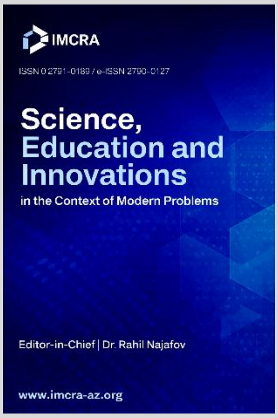

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RESEARCH ARTICLE

The Purchase Option Granted to the Lessee under a Financial Leasing (Crédit-bail) Contract

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Abstract
Among the contracts that allow for property ownership at the end of their term is the leasing contract, commonly referred to as financial leasing or leasing credit. The origins of this system can be traced back to the post-World War II era, first appearing in the United States in the early 1950s. It later spread to France and other Western European countries in the 1960s, and subsequently reached most countries worldwide, including Algeria. In Algeria, the first legal framework regulating leasing credit was established by Ordinance No. 96/09 dated January 10, 1996. One of the key safeguards offered by leasing credit is the retention of ownership of the leased asset by the financial institution or bank during the contract term. Additionally, the three options granted under the leasing credit contract clearly demonstrate the effectiveness of the guarantees provided by this financial arrangement.

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I. INTRODUCTION

Financial leasing (crédit-bail) also referred to by some as a finance lease is among the contractual mechanisms that enable the acquisition of ownership of real property upon the termination of the contractual relationship. The origins of financial leasing date back to the post–Second World War period: it emerged in the United States in the early 1950s, spread to France and several Western European countries in the early 1960s, and subsequently expanded to many jurisdictions worldwide, including Algeria.

In its original form, financial leasing is associated with the industrialist Del Booth Jr., who owned a small factory producing certain food products. He proposed to one of his friends the creation of a company that would lease equipment while granting the lessee an option to purchase at the end of the contractual term. This proposal was implemented in 1952, when the first leasing company United States Leasing was established. From that point onward, the concept of financial leasing gained prominence and its use spread across a number of countries.

In Algeria, financial leasing was not recognised prior to the enactment of the legislation governing money and credit. Following the issuance of Law No. 90/10 of 1990 on Money and Credit, financial leasing became classified among the credit operations carried out by banks and financial institutions (Law No. 90-10 of 14 April 1990 on Money and Credit, 1990). Article 112 provides that "leases coupled with an option to purchase particularly lending operations with leasing are deemed credit operations." In the same year, Algeria witnessed the establishment of its first leasing company through an initiative involving the Banque Extérieure d'Algérie and the Saudi Al Baraka group, leading to the creation of an Algerian–Saudi company specialised in financial leasing, namely ASL.

Nevertheless, the first legislative instrument specifically regulating financial leasing in Algeria was enacted under Order No. 96/09 of 10 January 1996 on financial leasing. Article 1 defines financial leasing, as an autonomous legal operation, as a commercial and financial transaction carried out by banks, financial institutions, or a legally qualified and expressly licensed leasing company, with Algerian or foreign economic operators natural or legal persons governed by public or private law on the basis of a lease contract that may, or may not, include an option in favour of the lessee. The operation relates exclusively to movable or immovable assets intended for professional use, as well as commercial premises or craft establishments.

One of the most important safeguards offered by a financial leasing contract lies in the bank's or financial institution's retention of ownership of the assets subject to the contract. This safeguard enables the lessor to recover the assets financed—and, in addition, a profit margin in the event of the lessee's insolvency, since the bank or financial institution ultimately seeks to generate profit from the financing arrangement.

Moreover, the three options granted under a financial leasing contract provide a clear indication of the effectiveness of the guarantees embedded in this mechanism. Where the beneficiary lessee purchases the asset by exercising the option to purchase, this typically demonstrates that the lessee has fully performed the contractual obligations. Consequently, the statutory right of repossession loses its rationale, as the circumstance that justified it—namely the lessee's default or insolvency ceases to exist.

