VALUE ADDED TAX (VAT)

DEFINITION

- The VAT is a tax on turnover, applied to industrial, commercial and craft activities, professionals, construction work, real-estate operations and importations.
- 2 VAT schemes: interior VAT and importation VAT.
- 2 types of exemptions: with or without deduction rights.

RATE

20% : normal rate

Developments: 2016 Finance Law:

- Exemption from, instead of imposition of, a 20% rate on imports of aircraft with a capacity greater than 100 (hundred) places destined for air transport. This is also applicable to the material and replacement parts destined to repair the aforementioned aircraft.
- Exemption on operations for the disassembly of planes.
- Imposition of a normal rate instead of a special rate of 14% on transactions related to the transport by rail of travellers and merchandise.
- Exemption from tax on the import of railway equipment.
- Eligibility for VAT exemption on social housing financed by participative banks.

REDUCED RATES

14%	• With a right to deduct for tea, butter, transportation, electricity, commercial light-duty vehicles and mopeds, solar water heaters… • Deductions not applicable for services supplied by insurance agents or brokers.
10%	With a right to deduct, namely for: • Accommodation or renovation operations carried out by hotels and other touristic lodging; • Sales of foodstuffs and beverages consumed on-site in restaurants and those supplied by service providers to employees of companies; • Food oils ; • Solar water heaters • Fishing gear and nets for fishing professionals • Rice, pasta, and kitchen salt; • Petroleum gas and other hydrocarbon gases, as well as petroleum or shale oil; • Bank and credit operations (including operations and interests pertaining to advances and loans granted to local communities and the Mourabaha alternative financial product) and commissions on foreign exchange; • Transactions related to stocks or shares issued by mutual funds; • Transactions related to securities carried out by brokerage firms; • Operations carried out by the Fonds d'Équipement Communal, and those pertaining to loans and advances granted to said Fund; • Operations carried out by licensed professionals (lawyers, interpreters, notaries, veterinarians, etc.); • Catering operations provided directly by the company to its employees. • Feed for livestock and low-yield animals • Agricultural equipment for use exclusively in agriculture
7%	With a right to deduct, namely for: • Certain consumer products (water delivered to public distribution networks, canned sardines, powdered milk, school supplies and their inputs, pharmaceutical products and their inputs, etc.); • Refined or agglomerated sugar; • Milk powder • Economic cars and all products and materials needed for their manufacturing, as well as assembly services under the conditions prescribed by the regulatory way.

SPECIFIC RATES

- 100 Dirham per hectolitre of wine or alcoholic beverage
- 5 Dirham per gram of gold or platinum;
- 0.1 Dirham per gram of silver.

WITHHOLDING TAX

- The value-added tax on interest served by credit establishments and similar bodies for themselves of for a third party, is collected by these establishments on behalf of the treasury, through the withholding tax;
- The value added tax due on products resulting from securitisation transactions completed in conformity of the law is collected by the initiating establishment on behalf on the Treasury, by way of the withholding tax;
- The value added tax due on taxable operations carried out by non-resident persons for their clients established in Morocco and operating activities excluded from the application field of the value-added tax, is withheld for each payment and transferred by the client to the receiver at the tax administration on which said client relies in the month following payment.

SELF-LIQUIDATION METHODS OF VAT FOR NON-RESIDENTS

Non-resident taxpayers carrying our taxable operations are required to have a representative resident in Morocco accredited by the Tax administration, who commits themselves to paying the value added tax required. Said representative is required to declare and transfer the VAT after deduction of any eventual tax paid to sub-contractors established in Morocco in the month that follows the month when the payment was made.
When the non-resident company stops all business in Morocco, its tax representative must inform the local tax service on which they depend by way of a letter and supported with all documentation putting an end to their role as a tax representative.
If they fail to designate a tax representative, the Moroccan client is considered to be legally responsible for the VAT due. This is the case even if they are not subject to VAT and this, in place of the non-resident person carrying out the taxable operation in Morocco within the self-liquidation system.

