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Tax incentives in North Africa:

Will the Global Tax Agreement be able to achieve its goals in reducing tax competition and granting more tax revenues for North Africa countries?

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Abstract

Tax incentives systems are widely used among developing countries to attract foreign direct investment and foster national industries. However, the use of tax incentives results in tax expenditure which are not compensated with certainty by the effectiveness of the intended outputs in terms of national development and rights fulfilment, such as decreasing unemployment rate and increasing tax revenues at the end.

Securing more fiscal space through maximizing available tax revenue is yet crucial in order to allow North African governments to allocate the needed public spending to ensure the protection and fulfilment of citizens economic and social rights, especially during crisis.

This situation is further hampered by the emerging of the OECD/G20 new BEPS Inclusive Framework that can results in more forgone tax and limiting countries taxation rights once the minimum tax of 15% induced by Pillar Two of the Global tax agreement, enter into force.

This agreement, which was supposed to enter into force on 1 January 2023 in some of North Africa countries where the assessment of its benefits and impacts has not been the subject of any information or public debate at national level. Delays in implementation and disagreements on the details of reforms at the global level have pushed the timetable for a full agreement on the first pillar to mid-2023 and the implementation of the second pillar to 2024 at the earliest.

In this context, this policy brief presents a comparative analysis of tax incentive systems in the North Africa region in order to assess the Pillar-Two of the Global Tax Agreement repercussion of tax revenues and tax rights in the region. Presenting national and regional case-studies of global tax reforms impacts in developing countries, this paper aim at promoting recommendations for decision makers in the North Africa countries to protect tax rights and maximise available tax revenues and to reinforce regional cooperation for tax justice in the region.

Abbreviations

- AfDB: The African Development Bank
- ASEAN: Association of Southeast Asian Nations
- BEPS: Base Erosion and Profit Shifting
- BMG: Beps Monitoring Group
- CET: Common External Tariff
- CIT: Corporate Income Tax
- CSOs: Civil Society Organisations
- ECOWAS: Economic Community of West African States
- FDI: Foreign Direct Investment
- GDP: Gross Domestic Product
- GTED: Global Tax Expenditure Database
- MNEs: Multinational Enterprises
- MTT: Multilateral Tax Treaty
- NGOs: Non-Governmental Organisations
- OECD: The Organisation for Economic Co-operation and Development
- OPEC: Organization of the Petroleum Exporting Countries
- TJN: Tax Justice Network
- TJNA: Tax Justice Network Africa
- TOE: Tunisian Observatory of Economy
- UN: United Nations
- UN-DESA: United Nations Department of Economic and Social Affairs
- UN-ESCAP: United Nations Economic and Social Commission for Asia and the Pacific
- WAEMU: West African Economic and Monetary Union

Introduction

As of November 4, 2021, 137 member jurisdictions [1] of the OECD/G20 Inclusive Framework [2] have agreed to the Statement on a Two-Pillar Solution to address the tax challenges arising from the digitalisation of the economy. The two-pillar plan aims to reform international taxation rules and ensure that multinational enterprises pay a fair share of tax wherever they operate.

According to the OECD, "developing countries higher reliance on corporate income tax means they suffer from base erosion and profit shifting disproportionately" hence comes the prominence of the 2021 inclusive framework "to tackle tax avoidance, improve coherence of international tax rules, ensure a more transparent tax environment, and address the tax challenges arising from the digitalization of the economy"[3].

Four of the North Africa Region countries, namely Mauritania, Morocco, Tunisia, and Egypt, participated in the agreement of the Two-pillar plan to address the tax challenges arising from digitalisation of the economy . However, Algeria, Libya, and Sudan did not sign the OECD/G20 new inclusive framework.

Lately, international tax rules have been reconsidered due to the global recession triggered by the COVID-19 pandemic and the Russia-Ukraine war. This global crisis has resulted in increasing North Africa's financial needs, estimated to exceed 180 billion US dollars by the end of 2023, according to AFDB [4]. Thereby, North Africa countries are showing a growing interest in maximising their available resources.

From the Two-Pillar plan, more attention is being directed to Pillar Two that according to Deloitte "introduces a minimum effective tax rate of at least 15%, calculated based on a specific rule set". Moreover, "The global minimum tax attempts to limit tax competition by introducing a globally uniform floor, below which the effect of low tax rates or fiscal policy measures would be largely obviated."[5]

The new OECD/G20 framework, also referred to as the Global Minimum Tax, was widely criticized by the Southern countries [6], NGOs [7] [8] [9] and civil society organisations [10]. Historically, the OECD BEPS framework failed to bring about any radical change for developing countries, with the percentage of profit shifting by Multinational Enterprises (MNEs) increasing from 5 percent during the 90's to 25 percent in 2010 after the implementation of the first BEPS.

Furthermore, the US treasury Secretary described the Global Minimum Tax as "historic" and stated that it will result in stopping the race to the bottom, a self-defeating international tax competition. which was also criticized by the South since developing countries reliy on tax competition to attract foreign direct investment. Development countries tend to offer generous tax incentives to promote their economies by targeting new industries and attracting investment that are subject to tax competition.

According to World Bank 2020 [11], "Policy makers who advocate for the use of incentives often justify their costs by suggesting that they are compensated for by the new investment, jobs and spill overs created by the firm benefiting from these concessions. But such assertions are rarely based on proper evaluation methods and the underlying economic evidence." Tax incentives can have direct costs, such as tax revenue foregone.

Reviewing tax incentives system on cost-benefit basis became an urgent need for developing countries with the rapidly changing international fiscal governance dynamics.

[1] Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy – 8 October 2021 - OECD

[2] Members of the OECD/G20 Inclusive Framework on BEPS

[3] Base erosion and profit shifting - OECD BEPS

[4] North Africa Economic Outlook 2021

[5] Deloitte Tax Analysis July 2021

[6] Carlos Mureithi «Why Kenya and Nigeria haven't agreed to global corporate tax deal» November 2021

[7] OECD tax deal is a mockery of fairness: Oxfam | Oxfam International October 2021

[8] Global minimum corporate tax: questions grow over OECD commitment to 'inclusive' reforms - Tax Justice Network- July 2021

[9] Losses to OECD Tax Havens Could Vaccinate Global Population Three Times Over - Global Tax Justice- November 2021

[10] African Civil Society Organizations Call for Rejection of G7 Global Tax Deal - Tax Justice Network Africa

[11] Evaluating the Costs and Benefits of Corporate Tax Incentives-World Bank- 2022

The North African region is composed by a divergent set of countries. Each of the six countries has its own geographic characteristics, economic tissue, and fiscal regime, which is probably the reason behind the different reactions to the global minimum tax. Therefore, it is important to study the tax incentive system in the region and assess the likely impact that the OECD/G20 new framework will have on the North African region.

Fiscal policies and tax regimes are major areas of study for the Tunisian Observatory of Economy (TOE). Since its establishment in 2013, TOE has carried out numerous studies to assess fiscal justice and the revenue maximization mechanism in Tunisia and the North African region. With the consecutive economic shock waves triggered by international crisies (COVID-19 and Russia-Ukraine war), countries in the North Africa region's financing needs have increased drastically posing a risk of debt distress. Hence, TOE aims to dedicate this policy brief to point out tax policies that can maximise State available resources in the region without excessive reliance on public debt. This will be achieved by reviewing tax incentive regimes in the region and curbing financial losses induced by extensive tax expenditure, within the context of global tax governance reforms.

II. Literature Review

TOver the past decade, a significant number of research papers have been published, focusing on tax regimes and incentive systems. These studies endeavored to assess the extent to which these tools contribute to achieving and fulfilling the economic, financial, and social objectives of these fiscal tools, namely the role of tax incentives in reducing unemployment rate, encouraging investment, industrialization, technology transfers, fair redistribution of national wealth, as well as maximising State revenue.

With the evolving global tax governance and the rapid evolution of globalisation and international trade, developing countries engaged in "a race to the bottom," characterised as abovementioned by a self-defeating tax competition. Hence, researchers have placed significant importance on analysing the cost-benefit of tax incentives.

