FAIR TAX MONITOR

Analysis of the Moroccan tax system

OXFAM

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OCTOBER 2020

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SUMMARY

LIST OF ACRONYMS

ANCFCC	The National Agency of the Fundamental Conservation, Cadastre and Cartography
BAM	Bank Al-Maghrib
BPW	Building and public works
CD	Customs duties
CDG	Deposit and Management Fund
CGEM	The General Confederation of Moroccan Companies
CIT	Corporation income tax
CNSS	National Social Security Fund
DGSN	the National Security Department
DGI	The General Tax Administration
DT	Direct taxes
FB	Finance bill
GDP	Gross domestic product
GMP	Green Morocco Plan
GTC	General Tax Code
GSB	General State budget
GTK	the General Treasury of the Kingdom
HCP	High Commissioner for Planning
IAM	Itissalat Al-Maghrib
IBE	International budget partnership
ICOR	Incremental capital-output ratio
ILO	International Labor Organization
IMF	International Monetary Fund
IDT	Indirect taxes
LE	Large enterprise
OBI	Open budget index
OCP	the Cherifian Phosphates Office
OECD	Organization for Economic Cooperation and Development
O/R	outstanding recoveries
PIT	Personal Income tax
PWD	persons with disabilities.
SD	Stamp duties
SME	small and medium-sized enterprise
T/O	Turnover
UHC	The Universal Health Coverage
VAT	Value added tax
VSE	Very small enterprise

AN UNFAIR TAX SYSTEM CONDUCIVE TO INEQUALITIES

The Moroccan economy has never created as much wealth as it has over the past twenty years. However, poverty also continues to weigh heavily in official statistics as well as in the daily lives of Moroccan citizens. Likewise, the GINI coefficient, the inequalities barometer, continues to show a formidably stable level with a score of 39.5 in 1998 and 40 two decades later. The social deficit is so large that it has prompted the emergence of a national debate on overall wealth and the relevance of the development model.

The persistence of inequalities and the extent of vulnerability exacerbated by Covid 19 point to the role of the tax system in the redistribution of income. The legitimate question that arises is therefore to know to what extent this system contributes to the fight against inequalities? Is it a system that genuinely fights injustices, or on the contrary, a tolerant or even complacent system?

Not being an oil-producing country, Morocco relies primarily on its tax system to replenish its funds in order to finance the country's development through the implementation of adequate public policies. Moreover, the Treasury revenuesituation has been severely impacted due to the drop in revenues caused by the cessation of economic activity for health reasons related to Covid 19. Public policies are the other side of the tax system's effect on inequalities due to the impact of such public policies on the rights of the most vulnerable categories and segments of society. This reality means that the tax system is doubly involved in the social issues of the country.

The study at hand is part of a particular context, in which questions are raised about the post-Covid 19 world, and aims to contribute to the current debate by introducing elements regarding the role of the Moroccan tax system. Moreover, the study is part of the advocacy activities carried out by OXFAM at the local and international level relying on concise and precise analyzes, and supported by genuine, reliable and relevant data. OXFAM's approach aims to contribute to a joint reflection on the problematics of social injustice and inequalities generated by the tax system in order to improve the consideration of these issues. Furthermore, it is within the framework of this approach that the report "An egalitarian Morocco with fair taxation" was published in April 2019.

Thus, the specific objective of this study is to assess the progressivity of the Moroccan tax system and to analyze its impact on social, economic and gender inequalities. That is the objective that the study set itself to achieve through a comprehensive analysis comprising the genesis, resources and organization of the tax system. Also, the study will focus on public expenditure in Morocco, particularly in the strategic and social sectors.

GENESIS OF THE MOROCCAN TAX SYSTEM

The current Moroccan tax system is the culmination of a historical construction that has drawn on both traditions and religion. It is also the result of a reform process aimed at modernizing the tax system. This first section attempts to provide an overview of the history of the Moroccan tax system and to present the main reforms that gave rise to the current system. Such an introduction is indeed necessary to understand the remaining chapters

1. HISTORY OF THE TAX SYSTEM

The fiscal institutions of the Moroccan State, and the legal rules that govern the field of public finances, are the culmination of a long historical development. Before, during or after the protectorate, this development always had as its main objective, if not the sole, to respond to budgetary pressures. It must be said that like everywhere in the world, the Moroccan tax system had the sole vocation of finding even more sources of financing. Thus, issues of social justice are relatively absent, especially at the start of the modern tax system's genesis.

There are three key historical periods that marked the birth of the Moroccan tax system as it is known today:

- **First, the period preceding the protectorate.** The deterioration of public finances, mainly due to the fall in revenues, had pushed the public authorities to draw on the Muslim religion and the Moroccan tradition to set up a certain number of taxes and levies. At that time, a distinction was made between taxes and levies of a religious nature (Zakat, Achour, Jezya, Kharaj) and those which are not (Hédya, Harka, Mouna, Sokhra, Ghorama and Touiza, Meks and Tertib).

- Then, **the tax regime during the protectorate.** The treaty concluded between Morocco and France on March 30, 1912 for the organization of the French protectorate stipulates in article 7 that France reserves the right to lay the foundations for a financial reorganization of Morocco. It was on this legal basis that taxes had been the protectorate's main instrument of economic intervention, which resulted in the establishment of a tax system inspired by the French system. Thus, in addition to the Tertib, the protectorate instituted taxes (mainly indirect ones) such as the license, the urban tax, the taxes on wages (from 1948 on).

- And finally, **the post-independence tax system.** This period was marked by the establishment of the Kingdom's first constitution, which brought a sort of "legitimacy" to the tax system in place. Moreover, a number of modifications to the tax system inherited from the protectorate (the giving-up of certain rights deemed too low, modification of rates etc.) was made with the sole objective of harvesting the resources necessary for the State's apparatus functioning.

2. REFORMS CARRIED OUT UNDER MULTIPLE PRESSURES THAT HAVE CONSOLIDATED THE INEQUITY OF THE TAX SYSTEM

The current tax system in Morocco is also a continuation of a series of reforms that began mainly in the 1980s. These, it should be remembered, were carried out under the strong pressure of the macroeconomic imbalances that marked the 1980s and early 1990s.

- 1983-1990 : **Adoption of the framework law 3-83 and the establishment of the 3 main taxes**

During this phase, a commission composed of the tax administration and various experts, drafted the texts related to the three main components of the system. These efforts resulted in the implementation of the Value Added Tax (1986), the Corporation Tax (1988) and the General Income Tax (1990).

- 1990-1993 : **Taxation of securities and investment products, and reform of the Real Estate Profits Tax (TPI)**

- 1999-2009 : **Reform of registration and stamp duties and implementation of the General Tax Code (GTC).**

This phase was devoted to the reform of the registration and stamp code, but also to the codification by the implementation of the General Tax Code (GTC). In addition, special attention was paid to local taxation with the promulgation of Law N° 47-06 related to the taxation of local authorities.

Moreover, it is worth noting that other measures, implemented in different periods, have directly or indirectly affected the current tax system in Morocco. These measures are likely to lower the rates on high incomes and companies, or to give the illusion of responding to some demands (particularly with regard to the taxation of the agricultural sector).

- 2008: Reform of local taxation and reduction in corporate tax rates;
- 2009-2010 : Decrease in income tax top rates and increase in VAT rates for certain products;
- 2014: Partial and progressive taxation of the income of large farms;
- 2016: Introduction of proportional tax brackets for taxable income subject to corporate tax;
- Also from 2016 on: dematerialization and digitization of tax services;
- Since 2018: Launch of a project for combatting tax fraud in collaboration with the OECD; Transformation of the proportional scale into a progressive scale with regard to corporate tax.

- 2018: Entry into force of the progressive tax scale for corporate tax.

In any case, the construction of the Moroccan tax system has gone through several stages that have been driven by pressures (budgetary, political), which have essentially lacked a clear and coherent course of action. Likewise, the reforms carried out have very often reduced the tax burden on high incomes and large companies, even if it means accentuating tax injustices. Thus, the objectives of broadening the base, harmonizing the system, or even those related social justice have been relegated to the background.

LEVEL AND STRUCTURE OF TAX REVENUES

Before beginning the analysis of the Moroccan tax system from the perspective of equity, it is important to present the main taxes, mechanisms and revenues of this system. Similarly, a presentation of the main indicators for analysis will assess the weight of tax revenue compared to the country's economy.

1.TAXES AND LEVIES: A FISCAL ARSENAL DEVOID OF FAIR AND MODERN TAXATION INSTRUMENTS

From the outset, it should be noted that an exhaustive listing of taxes and duties in Morocco is constrained by the heterogeneity of the legal texts. Taxes and duties in Morocco are scattered between the general tax code, the customs and indirect tax code, the law on local taxation (Law No. 47-06) and between many special texts when it comes to parafiscal taxes. Thus, a non-exhaustive inventory of these taxes shows 69 taxes and duties distributed as follows:

General Tax Code:	**6 taxes and levies**
Customs legislation:	**2 taxes and levies**
Local tax law:	**30 taxes and levies**
Parafiscal taxes :	**31 taxes and levies(non exhaustive)**
Total :	**69 taxes and levies**

Source : CESE

The number of taxes and levies is not an aberration in itself. By way of comparison, the French tax system had more than 214 levies in 2013, so the number remains quite reasonable for the case of Morocco. Similarly, a detailed analysis of this architecture shows that this number is mainly due to local taxes and incidental taxation. However, for the first category, the law on local taxation has in fact included all kinds of taxes that may concern locally elected councils in their heterogeneity. The same is true for incidental taxes which concern, in fact, public bodies operating in quite disparate fields. In short, despite this relatively large number of taxes and levies, it is quite rare for an operator to be affected by several dues.

Regarding the operating mechanisms, it should be noted that from a general point of view, the Moroccan tax system is dominated by spontaneity both in the declaration and in the payment of taxes and levies. In fact, taxes and levies are declarative for the majority with the exception of the income tax on salary. Likewise, the payment of taxes is spontaneous, except in certain cases where taxation is done by assessment or whitheld at source, but the overall logic is spontaneity, conditioned by the right of a posteriori control by the tax administration.

Without wishing to anticipate other sections of this study, it should already be noted that the Moroccan tax system does not include certain categories of taxes and duties applied in other countries such as taxes on inheritance, wealth or even environmental taxes.

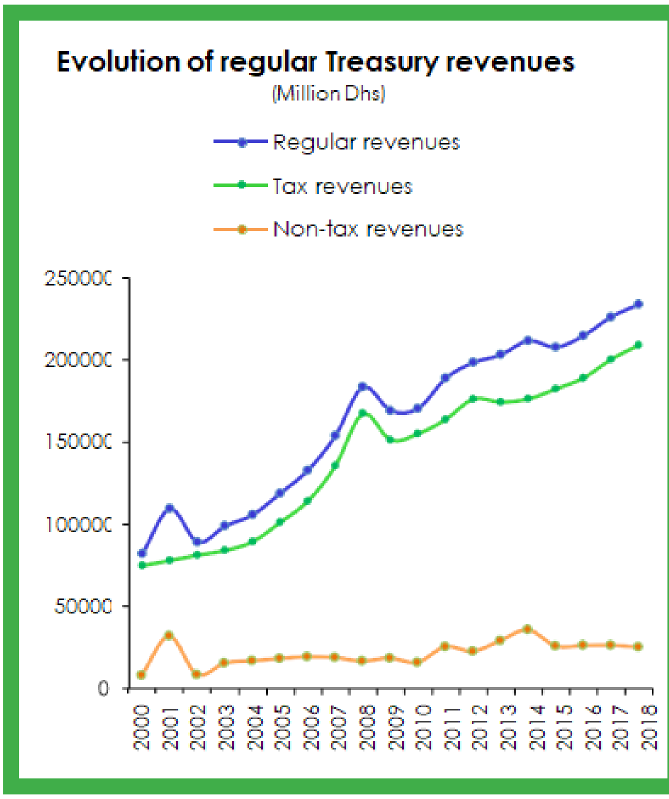
Taxes are the main source of financing the treasury, based on the principle of the tax legitimacy. It is on the basis of this principle that the tax may be defined as a compulsory financial levy imposed by the public authority permanently and without compensation to finance public spending of the State, local authorities and largely public institutions.

Thus, the efficiency of a tax system is generally assessed, among other criteria, by its capacity to make the compulsory tax collection (withholding at source), which are necessary for the functioning of the State. For this section, it is therefore a question of knowing the extent to which tax revenues are able to cover government expenditure. In addition, the importance of resources will be approached from a macroeconomic point of view by analyzing the leeway while taking into account the levels of fiscal pressure.

1. TREASURY'S REVENUE: SUSTAINED EVOLUTION

The analysis of the behavior of public finances in Morocco shows a remarkable improvement in Treasury revenue over the period from 2000 to 2018, moving from 81.4 to 233.3 billion Dirhams, i.e. an average annual growth rate of 6.2%.

In terms of structure, tax revenues quite naturally represented on average nearly 85% of revenues between 2000 and 2018. Thus, the Moroccan Treasury relies mainly on fiscal policy to enable the State to acquire the necessary means to ensure its sovereign functions and to contribute to the economic development of the country.


Evolution of regular Treasury revenues
(Million Dhs)
Regular revenues
Tax revenues
Non-tax revenues
250000
200000
150000
100000
50000
0
2000
2001
2002
2003
2004
2005
2006
2007
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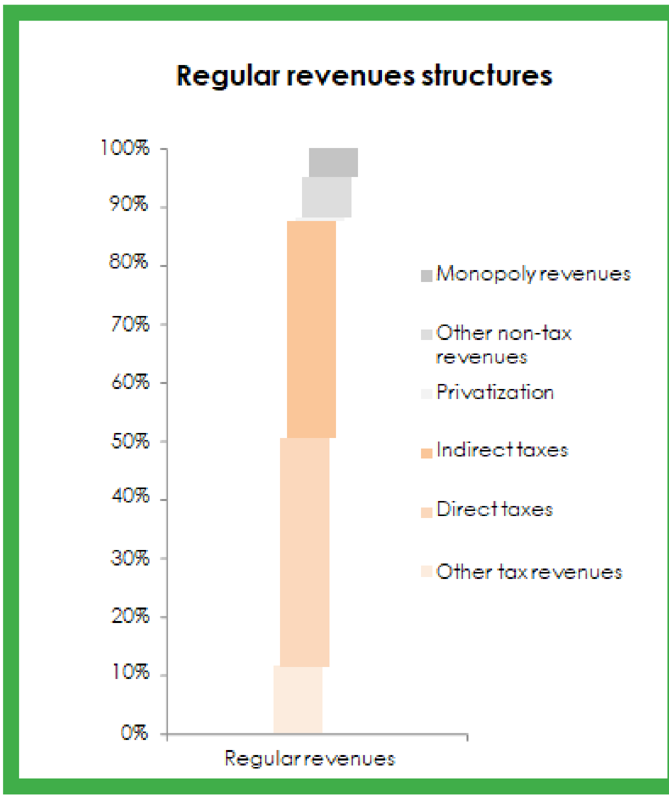
2014
2015
2016
2017
2018


Regular revenues structures
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
Monopoly revenues
Other non-tax revenues
Privatization
Indirect taxes
Direct taxes
Other tax revenues
Regular revenues

Given this reality, Morocco can only plan to put in place a development policy to fight inequalities by relying on an efficient and effective tax system.

Likewise, the specific context of Covid 19 has revealed the fragility of this Treasury financing model. Indeed, the dependence on the tax system for State funding resulted in a significant decrease in revenues due to restrictions on economic activity linked to the epidemiological situation. Thus, tax revenues decrease on a year-on-year basis by -4% in April 2020 and -7.9% in May 2020.

1. TAX REVENUE: A NUANCED GROWTH AND THE IMPORTANCE OF THE INDIRECT TAX REVENUES ACCENTUATING THE UNEQUAL CHARACTER OF THE MOROCCAN TAX SYSTEM

Tax revenues representing on average 85% of regular revenues have evolved at an average growth rate of 6% between 2000 and 2018. In terms of structure, direct taxes represent nearly 44% of these revenues, while indirect taxes have an average share of around 42%. Custom duties and stamp duties represent 6% and 8% respectively.

Evolution and structure of tax revenues between 2008 and 2018 (million Dhs)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Average share
Tax Revenues	131232	159759	148585	158107	170700	179414	180173	184735	191695	200964	211376	100%
Direct taxes	59002	73992	66969	68636	73414	77546	77167	81750	85505	89382	97059	44%
CIT	29350	42700	39300	39245	41543	42538	39710	42780	44255	45555	51169	24%
PIT	27570	28960	25267	26790	28959	32947	35137	36540	38614	40855	41748	19%
Indirect taxes	52085	62662	60965	67678	75623	78932	80630	80843	81009	84591	87108	42%
VAT	34955	44306	41541	46886	53457	56168	57195	56197	55509	57985	59816	29%
DCT	17130	18356	19424	20792	22166	22764	23435	24646	25500	26607	27291	13%
CD	11215	11830	10546	11225	9913	9099	7721	7272	7902	8931	9688	6%
Registration fees	8930	11275	10105	10568	11750	13837	14655	14870	17280	18059	17521	8%

Source : Ministry of Finance

The growth of tax revenues, however, needs to be qualified, particularly with regard to the causes behind this growth, as well as the different phases of the cyclical development of tax revenues. It is for this reason that the evolution of tax revenue can be made by distinguishing 3 periods:

- **The first period 2000-2008:** A period during which tax revenues showed a high sensitivity regarding economic activity. Indeed, over this period the elasticity of tax revenue showed a level of 0.95 (see Pressure and elasticity of tax revenue). Similarly, the strong momentum in some sectors (namely BPW, telecommunications, insurance) induced a significant increase in tax revenues;

- **The second period 2009-2012:** A generalized decline in revenue from different types of taxes due to the effects caused by the fallout from the financial and economic crisis on the Moroccan economy;

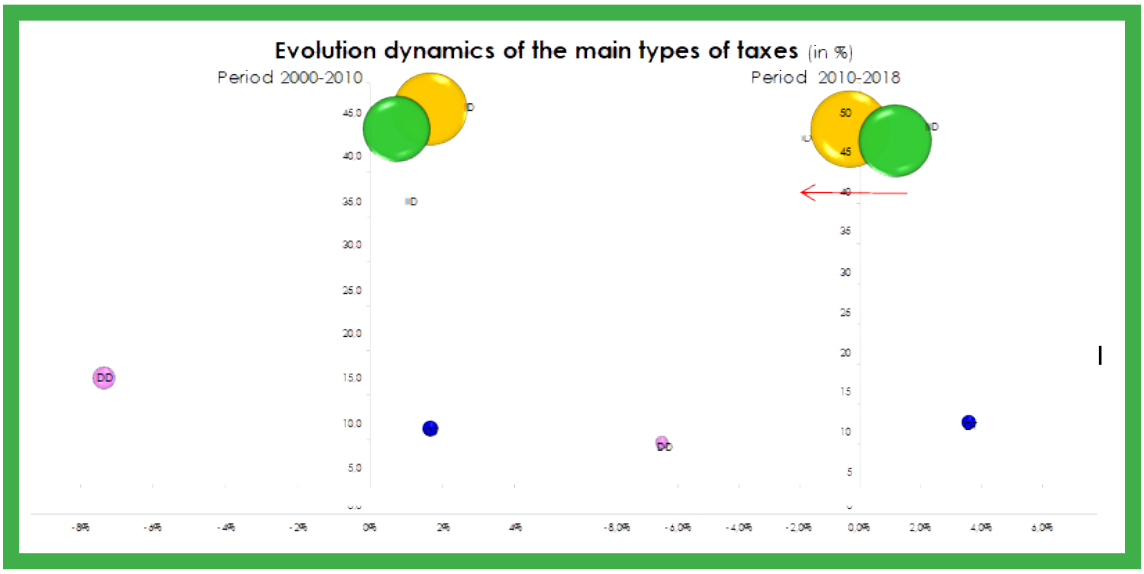
- **The third period 2013-2018:** Slight rebound after the crisis, then a trend towards stagnation in the evolution of all tax revenues.

However, the overall analysis of the general evolution of tax revenues requires further investigation with an analysis by type of tax. Such analysis is essential for the detection and understanding of policy choices that have been made.