Accordingly, the present study addresses the following question: What procedures govern the transfer of ownership from the lessor to the lessee where the latter exercises the option to purchase professional real property under a financial leasing contract at the end of the contract term?

This article aims to examine how ownership of professionally used immovable property is transferred from the lessor to the lessee when the latter exercises the purchase option at the end of a financial leasing (crédit-bail) contract. It clarifies the legal conditions attached to exercising the purchase option and the procedural steps required to perfect title transfer.
It also analyses how Algerian legislation (notably Order No. 96-09 and related implementing rules) frames the contractual pathway from use to ownership. Ultimately, the study seeks to present a coherent account of the sale-based mechanisms through which the leased asset becomes the lessee's property.

The study first introduces the emergence of financial leasing and outlines its legal basis in Algeria, culminating in the research question. It then defines the financial leasing contract and highlights its distinguishing characteristics, including its financing and credit-based dimensions and the end-of-term options. Next, it details the conditions for exercising the purchase option and explains the legal forms of ownership transfer through a separate sale contract. Finally, it addresses registration/publication requirements and concludes with an assessment of the instrument's value and recommendations for improving the legal and fiscal framework.

1. Definition of the Financial Leasing Contract

Financial leasing (crédit-bail) constitutes a modern financing technique, particularly in light of the expanding role of the private sector in economic and social development. It enables the beneficiary to use an asset without immediately acquiring ownership, while allowing the lessor (the leasing company or financial institution) to invest its funds by granting financing backed by a strong safeguardnamely, the retention of ownership of the financed asset (Qahmous, 2013, p. 13).

Legal scholarship has generally defined financial leasing whether relating to movable or immovable assets as "a contract whereby the lessee is granted the right to use the leased asset, whether movable or immovable, for a specified period in return for rentals agreed with the lessor; at the end of that period, the lessee may purchase the subject-matter of the contract, usually at a reduced price, return the leased asset, or renew the contract" (Msiridi, 2013, p. 18).

With respect to financial leasing operations involving immovable investments, the arrangement concerns the financing of immovable property intended for professional use. This includes premises used for commercial activities, buildings necessary or required for the practice of liberal professions, as well as agricultural use. The leasing institution acquires such property either through construction or purchase and subsequently makes it available to the investor by way of lease. At the end of the contract, the lessee may be afforded the possibility of acquiring the asset, even where this operates as the execution of a unilateral promise to sell; alternatively, the lessee may acquire, directly or indirectly, rights in the land on which the building was erected; finally, the lessee may benefit from the legal transfer of ownership of buildings erected on land that already belongs to the lessee.

Under Algerian law, the legislature specifically defined financial leasing in relation to immovable property in Article 8 of Order No. 96/09. Within the meaning of that provision, financial leasing is a means of financing investments and implementing projects by obtaining the necessary funds from specialised companies or banks (the "lessor") for institutions or persons referred to as the "lessee." In the context of this contract, the lessee disposes of and uses the assets that are the subject of the financial leasing arrangement, while remaining a lessee until the expiry of the lease period. Upon its expiration, the lessee may decide to exercise the option to purchase provided for in the contract by paying the amount agreed in advance in the financial leasing contract (Qahmous, 2013, p. 14).

It may further be observed that the Algerian legislature adopts an approach similar to that of French law, treating financial leasing as a complex agreement. Under this agreement, a financial institution or a leasing company that is legally qualified and expressly licensed for this activity delivers a specified asset to an economic operator Algerian or foreign, natural or legal person, governed by public or private law by way of lease for a fixed term. Upon expiry, the beneficiary must either return the asset, purchase it, or request renewal of the contract, taking into account the rentals already paid (Ordinance No. 96-09 of 10 January 1996 on Financial Leasing, 1996).

Accordingly, a financial leasing contract grants the beneficiary lessee the right to use and benefit from the leased asset throughout the lease term, in consideration of the lessee's obligation to pay the agreed rentals to the lessor.

