ECONOMIC GROWTH TESTED BY TAX ARRANGEMENTS : AN ISSUE OF READABILITY FOR COMPANIES IN MOROCCO

LA CROISSANCE ECONOMIQUE A L'EPREUVE DES AMENAGEMENTS FISCAUX : UN ENJEU DE LISIBILITE POUR LES ENTREPRISES AU MAROC

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Abstract

Economic growth is a major issue for a country such as Morocco, that is in the pursuit of a growth born from the added values created by the companies and not only the State. The tax structure is undergoing a gradual change that breaks away from the aims of the tax reform of the 80's at this stage. The current context in Morocco is marked by two interesting social and economic phénoména : firstly, a revolution of households and sectors perceiving a tax pressure that is expanding continuously, and also the need to digitize billing to tackle informality. Secondly, a major evolution in taxation is noted, which is unreadable and understandable especially that the strengthening of tax control is the key that will enable the state to boost the coffers of public treasury. The purpose of this study is to assess the impact of fiscal policy on the country's economic development.

Keywords : Tax pressure ; economic freedom ; tax system ; progressive rates ; proportional rates.

Résumé

La croissance économique est un enjeu majeur pour un pays comme le Maroc, à la quête d'une croissance née des valeurs ajoutées créées par les entreprises et non le seul État. A ce stade, la structure fiscale connait un changement progressif mais rompant avec les finalités de la réforme fiscale des années 1980. Le contexte actuel au Maroc, est marqué par deux phénomènes sociaux et économiques intéressants à l'étude : d'abord, une révolution des ménages et des secteurs percevant une pression fiscale qui ne cesse de s'agrandir et aussi des besoins de digitalisation de la facturation pour enjeu de lutter contre l'informel. Ensuite, il est observé une évolution majeure dans la fiscalité qui ne parait pas être lisible et compréhensiblesurtout que le renforcement du contrôle fiscal est d'appoint le levier de bataille de l'État pour renflouer les caisses du trésor public. L'objet de cette étude est de mesurer l'impact de la politique fiscale sur le développement économique du pays.

Mots clés : Pression fiscale ; liberté économique ; système fiscal ; taux progressifs ; taux proportionnels

Introduction

This paper is the result of a strategic and political reflection, but seeks scientific and economic developments on the subject of the effects of taxation on the economy. Thus, a series of observations allow us to begin this diagnosis. Firstly, taxation can be a tool for wealth development (ensuring the freedom of enterprise) but can be a hindrance to the creation and sustainability of the capitalist's business, who will perceive this as a loss of value and will switch to other areas of reception with less taxes, or will look for areas outside the tax field and tax havens. However, it is also an opportunity to ensure the full employment and promotion of factors and sectors, guaranteeing their competitiveness and sustainability.

Notably (Ludwig, 1985) who noted that « the more taxes increase, the more they undermine the market economy and, at the same time, the tax system itself ». (...) Each tax destroys itselfby exceeding a certain level of levy rates, and this goes for the entire tax system of a country. Various economists have discussed the impact of taxes on the economic development of a country. The latter have shown that the impact of fiscal parameters is limited due to the expectations of economic agents, especially when governments prioritize interventionist stimulus policies based on tax incentives. Certainly, lowering tax rates is considered aneffective tool to stimulate economic growth while affecting the behavior of economic subjects (job offers, savings, investment, etc..). For example, the government's decision to increase public spending to encourage private investment while the private sector expects an increasein raw materials, will undeniably slow down production and therefore economic growth in theshort and medium term.

«Too much tax kills tax» is a very famous saying, but there is no way to know for sure, let's instead leave room for debates that are more often based on an assessment and quantification of the tax burden in the economy. In order to get a closer look at the matter, the most obvious indicator seems to be the nominal tax rate. Basically, the question is whether an increase inthe tax rate is enough of a condition for a proportional increase in tax revenues and, at the same time, economic growth. The effective tax rate (Lurton, 2007) is generally lower than thenominal rate, due to the reduction of the tax base by specific provisions of the tax legislation (exemptions, allowances, etc.)

