

## Finance Act 2014

### Tax expenditure 2013

#### Introductory phrase

The continuation of a sustained pace of the increase in tax revenues requires a greater mobilization of tax potential, particularly by the rationalization of tax expenditure.

#### Article:

412 notwithstanding clauses were evaluated in 2013, as against 402 in 2012 (399 in 2011 and 384 in 2010).

It should be noted that certain figures of the year 2012 were modified taking account of real data. For 2013, certain figures presented as regards the evaluation of tax expenditure are estimates.

The Table below gives the evolution of derogations between 2012 and 2013.

Table 1: Trend of the number of derogations

| Tax                          | 2012                |               |                    | 2013                |               |                    | Variation 13/12 |             |
|------------------------------|---------------------|---------------|--------------------|---------------------|---------------|--------------------|-----------------|-------------|
|                              | Identified measures | Share         | Evaluated measures | Identified measures | Share         | Evaluated measures | Identified      | Evaluated   |
| – Value Added Tax            | 127                 | 31,6%         | 115                | 127                 | 30,8%         | 115                | 0,0%            | 0,0%        |
| – Corporate tax              | 92                  | 22,9%         | 64                 | 95                  | 23,1%         | 65                 | 3,3%            | 1,6%        |
| – Income tax                 | 83                  | 20,6%         | 40                 | 86                  | 20,9%         | 43                 | 3,6%            | 7,5%        |
| – Registration and stamp fee | 90                  | 22,4%         | 55                 | 94                  | 22,8%         | 69                 | 4,4%            | 25,5%       |
| – Domestic consumption tax   | 7                   | 1,7%          | 7                  | 7                   | 1,7%          | 7                  | 0,0%            | 0,0%        |
| – Customs duties             | 3                   | 0,7%          | 3                  | 3                   | 0,7%          | 3                  | 0,0%            | 0,0%        |
| <b>Total</b>                 | <b>402</b>          | <b>100,0%</b> | <b>284</b>         | <b>412</b>          | <b>100,0%</b> | <b>302</b>         | <b>2,5%</b>     | <b>6,3%</b> |

Thus, the number of identified measures increased from 402 in 2012 to 412 in 2013. Among these measures, 302 were subjected to evaluation in 2013 compared with 284 in 2012.

The share of the measures evaluated among identified measures rose from 70, 6% in 2012 to 73, 3% in 2013. It should be noted that this share was 30, 3% in 2005.

Table 2: Evaluation of derogations

| Description                   | 2010   | 2011   | 2012   | 2013   | Variation 2013/2012 |
|-------------------------------|--------|--------|--------|--------|---------------------|
| Number of identified measures | 384    | 399    | 402    | 412    | 2,5%                |
| Number of evaluated measures  | 225    | 271    | 284    | 302    | 6,3%                |
| Amount estimated in MMAD      | 29 801 | 32 722 | 36 238 | 34 173 | -5,7%               |

The amount of tax expenditure evaluated in 2013 amounts to 34.173 MMAD as against 36.238 MMAD in 2012, or a fall of 5, 7% and an average growth of 4, 6% between 2010 and 2013.

The share of tax expenditure in tax revenues accounts for 17% in 2013 compared with 18, 6% in 2012. As for their share in GDP, it fell from 4, 4% in 2012 to 3, 9% in 2013.

Without customs duties and domestic consumption tax, the share of tax expenditure moved from 4, 1% of GDP in 2012 to 3, 5% in 2013. Concerning the share of tax expenditure in the receipts of the taxes considered (CT, IT, VAT and RSF), it moved from 20, 6% in 2012 to 18, 6% in 2013.

Full tax exemption (19.572 MMAD) account for 57, 3% of the total evaluated measures, followed by rate reductions at 24% (8.204 MMAD).

The fall noted at the level of tax expenditure evaluated for the year 2013 compared to the year 2012 amounts to 5, 7%. It is due primarily to the fall of the results declared as it is the case of export businesses, Tangier-Med Agency and ALEM.

