



Presentation of the main tax provisions

The Finance Act of 2022

- *This document has been prepared by professionals to facilitate the understanding of the law on tax and finance. This document does not replace the actual text contained in the law which has been published in the official bulletin (BO n° 7049 bis of December 20, 2021).*
- *Users of this document should refer to the published texts in case of doubt (General Tax Code and Finance Law 76-21).*
- *We are not accountable nor liable for any possible misinterpretations of this document.*

Summary



CORPORATE INCOME TAX (CIT)



PAYROLL INCOME TAX



OTHER MEASURES

I. The Key Points

1. **Marginal rate reduction:** the application of a rate of 26% instead of 28% for companies carrying out an industrial activity whose net profit is lower than 100 Million MAD;
2. **Abolishment of the progressive tax scale of common law:** replacement by a proportional scale ;
3. **Extension of the “First-time employment” exemption :** In order to encourage the employment of young people who have never been employed, the Finance Act of 2022, has extended the application of this exemption for an additional year in terms of income tax on salary in favor of these young people.
4. **Social Solidarity Contribution (CSS) :** continuation, in 2022, for legal entities (not permanently exempt from corporate income tax) and certain individuals subject to agricultural and professional income tax (for certain activities and professions) with modification of the proportional rates and exclusion of salary and property income ;
5. **Minimum contribution:** the reduction rate from 0.5% to 0.4% (under certain conditions);



Previous Practice

- For **companies carrying out an industrial activity**, excluding those whose net profit is equal to or greater than MAD 100 million, the **31%** rate is reduced to **28%**.
- Definition of industrial activity:** any activity that consists of direct manufacturing or production of tangible goods by means of technical installations, raw materials and necessary equipment.

VS

Finance Act of 2022

- As part of the process of converging corporate income tax rates towards a unified rate for the industrial sector, the Finance Act of 2022 has reduced the marginal rate of the corporate income tax scale from **28%** to **26%** applicable under the following conditions :
 - ✓ Revenue : **local** ;
 - ✓ Activity : **industrial** ;
 - ✓ Net Profit : **less than 100 million MAD.**

As of January 1, 2022, the new scale is applicable to these companies as follow:

Net taxable income (in MAD)	Rate
Less than or equal to 300,000	10%
from 300,001 to 1,000,000	20%
from 1,000,000 to 99,999,999	26%

Réf. : CGI Art 19-I-A

Previous Practice

- The standard rate of corporate income tax is currently calculated according to **progressive rates**, the scale of which is as follows

Net taxable income (in MAD)	Rate	Total Deductible
Less than or equal to 300,000	10%	None
From 300,001 to 1,000,000	20%	30,000
Above 1,000,000	31%	140,000

VS

Finance Act of 2022

- In order to align the Moroccan tax system with international practices and to ensure the gradual convergence towards a unified proportional rate, the 2022 Finance Law introduced the following provisions :

- ✓ Abandonment of the progressive nature of common law corporate income tax rates;
- ✓ replacement of **the progressive scale** by a **proportional scale**, namely :

Net taxable income (in MAD)	Rate
Less than or equal to 300,000	10%
From 300,001 to 1,000,000	20%
Above 1,000,000	31%

Note: **Tax provisions** for the 2022 fiscal year must be calculated on the basis of the proportional rates.

Réf. : CGI Art 19-I-A



Previous Practice

- The finance act for the year 2021 introduced the exemption in terms of Income Tax of the salary paid by a company, association or cooperative, whatever the date of its creation, to an employee during the first 36 months from the date of the said recruitment concluded during the period from January 1st 2021 to December 31st 2021.
- **Conditions to apply IR exemption:**
 - ✓ Age: employee is less than 35 years old;
 - ✓ Contract : CDI (permanent) ;
 - ✓ Must be his first recruitment.
- **How to report:**

The employer must mention in the statement of salaries and wages, before March 1st of each year, the list of employees benefiting from the exemption in question.

VS

Finance Act of 2022

- In order to encourage the employment of young people who have never been employed, the 2022 Finance Act has extended the application of the exemption for an additional year in terms of salary IR for the class of people mentioned.

This extension is applicable from January 1st to December 31, 2022.

Réf. : CGI Art 247 XVIII.

Renewal of the Social Solidarity Contribution (CSS) on profits and certain income (agricultural and professional)



Previous Practice

The social solidarity contribution is **applicable on profits and income for the year 2021** :

1. For corporate entities :

- Companies subject to corporate income tax, **with the exception of those that are permanently tax-exempt, CFC-labeled and in Industrial Acceleration Zones (exhaustive list see article 267 CGI)**;
- Contribution is applicable on the basis of the net profit according to the following rates :

Net Profit Income	Rate
1,000,000 to 5,000,000 dirhams	1,50%
5,000,001 to 40,000,000 dirhams	2,50%
Above 40,000,000 dirhams	3,50%

2. For individuals :

- A fixed rate of 1.5% for net annual income equal to or greater than MAD 240,000.

VS

Finance Act of 2022

- Renewal for the year 2022 of the CSS on profits and revenues applicable to :

1. Companies and other legal entities * (defined in article 2-III of the CGI) with the exception of those permanently exempted from corporate income tax (referred to in article 6-I-A of the CGI);

It should be noted that companies located in Industrial Acceleration Zones and those with "Casablanca Finance City" status are no longer exempt in 2022.

2. Individuals with income from : (i) agricultural and (ii) professional (whose profits come from the exercise of commercial, industrial or crafting professions, real estate developer, land developer or property dealerships) and **subject to IR according to the RNR regime** (CGI, art 30-1°- 2°, and art 46).

Note that for the year 2022, salary and property income are exempt from the CSS.

- The CSS is calculated according to the following proportional rates :

Amount of net profit and income subject to CSS	Rate
1,000,000 to 5,000,000 dirhams	1.50 %
5,000,001 to 10,000,000 dirhams	2.50 %
10,000,001 to 40,000,000 dirhams	3.50 %
Above 40,000,000 dirhams	5 %

Note: The 2022 Finance Act has maintained the non-deductibility of the CSS, the same collection rules and the same reporting obligations introduced from previous years.

Réf. : CGI Art 267 à 271.

Minimum contribution rate (CM) reduction from 0.5% to 0.4% for beneficiary companies



Previous Practice

- The newly created companies benefit from the exemption of the CM during a period of 3 years from the beginning of its operation;
- After the exemption period, the standard rate of the CM is set at :
 - 0,5% ;
 - 0,6% when the declared income excluding depreciation is at a loss for two consecutive years ;
 - 0,25 % for certain operations ;
 - 6% for certain professions.

VS

Finance Act of 2022

- As part of the tax reform aiming at gradually lower CM rates, the Finance Act of 2022 provides :
 - to reduce the rate of the minimum contribution applicable to corporate income tax and income tax from **0.5% to 0.4%**;
 - the reduction is applicable only **to companies having declared a positive income excluding depreciation.**

Réf. : CGI Art 144-I-D.



See beyond the figures

www.adassocies.ma

412 Boulevard de Bourgogne,
Anfa - Casablanca 20050

Tél. : +212 5 22 98 94 01/02