DOING BUSINESS

IN MOROCCO

The network for doing business

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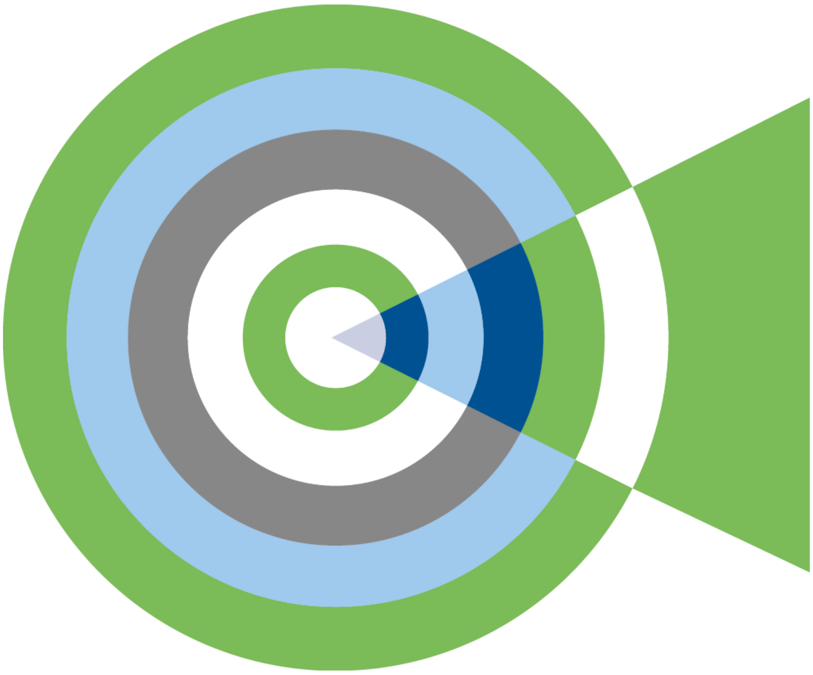

1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 90 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Morocco has been provided by the office of UHY representatives:

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A detailed firm profile for UHY's representation in Morocco can be found in section 8.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at January 2018

We look forward to helping you do business in Morocco.

2 – BUSINESS ENVIRONMENT

Situated in North Africa at the western edge of the Islamic world, Morocco dominates the southern shore of the Straits of Gibraltar and has been an important strategic prize since ancient times.

It has a population of over 32 million and an area of 446,550km² (710,850km² with Western Sahara).

HISTORY OF MOROCCO

Around 1100BC, the Phoenicians established trading settlements along Morocco's Atlantic coastline.

The territory became part of the Roman Empire after the fall of Carthage in 146BC. During the 7th and 8th centuries AD, Morocco was conquered by Arab armies and converted to Islam. Gradually, Arabic replaced Berber as the primary spoken language.

By the 16th century, Morocco had become an important Sultanate that confronted Spanish expansion and established diplomatic ties with other European states. In 1777, Sultan Sidi Mohamed Ibn Abdullah, the most progressive of Morocco's Barbary leaders, was one of the first foreign heads of state to grant diplomatic recognition to the newly independent United States of America.

Gradually, European colonial expansion threatened Moroccan independence. By 1912, the country was partitioned by Spain and France.

Morocco was granted independence by France in 1956 under King Mohamed V. The Spanish territories were soon incorporated, except for the port cities of Ceuta and Melilla, and the Spanish Sahara, which was retained by Madrid until 1975.

The power of Morocco's monarchy has remained remarkably resilient since independence. After the death of Mohamed V in 1961, the new king, Hassan II, deftly forged an alliance with rural leaders that would pave the way for a successful constitutional referendum in December 1962 and parliamentary elections in April 1963.

In the wake of political unrest directed at the monarchy in the early 1970s, Hassan II initiated a 'Moroccanisation' programme that sped the transfer of French-held businesses to Moroccans.

In the 1980s, opposition political parties were permitted to emerge. During the 1990s, the king brought opposition leaders into the political mainstream, which in 1997 yielded a parliament with an opposition majority.

The death of Hassan II, on July 29 1999, ushered in an entirely new style of royal leadership. H.M. King Mohammed VI, the late king's oldest son, implemented a sweeping agenda that sought to reduce social inequalities and implement democratic reforms. Promising to take on poverty and corruption, while creating jobs and improving Morocco's human rights record, in February 2004, he enacted a new family code, the Mudawana, which granted women more power.

POLITICAL SYSTEM

H.M. King Mohammed VI has ruled Morocco since the death of his father, King Hassan II, in July 1999.

The latest ruler in a long dynastic line of Alawites, Mohammed VI is Morocco's constitutional monarch and because of his direct lineage to the Prophet Mohammed, the founder of Islam, serves as his country's spiritual and moral guide.

H.M. King Mohammed VI introduced a new constitution in 2011, granting more powers to parliament, which enable it to discharge its representative, legislative, and regulatory mission. In addition, the powers of the judiciary were granted greater independence from the king. A referendum on constitutional reforms was held on 1 July 2011 and was approved by the majority of voters.

This new constitution is considered as a suitable way of initiating the Moroccan alternative towards democracy. The set of approved political reforms implemented some of the following changes:

- H.M King Mohamed VI appoints a prime minister from the party that wins the most seats in parliamentary elections
- High administrative and diplomatic posts are now appointed by the prime minister in consultation with the ministerial council, which is presided over by the king
- The prime minister is the head of government and president of the Council of Government; he has the power to dissolve parliament
- The prime minister will preside over the Council of Government, which prepares the general policy of the state
- The judiciary system is independent from the legislative and executive branch.

Today, the government is still supported by a bicameral parliament whose lower house consists of 395 members in the Chamber of Representatives (*Majlis an-Nuwab*), elected by popular vote for five-year terms. The 120-seat Chamber of Advisors in the upper house, whose members are elected by indirect universal suffrage for six-year terms, comprises professional associations, trade unions, and elected local councils.

There are 33 officially recognised political parties in Morocco. The political leaning of a majority of these parties is left-of-centre, but several parties are right-wing. Currently, the moderate Islamist Justice and Development Party (PJD) Political party in power, headed by Saâdeddine El Othmani, the current prime minister.

Since ascending to the throne in July 1999, H.M. King Mohammed VI has taken unprecedented steps to make the manner in which Morocco is governed more transparent and democratic.

THE ECONOMY

BUSINESS ENVIRONMENT

Morocco is uniquely positioned as a regional centre for trade, manufacturing, warehousing, redistribution, sales and call centres, and has an array of IT services reaching the European Union (EU), West-, Central- and North Africa, the Middle East and Eastern Europe.

It is party to trade agreements which allow the country to trade tariff-free in major markets throughout these regions. With its special location, the strong endorsement of its financial sector by the World Bank, growing ties with the US, and increased use of English in business, Morocco is the best location for companies wanting to reach these markets without the hassle of learning new languages and business customs.

Morocco is a significant market opportunity for foreign companies and investors for many reasons. Morocco's strategic trading location, large consumer class, potent economic growth, more than USD 100 billion annual gross domestic product (GDP) and successful implementation of financial restructuring programmes supported by the World Bank, the International Monetary Fund and the Paris Club, make this North African nation very attractive to investors.

ECONOMIC REFORMS

Morocco has implemented dozens of economic reforms since 1980 to bolster the country's microeconomic balance and accelerate its integration into the global marketplace.

These measures are boosting per capita income and lowering fiscal and current account deficits, as well as being credited with subduing the country's rate of inflation is on average 1.46%.