2. Key Features of the Financial Leasing Contract

The financial leasing (crédit-bail) contract is characterised by a set of features that distinguish it from traditional (classical) contracts, most notably the following:

2.1 The financial nature of the contract

The financing function constitutes the dominant feature of financial leasing. The essential objective of this mechanism is not the acquisition of ownership as an end in itself, but the pursuit of a structured financing operation through which the bank, financial institution, or licensed leasing company recovers its capital and realizes a predetermined return. In this sense, the lessor's ownership is primarily instrumental: it operates as a legal and economic device that secures the financing and mitigates credit risk, rather than reflecting an intention to use the asset or retain it as part of the lessor's patrimony.

This functional understanding is reflected in Ordinance No. 96-09 on financial leasing, which conceptualizes the contract as a financing technique implemented through the acquisition (or commissioning) of the asset by the lessor in response to the lessee's needs, followed by its delivery to the lessee for professional use in exchange for rentals. These rentals are not equivalent to ordinary rent; they typically incorporate several components, including the amortization of the asset's value, administrative and transactional costs, and the lessor's profit margin (and, in practice, the pricing of risk). Accordingly, financial leasing may be viewed as a credit operation in economic substance, even though it is structured through a lease form in legal terms.

Upon expiry of the contractual term, the financing rationale becomes most apparent, as the parties move from the stage of use and repayment to the end-of-term choices granted to the lessee. At that point, the lessee is presented with the contractually defined alternatives—renewal of the lease, return of the asset, or, most prominently, the exercise of the option to purchase by paying the residual value. The option to purchase thus represents the culmination of the financing operation: where exercised, it translates the lessee's progressive economic contribution (through rentals) into a final transfer of ownership, thereby converting the contractual relationship from temporary enjoyment to permanent title.

2.2 The credit-based (trust) nature of the contract

Personal considerations play an important role in financial leasing. The lessor does not agree to finance the assets needed by the lessee for a productive project unless it has first assessed the lessee's financial capacity and ability to meet the resulting monetary obligations. This assessment is typically conducted through the examination of the documents and supporting records required for the transaction, pursuant to what may be described as rules of prudence, caution, and risk prevention (Abu Haswa, 2005, p. 197).

2.3 The three options granted to the lessee

A financial leasing contract ends upon the expiration of the agreed term. It thus terminates naturally through full performance, meaning that each party has fulfilled the obligations incumbent upon it. The duration of the contract is determined by the nature of the leased asset: it differs for movable assets and immovable property. For movable assets, the term typically ranges from two (2) to five (5) years, whereas for immovable property it may extend from ten (10) to fifteen (15) years. For this reason, the financial lessor unlike an ordinary lessor—does not primarily seek the return of the leased asset. Instead, the beneficiary lessee is granted three options at the end of the term, which constitutes a central element distinguishing financial leasing from other contractual arrangements (Al-Badali, 2004, p. 214). As a fixed-term contract with a defined beginning and end, financial leasing grants the lessee, upon its natural termination, a choice between three alternatives: purchasing the leased asset, renewing the contract, or returning the asset and bringing the contractual relationship to an end.

2.3.1 Option to renew the contract

Where the lessee does not wish to purchase the immovable property at the end of the contract term, the lessee may exercise the option to renew. In such a case, possession and enjoyment of the property continue under new terms specified in the financial leasing contract.

2.3.2 Option to return the leased immovable property

The lessee may consider it preferable, upon expiry, neither to purchase the immovable property nor to renew the contract, but rather to terminate the arrangement and return the property in its possession to the leasing financial institution. In that event, the leasing relationship between the parties comes to an end.

2.3.3 Option to purchase

By virtue of the option to purchase, the lessee may, upon expiry of the contractual term, notify the lessor of the intention to acquire all or part of the leased assets in accordance with the conditions set out in the financial leasing contract. This option constitutes the decisive element that distinguishes financial leasing (crédit-bail) from an ordinary lease, insofar as it converts a relationship of mere use and enjoyment into a potential pathway to ownership.

