

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

REDUCED RATES

14%	<ul style="list-style-type: none"> • With a right to deduct for butter, transportation, electricity, commercial light-duty vehicles and mopeds, solar water heaters... • Deductions not applicable for services supplied by insurance agents or brokers.
10%	<p>With a right to deduct, namely for:</p> <ul style="list-style-type: none"> • 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 • 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 <i>Fonds d'Équipement Communal</i>, and those pertaining to loans and advances granted to said Fund • Certain operations carried out by licensed professionals (lawyers, interpreters, notaries, veterinarians, etc.) • Highway tolls due.
7%	<p>With a right to deduct, namely for:</p> <ul style="list-style-type: none"> • 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 • Animal feed • 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 (for importations, the rate applied is 14% plus the tariff of 100 DH/hectolitre)
- 5 Dirham per gram of gold or platinum
- 0.1 Dirham per gram of silver

MAIN VAT EXEMPTIONS WITH A RIGHT TO DEDUCT

- 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 import¹⁴ 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 24 months from the date activities are undertaken

¹⁴ For companies pushing through with the execution of their investment project, the 36-month delay beings from the date of issue of the authorisation to build.

- Acquisitions by international bus, truck and equipment goods transportation companies and pertaining acquisitions (either nationally or from abroad) for 24 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 a contract signed 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 granted to 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.

SALES MADE BY TAXABLE USERS

Definition

User 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.

Taxable Operations

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

Taxable base

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

SALES MADE BY THE TAXABLE DEALERS

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.

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.

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.

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.

ONLINE TAX FILING AND ONLINE PAYMENT (Simpl-VAT)

The Online Tax Services (Simpl) were developed by the Directorate-General for Taxation in order to allow users to fulfill their tax return electronically.

Online tax filing and payment are currently mandatory for large corporations that achieve an annual turnover equal to or above 50 Million DH. Starting from January 2016, the process will be mandatory for companies with turnover larger than 10 Million DH; And from January 2017, for turnovers larger than 3 Million DH.

For companies wishing to join Simpl teleservices (Simpl-VAT and / or Simpl-corporate tax), they are invited to address their application form to the regional tax department, in the service "large corporations" to which depends the taxpayer. The file should include the debit authorization duly endorsed by a partner bank.

LEGAL BASIS / SOURCE

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