciation against the gross carrying amount before adjusting the resulting carrying amount to its fair value. The carrying amount presented after revaluation therefore corresponds directly to the revalued amount of the asset. This method is commonly applied to buildings and other real estate assets whose fair value can be determined through market evidence or professional valuation techniques (International Accounting Standards Board, 2021c, p. A1136).

One of the principal advantages of this method is the simplicity of its presentation. By eliminating accumulated depreciation before recording the revaluation, the statement of financial position presents the asset directly at its revalued carrying amount,

making the effects of the revaluation easier to understand. This explains why the method is widely adopted in international practice, particularly where valuations are performed by independent professional valuers. Nevertheless, the elimination of accumulated depreciation also reduces the visibility of historical accounting information, since the original acquisition cost and accumulated depreciation are no longer presented separately after revaluation. While this approach enhances the clarity of the statement of financial position, it may provide less historical information for users interested in analysing the asset's accounting history (Walton & Aerts, 2006, p. 197).

3.3.2. The Consequences of Revaluation for Future Depreciation

The effects of revaluation do not end once the carrying amount of an asset has been adjusted. They also extend to the calculation of depreciation in subsequent reporting periods. Following revaluation, depreciation is calculated on the basis of the revalued carrying amount rather than the historical cost, with the revised depreciable amount allocated over the asset's remaining useful life. As a result, an upward revaluation generally leads to higher depreciation charges in future periods, ensuring that depreciation continues to reflect the revised carrying amount of the asset (Stolowy, Lebas, & Ding, 2010).

The increase in depreciation expense illustrates that the effects of revaluation are recognised progressively rather than being confined to the revaluation date. This treatment helps maintain consistency between the carrying amount of the asset and the future economic benefits expected from its use. From a tax perspective, however, accounting depreciation based on revalued amounts does not necessarily coincide with depreciation recognised under tax legislation. These differences frequently give rise to taxable temporary differences and, consequently, to deferred tax liabilities. The accounting implications of these temporary differences constitute one of the principal tax consequences of the revaluation model and are examined in the following section.

3.4. Disclosures in the Financial Statements

The usefulness of the revaluation model depends not only on the accounting recognition of revalued assets but also on the transparency of the information accompanying those measurements. Because revaluation may significantly affect the carrying amounts of fixed assets, equity, and subsequent financial performance, users of financial statements require sufficient information to understand both the nature of the revaluation and its financial consequences. Adequate disclosure therefore complements the accounting treatment by enabling users to assess the reliability and significance of the reported information.

3.4.1. Information to Be Disclosed in the Statement of Financial Position

The application of the revaluation model modifies the carrying amounts of the assets concerned and may also affect equity through the recognition of a revaluation surplus or a revaluation loss. These effects should be presented clearly in the statement of financial position so that users can distinguish revalued assets from those measured under the cost model and evaluate the impact of revaluation on the entity's financial position. Transparent presentation enhances the readability of the financial statements and facilitates comparisons across reporting periods (Decision of July 26, 2008, 2009, p. 23; 39).

The disclosure of revaluation effects in the statement of financial position also contributes to a clearer distinction between changes arising from ordinary business activities and those resulting from the reassessment of asset values. This distinction enables users to interpret movements in equity and changes in the carrying amounts of fixed assets without confusing unrealised valuation adjustments with realised financial performance, thereby improving the overall transparency of financial reporting.

3.4.2. Information to Be Disclosed in the Notes to the Financial Statements

The notes to the financial statements provide the detailed information necessary to understand the accounting treatment adopted for revalued assets. In addition to identifying the classes of fixed assets that have been revalued, entities are expected to disclose the valuation techniques applied, the effective date of the revaluation, and the amounts recognised as revaluation surpluses or revaluation losses. Where valuations have been performed by independent professional valuers, information concerning the valuation process and the principal assumptions supporting the determined fair values further assists users in assessing the reliability of the reported amounts (International

Accounting Standards Board, 2021c, pp. A1143-A1144).