The United Nations Economic and Social Commission for Asia and the Pacific UN-ESCAP paper entitled "Tax incentives and Tax Base Protection in developing countries" [12] evaluates two models of tax incentives. The study contrasts Hong Kong and China, where the tax incentives are used with moderation with Singapore and Korea which are more generous with tax incentives. The paper comes to the conclusion that tax incentives are not the sole driver of foreign direct investment and that other factors like business climate, infrastructure, and low corruption index are the main attractors of foreign investors.

In addition, since tax incentives generate additional costs to the State budget referred to as tax expenditure, a publication of the United Nations Department of Economic and Social Affairs DESA entitled "Design and Assessment of Tax Incentives in Developing Countries" [13] focused on the Latin American countries and specifically the Dominican Republic where they compared tax expenditure for the tourism sector to the public spending.

The study findings included two points. First; the tax incentive program established by the Dominican Republic did not achieve its goal of granting more tourism revenue and foreign direct investment. Second, the program resulted in major losses in State resources caused by the large tax expenditure that could

[12] Tax Incentives and Tax Protection Base-UN ESCAP- 2020

[13] Design and Assessment of Tax Incentives in Developing Countries-UN CIAT- 2018

have been used to improve the country's infrastructure, which, in turn could have generated more profit for the tourism sector and the overall economy.

In summary, low tax rates and tax incentives are second-order consideration that come to bear at the tail-end of the decision process, when investors are wavering between similar locations. At the international level, there is a strong, negative relationship between the generosity of a country and the corporate tax revenue as a share of GDP.

Since the African countries are the most affected by base erosion and profit shifting, which is one of the direct causes of the continent losing 3.7 percent of its GDP annually to illicit financial flows, several initiatives that emerged with the aim of studying tax regimes in the continent point out their detriment effects, and advocate for a fairer and more just global tax governance.

Pursuing the same methodology of comparing different jurisdictions, the Tax Justice Network published a study titled "Comparing Tax Incentives Across Jurisdictions: A Pilot Study" [14] in 2019. The paper established an empirical assessment matrix for tax incentives for a sample of 15 countries including 10 European countries and 5 Sub-Saharan African countries.

[14] Comparing tax incentives across jurisdictions-Tax Justice Network-2019

During the empirical assessment, the writers observed that "African and European countries have the same number of incentives, but the type of incentives offered are remarkably different as African countries tend to grant more profit-based incentives than European countries". This resulted in averagely "an African country grant about 40 percent more profit-based incentives than a European country".

Tax Justice Network Africa TJNA published a more recent Policy Brief in 2020 entitled "Health Financing and Taxation for Sustainable Healthcare" [15], where they adopted another approach consisting of comparing the forgone tax caused by incentives to the public spendings. The paper pointed out that African countries' tax incentives are frivolous and ineffective. Moreover, the policy brief indicated that tax incentives, along with double tax agreements, "are creating an avenue for leakages of potential tax revenues".

[15] Financing Health in Africa-Tax Justice Network Africa

The study further explored the quantitative loss caused by the tax incentives in each of Nigeria, Burundi, South Sudan, Kenya and Malawi and recommended that these countries "review their tax incentives framework by phasing out profit-based incentives, ensure cost-benefit analysis is conducted before granting incentives. Incentives should be subject to the parliamentary process and the cost of tax expenditures published annually".

Broadly speaking, the results of the TJN and TJNA studies on African countries tax incentive systems are similar to the results seen in Latin American and Southeast Asia: profit-based tax incentives are expensive and often inefficient at attracting the desired investments. With the emergence of the new OECD/G20 inclusive framework, analysts and researchers have turned the focus to the potential impact of this new framework on tax regimes and incentive systems especially in the South.

In their policy brief "Global Minimum Tax Rate: Detached from developing country realities" [16] the South Centre indicated that "the minimum tax rate of 15 percent is unsuitable and cannot be a stable and durable solution for developing countries who seek to increase domestic resource mobilization».

Tax Justice Network also addressed this issue in their "State of Tax Justice Report 2021"[17] where they pointed out that tax incentives contribute to further weakening

[16] Global Minimum Tax Rate: Detached from developing country realities-South Centre-February 2022

[17] The State of Tax Justice 2021 - Tax Justice Network

the state's capacity to deliver both revenues and national wealth redistribution. The TJN criticized the OECD methods and framework and recommended to shift responsibility for tax rulemaking from OECD to UN.

To further support their standpoint the Tax Justice Network developed the Corporate Tax Haven Index in 2021[18]. The Corporate Tax Haven index ranks jurisdictions based on their compliance in helping multinational corporate underpay corporate income tax. The sample is widely divergent with developed and developing countries and cover 70 jurisdictions. Built on this index, Tax Justice Network states that the "OECD has programmed the global tax system to prioritise the desires of the wealthiest corporations and individuals over the needs of everybody else. This has fuelled inequality, fostered corruption and undermined democracy."

Alongside TJN, the BEPS Monitoring Group[19], a global network of independent researchers on international taxation, has criticized the BEPS framework launched by the OECD since 2012. BMG produces reports commenting on proposals for the reform of the international taxation system of transnational corporations.

Analysing tax incentives is still a new practice in the North Africa region. Consequently, there is a lack of academic work and research papers addressing tax regimes and incentive systems at both the regional and country levels. Notable exceptions include Tunisia, where the Tunisian Observatory of Economy has conducted several studies on tax-related topics such as: 'Tax Justice: The Core Issue in the Financial Law' (2018)[20], 'Tax incentives, a Loss of Revenue for an Uncertain Benefit' (2018)[21] and 'Assessment on Investment Incentives in Tunisia' (2014)[22].

The limited literature on tax incentive systems in the North Africa region could be explained by the absence of transparency in the region where the tax regime is considered to be widely complex and opaque with tax incentives dispersed between different State entities and different legal texts, such as the investment code, the taxation code, and incentives accorded by ministries such as the Ministry of Economy, Ministry of Agriculture and Ministry of Industry.

According to Augustin Redonda, Christian von Haldenwang, Flurim Aliu, 2021[23], there is a lack of inconsistency of tax expenditure reporting in Africa. In fact, 64% of African countries do not provide any information on their tax expenditure. Most of African countries that report tax expenditures omit important information such as policy objectives and beneficiaries of the provisions. In the North Africa region, only Mauritania, Morocco, and Tunisia publish reports on tax incentives and fiscal advantages on the websites of their respective ministries of finance.

III. Tax Incentives Systems in the North Africa Region: Divergence and Intersections

North Africa governments widely employ tax incentives to attract investment and direct it toward certain sectors, activities, and locations. Governments grant incentives through multiple pieces of legislations, decrees, and executive orders., Moreover, the administration of these incentives often involves multiple government agencies.

Tax incentives are detailed in national tax codes, investment laws, and in publicly accessible documents published by investment promotion agencies, ministry of finance and economy[24]. Tax incentive systems in the region are dispersed

[18] Corporate Tax Haven Index - 2021 Results-Tax Justice Network

[19] The BEPS Monitoring Group

[20] Tax Justice: the core issue in the Finance Law-Tunisian Observatory of Economy-2018

[21] Tax incentives, a loss of revenue for uncertain benefit-Tunisian Observatory of Economy-2018

[22] Bilan des incitations aux investissements en Tunisie-Observatoire Tunisien de l'Economie-2014

[23] Tax Expenditure Reporting and Domestic Revenue Mobilization in Africa-SpringerLink-2021

[24] See Annex1

between these different legal texts and codes. Tax codes and investment laws are common across the region. In Libya, particularly, regional administrations have the authority to grant tax incentives to corporates and firms operating in their jurisdictions.

The most common types of tax incentives used in the North Africa economies are:

Reduced Corporate Income Tax rates (CIT): corporate income tax reduction over defined period.

Tax deduction: deduction of certain expenses from taxable income.

Corporate tax holiday: a period during which an investment is fully exempt from corporate taxations.

