

Summary of the report on Tax expenditures

In the course of the tax expenditures' rationalization, 15 derogatory measures weren cancelled in 2014, as a result of the abrogation or the redefining of the reference system, for a total amount of MMAD1.347.

For assessing the cost caused by the tax expenditures, an inventory of 402 derogatory provisions has been drawn-up in 2014, against 412 in 2013.

The table below provides the progression of the derogatory measures between 2013 and 2014.

Table 1: The progression of the number of the derogatory measures

Tax	2013			2014			Variation 14/13	
	Measures taken	Portion	Assessed measures	Measures taken	Portion	Measures taken	Taken	Assessed
– Value added tax	127	30.8%	115	116	28.9%	104	-8.7%	-9.6%
– Corporation tax	95	23.1%	65	94	23.4%	67	-1.1%	3.1%
– Income tax	86	20.9%	43	88	21.9%	43	2.3%	0.0%
– Registration and stamp's duty	94	22.8%	69	94	23.4%	77	0.0%	11.6%
– Domestic consumption tax	7	1.7%	7	7	1.7%	6	0.0%	-14.3%
– Customs duty	3	0.7%	3	3	0.7%	3	0.0%	0.0%
Total	412	100.0%	302	402	100.0%	300	-2.4%	-0.7%

Thus, the number of the measures taken moved from 412 in 2013 to 402 in 2014. Among these measures, 300 have been subject to assessment in 2014 against 302 in 2013.

The portion of the assessed measures in the measures taken moved from 73.3% in 2013 to 74.6% in 2014.

Table2: Assessment of the derogatory measures

Designation	2011	2012	2013	2014	Variation 2014/2013
Number of measures taken	399	402	412	402	-2.4%

Number of assessed measures	271	284	302	300	-0.7%
Assessed amount in MMAD	32 722	36 238	33 284	34 645	4.1%

The amount of the tax expenditures assessed in 2014 has amounted to MMAD 34.645 against MMAD 33.284 in 2013, i.e. an increase by 4.1%.

The portion of the tax expenditures in the tax revenues represented 17.1% in 2014 against 17.2% in 2013. As for their portion in the GDP, it has amounted to 3.8% for 2013 and 2014.

Without the customs duties and the domestic consumption taxes, the portion of the tax expenditures has been 3.5% in 2013 and in 2014. Regarding the portion of the tax expenditures in the tax revenues under review (Corporation tax, Income tax, value added tax and Registration and stamp's duty), it has moved from 18.8% in 2013 to 18.6% in 2014.

By tax, these expenditures are provided as follow:

Table 3: Assessment by tax in millions dirhams

Taxes	2013		2014		Variation 14/13
	Amount	Portion	Amount	Portion	
– Value added tax	14 012	46,2%	14 254	41.1%	1.7%
– Corporation tax	7 115	20.2%	8 415	24.3%	18.3%
– Income tax	4 104	14.1%	3 964	11.4%	-3.4%
– Registration and stamp's duty	5 353	13.1%	5 242	15.1%	-2.1%
– Domestic consumption taxes	1 327	4.3%	1 355	3.9%	2.1%
– Customs duty	1 374	2.1%	1 415	4.1%	3.0%
Total	33 284	100.0%	34 645	100.0%	4.1%

Thus, concerning the value added tax, which constitutes a major portion in the tax expenditures, i.e. 41.1%, the amount moved from MMAD 14.012 in 2013 to MMAD 14.254 in 2014.

If the tax expenditures relating to low rates are excluded of this amount, the estimate will amount to MMAD 12.023 in 2014, i.e. 84.3% of the overall tax expenditures relating to the Value added tax.

Regarding the corporation tax, the estimated tax expenditures' amount was MMAD 8.415 in 2014, i.e. an increase by 18.3% in comparison with 2013. The majority of the expenditures relating to this tax are beneficial to companies up to 94.3%.

The tax expenditures estimated at the level of income tax have reached the amount of MMAD 3.964, 62.7% of which in favor of households.

As per the registration and stamp's duty, the amount of the tax expenditure related to it has been MMAD 5.242, i.e. 15.1% in general. The expenditures relating to the real estate business constitute 53% of the overall expenditures related to the Registration and stamp's duty.