These disclosures perform a function that extends beyond compliance with accounting requirements. They enable users to evaluate the quality of the valuation process, understand the assumptions underlying the reported amounts, and exercise informed professional judgement when interpreting the financial statements. This is particularly important where fair value cannot be observed directly in active markets and instead depends on valuation techniques incorporating professional estimates and assumptions. Under such circumstances, comprehensive disclosure becomes an essential element of transparent and credible financial reporting.

4. The Tax Treatment of the Revaluation of Fixed Assets

Although the revaluation of fixed assets is primarily governed by accounting standards, its effects extend beyond financial reporting and have important tax consequences. Changes in the carrying amount of fixed assets may influence future depreciation, the determination of taxable profit, and the calculation of capital gains upon disposal. Consequently, a comprehensive assessment of the revaluation model requires consideration of both its accounting and tax dimensions, particularly within the Algerian tax system, where accounting recognition and taxation are closely interconnected.

4.1. The Tax Framework Governing Revaluation in Algeria

The tax consequences of revaluation are determined by the legal provisions governing the taxation of revaluation differences rather than by accounting standards alone. In Algeria, the tax treatment of revaluation is primarily governed by the provisions of the Code of Direct Taxes and Similar Duties, particularly Articles 186, 186 bis, and 186 bis1. These provisions distinguish between the tax consequences of revaluation according to the nature of the resulting gains and the type of fixed assets concerned. In particular, they determine the treatment of excess depreciation allowances resulting from revaluation, the exclusion from taxable profit of revaluation gains relating to non-depreciable fixed assets, and the rules applicable to calculating gains or losses on the disposal of revalued assets (General Directorate of Taxes, 2026, p. 59).

4.1.1. The Principle of Tax Neutrality

The Algerian tax treatment of revaluation does not result in an immediate uniform taxation of all revaluation differences. The tax consequences depend on the nature of the difference generated by the revaluation and the category of fixed assets concerned. While revaluation gains relating to non-depreciable fixed assets are excluded from taxable profit under Article 186 bis of the Code of Direct Taxes and Similar Duties, excess depreciation allowances resulting from revaluation are included in taxable income under Article 186 (General Directorate of Taxes, 2026, p. 59).

The exclusion of certain revaluation gains from taxable profit should not be interpreted as a general exemption from all tax consequences. The tax treatment varies according to the nature of the asset and the subsequent transaction. In particular, gains or losses arising from the disposal of depreciable and non-depreciable fixed assets are calculated based on the original value before revaluation, in accordance with Article 186 bis 1 of the Code of Direct Taxes and Similar Duties. The tax consequences of revaluation therefore depend on how the asset is subsequently recovered or disposed of. The Algerian tax system differentiates between the treatment of depreciable and non-depreciable fixed assets, thereby avoiding the immediate taxation of certain unrealised revaluation gains while preserving the applicable tax rules upon subsequent depreciation or disposal (Directorate of Tax Legislation and Regulation, 2019, p. 02).

4.1.2. The tax treatment of revaluation differences

The tax consequences of revaluation differ according to the nature of the asset concerned. For depreciable fixed assets, revaluation may affect depreciation calculations and generate differences between accounting depreciation and tax depreciation. Under Article 186 of the Code of Direct Taxes and Similar Duties, the excess depreciation allowances resulting from revaluation are included in taxable income. These differences become relevant over the remaining useful life of the asset as depreciation is progressively recognized for accounting and tax purposes. By contrast, the tax effects associated with non-depreciable assets, particularly land, generally arise only when the asset is disposed of and the taxable gain resulting from the disposal is determined (General

Directorate of Taxes, 2026, p. 59).

The tax treatment of revaluation therefore depends not only on the accounting recognition of the revaluation surplus but also on the characteristics of the asset and the manner in which its tax consequences will ultimately arise. This distinction explains why identical accounting treatments may give rise to different tax consequences depending on whether the asset is depreciable or non-depreciable and illustrates the close relationship between accounting measurement and tax legislation.

4.2. Deferred Taxes Arising from Revaluation

Among the tax consequences associated with revaluation, the recognition of deferred tax liabilities is one of the most significant. Revaluation may create differences between the carrying amount of fixed assets and their tax bases, requiring an analysis of deferred tax consequences in accordance with *IAS 12 – Income Taxes*. This standard requires these future tax effects to be recognised when the related revaluation is recorded, thereby ensuring that the financial statements reflect not only the accounting consequences of revaluation but also the tax obligations expected to arise from it.

