

Tax incentives in Morocco

La fiscalité incitative au Maroc

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Disclosure Statement :	Authors are not aware of any findings that might be perceived as affecting the objectivity of this study and they are responsible for any plagiarism in this paper.
Journal Statement	this article is published without Article Processing Charges APC
Conflict of Interest :	The authors report no conflicts of interest.
Cite this article :	EL GHALI, A. (2023). Tax incentives in Morocco. International Journal of Accounting, Finance, Auditing, Management and Economics, 4(6-1), 865-903. https://doi.org/10.5281/zenodo.10447813
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Received: November 10, 2023 Accepted: December 27, 2023

International Journal of Accounting, Finance, Auditing, Management and Economics - IJAFAME

ISSN: 2658-8455

Volume 4, Issue 6-1 (2023)

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Abstract

Incentive taxation refers to all tax levies intended to guide the behavior of people likely to be subject to them. In principle, a tax measure is intended to provide resources to public entities to finance their activities of general interest. So ; taxation is said to be “incentive” or “behavioral” when through its measures its main aim is not to collect resources, but to guide the behavior of people likely to be subject to it.

According to the definition given by the OECD, in a “transfer of public resources resulting from a reduction in tax obligations relative to a standard, rather than from a direct expenditure”. It is therefore a total or partial renunciation of certain taxes, which deviate from the general tax system, with the aim of encouraging economic agents to direct their investments or activities according to government, economic, social or cultural priorities.

In Morocco, preferential measures, dedicated to agriculture, were the first incentives decided by the public authorities. Since then, multiple texts with a sectoral vocation have been instituted. Thus, these incentive measures affected both industrial, mining, tourist and artisanal investments, as well as exporting companies operating in the industrial and artisanal field, to extend, in 1977, to commercial exporting companies. All of the texts governing incentive provisions, except those concerning the export and craft sectors, have been modified numerous times. In 1992, other exemption regimes emerged in favor of banks and holding companies established in offshore financial centers. In 1995, this regime was supplemented by an incentive measure in favor of companies established within the perimeter of export processing zones.

The tax incentive was often omnipresent under the Protectorate and continued to impose itself, par excellence after Independence, as a public policy instrument of capital importance. He accompanied the process of colonial detachment at the political and economic level. Thus, and since Independence, public authorities have tackled the various issues linked to investments head on by adopting a preferential exemption system systematically grouped in investment codes.

The objective of this article is to clearly understand what incentive taxation has been applied in Morocco since independence to the present day; to know : Define what is an incentive tax system; Incentive tax arrangements; Incentive taxation in Morocco

Keywords: tax incentives-

Classification: JEL: H2-H7

Article type: Descriptive and comparative research

1. introduction

Taxation is called “incentive” or “behavioral” when the measure aims primarily not to collect resources but to guide the behavior of actors in a specific direction. The incentive tax can take the form:

- either a new tax weighing on activities or behaviors that we wish to discourage [by making them less attractive]; the incentive then taking on a negative character, taxation is said to be “disincentivizing” or “dissuasive”;
- either reduced rates or an exemption, deduction or reduction of a tax (up to the tax credit) existing or created for the occasion; the incentive is then positive.

Incentive taxation is also distinguished from levies which, whatever their name (penalty, fine, surcharge or additional tax, etc.) are intended not to guide but to repress behavior. When the objective is to repress a breach, the compulsory levy constitutes a financial sanction which follows its own regime.

With the aim of encouraging or dissuading certain behaviors, incentive taxation is frequently used to pursue economic objectives (support for business creation, investment, etc.) or partially economic objectives (sustainable development, social economy. ..).

Unlike the regulation of economic activities, taxation does not directly constrain the exercise of these activities. It thus presents a clear advantage for companies which more easily adapt to measures which leave them the choice either to bear an additional cost or to change their behavior.

It is particularly suitable when the behavior desired by the legislator could not be established as a binding standard without excessive interference with the freedom of enterprise and/or the principle of equality of the companies concerned.

Taxation thus presents less risk of contravening higher standards, particularly constitutional ones, than mandatory regulations.

The effects of incentive measures are less immediate than a mandatory provision since companies must be given time to appropriate the system and draw the consequences. Incentive taxation is therefore less reactive than a purely and simply mandatory measure.

The differences between regulation and incentive taxation can nevertheless become blurred, when the mandatory norm is itself designed in such a way as to encourage behavior: for example, when the texts define several possible regimes for companies by providing for formalities or procedures. lighter depending on the choices made between these different regimes.

Expenditure, particularly in the form of subsidies, is the other financial incentive mechanism available to public entities.

“Tax expenditure”, unlike traditional expenditure, is similar to a loss of income. However, falling under taxation and not the budget, incentive taxation escapes the rules applicable to the vote on budgetary appropriations.

The tax expenditure is, however, economically very close to a real expenditure for the budget of the public entities concerned. However, its cost is more difficult to assess for the finances of the communities concerned than in the case of a subsidy where disbursements are measurable.

These expenses are subject to particular monitoring within the framework of the examination of the finance laws by Parliament.

Incentive taxation is also very close to certain original mechanisms, but also more complex to establish, such as “quota markets” (supervision of economic activities). Simpler to implement, incentive taxation is also more rigid. The cost borne by taxable persons is in fact defined in advance, independently of their reaction, which can only be taken into account by “adjusting” the tax system, that is to say by modifying it. On the contrary, the market mechanism makes it

possible to modulate the cost by a market situation, that is to say by the behavior of the different actors.

Conceptually, the incentive is a specific measure of non-obligatory economic problems seeking to obtain from the economic agents it targets, a determined behavior, not desired by them or which they have no idea of adopting at least initially, in exchange for one or more advantages (Quiers , 1978).

It is therefore in this vein that tax incentive policy intends to guide, regulate, promote economic activity, encourage or dissuade behaviors or activities deemed desirable or not (Rassat),¹

Thus, at any time and in any place, taxation offers a range of measures likely to provide the company requesting them with a temporary or permanent advantage ²(Penglaou , 1982). To induce investment in businesses, the essential objective targeted by the various incentive measures, two logics make it possible to guide behavior.

Initially, the use of techniques or the use of incentive measures is conditioned by a very specific type of behavior. The direct mechanism therefore describes, at the same time as the conditions, the behaviors expected to benefit from such advantages or such measures.

Secondly, the indirect or general mechanism is based on an increase in self-financing which constitutes for the company a financial basis for an investment financing policy centered on own resources in an environment with an underdeveloped financial market (Mfopain , 2004).

2. History of incentive taxation in Morocco

In the aftermath of Independence, for the Moroccan authorities the tax is before being a financial necessity, was first and essentially a means of governing, constituting a compulsory levy through which a modern and liberal State could truly assert its existence and establish its authority. However, the latter must also allow the implementation of a tax policy which will make it possible, via tax, to have an action on economic and social structures.

Providing derogatory provisions in the tax system put in place is therefore part of this fiscal interventionism and, therefore, the much-praised neutrality of the tax is no longer anything but a myth.

If government tax policy is insufficient to increase public revenue, countries remain in difficult situations to cope with the economic crisis. This is why it is always better to anticipate and take the necessary measures before the economic crisis erupts. "Governments are always seeking to find the right balance between maximizing public revenue and promoting investment. Unfortunately, until now no government has been able to determine what a fair system is."

Generally, these incentives take multiple forms. But, to achieve the expected results and direct effects, they must nevertheless opt for the application of a precise modality. The latter aims either to reduce the cost of investment or to optimize net profitability through three tax processes: income, expenditure or capital. At the same time, the choice could possibly relate to incentives with indirect effects. Beyond the cost of investment or its profitability, these latest incentive measures mainly seek to stimulate the act of investing by exempting, totally or partially, any savings transaction.

In Morocco, preferential measures, dedicated to agriculture, were the first incentives decided by the public authorities. Since then, multiple texts with a sectoral vocation have been instituted. Thus, these incentive measures affected both industrial, mining, tourist and artisanal investments, as well as exporting companies operating in the industrial and artisanal field, to extend, in 1977, to commercial exporting companies. All of the texts governing

directly or indirectly reduce the amount of tax. It concerns the reduction of tax rates and tariffs and/or the taxable base.

incentive provisions, except those concerning the export and craft sectors, have been modified numerous times.

In 1992, other exemption regimes emerged in favor of banks and holding companies established in offshore financial centers. In 1995, this regime was supplemented by an incentive measure in favor of companies established within the perimeter of export processing zones.

The tax incentive was often omnipresent under the Protectorate and continued to impose itself, par excellence after Independence, as a public policy instrument of capital importance. He accompanied the process of colonial detachment at the political and economic level.

Thus, and since Independence, public authorities have tackled the various issues linked to investments head on by adopting a preferential exemption system systematically grouped in investment codes.

These different codes have marked the country's tax incentive policy for more than three decades. Their respective frameworks are based, mainly, on purely tax exemption measures, but also on financial and customs measures applicable to investment programs. The major concern was to concentrate all the preferential measures dedicated to economic actors in a single framework, in order to dissipate differences of ideas and dispersion in decision-making and facilitate the steps to be taken quickly. In fact, the institution of these codes was based on respect for the guiding principles governing the various economic and social development plans, in order to act, in perfect harmony, with Morocco's general road map which aimed to exit the population from economic stagnation and social insecurity.

With the advent of the codes of 1958 and 1960, the Moroccan government wanted to make its incentive policy a drive to liberate its economy. After more than a decade, another code (1973) took over, while consolidating the liberal trend of changes for the beginning of a balanced economy, through the introduction of other more promising and attractive advantages. than the two previous ones. Over the years, other more generous incentive alternatives will be introduced through numerous other codes relating to various specific sectors, during the 1980s.

In 1973, the legislator adopted several codes devoted to investments, codes which were aggregated into a single document commonly called the Investment Code 1973. These texts were instituted to replace the previous one with, as a guideline, the establishment of a atmosphere conducive to the business world for greater efficiency and in order to automate the granting of tax advantages by reducing administrative formalism. These codes were promulgated concurrently with the publication of the 1973-1977 five-year plan. This timetable was not insignificant since this plan provided, among other things, a good part of its provisions for private national and foreign initiative, with, however, a different approach from that recommended by the old code.

The government is committed, in its incentive policy, to soliciting the flow of foreign capital, while encouraging Moroccan economic actors to contribute more to the establishment of large structures whose management is entrusted to the Moroccan elite. Thus, in 1973, a vast Moroccanization program²²⁶ was developed in strategic sectors in which the participation of foreign capital is limited to 50%.

The use of the instrumentalization of taxation with a view to encouraging private investment increasingly took on a liberal dimension in the early 1980s. The incentive policy was responsible, in 1981, for developing a dedicated code especially, for the first time, to the real estate sector. One year later, two new codes were instituted, namely: the industrial investment code and the tourist investment code³. But state incentive policy was, apparently, only in its infancy. Thus, after the adoption of a real estate code in 1985, all the codes were deleted to be

³ Parallel to the advent of these codes, the provisions of the old codes still remained in force.

replaced by a new incentive system aimed at the revision of preferential measures marked, in particular, by a substantial reduction in the advantages granted. The 1988 code was marked by the return to the rationalization of the incentive system.

The year 1995 saw the institution of an investment charter which constituted at the time the only benchmark bringing together all the incentive measures granted to the different sectors of activity. This progressive incentive system aimed to both encourage regional development and strengthen the link with economic operators by granting them more guarantees in order to defend their interests, with complete serenity, in a partnership framework based on trust and respect. mutual. There was also discussion of helping to establish financial centers and export processing zones, in order to ensure better distribution of the tax burden and guarantee proper execution of the rules of good governance.

The main objectives of this exceptional incentive system are four: promotion of the export sector, encouragement of employment, reduction of the cost of investment, rationalization of the cost of production.

On the administrative level, the charter was responsible for setting up an investment promotion fund and creating, at the same time, a structure dedicated to welcoming, coordinating and supporting investors.

Governments in the MENA region, like most developing and emerging economies, make extensive use of tax and financial incentives to attract private investment and direct it to certain sectors, activities or locations. Investment incentives are measures that aim to influence an investment project through a favorable tax regime or other benefits that have an effect on the relative cost of the project. But these incentives, especially when they are fiscal in nature, come at a price that could outweigh their benefits. Tax incentives can amount to subsidizing companies that would have invested without them, and result in a significant cost in the form of a loss of revenue for the State. However, if carefully designed and targeted, they can help correct market failures and support the achievement of certain development objectives, such as the promotion of renewable energy or raising levels of skills and technology, and strengthen the impacts positive investments (Chapter 2). Many countries have recently sought to encourage investments in the health sector to face the challenges arising from the Covid -19 pandemic. To analyze the effectiveness and efficiency of the incentives deployed, it is essential to better understand their scope and method of administration.