- **A further significant weight of indirect taxes and a dynamic to the detriment of direct taxes**

The first decade of the 2000s allowed the share of direct taxes1 to catch up with that of indirect taxes2 known for their dominant inequality. Thus, over the period 2000-2010, the share of direct taxes increased from 36% in 2000 to 44% in 2010, i.e. a higher growth than that of indirect taxes having seen their share moved from 40% to 43% over the same period.

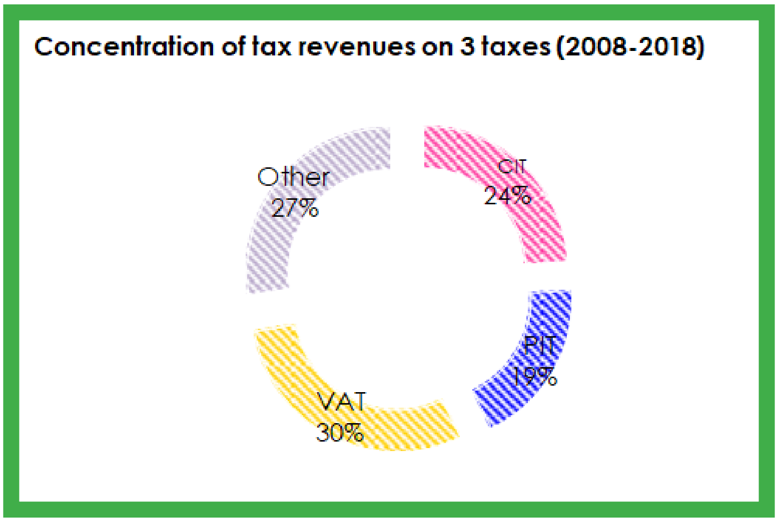
Over the second decade, while direct taxes continue to show a slight advance in terms of average share in tax revenue, the dynamic has meanwhile declined markedly. This decline has enabled the indirect taxes to consolidate their heavy weight both in terms of tax revenues, but also in terms of tax burden on the most vulnerable populations.



Over the period 2000-2010, DTs show a higher growth rate (+ 2%) than that of IDTs (+ 1%). However, over the following period, the DTs showed a negative growth rate of (-0.4%) justifying the shift to the left, as for the IDTs they continue to record a positive growth rate of 1.4%. On the other hand, the loss of average CDs weight benefited more IDTs (+ 3pts) than DTs (+ 2pts) between the two periods.

Source : Elaboration by the author, on the basis of data from the Ministry of Finance

By taxes, tax revenue is concentrated on 3 main taxes (VAT, CIT, and PIT) which represent on average 72% of total tax revenue. The evolution of the three main taxes over the past two decades has been marked by internal and external pressure linked to the crisis and to free trade agreements:



1 According to the Treasury classification (SCRT): CIT + PIT+ Professional tax + Urban tax
2 According to the Treasury classification (SCRT): VAT (domestic + import) + DCT

Source : Ministry of Finance

- **Value added tax: significant growth after the drop in customs duties**

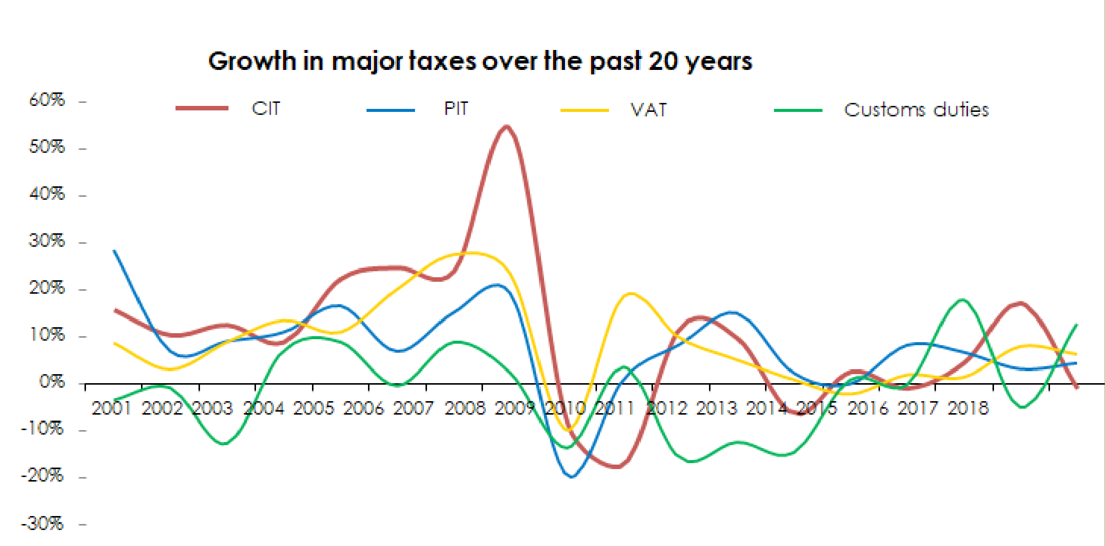
With regard to VAT, the analysis of its evolution cannot be done without taking into account both its nature as a tax which is fairly easy to collect and with a large base, but also the context of its rapid growth. Indeed, in the context of the early 2000s marked by the signing and entry into force of free trade agreements, VAT was used to compensate for the drop in customs duties. This compensation effectively amounts to shifting the tax burden from “international” consumers to “national” consumers. After being installed as the main revenue of the Treasury, VAT growth rates largely stabilized over the 2008 crisis.

- **CIT : Decline due to lower rates**

With regard to corporate income tax, the favorable economic situation in the early 2000s gave rise to fairly significant growth over this period. However, the post-crisis period showed saw-tooth growth due to economic conditions, which were certainly less favorable, but mainly due to lower rates. Thus, over the period 2009-2017, the growth of CIT revenues fell sharply from 21% before the 2008 crisis to 2.1% on average between 2009 and 2017. This decrease is mainly due to the effect of the reduction in the tax rate for both financial and non-financial companies. Indeed, in 2009, the CIT rate was reduced from 39.6% to 37% for financial institutions and from 35% to 30% for other sectors of activity.

- **PIT : a smaller fluctuation compared to that of other taxes**

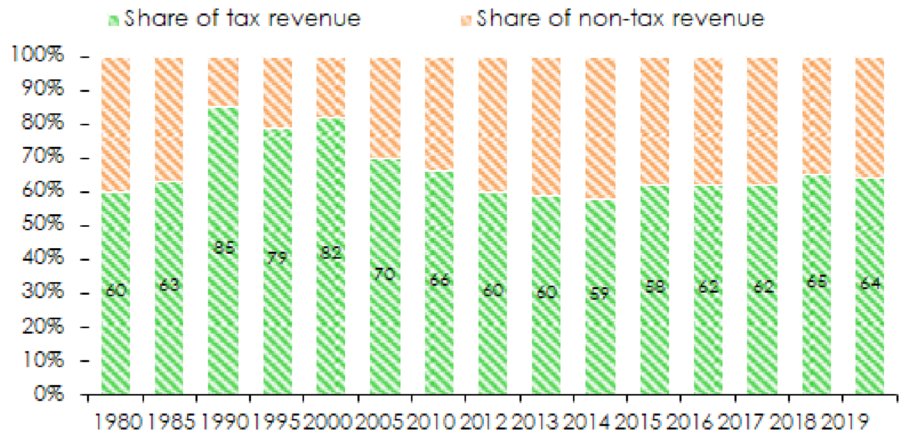
As for the PIT, its evolution is by far the least fluctuating over the study period despite the adjustments in the scale. The PIT-exempt threshold was raised to 28,000 Dirhams in 2009 then to 30,000 Dirhams in 2010. Such adjustments have not had a major impact on the growth of PIT



Insufficient revenue pushing the country into debt

The main performance indicator of a tax system remains its ability to cover the country's expenses. Thus, from this point of view, we can already conclude that the tax system is far from being efficient. On the contrary, its ability to cover the expenses of the Treasury worsens from year to year.

Evolution of the coverage rate of GSB expenditure by tax revenue* (in %)



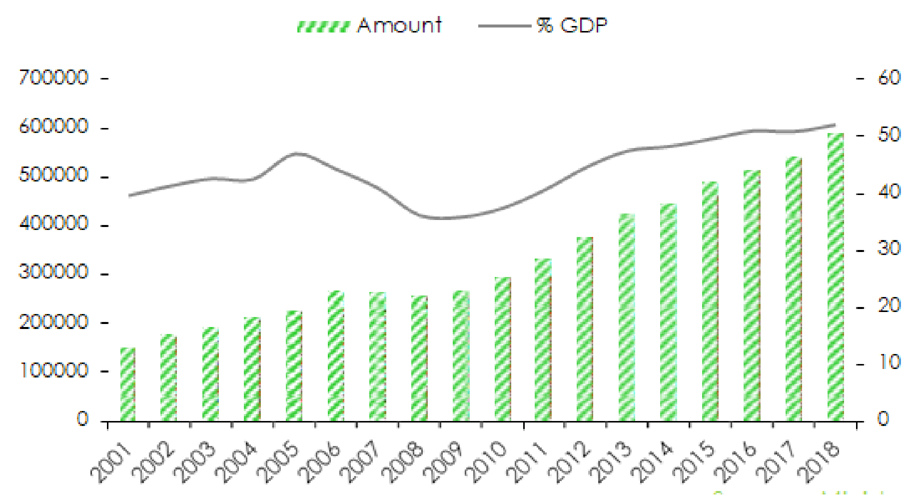
(*)Excluding revenue allocated to local authorities

Source : N.Akesbi, Ministry of Finance

Indeed, the share of tax revenue in the expenditure of the general State budget (GSB) has shown a worrying downward trend since the beginning of the 2000s. This deterioration in "fiscal self-sufficiency"3 justifies the intensive recourse to debt, which in 2018 reached record levels of around 80% of GDP4 (without including the domestic debt of Public Establishments and Enterprises).

Debt by definition is the accumulation of borrowings incurred to finance the deficit of the public balance; such a deficit is mainly accentuated by insufficient tax revenue.

The link between the tax system and debt is therefore no longer debated, it is now the sovereignty of the country that is at stake due to the massive recourse to borrowing.



Evolution of Treasury debt and its weight in GDP (million Dhs)

Source : Ministry of Finance

While it is true that debt is neither an end nor a danger in itself, and that there is no "sacred" threshold relative to its weight in GDP, it is obvious that a poor use of borrowed amounts remains dangerous for any economy. The risk is all the more important for the Moroccan economy for 2 reasons, the first is that the debt has financed for a long time the operating and compensation expenses; a situation which would not have been possible in the presence of an efficient tax system.

The second reason is that of the efficiency of public investments. Having one of the lowest efficiency rates of public investment in the world5, recourse to debt only reduces the overall wealth of the country.

The Greek experience shows that excessive debt is synonymous with loss of sovereignty. In fact, the accumulation of loans combined with the current events linked to the Covid-19 health crisis poses the risk of a return to a form of submission to international financial institutions, particularly the IMF. Morocco has already experimented with the structural adjustment plan and knows its social and economic weight.

In short, due to a large number of tax exemptions and evasion, the Moroccan tax system is unable to support the dynamic of investment in infrastructure and in the social sectors.

2. NON-TAX REVENUES: LOW SHARE IN TREASURY REVENUES AND STRONG DEPENDENCE ON FOREIGN DONATIONS AND PRIVATIZATION OPERATIONS

Non-tax revenues are those which are mainly originating from dividends of the State as a shareholder in a certain number of public enterprises, privatization revenues as well as any exceptional payments linked to support funds, including donations in particular. Thus, given their nature, the behavior of non-tax revenues remains marked by an intermittent evolution, correlated to the economic situation which impacts not only the products from public enterprises, but also political relations, notably with the Gulf countries.

Evolution of non-tax revenues between 2008 -2018 and their average structure (in million DHs)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Average share
Non Tax Revenues	**14893**	**17828**	**17328**	**14165**	**19561**	**27868**	**24545**	**28378**	**27161**	**22293**	**22137**	**48%**
Monopolies	6901	10015	9340	10227	11380	12563	10841	9517	8330	9067	9821	45%
Other revenue	4992	4814	3988	3938	4981	15305	13704	18861	18830	13226	12316	7%
Privatization	3000	3000	4000		3200							

Source : Ministry of Finance

These revenues represented nearly 15% of tax revenues and 2.4% of GDP on an annual average over the 2005-2013 period, before rebounding to 3.6% of GDP in 2014. This rebound is the result of the influx of funds received from the Gulf countries amounting to 13.1 billion Dirhams for the year 2014.

Monopoly revenues tend to be more stable compared to other types of non-tax revenues (grants and privatization); a stability that has helped consolidate their share in other non-tax revenues.

In terms of monopoly revenue sources, out of a total of 12.8 billion Dirhams in 2019, the ANCFCC contributes 3 billion Dirhams, followed by OCP (2.7 billion) and Maroc Telecom (1,5 billion).

Distribution of monopoly revenues (million Dhs)

	2017	2018	2019
B.A.M	556	565	855
I.A.M	1426	1452	1531
O.C.P	1341	2000	2700
ANCFCC	2400	3000	3000
C.D.G	0	0	0
Other	2435	2277	4808
Total	8158	9294	12894

Source : GTK

Regarding the part related to privatizations, the contribution in non-tax revenue is less and less important, despite some recent privatization operations (Marsa Maroc in 2016 and Hôtel Mamounia in 20196).

To conclude, the non-fiscal revenues are so low and sometimes occasional that Morocco cannot establish its development plans counting on this type of resources.

3. TAX BURDEN AND ELASTICITY OF TAX REVENUES: PROBABLE MARGIN OF MANEUVER TO BE MOBILIZED WITHIN THE FRAMEWORK OF A FAIRER TAX SYSTEM

The tax burden is an indicator that provides information on the weight of the taxes collected in the economy. Although the method of its calculation remains largely debatable, it nevertheless provides a reliable basis for comparison between countries. Likewise, this indicator makes it possible to assess the room for maneuver in terms of tax revenues.

In Morocco's case, despite the fact that revenues showed moderate growth, the tax pressure remained almost stable over the period 2000-2018. This pressure has indeed evolved around an average of 19.1% of GDP for the period running from 2000 to 2018.

The level of fiscal pressure displayed in Morocco remains fairly bearable, especially in comparison with OECD countries or with similar economies. Indeed, at the OECD level, this pressure reached 34% in 2018. Similarly, this rate is about 31% in Tunisia and 28% in South Africa and 17% in Egypt7.

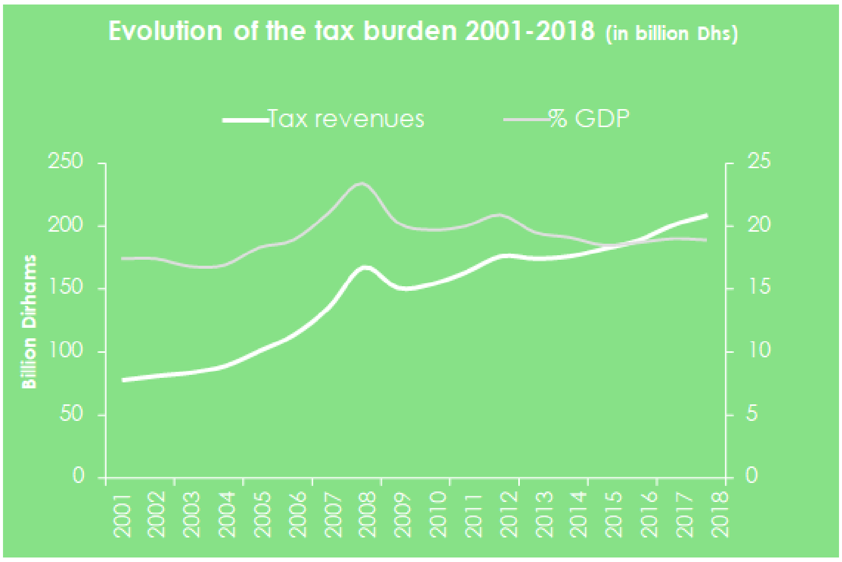
With regard to elasticity, comparing variations in tax revenue as the numerator and those in GDP as the denominator, fiscal elasticity reflects the capacity of the tax system to evolve at a rate more or less rapid than the wealth produced by economic activity in a year. Thus, an elasticity greater than 1 indicates an evolution of fiscal resources faster than that of the GDP, and conversely, a value lower than 1 reflects a growth of the GDP greater than that of the tax revenues.

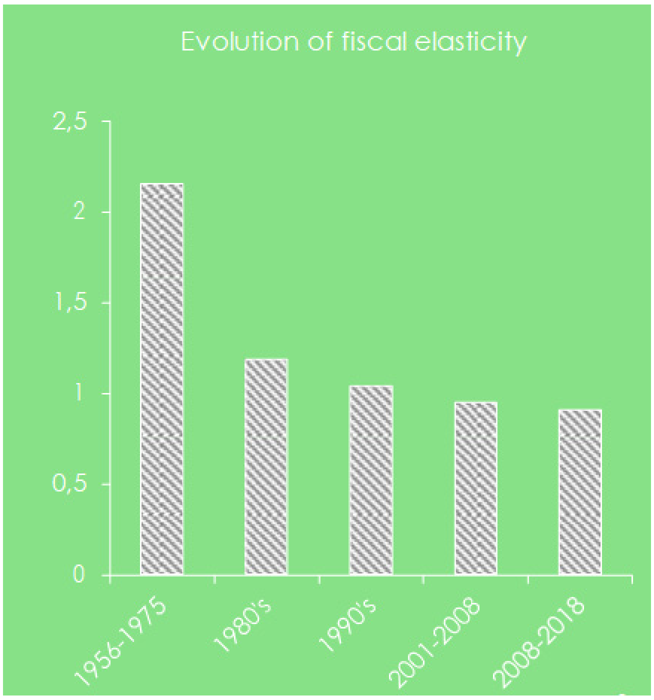
During the first twenty years of independence, fiscal elasticity had changed considerably, reaching an average of 2.16 over the period 1956-1975.

However, during the following decades, the elasticity was divided by 2 while showing deterioration between the 1980s and the 1990s. Thus, this indicator showed a level slightly above 1, moving from 1.19 on average during the 1980s to 1.04 on average during the 1990s.

The ratio continued its downward movement during the 2000s to fall for the first time below 1 between 2000 and 2008; a decline which continued over the period 2008-2018 with a figure of around 0.91.

This permanent deterioration reflects a tax system increasingly disconnected from economic reality and increasingly helpless in the face of the dynamics of wealth creation. This reality is in fact the culmination of decades of neoliberal-inspired reforms giving rise to a tax system incapable of properly fulfilling its primary function, which is none other than that of supplying the public treasury with financial resources to match its ambitions.





UNFAIR TAXES

The Moroccan tax system is concentrated around 3 main taxes: income tax, corporate tax, and value added tax. In this part, an analysis will be carried out about the working mechanisms of these taxes through the prism of equity. Thus, special attention will be paid to the progressivity of these taxes and their level of concentration.

1. INCOME TAX

The analysis of the tax burden distribution represented by PIT on natural persons displays a situation of tax injustice between employees (private and public) and other taxpayers working as independent professionals. This injustice is all the more important when we take into account the compulsory social security contributions weighing on wages.

In the presence of an arsenal of deductible contributions in favor of professional natural persons, the purpose of the PIT as an overall income tax remains far from being achieved. Indeed, official statistics show a contribution of around 75% of employees to the total of Morocco's PIT. That is to say only 25% of contribution combined for professional income, land income, agricultural income and investment income.

The situation is all the more unequal as the income of the liberal professions is much higher than employees' salaries. Indeed, according to the National Union of Liberal Professions, the average income is around 20,000 Dhs / month (≃2118 $) for the approximately 93,000 professional individuals in Morocco. The average salary in Morocco is 3000 Dhs (≃317 $) for the private sector and 7000 Dhs (≃741 $) for the public sector.

The salaries situation in Morocco is such that 53% of employees are exempt from PIT because of very low income .This situation means that the pressure of the PIT is borne mainly by the middle income and the middle class. Almost 3 quarters of PIT in Morocco is in fact paid by 47%8 of employees. By exerting strong pressure on the middle class, the Moroccan tax system through PIT contributes directly to the widening of social and economic inequalities.