4.2.1. Origin of Deferred Taxes - Taxable Temporary Differences from Revaluation

Revaluation generally increases the carrying amount of a fixed asset while leaving its tax base unchanged. This difference between the carrying amount and the tax base constitutes a taxable temporary difference. Although it does not result in an immediate tax payment, it gives rise to future taxable amounts when the carrying amount of the asset is recovered through use or disposal. For this reason, *IAS 12 - Income Taxes* requires the recognition of a deferred tax liability whenever such taxable temporary differences arise (International Accounting Standards Board, 2021b, p. A1092; A1094).

Unlike many temporary differences created by ordinary business transactions, those arising from revaluation originate solely from the reassessment of an asset's carrying amount. Nevertheless, the future recovery of that additional carrying amount will generally produce taxable amounts under the applicable tax legislation. Recognising a deferred tax liability therefore ensures that the future tax effects of the revaluation are recognised in the same reporting period as the corresponding increase in the carrying amount of the asset, thereby preserving consistency between the accounting event and its related tax consequences.

4.2.2. Recognition and Accounting Treatment of Deferred Tax Liabilities

Once a taxable temporary difference has been identified, the entity is required to recognise a deferred tax liability representing the amount of income tax expected to be payable when the carrying amount of the asset is recovered. This requirement reflects one of the fundamental principles of *IAS 12 – Income Taxes*, namely that the future tax consequences of recognised transactions should themselves be recognised in the financial statements during the same reporting period. Such treatment enhances both the completeness and the reliability of financial reporting (International Accounting Standards Board, 2021b, p. A1092).

Recognising deferred tax liabilities also prevents the overstatement of equity that would arise if only the revaluation surplus were recognised. Part of that surplus corresponds to the future tax consequences associated with the revaluation that the entity will eventually be required to settle. Presenting both the revaluation surplus and the related deferred tax liability therefore provides a more balanced representation of the entity's financial position and enables users of the financial statements to distinguish between unrealised accounting gains and future tax commitments (Epstein & Jermakowicz, 2010).

4.2.3. The Impact of Deferred Tax on Equity

Where the revaluation surplus is recognised directly in equity, *IAS 12 – Income Taxes* requires the related deferred tax liability to be recognised in the same component of equity as well. This treatment preserves consistency between the accounting recognition of the transaction and its associated tax effects by ensuring that a tax consequence arising from an item recognised outside profit or loss is not subsequently recognised in profit or loss. As a result, the revaluation surplus is presented net of its related tax effect (International Accounting Standards Board, 2021b, p. A1111).

The significance of this adjustment depends on both the amount of the revaluation surplus and the applicable tax rate. As the difference between the carrying amount of the asset and its tax base increases, so does the corresponding deferred tax liability. Consequently, evaluating the financial effects of revaluation requires consideration of both the revaluation surplus recognised in equity and the future

tax consequences arising from the taxable temporary difference associated with that surplus. Presenting these two elements together provides users with a more complete understanding of the entity's financial position and avoids overstating the financial benefits resulting from the revaluation (Stolowy, Lebas, & Ding, 2010).

5. Implementation Challenges of Fixed Asset Revaluation in Algeria

Although the Algerian Financial Accounting System provides a regulatory framework broadly aligned with international accounting principles inspired by IFRS Accounting Standards, applying the revaluation model in practice remains considerably more challenging than its accounting requirements may suggest. The effectiveness of revaluation depends not only on compliance with accounting standards but also on the economic, institutional, and informational environment in which valuation is performed. In the Algerian context, several practical constraints continue to affect the reliability of fair value measurement and, consequently, the quality of the financial information produced through the revaluation process.

5.1. The Lack of Reference Markets for Determining Fair Value

The reliability of the revaluation model depends fundamentally on the availability of fair values that can be determined with sufficient objectivity. In principle, this objective is most readily achieved where active markets provide observable prices for comparable assets. Such market evidence reduces reliance on professional judgement and increases the reliability of the resulting measurements (International Accounting Standards Board, 2021d, pp. A700-A701).