2.1- Tax incentives granted to certain sectors of activity

2.1.1- Tax incentives granted to the export sector

2.1.1.1- Corporate tax

Companies exporting products or services, excluding companies exporting recovered metals, which achieve an export turnover during the year, benefit for the amount of said turnover from taxation. of the rate of 20% applied to the tranche whose amount of net profit is greater than one million (1,000,000) dirhams. However, the 10% rate is applied when these companies make a profit of less than or equal to 300,000 dirhams.

This 20% tax applies: to exporting companies, for their last sale made and their last service rendered on the territory of Morocco and having the direct and immediate effect of carrying out the export itself; to industrial companies carrying out activities established by regulation, in respect of their turnover corresponding to the manufactured products sold to these exporting companies which export them.

This export must be justified by the production of any document attesting to the exit of the manufactured products from the national territory. The terms of production of said documents are set by regulation. to service providers and industrial companies carrying out activities

established by regulation, in respect of their turnover in foreign currencies made with companies established abroad or in industrial acceleration zones and corresponding to operations relating to products exported by other companies.

However, with regard to service companies, the 20% rate only applies to turnover made in foreign currencies. Export of services means any operation operated or used abroad.

Taxation at the rate of 20% also applies to the turnover achieved by companies, in respect of their sales of products, to companies established in industrial acceleration zones.

Benefit from this reduced rate is subject to the following conditions: the transfer of products intended for export between companies established outside industrial acceleration zones and companies established in said zones must be carried out under suspensive customs procedures, in accordance with the legislation and regulations in force; the final product must be exported.

This export must be justified by any document attesting to the exit of the property from the national territory.

2.1.1.2-. Income tax

Companies exporting products or services, excluding companies exporting recovered metals, which achieve an export turnover during the year, benefit for the amount of said turnover from taxation. at the rate of 20% in terms of income tax.

This 20% tax applies: to exporting companies, for their last sale made and their last service rendered on the territory of Morocco and having the direct and immediate effect of carrying out the export itself; to industrial companies carrying out activities established by regulation, in respect of their turnover corresponding to the manufactured products sold to the exporting companies referred to above which export them.

This export must be justified by the production of any document attesting to the exit of the manufactured products from the national territory. The terms of production of said documents are set by regulation. to service providers and industrial companies carrying out activities established by regulation, in respect of their turnover in foreign currencies made with companies established abroad or in industrial acceleration zones and corresponding to operations relating to products exported by other companies.

However, with regard to service companies, the 20% rate only applies to turnover made in foreign currencies. Export of services means any operation operated or used abroad.

2.1.1.3- Value Added Tax

2.1.1.3.1- Exemption with right of deduction⁴

Are exempt from value added tax with benefit of the right of deduction: the products delivered and the services provided for export by the taxable persons. The exemption applies to the last sale made and the last service rendered on the territory of Morocco and having the direct and immediate effect of carrying out the export itself.

By export service provision, we mean: services intended to be operated or used outside Moroccan territory; services relating to exported goods carried out on behalf of companies established abroad.

The benefit of this exemption is subject to the condition that there is proof of export: products by producing transport documents, slips, bulk sheets, customs receipts or other documents which accompany the exported products; services by producing the invoice issued in the name of the customer abroad and supporting documents for payment in foreign currencies duly certified by the competent body or any other document in lieu thereof.

⁴ Article 92 of the CGI

In the absence of accounting, the exporter of products must keep a register of his exports in order of date, indicating the number, brands and package numbers, species, value and destination of the products. In the event of export of products through the intermediary of a commission agent, the seller must issue the latter with an invoice containing the details and the price of the objects or goods delivered, as well as the indication of the name and address of the person on whose behalf the delivery was made to the agent, either of the countermark or any other similar sign used by the agent to designate this person.

For his part, the commission agent must keep a register identical to that kept by the exporter of products and he must give his principal a certificate valid during the year of its issue and by which he undertakes to pay the tax and the penalties payable in the event that the goods are not exported; goods or objects placed under customs suspensive procedures.

However, in the event of release for consumption by the beneficiaries of these schemes, sales and deliveries of manufactured or processed products as well as waste are liable to tax. The exemption also covers custom work.

2.1.1.3.2- Suspensive regime⁵

Companies exporting products may, upon their request and within the limit of the amount of turnover achieved during the past year in respect of their export operations, be authorized to receive suspension of the value tax added inside, the goods, raw materials, irrecoverable packaging and services necessary for said operations and likely to give rise to the right to deduction and reimbursement provided for in the General Tax Code.

Companies exporting services may, upon their request and within the limit of the amount of turnover achieved during the past year in respect of their export operations, be authorized to receive suspension of value added tax inside, the products and services necessary for said operations and likely to give rise to the right to deduction and reimbursement provided for in the General Tax Code.

Benefit from this regime, categorized companies which meet the conditions provided for by the decree taken for the application of the value added tax.

2.1.2- Transport sector

2.1.2.1- Corporate tax withheld at source

Rental rights and similar remuneration relating to the chartering, rental and maintenance of aircraft used for international transport are exempt from corporate tax withheld at source.

2.1.2.2- Value added tax

Are exempt with right of deduction: coaches, trucks and related capital goods to be recorded in a fixed asset account, acquired by international road transport companies. This exemption applies to goods acquired during 36 months from the start of activity; international transport operations and the provision of services linked to them as well as repair, upkeep, maintenance, transformation, chartering and rental operations relating to the various means of international transport as well as transport operations dismantling of aircraft; sales, repair and transformation operations relating to seagoing vessels: boats and craft capable, by their own means, of sailing as a means of transport and carrying out mainly maritime navigation; new vehicles acquired by individuals and intended exclusively to be operated as a rental car (taxi); purchase operations for diesel used for the operating needs of collective road transport vehicles for people and goods as well as road transport of goods carried out by taxable persons on their behalf and by their own means; diesel used for the operating needs of rail transport vehicles for people and goods; diesel and kerosene used for air transport needs.

⁵ Article 94 of the CGI

However ; does not give rise to the right to deduction, the tax having been imposed on passenger transport vehicles, excluding those used for the needs of public transport or the collective transport of company staff or when they are delivered or financed as gift.

Also exempt from value added tax on imports: boats of any tonnage used for maritime fishing; aircraft reserved for regular international commercial air transport as well as equipment and spare parts intended for the repair of these aircraft; seagoing vessels, ships, boats, liners and craft capable, by their own means, of holding the sea as means of transport and carrying out mainly maritime navigation; coaches, trucks and related capital goods, to be recorded in a fixed asset account, acquired by international road transport companies; trains and railway equipment intended for the transport of passengers and goods.

2.1.3- Private education and vocational training sector and winners of higher education and vocational training diplomas

2.1.3.1- Corporate tax

Private educational or professional training establishments benefit from the reduced rates defined in the progressive scale with a capping of the marginal rate of this scale at the specific rate of 20% for corporate tax, during the (5) first consecutive years following the date of their operation.

2.1.3.2- Income tax

Temporary taxation at the reduced rate of 20% for income tax, applied to private educational or professional training establishments, during the first five consecutive financial years following the date of the start of their operation;

Exemption from the gross monthly internship allowance capped at 6,000 DH, paid to interns, graduates of higher education or professional training or holders of a baccalaureate, recruited by private sector companies. This exemption is granted to trainees for a period of 24 months. When the amount of compensation paid is greater than the ceiling of 6,000 dhs , the company and the trainee lose the benefit of the exemption.

This exemption is granted under the following conditions: trainees must be registered with the National Agency for the Promotion of Employment and Skills (ANAPEC) governed by Law No. 51-99 promulgated by Dahir No. 1-00-220 of June 5, 2000; the same trainee cannot benefit from this exemption twice; the employer must undertake to carry out the final recruitment of at least 60% of said interns.

Exemption from gross monthly salary capped at ten thousand (10,000) dirhams, for a period of twenty-four (24) months from the date of recruitment of the employee, paid by a company, association or cooperative created during the period from January 1, 2015 to December 31, 2022 within the limit of ten (10) employees.

This exemption is granted under the following conditions: the employee must be recruited under an employment contract of indefinite duration; recruitment must be carried out within the first two years from the start date of operation of the company, association or cooperative.

Exemption from gross remuneration and allowances, occasional or not, paid by a company to students registered in the doctoral cycle and whose monthly amount does not exceed six thousand (6,000) dirhams, for a period of thirty-six (36) months from the date of conclusion of the research contract.

This exemption is granted under the following conditions: the above-mentioned students must be registered in an establishment which ensures the preparation and delivery of the doctoral diploma; the above-mentioned remuneration and allowances must be granted within the framework of a research contract; the above-mentioned students can only benefit from this exemption once.

❖ **Exemption from salaries paid for the first hires of young people.**

The finance law for the year 2021 provided, as a transitional measure, for the exemption in terms of IR of the salary paid by a company, association or cooperative, regardless of the date of its creation, to an employee at the occasion of his first recruitment, and this, during the first 36 months from the date of said recruitment.

This exemption is granted under the following conditions: the employee must be recruited under an employment contract of indefinite duration, concluded during the period from January 1, 2021 to December 31, 2021; the age of the employee must not exceed 35 years on the date of conclusion of his first employment contract.

To benefit from the 36-month exemption, the employee must present to his employer any document attesting that he has never been identified as an insured person with the CNSS by an employer. The aforementioned exemption also benefits interns registered with the national agency for the promotion of employment and skills, who have just completed the 24-month internship period.

Furthermore, it should be noted that employers must produce a declaration including the list of employees benefiting from the above-mentioned exemption in accordance with the provisions of article 79-V of the CGI.

❖ **Exemption from salaries paid to employees who involuntarily lost their jobs, due to the repercussions of the spread of the Coronavirus pandemic (Covid -19)**

The finance law for the year 2021 provided, as a transitional measure, for the exemption from IR of the gross monthly salary capped at 10,000 dirhams paid by a company, association or cooperative to an employee who has involuntarily lost his employment for economic reasons linked to the repercussions of the Coronavirus pandemic during the period from March 1, 2020 to September 30, 2020.

This benefit is granted to the employee concerned for the first 12 months from the date of recruitment subject to compliance with the following conditions: The employee must be recruited during 2021; the employee must have benefited from the job loss fund in accordance with the provisions of law n° 03-14 modifying and supplementing the dahir relating to law n° 1-72-184 of 15 jomada II 1392 (July 27, 1972) relating to social security scheme; the employee cannot benefit from the aforementioned exemption twice.

To benefit from this exemption, the employer must require the new employee to produce any document: certifying the loss of employment between March 1 and September 30, 2020 due to the repercussions of the health crisis; and justifying the benefit of compensation for loss of employment. Furthermore, it should be noted that employers must produce a declaration including the list of employees benefiting from the above-mentioned exemption in accordance with the provisions of article 79-V of the CGI.

2.1.3.3- Value Added Tax

❖ **Are exempt without right of deduction:**

Services relating to catering, transport and school leisure activities provided by private educational establishments for the benefit of pupils and students who are registered in these establishments and continuing their studies there; interest on loans granted by credit institutions and similar organizations to students in private education or vocational training intended to finance their studies.

❖ **Are exempt with right of deduction:**

capital goods acquired and registered in a fixed asset account by private educational or vocational training establishments, excluding motor vehicles other than those reserved for collective school transport and specially adapted for this purpose. This exemption applies to goods acquired over a period of 36 months from the start of activity; - capital goods, materials or tools acquired by vocational training graduates; sales relating to educational, scientific or

cultural materials imported free of duties and taxes applicable to imports in accordance with the UNESCO agreements to which Morocco has adhered, on behalf of the user establishments; construction operations of housing estates, residences and university campuses carried out by real estate developers for a maximum period of three (3) years from the date of authorization to construct structures consisting of at least fifty (50) rooms, whose accommodation capacity is a maximum of two (2) beds per room, within the framework of an agreement concluded with the State, accompanied by specifications.

❖ **Are exempt on import :**

capital goods acquired and registered in a capital account by private educational or vocational training establishments, excluding motor vehicles other than those reserved for collective school transport and specially adapted for this purpose. This exemption is applies to goods acquired over a period of 36 months from the start of activity; new or used capital goods, materials or tools, the importation of which is authorized by the Administration, imported by vocational training graduates; educational, scientific or cultural materials imported within the framework of the UNESCO agreements to which Morocco adhered under Dahirs No. 1.60.201 and 1.60.202 of 14 Joumada I 1383 (October 3, 1963).

