Royaume du Maroc
Ministère de l'Economie et des Finances
Direction du Budget

المملكة المغربية
وزارة الاقتصاد والمالية
مديرية الميزانية

Executive summary of the Citizen Budget Project for the year 2016

The publication of the Citizen Budget Project for the year 2016 is part of the enshrining of the rights guaranteed by the Constitution particularly those relating to access to information. This document aims to inform citizens about the content and provisions of the Finance Bill of the year so that it can interact with the measures proposed by the Government especially those concerning health, education, road infrastructure, housing and the improvement of their purchasing power.

The finance Bill for 2016 reflects the determination and ambition of the Government, for the last year of its mandate, to continue the process of building a democratic and modern State of law, consolidating the Moroccan economic model based on the strengthening of the creation of wealth and its equitable distribution, for the benefit of citizens while ensuring confidence in the national economy and preserving the conditions for a sustained macroeconomic equilibrium.

1. The main axes of the Finance Act 2016:

The Finance Bill for the year 2016 set itself the following priorities:

- ✓ The consolidation of the foundations for a balanced economic growth through the boosting of industrialization, promotion of private investment, business support and the acceleration of sector-based plans;
- ✓ Strengthening of the pillars of an integrated economic development that reduces social and spatial disparities and offer decent employment opportunities;
- ✓ The acceleration of the implementation of regionalization and the pace of major structural reforms;
- ✓ The implementation of the reform of the Organic Law related to the Finance Act and the continuing of efforts for the gradual recovery of macroeconomic equilibriums.

2. The assumptions of the Finance Bill 2016 :

- growth rate: 3%;
- Budget deficit: 3.5% of GDP;
- Average price of oil: 61 dollars per barrel;
- Average price of gas: 450 dollars per tonne;
- Exchange rate: 9.5 Moroccan dirhams / dollar MAD / $;
- Inflation rate: 1.7%

3. The main projects and programs provided under the Finance Bill 2016:

➢ Enhancing the efficiency of public investment through making the infrastructure profitable and accelerating the implementation of sector-based strategies

Given its importance in boosting the national economy and the creation of employment opportunities, the investment effort will be strengthened in 2016 to reach **MAD 189 billion** of which **MAD 61 billion** from the General Budget, that is, an increase of MAD 7 billion compared with the year 2015.

This effort materializes the commitment of the Government to the continuing of the major infrastructure projects and the acceleration of the implementation of the various sector-based strategies.

In addition, efforts will be intensified for ensuring the implementation of the Industrial Acceleration Plan **2014-2020** that occupies an important place in stimulating the industrialization of the country and which is meant to be an ambitious policy aiming at raising our country to the level of emerging economies by improving the structure and the dynamics of its exportable supply.

➢ Promotion of private investment and support for the company competitiveness

The Government will continue its efforts towards providing incentives for private investment, mobilization of foreign investments and support for entrepreneurship **through the reform of the investment charter, improvement of the business climate and modernization of the related legal framework, as well as the streamlining of the administrative procedures. In addition, the government intends also to continue reforming the banking sector and the financial market in order to improve the financing conditions of the economy**.

Moreover, the Finance Act 2016 provides for a range of tax measures which are likely to promote the investment and company, namely:

- The introduction of the category of profits subject to corporate tax at the rate of 20% and the increase of the rate to 31% for profits exceeding MAD 5 million;

- The VAT exemption on the operations of importation of aircraft of over 100 seats (rate of 20% at present);
- Generalization of the repayment of VAT on investment goods. It should be clarified that the VAT exemption for investment goods of 36 months granted to newly created companies is still applicable;
- The refund of VAT on goods of agricultural origin used in production for the sector of food industry, in order to strengthen the competitiveness of this sector and the fight against the informal sector;
- Granting the benefit of discount of 40% for land revenues of agricultural properties.

In addition, new measures are provided for to support the investments of the National Railways Office (ONCF). These measures are as follows:

- Application of the rate 20% to rail transport operations (14% at present);
- Granting a budget of MAD 1.8 billion for the regularization of the debt accumulated for the benefit of the office in recent years;
- The VAT exemption on import operations for trains, railway material intended for passengers and freight transport.

- **Reduction of social and spatial disparities and promotion of decent work.**

Under the High Guidance of His Majesty the King, the year 2016 will be marked by the launch of a new program for the benefit of rural and mountain areas in order to cope with the deficits at the level of infrastructure and social services in order to ensure sustainable development for these areas.

The budget for this program is MAD 50 billion for the benefit of 12 million beneficiaries in 24 290 douars (villages).

