

## Summary of the report on tax expenditures

The state has introduced into its fiscal policy over the years several measures with the aim of granting tax relief to certain categories of taxpayers or sectors of activity. These measures, known as "tax expenditures", allow the State to achieve its strategic objectives whether in economic, social, cultural or other terms, and this by taking several forms ranging from the reduction of tax rates to tax exemption.

Since tax expenditure can therefore have a significant impact on the state budget, it is necessary to assess its efficiency, quantify the cost of each of them and assess the relevance of maintaining or abolishing them.

### I. TAX EXPENDITURE RECORDED IN 2019 AND 2020 BREAKDOWN BY FINANCE LAW

As tax expenditures continue to change with the various financial laws in force, it is important to compare these changes in terms of number and cost. The table below shows the breakdown of tax expenditures in 2019 and 2020 that are adopted by the various finance laws.

**Table 1: Breakdown of tax expenditures by FL**

Designation	2019		2020	
	Number	Amount in MDH	Number	Amount in MDH
<b>Total Tax Expenditures</b>	293	28 423	302	28 914
including those prior to FL 2016	265	27 842	262	27 212
including those related to FL 2016	4	341	4	345
including those related to FL 2017	12	96	12	70
including those related to FL 2018	5	3	5	3
including those related to FL 2019	7	141	7	93
including those related to FL 2020 and RFL 2020	-	-	12	1 191

Reading this table reveals the following findings:

- **87%** of the derogatory measures were adopted prior to 2016. These measures represent in terms of cost more than **94%** of the tax expenditures recorded in 2020
- The derogatory measures adopted by the finance laws after 2016 have a diminishing budgetary impact, with the exception of 2020, which saw a significant increase following the transitional measures granted to real estate activities.

## II. BREAKDOWN OF TAX EXPENDITURES BY TAX TYPE

By tax, the tax expenditures recorded in 2019 and 2020 are as follows:

**Table 2: Breakdown of tax expenditures by type of tax**

In millions of dirhams

Designation	2019				2020				Variation 19/20
	Identified measures	Assessed measures	Amount	Share	Identified measures	Assessed measures	Amount	Share	
Value-Added Tax	84	82	14 471	50,9%	85	83	13 601	47,0%	-6,0%
Corporate Tax	57	46	4 990	17,6%	58	47	5 076	17,6%	1,7%
Income Tax	82	51	3 648	12,8%	83	52	3 833	13,3%	5,1%
European transport Law	39	31	640	2,3%	44	35	1 644	5,7%	156,9%
Annual Special Tax on Motor Vehicles	9	7	177	0,6%	9	7	171	0,6%	-3,4%
Special Turnover Taxes	12	11	3 154	11,1%	13	12	3 390	11,7%	7,5%
Internal Cocumption Tax	7	7	307	1,1%	7	7	304	1,1%	-1,1%
Interest Damage	3	3	1 036	3,6%	3	3	895	3,1%	-13,6%
<b>Total</b>	<b>293</b>	<b>238</b>	<b>28 423</b>	<b>-</b>	<b>302</b>	<b>246</b>	<b>28 914</b>	<b>-</b>	<b>1,7%</b>

The number of measures classified as tax expenditure increased from **293** in 2019 to **302** in 2020. Of these measures, **246** were evaluated in 2020, i.e. **81%** of the measures identified. The overall amount of tax expenditure increased by **491 MDH** between 2019 and 2020, from **28,423 MDH** to **28,914 MDH**, due to the increase in tax expenditure on ETL (**+1,004 MDH**), ICT (**+236 MDH**) and IT (**+185 MDH**).

On the other hand, tax expenditure on VAT and ID decreased by (**870 MDH**) and (**141 MDH**) correspondently.

### III. BREAKDOWN OF TAX EXPENDITURES BY DEROGATION TYPE

This report identifies 302 derogatory tax incentives qualified as tax expenditures in 2020. These derogations are in the form of total, partial or temporary exemptions, reductions, allowances, deductions, flat-rate taxes and liquidity facilities.

