

## AI MALYIA Review

### Special 2022 Finance Law

#### Summary of the report on tax expenditures

The tax relief measures granted to certain categories of taxpayers or sectors of activity, known as “tax expenditures”, allow the State to achieve strategic objectives whether on the economic, social, cultural or other levels. They take several forms ranging from the reduction of tax rates to the exemption of taxes.

The report on tax expenditures accompanying the Finance Bill quantifies the cost of each of them according to a fine breakdown by type of tax, derogation, activity, beneficiary, objective and purpose.

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

By tax, the tax expenditures recognized in 2020 and 2021 are as follows:

*Table 1: Breakdown of tax expenditures by type of tax*

In millions of dirhams

Designation	2020				2021				Variation 20/21
	Identified measures	Assessed measures	Amount	Share	Identified measures	Assessed measures	Amount	Share	
VAT	85	83	12 752	46%	87	82	13 590	46%	7%
Corporate Tax	58	47	5 076	18%	57	48	4 086	14%	-20%
Income Tax	83	57	4 010	14%	85	54	4 361	15%	9%
European transport Law	44	42	1 778	6%	44	42	2 592	9%	46%
Annual Special Tax on Motor Vehicles	9	9	188	1%	9	9	200	1%	6%
Special Turnover Taxes	13	13	3 147	11%	14	14	3 498	12%	11%
Domestic Consumption Tax	7	7	207	1%	7	7	83	0%	-60%
Interest Damage	3	3	669	2%	3	3	1 092	4%	63%
<b>Total</b>	<b>302</b>	<b>261</b>	<b>27 827</b>	<b>-</b>	<b>306</b>	<b>259</b>	<b>29 501</b>	<b>-</b>	<b>6%</b>

The number of measures identified as tax expenditures increased from **302** in 2020 to **306** in 2021. Of these measures, **259** were assessed in 2021, i.e. **85%** of the measures identified.

The overall amount of corresponding tax expenditure increased by **1,675 MDH** between 2020 and 2021, from **27,827 MDH** to **29,501 MDH**, due to the increase in tax expenditure relating to VAT (+**839 MDH**), DET (+ **814 MDH**).

On the other hand, tax expenditures relating to corporation tax recorded a decrease of the order of **(-990 MDH)**.

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

This report lists **306** derogatory tax incentives qualified as tax expenditures in 2021. These derogations take the form of total, partial or temporary exemptions, reductions, allowances, deductions, flat-rate taxes and cash flow facilities.

*Table 2: Breakdown of tax expenditures by type of derogation*

Designation	In millions of dirhams							
	2020				2021			
	Number	Share	Amount	Share	Number	Share	Amount	Share
Total exemptions	192	63,6%	15 862	57,0%	194	63,4%	16 248	55,1%
Discounts	55	18,2%	8 251	29,7%	58	19,0%	11 088	37,6%
Temporary or partial exemptions	20	6,6%	1 902	6,8%	18	5,9%	190	0,6%
Allowances	4	1,3%	507	1,8%	5	1,6%	622	2,1%
Liquidity Facilities	5	1,7%	409	1,5%	5	1,6%	471	1,6%
Deductions	16	5,3%	702	2,5%	16	5,2%	703	2,4%
Flat rate taxes	10	3,3%	193	0,7%	10	3,3%	179	0,6%
<b>Total</b>	<b>302</b>	<b>-</b>	<b>27 827</b>	<b>-</b>	<b>306</b>	<b>-</b>	<b>29 501</b>	<b>-</b>

In 2021, total exemptions represent **55.1%** of derogations, followed by reductions (**37.6%**).

