



Chartered Accountants
& Business Advisers

Doing business in Morocco





Important disclaimer

No person should act or rely upon any matter on information contained in or implied in this publication without first obtaining advice from a qualified adviser that relates specifically to their particular circumstances. This publication should not be regarded as offering a complete explanation of the taxation matters referred to. The publishers and the authors are not responsible for the results either of any actions taken on the basis of information in this publication, nor for any error in or omission from this publication. The publishers and the authors expressly disclaim all and any liability and responsibility to any person, who acts or fails to act as a consequence of reliance upon the whole or any part of the contents of this publication.

Preface

PKF Maroc Limited is a legally independent Moroccan member firm that trades as PKF with one exclusive office in Casablanca. The PKF Maroc Member Firm is also legally independent members of PKF International Limited, the network now comprises over 230 member firms in 120 countries and 400 locations. The clients of the Moroccan firm range from multi-national conglomerates to business start-ups and private individuals. We all commit to provide our clients with a consistent quality of service, which means that no matter how small your business or individual needs might be, your affairs are personally overseen by a partner. In practice, this means that your partner will ensure that you are provided with the right skills to help you operate more profitably and tax effectively.



Contents

Introduction

- *Geography* 1
- *Advantages of Investing in Morocco* 1
- *Constitution* 2
- *Communications* 2
- *Language and Currency* 2
- *Legal System* 3
- *Major Exports and Imports* 3
- *Government Policy on Foreign Investment in Morocco* 4
- *Import Controls* 4
- *Exchange Controls* 4
- *Source of Finance* 4

Business Structures

- *Types of Business Structures* 6
 - Companies 6
 - Limited Liability Company
 - Private Limited Company
- *Partnerships* 7
- *Branch Offices* 7
- *Sole Proprietorships* 8
- *Governing Documents* 8
- *Directors* 8
- *Forming a company* 9
- *Registration requirements and filling procedures for public securities* 9

Taxation	10
• General	10
• Corporate taxation:	10
○ Rate	11
○ Taxable income	11
○ Basis	12
○ Residence	12
○ Taxation of dividends	12
○ Capital Gains Tax	13
○ Losses	13
○ Fiscal year	13
○ Payment of tax	14
○ Consolidated returns	14
○ Withholding tax:	14
○ Taxation of Branches	14
○ Interest Deductions	14
○ Repatriation of Profits and Transfer Pricing	
○ Other Taxes	
▪ Value Added Tax	14
▪ Business Tax	15
▪ Urban Property	15
▪ Customs Duties	
○ Treaties for the Prevention of Double Taxation	
• Taxation of Individuals	16
○ Taxpayers:	16
○ Residence:	16
○ Taxable income	16
○ Tax year-Calendar year	16
○ Rates	16
○ Payment of tax	17
○ Rental income	17
○ Capital gains tax	17
○ Property Tax	18

Grants and Incentives	19
Protection of Intellectual and Industrial Property	22
Immigration	24
• <i>Work Permits</i>	24
• <i>Encouragement of the investors:</i>	24
• <i>Visitors</i>	25
○ <i>Business Development - Provisional</i>	
○ <i>Business Development – Permanent</i>	

Introduction



Geography

Morocco is located in the northwest of the African continent. It is bounded on the north by the Strait of Gibraltar (15 Km) and the Mediterranean Sea, south by Mauritania, east by Algeria and the west by the Atlantic Ocean. Morocco has two coastlines spanning 3500 km and covers an area of 710,850 km.

The Moroccan population is estimated to 34,343,219 people living in Morocco. Most people living in Morocco live west of the Atlas Mountains, a 2,400-kilometre range of mountains, which start off in northwest Africa and go through Morocco, Algeria and Tunisia. The city of Tangier is a major port and is where many go to if they want to go to Spain. Casablanca is also a leading port in Morocco and is the center of Moroccan industry and commerce. Marrakech is the tourist center of the country. The seat of government is in Rabat, the capital of Morocco. The religious and cultural center of the country is the city of Fez.

Advantages of Investing in Morocco

Foreign direct investment is an important vehicle for development and an indicator of the policy of openness and incentives for investment undertaken by Morocco.