Reforms have modernised the stock market, eased the availability of credit, repealed the 'Moroccanisation' Law (a measure that imposed rigid hiring practices and other restraints on foreign-held businesses), revised laws that regulate corporations, relaxed foreign trade and exchange systems, protected intellectual property rights, established commercial law courts and opened all economic sectors to foreign investment.

Many of these reforms were implemented to enable Morocco to qualify for trade agreements with the EU and the United States. Most notably, the signing the EU Association Agreement by Morocco offered the country tariff-free access to European markets. Morocco also maintains a number of trade agreements with other African and Arab countries, providing a ready platform for companies to penetrate markets throughout the region.

PRIVATIZATION

The engine of Morocco's steady economic growth is privatization, which has been underway for more than two decades. Components of the energy sector were among the first state-run businesses to be sold off to the private sector. The 1989 Privatization Law accelerated the commercial acquisition of more than a 100 public enterprises.

At the urging of the World Bank and the International Monetary Fund, Morocco has also opened its increasingly market-oriented economy to investment in telecommunications, water distribution, energy production, textiles, information technology and road construction.

ECONOMIC GROWTH

Morocco is a fairly stable economy with continuous growth over the past half-a-century. Current GDP per capita grew 47% in the 1960's reaching a peak growth of 274% in the 1970's. However, this proved unsustainable and growth scaled back sharply to just 8.2% in the 1980's, 8.9% in the 1990's, and 6.2 % in the early years of 2000.

Government reforms and steady yearly growth in the region of 4–5% from 2000 to 2007, including 4.9% year-on-year growth in 2003–2007 helped the Moroccan economy to become much more robust compared to a few years ago. According to the data World Bank, for 2016, the GDP growth is estimated at USD 103,606 billion.

Economic growth is far more diversified, with new service and industrial poles, like Casablanca and Tangier, developing.

AGRICULTURE

According to the data World Bank, for 2016. The agricultural sector contributes with 13,637% to the national GDP.

This sector employs about 40% of Morocco's workforce. In the rainy regions of the northeast, barley, wheat, and other cereals can be grown without irrigation. On the Atlantic coast, where there are extensive plains, olives, citrus fruits and wine grapes are grown, largely with water supplied by artesian wells. Morocco also produces a significant amount of illicit hashish, much of which is shipped to Western Europe. Livestock are raised and forests yield cork, cabinet wood and building materials. Fishing forms an important livelihood for the maritime population, with Agadir, Essaouira, El Jadida and Larache among the important fishing harbours.

According to the recent World Bank (banque mondiale) Data. In 2016, the agriculture sector represents 13.64 % of the country's GDP.

In November 2017, the preliminary results of the exchange point out that the agriculture sector represents 21,22% of exports. Morocco is one of the few Arab countries that has the potential to achieve self-sufficiency in food production. The country is actively developing its irrigation potential which will ultimately irrigate more than 10,000km^{2}of land (2,500,000 acres). The government's new Green Morocco Plan should also boost the sector's productivity, turnover and investment levels.

Nevertheless, the danger of drought is ever present. Especially at risk are the cereal-growing lowlands, which are subject to considerable variation in annual precipitation. On average, drought occurs in Morocco every third year, creating a volatility in agricultural production that is the main constraint on expansion in the sector.

Moroccan agricultural production also includes the growing of oranges, tomatoes, potatoes, olives and the production of olive oil. High-quality agricultural products are usually exported to Europe.

Morocco produces enough food for domestic consumption except for grains, sugar, coffee and tea. According to the preliminary exchange office (office de change) report (November 2017), 10% of Morocco's consumption of grains and flour is imported.

The new agricultural strategy, Green Morocco Plan, established by the Ministry of Agriculture and Fishing, aims to consolidate the success achieved and to meet new challenges facing Morocco's competitiveness and opening of markets.

Green Morocco Plan designed to promote the development of the entire agricultural and territorial potential. The new Moroccan agricultural sector is meant to be open to all using different strategies depending on the targeted issues.

Green Morocco Plan will contribute to GDP with 174 billion dirhams, creating 1.15 million jobs by 2020 and triple the income of nearly 3 million people in rural areas.

Green Morocco Plan focuses on two pillars:

- The accelerated development of a modern and competitive agriculture, vital for the national economy, through the realization of a thousand new projects with high added value in both productions and agro-food
- Support to smallholder agriculture through the implementation or professionalization of 545 projects of small farms in difficult rural areas, thereby promoting greater productivity, greater recovery of production and sustainability of farm income. This second pillar also seeks the conversion of cereal crops with higher value added (or less sensitive to precipitation) and processing of local products.

MANUFACTURING

Based on the recent world bank (banque mondiale) Data Manufacturing accounts for about 17,9 of GDP in 2016 and is steadily growing in importance in the economy. Two main components of the country’s industrial makeup are the processing of raw materials for export and the manufacturing of consumer goods for the domestic market. Many operations date to the colonial period.

Until the early 1980s, government involvement in industry was dominant and the major focus was on import substitution. Since then, emphasis has shifted to privatizing state operations and attracting new private investment, including foreign sources.

Processing phosphate ore into fertilizers and phosphoric acid for export is a major economic activity. Food processing for export (canning fish, fresh vegetables and fruit) as well as for domestic needs (flour milling and sugar refining) is also important, and the manufacture of textiles and clothes using domestically produced cotton and wool is a major source of foreign exchange. Morocco’s iron and steel manufacturing industry is small but provides a significant share of the country’s domestic needs.

The manufacturing sector produces light consumer goods, especially foodstuffs, beverages, textiles, matches, and metal and leather products. Heavy industry is largely limited to petroleum refining, chemical fertilizers, automobile and tractor assembly, foundry work, asphalt and cement. Many of the processed agricultural products and consumer goods are primarily for local consumption, but Morocco exports canned fish and fruit, wine, leather goods and textiles, as well as such traditional Moroccan handicrafts as carpets and brass, copper, silver and wooden implements.

Ownership in the manufacturing sector is largely private, but the government owns the phosphate-chemical fertilizer industry and much of the sugar-milling capacity, through either partnerships or joint financing. It is also a major participant in the car and truck assembly industry and in tyre manufacturing.

Recent studies illustrate that although affected by a trading slowdown in recent years, indicators in the second half of 2014 have displayed some signs of recovery in Morocco's industrial sector. According to preliminary data released by the High Planning Commission (Haut Commissariat au Plan, HCP), the sector's value added, excluding oil, refining increased about 2.2 % between 2017 and 2016.

AUTOMOTIVE

According to preliminary data from the Office des Changes, the auto industry saw its exports increase by 21.3% in 2015 over 2014, reaching Dh 8 559 bn (€ 6 895bn) and placing the industry, for the first time, as the kingdom's leading exporter, rivalling phosphates, agriculture and textiles.

The automotive sector is made up of 160 industrial units, located for the largest part to the north-west of the country, in the Tangiers area where a number of specialised industrial and free zones have been set up. Renault, which entered the market in 2012, holds a controlling position in the two main car manufacturing factories, *"SociétéMarocaine de Construction Automobiles"* and a factory at Mellousa which manufactures the firm's low-cost Dacia brand. The site at Mellousa produced 174,245 vehicles in 2014, up from 100,000 the previous year. Further to this, PSA Peugeot Citroën is also expanding its business in Morocco, aiming to increase output to 200,000 units to meet growing demand, up from an initial production capacity of 90,000 engines and vehicles.