2.1.3.4- Professional tax and tax on municipal services

Permanent total exemption from these taxes for private general education or vocational training establishments, for premises used for the instruction and housing of students.

2.1.4- Real estate sector

Real estate developers creating social housing, housing with low real estate value or housing intended for the middle class within the framework of agreements signed with the State benefit from:

2.1.4.1- Social housing

❖ **Developers who create social housing**

Real estate developers, legal entities or natural persons falling under the real net income regime, are exempt for all of their acts, activities and income relating to the construction of social housing, from the following taxes and duties: corporate tax; income tax; registration and stamp duties; professional tax; the tax on undeveloped urban land; the tax on construction operations; the special tax on cement; registration fees on land titles.

Only real estate developers who carry out their operations within the framework of an agreement concluded with the State, accompanied by specifications, aimed at carrying out a construction program of at least five hundred (500) social housing units, spread over a maximum period of five (5) years from the date of issuance of the first building authorization. Real estate developers can conclude with the State, under these same conditions, an agreement for the implementation of a construction program of at least one hundred (100) social housing units in rural areas.

However, these real estate developers may transfer at the sale price with application of value added tax, at most 10% of the social housing built, for the purpose of rental to lessors who are legal entities or individuals falling under the real net income regime in the conditions provided for by the CGI. Real estate developers are required to submit a building authorization request to the competent services within a period not exceeding six (6) months from the date of conclusion of the agreement. In the event of non-compliance with this condition, the agreement is deemed void.

They must also keep separate accounts for each program and attach to the declaration provided for in articles 20, 82, 85 and 150 of the general tax code: • a copy of the agreement and the specifications for the first year; • a statement of the number of housing units built

within the framework of each program as well as the amount of the related turnover; • a statement showing, where applicable, the number of housing units transferred to the lessors referred to above for rental purposes and the amount of the related turnover; • a statement showing, with regard to the value added tax declarations, the turnover achieved in respect of the transfers of the aforementioned housing, the corresponding tax and the deductible taxes relating to the expenses incurred, in respect of the construction of said accommodation.

Exemption from registration fees is obtained for land acquired from January 1, 2010, under the conditions provided for in article 130-II of the general tax code. This exemption is also granted to the acquisition of land as part of a “ Murabaha ” contract concluded from January 1, 2020.

❖ **Social housing landlords**

Lessors, legal entities or natural persons, who conclude an agreement with the State for the purpose of acquiring at least twenty-five (25) social housing units, with a view to using them for a minimum period of eight (8) years for rental for main residential use, benefit for a maximum period of eight (8) years, from the year of the first rental contract from: exemption from corporate tax or income tax in respect of their professional income relating to said rental; exemption from corporate tax or income tax in respect of the capital gain realized in the event of transfer of the aforementioned housing beyond the period of eight (8) years.

These accommodations must be acquired within a period not exceeding twelve (12) months from the date of signing of said agreement and rented within a period not exceeding six (6) months from the date of acquisition of said housing.

Notwithstanding any provisions to the contrary, the amount of rent is set at a maximum of two thousand (2000) dirhams.

The tenant is required to provide the lessor with a certificate issued by the tax administration justifying that he is not subject in the municipality considered to income tax in respect of property income, housing tax and the municipal services tax levied on buildings subject to housing tax. However, the owner of the joint ownership subject, as such, to the housing tax and the municipal services tax can also benefit from the rental of this type of accommodation. In the event of non-compliance with these conditions, this agreement is deemed void. To benefit from these exemptions, lessors are required to keep separate accounts for the rental activity and attach to the declaration provided for, as the case may be, in articles 20, 82 or 85 and 150 of the general tax code.

- a copy of the agreement, with regard to the first year;
- a statement showing the number of housing units rented and the duration of the rental per housing unit as well as the amount of the related turnover.

If all or part of these accommodations are not allocated for rental under the conditions provided for, a revenue order is issued for the recovery of corporate tax or income tax, without having to resort to the procedure for rectifying the tax bases and without prejudice to the application of related fines, penalties and increases.

Notwithstanding any provisions to the contrary, real estate developers having concluded agreements with the State for the implementation of social housing construction programs for which the building authorization is issued before the date of the start of the state of health emergency declared on the the entire national territory to deal with the spread of the corona virus “ covid -19”, under decree no. 2-20-293 of 29 rejev 1441 (March 24, 2020), benefit from an additional period of one year.

2.1.4.2- Housing with low real estate value

❖ **Real estate developers who create housing with low real estate value**

Real estate developers, legal entities or natural persons falling under the real net profit regime, are exempt for their actions, activities and income relating to the creation of housing with low

real estate value, intended in particular for the prevention and fight against housing unsanitary, taxes, duties and levies below: corporate tax; income tax; value added tax ; registration rights, duties, taxes, royalties and contributions collected for the benefit of the State; registration fees on land titles.

Housing with low real estate value means any housing unit whose covered area is from fifty (50) to sixty (60) square meters and whose first sale price must not exceed one hundred and forty thousand (140,000) dirhams. .

Can benefit from these exemptions, real estate developers who undertake, within the framework of an agreement, to conclude with the State, accompanied by specifications, to carry out an integrated construction program of two hundred (200) housing in an urban area and/or fifty (50) housing units in a rural area.

These accommodations are intended, as main residence, for citizens or foreigners residing in Morocco in a regular situation whose monthly income does not exceed twice (2) the guaranteed interprofessional minimum salary or its equivalent, provided that they do not own a home in the municipality in question.

Owners in joint ownership subject, as such, to housing tax and municipal services tax can acquire this type of housing.

However, the aforementioned real estate developers may transfer at the sale price with application of the value added tax, at most 10% of the housing with low real estate value built, for the purpose of rental to lessors legal entities or natural persons covered by the regime of actual net income under the conditions provided for by the CGI.

Said accommodation must be built in accordance with the legislation and regulations in force regarding town planning. This construction program must be carried out within a maximum period of five (5) years from the date of obtaining the first building authorization.

The aforementioned real estate developers are required to submit a building authorization request to the competent services within a period not exceeding six (6) months from the date of conclusion of the agreement. In the event of non-compliance with this condition, the agreement is deemed void.

They must also keep separate accounts for each program and attach to the declaration provided for in articles 20, 82, 85 and 150 of the general tax code: a copy of the agreement and the specifications for the first year; a statement of the number of housing units built within the framework of each program as well as the amount of the related turnover; a statement showing, where applicable, the number of housing units transferred to lessors for rental purposes and the amount of the related turnover.

In order to benefit from the exemption from registration fees, the real estate developer must: include in the acquisition contract its commitment to carry out the program within the deadline set in the CGI; produce a bank guarantee or grant a mortgage for the benefit of the State, under the conditions and according to the modalities set by article 130-II of the CGI.

❖ **Lessors of housing with low real estate value**

Lessors, legal entities or natural persons, who conclude an agreement with the State for the purpose of acquiring at least twenty (20) housing units with low real estate value, with a view to using them for a minimum period of eight (8) years for rental for main residential use, benefit for a maximum period of eight (8) years from the year of the first rental contract from: exemption from corporate tax or income tax in respect of their professional income relating to said rental; exemption from corporate tax or income tax for the capital gain realized in the event of sale of housing beyond the period of eight (8) years; These accommodations must be acquired within a period not exceeding twelve (12) months from the date of signing of said agreement and rented within a period not exceeding six (6) months from the date of acquisition of said housing.

NB: Notwithstanding any provisions to the contrary, the amount of the rent is set at a maximum of one thousand (1000) dirhams.

The tenant is required to provide the lessor with a certificate issued by the tax administration justifying that he is not subject in the municipality considered to income tax in respect of property income, housing tax and the municipal services tax levied on buildings subject to housing tax.

However, the owner of the joint ownership subject, as such, to the housing tax and the municipal services tax can also benefit from the rental of this type of accommodation. In the event of non-compliance with these conditions, this agreement is deemed void.

To benefit from the aforementioned exemptions, lessors are required to keep separate accounts for the rental activity and attach to the declaration provided for, as the case may be, in Articles 20, 82 or 85 and 150 of the CGI: a copy of the agreement and the specifications, with regard to the first year; a statement showing the number of housing units rented, the duration of the rental per housing unit as well as the amount of the related turnover.

2.1.4.3- Housing intended for the middle class

❖ Developers who create housing intended for the middle class

Real estate developers, legal entities or natural persons falling under the real net profit regime, who carry out, within the framework of a call for tenders and an agreement concluded with the State, accompanied by specifications, a program construction of at least one hundred and fifty (150) dwellings, spread over a maximum period of five (5) years from the date of issue of the first building authorization, must transfer these dwellings to buyers who benefit from the exemption registration and stamp duties, under the following conditions: the sales price per square meter covered must not exceed six thousand (6,000) dirhams, excluding value added tax; the covered area must be between eighty (80) and one hundred and fifty (150) square meters. The surface area means the gross areas including, in addition to the walls and main rooms, the following annexes: vestibule, bathroom or powder room, fences and outbuildings (cellar, laundry room and garage) whether or not these are included in the main construction. When it concerns an apartment constituting a divided part of a building, the surface area includes, in addition to the surface area of the residential premises, the fraction of the common areas allocated to the apartment in question, this being counted at least at 10%; the accommodation must be intended for citizens or foreigners residing in Morocco in a regular situation whose monthly income net of tax does not exceed twenty thousand (20,000) dirhams and allocated to their main residence for a period of four (4) years to from the date of conclusion of the acquisition contract.

❖ Obligations of buyers of housing intended for the middle class

The buyer is required to provide the real estate developer concerned: a certificate justifying the monthly income net of tax, which must not exceed twenty thousand (20,000) dirhams; a certificate issued by the tax administration justifying that it is not subject to income tax in respect of property income, to housing tax and to the municipal services tax based on buildings subject to the housing tax.

However, this type of accommodation can also be acquired by the owner in joint ownership subject, as such, to housing tax and municipal services tax.

The act of acquisition of housing under these conditions must include the purchaser's commitment to grant for the benefit of the State a first or second rank mortgage, as a guarantee of payment of simple registration fees at the rate of 4%, as well as the penalty and the increases which would be payable, in the event that this commitment has not been respected.

Real estate developers are required to submit a building authorization request to the competent services within a period not exceeding six (6) months from the date of conclusion

of the agreement. In the event of non-compliance with this condition, the agreement is deemed void.

❖ **Documents to request the release of the mortgage:**

The release of the mortgage can only be issued by the tax inspector responsible for registration after production by the interested party of documents justifying that the aforementioned accommodation has been assigned to his main residence for a period of four (4) years. These documents are: a release request; a copy of the sales contract; a copy of the national identity card including the address of the accommodation subject to the mortgage or a certificate of residence indicating the length of effective residence at said address; copies of receipts for payment of the municipal services tax.

As part of the measures aimed at reviving sectors affected by the Coronavirus (Covid - 19) pandemic and supporting household demand for the acquisition of real estate, the amending finance law for the year 2020 established a temporary measure (article 247 bis-II) aimed at reducing registration fees until December 31, 2020, up to: 100%, for acts relating to the first sale of social housing and housing with low real estate value as defined, respectively, in articles 92 (I-28°) and 247 (XII-A) of the CGI as well as acts relating to the first acquisition of said accommodation by credit institutions and similar organizations, subject of commercial or financial operations, within the framework of a “ Mourabaha ”, “ Ijara ” contract Moutahia Bitamlik ” or “ Musharaka Moutanakissa ”; 50%, for acts relating to the acquisition, for valuable consideration, of bare land intended for the construction of housing or built premises intended for residential use as well as the acquisition of said land and premises by credit institutions or similar organizations, subject commercial or financial operations, within the framework of a “ Mourabaha ”, “ Ijara ” contract Moutahia Bitamlik ” or “ Musharaka Moutanakissa .

In addition, the finance law for the year 2021 provides for: raise the threshold of the total tax base from 2,500,000 to 4,000,000 dirhams; extend the deadline for applying the 100% and 50% reduction until June 30, 2021.

2.1.4.4- Real estate developers creating cities; residences and university campuses

Real estate developers who act within a conventional framework with the State accompanied by specifications, with a view to carrying out, within a maximum period of 3 years from the date of the building permit, a program for the construction of cities, residences and university campuses consisting of at least 50 rooms with a maximum accommodation capacity of two (2) beds per room benefit from incentive measures in terms of corporate tax, income tax, value added tax and registration and stamp duties.

