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Adapting Moroccan Fiscal Policy to the Coronavirus Crisis

L'adaptation de la politique fiscale marocaine à la crise du coronavirus

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Abstract:

This theoretical research article delves into the role of Moroccan fiscal policy in response to the COVID-19 crisis. It assesses the emergency fiscal measures taken by the Moroccan government, comparing them to international standards. The analysis also examines the impact of the crisis on public finances, highlighting a significant deficit in tax revenues. To compensate for this loss, the study posits the need for a robust fiscal policy, which is crucial to support an effective economic recovery post-crisis. Structured around five strategic pillars, this policy aims to expand social protection, integrate the informal sector, combat tax fraud, establish a trustworthy relationship between taxpayers and the state, support productive enterprises, and enhance the purchasing power of citizens.

Keywords: COVID-19; fiscal measures; fiscal policy; revenue mobilization; economic recovery.
JEL Classification: E62 ; H12 ; H20 ; O23 ; I18
Paper type: Theoretical Article.

Résumé

Cet article de recherche théorique approfondit le rôle de la politique fiscale marocaine en réaction à la crise du COVID-19. Il évalue les mesures fiscales d'urgence prises par le gouvernement marocain, en les comparant aux normes internationales. L'analyse porte également sur l'impact de la crise sur les finances publiques, soulignant un déficit significatif en recettes fiscales. Pour pallier cette perte, l'étude avance la nécessité d'une politique fiscale robuste, cruciale pour soutenir une reprise économique post-crise efficace. Structurée autour de cinq axes stratégiques, cette politique vise à étendre la protection sociale, intégrer le secteur informel, combattre la fraude fiscale, instaurer une relation de confiance entre les contribuables et l'État, appuyer les entreprises productives et améliorer le pouvoir d'achat des citoyens.

Mots clés : COVID-19 ; mesures fiscales ; politique fiscale ; mobilisation des recettes ; relance économique.
Classification JEL : E62 ; H12 ; H20 ; O23 ; I18
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1. Introduction

The coronavirus (COVID-19) epidemic has caused considerable human suffering and major economic disruptions worldwide. The consequences of this health crisis, particularly on the economies of emerging countries, will be more pronounced, and the pressure on their budgets will be enormous. In response to this situation, countries affected by the COVID-19 crisis have taken various support measures, particularly in terms of budgetary measures, aimed at supporting the cash flow of businesses and providing the necessary support to households throughout the duration of this crisis.

Morocco is one of the countries that has taken drastic measures since the beginning of the crisis, including the declaration of a state of health emergency and the establishment by the public authorities of an Economic Monitoring Committee (CVE) tasked with closely monitoring the evolution of the economic situation at the national level and identifying appropriate measures to support the affected sectors.

To provide the necessary funds for the actions to be initiated by the CVE, the sovereign has instructed the government to set up a special fund for managing the COVID-19[1] pandemic.

However, taking into account the recent developments of the epidemic at the national level (extension of the state of health emergency until May 20, 2020), as well as the alarming economic indicators following the scale of this crisis and its expected damage to both businesses and households, the authorities are constrained to implement a comprehensive economic recovery policy aimed at saving businesses from the risk of bankruptcy and safeguarding jobs on a national scale.

One of the biggest challenges of this recovery policy today is to find the necessary resources to finance it, allowing businesses to resume their activities after the crisis. It will also be a matter of finding solutions to certain structural problems that have been exposed by this crisis, particularly the issue of social coverage and that of the informal sector.

The options available to the authorities in this situation are either to borrow or to tax to ensure the financing of this recovery. However, for financing public expenditures, borrowing and taxation are partially substitutable, raising the question of the determinants of the trade-off between these two financing methods. In recent debates, the issue of intergenerational equity is frequently highlighted (the debt generated by borrowing would be transferred to future generations), which is unfavorable to borrowing (Bernard, 2003).

Mobilizing domestic tax resources is therefore one of the inevitable options today to contribute to the financing of economic recovery, especially since Morocco's tax-to-GDP ratio (27.6% in 2018) remains relatively low compared to similar countries (OECD, 2019) (31.2% in Tunisia and 34.3% average for OECD countries).

The imperative to mobilize domestic tax resources, combined with other structural problems in the national economy, leads us to pose the following question: what fiscal policy in response to the coronavirus crisis?

In order to answer this question, the present work will be organized into 4 sections: The first section will discuss the fiscal policy measures adopted by the Moroccan authorities in emergency response to the COVID-19 crisis. The second section will present the recommended tax policy and tax administration measures by international bodies (notably the OECD) to address the COVID-19 crisis. The third section will analyze the impacts of the current crisis on the fiscal level, before ending with the last section by presenting the main outlines of the fiscal policy to be implemented after the COVID-19 crisis.

[1] *Ce fonds spécial est constitué de 10 milliards de dirhams du budget général en plus des contributions des citoyens. Le montant des ressources de ce fonds a atteint 23.4 milliards de dirhams en date du 24/04/2020 suite à la déclaration du ministre de l'économie, des finances et de la réforme de l'administration devant le parlement.*

2. The fiscal measures taken by the Moroccan government in response to the COVID-19 crisis

The global spread of COVID-19 and the vigorous measures taken by authorities to curb its spread within the national territory, including restrictions on the free movement of people and goods, have led to the shutdown of a large part of the economy. Thus, the sharp slowdown in economic activity in the country and the increasing global uncertainty are eroding general confidence.

In this situation, the authorities are now compelled to prioritize providing immediate support to households and improving the cash flow of businesses. Their major challenge is to maintain intact production and distribution capacities throughout the duration of this crisis, and consequently ensure that households and businesses can stay afloat until the end of this crisis, so that the economy can rebound once the peak of the pandemic has passed.