In Algeria, however, these conditions are not always satisfied. Many categories of fixed assets, particularly specialised industrial equipment, are not traded in active markets capable of providing reliable valuation benchmarks. As a result, entities are frequently unable to apply the market approach recommended by *IFRS 13 - Fair Value Measurement* and must instead rely on alternative valuation techniques based on estimates and professional judgement. This situation inevitably increases measurement uncertainty and reduces the degree of objectivity that fair value seeks to achieve.

The limited depth of the Algerian financial market reinforces these difficulties. The relatively small number of listed companies and the modest volume of market transactions restrict the availability of observable market information that could support reliable valuation. Consequently, the absence of sufficiently active reference markets remains one of the principal obstacles to the effective implementation of the revaluation model within the Algerian economic environment.

5.2. Difficulties Associated with the Valuation of Real Estate Assets

Real estate assets are among the categories most frequently revalued under the Algerian Financial Accounting System. Nevertheless, determining their fair value often presents significant practical difficulties. Although the Algerian real estate market is relatively active, reliable information concerning actual transaction prices is not always readily available, sufficiently transparent, or systematically centralised. As a result, fair value frequently depends on professional estimations rather than observable market inputs.

The limited availability of comparable market data also reduces the effectiveness of the market approach, which is generally regarded as the preferred valuation technique for land and buildings. Professional valuers are therefore often required to rely on alternative valuation methods incorporating assumptions regarding replacement cost, expected economic benefits, and other valuation parameters. While such approaches may provide reasonable estimates, differences in assumptions or valuation techniques may lead to variations in the resulting fair values. The reliability of financial reporting consequently depends not only on the accounting requirements themselves but also on the quality of the valuation evidence supporting those measurements (Boubir, 2015, p. 31).

5.3. Reliance on Professional Valuation and the Risk of Subjectivity

Where reliable market information is unavailable, determining fair value frequently requires the intervention of independent professional valuers. The involvement of qualified experts undoubtedly enhances the credibility of the valuation process. Nevertheless, it cannot entirely eliminate the influence of professional judgement. Differences in valuation techniques, assumptions, or professional experience may lead competent valuers to arrive at different estimates for the same asset.

This issue becomes particularly significant for specialised industrial assets whose value depends on technical characteristics that cannot easily be verified through market transactions. Factors such as physical condition, remaining useful life, replacement cost, and expected future economic benefits all require professional assessment. Consequently, the quality of the valuation depends not only on the competence of the valuer but also on the reliability of the information available and the suitability of the valuation method adopted. Under these circumstances, professional judgement remains an indispensable element of the valuation process while simultaneously constituting one of its principal sources of uncertainty (Alexander, Britton, Jorissen, Hoogendoorn, & Van Mourik, 2017).

5.4. Constraints Associated with Tax Treatment and Deferred Taxes

The implementation of the revaluation model also presents important tax-related challenges. Revaluation frequently creates differences between the carrying amount of fixed assets and their corresponding tax bases, requiring the recognition of deferred tax liabilities. Although the accounting principles governing deferred taxes are well established under *IAS 12 – Income Taxes*, their practical application requires a thorough understanding of taxable temporary differences, deferred tax measurement, and the interaction between accounting standards and tax legislation.

These requirements may present particular difficulties for entities that lack specialised accounting or tax expertise, especially small and medium-sized enterprises. The frequent evolution of tax legislation further increases the complexity of applying the relevant accounting treatments consistently. Under such circumstances, maintaining compliance with both accounting and tax requirements depends largely on the technical competence of accounting professionals. Continuous professional training therefore represents an essential factor in promoting the consistent application of the Algerian Financial Accounting System and enhancing the reliability of financial reporting (Boubir, 2015, pp. 32-33).

5.5. Governance and Financial Reporting Quality Issues

Beyond the technical challenges associated with valuation and taxation, the revaluation model also raises important issues relating to corporate governance. Because fair value measurement frequently depends on estimates and professional judgement, inappropriate application of the model may create opportunities for earnings management or for presenting an unduly favourable picture of an entity's financial position. These risks become more pronounced where valuation assumptions cannot readily be verified using objective market evidence.