The growth experienced by the volume of foreign investment in Morocco is due to favourable environment for investment offered by the country as a result of many free trade agreements concluded by the country and the numerous projects undertaken for the strategic liberalizing of Moroccan Economy.

The undertaken reforms by Morocco with a view to enhancing the attractiveness of Morocco concluded:

- The adoption of the Charter of investments to replace codes by single Sector, uniform law and giving rise to significant tax advantages for investment.
- The encouragement of creativity through the adoption of legislation on the protection of intellectual property and industrial property and the creation of Morocco Industrial and Commercial Property.
- The institution of a regime of convertibility for foreign investment, financed in foreign currencies, allowing foreign investors to freely conduct Investment in Morocco, to transfer income from the investment operations and re-transfer the proceeds of liquidation or sale of their investments.
- The liberalization of external financing , the reform of the "Capital" and the establishment of a new regime of liquid assets held in Morocco by non residents, particularly through the replacement of Auditors "Capital" by "convertible term accounts" that can be charged to investments fund in Morocco.

Constitution

The Kingdom of Morocco, a Muslim Sovereign State whose official language is Arabic, constitutes a part of the Great Arab Maghreb. As an African State, one of its constituted objectives is the realization of African unity.

Aware of the necessity of setting its action within the context of the international organizations of which it is an active and energetic member, the Kingdom of Morocco subscribes to the principles, rights, and obligations resulting from the charters of the aforesaid organizations and reaffirms its attachment to the Human Rights as they are universally recognized.

Communications

Internal and external communications and transportation are excellent. The telephone direct dialling system gives instantaneous international communication from both fixed and mobile units.

Language and Currency

The main language spoken in Morocco is Arabic. The currency used is the Moroccan Dirham (MAD) and cents. One hundred cents = one Moroccan Dirham.

Legal System

Morocco has a dual legal system consisting of secular courts based on French legal tradition, and courts based on Jewish and Islamic traditions.

The secular system includes communal and district courts, courts of first instance, appellate courts, and a Supreme Court. The Supreme Court is divided into five chambers: criminal, correctional (civil) appeals, social, administrative, and constitutional. The Special Court of Justice may try officials on charges raised by a two-thirds majority of the full Majlis.

Major Exports and Imports

Morocco is one of the world's largest exporters of Phosphate, and a major international source of the same mineral and wheat. Substantial export earnings are also derived from clothing and textiles, electric components, inorganic chemicals, transistors, crude minerals, fertilizers (including phosphates), petroleum products, citrus fruits, vegetables, fish crude, wine, services and tourism. Major imports are : crude petroleum, textile fabric, telecommunications equipment, wheat, gas and electricity, transistors, plastics, motor vehicles, aircraft, manufacturing equipment and computer and software and hardware computer system.

Government Policy on Foreign Investment in Morocco

The Government has established guidelines for foreign investment in Morocco. The Government recognises foreign investment makes a substantial contribution to the development of Morocco's industries and resources, and its policy is to welcome and encourage long-term direct foreign investment that has beneficial economic effects.

The Investment Charter, promulgated on November 1995, includes measures to reduce the cost of investment and allows the free transfer of foreign capital invested and capital gains.

Enshrining the freedom to invest, the charter aims to promote opportunities of investment in Morocco and to develop the dynamics of the business grant, for unanimously, a host of tax and customs benefits.

Import Controls

The Government levies customs duties on some goods entering Morocco. Customs clearance must be obtained to import any goods. There are import and quarantine controls on certain goods, including certain drugs, animals, plants, food, firearms and motor vehicles.

Exchange Controls

Exchange controls were substantially dismantled in 1983. In addition, the system of monitoring and tax screening of transactions with countries deemed as tax havens ceased to have practical effect from 1990, with the introduction of specific anti avoidance measures and cash transaction reporting requirements.

Source of Finance

Major sources of finance include local and foreign trading and savings banks, finance companies, building societies, credit unions and the stock exchange (Casablanca Stock Exchange).

Business Structures



Types of Business Structures

The main business structures used in Morocco are:

- Companies
- Partnerships
- Joint ventures
- Foreign branches
- Sole Proprietorships

Companies

The most common form of business structure is the limited liability company (S.A.R.L), referred to simply as a company. The shares in companies limit the liability of each shareholder to the share investment and any amount uncalled on the shares.