2.1.4.4.1- Corporate tax

The application of the reduced rates defined in the progressive scale with a cap on the marginal rate of this scale at 20% for corporate tax for a period of five (5) years from the date of obtaining the permit to live. To benefit from these rates, real estate developers must keep separate accounts for each construction operation of housing estates, residences and university campuses, and attach to the declaration provided for in articles 20 and 150 of the general tax code: a copy of the agreement and the specifications for the first year; a statement of the number of rooms created as part of each construction operation for housing estates, residences and university campuses as well as the amount of the related turnover.

2.1.4.4.2- Income tax

The application of the reduced rate of 20% for income from the rental of these buildings during the first five (5) years from the date of obtaining the residence permit under the same conditions provided for in terms of 'Corporation tax.

2.1.4.4.3- Value Added Tax

Exemption from value added tax with benefit of the right of deduction, for the construction of cities, residences and university campuses carried out by real estate developers for a maximum period of three (3) years from the date of authorization of build structures consisting of at least fifty (50) rooms, with a maximum accommodation capacity of two (2) beds per room, within the framework of an agreement concluded with the State, accompanied by a notebook charges.

2.1.4.4.4- Registration Rights

Exemption from acts of acquisition by real estate developers, legal entities or natural persons falling under the real net profit regime, of bare land or comprising buildings intended to be demolished and reserved for the carrying out of construction operations for cities, residences or college campuses.

2.1.5- Sports sector

2.1.5.1- Sports federations and associations recognized as being of public utility

2.1.5.1.1- Corporate tax

Sports federations and associations recognized as being of public utility benefit from: permanent exemption from corporate tax, for all of their activities or operations and for any related income; the deduction of donations in money or in kind granted to the Moroccan National Olympic Committee and to regularly established sports federations.

2.1.5.1.2- Value Added Tax

Exemption without right to deduction from value added tax for all activities and operations carried out by sports federations recognized as being of public utility, as well as sports companies established in accordance with the provisions of Law No. 30-09 relating to physical education and sports;

Exemption from the importation of sports goods and equipment intended to be delivered as a donation to sports federations or to the National School Sports Federation or to the National University Sports Federation, governed by law no. 30-09 relating to physical education and sports.

2.1.5.2- Sports societies

2.1.5.2.1- Corporate tax

Sports companies established in accordance with the provisions of Law No. 30-09 relating to physical education and sports benefit from:

total exemption from corporate tax for a period of five (5) consecutive financial years, starting from the first financial year of operation;

reduced rates defined in the progressive scale with a cap on the marginal rate of this scale at 20% beyond this period.

2.1.5.2.2- Income Tax

The application of a 50% deduction for the determination of net income subject to income tax for salaries paid to professional athletes, coaches, educators and the technical team.

To benefit from this reduction, coaches, educators and the technical team must hold a professional sports contract within the meaning of the provisions of Law No. 30-09 relating to physical education and sports and a license issued by sports federations.

2.1.5.2.3- Value Added Tax

All activities and operations carried out by sports companies established in accordance with the provisions of Law No. 30-09 relating to physical education and sports are exempt without right to deduction from value added tax. for a period of five (5) years from January 1, 2020 until December 31, 2024.

2.1.5.2.4- Registration rights

Exempt from registration fees are acts and writings by which sports associations contribute part or all of their assets and liabilities to sports companies established in accordance with the provisions of Law No. 30- 09 relating to physical education and sports.

2.1.5.2.5- Capital gains noted or realized during or at the end of operations

The operation of contribution by a sports association of part or all of its assets and liabilities to a sports company, in accordance with the provisions of Law No. 30-09 relating to physical education and sports, may be carried out without impact on its tax result, when the elements contributed are recorded in the balance sheet of the sports company concerned at their value appearing in the last closed balance sheet of the association before this operation.

2.1.6- Agricultural sector

Are considered as agricultural income the profits made by a farmer and/or breeder and coming from any activity inherent to the exploitation of a cycle of plant and/or animal production whose products are intended for human and/or animal food , as well as processing activities for these products with the exception of processing activities carried out by industrial means.

Animal production in the agricultural sector concerns that resulting from the breeding of cattle, sheep, goats, camels, poultry and horses.

Also considered as agricultural income are the income earned by the aggregators themselves, farmers and/or breeders.

2.1.6.1- Income Tax / or Corporate Tax

Permanent total exemption from IS and IR for farmers who have a turnover of less than 5,000,000 dirhams. However, when the turnover achieved during a given financial year is less than five million (5,000,000) dirhams, this exemption is only granted when this turnover has remained below this amount for three (3) consecutive exercises.

Permanent taxation at reduced corporate tax rates:

Agricultural operations benefit from the reduced rates defined in the progressive scale with a cap on the marginal rate of this scale for this category of companies at 20% for corporate tax.

Permanent taxation at the reduced income tax rate: Agricultural operations benefit, in terms of net taxable income, from the 20% income tax rate.

❖ Income tax reduction:

Taxable agricultural operators benefit from a tax reduction equal to the amount of tax corresponding to the amount of their investment in the capital of innovative companies in new technologies, as provided for by article 6-IV of the general code taxes, provided that the securities received in return for this participation are recorded in a fixed asset account. This reduction is applied to the amount of income tax due for the financial year during which this participation took place under the conditions provided for in Article 7-XII of the General Tax Code.

❖ **Contribution of the agricultural assets of one or more natural persons to a company liable for corporate tax.**

Individual farmers or co-owners in joint ownership subject to IR for their agricultural income and who achieve a turnover greater than or equal to five million (5,000,000) dirhams are exempt from IR. for the net capital gain realized following the contribution of all the assets and liabilities of their agricultural holdings to a company subject to IS for agricultural income under the following conditions: the contribution elements must be evaluated by a contribution auditor, chosen from among the persons authorized to exercise the functions of auditor;

- Farmers must submit the declaration for their agricultural income determined according to the real net income regime and earned for the year preceding that during which the contribution was made; The transfer of securities acquired by the agricultural operator in return for the contribution of the elements of his agricultural operation must not take place before the expiration of a period of four (4) years from the date of acquisition of these securities.

The benefit of this advantage is acquired subject to deposit, by the company receiving the contribution, of a declaration, in duplicate, drawn up on or according to a printed model established by the administration, with the local tax service of the place of tax domicile or principal establishment of the agricultural operator who made this contribution, within sixty (60) days from the date of the act of contribution.

2.1.6.2- Value Added Tax

2.1.6.2.1- Inside

❖ **Exemption without right to deduction:**

- raw sugar, we should mean beet sugar, cane sugar and similar sugars (sucrose)
- packaged dates produced in Morocco;
- water pumps that run on solar energy or any other renewable energy used in the agricultural sector.

❖ **Exemption with right to deduct:**

- fertilizers and mixtures composed of pest control products, microelements and fertilizers, in which the latter are predominant;
- equipment listed in article 92-5° of the general tax code, when it is intended for exclusively agricultural use.

❖ **Application of VAT at the reduced rate of 10%:**

- food intended for feeding livestock and farmyard animals as well as the cakes used in their manufacture to the exclusion of other simple foods such as cereals, offal, pulp, spent grain and straw;
- equipment for exclusively agricultural use listed in article 99 - 2° of the general tax code.

2.1.6.2.2- On import

The application of value added tax on imports is the responsibility of the customs and indirect tax administration, in accordance with the provisions of the general tax code.

Application of VAT at the reduced rate of 10%: equipment for exclusively agricultural use listed in article 99-2 of the general tax code; edible fluid oils excluding palm oil, refined or unrefined, as well as seeds, oleaginous fruits and vegetable oils used for the manufacture of said edible fluid oils; with corn and barley; to cakes and simple foods such as: offal, pulp, dregs, straw, soy hulls, corn dregs and fibers, dry beet pulp, dehydrated alfalfa and pellitized bran , intended for feeding livestock and livestock. farmyard; with cassava and grain sorghum.

Exemption from value added tax on imports for: live purebred animals of the equine, bovine and sheep species as well as goats, camelids, ostriches and hatching eggs of ostriches; fertilizers covered by Chapter 31 of the tariff of customs duties, potassium nitrate for use as fertilizer (tariff heading 2834.21.10), potassium phosphate for use as fertilizer (tariff heading 2835.24.10), polyphosphate of potassium for fertilizer use (tariff heading 2835.39.10), beet salts (tariff headings 2621.00.20/30) and other nitrates (tariff headings 2834.29.10/90); bulbs, onions, tubers, tuberous roots, stems and rhizomes, in vegetative rest; the products and materials referred to in 5° of I of Article 92 of the General Tax Code; chickpeas, lentils and beans in their natural state.

Exemption without right of deduction for: raw sugar, we mean beet sugar, cane sugar and similar sugars (sucrose); packaged dates produced in Morocco; water pumps that run on solar energy or any other renewable energy, used in the agricultural sector.

❖ **Recovery of non-apparent value added tax**

By way of derogation from the provisions of Articles 101 and 104 of the General Tax Code, the following gives the right to deduct value added tax not apparent on the purchase price: legumes, unprocessed fruits and vegetables, of local origin, intended for agri-food production sold locally; unprocessed milk of local origin, intended for the production of milk derivatives other than those referred to in Article 91 (IA-2°) of the general tax code, sold locally.

2.1.6.3- Registration Right

The act recording the contribution of the agricultural assets of one or more natural persons to a company liable for corporate tax is only subject to a fixed registration fee of 1,000 dirhams.

2.1.6.4- Professional tax

Benefit from the permanent total exemption: agricultural operators, for sales made outside any shop or store, the handling and transport of crops and fruits from the land they operate as well as the sale of live animals that they raise there and of the products of the livestock whose transformation has not been carried out by industrial means.

Excluded from this exemption are persons who carry out a professional activity relating to the purchase, sale and/or fattening of live animals; associations of agricultural water users for the activities necessary for their operation or the achievement of their purpose, governed by law n° 02-84 promulgated by dahir n° 1-87-12 of 3 jomada II 1411 (December 21 1990).

2.1.7- Mining sector

Corporate tax: Exporting mining companies benefit from the reduced rates defined in the progressive scale with a capping of the marginal rate of this scale for this category of companies at 20% for corporate tax from the financial year during which the first export operation has been carried out. Mining companies that sell their products to companies that export them after their valorization also benefit from these rates.

Income Tax : Exporting mining companies benefit from permanent taxation at the reduced rate of 20% for income tax for the net taxable income generated by these companies.

2.1.8- Tourism sector

2.1.8.1 -Corporate Tax

Hotel companies benefit, in respect of their hotel establishments for the part of the tax base corresponding to their turnover generated in currencies duly repatriated directly by them or on their behalf through travel agencies, from: total exemption from corporate tax for a period of 5 consecutive years which runs from the financial year during which the first hosting operation was carried out in foreign currencies; the application of the reduced rates defined in the progressive scale with a capping of the marginal rate at 20% for corporate tax beyond this

period. Also benefit from the exemption and taxation at the aforementioned rates for the part of the taxable base corresponding to their turnover generated in foreign currencies duly repatriated directly by them or on their behalf through travel agencies; management companies for real estate residences for tourist promotion, as defined by Law No. 01-07 enacting specific measures relating to real estate residences for tourist promotion and modifying and supplementing Law No. 61-00 relating to the status of tourist establishments, promulgated by Dahir No. 1-08-60 of 17 Jomada I 1429 (May 23, 2008); tourist entertainment establishments whose activities are determined by regulation.

To benefit from this exemption and the application of reduced rates, the hotel companies and tourist entertainment establishments concerned must produce, at the same time as the declaration of tax results, a statement showing: all products corresponding to the taxable base; the turnover achieved in foreign currencies by each hotel establishment, as well as the part of this turnover totally or partially exempt from tax.

2.1.8.2- Income Tax

Hotel companies and tourist entertainment establishments benefit from: total exemption from income tax for a period of 5 consecutive years which runs from the financial year during which the first accommodation transaction was carried out in foreign currency; taxation at the reduced rate of 20% beyond this period.

To benefit from this exemption and the application of the reduced rate of 20%, the hotel companies and tourist entertainment establishments concerned must produce, at the same time as the declaration of total income, a statement showing: all products corresponding to the taxable base; the turnover achieved in foreign currencies by each hotel establishment, as well as the part of this turnover totally or partially exempt from tax.

