

Finance Law2023

Summary of the report on tax expenditures

The number of measures identified as tax expenditures increased from **306** in 2021 to **311** in 2022. Of these measures, **264** were assessed in 2022, i.e. **85%** of the measures identified.

I. BREAKDOWN OF TAX EXPENDITURE BY TYPE OF TAX

By tax, the tax expenditures recognized in 2021 and 2022 are as follows:

Table 2: Breakdown of tax expenditures by type of tax

In millions of dirhams

Designation	2021				2022				Variation 21/22
	Identified measures	Assessed Measures	Amount	Share	Identified measures	Assessed Measures	Amount	Share	
VAT	87	82	15 561	48,6%	89	86	20 879	54,0%	34,2%
Corporate Tax	57	48	4 085	12,8%	58	48	5 313	13,7%	30,1%
Income Tax	85	56	4 533	14,2%	89	57	4 783	12,4%	5,5%
Registration and Stamp Duties	44	42	2 687	8,4%	42	40	647	1,7%	-75,9%
Annual Special Tax on Motor Vehicles	9	9	198	0,6%	9	9	203	0,5%	2,5%
Insurance Contracts Tax	14	14	3 384	10,6%	14	14	3 511	9,1%	3,8%
Domestic Consumption Tax	7	7	359	1,1%	7	7	501	1,3%	39,7%
Import tax	3	3	1 193	3,7%	3	3	2 829	7,3%	137,2%
Total	306	261	32 001	-	311	264	38 667	-	20,8%

The number of measures identified as tax expenditures increased from **306** in 2021 to **311** in 2022. Of these measures, **264** were assessed in 2022, i.e. **85%** of the measures identified.

The overall amount of corresponding tax expenditure increased by **6 666 MDH** between 2021 and 2022, from **32 001 MDH** to **38 667 MDH**, due to **the increase in tax expenditure relating to VAT (+5 318 MDH)**, Customs Duty (**+1 636 M DH**) and Corporate Tax (**+1 228 M DH**)

On the other hand, tax expenditures relating to Registration and Stamp duties recorded a decrease of about (**-2 040 MDH**).

II. BREAKDOWN OF TAX EXPENDITURES BY TYPE OF DEROGATION

This report lists **311** derogatory tax incentives identified as tax expenditures in 2022. These derogations are total, partial or temporary exemptions, reductions, allowances, deductions, flat-rate taxes and cash flow facilities.

Table 1: Breakdown of tax expenditures by type of derogation

In millions of dirhams

Designation	2021				2022			
	Number	Share	Amount	Share	Number	Share	Amount	Share
Total Exemptions	194	63,4%	17 460	54,6%	195	62,7%	20 122	52,0%
Reductions	58	19,0%	12 329	38,5%	60	19,3%	16 338	42,3%
Temporary or partial exemptions	18	5,9%	190	0,6%	19	6,1%	177	0,5%
Allowances	5	1,6%	622	1,9%	5	1,6%	609	1,6%
Liquidity Facilities	5	1,6%	390	1,2%	5	1,6%	404	1,0%
Deductions	16	5,2%	731	2,3%	16	5,1%	713	1,8%
Flat rate taxes	10	3,3%	279	0,9%	11	3,5%	303	0,8%
Total	306	-	32 001	-	311	-	38 667	-

In 2022, total exemptions represent **52,0%** of derogations, followed by reductions (**42,3%**).

III. BREAKDOWN OF TAX EXPENDITURES BY SECTOR OF ACTIVITY

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

Table 2: Breakdown of tax expenditures by sector of activity

In millions of dirhams

Designation	2021				2022			
	Identified measures	Assessed measures	Amount	Share	Identified measures	Assessed measures	Amount	Share
Energy and Gas	4	4	5 145	16,1%	4	4	9 198	23,8%
Security and Social Insurance	17	16	5 734	17,9%	17	16	6 008	15,5%
Real Estate Activities	43	37	6 952	21,7%	44	36	4 880	12,6%
Measures benefiting all sectors	28	20	1 611	5,0%	29	20	3 212	8,3%
Agriculture, fishing	26	25	2 464	7,7%	26	25	2 891	7,5%
Exports	5	5	1 855	5,8%	5	5	2 629	6,8%
Food industry	7	7	1 422	4,4%	7	7	2 219	5,8%
Financial Sector	41	33	1 952	6,1%	42	33	1 980	5,1%
Transport	22	22	1 319	4,1%	22	22	1 434	3,7%
Social Health	25	23	944	3,0%	25	23	987	2,6%
Automotive and Chemical Industry	5	5	641	2,0%	5	5	964	2,5%
Other sectors	36	22	663	2,1%	37	25	669	1,7%
Education	14	14	367	1,1%	14	14	452	1,2%
Public Services	3	2	326	1,0%	3	2	357	0,9%
Mining Activities	6	6	197	0,6%	7	7	347	0,9%
Tourism	5	5	142	0,4%	5	5	156	0,4%
Publishing, Printing	4	4	101	0,3%	4	4	117	0,3%
Craft	5	4	104	0,3%	5	4	108	0,3%
Regions	10	7	61	0,2%	10	7	57	0,1%
Total	306	261	32 001	-	311	264	38 667	-

The tax expenditure recorded in 2022 is attributable in particular to the electricity and gas sector (23.8%), security and social insurance sector (15.5%), as well as the real estate sector (12.6%).

