

INCOME TAX

DEFINITION

Income Tax applies to the income and profits of natural persons and of legal persons not having opted for Corporate Taxes. The concerned revenues are:

- Wage income
- Professional income;
- Real estate income and profits;
- Investment income and profits;
- Farming income

INCOME TAX RATES

PROGRESSIVE SCALE

Applicable to:

- Professional income,
- Salaried income,
- Real estate income.

Income groups (DH/year)	RATES
0 - 30 000	0%
30 001 - 50 000	10%
50 001 - 60 000	20%
60 001 - 80 000	30%
80 001 - 180 000	34%
More than 180 000	38%

SPECIFIC RATES

1%	of the turnover recorded for trade, industrial and artisanal activities, the amount of which is not greater than 500,000 MAD (Tax payers running their businesses individually as entrepreneurs)
2%	of the turnover recorded for service providers, the amount of which is not greater than 200,000 MAD (Tax payers running their businesses individually as entrepreneurs)
10%	of gross income before VAT, collected by non-resident private persons or legal entities
15%	<ol style="list-style-type: none"> For net profits resulting from: <ul style="list-style-type: none"> • The transfer of listed shares • The transfer of shares or stock from mutual funds whose assets permanently invested consists in at least 60% of equity. • From the buy up or withdrawal of securities or liquidity from a share savings plan or a company savings plan within a five year deadline For gross revenues from foreign investments For shares incomes, partnership shares and assimilated incomes
17%	<ul style="list-style-type: none"> • For part-time teachers
20%	<ul style="list-style-type: none"> • Applicable to: <ul style="list-style-type: none"> • Net real-estate profits of real property sales (Note: the tax cannot be under 3% of the sale's price, should it occur without achieving any profit) • Net real-estate profits achieved or recorded during the sale of undeveloped urban property or transfer of real property rights on such properties if the time elapsed between the acquisition date of such properties and their transfer date is less than 4 years (FL 2013) (Note: the tax amount cannot be under 3% of the sale price, even if there is

	<p>no profit).</p> <ul style="list-style-type: none"> • Salaries, emoluments and gross wages paid to employees of companies with Casablanca Finance City status for a maximum of 5 years from the date the employee is hired (this rate is not discharged- FL 2013). • Fixed-income investments of persons subject to Income Tax according to the Actual Net Income (Résultat Net Réel – RNR) or the Simplified Net Income (Résultat Net Simplifié – RNS) • Net profits resulting from mandatory transfers of bonds or other debt securities, unquoted shares, and other capital securities and any other stock or shares of mutual funds other than those mentioned above. • Net profits resulting from the transfer of securities issued by Venture Capital Investment Organisations (VCIOs) and Securitisation Collective Investment Funds (Fonds de Placement Collectif en Titrisation – FCPT) • Gross profits from foreign investments • Attendance fees and all other payments made to administrators of offshore banks, all gross payments made by offshore banks and offshore holding companies to their employees • Salaries, emoluments and gross wages paid to employees of companies with Casablanca Finance City status (for a maximum of 5 years from the date the employee is hired)
25%	<p>Applicable :</p> <ul style="list-style-type: none"> • To net real-estate profits achieved or recorded during the sale of undeveloped urban property or transfer of real property rights on such properties if the time elapsed between the acquisition date of such properties and their sale's date is equal to or above 4 years and below 6 years (FL 2013) (Note: the tax amount cannot be under 3% of the sale price, even there is no profit).
30 %	<p>Applicable to</p> <ul style="list-style-type: none"> • Medical fees of doctors not subject to professional tax and who carry out surgeries in clinics • Occasional fees and indemnities paid to a company's nonpermanent staff and any fees paid to commercial or industrial travellers, representatives and ushers working for one or more employers established in Morocco • Gross amount of fees paid to artists operating either individually or in a troupe • Fixed income products paid to natural persons, with the exception of those persons subject to Income Tax according to the RNR or the RNS • To net real-estate profits achieved or recorded during the first sale of undeveloped property included in the urban perimeter or during transfer of real property rights on such properties (FL 2013) (Note: the tax amount cannot be under 3% of the sale's price, even there is no profit). • To net real-estate profits achieved or recorded during the sale of undeveloped urban property or transfer of real property rights on such properties if the time elapsed between the acquisition date of such properties and their transfer date is equal to or above 6 years (FL 2013) (Note: the tax amount cannot be under 3% of the sale price, even there is no profit).

