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Weekly highlights by L'ECONOMISTE

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Editorial

«Sharpshooter»

Meriem OUDGHIRI

EVERY Finance Bill has its "star". After VAT and the corporate tax, the 2025 season will be devoted to the flagship measure, income tax, whose reduction has long been eagerly awaited, particularly by wage earners. This famous " Income Tax " is dominated by withholding taxes, which account for almost 73% of the total.

This reform should go some way to easing the burden on the middle class, which has been struggling for some time against inflation that has squeezed its income. The middle class, an endangered species, is faced with a more affluent category that does not suffer too much from price rises, and the poorest who receive direct aid.

Taxation has always been a major issue, with criticisms levelled in particular at the pressure that is always exerted on the same companies. A situation that should be of concern at a time when the state budget is under maximum strain. All this accentuates the feeling of unfairness among companies that pay their taxes and face unfair competition that is based on cheating and free-riding on a daily basis. There is as yet no miracle solution to this scourge. Like the informal sector, the situation needs " hired guns".

Liberalism is a difficult game: more individual freedom means greater social responsibility, and therefore greater transparency, particularly in terms of taxation. As US Treasury Secretary Henry Morgenthau pointed out back in 1937: "Taxes are the price of a civilized society; too many citizens want the civilization at a discount".

The debates surrounding the Finance Bill for 2025 are therefore starting on this front and many others, with strategic reforms in the pipeline - a whole package which, in the end, should enable an economy to function according to well-defined standards and continue to support the stimulus.❏

Weekly highlights

Finance Bill 2025: the hustle has begun

THE parliamentary hustle for the 2025 Finance Bill got underway last Saturday, October 19, when both chambers met. This followed the Council of Ministers, chaired by HM the King, and the Government Council, which adopted the text.

After a general presentation in plenary session by Nadia Fettah, the Finance Committee of the House of Representatives took over immediately, where the Minister in charge of the Budget provided the MPs with the salient points. Following his presentation, the Finance Committee scheduled a meeting for Thursday to begin the general debate.

In the meantime, Fouzi Lekjaâ addressed again the international situation and, above all, the national context in which this Finance Bill has been prepared, with non-agricultural value added forecast to rise by 3.7% in 2024, after having risen by 3.5% in 2023. The economy is therefore expected to grow by 3.3%. In terms of foreign trade, the data confirm that Morocco retains foreign currency reserves equivalent to 5.5 months of imports. Similarly, in terms of public finances, tax revenues are on the rise. As a result, the positive revenue dynamic will enable us to reduce the budget deficit from 4.3% of GDP in 2023 to 4% in 2024.

In addition, inflation was kept under control at 1.1% in the first 8 months of this year.

Final stages of social protection reform

At the same time, the list includes the development of the legislative and regulatory framework to implement the generalization of retirement for self-employed workers and compensation for loss of employment. These are the final axes of social protection reform in 2025, according to the agenda set by HM the King and the framework law.

The first guideline concerns the continued implementation of the Royal Project for Social Protection, with a budget of MAD 37 billion (USD 3.7 billion) next year, i.e. more than MAD 2 billion more than in 2024. In addition to the continuation of Compulsory Medical Insurance (AMO), already benefiting 11 million people, direct social assistance, currently with almost 4 million beneficiary families at the end of last September, will see its monthly allocations increased next year. These will rise from 200 to 250 dirhams (USD 20 to 25) per child for those attending school under the age of 6. For disabled children, the amount will rise from 300 to 350 dirhams. For children not attending school, the amount will be 175 dirhams (USD 17.5) instead of the current 150 dirhams (USD 15), i.e. more than 25 dirhams per child. For orphans, from 350 to 375 dirhams per child.

