

Morocco Tax Developments: Finance Act 2003 Changes Filing Penalties

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Finance Act 2003 Becomes Law

The Moroccan Finance Act for 2003 was published in Morocco's Bulletin Officiel n° 5069 *bis* dated January 1, 2003. The Act includes the following changes in the income tax law:

- In case of late payment, the tax will be increased by 5 percent for the first month of non-payment and thereafter by 0.5 percent for every additional month or part lapsing before payment is made. This provision is applicable starting from January 1, 2003.
- The provision related to the increase by 8 percent in case of late payment, is abrogated.

Background: Filing Rules Pre-Finance Act 2003

According to Morocco's income tax law, residents receiving employment income (from a foreign employer) must file annual general income tax returns. The deadline for the filing is March 31 following the close of the tax year (tax year end is December 31).

The income tax is computed by the tax administration and is payable on receipt of an assessment in which the payment deadline is specified. The assessment is sent through regular mail to the taxpayer's address.

Penalties

Late Filing – When the tax return is filed after the deadline, the tax payable is increased by 15 percent – in other words, the penalty is equal to 15 percent of the tax owed.

Late Payment of Tax – In case of late payment of income tax by an individual, the tax penalty was 8 percent of the tax owed – this has now been abrogated, and replaced by the new rules above-mentioned.

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