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RESEARCH ARTICLE

THE TAX SYSTEM AND ITS IMPACT ON SUSTAINABLE DEVELOPMENT IN MOROCCO

El Rhorfi Abdelkhalek¹ and Filali Ouafa²

1. Mohammed V University, Rabat.
2. Souissi Faculty of Legal, Economic and Social Sciences.

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Abstract

The study examines the interrelationship between the Moroccan tax system and sustainable development, exploring how tax policies can influence economic, social and environmental sustainability in the country. Focusing on the implications and effects of taxes, tax incentives and environmental taxation measures, the analysis assesses their impact on economic growth, social equity and environmental protection. By highlighting the challenges and opportunities, this research aims to inform strategies to optimise the tax system for sustainable development in Morocco.

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Introduction:-

The tax system has many complex roles. Established by the legislature, tax laws, included in the financial law governing the financial year, are designed to achieve economic and social objectives. They guide public policy by controlling the economy and influencing all aspects of life. In this way, taxes play a crucial role, affecting social life as a whole. Under traditional finance, the objective of taxation was purely economic and financial, without taking into account other aspects that could improve the status of the state among individuals by focusing on and advancing social areas.

The purpose of imposing taxes is to generate financial revenue to strengthen the State's cash position, thereby ensuring that its public finances are strengthened. This provides the revenue or appropriations needed to cover public expenditure. In other words, taxation does not just involve levies, but also has an impact on the economic and social aspects of people's lives.

The role of taxes in the economic life of individuals and in the concept of economic and financial stability has become a principal tool adopted by countries and governments. It aims to establish a stable political situation, characterised by the absence of tensions, and to eliminate political conflicts affecting general stability, in the interest of the citizen who contributes financially to the State for the redistribution of tax revenues by covering public expenditure.

In modern countries, taxation is used as the main means of controlling economic and social indicators, influencing consumption, production, savings and investment. Tax revenues vary according to the strategic orientations of the State. In this context, taxation has a major effect on the economic dimension of sustainable development in most countries in the world. This reality has prompted the Moroccan government to undertake an ambitious reform of its tax system to bring it up to the level of developed countries. This has resulted in the publication of a framework law for tax reform, setting out a serious roadmap for a promising future.

Corresponding Author:- El Rhorfi Abdelkhalek

Address:- Mohammed V University, Rabat.

On this basis, we can conclude the main problem concerning the relationship between taxation and sustainable development in Morocco. This problem leads us to question the connection between the tax system and the economic dimension of sustainable development, as well as the effectiveness of this system in Morocco for financing the State budget. The aim is to achieve positive and efficient national economic development, which is positively reflected in the country's economic and social sphere.

To answer these questions in the light of the foregoing, we can envisage dividing the subject studied and analysed, concerning the relationship of levies as a major and indirect economic player in the sustainable development of countries, into two main themes, to be divided as follows

Part I:

The relationship between the tax system and the economic field of sustainable development.

1. First requirement: Finance public spending.
2. Second requirement: Ensure financial security and achieve economic stability.
3. Third requirement: Stimulate savings and rationalise consumption.
4. Fourth requirement: The role of the tax collection system in distributing the tax burden.

Part Two:

The tax system and achieving the social objectives of sustainable development.

1. First requirement: Reduce social disparities between groups.
2. Second requirement: Protecting the environment and guaranteeing its safety.
3. Third requirement: Development of the concept of collection.
4. Fourth requirement: Economic basis for the imposition of environmental taxes".

The first part:

The relationship between the tax system and the economic field of sustainable development.

First requirement:

Finance public spending.

Clearly, in order to achieve the economic dimension of sustainable development, it is imperative to first achieve a state of economic stability. As part of the development model adopted by the Moroccan state, taxation has become a major lever of influence in most economic sectors, exerting significant control over their main indicators of investment, consumption and improved production. For some, these indicators reflect the value of the State and the extent of its control over the economy, using tax as the main source of funding for public spending (first requirement), while ensuring financial security and strengthening economic stability (second requirement).

