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Article

Tax expenditure 2012

Heading:

Broadening the base has allowed the consolidation of the share of tax revenue in the ordinary revenues, which increased from 84.3% in 2000 to 85.2% in 2011.

This trend is confirmed by the increased revenues from direct taxes whose share in total tax revenue edged up from 32.9% in 2000 to 36.9% in 2011, posting an average annual growth of 9.7 % for a GDP average growth rate in standard terms of 6.2% over the same period.

Article:

To evaluate the cost generated by tax expenditures, an inventory of 402 derogatory provisions was drawn up in 2012, as against 399 in 2011, 384 in 2010 and 393 in 2009.

It should be noted that some figures of the year 2011 have been modified taking into account real data. For 2012, the figures presented in the evaluation of tax expenditures are estimates.

Table 1: Trend of the number of derogatory measures

Tax	Evaluation 2011			Evaluation 2012			Change 12/11	
	Identified measures	Share	Evaluated measures	Identified measures	Share	Evaluated measures	Census	Evaluation
Value Added Tax	129	32,3%	113	127	31,6%	115	-1,6%	1,8%
Corporate Tax	90	22,6%	58	92	22,9%	64	2,2%	10,3%
Income Tax	80	20,1%	40	83	20,6%	40	3,8%	0,0%
Registration Fees and Stamp	90	22,6%	51	90	22,4%	55	0,0%	7,8%
Internal Consumption Taxes	7	1,8%	7	7	1,7%	7	0,0%	0,0%
Customs Duties	3	0,8%	2	3	0,7%	3	0,0%	50,0%
Total	399	100,0%	271	402	100,0%	284	0,8%	4,8%

Hence, the number of identified measures increased from 399 in 2011 to 402 in 2012. Among such measures, 284 were subject to evaluation in 2012 as against 271 in 2011.

The share of evaluated measures in the identified measures increased from 67.9% in 2011 to 70.6% in 2012. It should be noted that this share was 30.3% in 2005.

Table 2: Evaluation of derogatory measures

Description	2009	2010	2011	2012	Change 2012/2011
Number of identified measures	393	384	399	402	0,8%
Number of evaluated measures	202	225	271	284	4,8%
Amount evaluated in MDH	28.734	29.801	32.722	36.310	11,0%

The amount of tax expenditures evaluated in 2012 amounts to 36.310 as against 32.722 MDH in 2011, up 11%. Their share accounts for 19% in tax revenues as against 17.9% in 2011. The share of tax expenditures in GDP increased from 4.1% in 2011 to 4.3% in 2012.

Besides customs duties and internal consumption taxes, the share of tax costs increased from 3.7% of GDP in 2011 to 4.0% in 2012.

As for the share of tax expenditures in the tax revenue considered (Company Tax, Income Tax, VAT and Registration and Stamp Fee), it increased from 20.3% in 2011 to 21.4% in 2012.

Total exemptions (20.282 MDH) account for 55.9% of the total evaluated measures, followed by rate reductions at 23.1% (8.397 MDH).

The increase in tax costs assessed for the year 2012 compared to the year 2011 stands at 11%. It is mainly due to the updates conducted, and the estimation of new measures whose budget impact amounts to 1.327 MDH.

These expenses by tax are as follows:

Table 3: Evaluation by tax

In million DH

Tax	Evaluation 2011		Evaluation 2012		Change 12/11
	Amount	Share	Amount	Share	
Value Added Tax	13.821	46,2%	14.374	39,6%	4,0%
Company Tax	7.122	20,2%	9.843	27,1%	38,2%
Income Tax	3.951	14,1%	3.981	11,0%	0,8%
Registration and Stamp Fees	5.537	13,1%	5.676	15,6%	2,5%
Internal Consumption Tax	1.359	4,3%	1.407	3,9%	3,6%
Customs Duties	933	2,1%	1.029	2,8%	10,3%
Total	32.722	100,0%	36.310	100,0%	11,0%

Hence, in terms of VAT, which constitutes the significant share of tax expenditures, or 39.6%, the amount increased from 13.821 MDH in 2011 to 14.374 MDH in 2012.

Excluding from this amount tax expenditures relating to reduced rates, the estimate amounts to 11.801 MDH in 2012, or 82.1% of total tax expenditures relating to VAT.