In Morocco, the initial response of the public authorities following the outbreak of this crisis was the establishment by the government of an Economic Monitoring Committee (CVE) within the Ministry of Economy, Finance and Administrative Reform (MEFRA), which held its first meeting on March 16, 2020 (MEFRA, 2020). The CVE, on the one hand, is tasked with closely monitoring the evolution of the economic situation through rigorous monitoring and evaluation mechanisms, and on the other hand, identifying appropriate measures to support the affected sectors. It has set out an action plan that will run until the end of June 2020 and has taken a series of measures that can be classified into the following categories[2] :

2.1 1st category: measures aimed at improving the cash flow of businesses

The state, through the measures taken in this first category, aimed to support businesses by implementing actions to relieve their cash flows. The main measures to note in this regard are:

- Suspension of social security payments until June 30, 2020, for companies, SMEs, very small and medium-sized enterprises (TPME), and self-employed professionals in difficulty;
- Implementation of a moratorium on the repayment of bank loans and leasing installments until June 30, without payment of fees or penalties, for companies, SMEs, TPMEs, and self-employed professionals in difficulty;
- Establishment of a new guarantee mechanism called "DAMANE OXYGENE" with the Central Guarantee Fund (CCG) aimed at mitigating the effects of the crisis induced by COVID-19 and its impacts on businesses, with the subsequent extension of this scheme to companies operating in the real estate sector whose cash flow has deteriorated due to the decline in their activity;
- Implementation of new measures in the context of public procurement to prevent companies from incurring penalties for delays in execution[3] ;

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[2] *In this study, we present the measures grouped by category. More information on all measures taken by the CVE since its creation can be found on the website of the Ministry of Economy, Finance and Administrative Reform.* [*Nous présenterons au niveau de cette étude les mesures regroupées par catégories, pour plus d'information sur l'ensemble des mesures prises par le CVE depuis sa création, se référer au site du ministère de l'économie, des finances et de la réforme de l'administration.]*

[3] *The directives issued by MEFRA aim to [Les directives émanant du MEFRA visent à] :*

- *Consider the impact of the state of health emergency and measures to confine people to their premises on contract performance times to be beyond the control of companies holding public contracts, and therefore a case of force majeure.[Considérer l'impact de l'état d'urgence sanitaire et des mesures de confinement des personnes sur les délais d'exécution des marchés comme étant indépendant de la volonté des entreprises titulaires de marchés publics, relevant de ce fait, des cas de force majeur];*
- *Invite the contracting authorities of State administrations, local authorities, public establishments and other bodies subject to State financial control, to respond favorably to requests from companies invoking force*

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2.2 2nd category: measures aimed at improving the cash flow of households

The measures implemented by the CVE in favor of households aim to mitigate the effects of the crisis on their cash flow. These include the following main measures:

- Granting a net monthly lump sum of 2,000 DH in addition to the benefits of compulsory health insurance and family allowances for employees, contract employees, and fishermen on temporary work stoppage declared to the CNSS for the month of February 2020, and affiliated with companies in difficulty, registered with the CNSS, during the period from March 15 to June 30, 2020;
- These employees, like the measure taken for companies in difficulty, may also benefit from the deferral of repayment of bank loan installments (consumer credit and buyer credit) until June 30, 2020;
- Provisional support measures for households operating in the informal sector impacted by the Coronavirus;
- Establishment of a zero-interest credit for self-employed individuals impacted by the COVID-19 crisis, up to an amount of 15,000 dirhams. This credit, available from April 27, 2020, is repayable over a period of up to 3 years with a one-year grace period. The related interest will be fully covered by the insurance sector. The latter will also contribute 100 million dirhams to the guarantee mechanism set up by the state, through the Central Guarantee Fund.

2.3 3rd category: tax measures

These tax measures also aim to relieve the cash flow of businesses and households impacted by the COVID-19 crisis through:

- Deferral of certain tax deadlines for companies with turnover for the 2019 fiscal year of less than 20 million dirhams, which may, if they wish, benefit from a deferral of tax return filings until June 30, 2020;
- Deferral of the deadline for the annual declaration of global income and payment of related taxes for individuals;
- Suspension of tax audits and ATDs until June 30, 2020.
- Exemption from the assistance allowance allocated by companies in difficulty to employees on temporary work stoppage.

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majeure due to the state of health emergency and containment measures taken by the public authorities, regardless of the 7-day time limit for submitting such requests. [Inviter les maitres d'ouvrages relevant des administrations de l'Etat, des collectivités territoriales et des établissement publics et autres organismes soumis au contrôle financier de l'Etat, à réserver une suite favorable aux demandes des entreprises invoquant la force majeure à raison des mesures d'état d'urgence sanitaire et de confinement prises par les pouvoirs publics, sans tenir compte du délai de 7 jours pour l'introduction des demandes de l'espèce] ;

- *Extend contractual deadlines for works, supply and service contracts, by means of an amendment, for the duration of the state of health emergency. [Procéder, par voie d'avenant, à la prorogation des délais contractuels aussi bien pour les marchés de travaux que pour les marchés de fournitures et de services, dans la limite de la durée de l'état d'urgence sanitaire] ;*
- *Invite contracting authorities to make use, where necessary, of mechanisms for postponing the execution of works, supplies or services, or of stop-and-start service orders, within the limits of the duration of the state of health emergency. [Inviter les maitres d'ouvrages à recourir également, en cas de besoin, aux mécanismes d'ajournement de l'exécution des travaux, fournitures ou services ou aux ordres de services d'arrêt et de reprise, dans la limite de la durée de l'état d'urgence sanitaire] ;*
- *Remind the various parties involved in public procurement of the need to give priority, during the state of health emergency, to the use of electronic exchange in its various forms, of supporting documents and papers over paper. [Rappeler aux différents intervenants en matière de commande publiquee, la nécessité de privilégier, durant la période d'état d'urgence sanitaire, le recours à l'échange électronique sous ses différentes formes, des pièces justificatives et des documents par rapport au support papier].*