### III. BREAKDOWN OF TAX EXPENDITURES BY SECTOR OF ACTIVITY

The assessment of tax expenditures by sector of activity is as follows:

*Table 3: Breakdown of tax expenditures by sector of activity*

In millions of dirhams

Designation	2020				2021			
	Identified measures	Assessed measures	Amount	Share	Mesures recensées	Mesures évaluées	Montant	Part
Real estate activities	43	37	5 800	20,8%	43	37	6 546	22,2%
Security and Social Insurance	16	15	5 201	18,7%	17	16	5 852	19,8%
Agriculture, fishing	27	25	2 457	8,8%	26	25	2 302	7,8%
Public Services	2	1	340	1,2%	3	2	332	1,1%
Food industry	7	7	1 179	4,2%	7	7	1 090	3,7%
Exports	9	6	2 796	10,0%	5	5	1 870	6,3%
Financial Sector	41	33	1 886	6,8%	41	32	1 878	6,4%
Social Health	25	23	673	2,4%	25	23	847	2,9%
Transport	22	22	1 039	3,7%	22	22	1 065	3,6%
Measures benefiting all sectors	25	20	983	3,5%	28	20	1 304	4,4%
Energy and Gas	4	4	3 644	13,1%	4	4	4 440	15,0%
Mining Activities	7	7	197	0,7%	6	6	137	0,5%
Automotive and Chemical Industry	5	5	320	1,2%	5	5	585	2,0%
Regions	9	8	142	0,5%	10	7	61	0,2%
Publishing, Printing	4	4	169	0,6%	4	4	157	0,5%
Tourism	5	5	198	0,7%	5	5	142	0,5%
Education	14	14	301	1,1%	14	14	267	0,9%
Craft	5	4	73	0,3%	5	4	73	0,2%
Other sectors	32	21	429	1,5%	36	21	554	1,9%
<b>Total</b>	<b>302</b>	<b>261</b>	<b>27 827</b>	<b>-</b>	<b>306</b>	<b>259</b>	<b>29 501</b>	<b>-</b>

With an almost stable structure between 2020 and 2021, the tax expenditure recorded in 2021 is attributable in particular to the real estate sector (**22.2%**), the security and provident sector (**19.8%**) and the production sector and distribution of electricity and gas (**15.0%**).

## IV. BREAKDOWN OF TAX EXPENDITURES BY TYPE OF BENEFICIARY

By beneficiary, the tax expenditures recognized in 2020 and 2021 are as follows:

*Table 4: Breakdown of tax expenditures by type of beneficiary*

In millions of dirhams

Bénéficiaires	2020				2021			
	Identified measures	Assessed measures	Amount	Share	Identified measures	Assessed measures	Amount	Share
<b>Enterprises</b>	154	139	13 820	49,7%	155	135	12 950	43,9%
of which Property developers	16	13	886	3,2%	16	13	760	2,6%
of which Farmers	19	17	2 120	7,6%	18	17	1 983	6,7%
of which Exporters	9	6	2 796	10,0%	4	4	1 754	5,9%
of which Fishermen	7	7	114	0,4%	7	7	82	0,3%
of which Educational institutions	11	11	285	1,0%	11	11	253	0,9%
<b>Households</b>	95	81	12 371	44,5%	97	82	15 038	51,0%
of which Employees	18	12	3 076	11,1%	19	13	3 405	11,5%
of which Manufacturers and suppliers	8	7	105	0,4%	8	7	124	0,4%
of which Authors-Artists	5	3	98	0,4%	5	3	102	0,3%
<b>Public services</b>	20	15	1 043	3,7%	21	16	854	2,9%
of which State	9	5	908	3,3%	10	6	775	2,6%
of which development agencies	7	6	96	0,3%	7	6	18	0,1%
of which public establishments	4	4	39	0,1%	4	4	61	0,2%
<b>Others <sup>(*)</sup></b>	33	26	592	2,1%	33	26	659	2,2%
<b>Total</b>	<b>302</b>	<b>261</b>	<b>27 827</b>	<b>-</b>	<b>306</b>	<b>259</b>	<b>29 501</b>	<b>-</b>

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

In 2021, households and businesses hold the majority share of tax expenditures (**95%**) (**51%** for households and **44%** for businesses).

## V. BREAKDOWN OF TAX EXPENDITURES BY OBJECTIVE

Each tax expenditure has an incentive effect aimed at achieving very specific objectives. It is within this framework that the table below lists the tax expenditures in 2020 and 2021, in number and cost, according to the type of objective they support.

