

Determination of the Tax Base

Comprehensive tax compliance guide for Moroccan SMEs

Articles 8 to 12 and 145 of the General Tax Code

From accounting profit to corporate tax due: the tax journey explained step by step

Audit & Chartered Accounting

Tax Advisory

FA 2026

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1. PREAMBLE

The importance of tax compliance for SMEs

The transition from accounting profit to taxable income is one of the most critical steps in the annual closing process. For a Moroccan SME, mastering this process is not a technical luxury — it is a strategic necessity. Every error can lead to a tax reassessment, surcharges and penalties (Art. 184 to 189 of the CGI), or even undermine the company's credibility vis-à-vis the tax authorities.

This guide supports SME managers and their accounting teams in comprehensively understanding the mechanism for determining taxable income, as provided for by **Articles 8 to 12 and 145** of the CGI. It incorporates the latest amendments from the **Finance Act No. 50-25** for the 2026 fiscal year, as well as the clarifications provided by **Note Circulaire No. 737** from the General Tax Directorate.

i Fundamental principle: Taxable Income = Accounting Profit + Add-backs – Deductions. Taxable income is not accounting profit. It derives from it, but undergoes adjustments dictated by tax law. This distinction is at the heart of Art. 8-I of the CGI.

2. ACCOUNTING OBLIGATIONS

Article 145 — The foundation of any tax base determination

Before any determination of the tax base, it is essential to recall that it rests on proper accounting records. Article 145 of the CGI establishes the foundations of this obligation. In case of non-compliance, the tax authorities may resort to **automatic assessment** (Art. 228 and 229 of the CGI), depriving the company of any defense based on its own records.

Bookkeeping requirements

Art. 145-I of the CGI

Taxpayers must maintain accounting records in accordance with the legislation in force (Law No. 9-88 on the accounting obligations of traders, and the CGNC for accounting standards), so as to enable the tax authorities to carry out the audits provided for by the CGI.

! **Digital requirement:** Accounting records must also be maintained in electronic format (Art. 145-I, para. 2). This requirement, reinforced by Note Circulaire No. 733, aims to improve traceability and facilitate audits by the tax authorities. The accounting entries file (FEC) may be required during an audit.

Inventory obligation

Art. 145-II of the CGI

At the end of each fiscal year, taxpayers must prepare detailed inventories, **in quantities and values**, of goods, various products, packaging and consumable materials purchased for resale or for the needs of the business.

Supporting documents

Art. 145-III of the CGI

Every accounting entry must be supported by a supporting document. Sales or purchase invoices must include the mandatory information required by Art. 145-III: tax identification number (IF), common business identifier (ICE), business tax (TP), trade register number (RC), and VAT breakdown. Failure to include these details exposes the expense to tax rejection (Art. 11-III).

■ **Practical consequence:** Irregular accounting records or the absence of an inventory may lead to automatic assessment (Art. 228-I of the CGI). In this case, the burden of proof is reversed: it is up to the taxpayer to demonstrate that the bases adopted by the tax authorities are excessive.

3. TAXABLE INCOME

Article 8 — Definition and mechanism

General principle

Art. 8-I of the CGI

The taxable income for each fiscal year is determined based on the excess of **revenue** over **expenses** for the fiscal year, incurred for the purposes of the taxable activity, in accordance with the accounting legislation and regulations in force, **adjusted** where applicable in accordance with the tax legislation in force.

This principle of accounting-tax connection means that the starting point is always the accounting profit, to which the tax adjustments (add-backs and deductions) provided for by Articles 9 to 12 of the CGI are applied.

Valuation rules

Art. 8-I of the CGI

Item	Valuation rule	Clarification
Merchandise inventories	Cost price OR market price if lower	Lower of cost or market rule — accounting prudence
Work in progress	Cost price only	No margin, no markdown

i Note Circulaire No. 717 (Volume 1, §38): The cost price includes the purchase cost (purchase price + ancillary costs: transport, customs, insurance) and, for manufactured products, the production cost (materials + direct labor + indirect production overheads).