In conclusion of this first part, it emerges from the various measures implemented by the CVE that the government's response to the crisis was characterized by anticipation and rapid execution. However, these measures to support businesses and households were undertaken with the aim of ensuring minimum income for employees during this crisis and can therefore only provide limited mitigation of the real risk of bankruptcy due to the complete cessation of activity. These measures would benefit from further elaboration in a second phase with a view to safeguarding and relaunching.
Nevertheless, the Moroccan experience in managing and anticipating this crisis, which is undoubtedly seen as an example, would benefit from revisiting the experiences of other countries through the examination and analysis of the various measures adopted in response to the pandemic.
We will limit ourselves, in the following section, to the study of tax measures initiated by a number of countries around the world and compiled by the Organisation for Economic Co-operation and Development (OECD).

3. Emergency tax policy and administrative measures recommended by the OECD

Several international organizations such as the International Monetary Fund (IMF), the World Bank (WB), and the Organisation for Economic Co-operation and Development (OECD) are currently working on developing targeted and temporary tax policy and administration measures that governments could consider taking as part of their immediate response to the COVID-19 crisis.
In our study, we will focus on the tax policy and administration measures recommended by the OECD in response to the COVID-19 crisis, examining them closely to propose those that could be feasible for the case of Morocco.
At the outset, it's crucial to recognize the extensive human suffering and significant economic upheaval brought about by the COVID-19 epidemic. Addressing the immediate urgency of this crisis, the OECD has suggested that governments and tax administrations globally consider a suite of measures suited to their unique national contexts. These measures are intended to alleviate taxpayer burdens and support businesses and individuals who are grappling with cash flow challenges or difficulties in fulfilling reporting or payment duties.
The OECD's 2020 compendium includes but does not differentiate between measures for tax administration and tax policy interventions. Notable suggestions include offering temporary social benefits and support schemes for low-income households, potentially via tax benefits. This extends to individuals and workers typically ineligible for such aid, with a broader reach for unemployment benefits, sick leave, or family leave, covering self-employed individuals too. Enhancements to cash benefits through the tax system are also recommended to mitigate short-term financial strain on low-income families.
Another focus is on the suppression or deferral of social security contributions and social charges for both employers and self-employed individuals. This relief is particularly aimed at sectors that have ceased operations or those severely impacted economically, allowing for immediate labor cost reductions. The scope of affected sectors may broaden as the economic fallout of the crisis expands.
Tax relief for health sector workers and other emergency service personnel is also on the agenda. Given their potential exposure to hazardous conditions and overtime work, partial income tax and social security contribution exemptions are proposed. Additionally, incentives could be offered to retired individuals who rejoin the workforce temporarily, ensuring their pension rights remain unaffected.

The OECD also advises on the deferral of VAT, customs duties, or excise duties on key imported goods like food, medicine, and equipment, under vigilant oversight to prevent misuse. There's an emphasis on accelerating VAT refunds and simplifying VAT refund claims related to bad debts, including a reduction in the waiting period for late VAT payment on issued invoices.
Adjustments to tax installment plans based on revised taxpayer tax obligations are suggested to reflect more accurately the impact on a company's turnover rather than past sales or profits. The proposal extends to postponing or eliminating taxes that don't fluctuate with the immediate economic cycle, such as fixed property taxes or turnover taxes.
To aid businesses, enhancing the generosity of loss carryforward provisions is considered, potentially converting them into loss carryback options. This could enable companies to opt for a one-time cash payment reflective of their cumulative tax losses multiplied by the corporate tax rate.
Additional measures include extending deadlines for tax filings and payments for those impacted by COVID-19, deferring tax payments due in installments to aid cash flow, and forgiving or refunding penalties and interests for late submissions or payments under certain conditions.
Tax debt payment plans could be made more accessible, with extended durations and consideration for an interest-free period. There's also a suggestion to temporarily halt debt collection efforts, including wage garnishments, bank seizures, and asset forfeiture and sales.
Prioritizing faster tax refunds, providing early tax certainty where feasible, and adjusting audit policies to refrain from auditing taxpayers during the crisis, barring fraud cases, are also on the list. Finally, enhancing taxpayer services, such as increasing digital access, establishing dedicated hotlines, and potentially extending call center hours, are seen as critical steps, alongside clear communication strategies to reach and assist vulnerable taxpayers effectively.
Given the various measures suggested above by the OECD and those already recommended by the CVE in the case of Morocco, it appears that some of these measures can be adapted to the national context. These include, for example:

- Accelerating the refund of VAT surpluses upstream: this measure could lighten the cash flow of businesses, but it must be targeted to limit the risk of fraud;
- Deferring payment of VAT, customs duties, or excise duties for imported goods: this measure should be implemented only for items whose need cannot be deferred, such as food, medicines, and medical equipment, while avoiding abuses through vigilant management;
- Postponing taxes whose tax base does not evolve with the immediate economic cycle: this is generally the case for property taxes such as the tax on municipal services, property tax, or business tax. Postponing the collection deadlines for these taxes will improve the cash flow of households and businesses;
- Suspending debt collection: CVE has already decided to suspend ATDs until June 30, 2020. This measure would be more effective if targeted in favor of struggling businesses, in addition to suspending wage garnishments or bank account seizures and asset seizures and sales;
- Suspending tax audits: this is also a measure adopted by the CVE which could be more effective if the suspension is decided only in favor of struggling businesses. Companies in sectors less affected by the crisis (such as telecommunications, agro-industry, or pharmaceuticals) should be audited if their declarations show serious irregularities that could call into question the probative value of their accounting.