In terms of company tax, the amount of estimated tax costs is 9.843 MDH in 2012. Most of these expenses benefit companies (8.526 MDH including 4.013 MDH for exporters).

Tax expenditures estimated as to income tax reached the amount of 3981 MDH, including 2.222 MDH for households.

Concerning registration and stamp fees, the related amount of tax expenditure is 5.676 MDH, or 15.6% of the total. They relate to real estate activities for 2.772 MDH.

These expenses by beneficiary are as follows:

Table 4: Main beneficiaries

Beneficiaries	2011		2012			
	Number	Amount	Number	Share	Amount	Share
– Companies	174	19.786	178	44,3%	21.971	60,5%
Including : Property developers	16	3.072	18	4,5%	2.940	8,1%
<i>Exporters</i>	13	3.003	13	3,2%	4.389	12,1%
– Households	109	9.314	107	26,6%	9.373	25,8%
– Public services	56	3.468	56	13,9%	4.780	13,2%
– Other	60	154	61	15,2%	186	0,5%
Total	399	32.722	402	100,0%	36.310	100,0%

In 2012, the identified derogatory measures benefit companies at 44.3% and households at 26.6%.

The evaluation of tax expenditures by sector is as follows:

Table 5: Main activity sectors

In million DH

Sectors	2011			2012				
	Identified measures	Evaluated measures	Amount	Identified measures	Share	Evaluated measures	Amount	Share
-Real Estate Activities	41	33	5.446	44	11%	35	6.317	17,4%
-Agriculture, Fisheries	31	23	4.326	31	8%	23	4.164	11,5%
-Publishing, printing	4	3	237	4	1%	4	241	0,7%
-Electricity and gas	4	3	1.394	4	1%	4	988	2,7%
-Export	13	5	3.003	13	3%	8	4.389	12,1%
-Automotive and chemical industry	5	4	343	5	1%	5	392	1,1%
-Food Industries	14	14	2.696	14	3%	14	2.830	7,8%
-Financial Intermediation	40	29	1.513	40	10%	28	1.703	4,7%
-Welfare	18	14	2.814	18	4%	14	2.955	8,1%
-Regions	28	18	929	28	7%	19	1.667	4,6%
-Health and social work	53	34	1.592	52	13%	35	1.725	4,8%
-Transport sector	20	13	1.403	19	5%	13	1.217	3,4%
-Utilities	15	7	1.970	16	4%	8	2.254	6,2%
-Tourism	4	4	636	4	1%	4	446	1,2%
- Measures common to all sectors	27	20	3.575	27	7%	22	4.087	11,3%
-Other sectors	82	47	846	83	21%	48	933	2,6%
Total	399	271	32.722	402	100%	284	36.310	100%

In this regard, there is evidence that derogations for the benefit of real estate activities are predominant. Out of 44 measures, those evaluated amount to 6.317 MDH in 2012, as against 5.446 MDH in 2011, posting an increase of 16%. They account for 17.4% of the evaluated tax expenditures in 2012.

Tax expenditures relating to exemption from all taxes for the benefit of low-cost housing programs in progress, amount to 2.552 MDH, including 1.661 MDH for VAT, 502 MDH for Company Tax, 330 MDH for Registration Fees and 59 MDH for Income Tax.

Tax expenditures granted for the benefit of energy reached 988 MDH in 2012, or 2.7% of total expenditure (332 MDH comes from VAT and 656 MDH from Internal Consumption Tax).

Concerning the transport sector, it benefits from 19 derogations. Those evaluated, 13 in number, stand at 1.217 of MDH in 2012 including:

- 327 MDH for transport through VAT rate of 14%;
- 751 MDH through Internal Consumption Tax.

Additional measures in favor of export firms amount to 4.389 MDH in costs in 2012, including 4.013 MDH relating to Company Tax.

Tax expenditures relating to preferential tax regimes from which regions benefit amounted to 1.667 MDH in 2012. The costs related to the area of Tangier amount to 289 MDH for Company Tax and 60 MDH for Income Tax.

The tourism sector benefited from MDH 446 in 2012. These expenses come mainly from the reduced rate of 17.5% for hotel enterprises on the share of their turnover in foreign currency (205 MDH).