Special structures

Art. 8-II, III and V of the CGI

Structure	Reference	Applicable rule
SNC, SCS, SP that have opted for corporate tax	Art. 8-II	Standard corporate tax rules (IS)
Transparent real estate companies	Art. 8-III-A	Normal and current rental value for free occupation by shareholders
Housing cooperatives	Art. 8-III-B	Market value at the date of transfer to members
Economic interest groups (GIE)	Art. 8-V	Pro-rata share of the group's profits or losses, distributed among members

4. TAXABLE REVENUE

Article 9 — Complete typology of revenue

Article 9 of the CGI classifies taxable revenue into three categories, mirroring the structure of the Moroccan chart of accounts. Any revenue recorded in the accounts is in principle taxable, unless there is an express contrary provision (Art. 9 bis).

A. Operating revenue

Art. 9-I-A of the CGI

No.	Category	Details and clarifications
1°	Turnover	Revenue and accrued receivables relating to goods delivered, services rendered and work performed
2°	Changes in inventory	Difference between closing and opening inventory of products, valued in accordance with Art. 8-I
3°	Self-constructed assets	Assets produced by the company for its own use (at production cost)
4°	Operating grants	Public subsidies related to current operations — fully taxable in the fiscal year of receipt
5°	Other operating revenue	Any other operating revenue not classified above
6°	Reversals and transfers	Operating reversals and expense transfers — cancel a previously deducted expense

B. Financial revenue

Art. 9-I-B of the CGI

- 1° — Income from equity investments and other long-term securities.
- 2° — **Foreign exchange gains:** unrealized exchange gains (conversion adjustments — liabilities) are taxable from the fiscal year of their recognition, in accordance with the tax accrual principle. NC No. 717 (Volume 1, §52) specifies that this rule applies even if the gain has not yet been realized.
- 3° — Accrued interest and other financial revenue, including distributions from OPCC (FA 2026 — Art. 9-I-B-3° amended).
- 4° — Financial reversals and transfers of financial expenses.

C. Non-recurring revenue

Art. 9-I-C of the CGI

- 1° — Proceeds from the disposal of fixed assets (realized capital gains).
- 2° — Balancing subsidies received.
- 3° — Reversals of investment grants (spreading possible — see below).
- 4° — Other non-recurring revenue, including tax rebates on deductible taxes.

5° — Non-recurring reversals and transfers of non-recurring expenses.

Investment grants — Spreading

Art. 9-II of the CGI

Investment grants may be spread over the depreciation period of the assets they were used to finance. For land acquired as part of investment projects, spreading is done over a maximum period of **10 fiscal years**.

i NC No. 717 clarification: Spreading is an option, not an obligation. If the company does not exercise it, the grant is fully taxable in the fiscal year of receipt. The option is irrevocable once exercised.

5. NON-TAXABLE REVENUE

Article 9 bis — Tax neutrality regimes

Article 9 bis establishes a tax neutrality regime for certain specific financial transactions. These transactions generate neither taxable revenue nor deductible expenses, **as long as the legal conditions are met.**

Transaction	Legal basis	Key conditions
Repurchase agreements	Law No. 24-01	Securities lending with temporary transfer of ownership
Securities lending	Art. 9 bis	Listed securities, negotiable debt instruments, Treasury bills, Sukuk
Securitization transfers	Law No. 33-06	Transfer of assets to an FPCT (Collective Securitization Investment Fund)
Sale with right of repurchase	Art. 9 bis	Notarized deed + repurchase within ≤ 3 years + at original value
Privatizations	Law No. 39-89	Transfer of public enterprises to the private sector

■ **DEFAULT (Art. 9 bis, last paragraph):** If one of the parties defaults on its obligations, the proceeds of the sale (fair market value at the date of default less the net book value) are immediately added back to the taxable income of the fiscal year of default. Tax neutrality is retroactively annulled.