At the end of this second part, the analysis of the fiscal and administrative policy measures that the OECD recommends governments to consider in response to the COVID-19 health crisis shows that some of these measures can be adapted to national specificities and can therefore improve the cash flow of businesses and households.

4. Study of the impact of the coronavirus crisis on Morocco's tax revenues:

In this part of the study, the aim is to analyze the impact of the coronavirus crisis on tax revenues, based on simulations that take into account the duration of the state of health emergency imposed by the authorities.
The following table shows the evolution of the main components of public finance balance before the coronavirus crisis:

Tableau N°1 : Principales rubriques des charges et ressources du Trésor en millions de dirhams

Charges et Ressources du Trésor	PREVISIONS LDF 2019	REALISATIONS Décembre 2019	PREVISIONS LDF 2020	Ecarts en valeur
Recettes Ordinaires	245 964,00	249 976,00	263 515,00	13 539,00
Recettes fiscales	219 953,00	211 935,00	227 397,00	15 462,00
IS	51 961,00	48 853,00	53 036,00	4 183,00
IR	44 602,00	42 095,00	46 181,00	4 086,00
TVA	60 710,00	61 389,00	64 917,00	3 528,00
TIC	29 119,00	29 900,00	29 987,00	87,00
DROITS DE DOUANES	9 424,00	9 768,00	10 449,00	681,00
ENREGISTREMENT ET TIMBRES	18 026,00	15 115,00	16 643,00	1 528,00
AUTRES IMPOTS*	6 111,00	4 815,00	6 184,00	1 369,00
Recettes non fiscales	22 711,00	34 232,00	32 818,00	-1 414,00
Recettes en provenance des EEP**	11 450,00	10 494,00	12 209,00	1 715,00
Autres recettes (dont dons CCG et Mécanismes innovants)	6 261,00	18 394,00	17 609,00	-785,00
Privatisation	5 000,00	5 344,00	3 000,00	-2 344,00
Recettes de certains CST	3 300,00	3 809,00	3 300,00	-509,00
Dépense Ordinaires	232 743,00	223 491,00	241 443,00	17 952,00
Biens et Services	186 715,00	181 109,00	198 787,00	17 678,00
Dette publique	27 658,00	26 310,00	28 016,00	1 706,00
Compensation	18 370,00	16 072,00	14 640,00	-1 432,00
Solde Ordinaire	13 221,00	26 485,00	22 072,00	-4 413,00
Investissement	57 606,00	70 412,00	70 358,00	-54,00
Déficit/Excédent Global	-38 384,00	-41 672,00	-42 286,00	-614,00
Besoin/Excédent de financement	-38 384,00	-46 170,00	-42 286,00	3 884,00
Financement intérieur	19 871,00	29 171,00	27 667,00	-1 504,00
Financement extérieur	18 514,00	16 999,00	14 619,00	-2 380,00

Source : Ministère de l'Economie, des Finances et de la Réforme de l'Administration, et calcul personnel.

The overall balance of the 2020 budget law suggests a strong willingness on the part of the authorities to support national growth through a significant increase in both operating and investment expenditures. The coverage of this increase appears to be partially offset by an optimization of tax and non-tax revenues (ZHANI, 2020).
However, faced with the repercussions of this pandemic on the balance of public finances, the government has shown a willingness to reduce the pace of expenditure execution, particularly operating expenses, except those related to health, security, and pandemic management.

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Furthermore, it is necessary to recall that the current pandemic situation will significantly destabilize the balance of public finances as envisaged by the 2020 budget law, and due to the lack of availability of a rectifying budget law, our analysis will also be based on the one currently in force.
However, the current situation is expected to heavily impact Treasury resources, particularly of a fiscal nature. In this regard, all categories of tax revenues are expected to decline as a result of this crisis, with certain agricultural activities expected to decrease significantly, affecting the results of some large enterprises, notably banks, whose contributions are decisive for corporate income tax collection. Additionally, the anticipated increase in unemployment is expected to lead to a decrease in both income tax revenues, which were expected to rise this year, and consumption-related revenues, primarily domestic value-added tax (VAT) and the internal consumption tax (TIC). Furthermore, the decline in imports is expected to lead to a reduction in import VAT, which constitutes a significant portion of total VAT (ZHANI, 2020).
Tax revenues are expected to decline, especially in the sectors most affected by the current crisis. These include manufacturing industries (which represent 16% of GDP), which are expected to underperform against forecasts, particularly due to the effect of factory shutdowns, as well as those in the textile and apparel sectors. Additionally, companies in the commerce, transportation, and tourism sectors will be heavily impacted by this pandemic.
Furthermore, in order to assess the impact of this crisis, particularly on tax revenues, our analysis will take into account the expected time frame for the economy to return to normalcy through two scenarios. The first scenario assumes a return to normalcy within 3 months, while the second scenario assumes a return to normalcy within a duration of 6 months.
The simulation results according to the 2 scenarios are as follows:

Table 2: Impact of the COVID-19 crisis on the revenue of major taxes in billions of dirhams.