Under Moroccan law, the primary types of corporate structures available are: limited liability companies; private limited companies; limited partnerships with shares; general and limited partnerships; and joint-ventures, all of which generally conform to Western company forms of the same nomenclature. The two most widely used are the SA and the SARL, as described below.

Limited Liability Company

Limited liability companies (SA) must have a minimum of five shareholders who can be either legal entities or individuals. As with traditional limited liability companies, the shareholders' liability is limited to the amount of share equity the shareholder hold. Upon incorporation of the limited liability company, a quarter of the equity capital must be paid in advance if paid in cash contributions. If it is paid in contributions in kind, it must be fully paid upon incorporation. Both bearer and registered shares may be issued by the limited liability company. The minimum share value is 50 MDh. The company has no corporate name but a trade name, and there are generally no restrictions on the sale and transfer of shares to third parties.

Private Limited Company

The private limited company (SARL) is an intermediate type between associations of persons and of capital, bearing resemblance to both partnerships and share companies. It is always a trading company, regardless of its corporate name and its minimum equity capital is 10,000 MDh. It may be formed by two or more members who are only liable to the amount of their share of the equity capital in the company. Unlike a general partnership, members of a private limited company do not need to be registered merchants. The private limited company must file a memorandum of association as part of its incorporation process. The capital stock has to be fully described and paid up as the company is formed. Stocks shall have the same face value and are not negotiable; they may be transferred only through contracts. "Parts Sociales" may be transferred to third parties outside the company only with the co-associates' consent

Partnerships

General Partnerships

In a general partnership, the partners are jointly and severally liable, without limitation, for the debts of the partnership. Partners may be individuals or corporations, however, they do have to be registered as merchants. There is no restriction on participation by foreign individuals or corporations in general partnerships.

Limited Partnerships

In a limited partnership at least one partner must have unlimited liability while the others have limited liability. A partner whose liability is limited may not take part in the management of the partnership. Limited partnerships are relatively rare in Morocco.

Limited Partnership with Shares

This corporate form is essentially a joint stock company wherein the capital is divided into shares to be held by active and inactive partners. There must be at least one active partner who has unlimited liability with regard to the debts of the entity, and three inactive partners who are liable only to the extent of their shares in the equity capital. The limited partnership with shares is operated by the active partners or by external managers. The governing body is a board of trustees composed of at least three of the inactive partners.

Branch Offices

The branch affiliate or subsidiary of a foreign corporation is regarded as a separate legal entity. The Moroccan branch, however, has to disclose certain details regarding its parent-company, its representatives and its delegated powers. When registering a branch in Morocco, the foreign parent-company must submit its articles of incorporation along with the incorporation documents of the branch.

Sole Proprietorships

Foreigners may establish in Morocco sole proprietorships. In a sole proprietorship, the business is conducted under the responsibility of an individual personally liable for the debts of the business to the extent of all business and personal assets. The business must be registered with the Commerce Registry and with the tax authority.

Governing Documents

The Corporations Law contains basic and replaceable rules for the internal management of a company. Some of the rules are mandatory for all companies, and there are some special rules for single shareholder and single director companies. A company does not need to have its own separate constitution unless it wishes to amend or add to the replaceable rules.

A company must maintain a registered office open to the public. An accountant's office is often used for this purpose.

Directors

The principal controlling body of a company is the Board of Directors, which is appointed by the shareholders. A public company must have at least three directors, two of whom are ordinarily resident in Morocco, and at least one company secretary. A proprietary company must have at least one director who ordinarily resides in Morocco.

Company directors have a statutory obligation to ensure the annual financial report gives a true and fair view of the financial position and performance of the company, and whether the company will be able to pay its debts as and when they become due and payable.

The directors have an obligation to ensure the financial report has been prepared in accordance with Moroccan accounting standards. Directors are also responsible for ensuring the company safeguards its assets and maintain a complete and adequate set of accounting records and statutory registers. Directors can face large fines or imprisonment for breaches of their duties, as well as a personal liability for debts incurred by the company in certain circumstances.

Forming a company

Investors may incorporate a company, although in most cases they will purchase a shelf company from a specialist provider. A shelf company is a company that has been registered with ASIC and has never traded. The investors can then change the name of the company, change Directors and the Secretary, and capitalise the company as required.