It should be noted that taxation is the current issue in the management of states that createless value to the GDP, that's looking for more and more resources in times of crisis and scarcity of public finances. The budget deficit requires a complex process of revenue mobilization to cover the government's expenses through taxes and fees, even royalties. Last but not least, the strong demand for a clear correlation between the tax revenues collected by the state and the services provided to citizens has become a grievance for households as well as businesses (in this case professional training tax...) who will perceive it as a pressure on their productive resources and an obstacle to their growth and that of their business. Tailoring a tax system and taxing according to one's ability to pay remains a strong principle oftransparency of state accounts (in terms of revenue), and is mentioned at every opportunity in the public debate, but was never achieved. The objective of this work is to answer the following question: **is There a correlation between fiscal policy and its impact on the economic development of our country ?**

Therefore, several sub-questions emerge and need to be studied:

- How can we make taxation a pro-economic freedom and pro-entrepreneurial instead ofa hindrance to this very act ?
- How to reduce the social pressure that threatens national companies and calls into question their results ?

To be able to answer these questions, we will attempt an analysis based on a confrontation between tax theory and realities explored on international and national levels. We first presenta review of the theoretical and empirical literature on taxation and its effect on economic variables. A diagnosis of the economic and social realities that make taxation a major issuefor developing countries. Then we will evaluate the impact of tax revenue mobilization in Morocco on economic growth. In this perspective, we will investigate the capacity of the tax/GDP ratio in OECD countries and developing countries, namely Morocco.

1. LITERARY REVIEW :

The connection between taxation and the economy is important, as it allows us to analyze the economic behavior of these agents with regards to taxation. These economic agents change their consumption, saving, investment and general resource allocation behavior in the face of taxes. The tax administration of the Morocco and the legal regulations governing the field of public finance are the result of a long historical evolution, and is marked by the eventual emergence of a modern tax system similar to the ones in developed countries, combined witha liberal economy.

Throughout the 20th century, the national tax system has evolved under the strain of budgetary constraints, which led to the introduction of the first modern taxes. Ever since the independence, the evolution has also been based on consent, solidarity and economic incentives, culminating in a modern system that reflects the willingness to include the Moroccan economy on the international stage.

Fiscal attitudes have changed since the economic crisis of the late 70's, mainly due to the failure of countercyclical stabilization policies and the emergence of supply-side economics. Thus, tax policy is merely one dimension in the set of actions undertaken by the publicauthorities that have financial support, whether it is an expenditure or a revenue. Moreprecisely, it is the outcome of explicit or implicit choices made by public policy officers in theeconomic and extra-economic spheres that determine the general characteristics ofcompulsory taxation. In doing so, it highlights the economic and legal aspects of compulsory levies.

These three key ideas provide a basis for reflection on the role of taxation in the development of the Moroccan economy :

- The existence of a link between the tax structure, as a state choice, and the level of development of the country.
- Making mini-reforms through minor tax adjustments, especially during the preparationof the annual Finance Law, undermining trust in the State and its fiscal and budgetary authorities, as well as that of investors and entrepreneurs.
- Tax reform is not an effortless endeavor; empirical and econometric studies must support tax choices and the overall tax policy reflected in the CGI and the annual budget law.

Economic growth is a long-term evolution of a country's wealth and is commonly measuredby GDP or GNP. Within economic theories, two currents are debated on the role of the State and its functioning in the economy, namely the neoclassical and Keynesian currents. This "minimalist" current assumes that the State must have sufficient resources to allow it to conduct its policy in a sustainable manner. The classics were the first to question the issue.

Accurate knowledge of the effects on households and business activity is essential for sound macroeconomic management, or for making the most appropriate use of fiscal policy in times of crisis. For instance, knowing whether to boost consumption, or whether it is better to provide tax breaks to boost investment and employment, (Geerolf and Grjebine, 2019).

The economic and social effects generated by fiscal policy are characterized by the three basic roles that economic theory attributes to the government's role as defined by Musgrave 1959 :

- The optimal resource allocation function, answers the question of how the government should intervene to make the economy more efficient (Pareto optimal).-There are both the establishment of regulations and rights that allow markets to function efficiently (e.g., antitrust laws) and state intervention in areas where the market is failing. According to Musgrave, while the market has not collapsed, there is state intervention in the case of valuable property. Public authorities must intervene in consumer sovereignty in order to prompt the consumption of certain goods to a greater or lesser extent. It may also entail constraints or incentives, such as prohibiting the consumption of certain goods.

- The distribution of income and wealth function, aimed at correcting the inequalities generated by the original redistribution of income and wealth among citizens. The State introduces the principle of distributive justice " to each his needs ".
- Cyclical regulation : The State's mission is to stabilize economic activity by maintaining price stability during inflation, guaranteeing the full use of production factors and combating negative external factors. This is the "Stop and Go" policy.