Source : AGUENIOU

Tax scale: regressive progressivity and pressure on the middle brackets

The income tax scale indicates that an annual income below 30,000 dh (≃ $ 3177) is exempt from PIT. By earning one more dirham, a modest employee automatically goes up to a 10% tax rate without any transition. While it is true that the same employee pays only a 10% tax of the income above the exempt bracket, the absence of intermediate brackets means that the growth of tax is greater than that of income.

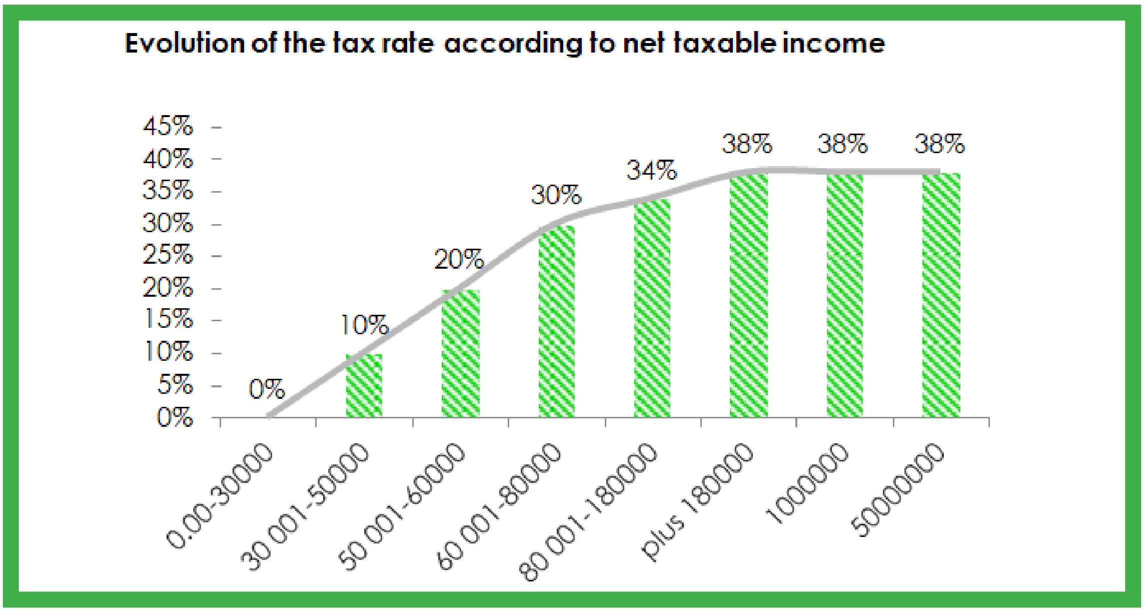
Thus, the evolution of the rate from one income bracket to another in no way reflects the increase in income to respect one of the first principles of PIT: “the more you earn, the more you pay”. For example, an income of 55,000 Dhs/ year undergoes double the tax pressure exerted on an income of 40,000 Dhs/ year, while the difference between the two revenues is only 35%.

There is no shortage of examples to show that the increase in tax on the lower and middle classes is much greater than the increase in income itself, and this is the very definition of a non-progressive scale; itself characterizing an unequal tax system.

This growth in the tax rate, which is faster than income, disappears relatively when it comes to incomes above 80,000Dhs / year (≃8474 $) before disappearing completely for incomes above 180,000Dhs / year (≃19067 $). This situation, qualified as “regressive progressivity” 9 means, that in Morocco an average manager paid less than 12,000 Dhs/ month (≃1271 $) is taxed at 38%

In the same way as a senior manager or the boss of a large company receiving much higher income.

Thus, from a general point of view, the PIT tax scale in Morocco displays a logarithmic form. Due to this configuration, the PIT grows faster for low and middle incomes, and stagnates when it comes to high incomes. Rather, an egalitarian and fair income tax should have an exponential form so that the increase is faster for the high incomes and slower for the more modest.



Source : CGI

As for capital income, the PIT is suddenly less aggressive

PIT in Morocco concerns both salary and professional income, but also income from equity investments and property income. However, it emerges from the analysis of nominal tax rates that those on capital income are generally lower in comparison with those applied to labor income subject to the marginal rate of 38% from an annual net taxable income exceeding 180,000 Dhs.

Indeed, capital income and profits are taxed at the following rates:

- 15% for income from shares or corporate rights and assimilated income and for foreign source investment income;
- 20% applicable to gains from fixed-income investments served to persons subject to PIT on professional income;
- 30% for gains from fixed-income investments paid to natural persons.

In addition to these rates, capital income benefits from all kinds of PIT discharge rates and restitution rights. In fact, apart from fixed income investment products subject to the 20% rate - which is not discharging - all other financial income and profits are subject to a proportional rate which is discharging.

Beyond the real impact on the taxation of labor and capital, due in particular to a certain number of nuances that arise10, the problem of this configuration remains more symbolic than real. Indeed, this situation gives the impression that the tax system is more demanding with regard to labor than with capital; a situation in contradiction even with the distribution of the GDP of the Moroccan economy. Indeed, nearly 56% of the wealth created by the economy is attributed to the remuneration of capital compared to 30% for the remuneration of labor for the year 201811. In principle therefore, a fair tax system would tax capital much more than labor.

In sum, the in-depth and objective examination of the PIT system remains generally negative. This tax is in fact neither simple, nor coherent (several incomes with different logics), nor fair (paid by a tiny part of the tax population), nor even effective given the possibilities of circumvention that it offers. Likewise, this tax is not “general” since it does not allow the unification of income taxation to the same tax scale, even though this is the reason for any synthetic type tax.

Political choices are the main responsible for this situation. This is all the more true when we consider that Morocco’s tax reforms were largely inspired by neoliberal currents. The said currents have preached for decades for a reduction in tax rates on high incomes, and also for maintaining a heavy burden on low and middle incomes, as well as for concentrating the pressure on wage incomes, to the benefit of other categories of income; notably capital income. Such political currents have often put forward as their main argument a so-called “trickle-down effect” according to which an increase in the incomes of the richest can have positive effects on the economy.

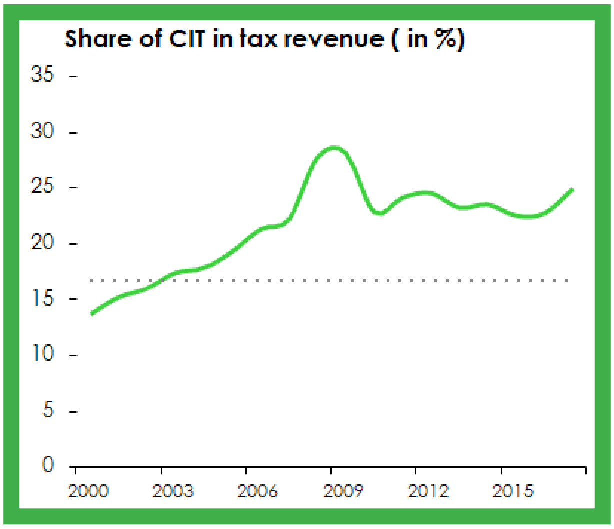
2. CORPORATE TAXES

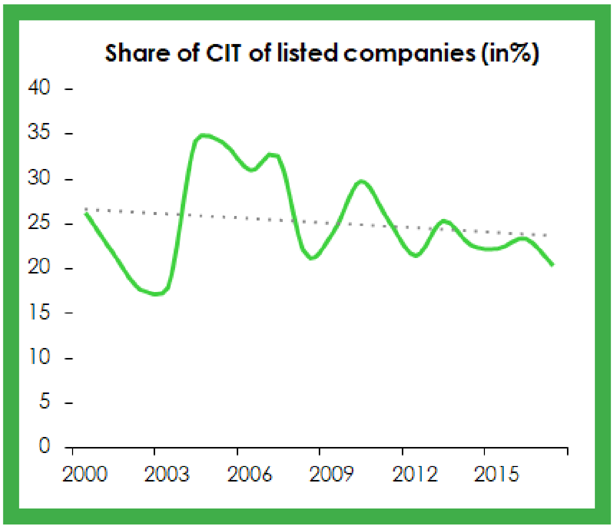
The corporate tax is a main component of the Moroccan tax system. In fact, the share of this tax is around 25% of total tax revenue, which is the main source of financing for the Treasury in Morocco. In terms of trend, the CIT is on an upward trend, with its share increasing from 13% in 2000 to 25% in 2017.

Evolution of the CIT share in tax revenue and publicly traded companies' CIT (in %)																		
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Share in tax revenue	13,7	15,2	16	17,4	17,8	19,3	21,3	22,2	27,7	28,1	22,8	24,1	24,5	23,2	23,5	22,5	22,7	24,9
Total of CIT from listed companies	26,2	21,7	17,6	17,9	34,2	34	30,9	32,5	21,5	24	29,7	25,4	21,4	25,3	22,6	22,2	23,3	20,3
Real sector	14,6	11,8	10,8	12,1	26,7	24,3	21,8	23	14,7	15,7	18,9	15,4	12,3	15,6	11,3	11,8	11,6	10
Banks	9,2	8,7	5,9	4,8	6,5	8,8	8,2	7,4	5,4	6,6	8,4	7,7	7,3	8	9,1	8	7,7	7
Finance companies	1,7	0,9	0,7	0,7	0,8	0,7	0,7	1	0,7	0,6	0,8	0,7	0,7	0,6	0,6	0,6	0,6	0,5
Insurance companies	0,7	0,3	0,3	0,3	0,2	0,2	0,2	1,1	0,7	1,1	1,6	1,4	1,1	1,2	0,9	0,8	1,2	0,9

Source : Ministry of Finance, public finance dashboard 2019

This upward trend in CIT does not, however, apply to the contribution of all companies. Publicly traded companies contribute less and less to the financing of the Treasury, and have seen their share in the CIT decline over the same period. In fact, the share of these companies fell from 32.5% in 2007 to 20% in 2017; that is a loss of 12% over 10 years. This decline is mainly justified by the decline in the share of companies operating in the real economy; those companies which contribute an average of 13% of CIT revenues. The increase in the contribution of listed banks and insurance companies could not prevent this downward trend in the share of the CIT of listed companies.





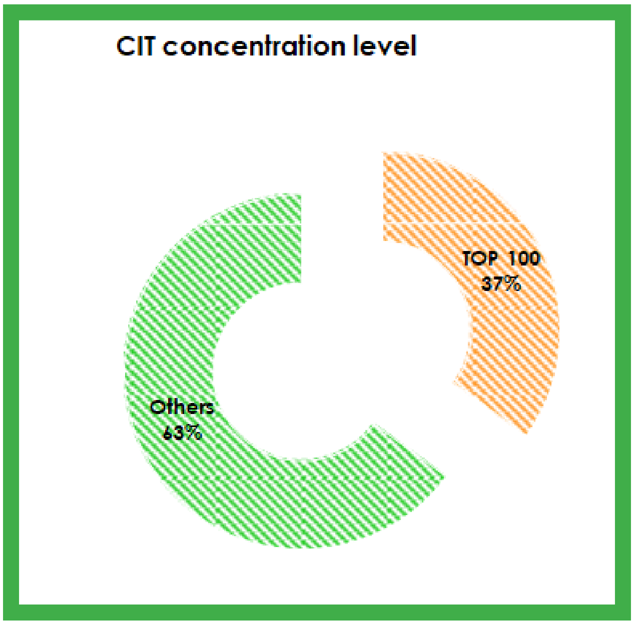
Source : Ministry of Finance

A corporate tax that is only paid by a tiny minority of large companies, without unduly affecting their profits

The main characteristic of CIT in Morocco is its concentration on a very small number of companies. Indeed, according to a survey by Inforisk12 in 2017, the “TOP 10” of Moroccan companies contribute with 25% to total corporate tax revenues. This figure increases to 37% when it comes to the “TOP 100” companies.

Based on these figures, 0.02%13 of registered companies pay 35% of total CIT revenues. However, all tax and social contributions of these “100 large taxpayers” represent only 6.5% of their turnover 14!

With that in mind, the tax pressure, particularly in the area of corporation tax, affects businesses unequally. In reality, it only weighs on a small number of companies. According to figures from the General Tax Administration, nearly two thirds of companies have been chronically making losses for four years.



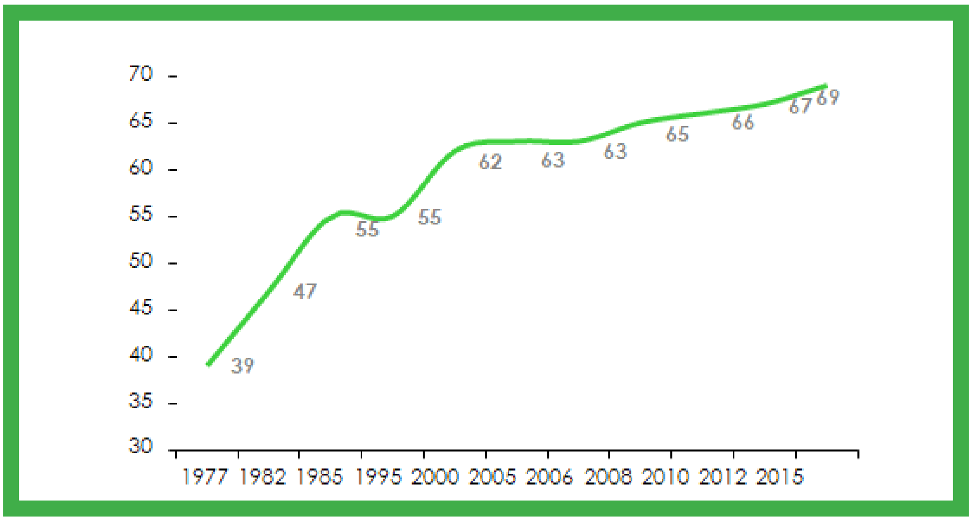
Source : INFORISK, 2017

Beyond the reasons related to the economic situation, which can cause a deficit, Moroccan companies seem to manage to drag losses carried forward over several years and thus benefit from fairly lenient tax treatment. According to official statistics, nearly 65% of loss-making companies have been in this situation for 3 consecutive years.

In response to these deficits, the tax system has provided for 2 fairly accommodating measures: i) deferral of deficits over several years15, ii) absorbing the profits made with the accumulation of minimum contributions paid over the last 3 deficit years. Regarding this second measure, companies with zero or loss results still pay a minimum contribution calculated on the basis of their turnover. Until 2016, the common practice was to generate a profit at the end of the 4th financial year that could be offset by the accumulation of minimum contributions from the last 3 years.

In the absence of statistics that can confirm the use of this kind of practice, it is clear that the removal of this measure in 2016 could confirm the hypothesis of misuse of this measure

Proportion of companies declaring zero or deficit results (in %)



Source : N.Akesbi

The issue of the minimum contribution per se is one of the embodiments of both the inequality and the ineffectiveness of the CIT regime in Morocco. Instead of strengthening controls on companies and sanctioning those who defraud, the tax authorities choose to adopt a sort of "collective penalty" against all companies declaring zero or loss-making results. By choosing this solution, which consists in applying the minimum contribution to all loss-making companies, the tax authorities choose to penalize companies that are really loss-making in the same way as those that defraud. It is indeed a question of adding an additional difficulty on the companies in difficulty by assuming the bad faith of everyone. In short, the minimum contribution is an aberration, which in no way reflects the spirit of the CIT.

Change in the CIT scale: repetitive changes to ultimately achieve a situation favorable to high profits

The past decade has been marked by repeated changes in the corporate tax scale. Thus, we went from a common rate of 30% for all companies (with an exceptional rate of 37% for the central bank, banks and insurance companies) to the proportional scale, then to the progressive scale.

The proportional scale is indeed an old claim of companies that found it unfair that they all be subject to the same tax rate, regardless of the profit that each may have obtained.

Evolution of the CIT scale over recent years			
Before 2014	**Since 2016 Proportional scale**	**2019 : Progressive rate[16]**	**2020 : Progressive rate**
• Common rate of 30% • 37% for credit institutions and similar organizations, Bank Al Maghrib, the Caisse de dépôt et de gestion, insurance and reinsurance companies	• 10% : profits less than 300k Dh • 20% : net profits of 300k to 1 million • 30% : from 1M to 5M • 31% : profits over 5M	• 10% : net profits less than or equal to 300,000 Dhs • 17,5% : net profits between 300,001dh and 1 million Dirhams • 31% : Profits exceeding 1 million Dirhams • 37% : Rate set for credit institutions and similar organizations, Bank Al Maghrib, the Caisse de Dépôt et de Gestion, insurance companies and reinsurance.	• 10% : Net profits less than or equal to 300,000 Dhs • 20% : Net profits between 300,001 Dhs and 1 million Dirhams • 31% : Profits over 1 million Dirhams (28% for industrial companies) • 37% : Rate set for credit institutions.

If the proportional scale represented a public policy response to a more or less legitimate demand, that of aligning the tax on the profits made, this transition to the progressive scale also represented a step backwards in terms of tax justice and has not been without impact on the resources of the Treasury.

Indeed, this logic of progressivity of the CIT was borrowed from the personal income tax, but for the PIT progressivity is supposed to contribute to a better redistribution of collective wealth. From this point of view, the parallelism with corporate profits is difficult to establish.

With regard to tax justice, the progressive scale is supposed to be even more effective than the proportional scale against inequalities by reducing the after-tax differences. However, the application of a “hybrid form” of this scale makes it even more unfair than the proportional scale. As shown in the simulation below, the change from the proportional scale to the progressive scale seems to have benefited companies with profits greater than 300,000 Dhs, at a time when the impact is zero for companies making profits below 300,000 Dhs.

Comparison between the progressive system and the proportionalsystem on the basis of the assumption of the same net taxable profits		
Under the proportional system	**Under the progressive system**	**Difference**
Company A NTP : 280.000 dh CIT =280.000x10% = 28.000 Dhs	**Company A** NTP : 280.000 Dhs CIT = 280.000 x 10% = 28.000 Dhs	0
Company B NTP : 500.000 CIT =500.000x20% = 100.000 Dhs	**Company B** NTP : 500.000 CIT =(300.000x10%)+(200.000x20%)= 70.000 Dhs	30% decrease
Company C NTP : 2.000.000dh CIT = 2.000.000dh x 30% = 600.000 Dhs	**Company C** NTP : 2.000.000dh CIT = (300.000 x 10%) + (700.000 x 20%) + (1 million x 31%) = 480.000 Dhs	20% decrease
Company D NTP = 7.000.000 Dhs CIT = 7.000.000 x 31% = 2.170.000 Dhs	**Company D** NTP = 7.000.000 Dhs CIT = (300.000 x 10%) + (700.000 x 20%) + (6 millions x 31%) = 2.030.000 Dhs	6.45% decrease

Regarding the impact of the transition from the proportional to the progressive system on the Treasury, it is estimated during the first year at 1.8 billion Dirhams, a 5% drop in CIT revenue. The said impact fell to nearly 89017 million Dirhams during the second year of the implementation of the progressive scale

3. VALUE ADDED TAX

From the outset, it should be remembered that VAT is an unfair tax. Such a reminder is all the more useful as the ease of this tax seems to have outweighed its unfairness to policymakers and tax managers around the world. VAT is unfair at least for two reasons: First, because it is said to be "blind" as it is contained in the price of the good or service purchased, independently of the "contributory capacity" of the buyer (both the rich and the poor pay the same tax contained in the price of the same good). Second, since like all taxes on consumption, the tax paid is inversely proportional to income, given that the poorest households reserve a larger share of their income for consumption than well-off households. The share of VAT paid decreases as the standard of living rises.

Despite this reality, VAT continues to be the main tax instrument across several countries around the world, including Morocco. Thus, VAT revenues represent each year nearly half of the country's total tax revenues.