PRINCIPAUX IMPÔTS	**RETEOUR A LA NORAMLE DANS 3 MOIS**			**RETOUR A LA NORMALE DANS 6 MOIS**		
	Prévisions LDF 2020	**Prévisions rectifiées suite à COVID-19**	**VAR.**	**Prévisions LDF 2020**	**Prévisions rectifiées suite à COVID-19**	**VAR.**
I.S.	53,00	41,1	-11,9	53,00	37,00	-16,00
	En tenant compte des 7.8MrMAD d'IS déductible (dons aux fonds COVID-19 et amendes IAM)			En tenant compte des 7.8MrMAD d'IS déductible (dons aux fonds COVID-19 et amendes IAM). Baisse prévue des recettes IS de 10%.		
I.R.	46,18	42,10	-4,10	46,18	33,60	-12,60
	Stabilité prévue des recettes IR par rapport au niveau fin 2019 (faible licenciements)			Chute des recettes IR suite aux licenciements au niveau des secteurs les plus touchés (tourisme, transport, commerce et industrie).		
T.V.A.	64,90	58,00	-6,90	64,90	51,00	-13,90
	Chute prévue de 50% des recettes de la TVA à l'importation (rupture de la chaîne logistique) et de 30% de la TVA intérieure (consommation limitée aux biens de 1ères nécessités)			Chute prévue de 50% des recettes de la TVA à l'importation (rupture de la chaîne logistique) et de 30% de la TVA intérieure (consommation limitée aux biens de 1ères nécessités)		
T.I.C.	30,00	27,90	-2,10	30,00	25,80	-4,20
	Chute prévue de 50% des recettes des TIC notamment sur produits énergétique (suite au ralentissement de la circulation routière et aérienne)			Chute prévue de 50% des recettes des TIC notamment sur produits énergétique (suite au ralentissement de la circulation routière et aérienne)		

Source: Adapted from the work of CDG Capital (2020).

As a result, the first scenario shows a shortfall in terms of total tax revenues of around 25 billion MAD compared to the forecasts of the 2020 budget law, while the second scenario reveals a shortfall in tax revenues of around 46.7 billion MAD compared to the targets set in the budget law.
On another note, and parallel to the impact of the crisis on tax revenues, it should be noted that current expenditures, which are expected to rise, particularly those related to personnel and debt interest, are of an executive nature and difficult to reduce, except for compensation expenses, which are expected to decrease due to the decline in prices of energy products, particularly butane gas.
In conclusion of this section, it is important to underline the importance of analyzing the impact of the COVID-19 crisis on the balance of public finances in general and on tax revenues in particular, especially in terms of developing the tax policy to be implemented after the crisis. Such a policy is called upon to mobilize the necessary tax revenues to contribute to economic recovery and at the same time provide solutions to structural problems, particularly regarding social coverage and the organization of the informal sector.

5. The main axes of the fiscal policy post-COVID-19 crisis:

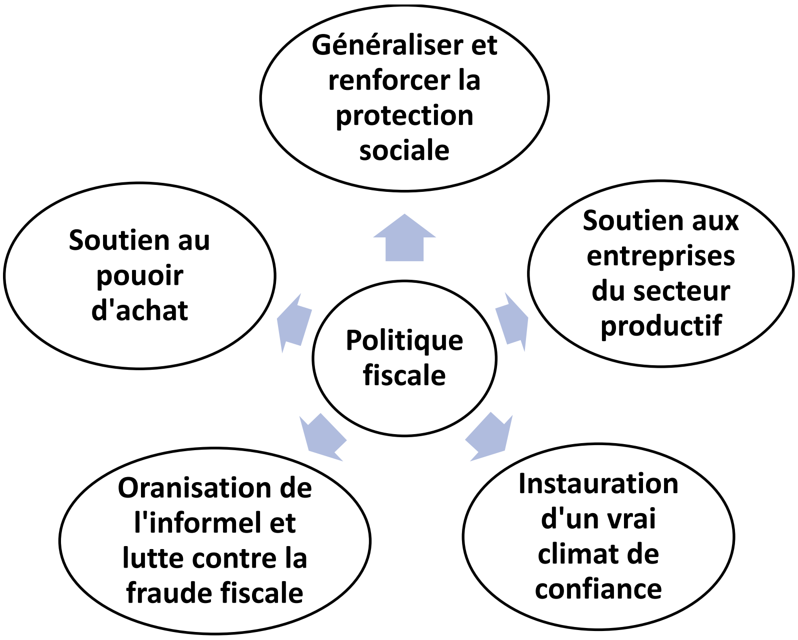
In an economic context marked by the current COVID-19 crisis, policymakers find themselves compelled to choose between an austerity policy, also known as rigor, or a stimulus policy despite the risks involved. Moreover, history teaches us, through the crises experienced since the 1929 crisis up to the recent "subprime" crisis, that the public authorities of affected countries tend to adopt a mix of austerity and stimulus.
It goes without saying that the particularity of the current crisis, as highlighted by several experts, unlike those that preceded it, is that it combines a shock to supply and another to demand (Strauss-Kahn, 2020). The supply shock is the result of the confinement measures imposed by the public authorities as being indispensable from a health perspective. Production will inevitably decline following the confinement of a significant portion of the workforce.
The demand shock, on the other hand, is the result of several causes. First, the incomes of a portion of the population are shrinking, and therefore non-essential consumption is postponed. Then, as "my spending is your income," demand weakens further. This is the well-known cycle of recession.
It is this combination of supply and demand shocks that characterizes the current crisis, making it so exceptional and dangerous (Strauss-Kahn, 2020).
In the short term, losses are inevitable. In fact, Morocco has recorded a number of 131,955 companies affiliated with the CNSS in crisis due to COVID-19, representing 61% of the total affiliated companies (which is 216,000 companies). Also, the present crisis has resulted in the unemployment (total or partial) of 808,199 employees in the private sector, representing 31% of the total employees affiliated with the CNSS (which is around 2,600,000 employees). Furthermore, thousands of more vulnerable employees working in the informal sector with precarious incomes must be added to these figures to confirm that in a very short period (less than a month) this crisis is further amplifying the fragility of an economy that, for many years, has struggled to find the recipe for the development desired by society.
Faced with this crisis, the response of the Moroccan authorities has been visibly rapid, particularly in terms of health measures (implementation of a state of health emergency, barrier measures, etc.), but also on the social level (direct aid to employees on partial or total unemployment, deferment of bank loan repayments, etc.) and economic level (the Economic Monitoring Committee took support measures for liquidity for businesses and households as early as mid-March, as mentioned in the first part of this study).