According to (Musgrave, 1959), there is a correlation between the 3 functions, but they remain distinguishable nonetheless. When a state implements a policy that aims at economic efficiency, this policy can have effects on the distribution of income and wealth, it is never neutral. Thus, (Zeng, 2010), explained that the regulatory function can be carried out through taxation, which affects the redistribution function, or by altering the operating expenses of the state institution, which impacts on the resource allocation function.

According Adam Smith, taxes may impede the industry of the people and divert them from engaging in certain branches of trade or labor, which would provide employment and sustenance for many people. Thus, while on the one hand it forces the people to contribute, onthe other hand, it reduces or perhaps annihilates some of the sources that could more easilyput them in a position to do so. Since then, the majority of economists (Brun and Chambas, 1998) tend to believe that taxation penalizes economic growth.

Several works are devoted to the empirical analysis of the factors of economic growth, but they most often fail to take taxation into consideration. It is now, however, beginning toattract the interest of many economists.

The economist (Skinner, 1987) has developed a substantial literature on this issue, and has tried to verify the existence of a linear connection between taxation and economic growth. Forthis purpose, he analyzed the main channels through which taxation affects growth using the neoclassical model as a basis to his study (Solow, 1956).[1]

This growth model explains production, which is measured by the gross domestic product (GDP) and by the level of capital and technology (Solow, 1956). This means that the growth rate depends on the growth rates of the factors of production, physical and human capital, as well as on the

[1] Solow's theory is the benchmark for neoclassical economics among the theories that seek the causes of growth.Based on several hypotheses, Solow's model considers growth to be balanced in the long term. Based largely on technical progress, growth would be stable and would naturally lead to full employment. In 1956, Robert Solowproposed a growth model that is the cornerstone of contemporary models.

growth of the productivity of these factors.

According to (Engen and Skinner, 1996), taxation exerts a burden on economic growth via the physical capital stock channel, by lowering the level of private investment and production. Consequently, the labor productivity of individuals will decline and people will allocate more time to leisure. In the same instance (Bikenga, 2009), stated that taxation hinders the investment level and creative projects of young entrepreneurs.

To better explain, (Engen and Skinner, 1996), have demonstrated a model which identifies thekey channels through which the tax burden can indirectly impact economic growth :

- High taxes impact the physical capital stock by discouraging private investment. If taxes are on capital income, they will increase the cost of capital. This will disadvantage the use of capital to the benefit of labor, firms will be limited in terms of new technologies and the productivity of labor will correspondingly decline.
- When income tax rates are high, economic agents tend to reduce their work time and offer more time for leisure.
- Taxation can inhibit the growth of overall labor and capital productivity by minimizing the activities of research, innovation and development.
- Tax policy also affects the marginal productivity of capital by diverting private investments from the "high" taxed productive sectors to investments that are more taxed but have low productivity.

Since the advent of Laffer's theory (1981), various studies have asserted the economic neutrality of tax policy. According to the author's well-known quote "Too much tax kills tax", high taxes hinder the sustainability of economic growth, which therefore has macroeconomic and fiscal implications. The fundamental Laffer hypothesis is based on an inverted U-shaped curve that shows that there is an optimal tax threshold for any given country. In this regard,the researchers warn that excessive taxation can be prohibitively expensive for economic policymakers in terms of economic growth and tax mobilization. The reading of the curve states that the rise in tax rates is not necessarily accompanied by an increase in tax resources. This high taxation fosters fraudulent behavior on behalf of taxpayers; corruption, fraud andtax evasion... Nevertheless, this curve does not enable us to determine the tax rate that would maximize economic growth.

The economist (Jacob Lundberg, 2017), studied Laffer curves for 27 OECD countries : "The tax rate that maximizes tax revenues is around 70% and depends on several factors for each economy, including: the structure of the tax burden, the country's tax record, the level of aversion at the risk of investors and the degree of confidence in the forthcoming economic situation".

All fiscal theories of investment and economic growth are interrelated. The first one refers to the analysis of producers' budgetary preferences/constraints, and the second to consumption and innovations. Thus, it should be emphasized that many economists focus on the study of the impact of tax reform (change in tax rates on capital and labor) on the budget balance, and the welfare of the global economy. Studies have also referred to the link between the rate of tax pressure and economic growth. In a similar fashion, we explain this relationship by focusing on the different taxes.

