

Executive Summary of the 2009 Fiscal Expenditure Report Appended to the 2010 Finance Bill.

The current fiscal system allows for several dispensations in the form of deductions, discounts, exemptions or concessionary rates.

Such dispensations represent a significant budgetary challenge. They are referred to here as 'fiscal expenditures' because their impact on the state budget is comparable to government spending.

Knowledge of the budgetary cost incurred in fiscal expenditures is crucial to a greater transparency in the overall state budget and a better streamlining of resources.

Following the expansion of the tax base, fiscal revenue accounted for 91% in the overall state receipts in 2008 against 85% in 1994.

This upward trend is sustained by the increase in revenue from direct taxes whose contribution to the overall tax revenue rose from 33% in 2000 to 43% in 2008. Such increase represents an average annual growth of 13.8% which, in turn, corresponds to a 6% rate in GDP growth over the same period.

Sustaining the increase of fiscal revenue requires taking full advantage of the fiscal potential by reducing fiscal expenditures.

To estimate the cost incurred in fiscal expenditures, an inventory of 393 of derogatory provisions was drawn up in 2009. Inventories for previous years show 392 dispensatory provisions for 2008, 410 for 2007 and 405 in 2006.

Fiscal provisions in Finance Acts of 2006, 2007, 2008 and 2009 waived 64 dispensatory measures. The financial impact from a broader tax base is estimated at DH 6. 570 million .

The chart below show the trend in the number of dispensatory measures between 2008 and 2009.

Table 1: Trend of dispensatory measures

Tax	Evaluation 2008			Evaluation 2009			Variation 09/08	
	Listed measures	Part	Evaluat ed measure	Listed measures	Part	Evaluat ed measure	Listed	Evaluate d.
— Value Added Tax	136	35%	97	130	33%	100	-4%	3%
Corporate Tax	86	22%	25	85	22%	31	-1%	24%
— Income tax	71	18%	20	73	19%	21	3%	5%
— Registration and Stamp duties	89	23%	40	95	24%	40	7%	0%

— Excise Tax	7	2%	7	7	2%	7	0%	0%
— Customs duties	3	1%	3	3	1%	3	0%	0%
Total	392	100%	192	393	100%	202	0%	5%

The number of listed measures increased from 392 in 2008 to 393 in 2009. 192 of these measures were evaluated in 2008. The number of evaluated measures increased by 5% to reach 202 in 2009.

The number of total exemptions listed in 2009 accounted for 63% of dispensations. For their part, tax cuts accounted for 17% and deductions represented 11%.

The number of fiscal dispensatory measures relating to indirect taxes accounted for 60%; 33% of which for VAT, 24% for registration and stamp duties, and 3% for excise duty and customs duties. As to direct taxes, they represent 40% of incentives; 22% of which involves corporate tax and 19% income tax.

Table 2: Assessment of Dispensatory Measures

Item	2006	2007	2008	2009	Variation 2009/2008
Number of list measures	405	410	392	393	0,3%
Number of evaluated measures	159	178	192	202	5,2%
Amount in million DH	21 456	23 612	26 944	28 734	6,6%

Fiscal expenditures assessed in 2009 amount to DH 28.734 million against DH 26.944 million in 2008, which is a 6.6% increase. They account for 16.3% of tax revenue against 14.7% in 2008. Fiscal expenditures' share in the GDP rested at 3.9% in 2009 against 4% in 2008.

Exclusive of custom duties and excise dues, fiscal expenditures represented 3.5% of the GDP in 2009 against 3.6% in 2008. Their share tax revenue (corporate tax, income tax, VAT, registration and stamp duties) rose from 16.2% in 2008 to 17.8% in 2009.

Total exemptions of the amount of DH 14.402 million account for 50% of evaluated measures whereas tax cuts represent 29% with an amount of DH 8.409 million.

The 6.6% increase in fiscal expenditures for the period 2008-2009 is largely due to the update and assessment of the budgetary impact of newly evaluated measures. The impact is estimated at DH 1.009 million.

The table below shows these expenditures according to Tax

Table 3: Evaluation according to Tax

In millions of Moroccan Dirhams

Tax	Evaluation 2008		Evaluation 2009		Variation 09/08
	Amount	Part	Amount	Part	
- Value Added Tax	13 768	51,1%	14 272	49,7%	3,7%
- Corporate Tax	3 529	13,1%	4 822	16,8%	36,7%
- Income Tax	3 246	12,0%	3 439	12,0%	6,0%
- Registration and Stamp duties	3 856	14,3%	3 470	12,1%	-10,0%
- Excise Tax	1 361	5,1%	1 472	5,1%	8,1%
- Customs Duties	1 184	4,4%	1 258	4,4%	6,2%
Total	26 944	100%	28 734	100%	6,6%

The amount of VAT increased from DH 13.768 million in 2008 to DH 14.272 million in 2009. With a 49.7% share, VAT makes up the greatest part in fiscal expenditures.

