

Finance Law 2025

Overview of tax expenditure

Tax exemptions represent a mechanism used by the State to grant tax breaks to specific categories of taxpayers or certain sectors of activity. These derogations generate a shortfall in government budget revenues, and are referred to as “tax expenditures”.

In 2024, the total number of tax incentives qualifying as tax expenditures was 268, of which 228 had been assessed, representing 85% of the measures identified.

I. TAX EXPENDITURE IN 2023 AND 2024 BY FINANCE ACT

As tax expenditure is always evolving with each Finance Act, it is important to compare this evolution in terms of number and cost. The table below illustrates the breakdown of tax expenditures recorded in 2023 and 2024 and adopted by the various Finance Acts.

Table 1: Breakdown of tax expenditure by Finance Law

Designation	2023		2024	
	Number	Amount	Number	Amount
Total tax expenditure	291	36 959	268	32 149
including those prior to the 2019 Finance Act	253	34 746	232	31 427
including those relating to the 2019 Finance Act	7	211	7	224
including those relating to the Finance Act 2020 and the amending Finance Act 2020	10	11	8	1
including those relating to the Finance Act 2021	7	147	6	196
including those relating to the Finance Act 2022	5	283	3	218
including those relating to the Finance Act 2023	9	1 561	9	80
including those relating to the Finance Act 2024	-	-	3	3

This table shows that 87% of the derogatory measures were adopted before 2019. In terms of cost, these measures represent 98% of the tax expenditure recorded in 2024.

II. BREAKDOWN OF TAX EXPENDITURE BY TYPE OF TAX

By tax, the tax expenditures recognized in 2023 and 2024 are as follows:

Table 2: Breakdown of tax expenditure by type of tax

Designation	In millions of dirhams								Variation 23/24
	2023				2024				
	Identified measures	Evaluated measures	Amount	Share	Identified measures	Evaluated measures	Amount	Share	
VAT	89	85	21 190	57,3%	65	61	15 183	47,2%	-28,3%
Corporate Tax	51	41	2 137	5,8%	52	42	2 843	8,8%	33,0%
Income Tax	76	52	4 817	13,0%	77	53	5 289	16,5%	9,8%
European transport Law	42	40	660	1,8%	41	39	645	2,0%	-2,3%
Annual Special Tax on Motor Vehicles	9	9	231	0,6%	9	9	244	0,8%	5,6%
Special Turnover Taxes	14	14	4 063	11,0%	14	14	4 217	13,1%	3,8%
Internal Consumption Tax	7	7	1 716	4,6%	7	7	1 784	5,6%	4,0%
Interest Damage	3	3	2 146	5,8%	3	3	1 943	6,0%	-9,4%
Total	291	251	36 959	-	268	228	32 149	-	-13,0%

The number of measures identified as tax expenditures went from **291** in 2023 to **268** in 2024. Of these measures, **228** were evaluated in 2024, i.e. **85%** of the total.

The overall amount of corresponding tax expenditure fell by **4,810 MDH** between 2023 and 2024, from **36,959 MDH** to **32,149 MDH**, due to the drop in tax expenditure on VAT (**down 6,006 MDH**) and ID (**down 202 MDH**).

By contrast, expenditure on corporate income tax and corporate tax rose by **706 MDH** and **472 MDH** respectively.

II. BREAKDOWN OF TAX EXPENDITURE BY TYPE OF DEROGATION

This report identifies **268** tax incentives qualifying as tax expenditures in 2024. These derogations take the form of total, partial or temporary exemptions, reductions, allowances, deductions, flat-rate taxation and cash-flow facilities.