Effective governance mechanisms therefore play a central role in preserving the credibility of the revaluation process. Robust internal control procedures, transparent disclosure practices, and appropriate oversight by external auditors, statutory auditors, audit committees, and other governance bodies all contribute to improving the reliability of valuation decisions. By critically assessing the assumptions underlying fair value measurements and ensuring compliance with prescribed financial reporting requirements, strong corporate governance protects the integrity of financial statements and enhances stakeholder trust.

6. Conclusion

The revaluation of fixed assets has become an important component of contemporary financial reporting by providing an alternative to historical cost for the subsequent measurement of assets. Its incorporation into the Algerian Financial Accounting System reflects the objective of improving the quality of financial reporting while promoting greater convergence with the principles of IFRS Accounting Standards, particularly *IAS 16 - Property, Plant and Equipment*.

The analysis undertaken in this study indicates that the revaluation model enhances the relevance of financial information by enabling carrying amounts to reflect current economic conditions more faithfully. At the same time, its implementation extends beyond accounting measurement, influencing equity, future depreciation, deferred taxes, and the information available to users for economic decision-making. These accounting and tax effects demonstrate that the successful application of the revaluation model depends on the consistent interaction between accounting standards and tax legislation.

The study also indicates that, despite the existence of an accounting framework broadly aligned with the principles underlying IFRS Accounting Standards, the effective implementation of the revaluation model in

Algeria continues to face significant practical challenges. The limited availability of reliable market information, difficulties in determining fair value, dependence on professional judgement, and the complexity of deferred tax accounting all affect the reliability of valuation and, consequently, the quality of financial reporting.

6.1. Research Findings

The analysis undertaken in this study supports the following findings:

- The theoretical foundations of the revaluation model justify its adoption as an alternative measurement basis capable of improving the relevance of financial reporting;
- The Algerian Financial Accounting System provides an accounting framework that is broadly consistent with the principles governing the revaluation model under *IAS 16 -Property, Plant and Equipment*, while reflecting the specific characteristics of the Algerian accounting environment;
- Fair value constitutes the foundation of the revaluation model; however, its reliable determination remains one of the principal challenges affecting practical implementation in the Algerian economic environment;
- Revaluation strengthens the presentation of an entity's financial position through the recognition of revaluation surpluses without generating realised income;
- The application of the revaluation model creates taxable temporary differences requiring the recognition of deferred tax liabilities in accordance with *IAS 12 - Income Taxes* when the recognition criteria established by the standard are met;
- The practical implementation of the revaluation model in Algeria is constrained primarily by valuation difficulties, limited market information, and extensive reliance on professional judgement;
- The quality of financial reporting depends not only on compliance with accounting standards but also on the effectiveness of valuation procedures, governance mechanisms, and financial disclosure.

6.2. Implications

The findings of this study have critical implications for regulatory bodies, professional accounting organizations, corporate governance systems, and economic stakeholders in Algeria. By shifting the perspective from a mere compliance review to an integrated analysis of accounting, tax, and empirical valuation conditions, this research demonstrates that the relevance of financial information cannot be achieved through legislative amendments alone. It strictly depends on the transparency of the surrounding economic environment.

To bridge the gap between theoretical accounting benefits and the practical challenges identified in the Algerian economic environment, the following structured actions are recommended:

- **Market Information Infrastructure:** Improve the transparency and availability of information within financial and real estate markets to facilitate the determination of reliable fair values;
- **National Valuation Benchmarks:** Develop national reference databases containing reliable market information on property transactions and other categories of fixed assets to support consistent valuation practices;
- **Professional Capacity Building:** Strengthen the professional training of accountants, auditors, valuers, and tax specialists in the application of the accounting principles related to IAS 16, IFRS 13, and IAS 12.
- **Regulatory and Tax Alignment:** Improve coordination between accounting regulation and tax legislation to facilitate the application of deferred tax requirements and the treatment of tax consequences arising from revaluation;
- **Corporate Governance Mechanisms:** Reinforce corporate governance by strengthening the role of statutory auditors, audit committees, and internal control systems in reviewing valuation assumptions and monitoring the revaluation process;
- **Scholarly and Applied Research:** Encourage further academic and professional research on the practical implementation of the revaluation model in Algeria, particularly regarding valuation methodologies and the development of reliable reference markets.

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