Tax can also play a vital and effective role in encouraging individual savings through rationalised consumption. This could considerably improve the standard of living of large sections of society, particularly in the face of rising prices and the scarcity of financial resources resulting from various economic and natural factors that have contributed to the worsening of the situation (third requirement). The tax system can thus play a major role in distributing the tax burden between individuals and companies in a way that serves the collective interest, based on the principle of interconnection between economic areas (fourth requirement).

The financial objective of the tax is closely linked to covering the volume of public expenditure, being considered the only objective of the tax according to traditional financial thinking. The economic and social objectives achieved through taxation were not seen as goals in themselves. At a time when traditional thinkers were advocating the need to reduce the tax burden on society by economising on public spending, contemporary writers have emphasised the importance of minimising collection costs in order to maximise tax revenue to the public purse. Consequently, the financial objective is considered to be one of the main and important objectives of any tax, aimed at guaranteeing regular revenue from internal sources for the public treasury and government authorities.

This idea gave rise to the notion of abundant tax revenue, which implies broadening the tax base to include all taxpayers, while minimising collection costs. In developed countries, where the proportion of tax revenue is high, there is a proportional correspondence between this revenue and the amount allocated to expenditure. This approach

makes it possible to cover various social aspects, contributing to rationalised management and efficient use of public resources.

It should be emphasised that modern financial thinking recognises the importance of the financial objective of taxation, particularly in the face of increasing government needs and the expansion of its sphere of action. However, it rejects the idea of tax neutrality because of the impact of taxation on various economic and social variables. Modern thinking has therefore incorporated economic and social objectives into taxation.¹

Second requirement:

Ensure financial security and achieve economic stability.

The economic objectives linked to taxation include achieving economic stability and guaranteeing the State's financial security, which helps to ensure political stability. Taxation has become a means of influencing economic indicators and various aspects such as investment, consumption, imports and exports. The impact of taxation cannot be ignored, as it affects consumption, production, savings and investment, making it possible to stimulate certain productive activities. Many countries have used taxation to encourage specific sectors of their economy, such as tourism, industry, agriculture, etc., by introducing permanent or temporary taxes. This approach has contributed to their development and has helped them to meet the various challenges they face, whether domestic or external².

The tax is also used to counter periods of economic recession, as contemporary economic cycles are characterised by phases of expansion and contraction. These cycles are affected by economic shocks that influence the markets, in addition to natural disasters and emergencies that occur sporadically. These fluctuations have a negative impact on the national economy, leading to the use of fiscal measures, and even certain types of tax, to deal with periods of recession and deflation.

During these periods, purchases are reduced and products accumulate in warehouses and markets. In order to increase the purchasing power of citizens, particularly those on modest or low incomes, governments reduce income tax rates in the lower brackets and increase tax exemptions for suppliers. They are also increasing family exemptions and reducing indirect tax rates, particularly on basic necessities such as flour and other everyday items.

Third requirement: Stimulate savings and rationalise consumption.

The impact of taxes on savings varies according to the type of savings: taxes affecting the sources of savings, such as taxes on money and taxes on profits, such as corporation tax and capital gains tax (value added tax), as well as other direct taxes in general, tend to affect savings more negatively than indirect taxes. This is particularly true if they affect high-income groups who devote a significant proportion of their income to savings. A high tax rate can encourage investors to seek legal and illegal means of avoiding these taxes, resulting in a significant loss of tax revenue for the State.