	Evolution of VAT revenue over the last 10 years (million Dirhams)											
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Growth
Total VAT	54329	64570	70584	73799	74143	74994	75271	75582	81264	86.221	93.831	6%
Agricultural products	247	263	341	403	421	433	483	438	403	NA	Na	8%
Industrial products	38157	46447	51925	54695	54658	54433	54145	53845	57825	NA	Na	6%
Service products (catering and hotel)	16675	18735	19214	19630	20052	20128	20643	21299	23036	NA	Na	5%

Source : Ministry of Finance

Between considering the unequal nature of this tax and the ease of collecting it, arbitration seems to have opted for revenue collection. Thus, VAT revenue increased on average by 6% yearly over the period from 2007 to 2017, going from 49 billion Dirhams in 2007 to 81 billion Dhs in 2017.

This average growth is in fact higher than the growth of the Moroccan economy (4%) and therefore it is greater than the creation of wealth.

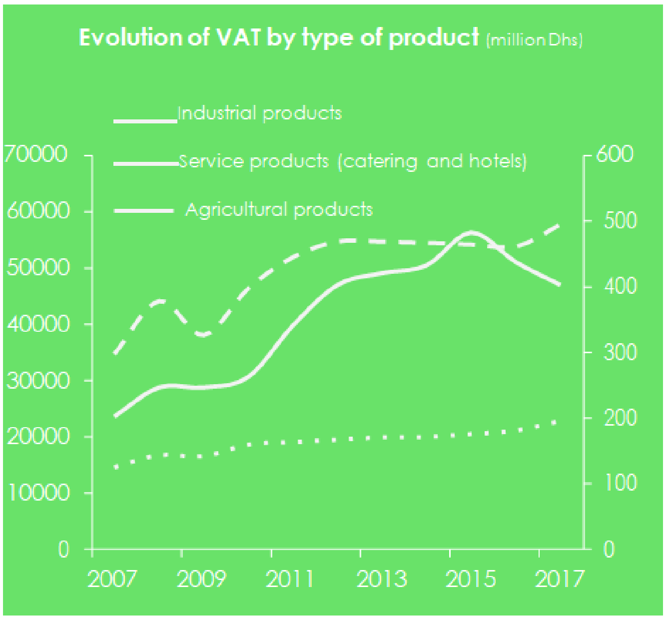
By product, VAT revenue on agricultural18 and industrial products has increased more rapidly than VAT revenue on services. This situation poses a real problem in terms of widening inequalities given the industrial products (generally agro-food for the Moroccan case) are consumed more by the poorest households than by the richest ones. Indeed, the household expenditure survey conducted by the HCP19 showed that the poorest 20% of households spend nearly 50% of their income on food products compared to a proportion of 30% among the wealthiest 20%. From this point of view, the VAT has exerted even more pressure on the poorest households than on well-off ones, thus contributing to the widening of inequalities.

Although the VAT rates for mass consumption products are lower than the common rate of 20%, it is clear that there is no appropriate rate for luxury goods. For example, luxury cars worth more than one million Dirhams are taxed at 20% like all other ordinary products. Taxation of luxury products at rates above the common rate is therefore a necessity in order to reduce the pressure exerted on the poorest households.

A tax that can be the lever of a fairer tax system

Despite its unfair nature, VAT nevertheless represents an important tool in the fight against social and gender inequalities. Indeed, because of its close relationship with consumption, this tax can be used as an instrument in favor of social and fiscal justice. In this regard, the survey on household living standards represents a good starting point towards a VAT which takes into account the products consumed by the poorest and wealthiest households. It is therefore a question of having the political courage to take account of these surveys (which only confirm the obvious) and to determine the products to be taxed in order to reduce the unfairness of VAT.

When it comes to gender inequalities, VAT makes it possible to pay even symbolic attention to women in the absence of a mechanism adapted to other taxes, in particular PIT. Indeed, the products consumed exclusively by women are quite well known and some of them are staple products. It is indeed a question of breaking a taboo that has previously been held all over the world and taxing these products in the same way as all basic necessities, and why not totally zero-rate them as is the case in Nigeria, South Africa, Uganda and Kenya to name only African countries.20



Source : Ministry of Finance

Distribution of the consumption of wealthy and poor households (in%)

	20% least well off	20% most well off
Food	49,6	29,1
Leisure	0,4	3
Transport	3,2	9,8
Communication	1,4	2,6

Source : Household Consumption Survey, HCP, 2016

4. TAX TREATMENT OF THE INFORMAL ECONOMY

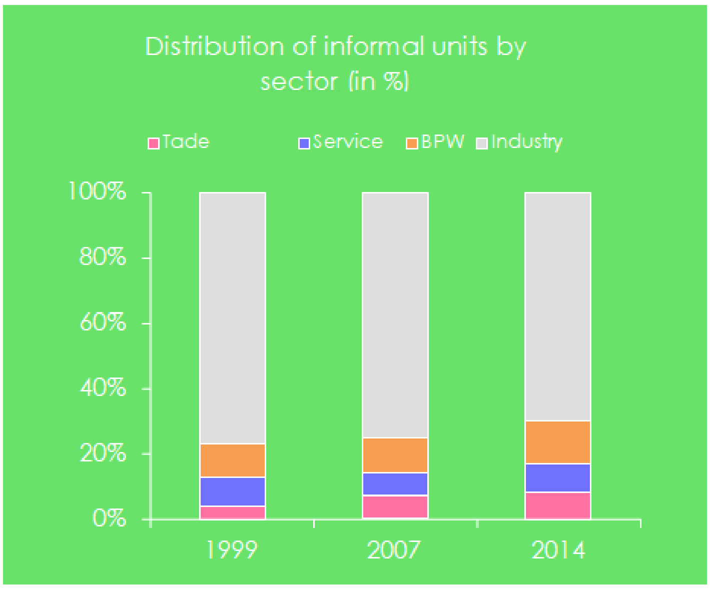
The informal economy represents more than 11% of Morocco's gross domestic product21. By defining this economy as being that composed of units that carry out an activity without complying with statutory and accounting provisions22, the cumulative turnover of this economy is 400 billion Dirhams according to the national survey on the informal sector by the HCP.

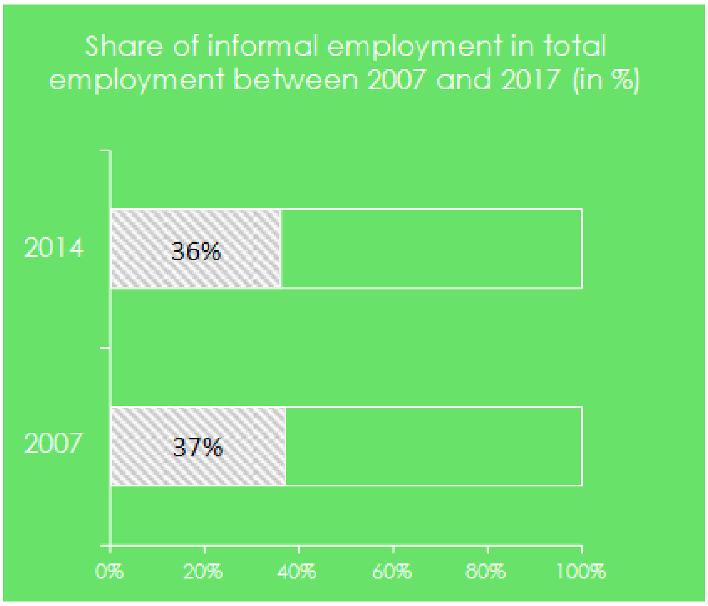
The informal economy is all the more burdensome, particularly on the social level, as it employs more than 2.3 million people, that is 36.3% of the volume of employment offered by the Moroccan economy as a whole. The painful experience of Covid-19 has indeed exposed the extent of the misery behind this parallel economy. In fact, the lockdown led to the cessation of activities, causing a loss of jobs and income for millions of households without being able to benefit from social protection23. Thus, out of the 7 million households in Morocco according to the last general population census, more than 4 million have reported a total halt of their income.

With regard to the tax treatment of the informal activity, all the major tax reforms had as their main objective the broadening of the base for a reduction in marginal rates, having designated the informal economy as a reservoir on which the tax authorities can draw. To do this, Morocco has adopted the strategy of improving formal attractiveness with the establishment of statutes reserved for informal units.

In fact, the autoentrepreneur statute was adopted in 2015 to attract informal units estimated at 1.6 million units. This system provides for tax rates of 1% and 2% of turnover depending on the type of activity. These rates were revised downward in 2019 to 0.5% and 1% respectively. This decrease very probably reflects the non-adherence of informal actors to this tax system, for the simple reason that the tax strategy presents more constraints than advantages.

It is indeed undeniable that the approach based on lowering rates, though it is necessary, remains insufficient. In the absence of an integrated approach that includes both social protection measures and access to finance, the situation of being outside the tax system (0% rate) is always more advantageous than such a low rate.



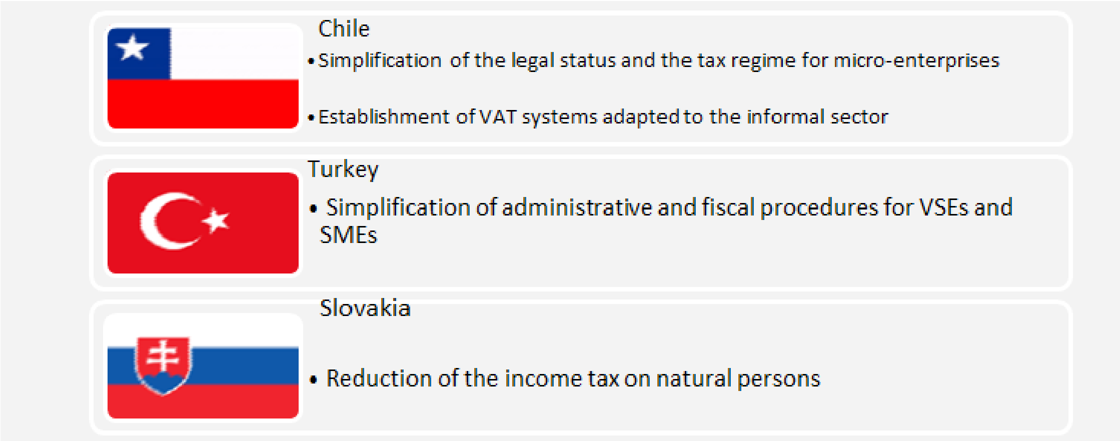


Source : HCP

If it is urgent to integrate the informal economy, in particular to face the social challenges raised by Covid-19, the size of the informal sector is such that it is illusory to think that its absorption would only pass through its inclusion in the tax system. Given the large number of informal units (1.68 million according to the last survey with 19,000 additional units each year), the contribution to tax revenue would be modest as long as such structures generate low turnover. It is also essential to distinguish between the different types of informal (criminal, illicit, cost-oriented or the informal survival economy).

That said, the contribution of the Moroccan tax system to the integration of the informal sector into the formal economy may involve measures to simplify procedures and / or reduce rates. The international benchmark shows that countries like Chile have successfully integrated the informal economy through the implementation of a simplified VAT adapted to the informal sector and the simplification of the legal status of microenterprises. In the same vein, Turkey has opted for the simplification of administrative and fiscal procedures. Moreover, Slovakia has chosen the strategy of lowering income tax rates in order to make working in the informal economy less attractive.

Benchmark of the main fiscal measures taken for the integration of informal economy



Source : CGEM24 & OCDE25

5. WEALTH TAX

The recommendation to introduce a tax on large fortunes was officially introduced for the first time during the National Conference on Taxation in 2013. Thus, it was proposed to introduce a tax on non-productive investments, such as undeveloped land, with a view to better redistribution of wealth and a balance between the taxation of capital and labor income.26 However, it must be noted that several years later, no measure in this direction has been adopted by successive governments.

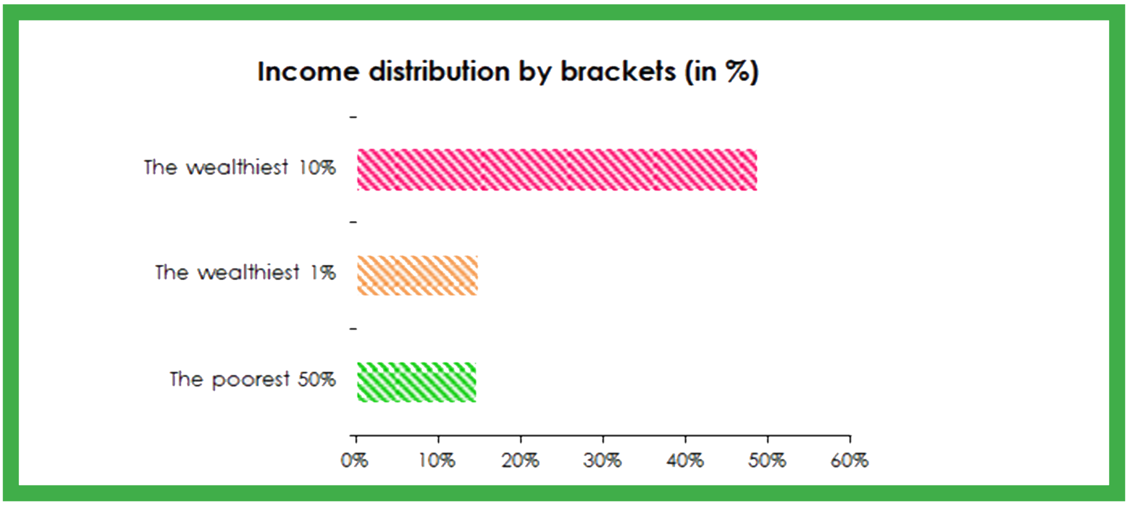
During the conference, most of the concerns revolved around the panel on business competitiveness. Thus, the recommendations went quite naturally in the direction of reducing the charges on companies and high incomes.

The recommendation on the implementation of a tax on large fortunes was only introduced as part of a panel on “fairness” which did not have the same success as the one on the competitiveness of companies.

Moreover, with all the finance laws drawn up after 2014, most of what has been planned concerns actions to reduce the tax burden on companies. Since the recommendation on the taxation of the “unproductive” part of assets have not been implemented through fiscal measures, then such a recommendation was introduced, presumably, only to give the impression of taking into account all the opinions expressed during the conference.

However, the implementation of such a tax requires a break with the choices that have marked government orientations so far. Likewise, it is imperative to put private interests aside and think about the public interest. Public interest has also been advanced to justify the abandonment of this tax around the world. Indeed, supporters of the “trickle down theory” preached for increasing the incomes of the richest, which was then supposed to generate an impact on growth. However, the International Monetary Fund, in a study in 2015, supported exactly the opposite of this assumption: The more the great fortunes increase, the less strong the growth becomes. According to this study, a + 1% increase in the income of the richest 20% gives rise to a negative growth of0.08%, unlike the same income growth of the poorest 20%, giving rise to a growth of + 0.38%27.

Likewise, the IMF, which is not, let us remember, the most “subversive” institution, identified in a 201728 study the taxation of high incomes as one of the main avenues in the fight against inequalities. This is all the more true in the Moroccan context as according to data from the “world inequality database”, the richest 10% in Morocco monopolize nearly half of the income (49%), while the poorest 50% receive only 15% of the income, exactly the same portion centered among the richest 1% of the country.



World inequality database, 2017

By way of conclusion for this section, the 3 main taxes of the Moroccan tax system show a strong concentration on a minority of taxpayers. Thus, the CIT is mainly paid by a hundred of companies, the PIT by employees in the private and public sectors, while the VAT is concentrated on both a limited number of companies and products. In addition to being the source of fragility, its concentration fuels the inequitable nature of the Moroccan tax system.

COSTLY, INEFFICIENT AND INEQUITABLE TAX EXPENDITURE

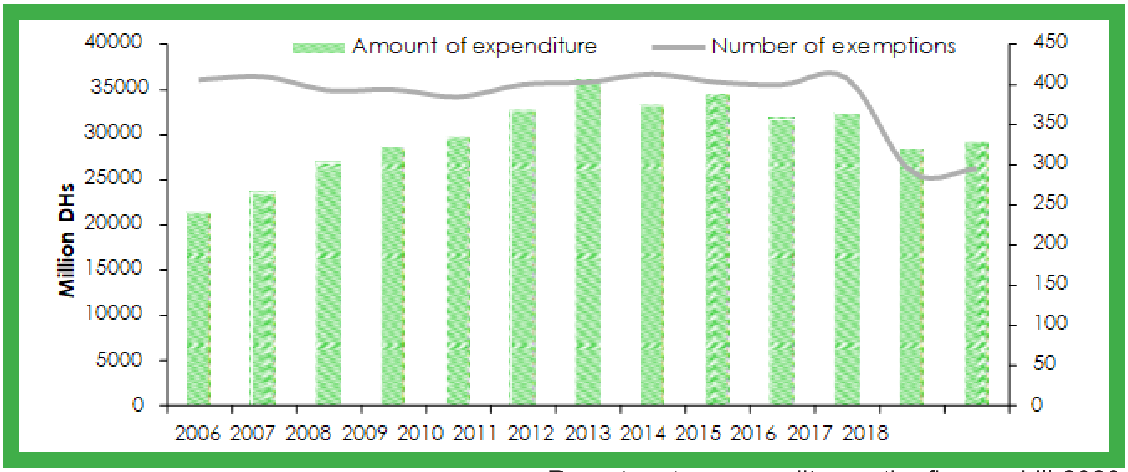
1. TAX EXPENDITURE IN FAVOR OF COMPANIES: LARGE SHORTFALL FOR THE TREASURY AND A SIGNIFICANT IMPACT ON THE ACCENTUATION OF SOCIAL INEQUALITIES

Tax expenditures are measures that deviate from the previously defined benchmark tax system. Morocco had 293 measures in 2019, the budgetary impact of which is estimated at 27.7 billion Dirhams29. These tax expenditures can be temporary or permanent exemptions, discounts or rate reductions.

These tax expenditures benefit at the same time private companies, households and public institutions. However, the analysis concerned with the evolution of the structure of such expenditures shows a predominance of expenditure in favor of companies. Indeed, over the period from 2005 to 2018, spending in favor of businesses represented on average 45% of tax expenditures, followed by that in favor of households (26%) and public institutions (13%).

Regarding the evolution of tax expenditures, they rose from 21.4 billions in 2006 to 27.7 billions in 2019, with a peak of 36.3 billions for 402 exemptions recorded in 2012. By taxes, VAT represented 46% of these expenditures on average between 2006 and 2018, followed by CIT (19%), registration fees (14%) and PIT (13%).

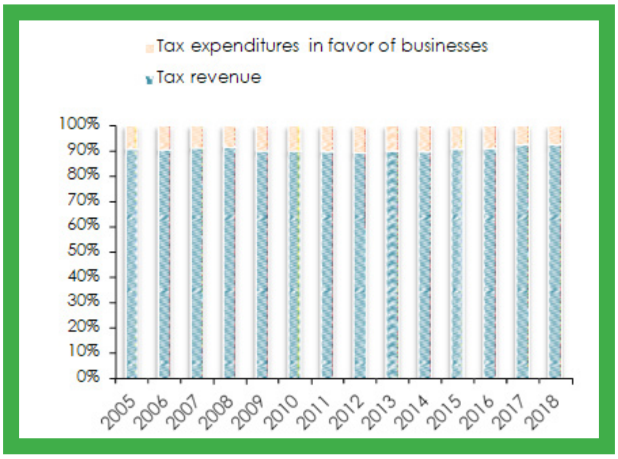
Evolution of the amount and number of tax expenditures between 2006-2018 (million Dhs)



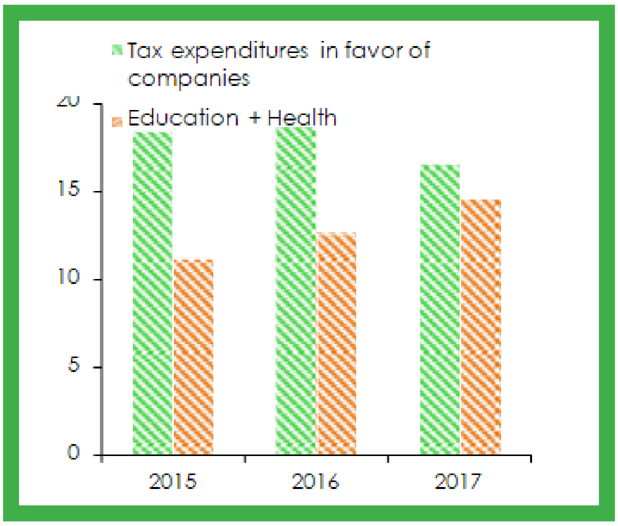
Report on tax expenditures, the finance bill-2020

Thus, over the period from 2005 to 2019, tax expenditures represented a total amount of around 431 billion Dirhams, including nearly 252 billion Dirhams in favor of companies, the equivalent of more than a quarter of GDP in 2019, or almost half of the Treasury's debt. Over a fiscal year, these expenditures represent on average 10% of tax revenue and more than the amount invested in key sectors such as health and education.

