

Overview of tax expenditure 2024

Rationalizing tax expenditure is one of the fundamental objectives of the framework law on tax reform. Thus, the Finance Act for 2023, which was part of the ongoing implementation of the fundamental objectives of the framework law, saw the adoption of several provisions that contributed to the realization of this objective. This had a considerable impact on tax expenditure, which fell by 6.6% overall, from 37,957 MDH in 2022 to 35,434 MDH in 2023.

I. BREAKDOWN OF TAX EXPENDITURE BY TYPE OF TAX

By tax, tax expenditures in 2022 and 2023 are as follows:

Table 2: Breakdown of tax expenditure by type of tax

In millions of dirhams

Designation	2022				2023				Variation 22/23
	Measures identified	Measures evaluated	Amount	Share	Measures identified	Measures evaluated	Amount	Share	
VAT	89	85	19 513	51,4%	89	85	20 277	57,2%	3,9%
Income tax	89	61	5 134	13,5%	77	52	4 762	13,4%	-7,2%
Special Turnover Taxes	14	14	3 899	10,3%	14	14	4 237	12,0%	8,7%
Corporate Tax	58	48	5 313	14,0%	51	41	2 137	6,0%	-59,8%
Interest Damage	3	3	2 542	6,7%	3	3	2 075	5,9%	-18,4%
Internal Cocumption Tax	7	7	698	1,8%	7	7	1 105	3,1%	58,2%
European transport Law	42	40	644	1,7%	42	40	613	1,7%	-4,8%
Annual Special Tax on Motor Vehicles	9	9	214	0,6%	9	9	229	0,6%	7,0%
Total	311	267	37 957	-	292	251	35 434	-	-6,6%

The number of measures identified as tax expenditures fell from **311** in 2022 to **292** in 2023. Of these measures, **251** were evaluated in 2023, i.e. **85.9%** of the total.

The overall amount of corresponding tax expenditure fell by **(-2,523 MDH)** between 2022 and 2023, from **37,957 MDH** to **35,434 MDH**, due to the **drop in tax expenditure relating to corporate income tax (-3,176 MDH)**.

On the other hand, tax expenditure on VAT and ICT rose by **(+764 MDH)** and **(+406 MDH)** respectively.

II. BREAKDOWN OF TAX EXPENDITURE BY TYPE OF DEROGATION

This report identifies **292** tax incentives qualifying as tax expenditures in 2023. 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	2022				2023			
	Number	Share	Amount	Share	Number	Share	Amount	Share
Total exemptions	195	62,7%	19 831	52,2%	193	66,1%	21 125	59,6%
Discounts	60	19,3%	15 498	40,8%	43	14,7%	11 501	32,5%
Allowances	5	1,6%	609	1,6%	6	2,1%	961	2,7%
Cash facilities	5	1,6%	802	2,1%	5	1,7%	904	2,6%
Deductions	16	5,1%	710	1,9%	17	5,8%	640	1,8%
Temporary or partial exemptions	19	6,1%	184	0,5%	19	6,5%	163	0,5%
Flat-rate taxes	11	3,5%	323	0,9%	9	3,1%	140	0,4%
Total	311	-	37 957	-	292	-	35 434	-

In 2023, total exemptions will account for **59.6%** of all exemptions, followed by reductions (**32.5%**).

III. BREAKDOWN OF TAX EXPENDITURE BY BUSINESS SECTOR

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

Table 4: Breakdown of tax expenditure by business sector

In millions of dirhams

Designation	2022				2023			
	Measures identified	Measures evaluated	Amount	Share	Mesures identified	Mesures evaluated	Amount	Share
Security-Provident	17	17	6 701	17,7%	17	17	7 485	21,1%
Electricity and gas	4	4	8 511	22,4%	4	4	7 324	20,7%
Real estate activities	44	36	4 342	11,4%	40	33	4 284	12,1%
Agriculture, fishing	26	25	2 823	7,4%	25	24	3 437	9,7%
Transport	22	22	1 835	4,8%	22	22	2 884	8,1%
Food industry	7	7	1 973	5,2%	7	7	2 144	6,1%
Financial sector	42	33	1 969	5,2%	43	33	1 864	5,3%
Measures to benefit all sectors	29	22	2 662	7,0%	27	21	1 816	5,1%
Industry, Automotive and chemicals	5	5	1 333	3,5%	5	5	1 518	4,3%
Health-Social	25	23	825	2,2%	25	23	800	2,3%
Exports	5	5	2 813	7,4%	3	3	443	1,3%
Education	14	14	527	1,4%	11	11	285	0,8%
Renewable energies	4	3	279	0,7%	4	3	283	0,8%
Other sectors*	67	51	1 363	3,6%	59	45	866	2,5%
Total	311	267	37 957	-	292	251	35 434	-

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

The tax expenditure recorded in 2023 is attributable in particular to the security and social welfare sector (21.1%), the electricity and gas sector (20.7%) and the real estate sector (12.1%).