These measures, although necessary to implement in response to the health crisis, remain temporary and cannot in any way constitute sustainable solutions to the structural problems exposed by this crisis (social coverage and informal sector, for example). The objective is to capitalize on the successful experience of managing this crisis to deeply reflect on the economic policy to be implemented after the crisis. It is in this perspective that the following will address one aspect of this economic policy that can guarantee the success of economic recovery. This is the fiscal policy to be implemented in order to mobilize the necessary tax revenues, rethink fiscal expenditures, and establish the equity of the tax system so eagerly awaited by all taxpayers

5.1 The main axes of fiscal policy

The various national tax forums (2009, 2013, and 2019) all recommended the need to develop a clear vision regarding tax reform, which should be part of a comprehensive socio-economic policy framework.
The present proposal for tax policy is inspired by the various works and recommendations of national bodies that have worked on tax issues, as well as the recommendations from the latest national tax forums held in 2019, and the recommendations of international organizations on tax policy.
It goes without saying that the objective of this research work is limited to presenting the broad outlines of a tax policy to be implemented in order to achieve economic recovery after the COVID-19 crisis. It must be part of the overall vision of the new development model being developed in Morocco.
The tax policy proposed at this level cannot succeed without being closely linked to other axes of public policies that encourage investment and employment, and directly contribute to financing social coverage and assistance programs.
The following figure outlines the main axes of the proposed tax policy:

Figure N°1: the main axes of the proposed tax policy.



Source: Personnel conception

- **Generalize and strengthen social protection: A fiscal policy that strongly articulates with other dimensions of priority[4] public policies.**

The objective of this first axis is to implement a tax policy that integrates the entire system of levies and reallocation of resources to allow the resulting tax system to partially fund social coverage.

The COVID-19 crisis has, more than ever, demonstrated the imperative need to establish this social coverage system. In fact, the distribution of direct aid to the poorest households during the crisis was targeted and helped relieve household cash flow. The aim is to perpetuate this experience and make it a permanent development fund funded by a portion of tax revenues. In this sense, the tax policy, which currently addresses the social dimension and its corollary social coverage only weakly (less than 2% of the provisions provided by the budget laws between 2014 and 2018 address the social aspect (CESE, 2019), is called upon to intervene by guaranteeing the necessary revenues for this fund.

Due to its transversal nature, related to consumption and affecting the largest segment of the population, VAT is the tax that lends itself most to this logic of contributing to the national solidarity effort, to mitigate its impact on purchasing power, and to ensure the necessary financing to support the population that needs it most. The CESE proposes to eventually allocate two to four (2 to 4) percentage points of VAT to a social solidarity fund, which would serve, among other things, to contribute to the financing of social coverage and assistance. The programming modalities of this allocation, taking into account the evolution of the tax base and the progress in stabilizing the total neutrality system of VAT, should be considered (CESE, 2019).

The sources of funding for the generalization of social coverage, in addition to labor levies, can be the combination of two aspects:

- On the one hand, the reform of VAT by adding another rate at 30% for luxury products, products that harm general health (wines and alcoholic products, cigarettes...) as well as products whose use affects the environment (pollutants...);
- On the other hand, this adjustment of the VAT rate must be done in parallel with the elimination of product subsidies (compensation) and their replacement with a system of targeted assistance.

That being said, the issue of social coverage cannot be resolved by the tax instrument alone. It must be addressed in a comprehensive vision, particularly through the implementation of measures concerning the fight against the informal sector and tax evasion.

5.2 Organization of the informal sector and fight against tax fraud: A fiscal policy that promotes an economic environment capable of successfully transferring informal activities to the organized economy.

The informal sector contributes to the national value added at a rate of 12.6%, generates a turnover of nearly 410 billion dirhams, and contributes to national production at a rate of 12.2%. The volume of employment in the informal sector is 2,376 million, and the wages paid amount to 11.390 billion dirhams (HCP, 2018). It follows that the informal sector is an important link in the economy that needs to be better organized and understood.

It should be noted that the procedure for compensating households in the informal sector from the COVID-19 fund has accelerated the process of identifying individuals in this sector. From a fiscal perspective, it is important to use this kind of cross-referencing to identify not only individuals engaged in survival activities, but also the activities and upstream channels that feed them and pose real dangers to the national economy (smuggling, importers who understate

[4] *La politique fiscale à mettre en place doit s'inscrire dans une vision globale du modèle économique qui sera à la base des orientations du Nouveau Modèle de Développement en cours d'élaboration.*

imported goods to avoid VAT, underground distribution channels that evade all taxes, and producers who cheat their employees by not declaring them, thus depriving them of any social coverage) (CESE, 2019).