TEXTILES

With a labour force of around 165, 000 based on data of The Ministry of Industry, the textile sector is a key employer in Morocco. While sector performance has stagnated over the past decade.

According to preliminary figures released by the Office des Changes, the textile sector saw its exports decrease by 1.4% in 2015 comparing to 2014 (Dh 33 048bn for 2015 against Dh 33512bn for 2014). It represents 15,16 % for of exports for 2015.

The country's export performance is due to the many assets that Morocco enjoys, namely, geographical proximity, flexibility, sourcing skills and the multiple opportunities offered by the signing of free trade agreements with several countries, including the EU, the US and Turkey.

MINING

The mining sector is one of the pillars of Morocco’s economy. According to a recent preliminary study of the Minister of Energy Mines and Resources ,it contribute to 10% of the GDP in 2017.Morever the mining sector represents 20.32% of exports earning and employs 40 000 people.

Morocco possesses 75 percent of the world's phosphate reserves. It is the world's first exporter (28% of the global market) and third producer (20% of global production).

The mining sector's development strategy (excluding phosphates) in Morocco has ambitious targets, according to the Minister of Energy, Mines, Water and Environment. Morocco's objective is to triple the sector's turnover to more than 15 billion MAD, multiplying by 10 the volume of investment in exploration and mining research by allocating nearly 4 billion MAD and doubling jobs generated by the industry to more than 30 000 direct jobs.

ENERGY

The kingdom is working to diversify its energy sources, especially to develop renewable energy, with a particular focus on wind. Solar power and nuclear energy are also part of the strategy, but development of solar has been slow and there has been minimal progress with nuclear energy, aside from an announcement of collaboration with France in 2009.

The government plans to reorganise its subsidy system, which is a heavy burden on government finances. In the short term, these subsidies are helping to ease the burden on citizens but they cannot keep rising indefinitely, and eventually, the cost will have to be shared out. In the short term, national consumption per capita is expected to rise from the current level of 0.4 tonnes of oil equivalent (TOE) to as much as 0.90 TOE in 2030, a good indication of development, but a massive challenge as well. Input from renewable energy is a matter of particular importance.

According to a 2006 estimate by the Oil and Gas Journal (OGJ), Morocco has proven oil reserves of 1.07 million barrels and natural gas reserves of 60 billion cubic feet. Morocco may have additional hydrocarbon reserves, as many of the country's sedimentary basins have not yet been explored. The Moroccan Office of Hydrocarbons and Mining (ONHYM) has become optimistic about finding additional reserves – particularly offshore – following discoveries in neighbouring Mauritania

Morocco continues to enhance its hydraulic potential for electric generation by increasing the capacity of this source. Furthermore, Morocco has huge renewable energy potentials. Two major renewable energy programs were launched recently by King Mohammed VI:

- Solar energy program: Launched in November 2009, this program, which is worth US$9 billion, will involve five solar power generation sites across Morocco and will produce 2000 MW of electricity by the year 2020. The Ouarzazate Site – NOOR 1 – is the first one to be implemented since January 2016. Two others projects sites – NOOR2 and NOOR 3 – are to be implemented in 2017.

- Wind energy program: In June 2010, Morocco also announced an ambitious wind energy program worth \$3.5 billion. This program will bring wind-based installed electric capacity from a current 250 MW to 2000 MW by the year 2020. Two new Wind Parks are in progress to and will be functionalin 2016: the Taza 150 MWe and Tarfaya 300 MWe projects.

The Government's objective is to cover 52% of country energy requirements by 2030.

CONSTRUCTION

The country's construction industry has lately experienced a boost from major infrastructure improvement projects, including government-financed port facilities and roads, the creation of public housing, and the development of several coastal tourism destinations. The government's earmarking of USD 303 million to rebuild the Mediterranean port city of Al Hoceima, which was heavily damaged by a 2004 earthquake, is also fuelling growth in the construction sector.

GROWTH MARKETS

A countrywide survey of trade and investment opportunities in Morocco has shown the business sectors that may be attractive to companies include:

- Pharmaceuticals – a study of pharmaceutical companies has yielded 16 that have Phase two or three drugs under clinical trials, though most of the companies involved will have to build new facilities
- Electronics – with ST Microsystems already successfully employing more than 4,500 people, Morocco has demonstrated its cost-effective capabilities
- Call centres – Dell Computer has established its French-language call centre in Morocco as have many French-owned firms. With a list of more than 100 American firms operating in France, these companies will be approached
- Fish/fish processing – Morocco is a major exporter of fish to Europe and Asia and is presently looking for opportunities to add value through the processing of fish oil for the export market
- Motion picture industry – Morocco's exotic scenery has appeared in many famous films; however, with the construction of major sound stages in Ouarzazate, the country is ready to move into more sophisticated fields within the industry
- Stone – Morocco presently exports large volumes of unprocessed marble and there is an opportunity to increase added value through processing within the country
- Telecommunications and insurance – this sector is predicted to see growth in the near-term, largely due to privatization opportunities and government incentives.

TOURISM

Based on the recent preliminary data of The Ministry of tourism, The total contribution of Travel & Tourism to GDP was MAD160.3bn (11.4% of GDP) in 2016

According to the recent preliminary study of exchange office (office de change), Travel & Tourism investment in November 2017 was MAD 64,4bn against 60,4 in December 2016. Moreover, The tourism sector contributed with 5% of total employment (515 000 direct jobs).

ENVIRONMENT

The shift to an environment-conscious approach in Morocco has brought about scores of investment opportunities, most being in the utility and renewable energy industries. In addition to the rise in sales of photovoltaic panels, the business of wind turbines is also surging despite soaring prices on international markets because of the growing demand.

To work towards a program of sustainable development, a number of technological updates need to be made, including improvements to automobiles, the quality of energy products and increasing the number of renewable energy-producing plants. The government also needs to promote water conservation and efficiency in order to prevent further scarcity.

Despite these challenges, Morocco is working to conserve and protect its environment and its efforts were recognised when its Mohammed VI Foundation for the Environment won the environmental prize of the National Energy Globe Award in Brussels in 2007.

3 – FOREIGN INVESTMENT

In the past five years, the Kingdom of Morocco has been the most rapidly transforming economy in the unstable North African region—and arguably even in the world Morocco has made an incredible leap in the World Bank’s 2017 *Doing Business* index, ranking 68 out of 190 economies compared to 75 in 2016. This main improvement attracted the attention of the private sector, drawing even more foreign cash into the kingdom. In 2016, Morocco became the second-largest destination for FDI in North Africa and the third-largest recipient of FDI on the African continent. This year, Morocco continues to win foreign investors’ attention.

INVESTMENT BY REGION

INVESTMENT FROM THE EU

Most of the FDIs injected in Morocco come from the European Union with France. France, Italy and Spain are the leading investors in Morocco, helped by their geographic proximity to the kingdom.

INVESTMENT FROM THE ARAB WORLD

25.84% of the investments in 2015 come from Arab countries, whose share in Morocco's FDI showed a marked rise, as they only represented 9.9% of the entire FDIs in 2006. A number of Arab countries, mainly from the Gulf (United Emirates and Saudi Arabia) are involved in large-scale projects in Morocco, including the giant Tangier Med port on the Mediterranean. Morocco remains the preferred destination of foreign investors in the Maghreb region (Algeria, Libya, Mauritania, Morocco and Tunisia).

Gulf countries are investing heavily in Morocco, particularly in tourism and real estate. Construction is evident everywhere. These investments reflect the strong diplomatic relations between Morocco and the regimes in the Gulf countries. Some analysts would add the Sunni affinity as another factor, but above all, it is the liberalised economy and the economic reforms in Morocco that appear to be attracting most of the investors from the Gulf region.