2.1.8.3- Value Added Tax

Application of the reduced rate of 10% with right of deduction in favor of accommodation and catering operations and also rental operations of buildings used as hotels, motels, holiday villages or real estate complexes at destination tourist, fully or partially equipped, including the restaurant, the bar, the dance hall, the swimming pool, to the extent that they are an integral part of the tourist complex.

2.1.8.4- Professional tax

The rental value serving as a basis for calculating the professional tax applicable for hotel establishments is determined by applying to the cost price of the constructions, equipment, tools, fixtures and fittings of each establishment, the following coefficients fixed according to the overall cost of the elements physical assets of the establishment in question, whether operated by its owner or by the tenant:

- 2% when the cost price is less than 3,000,000 dirhams ;
- 1.50% when the cost price is equal to or greater than 3,000,000 and less than 6,000,000 dirhams ;
- 1.25% when the cost price is equal to or greater than 6,000,000 and less than 12,000,000 dirhams ;
- 1% when the cost price is equal to or greater than 12,000,000 dirhams .

2.1.8.5- Registration rights

Exemption from registration fees for acts relating to the acquisition of bare land intended for the construction of hotel establishments, subject to the following conditions: the purchaser must undertake to carry out the construction operations of the hotel establishment within a maximum period of six (6) years from the date of acquisition of the bare land; the purchaser must, as a guarantee of payment of simple registration fees and, where applicable, of the

penalty and increases which would be payable if this commitment has not been respected, grant for the benefit of the State a mortgage in the conditions and terms provided for in the CGI; the mortgage is released only upon presentation by the hotel establishment of the certificate of conformity issued by the competent administration; the land acquired and the constructions carried out must be kept as assets of the owning company for at least ten (10) years from the date of the start of operation.

2.1.9- Hydrocarbons sector

2.1.9.1- Corporate tax

Total exemption for a period of 10 years in favor of the holder of a concession for the exploitation of hydrocarbon deposits from the date of regular production.

Exemption of profits and dividends distributed by holders of a hydrocarbon deposit exploitation concession from withholding tax relating to proceeds from shares or shares and similar income.

2.1.9.2- Value Added Tax

Exemption with right of deduction for acquisition operations, goods and services necessary for the activity of holders of reconnaissance authorizations, research permits or operating concessionaires as well as their contractors and subcontractors.

Also gives right to deduction, the tax having imposed: diesel used for the operating needs of collective road transport vehicles for people and goods as well as the road transport of goods carried out by taxable persons on their behalf and by their own means; diesel used for the operating needs of rail transport vehicles for people and goods; diesel and kerosene used for air transport needs.

Are exempt from value added tax on import, hydrocarbons intended for the refueling of ships carrying out navigation on the high seas and aeronautical devices, carrying out navigation beyond the borders to foreign countries and admitted free of customs duties under the conditions set by the customs and indirect taxes code.

Application of the reduced rate of 10% with right of deduction to sales and deliveries relating to petroleum gas and other gaseous hydrocarbons, crude or refined petroleum or shale oils.

2.1.9.3- Professional tax

Holders of a research permit or an operating concession benefit from total exemption from professional tax.

2.1.10- Craft sector

2.1.10.1- Corporate tax

Craft businesses whose production is the result of essentially manual work benefit from the reduced rates defined in the progressive scale with a cap on the marginal rate of this scale for this category of businesses at 20% for income tax. companies, and this during the first (5) consecutive financial years following the date of the start of their operation.

2.1.10.2- Income Tax

Craft businesses whose production is the result of essentially manual work benefit from temporary taxation at the reduced rate of 20% for income tax during the first five consecutive financial years following the date of the start of their operation. .

2.1.11- Incentives for savings

Tax incentives have been introduced for the benefit of share savings plans, housing savings plans, education savings plans as well as for the granting of subscription options or the purchase of shares by a company to its employees.

2.1.11.1- Equity savings plan (PEA)

Exemption from income and profits from movable capital made within the framework of a share savings plan consisting of: shares and investment certificates, listed on the Moroccan stock exchange, issued by companies under Moroccan law; allocation and subscription rights relating to said shares; equity UCITS securities. However, securities acquired in the context of the allocation of options to subscribe or purchase shares of companies for the benefit of their employees and which benefit from exemption from the contribution borne by the employing company in the framework of the allocation of stock subscription or purchase options by this company to its employees decided by the extraordinary general meeting. Benefit from this exemption is subject to the condition that: the payments and the related capitalized products are kept in full in the said plan for a period equal to at least five (5) years from the date of opening of the said plan; the amount of payments made by the taxpayer in said plan does not exceed two million (2,000,000) dirhams.

In the event of non-compliance with these conditions, the plan is closed and the net profit made within the framework of the stock savings plan is subject to tax at the rate referred to in article 73 (II-C-1° -c) of the general tax code.

2.1.11.2- Housing savings plan (PEL)

Exemption from interest paid to the holder of a housing savings plan, as defined by the legislation and regulations in force in this area, provided that: the sums invested in this plan are intended for the acquisition or construction of accommodation for primary residential use; the amount of payments and related interest are fully retained for a period equal to at least 3 years from the date of opening of the plan; the amount of payments made by the taxpayer in this plan does not exceed four hundred thousand (400,000) dirhams.

In the event of non-compliance with the aforementioned conditions, the plan is closed and the income generated by the said plan is taxable under common law conditions.

2.1.11.3- Education savings plan (PEE)

Exemption from interest paid to the holder of an education savings plan, as defined by the legislation and regulations in force in this area, provided that: the sums invested in this plan are intended to finance the studies of dependent children in all education cycles as well as in professional training cycles; the amount of payments and related interest is fully retained for a period equal to at least 5 years from the date of opening of the plan; the amount of payments made by the taxpayer into the plan does not exceed three hundred thousand (300,000) dirhams per child.

In the event of non-compliance with the aforementioned conditions, the plan is closed and the income generated by the said plan is taxable under common law conditions.

2.1.11.4- Company savings plan (PPE)

Exemption from Income tax, the amount of the contribution paid by an employer to its employee within the framework of a PEE within the limit of 10% of the annual amount of taxable salary income.

Exemption from income and profits from movable capital made within the framework of a company savings plan for the benefit of employees consisting of: shares and investment certificates, listed on the Moroccan Stock Exchange, issued by companies under Moroccan law; allocation and subscription rights relating to said shares; equity UCITS securities.

However, securities acquired in the context of the allocation of options to subscribe or purchase shares of companies for the benefit of their employees and which have benefited from the provisions provided for in article 57-14° of the general code are excluded. taxes.

Benefit from this exemption is subject to the following conditions: the payments and the related capitalized products are kept in full in the said plan for a period at least equal to five (5) years from the date of opening of the said plan; the amount of payments made in said plan does not exceed two million (2,000,000) dirhams.

In the event of non-compliance with one of the aforementioned conditions, the net profit made within the framework of the company savings plan is subject to tax at the rate referred to in article 73 (II-C-1°-c) of the general tax code.

2.1.11.5- Incentive in favor of the allocation of subscription or purchase of shares by the company to its employees

Exemption from the contribution borne by the employing company in the context of the allocation of stock subscription or purchase options by the said company to its employees decided by the extraordinary general meeting.

By “contribution” we mean the part of the share price borne by the company and resulting from the difference between the value of the share on the date the option is granted and the share price paid. by the employee. However, the exemption is subject to the following two conditions: the contribution must not exceed 10% of the value of the share on the date the option is granted. Failing this, the fraction exceeding the contribution rate is considered as a salary supplement imposed at the rate of the scale set in I of Article 73 of the General Tax Code, for the year in which the contribution is lifted. The shares acquired must be in registered form and their transfer must not take place before a period of unavailability of 3 years from the date of exercise of the option.

In this case, the difference between the value of the share on the date the option is exercised and its value on the date the option is granted will be considered as a taxable capital gain under the profits from movable capital at the time of sale of shares.

In the event of transfer of shares before the expiry of the period of unavailability, the exempt contribution and the aforementioned acquisition capital gain will be considered as additional salary imposed at the rate of the scale set in the general tax code. However, in the event of death or disability of the employee, the period of 3 years from the date of exercise of the option is not taken into account.

2.1.12- Tax incentives in favor of the stock market

2.1.12.1- Corporate taxes

Non-resident companies are completely exempt from corporate tax in respect of capital gains made on the transfer of securities listed on the Moroccan stock exchange, excluding those resulting from the transfer of securities of primarily real estate companies as defined in Article 61-II of the General Tax Code. Furthermore, securities listed on the Stock Exchange are not considered taxable products for the calculation of tax income.

2.1.12.2- Tax reduction for companies whose securities are listed on the stock exchange

Companies which introduce their securities on the stock exchange, by opening or increasing capital, benefit from a reduction in corporate tax for three (3) consecutive years from the financial year following that of their listing.

The rate of this reduction is set as follows: 25% for companies which introduce their securities on the stock exchange by opening their capital to the public and this, through the sale of existing shares; 50% for companies which introduce their securities on the stock

exchange by capital increase of at least 20% with waiver of preferential subscription rights, intended to be distributed to the public concomitantly with the IPO of these companies.

This measure is not applicable to credit institutions, insurance, reinsurance and capitalization companies, public service concession companies and companies whose capital is held totally or partially by the State or a public authority or by a company whose capital is at least 50% held by a public authority.

2.2- Tax incentives in favor of certain geographical areas

2.2.1- Companies established in industrial acceleration zones

Within the meaning of the General Tax Code (CGI), “industrial acceleration zones” mean areas governed by Law No. 19-94 relating to export processing zones promulgated by Dahir No. 1-95- 1 of 24 chaabane 1415 (January 26, 1995). The expression “export processing zones” is replaced by “industrial acceleration zones” in the general tax code and in the texts adopted for its application.

2.2.1.1- Corporate tax

Companies operating in industrial acceleration zones benefit from: total exemption during the first five (5) consecutive financial years from the date of the start of their operation; the application of the specific rate set at 15% beyond the period of five (5) exemption years. However, companies which carry out their activities in said zones as part of a construction or assembly work site are subject to corporate tax under common law conditions.

2.2.1.2-Withholding tax for Corporate Tax

Are exempt from corporate tax withheld at source, dividends and other similar income from participations paid, made available or recorded in the accounts of non-residents, originating from activities carried out by companies established in the zones of industrial acceleration, governed by Law No. 19-94 promulgated by Dahir No. 1-95-1 of 24 Chaabane 1415 (January 26, 1995).

2.2.1.3-Income Tax

Companies operating in industrial acceleration zones benefit from: total exemption during the first five (5) consecutive financial years from the date of the start of their operation; taxation at the rate of 20% beyond this period. However, companies which carry out their activities in said zones as part of a construction or assembly work site are subject to income tax under common law conditions.

2.2.1.4-Value added tax

Products delivered and services rendered to industrial acceleration zones as well as operations carried out within or between these zones are exempt from value added tax with benefit of the right of deduction.

2.2.1.5- Registration rights

Acts of constitution and capital increase of companies established in industrial acceleration zones are exempt from registration fees. Also benefiting from the exemption are acquisitions by companies located in industrial acceleration zones of land necessary to carry out their investment project.

2.2.2- Casablanca Finance City (CFC)

The financial center called “Casablanca Finance City” under Law No. 44-10 promulgated by Dahir No. 1-10-196 of 7 Moharrem 1432 (December 13, 2010), is now governed by the

provisions of the decree-law No. 2-20-665 of 12 Safar 1442 (September 30, 2020) relating to the reorganization of “CASABLANCA FINANCE CITY”.

“Casablanca Finance City”, whose perimeter is delimited by regulation, is open to financial and non-financial companies.

The 2011 finance law provided for an incentive system in favor of “Casablanca Finance City” and which concerns corporate tax, income tax and registration fees. However, article 6-I of Finance Law No. 65-20 for the 2021 budget year introduced a measure to clarify the tax treatment applicable to certain financial companies with CFC status.

Thus, the provisions of article 6-I (B-4° and C-1°) of the CGI, have been modified to specify that the financial companies referred to in paragraphs 1 and 2 of article 4 of decree-law no. ° 2-20-665 of 12 Safar 1442 (September 30, 2020) relating to the reorganization of “Casablanca Finance City”, are excluded from the CFC tax regime.

The financial companies concerned are: credit institutions having this quality, in accordance with the legislation in force; insurance and reinsurance companies and insurance and reinsurance brokerage companies having this status, in accordance with the legislation in force.