2. THE LINK BETWEEN TAXATION AND ECONOMIC GROWTH :

According to Widmal (2001), the fiscal impact on economic growth is not easily proven, and if there was an impact, it would be indirect. The tax burden is determined by an indicator that measures the burden of taxation in a given economy. This indicator, which calculates the extent of a country's taxation, is the most widely used and is expressed in terms of two economic indicators, namely tax levies and gross domestic product. This ratio relates the tax levies paid by taxpayers in the numerator, to the GDP in the denominator.

The structural level of the tax burden determines the structure of fiscal policy on a tax, it affects either directly or indirectly all macroeconomic aggregates and indicators. It is one of the main factors determining a country's attractiveness for developing its national productive fabric. Therefore, our goal is to assess the impact of this attractiveness on investment and economic growth.

Economies with high tax burdens may have the lowest PMC and SME values, which leads to low economic growth (assuming that the human and physical capitals are constant). A 1% increase in the tax rate would result in a 0.25% decrease in economic growth in the long run.

High tax rates in an economy can influence the level of economic growth by lowering private sector initiatives, reducing human and physical capital, distorting the general price level and sometimes substituting less desired products for desired ones, which leads to a loss of tax revenue (Gwartney and Lawson, 2010).

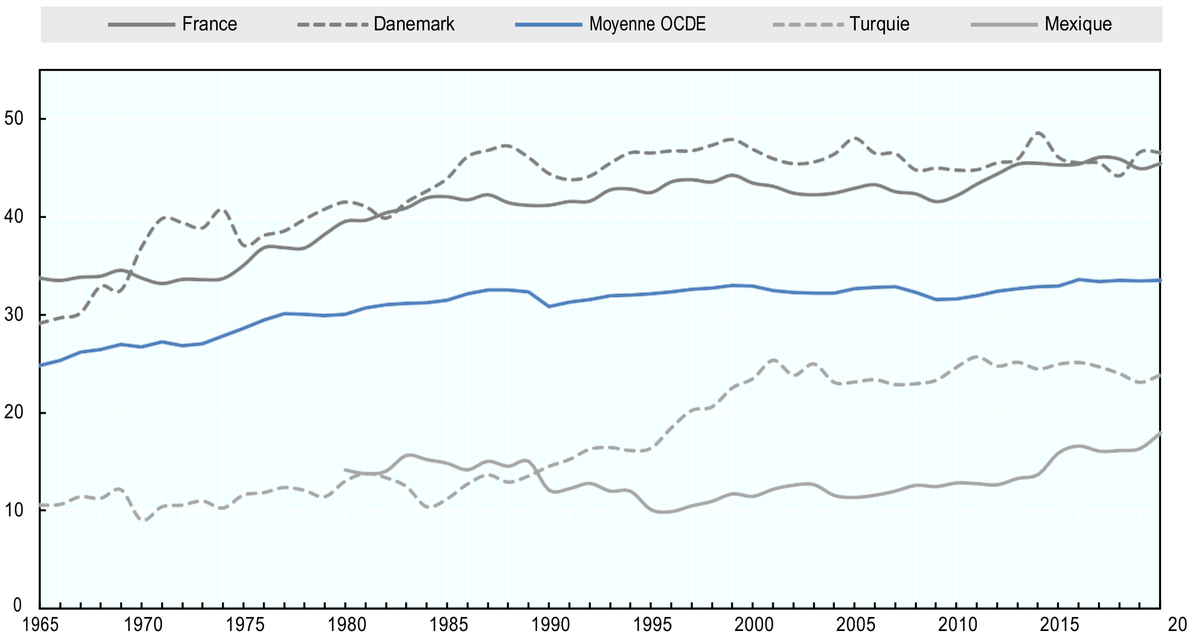
2.1. International tax regulations :

The OECD grants great importance to the impact of tax burden on the economy as it is a necessary prerequisite for the global economy's growth. There is a tendency in OECD countries to increase the tax burden and to rebalance tax systems in favor of value-addedtaxes, social security taxes and corporate taxes. However, the structure of taxation continues to show substantial discrepancies in the advanced economies.

2.1.1. Change in tax/GDP ration :

In the year 2020, the average tax-to-GDP ratio in the OECD area increased by 0.1 percentage points to 33.5% as compared to 2019, due to the effects of the COVID-19 pandemic that resulted in a widespread decline in nominal tax revenues as well as nominal GDP in most countries. The decline in GDP was marked by a slight increase in this ratio, as well asnominal tax revenues that have declined in most OECD countries.