**Table 3: Breakdown of tax expenditure by type of derogation**

**In millions of dirhams**

Designation	2019				2020			
	Number	Share	Amount	Share	Number	Share	Amount	Share
<b>Total exemptions</b>	189	64,5%	16 566	58,3%	194	64,2%	16 875	58,4%
<b>Discounts</b>	49	16,7%	8 226	28,9%	51	16,9%	8 114	28,1%
<b>Temporary or Partial Exemptions</b>	20	6,8%	2 137	7,5%	22	7,3%	2 261	7,8%
<b>Allowances</b>	4	1,4%	317	1,1%	4	1,3%	457	1,6%
<b>Liquidity Facility</b>	5	1,7%	430	1,5%	5	1,7%	453	1,6%
<b>Deductions</b>	16	5,5%	710	2,5%	16	5,3%	716	2,5%
<b>Fixed taxes</b>	10	3,4%	36	0,1%	10	3,3%	37	0,1%
<b>Total</b>	293	-	28 423	-	302	-	28 914	-

In 2020, total exemptions account for **58.4%** of derogations, followed by reductions (**28.1%**).

## IV. BREAKDOWN OF TAX EXPENDITURES BY BUSINESS

The assessment of tax expenditures by business line is as follows:

**Table 4: Breakdown of tax expenditures by industry**

In millions of dirhams

Designation	2019				2020			
	Identified measures	Assessed measures	Amount	Share	Identifies measures	Assessed measures	Amount	Share
Real estate activities	39	34	4 637	16,3%	42	36	5 830	20,2%
Security and Social Insurance	15	13	4 958	17,4%	16	14	5 388	18,6%
Energy and Gas	4	4	5 071	17,8%	4	4	3 801	13,1%
Export	10	5	2 793	9,8%	9	5	2 842	9,8%
Agriculture, fishing	26	24	2 449	8,6%	27	25	2 378	8,2%
Financial Sector	40	29	2 000	7,0%	41	30	1 940	6,7%
Food industry	7	7	1 056	3,7%	7	7	1 423	4,9%
Transport	22	21	1 336	4,7%	22	21	1 365	4,7%
Measures benefiting all sectors	24	15	1 027	3,6%	25	16	1 087	3,8%
Social Health	25	24	867	3,1%	26	24	802	2,8%
Other sectors	30	17	474	1,7%	32	19	442	1,5%
Automotive and Chemical Industry	5	5	558	2,0%	5	5	351	1,2%
Public Services	2	1	326	1,1%	2	1	340	1,2%
Mining Activities	7	7	287	1,0%	7	7	288	1,0%
Tourism	5	4	187	0,7%	5	4	198	0,7%
Regions	9	8	76	0,3%	9	8	144	0,5%
Education	14	12	143	0,5%	14	12	135	0,5%
Publishing, Printing	4	4	134	0,5%	4	4	114	0,4%
Craft	5	4	45	0,2%	5	4	47	0,2%
<b>Total</b>	<b>293</b>	<b>238</b>	<b>28 423</b>	<b>-</b>	<b>302</b>	<b>246</b>	<b>28 914</b>	<b>-</b>

With an almost stable structure between 2019 and 2020, the tax expenditures recorded in 2020 are attributable in large part to the real estate sector (**20%**), to the security and social insurance sector (**19%**) and to the energy sector (**13%**).

## V. BREAKDOWN OF TAX EXPENDITURES BY BENEFICIARY TYPE

By beneficiary, the tax expenditures recorded in 2019 and 2020 are as follows:

**Table 5: Breakdown of tax expenditures by type of beneficiary**

Beneficiaries	In millions of dirhams							
	2019				2020			
	Identified measures	Assessed measures	Amount	Share	Identified measures	Assessed measures	Amount	Share
<b>Enterprises</b>	<b>150</b>	<b>124</b>	<b>13 897</b>	<b>48,9%</b>	<b>154</b>	<b>129</b>	<b>14 195</b>	<b>49,1%</b>
of which Property developers	16	13	839	3,0%	16	13	843	2,9%
of which Farmers	19	17	2 142	7,5%	19	17	2 043	7,1%
of which Exporters	10	5	2 793	9,8%	9	5	2 842	9,8%
of which Fishermen	6	6	64	0,2%	7	7	114	0,4%
of which Educational institutions	11	9	123	0,4%	11	9	116	0,4%
<b>Households</b>	<b>91</b>	<b>77</b>	<b>12 810</b>	<b>45,1%</b>	<b>95</b>	<b>79</b>	<b>12 826</b>	<b>44,4%</b>
of which Employees	16	9	3 000	10,6%	18	10	3 219	11,1%
of which Manufacturers and suppliers	8	7	281	1,0%	8	7	293	1,0%
of which Authors-Artists	5	3	94	0,3%	5	3	73	0,3%
<b>Public services</b>	<b>20</b>	<b>15</b>	<b>1 031</b>	<b>3,6%</b>	<b>20</b>	<b>15</b>	<b>1 132</b>	<b>3,9%</b>
of which State	9	5	992	3,5%	9	5	995	3,4%
of which development agencies	7	6	32	0,1%	7	6	98	0,3%
of which public establishments	4	4	7	0,0%	4	4	39	0,1%
<b>Others</b>	<b>32</b>	<b>22</b>	<b>684</b>	<b>2,4%</b>	<b>33</b>	<b>23</b>	<b>761</b>	<b>2,6%</b>
<b>Total</b>	<b>293</b>	<b>238</b>	<b>28 423</b>	<b>-</b>	<b>302</b>	<b>246</b>	<b>28 914</b>	<b>-</b>

With a virtually stable structure between 2019 and 2020, households and businesses account for the majority of tax expenditures (**94%**) (**44%** for households and **49%** for businesses).