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

Table 3: Evaluation by tax

In MMAD

| Impôt                        | 2012          |               | 2013          |               | Variation<br>13/12 |
|------------------------------|---------------|---------------|---------------|---------------|--------------------|
|                              | Amount        | Share         | Amount        | Share         |                    |
| – Value Added Tax            | 14 221        | 46,2%         | 14 035        | 41,1%         | -1,3%              |
| – Corporate tax              | 9 843         | 20,2%         | 7 059         | 20,7%         | -28,3%             |
| – Income tax                 | 3 815         | 14,1%         | 4 104         | 12,0%         | 7,6%               |
| – Registration and stamp fee | 5 676         | 13,1%         | 6 276         | 18,4%         | 10,6%              |
| – Domestic consumption tax   | 1 186         | 4,3%          | 1 135         | 3,3%          | -4,3%              |
| – Customs duties             | 1 497         | 2,1%          | 1 565         | 4,6%          | 4,5%               |
| <b>Total</b>                 | <b>36 238</b> | <b>100,0%</b> | <b>34 173</b> | <b>100,0%</b> | <b>-5,7%</b>       |

Thus, as regards VAT, which constitutes the big part of tax expenditure, or 41, 1%, the amount moved from 14.221 MMAD in 2012 to 14.035 MMAD in 2013.

If we exclude from this amount the tax expenditure related to reduced taxes, the estimate amounts to 11.593 MMAD in 2013, or 82, 6% of the total tax expenditure relating to VAT.

As regards corporate tax, the amount of the estimated tax expenditure is 7.059 MMAD in 2013, or a decline of 28, 3% compared to 2012. The majority of expenditure related with this tax benefits companies at a total value of 97, 6%.

Tax expenditure estimated with regard to income tax reached the amount of 4.104 MMAD, including 63% in favour of households.

As for registration and stamp fees, the related amount of tax expenditure is 6.276 MMAD, or 18, 4% of all accounts. The expenditure related to the real estate activities constitutes 45, 4% of the total expenditure related to RSF.

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

Table 4: Major recipients

| Recipients                     | 2012       |               |               | 2013       |               |               |               |
|--------------------------------|------------|---------------|---------------|------------|---------------|---------------|---------------|
|                                | Number     | Amount        | Share         | Number     | Share         | Amount        | Share         |
| - Companies                    | 178        | 22 366        | 61,7%         | 184        | 44,7%         | 20 428        | 59,8%         |
| Including: Property developers | 18         | 2 940         | 8,1%          | 18         | 4,4%          | 2 760         | 8,1%          |
| - Exporters                    | 13         | 4 389         | 12,1%         | 13         | 3,2%          | 3 622         | 10,6%         |
| - Households                   | 107        | 9 238         | 25,5%         | 111        | 26,9%         | 9 880         | 28,9%         |
| - Public services              | 56         | 4 440         | 12,3%         | 56         | 13,6%         | 3 612         | 10,6%         |
| - Others                       | 61         | 194           | 0,5%          | 61         | 14,8%         | 253           | 0,7%          |
| <b>Total</b>                   | <b>402</b> | <b>36 238</b> | <b>100,0%</b> | <b>412</b> | <b>100,0%</b> | <b>34 173</b> | <b>100,0%</b> |

In 2013, the identified derogatory measures benefited 44, 7% to companies and 26, 9% to households, or an increase rate of 3, 4% and 3, 7% respectively compared to 2012.