Evolution of tax expenditure in favor of companies in comparison with tax revenue



Comparison of tax expenditures in favor of companies and the investment budget devoted to education and health (in billion Dhs)



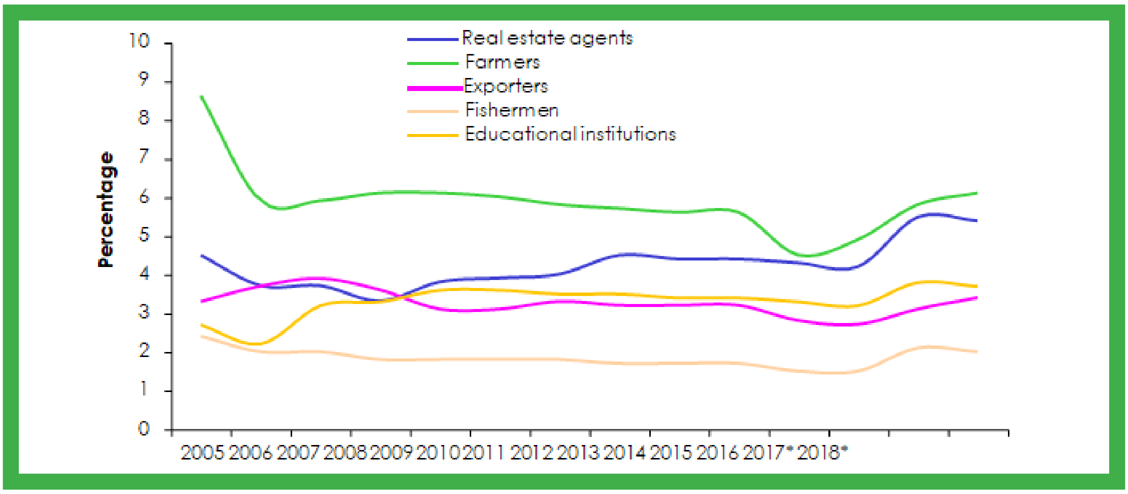
Source : Ministry of Finance

By sector of activity, agriculture and real estate development are the main beneficiaries of tax expenditures. This reality raises the question of the need for these expenditures given the healthy indicators displayed by these two sectors over the past few years.

Regarding the agricultural sector, its added value has increased sharply over the last ten years, going from 78 billion Dirhams in 2008 to 125 billion Dhs in 2018. Similarly, the BPW sector continues to be the main contributor to gross fixed capital formation, making operators of the sector the first investors30 in the Moroccan economy.

Although tax expenditures in favor of real estate and the agricultural sector are the majority, current tax expenditures actually concern nearly 19 other areas (tourism, crafts, financial sector etc.). However, the shares of certain sectors are sometimes insignificant. The choice to focus on the agricultural and real estate sectors is probably linked to their significant economic and social weight. At the start of the 21st century, Morocco had a housing deficit of around one million units, similarly the agricultural sector accounts for nearly 16% of GDP and employs nearly 40% of the labour force. It is important to note that despite this aid, a housing deficit of around 500,000 units persists and that the agricultural sector remains highly dependent on climatic hazards.

Evolution of tax expenditure by type of business (in %)



Moreover, since 2005, we have seen an emergence of tax expenditures in favor of private educational institutions. In fact, the share of private education operators benefiting from tax expenditures rose from 2.2% in 2006 to 3.7% in 2018. This emergence indeed coincides with the awareness of the deterioration of qualitative indicators (see results of the PISA test on page 42) of education in Morocco. In any event, this situation reflects the political choice to encourage the emergence of a private sector capable of replacing State schools.

In fact, the increase in subsidies for private education has generated a rise in the private sector in terms of the number of students. Indeed, by pursuing this policy of promoting private education, Morocco risks reversing trends in student numbers in public and private education. The share of private education in terms of pupil numbers rose from 4% in 2006 to 14% in 2018. It is indeed a question of supporting private schools receiving the most privileged layers of Moroccan society.

Evolution of private education enrollments between 2006 and 2018						
	2006			2018		
	Private	Public	Private share	Private	Public	Private share
Primary	14 673	492 546	3%	735 248	3 447 639	18%
College	42 401	1 274 748	3%	165 382	1 529 119	10%
Secondary	32 932	618 871	5%	96 739	917 492	10%
Total	**90 006**	**2 386 165**	**4%**	**997 369**	**5 894 250**	**14%**

Source : HCP statistical database

This situation poses a real problem of consolidating social inequalities in one of the most sensitive areas, namely the education sector. Indeed, by encouraging private education, the public authorities accentuate the inequality of opportunities of the most disadvantaged groups who continue to attend State schools deprived of means.

2. TRANSPARENCY OF PUBLIC EXPENDITURE: A SIGNIFICANT EFFORT IN TERMS OF TRANSPARENCY AND IMPACT ASSESSMENT

Morocco has registered the report on tax expenditures at the level of the Organic finance law as a report accompanying the finance law for each year. This report includes:

- Assessment methodology: specifying the scope and rates of the benchmark tax system with the method for estimating the impact of tax expenditures.
- Breakdown of tax expenditures: by beneficiaries, objectives, taxes, business sector, etc.
- Progress of the expenditure removal process: number and fiscal impact of the removed measures.

Thus, when it comes to transparency, Morocco shows a real desire to share data relating to tax expenditures. This sharing means that these expenditures are often the subject of public debates about their economic impact and relevance.

The “initial loss in revenue” method, used to assess tax expenditures, consists of an ex-post quantification of tax revenues’ reduction because of the adopted tax expenditure, assuming that this adoption has no effect on taxpayers’ behavior. In other words, it is about estimating the deviation from the norm and determining the amount of revenues lost under the assumption that all things remain equal. This method therefore does not consider the effect of the expenditure on the taxpayer's behavior by assuming that all transactions would have taken place in the same way with or without the exemption. Thus, the estimate will relate to direct tax losses. This estimation method remains a fortiori limited since it does not include the probable shortfall linked to the change in the behavior of the actors.

3. FREE ZONES: MULTINATIONALS ATTRACTED BY TAX BENEFITS, BUT HUGE RISK OF PRECARITY

Morocco has made free zones an essential link in its policy of attracting foreign investment, especially in industry. Indeed, since the establishment of the industrial acceleration plan (PAI), Morocco has tried to change its positioning from an offer based on inexpensive labor and proximity, towards a more global offer including in addition to proximity and workforce, financial incentives, logistics and the establishment of dedicated areas.

Thus, Morocco now has 5 free zones, the most important of which are located in Tangier, Kenitra and Rabat. In order to attract companies to settle in these free zones, Morocco offers tax and customs advantages, as well as administrative aid.

Hence, international manufacturers in the automotive and aeronautics fields have been established in these areas. Morocco is counting on these multinationals to reduce the unemployment rate, especially among young graduates, which stands at 23%, against 4% among non-graduates.31.

Although tax incentives have allowed the creation of a significant number of jobs in sectors such as the automobile (more than 158,000 jobs in 2018) or aeronautics (16,70032 jobs in 2018), the results in terms of employment should be qualified, particularly in relation to the tax cost and the nature of the jobs created.

The free zones' tax system offers colossal advantages to companies that choose to outsource their production. On a strictly fiscal level, these companies benefit from a total exemption from CIT for the first 5 years before moving to a rate of 8.75%, which remains lower than the CIT rates of the common system. For VAT, the system provides for an unlimited exemption for products delivered within free zones. In addition, these companies benefit from a total exemption from customs duties and no restrictions are placed on capital repatriation. The magnitude of these benefits drew criticism from the EU, which placed Morocco on its gray list of tax havens in 2017.33

On another level, the question of precariousness remains acute. In fact, faced with very high unemployment rates, young unemployed graduates are often willing to accept all the conditions imposed on them. Starting with salaries which rarely exceed 3200 Dhs / month (≃338 $), which is a level slightly above the minimum wage. Similarly, the contracts of young Moroccans working in free zones are mostly fixed term contracts with high turnover rates.34

In short, an assessment of this attractiveness strategy based solely on job creation can only be reductive. It is indeed important to make an assessment of all the costs and benefits without neglecting the indirect costs linked to the damage of Morocco's image on the international scene.

4. PERCEPTION OF THE TAX SYSTEM BY MOROCCAN COMPANIES: TAX CONTROL DREADED MORE BY BIG COMPANIES THAN BY SMES DESPITE THE CONVERGING RATE OF ADJUSTMENT

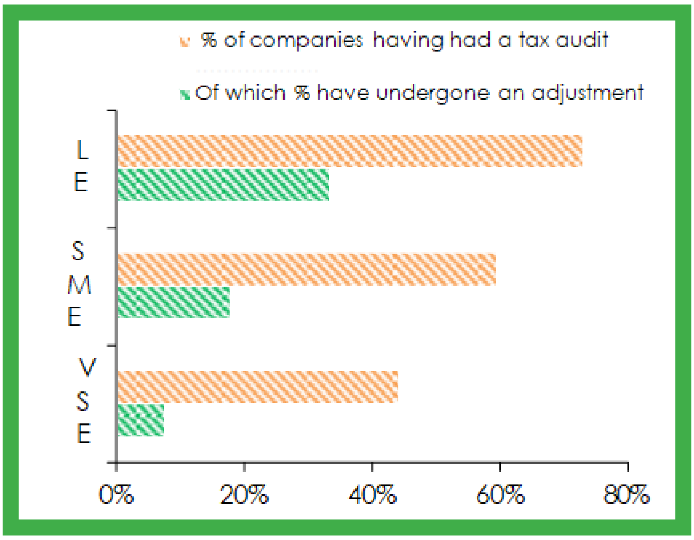
Inspection represents the corollary of the rather dominant declarative nature of the Moroccan tax system. Thus, the relationship between the fiscal apparatus and companies can be studied through the perception made by companies about the inspection function carried out by the tax administration.

Tax inspection concerned nearly 12.4% of Moroccan companies in 2018; Once again a very poor performance due to the very limited number of tax inspectors. According to DGI figures, the number of tax inspectors is 52335 for a population of 1,099,043 units to be inspected. The findings are clear: more than 2.100 companies and professionals for a single controller. However, it should be noted that this ratio has fallen over the last few years due to efforts to strengthen the inspectors' population .36

By sector of activity, the industrial sector shows an inspection rate higher than the average (15%) and at the same time trade shows a rate of 9%, which is slightly lower than the average. In any case, the rates remain very low and raise the question about the relevance of maintaining the declarative character in the absence of means of inspection.

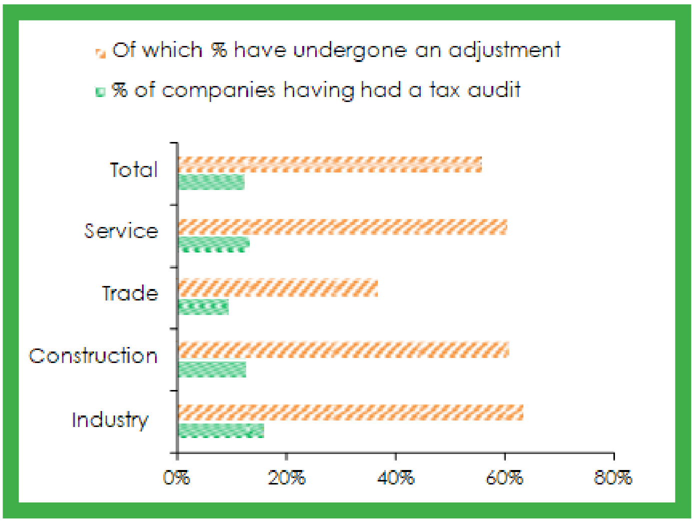
According to the latest available official survey37, nearly 33% of the interviewed companies consider that tax audits have a negative impact on their activity. The proportion is higher among large companies (44%) than among SMEs (30%) or VSE (30%). However, it should be noted that given their large number, SMEs / VSEs remain the most affected by tax audits in Morocco.

Tax audit and tax adjustment statistics for the year 2018
By category



-33% of LEs had a tax audit in 2018, 72% of them underwent an adjustment.
-17% of SMEs had a tax audit in 2018, 60% of them underwent an adjustment.
- 7% of VSEs had a tax audit in 2018, 44% of them underwent an adjustment.
-The differences between LEs and VSEs are less important in terms of adjustment than in terms of tax audit, thus, if VSEs undergo less audits (in relative value), they undergo adjustments practically in the same way as LEs.

Tax audit and tax adjustment statistics for the year 2018
By sector



-12% of companies, all sectors combined, had a tax audit in 2018. For these companies the probability of undergoing an adjustment is about 1 in 2 chances (56%)

- These rates are less important for companies operating in the trade sector than for industrial or construction companies.

Source : HCP: National Business Survey, 2019

Despite the fact that large companies are the most skeptical of tax audits, these audits result in adjustments in about 1 in 2 cases, regardless of the nature of the business or its area of activity. Indeed, out of the 12% of companies that had a tax audit in 2018, 56% underwent a tax adjustment.

In addition, the differences between LEs and VSEs are smaller in terms of adjustment than in terms of tax audits. Thus, while VSEs are relatively less subjected to audits, they are subject to adjustments practically in the same way as LEs.

In short, LEs are the most skeptical with regard to tax audits. However, SMEs / VSEs are the most involved in these audits (in absolute value) and also the most involved in tax adjustment operations, because of their greater number compared to LEs.

In addition, the Moroccan tax system is considered complex by more than half of entrepreneurs. This proportion is 63% among LEs. Similarly, 60% of companies consider that the Moroccan tax system is unfair. Such a proportion is once again higher among LEs (64%) than among VSEs / SMEs (60%). This inequity is perceived by 69% of Moroccan companies as a factor favoring informal practices.

In short, the absence of a clear and coherent line of conduct combined with an action always taken under pressure, have led to the establishment of an inefficient and inequitable Moroccan tax system. Thus, in the absence of a clear and coherent roadmap framing the various tax reforms that Morocco has undergone, the tax system has found itself devoid of the mechanisms that could make it more efficient, broader and fairer.

As a result, we are witnessing an increasing mismatch between the growth in revenue of the tax system and the growth of the economy. In addition, the situation of tax revenues is such that they no longer cover the ordinary expenses of the GSB. This fiscal insecurity is causing ever higher debt rates.

At a time when tax loopholes continue to reduce the performance of the tax system causing a significant shortfall, it is clear that the revenues of the main taxes suffer from excessive concentration on a minority of taxpayers.

The said concentration along with all the other findings about the inefficiency of the system, poses the risk of its inability to meet the demands of financing development and tackling inequalities. Moreover, given its important role in the social contract between the state and the citizens, the tax system must enable the state to acquire the necessary means to perform the tasks assigned to it and to provide tangible evidence of the judicious use of taxpayer money.

RESPONSIBLE PUBLIC FINANCES

For the proper functioning of taxes, citizens must have confidence in their government. For this to happen, public spending must first be transparent, and citizens must also be shown that they are "getting their money's worth". Governments must therefore mobilize the necessary resources in favor of projects providing tangible benefits by and for all.

It is by following this logic that the transparency of public expenditure will be studied as a first step before looking at public expenditure.

1. AVAILABILITY OF INFORMATION

The right of access to information has been constitutionalised in Morocco since 2011. Indeed, the Constitution stipulates in its 27th Article that the citizen has the right of access to information with certain reservations linked to "the best interests of the homeland". Thus, and to specify the modalities for its implementation, Law 31-13 on the right of access to information was finally adopted in 2018 after long discussions to minimize the obstacles related to its interpretation and to clarify the managers' room for maneuver.

With regard to access to tax legislation, the General Tax Code (GTC) is the main document of tax regulations, since 2007 when all tax texts were unified and clustered in this single source.

Likewise, it was not until 2011 that the first Circular Note was published. This Note is indeed an important document both for facilitating the reading of tax provisions and for limiting the discretionary power of the tax administration.

2. OPEN BUDGET INDEX

Making budget documents available to the public is one of the main criteria of the OBI. From this point of view, Morocco has made great progress, particularly in terms of publication of the draft budget. This report, being submitted by the executive for the approval of the parliament, describes in detail the sources of revenue, allocations to ministries, proposed policy changes, as well as other important information for understanding the financial position of a country. Thus, the draft budget is accompanied by several reports, namely:

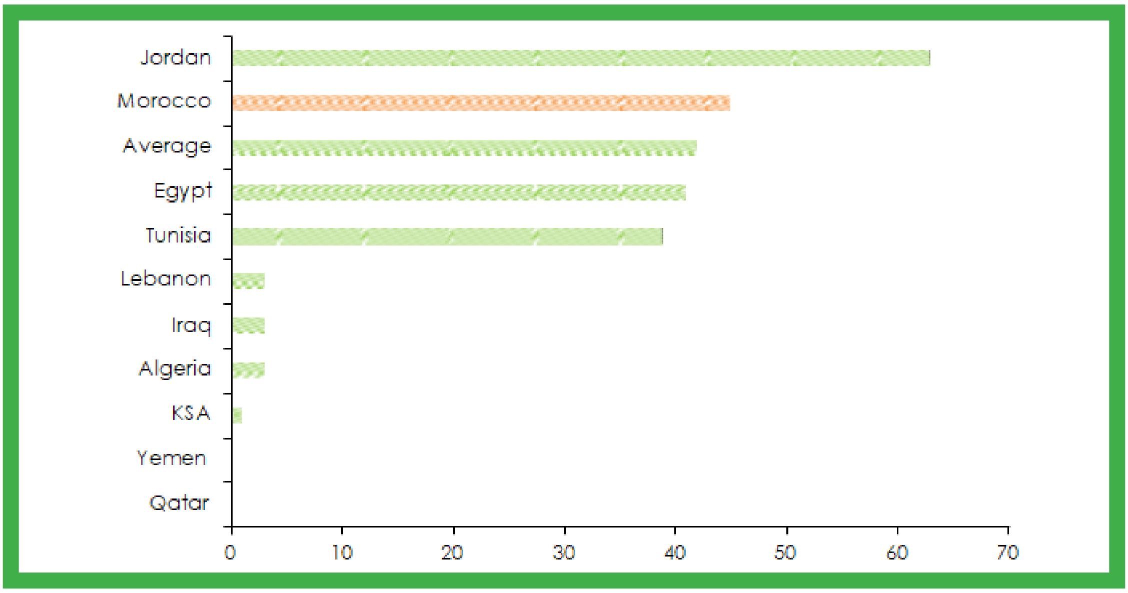
- Note presenting the Finance Bill 2020 ;
- Economic and financial report;
- Report on Establishments and Entreprises;
- Report on Autonomously Managed State Institutions (SEGMA);

- Report on Treasury Special Accounts;
- Report on tax expenditures;
- Report on Public Debt;
- Report on Results-Based Budget taking into account Gender issues ;
- Report on Human Resources;
- Report on Subsidies;
- Report on the Mobilization of Public Land for Investment;
- Note on the Regional Distribution of Investment;
- Note on Common Costs Expenditures.

This publication effort was the subject of the 2017 International Budget Partnership (IBP) survey38 and the publication of the Open Budget Index (OBI). According to this survey, Morocco displays a rather satisfactory level concerning the publication of data related to the adopted budget, and an average level regarding the pre-budget data publication.

In terms of international comparison, Morocco, with its score of 45 points out of 100, is considered to be the most transparent country in North Africa, the 2nd in MENA region after Jordan and the 7th in Africa behind South Africa, Uganda, Senegal, Ghana, Namibia and Kenya. However, despite this relatively honorable ranking, the index nevertheless notes that Morocco remains in the category of countries where budget transparency is still “insufficient”.