Tax has a direct impact on the income of those who pay it, reducing it according to the tax rate. The higher the rate, the greater the effect on income, and vice versa. As a result, the volume and variety of goods and services that individuals consume are influenced by this effect, in particular by the tax rate, which influences price levels. In particular, those on modest to middle incomes experience a reduction in income, prompting them to reduce their spending on certain goods and services, especially those considered to be luxury items. As a result, demand for these goods falls, which generally leads to lower prices.³

The impact of taxes on consumption depends largely on how the government plans to use the tax revenues generated. If the government withholds tax revenues without reinvesting them, this tends to reduce consumption. However, if the government uses this revenue to finance certain goods and services, the fall in personal consumption due to taxation is offset by an increase in consumption resulting from government spending.⁴

¹ Karim Al-Harash, "La gestion des finances publiques au Maroc", Al-Najah New Press, Casablanca, first edition 2018page 70

²The same previous reference, p. 77

³ Karim Al-Harash, "Public Finance Management", previous reference, p. 70

⁴ Hammad Hamidi, "Finances publiques", Beni Nas Press, Salé, first edition, 2000, p. 279.

Fourth requirement:

The role of the tax collection system in distributing the tax burden.

Justice is the first rule that tax legislators must take into account when drawing up tax laws. This means that public burdens must be distributed equitably among citizens and that taxes are imposed on them accordingly.⁵

Broadening the tax base has become as much a question of justice and fairness as of revenue for the State and the tax burden for taxpayers: the refusal to pay tax, or at least the feeling that tax is too high, is no longer simply a question of the amount of tax to be paid. It stems from the perception that taxpayers are not paying their taxes equally, creating an imbalance in the distribution of the tax burden. One sector that is particularly prone to this sense of injustice is property: people often feel that there are disparities in the taxation of similar properties or properties located in the same area. These differences are perceived in the benefits and valuation processes associated with registration duties and the value of council tax payable, creating a lack of transparency in the criteria applied by the tax authorities.

In order to remedy this sense of injustice and inequality, particularly with regard to tax on income from similar property sources, it is necessary to devise fairer tax systems. This could involve adopting comparative criteria, such as contracts of sale and purchase that are similar in time and place, as a basis for assessing the value of property. Consideration could also be given to adopting approved property mapping to standardise property prices in an urban area, taking into account the characteristics of residential areas to better assess rental values.

It is undeniable today that the self-employed, such as shopkeepers, brokers and all those who benefit from additional income apart from their salary, bear a lower tax burden than employees. It is therefore necessary to aim for a balance, which means introducing stricter controls and incentives to encourage these groups to pay their taxes fairly and transparently, while avoiding tax evasion.

It is also crucial to link income tax brackets to inflation rates in order to prevent a deterioration in the purchasing power of the middle class, affected by the rising cost of living.⁶

Part Two: The tax system and achieving the social objectives of sustainable development.

The tax system plays a significant role in achieving the social dimension of sustainable development. Taxation is seen as an effective tool for achieving social justice by reducing economic disparities between different segments of society. It also contributes to a fairer distribution of tax resources, thereby helping to reduce social disparities when it is based on criteria of justice and equity (the first requirement).

In addition, the tax system aims to preserve the environment and guarantee its safety. It is a major instrument that governments use to reduce pollution and ensure environmental safety (the second requirement), in particular through the application of environmental taxes (the third requirement). However, this type of taxation has both advantages and disadvantages that may influence its implementation in accordance with the established objectives (the fourth requirement), as it is based on a set of principles that frame its application."

First requirement: Reduce social disparities between groups.

This can be achieved in a number of ways, including imposing taxes on wealth or applying high taxes on luxury goods by increasing tax rates. Taxes can also be used to address societal crises, such as solving the housing crisis. For example, imposing a high tax on homes that are totally or partially vacant would encourage owners to rent them out or occupy them to avoid paying high taxes. It could also encourage them to sell them at reasonable prices, which would have a positive impact on property prices in our country. This measure could also increase the availability of accommodation services.

While taxation helps to achieve many economic and social objectives, it is also used to meet certain political and cultural objectives. Taxation has a number of political objectives, both internal and external. Internally, tax is seen as an instrument in the hands of the ruling authority or certain politically dominant social groups, designed to serve the interests of the forces of control to the detriment of other segments of the population. Tax is also used to limit the

⁵Karim Al-Harash, "Public finance management..." Previous reference, page 70.