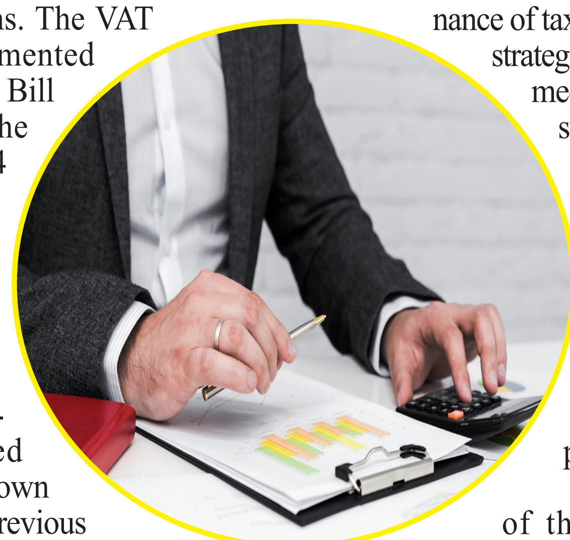
The total budget for the reform of education, higher education, and vocational training amounts to 103.7 billion dirhams, an increase of more than 12 billion dirhams compared with 2024. The bulk of this will go to national education, with 87 billion dirhams (USD 8.7 billion), compared with 74 billion dirhams (USD 7.4 billion) this year. The aim is to continue implementing the roadmap for reform of the education system 2022-2026. The list includes the continuation of the generalization of preschool to reach 983,654 beneficiaries during this school year. The quality of teaching will also be improved, with the expansion of pioneering schools and the enhancement of the school offering, with the opening of 189 new schools, 68% of them in rural areas.❏

Mohamed CHAOUI

Tax loopholes: a cost of 32.14 billion MAD

TAX loopholes cost the Treasury 32.14 billion Dirhams (USD 3.21 billion). This is 13% less than in 2023, when they amounted to 36.95 billion Dirhams (USD 3.69 billion). These tax expenditures, which are equivalent to almost 2.1% of GDP (compared with 2.5% in 2023), have mostly existed since well before 2019. Their purpose is to favor certain expenditures and encourage specific investments, through tax exemptions and reductions.

In 2024, households benefited from 49.3% of tax expenditure, while businesses held 44.5%. The decrease in tax expenditure this year is mainly attributable to a reduction in VAT-related niches, which fell by more than MAD 6 billion (USD 600 million). This reduction is the result of tax reforms aimed at rationalizing existing exemptions. The VAT reform, implemented by the Finance Bill 2024, led to the abolition of 24 tax measures. This resulted in a reduction of MAD 5.2 billion (USD 520 million) in tax expenditure associated with this tax, down 28.3% on the previous year.



On the other hand, expenditure on corporate income tax and income tax increased by MAD 706 million (USD 70 million) and MAD 472 million (USD 47 million) respectively. This increase is explained by the maintenance of tax incentives in strategic sectors deemed a priority to support economic recovery, as well as by adjustments designed to preserve household purchasing power.

The reform of the corporate income tax, introduced by the 2023 Finance Bill, aimed to harmonize tax rates by reducing certain exemptions. However, incentives were maintained or introduced to support strategic economic sectors, contributing to an increase in tax expenditure. These measures include tax exemptions and reductions for sectors such as real estate. In addition, the exemption for mutual funds (undertakings for collective investment in transferable securities, UCITS), provided for under Article 6 (I-A-16°) of the General Tax Code (CGI), cost the Government MAD 1.2 billion (USD 120 million).

With regard to income tax, the increase of 472 million dirhams (USD 47 million) is attributed to measures to support households, notably in the form of tax allowances or exemptions for income from pensions, property income, or deductions for professional expenses. These measures are designed to support household purchasing power, particularly in times of rising living costs..❏

Khadija MASMOUDI

Weekly highlights

Finance Bill 2025

Who will benefit from lower income tax?

FROM January 1, 2025, all salaries below 6,000 dirhams (USD 600) per month will be fully exempt from income tax. This key measure in the Finance Bill is accompanied by an overhaul of the Income Tax system. One of the main provisions is to raise the first bracket of the exemption scale from 30,000 to 40,000 dirhams (USD 3,000 to 4,000). This change will immediately exempt all salary income below 6,000 dirhams (USD 600) per month, benefiting a significant proportion of the working population: 80% of private sector employees (compared with 70% at present), almost 47% of civil servants, and around 96% of pensioners.