Budget transparency index



Source : IBP 2017

Moreover, the State budget is not the only framework for the execution of revenue and expenditure. Other structures exist derogating from certain budgetary principles such as universality, annuality or the non-compensation of expenditures by revenues. These structures are:

- **Treasury Special Accounts:** Accounts separate from the general budget, whose purpose is to describe operations where a reciprocal cause-and-effect link exists between revenues and expenditures. Other reasons can be put forward for the creation of these derogatory budgetary instruments, in particular the continuity of the service or the multiannual nature of certain operations. However, the creation of these funds is highly regulated through the application of a legislation, a regulation or contractual obligations. Thus, these TSAs can only be created within the framework of the finance law with a minimum threshold of own revenues set at 40% for accounts created since 2016. However, TSAs can be created during the budget year in exceptional conditions by a decree.

- **SEGMA**: State services whose activity must tend mainly to produce goods or provide services that are remunerated. The creation of these services, by the finance law, is conditioned by the existence and the justification of own resources coming from the remuneration of goods or services provided. These own resources must represent, from the 3rd budget year following the creation of said services, at least 30% of all their resources authorized under the finance law for that year.

Regarding the weight of these instruments in budget management, these special tools still represent almost half of tax revenue. Indeed, the combined revenues of TSA and SEGMA are of around 80 billion Dirhams. This is indeed a parallel budget held in derogation from basic budgetary principles. The situation is all the more opaque as these TSAs are not the subject of the information bulletins periodically communicated by the GTK.

Revenue and expenditure of TSAs and SEGMAs for the year 2019			
TSA (71 Accounts)		SEGMA (204 services)	
Revenue	Expenditure	Revenue	Expenditure
72 Million Dhs	65 Million Dhs	8,1 billion Dhs (including 2.1 from own revenue)	7,6 billion Dhs

Source : FL 2020

3. AUDIT

From the outset, it is important to mention that the inspections carried out by the supreme audit institution on the budget are considered weak by the IBP in its 2017 report. Regarding the tax administration, as a public accountant, the tax administration collector (TAC) reports to the Court of Auditors each year by transmitting the revenue and expenditure account. The revenue and expenditure account contains all the supporting documents for revenue or expenditure transactions carried out by the TACs. The responsibility of the tax administration accountants is both personal and pecuniary.

With regard to audit operations, several entities perform audit missions within the DGI. This is in this case the General Inspectorate of Finance (IGF) and the audit division when it comes to internal audits. However, none of these audit and review missions of the revenue and expenditure account give rise to a public report. Thus, the results of these missions are not debated in the public arena.

4. IMPACT ANALYSIS

Tax measures in Morocco are not the subject of any impact study or assessment. However, any tax system requires a permanent evaluation of its flagship measures in order to assess their effectiveness and consistency with the overall vision of tax policy. In the case of the Moroccan tax system, the absence of a clear course of conduct makes this task even more difficult. Indeed, given the current situation, evaluation actions can only be technical measures that do not take into account the impact on revenue. A true assessment of tax policy should take into account much deeper aspects such as the impact on inequality, social justice, and the degree of coverage of the economic activity.

5. CITIZEN INVOLVEMENT

Morocco does not provide the public with any opportunity to participate in the budget process. The only form of citizen participation remains “indirect” through parliamentary discussions. However, due to low voter turnout (42% of those registered in the last elections in 2016), it is evident that Parliament suffers from a marked representativeness deficit.

In addition, a “citizens’ budget” is published during the adoption of each finance law. This document is supposed to be a simplified document of the finance law, which summarizes the main figures appearing in this law. However, since its beginning, this report has remained a simple model used for communication with NGOs working on budget transparency, and not driven by the desire to engage citizens and really explain to them the use made of public money.

PUBLIC POLICIES TO RECONCILE CITIZENS WITH TAXES?

Not being an oil-producing country, Morocco relies mainly on tax revenues to finance its public policies. Such policies represent the counterpart of the contribution effort made by the citizens. In order to fight against mistrust with regard to the tax system, the State, through public policies, must provide the necessary responses to the social and economic issues of the country.

1. OVERVIEW

The public investment effort has been considerably strengthened and has accelerated sharply over the past ten years. As such, the volume of public investment increased from 90.6 billion Dirhams in 2007 to 195 billion Dirham in 2019, recording an increase of more than 115%.

However, despite this significant development, execution rates remain relatively average. In fact, the execution rates of planned investments are evolving around an average of 75% for the period 2013-2018. In addition, other observations are in order, notably those relating to the actual content of these investment expenditures. In practice, this expenditure may include lines relating more to expenditure on materials and supplies.

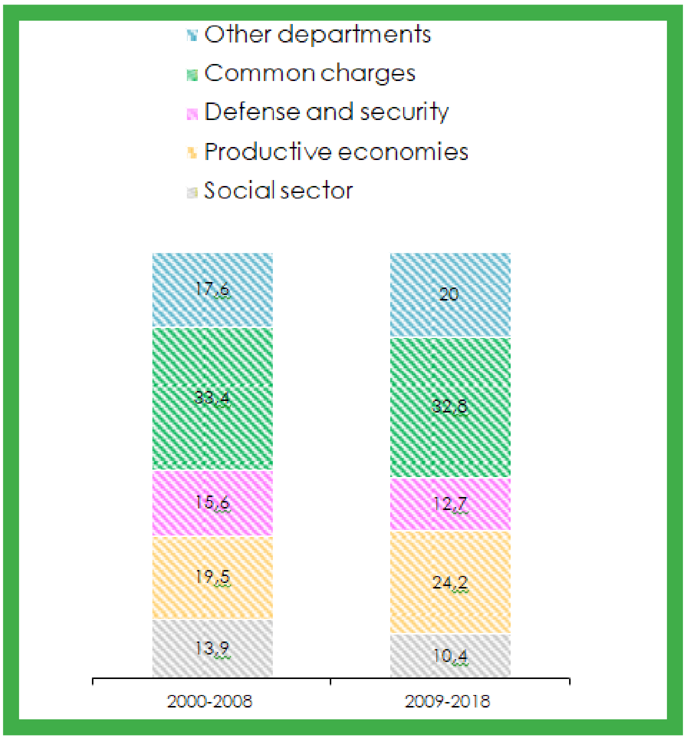
Evolution of the investment budget and execution rates

Regarding the distribution of this budget by vocation, investment expenditure devoted to social sectors (education, health, and culture) saw their share decrease between 2008 and 2018. Indeed, the share of these sectors fell from 14 % between 2000 and 2008 to 10% between 2009 and 2019.

This drop was recovered by the productive sectors, which saw their share increase from 20% to 24% over the same period. This trend reflects a choice that is not new, that of withdrawing further from the social sectors and paying more attention to the construction of infrastructure and to the productive sectors. This reduction was carried out in a context marked by a dominant discourse according to which public investment is neither effective nor efficient. However, between the ease of making budget cuts in the social sectors and the need to improve the performance and governance of public investment in general, once again, the executive seems to have opted for the easiest solution: make budget cuts in the social sectors.

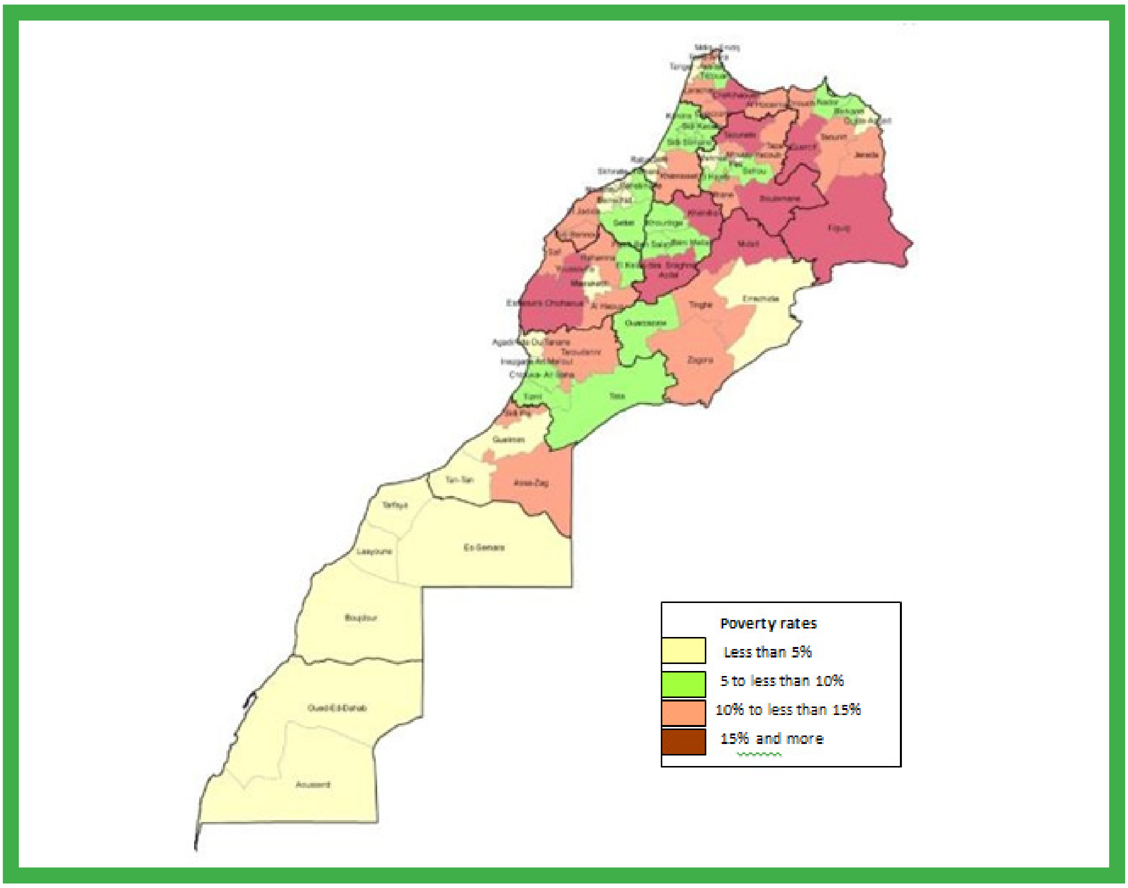
Regarding the regional distribution of public investment, it is clear that this effort is poorly distributed among the regions of Morocco. This situation has given rise to wide disparities in access to key sectors such as health, education or other social infrastructure. Moreover, access to these latter sectors was the subject of a composite index implemented by the HCP, which showed quite disparate situations between the regions of Morocco. As such, a study on territorial dynamics estimated that with the current rate of social investments at the regional level, it would take almost a quarter of a century for the total disappearance of interregional inequalities.39

Breakdown of the investment budget by vocation (in%)



Although the decrease concerning some social sectors is a decrease in absolute value, this comparison shows a relative decrease in the budget of the social sectors due to the increase in the budget of the productive sectors.

Mapping of multidimensional poverty in Morocco



The decline in the indicators of multidimensional poverty in the southern provinces can be explained by the investment effort in these areas after independence, combined with demographic factors.

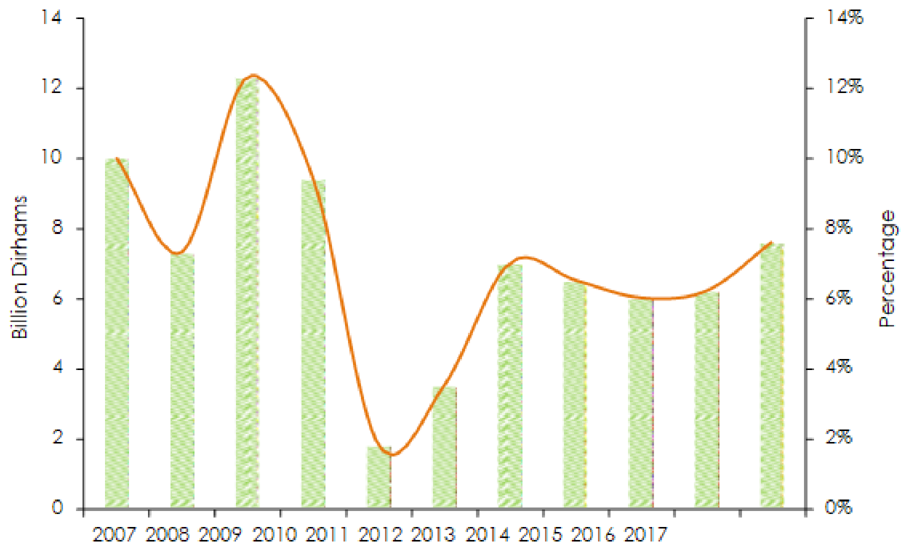
2.NATIONAL EDUCATION

In a context marked by the repercussions of the 2008 crisis on macroeconomic indicators and on Morocco's public finances, national education has seen part of its budgetary resources reduced. Indeed, between 2009 and 2011, education's investment budget fell by 90%. Despite a relative return to normality after 2013, the sector's investment budget never returned to the levels of the period before the 2008 crisis.

The period between 2009 and 2013 is a special period for the education sector in Morocco. This period is known among specialists as the "emergency plan" period. This program was supposed to provide answers to the dysfunctions and shortcomings of the National Charter for Education and Training implemented since the early 2000s. However, this program experienced a bitter failure, and its dysfunctions were detailed by the Audit Court in 2018. Despite the budget cuts over this period, the sum of this period still amounts to a total of nearly 35 billion Dirhams40. The said program had a very low impact on the sector indicators.

The Covid 19 crisis has shown the fragility of this sector, as well as the need to provide it with additional resources. However, the response of the Moroccan executive was to cut the amount of 5 billion Dirhams from the national education budget in the amended finance law, compared to the amount outlined in the ordinary finance law.

Evolution of the national education investment budget and its share in the overall investment budget



Although Morocco has almost succeeded in the challenge of sending its children to school, the quality of schooling is steadily deteriorating. Thanks to various public policies, Morocco has nearly achieved the generalization of primary education with a rate of 99.8% and a primary completion rate of 95%41. The primary completion rate, however, deserves some clarification.
Indeed, following the “school of success” policy, failure to pass a level has been limited to extreme cases to limit class overcrowding; a common occurrence in Moroccan State schools. The congestion rate in urban primary schools (share of classes with more than 40 students) was 39.2% in 2018.42

Despite this improvement in quantitative indicators, national and international tests continue to remind Morocco of the seriousness of the education situation. The latest of such tests is the PISA43 test in 2019 in which Morocco participated with 7814 students and 179 schools. The results are alarming in terms of both international comparison and absolute results.

Morocco is thus ranked 75th out of 79 countries that have participated in this test comprising three components: reading, mathematics and science. Morocco's scores are lower than the world average for all components of the test. Regarding the absolute results, nearly 60% of Moroccan students perform poorly in all 3 areas, and 73% of students aged 15 do not have a good level in reading. The only glimmer of hope is the equity indicator, according to which 13% of students from disadvantaged strata end up among the top in terms of academic performance (the OECD average is 10% for this indicator).

Morocco's results for the PISA test

Benchmark			
Ranking	75th out of 79 countries		
	Reading	Maths	Science
World average	487	489	489
Morocco	359	368	377
Ranking	75th	75th	75th
Absolute			
Poor performers in all 3 areas			60%
Students at 15 not having a good level in reading			73%
Students coming from underprivileged layers who end up among the first			13% (OECD average 10%)

Source : PISA 2020

The gender approach is adopted by the ministry of national education when planning its budget. The integration of this approach has resulted in the development of a number of indicators, associated with the Ministry's various programs. These indicators make it possible to assess the impact on inequalities linked to gender and place of residence. Moreover, these indicators allow us to draw the following conclusions:

- **Parity in education: persistent gaps in terms of both gender and place of residence**

The parity index of education's indicators in Morocco shows an overall

parity gap by sex and by place of residence. With regard to the girls / boys parity, this index is around 0.85, the total parity being equivalent to an index of 1. Similarly, the index shows an average of 0.60 when comparing the indicators of students according to their place of residence (rural / urban).

The education parity index means that the indicators related to access to education are 15% lower for girls than for boys. Likewise, rural students are 40% less likely to have access to schooling than their urban counterparts.

	2018
Overall girls / boys parity index	0.85
Overall rural / urban parity index	0.60

National education performance project, FL2020

- **Dropout rates remain higher among girls than among boys preventing Morocco from benefiting from a pool of skills**

Morocco has managed to keep the primary dropout rate as low as possible to 1.2% nationally. However, the indicator is almost twice higher among girls than among boys, resulting in a girl being twice as "likely" to drop out of primary school as a boy, despite the advances made in this area.

This result is all the more worrying given that girls perform better than boys at the end of primary school. In fact, the graduation rate at the end of primary school is 5% higher for girls than for boys. Consequently, this situation in primary education means that girls who succeed in the primary schools are unfortunately twice as likely to drop out of school for various reasons.

	2018
Primary dropout rate	1,2%
Dropout rate among girls	1,7%
Dropout rate among boys	0,8%

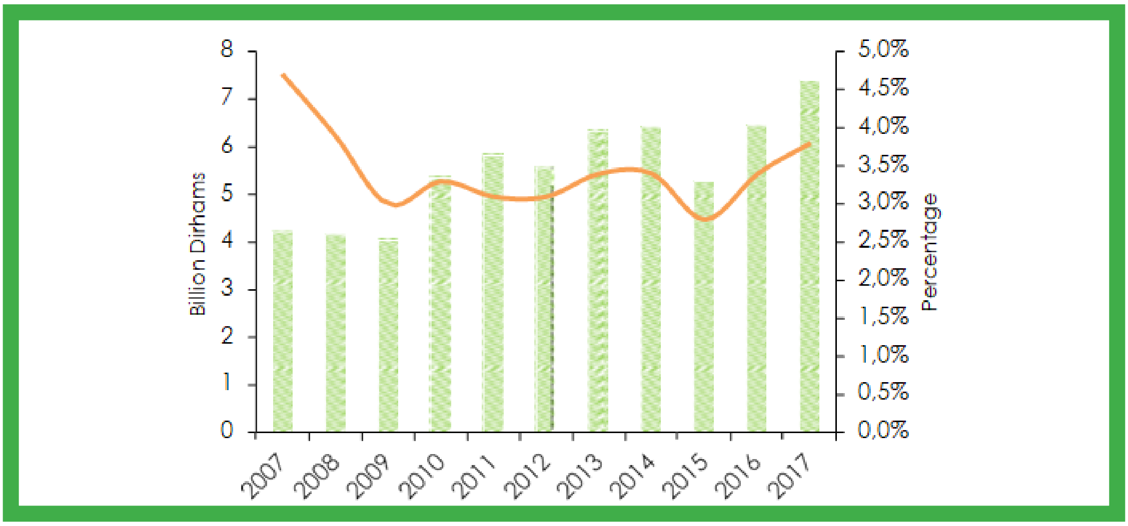
Source : Economic and financial report, 2020

3. PUBLIC HEALTH

- **A stagnation of the sector's investment budget in view of the health challenges and the imperatives of human capital development**

The rapid growth in overall public investment has clearly not benefited the public health sector in Morocco. In fact, the share of the health budget in the investment budget has always fluctuated between 3 and 3.9%. The budgetary effort remains very insufficient to meet the enormous challenges of the sector. The major challenge for the sector is to meet the constraints of access to healthcare in remote areas. Indeed, according to official statistics, 20% of the rural population is located more than 10 km away from a health center.

Evolution of the health investment budget and its share in the overall investment budget



Source : Ministry of Finance

Given the health-related nature of Covid-19 crisis, observers expected a budgetary catch-up from the public authorities to deal with the multiple deficiencies of public health in Morocco. However, the amended finance law did not increase the department's budget.