In practical terms, the exercise of the option to purchase is not a purely discretionary act producing automatic effects. Rather, it triggers a structured legal process in which the parties must comply with the requirements agreed in the contract and those imposed by the applicable statutory framework. This generally includes, inter alia, the lessee's timely declaration of intent, the determination and payment of the residual price (after deducting the rentals already paid), and the completion of the formal steps necessary to perfect the transfer particularly where the leased asset is immovable property. Accordingly, when the option is validly exercised, the lessor becomes obliged to proceed with the transfer of title through the appropriate legal instrument (typically an independent sale contract) and to undertake the required registration and publication formalities, so that ownership may pass to the lessee and become opposable to third parties.

3. Conditions and Procedures for the Transfer of Ownership of the Leased Asset to the Lessee

The parties to a financial leasing (crédit-bail) contract namely the lessor and the lessee must follow specific procedures and comply with certain conditions in order for ownership to be transferred from the lessor to the lessee, where the latter exercises the purchase option; that is, where the lessee exercises the right to purchase at the end of the contractual term.

3.1 The lessee's exercise of the option to purchase

The purchase option is among the rights granted by the legislature to the lessee at the end of the contract, during what is commonly referred to as the non-cancellable period agreed in advance. This period is typically aligned with the economic life of the leased assets. Accordingly, the purchase option is regarded as one of the most important mandatory clauses of the financial leasing contract (Shambi, 2002, p. 120), since it constitutes the distinguishing criterion separating this contract from other contractual arrangements. This option is also among the most widely used options. The parties i.e., the lessor and the lessee must therefore agree on the matters governing the exercise of the purchase option, namely: (i) the declaration of the intention to purchase the asset, and (ii) the determination of the purchase price. This is consistent with Article 16 of Order No. 96-09 on financial leasing, which grants the lessee, upon expiry of the lease period (Ordinance No. 96-09 of 10 January 1996 on Financial Leasing, 1996), the right to purchase the leased asset, in consideration of paying the remaining portion of the asset's price after deducting the rentals already paid, where that remaining amount is determined in advance in the contract.

3.1.1 The lessee's declaration of intention to exercise the purchase option

Order No. 96-09 on financial leasing grants the lessee the right to purchase the leased asset upon expiry of the non-cancellable lease period, by expressing an intention to do so namely, an intention to purchase. The parties must therefore agree on the period within which such intention must be declared; that is, the period within which the lessee must declare the intention to exercise the purchase option granted to him. This requirement is set out in the first paragraph of Article 45 of Order No. 96-09 on financial leasing (Al-Badali, 2004, p. 371).

This provision indicates that the Algerian legislature requires the lessor and the lessee to agree on the date for declaring the intention to purchase the leased assets, provided that such period must be no less than fifteen (15) days. It may be longer than that one month, for example, or forty-five (45) days. In practice, contracting parties usually agree on clauses determining the time and the manner in which the lessee may exercise the purchase option, pursuant to the principle of freedom of contract guaranteed under Article 106 of the Civil Code.

Where the parties have not agreed on a specific date, the lessee may declare the intention to purchase the leased asset, provided that this occurs before the end of the contract term. The lessor may also send a notice to the lessee before the expiry of the contract term in order to require the lessee to clarify his position regarding the leased asset. However, such notice does not extinguish the lessee's right to exercise the purchase option as long as the contract term has not yet ended (Al-Sayyid, 2010). Nevertheless, the lessee's silence at the end of the contract constitutes an indication that the lessee does not wish to purchase; consequently, the lessee must return the leased asset to the lessor, and the right falls due to the failure to exercise the purchase option.