This reform is also accompanied by a review of the other brackets on the scale, with a gradual reduction in tax rates of up to 50%. This widening of the brackets is intended not only to reduce the tax burden on taxpayers, but also to strengthen tax compliance. In addition, the marginal tax rate will be reduced from 38% to 37%.

For an employee with a net monthly income of 9,989 dirhams (USD 998), this translates into a gain of 435 dirhams (USD 43), while an income of 21,200 dirhams (USD 2,120) will save 546 dirhams (USD 54). Finally, for a net salary of 30,300 dirhams (USD 3,030), the tax saving will be 693 dirhams (USD 69). This new tax grid will not only apply to salaried employees, but also to professional income, thus ensuring greater tax consistency.

The proposed IR grid

Current income brackets in DH	Current rates	Proposed income brackets in DH	Rates offered
0 has 30.000	0%	0 has **40.000**	0%
30.001 has 50.000	10%	**40.001** has **60.000**	10%
50.001 has 60.000	20%	**60.001** has **80.000**	20%
60.001 has 80.000	30%	**80.001** has **100.000**	30%
80.001 has 180.000	34%	**100.001** has 180.000	34%
Beyond 180.000	38%	Beyond 180.000	**37%**

Source: PLF

Capturing tax-exempt personal income

In addition, a new category of taxable income will be introduced to capture the income of individuals currently escaping taxation. This category will include income identified during the global examination of taxpayers' tax situation, notably when the source of income has not been justified. It will also include gambling winnings, whether in cash or in kind, whatever their form. It will also include income and miscellaneous gains from profit-making operations not included in any other existing category.

The Finance Bill also proposes the introduction of a flat-rate withholding tax of 30% for entities paying out gambling winnings, as well as for credit institutions, similar bodies or any other entity involved in the payment of online gambling winnings.

This series of measures aims to strengthen tax fairness and adapt the system to current economic realities, while pursuing the objective of reducing the tax burden on households and broadening the income tax base. As part of this reform, an increase in the annual amount of the tax reduction for family responsibilities is also planned. This reduction would rise from 360 to 500 dirhams per dependent. The annual ceiling would thus be raised from 2,160 dirhams (USD 216) to 3,000 dirhams (USD 300), while maintaining the benefit of this reduction for a maximum of six dependents.❏

Khadija MASMOUDI

Minimum contribution

Be careful when calculating advance payments

THE clarifications issued by the General Tax Directorate (DGI) are important in that they not only define the start of the minimum contribution exemption counter, but also have a bearing on corporate income tax instalments.

Newly-created entities with a profitable taxable income remain liable for corporate income tax, even though they are exempt from the minimum assessment. Exemption from the minimum assessment does not exempt these companies from payment of corporate income tax in the event of profitable taxable income during the exemption period. In the latter case, the amount of corporate income tax is calculated without taking into account the amount of the minimum assessment for the year, even if this is less than the minimum assessment. On the other hand, in the event of a deficit, no tax will be paid during the exemption period, i.e. 36 months from the date of commencement of operations, up to a maximum of 60 months from the date of incorporation of the company. However, once the statutory exemption period has expired, these companies must pay the higher of the minimum contribution and the corporate income tax. "It should also be pointed out that concession-holding companies are not eligible for exemption from the minimum contribution", explained Younes El Fachtali, chartered accountant and member of the Cercle des Fiscalistes du Maroc (Circle of Moroccan Tax Experts).

After the exemption period, and in accordance with the provisions of Article 144 of the General Tax Code (CGI), the amount of tax due by companies, other than non-resident companies taxed on a flat-rate basis in accordance with the provisions of Article 16 of the CGI, cannot be less than a minimum assessment calculated on the basis of sales and other income in accordance with the provisions of Article 144 - I B of the CGI Code.