Figure 1 : Tax/GDP ratio patterns, 1965-2020 as % of GDP[2]:



Source : OCDE, Report 2020

This chart was developed by the OECD. It illustrates the trends in tax/GDP ratios from 1964to 2020. The tax/GDP ratios vary greatly from one country to another, increasing in 20 OECD countries and decreasing in 16 others. The main observations are as follows :

- In 2019, Denmark recorded the highest ratio (46.5%) and with the exception of 2017 and 2018, in which France's ratio was the highest, Denmark has shown the highest ratio of OECD countries since 2002. France reported the second highest ratio in 2020 (45.4

[2] Data for 2020 are only preliminary. The OECD average for 2019 is calculated by applying the average unweighted percentage change for 2020 across the 36 countries that reported data for that year to the overall average tax-to-GDP ratio for 2019. The average tax-to-GDP ratio for OECD countries in 2016 includes one-off revenues generated by contributions to stability in Iceland. Excluding these revenues, the average tax-to-GDP ratio would have been 33.2 percent in 2016

percent) and Mexico the lowest with merely (17.9 percent).

- The largest increase in the ratio occurred in Spain (1.9 percentage points). Theincrease was largely due to the rise in social security contributions as a percentage of GDP, as nominal revenues from these contributions fell less steeply than nominal GDP. The second largest increase was in Mexico (1.6 percentage points). The only other country with an increase of more than one percentage point was Iceland.
- The largest decline occurred in Ireland (1.7 percentage points), which reflects the decline in VAT revenues following the temporary reduction in VAT rates in 2020 andthe economic downturn caused by the COVID-19 pandemic. To a lesser extent, the decline was also due to smaller decreases in personal income taxes, social security contributions, wealth taxes, and excise taxes. Further substantial declines were observed in Chile (1.6 percentage points).
- In Norway (1.3 percentage points), the decline was due to a sharp fall in corporate income tax revenues (3.5 percentage points), as a result of the introduction of some temporary changes in the Oil Tax Act aimed at helping oil and gas companies to carryout planned investments, and the possibility of offsetting losses in 2020 against taxed surpluses from the previous two years. This decrease was counterbalanced by increases in all other major tax categories.

Africa's average was lower than that of the 24 economies in the Asia-Pacific region by 21%, the Latin America and Caribbean region by 22.9%, and the OECD region by 33.8%. In 2019, tax-to-GDP ratios in Africa ranged from 6.0% in Nigeria to 34.3% in the Seychelles and Tunisia, and 4 countries had ratios above 28% (South Africa, Morocco, Seychelles andTunisia. It is noteworthy that the countries with high natural resource endowments have ratiosbelow 15% and the countries with low natural resource endowments have ratios greater than that.

The average tax-to-GDP ratio for Africa increased by 1.8 percentage points over the last nine years. This increase was lower than the average for the LAC and OECD regions over the same period of 1.9 and 2.0 percentage points, respectively.

The major changes in the ratio were driven by increases in value added tax (VAT) revenues (1.0 percentage point) and personal income tax (0.8 percentage point).

2.1.2. Change in tax burden and tax structure:

Until the first oil shock in 1973-1974, strong income growth allowed tax levels to rise automatically inall OECD countries as a result of the progressiveness of personal income tax scales. The tax burden increased by 2.9 percentage points after the mid-70s, along with a slowdown in real income growth and an increase in unemployment, which limited the government's ability to collect revenue. Yet, after the deep recession that followed the second oil shock of 1980, European countries were forced to raise taxes to fund rising social security costs and to attempt to contain budget deficits.

Most OECD countries significantly reduced their individual and corporate income tax rates after the mid 80s, but the impact on government revenues of the extensive tax reforms that were undertaken was limited as the base of these taxes was simultaneously expanded by reducing or ending tax deductions.

In 1999, the average tax rate in the OECD area was 33.0 percent, which was the highest level seen at the time. It then fell slightly between 2001 and 2004, rose again between 2005 and 2007, and then dropped back as a result of the global financial crisis of 2008 and 2009. Altogether, the average tax burden in the OECD region increased by 1.3 percentage points between 1995 and 2019.

In Africa, GST is the largest source of tax revenue, amounting to 51.9 percent of total revenue in 2019, with value added tax alone accounting for 29.3 percent and income and corporate taxes for 38.4 percent. The 24.8% rate applies to individual income tax and social security contributions of total tax revenue in 2019, as opposed to 49.2% on average in the OECD area. Whereas, total wealth tax revenue in Africa generates about 1.9% which is about a third of the level in the OECD area.