The trend of heavy Gulf investments in Morocco came in the wake of 9/11, when Gulf Cooperation Council (GCC) countries began to invest more in the Arab world. Due to oil prices, which climbed about 400% in eight years, member countries of the GCC (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates) accumulated considerable liquidity that has triggered the drive for diversification.

The United Arab Emirates (UAE) has been a major player in Morocco’s development. While early investments were primarily in construction and tourism, recent investments have been directed at newer areas such as information technology, agriculture, transportation, telecommunications, automobile and aviation development.

The amount of Gulf investment available is becoming of great significance for the Moroccan economy. Analysts estimate that potential investment from the Gulf countries is around USD 500 billion, and Morocco could attract no less than USD 20 billion of that amount. The following table illustrates the FDI by country as for the year 2015 (recent statistics) :

MAIN INVESTING COUNTRIES	2015, IN %
France	22.63
United Arab Emirates	16.82
USA	10.69
Saudi Arabia	5,85
Germany	5.07
Spain	4.90
Switzerland	4.54
UK	3.78
Qatar	3.17
Netherlands	3.14
Other countries	19.14

RECENT DEVELOPMENTS

In July 2014, French aircraft company FigeacAéro announced plans to invest $29 million to open a production plant in Morocco, generating 500 direct jobs. The French automaker PSA Peugeot Citroen will invest $632 million in a low-cost vehicle assembly factory, with production scheduled to start in 2019. This is estimated to create 4,500 direct jobs and 20,000 indirect jobs by the time the factory is operational. Additionally, Japanese company Furukawa Electric, the world's third-largest fiber-optics manufacturer, is poised to invest $8 million to build a Moroccan plant and tap into the growing demand for communications infrastructure in Africa. Not only do these private investments create jobs, they also boost exports of vehicular, aeronautic, and electronic equipment.

In December 2017, following the lead of French car manufactures Renault and Peugeot, the Chinese automotive Build your dream becomes the third automaker to establish a major automobile manufacturing presence in Morocco.
BYD, a Chinese manufacturer with significant investment banking by the American venture capital billionaire Warren Buffet through Berkshire Hathaway.

The factory will be in the new Mohamed VI Tangier Tech City, which is part of a project between China and Morocco to create what some are calling a North Africa Silicon Valley.

According to the project directors, BYD new factory will cover a 50-hectars site and create nearly 2,500 jobs through the production of electric cars, buses and trucks as well as electric trains.

REFORMS

In a bid to promote foreign investments, Morocco in 2007 adopted a series of measures and legal provisions to simplify procedures and secure appropriate conditions for projects launching and completing. The measures include financial incentives and tax exemptions provided for in the investment code and the regional investment centres established to accompany projects. To facilitate foreign investment, the government has created a number of Regional Investment Centers (CRI) to minimize and accelerate administrative procedures. Investments in excess of 200 million MAD ($26 million) are, in addition, referred to a special ministerial committee chaired by the Prime Minister.

Therefore, in 2014 and in 2015, Morocco has come up with new reforms and strategies to attract more investors. The main reforms are as follows:

- The simplification of administration procedures by the implementation of the common identifier of companies (ICE)
- The creation of companies via internet (CREOL)
- The improvement of the business legal framework
- The implementation of a new framework to attract more investors
- New reform for limited company
- The improvement of the customs efficiency.

TRANSFER PRICING

In August 2018, Morocco has published Ministerial Decree outlining the procedure to respect for transfer Pricing Agreement/Advance Pricing Agreements with Moroccan tax authority.

The Decree provides that a Moroccan resident tax payer that has direct or indirect dependency relationships with entities situated outside of Morocco may conclude an APA with the Moroccan tax authority. Both unilateral and bilateral Transfer pricing agreement are available.

Moreover, Morocco is a signatory to more than 60 tax treaties, including Belgium, China, Germany, Italy, Luxembourg, the Netherlands, Spain, the UK and the US. All of these countries contain the Mutual Agreement Procedure article on the OECD Model Convention on Income and on Capital.

The procedure adopted under the Decree consists of four phases:

- Pre-filing
- Formal submission
- Review and negotiation
- Implementation and compliance

Pre-filing

The Decree specifies that before a formal request for an advance pricing agreement, taxpayers may take part in a preliminary meeting with the Moroccan tax authority. The purpose of this meeting is to discuss the nature of the information required in the Advance pricing agreement application in order to analyse the taxpayer's transfer pricing policy, plan a meeting schedule during the review and negotiation of the agreement.

Formal submission

Taxpayers seeking to apply for an Advance Pricing Agreement must submit a formal request to the Moroccan tax authority at least 6 months before the beginning of the first year the Advance Pricing Agreement is envisaged to cover.

The Decree specifies that Advance Pricing Agreement should include:

- Identities of the associated entities
- operations covered by the proposed Advance Pricing Agreement
- proposed duration of the Advance Pricing Agreement
- proposed transfer pricing method to be used and critical assumptions relied upon in selecting such method
- organisational structure of relevant entities
- business plan of the taxpayer
- tax and financial documents of the relevant entities for the past 4 years, as certified by the relevant foreign competent authorities
- accounting standards used by the relevant entities
- business industry of the relevant entities
- general description of the functions exercised, assets used, and risks assumed by the relevant entities
- detailed description of intangibles held by the relevant entities
- description of the controlled transaction
- agreement between the relevant entities
- cost-sharing arrangements between the relevant entities
- identification, analysis, and selection of comparable, including supporting documents and potential adjustments for comparability purposes.

Review and negotiation

During this phase, the Moroccan tax authority will analyse and evaluate the Advance Pricing Agreement application and supporting documentation and, a bilateral or multilateral APA, negotiate with the relevant tax treaty partner (s), before putting an agreement to the tax payer for signing.

Implementation and compliance

The concluded Advance Pricing Agreement muse include the following details:

- period covered by the agreement
- date of entry into force
- description of the operations covered by the APA
- description of the selected transfer pricing method and critical assumptions relied upon in selecting such method
- monitoring procedures

- circumstances that may result in the review of, or cancellation of the Advance Pricing Agreement

The Advance Pricing Agreement will cover a period of up to 4 years. Taxpayers must submit a report each year to the Moroccan tax authority that covers the following:

- evidence of the application of the transfer pricing method as specified under the Advance Pricing Agreement
- Summary of any modifications of the original terms required due to changing circumstances
- Organisational structure of relevant entities
- A copy of the taxpayer’s annual report

The Moroccan tax authority is expected to publish a circular with more detail about the transfer pricing procedure Durant the fiscal year 2019.

BUSINESS INCENTIVES

FINANCIAL INCENTIVES

Foreign companies starting a business in Morocco are eligible for financial assistance under the same conditions as Moroccan companies. This assistance is offered as an incentive to encourage regional development and to avoid over industrialisation in certain areas.

It is therefore essential for companies to choose the right location. Various incentives are offered to companies including:

- Regional grants and/or subsidies exist:
  - For starting a company
  - For job creation
  - For investments equal to or over MAD 150 million, special agreements with the state are provided
  - From the Hassan II Fund
- Loans, advances and reduced interest rates are offered in various regions.

TAX INCENTIVES

CORPORATE TAX EXEMPTION

Exemption from corporate tax can apply to the following:

- Export companies
- A number of companies in some regions
- Free Zone production of goods for export
- Business activities within the Tangier Special Zone up to 2015
- Business activities within the Tangier Zone Offshore (banks / holdings).