Registration requirements and filing procedures for public securities

Any listed company intending to register securities (eg shares or debentures) for public sale must issue a prospectus that complies with the rules contained in the Corporations Law. Companies intending to invite public subscriptions may seek admission to the Casablanca Stock Exchange Ltd.

The following entities (referred to as disclosing entities) are subject to continuous disclosure and periodic reporting requirements:

- Entities that are listed on a stock market or a securities exchange;
- Entities raising funds pursuant to a prospectus;
- Entities offering their securities as consideration for the acquisition of shares in a target company under a takeover scheme;
- Entities whose securities are issued under a compromise or scheme of arrangement;
- borrowing corporations.

These entities must publicly disclose all information that is considered to have a material effect on the price or value of their securities, in addition to lodging half-year financial reports.

Audit requirements and practices

All companies (other than small proprietary companies) must appoint auditors to annually report on their financial reports.

Disclosing entities have the option of having their half-year financial report either audited or reviewed by their auditors.

Shareholdings by non-residents

Shares in Moroccan companies do not have to be held by Moroccan resident shareholders. However, there may be restrictions in specific industries. The names of non-resident shareholders and the amount of shares they own does not need to be disclosed, whilst the percentage of foreign ownership does not affect the status of the company.

Taxation



General

The Moroccan taxation system consists of direct and indirect taxes. Indirect taxes provide a greater source of tax revenue than the direct taxes.

Moroccan corporations are subject to a unitary tax system called the corporate tax (impôt sur les sociétés or IS).

Individuals, regardless of nationality or activity, who have their habitual residence in Morocco are subject to a personal income tax (impôt sur le revenu or IR) on their worldwide income on a progressive scale between 12 and 40 percent. Individuals not having their habitual residence in Morocco are subject to tax only on Moroccan-source income

Morocco exempts certain types of income from corporate taxation. The first is income derived from agriculture which is exempt until the year 2013. The system is statutory and contains a package of incentives designed to encourage both Moroccan and foreign investors:

Corporate taxation:

Taxpayers

Corporations which covers limited liability companies, limited partnerships by shares, general and limited partnerships in which at least one partner is a corporate entity, civil companies, branches of foreign corporations, public sector companies having profit-oriented activity and joint ventures having business-oriented activity. General partnerships and limited partnerships in which all partners are individuals may elect to be taxed under the corporate tax regime. The same applies to joint ventures in which all parties are individuals

Rate

The normal rate is 30%, with a 37% rate applying to leasing companies and credit institutions. Foreign contractors carrying out engineering, construction or assembly projects relating to industrial or technical installations may opt to be taxed at a rate of 8% calculated on the total contract price net of VAT and similar taxes. Companies are always subjected to a legal minimum tax (cotisation minimale : CM) of 1500 MAD or 0.5% of the annual turnover. The CM is based on turnover, income from interest, subsidies, bonuses or donations received. The CM is not payable by companies during their first thirty-six months of operation.

Taxable income

Companies are taxed on the difference between their trading income and expenditure. Business expenses incurred in the operation of the business are generally deductible, unless specifically excluded. Expenses not permitted include fines, penalties, interest on shareholder loans where the stock is not fully paid up, and interest on shareholder loans in excess of the official, annual interest rate.

Basis

Morocco operates a territorial tax system. Companies (both resident and non resident) are generally subject to corporate tax only on income generated from activities carried on in Morocco. Foreign corporations are subject to taxation on income arising in Morocco if they have, or are deemed to have, a permanent establishment in Morocco.

Residence

A company is resident in Morocco if it is incorporated there or its place of effective management is in Morocco.

Taxation of dividends

Dividends received by corporate shareholders from taxable Moroccan-resident entities must be included in business profits of the recipient company, but the dividends are 100% deductible in the computation of taxable income.

