

## Article Tax expenditure in 2010

### Introductory paragraph

The continued and sustained pace of increase in tax revenues calls for enhanced mobilization of the tax potential, particularly by means of tax expenditure cuts.

The tax provisions introduced by the 2006, 2007, 2008, 2009 and 2010 Budget laws have reduced the number of derogations by 76. The impact of broadening the tax base is estimated at MAD 8,209 million.

### Article:

To assess the cost incurred by tax expenditure, an inventory of 384 derogating provisions was established in 2010, against 393 in 2009, 392 in 2008 and 410 in 2007.

The Table below shows the trends in the number of derogations between 2009 and 2010.

Table 1: Trends in the number of derogations

Taxation	2009 Assessment			2010 Assessment			10/09 Variation	
	Derogations identified	Share	Derogations assessed	Derogations identified	Share	Derogations assessed	Identified	Assessed
– Added Value Tax	130	33.1%	100	129	33.6%	109	-0.8%	9.0%
– Corporate Tax	85	21.6%	31	85	22.1%	40	0.0%	29.0%
– Income Tax	73	18.6%	21	73	19.0%	24	0.0%	14.3%
– Registration fees and Stamp	95	24.2%	40	87	22.7%	42	-8.4%	5.0%
– Domestic Consumption Tax	7	1.8%	7	7	1.8%	7	0.0%	0.0%
– Customs duties	3	0,8%	3	3	0,8%	3	0,0%	0,0%
<b>Total</b>	<b>393</b>	<b>100.0%</b>	<b>202</b>	<b>384</b>	<b>100.0%</b>	<b>225</b>	<b>-2.3%</b>	<b>11.4%</b>

Therefore, the number of derogations identified decreased from 393 in 2009 to 384 in 2010. Out of these derogations, 225 were assessed in 2010 against 202 derogations in 2009, representing an additional 11.4%.

Table 2: Assessment of derogations

Designation	2007	2008	2009	2010	2010/2009 Variation
Number of derogations identified	410	392	393	384	-2.3%
Number of derogations assessed	178	192	202	225	11.4%
Amount assessed in MAD	23 612	26 944	28 734	29 801	3.7%

The amount of Tax expenditure assessed in 2010 was MAD 29,801 million against MAD 28,734 million in 2009, representing an increase of 3.7%. Its share represents 17.9% of tax revenues against 17.2% in 2009. In contrast, the share of tax expenditure in GDP slightly decreased from 3.9% in 2009 to 3.8% in 2010.

The share of tax expenditure, excluding customs duties and domestic consumption tax, increased from 3.5% of GDP in 2009 to 3.6% in 2010. Meanwhile, the share of tax expenditure in the revenues accrued from the taxes under consideration (CT, IT, VAT, and RFT) went up from 19.2% in 2009 to 20.8% in 2010.

Total exonerations (MAD 15,419 million) accounted for 51.7% of the total derogations assessed, followed by tax reductions amounting to 26.9% (MAD 8,010 million).

The increase in tax expenditure for fiscal year 2010 as compared to 2009 is 3.7%, due mainly to the updates conducted, and to the measurement of the budgetary impact for 25 newly assessed derogating measures worth MAD 1.469 million.

**By tax, this expenditure is as follows:**

Table 3: Assessment by tax

Tax	2009 Assessment		2010 Assessment		10/09 Variation
	Amount	Part	Amount	Part	
– Added Value Tax	14 272	49.7%	13 758	46/2%	-3.6%
– Corporate Tax	4 822	16.8%	6 016	20.2%	24.7%
– Income Tax	3 439	12.0%	4 216	14.1%	22.6%
– Registration Fees and Stamp	3 470	12.1%	3 891	13.1%	12.1%
– Domestic Consumption Tax	1 472	5.1%	1 285	4.3%	-12.7%
– Customs duties	1 258	4.4%	636	2.1%	-49.5%
<b>Total</b>	<b>28 734</b>	<b>100.0%</b>	<b>29 801</b>	<b>100.0%</b>	<b>3.7%</b>

As shown above, under VAT, which accounts for the largest share of tax expenditure, or 46.2%, the amount declined from MAD 14,272 million in 2009 to MAD 13.758 million in 2010.

With this amount excluded, tax expenditure relating to rates reductions stands at MAD 11,125 million in 2010, or 80.9% of VAT-related total tax expenditure.

In terms of corporate tax, the amount of expenditure estimated was MAD 6,016 million in 2010, most of which went to businesses (an amount of MAD 5,892 million, of which MAD 2,052 million benefited exporters).