FINANCIAL MATTERS

EXCHANGE CONTROLS

All financial transactions between Morocco and other countries are subject to control by the Exchange Office, which has recently adopted a more liberal policy regarding foreign exchange transactions.

The Exchange Office (*Office des Changes*) is a public entity, under the supervision of the Ministry of Finance and Privatisation, but endowed with civil status and financial autonomy. It is responsible, in accordance with legislative and lawful provisions in force, for three main areas, as follows:

- To enact measures relating to foreign exchange transactions regulation by authorising, on a purely general or specific basis, transfers towards foreign countries and looking after the repatriation of the obligatory transferable assets (export of goods and services proceeds)
- To record and sanction infringements of the exchange regulation
- To compile foreign trade, balance of payments and international investment statistics.

CURRENCY ACCOUNTS

Non-residents and resident aliens may open convertible accounts in dirham without prior authorisation from the Exchange Office. There are no restrictions on the use of these accounts; however, they may only be credited with foreign currency.

Non-transferable Dirhams owned by non-residents are blocked in either capital or suspense accounts.

REPATRIATION OF CAPITAL AND EARNINGS

Provided the Exchange Office has been notified about any inward investment, there is no restriction on the repatriation of capital and earnings.

RESTRICTIONS ON FOREIGN OWNERSHIP

There are no restrictions on foreign ownership, with the sole exception that foreigners cannot own agricultural land. There are no local partner or joint venture requirements.

ORGANISATIONS

ANPME

The main mission of the National Agency for the Promotion of Small and Medium Enterprise's (ANPME) is to contribute actively to the promotion, development and modernisation of competitive enterprise, based on the network of public and private institutions to promote existing companies, while revitalising and coordinating their actions.

HASSAN II FUND

The Hassan II Fund for economic and social development has become a strong investment support. Its support of the industrial sector is highly beneficial, since it offers help in both infrastructure, and partly in the financing of investment projects in targeted sectors.

The fund contributes through supporting the following actions:

- The preparation of new industrial sites, and rehabilitation and promotion of existing industrial areas

- The promotion of industrial investment in sectors with competitive advantages namely: automobile subcontracting (manufacturing of automotive components and mechanics of precision), electronics (particularly cable bundles), clothes industry, hosiery and leather processing, automotive suppliers (manufacturers of automotive components and precision engineering), electronics (especially cable harnesses) and any activities which primarily contribute to safeguarding the environment through treatment, recycling and recovery of industrial waste.

REGIONAL INVESTMENT CENTRE (CRI)

The Regional Investment Centre has broad powers to encourage investment. Under its facilitating procedures, the CRI is the administrative body which acts as a single point for investors and entrepreneurs to help them in the creation of new business entities and to give guidance and support for investment projects.

4 – SETTING UP A BUSINESS

Foreign investors who intend to conduct commercial activities in Morocco can choose from a wide range of legal entities. The choice will vary depending on business priorities.

INDIVIDUALS

There are two possible ways for an individual to go into business:

- As a sole trader (*Entreprisepersonnelle*)
- As the sole partner of a single-shareholder limited liability company (*Société à ResponsabilitéLimitéeAssocie Unique*).

SOLE TRADER

A sole trader is an individual who carries on a business on a regular basis.

The sole trader is wholly responsible for his/her business and his/her personal possessions may be used as a guarantee in case of financial difficulty.

SOLE-PARTNER PRIVATE LIMITED COMPANY

A private limited company with only one partner (*SociétéResponsabilitéLimitéeAssocie Unique*) has the same legal requirements as a limited liability company (as described in the section on the next page).

The liability of the single partner is limited to the amount of their investment.

LIMITED COMPANIES – PUBLIC LIMITED COMPANY (*SOCIÉTÉ ANONYME* – SA)

The Moroccan legal form closest to a US corporation is the *Société Anonyme*(SA).

The incorporation of an SA requires a minimum of 5 shareholders and a minimum capital of 300,000 MAD (approximately USD 30,000) or MAD 3 million (approximately USD 300,000) if the shares are to be quoted on the stock exchange.

At least 100% of the share capital must be subscribed upon incorporation; only 25% of this must be paid upon the setting up. The remaining 75% must be paid within the following three years.

The liability of shareholders is limited to the amount of their investment. The shareholders meet at least once a year to approve the financial statements, to decide whether profits will be distributed or retained and also to appoint/dismiss directors or members of the supervisory board (*Conseil de surveillance*) and statutory auditors (*Commissaires aux Comptes*).

A simple majority rule applies in annual shareholders’ meetings. If major decisions have to be made, such as a merger or a change in the articles of association, a shareholders’ meeting must be held where qualified majority rule applies (two-thirds).

MANAGEMENT

Day-to-day management can be structured in two different ways. An SA may either have members of the board, a chairman (*president du conseild'administration*) and a chief executive (*directeurgénéral*) or an executive board (*directoire*) working under the control of a supervisory board (*conseil de surveillance*).

BOARD MEMBERS

The board must be composed of a minimum of three and a maximum of 12 members (*administrateurs*). They must have qualifying shares in the company and the first members designated in the articles of incorporation are appointed for three years. Their tenure can be extended up to a maximum of six years when they are appointed during the course of the business.

The board members appoint the president (or chairman, who must be an individual), who is in charge of the management, the organisation and the presentation of the board activities to the shareholders' meeting.

The president (chairman) can be the chief executive officer (*president directeurgénéral*).
The board can also grant the executive management to a managing director (*directeurgénéral*). The president suggests his/her nomination and the board nominates him/her.

The president and the managing director have broad powers to act on behalf of the company. The chief executive can be elected among the board members, but may not be a shareholder or a board member of the company. The managing director is responsible for the company's management and can be assisted by one or more deputy managers.

EXECUTIVE BOARD AND SUPERVISORY BOARD

The executive board (*directoire*) has a maximum of five members (seven in quoted companies) who are not always shareholders but only one member (shareholder) is requested if the company has a share capital of less than EUR 150,000. The supervisory board (*conseil de surveillance*) appoints them for four years. The board is composed of three to 18 members who are shareholders and elected during a general meeting. The supervisory board has permanent control over the executive board and defines major business goals.

PRIVATE LIMITED COMPANY (*SOCIETE A RESPONSABILITE LIMITEE*– SARL)

A SARL may have no more than 50 shareholders.

Shareholders in a private limited company are liable for their capital contribution. No legal minimum amount is required. The amount of the capital is fixed by the shareholders.

A SARL is run by one or more managers (*gérants*), who may be appointed by the articles or by a 3/4 majority decision of shareholders. They may be chosen among the shareholders themselves or among third parties. The manager makes all management decisions on behalf of the company and he/she may be held personally liable under civil and criminal law.

The shareholders exercise their rights at shareholders' meetings to approve the conduct of the business and to make management decisions. Shareholders' resolutions require a simple majority vote for approval unless they wish to change the articles of association, in which case a 75% majority is required.

PARTNERSHIPS

GENERAL PARTNERSHIP (*SOCIÉTÉ EN NOM COLLECTIF*– SNC)

A general partnership is a commercial company in which all of the associates are considered as merchants and jointly and severally liable for the partnership's liabilities.

Despite this significant liability drawback, SNCs are often chosen because of their flexibility (there is no minimum share capital, no board of directors, a minimum of two partners and the possibility of dividend rights existing regardless of voting rights and capital contributions).

The SNC is not directly subject to income tax. Profits are taxable as part of each member's income in proportion to their interest in the partnership.