2.2.2.1- Corporate tax

Service companies with the status of “Casablanca Finance City”, benefit from their export turnover and net capital gains from foreign sources realized during a financial year from: total exemption from corporate tax for a period of five (5) consecutive financial years, starting from the first financial year of granting CFC status; the application of a reduced rate of 15% beyond this period.

2.2.2.2- Permanent exemption from corporate tax withheld at source

Are exempt from corporate tax withheld at source, dividends and other similar income from participations paid, made available or recorded in accounts by companies with “Casablanca Finance City” status in accordance with the legislative and regulatory texts in force. force.

2.2.2.3- Income Tax

Salaries, emoluments and gross salaries paid to employees who work on behalf of service companies with the status of “Casablanca Finance City” are taxable at the rate of 20% for a maximum period of 10 years from the date of taking up their duties.

However, these employees can irrevocably request from their employer to be taxed according to the rates in the scale.

2.2.2.4- Registration Right

Exemptions from acts of incorporation and capital increase of companies with Casablanca Finance City status.

2.2.3- Companies carrying out service outsourcing activities inside or outside integrated industrial platforms dedicated to these activities

Companies carrying out service outsourcing activities inside or outside integrated industrial platforms dedicated to these activities, in accordance with the legislative and regulatory texts in force, benefit from: total exemption from corporate tax for the first five (5) consecutive financial years from the date of the start of their operation; the application of the reduced rates defined in the progressive scale with a capping of the marginal rate of this scale for this category of companies at 20% beyond this period.

2.2.4- Industrial companies carrying out activities established by regulation

Industrial companies carrying out activities established by regulation benefit from total exemption from corporate tax for the first five (5) consecutive financial years from the date of the start of their operation.

Furthermore, the reduced rates defined in the progressive scale with a cap on the marginal rate of this scale at 20% apply to: industrial companies carrying out activities established by regulation, in respect of their turnover corresponding to the manufactured products sold to the exporting companies which export them; industrial companies carrying out activities established by regulation, in respect of their turnover in foreign currencies made with companies established abroad or in industrial acceleration zones and corresponding to operations relating to products exported by others businesses.

2.3- Other tax incentives

2.3.1.1- Registration Rights

The following are exempt from registration fees: acts relating to variations in capital and modifications to the statutes or management regulations of undertakings for collective investment in transferable securities (UCITS) and undertakings for collective real estate investment (OPCI); acts relating to variations in capital and modifications to the statutes or management regulations of collective capital investment undertakings (OPCC), established by Law No. 41-05; acts relating to the constitution of securitization collective investment funds (FPCT), subject to the provisions of Law No. 33-06, to the acquisition of assets for operating needs or from the initiating establishment, the issue and transfer of securities by said funds, the modification of management regulations and other acts relating to the operation of said funds in accordance with the regulatory texts in force. Also benefits from the exemption, the subsequent repurchase of real estate assets by the initiating establishment within the meaning of Law No. 33-06, having previously been the subject of a transfer to the FPCT, as part of an operation securitization.

2.3.1.2- Corporate tax

Are exempt from corporate tax: undertakings for collective investment in transferable securities (UCITS), collective investment funds in securitization (FPCT) and undertakings for collective investment in capital (OPCC) for profits made within the framework of their legal purpose; real estate collective investment undertakings (OPCI), in respect of their activities and operations carried out. The benefit of exemptions for the benefit of real estate collective investment undertakings (OPCI) is subject to compliance with the following conditions: evaluate the elements provided to these organizations by a contribution auditor chosen from among the persons authorized to exercise the functions of auditor; keep the elements contributed to said organizations for a period of at least ten (10) years from the date of said contribution; distribute:

- at least 85% of the profit for the financial year relating to the rental of buildings constructed for professional and residential use;
- 100% of dividends and shares received;
- 100% of fixed income investment income received;
- at least 60% of the capital gain realized from the transfer of the securities.

2.3.1.3- Tax withheld at source for dividends received by these organizations

The following are exempt from corporate tax withheld at source:

- the proceeds from the following shares, shares and similar income: the sums distributed from deductions from profits for the depreciation of the capital of public service concession companies; the sums distributed from deductions

from profits for the repurchase of shares or shares of undertakings for collective investment in transferable securities (UCITS), governed by the dahir establishing law n° 1-93-213 and undertakings for collective investment real estate (OPCI); dividends received by undertakings for collective investment in transferable securities (UCITS), governed by Dahir law No. 1-93-213; dividends received by collective investment undertakings (OPCC), governed by Law No. 41-05; dividends received by (OPCI);

- ❖ interest and other similar products served to undertakings for collective investment in transferable securities (UCITS), to collective investment funds in securitization (FPCT), to undertakings for collective investment in capital (OPCC), to undertakings for collective real estate investment (OPCI) ;
- ❖ income from Sukuk certificates used for UCITS, FPCTs, OPCCs and OPCIs

2.3.1.4- Professional Tax

Benefit from permanent total exemption from professional tax: undertakings for collective investment in transferable securities (UCITS) governed by Dahir bearing law No. 1-93-213 of 4 Rabii II 1414 (September 21, 1993), for activities carried out within the framework of their legal purpose; collective investment funds in securitization (FPCT) governed by Dahir No. 1-08-95 of 20 Chaoual 1429 (October 20, 2008) promulgating Law No. 33-06 relating to the securitization of assets, for activities exercised within the framework of their legal purpose; venture capital investment organizations (OPCR) governed by Law No. 41-05 promulgated by Dahir No. 1-06-13 of 15 Moharrem 1427 (February 14, 2006), for activities carried out within the framework of their legal purpose .

2.3.2-Incentives for agencies for the promotion and economic and social development of northern prefectures and provinces; of the South and the Oriental

The territorial area of intervention of the Northern Agency extends over two regions: the Tanger-Tétouan region and the Taza-Al hoceima - Taounate region . The area of intervention of the Southern Agency includes all the municipalities in the regions of Guélmim , Essemara , Laayoune , Boujdour , Sakiat - el-Hamra and Oued- ed - Dahab - Lagouira . The area of intervention of the Oriental Agency includes all the Communes of the Prefecture of Oujda-Angad and the Provinces of Nador, Berkane, Taourirt , Jerada , Driouch , Guercif and Figuig. These agencies benefit from exemption from corporate tax for all of their activities or operations and for any related income. The amount or value of donations in cash or in kind granted to the said agencies by natural or legal persons constitute, for the donors, expenses fully deductible in terms of IS and IR. All activities carried out by these agencies benefit from permanent total exemption from professional tax and municipal services tax.

2.3.3- Incentives in favor of the Tanger-Mediterranean Special Agency

The Tanger-Mediterranean Special Agency benefits from total exemption from corporate tax for income linked to the activities it carries out in the name and on behalf of the State. Likewise, this agency, as well as the companies involved in the realization, development, operation and maintenance of the Tanger-Mediterranean special development zone project and which are setting up in the industrial acceleration zones in Article 1 of Decree-Law No. 2-02-644, benefit from the advantages granted to companies established in these zones.

2.3.3.1-Registration rights

Exemption from registration fees:

- ❖ The transfer to the company called “Tanger-Mediterranean Special Agency”, in full ownership and free of charge, of the property in the private domain of the State which

is necessary for it to carry out its public order missions and the list of which is fixed by the agreement provided for in Article 2 of Decree-Law No. 2-02-644;

- ❖ Tangier–Mediterranean Special Agency , as well as the companies involved in the realization, development, operation and maintenance of the Tangier-Mediterranean special development zone project and which are setting up in the acceleration zones industrial, benefit from exemption from acts of incorporation and capital increase of companies as well as acquisitions of land necessary for the realization of their investment project.

2.3.3.2- Value added tax

Exemption with right of deduction for all acts, activities or operations carried out by the agency called “Agence Spéciale Tanger Méditerranée”.

2.3.3.3- Professional tax

The Agency and the companies involved in the construction, development, operation and maintenance of this zone benefit from temporary total exemption from professional tax for the activities they carry out for the first 15 years. operating.

2.3.3.4- Deductibility of donations granted to the “Tangier – Mediterranean Special Agency”

The amount or value of donations in cash or in kind granted to this agency by natural or legal persons constitute, for the donors, charges which are fully deductible in terms of corporate tax and income tax.

3. Evolution and weight of tax expenditures

3.1- Evolution of tax expenditures

The evaluation of the volume and amount of tax incentives by States throughout the world has given rise to a qualitative and quantitative concept under the heading of tax expenditures. The latter are, generally, derogatory provisions establishing tax reductions or exemptions from which certain categories of taxpayers benefit depending on their behavior or the origin of their income.

They thus aim, by encouraging these taxpayers to change their behavior, to correct the allocation of resources made by the market. The choice of the term tax expenditures is not obvious. It is simply a direct translation of the English term “ Tax Expenditures ” which was first used by Stanley Surrey, Deputy Secretary of the Treasury in the 1960s, as part of a census drawing up a list of derogatory measures which he recommended to be considered on the same basis as direct expenditure. The same term of “ Tax Expenditures ” is used by Howard (1997) in his seminal work on the links between the welfare state and tax expenditures. And, finally, Hacker (2002) who studies the role of public power in the organization of private social protection in the United States ⁶.

According to the OECD definition, “tax expenditures consist of tax law provisions, regulations or practices that reduce or defer the tax due for a small part of taxpayers compared to the reference tax system”. A tax expenditure is a loss of revenue for the State, while for the taxpayer, it is a reduction in the tax due. In many OECD member countries, tax expenditures are commonly referred to as: "tax relief", "tax subsidies" and "tax aid". So in this respect, tax expenditures constitute an alternative solution to budgetary expenditures.

⁶M. ZEMMOUR, “Socio-fiscal expenditure relating to social protection: state of play”, *Interdisciplinary Laboratory for the Evaluation of Public Policies*, 2013, p. 13.

In his review of the literature, Professor Luc Godbout identified in 2004 a gap between North American notions which establish a symmetry between niche and budgetary expenditure, and European definitions which do not, but he asserts that the Monetary Fund International and the OECD follow American logic.

In reality, the equivalence or the theoretical possibility of replacing tax expenditure with direct expenditure is adopted by almost all countries. It also affirms the existence of cases where a derogatory provision cannot in any case be replaced by an expense, and cites the deferral of charges in the event of tax losses for companies subject to corporate tax. “The replacement of this tax measure with a budgetary expenditure cannot likely be offered outside a tax system without leading to an appreciable increase in administrative costs and program costs in addition to considerably modifying the advantages inherent to the tax measure. This type of tax measure is practically impossible in the form of a budgetary expenditure.”

The reasoning also applies to capital gains which benefit, everywhere, from a tax regime different from that of other income. Ultimately, the key question is that of the difference in nature between tax expenditures and budgetary subsidies. From an economic point of view, we see that the objective is the same, the fundamental difference being in who controls the expenditure: in one case, it is the taxpayer, and, in the other case, it is the administration.

With regard to France, the most commonly accepted definition and ritually repeated each year in volume II of the “ways and means” chapter consists of considering tax expenditures as “legislative or regulatory provisions whose implementation entails for the State a loss of revenue and therefore, for taxpayers, a reduction in their tax burden, compared to what would have resulted from the application of the standard, that is to say the general principles of French tax law »⁷.

The various derogatory tax provisions do not constitute a homogeneous whole to qualify them all, without discernment and, without prior screening, as tax expenditures simply because they result in a reduction in tax. It would therefore be important to carry out preliminary work consisting of drawing the line between structural tax reductions and measures which form instruments of a particular public policy designated under the term tax expenditures⁸.

Firstly, it would be necessary to identify the structural reliefs, namely the derogatory provisions of general application instituted specifically with a view to meeting a fiscal objective, then attempt, secondly, to identify the other public policy instruments, namely the derogatory provisions generally linked to public policy objectives. Another distinction, also of capital importance, is necessary for the researcher to attempt to “draw a boundary between the nebulous universe of niches and the world of reliefs, reimbursements and other revenue mitigation expenses”⁹.