*Table 5: Breakdown of tax expenditures by objective*

En millions de dirhams

Objective	2020				2021			
	Identified measures	Assessed measures	Amount	Share	Identified measures	Assessed measures	Amount	Share
Developing the social economy	17	11	147	0,5%	17	11	291	1,0%
Facilitate access to housing	34	29	4 426	15,9%	34	29	4 480	15,2%
Mobilize domestic savings	29	23	4 628	16,6%	32	24	4 998	16,9%
Encourage investment	30	28	1 028	3,7%	30	27	1 378	4,7%
Reduce the cost of health	13	12	345	1,2%	13	12	289	1,0%
Reduce the cost of financing	18	16	245	0,9%	18	16	221	0,7%
Reduce factor cost	20	19	1 468	5,3%	20	19	1 410	4,8%
Develop the agricultural sector	19	18	2 276	8,2%	19	18	2 119	7,2%
Support purchasing power	18	18	4 895	17,6%	18	18	5 724	19,4%
Encourage teaching	12	11	286	1,0%	12	11	253	0,9%
Develop disadvantaged areas	6	5	96	0,3%	7	4	18	0,1%
Promote culture and leisure	12	9	169	0,6%	13	9	157	0,5%
Encourage exports	11	8	2 840	10,2%	7	7	1 912	6,5%
Reduce state expenses	-	-	-	0,0%	-	-	-	0,0%
Modernization of the economic fabric	7	3	-	0,0%	6	3	-	0,0%
Attract external savings	2	2	208	0,7%	2	2	196	0,7%
Developing the mining sector	6	6	197	0,7%	5	5	137	0,5%
Encourage craftsmanship	4	3	35	0,1%	4	3	35	0,1%
Other objectives (*)	17	11	147	0,5%	17	11	291	1,0%
<b>Total</b>	<b>302</b>	<b>261</b>	<b>27 827</b>	<b>-</b>	<b>306</b>	<b>259</b>	<b>29 501</b>	<b>-</b>

(\*) These are mainly measures aimed at reducing the cost of services, reducing transaction costs and encouraging the automotive sector.

In 2021, the most significant derogatory measures mainly concern the support of purchasing power (5,724 MDH, or 19.4%), the mobilization of domestic savings (4,998 MDH, or 16.9%) and facilitating access to housing (4,480 MDH, or 15.2%).

## VI. BREAKDOWN OF TAX EXPENDITURES BY PURPOSE

Any tax expenditure has a vocation that can be economic, social or even cultural.

To this end, the table below presents the tax expenditures for the years 2020 and 2021 by vocation and by type of tax:

*Table 6: Breakdown of tax expenditures by purpose*

In millions of dirhams

Designation	2020				2021			
	Economic Activities	Social Activities	Cultural Activities	Total	Economic Activities	Social Activities	Cultural Activities	Total
VAT	4 706	7 877	169	12 752	4 844	8 590	157	13 590
Corporate Tax	4 332	743	-	5 076	3 542	543	-	4 086
Income Tax	1 828	2 182	-	4 010	1 863	2 498	-	4 361
European transport Law, Annual Special Tax on Motor Vehicles and Special Turnover Taxes	3 902	1 211	-	5 113	4 873	1 417	-	6 290
Domestic Consumption Tax	207	-	-	207	83	-	-	83
Interest Damage	656	14	-	669	946	145	-	1 092
<b>Total</b>	<b>15 631</b>	<b>12 027</b>	<b>169</b>	<b>27 827</b>	<b>16 151</b>	<b>13 193</b>	<b>157</b>	<b>29 501</b>

In 2021, economic incentives benefit from the majority share of tax expenditures, i.e. **54.7%**. As for incentives with a social purpose, they benefit from **44.7%** of the share of overall tax expenditure, and those with a cultural purpose only benefit from **0.5%**.

## VII. BREAKDOWN OF TAX EXPENDITURES ELIMINATED BY YEAR

By year, the tax expenditures eliminated are as follows:

*Table 7: Breakdown of eliminated tax expenditures*

In millions of dirhams

Designation	Number of deleted measures	Amount of deleted measures
2006	32	1 313
2007	7	882
2008	15	2 744
2009	10	1 631
2010	12	1 639
2011	-	-
2012	5	2 938
2013	3	622
2014	15	1 347
2015	13	4 887
2016	1	784
2017	5	508
2018	1	301
2019	9	293
2020	3	14
2021	15	2 846
<b>Total</b>	<b>146</b>	<b>22 749</b>