The lessee's declaration of intent to exercise the option to purchase may be effected through several forms of notification, provided that the chosen method secures reliable proof of both dispatch/communication and receipt (or at least the addressee's effective knowledge). In practice, this declaration is commonly made either by service through a judicial officer (bailiff's report), by registered letter with acknowledgement of receipt, or by the lessee's personal appearance before the lessor ideally recorded in writing (minutes, signed statement, or a written notice countersigned by the lessor). The unifying rationale behind these methods is evidentiary: because the option must typically be exercised within a defined contractual window, the declaration must be capable of establishing, with certainty, the date of notification, the identity of the notifying party, and the exact content of the declaration.

More broadly, any other legally dependable method may be used so long as it guarantees traceability and prevents later dispute. What matters is that the notice be sufficiently clear and complete: it should identify the relevant financial leasing contract (date, reference number, and parties), specify the leased asset(s) concerned (especially where the contract covers multiple assets), and state unequivocally that the lessee is exercising the purchase option rather than merely expressing interest in negotiation. It is also advisable for the notice to reference the agreed residual price (or the contractual clause governing its determination), indicate readiness to pay in accordance with the contract, and request the steps required to complete the transfer (for example, the preparation of the sale instrument and the completion of registration/publication formalities where immovable property is involved). In addition, specifying the address for correspondence and attaching supporting documents (where relevant) can strengthen the evidential value of the declaration.

From a risk-management perspective, the safest methods are those that minimize uncertainty regarding receipt: bailiff service and registered mail with acknowledgement are preferred because they generate formal documentation that can be produced in court if necessary. Even when the parties communicate through informal channels in business practice, reliance on purely oral notification or on communications that cannot reliably prove receipt and content may expose the lessee to challenges such as alleged late exercise, ambiguity as to scope (all assets versus part), or dispute over whether the notice constituted a binding exercise of the option. Accordingly, the declaration should be made in a manner that ensures verifiable delivery, unambiguous wording, and documentary proof, thereby safeguarding the validity of the option exercise and facilitating the subsequent sale-based transfer of ownership.

3.1.2 Determination of the purchase price

Determining the outstanding price that the lessee must pay if the lessee decides to exercise the purchase option plays an important role in the financial leasing contract. Most banks and leasing companies are keen to include a clause specifying the price to be paid at the end of the contract if the lessee exercises the purchase option.

Typically, the parties to a financial leasing contract agree in advance on the price that the lessee must pay in order to purchase the leased assets. This prior determination of the price functions as a safeguard for the lessee against potential abuse by the lessor, or the lessor's exploitation of the situation by demanding an excessively high price at the end of the contract an outcome that may discourage the lessee from exercising the purchase option. This is particularly significant given that the lessee resorts to this form of financing and bears, throughout the lease term, relatively high lease instalments in the expectation of ultimately acquiring ownership of the assets at the end of the contract (Nasif, 2008, p. 365).

Rentals under a financial leasing contract are relatively higher than those under an ordinary lease, because they are not merely consideration for use and enjoyment; rather, they also incorporate the purchase price of the leased asset, the costs of completing the transaction, and a margin of profit and interest. For this reason, the lessee tends to exercise the purchase option, since the transfer of ownership takes place in consideration of paying the residual value namely, the purchase price calculated by taking into account the instalments paid throughout the finance lease term. Consequently, the remaining unpaid amount is significantly lower than the market value of the leased asset that is sought to be purchased.

As regards the method and place of payment of the purchase price (i.e., the residual value), the parties remain free to determine these matters by agreement, in accordance with the principle of contractual freedom. The contract may therefore specify, for example, whether payment is to be made by bank transfer, certified cheque, or direct deposit; whether it is payable in a single instalment or according to a short agreed schedule; and whether payment must be effected to a designated bank account, at the lessor's registered office, or before the notary at the time of execution of the sale instrument.

Where the financial leasing contract does not regulate these issues, the general rules of the law of obligations apply. In such a case, payment is made in the manner ordinarily accepted for the settlement of monetary debts and at the place legally deemed appropriate for performance, taking into account any applicable commercial practices. In practice, and particularly where immovable property is involved, the price is often paid (or its payment is formally evidenced) contemporaneously with the authentication of the sale contract, so as to ensure legal certainty and to facilitate subsequent registration and publication formalities.