⁶ Moroccan taxation, economic development and social cohesion... op. cit., p. 156.

influence of a certain social class, such as landowners, by granting tax exemptions to certain groups, such as war veterans, or by reducing tax for certain social categories. This use of taxation for political purposes is designed to support the interests of the majority in power.

Externally, taxation is a tool used by the state to facilitate trade transactions with certain countries. This is achieved by preventing customs facilities such as exemptions for countries that are not friendly or competitive with domestic products, while offering tax advantages to countries that are friendly or have common strategic policy interests. In addition, the state can use taxation to boycott the products and goods of other countries, for example by increasing customs duties in order to achieve political objectives.

Taxation is also used as an instrument to preserve and promote society's cultural heritage. This is achieved by financing specific funds and programmes dedicated to this objective, as well as by granting tax benefits for activities that contribute to its enhancement. These measures include the approval of income tax reductions, part of which is earmarked for funding a variety of cultural activities. There is also the exemption of income from the rights to artistic works and the non-application of value-added tax on productions, artistic works and materials used in the cultural industry, with the aim of arousing greater interest in art and enriching culture.

Second requirement: Protecting the environment and guaranteeing its safety.

The Moroccan tax system is an expression of the State's integration into the global market economy. As a result of this integration, the history of taxation in Morocco is to a large extent the history of the development of central government. The tax system, which was initially based on traditional systems, underwent various evolutions and then adopted more modern systems during the 20th century, culminating after the 1984 tax reform in the tax engineering known today. However, this system has become unable to keep pace with contemporary economic and social developments. This gave rise to a number of tax debates which eventually led to the enactment of a framework law for tax reform in 2021.

It is one of the most important tools used by governments to reduce environmental pollution. Green taxes or environmental levies are caused by economic activities. Environmental levies are defined as taxes and charges imposed to compensate for any negative impacts on the environment, often caused by massive industrial production that depends on huge industrial units. Some define these levies as monetary amounts based on materials and services that present risks for the environment or for the process of exploiting natural resources.⁷

Environmental taxation includes various taxes and charges imposed by public authorities on all activities that have an impact on the natural environment. It also includes the various tax exemptions and incentives granted to those who use environmentally friendly technologies in their economic activities that have no harmful effects on the environment. The rate of these taxes is determined on the basis of an estimate of the quantity and degree of danger of environmentally destructive emissions. This fiscal approach is associated with the economist Arthur Cecil Pigou and is known as taxes.⁸

More than three decades after the start of a series of radical reforms, we question the extent to which public authorities have succeeded in improving the performance of the tax system in harmony with the economic, social and environmental dimensions of sustainable development, and in achieving the objectives set. The desired objective is to preserve the integrity of the environmental system while ensuring the prosperity and development of societies, without destroying the environment.

Third requirement: Development of the concept of collection.

Environmental taxes are one of the most important tools used by governments to reduce environmental pollution resulting from economic activity. Green taxes or environmental levies are defined as taxes and charges imposed to compensate for any negative impacts on the environment. Some define them as a financial charge based on materials and services that present risks for the environment or for the process of exploiting natural resources, and which may have a negative impact on them.

⁷The Moroccan tax system: economic development and social cohesion, report by the Economic and Social Council for 2012.

⁸Arthur Cecil Pigou: British economist, one of the founders of environmental taxes and one of Britain's most famous economists between 1877 and 1957.

Morocco now has a National Sustainable Development Strategy 2030. This strategy aims to lead Morocco towards a gradual transition to a green economy, taking account of environmental challenges and striving to guarantee human development, social cohesion and a sustainable improvement in economic competitiveness. To achieve this objective, seven major fundamental challenges have been identified, each with its own strategic axes, making a total of 31 strategic axes. These objectives, procedures and projects are mainly aimed at strengthening governance and sustainable development, consolidating the institutional framework for sustainable development, putting in place legal and monitoring mechanisms, in addition to financing economic and financial instruments, and developing a tax policy to increase environmental efficiency.