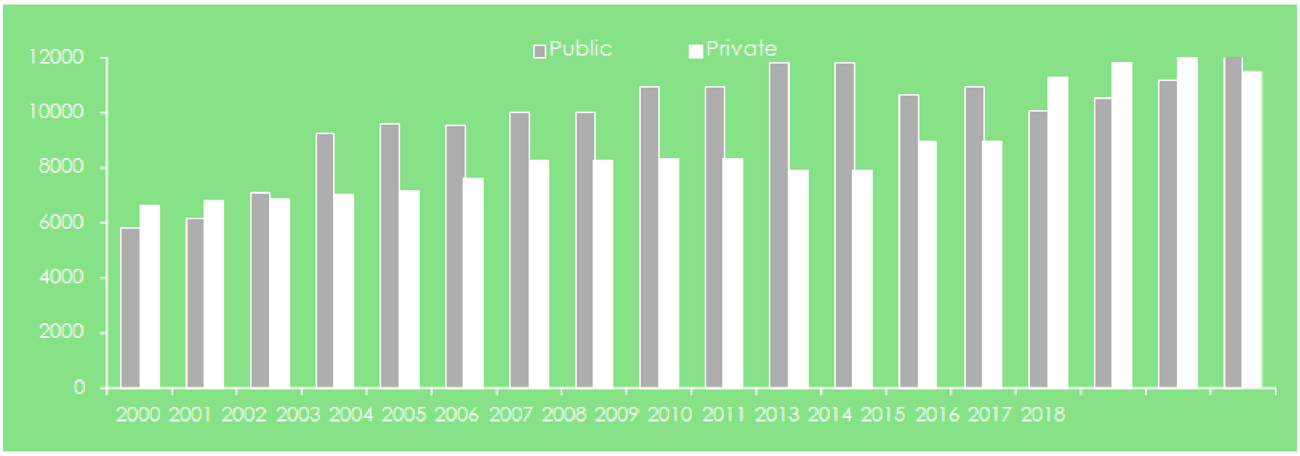
A sector facing staff shortages leading to poor coverage of citizens' medical needs

From the outset, Morocco does not respect WHO standards in terms of the number of doctors and caregivers. The country has a total of nearly 24.48344 doctors, or nearly 7.3 doctors per 10,000 inhabitants, while the WHO standard in this area is 9.2. Out of these 24,483 doctors, nearly 46% work outside the sphere of public health. Furthermore, 8,000 doctors are concentrated on the main axes between Rabat and Casablanca. The same is true for nurses whose ratio stands at 9.2 per 10,000 inhabitants, far below the WHO standards set at 16.4 per 10,000 inhabitants.45

Due to this shortage of staff, public hospitals in Morocco cover only a part the healthcare supply, which is increasingly less important. For instance, in 2018 the proportion of deliveries carried out in public health structures was only 68%46. This percentage reflects a double failure of the public hospital: Its capacity to ensure childbirth in dignified conditions for rural women (who continue to give birth outside health centers), and attracting the middle class that increasingly tends to opt for private clinics.

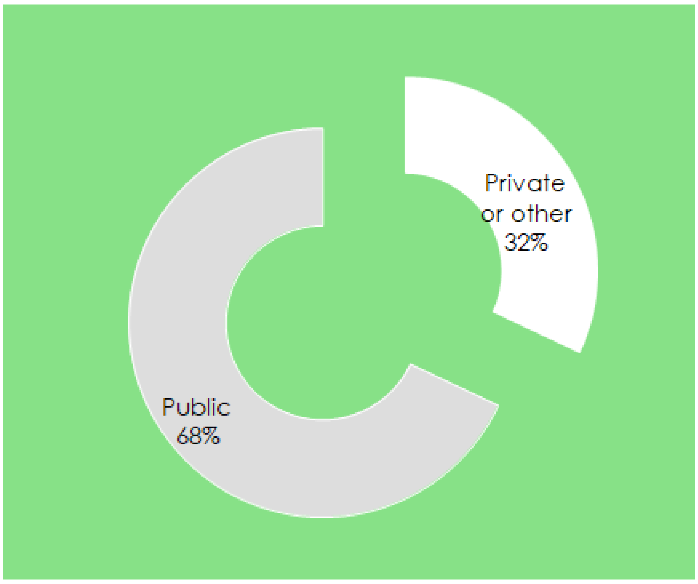
Regarding health services in favor of people with disabilities and the elderly, official statistics state that 2,935 people did benefit from these services in 2018 (according to the health department's PP). However, the lack of knowledge about the number of people with physical disabilities requiring an orthopedic device does not make it possible to know the proportion of those fitted and consequently to measure the coverage rate and to follow its evolution. Indeed, no official national survey has been conducted on the prevalence of disability.

Distribution of private and public doctors

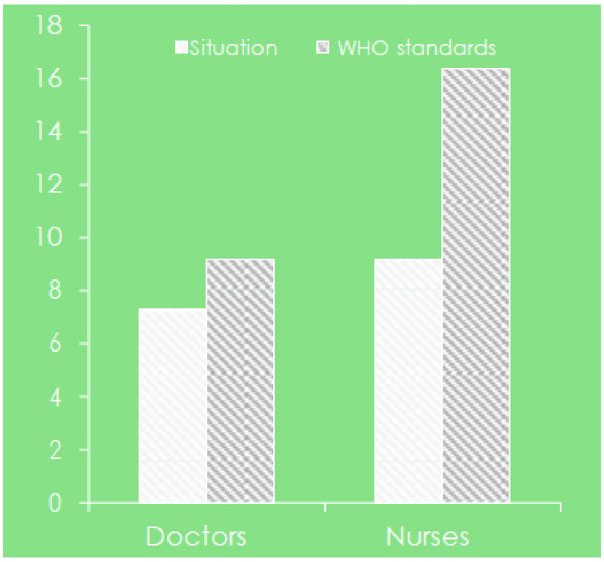


Source : Ministry of Health

Distribution of deliveries by type of structure



Comparison between the numbers of medical personnel based on WHO standards (/10.000 inhab)



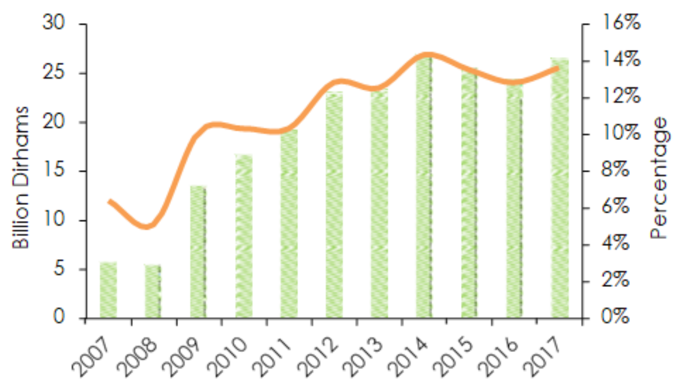
- **A gender approach that is worth developing, mainly to take account of territorial inequalities**

The Ministry of Health was one of the first departments to integrate the gender approach into its budget programming. However, gender-disaggregated data provided by the department, particularly within the framework of its performance project, are not systematically crossed with other relevant variables in terms of gender analysis (age, place of residence etc). Furthermore, the peculiarity of the health department means that many of its programs are gender-specific, such as the maternal health program.

4. AGRICULTURE

Since 2008, the budget of the department of Agriculture has increased sharply, notably due to the adoption of the Green Morocco Plan (GMP). Thus, the department's investment budget moved from an average of 5 billion Dhs between 2000 and 2008 to figures that could exceed 26 billion Dirhams in 2017. Agriculture has also seen its share in the country's overall investment budget increase from 5% in 2008 to 14% in 2017.

Evolution of the investment budget of agriculture and its share in the overall investment budget



The GMP has indeed succeeded in putting agriculture back among the top priorities of the country after years without a specific policy for this sector, which provides a livelihood for no less than 4 million Moroccans. This plan is spread over 12 years and has set itself the objectives of making agriculture a performing sector capable of boosting the entire economy and fighting against poverty, being able to maintain a large population in rural areas.

These objectives were reflected in the establishment of the two pillars of this policy. The first pillar is for "efficient agriculture" and high added value. The second pillar tends to develop an approach geared towards the fight against poverty, by increasing the agricultural income of the most vulnerable farmers, especially in disadvantaged areas. In fact, it is within the framework of this second pillar that gender-specific actions have been planned, particularly for women in rural areas. These actions consist of supporting solidarity cooperatives to enable women in rural areas to pool their means of production.

An agricultural policy establishing the configuration of a two-speed sector

While it is true that the agricultural world has never received as much public funding as it has since 2008, the legitimate question is to know who benefits from this money. All the figures and ratios available seem to point in the same direction: the Green Morocco plan has benefited large farmers and contributed to the widening of inequalities.

In fact, under the first pillar aiming at the development of high value-added agriculture at the level of large farms, 961 projects have been planned for an envelope of 75 billion Dirhams over 10 years. In comparison, the so-called solidarity agriculture (2nd pillar) has benefited from 545 projects planned for an amount of 20 billion Dirhams. Taking into account the numbers of the two categories of farmers, the large ones benefited on average from 138.888 Dhs, while the small farmers only benefited from an average of 23.255 Dhs.

Presentation of the two pillars of the GMP		
	Pillar I	**Pillar II**
Number of projects	961	545
Investment amounts	75 billion Dirhams	20 billion Dirhams
Number of farmers	540.000	860.000
Investment / farmers	138.888 Dhs	23.255 Dhs

Source : Economic and financial report, 2020

The Green Morocco Plan also includes a huge arsenal of agricultural investment incentives. Thus, the state grants subsidies to equip farms with localized irrigation, but also for the purchase of agricultural machinery or for the purchase of livestock. Once again, an analysis of the overall logic of these subsidies makes it clear that large farms are much more subsidized than small ones. For instance, the flat-rate aid within the framework of an aggregation project reaches 3,400 Dhs / ha for a market gardening project associated with a packaging unit, while the same subsidy is around 650 Dhs / ha for projects related to an olive conservation unit 47.

The aggregation projects are in a way the bridge provided by the GMP between the two pillars, and a fortiori between subsistence agriculture and productivist agriculture. The aggregation would likely lead large farmers to bring together small and medium farmers around them, in order to pull them up and form a rural middle class. However, the aggregation projects have not had the expected success for various reasons (land tenure, contractual issues, etc.). Thus, Morocco has never seen the emergence of this very large rural middle class capable of limiting inequalities.

A derisory tax making the agricultural sector a real tax niche

The agricultural sector is the first beneficiary of tax exemptions along with real estate (see previous section on tax exemptions). This situation is not new as the sector was temporarily exempted in 1984 due to weather conditions. A process of progressive taxation of the sector began in 2014 by putting an end to the exemption of farms with a turnover (T/O) of more than 35 Million Dhs, then those with a T/O of 20 M Dhs, then 10 M Dhs, to achieve in 2020 an end of exemption for all farms with a T/O of more than 5 M Dhs.

The tax plan predicted that these farms would switch to taxation at the same CIT rate as all other companies. However, the 2020 finance law finally opted for a rate of 20%. Thus, despite this progressive taxation, the agricultural sector continues to benefit from tax expenditures (see definition of tax expenditures). Likewise, this situation marks the end of a so-called “temporary” exemption for a definitive exemption for farms with a T/O of less than 5 million Dhs.

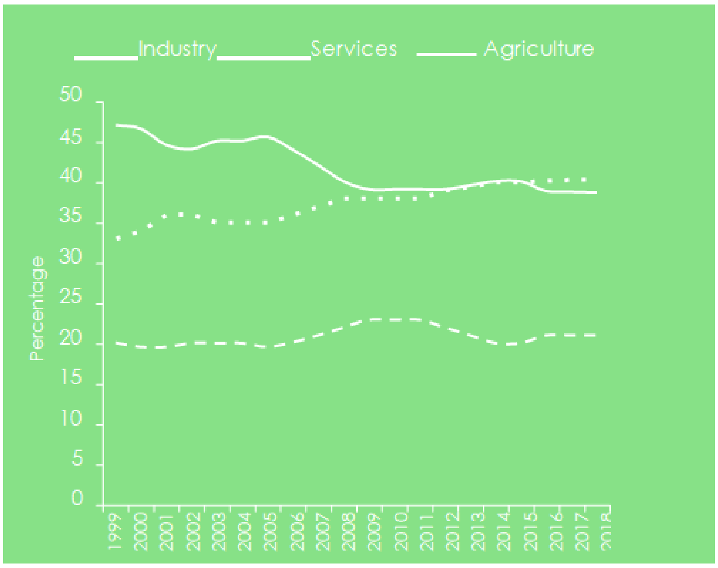
In the absence of support from other sectors, the agricultural sector is experiencing an accelerated loss of employment

The GMP has included among its strategic objectives the increase of employment by creating 1.5 million jobs in addition to the existing one million jobs. However, only a few years after its implementation, the agricultural sector lost its position as the leading sector in terms of employment to the tertiary sector. In fact, the sector loses tens of thousands of jobs every year. The latest figure communicated is that of 2019: 146,000 jobs have been lost.48

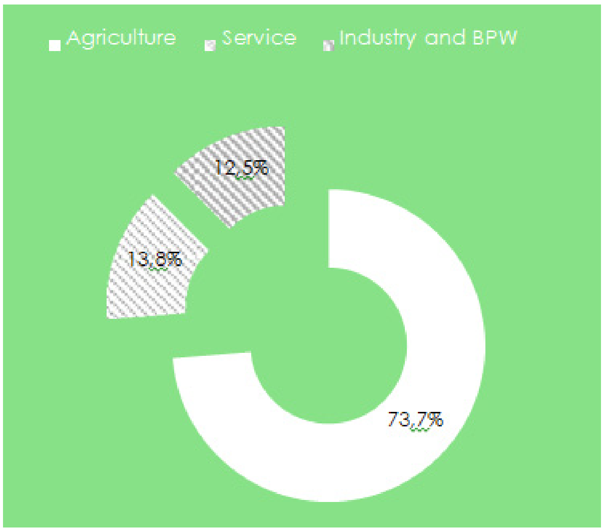
These heavy trends in job losses can be interpreted as good performance: an agricultural sector losing jobs in favor of a growing service sector. However, the persistence of unemployment in rural areas indicates that this transfer has not taken place.

Due to a heavy dependence on agricultural employment, the rural world is experiencing an increase in the unemployment rate; a phenomenon officially declining nationwide. Indeed, if the national unemployment rate fell between 2018 and 2019 from 9.5% to 9.2%, in rural areas unemployment rose from 3.6% to 3.7%. The GMP’s goal of increasing income in rural areas was probably achieved for a minority of farmers, but above all, it was accompanied by a massive loss of employment.

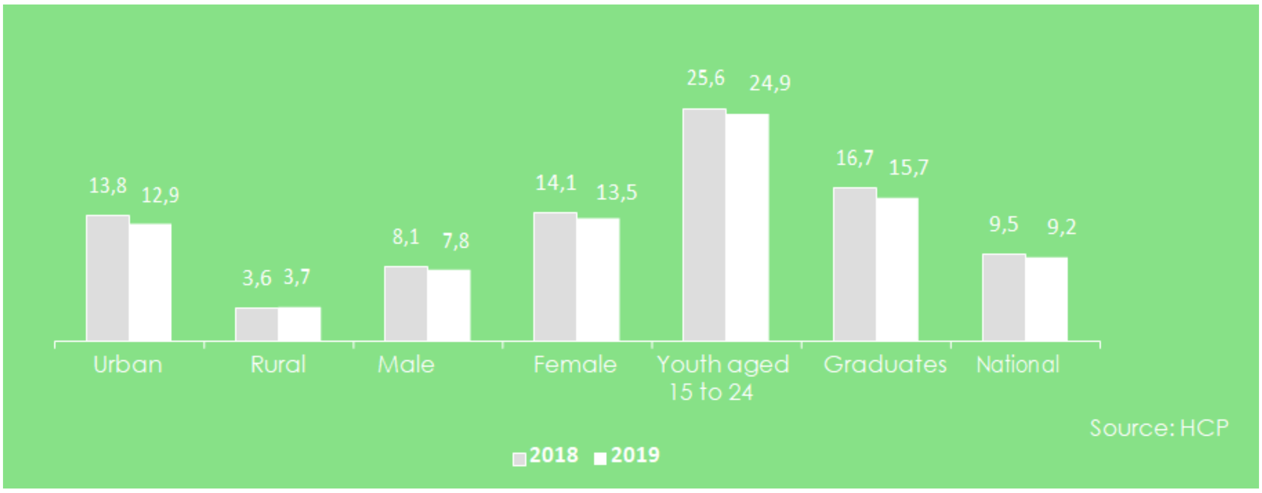
Evolution of employment in Morocco by sector



Distribution of employment in the rural world by sector



Comparison of employment indicators between 2018 and 2019 (in %)



Source : HCP

5. SOCIAL PROTECTION

Governance issues leading to gaps in coverage

The situation of social protection in Morocco is somewhat paradoxical. The Kingdom has in fact nearly 120 social protection programs. However, the impact on the population involved remains drastically limited. Indeed, the lack of a global vision and harmonization of targeting methods results in a social protection system characterized by great overlap and redundancy.Keeping in mind the management costs, governance problems are also very restrictive because of the large number of ministerial departments. In fact, for the 120 programs, there are 14 ministries involved in their management.

Non-exhaustive illustration of the social protection system in Morocco

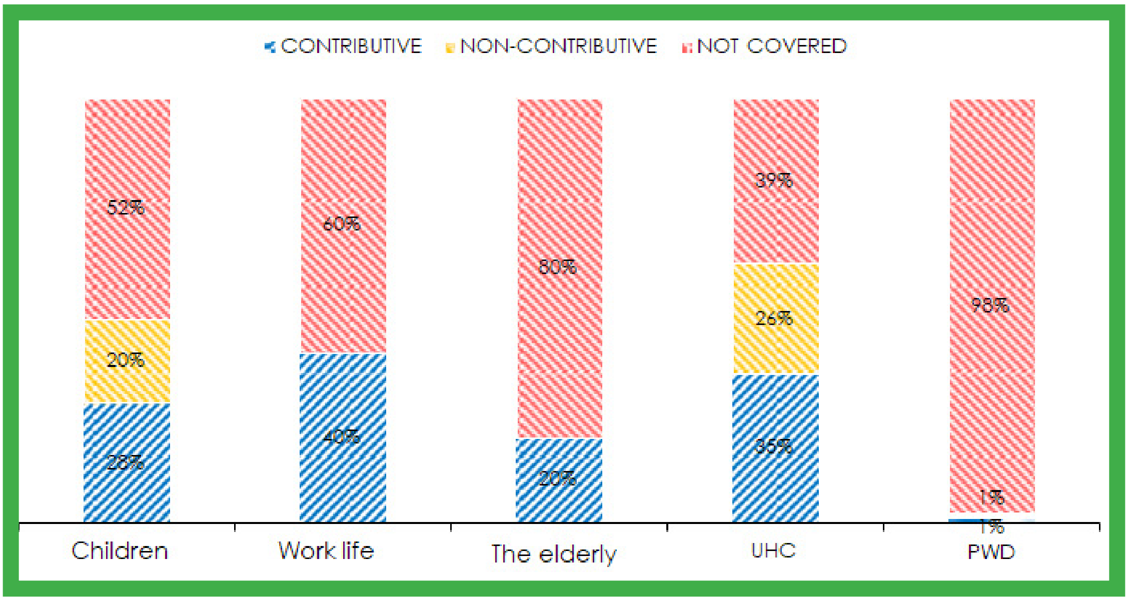
Population /Risk	Contributory system	Non-contributory system	
		Monetary and in-kind transfers	social assistance services
Children	Family allowances (≈3 million) (private and public employee, but not self-employed)	Tayssir (≈2 million students and 1.3 million households) DAAM (≈156,000 orphans and 91,126 widows) FEF (≈27,038 women) July 2019 "1 million school bags "(≈4.3 million)	School transport (≈240 thousand) School canteens (≈1.3 million) boarding facilities (≈155,000) Dar Talib(a) (≈104,000)
Active population	Compensation for loss of employment (≈58,511 at the end of October 2019 against 47.944 at the end of December 2018	Professional training grants (≈30,000) Graduate scholarships (≈374,964) University Restaurants: 14,221,719 meals University Residences: 59,012 residents 20,386 (PPP)	Active and passive employment programs (less than 0.5 million)
The elderly	Contributory pension plans (public and private) (≈0.5 million		Care in social protection institutions
People with disabilities (PWD)	Invalidity pension and incapacity for work allowance (<50,000) Family allowance for life for disabled children	Aid in kind (≈ 16,000)	Technical assistance and special devices (≈10,000); Self-employment promotion (≈1 000); Support for schooling (≈12,000);
Universal health coverage (UHC)	CHI: 10.9 millions in 2019	RAMED (≈10 millions) and Student's CHI (≈116,352)	

Source : Social Protection Conference 2019

This situation gives rise to significant gaps in social protection coverage for the most vulnerable people. Thus, among the 10 million active workers in Morocco, more than 6 million remain uncovered. Added to this is the poor stability of the private sector's employment activity: barely one employee out of two is declared to the CNSS 12 months a year49.