By beneficiary, these expenditures are provided as follows:

Table 4: Major beneficiaries

Beneficiaries	2013			2014			
	Number	Amount	Portion	Number	Portion	Amount	Portion
- Companies	184	19 083	57.3%	177	44.0%	20 658	59.6%
including : Real estate developers	18	2 562	7.7%	18	4.5%	2 883	8.3%
Exporters	13	3 567	10.7%	13	3.2%	2 563	7.4%
- Households	111	10 057	30.2%	106	26.4%	9 658	27.9%
- Public services	56	3 833	11.5%	56	13.9%	4 058	11.7%
- Others	61	311	0.9%	63	15.7%	271	0.8%
Total	412	33 284	100.0%	402	100.0%	34 645	100.0%

In 2014, the derogatory measures taken have resulted in a benefit of 44% to businesses and by 26.4% to households, i.e. a decrease by 3.8% and by 4.5% respectively in comparison with 2013.

The assessment of the tax expenditures by business area is as follows:

Table 5: Major business areas

In millions DHS

Business areas	2013			2014				
	Measures taken	Assessed measures	Amount	Measures taken	Portion	Assessed measures	Amount	Portion
- Real estate businesses	46	36	5 877	44	10.9%	37	6 684	19.3%
- Measures common to all areas	31	24	3 483	29	7.2%	24	5 227	15.1%
- Agriculture. fishing	83	51	3 904	26	6.5%	19	3 444	9.9%
- Exportation	4	4	3 567	13	3.2%	9	2 563	7.4%
- Social security	4	4	2 930	18	4.5%	14	2 839	8.2%
- Food industries	13	9	2 879	13	3.2%	13	2 871	8.3%
- Public services	5	5	2 513	17	4.2%	9	2 683	7.7%
- Health and social action	14	14	1 772	52	12.9%	39	1 731	5.0%
- Financial intermediation	44	33	1 489	45	11.2%	33	1 518	4.4%
- Transportation business	29	23	1 406	21	5.2%	15	1 453	4.2%
- Electricity. oil and gas	18	14	833	4	1.0%	4	869	2.5%
- Automotive and chemical industry	27	19	564	4	1.0%	4	538	1.6%
- Tourism	52	38	362	4	1.0%	4	342	1.0%
- Regions	21	16	490	27	6.7%	19	606	1.7%
- Publishing. printing	17	8	211	4	1.0%	4	203	0.6%
- Other areas	4	4	1 004	81	20.1%	53	1 074	3.1%
Total	412	302	33 284	402	100%	300	34 645	100%

In this respect, there is still a predominance of exemptions in favor of real estate business. The total of these exemptions has amounted to 44 measures, 37 of which have been assessed at MMAD 6.684 in 2014. They represent 19.3% of the tax expenditures assessed in 2014.

The tax expenditures relating to the exemption from all taxes in favor of the pending social housing programs, amounted to MMAD 2.813 (42.1% of the total expenditures relating to real estate businesses), including MMAD 1.795 for value added tax, MMAD 661 for corporation tax, MMAD 347 for customs duty and MMAD 10 for income tax.

The supplementary measures in favor of export companies amounted to MMAD 2.563 in 2014, the portion of the measures relating to corporation tax is 87.6%.

As for the transportation area, it has benefited from 21 derogatory measures. The assessed measures, which amount to 15, have reached MMAD 1.453 in 2014. They include:

- MMAD 378 for transportation at a value added tax rate of 14% ;
- MMAD 762 for the domestic consumption tax.

The tax expenditures approved for energy reached MMAD 869 in 2014, i.e. 2.5% of the total expenditures (MMAD 276 coming from the value added tax and MMAD 593 of the domestic consumption tax).

The tax expenditures relating to the preferential tax systems of which benefit the regions reached MMAD 606 in 2014. The expenditures relating to the Tangier zone have amounted to MMAD 133 for corporation tax and MMAD 54 for income tax.

Tourism industry benefited from MMAD 342 in 2014. These expenditures come in particular from the application of the low rate of 17.5% for hotel companies on the part of their turnover achieved in foreign currencies (MMAD 217).