LIMITED PARTNERSHIP (*SOCIÉTÉ EN COMMANDITE SIMPLE* – SCS)

The SCS structure, rarely used in Morocco, includes:

- One or more general partners (called *commandités*) who manage the company and are responsible for debts incurred by the company, or
- One or more limited partners (called *commanditaires*) whose liability is limited to their capital contribution. Limited liability partners are not allowed to participate in the management of the company. Their legal status is similar to that of a partner in a SARL. There is no legal minimum capital.

LIMITED PARTNERSHIP BY SHARES (*SOCIÉTÉ EN COMMANDITE PAR ACTIONS* – SCA)

This type of partnership is similar to the previous one except that the shares are negotiable and the status of the limited liability partners (*commanditaires*) is similar to that of shareholders in an SA. Members of limited partnerships by shares cannot be less than three.

OTHER FORMS OF BUSINESS ORGANISATION

INTERCOMPANY PARTNERSHIP (*GROUPEMENT D'INTÉRÊT ÉCONOMIQUE* – GIE)

A GIE is not a company but an association of companies willing to develop some of their activities together (e.g. research, marketing, joint sales and exports) whilst retaining their individuality and independence in other areas. A GIE has a legal personality and may be created with or without capital. Its objectives may be civil or commercial. A GIE is flexible and members are free to define its internal regulations. A GIE is transparent for tax purposes. Its members are liable for its debts.

JOINT VENTURE (SOCIETE EN PARTICIPATION – SEP)

A joint venture is not ordinarily disclosed to third parties. The partners make all the management decisions. Partners are individually liable to third parties and share the operating results. A SEP is required to register each active partner with the Trade Register. It can be a civil or a commercial entity.

BRANCH OF A FOREIGN ENTERPRISE (*SUCCURSALE*)

Branches (*succursales*) are preferred by some foreign investors because of their less onerous legal requirements (one manager, no minimum capital and no articles of incorporation). Some investors also feel that the procedures involved in setting up a branch are simpler. In practice, however, it is neither simpler nor quicker to form a branch than to set up a limited liability company.

Although the affiliate or subsidiary (*filiale*) of a foreign corporation is considered a separate legal entity under Moroccan corporate legislation, the Moroccan branch (*succursale*) of a foreign corporation is not recognised as such. The powers of its legally appointed representative in Morocco must be clearly defined in writing and a notary public or the Moroccan Embassy/Consulate in the country of origin must authenticate the signatures of head office officials empowered to delegate such powers to the local representative. When registering the branch at the Trade Register, the articles of the foreign corporation proposing to establish a branch in Morocco must be filed.

Because it has no separate identity, a branch is subject to all laws applicable to the foreign company to which it is related.

Before opening a branch in Morocco, a foreign commercial company must file with the Commercial Court two certified copies of its articles, translated into French, and the files must be kept up-to-date.

Each year, the foreign company has to publish its own accounts translated into French and these must be certified as a true copy by the representative at the Commercial Court.

For various reasons, including tax considerations, it is sometimes advisable to form a separate corporation abroad to act as head office of the Moroccan branch. In general, a branch type of operation may be appropriate in the following cases:

1) Where a specific contract project is involved and no future commercial or industrial activity in Morocco is planned
2) Where the duration of the contract or project is for a limited period, for instance up to two or three years (not applicable to waste water treatment services).

LIAISON OFFICE (*BUREAU DE LIAISON*)

A liaison office is not a separate and distinct legal entity with respect to the foreign corporation of which it is a part. Its sole purpose is to collect information on the market and promote a corporation’s business. It is not allowed to deal with commercial activities. Liaison offices must be registered with the Trade Register and their managing directors must have business permits.

CIVIL COMPANY (*SOCIÉTÉ CIVILE*)

This kind of company is empowered to take on civil (that is, non-commercial) operations. The members are liable indefinitely for the company’s debts.

5 – LABOUR

Roughly one-third of Morocco's population is employed in agriculture, another third make their living in mining, manufacturing and construction, and the remaining active population is occupied in the trade, finance and service sectors.

Not included in these estimates of workers are those who belong to the large informal economy of street vendors, domestic workers and other underemployed and poorly paid individuals.

High unemployment is a problem; the official figure is roughly one tenth of the workforce, but unofficial estimates are much higher, and—in a pattern typical of most Middle Eastern and North African countries—unemployment among university graduates holding non-technical degrees is especially high.

Several trade unions exist in the country; the largest of these, with nearly 700,000 members, is *l'UnionMarocaine du Travail*, which is affiliated with the International Confederation of Free Trade Unions.

WORK CONTRACT

Morocco has a modern labour law inspired by the conventions and recommendations of the International Labour Organisation.

Work contracts are concluded between an employer and employee. There is a contract of limited duration and that of unlimited duration, which can be terminated at the will of any of the parties to the contract.

In cases of dismissal, the permanent worker shall have the right to an allowance for dismissal, which is calculated according to a progressive rate. The amount of this indemnity shall be:
- 48 hours of the salary for the first five years
- 72 hours of the salary for a period extending from the sixth to the tenth year
- 96 hours of the salary for a period extending from the 11th to the 15th year
- 120 hours of salary for 15 years upwards.

TYPICAL STATUTE

This statute regulates, inter alia, the following matters:
- The classification of staff
- Probation period
- Hiring policy
- Dismissal procedures
- Contract cancellation by dismissal or resignation, holidays, discipline, sick leave, absence, etc.

SALARY

The salary shall be freely negotiated between the employer and employee, but, according to the sector of activity, it shall not be below:

- The guaranteed inter-professional minimum wage (SMIG) of MAD 13.46 per hour or MAD 2571 per month from 1July 2015.
- The guaranteed agricultural minimum wage (SMAG) of MAD 69.73 per day since 1 July 2015. No change during the fiscal year 2018.

All workers shall be entitled, above their wage, to a pay of:

- 5% of the salary after two years of service (continuous or not) within the same institution or with the same employer
- 10% after five years of service
- 15% after 12 years of service
- 20% after 20 years of service.

WORKING HOURS

- In industrial and commercial institutions, working hours for workers and employees of both sexes and all ages shall not exceed 8 hours a day or 44 hours a week
- For additional hours, the salary should be raised for a working day, by 25% from 5am to 10pm, and 50% from 10pm to 5am. For work done on one of the weekly holidays, the increase rises to 50% and 100%.

HOLIDAYS

- All workers shall have the right to a holiday after six days of continuous and effective work
- The right to paid holiday shall be calculated based on a working day and a half for each month of service
- Length of service in an institution or with the same employer entitles the worker to one and a half or two days of additional holiday for a period of five years of service
- Weekly holidays shall be of a minimum duration of 24 consecutive hours for all the staff of a given institution.

SOCIAL SECURITY SCHEME

- An employer must register with the National Fund for Social Security (*CaisseNationalede SécuritéSociale– CNSS*), with his/her salaried employees and apprentices
  - For long-term benefits, the contribution rate is 12.89%, of which the employer has responsibility for 8.6% and 4.29% is paid by the worker (as shown in Table 1 on the next page).
  - For short-term and long-term benefits, the contribution is calculated based on a salary not exceeding MAD 6000 per month
  - Regarding professional training, the contribution is 1.6% of the basic salary paid by the employer. There are no salary limits
  - Loss of job contribution rate is 0.57% of which the employer paid 0.38% and 0.19% is paid by worker.
- Moroccan legislation gives workers the right to organise themselves in trade unions to defend their professional interests
- Individual disputes relating to the implementation of the work contract are regulated by local courts.