Similarly, efforts will be continued with regard to the consolidation of the achievements of the programs of INDH (National Initiative for Human Development), of which 50% of the beneficiaries are from rural areas, with the aim being to reduce the social deficits so as to ensure the development of marginalized areas.

Furthermore, the resources of the Social Cohesion Fund will be strengthened through the measures provided for in the Finance Bill 2016 particularly:

- The merger of the account «tobacco fund for providing assistance" and the account «fund for supporting social cohesion". The domestic consumption tax will thus rise from 4.5% to 5.4%.
- Appropriation of a part of the margins obtained from the reform of the compensation fund.
- Revision of the rate of the social solidarity contribution related to the *self-supply of a construction*

As for the other social sectors, the Government will pay special attention to the implementation of the strategic vision for the reform of the Moroccan School (2015-2030) and the strategy (2014-2016) related to the access to care and the extension of compulsory medical coverage for the benefit of different segments including the self-employed and independent professions.

In parallel with what is mentioned above, the Finance Bill 2016 provided for a range of measures to encourage citizens to acquire a house, these measures are as follows:

- Raising the vacancy period from six months to a year for the benefit of the exemption of the income tax d as a profit arising from the assignment of a lodging reserved as the main housing;
- Granting the same tax treatment reserved to the contracts "Murabaha", to lease-purchase agreements -Ijara mountahia bitamlik- of a main housing;
- Encouraging the acquisition of a housing used as a main house as part of the joint ownership through the elimination of the 50% ceiling related to the loan interest deduction;

➢ Application of the constitution and acceleration of the implementation of regionalization

In parallel with the completion of the legal arsenal through the finalization of the organic laws (draft organic laws relating to the implementation of the official character of the Amazigh language, to the National Council of Moroccan languages and culture, to right to strike and to the Advisory Council, the year 2016 will witness the effective implementation of the advanced regionalization through:

- The implementation of a fund for social upgrading and interregional solidarity;
- The gradual appropriation of additional resources to reach MAD 10 billion by 2021.

  - ✓ 2% of the corporate tax, instead of 1% currently with the aim of achieving 5%;
  - ✓ 2% of income tax, instead of 1% currently with the aim of achieving 5%;
  - ✓ 20% of the tax on insurance contracts, instead of the current 13%.

And this is in addition to further financial allocations from the general budget estimated at 2 billion dirhams.

➢ Implementation of the reform of the Organic Law related to the Finance Act and the continuation of efforts for the gradual restoration of macroeconomic equilibriums

2016 is the first year of entry into force of the Organic Law No. 130.13 regarding the Finance Act. In this context, the following is provided for:

- The revision of the structure of the table of balance of resources and expenditures of the State under the provisions of Articles 9 and 36 of the Organic Law related to the Finance Act;
- The modification of the operating expenditures recorded at the level of investment outlays, pursuant to the provisions of the new Organic Law related to the Prohibition of the allocation of operating expenditures in the investment budget as from 2016;
- The creation of a new budget chapter entitled "expenditures related to tax repayments, rebates and refunds ";

- Grouping of loan accounts and imprest accounts into a single category of accounts “funding accounts" and this grouping is part of the rationalization and reduction of special accounts;
- The prohibition of the payments of appropriations for the benefit of CST (treasury special accounts) or SEGMA (autonomously-managed government services) from CAS or SEGMA and the removal of the concept of support funds to be paid from CAS
- Matching some earmarked accounts with the provisions of the organic law related to the finance Act.

Regarding the preservation of macroeconomic equilibriums, the Government is considering taking measures to control the payroll, these measures concern:

- Better control of the forecast of staff expenditures, with a view to the progressive implementation of the provisions of the new Organic Law relating to the cancellation of the evaluative nature of these expenditures by limiting the budget authorized by the Finance Act of the year as from the fiscal year 2017;
- Limiting the creation of government jobs of the year to the minimum necessary to maintain the quality of services offered to citizens,
- Activation of the redeployment mechanisms which will allow to make up for the shortage of staff at the territorial and sector-based levels;
- The prohibition of the programming of staff expenditures in the budgets of the Autonomously-managed government services (SEGMA).

In addition, other actions will be undertaken to rationalize material expenditures and various expenditures and improve the efficiency and effectiveness of investment expenditures.

And in order to support the recovery of external equilibriums, the Finance Act 2016 provides, besides the boosting of exports and control of the flow of imports, for the mobilization of foreign exchange reserves through continued efforts aiming at mobilizing external financing from external bilateral and multilateral donors, particularly from the Gulf Cooperation Council (GCC).