IV. BREAKDOWN OF TAX EXPENDITURE BY TYPE OF BENEFICIARY

By beneficiary, tax expenditure in 2022 and 2023 will be as follows:

Table 5: Breakdown of tax expenditure by type of beneficiary

In millions of dirhams

Beneficiaries	2022				2023			
	Measures identified	Measures evaluated	Amount	Share	Measures identified	Mesures evaluated	Amount	Share
Companies	161	142	17 218	45,4%	143	128	14 326	40,4%
of which Farmers	18	17	2 414	6,4%	16	15	1 972	5,6%
of which Fishermen	7	7	604	1,6%	7	7	1 126	3,2%
dont Promoteurs immobiliers	16	12	868	2,3%	14	11	654	1,8%
dont Exportateurs	4	4	2 690	7,1%	3	3	443	1,3%
of which Educational establishments	11	11	488	1,3%	8	8	244	0,7%
Households	96	83	19 376	51,0%	95	81	19 085	53,9%
of which employees	19	16	4 137	10,9%	19	16	4 363	12,3%
of which Manufacturers and service providers	8	7	142	0,4%	6	5	141	0,4%
of which Authors-Artists	5	3	117	0,3%	5	3	120	0,3%
Utilities	21	16	820	2,2%	21	16	661	1,9%
of which State	10	6	727	1,9%	10	6	572	1,6%
of which public establishments	4	4	80	0,2%	4	4	55	0,2%
of which Development agencies	7	6	14	0,0%	7	6	34	0,1%
Others*	33	26	542	1,4%	33	26	1 362	3,8%
Total	311	267	37 957	-	292	251	35 434	-

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

In 2023, households and businesses will account for the majority of tax expenditure (**94.3%**) (**53.9%** for households and **40.4%** for businesses).

V. 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 2022 and 2023, according to the type of objective they support.

Table 6: Breakdown of tax expenditure by objective

In millions of dirhams

Objective	2022				2023			
	Measures identified	Measures evaluated	Amount	Share	Mesures identified	Mesures evaluated	Amount	Share
Supporting purchasing power	18	18	10 545	27,8%	18	18	9 647	27,2%
Mobilizing domestic savings	33	26	5 395	14,2%	33	26	6 085	17,2%
Facilitating access to housing	34	28	4 132	10,9%	35	28	4 114	11,6%
Reducing input costs	20	19	2 281	6,0%	20	19	3 233	9,1%
Developing the agricultural sector	19	18	2 599	6,8%	18	17	3 214	9,1%
Encouraging investment	34	29	2 807	7,4%	30	26	1 746	4,9%
Encouraging exports	7	7	2 859	7,5%	5	5	474	1,3%
Developing social economy	17	12	476	1,3%	17	12	323	0,9%
Developing the renewable energy sector	4	3	279	0,7%	4	3	283	0,8%
Reducing healthcare costs	13	12	256	0,7%	13	12	266	0,8%
Encouraging teaching	12	11	480	1,3%	7	7	255	0,7%
Reducing the cost of financing	18	16	277	0,7%	18	16	247	0,7%
Promoting culture and leisure	13	10	123	0,3%	13	11	143	0,4%
Attracting external savings	2	2	148	0,4%	2	2	137	0,4%
Reducing State costs	2	2	125	0,3%	2	2	99	0,3%
Developing the mining sector	6	6	260	0,7%	4	4	98	0,3%
Encouraging craftsmanship	4	3	44	0,1%	2	1	45	0,1%
Developing disadvantaged areas	7	4	14	0,0%	6	4	34	0,1%
Other objectives *	48	41	4 857	12,8%	45	38	4 991	14,1%
Total	311	267	37 957	-	292	251	35 434	-

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

In 2023, the most important derogatory measures mainly concern the following objectives: supporting purchasing power (9,647 MDH, or 27.2%), mobilizing domestic savings (6,085 MDH, or 17.2%) and facilitating access to housing (4,114 MDH, or 11.6%).

VI. 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 2022 and 2023 by purpose and by tax type:

Table 7: Breakdown of tax expenditure by vocation

In millions of dirhams

Designation	2022				2023			
	Economic Activities	Social activities	Cultural Activities	Total	Economic Activities	Social activities	Cultural Activities	Total
VAT	6 388	13 002	123	19 513	6 853	13 291	133	20 277
European transport law, Annual Special Tax on Motor Vehicles and Special Turnover Taxes	2 931	1 826	-	4 757	3 176	1 903	-	5 079
Income Tax	2 252	2 869	13	5 134	1 744	2 956	61	4 762
Corporate Tax	4 622	691	-	5 313	1 568	569	-	2 137
Interest Damage	2 516	25	-	2 542	2 064	11	-	2 075
domestic consumption tax	698	-	-	698	1 105	-	-	1 105
Total	19 408	18 413	136	37 957	16 509	18 731	194	35 434

By 2023, social incentives will account for the lion's share of tax expenditure (**52.9%**). Economic incentives account for **46.6%** of total tax expenditure, while cultural incentives account for just **0.5%**.

VII. BREAKDOWN OF ELIMINATED TAX EXPENSES BY YEAR

By year, the tax expenditures eliminated are as follows:

Table 8: Breakdown of abolished tax expenditures

Designation	Number of measures removed	In millions of dirhams
		Amount of discontinued measures
2006	32	1 313
2007	7	882
2008	15	2 744
2009	10	1 631
2010	12	1 639
2011	-	-
2012	5	2 938
2013	3	622
2014	15	1 347
2015	13	4 887
2016	1	784
2017	5	508
2018	1	301
2019	9	293
2020	3	14
2021	15	2 846
2022	4	2 059
2023	28	3 919
Total	178	28 727