## VI. BREAKDOWN OF TAX EXPENDITURES BY OBJECTIVE

Each tax expenditure has an incentive character aimed at achieving specific objectives. It is in this context that the table below lists the tax expenditures in 2019 and 2020, in number and cost, according to the type of objective they accompany.

**Table 6: Breakdown of tax expenditures by objective**

Objective	In millions of dirhams							
	2019				2020			
	Identified measures	Assessed measures	Amount	Share	Identified measures	Assessed measures	Amount	Share
Supporting purchasing power	17	17	6 031	21,2%	17	17	5 151	17,8%
Mobilizing Domestic Savings	28	21	4 463	15,7%	29	22	4 799	16,6%
Facilitate access to housing	33	29	4 477	15,8%	34	29	4 577	15,8%
Encouraging exports	12	7	2 836	10,0%	11	7	2 886	10,0%
Developing the agricultural sector	19	18	2 243	7,9%	19	18	2 182	7,5%
Reduce factor cost	20	19	1 720	6,1%	20	19	1 739	6,0%
Encouraging investment	28	22	1 134	4,0%	30	24	1 134	3,9%
Reducing health costs	13	12	418	1,5%	13	12	497	1,7%
Reduce the cost of financing	18	13	277	1,0%	18	13	294	1,0%
Developing the mining sector	6	6	287	1,0%	6	6	288	1,0%
Attracting External Savings	2	2	198	0,7%	2	2	208	0,7%
Developing the social economy	16	11	246	0,9%	17	11	144	0,5%
Promote culture and leisure	10	7	134	0,5%	12	9	114	0,4%
Encourage teaching	12	9	111	0,4%	12	9	104	0,4%
Develop disadvantaged areas	6	5	32	0,1%	6	5	98	0,3%
Encourage craftsmanship	4	3	34	0,1%	4	3	35	0,1%
Modernization of the economic fabric	7	3	-	0,0%	7	3	-	0,0%
Other objectives	42	34	3 781	13,3%	45	37	4 666	16,1%
<b>Total</b>	<b>293</b>	<b>238</b>	<b>28 423</b>	<b>-</b>	<b>302</b>	<b>246</b>	<b>28 914</b>	<b>-</b>

In 2020, the most important derogations concern mainly the support of purchasing power (**5,151 MDH, or 18%**), the mobilization of domestic savings (**4,799 MDH, or 17%**) and facilitating access to housing (**4,577 MDH, or 16%**).

## VII. BREAKDOWN OF TAX EXPENDITURE BY VOCATION

Any tax expenditure has an economic, social or cultural purpose.

To this end, the following table presents the tax expenditure for the years 2019 and 2020 by purpose and type of tax:

**Table 7: Distribution of tax expenditures by purpose**

Designation	In millions of dirhams							
	2019				2020			
	Economic Activities	Social Activities	Cultural Activities	Total	Economic Activities	Social Activities	Cultural Activities	Total
Value-Added Tax	5 294	9 043	134	14 471	5 169	8 318	114	13 601
Corporate Tax	4 355	635	-	4 990	4 332	743	-	5 076
Income Tax	1 527	2 121	-	3 648	1 626	2 206	-	3 833
European transport Law, Annual Special Tax on Motor Vehicles and Special Turnover Taxes	2 723	1 248	-	3 971	3 986	1 220	-	5 205
Internal Consumption Tax	307	-	-	307	304	-	-	304
Interest Damage	1 024	12	-	1 036	888	7	-	895
<b>Total</b>	<b>15 230</b>	<b>13 059</b>	<b>134</b>	<b>28 423</b>	<b>16 305</b>	<b>12 495</b>	<b>114</b>	<b>28 914</b>

In 2020, economic incentives benefit from the majority of tax expenditures, i.e. **56.4%**. As for social incentives, they benefit from **43.2%** of the share of overall tax expenditure, and those with a cultural vocation benefit only from **0.4%**.