




Presentation of the main provisions of the 2019 Finance Act

- *This document has been prepared by professionals in order to facilitate the comprehension of the legislative text.*
- *This document doesn't replace the law published in the Official Gazette (BO n°6736).*
- *In case of doubt, we recommend to refer to the published texts .*
- *We disclaim all responsibility from the different interpretations of this document.*

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Presentation outline

- I. Corporate Income Tax
 - II. Payroll Tax
 - III. Value Added Tax
 - IV. Registration fees
 - V. Other provisions
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I. Corporate Income Tax

1. Revision of the Corporate Income Tax scale
2. Clarification of the tax regime for foreign companies' establishments
3. Revision of the taxation regime for dividend distribution by Real Estate Investment Trusts
4. Deduction of taxes paid abroad Morocco

Revision of the Corporate Income tax scale

Corporate Income Tax

Previous measures

- The General Tax Administration established the following scale :

Taxable income brackets (in MAD)	Tax Rate
Less than 300.000	10%
From 300.000 to 1.000.000	20%
Over 1.000.000	31%

2019 Finance Act

- The 2019 Finance Act has set a new progressive taxation scale as follows :

Taxable income brackets (in MAD)	Tax Rate
Less than 300.000	10%
From 300.000 to 1.000.000	17,5%
Over 1.000.000	31%

- Companies benefiting from the reduced tax rate are to continue applying it for earnings above 1.000.000 MAD

Ref. : CGI Art 19-I-A

Previous measures

- Coordination centers benefited from a derogation to the tax regulation.
- Their taxable income was equivalent to 10% of their operating costs.

2019 Finance Act

- This special tax regime was eliminated in the 2019's Financial Act.
- Consequently, coordination centers will be subject to the common tax scale.

Corporate Income Tax

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Ref. : CGI Art 2-I-5°, Art 2-III, Art 8-IV

Previous measures

- The Moroccan Tax Code (CGI) granted Real Estate Mutual Funds a fiscal transparency system.
- However, the dividends distributed by these funds to companies subject to the corporate income tax couldn't benefit from a tax relief.

2019 Finance Act

- The 2019 Finance Act established a 60% tax relief for dividends distributed by Real Estate Investment Trusts.
- This tax relief only affects dividends distributed to legal entities.

Corporate Income Tax

Ref. : CGI Art 6-I-C-1°

Deduction of taxes paid abroad Morocco

Previous measures

- Companies having incurred a taxation on their service activities conducted abroad didn't have the possibility to benefit from tax relief even with the existence of a double taxation agreement.

2019 Finance Act

- The 2019 Finance Act has given the possibility to offset foreign tax incurred by Moroccan companies.
- This offset is limited to the amount of tax which would normally be payable in accordance with the Moroccan legislation.
- This offset is conditional on the production of a certificate from the foreign tax authority of a country having signed a double taxation agreement.

Ref. : CGI Art 19 bis

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II. Payroll Tax

1. Examination of the taxpayer's situation
2. Increase in the exemption limit for lunch vouchers
3. Reconfiguration of property taxable income
4. Tax rate reduction for auto-entrepreneurs
5. Establishment of a minimum tax for real estate profits

Examination of the taxpayer's situation

Previous measures

- The examination of taxpayers' fiscal situation is based upon expenditures exhaustively listed by the CGI, particularly expenses related to primary and secondary residences, vehicle maintenance, paid-off rents, current account advances...

2019 Finance Act

- The 2019 Finance Act has extended the list of expenses by including personal expenditures incurred by the taxpayer for his own account or for his dependents'.

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Ref. : CGI Art 29-9°

Increase in the exempt limit for lunch vouchers

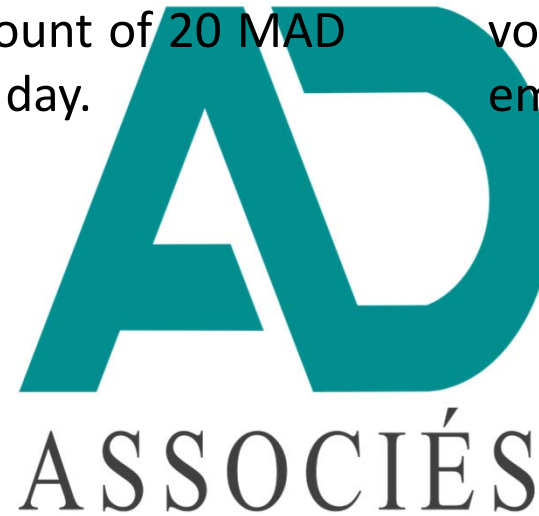
Previous measures

- Food and Lunch vouchers were limited to the amount of 20 MAD per employee per day.

2019 Finance Act

- The exempt limit for these vouchers is now of 30 MAD per employee per day.