6. DEDUCTIBLE EXPENSES

Article 10 — General conditions, thresholds and allowances

To be deductible, an expense must meet five cumulative conditions set out by Art. 10 and the administrative doctrine:

No.	Condition	Details
1	Reality	The expense must correspond to an actual expenditure, supported by a proper supporting document
2	Accrual	The expense must relate to the fiscal year in which it was incurred (accrual principle)
3	Business purpose	The expense must be incurred in the interest of the business and for the needs of its activity
4	No legal exclusion	The expense must not be among the exclusions listed in Art. 11
5	Proper recording	The expense must be properly recorded in the accounts (Art. 145)

I. Operating expenses

Art. 10-I of the CGI

A. Purchases and external charges

Purchases of goods, materials and consumable supplies, as well as external charges (rent, insurance, maintenance, professional fees, subcontracting) are deductible subject to proper documentation and accrual to the relevant fiscal year.

B. Promotional gifts

Art. 10-I-B-2° of the CGI

Promotional gifts are deductible provided their unit value does not exceed **100 DH inclusive of tax** and they bear either the company name, the business name or acronym, or the brand of the products it manufactures or sells.

C. Donations

Art. 10-I-B-2° of the CGI

Beneficiary	Deductibility threshold	Clarification
Public Habous, Entraide Nationale, Foundations (Mohammed V, Mohammed VI, Hassan II, Cheikh Zaïd, Lalla Salma...)	No limit	Exhaustive list in Art. 10-I-B-2°
Associations recognized as being of public benefit	No limit	Donations fully deductible (Art. 10-I-B-2°, para. 4)
Social welfare organizations (public or private) and State partner associations	2 ‰ of turnover excl. tax	Partnership agreement required
Sports companies (FA 2026)	20% of net profit (max 5 MDH)	New provision — Art. 10-I-B-2°, last paragraph

D. Taxes and duties

Art. 10-I-B-3° of the CGI

Taxes and duties borne by the company are deductible, **with the exception of corporate tax itself** (Art. 11-IV). Business tax, municipal services tax, tax on undeveloped land and registration duties are deductible expenses.

E. Personnel costs

Art. 10-I-B-4° of the CGI

Remuneration (salaries, allowances, bonuses, gratuities), social charges (CNSS, AMO, CIMR) and benefits in kind granted to employees are deductible. Employer contributions to supplementary pension insurance are deductible within the limits set by regulations.

F. Depreciation allowances

Art. 10-I-F-1° of the CGI

Depreciation represents the accounting recognition of the decline in value of fixed assets due to use, the passage of time, technological change or any other cause.

Depreciable base: Original value excluding recoverable VAT, consisting of:

- Acquisition cost (purchase price + ancillary costs)
- Production cost (assets produced by the company itself)
- Contribution value (in case of merger or partial asset transfer)
- Contractual value (leasing, specific contracts)

Intangible start-up costs: Depreciated at a constant rate over 5 fiscal years (preliminary expenses, deferred charges, bond redemption premiums).

■ **VEHICLE THRESHOLD (FA 2025 — Art. 10-I-F-1°, para. 3):** The depreciable base for passenger transport vehicles is capped at **400,000 DH inclusive of tax** with a minimum rate of 20%/year (i.e., 5 years maximum). This cap also applies to leasing and long-term rental. **Exceptions:** public passenger transport vehicles, collective staff transport, vehicles given for hire, ambulances.

■ **PERMANENT LOSS (Art. 10-I-F-1°, last paragraph):** Failure to record depreciation for a fiscal year results in the permanent loss of the corresponding deduction right, **for that fiscal year AND subsequent fiscal years**. Unrecorded depreciation cannot be carried forward or recovered later. This rule is a matter of public policy.