Tax exemption: exemption from import duties and export taxes.

Tax credits: provision to deduct certain expenditures from taxable income or directly from taxable liability.

Indirect tax exemption: exemptions from Value Added Tax, VAT or sales tax, used to encourage trade and total export-oriented companies.

A. Tax incentive systems based on sectors and activities targeting

Based on the publicly available legal arsenals that details tax systems in each country of the region, the following tables summarize incentives offered to investors, first by sector and second by economic activities. In the following tables, we selected the sectors and activities that receives the largest share of tax incentives.

Table1: Tax Incentives in Selected Sectors in North Africa Economies

	Agriculture	Hydrocarbons	Industrial	Renewables	Tourism
Algeria	Corporate Tax holiday, indirect tax exemption	None	Corporate Tax holiday	None	Corporate Tax holiday, indirect tax exemption
Egypt	Tax deduction, indirect tax exemption	Tax deduction, indirect tax exemption	Tax deduction, indirect tax exemption	Tax deduction, indirect tax exemption	Tax deduction, indirect tax exemption
Libya	Does not use tax incentives to target specific sectors				
Mauritania	Does not offer tax incentives based on the sector criteria				
Morocco	Corporate Tax holiday	Corporate Tax holiday	Corporate Tax holiday	None	Corporate Tax holiday, reduced CIT rate
Tunisia	Corporate Tax holiday, Reduced CIT rate indirect tax exemption, tax deduction	Corporate Tax holiday, Reduced CIT rate, indirect tax exemption	None	None	Tax deduction

Source: writer based on official websites[25] and OECD 2020

[25] See Annex1

As can be seen in Table1, governments in the region tend to offer tax incentives mainly to investors in tourism, agriculture, hydrocarbons, and renewables, except for Libya that does not use tax incentives to target specific sectors, and Mauritania that offers tax incentives based on other criteria.

Box 1

Mauritania: A Distinctive Incentive System for a Distinctive Economy:

As described in the World Bank country economic memorandum for 2020, Mauritania's economy suffers from a substantial diversification, a slow rate of transformation, and heavy reliance on primary sectors, mainly mining and fishing. Unlike other countries in the region mentioned in the tables, Mauritania provides a preferential tax regime to companies only if they fulfil one of the following criteria: they are small-sized companies, based in an economic export zone, and signatories of an Establishment Agreement.

For small sized companies, Mauritania offers a preferential tax regime to the companies that invest between 5 and 20 million MRU. This regime includes tax advantages for the first three years of instalment payments and during the operational phase. For the economic export zone, the preferential tax regime is contingent on a minimum investment of 50 million MRU, the creation of at least 50 new permanent jobs, and the dedication of at least 80 percent of their production to exports. Meeting these conditions grants tax exemptions and tax advantages to free export companies.

The Establishment Agreement is a distinctive incentive tool used by the Mauritania government where tax advantages are negotiated for 20 years if the investment takes place outside Nouakchott, it includes different types of activities: agriculture, animal farming, fishing, industrial and manufacturing units, renewable energy production, hotels, and tourism.

Source : Mauritania Country Economic Memorandum : Accelerating Growth Through Diversification and Productive Cities (worldbank.org)

Tunisia and Egypt provide additional exemptions in specific hydrocarbons contracts and agreements because the petroleum sector in these two countries is governed by decrees, which outweigh national tax laws.

Egypt comes first as the most generous with tax incentives offered in the North Africa region since its tax incentive system covers all the major sectors. Morocco prefers offering tax holidays, singles out the tourism sector with Corporate Income Tax (CIT) reduction, and excludes renewables from tax incentives.

Both Algeria and Tunisia agree with Morocco on excluding the renewable from tax incentives system, furthermore Algeria also exclude her primarily sector, hydrocarbons, from tax incentives.

Table2: Tax incentives in certain activities in North Africa:

	Environmental protection	Exports	Job creation / skills	Technology and RD
Algeria	Corporate Tax holiday,	Corporate Tax holiday	Corporate Tax holiday	Corporate Tax holiday, tax deduction,
Egypt	None	Tax deduction, Reduced CIT rate, indirect tax exemption	Tax deduction, indirect tax exemption	None
Libya	Corporate Tax holiday, indirect tax exemption, tax exemption	Corporate Tax holiday, indirect exemption	None	None
Mauritania	Does not offer tax incentives based on the activity criteria			
Morocco	None	Corporate Tax holiday, Reduced CIT rate, indirect tax exemption	None	None
Tunisia	Reduced CIT rate, indirect tax exemption	Reduced CIT rate, tax deduction, indirect exemption, tax exemption	Reduced CIT rate, tax deduction, indirect tax exemption	Tax deduction

Source: writer based on official websites and OECD 2020

Exports are the main incentivized activity in the North Africa region. Tunisia is the most open handed with tax incentives for the export activity promoting it with four out of six tax incentives (Reduced CIT rate, Tax deduction, Tax exemption and indirect tax exemption). In contrast, Algeria is the least generous with tax incentives for activities in general, offering only tax holidays except for technology and RD, which Algeria privileges with tax deductions.

Standing apart from other countries in the North Africa region, Morocco focuses mainly on export activities and excludes the other activities from its tax incentive system. Libya fosters environmental protection activities with a large set of tax incentives, while Tunisia and Egypt share the same approach of incentivizing job creation activities.

B. Two Types of Economies and their Corresponding tax Incentive Systems

North African economies can be classified into two categories. The first category comprises Algeria and Libya, which are petroleum-exporting countries and members of the OPEC (Organization of the Petroleum Exporting Countries). Algeria and Libya have rent-based economies founded on petroleum production that creates significant export value and impressively contribute to the economy .[26] In comparison to other countries in the North Africa region, they are less generous with tax incentives. Libya does not target any sector with tax incentives, and Algeria excludes hydrocarbons and renewables from its tax incentive system.

[26] Alessandro Bacci-» Algeria's and Libya's petroleum fiscal framework»-2018

The high returns of petroleum exports make Algeria and Libya almost nonchalant about the benefits of tax incentives.

In terms of activity targeting, Algeria and Libya, unlike other countries in the region, focus on export activity, limited to tax holidays for Algeria and tax holidays and indirect tax exemptions for Libya.

The second category includes the economies of Mauritania, Morocco, Tunisia, and Egypt, which heavily rely on global trade, foreign direct investment, commodity exports, tourism, and external financing as the main drivers of their economies..

Governments in these countries are generous with tax incentives for tourism, agriculture and export activity, as they adhere to the narrative that the more generous the government is with tax incentives, the more FDI it attracts. This argument has been disapproved of, according to literature review.

C. Tax Expenditure Reporting in North Africa Region: Lack of Clear Goals and Transparency

As mentioned previously in the literature review, 64 percent of African countries do not provide any information on their tax expenditure, and this includes half of the North African countries. Only Mauritania, Morocco, and Tunisia publish reports on tax incentives on their official websites.

Mauritania was the first North Africa country to report tax expenditure and started publishing it back in 2016. Morocco started reporting their tax expenditure in 2017, and Tunisia joined them when it amended the State Budget Organic Law in 2019, adding a report about tax expenditure to the State Budget Annexes. This report was first published in December 2020. These three countries adopt the same methodology when reporting tax expenditure. The reports include expenditure classified by tax types and beneficiaries. they do not link this tax expenditure to the economic, social, environmental and financial objectives of tax incentive systems. As a result, the much-needed cost benefit evaluation is missing.

In North Africa, governments do not clearly state tax incentive objectives in their legal documents or on their official websites. In Mauritania's tax expenditure report, it is stated that the tax incentives' objectives are to attract more FDI or to protect the poorest. Morocco and Tunisia's reports on tax expenditure indicate that the tax incentives have the objective of "allowing the State to achieve its strategic economic, social and cultural objectives".

On the other hand, the OECD, in their "Middle East and North Africa investment policy perspective 2021," indicates that the objective from incentive systems in the MENA region is "to spur new investment and trade, create jobs and foster economic opportunities" [27].