TABLE 1

Rate of dues to the National Social Security Fund (CNSS) and Obligatory Medical Insurance (AMO) as of 1 January 2018

	EMPLOYER	EMPLOYEE
Contribution for family benefits – no ceiling	6.4%	None
Contribution to social insurance – a ceiling of 6,000 MAD	8.6%	4.29%
Contribution for tax training – no ceiling	1.6%	None
Loss of job contribution	0.38%	0.19%
TOTAL CNSS	**16.98%**	**4.48%**
Contribution for AMO benefits – no ceiling	1.85%	None
Contribution for AMO subscriptions – no ceiling	2.26%	2.26%
TOTAL AMO	**4.11%**	**2.26%**

OCCUPATIONAL ACCIDENTS AND ILLNESS

- Occupational accidents are accidents that take place as a result of work or during work and those that happen on the way to or back from work
- The employer has to:
  - Report any accident within 48 hours
  - Provide the victim with a daily indemnity during his/her temporary incapacity to fulfil his/her job. This amounts to half of the salary during the 28 days that follow the accident and to two-thirds starting from the 29th day
- For cases of occupational illness, the victim benefits from the same advantages stipulated by the law on occupational accidents.

WORK MEDICAL SERVICES

- Industrial and commercial institutions hiring more than 50 workers must organise medical services at work
- This work medical service is also imposed on institutions hiring less than 50 workers when their activity is likely to cause an occupational illness. Medical service expenses are the responsibility of the employer.

WORK INSPECTION

- Work Law enforcement is implemented by work inspectors, who visit institutions to make sure that laws are followed and to check the working conditions. They can also advise employees who inquire about legal dispositions relating to their case
- In case of a conflict, work inspectors try to find a solution to the dispute between employees and employers.

6 – TAXATION

The central government levies taxes at national and local levels.

The main national taxes are corporate income tax (*impôt sur les sociétés*), personal income tax (*impôtsur le revenu*), a number of withholding and flat rate taxes on special categories of income and value added tax (*taxesur la valeurajoutée*).

Other national taxes include inheritance and gift taxes, registration and transfer taxes and minor duties and fees.

The principal local taxes are the business licence tax (*taxeprofessionnelle*), dwelling tax (*taxed'habitation*) and local authority service tax (*taxe services communaux*).

LEGISLATION

Taxation laws are enacted by parliament and then consolidated into the General Tax Code (*Code Général des Impôts*–CGI).

Appendices to the CGI include decrees and regulations that have the force of law. Notes, instructions and circulars interpreting the tax laws are published by the tax authorities in bulletins, most of which are available to the public. These bulletins provide guidance for understanding the interpretations and practices of the tax authorities.

ADMINISTRATION

The Directorate General of Taxes (DGI) division of the Ministry of Economy and Finance handles the issuance, collection and control of taxes. It also monitors complaints and disputes from taxpayers.

Local tax is governed by the Regional Directorate of Taxes (DRI) in each of the major economic regions of the Kingdom.

TAXES

BUSINESS

The taxation of business profits follows the territoriality concept:

- Corporations, whether or not their head office is in Morocco, are taxed on their products, profits and revenues:
  - This includes all assets they own or activities they perform (whether lucrative or occasional operations) in Morocco
  - It also includes the right to tax given to Morocco under agreements for the avoidance of double taxation with respect to income taxes. Actually, Morocco signed agreement with 35 countries : a highlight of each agreement is available on line on tax Government website : https://www.tax.gov.ma/wps/portal/DGI/Documentation-fiscale/Conventions-internationales

INDIVIDUALS

Individuals are subject to tax as follows:

- Individuals who have their home in Morocco are taxed on their overall revenues and profits, whether Moroccan or from other sources
- Individuals who do not have a home in Morocco are taxed on their overall revenue and profit from Moroccan sources only
- Any person, whether or not their residence is in Morocco, who makes profits or receives income and whose tax jurisdiction is assigned to Morocco under agreements, is taxed.

TAXABLE INCOME

A company's profits, as determined in accordance with generally accepted accounting principles, are subject to a few adjustments for tax purposes in Morocco.

Items such as non-allowable expenses on excess depreciation are added back, while others are deducted. It is worth noting that some specific tax deductions are only granted if they are recorded in the books-for such items, no adjustments need to be made to book income.

This is the case for the excess of declining balance over straight line depreciation, as well as for reserves for any cost increase of inventories, a provision designed to replace the last-in first-out (LIFO) method (presently prohibited for both tax and book purposes).

Tax credits, either Moroccan or foreign, may be offset against corporate tax but cannot be refunded. Distributions of capital gains are taxed at a 15% flat rate.

DEDUCTIONS

To be deductible, business expenses must meet the following criteria:

- They must be a certain amount and must be incurred by the end of the relevant year
- They must be entered in the accounting books for the relevant year, and
- They must be related to business operations.

NON-DEDUCTIBLE EXPENSES

The following expenses are not deductible:

- Dividends
- Personal expenses
- Corporate tax
- Income tax
- Liquidation surplus tax
- Company car tax
- Fines and penalties
- Interest paid to shareholders over certain limits
- Gifts over certain limits
- Certain profit transfers (for example, excessive royalty or interest payments made between related parties)
- Excessive depreciation.

In addition, some reserves are allowed for tax purposes only when the charge is actually incurred and paid.

LOSSES

Losses may be carried forward and deducted from taxable profits for a period of four years. No loss carry back is allowable. However, it is allowed to carry forward the loss relating to the depreciation charge for the year for an unlimited period.
Moroccan tax legislation does not permit the grouping of profitable and unprofitable subsidiaries and losses carried forward, nor can they be transferred to another country.

CORPORATE TAX

TABLE 2

Taxes on corporations

APPLICABLE	RATE
Resident companies	According to the Finance Law of 2018, the corporate income tax rate should respect a progressive rate scale that depends only on the income before tax level. The following Table represents the scale of income tax rate as introduced by the financial law of 2018 : The former rate of 37% still applies to insurance companies and to banking and financial activities. Whatever the taxable income, a company is subjected to a legal minimum tax (even with a loss) of 0.5% or 0.25% for specific activities[1] of annual turnover (minimum MAD 3000 a year)
Long-term capital gains	Capital gains are taxed at the rate of 30%
Groups of companies and dividends paid by subsidiaries to parent companies	A withholding tax, at a rate amounting to a maximum of 15%, is applied to dividends
Branches	Branches are taxed in the same way as other companies.

SCALE	RATE
Income before tax between 0 and 300 000 DH	10%
Income before tax between 300 001 and 1 000 000 DH	20%
Income before tax higher than 1 000 000	31%

INCOME TAX

The fiscal year begins on 1 January and ends on 31 December of the same year.

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[1] Related to commercials companies transactions: petroleum products, gas, butter, oil, sugar, flour, water , electricity.

Income tax (IR) is applied in a progressive rate that varies from 0–38%. Taxable global income is established by one or several net incomes which correspond to the various income brackets subjected to general income tax. The annual statement of global income must be handed to the fiscal administration before 1 January each year since 2018 according to the financial low 2018.

TABLE 3

Income tax rates

INCOME	RATE
Up to MAD 30,000	0%
MAD 30,001 – 50,000	10%
MAD 50,001 – 60,000	20%
MAD 60,001 – 80,000	30%
MAD 80,001 –180,000	34%
MAD 180,001 and over	38%

TAX DEDUCTIONS OR OTHER ALLOWANCES

There are several types of deductions to which taxpayers are eligible in Morocco. For further details, related to the nature of deductions, contact the fiscal administration of every region.