It is important to note that this strategy aims to strengthen the environmental legal arsenal as set out in the 2011 Constitution, which enshrines sustainable development as a right for all citizens. It also aims to put in place new mechanisms for democratic governance, as well as the conditions needed to lay the foundations for sustainable development in the Kingdom.

This requires a strict commitment on the part of the government and all stakeholders to rigorously implement these requirements. In the context of the link between environmental protection and tax policy, Moroccan tax lawmakers have drawn up a list of tax deductions linked to environmental protection, including in the areas of water, energy, transport and waste, which are considered to be the expression of an environmental policy, rather than that the objective is simply to collect resources for the state treasury.

Fourth requirement: Economic basis for the imposition of environmental taxes.

The use of taxation as an economic tool to integrate the costs of environmental damage and services is not devoid of theoretical or scientific support. On the contrary, there are foundations and theories that have paved the way for the introduction of this type of tax, as we will discuss in the first paragraph concerning the creation of the Pigouvian tax. Then, in the second section, we will look at the polluter-pays principle, whereby the polluter is responsible for paying the environmental tax either in kind or through the services he provides for the benefit of the groups affected by his economic activity. This will be the subject of this section. In the first paragraph, we will explore Pigouvian tax events, while in the second paragraph we will discuss the notion of the polluter pays. Finally, in the third paragraph, we will examine the advantages and disadvantages of environmental taxation.

Through his study of numerous economic activities in the free market system, he concluded that they had negative effects on the environment. By exploiting natural resources, these activities affect the livelihoods of others. These negative impacts are not included in their production costs. Pigou therefore suggested that the authorities should intervene to correct this imbalance by imposing charges equal to the differences between the marginal social costs of pollution and the marginal costs of reducing pollution (the external impact cost). These charges are better known by their current name, Pigouvian taxes, which fulfil two roles:

- 1- Levy emission charges equivalent to the difference between the marginal social costs of pollution and the marginal costs of reducing pollution (marginal costs of reducing pollution).
- 2- Encouraging polluting activities to reduce their emissions to avoid paying additional charges and taxes on emissions, thereby reducing the monetary value they pay.⁹

If the State increases the level of the special tax on the consumption of a harmful good and sets it at a level where production returns to the optimal level for society, i.e. to a situation that harms neither the environment nor citizens, this benefits everyone. We can therefore say that the Pigouvian tax absorbs or prevents the use of undesirable and polluting materials and goods. Any economy that produces harmful goods is considered inefficient as long as these goods cause distortions in it, but these distortions can be mitigated by an environmental tax that returns the economy to its best state, which is the fundamental idea behind the Pigouvian tax.

- 1- This principle was first announced by the Organisation for Economic Co-operation and Development (OECD) in 1972, coming into force in November 1974. Since then, it has become a standard for all environmental legislation at national and international level. Basically, this principle stipulates that all costs associated with the various measures to combat or prevent pollution and environmental damage must ultimately be borne by the

⁹Siddiqui Masoud, Saudi Muhammad, Environmental Collection as a Tool for Achieving Sustainable Development, Forum sur le développement durable et l'efficacité de l'utilisation des ressources disponibles, Université Farhat Abbas, Sétif 2008, pp. 540-541

offender. In other words, this legal principle gives the authorities the right to make polluters pay for operations to protect the environment against pollution. This principle clearly states.

- 2- Determine the channels for collecting the costs of all environmental procedures and pollution control measures, so that they are borne neither by the authorities nor by society, but rather by the polluter directly responsible for the expenditure.
- 3- Obliging the polluter to pay the costs of reducing the damage caused by the negative external effects of its activity, thereby encouraging it to follow less polluting methods and means of production, or voluntarily when it becomes aware of and contributes to environmental protection.