Tax levels have been broadly increasing and the tax structure or tax "mix" has shown remarkable stability through the years. The tax structure is measured as the share of major taxes in the total tax revenue. Tax structures differ considerably from country to country, with some countries deriving most of their revenue from taxes on individual income and corporate profits, some from social security contributions, and others from consumption. Taxes (including VAT).

Several studies have examined the connection between tax rates and economic growth, focusing on different taxes. The purpose is to address more specifically the impact of income tax, corporate income tax and VAT on economic growth.

- **Income and profit taxes :**

The key taxes affecting individual income are taxes on labor income, social security contributions and taxes on capital income. They can have negative effects on individuals seeking employment as well as employers' decisions to hire labor.

The IR generates negative externalities on the labor market and employment by reducing the labor supply capacity provided by individuals and the labor demand provided firms. Granted, income taxes have the potential to sway workers' decisions and increase firm labor costs. Thus, each increase in income taxes raises the prices of factors of production (capital and labor), causing firms to downsize and focus on less labor-intensive production. This is the"tax wedge," the gap between the net compensation of employees and the firm's labor costs.

Taxes on income and profits are the primary source of tax revenue in OECD countries with a collection rate of 33.1%. They are used to finance public expenditure in 17 of the OECD countries. It should be noted that Australia, Canada, Denmark, Iceland, Ireland, Mexico, New Zealand, Norway, Switzerland and the United States exceeded 40% of the total tax share in 2019.

- **Consumtion tax :**

The VAT directly impacts the wages of consumers and decreases their purchasing power. Thus, the increase of the said tax decreases supply, the demand in the labor market and consumption in the product market. In contrast, the increase in VAT will drive workers to work longer hours, which will increase production, and consequently, economic growth. Moreover, changes in the value added tax affect the level of savings of households[3].

The share of consumption tax dropped from 38.4 percent to 32.6 percent and the composition of the goods and services tax changed dramatically over the same period. The significance of general excise taxes as a source of revenue has increased dramatically, with value added tax (VAT) in particular being levied in 37 of the 38 OECD countries. General consumption tax asa percentage of total tax revenue was 21.0 percent, up from 11.9 percent in the mid 60s. The main contributor in 2019 was the value-added tax (20.3 percent of total tax revenue).

Countries such as Costa Rica, Estonia, Greece, Hungary, Latvia, Lithuania, Mexico, Poland, Portugal, the Slovak Republic, Slovenia (between 11 and 15 percent) and Turkey (19.3percent) have experienced a substantial growth in VAT. This shift offset the decline in the share of consumption taxes. These countries continue to raise their share of total tax revenue through taxes on specific goods and services.

- **Corporate Income Tax :**

Corporate taxes influence the development of investment as well as local production and FDI. Firms are economic agents that strengthen their interests in terms of profit maximization, suchthat

[3] The share of consumption taxes on the following products was reduced by almost half by the 70's: tobacco, fuel and alcoholic beverages.

investment behavior is linked to the entrepreneur's income.

When governments impose a high tax rate on business sales, entrepreneurs collect a portion oftheir proceeds from the government (the entrepreneur will not receive any benefit, which will drive him to abandon the initiative).

The high taxation associated with corporate income tax will lead firms to seek out other areas where taxes are lower and shift to less productive sectors.

2.2. National tax regulations and pressure rate estimation :

The Moroccan tax system is marked by the complexity and multiplicity of rates that apply to a tight tax base ; in other words, 80% of corporate income tax comes from 2% of corporations, while 70% of income tax derives from salaried income. Moroccan tax revenues are relatively low compared to the fiscal capacity of the country, which is only about 76% of its fiscal capacity.

According to the latest BAM report, an examination of the level of tax revenue in GDP highlights three distinctive phases :

2.2.1. The first phase :

From 1990 to 2004, tax revenues remained practically stagnant at an average of 18.7 percent of GDP in the absence of major tax reforms. The steep decline in customs taxes from 4percent to 2.1 percent of GDP, a significant drop of almost half, was matched by an increasein income tax (IT) from 1.4 percent to 3.7 percent of GDP.

2.2.2. The second phase :

There was a second phase between 2004 and 2008, during which tax revenues increased significantly to a record level of 25.9% of GDP in 2008, thanks to the expansion of revenues generated by the value added tax (VAT) and corporate income tax (CIT). The latter increased by 3 and 3.5 percentage points of GDP respectively to reach 8.5 and 6.5% of GDP. This momentum is explained by the impact of the VAT reform initiated in 2005, the substantial increase in the profits of major companies, and the efforts of the tax administration to increasethe tax population and tighten tax controls.