It is also recommended to introduce fiscal measures aimed at diversifying the methods of intervention and control of the tax administration, notably by strengthening the use of observation rights to be exercised on the largest taxpayers, among those identified, in order to identify their main suppliers.

Furthermore, it is also recommended to rethink the tax base census through the use of new technologies, such as geographic information systems, to detect unidentified activities (46% of informal production units have a fixed location (HCP, 2018). There is also a need to simplify tax procedures as much as possible, especially for small and very small enterprises, which constitute the majority of these informal production units. Measures of fiscal policy aiming to exempt taxpayers who are identifying themselves for the first time from any tax liability, strengthening tax control, ... are steps that should be supported in this direction. Ultimately, the formalization of transactions in the informal sector and the income it generates necessarily involves mastering information on production flows of companies at the national level and controlling at the borders. Furthermore, it should be noted that the benefits of integrating the formal sector are not only fiscal. Those concerned can benefit from social security, insurance, medical coverage, bank credit, housing credit, access to as many rights as are not allowed by staying in the informal sector, and above all, participation in the socialization process and a collective, constructive dynamic of citizenship. The aim is to establish a tax policy that prioritizes equality among citizens in the face of taxation, through the fight against unfair competition from operators working in the informal sector. On another note, tax evasion and fraud are contrary to the objectives of tax policy, which are to ensure the financing of public action, which implies avoiding revenue losses; the proper payment, by each individual, of the tax they owe is a fundamental condition of tax justice; not to mention the micro-economic distortions caused by tax evasion and fraud, to the detriment in particular of those who meet their obligations (MARCUS, 2014).

In this regard, it should first be noted that Moroccan tax law includes a set of control and sanction procedures, accompanied by significant guarantees in favor of the taxpayer, specifically aimed at combating tax fraud and evasion. These procedures have undergone significant development over the years, notably with the publication by the General Tax Administration (DGI) in 2018 of an internal note concerning the DGI's tax control policy aimed at combating tax fraud and evasion (DGI, 2018). This policy to combat tax fraud and evasion is based on the following axes:

- Control of companies that are unduly in deficit and initiation of the overall tax situation examination procedure (EESF) of the operator, associate, or shareholder;
- Control of false beneficiaries who pay only the minimum contribution (CM) because they generate a tax on profit lower than the CM;
- Cracking down on VAT fraudsters as the non-payment of this tax by the company, which only collects it for the Treasury, cannot be tolerated in any way;
- Control of individual professionals with low tax contribution, given the profession exercised and the indicators available to the tax administration. It is within this framework that fiscal policy instruments should be developed to combat tax fraud and evasion.

However, it is preferable to avoid relying on the post-event action of tax control, which involves significant resources without offering a guarantee of fully recovering improperly withheld amounts (MARCUS, 2014). For this reason, in practice, it is important from the outset of a tax measure to anticipate the risks of evasion or fraud that could prevent it from achieving the desired budgetary or economic objectives. Thus, it is necessary, for example, to ensure that tax benefits are received by the intended beneficiaries, and not fraudulently by other taxpayers. This is one of the requirements of tax policy (MARCUS, 2014). This is illustrated by the measure aimed at excluding vehicles acquired by car rental agencies from the benefit of VAT exemption. Ultimately, it should be noted that combating tax fraud and evasion cannot be resolved solely by legal means but also requires the involvement and commitment of taxpayers in the context of a fiscal pact of trust that encourages adherence and establishes the clarity, accessibility, and acceptability of the fiscal policy to be implemented.

5.3 Establishment of a real climate of trust: A fiscal policy aimed at establishing a climate of trust between the tax administration and taxpayers.

The relationship between the tax administration and taxpayers remains, despite significant efforts to improve it, often conflictual. Additionally, the rules applied to certain taxes are not always clear to everyone and often leave too much room for interpretation by local actors and tax officials.

The objective is to establish a tax policy aimed at reducing tax uncertainty, which necessarily involves greater transparency, a balance of powers, and clearer rules. The ultimate goal at this level is to consolidate the various measures introduced by the government through the various finance laws, improve them, and make them more transparent.

These measures include:

- Publication of price benchmarks for real estate (in this regard, and taking into account the practical constraints of applying these benchmarks, the experience initiated in Casablanca in consultation with the ANCCF – which has allowed for a unified treatment by adopting more effective benchmarks – is promising in this direction and deserves to be generalized nationwide);
- Tax rulings: introduced by the 2019 Finance Law, this measure allows operators to query the tax administration prior to investment, acquisition, or sale operations.
- Appeals against administrative decisions
- The power of adjustment following tax audits: the establishment of the obligation of oral and adversarial debate before notifications by the 2020 Finance Law is a commendable initiative in this regard that should be supported and perfected (the failure to hold this meeting is not considered on the tax side as a ground for nullity of the audit procedure!).

These are some fiscal policy measures aimed at establishing a real climate of trust between the Administration and the taxpayer. This necessarily involves a thorough overhaul of the current tax system, aiming for greater simplification, fairer taxation, and flexibility and efficiency of the tax administration.

5.4 Support for productive sector enterprises: A fiscal policy that encourages the productive sector and investment.

The fiscal policy implemented over time continues to be considered insufficiently incentivizing, and may even have unfavorable effects on competitiveness, instead of being a lever for promoting national productivity (CESE, 2019).