Table 3: Breakdown of tax expenditure by type of derogation

In millions of dirhams

Designation	2023				2024			
	Number	Share	Amount	Share	Number	Share	Amount	Share
Total exemptions	191	65,6%	21 612	58,5%	192	71,6%	21 557	67,1%
Discounts	43	14,8%	12 022	32,5%	19	7,1%	7 193	22,4%
Cash facilities	6	2,1%	1 368	3,7%	6	2,2%	1 253	3,9%
Allowances	6	2,1%	961	2,6%	6	2,2%	1 031	3,2%
Deductions	17	5,8%	693	1,9%	18	6,7%	788	2,4%
Flat-rate taxes	9	3,1%	140	0,4%	9	3,4%	170	0,5%
Temporary or partial exemptions	19	6,5%	163	0,4%	18	6,7%	157	0,5%
Total	291	-	36 959	-	268	-	32 149	-

In 2024, total exemptions account for **67.1%** of derogations, followed by reductions (**22.4%**).

II. BREAKDOWN OF TAX EXPENDITURE BY BUSINESS SECTOR

The evaluation of tax expenditure by sector of activity is as follows:

Table 4: Breakdown of tax expenditure by business sector

In millions of dirhams

Designation	2023				2024			
	Identified measures	Evaluated measures	Amount	Share	Identified measures	Evaluated measures	Amount	Share
Social security and welfare	17	17	7 240	19,6%	17	17	7 570	23,5%
Electricity and gas	4	4	7 600	20,6%	2	2	7 205	22,4%
Real estate activities	39	32	4 480	12,1%	40	33	4 873	15,2%
Agriculture, fishing	25	24	5 450	14,7%	19	18	2 565	8,0%
Financial sector	43	33	1 700	4,6%	42	32	1 976	6,1%
All business sectors	27	21	2 347	6,4%	26	21	1 976	6,1%
Transport	22	22	2 517	6,8%	21	21	1 651	5,1%
Food industry	7	7	1 918	5,2%	1	1	991	3,1%
Automotive and chemical industry	5	5	996	2,7%	3	3	940	2,9%
Health-Social	25	23	934	2,5%	23	21	733	2,3%
Education	11	11	266	0,7%	11	11	393	1,2%
Other sectors *	66	52	1 510	4,1%	63	48	1 275	4,0%
Total	291	251	36 959	-	268	228	32 149	-

(*) These are business sectors whose tax expenditure is less than 200 MDH.

The tax expenditure recorded in 2024 is attributable in particular to the “security and social welfare” sector (**23.5%**), the “electricity and gas” sector (**22.4%**) and the “real estate activities” sector (**15.2%**).

III. BREAKDOWN OF TAX EXPENDITURE BY TYPE OF BENEFICIARY

By beneficiary, tax expenditures in 2023 and 2024 are as follows:

Table 5: Breakdown of tax expenditure by type of beneficiary

In millions of dirhams

Beneficiaries	2023				2024			
	Identified measures	Evaluated measures	Amount	Share	Identified measures	Evaluated measures	Amount	Share
Companies	142	128	14 896	40,3 %	135	122	14 293	44,5 %
of which Farmers	16	15	2 201	6,0%	15	14	2 395	7,4%
of which Fishermen	7	7	1 061	2,9%	5	5	1 114	3,5%
Of which Real estate developers	14	11	684	1,9%	14	11	887	2,8%
of which Exporters	3	3	380	1,0%	3	3	196	0,6%
of which Educational establishments	8	8	233	0,6%	8	8	163	0,5%
Households	89	76	17 345	46,9 %	74	61	15 851	49,3 %
of which employees	19	16	4 117	11,1 %	19	16	4 246	13,2 %
of which Authors-Artists	5	3	110	0,3%	5	3	75	0,2%
Utilities	21	16	1 399	3,8%	21	16	1 580	4,9%
of which State	10	6	1 312	3,5%	10	6	1 288	4,0%
of which public establishments	4	4	55	0,1%	4	4	227	0,7%
of which Development agencies	7	6	32	0,1%	7	6	66	0,2%
Others*	39	31	3 319	9,0%	38	29	425	1,3%
Total	291	251	36 959	-	268	228	32 149	-

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

In 2024, households and businesses will account for the majority of tax expenditure **(93.8%)** (**49.3%** for households and **44.5%** for businesses).