For Tunisia and Morocco, during parliamentary hearing and political statements, government officials often justify offering tax incentives by indicating that these incentives will attract more FDI, create jobs, and maximise the State tax revenues [28].

Moreover, according to Mauritania, Morocco, and Tunisia's tax expenditure reports, for each incentive tool, there are criteria that the corporate needs to meet. These criteria vary according to the sector, activity, company size, or the location of investment. Tax administrations oversee the examination of the fulfilment of these criteria. None of the available documents indicates that tax incentives in these countries are directly conditioned on the achievement of stated objectives.

[27] Middle East and North Africa Investment Policy Prespectives-OECD-March2021

[28] المغرب ورهانات تحفيز الاستثمار_Medi1 News.com

D. Effective Tax Rate: side effects of tax incentives

The Nominal tax rate is defined as the rate imposed by law on taxable income that falls within a given tax bracket [29], while Effective CIT rates refer to preferential non zero tax rates below the Nominal rates and are put into action after a tax holiday has expired.

Thus, taking into consideration the tax and financial incentives presented previously, the percentage of income actually paid by the corporate sector post-tax holidays- the Effective rate- varies from a minimum to a maximum range, as can be seen in the figure below.

The effective tax rate was calculated for all sectors and activities, excluding the extractive sector. Since the effective tax rates vary depending on the sector and the activity, and they are not available for each sector individually, the OECD[30] calculated what they called a «range of effective CIT rate». For example, within the tax incentive system in Morocco, the effective CIT can fall anywhere between 0% and a maximum effective rate of 17.5% that cannot be exceed. The later is applied to all activities and sectors, excluding the extractive sector.

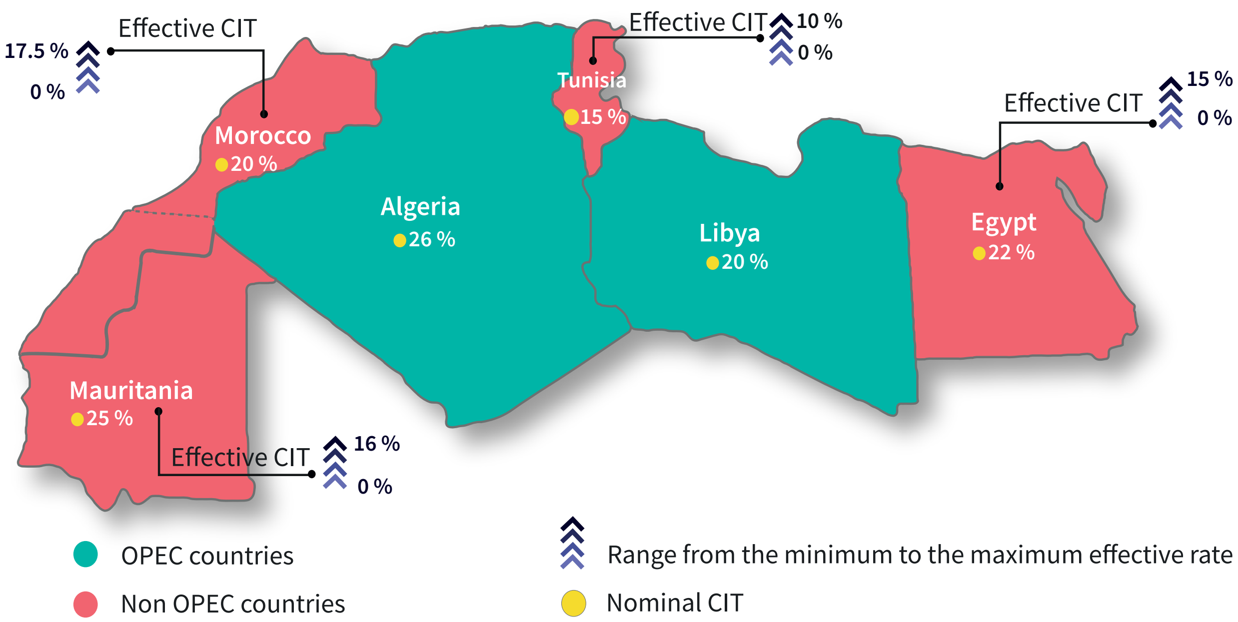
Nominal tax rates for the North African economies were extracted from official websites or documents listed in ANNEX 1, while the Effective CIT rates were extracted from the March 2021 OECD report of investment policy perspectives [31].

[29] What Is the Difference Between the Statutory and Effective Tax Rate?-PGPF-2022

[30] Middle East and North Africa Investment Policy Prespectives-OECD-March2021

[31] Middle East and North Africa Investment Policy Prespectives-OECD-March2021

Figure 1 : Nominal and effective tax rates for the north Africa economies



Source: writer based on official websites and OECD 2020

As shown in the figure, the Effective CIT rate can range from 0 to a maximum of 10 percent for Tunisia, 15 percent for Egypt, 16 percent for Mauritania, and 17.5 percent for Morocco. The effective tax rates paid by corporates to these countries' tax administration can be anywhere within this range, based on other tax incentives granted, such as tax reduction and indirect tax exemptions. The second category of North African economies (Mauritania, Morocco, Tunisia, and Egypt) relies on tax incentives, leading them to offer more tax deductions and tax reductions than the first category. In fact, Algeria only offers tax deduction for Technology and RD, while Libya does not use neither tax reduction nor tax deduction.

In the case of Morocco, the Nominal CIT is calculated as the average of the progressive rates. Morocco is the only country in the North Africa region that applies progressive CIT rates, ranging from 10 to 31 percent depending on the corporate revenue. The average nominal CIT rate among North African economies is 21.4 percent ranging from 15 percent in Tunisia to 26 percent in Algeria,. This average rate is lower than the average CIT rate in the ASEAN [32] economies, which is 23 percent,[33] and the OECD with 25 percent [34].

While ASEAN tax incentive systems are described as generous as the North Africa region's, ASEAN governments have been using incentives flexibly, often combined with strong regulations that compel foreign corporates to support and improve the capacity of small and medium enterprises and to promote technology transfers. This approach has contributed to FDI playing a significant role in positioning the economic community as the 5th largest economy in the world . [35]

E. Expensive Yet Ineffective Tax Incentive Systems in the North Africa Region

The tax incentive established by governments in the North Africa region have failed to achieve their primary objectives of "allowing the State to achieve its strategic economic, social and cultural" and objectives stated by North Africa politicians who justifies tax incentives with "attracting more Foreign Direct Investment and maximisation of the State tax revenue" The unemployment rate in the North Africa has ranged between 10.56 percent in 2010 and 12.91 percent in 2021, reaching a peak of 13.15 percent in 2015 [36]. Tax incentives were offered in order to reduce the unemployment rate, promote job creation activities, and boost the industrial sector, which was expected to absorb the available workforce. However, these efforts proved unsuccessful, resulting in an unemployment rate in the region that is twice the world average rate (6.57 percent in 2020 [37]). Foreign Direct investment percent of GDP in the North Africa region is marginal, with figures ranging from 0 in Libya to 1.6 percent in Egypt. Tunisia scored 1.39 percent, Morocco 1.24 percent, Algeria 0.78 percent and Mauritania had a negative score during 2020 [38]. Moreover, Mauritania Morocco, and Tunisia, the only three governments reporting tax expenditure in the North Africa region, are enduring high costs caused by tax incentive systems. Tax expenditure reports published by these governments[39] define tax expenditure as "set of fiscal measures that constitute an exception to the basic provisions of the referential tax system, whereby the State relinquishes part of its tax revenue to a category of tax claimants operating in certain activity or sector in order to achieve economic, social, cultural or environmental objectives". Hence, tax expenditure is calculated as the tax revenues that the government, legally, relinquishes from collecting and offers to tax payers in the form of tax incentives. The Tunisian reports include the tax expenditure ratio from GDP, State Budget, and Tax revenues. Such information is not included in the Mauritania and Morocco's reports but is available on the Global Tax Expenditure Database .[40]

As seen in the table below, the tax expenditure percentage of GDP exceeds the FDI percentages to GDP: Table 3: The Tax expenditure and Foreign Direct Investment in North Africa (%GDP)

[32] Association of Southeast Asian Nations: Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam.