The objective is to establish a fiscal policy that encourages investment in high value-added sectors. This policy must be part of a comprehensive review of tax expenditures through the establishment of annual evaluation mechanisms to measure not only the validity of these expenditures, but also their effects on the productive fabric and on investment as a whole. The idea is that state aid, in the form of tax reduction or exemption, should be fair and beneficial for the general development of the country. They should not create windfall effects, because when an activity sector is overly supported, even for good reasons, it can create a crowding-out effect on investments, which may go primarily to this sector, to the detriment of other sectors that

sometimes have more potential in terms of value added for the economy and more jobs, potentially creating a dangerous bubble effect for the economy as a whole (CESE, 2019).
This fiscal policy should aim at the comprehensive reform of the VAT. Indeed, it has been noted that the revenue from this tax is concentrated on a limited number of taxpayers, that a number of value-creating economic activities are outside the scope of VAT, and paradoxically, these activities also benefit from the purchase of investment goods exempt from VAT (as is the case with education). Others claim exporter status to benefit from reimbursement (as is the case with agriculture).
The VAT reform should take into account the following elements:

- The producing enterprise should only bear a VAT on the value added it creates, regardless of the taxation and rate policy adopted by the State;
- Any enterprise with a VAT credit should be reimbursed without delay, so as not to penalize it with undue financial costs, and not to impair its investment capacity;
- Expand the scope of VAT to cover all economic activities;
- Eliminate unjustified exemptions (some exemptions contribute to the proliferation of the informal sector and constitute a deviation from the intended purpose. This is the case with exemptions for investment goods, agricultural equipment, donations...);
- Align with international practices where the VAT payment regime is based on invoicing and not on receipt.

The reform of the corporate tax (IS) is also requested at this level in order to create value and employment. Indeed, it is recommended to establish mechanisms to encourage business capitalization and reinvestment of profits on one hand, and to abolish all tax frictions on the investment cycle and on the occasion of corporate restructuring on the other.
Finally, it is recommended to implement a strategy to support innovation and research and development, through mechanisms such as research tax credit, which have proven their effectiveness worldwide and which the COVID-19 crisis has more than ever demonstrated the usefulness and necessity.

5.5 Support for purchasing power: A fiscal policy enabling a fair distribution of the tax burden and support for the purchasing power of the poor and middle classes.

The current tax system is called to be further improved, especially regarding the distribution of the tax burden. Indeed, the weight of taxation does not fall in a balanced manner on citizens or economic agents (CESE, 2019) as:

- The income tax (IR) relies mainly on the salaries of civil servants and in organized sectors, thus primarily affecting the middle-income salaried classes.
- The burden of corporate tax (IS) is still borne by a small minority of companies.
- The VAT does not touch large parts of economic activity due to the extent of the informal sector. Indeed, entire production and distribution circuits remain outside the scope of taxation, thus reducing the revenues that should naturally be generated from this tax and consequently increasing the tax pressure on the formal sector, particularly on the most transparent companies.

The objective is to establish equality before taxation alongside improving the transparency of tax practices and broadening the tax base. The measures that have been adopted so far through various finance laws deserve to be consolidated and improved. For example, the distribution of the tax burden among taxpayers in different income tax categories is not yet balanced. Employees still bear a significant part of this burden compared to self-employed professionals and traders subject to IR; indeed, the share of employees' income tax (from public and private sectors) in the projected income tax revenue for 2020 is 71.5%.
It is also recommended at this level, to avoid erosion of the purchasing power of the middle class due to the rise in the cost of living, to index and adapt the income tax brackets to inflation.

It is about capitalizing on the experience of the measures adopted by the CVE during the COVID-19 crisis in terms of supporting purchasing power and establishing a special fund for permanent development which will be funded by a share of tax revenues. Indeed, according to figures from the Ministry of Economy, Finance, and Administration Reform, the state saved thousands of very small, small, and medium-sized enterprises from certain bankruptcy, while allowing their employees to maintain a certain level of purchasing power through the injection of some 33 billion dirhams into the cash flow of these companies, and guaranteeing at a rate of 95% some 9,000 loans amounting to 73 billion dirhams.
In conclusion of this last section, the fiscal policy to be implemented after the COVID-19 crisis revolves around 5 major axes. Firstly, it is about generalizing and strengthening social protection; then, organizing the informal sector and combating tax fraud; the third axis concerns establishing a true climate of trust; and finally, the last two axes concern supporting productive sector enterprises and the purchasing power of taxpayers.
This fiscal policy cannot succeed in achieving its objectives without being part of an overall vision strongly articulated with other dimensions of priority public policies.

6. Conclusion

The research aims to delineate a fiscal policy for Morocco's economic revival post-COVID-19, structured around five pivotal axes. The first axis emphasizes the need for broadening and fortifying social protection measures. This includes enhancing safety nets and welfare programs to cushion the vulnerable segments of society.
The second axis focuses on the organization of the informal sector and the fight against tax fraud. Formalizing the informal economy and implementing stringent measures against tax evasion are crucial for increasing tax revenues and ensuring equitable contribution from all economic actors.
The third axis is dedicated to establishing a genuine climate of trust between taxpayers and the tax administration. This involves transparent communication, fair tax practices, and responsive grievance redressal mechanisms to foster taxpayer confidence in the system.
The final two axes aim at bolstering the productive sector and enhancing the purchasing power of taxpayers. Supporting businesses through tax incentives and easing the tax burden on individuals can stimulate economic activity and consumption, driving growth and recovery.
For the proposed fiscal policy to be successful, it must be intricately linked with broader public policies that encourage investment and employment. It should align with Morocco's overarching vision for its new development model. Additionally, the policy's effectiveness hinges on a collective commitment to a fiscal pact of trust, ensuring widespread acceptance and compliance.

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