G. Provisions

Art. 10-I-F-2° of the CGI

Provisions for impairment and provisions for risks and charges are deductible when they meet three cumulative conditions:

- The provisioned expense or loss must be **clearly specified** as to its nature
- Its amount must be **estimable** with sufficient approximation
- It must be made **probable** by events occurring during the fiscal year

! **Provisions for doubtful receivables:** To be deductible, these provisions must be established following the initiation of **legal proceedings within 12 months** of the close of the fiscal year in which they were established (Art. 10-I-F-2°, para. 6). Failing this, the provision must be added back to the income of the fiscal year of its establishment.

Provision without purpose or non-compliant: Any provision which, at the end of the period, proves to be without purpose (the risk did not materialize) or was not used in accordance with its intended purpose must be added back to the income of the fiscal year in which it becomes without purpose (Art. 10-I-F-2°, last paragraph).

II. Financial charges

Art. 10-II of the CGI

A. Interest on shareholder current accounts

Art. 10-II-A-2° of the CGI

The deductibility of interest paid to shareholders on their current account advances is subject to three cumulative conditions:

Condition	Rule	Consequence of non-compliance
1. Paid-up capital	Share capital must be fully paid up	No interest is deductible as long as the capital is not fully paid up
2. Amount threshold	Total interest-bearing amounts \leq share capital	The excess generates interest to be added back (non-deductible portion)
3. Rate threshold	Rate \leq average 6-month Treasury bill rate of the previous year	The excess rate is to be added back to taxable income

i Reference rate: The 6-month Treasury bill rate is published by Bank Al-Maghrib. For fiscal year 2025, verify the published annual average rate. NC No. 717 (Volume 1, §72) specifies that this is the weighted average of the auctions from the previous calendar year.

B. Cash vouchers

Art. 10-II-A-3° of the CGI

Interest on cash vouchers is only deductible if three conditions are met:

- The funds must be used for the needs of the business
- A bank must serve as intermediary for the payment of interest
- The list of beneficiaries (identity and amount) must be attached to the annual return

C. Foreign exchange losses

Art. 10-II-B of the CGI

Unrealized exchange losses (conversion adjustments — assets) are **deductible** from the fiscal year of their recognition. This rule is symmetrical with the taxation of unrealized gains (Art. 9-I-B-2°).

III. Non-recurring charges and special regimes

Art. 10-III of the CGI

Declining balance depreciation

Art. 10-III-A of the CGI

Capital equipment (excluding buildings and passenger vehicles) acquired new may be subject to declining balance depreciation. The option, exercised from the first year, is **irrevocable**.

Useful life	Coefficient	Example
3 to 4 years	1.5	IT equipment (3 years \times 1.5 = declining balance rate 50%)

Useful life	Coefficient	Example
5 to 6 years	2	Industrial machinery (5 years × 2 = declining balance rate 40%)
More than 6 years	3	Heavy equipment (10 years × 3 = declining balance rate 30%)

CFC investment provision

Art. 10-III-B of the CGI

Companies with CFC (Casablanca Finance City) status may establish a provision of up to **25% of taxable profit**, provided that the corresponding amount is invested in securities during the following fiscal year and that these securities are held for at least 4 years.

7. NON-DEDUCTIBLE EXPENSES

Article 11 — Mandatory add-backs

Article 11 of the CGI lists expenses which, although recorded in the accounts, must be **added back** to taxable income. These add-backs are a matter of public policy and admit of no interpretation.

I. Fines, penalties and surcharges

Art. 11-I of the CGI

Fines, penalties and surcharges for breaches of legal or regulatory provisions are **systematically non-deductible**. This includes traffic fines, tax penalties, CNSS late payment surcharges, etc.

i Exception: Late payment interest of a commercial nature, due under Law No. 32-10 on payment deadlines, retain their deductible character as they do not constitute penalties but contractual default interest.