[33] Comparing Tax Rates Across ASEAN-ASEAN Briefing-2018

[34] OECD Tax Database Explanatory Annex-OECD-2020

[35] Increasing ASEAN's Attractiveness for Global Investors-FULCRUM-2021

[36] Unemployment rate in North Africa from 2010 to 2023-Statista-July 2022

[37] Global unemployment rate from 2002 to 2021-Statista-October 2022

[38] Foreign Direct Investment, percent of GDP in MENA | TheGlobalEconomy.com

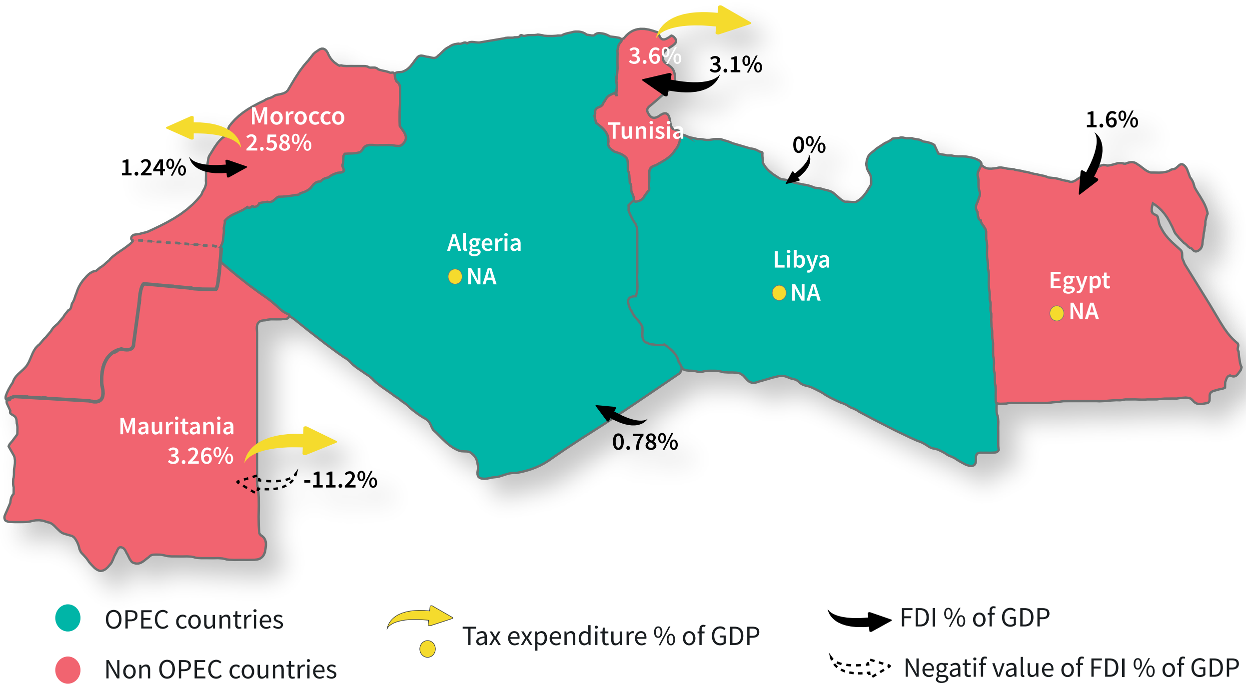
[39] Tunisia Report Tax expenditure and financial advantages 2022

Morocco Report on Tax expenditure 2022

Mauritania Report on Tax expenditure 2020

[40] Global Tax Expenditures Database

Figure 2 : Tax expenditure and Foreign Direct Investment in North Africa (%GDP)



Source: Tax expenditure % of GDP: Global Tax Expenditure Database, Official websites (Annex1) , FDI% of GDP: UNCTAD 2021

Supposedly, governments endure tax expenditure with the hope of attracting more Foreign Direct Investment FDI. Therefore, the percentage of tax expenditure to GDP should not exceed the percentage of FDI to GDP. Otherwise, governments would be spending tax expenditure without any viable result.

In Mauritania, Morocco, and Tunisia, the Tax expenditure % GDP exceed the FDI % of GDP. Therefore, these countries are spending more on attracting foreign direct investment through tax incentives than the actual level of foreign direct investment inflows to the country. This is another proof of the ineffectiveness of tax incentives in Mauritania, Morocco, and Tunisia and the irrational thinking of decision makers. In the next section, we will address the implication of implementing Pillar Two of the Global Tax Agreement since it aims to end tax competition and discourage excessive reliance on tax incentives.

IV. Repercussions of the Global Tax Agreement on Tax Rights and Revenues in the North Africa Region: Assessing Some Potential Impacts of Pillar Two

While having a malfunctioning tax incentives system, four of the North Africa countries signed the new OECD/G20 Inclusive Framework: the Two-Pillar solution to address the tax challenges arising from the digitalisation of the economy. This new framework, established by the OECD/G20, aims to improve the international tax system regulations. The two-pillar solution that aims to "ensure that multinational enterprises will be subject to a minimum tax rate of 15 percent and will re-allocate profit to the largest and most profitable MNEs to countries worldwide[41]" is being criticized by Southern NGOs and CSOs advocating for tax justice and revenue maximisation in developing countries.

In their detailed statements about the Two-Pillar solution[42], BEPS Monitoring Group (BMG) pointed out that "Pillar one of the agreements is an only a stop-gap solution, which for political reasons would apply for a minimum of seven years to only around 100 MNEs, and to only a small share of their profits". as for the global

[41] Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy-OECD-2021

[42] The BEPS Monitoring Group Statement on a Two-Pillar Solution-July 2021

minimum tax introduced by pillar two the BMG indicate that it "would be unfair and ineffective for MNE host countries".

Alex Cobham, Chief Executive at the Tax Justice Network, wrote that OECD/G20 agreement "will neither curb profit shifting effectively, nor provide substantial revenues to more than a handful of OECD member countries" since the "15 percent tax is so low that the incentives to shift profit will remain substantial" .[43]

During the last decade the World has been subject to numerous developments, including globalisation, growing intra-firm trade, a shift from country-specific operating models to global models based on integrated supply chains, the growing importance of service components inthe economy, and the emergence of the digital economy.

The OECD acknowledged that these developments resulted in two main issues: first, an injustice among taxpayers, where MNEs are shifting their income away from jurisdictions where income- producing activities are conducted, resulting in other taxpayers bearing a greater share of the burden. Second, lower tax revenues for governments, which is particularly critical for developing countries where "the lack of tax revenue leads to critical under-funding of public investment that could help promote economic growth". [44]

According to the African Development Bank AfDB, "North Africa's financing needs are estimated to exceed 180 billion USD over the period 2021-2023" to adequately respond to the repercussions of the COVID-19 crisis and the Russia-Ukraine war and support the recovery, getting the North Africa economies back on track, and "rekindling robust, sustainable, equitable growth while avoiding further deterioration of fiscal debt". Governments in the region are in desperate need of maximising their tax resources to strengthen their fiscal position and support recovery measures[45].

In order to address these issues, the OECD/G20 have been working under the BEPS Inclusive Framework on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy, also called the "Global Tax Agreement". BEPS Monitoring Group (BMG) [46] describes this agreement as "historic in accepting for the first time the need to apply formulaic method to apportion at least part of the total global profits of the MNEs concerned, complemented by the proposals for a global anti-base-erosion tax." Four of the North African countries- Mauritania, Morocco, Tunisia, and Egypt- have signed the Global Tax Agreement, unlike Algeria and Libya that did not sign this OECD/G20 new inclusive framework that will enter into force in 2023. These two different positions toward the OECD initiative can be explained by the fact that North Africa OPEC members pay less attention to tax incentives than the rest of the countries in the region due to their reliance on petroleum rent. The OECD claims that Pillar Two of the GTA aims to limit tax competition and ease the pressure on jurisdictions to offer tax incentives by introducing a global minimum effective corporate tax rate of 15 percent for large MNEs .[47]

Ben Rouine [48] indicates that the Global Minimum Tax of 15 percent will be applied to each individual MNE, and the 15% rate is deemed "an effective rate, not a nominal one".