"Attention must be paid to the expiry of the period of exemption from the minimum assessment. Indeed, the last financial year will be the reference year for the n+1 financial year in terms of corporate income tax instalments. The amount of the theoretical minimum contribution must be calculated and compared with the corporate income tax. The higher amount will be the basis for calculating the instalments ", warns Youness El Fachtali, a chartered accountant and member of the Cercle des Fiscalistes du Maroc (Circle of Moroccan tax specialists). According to article 170-III of the CGI, the reference year for companies temporarily exempt from minimum assessment is the last year for which these exemptions were applied.

Consequently, advance payments in respect of the current fiscal year will be determined on the basis of the tax or minimum contribution that should have been paid by the company, taking into account the tax rate to which it would have been subject had it not benefited from the temporary exemption. Similarly, and in order to avoid differences of interpretation as to the rate to be applied in calculating the said advance payments, Finance Act no. 70-15 for 2015 specified that these advance payments are calculated by applying the tax rates to which the companies concerned are subject in respect of the current financial year.❏

Hassan EL ARIF

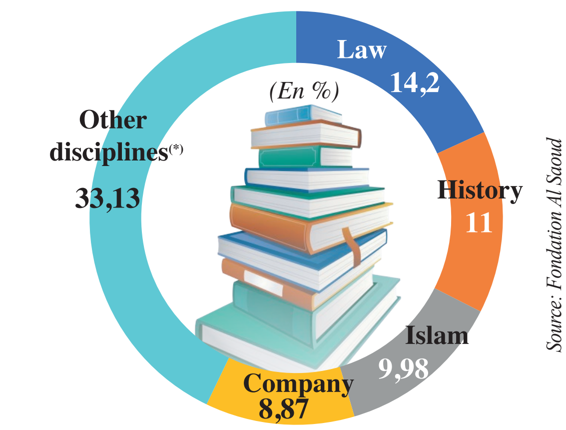
Weekly highlights

The Institute of Historical Research changes tenants

HM King Mohammed VI appointed a number of Government officials at the Council of Ministers meeting held in Rabat on Friday October 18, 2024. The list includes some thirty public officials, including the Director of the Royal Institute for Research into the History of Morocco (see Economist issue # 6870, October 21, 2024). Historian Mohamed Kenbib has been replaced by one of his younger colleagues, Rahal Boubrik. Both men are historians and university professors in Rabat. The former is a specialist in contemporary history, which is broadly limited to the 19th and 20th centuries, while the latter specializes in Western Saharan societies, notably with his book published in 2023 on "La question du Sahara, aux origines d'une invention coloniale 1884-1975" ("The Sahara question, the origins of a colonial invention 1884-1975"). The first director of the "national scientific research institution" was also historian Mohammed El Qabli.

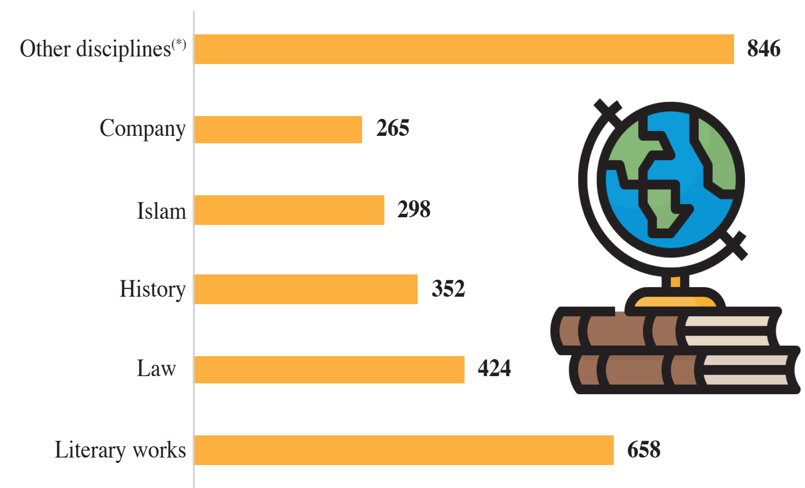
Created in November 2006, the Institute was initially attached to the Ministry of Habous and Islamic Affairs, before being transferred to the Academy of the Kingdom of Morocco in February 2021. This Institute became one of the four bodies of the Academy, alongside the Instance académique supérieure de traduction (Higher academic institution for translation).