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

Table 5: Major activity sectors

**In MMAD**

| Activity sector                  | 2012                |                    |        | 2013                |       |                    |        |       |
|----------------------------------|---------------------|--------------------|--------|---------------------|-------|--------------------|--------|-------|
|                                  | Identified measures | Evaluated measures | Amount | Identified measures | Share | Evaluated measures | Amount | Share |
| - Real estate activities         | 44                  | 35                 | 6 258  | 46                  | 11,2% | 36                 | 6 075  | 17,8% |
| - Measures common to all sectors | 27                  | 22                 | 4 531  | 29                  | 7,0%  | 23                 | 4 308  | 12,6% |
| - Agriculture, fishery           | 31                  | 23                 | 4 222  | 31                  | 7,5%  | 24                 | 4 183  | 12,2% |
| - Export                         | 13                  | 8                  | 4 389  | 13                  | 3,2%  | 9                  | 3 622  | 10,6% |
| - Social Welfare                 | 18                  | 14                 | 2 955  | 18                  | 4,4%  | 14                 | 3 247  | 9,5%  |
| - Food industries                | 14                  | 14                 | 2 707  | 14                  | 3,4%  | 14                 | 2 640  | 7,7%  |
| - Public services                | 16                  | 8                  | 2 231  | 17                  | 4,1%  | 8                  | 2 513  | 7,4%  |
| - Health and social action       | 52                  | 35                 | 1 611  | 52                  | 12,6% | 38                 | 1 687  | 4,9%  |
| - Financial Intermediation       | 40                  | 28                 | 1 703  | 44                  | 10,7% | 33                 | 1 568  | 4,6%  |

| Activity sector              | 2012                |                    |               | 2013                |             |                    |               |             |
|------------------------------|---------------------|--------------------|---------------|---------------------|-------------|--------------------|---------------|-------------|
|                              | Identified measures | Evaluated measures | Amount        | Identified measures | Share       | Evaluated measures | Amount        | Share       |
| - Transport sector           | 19                  | 13                 | 1 224         | 21                  | 5,1%        | 16                 | 1 339         | 3,9%        |
| - Electricity, oil and gas   | 4                   | 4                  | 773           | 4                   | 1,0%        | 4                  | 725           | 2,1%        |
| - Auto and chemical industry | 5                   | 5                  | 433           | 5                   | 1,2%        | 5                  | 382           | 1,1%        |
| - Tourism                    | 4                   | 4                  | 446           | 4                   | 1,0%        | 4                  | 362           | 1,1%        |
| - Regions                    | 28                  | 19                 | 1 564         | 27                  | 6,6%        | 19                 | 355           | 1,0%        |
| - Publishing, printing       | 4                   | 4                  | 245           | 4                   | 1,0%        | 4                  | 211           | 0,6%        |
| - Other Sectors              | 83                  | 48                 | 947           | 83                  | 20,1%       | 51                 | 957           | 2,8%        |
| <b>Total</b>                 | <b>402</b>          | <b>284</b>         | <b>36 238</b> | <b>412</b>          | <b>100%</b> | <b>302</b>         | <b>34 173</b> | <b>100%</b> |

In this respect, there is still the predominance of exemptions benefiting real estate activities. Totalling 46 measures, those evaluated amount to 6.075 MMAD in 2013. They account for 17, 8% of the tax expenditure evaluated in 2013.

Tax expenditure relating to the full exemption from all taxes and duties benefiting the programs of low-cost housing in progress, amounts to 2.741 MMAD (45,1% of the total expenditure relating to real estate activities), including 1.401 MMAD for VAT, 856 MMAD for RSF, 469 MMAD for CT, and 15 MMAD for IT.

Additional measures in favour of export businesses amount to 3.622 MMAD in 2013 of expenditure, the share of those relating to CT is 88,5%.

As for the transport sector, it benefits from 21 derogations. Those evaluated, 16 in number, amount to 1.339 MMAD in 2013, including:

- 322 MMAD for transport with a VAT rate of 14%;
- 681 MMAD for DCT.

Tax expenditure authorized in favour of energy reached 725 MMAD in 2013, or 2,1% of the entire expenditure (271 MMAD comes from VAT and 454 MMAD from DCT).

Tax expenditure relating to the preferential tax schemes benefiting regions reached 355 MMAD in 2013. The expenditure relating to the zone of Tangier amounts to 212 MMAD for CT and 52 MMAD for IT.

The sector of tourism benefited from 362 MMAD in 2013. This expenditure comes primarily from the application of the reduced tax of 17, 5% for hotel companies on the part of their turnover achieved in foreign currency (214 MMAD).