As of January 2008, the participation exemption in Morocco is also applicable to dividend derived from foreign subsidiaries. The original participation exemption regime granted 100% allowance to a Moroccan recipient company of Moroccan source dividends

Capital Gains Tax

Morocco instituted a tax on the proceeds from stocks and company's shares and comparable income (TPT), distributed by companies based in Morocco and paying taxes on corporations. The tax of 10 percent is collected at the source and applies to:

- Dividends;
- Capital interest;
- Profit percentages;
- Special allowances or the payment of fees and other compensations allotted to members of the board of directors (except for the fraction of these compensations considered as salary and subject to personal income tax -IR);
- Sums levied on profits to repay capital produced to stockholders or to buy over stocks;
- Beneficiary/founder's shares;
- Surpluses from winding up augmented by reserves built up over at least ten years ago;
- Profits made in Morocco by establishments whose home office is located abroad, as these profits are made available to such companies abroad.

Losses

Tax losses may be carried forward for a period of 4 years from the end of the loss-making accounting period. However, the portion of a loss that relates to depreciation may be carried forward indefinitely. Losses may not be carried back.

Fiscal year

The calendar year is normally the fiscal year although a company may opt for a different fiscal year.

Filing requirements

Accounts for income tax purposes must be filed within 3 months after the end of the relevant accounting period.

Payment of tax

Corporate tax is payable in 4 equal instalments, based on the prior year's assessment. The actual amount payable is adjusted in the 3 months following the end of the accounting period.

Foreign companies that have elected for the 8% default taxation must submit a declaration of their turnover before 1 April following each calendar year.

Consolidated returns

Consolidated returns are not permitted; each company must file its own return.

Withholding tax:

Dividends

Dividends paid to a non-resident are subject to a 10% withholding tax unless the rate is reduced under an applicable tax treaty.

Interest

Interest on loans obtained from a non-resident is subject to a 10% withholding tax.

Royalties

Royalties paid to non-residents are subject to a 10% withholding tax unless the rate is reduced under an applicable tax treaty.

Branch remittance tax

A 10% branch remittance tax is imposed on profits remitted to the head office.

Taxation of Branches

The Moroccan sourced income of Moroccan branches of foreign companies is subject to income tax at the ordinary corporate rate of tax. The taxable income is calculated as if the branch was a separate entity from the foreign company.

Interest Deductions

Interest paid on loans and other debts is deductible to the extent it relates to borrowings made for income producing purposes. Thin capitalisation rules apply to reduce the deduction available where the taxpayer is a foreign entity operating in Morocco, a foreign controlled Moroccan entity or an Moroccan resident with foreign business investments. In each of these cases, the tax deduction for interest may be reduced if the taxpayer's debt exceeds the levels permitted under the thin capitalisation provisions.

Repatriation of Profits and Transfer Pricing

In addition to paying interest and dividends, the payment of management fees, service fees and royalties are methods of repatriating profits to the non-resident associates, controllers and owners of Moroccan entities. In these circumstances, the payments made by the Moroccan resident to the non-resident associate must reflect the market value of the goods and/or services to the Moroccan company, that is, all payments must be calculated with reference to arm's length market rates.

Where the Tax Office takes the view that the Moroccan company has paid an excessive amount for the goods and/or services, the Tax Office can disallow the deduction claimed by the Moroccan company, and substitute an alternative price.

Other transactions between Moroccan taxable entities (or branches), and their related foreign entities or head offices are also subject to the transfer pricing rules. Where an Moroccan branch of a foreign company remits profits to its parent by way of management fees or service fees, the profits are not subject to withholding tax or branch profits tax.

Other Taxes

Value Added Tax

The Value Added Tax (VAT) is a non-cumulative tax levied at each stage of the production and distribution cycle. Thus, suppliers of goods and services must add VAT to their net prices. Where the purchaser is also liable for VAT, input VAT may be offset against output VAT. The standard VAT rate is 20 percent and applies to all suppliers of goods and services, except those taxed at other rates or those who are exempt. A reduced rate of 10 percent applies to specific items such as banking and credit services, leasing, gas, water and electricity.

Two types of exemptions from VAT are provided. The first is an exemption with credit, equivalent to the zero tax concept, which applies to exports, agricultural material and equipment and fishing equipment. The second is an exemption without credit, i.e., the seller receives no credit for input VAT paid. This exemption applies to basic foodstuffs, newspapers and international transport services.

Business Tax

A business tax, or “patente”, is levied on individuals and enterprises that habitually carry out business in Morocco. The tax consists of a tax on the rental value of business premises (rented or owned) and a fixed amount depending on the size and nature of the business. The tax rates range from 5 percent to 30 percent with exemption for the five first years of activity.

