

Tax expenditures 2015 -FINANCE BILL 2016-

Introduction:

For evaluating the cost of tax expenditures, an inventory of 399 exceptional provisions was drawn up in 2015.

The measures eliminated in 2015, following repeal or redefining of the reference system, are numbered at 13 measures for a total amount of MAD 4887 million. The new measures introduced are 10 measures.

The number of newly evaluated measures is 9 for an amount of MAD 1.647 million

Article:

The amount of tax expenditures evaluated in 2015 adds up to MAD 32,088 million against MAD 34,407 million in 2014, that is, the share of tax expenditures in the tax revenues represents 15.5% in 2015 against 17.4% in 2014. As for their share in the GDP, it is 3.2% in 2015 against 3.7% in 2014.

The number of inventoried measures goes down from 402 in 2014 to 399 in 2015. Among these measures, 300 were the subject of evaluation in 2014 and in 2015.

The share of measures evaluated in the inventoried measures has gone up from 74.6% in 2014 to 75.2% in 2015. It should be noted that this share was 30.3% in 2005.

Table 1: Evaluation of the exceptional measures

Description	2012	2013	2014	2015	Change 2015/2014
Number of inventoried measures	402	412	402	399	-0,7%
Number of evaluated measures	284	302	300	300	0,0%
Amount in million Moroccan dirhams	36 238	33 284	34 407	32 088	-6,7%

Without the customs duties and domestic consumption taxes, the share of tax expenditures in GDP has gone down from 3.5% in 2014 to 3% in 2015. Regarding the share of tax expenditures in the tax revenues considered (corporate tax, income tax, VAT and registration and stamp duties), it has gone down from 19.3% in 2014 to 17% in 2015.

The total exemptions (MAD 21,295 million) represent 66.4% of all the evaluated measures, followed by rate reductions at a rate of 20.6% (MAD 6.598 million).

The evaluation of tax expenditures per tax is as follows:

Table 2: Evaluation per tax

In million Moroccan dirhams

Tax	2014		2015		Change 15/14
	Amount	Share	Amount	Share	
– Value Added Tax	15 006	43,6%	14 632	45,6%	-2,5%
– Corporate Tax	8 196	23,8%	5 698	17,8%	-30,5%
– Income Tax	3 404	9,9%	3 448	10,7%	1,3%
– Registration and Stamp Duties	5 499	16,0%	5 909	18,4%	7,5%
– Domestic Consumption Tax	1 313	3,8%	1 360	4,2%	3,5%
– Customs duties	988	2,9%	1 041	3,2%	5,3%
Total	34 407	100,0%	32 088	100,0%	-6,7%

With regard to VAT, which constitutes the important share of tax expenditures, that is 45.6%, the amount has gone down from MAD 15,006 million in 2014 to MAD 14,632 million in 2015.

If you exclude this amount from the tax expenditures associated with reduced rates, the estimate amounts to MAD 12,650 million in 2015, that is, 86.5% of the total of tax expenditures related to VAT

With respect to the corporate tax, the amount of estimated tax expenditures is MAD 5.698 million in 2015, that is, a decrease of 30.5% compared to 2014. Companies have benefitted from most of the expenditures pertaining to this tax up to 91.5%.

The estimated tax expenditures at the level of income tax have amounted to MAD 3.448 million, of which 62.1% for households.

The tax expenditures related to the registration and stamp duties have reached the amount of MAD 5.909 million, that is, 18.4% of the total. The expenditures relating to real estate activities constitute 44.8% of all the expenditures pertaining to the registration and stamp duties.

Tax expenditures per beneficiary are as follows:

Table 2: Main beneficiaries

Beneficiaries	2014			2015			
	Number	Amount	Share	Number	Share	Amount	Share
- Companies	177	20 599	59,9%	176	44,1%	18 553	57,8%
including : property developer	18	2 765	8,0%	17	4,3%	2 563	8,0%
Exporters	13	2 503	7,3%	11	2,8%	2 407	7,5%
- Households	106	9 462	27,5%	104	26,1%	8 921	27,8%
- Public utilities	56	4 060	11,8%	56	14,0%	4 428	13,8%
- Others	63	287	0,8%	63	15,8%	186	0,6%
Total	402	34 407	100,0%	399	100,0%	32 088	100,0%

In 2015, the companies have benefitted up to 44.1% from the inventoried exceptional measures, and households up to 26.1%, that is, a decrease of 0.6% and 1.9% respectively compared to 2014.

The evaluation of tax expenditures per business sector is as follows:

Table 3: Main business sectors

In million Moroccan dirhams

Business sector	2014			2015				
	Inventoried measures	Evaluated measures	Amount	Inventoried measures	Share	Evaluated measures	Amount	Share
- Real estate activity	44	37	7 427	43	10,8%	35	7 093	22,1%
- Agriculture, fisheries	26	19	3 428	25	6,3%	21	3 400	10,6%
- Social welfare	18	14	3 115	18	4,5%	14	3 352	10,4%
- Public utilities	17	9	2 691	17	4,3%	10	2 882	9,0%
- Measures common to all sectors	29	24	5 049	30	7,5%	23	2 520	7,9%
- Food industries	13	13	2 682	12	3,0%	12	2 436	7,6%
- Export	13	9	2 503	11	2,8%	8	2 407	7,5%
- Financial Intermediation	45	33	1 360	47	11,8%	36	2 014	6,3%
- Health and social work	52	39	1 560	52	13,0%	39	1 534	4,8%
- Transport sector	21	15	1 307	22	5,5%	15	1 336	4,2%
- Electricity, oil and gas	4	4	937	3	0,8%	3	870	2,7%
- Regions	27	19	606	27	6,8%	20	641	2,0%
- Automotive and chemical industry	4	4	435	4	1,0%	4	459	1,4%
- Tourism	4	4	167	4	1,0%	4	173	0,5%
- Publishing, printing	4	4	180	4	1,0%	4	165	0,5%
- Other sectors	81	53	960	80	20,1%	52	805	2,5%
Total	402	300	34 407	399	100,0%	300	32 088	100,0%

In this respect, there is still a predominance of the exceptional measures in favour of real estate activities. These measures total 43, of which 35 were evaluated at MAD 7.093 million in 2015. They represent 22.1% of the tax expenditures evaluated in 2015.

Tax expenditures related to the exemption from all taxes for the benefit of the ongoing social housing programs, amount to MAD 3.895 million (54.9% of total expenditures relating to real estate activities), of which

MAD 3.062 million for VAT, MAD 504 million for corporate tax, MAD 328 million for registration duty and MAD 1 million for income tax.

The additional measures for exporting companies total MAD 2.407 million of expenditures in 2015, the share of those relating to corporate tax is 88.9%.

As for the transport sector, it benefits from 22 exceptional measures. 15 of these measures are evaluated at MAD 1.336 million including:

- MAD 316 million for the transport subject to the VAT rate of 14%;
- MAD 725 million for the domestic consumption tax.

Tax expenditures granted to the energy sector reached MAD 870 million in 2015, that is, 2.7% of all the expenditures (MAD 236 million comes from VAT and MAD 634 million from the domestic consumption tax).

Tax expenditures related to the preferential tax regimes which regions are benefitting from reached MAD 641 million in 2015. The expenditures related to the zone of Tangier are around MAD 50 million for the corporate tax and MAD 54 million for the income tax.

The tourism sector has benefitted from MAD 173 million in 2015. These expenditures arise mainly from the application of the reduced rate of 17.5% for hotel businesses to the part of their turnover made in foreign currencies (MAD 47 million).