

## Summary of the report on Tax Expenditures

### I. TAX EXPENDITURES RECORDED IN 2017 AND 2018 BROKEN DOWN BY FINANCE ACTS

Since tax expenditures are still evolving over the various Finance Acts in force, it is important to compare this change in terms of number and in terms of cost. The table below illustrates the breakdown of the tax expenditures recorded in 2017 and 2018, which are adopted by the various Finance Acts.

*Table 1: Breakdown of tax expenditures by Finance Acts*

Designation	2017		2018	
	Number	Amount in millions of dirhams	Number	Amount in millions of dirhams
Total tax expenditures	291	28 551	295	29 270
including those prior to the 2015 Finance Act	268	27 706	267	28 300
including those relating to the 2015 Finance Act	7	697	7	757
including those relating to the 2016 Finance Act	3	1	3	Minor importance
including those relating to the 2017 Finance Act	13	147	13	213
including those relating to the 2018 Finance Act	-	-	5	Minor importance

This table reveals the following:

- 91% of the exemptions were adopted prior to 2015. These measures represent in terms of cost more than 97% of the tax expenditures recorded in 2018.
- The tax expenditures adopted by the Finance Acts after 2015 are becoming less and less important, both in terms of number and in terms of cost.

## II. BREAKDOWN OF TAX EXPENDITURES BY TYPE OF TAX

In order to analyze the breakdown of tax expenditures by type of tax, either in terms of number or in terms of cost, the table below breaks down the tax expenditures recorded in 2017 and 2018:

Table 2: Breakdown of tax expenditures by type of tax

In millions of dirhams

Designation	2017				2018				Change 18/17
	Measures identified	Measures evaluated	Amount	Share	Measures identified	Measures evaluated	Amount	Share	
VAT	84	82	14 336	50%	85	83	15 496	53%	8%
CT	60	48	4 757	17%	62	49	4 662	16%	-2%
IT	81	48	4 590	16%	82	50	4 563	16%	-1%
Registration fees and stamp duty	37	30	860	3%	37	29	709	2%	-18%
Vehicle Tax	8	4	213	1%	8	4	256	1%	20%
Parking lot tax	11	10	2 328	8%	11	10	2 700	9%	16%
CT	7	6	153	1%	7	6	87	0%	-43%
DI	3	3							
<b>Total</b>	<b>291</b>	<b>231</b>	<b>28 551</b>	<b>5%</b>	<b>295</b>	<b>234</b>	<b>29 270</b>	<b>3%</b>	<b>-39%</b> <b>2%</b>

The number of measures identified qualifying as tax expenditures rose from 291 in 2017 to 295 in 2018. Of these measures, 234 were evaluated in 2018, which is to say 79% of measures identified. The overall amount of related tax expenditures increased by 719 million dirhams between 2017 and 2018, from 28,551 million dirhams to 29,270 million dirhams respectively, representing a growth rate of 2%. This increase is mainly explained by the increase in tax expenditures related to VAT (+1 160 million dirhams) and the Parking lot tax (+372 million dirhams) with a decrease in the tax expenditures related to DI (-518 million dirhams) and Registration fees and stamp duty (-151 million dirhams).

The structure of tax expenditures by type of tax is kept the same as that of 2017; with the reign of VAT tax expenditure (53%), corporation tax (16%) and Income tax (16%).

### III. BREAKDOWN OF TAX EXPENDITURES BY TYPE OF EXEMPTION

The tax exemptions identified in 2018 are in the form of total, partial or temporary exemptions, reductions, deductions, liquidity facilities, flat-rate taxes and allowances. The table below summarizes the number of incentives by type of exemption:

