VAT reverse charge: the new optional regime in force since 1 July

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Since 1 July 2024, a new article 125 quinquies of the General Tax Code (CGI) has allowed VAT (TVA)-registered businesses to **reverse-charge** VAT on certain purchases. The regime is **optional**. It sits alongside the VAT withholding mechanisms that came into force on the same date, but has a different aim.

The problem it solves

Many businesses buy from suppliers that do not charge VAT:

- traders **outside the scope** of VAT because their turnover is below the registration threshold;
- suppliers that are **exempt without the right to deduct**, such as those selling metals and other recovered materials.

Their prices often include "hidden" VAT, paid upstream and never recovered. The customer cannot deduct it either, because no VAT appears on the invoice. The VAT chain is broken, and buyers have an incentive to buy in the informal economy.

How it works

A VAT-registered customer that opts for the reverse charge:

1. **declares** the purchase amount excluding tax in its own turnover return – the one for the month or quarter in which it paid;
2. **calculates** the VAT due on that amount;
3. **deducts** the same VAT in the same return, under the conditions of article 101 of the CGI.

The transaction is therefore cash-neutral: the business collects and deducts the same amount. There is one exception: if the customer is in a **VAT credit** position, it must **pay over** the reverse-charged VAT.

Exclusions

The reverse charge does not apply to purchases of **land** or **agricultural products**.

Two examples (from DGI circular No. 735)

An out-of-scope supplier. A business buys MAD 10,000 excluding tax of goods from a trader whose turnover is below MAD 2 million, and who is therefore outside the scope. By opting in, it reverse-charges 10,000 × 20% = **MAD 2,000** and deducts the same MAD 2,000 in the same return.

Recovered materials. A manufacturer buys MAD 100,000 of recovered metals, which are VAT-exempt. It can reverse-charge MAD 20,000 and deduct it. This documents its purchases and secures the traceability of its raw materials.

Why opt in?

- **Transparency**: the purchase appears in the VAT return, which strengthens the case for the expense in a tax audit.
- **Neutrality**: the deduction offsets the reverse-charged tax.
- **Healthier supplier relationships**: the regime encourages you to deal with identified suppliers and document your flows.

Precautions

- **Documentation**: keep the invoice or supporting document, the supplier's identification and proof of payment, since the declaration is made for the month of payment.
- **Credit position**: a business that is structurally in credit (an exporter, for example) bears a real cost, because it pays over the reverse-charged VAT. Do the calculation before opting in.
- **Consistency**: the DGI circular (note circulaire) states that the customer chooses to reverse-charge its purchases from these suppliers. It is prudent to set a written policy and apply it consistently.
- **Accounting set-up**: dedicated accounts for reverse-charged VAT collected and deductible make reconciliation with your returns easier.

Not to be confused with withholding at source

	Reverse charge (art. 125 quinquies)	Withholding at source (art. 117 IV and V)
Nature	Optional	Mandatory
Supplier	Out of scope, or exempt without the right to deduct	VAT-registered
Effect for the customer	Collects and deducts the VAT	Withholds all or part of the VAT invoiced and pays it over
Entry into force	Transactions from 1 July 2024	Transactions from 1 July 2024

Our Accounting and Tax & legal teams can assess whether the option makes sense for your purchases and set up the reporting. To discuss your situation, contact us.

Sources

- Loi de finances n° 55-23 pour l'année budgétaire 2024 (in French), article 6 (sgg.gov.ma).
- Code général des impôts, articles 101 et 125 quinquies (in French) (tax.gov.ma).
- Direction générale des impôts, note circulaire n° 735 (in French), partie TVA, point 3-A (tax.gov.ma).

A question on this topic?

The Adyel & Associés teams in Casablanca support businesses and their directors with all their tax, accounting and payroll obligations. Let's talk about your situation.

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