Payroll tax



Ref. : CGI Art 57-13°

Reconfiguration of property income

Previous measures

- Property incomes were subject to tax income following a 40% tax relief.

2019 Finance Act

- Establishment of a liberating withholding tax of :
 - 10% for incomes below 120.000 MAD;
 - 15% for incomes over 120.000 MAD.
 - Exoneration of incomes below 30.000 MAD.
- Exemption of the withholding tax in the case where the owner opts for spontaneous payment ;
- The withholding tax is due during the month following the payment.
- Removal of the 40% tax relief.
- Mandatory filing of an annual statement breakdowning the earnings

Payroll tax



Ref. : CGI Art 63-I, Art 64-III, Art 73-II-B-5°, Art 73-II-C-4°, Art 82 ter, Art 174-IV, Art 154 bis

Tax rate reduction for auto-entrepreneurs

Previous measures

- Auto-entrepreneurs were subject to the following tax rates:
 - 1% for individuals carrying out commercial, industrial and craft activities within the limit of 500.000 MAD
 - 2% for service providers within the limit of 200.000 MAD.

2019 Finance Act

- The 2019 Finance Act has reduced the tax rates as follows:
 - 0,5% instead of 1%
 - 1% instead of 2%.

Payroll tax

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Ref. : CGI Art 73-III

Establishment of a minimum tax for real estate profits

Previous measures

- Real estate profits resulting from the sale of a building or part of a building occupied as a principal residence during at least 6 years are entirely exempted.

2019 Finance Act

- The 2019 Finance Act has instituted a minimum contribution up to 3% of the sale price, for the fraction of the sale price exceeding 4.000.000 MAD.

Payroll tax

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Ref. : CGI Art 144-II-2°

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III. Value Added Tax

1. Exemption of certain medications
2. Clarification of the exemption conditions for the « Ijara Mountahia Bitamlik » contracts

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Exemption of certain medications

Previous measures

- Medication for meningitis wasn't VAT exempt .

2019 Finance Act

- The 2019 Finance Act has established the exemption of all medications of which the manufacturing price exceeds 588 MAD as well as medications for meningitis treatment.

Value Added Tax



Ref. : CGI 92-I-19°- Art 123-37°

Previous measures

- Conditions of VAT exoneration of social housing acquired within the «Ijara Moutahia Bitamlik» contracts weren't clearly determined.

2019 Finance Act

- The 2019 Finance Act has clarified the VAT exoneration method for social housings by specifying that the VAT is paid to the banks.
- The Finance Act has also clearly covered the case of contract termination.

Value Added Tax

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Ref. : CGI Art 93-I-C

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IV. Registration fees

1. Clarification of the territoriality rule



Clarification of the territoriality rule

Previous measures

- The Tax Code (CGI) doesn't state any territoriality rules concerning registration fees.

2019 Finance Act

- The 2019 Finance Act states that registration fees apply to acts and agreements established in Morocco, as well as acts regarding goods located or operated in Morocco, and acts established abroad and producing legal effects in Morocco.

Registration fees



Ref. : CGI Art 126 bis

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V. Other provisions

1. Automatic exchange of information
2. Minimal contribution for professional activities
3. Transfer Pricing Policies
4. Social Solidarity Contribution

Automatic exchange of information

2019 Finance Act

- The 2019 Finance Act has introduced a provision allowing the tax administration to automatically exchange information with other public administrations and organizations.

Other provisions



Ref. : CGI Art 169 bis

Minimum contribution for professional activities

Previous measures

- Companies subject to the corporate income tax, and taxpayers subject to the payroll tax are subject to a minimal contribution at the rate of 0,5%.
- The said taxpayers benefit from an exemption of the minimal contribution during the first three years.

2019 Finance Act

- The minimum contribution rate will rise from 0,5% to 0,75%

Other provisions

Ref. : CGI Art 144-D

Transfer Pricing Policies

Other provisions

Previous measures

- The tax code (CGI) allows the tax administration to request information relative to the pricing policies of moroccan companies having dependence links with foreign companies.

2019 Finance Act

- The 2019 Finance Act states the obligation, during a tax inspection, to communicate all documentation justifying the pricing policy applied in companies having dependence links foreign companies:
 - Information concerning the activities,
 - General pricing policy,
 - Global profits distribution policy,
 - Information specific to the transactions of the moroccan company.

Ref. : CGI Art 210, Art 214-III

Social Solidarity Contribution

2019 Finance Act

Other provisions

- The 2019 Finance Act introduced a social solidarity contribution on corporate profits for the years of 2019 and 2020, with the exception of:
 - Companies permanently exempt from corporate tax;
 - Companies undertaking their activities in Export Processing Zones;
 - Companies benefiting from the CFC status.
- The rate of this contribution is of 2,5%
- The basis of this contribution is the net taxable profit higher than 40.000.000 MAD.

Ref. : CGI Art 252-I-B



See beyond the figures

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