IV. BREAKDOWN OF TAX EXPENDITURE BY OBJECTIVE

Each tax expenditure is designed to provide an incentive to achieve specific objectives. With this in mind, the table below lists the number and cost of tax expenditures in 2023 and 2024, according to the type of objective they support.

Table 6: Breakdown of tax expenditure by objective

In millions of dirhams

Objective	2023				2024			
	Identified measures	Evaluated measures	Amount	Share	Identified measures	Evaluated measures	Amount	Share
Supporting purchasing power	18	18	9 035	24,4 %	6	6	7 566	23,5 %
Mobilizing domestic savings	33	26	5 861	15,9 %	32	26	6 424	20,0 %
Facilitating access to housing	35	28	4 306	11,7 %	35	28	4 474	13,9 %
Reducing factor costs	20	19	3 430	9,3%	19	18	2 578	8,0%
Developing the agricultural sector	18	17	5 135	13,9 %	15	14	2 378	7,4%
Encouraging investment	29	25	2 368	6,4%	30	26	2 075	6,5%
Encouraging teaching	7	7	263	0,7%	10	9	556	1,7%
Developing the social economy	17	12	418	1,1%	17	12	504	1,6%
Encouraging exports	5	5	411	1,1%	5	5	249	0,8%
Promoting culture and leisure	13	11	141	0,4%	13	11	169	0,5%
Reducing healthcare costs	13	12	356	1,0%	11	10	153	0,5%
Reducing State costs	2	2	163	0,4%	2	2	146	0,5%

Attracting external savings	2	2	137	0,4%	2	2	141	0,4%
Developing the mining sector	4	4	60	0,2%	4	4	137	0,4%
Developing the renewable energy sector	4	3	283	0,8%	2	1	128	0,4%
Reduce the cost of financing	18	16	83	0,2%	18	16	115	0,4%
Developing disadvantaged areas	6	5	32	0,1%	6	5	66	0,2%
Encouraging craftsmanship	2	1	49	0,1%	2	1	51	0,2%
Other objectives *	45	38	4 428	12,0 %	39	32	4 241	13,2 %
Total	291	251	36 959	-	268	228	32 149	-

(*) These are mainly measures to reduce the cost of services, cut transaction costs and promote the automotive sector.

In 2024, the most important derogatory measures mainly concern the following objectives: supporting purchasing power (**7,566 MDH, or 23.5%**), mobilizing domestic savings (**6,424 MDH, or 20.0%**) and facilitating access to housing (**4,474 MDH, or 13.9%**).

V. BREAKDOWN OF TAX EXPENDITURE BY VOCATION

All tax expenditure has a purpose, which can be economic, social or cultural. To this end, the table below presents tax expenditure for the years 2023 and 2024 by purpose and by tax type:

Table 7: Breakdown of tax expenditure by vocation

In millions of dirhams

Designation	2023				2024			
	Economic Activities	Social activities	Cultural Activities	Total	Economic Activities	Social activities	Cultural Activities	Total
VAT	6 406	14 653	131	21 190	4 750	10 290	143	15 183
Income Tax	1 744	3 011	61	4 817	1 868	3 294	127	5 289
European Transport Law, Annual Special Tax on Motor Vehicles and Special Turnover Taxes	3 011	1 943	-	4 954	3 119	1 987	-	5 106
Corporate Tax	1 568	569	-	2 137	2 356	488	-	2 843
Interest Damage	2 119	26	-	2 146	1 879	64	-	1 943
Internal Consumption Tax	1 716	-	-	1 716	1 784	-	-	1 784
Total	16 564	20 203	192	36 959	15 757	16 122	270	32 149

In 2024, social incentives will account for the majority of tax expenditure, i.e. **50.1%**. Economic incentives account for **49%** of total tax expenditure, while cultural incentives account for just **0.8%**.