MAIN VAT EXEMPTIONS

- Products delivered and services supplied, for exportation by one liable for taxes;
- Farming materials (equipment goods, phytosanitary products, polymers, etc.) destined exclusively for agricultural use;
- Investment goods to be registered in a capital asset account, acquired by businesses liable for taxes (upon import or export), for 36 months from the date activities are undertaken ;
- Equipment goods acquired (either nationally or from abroad) by private education or professional training establishments, except for vehicles other than those reserved and specially equipped for collective school transportation, for 36 months from the date activities are undertaken;
- Acquisitions by international transportation companies of buses, trucks and equipment goods (either nationally or from abroad) for 36 months from the date activities are undertaken;
- Sales of social housing serving as a main residence, with a surface between 50 and 80m2 and a sale price not exceeding 250,000 Dirham, excluding VAT;
- Construction of housing estates, residences and university campuses executed by real-estate developers for a period of up to 3 years from the date of authorization to undertake construction of at least 50 rooms – with a maximum occupancy of 2 beds per room – within the framework of an agreement with the State, accompanied by specifications;
- New equipment goods acquired by offshore banks necessary for exploitation, office supplies necessary for their activities, interests and commissions on loan operations and all other services supplied by offshore banks, and interests paid on deposits and other investments executed in foreign currencies and converted by these banks;
- Operations carried out by offshore holding companies, governed and carried out for the profit of offshore banks or non-resident natural or legal persons, and paid in convertible foreign currency;
- International transportation and the related services supplied;
- Equipment goods, materials and tools necessary for the execution of investment projects representing an amount equal to or greater than 200 Million Dirham and which fall within the framework of an agreement with the State, acquired by one liable to taxes for a period of 36 months from the date when activities are undertaken. This exemption is also grantedto imported parts, spare parts and accessories at the same time as the previously stated equipment. For companies who push through with their investment projects, the 36-month delay begins from the date when the authorisation to build is issued, with a one-time-only 6-month extension in the case of a force majeure.
- Individuals, practicing individually as self-entrepreneurs in accordance with current legislation and regulations

- Operations for the disassembly of planes;
- Imported aircraft with a capacity greater than one hundred (100) places reserved for air transport. This also covers the material and replacement parts destined for the repair of the aforementioned aircraft;
- Imported trains and railway material destined for the transport of travellers and merchandise.
- Private persons, operating individually as entrepreneurs in line with the legislation and regulations in force.

INSTITUTION OF A SPECIFIC TAX REGIME FOR SECOND-HAND GOODS

The sale and delivery operations on second-hand goods are subject to VAT according to the measures of the 2013 Finance law.
A second hand good is defined as a tangible asset likely to be reused in its current state or after repair in ways that would not change the initial usage of the asset.

SALES MADE BY TAXABLE USERS

1- Definition

LUser taxable is a person using moveable goods of investment for the needs of the exercise of its economic activities, such as material and tooling, transport equipment, office equipment, etc.

2- Taxable operations

The imposition concerns the sales operations of movable assets of investment used by a taxable to meet its operation needs.

3- Taxable base

The tax base is constituted by the sale price of the second-hand good ceded.

SALES MADE BY THE TAXABLE DEALERS

1- Definition

The taxable dealer (trader of second-hand goods): is a trader whose total annual turnover is equal or superior to two million (2.000.000) MAD who, as part of his economic activity, acquires or affects second-hand goods to stock of his company with a view of reselling them.

2- Taxable regime

- Common law regime: applies on sale and delivery transactions of second-hand goods carried by trader-reseller where such goods purchased from taxable users who are required to submit to VAT their selling transactions of moveable goods of investment, being imported in view of their reselling.

VAT is invoiced on the sale price and the input VAT is borne upstream, among these traders, in common law conditions.

- Special margin regime:

Applies to sale and delivery transactions of second-hand goods carried by trader-reseller when such property is acquired from:

- Private individuals;
- Taxable persons whose activities are exempt without right of deduction;
- Taxable users assignor goods excluded from the right of deduction;
- Non-taxable persons exercising an activity outside the scope of VAT;
- Traders of second-hand goods taxed according to the margin scheme.

Under this regime, the tax base is determined according to one of two methods:

- Operation by operation method: the difference between the sale price and the purchase price. This difference is considered including taxes
- Globalization method: difference between the total amount of sales and purchases of second-hand goods carried during a considered period. The tax base thus obtained is considered tax included.

3- Tax rate

The tax base to the margin is taxes included considered, but should be reduced to an amount excluding taxes on which applies the operative tax applicable to the property in question in the new state.

4- Right to deduction

Traders of second hand goods taxed according to the margin scheme not benefit from any right of deduction of VAT charged to purchases of the said property or operating expenses.

LEGAL BASIS / SOURCE

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