Tax expenditure estimated under income tax stood at MAD 4,216 million, of which MAD 2,340 million went to households.

As for registration fees and stamp, the amount of the corresponding tax expenditure is MAD 3,891 million, or 13.1% of the total amount, involving real estate activities for up to MAD 2,034 million.

**By beneficiary, the expenditure is as follows:**

Table 4: Main Beneficiaries

Beneficiaries	2009		2010			
	Number	Amount	Number	Share	Amount	Share
– Businesses	169	15 510	166	43.3%	17 091	57.3%
<i>of which : Real estate developers</i>	15	2 439	15	3.9%	2 591	8.7%
<i>Exporters</i>	12	2 353	12	3.1%	2 418	8.1%
– Households	105	9 965	103	26.8%	9 285	31.2%
– Public Services	59	3 106	55	14.3%	3 217	10.8%
– Other	60	153	60	15.6%	209	0.7%
<b>Total</b>	<b>393</b>	<b>28 734</b>	<b>384</b>	<b>100.0%</b>	<b>29 801</b>	<b>100.0%</b>

In 2010, 43.3% of the derogations identified were in favor of businesses et 26.8% were in favor of households.

**The assessment of tax expenditure by sector of activity is as follows:**

Table 5: Main Sectors of activity

(MAD Million)

Sectors of activity	2009			2010				
	Derogations identified	Derogations assessed	Amount	Dérogations identified	Share	Dérogations assessed	Amount	Sahre
– Real estate activities	38	23	4 086	39	10%	28	4 438	14.9%
– Agriculture, fisheries	32	21	3 804	31	8%	20	4 035	13.5%
– Editing, Printing	4	3	417	4	1%	3	357	1.2%
– Electricity & gas	5	4	2 639	4	1%	3	1 097	3.7%
– Exports	12	4	2 353	12	3%	5	2 421	8.1%
– Automotive Industry & chemiclas	5	5	1 021	5	1%	5	734	2.5%
– Food Industries	14	14	2 353	14	4%	14	2 312	7.8%
– Financial Intermediation	34	15	1 013	33	9%	16	1 322	4.4%

– Social Welfare	21	13	2 697	18	5%	14	3 564	12.0%
– Regions	31	12	875	28	7%	15	1 091	3.7%
– Health and social outreach	54	22	1 127	53	14%	24	1 253	4.2%
– Transportation Sector	20	13	1 259	20	5%	13	1 212	4.1%
– Public Services	14	4	2 110	14	4%	6	2 045	6.9%
– Tourism	3	3	433	3	1%	3	423	1.4%
– Derogations common to all sectors	24	16	1 886	24	6%	18	2 464	8.3%
– Other Sectors	82	30	663	82	21%	38	1 033	3.5%
<b>Total</b>	<b>393</b>	<b>202</b>	<b>28 734</b>	<b>384</b>	<b>100%</b>	<b>225</b>	<b>29 801</b>	<b>100%</b>

It is to be noted that derogations in favor of real estate activities are still predominant. Among 39 derogations, those that were assessed account for a total of MAD 4,438 million in 2010, against MAD 4,086 million in 2009, showing an increase of 8,6%. They account for 14.9% of the tax expenditure assessed in 2010.

Tax expenditure related to the conventions signed with the State, involving the exoneration of all dues and taxes in favor of on-going social housing programs, amounts to MAD 1,298 million, of which MAD 881 million for VAT, MAD 405 million for IT, and MAD 12 million for RF.

Tax expenditure incurred in favor of energy reached MAD 1,097 million in 2010, or 3.7% of total expenditure (MAD 616 million from VAT and MAD 481 million from DCT).

The transportation sector benefited from 20 derogations, 13 of which were assessed for an amount of MAD 1,212 million in 2010, including:

- MAD 275 million for transportation at 14% VAT rate;
- MAD 803 million under DCT

Additional expenditure in favor of exporting businesses reached a total of MAD 2,421 million in 2010, of which MAD 2,052 million involve CT.

Tax expenditure on the preferential tax scheme designed for regions stood at MAD 1,091 million in 2010. This expenditure mainly involves the Tangier Region with MAD 492 million for CT and 59 for IT.

The Tourism sector received MAD 432 million in 2010. This expenditure was mainly enabled by the application of a reduced rate of 17,5% in favor of businesses from the hotel industry on the part of their turnover denominated in foreign currency (MAD 319 million).