2.2.3. The third phase :

Finally, in the third phase, which runs from 2008 to 2019, tax revenues fell sharply by about 5.2 percentage points to 20.7% of GDP. This drop is mainly due to three factors: the domesticand global economic downturn following the 2008 financial crisis, which led to downward movements in all tax categories; the reduction in the rates of the SI and IR starting in 2009, which led to a decline in the revenue generated by these two taxes to 7.6% and 3.7% of GDP, respectively, in 2019; and finally, the intensification of trade liberalization, which caused a significant decline in customs taxes from 1.9% to 0.8% of GDP.

The pandemic has also weakened tax revenues, both through the support measures providedby the tax system and the revenue impact of the economic crisis. The combined impact of the decline in non-tax revenues, the cost of support measures in other public policy areas, and the increase in health and social spending contributed to a sharp erosion of the public accounts.

When analyzing this change, the underlying effects related to the tax implications of the sudden closure of most activities in 2020, particularly during the restrictive period, should be considered. The tax compliance rate for the March 20-June 10, 2020 period ended September 2020, was 79.3%, down 7.3% year-over-year. This decrease was attributed to restrictions on economic activity.

The HCP reports an increase in taxes and duties on products net of subsidies of nearly 3.9% inthe 2022 forecast economic budget, and the gross domestic product (GDP) should record a growth rate of around 2.9% in 2022 after a rebound of 7.2% expected in 2021.

The LF 2022 has forecast a surge in revenues, with tax revenues expected to jump by 11.6 percent in 2022, reaching 252 billion MAD or the equivalent of 21 percent of GDP. Growth intax revenues is expected to be particularly robust for direct revenues (+21.9%), including corporate taxes, with the economy recovering from the blow of the pandemic. Indirect tax collections are expected to increase by 9.5 percent, mainly due to the expected revival of commodity imports. While the tax pressure rate is a significant indicator of the status of fiscal policy, it nevertheless remains limited due to the fact that it does not provide explanations for the distributive capacity of the tax system.

3. CONCEPTS OF CORPORATE TAXATION, TAX BURDEN AND TAX INJUSTICE :

The pandemic has taken a heavy toll on Morocco, triggering a downturn in activity and a further widening of inequality, with particularly severe consequences for low-income households and other vulnerable groups.

This crisis has resulted in an all-time increase in inequality, with the richest 1,000 people in the world regaining their pre-pandemic wealth in just a month, while it will take the poorer people more than 10 years to recover from the economic impacts of the pandemic, according to the latest reports of the United Nations High Commissioner for Human Rights.

Our country is far from being free from this issue, as the increase in inequalities highlights the urgency and the need for a fairer tax system.

Needless to say, this pandemic has laid bare the poverty, according to the HCP there are nearly 12 million people who are inactive or unemployed and 11 millions workers are in precarious jobs. Morocco remains the most unequal country in North Africa. "In 2018, three richest Moroccan billionaires alone held 4.5 billion dollars," warns Oxfam in its latest report.

3.1. Assuming a share of the cost of the health crisis :

Today, voices are being raised and are calling for greater taxation of the very wealthy. The IMF has just pronounced itself in favor of a tax on companies and wealthy people who have profited from the crisis. Several countries are in the process of moving in this direction, such as the United States, where President Joe Biden is introducing a veritable fiscal revolution for greater social justice.

Perhaps this would be an excellent opportunity to implement the principle of the Declaration of Human Rights, which states that taxes "shall be equally distributed among the citizens in proportion to their abilities"[4] while at the same time helping to finance the enormous health, social and environmental requirements that are on the horizon.

Taxing companies according to their ability may be the ultimate solution to this crisis. Many companies are in difficulty, especially the very small and medium-sized companies that donot have a significant cash-flow. However, this is not the same for all companies : some are making substantial profits in this period, hence the idea of introducing a one-off tax on the profits of multinationals. The idea is to tax those who have become rich during the crisis, for instance by introducing a one-off tax on the wealthiest individuals.

Argentina and Bolivia have passed a special tax on billionaires in order to finance policiesthat respond to the crisis. A similar measure could soon be on the table in Spain and theUnited Kingdom.

However, in Morocco, tax progressiveness is too low. This is partly due to the high value- added tax (VAT), whose proceeds are more than double those of income tax. Nevertheless, value added tax is an inequitable tax : the poor are taxed more than the rich, and theconsumption of the rich represents only a small part of their income. It is therefore desirable to lower the value-added tax on commodities ; a zero rate of VAT on basic goods will reduce the structural unjust nature of the VAT.