The difference between the nominal rate and effective rate is substantial for the North Africa region where the excessive provision of tax deductions and tax reductions results in an effective tax rate that varies from 0 to 10 percent in Tunisia, 0 to 15 percent for Egypt, 0 to 16 percent in Mauritania, and 0 to 17.5 percent

[43] OECD tax deal fails to deliver-Tax Justice Network-October 2021

[44] Action Plan on Base Erosion and Profit Shifting-OECD-2013

[45] North Africa Economic Outlook 2021-African Development Bank Gourp-2021

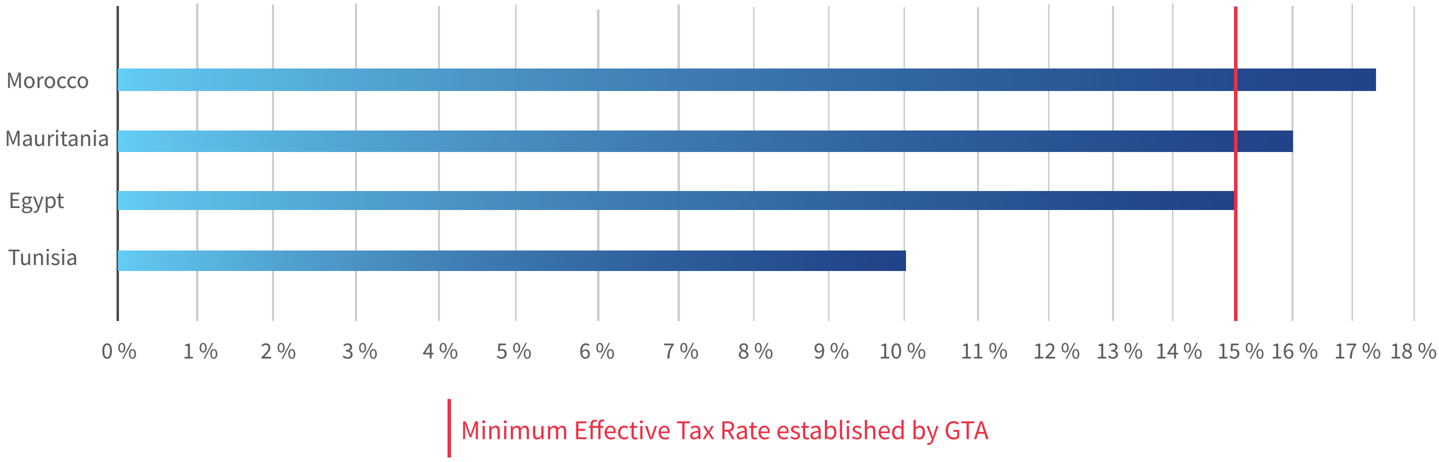
[46] BEPS Monitoring Group (BMG) is a network of experts on various aspects of international tax, set up by a number of civil society organisations which research and campaign for tax justice.

[47] Tax Incentives and the Global Minimum Corporate Tax-OECD-2022

[48] Global Tax Agreement: Perspectives from Tunisia-Rosa Luxemburg Stiftung-2022

for Morocco. This places Tunisia as the most impacted country by the Global Tax Agreement in the region due to its effective rate being lower than 15 percent, as can be seen in the next figure:

Figure 3 : Range of Effective Tax Rates

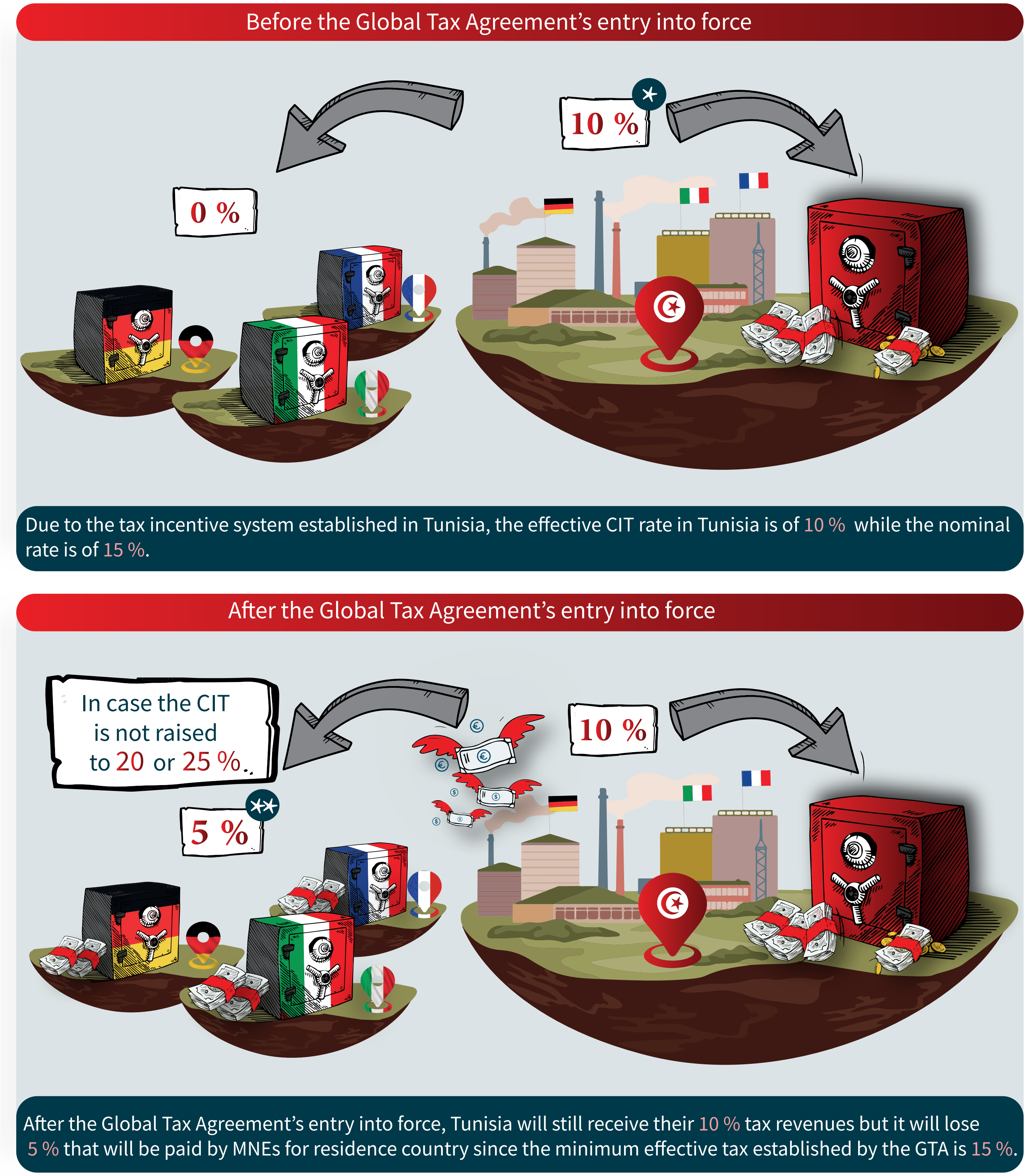


Source: OECD 2020

In his paper, Ben Rouine explained that Pillar-Two can redistribute taxing rights among source countries (where the activity is taking place) and residence countries (home jurisdictions of the MNEs) if the effective tax rate in the source countries is lower than the 15 percent established by the Global Tax Agreements, which is the case in Tunisia and might be the case for Egypt, Mauritania, and Morocco if the effective tax rate applicable to the MNEs is lower than 15 percent.

