

Evaluation of Fiscal Expenditure

The Fiscal Expenditure Report, appended to the Finance Bill for 2008, shows that the tax system includes 410 waiver provisions instead of 405 in 2006, and 337 in 2005, and that VAT makes up the bigger share in fiscal expenditure, with 47%

The evaluation of incitement policy through fiscal expenditure is an essential component to the budgeting process, notably because of the stake of consolidating fiscal revenues. It highlights, for both decision-makers and the larger public, the extent, the impact and the benefits of incitement provisions in place.

Launched in 2005 together with the listing of 337 measures, this process was carried through with 410 measures in 2007.

Fiscal provisions introduced in the 2007 Finance Bill reduced the number of exemption measures by 7, which represent 1.7% of measures identified in 2006. The impact of broadening the tax base is estimated at MDH 882 million, which is 4.1% of fiscal expenditure for 2006.

Table: Fiscal Expenditure Evaluation

Item	2005	2006	2007	variation
Number of measures listed	337	405	410	1%
Number of measures evaluated	102	159	178	12%
Amount in MDH	15457	21456	23612	10%

178 of these measures were evaluated in 2007, against 159 measures in 2006, which represents a 12% increase.

The number of total exemptions listed represents 61% of waiver provisions, followed by reductions (18%) and deductions (10%).

Furthermore, waiver measures relating to indirect tax represent 61% of the total number of exemptions, with 33.5% for VAT, 25% for registration and stamp duties, and 2.5% domestic consumption tax as well as custom duties.

As to direct tax, it amounts to 39% of incitement measures, with 21% for Corporate Tax and 18% for Income Tax.

The amount of fiscal expenditure evaluated in 2007 stands at MDH 23.612 million against MDH 21.456 million in 2006, an increase of 10%. Fiscal expenditure represents 17.4% of fiscal revenues and 4% of GDP.

In taxation, it should be noted that VAT represents the bigger share of fiscal expenditure, namely 47%. The VAT figure, MDH 11.122 million in 2006, decreased to MDH 11.088 million in 2007. This drop can be accounted for by the cancellation of a number of exemptions in 2007.

If we remove fiscal expenditure relating to tax rate reductions from this figure, the estimate amounts to MDH 8.102 million, which is 73% of all VAT-related fiscal expenditure.

In terms of Corporate Tax, the amount of fiscal expenditure evaluated is MDH 4.600 million in 2007. Most of this expenditure benefits companies (MDH 4.333 million, 75% million of which concerns export-gearred companies).

The amount of fiscal expenditure relating to registration and stamp duties stands at MDH 2.745 million, which is 12% of the total amount. This concerns real-estate transactions at MDH 1.446 million, 252 millions of which for low-cost housing. Estimated Fiscal Expenditure linked to Income Tax amounts to MDH 2.998 million, 1.465 million of which in favour of households.

Real-estate Sector: Significant Exemptions

Among measures listed, 44 measures benefit property development projects, with those evaluated having a budgetary impact of MDH 3.958 million in 2007, against MDH 3.702 million in 2006, registering an increase of 7%, which is 17% of fiscal expenditure evaluated in 2007.

Expenditure pertaining to articles 6-I-21, 92-I-28 of the General Tax Code (previously article 19 of the Finance Bill 1999/ 2000) and relating to exemptions granted to low-cost housing programmes, amounts to MDH 1.420 million.

Fiscal expenditure relating to construction projects stands at MDH 624 million for VAT, and MDH 490 million for Corporate Tax.

Fiscal provisions have basically benefited all activity sectors. Taken separately the different sectors that benefited from the wide range of incentives, but caused a significant income shortfall for the Public Treasury, are:

The property development sector with expenditure amounting to MDH 3.958 million, and representing 17% of total fiscal expenditure.

The agriculture sector with MDH 2.941 million, representing 12% of the total amount.

The public sector with MDH 2.275 million, representing 10% of total fiscal expenditure.

The food industry with MDH 1.918 million, representing 8% of expenditure evaluated.

Moreover, companies and households benefit from fiscal expenditure, with 58% and 27% respectively of the total expenditure estimated.

Likewise, the Fiscal Expenditure Report shows that 63% of the estimated fiscal expenditure has an economic objective, 35% a social objective, and 2% is devoted to sponsoring and funding cultural events.