By categories of vulnerable people, 52% of Moroccan children are uncovered. The rate is around 80% for the elderly who have neither a pension nor a medical coverage. The situation is even more problematic among people with disabilities who represent the major absentees from social protection with a coverage rate of only 2%.

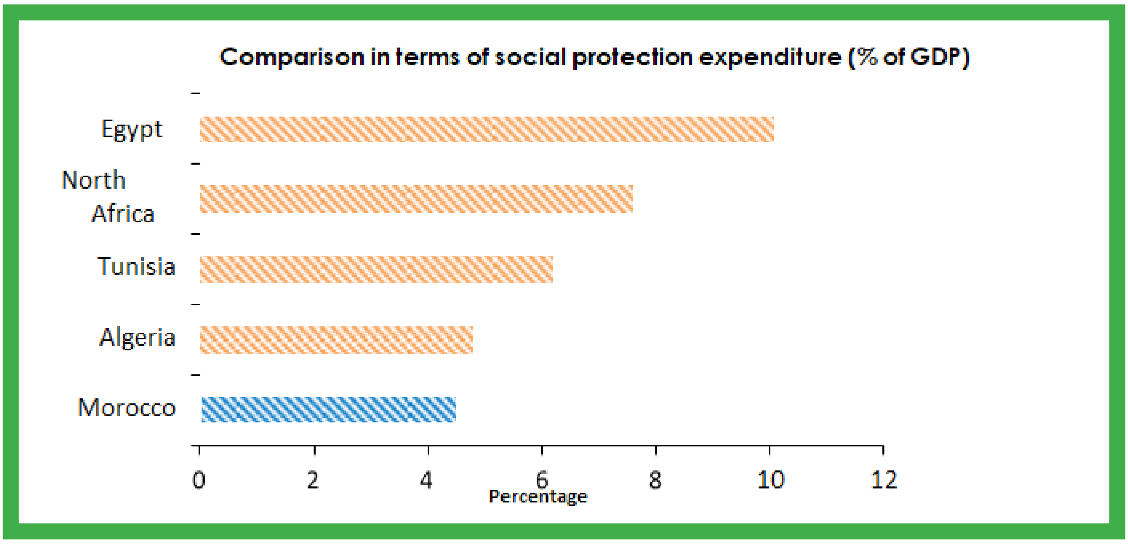
Social protection coverage rate in Morocco



Source : Social protection conference 2019

Low level of spending and lack of political will

Morocco spends less than 4.5% of its GDP on social protection, a level far below that of similar countries. Indeed, by comparing the level of spending of Morocco with the countries of North Africa (7.6% on average), Morocco is ranked the last behind Egypt with 10.1% of its GDP dedicated to social protection, Tunisia (6.2%) and Algeria (4.8%). Out of 4.5% of GDP, Morocco devotes 1.5% to the protection of the labour force and 3% to the population in retirement age, and these rates are also among the lowest in the world according to a report by the international labor organization ILO50.



Source : International Labor Organization

A recent ILO report51 on benefit coverage possibilities ranked Morocco among countries with a high level of budgetary possibilities to expand social protection coverage. However, this report also highlighted the low level of political will to invest in social protection. This political will is measured by the share of public health and public education spending as a percentage of total public expenditure. Thus, according to this report, Morocco is one of the countries showing the weakest political will in the world.

6. UNPAID WORK

In Morocco, in addition to the unemployment rate of around 12.7% (September 2020), employment is marked by growing precariousness. Besides the absence of medical coverage for 80% of employees, and the absence of employment contracts for 60%, one of the signs of precariousness is also the high rate of unpaid employment. Indeed, HCP figures show about 2.3 million unpaid jobs in 2018, consisting mainly of caregivers and apprentices. 52

Unpaid workers therefore represent nearly 22% of the employed Moroccan population. This rate is almost twice as high in the rural world with a rate of 41% of rural employment. This concentration is explained by the fact that this unpaid job is essentially performed in the agricultural sector.

Thus, in addition to the fact that Morocco has a low rate of women participation in economic activity, one in two working women does not receive any financial compensation. This explains the low level of the income equality index in Morocco estimated at 0.5, while the perfect equality is equivalent to an index of 153.

TAX ADMINISTRATION: ACTION FOR ADHERENCE TO TAX

The tax administration is a key player in the tax system. In addition to its role in tax collection and inspection, the administration should have a pedagogical role by making taxpayers aware of their civic obligations regarding taxation. Therefore, this part will focus on analyzing the means at the disposal of the tax administration to fulfill these roles.

1. ORGANIZATION OF THE TAX ADMINISTRATION

The General Tax Administration (DGI) is organized into 5 directorates, 3 of which we can qualify as "business" directorates and 2 having a more cross-functional or "support" roles. Support directorates are the resources and internal audit directorate besides the information systems facilitation directorate.

As for the business departments, there is the network management department, which is responsible for the core business of the DGI, namely tax management, recovery monitoring and litigation. The control department, which takes care of implementing the risk approach and monitoring verification operations, has a large enterprise division that monitors audit operations of holding companies, multinationals and public institutions and enterprises.

The last business department of the DGI is that of legislation, studies and international cooperation. This strategic department studies national and international legislations and takes care of information exchange worldwide, as well as tax revenue forecasts.

2. CIVIC ENGAGEMENT ACTIVITIES

Developing tax compliance is a long-term job. The DGI made the first steps in this direction within the framework of the 2013 conference on taxation, during which the tax administration signed a number of partnerships with different stakeholders:

- The Federation of Moroccan Chambers of Commerce, Industry and Services: The partnership aims at defining the principles of collaboration for the establishment of a system regarding tax information and tax compliance awareness, which is directed at companies and members of the two chambers.

- General Confederation of Moroccan Enterprises (CGEM): The preparation of a guidebook for to simplify the understanding of taxation.

- Ministry of National Education: This partnership aims at promoting and strengthening the culture of tax compliance among students in public education institutions, as well as those in training centers pertaining to the Ministry of National Education.

3. REVENUE COLLECTION

The tax administration Outstanding Recoveries (O/R) represent around 20% of the resources managed by the DGI for the 2018 financial year54. However, the analysis of the objectives set for the coming years show great difficulties for the DGI to collect the revenue it is responsible for.

In fact, the values forecasted for the coming years are lower than the recovery rate achieved in 2018, although they are higher than the 2019 forecasts. Thus, the administration expects a recovery rate of 78% in 2022, which makes 22% of O/R . These pessimistic estimates are in fact due to the level of coordination with partners (GTK, ANFCC, DGSN, etc.), which impacts the sharing of data useful for the recovery of public debts. Likewise, the tax administration finds it difficult to mobilize qualified and dedicated human resources to carry out forced recovery, despite the digitization of most of the procedures.

Evolution of recovery rates for the coming years				
2018 Performance	2019 FB	2020 FB	2021 forecast	2022 target value
82%	76,5%	77%	78%	78%

Source : Ministry of Finance performance project

On another note, the DGI communicated a 15% decrease in the O/R between 2015 and 2018; however, this decrease is mainly due to the introduction, in the 2018 finance law, of a provision55 to cancel old debts.

That said, the tax administration has set up, since 2015, a partnership with the judicial officers in order to support it in the collection of tax revenues. This partnership also aims at responding to the shortage of staff in charge of collection (Treasury notification and execution agents). Thus in 2018, the judicial officers were able to recover nearly 40% of the revenue under enforced recovery.

Broadening the tax base: a major component in the assessment of the tax administration's efficiency in the fight against inequalities

In its report on inequalities56, the International Monetary Fund (IMF) paid main attention to the role of the tax system in the fight against inequalities.

Thus, according to the IMF, broadening the tax base and taxing high incomes are the main actions to be taken in this fight against inequalities.

From this point of view, the Moroccan tax administration remains very inefficient in the fight against inequalities, given both the reduced size of the tax population and the difficulties in the taxation of high incomes. Indeed, the hardly progressive tax scales (see progressivity of the PIT) are implying insufficient levels of taxation of high incomes.

Actions to modernize collection and digitalize procedures with a great impact on revenue collection methods

Since 2016, the DGI has launched a vast project to dematerialize procedures and payments. Thus, 2017 witnessed the generalization of reporting obligations and online payment for all companies. This generalization resulted in the number of electronic payments and electronic declaration operations increasing markedly between 2016 and 2017 with a growth rate of 513% for electronic payments 57. Progress in dematerialization enabled Morocco to achieve remarkable performance in terms of the "payment of taxes and duties" indicator of the Doing Business report, moving from 41st in 2017 to 24th place in 2019 58.

Since the launch of the digital transformation projects in 2016, through the generalization of electronic declaration and electronic payment operations, the gross revenue of the administration increased by 26% between 2015 and 2018. In fact, this increase is not only attributed to the economic situation but also to the tax administration efforts.

In any case, electronic payments have become in few years the main source of spontaneous revenue collection. In fact, the electronic payment made it possible to collect 83% of the total spontaneous revenue. This percentage reached 95% in the case of VAT and remained at 50% for registration fees.

If it is true that the digitization effort has improved revenue collection, it is likely that it could further contribute to the fight against tax fraud and injustice through the implementation of a strategy for the conversion of human resources to the control and inspection professions.

Percentage of tax revenue collected by electronic payment			
	Overall revenue	**Electronic payment**	**%**
VAT	36,08	36,96	95%
CIT	53,56	47,56	89%
PIT	33,87	26,70	79%
SD	17,95	8,97	50%
TOTAL	144,47	120,2	83%

Source : Source: DGI activity report, 2018

TAXATION AND GENDER EQUALITY

In the same way that fiscal policies can constitute active tools to fight against gender inequalities, they can further accentuate discrimination between men and women through explicit or implicit abuses. The tax system being a social construction on the basis of an ideology that refers to the concept of justice and equality, which each society can achieve, and to the balance of power between the ideological groups that compose it59. It is from this point of view that an analysis of the cultural roots in the Moroccan tax system can be made.

1. TAX REGULATIONS: DESIGNED PREJUDICES REGARDING THE PLACE OF WOMEN IN SOCIETY

Reducing family burdens is actually a very sensitive issue that sheds light on the idea (and therefore the ideology) that a country's tax system stands for. As a matter of fact, article 74 of the Moroccan GTC gives a clear idea about women's place in the Moroccan household: a dependent person. This idea poses two main problems: the gender inequality it embodies and the working women taking care of men it prohibits.

First, this image is part of the gender concept which encompasses all the characteristics and roles attributed to men and women in societies without any biological basis. Indeed, this GTC article attributes to the man the household's head role with the mission to "take care of" his wife and children; A non-biological role but rather cultural and religious.

The second problem is more practical and concerns working women with a spouse who is unemployed for different reasons. The tax code explicitly discriminates against these women by authorizing them to take care of their spouses only under certain abstract conditions. As a result, a female taxpayer can qualify for dependents' allowance only when the husband and children are "legally dependent60 ". This provision remains very vague and goes even against the Moroccan family code which established the spouses' joint responsibility principle.

The 4th article of the family code stipulates that the family is under the responsibility of both spouses. This principle has not, however, been translated at the level of the GTC to allow women to benefit from the deduction of family charges where applicable.

2. LOW PARTICIPATION OF MOROCCAN WOMEN IN THE ECONOMY CON SOLIDATED BY UNCOMPROMISING TAXATION

The expanded access of women to economic opportunities remains a major challenge for the global economy, and the Moroccan one in particular, in order to establish the foundations for an inclusive growth. In Morocco, the participation of women in economic activity does not exceed 22%61 of the working population; this figure is of around 45% in emerging countries.

This phenomenon, which deprives Morocco of a pool of skills,62 is at the origin of Morocco's low ranking in terms of women's economic participation. Indeed, according to the World Economic Forum's report63, Morocco was ranked 137th (out of 144 countries) for the WEF's Labor force participation index, and recorded a decline in this index between 2008 and 2016. The economic participation of Moroccan women is even lower, as nearly half of employed women are unpaid workers (see section on unpaid work).

The reasons behind this low participation are linked to the level of the Moroccan economic structural transformation. Indeed, this economy does not offer enough opportunities for women with a prevalence of sectors dominated by low-skilled labor 64. However, the impact of the tax system remains passive toward this reality by providing no mechanisms to encourage working women.

3. AN EVEN HIGHER VAT AMONG WOMEN DUE TO A HIGHER CONSUMPTION

Although the VAT represents benefits for the Treasury especially in terms of ease and efficiency, this consumption tax exerts a higher tax pressure on the poor because of the proportion of their income they devote to consumption. In addition, other sociological studies show that women tend to be in charge of households and child-related expenses, while men manage property and exceptional expenses 65.

Indeed, the distribution of roles and responsibilities among household members by sex influences the types of spending and gives rise to gender differences in consumption spending.

Due to prevailing gender norms and roles, women tend to consume a greater share of their income by purchasing basic necessities such as food, education, sanitation, water, sanitary and cosmetic products and health care; while the distribution of responsibilities gives men a greater participation in savings.

Given this reality, VAT exerts even more pressure on women than on men, not to mention the basic products consumed only by women.

In addition, and given the generally low income of women compared to men (due to low participation in the economy and the differences in salaries with an equivalent qualification66), the share of VAT paid in income is higher for women than for men. In short, women earning less income than men, devote more income to basic needs, and are more affected by the pressure of VAT.

4. LOW PARTICIPATION OF WOMEN IN THE PREPARATION AND ADOPTION OF TAX LEGISLATION

Despite a fairly significant presence of women among the DGI's staff, 48% according to the latest available statistics, there are no women in the "top management" of the tax administration, which makes them absent during the preparation of tax legislation.

At the head of the 5 directorates of the DGI, no position has been reserved for women. The latter are rather present at the level of intermediate responsibilities (heads of provincial services, or even certain regional directorate positions).

As for the adoption of legislations in general, and tax legislations in particular, the percentage of women in the House of Representatives (lower house) does not exceed 20% despite an improvement registered between 2011 and 2017. Moreover, the commission in charge of public finances, with almost all the other standing commissions, is chaired by men and has been for several terms.

In conclusion, the Moroccan tax system does not seem to pay particular attention to either gender issues or the place of women in the economy. It is therefore strongly recommended to carry out a gender diagnosis to analyze the impact of the tax administration's actions on gender inequalities. The results of such a diagnosis can feed into the administration's strategy and allow the development of objectives that take into account the gender approach.

CONCLUSIONS AND RECOMMENDATIONS

In its various reports on inequalities, OXFAM warned about the persistence of inequalities in Morocco and made recommendations to identify ambitious and quantified objectives for reducing inequalities by 2030, within the framework of sustainable development goals. Likewise, recommendations aiming to make the tax system an instrument to fight against inequalities were formulated in the report "An egalitarian Morocco with fair taxation" published in 2019.

In Morocco, the role of taxation is all the more important as the country runs a social deficit and relies only on fiscal resources to fuel its budget. However, several anomalies prevent taxation from actively contributing to the fight against inequalities:

1.Absence of other types of taxation allowing to replenish the State Funds and to combine the objectives of fiscal justice and sustainable development: wealth and inheritance tax, environmental taxation and real property taxation;

2.Low tax progressivity and a limited tax base depriving the country from the resources necessary for its socioeconomic development;

3.Strong pressure exerted on a tiny part of taxpayers, particularly employees;

4.A significant weight of indirect taxes in the Treasury funding;

5.Presence of a relatively large remainder to be recovered despite the digitization operations;

6.Significant drop in Morocco's fiscal self-sufficiency forcing it to resort to massive debt;

7.Stagnation of investments in social sectors giving rise to quite problematic situations, particularly in terms of access to social services and infrastructure;

8.Low expenditures in social protection of employees and vulnerable categories compared to similar countries;

9.Women's low participation in the economy and significant weight in unpaid work;

10. Lack of independent assessment of the impact of corporate tax breaks;

11. Citizens' low involvement in the preparation of budgets;

12. Women's low participation in the development and adoption of tax legislations.

RECOMMENDATIONS

The diagnosis and analysis of the tax system presented in this study mainly concerned taxation and its role in the fight against inequalities. However, taxation alone is not sufficient to drastically and sustainably reduce inequalities in the country. Being aware of this reality, OXFAM has made recommendations not only concerning taxation, but also regarding all other areas that can contribute to the fight against inequalities:

1. TAKING AN ACTIVE ROLE TO IMPROVE TAX PROGRESSIVITY

The implementation of new tax brackets for income tax, as well as the increase in the minimum tax threshold, and the zero-rating of mass consumption products, represent the measures to be urgently taken to reduce the tax burden on vulnerable layers and the middle class. During the 2020 amended finance law discussions, a proposition in this regard was discussed and reported an improvement of 10 Billion Dhs in PIT revenue by adopting a scale of 11 brackets.

2. MAKING THE TAX SYSTEM BECOME THE LEVELER OF EFFECTIVE PUBLIC EXPENDITURES AND ORIENTED TOWARDS SOCIAL SECTORS

The Moroccan Treasury's financing model relies primarily on the tax system. Thus, improving its efficiency will make it become the leveler of public investment in projects providing significant benefits for all: Good quality public hospitals, State schools, and generalized social coverage.

Covid-19 context has demonstrated the need to improve investments in social sectors, especially health and education. However, this improvement can only take place in the presence of a tax system capable of supporting such a dynamic without accentuating the macroeconomic imbalances threatening the country's sovereignty.

3. MAKING VAT A TOOL IN THE FIGHT AGAINST CLASS AND GENDER INEQUALITIES

Despite its unfair nature, VAT has the advantage of being linked to consumption, and a fortiori to specific social categories. Based on household consumption surveys, the tax administration can propose a revision of the VAT rates applied to products consumed by poor households. Steps in this direction can have a tangible impact on economic inequalities. One of the measures to be taken may concern, for instance, upward revisions to the rate applicable to luxury products, presently taxed at the rate of common law in the same way as ordinary products. Similarly, it is necessary to revise the rates applied to products consumed exclusively by specific categories, particularly women.

4. EXAMINING THE RELEVANCE OF TAX EXPENDITURES

Tax expenditures represent a significant amount of funds, in particular because of their number and their renewable nature. Given this reality and the pressure of Covid 19 crisis on public finances, it is increasingly urgent to examine the legitimacy of these expenditures. The critical analysis of these expenditures must be made on the basis of an impact study, to be published, of tax exemptions. Indeed, it is a question of reducing tax expenditures that have not produced the expected economic effects or those contributing to the widening of social inequalities.

5.IMPLEMENTING WEALTH TAX AND ENVIRONMENTAL TAXES

The current budgetary challenges and the 2020 health crisis show the necessity to adopt new fiscal measures capable of replenishing the State's Funds. Likewise, the taxation of high incomes and large fortunes are among the necessary measures to limit the widening of inequalities and alleviate the pressure exerted on low and middle incomes. Furthermore, environmental taxation is an option that deserves to be considered.

6. IMPROVING THE GOVERNANCE OF THE MOROCCAN TAX SYSTEM

This improvement requires the formalization of consultation procedures among various stakeholders, and also the establishment of tools for systematic sharing of tax-related data among agencies and government bodies. In addition, taxation in Morocco would benefit from having a real tax law specifying the main tax principles based on the Constitution.

7.IMPROVING THE PARTICIPATION OF CITIZENS AND CIVIL SOCIETY IN THE PREPARATION OF BUDGETS

Morocco has made a significant effort in the annual publication of several reports regarding the State budget and public finances. However, the effort made to publish reports, such as the citizens' budget report, deserves to be consolidated with the establishment of a medium-term strategy developed in a participatory manner to involve citizens in the selection and prioritization process.

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