To put it simply, a Multinational Enterprise operating in Tunisia and eligible for the Global Tax Agreements criteria will pay an effective rate of 15 percent as stated in the Agreement. However, if the effective tax rate in Tunisia is 10 percent (assuming that the effective CIT is at its maximum), Tunisia will have the right to tax its 10 percent and the residence country (the home jurisdiction of the MNE) will have the right to tax the remaining 5 percent left. This would result in the collection of ineligible tax revenue and deprive Tunisia of maximising its tax revenues.

Figure 4: Implication of Global Tax Agreement on tax rights and tax revenues for Tunisia



Source: Tunisian Observatory of Economy 2022

"European Tax Observatory predicts that Pillar Two would allow High-Income countries to gain 191.2 billion EUR, equivalent to 18% of their corporate taxation income, Upper-Middle-Income countries to gain 13.7 billion EUR, equivalent to 3% of their corporate taxation income, and 0.6 billion EUR for Lower-Middle-Income countries, equivalent to 1% of their corporate tax income" [49].

An empirical study published by the South Centre[50] estimated the revenue implication of the Global Tax Agreement using "data on tax expenditures measured by the revenue forgone in percent of GDP from tax incentives are collected from the Global Tax Expenditure Database (GTED)". The study's sample includes 28 African countries that report their tax expenditure, and that their data is available on the GTED database, which includes Mauritania and Morocco, both of which reporttax expenditure, and their data is available on GTED database[51].

The study's main findings indicate that "the implementation of a global minimum effective corporate tax rate is likely to end up with no gains in terms of corporate tax revenue collection for African economies." Moreover, the writer warns from an "unintended consequence" where African countries with poor infrastructures and business climate could lose their tax attractiveness due to the unification of tax rates to 15 percent. In this case, the Global Tax Agreement brings along the risk of neutralising tax incentives and encouraging a FDI outflows. Broadly, available data and literature imply that the benefits of engaging in the Global Tax Agreements are highly uncertain, and there is a risk that such agreements can backfire on developing countries, particularly the North African countries. This could result in these countries losing their (supposed) tax competitiveness and enduring higher tax revenue losses. Additionally, they may willingly relinquish a part of their tax right in favour of high-income countries.

V. Toward Tax Incentives Systems that Preserve and Maximise Tax Revenues

Studying tax incentives systems through available legal documents and limited economic indicators allows us to describe the tax incentives systems in the North Africa economies as excessively generous with incentive mechanisms, hence costly, and resulting in relatively high tax expenditures and ineffective in enabling the North African Governments to achieve their strategic economic, social, and cultural objectives.

A. At the National Level:

The targeting mechanism adopted by most of the North Africa governments alone is not sufficient to attract investment in certain sectors or activities. As outlined in the literature review, improving the business climate and investing in infrastructure greatly affect investment attractiveness. Additionally, for investors in certain sectors such as natural resources, tax incentives are often irrelevant, as the availability of natural resources plays a more significant role in their investment decisions. Therefore, incentivizing sectors and activities related to natural resources may be unnecessary. Transparency and tax expenditure reporting are crucial for eliminating opacity and discretion within tax incentives systems, facilitating the evaluation of tax incentives' cost-effectiveness. This information is invaluable for decision-makers to assess the benefits and drawbacks of tax incentives and make informed policy revisions.

Understanding the scope of tax and financial incentives offered, as well as how they are administered, is essential for analysing their efficiency and effectiveness.

[49] Global Tax Agreement: Perspectives from Tunisia-Rosa Luxemburg Stiftung-2022

[50] Revenue Effects of the Global Minimum Corporate Tax Rate for African Economies-South Centre-2022

[51] Morocco Country Profile - GTED

Mauritania Country Profile - GTED

Moreover, providing citizens and civil society organizations with the necessary information enables them to monitor government tax policies and hold officials accountable. This fosters citizen in the decision-making process. The review and evaluation of tax incentives should occur periodically to respond to changing economic and financial contexts, both at the national and the international levels. Such evaluations allow decision-makers to identify which economic activities and/or sectors would guarantee more benefits if incentivized and which have become less responsive to tax incentives. A periodic evaluation of tax incentives can spare the State budget excessive and unnecessary tax expenditure and optimize available resources that can be allocated to social spendings, preserving citizens social and economic rights. This is especially crucial in the context of healthcare, which has faced challenges during the COVID-19 pandemic.

Furthermore, it is essential that tax incentive systems and tools are conditioned on specific social, economic, financial, and environmental objectives. This approach allows governments to withdraw tax incentives from corporates that do not meet these objectives.

B. At the Regional Level

The geographic and economic differences among the North African countries, combined with the cultural and historical similarities, present an opportunity for establishing Regional Economic Communities.

North Africa economies has been engaged in an economic and tax competition, focusing on trade outside of the region. This has led to neglecting the opportunity of benefiting from the available intra-regional market and overlooking the feasibility of joining forces to strength the region's access to neighbouring markets and guarantee better trade terms with the rest of the world.

- **WAEMU tax coordination and tax harmonisation: an ongoing experience that is already inspiring the ECOWAS.**

"[52] West African Economic and Monetary Union's WAEMU [53] tax coordination process is one of the most advanced in the World. Despite of the limits, the WAEMU framework has, to some extent succeeded in converging tax systems, particularly statutory (nominal) tax rates. It has also led to some convergence of countries tax systems, and in turn to positive revenue effects in WAEMU member states."

The formation of the customs union with a common external tariff (CET) was completed by 2000, directive on value added tax VAT and excises were introduced in 1998, and by 2009 the region completed a set of directives in relation to capital income taxation.

In addition to coordinating the setting of tax rates and bases for the major taxes through regional directives, it mandated the convergence of the tax revenue-to-GDP ratio to at least 17 percent, and the convergence of tax revenue structures.

The tax revenue structure is part of the so-called tax transition (transition fiscale in French), under which WAEMU countries must adopt tax and tariff policies that, over time, enable them to shift their revenue structure from trade to domestic taxes. Article 4 of the WAEMU Treaty explicitly calls for the harmonisation of member states' tax legislation.

In 1998, WAEMU introduced the excise tax directive, which was later amended in 2009. The argument in favour of coordinating the setting of excise taxes in a common market with fiscal borders is to minimise intra-community cross-border

[52] this text is extracted from Evert-jan Quak paper" Tax coordination and tax harmonisation within regional economic communities in Africa" published in May 2018

[53] The West African Economic and Monetary Union (WAEMU) is an organisation of eight, mainly francophone West African states within the ECOWAS. It was created by a Treaty signed at Dakar, Senegal, on 10 January 1994, by the heads of state and governments of Benin, Burkina Faso, Ivory Coast, Mali, Niger, Senegal, and Togo. On 2 May 1997, Guinea-Bissau, a former Portuguese colony, became the organisation's eighth (and only non-francophone) member state.

shopping and smuggling. A separate Directive issued in 2001 covers excises and other taxes on petroleum products with the aim of harmonising prices, ensuring more transparency, and creating a business-friendly environment. The Multilateral Tax Treaty (MTT) was adopted in WAEMU in 2008. It distributes the taxing rights of WAEMU states in respect of intra-community investment and also covers issues of information exchange and mutual assistance in tax collection. The treaty includes a non-discrimination clause and provides for a dispute resolution mechanism.

In 2008, WAEMU established two other Directives that cover corporate income tax coordination CIT. The first defines a common corporate tax base, and the second specifies the range for a single rate between 25 and 30 percent. The harmonisation of the tax rates and tax bases has been implemented in all countries.

The most important elements of directive on tax base competition include flexibility in setting tax depreciation rules and in designing transfer pricing and thin capitalisation rules. However, the primary source of tax competition among WAEMU countries remains the derogatory regimes provided in non-tax legislations, such as Investment Codes, Free Zone Codes, and other sectoral codes. These are explicitly permitted under Article 8 of the corporate income tax directive.