II. Cash payments exceeding thresholds

Art. 11-II of the CGI

Threshold	Limit	Basis of calculation
Per day and per supplier	5,000 DH	All invoices combined for the same supplier on the same day
Per month and per supplier	50,000 DH	Monthly cumulative cash payments to the same supplier

■ DOUBLE PENALTY: Exceeding the thresholds results not only in the rejection of the expense, but also in the rejection of **depreciation** charged on fixed assets acquired in cash above these thresholds. NC No. 717 (Volume 1, §95) specifies that this double penalty applies on a fiscal year by fiscal year basis.

i Exception: Purchases of live animals and unprocessed agricultural products are not subject to these thresholds, except when the transaction takes place between two merchants (Art. 11-II, last paragraph).

III. Expenses on irregular invoices

Art. 11-III of the CGI

Expenses supported by invoices that do not include the mandatory information of Art. 145-III (IF, ICE, TP, RC, VAT breakdown) are non-deductible. However, the taxpayer has a **right to regularize**: they may complete the invoices during the adversarial procedure provided for in Articles 220 and 221 of the CGI.

IV. Other excluded expenses

Art. 11-IV of the CGI

The following expenses are expressly excluded from deductibility:

- **Corporate tax itself** — corporate tax is never a deductible expense
- **Gratuitous transfers** — donations not eligible under the Art. 10-I-B-2° regime
- **The social cohesion contribution** (introduced by FA 2012)
- **The social solidarity contribution** — CSS (Art. 268 et seq. of the CGI)

8. LOSS CARRY-FORWARD

Article 12 — Offset and carry-forward rules

When the taxable income for a fiscal year is in deficit, this deficit may be carried forward to subsequent fiscal years according to distinct rules depending on the nature of the expenses that make up the deficit.

Nature of deficit	Carry-forward period	Legal basis	Clarification
Deficit excluding depreciation	4 subsequent fiscal years	Art. 12-II	Beyond 4 years, the deficit is permanently lost
Deficit related to depreciation properly recorded	UNLIMITED	Art. 12-III	Carry-forward without time limit, fiscal year after fiscal year

i Strategy: The regular recording of depreciation is doubly strategic: it preserves the right to tax deduction (Art. 10-I-F) AND ensures an **unlimited** loss carry-forward to future profitable fiscal years. Never omit the allowance, even during a loss-making period.

Order of offset: In the event of a profitable result, deficits are offset in the following order: first, deficits excluding depreciation (from oldest to most recent, within the 4-year limit), then the remaining deferred depreciation.

! Caution — Minimum Contribution: Even in the event of a tax loss, the **Minimum Contribution** (Art. 144) remains due (except for the exemption during the first 36 months or exemption under Art. 6-II-B). A deficit does not exempt from the Minimum Contribution.

9. PRACTICAL CASE STUDY

From accounting profit to corporate tax due — Worked example

ATLAS DISTRIBUTION SARL — Activity: distribution of construction materials
Fiscal year ended 31/12/2025 | Share capital: 500,000 DH (fully paid up)
Accounting profit: **850,000 DH** | Turnover excl. tax: 12,000,000 DH

Items to analyze:

- 1. Traffic fine: 3,000 DH
- 2. Promotional gifts without the company's logo: 15,000 DH
- 3. Passenger vehicle acquired for 520,000 DH incl. tax, depreciated over 5 years (20% straight-line)
- 4. Donation to the Mohammed V Foundation: 50,000 DH
- 5. Interest on shareholder current accounts: 800,000 DH at 4% (authorized rate: 2.5%)
- 6. Purchase of supplies paid in cash: 62,000 DH in a single payment
- 7. Provision for doubtful receivables: 40,000 DH (no legal proceedings initiated)
- 8. Depreciation not recorded on equipment: 25,000 DH
- 9. Social solidarity contribution recorded: 30,000 DH