Thus, this approach makes it possible to clearly distinguish between the rules qualified as tax expenditures and those of reimbursements and reliefs and revenue mitigation expenditures. “While the first refers to a deviation from the tax standard which must therefore be defined precisely, the second concerns the methods of tax recovery. A relief is neither an exemption nor a tax reduction, but a total or partial reduction of a tax owed by a taxpayer, granted by the tax authorities in circumstances perfectly defined by law. This relief may come from a claim.” The difficulty of defining the contours of the concept of tax expenditure is accentuated each time we attempt to draw inspiration from international practices. The latter tell us that despite the effort made, the definition of tax expenditures remains imprecise and often varies according to time and space. “Obviously, we find common elements of definition: any provision (legislative or regulatory), derogating from tax law, leading to a loss of revenue, with observed recurrences (reduced taxation of agrofuels, employment bonus, tax exemption

⁷0 C. WENDLING & al., “Tax expenditure in France: a crucial issue for our public finances”,

⁸293 TAX COUNCIL, “Exceptional taxation, for a re-examination of tax expenditures”,

⁹ - E. PICHET, “General theory of socio-fiscal expenditure”

on capital gains on agricultural land, tax reduction for donations from individuals, etc.). But we also note a heterogeneous application to the extent that each State applies its own concept of exemption from national tax law on a case-by-case basis: the TIPP exemption on kerosene constitutes a tax expenditure in Germany but not in France; similarly in the Netherlands, the reduced VAT rate on books represents a tax expenditure¹⁰.

The classification of a derogatory measure as a tax expenditure “presupposes reference to basic legislation from which it would derogate”. This preliminary work requires specialists to sift through all the tax rules put in place in order to outline the provisions relating to the reference tax system and those which, due to their extra-fiscal quality, deviate from this system. This raises more than one difficulty.

On the one hand, this classification constitutes, in fact, the main controversy regarding tax expenditures. Most definitions dealing with tax expenditures highlight their derogatory nature in relation to a reference tax system. Based on this observation, no qualification is permitted in this perspective without a clear and concise delimitation of their reference system.

On the other hand, with regard to the notion of tax standard which specialists speak of as an essential criterion making it possible to define the notion of tax expenditure, no text of tax law has taken the trouble to define it expressly, in order to dispel any ambiguity surrounding its qualification. “It is an abstraction based on the idea that we have of a tax system in the absence of any preferential tax measure”, except that this standard adopted “is not defined in an intangible way. It results from an observation of the facts and an interpretation, a posteriori, of the intentions of the legislator.

The reference system differs from one regime to another “depending on the country and over time. On the international level, each nation has its own tax system imbued with its culture and represents the fruit of a long history and a process of sedimentation of tax laws, which is why the definition of tax expenditures remains uncertain and very “complexified by the absence of a real consensus on the intrinsic nature of tax regimes”¹¹.

Notwithstanding these difficulties, it is imperative to identify a concise definition of the concept of tax expenditures in order to undertake their census in a satisfactory manner. This assertion may sound like a truism, but we cannot neglect the census operation. As such, no approach aimed at identifying tax expenditures could be done without the prior designation of its normative framework. “As the choice of a reference or other measurement standard changes significantly from one country to another, the definition of tax expenditures in force in a given country may be very different from that in another¹². ”

France used two criteria to identify tax expenditures, namely, on the one hand, the age of the measure, and on the other hand its general nature. For the first criterion and when establishing a tax provision, one might believe that it is a derogatory measure, but over time, it becomes a component of the tax structure put in place in becoming a standard. As for the second criterion, relating to the general nature, it was considered that, notwithstanding its derogatory aspect, a measure applying to a large majority of taxpayers could be considered as part of the reference tax system, while the advantage granted to a small group of people or to a particular sector is considered a tax expenditure.

In Morocco ; although the general tax code and/or administrative doctrine has never taken the trouble to give a clear and concise definition of public expenditure; he quickly drew inspiration from the experiences of the countries of the Organization for Economic Co-operation and Development (OECD) in this area. Thus, the Moroccan acclimatization of the concept took place through the annual publication of a report on tax expenditures backed, since 2005, by the draft finance law whose objective is to ensure better management of

¹⁰ <http://www.ifrap.org/Pour-des-niches-fiscales-moins-nombreuses-mais-mieux-orientees,11563.html> oriented , 11563.html ?date=20100318

¹¹L.GODBOUT, “Government intervention through tax policy”,

¹²OECD, “Tax expenditures in OECD countries”,

indirect aid. The latter are granted by the fiscal instrument which provides a favorable framework for the implementation of reforms to the tax system envisaged by the authorities. This report represents a collection covering all tax exemptions with an estimate of their respective cost by type of tax and sector.

The report on tax expenditures¹³ is a tool specially designed to list all the derogatory provisions dotting the Moroccan tax system. A priori, this assembly work can be done without major difficulty, to the extent that it is simply enough to refer to the pre-established definition of the concept of tax expenditure. To achieve this, the Moroccan approach, and despite the absence of a clear and concise definition of the concept of tax expenditure, has determined some definitional elements, serving as a common thread, in order to qualify a derogatory measure as an expenditure. tax. The fact remains that there is another equally decisive element to be demonstrated, beforehand, in order to be able to carry out the sifting allowing the measures qualified as tax expenditures to be listed. To this end, it is important to determine the scope of the Moroccan tax system of reference³⁶⁷ in order to be able, consequently, to distinguish the authentic tax expenditure from the chaff.

Beyond the section relating to the review of the various derogatory provisions, the primary role assigned to the report on tax expenditures is to highlight the budgetary impact caused by the institution of preferential tax measures which continue to expand each time. year with the advent of each finance law. The design of this report is, absolutely, not an end in itself, the latter is, in fact, only a technical tool whose main goal is to “make comparable government interventions emanating from tax policy and those carried out through budgetary expenditures”¹⁴

However, it must be recognized that the report on tax expenditures was able to play, among other things, at least a double informational role. Since 2005, marking the advent of the first Moroccan report, tax expenditures have become a known fact among Moroccan decision-makers. The data contained in the report alerted, at least³⁶⁹, the public authorities to the significant budgetary windfall that had vanished and not been recorded in the general account of budgetary expenditure and, at the same time, had an approximate idea of the cost of the tax proceeds, deliberately, not collected. This awareness will undeniably allow them to measure the degree of loss of taxable income in order to be able to rationalize, as a good father of a family, the use that we make of the tax, as an instrument of public policy.

Without forgetting, in particular, to recall the primary purpose of the concept of tax expenditure as it was recommended by its creator Stanley Surrey, this report should a priori make it possible to establish a comparison between ordinary expenditure and tax expenditure. That being said, this document will contribute to rethinking the entire derogation tax project in Morocco, in order to stop the erosion of the base and to review, from top to bottom, the derogation system put in place, for a global reform Moroccan tax expenditures.

The Moroccan report on tax expenditures backed, each year, by the finance law, was designed in 2005, and since then, many things have changed in the Moroccan tax architecture with one exception, that relating to derogatory provisions. Each finance law brings its share of new features regarding tax advantages. A multiplicity of inexhaustible measures that the report is supposed to take into account, perpetually, in the inventory annexed to the finance law of each budgetary year.

The tradition of publishing a report began in the United States, which was the first to produce annual reports on tax expenditures (Tax Expenditures) before most OECD countries followed suit. Many governments have, in fact, committed themselves to the same path,

¹³. Please note that the scope of the scope is still marred by several imperfections and marked by information that is often truncated, far from giving an exact idea of the economic and budgetary impact of the preferential measure subject to costing.

¹⁴L. GODBOUT, “Government intervention through fiscal policy”,

starting with France, and more precisely, its Tax Council³⁷⁵ in 1979 which was responsible for studying the concept of tax expenditure in the Hexagon. A year later, Parliament adopted the approach within the framework of the Finance Law of 1980. This is how “the publication of data relating to tax expenditures was required, by law, in at least nine countries of the OECD. A survey carried out in 1999 indicates that most of the member countries of this organization regularly communicate information on tax expenditures.”¹⁵

The basic Moroccan tax system refers to all the structural characteristics on which the tax system is based, before the implementation of any preferential measure. The reference tax system is made up of the most fundamental elements of the tax system, namely the overall tax base, the rate structure, the taxpayers targeted (the tax unit) and the tax period used. These different elements are the backdrop to the basic tax system and, consequently, each measure forming part of this framework cannot be qualified as a tax expenditure.

The Moroccan government has therefore joined the trend, joining the countries which have decided “to integrate the process of evaluating tax expenditures into its public policy management instruments”³⁷⁷.

Apart from the work of listing all the incentive measures in a report, the desired purpose of this selective work is to evaluate the cost and to inform the government on the extent of the amount of tax that the State has willingly renounced collecting with a view to carrying out the expected social project. Once the list of different derogatory measures having the intrinsic quality of a tax expenditure is drawn up, another work ensues, consisting of measuring the budgetary impact of these measures on public finances.

This evaluation is, in fact, the stumbling block of this work and the crowning achievement of the accounting of preferential measures in a collection published, jointly with the finance law of each year. Without this quantification, this collection is just an empty shell and a needlessly performed chore. Maintaining the integration of any tax measure in a report on tax expenditures is, imperatively, conditioned by a consistent determination of its budgetary cost.

So how do we evaluate tax expenditures?

Three main methods can be applied: the tax revenue loss method, the tax revenue gain method and the expenditure equivalent method.

These methods have all been applied at certain times in certain OECD countries, but it seems that the method of loss of tax revenue is the most practiced by the States in question. Therefore, for greater precision, it is important to carry out a descriptive analysis of each of these evaluation methods.

The tax revenue loss method is a method known for its static effects, because it assumes that the behavior of taxpayers remains unchanged. Its design is based on the determination of tax revenues, not collected, due to the implementation of ex post tax expenditures. Technically, this method is conveyed through three processes capable of measuring the tax shortfall: “simulation, reconstitution from tax declaration data or reconstitution from non-tax data”¹⁶.

Each year, the curve of tax expenditures, already very high, increases, thus “the amount of tax expenditures evaluated in 2017 amounts to 33,421 MDH compared to 32,423 MDH in 2016, an increase of 3.1% . The share of tax expenditures in tax revenues represents 15.0% in 2017 compared to 15.5% in 2016”³⁴. The weight of tax expenditures in public finances has therefore become very high with an exponential rate of progression which continues to aggravate the drift in public finances, in the absence of a restrictive framework prohibiting it from circumventing the norm. of development reserved for budgetary expenditure.

Tax expenditures are nothing other than legislative or regulatory provisions which deviate from a “tax standard”. These derogations constitute an important tax issue insofar as they reduce State revenue and therefore constitute a cost for the Treasury. In other words, tax

¹⁵ DGI, “Report on tax expenditures 2005”, p. 10

¹⁶ E. PICHET, “General theory of socio-fiscal expenditure”

expenditures generate a shortfall for the Treasury and their effect on the State budget is comparable to that of public expenditure. It should be noted that these exemptions may have other names such as “tax subsidies”, “tax aid” or even “tax loopholes”. Thus, any tax provision deviating from the previously defined reference tax regime is considered a tax expenditure. This reference tax system brings together the fundamental regimes of the different taxes.

Currently, tax expenditures are the subject of numerous debates in all countries, whatever their level of development, particularly with economic crises and growing pressure from citizens who are trying to increase management controls. of public affairs and judge that the tax pressure is too high.

As tax expenditures are always evolving over the different finance laws in force, it is important to compare this evolution in terms of number and cost. The table below illustrates the breakdown of tax expenditures observed in 2021 and 2022 which are adopted by the various finance laws.

Table 1- Evolution of tax expenditures by Finance Law

Designation	2021		2022	
	Number	Amount	Number	Amount
Number of tax expenditures	306	32,001	311	38,667
Including those prior to the 2017 LF	254	27546	255	35,337
including those relating to the 2017 LF	10	123	13	198
including those relating to the 2018 LF	5	4	5	15
including those relating to the 2019 LF	7	166	7	163
including those relating to the LF 2020	21	4160	19	2,640
including those relating to the LF 2021	9	2	7	2
including those relating to the LF 2022	-	-	5	11

Reading this table allows us to draw the following conclusions:

- ▶ 82% of derogatory measures were adopted before 2017. These measures represent in terms of cost more than 91% of tax expenditures observed in 2022.
- ▶ The derogatory measures adopted by finance laws subsequent to 2017 have an increasingly less significant budgetary impact, with the exception of 2020 which saw a significant increase, following the transitional measures granted to real estate activities and the reform of the 'IS.