3.2 Transfer of Ownership of the Leased Asset to the Lessee

At the end of a financial leasing contract, the lessor is under an obligation to transfer ownership of the leased asset to the lessee where the latter exercises the purchase option, pursuant to Article 10, paragraph 4, of Order No. 96-09 on financial leasing. This provision considers that the contract cannot be characterised as a financial leasing contract unless it allows the lessee to acquire ownership of the leased assets at the end of the contractual term, in consideration of paying the residual value of the price after deducting the rentals paid throughout the contract term.

3.2.1 Conclusion of the sale contract

Once the lessee decides to exercise the purchase option, the lessor becomes obliged to transfer ownership of the leased asset that forms the subject-matter of the contract, through the conclusion of an independent contract in accordance with the general rules (Nasif, 2008, p. 387). Accordingly, the lessee's declaration of the intention to purchase the asset subject to financial leasing entails the conclusion of a sale contract pursuant to the general rules governing sale, as laid down in the Civil Code, in terms of the general substantive requirements—namely, valid consent free from defects, a lawful subject-matter and lawful cause not contrary to public order and morality—as well as the formal requirements, since ownership of immovable property does not transfer to the purchaser in the absence of the required formality.

By reference to Article 8 of Order No. 96-09 on financial leasing, the Algerian legislature provides that the transfer of ownership of the leased asset at the end of the contract may occur in one of the following forms:

- Transfer by assignment in execution of a unilateral promise to sell: This applies where ownership of the immovable property—or the buildings and the land on which they were constructed—belongs to the leasing company. This is the ordinary route for the transfer of any leased asset within the framework of a financial leasing contract, as stipulated by the contractual clauses. Once the lessee exercises the purchase option granted to him, ownership of the leased immovable property transfers to him upon performance of the obligations incumbent upon him, including payment of the residual value of the sale price.

- Direct or indirect acquisition of rights of ownership in the land on which the building is erected: *Direct route:* In this situation, the land is owned by a third party who leased it to the lessor and authorised the lessor to construct the immovable property upon it. Upon expiry of the contract term, the lessee purchases the building from the lessor; the land on which the construction stands becomes owned by the lessee pursuant to the rules of accession, which is what is meant by direct acquisition. *Indirect route:* Indirect acquisition arises where the real estate company whose function was financing is dissolved. Upon completion of its mission, the company is liquidated and its share is transferred to the lessee.

- Transfer of ownership by operation of law of assets constructed on land owned by the lessee: This method applies where the land is owned by the lessee from the outset, and the lessor is authorised to erect buildings on that land for the purpose of leasing them to the lessee under a financial leasing contract. At the end of the contract, the lessor transfers ownership of the asset that was the subject of the financial leasing contract and that was constructed on land owned by the lessee, to the latter, by way of accession.

It may be concluded that the transfer of ownership in all three forms amounts to a sale that is:

- protected against an action for lesion (gross inadequacy);

- priced not in the usual manner, but rather at a modest amount—namely the residual value, not the market price—since it takes into account the instalments already paid;

- protected against the pre-emption right (right of shuf'a) established by the legislature for the benefit of the public treasury.

In all cases, the transfer of the immovable asset is subject to the requirement of authentic formality (official form) pursuant to Article 324 of the Civil Code, which subjects all contracts relating to the transfer of ownership of immovable property to the requirement of formality, failing which they are void (Remoul & Doua, 2009, p. 33).

3.2.2 Registration (entry) of the sale contract

a. Concept of registration (entry):

The sale contract based on the financial leasing contract is entered in the register of contract entries held by the Corporate Registry Service (the service of companies), as the competent authority, on the basis of an application submitted to that service in accordance with the form prepared for that purpose.