Urban Property

Owners of real estate are subject to urban property tax on the rental value of the property. The same applies to owners of machines and appliances that are integral parts of the establishment producing goods or services.

Customs Duties

All goods and services may be imported; Goods deemed to have a negative impact on national production, however, may require an import license. Most products imported are subject to import duties, the rates of which vary between 2.5 percent and 10 percent for equipment, materials, spare parts and accessories. Some materials and products, however, are exempted, especially those imported under the investment charter, imported under customs economic systems and those using renewable energies. Value added tax is also payable on goods imported into Morocco.

Treaties for the Prevention of Double Taxation

Since a Moroccan resident is taxed on worldwide income, the Moroccan tax system provides relief from foreign taxes paid on such worldwide income by means of a foreign tax credit. This foreign tax credit cannot exceed the Moroccan tax otherwise payable in respect of the foreign-source income.

The Moroccan government is eager to encourage foreign investment. This is reflected by the territoriality principle for taxation applicable to corporations mentioned above. In addition, Morocco has concluded about seventeen treaties for the prevention of double taxation, mainly with developed countries. Morocco's list of treaty-partners include Belgium, Canada, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Romania, Spain, Sweden, Tunisia, the United Kingdom and the United States.

Most of the tax treaties are based on the OECD model and do not contain specific anti-abuse provisions. Reduced withholding tax rates vary from one treaty to another and in the case of the treaty with Sweden, the rate is zero. Of special interest is the treaty with France which offers advantages involving self-employed foreigners and payments for technical assistance and contracts (e.g., imported supplies).

Taxation of Individuals

Taxpayers

Individuals, regardless of nationality or activity, who have their habitual residence in Morocco, are subject to a personal income tax (impôt sur le revenu or IR) on their worldwide income on a progressive scale between 12 and 40 percent. Individuals not having their habitual residence in Morocco are subject to tax only on Moroccan-source income.

Residence

Habitual residence status is established by reference to one of the following: (1) place of permanent abode; (2) center of economic interest; and (3) duration of stay in the country exceeding 183 days within any period of 365 days. The issue of double taxation is partially addressed by tax treaties or unilateral relief in the form of tax credit

Taxable income

All compensation received by an individual is taxable, including salaries and wages, allowances, pensions annuities, and all other employment benefits, investment income, property income and income derived from the carrying out of a business or profession.

Capital gains-capital gains derived from the disposal of immovable property are generally subject to tax as part of the personal income of the individual, i.e. 20%.

Tax year-Calendar year

Filing and payment-the tax return must be filed by 31 March of each year in the place where the taxpayer has his/her habitual residence or main business.

Rates

Resident individuals are assessed to tax on taxable income from 1 July 2008 according to the following scales:

Income tax Payable	
0-20,000	Nil
20,001-40,000	12%
40,001-50,000	24%
50,001-60,000	34%
60,001 -150,000	38%
Over 150,000	40%

A range of rebates are available to Moroccan resident individual taxpayers.

Payment of tax

Employers must retain and pay, within the first ten days of each month, any income tax due on the salaries paid to their employees the previous month. Individuals who receive incomes from non-wage sources must file a tax declaration every year, on or before March 31.

Rental income :

Net rental income is taxable under the general income tax (Impôt Général sur le Revenu or IGR) at progressive rates. A standard deduction of 40% of the gross rental income covers the income-generating expenses in lieu of itemized deductions.

Capital gains tax

Individuals earning capital gains from selling property are subject to tax on property profits; Profits on the sale of property are taxable at 20% of any profit, but with a minimum tax of 3% of the sale price. The taxable gain is computed by deducting the following from the selling price: acquisition price and incidental costs, transfer costs, investment expenses, and interest payments.

Capital gains from the sale of a property which has been the primary residence of the taxpayer are not subject to tax under some qualifications:

- The property has been the seller's primary residence for at least eight years
- The property has been the seller's primary residence for at least four years on the day of the sale, and the property area does not exceed 100 sq. m., and the profit does not exceed MAD200,000
- The profit made on one or more transfers by individuals within a calendar year whose total value does not exceed MAD60,000

Property Tax

Property tax is assessed on the rental value of the property. The general property tax rate is 10% of the assessed rental value, as determined by the local tax authorities.