*Table 6: Breakdown of tax expenditures by type of exemption*

In millions de dirhams

Designation	2017				2018			
Total Exemptions	187	64%	16 229	57%	189	64%	16 804	57%
Reductions	49	17%	8 594	30%	51	17%	9 107	31%
Temporary or Partial Exemptions	18	6%	2 006	7%	18	6%	1 855	6%
Allowances	5	2%	950	3%	5	2%	759	3%
Deductions	16	5%	346	1%	16	5%	447	2%
Liquidity facilities	5	2%	393	1%	5	2%	263	1%
Flat-rate taxes	11	4%	33	0%	11	4%	35	0%
<b>Total</b>	<b>291</b>	<b>-</b>	<b>28 551</b>	<b>-</b>	<b>295</b>	<b>-</b>	<b>29 270</b>	<b>-</b>

The analysis of this table reveals a coherence in terms of structure for the two consecutive years. In fact, total exemptions hold the majority share of 57% in 2018 followed by reductions with 31%.

## IV. BREAKDOWN OF TAX EXPENDITURES BY SECTOR

Tax expenditures evolve in a different way over the years depending on the sector. Below, a table showing the breakdown of tax expenditures by sector:

Table 7: Breakdown of tax expenditures by sector

In millions dirhams

Designation	2017				2018			
	Measures identified	Measures evaluated	Amount	Share	Measures identified	Measures evaluated	Amount	Share
Real estate	40	31	5 782	20%	40	33	5 750	20%
Energy sector	4	4	4 820	17%	4	4	5 453	19%
Security and welfare	13	11	4 187	15%	13	11	4 787	16%
Exports	9	5	2 517	9%	10	5	2 614	9%
Agriculture, fishing	24	21	2 367	8%	25	23	2 605	9%
Financial sector	42	30	1 986	7%	41	30	1 699	6%
Food industry	7	7	1 594	6%	7	7	1 595	5%
Transport	21	17	1 406	5%	21	17	1 279	4%
Measures benefiting all sectors	24	15	1 395	5%	25	15	667	2%
Automotive and Chemical Industry	4	4	495	2%	5	5	583	2%
Health-Social	23	22	727	3%	23	22	535	2%
Mining	7	7	256	1%	7	7	340	1%
Public services	2	1	-	0%	2	1	314	1%
Tourism	4	4	166	1%	5	4	182	1%
Publishing, printing	4	4	161	1%	4	4	158	1%
Regions	14	14	200	1%	14	13	142	0%
Education	14	12	108	0%	14	12	137	0%
Crafts	5	4	42	0%	5	4	44	0%
Other sectors	30	18	342	1%	30	17	382	1%
<b>Total</b>	<b>291</b>	<b>231</b>	<b>28 551</b>	<b>-</b>	<b>295</b>	<b>234</b>	<b>29 270</b>	<b>-</b>

With a virtually stable structure between 2017 and 2018, the tax expenditures recorded in 2018 are due in large part to the real estate sector (20%), the energy sector (19%), the security and welfare sector (16%) and to the export sector (9%).

In fact, the exemptions for real estate activities make up 40 measures, of which 33 were valued at 5,750 million dirhams in 2018; and come mainly from VAT tax expenditures with an amount of 2,732 million dirhams and income tax with an amount of 2,039 million dirhams.

In addition, with an expenditure of 4,820 million dirhams in 2017, the energy sector again benefited in 2018 from a remarkable amount of tax expenditures of 5,453 million dirhams. These expenses come mainly from VAT tax expenditures with an amount of 5,445 million dirhams and in terms of domestic consumption tax with an amount of 8 million dirhams.

## V. Breakdown of tax expenditures by type of beneficiary

When talking about tax expenditures, we automatically imply a party who benefits. These beneficiaries may be companies, households or even public services. The table below details the breakdown of tax expenditures, in number and amount, by type of beneficiary for the years 2017 and 2018.