Econometric analysis of WAEMU partner countries shows that tariff and tax coordinations, particularly related to indirect taxation, have improved revenue mobilisation in member states. The impact of VAT coordination shows that a relatively good revenue performance of VATs in member states.

Due to the advanced tax coordination process and the existing f tax coordination framework in the WAEMU, the Economic Community of West African States ECOWAS[54] *is also in the process of adopting WAEMU experiences and framework to align with its own circumstances, especially for indirect taxation.In recent years, there has been a shift in efforts towards tax coordination and tax harmonisation drawing upon the experience of WAEMU countries. The aim is to mobilise tax revenue, create a better investment climate in the region, and tackle harmful tax competition, mainly related to indirect consumption taxation.*

Since January 2015, the CET of the 15 member countries of the ECOWAS became effective, liberalising trade within ECOWAS and nullifying the common legislation on the CET of the WAEMU countries.

ECOWAS member states are working on the harmonisation of VAT exemption for basic food items in their raw states and for medicinal and pharmaceutical products to ensure equal treatment of all economic operators in the community.

On the same lines as WAEMU, ECOWAS also drafted a supplementary act adopting community rules on the taxation of income, capital, and inheritance, along with the rules of their application within ECOWAS. This move aims to eliminate double taxation, remove barriers to cross-border trade and investments, combat tax evasion and capital flight, and facilitate revenue mobilisation.

Drawing inspiration from the WAEMU experience and the shift toward tax coordination and tax harmonisation, that the ECOWAS is engaging, can enable North African countries to address harmful tax competition among themselves and strength the efforts to reduce risk of distorting trade and investment, and the erosion of national tax bases."

Corporate income tax CIT harmonization among WAEMU countries between 25 and 30 percent resulted in an Average Effective CIT in the region between 19 and 30 percent [55]. Pillar-Two of the Global Tax Agreement that will establish a minimum

[54] The Economic Community of West African States (ECOWAS) is a regional political and economic union of fifteen countries located in West Africa: Benin, Burkina Faso, Cape Verde, Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, Togo.

[55] The tax burden on mobile network operators in Africa-FERDI-2020

effective tax of 15 percent will not influence WAEMU countries tax revenues, nor their tax rights. In contrast, North African countries will probably lose a share of their tax revenues and taxation rights due to the implementation of GTA Pillar-Two and the fact that effective CIT in Mauritania, Morocco, Tunisia, and Egypt can be lower than the Pillar-two 15 percent threshold.

In 2014, the International Tax Justice Academy presented a set of recommendations for tax coordination in Africa [56], which are in line with this paper's assessment and convenient for the North Africa region's context: Establishing and regularly maintaining an online tax database that provides comprehensive information about countries' national tax structures;

[56] Cephas Makunike-International Tax Justice Academy -2014

- Collaborating on tax incentives that encourage investment, rather than those that reduce transparency or purely act as a vehicle for tax minimisation;
- Creating a clear and transparent system of taxation that harmonises policies to prevent investment barriers and to avoid double taxation;
- Developing an expertise of tax officials with support for training programmes and seminars on tax design, policy, and best practices;
- Discouraging the spread of tax havens and harmful preferential tax regimes and encouraging the countries that presently engage in harmful tax practices to review their existing measures;
- Helping countries move towards the "level playing field", which is essential to the continued expansion of regional and continental economic growth, and;
- Developing regional tax guidelines/directives and commentaries that shape good and common tax designs and systems.

C. At the International Level

It has been proven [57] that the OECD/G20 BEPS project has failed to bring any changes to developing countries, with the percentage of profit shifting by MNEs increasing since the 1990s.

[57] OECD tax deal fails to deliver-Tax Justice Network-2021

The claim that presents the OECD/G20 Inclusive Framework on BEPS as an inclusive framework in which developing countries can participate on an equal footing with developed countries has been refuted.

In fact, assessing the implication of Global Tax Agreement on developing countries tax revenue leads to the conclusion that this agreement could lead to tax injustice at the international level. The OECD is granting additional taxing rights to MNEs home jurisdictions while depriving developing countries of their rightful tax revenues. Global South NGOs and CSOs are substantively aware of the inefficiencies of the OECD frameworks and their inability to provide a meaningful voice to developing countries.

On behalf of the States Members of the United Nations that are part of the African Group, Nigeria submitted a draft resolution to the United Nations General Assembly on October, 10 2022, about United Nations conventions on international tax cooperation.

Following the submission of this draft, countries around the world started discussions on whether to establish a UN tax convention, which according to TJN "could slash the scope for tax abuse by multinational companies and wealthy individuals, in the biggest shakeup in international tax rules for a century. " [58]

[58] UN tax convention proposed at General Assembly-Tax Justice Network-2022

North African economies should support such initiatives that aim to promote tax justice among different countries and rightfully maximise the available resources for each country.

Conclusion

Tax incentives schemes in the North Africa region are generous offering tax and financial incentives for a wide range of sectors and economic activities. Yet, these generous schemes failed to achieve their "economic, social and environmental" objectives and resulted in high tax expenditure. Furthermore, governments in the North Africa region does not communicate openly and in transparent way the objectives behind granting tax incentives and enduring high tax expenditure and adopt a discretionary approach while granting incentives for investors with little details about eligibility criteria and the opacity of legal texts.

Hence it is difficult to evaluate the exact cost of forgone tax in the region and effectively associate it to the wanted impact, except for Mauritania, Morocco and Tunisia who publish tax expenditure reports.

Rushing to sign the new Inclusive Framework of the OECD BEPS without a cost-benefit analysis will result in governments in the region losing more tax revenues and taxing rights to the favour of MNEs and High-income countries. The Global Minimum Effective Tax Rate of 15% is inadequate and cannot be a steady and long-lasting remedy for North African countries who seek to maximise their available revenue.

With the succession of economic shockwaves that have momentaneous and tangible impact on North African economies and the citizens economic and social rights, North African governments must rethink their tax policies starting with evaluating their tax incentives systems in order to:

- Promote true tax justice and wealth redistribution.
- Establish effective tax incentives systems that is based on clear and rational economic and social objectives and conditioned to reach these objectives.
- Periodically publish and evaluate tax expenditure to maximise available tax revenues.
- Ensure cost-benefit analysis for bilateral and intergovernmental agreements and make sure that these agreements will not hamper national tax rights and tax revenues.
- Promote cooperation at the regional level in order to avoid harmful tax competition between countries such as in WAEMU.

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Annexe

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Country	Ministry/Administration in charge	Document title	Link
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		Customs Code	Code des Douanes J.O. 1403 du 30.12.2017.pdf (impots.gov.mr)
		Investment Code	Codedesinvestissements 2012.pdf (impots.gov.mr)
	Investment Promotion Agency		About APIM – APIM
Morocco	Ministry of Economy Finance/ General Direction of Tax	General Tax Code	CGI+2022+FR+act.pdf (tax.gov.ma)
		Tax incentives Scheme	02-Dispositif_d'incitations+fiscales_FR+version+2022.pdf (tax.gov.ma)
		Report on Tax Expen-diture	تقريرعن النفقات الضريبية (tax.gov.ma)
	Ministry of Industry and Commerce		Incitations fiscales | Ministère de l'Indus-trie et du Commerce (mcinet.gov.ma)
Algeria	Ministry of Finance/ General Direction of Tax	Code des impôts directs et taxes assimilées	CIDTA_LFC_2022_fr.pdf (mfdgi.gov.dz)
		Code des taxes sur le chiffre d'affaires	https://www.mfdgi.gov.dz/images/pdf/codes_fiscaux/CTCA_LFC_2022_fr.pdf
		Code des impôts indirects	https://www.mfdgi.gov.dz/images/pdf/codes_fiscaux/CII_LFC_2022_Fr.pdf
		Guide Fiscal de L'investissement	file-88GhP4ym7YPb2d6rLMgF.pdf (onca.dz)
	Algerian Chamber of commerce and Industry	Investment code	CodeInvestFevrier2015-Fr.pdf (caci.dz)

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