If the property is used as a primal residence, only 25% of the assessed rental property value is subject to tax. Properties occupied as a main or second residence are taxed at progressive rates.

PROPERTY TAX

TAX BASE, MAD

Up to 5,000

5,000 – 20,000

20,000 – 40,000

Over 40,000

TAX RATE

Nil

10%

20%

30%

Grants and Incentives



1- Total and permanent exemptions

They are granted in favour of:

- Non-profit associations and foundations and related bodies listed by the law.
- Non-resident companies, on capital gain made from the assignments of securities listed on Casablanca Stock Exchange;
- Mutual funds, asset securitisation mutual funds and venture capital funds;
- Economic and social promotion development agencies;
- Companies Seaport based in Tangiers free zone.

In addition to the tax incentive, the Federal Government also offers discretionary grant assistance to company's carrying out research and development and commercialisation activity.

- Legally incorporated cooperatives and their unions, where their status, functioning and operations are officially held to comply with the applicable laws and regulations governing the category to which they belong, where:

- Their activities are limited to the collection of raw materials from their members and the selling of such materials;
- Their annual Turnover is less than MAD five million (5.000.000), VAT not included, where they practise an activity consisting in transforming raw materials collected from their members or inputs using equipments or material and other means of production similar to those used by industrial companies subject to the corporate tax and selling the products thus transformed;

2- Total and temporary exemption

- Societies running accounting management centres accredited on account of their operations, for a period of 4 years subsequent to the date of their accreditation;
- Holders of any oil and gas exploration lease for a period of 10 years under the conditions stipulated by the law;
- Farm incomes until 31/12/2013.

3- Total exemption for a period of 5 years and application of an abated rate of 17,5% thereafter in favour of:

- Product and service exporting companies, with the exception of salvaged metal exporting companies.
- The companies, other than the mining sector companies, which sell finished products to exporters, based in the exports platforms.
- Hotels, for the portion of the tax base assessable which corresponds to the Turnover made in hard currencies duly repatriated directly by them or on their behalf by travel agencies.

4- Total exemptions for the first 5 fiscal years and assessment at an abated rate of 8,75% for the subsequent 20 fiscal years:

- The companies which practise their activities in the export free zones;
- Tangiers Mediterranean special agency and the companies which work in this zone and which are based in the export free zones.

5- Permanent assessment at an abated rate of 17,5% in favour of:

- Mining companies which exports their products directly and those which sell their products to exporting companies.

6- Assessment at an abated rate of 17, 5% for 5 years in favour of: accommodation, meals etc while travelling.

- Self-employed entrepreneurs whose production is the result of a mostly manual work, irrespective of the place where they are based;
- Real estate developers, on the incomes from renting out halls of residence, university campuses and residences for a maximum period of 3 years, with a capacity of at least 150 rooms.

7-Temporary assessment, from January 1st 2008 to December 31st 2010

at an abated rate of 17,5% in favour of:

- Companies with tax domicile or head office in the province of Tangiers where they practise a main activity.

- Companies practising an activity in one of the following prefectures and provinces:

(AL HOCEIMA, BERKANE, BOUJDOUR, CHEFCHAOUEN, ES-SMARA, FAHS-BNI-MAKADA, GUELMIM, JERADA, LAËYOUNE, LARACHE, NADOR, OUED-ED-DAHAB, OUJDA-ANGAD, TANGIER-ASSILLAH, TAN-TAN, TAOUNATE, TAOURIRT, TATA, TAZA, TETOUAN)

8 - Total and temporary exemption in favour of real estate developers

Real estate developers benefit from a total exemption from CT on the incomes made on the execution of low real property value housing units (surface area between 50 and 60 m² and real property value not exceeding MAD 140.000, VAT included), where they undertake to execute an integrated housing scheme comprising 500 units in an urban area and/or 100 units in a rural area, within 5 years. This exemption applies to the agreements concluded in the period between January 1st 2008 and December 31st 2012 (2008 T.L.).