352 works published in 2022-2023



(*) In order of importance: Literary studies (7.54%), politics (5.73%), language (3.65%), philosophy, education, art, generalities, psychology, economics, management, sciences, geography, other religions

History in 3rd position after literature and law



In principle, the director of the Royal Institute for Research into the History of Morocco has a 4-year renewable term of office. Mohamed Kenbib did not complete his term, as he only remained in the post for around three years and 4 months. His successor, Rahal Boubrik, is taking over the reins of this "strategic" institution, since appointment to this position is the responsibility of the Sovereign, in accordance with Organic Law number 02-12 on appointment to senior positions.

In principle, Rahal Boubrik's mandate lasts until 2028, i.e. four years to fulfill the Institute's missions: "to develop and disseminate historical knowledge, consolidate archives, produce publications aimed at children, young people, and Moroccans around the world...".

History is therefore a very serious and decisive matter for " anchoring Moroccan identity and strengthening collective memory", in the words of the 2021 law reorganizing the Academy of the Kingdom of Morocco. There is a growing public interest in the facts of the past.

A very serious business

"There is a social demand for history", as historian Mohamed Kenbib put it after his first media appearance (see L'Economiste n°6085, September 3, 2021). The specialized monthly magazine Zaman or programs such as "Tarikh Al Maghrib" on Medi1 Radio, or podcasts such as "Radio Maarif" are a clue. Added to this is one of the biggest TV audiences ever to confirm this social craze. Broadcast on July 1, 2024 on the Al Oula TV channel, the documentary entitled "Le rayonnement d'un Royaume" (The influence of a Kingdom), devoted to the historic relationship between Rabat and Djibouti, was watched by 4.3 million viewers, representing a viewership share of 14.5% (see L'Economiste issue # 6834 of August 28, 2024). Another project announced was the creation of a House of Moroccan History. This was one of the recommendations of the Equity and Reconciliation Commission (IER) in the name of the duty to remember. Much is therefore expected of the Royal Institute for Research into the History of Morocco. Unless its new director changes his priorities.❏

Faiçal FAQUIHI

The Casablanca International Marathon

15.000 participants expected

THE Casablanca International Marathon returns for its 15th edition! The legendary race, which will make its return to the iconic Place Mohammed V, is aiming to top the 10,000 mark this year, while offering a course that is both urban and safe. The event, supported by Casablanca Events & Animation, is aimed at professionals and novices alike. Its primary aim? To help make Casablanca a sporting city par excellence and attract more tourists and opportunities. " Through this event, we aim to boost Casablanca's profile on the international scene. Above all, the marathon is a showcase for the city's vibrancy", said Mohamed Jouahri, CEO of Casablanca Events & Animation.

Another goal is to promote a healthy lifestyle and physical activity. "It is important to raise awareness among residents and visitors to the White City of the importance of practicing sport on a regular basis in order to live as healthily as possible", added the manager.

The program includes disciplines adapted to the level and physical condition of each runner, including a 42-kilometer (26.2 mile) marathon (for experienced competitors), a half-marathon, and a 10-kilometer (6.21 mile) race for beginners. But that's not the whole story. "This year's edition will also feature the Kids Run, a race reserved for younger runners, aimed at detecting tomorrow's athletes in a festive and sporting setting".

The course has been carefully designed to help participants discover or rediscover the center of Casablanca and its architectural gems. It is a way of highlighting the city's historic sites, such as the art-deco buildings in the city center, the legendary Mohammed V complex and the Hassan II mosque. "It is an architectural marvel built on water", said the man in charge.

The financial rewards will be significantly higher this year. Finishers rewards will be doubled to 120,000 dirhams (USD 12,000). Rewards for outstanding performance will rise to 200,000 dirhams (USD 20,000): " A way of crowning the elite of the discipline and encouraging its followers to push themselves to the limit", said Jouahri.❏

Karim AGOUMI