

Chapter 19

Tax Policy and Entrepreneurship: Evidence From Morocco

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ABSTRACT

Given the importance of entrepreneurship for economic growth, governments worldwide are increasingly focused on implementing policies to stimulate business creation and expansion. The reduction of administrative, regulatory, and fiscal barriers is a key aspect of these policies to support the entrepreneurial ecosystem. In line with this vision, the Moroccan authorities introduced the “self-employed” status in 2014, featuring a simplified tax framework. This chapter aims to explore the perception of self-employed individuals regarding this tax system through a lexicometric analysis of interviews conducted with entrepreneurs using IRAMUTEQ software. This study reveals that while the current tax system offers some advantages, it also has significant drawbacks, including the omission of expenditure in tax calculations, the absence of VAT recovery, and the lack of loss deductibility. In response to these concerns, several tax adjustments are proposed to address the mixed perception of self-employed individuals towards the tax regime.

INTRODUCTION

Entrepreneurship, with its pivotal role in driving economic growth and enhancing competitiveness, has garnered significant attention from governments worldwide. Recognizing its significance, policymakers have placed utmost priority on implementing policies that cultivate an enabling environment for entrepreneurial endeavors (OECD, 2008). By reducing administrative, regulatory, and fiscal impediments, these policies aim to unleash the potential of entrepreneurs and stimulate economic development, ultimately leading to job creation and reduced unemployment rates.

In Morocco, these concerns are particularly relevant given the alarming statistics provided by the World Bank, which highlight a significant unemployment rate, especially among the youth (24.95%

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in 2022), coupled with a sluggish growth rate (1.1% in 2022). Therefore, fostering entrepreneurship in Morocco becomes even more imperative, necessitating a concerted effort to further cultivate the entrepreneurial ecosystem, not only to catalyze economic expansion but also to generate substantial employment opportunities.

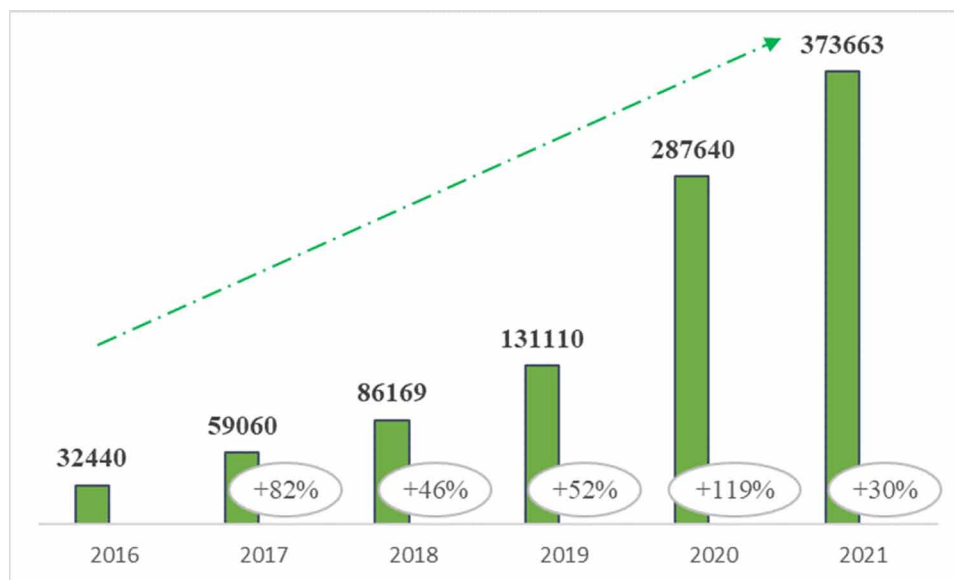
To address these challenges, the Moroccan government introduced the “Self-Employed” status in 2014, aiming to encourage labor market access through self-employment and incorporate the informal sector. This initiative not only promotes entrepreneurship but also addresses the critical issue of unemployment by providing individuals with opportunities to create their own businesses and generate employment. By fostering a culture of entrepreneurship and supporting the self-employed, the government seeks to reduce unemployment rates, stimulate economic growth, and create a more sustainable and inclusive economy.

Notwithstanding the exclusion of specific sectors, such as liberal professions and others, from the purview of this regime, it has observed a notable upsurge in its appeal since its establishment. This is substantiated by the consistent upward trajectory in the number of individuals engaged in self-employment, which has undergone a remarkable growth rate of 12.5 times between the years 2016 and 2021 according to The Moroccan General Tax Administration (Figure 1).

Figure 1. Evolution of self-employment in Morocco (2016-2021)

Source: The Moroccan General Tax Administration (2022)

Note. This figure illustrates the significant expansion and positive trend in the number of self-employed individuals in Morocco.



For its advocates, this regime offers a dual advantage. Firstly, it allows for the possibility of engaging in multiple activities. Unlike other statuses (employee, retiree, student, etc.), the self-employed status allows an independent pursuit of an activity not exclusively or alternatively to another status, but concurrently. Secondly, it simplifies administrative procedures, accounting systems, and provides favorable tax treatment (Stevens, 2012).

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