If we exclude fiscal expenditures relating to tax cut rates, VAT accounts for 72% of the overall VAT fiscal expenditures with an amount of DH10.315 million in 2009.

As to corporate tax, fiscal expenditures are estimated at DH 4.822 million in 2009. Companies benefit from most of these expenditures that amount to DH 4.746 million; DH 1.896 million of which was in favour of export companies.

Fiscal expenditures relating to income tax reached DH 3.439 million, DH 1.691 million of which benefit households.

Fiscal expenditures relating to registration and stamp duties amount to DH 3.470 million and thus account for 12.1% of the overall fiscal expenditures. In terms of benefit, real estate activities take up DH 1.885 million.

The following table presents these expenses according to beneficiary

Table 4 : Main Beneficiaries

Beneficiary	2008		2009			
	Nombre	Montant	Nombre	Part	Montant	Part
- Entreprises	171	14 142	169	43%	15 510	54%
Real Estate Companies	13	2 802	15	4%	3 138	11%
Export Companies	14	1 801	12	3%	2 353	8%
- Households	107	9 401	105	27%	9 965	35%
- Public Services	56	3 150	59	15%	3 106	11%
- Other	58	251	60	15%	153	1%
Total	392	26 944	393	100%	28 734	100%

In 2009, Fiscal expenditures benefited 54% of enterprises and 35% of households

The evaluation of fiscal expenditures by sector is presented below

Table 5 : Main Activity Sectors

In millions of Moroccan Dirhams

Sector of activity	2008			2009				
	Listed measures	Evaluated	Amount	Listed measures	Part	Evaluated	Amount	Part
- Real Estate Activity	38	19	4 526	38	10%	23	4 086	14,2%
- Agriculture, fishing	32	21	3 483	32	8%	21	3 804	13,2%
- Editing, printing	4	3	435	4	1%	3	417	1,5%
- Electricity, Oil and gas	5	4	2 789	5	1%	4	2 639	9,2%
- Exportation	13	4	1 801	12	3%	4	2 353	8,2%
- Chemical and Car industry	7	5	929	5	1%	5	1 021	3,6%
- Foodstuff Industry	15	14	2 350	14	4%	14	2 353	8,2%
- Intermediation	33	14	441	34	9%	15	1 013	3,5%
- Provident Societies	21	13	2 528	21	5%	13	2 697	9,4%
- Regions	29	12	864	31	8%	12	875	3,0%
- Health and social services	53	20	1 088	54	14%	22	1 127	3,9%
- Transport sector	22	14	1 025	20	5%	13	1 259	4,4%
- public Services	14	4	1 980	14	4%	4	2 110	7,3%
- Tourism	3	3	482	3	1%	3	433	1,5%
- Cross sector measures	25	16	1 638	24	6%	16	1 886	6,6%
- Other sectors	78	26	585	82	21%	30	663	2,3%
Total	392	192	26 944	393	100%	202	28 734	100%

As shown above, dispensations in favour of real estate activities are prominent. The 38 measures estimated amounted to DH 4.086 million in 2009 against DH4.526 million in 2008 which is a decrease of 10%. They account for 14.2% of fiscal expenditures estimated in 2009.

Fiscal expenditures relating to agreements with the state regarding tax exemption on current low cost housing programs amount to MDH 1.187 million, MDH 699 million of which relates to VAT and DH 488 million to Corporate Tax.

Fiscal expenditures in favour of energy reached DH2.639 million in 2009, which is a 9.2% of overall expenditure. A significant part of these expenditures proceeds from VAT (DH 2.123 million).

20 dispensatory measures involve the transport sector; 13 of which estimated at DH 1.259 million in 2009.

- DH 178 million in favor of transport with a 14% VAT rate;
- DH 956 million in excise tax.

Further measures in favour of export companies amounted DH 2.353 million in 2009, DH 1.896 million relates to corporate tax.

Fiscal expenditures relating to concessionary fiscal systems that benefit regions reached DH 875 million in 2009. For the most part, these expenses involve the Tangiers region with DH 459 million from corporate tax and 55 MDHS from income tax.

The sector of tourism benefited from DH 433 million in 2009. These expenditures, which proceeded mainly from the 50% rebate in proportion to turnover in hard currency for hotel businesses, amount to DH 336 million.