This principle can sometimes be difficult to implement, especially when it is difficult to determine with certainty who is actually responsible for polluting internationally shared resources, such as international waters or the earth's atmosphere. It is therefore essential to back up this principle with international regulations, laws and agreements specifying who is responsible for pollution, who the victims are and what remedies are available. This guarantees everyone their financial rights, forcing the party responsible for the damage to assume its responsibilities. This principle strikes a balance between the private interests of producers and society's general interest in a healthy environment. Moreover, it does not prevent pollution, but intervenes after it has occurred by granting the right to pollute to the producer, while making him responsible for the costs of the harmful effects of his activity. These costs are paid to the public authorities to repair the damage caused, thereby reinforcing the sovereignty of the State in protecting the environment and providing support to the groups affected in the form of reparations.

Environmental taxes offer a number of advantages that make them one of the most effective economic tools for preserving the environment. However, they also have certain disadvantages that may limit their applicability, particularly in developing countries. We will first look at the advantages of environmental taxes, and then discuss the disadvantages associated with these measures.

Environmental taxes have a number of advantages, which can be summarised as follows:

- 1- The costs of environmental services and environmental damage are directly integrated into the prices of goods and services, and this is what contributes to the application of the polluter pays principle and enables the integration of economic, financial and environmental policies.
- 2- It encourages producers and consumers to avoid behaviour that is harmful to the environment.
- 3- Producers are keen to innovate when energy, water, raw materials and waste are subject to taxes, which leads them to develop new methods of production, transport, energy use and public consumption in order to reduce the taxes they pay, and this contributes to achieving greater economic efficiency.
- 4- It increases the income that can be used to improve the environment and encourages others to do so or to reduce the amount of other more costly work, such as taxes on labour, in order to increase employment and economic well-being.¹⁰

Determining the price of an environmental tax is a complex task. It involves assessing the external costs associated with pollution, which can vary from one production unit to another. Estimating these costs is difficult because of various problems, including the choice of suitable estimation models and the difficulty of quantifying, extending and objectively measuring these costs. In developing countries in particular, the introduction of environmental taxes, especially if they are high, is likely to create a strong incentive for individuals and companies to evade taxes, notably by illegally disposing of their waste, thereby causing serious damage to the environment. This situation could also discourage investment, prompting many investors to consider other countries without such environmental taxes.¹¹

The introduction of these taxes also has undesirable distributional consequences. In general, the introduction of these taxes can lead to an increase in the price of products whose production generates environmental pollutants. This price increase can be significant, depending on the ability of economic units to transfer the tax burden onto the consumer. This can be a problem, especially when these products are essential in economic and social terms, such as cement, steel products, certain petrochemicals or widely consumed foodstuffs.

¹⁰Saeed Abdel Aziz Othman Shukri Rajab Al-Ashmawy, *Économie fiscale, politique, systèmes, enjeux contemporains*, Alexandria University House, 2007.

¹¹Abdel Majeed Qadi, *Introduction aux politiques macroéconomiques*, second edition, Office des presses universitaires, Algeria 2005.

However, despite these challenges, these problems should not be seen as a justification for not adopting this type of tax. The presence of these difficulties should not hinder the application of this tax, especially in light of the alarming levels of pollution and waste that threaten life on Earth.

Conclusion:-

The tax system plays a crucial role in sustainable development, with objectives defined by the legislator to establish tax conditions. It contributes significantly to the social dimension of sustainable development by being an effective tool for achieving social justice. It aims to reduce social disparities by preventing the excessive accumulation of wealth among a few members of society. It also contributes to the preservation and security of the environment, being one of the major tools that governments use to reduce pollution and ensure environmental safety through environmental taxes, which are defined as taxes and charges imposed to counter negative impacts on the environment. Some see them as a financial measure based on materials and services that present risks to the environment or to the exploitation of natural resources, having a negative impact on them.

Environmental taxes offer many advantages, making them one of the most effective economic means of protecting the environment. However, they also have drawbacks that can restrict their application, particularly in developing countries.