Table 8: Breakdown of tax expenditures by type of beneficiary

In millions of dirhams

Designation	2017				2018			
	Measures Identified	Measures evaluated	Amount	Share	Mesures Identified	Measures evaluated	Amount	Share
Households	91	73	13 072	46%	90	73	14 163	48%
Including employees	16	9	2 244	8%	16	9	2 615	9%
including Manufacturers and service providers	2	2	262	1%	2	2	256	1%
Including authors-artists	6	2	123	0%	5	2	132	0%
Companies	149	120	14 360	50%	153	123	13 882	47%
including Real Estate Developers	16	13	902	3%	16	13	759	3%
including Farmers	17	14	1 974	7%	18	15	2 192	7%
including Exporters	9	5	2 517	9%	10	5	2 614	9%
Including fishermen	6	6	225	1%	6	6	151	1%
including Educational Institutions	11	9	95	0%	11	9	106	0%
Public services	20	16	513	2%	20	16	795	3%
including State	9	5	351	1%	9	5	682	2%
Including Development Agencies	7	7	156	1%	7	7	94	0%
including public establishments	4	4	6	0%	4	4	19	0%
Other*	31	22	607	2%	32	22	430	1%
<b>Total</b>	<b>291</b>	<b>231</b>	<b>28 551</b>	<b>-</b>	<b>295</b>	<b>234</b>	<b>29 270</b>	<b>-</b>

(\*)These are mainly international organizations, associations and foundations.

With an almost stable structure between 2017 and 2018, households and companies hold the majority of tax expenditures (95%) (48% for households and 47% for companies), like most emerging and developed countries.

In terms of contribution to the growth of tax expenditures between 2017 and 2018 valued at 719 million dirhams, the State granted 1,091 million dirhams to households and 283 million dirhams to public services. The amount of tax expenditures granted to companies has decreased by 478 million dirhams.

## VI. BREAKDOWN OF TAX EXPENDITURES BY GOAL

All tax expenditures are aimed at achieving specific goals. It is in this context that the table below lists the tax expenditures in 2017 and 2018, in number and in cost, by the type of goal they aim to achieve.

Table 9: Breakdown of tax expenditures by goal

In millions of dirhams

Designation	2017				2018			
	Measures identified	Measures evaluated	Amount	Share	Measures identified	Measures evaluated	Amount	Share
Support purchasing power	17	17	6 576	23%	17	17	7 224	25%
Facilitate access to housing	34	29	5 587	20%	34	30	5 491	19%
Mobilize domestic savings	27	20	3 873	14%	27	20	4 062	14%
Encourage exports	11	7	2 556	9%	12	7	2 655	9%
Develop the agricultural sector	17	15	2 158	8%	18	17	2 370	8%
Reduce the cost of factors	19	17	1 497	5%	19	17	1 391	5%
Encourage investment	27	18	1 560	5%	29	20	802	3%
Develop the mining sector	6	6	256	1%	6	6	340	1%
Reduce the cost of financing	19	14	205	1%	19	14	258	1%
Attracting external savings	7	7	192	1%	7	7	204	1%
Reduce the cost of health	13	12	404	1%	13	12	179	1%
Promote culture and recreation	11	6	161	1%	10	7	158	1%
Develop the social economy	14	10	119	0%	14	9	125	0%
Encourage teaching	12	9	90	0%	12	9	96	0%
Develop disadvantaged areas	6	6	156	1%	6	5	94	0%
Encourage crafts	4	3	31	0%	4	3	33	0%
Modernization of the economic fabric	7	4	Minor iimportance	0%	7	3	Minor iimportance	0%
Other goals*	40	31	3 130	11%	41	31	3 787	13%
<b>Total</b>	<b>291</b>	<b>231</b>	<b>28 551</b>	<b>-</b>	<b>295</b>	<b>234</b>	<b>29 270</b>	<b>-</b>

(\*)These are primarily measures to reduce benefit costs, reduce transaction costs and encourage the auto sector.

In 2018, the major exemptions mainly concern the support of purchasing power (7,224 million dirhams, or 25%), the facilitation of access to housing (5,491 million dirhams, or 19%) and the mobilization of domestic savings (4,062 million dirhams, or 14%).