Rent paid by a business: should you opt for the 20% final rate?

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The Finance Act (Loi de Finances) 2025 created a new option for individual landlords: **taxing their rental income at a final rate of 20%**, withheld at source by the tenant. The Directorate General of Taxes (DGI) set out the details in its circular No. 736 (note circulaire) of 7 March 2025.

Who can opt?

The option is open to individuals whose rent is **subject to withholding at source**, i.e. paid by:

- a public or private legal entity (company, government body, association, etc.);
- an individual whose business income is taxed under the actual or simplified net profit regime.

Rent paid by private individuals is not affected: it is still declared and taxed at the scale rates.

The two regimes compared

	Without the option	With the option
Withholding at source	10% (or 15% if annual gross rent ≥ MAD 120,000), not final	20% final
Base	Gross rent	Gross rent
40% allowance	Yes, when you file your return	No
MAD 40,000 threshold	No withholding below MAD 40,000 a year	Withholding from the first dirham

	Without the option	With the option
Annual return	Mandatory; the withholding is credited against tax at the scale rates	Not required for this rent

The key figure: your marginal rate

Without the option, after the 40% allowance, only 60% of the rent is taxed at the scale rates. The tax therefore equals 60% of your marginal rate. With the option, it equals 20% of the gross amount.

The two regimes break even when 60% × marginal rate = 20%, i.e. at a **marginal rate of 33.3%**. In practice:

- if your income puts you in the **34% or 37%** band (net taxable income above 100,000 dirhams, MAD), the option is slightly better;
- if you are in a band of 30% or less, it costs you more than the scale.

Examples

A senior executive with net taxable salary of 300,000 dirhams lets premises to a company for 120,000 dirhams a year.

- Without the option: 120,000 × 60% = MAD 72,000 taxed at 37%, i.e. MAD 26,640.
- With the option: 120,000 × 20% = **MAD 24,000**, and no return to file for this rent.
- Saving: MAD 2,640 a year.

A retired woman whose only other income is a basic pension (exempt from 2026) lets a flat to a company for 60,000 dirhams a year. Calculation for 2026:

- Without the option: net base of MAD 36,000, below the MAD 40,000 tax-free threshold: **no tax**. As the rent exceeds 40,000 dirhams, the company withholds 10%, i.e. MAD 6,000, which can be refunded once she files her annual return.
- With the option: MAD 12,000 of final tax.
- Here, opting would be a costly mistake.

How to opt

1. **File an option request** online with the DGI, which issues a receipt. One request covers all properties whose rent is subject to withholding.

2. **Give each tenant a copy of the receipt** at least 30 days before the rent due date of the month after filing. The option takes effect from the month after the tenant receives it.
3. **To end the option**, file a waiver request and give it to your tenants at least 15 days before the relevant due date.

For 2025, the DGI accepts, as a transitional measure, that a landlord who opted after the first rent payment may ask the tenant to make up the difference on later payments, so the whole year is taxed at 20%.

What the tenant must do

The tenant business must:

- apply the correct rate for the landlord's situation (10%, 15% or 20%) and keep the option receipt;
- pay over the withholdings within the month following payment of the rent;
- file the annual return of rent subject to withholding at source required by the General Tax Code (CGI).

Applying the wrong rate exposes the tenant to the penalties for withholding taxes.

Our Tax & legal team works out whether the option makes sense for you and helps tenant businesses apply the withholdings. To discuss your situation, contact us.

Sources

- Loi de finances n° 60-24 pour l'année budgétaire 2025 (in French) (sgg.gov.ma).
- Code général des impôts, articles 64, 73-II, 86 et 160 bis (in French) (tax.gov.ma).
- Direction générale des impôts, note circulaire n° 736 (in French), partie II, points 1-B et 3 (tax.gov.ma).

> ### A question on this topic?
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