

## The Moroccan tax system - a lever for the New Development Model



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Despite the various reforms and corrective measures that the Moroccan tax system has undergone, the report shows, it continues to face structural defects marked by pervasive tax privileges and persistent social and territorial inequality problems.

The report also highlights other weaknesses, most notably the high level of economic concentration, with a small number of companies (73) accounting for 50% of the corporate tax (IS). Similarly, the declaratory and discretionary nature of the system is likely to encourage the fiscal incivility of taxpayers in Morocco.

### Recommendations:

Based on these findings, the report recommends a thorough overhaul of the tax system to simplify procedures, unleash growth potential and contribute to equity and social justice.

The key measures proposed include:

- Clarify the purpose and role of each type of tax, by ensuring respect for the principle of VAT neutrality, and establishing a personal income tax correlated with each person's ability to pay taxes and the application of corporate tax to economic results.
- Enshrine tax reform in a long-term programming framework law, establish clear objectives and assign key deadlines every three (3) years.
- Impose tax on non-productive assets (such as undeveloped land, unoccupied property) and overtax luxury items for tax base broadening.
- Make the frequently claimed tax benefits and privileges conditional mainly on job creation, while overtaxing tax-protected activities.
- Set aside 2 to 4 points of VAT, to be paid into a social solidarity fund, to finance aid and social cover.
- Support the middle-class purchasing power by providing tax relief to lower the tax burden for middle-class families, while extending tax deductibility for dependents.
- Stimulate innovation, research & development, such as through R&D tax credit.

➤ Break local taxation down into two classifications: taxes levied on housing and taxes levied on economic activity.

However, successful tax reform will not be possible without a pact of trust and confidence in the tax system – one that will renew relationship with the taxpayer and the tax authorities in Morocco, limit the discretionary powers of tax authorities, and help move toward a clearer, more accessible and more acceptable tax system.