Developments: 2016 Finance law

- ✓ Grant of a tax deduction of 40% on real estate income coming from agricultural properties to determine the taxable basis.

MAIN EXEMPTIONS, IMPOSITIONS AT A REDUCED RATE AND TAX REDUCTIONS

- ✓ Complete exemption during 5 years, followed by a reduction of 80% for the next 20 years for companies operating in free zones, for operations carried out between companies installed in the same export-free zone (2012 Finance Law) and for operations carried out between companies installed in different export-free zones (2012 Finance Law).
- ✓ Permanent imposition of a reduced rate of 20% for mining export companies and those that sell their mining products to companies that then export them after processing
- ✓ Total exemption during 5 years for hotel establishments as well as management companies of tourism real estate residences¹. This covers the part of the taxable base corresponding to their turnover made in foreign currency duly repatriated directly by them or by travel agencies on their behalf. This is followed by the imposition of a reduced rate of 20% after this period.
- ✓ Temporary imposition of a reduced rate of 20% during the first five (5) consecutive years following the start of operations of artisanal companies², private teaching establishments and professional training centres.
- ✓ Permanent exemption for agricultural holders who have a turnover of less than 5,000,000 MAD, from their agricultural income³
- ✓ temporary imposition of a reduced rate of 20% for taxable agricultural holders during the first five (5) consecutive years. This is counted from the first taxable financial year.

¹ As defined by law n° 01-07 that explains the specific provisions relating to tourism real estate residences that was modified and completed by law n° 61-00 on the status of tourist establishments mentioned in Dahir n° 1-08-60 of 17 Joumada I 1429 (23 May 2008)

² Work whose production is the result of primarily manual labour

³ That said, when the turnover made over the course of a financial year is less than five million (5,000,000) MAD, this exemption is granted only when said turnover remains below this threshold for three (3) consecutive financial years.

- ✓ In a transitional way and by derogation of the provisions of article 47-I of the CGI the following groups continue to benefit from exemption on income tax:
- ✓ from 1st January 2016 until 31st December 2017, agricultural holders who make a turnover of less than 20,000,000 MAD;
- ✓ from 1st January 2018 to 31st December 2019, agricultural holders who make a turnover of less than 10,000,000 MAD.
- ✓ Taxpayers who have their official residence in Morocco and are holders of foreign based pensions benefit from a reduction equal to 80% of the amount of tax on their pension. This corresponds to the sums definitively transferred to Morocco in non-convertible MAD.

MINIMUM TAX PAYMENT

- ✓ The amount of Income Tax cannot be less than the minimal payment (MP), which is calculated on the amount (before tax) of the operating income covered by law.
- ✓ The minimal payment rate is fixed at 0.50%. It is:
 - (0.25% for operations made by trade companies on sales of certain products).
 - 6% for certain professions
- ✓ The minimal payment is not due from taxpayers subject to Income Tax during the first 3 financial years following the start of their professional and/or agricultural business.
- ✓ The minimal payment for income tax on real estate cannot be less than 3% of the sale price.
- ✓ Even in cases where there is no turnover, the minimal payment cannot be less than 1,500 MAD for taxpayers subject to income tax on professional revenue. This includes agricultural revenue and is determined in accordance with the actual net result or that of the simplified net result.

INTERNET FILING AND PAYMENT

Counting from 1st January 2017, all companies, except those subject to Income Tax based on a flat-rate regime, will be subject to the need of completing their filing and payments by Internet.

LEGAL BASIS / SOURCE

Ministry of Economy and Finance – Tax Directorate: General Tax Code (<http://www.impots.gov.ma>)
Finance Law 2016