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[4] Declaration of August 26, 1789 of the rights of man and of the citizen article 13: For the upkeep of the public force, and for the administrative costs, a common contribution is essential: it must be distributed equally amongall citizens, in accordance with their means.

Moreover, obsessing about revenue reduction is not the sound thing to do. Rather, we need to increase the progressiveness of the income tax by setting up new top brackets with higher tax rates to discourage high pay, decrease income inequalities and generate higher revenues.

3.2. Towards Towards a fair tax system that contributes to reducing inequalities:

Tackling inequality at its root means restoring fairer taxation over the long term by increasing taxes on high incomes, reintroducing a tax on larges fortunes and taxing inheritance transfers by multi-millionaires.

- To improve the overall progressiveness of the tax system, the IR needs to introduce new brackets. This will allow the tax pressure to be put on the highest levels ofincome to the benefit of the lowest brackets. It is also necessary to envisage a progressive taxation of wealth in order to reduce the cross-generational inequalities of wealth.
- Expand the tax base to make the contribution of all economic stakeholders in the country more equitable. When it comes to the SI, the effective tax contribution mustbe increased, and large companies must pay their fair share of taxes by aligning their tax contribution with their real economic activity. Easing the many existing waivers toretain only those that have a social impact, after a cost-benefit analysis and a transparent process over a predefined period of time, would also be of significant help to this process.
- Combat tax evasion and fraud as a top priority by improving the refund system and simplifying procedures through transparency and by reducing the processing time of cases. Strengthen anti-tax evasion regulations, control mechanisms and make an extensive and objective list of tax havens, accompanied by appropriate sanctions.

Conclusion

The findings of our work and various others reveal a linear relationship between growth and taxation. The tests conducted on the basis of Moroccan data and error correction data, show the existence of a long-term connection between the tax pressure and economic growth with a change in structure and a negative sensitivity of the period from 1981 to 2006 but a positive one during the period from 2007 to 2018. In other words, there is a non-linear relationship in the sense of Ibn Khaldun and Scully.

When analyzing the structure of our tax system in a logical progression from the observation to the causes and recommendations, we find that :

- The tax structure is a reflection of the government's choice, but also reflects the level of development of the country : the more developed it is, the less it relies on taxation for its own budget, and the less developed it is, the more it will rely on its budgetary contribution. Tax choices are the expression of economic and social choices (direct or indirect taxes, state or local taxes, ... equalization, incidental taxes, royalties, ...)

- Tax choices can conceal inequalities in household incomes and corporate profit levels, which are due to unfairness towards households and companies. The latter effect is of particular importance to us.
- Benchmarking tax structures and systems can give a sense of the importance of taxation in economies and the roles allocated to them by the government.
- The principle of tax justice re-emerges in the analysis of the tax that is imposed on businesses. The degree of sophistication of the tax system is a reflection of the levelof economic development of the country. The tax regime may be a source of injustice as to the treatment of companies, especially if the rates are discriminatory for thresholds or categories of revenues.
- Tax changes, especially during the preparation of the annual LF, affect the economic environment in the short term, but also structurally; the number of changes increases the tax burden and can hinder the growth and development of companies.
- The latter are more likely than other actors to suffer from the pernicious effects of heavy and diverse taxation (a portfolio of taxes that reduces their profit).

Moreover, the State would have to review the progressive and/or proportional rates on certain taxes (notably the IS) as well as the nature of the taxes requiring reform. It is also clear thatthe reform can only be made from the evaluation of tax expenditures (benefits and sectoral exemptions such as the tax exemption of agriculture) which has become a murky issue in the domestic tax field; its tax costs are rarely evaluated and this reduces the effectiveness of the benefits granted to certain sectors (real estate development for social housing contracted with the State, agriculture, ...).

In addition, it is possible to think of a national tax system and local tax systems with regional tax rates that take into account the contributions of companies to the local economy (contribution to activities in the host region). Decentralization raises the question of Morocco's appropriate tax system to support the needs of communities in order to build local wealth and finance local initiatives.

Today's primary focus is on fiscal stimulus to sustain economic recovery. Taxation is boundto play a vital role in restoring budgetary balances and covering the costs incurred by the crisis. Once this crisis is behind us, the implementation of this ambitious tax reform, prompted by the guidelines resulting from the Assises Nationales sur la Fiscalité, should be gradually implemented over time and tailored to the new economic and social context.

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