Accordingly, where the asset subject to financial leasing is immovable property, then in addition to its entry in the register of contracts held by the Corporate Registry Service, the registration procedures required for the transfer of ownership of the immovable property subject to the financial leasing contract to the lessee must be undertaken, in accordance with the general rules governing the transfer of ownership of immovable property before the land registry, given that ownership in immovable property does not transfer except through registration and publication (Al-Badali, 2004, p. 383). This is pursuant to Article 03 of Executive Decree No. 06-90 ("Executive Decree No. 06-90 of 20 February 2006 laying down the procedures for publicizing financial leasing operations relating to immovable assets," 2006), which provides that: "the lessor must publish every lease contract relating to immovable assets referred to in Article 02 above with the land registry office having territorial jurisdiction over the immovable property concerned by the financial leasing operation."

b. Procedures for registration (entry):

The sale contract, based on the financial leasing contract, is entered in the register of contracts, provided that the application for entry contains, in particular, the following data:

1. The name of the applicant for entry;
2. Information concerning the seller, as reflected in the seller's entry in the register of lessors;
3. The buyer's particulars (name, age, nationality, and place of residence); and where the buyer is a legal person, its legal form, instrument of incorporation, and the name of its legal representative;
4. Details of the seller's title deed relating to the subject of the sale contract, or the instrument conferring upon the seller the right to sell;
5. A description of the leased asset—whether immovable or movable—as specified in the financial leasing contract;
6. A statement of the price and the system governing acquisition of ownership of the asset.

The application for entry must be supported by a complete set of documentary annexes enabling the competent registry service to verify both the legal basis of the transfer and the identity and capacity of the parties. Accordingly, the file should include, first, a copy of the sale contract concluded pursuant to the exercise of the purchase option, as this instrument constitutes the immediate legal title on which the requested entry is based. Second, it must be accompanied by the seller's title deed relating to the asset, or—where applicable—any instrument establishing the seller's entitlement and authority to dispose of the property (such as the original acquisition deed, an authenticated instrument conferring the right to sell, or another document evidencing ownership and power of disposition). Finally, the applicant must provide proof of payment of the prescribed entry fees, since the completion of the entry procedure is contingent upon settlement of the applicable administrative charges. Where required in practice, the supporting documentation may also be supplemented by identification documents and any additional forms demanded by the registry to ensure the regularity and completeness of the entry file.

IV. Conclusion:

The financial leasing (crédit-bail) contract is regarded as one of the most effective private financing instruments, particularly in light of the growing role of the private sector in the process of economic and social development. From an economic perspective, it constitutes a new mechanism for financing projects. It is a composite contract, formed through a legal mixture in which multiple contractual obligations have been integrated, thereby producing this contractual model. It is also characterised by a number of features that have made it difficult to classify it within the category of nominate contracts regulated by the Algerian legislature. As to its legal nature, legal scholarship has differed in defining it, given its relative novelty, the lack of stability of its rules, and the interdependence of the legal relationships arising from it.

In addition to all of the foregoing, the lessee under a financial leasing contract benefits from several advantages that encourage recourse to the purchase of the leased asset upon expiry of the contract term. Among these are tax-related advantages. The Algerian legislature has granted several fiscal incentives, such as tax reductions, including the exemption of the lessee from the payment of value-added tax, the exemption from compliance with withholding and collection rules, and exemptions from property tax, in accordance with the Finance Laws.

Finally, it may be stated that the current stage through which Algeria is passing is in pressing need of this form of financing, which it can provide to an economy that requires a production-driven transformation in order to advance, particularly given the existence of human expertise possessing knowledge yet suffering from a shortage of financial resources—an issue that may be addressed through the financial leasing system. For this reason, it would be desirable to encourage the wider dissemination of financial leasing contracts by providing an appropriate legal and fiscal environment through a unified and clearly defined law, rather than through Finance Laws, and by encouraging the establishment of specialised companies in this field with sufficient capital.

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Conflict of Interest

The author declares that there is no conflict of interest regarding the publication of this paper.

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