Table 2: Distribution of tax expenditures by types of tax and taxes

Designation	2021				2022				Change 21/22
	Measures identified	Measures evaluated	Amount	Share in %	Measures identified	Measures evaluated	Amount	Go	
VAT	87	82	15,561	48.6	89	86	20,879	54	34.2%
IS	57	48	4,085	12.8	58	48	5,313	13.7	30.1
IR	85	56	4,533	14.2	89	57	4,783	12.4	5.5
DET	44	42	2,687	8.4	42	40	647	1.7	-75.9
LICAT	9	9	198	0.6	9	9	203	0.5	2.5
TCA	14	14	3,384	10.6	14	14	3,511	9.1	3.8
TIC	7	7	359	1.1	7	7	501	1.3	39.7
DI	3	3	1,193	3.7	3	3	2,829	7.3	137.2
Total	306	261	32,001	-	311	264	38,667	-	20.8

The number of measures identified qualifying as tax expenditures increased from 306 in 2021 to 311 in 2022. Among these measures, 264 were subject to evaluation in 2022, or 85% of the measures identified. The overall amount of corresponding tax expenditures increased by 6,666 MDH between 2021 and 2022, going from 32,001 MDH to 38,667 MDH, due to the

increase in tax expenditures relating to VAT (+5,318 MDH), customs duties. customs (+1,636 MDH) and IS (+1,228 MDH). On the other hand, tax expenditures relating to DETs recorded a decrease of the order (-2,040 MDH).

Breakdown of tax expenditures by sector of activity

	2021				2022			
	Measures identified	Measures evaluated	Amount	Share in %	Measures identified	Measures evaluated	Amount	Go
Electricity and gas	4	4	5,734	16.1	4	4	9,198	23.8
Security-Foresight	17	16	5,734	17.9	17	16	6,008	15.5
Real estate activities	43	37	6,952	21.7	44	36	4,880	12.6
Measures benefiting all sectors	28	20	1,611	5	29	20	3,212	8.3
Agriculture, fishing	26	25	2,464	7.7	26	25	2,891	7.5
Exports	5	5	1,855	5.8	5	5	2,629	6.8
Food industry	7	7	1,422	4.4	7	7	2,219	5.8
Financial sector	41	33	1,952	6.1	42	33	1,980	5.1
Transportation	22	22	1,319	4.1	22	22	1,434	3.7
Social health	25	23	944	3	25	23	987	2.6
Automotive and chemical industry	5	5	641	2	5	5	964	2.5
Other sectors	36	22	663	2.1	37	25	669	1.7
Education	14	14	367	1.1	14	14	452	1.2
Public services	3	2	326	1	3	2	357	0.9
Mining activities	6	6	197	0.6	7	7	347	0.9
Tourism	5	5	142	0.4	5	5	156	0.4
Publishing, printing	4	4	101	0.3	4	4	117	0.3
Craftsmanship	5	4	104	0.3	5	4	108	0.3
Regions	10	7	61	0.2	10	7	57	0.1
Total	306	261	32,001	-	311	264	38,667	-

3.2- Other advantages granted to all sectors

3.2.1- Registration rights

- ❖ Application of the fixed duty of 1000 DH to:
 - acts of constitution and capital increase of companies or economic interest groups, when the subscribed capital does not exceed 500,000 DH;
 - transfer and contribution operations for restructuring operations of groups of companies and companies;
 - operations of contribution of assets of natural persons to a company.
- ❖ Application of the rate of 0.5% to acts relating to the constitution, or increase in capital of companies, or economic interest groups, carried out by new contributions, purely and simply, excluding liabilities affecting these contributions which is subject to transfer taxes for consideration, depending on the nature of the assets subject to the contributions and according to the importance of each element, in the totality of the contributions made to the company or the economic interest group, as well as capital increases by incorporation of capital gains resulting from the revaluation of corporate assets.
- ❖ Application of the 4% rate to acts of acquisition of built premises, whether these premises are intended for residential, commercial, professional or administrative use as well as the acquisition of said premises by credit institutions or similar organizations, subject to commercial or financial operations, within the framework of a “ Mourabaha ”, “ Ijara ” contract Mountahia Bitamlik ” or Musharaka Moutanakissa

. Also benefiting from the rate of 4%, the land on which the aforementioned premises are built, within the limit of five (5) times the surface area covered.

3.2.2- Income Tax or Corporate Tax

❖ Decreasing depreciation

Acquired capital goods, excluding buildings whatever their destination and certain passenger transport vehicles covered by law, may, at the irrevocable option of the company, be depreciated according to the decreasing depreciation system.

Decreasing depreciation consists of the application of the following coefficients to the normal depreciation rate:

- 1.5 for goods with a depreciation period of 3 or 4 years;
- 2 for goods with a depreciation period of 5 or 6 years;
- 3 for goods with a depreciation period of more than 6 years.

The company that opts for this depreciation must practice it from the first year of acquisition of the assets concerned.

❖ Tax treatment of repo transactions

Capital gains on transfers of values, securities or notes, carried out within the framework of repurchase transactions are excluded from taxable income, in terms of corporate tax.

3.2.3- Value Added Tax

- ❖ Exemption for 36 months from the start of activity, domestically and on importation, of investment goods to be registered in a fixed asset account and giving right to deduction, excluding vehicles acquired by car rental agencies.

This exemption also applies to these investment goods acquired by subject companies, as part of the “ Mourabaha ” operation.

By start of activity, we mean the date of the first commercial act which coincides with the first operation of acquisition of goods and services, excluding:

- business formation costs;
- and the first costs necessary for the establishment of businesses within the limit of three (3) months. For companies carrying out the construction of their investment projects, the period of thirty-six (36) months begins to run from the date of issue of the building authorization.

For existing companies carrying out investment projects involving an amount equal to or greater than one hundred (100) million dirhams, within the framework of an agreement concluded with the State, the aforementioned exemption period begins. to run, either from the date of signature of the said investment agreement, or from the date of issuance of the building authorization for companies carrying out construction linked to their projects.

In the event of force majeure, an additional period of six (6) months, renewable once, is granted to companies which construct their projects or which carry out projects within the framework of an agreement concluded with the State. These investment goods are exempt throughout the duration of acquisition or construction provided that requests for exemption purchases are filed with the local tax service to which the taxpayer depends, within the legal period of thirty-six (36) months.

- ❖ Exemption on importation of capital goods, materials and tools necessary for the realization of investment projects involving an amount equal to or greater than one hundred (100) million dirhams, within the framework of an agreement concluded with the 'Valid state acquired by the taxable persons for a period of thirty-six (36) months from the date of the first import operation carried out within the framework of the said agreement, with the possibility of extending this period of twenty- four (24) months.

This exemption is also granted to parts, spare parts and accessories imported at the same time as the aforementioned equipment.

3.2.4- Professional tax

Exemption from professional tax for newly created companies for a period of 5 years from the date of the start of activity as well as land, constructions of all kinds, additions to buildings, new materials and tools acquired during operation, directly or through leasing. However, this exemption does not apply:

- ❖ to establishments of companies not having their headquarters in Morocco awarded works, supplies or service contracts;
- ❖ to credit institutions and similar organizations, Bank Al Maghreb and CDG;
- ❖ to insurance and reinsurance companies other than insurance intermediaries covered by the insurance code;
- ❖ to real estate agencies.

3.2.5- Measure common to the professional tax and the municipal services tax

Permanent total exemption from these two taxes for taxpayers who make taxable investments for the rental value relating to the part of the cost price greater than fifty (50) million dirhams, excluding value added tax, for land, buildings and their fixtures, equipment and tools acquired by companies producing goods and services, from January 1, 2001.

However, goods benefiting from permanent or temporary exemption as well as non-taxable items are not taken into consideration when determining the amount of this ceiling.

3.2.6- Incentive regime for operations involving the contribution of the assets of individuals to a company

Natural persons carrying out as individuals, in a de facto partnership or in joint ownership, a professional activity liable to income tax according to the actual net result or the simplified net result, are not taxed on the net capital gain carried out following the contribution of all the assets and liabilities of their company to a company subject to corporate tax that they create for this purpose, provided that:

- ❖ the contribution elements are evaluated by a contribution auditor authorized to exercise the functions of auditor;
- ❖ individuals must submit the declaration provided for in the CGI, in respect of their professional income earned for the year preceding that during which the contribution was made
- ❖ the transfer of securities acquired by individuals in return for the contribution of elements of their business must not take place before the expiration of a period of four (4) years from the date of acquisition of said securities.

However, the company benefiting from the contribution must file a declaration within 60 days with the tax inspector of the place of tax domicile or the main establishment of the company having made the contribution including:

- ❖ the complete identity of the partners or shareholders;
- ❖ the company name, the address of the head office, the registration number in the commercial register as well as the tax identity number of the company which received the contribution;
- ❖ the amount and distribution of share capital.

This declaration must also be accompanied by the following documents:

- ❖ a summary statement including all the elements for determining the net taxable capital gain;
- ❖ a summary statement of the values transferred to the company and the liabilities assumed by the latter;

- ❖ a statement concerning the provisions appearing on the liability side of the balance sheet of the company having made the contribution, with an indication of those which have not been subject to tax deduction;
- ❖ the deed of contribution in which the company receiving the contribution undertakes to:
 - take into account for their full amount the provisions whose taxation is deferred;
 - reintegrate into its taxable profits, the net capital gain realized on the contribution of the elements, in equal fractions over the amortization period of said elements.

The contribution value of the elements concerned by this reintegration is taken into consideration for the calculation of depreciation and subsequent capital gains;

- To be added to the capital gains noted or realized subsequently on the occasion of the withdrawal or transfer of elements not affected by the reintegration, the capital gains which were realized following the contribution operation and whose taxation was been postponed.

Likewise, the elements of the stock to be transferred to the company receiving the contribution are valued, optionally, either at their original value or at their market price and cannot be subsequently recorded in an account other than that of stocks. .

3.2.7- Tax reduction in favor of companies which take stakes in the capital of young innovative companies in new technologies

Companies subject to corporate tax benefit from a tax reduction equal to the amount of tax corresponding to the amount of their investment in the capital of young innovative companies in new technologies. This reduction is applied to the amount of corporate tax due for the financial year during which said participation took place, after deduction, where applicable, of the amount of tax withheld at source on the products. of fixed income investments and on the income from sukuk certificates and before the allocation of installments paid during the financial year. Any remaining unallocated tax reduction cannot be carried over to subsequent financial years or refunded.

The tax reduction applies under the following conditions:

- ❖ the amount of participation giving entitlement to the tax reduction is capped at five hundred thousand (500,000) dirhams, per young innovative company in new technologies;
- ❖ the overall amount of the tax reduction must not exceed 30% of the amount of tax due for the financial year of the equity investment;
- ❖ participation in the capital of the aforementioned innovative companies must be made through cash contributions;
- ❖ the subscribed capital must be fully paid up during the financial year concerned;
- ❖ the securities acquired in consideration for the participation must be kept for a minimum period of four (4) years from their date of acquisition;
- ❖ the filing of the deed recording the acquisition of a stake in the young innovative company in new technologies, at the same time as the declaration of the tax result for the exercise of the participation.

The above-mentioned young innovative companies are considered to be companies whose creation dates back less than five (5) years from the date of acquisition of an interest and whose:

- the turnover for the last four financial years is less than five million (5,000,000) dirhams per year, excluding value added tax;
- research and development expenses, incurred as part of its innovation activities, represent at least 30% of the expenses allowed as deduction from its taxable income.

4. Conclusion

Tax incentives constitute an instrument that is not without interest. Used well, it can make it possible to bring territories which, particularly because of their isolation, do not participate in the development race. But this instrument is double-edged from the perspective of the establishment of a tax system. If, in the long term, and provided that its objectives are achieved, it is likely to boost the country's economy and thus broaden the currently narrow tax base, the immediate result will be a compression of this already tax base. fragile. The success of the devices is not guaranteed. Location or investment decisions are not based solely or even mainly, as we have observed, on taxation. Could the revenue lost in incentives not allow the country to base its attractiveness on more tangible and immediate arguments, better intra- and inter-island infrastructure, port infrastructure, public services in education, health, 'energy ?

A tax policy based on incentives must be designed in an impeccable manner: clear, accessible to potential investors, leaving as little room for discretionary power as possible, by establishing precise rules. Control and evaluation must be regular, make the results as reliable as possible, and avoid complexity so as not to increase management costs. And we must not neglect the "ratchet effect". Once created, tax incentives are very difficult to destroy. Resistance to change in this area makes any step back very difficult. "Bounty hunter" investors will go hunting in other areas for lack of "tax game". However, the instrument is very tempting, and if it does not live up to Vanuatu's legitimate ambitions, the fact remains that it seems essential to involve all parts of the territory in the national economy. to ensure the success of future tax reforms. We have explored the path of an economic development policy based on taxation. Other paths are possible. The tax expenditure character is contingent, tax expenditures and subsidies are substitutable. But if subsidies, bonuses and other financial advantages can replace tax incentives, they also have a cost...

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