Reconciliation table — Accounting profit → Taxable income

Item	CGI Art.	Add-back (DH)	Explanation
1. Traffic fine	Art. 11-I	3,000	Infraction → non-deductible. All fines for infractions must be added back.
2. Gifts without logo	Art. 10-I-B-2°	15,000	Non-compliant: do not bear the acronym, company name or brand.
3. Vehicle depreciation	Art. 10-I-F-1°	24,000	Excess: $(520,000 - 400,000) \times 20\% = 24,000$ DH to be added back.
4. Mohammed V Foundation donation	Art. 10-I-B-2°	—	Deductible without limit (beneficiary listed in Art. 10-I-B-2°).
5. Shareholder current account interest	Art. 10-II-A-2°	20,000	Double excess: amount (800K > 500K capital) and rate (4% > 2.5%). Add-back of the non-compliant portion.
6. Cash > threshold	Art. 11-II	62,000	Exceeds 5,000 DH/day and 50,000 DH/month per supplier → full rejection.
7. Provision without legal proceedings	Art. 10-I-F-2°	40,000	No legal proceedings within 12 months → non-deductible provision.

Item	CGI Art.	Add-back (DH)	Explanation
8. Unrecorded depreciation	Art. 10-I-F-1°	—	Right permanently lost. Cannot be deducted or carried forward.
9. CSS	Art. 11-IV	30,000	Social solidarity contribution → expressly non-deductible.

Accounting profit		850,000
(+) Total add-backs	3,000 + 15,000 + 24,000 + 20,000 + 62,000 + 40,000 + 30,000	194,000
(-) Deductions		0
= Taxable income		1,044,000

10. SUMMARY AND CHECKLIST

Key compliance checkpoints — Year-end review

Check	Reference	Verification
Proper accounting records	Art. 145	Electronic format + detailed inventories in quantities and values
Inventory valuation	Art. 8-I	Cost price or market price if lower (lower of cost or market)
Depreciation recorded	Art. 10-I-F-1°	All allowances recorded — permanent loss if omitted
Vehicle threshold	Art. 10-I-F-1°	400,000 DH incl. tax, rate \geq 20%, check leasing and long-term rental
Compliant provisions	Art. 10-I-F-2°	Nature specified, legal proceedings \leq 12 months for doubtful receivables
Current accounts	Art. 10-II-A-2°	Capital paid up, amount \leq capital, rate \leq 6-month Treasury bill rate
Cash vouchers	Art. 10-II-A-3°	3 conditions: business use, bank intermediary, beneficiary list
Cash payments	Art. 11-II	5,000 DH/day, 50,000 DH/month per supplier
Promotional gifts	Art. 10-I-B-2°	\leq 100 DH/unit, with logo/brand/company name
Donations	Art. 10-I-B-2°	Eligible beneficiaries + thresholds (no limit, 2 ‰ turnover, 20% net profit)
Fines and penalties	Art. 11-I	Always add back (except commercial late payment under Law 32-10)
CSS and contributions	Art. 11-IV	Non-deductible — mandatory add-back
Proper invoices	Art. 11-III + 145-III	IF, ICE, TP, RC, VAT breakdown — right to regularize
Loss carry-forward	Art. 12	4 years (excl. depreciation) / unlimited (depreciation)
Foreign exchange adjustments	Art. 9-I-B / 10-II-B	Liabilities = taxable, Assets = deductible (same fiscal year)

i This guide is provided for informational purposes by Upsilon Consulting and does not substitute for personalized advice. **Reference:** CGI 2026 edition, Finance Act No. 50-25, Notes Circulaires No. 717 (Volumes 1 to 3) and No. 737. For tailored support, contact our team.



Salaheddine Yatim — Managing Partner

Chartered Accountant & Statutory Auditor | 20+ years of experience

Abdelhakim Soudi — Partner

Chartered Accountant & Statutory Auditor | 20+ years of experience

Yassine Benjelloun Touimi — Partner

Financial planning expert | 15+ years of experience

Casablanca — CAF Office, Bd Abderrahim Bouabid, Angle Bd Omar Al Khiam

+212 522 202 568 | contact@upsilon-consulting.com

www.upsilon-consulting.com

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