IV. BREAKDOWN OF TAX EXPENDITURES BY TYPE OF BENEFICIARY

By beneficiary, the tax expenditures recognized in 2021 and 2022 are as follows:

Table 3: Breakdown of tax expenditures by type of beneficiary

In millions of dirhams

Beneficiaries	2021				2022			
	Identified measures	Assessed measures	Amount	Share	Identified measures	Assessed measures	Amount	Share
Businesses	155	136	14 237	44,5%	161	141	17 557	45,4%
of which Property developers	16	13	763	2,4%	16	13	900	2,3%
of which Farmers	18	17	2 086	6,5%	18	17	2 444	6,3%
of which Exporters	4	4	1 740	5,4%	4	4	2 506	6,5%
of which Fishermen	7	7	348	1,1%	7	7	478	1,2%
of which Educational institutions	11	11	354	1,1%	11	11	422	1,1%
Households	97	83	16 202	50,6%	96	81	19 407	50,2%
of which Employees	19	14	3 294	10,3%	19	14	3 446	8,9%
of which Manufacturers and suppliers	8	7	171	0,5%	8	7	158	0,4%
of which Authors-Artists	5	3	94	0,3%	5	3	111	0,3%
Public services	21	16	887	2,8%	21	16	975	2,5%
of which State	10	6	808	2,5%	10	6	885	2,3%
of which development agencies	7	6	18	0,1%	7	6	10	0,0%
of which public establishments	4	4	61	0,2%	4	4	80	0,2%
Others*	33	26	675	2,1%	33	26	727	1,9%
Total	306	261	32 001	-	311	264	38 667	-

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

In 2022, households and businesses hold the majority share of tax expenditures (**95,6%**) (**50,2%** for households and **45,4%** for businesses).

V. BREAKDOWN OF TAX EXPENDITURES BY OBJECTIVE

Each tax expenditure has an incentive character aimed at achieving specific objectives.

The following table lists the number and cost of tax expenditures in 2021 and 2022 according to the type of objective they support.

Table 4: breakdown of tax expenditures by objective

In millions of dirhams

Objective	2021				2022			
	Identified measures	Assessed measures	Amount	Share	Identified measures	Assessed measures	Amount	share
Develop the social economy	17	11	184	0.6%	17	11	169	0.4%
Facilitate access to housing	34	29	4 828	15.1%	34	29	4 634	12.0%
Mobilize domestic savings	32	25	4 932	15.4%	33	25	5 018	13.0%
Encourage investment	30	27	1 685	5.3%	34	28	3 371	8.7%
Reduce healthcare costs	13	12	385	1.2%	13	12	462	1.2%
Reduce financing costs	18	16	268	0.8%	18	16	265	0.7%
Reduce factor costs	20	19	1 644	5.1%	20	19	1 790	4.6%
Develop agricultural sector	19	18	2 251	7.0%	19	18	2 612	6.8%
Support purchasing power	18	18	6 794	21.2%	18	18	11 687	30.2%
Encourage Education	12	11	357	1.1%	12	11	436	1.1%
Develop disadvantaged areas	7	4	18	0.1%	7	4	10	0.0%
Promote culture and leisure	13	10	101	0.3%	13	10	117	0.3%
Encourage exports	7	7	1 898	5.9%	7	7	2 676	6.9%
Modernization of the economic fabric	6	3	-	0.0%	6	3	-	0.0%
Attracting external savings	2	2	196	0.6%	2	2	220	0.6%
Develop the mining sector	5	5	197	0.6%	6	6	347	0.9%
Encourage handicrafts	4	3	39	0.1%	4	3	42	0.1%
Other objectives	49	41	6 221	19.4%	48	42	4 811	12.4%
Total	306	261	32 001	-	311	264	38 667	-

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

In 2022, the most important derogatory measures mainly concern purchasing power support (**11 687 MDH, or 30.2%**), mobilization of domestic savings (**5 018 MDH, or 13.0%**), and facilitation of access to housing (**4 634 MDH, or 12.0%**).

VI. BREAKDOWN OF TAX EXPENDITURES BY PURPOSE

Every tax expenditure has a purpose which may be economic, social or cultural. The following table presents the tax expenditures for the years 2021 and 2022 by purpose, and by type of tax:

Table 5: Breakdown of tax expenditures by purpose

In millions of dirhams

Designation	2021				2022			
	Economic activities	Social activities	Cultural activities	Total	Economic activities	Social activities	Cultural activities	Total
VAT	5 338	10 122	102	15 561	5 852	14 909	118	20 879
Corporate tax	3 542	543	-	4 085	4 622	691	-	5 313
Income tax	1 972	2 561	-	4 533	2 310	2 473	-	4 783
European transport Law, Annual Special Vehicles Tax, Special Turnover Taxes	4 562	1 707	-	6 269	2 680	1 682	-	4 361
TIC	359	-	-	359	501	-	-	501
DI	1 156	37	-	1 193	2 807	22	-	2 829
Total	16 929	14 970	102	32 001	18 772	19 776	118	38 667

In 2022, social incentives benefit from the majority share of tax expenditures, which is **51.1%**. As for economic incentives, they benefit from 48.6% of the overall tax expenditure share, while cultural incentives only benefit from **0.3%**.

VII. BREAKDOWN OF ELIMINATED TAX EXPENDITURES BY YEAR

The tax expenditures eliminated by year are as follows:

Table 6: Breakdown of eliminated tax expenditures

Designation	In millions of dirhams	
	Number of eliminated measures	Amount of eliminated 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
2022	4	2 059
Total	150	24 808