OTHER TAXES

TABLE 4

VAT rates

VAT	RATE
Standard rate	20%
Mainly related to : transports and electrical energy transactions	14%
Mainly related to bank and credit transactions	10%
Mainly related to basic commodities and essential goods	7%

There is no one-month gap, the Vat is due since the payment month.

TABLE 5

Other main taxes

TAX	RATE
Registration duty rate	1%, 1.5%, 4%, 6% (according to the

	transaction).Fixed amount of MAD 1000 for constitution capital or increase capital (for less than MAD 500,000), and MAD 200 for specific cases
Tax on insurance contracts	3.5%, 7%, 14% (according to type of contract)
Capital gains tax	10–30% (according to transaction)
Real Estate profit tax	20% (minimum of 3% under specific conditions)
Professional tax	10–30% (according to classification)
Housing tax	10–30% (according to rental value)
Community tax	10.5% (urban), 6.6% (rural)

- Main common disposition of the financial law of 2018:

- Obligation to provide an electronically accounts of all records
- Obligation to be equipped with a computer system of invoicing
- Obligation to be equipped with a software invoicing system
- Obligation to have an e-mail address with an electronic certification service provider
- The clearly requirement of ICE mention on invoices

TANGIER TAX FREE ZONE

Businesses operating in the Tangier tax free zone enjoy the following benefits:

- Fiscal Advantages
  - Exemption from registration fees and stamp duty for the establishment or increase of capital and for acquisitions of land
  - Exemption from taxation of patents for 15 years
  - Exemption of the urban tax for 15 years
  - Total exemption from corporate tax for five years and a reduction of the rate to 8.75% for the following 20 years
  - Total exemption from corporate tax (IR) for five years and a tax relief of 80% for the following 20 years.
  - Exemption from tax on proceeds from shares and income shares for non-residents
  - Exemption of VAT on goods and free repatriation of profits and capital

- Funding from the Moroccan state in some sectors through the Hassan II Fund
  - This grants financial support for land acquisition and/or construction units' production. This subsidy may reach 100% of the land price based on a maximum cost of DH 250/m². The release of the funds period will not exceed 60 days after submission of supporting documents.
- Free Trade Agreements
  - Several free trade agreements have been signed, including with the European Union, the United States, Turkey and some Arab countries.

TANGIER OFFSHORE ZONE

Businesses operating in the Tangier offshore zone enjoy the following benefits:

- Banks
  - Exoneration from stamp duty and registration, VAT, patents tax, urban tax,

  - During the first 15 years : an annual rate corporate tax of 10% or an annual flat corporate tax equivalent of USD 25 000 in Moroccan dirham , taxes on share revenues, taxes on earned interest from deposits and bonds
- Holding Companies
  - Exoneration from stamp duty and registration, VAT, patents Tax, urban tax
  - Flat tax rate of the equivalent of USD 500 in Moroccan dirham for the first 15 years. This advantage is applied to holding companies that do business with offshore banks, private individuals and non-resident companies who are paid with convertible dirham accounts.

7 – ACCOUNTING & REPORTING

Moroccan accounting principles are set up in the Law for individual companies' financial statements, in the opinions and interpretations of the National Accounting Board (CNC) and in recommendations made by various professional organisations.

Fundamental accounting concepts, such as prudence, ongoing concern, accruals and consistency have a legal basis in Morocco.

FINANCIAL STATEMENTS

The form and content of financial statements are defined in the General Accounting Standards *Code Générale de Normalisation Comptable*).

The basic financial statements included in annual reports to shareholders comprise:

- A balance sheet, where headings are classified by function (e.g. finance and customers etc. rather than by liquidity)
- An income statement, where revenues and expenses are classified by origin, and are systematically analysed under three overall categories:
  - Operating revenues and expenses
  - Financial revenues and expenses
  - Exceptional revenues and expenses
- Explanatory notes.

From 1 January 2005, listed companies have an obligation to present their consolidated financial statements according to International Financial Reporting Standards (IFRS).
The statutory auditor's opinion and directors' report must be included in the annual report. The financial statements, the statutory audit and directors' reports must be filed with the Commercial Register and are available for inspection by the public.

AUDITING

Moroccan companies (*sociétésanonymes* – SA) are required to submit their financial statements for auditing.

Other companies are subject to this requirement only if they exceed MAD 50 million in sales.

Audits are conducted by professionals – statutory auditors (*commissaires aux comptes*) – registered with the Institute. Shareholders appoint statutory auditors for a period of three years.

The statutory auditor issues two formal annual reports to shareholders:

- General report – the general report must include an opinion with appropriate justification on the financial statements and on legal compliance
- Special report – the special report contains disclosures of those transactions between a company and its directors that either lie outside the normal course of business of the company or are not at arm's length.

8 – UHY REPRESENTATION IN MOROCCO

UHY Ben Mokhtar & CO ensure legal accounting and consulting services since 1991 in Tangier, with an extensive experience of business consulting gained both in Morocco and abroad with major internationally renowned audit and consulting firms.

The complementary skills and experience of employees of the group allow UHY Ben Mokhtar & CO to offer a complete and comprehensive service throughout the conduct of missions by a multidisciplinary team (finance, tax, accounting, legal, IT).

The organization operate in Morocco, especially in the following zones: Tangier – Tetuan-Larache, Region North Rabat, Region Center, Casablanca, Region Center

Tangier office

- Center City: with a surface more than 500 m²
- Duty-Free zone for the export: with a surface of 90 m ²

Actually, UHY BEN MOKHTAR & CO reached 22 employees: accountants, auditors and legal Experts. The staff is operating under the responsibility of Mr. Mohamed Ben Mokhtar, certified Public Accountant (DPLE France) Partner Manager.

Mr. Mohamed Ben Mokhtar has over 30 years of experience including 12 years of experience in Paris and Casablanca with Price Waterhouse as Audit Manager.

- **Brief professional background history of Mr. Ben Mokhtar**:

1982-1985: International auditing company in Paris
1985-1991: Price Waterhouse in Casablanca (Morocco)
Since 1991: acting in Tangier as independent professional

UHY BEN MOKHTAR & CO APPROACH

UHY BEN MOKHTAR & CO is a multidisciplinary team of professionals (accountants, auditors, consultants, lawyers, tax and IT Specialists) who long experience in their respective fields have:

- Consolidated their auditing and consulting skills in various companies;
- Developed an expertise in supporting foreign companies setting up a business activity in Morocco;
- Developed a targeted and appropriate expertise in the consultancy field for small and medium companies;
- Acquired a solid knowledge of various sectors
- Assistance and advising many companies form various nationalities:

- French partners
- German partners
- Italian partners
- Spanish partners
- Moroccan partners

The presence in FREE ZONE enable the organization to capitalize on the best practices within similar lines of businesses.

UHY BEN MOKHTAR & CO services

- Legal and statutory audit: 30%
- Accounting Supervision**:** 25%
- Accounts Establishment: 15%
- Legal consulting: 10 %
- Tax consulting: 10 %
- Outsourcing of social services : 5%
- Other services: 5%

Main customer's sectors

- Automotive industry
- Pharmaceutical Industrie
- Aeronautic Industry
- Agro- industrie
- Textil sector
- Catering sector
- Real state sector

LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

To find out how UHY can assist your business, contact any of our member firms. You can visit us online atwww.uhy.com to find contact details for all of our offices, or email us atinfo@uhy.com for further information.