9- Temporary abatement intended for companies listed on the Casablanca Stock Exchange

Eligible companies are Companies of which securities are listed on the Casablanca Stock Exchange, and so benefit from an adapted CT abated rate, applicable since 2007, as follows:

- 25% in favour of the companies which list their securities on the Stock Exchange by opening their share capital by assigning existing shares;
- 50% in favour of the companies which list their securities on the Stock Exchange with a minimum capital increase of 20%, with waiver of the pre-emptive right.
- The abatement term is fixed at 3 consecutive years as from the fiscal year subsequent to the fiscal year during which a company is listed on Casablanca Stock Exchange.

Protection of Intellectual and Industrial Property



Copyright

The regulation of intellectual property is relatively recent in Morocco, as it is in the other countries of the Arab world. Copyright and creator's rights were unknown until the twentieth century. A writer could entrust the reproduction/publication of a manuscript to several copyists at the same time, and the owner of a book could dispose of it as he or she wished, incorporating additions and even putting the new version on sale for his/her own benefit, as could the translators and the adaptors of works. In short, once a work was published it belonged to the public, it was in the public domain.

Trade Marks

The New Trade Marks Act gives the exclusive use of a registered trademark to its registered proprietor. Owners of trademarks in other countries must register them in Morocco to benefit from the protection.

Trade Names

The Business Names Act in each State provides that trade names registered in Morocco cannot be used by others in business. A common law action for passing off is also available.

Patents

Despite the independence of Morocco and the integration of Tangier in the general economy of the Kingdom, the Office Marocain de la Propriete Industrielle at Casablanca and Bureau de la Propriete Industrielle at Tangier are still functioning separately. For protecting intellectual property rights in Morocco, registrations in both Casablanca and Tangier are still necessary.

The right to a patent may be assigned in whole or in part. In order to be effective against third parties, the assignment should be recorded within three months from its date of execution. Likewise, recording a license is permitted.

The adhesion of Morocco to PCT will be effective as of 8 October 1999. Hence, Morocco become the 104th member state of the PCT. Any international application made as of 8

October 1999 may designate the Kingdom of Morocco , but until the time of printing of this

handbook the local requirements and procedures had not been issued.

Immigration

Work Permits



Migration to Morocco

Migration to Morocco is very complex and it is recommended that specific advice be sought prior to making business plans that involve the transfer of principals or employees to Morocco.

The following information relates to business activities in Morocco.

Permanent Residence

The categories within the economic migration component are:

- Labour Agreements;
- The Employer Entry Nomination Scheme;
- The Business Skills Migration Program;
- Independent Regional Skilled Migration;
- Special Skills Migration.
- Invest Morocco Support Skills Program;
- Regional Sponsored Migration Scheme; and
- Business Development - Permanent.

Who is Eligible?

Morocco wants to attract people whose business, entrepreneurial, trade or professional skills will contribute to its economic growth.

Labour Agreements

These are "tripartite" arrangements between employers, trade unions and government covering industries where a shortage of skilled workers is identified and where all parties agree that some migration of skilled workers in that industry is warranted.

The Employer Nomination Scheme

This scheme allows Moroccan employers to sponsor highly skilled workers for Migration to Morocco when they are unable to find or train appropriately skilled workers in the Moroccan labour market.

Temporary Residence

Temporary residence may be granted in the following situations:

- Sponsorship by Moroccan or Overseas Businesses - Moroccan or overseas businesses who are unable to meet their skills needs from the local labour market can sponsor, on a temporary basis for up to 4 years, overseas workers to fill skilled positions in Moroccan.
- Service Sellers - Temporary business visa available for foreign nationals who are representatives of overseas suppliers of services who are seeking to negotiate, or enter into, agreements to supply their services in Morocco.
- Medical Practitioners and Educational Workers - Sponsorship arrangements can be entered into for temporary visas for medical practitioners and educational workers.
- Those employed via Labour Agreements and the Employer Nomination Scheme
- Spouses of temporary residents.

Visitors

Business Development – Provisional

Business skills visas are available for people to establish a business in Morocco, manage a new or existing business or invest in Morocco.

Business Development – Permanent

Business skills visas are available for people who have established a required level of business in Morocco while holding a provisional visa.

Work Permits

All foreign nationals (apart from Moroccan citizens carrying Moroccan passports), are prohibited from working in Morocco unless they obtain a migrant or resident return permit, refugee/special humanitarian migrant permit, provisional resident permit, or permanent resident permit. Some other residential permits specifically state the limited circumstances in which the residential permit holder can work in Morocco.