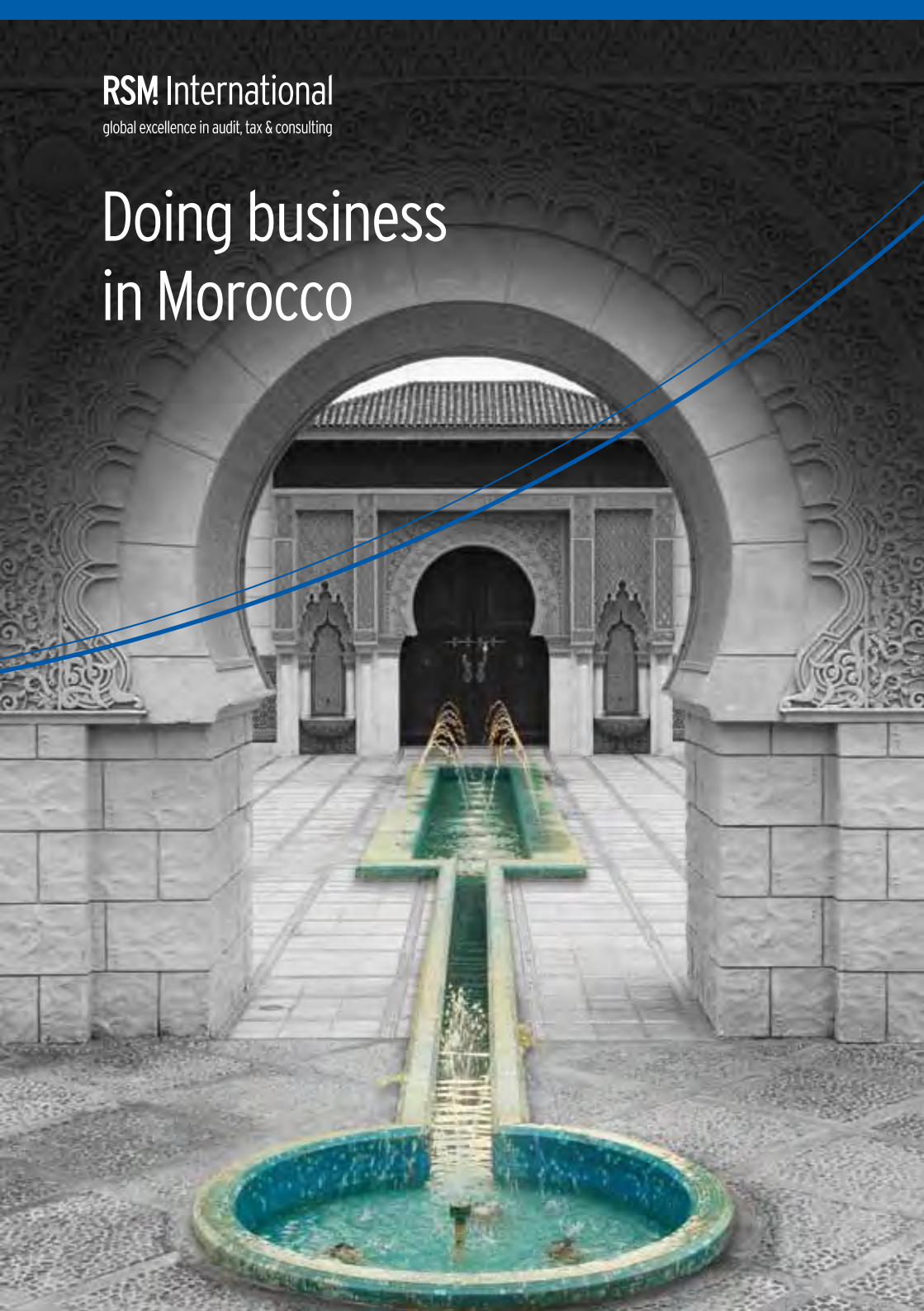


RSM International

global excellence in audit, tax & consulting

Doing business in Morocco



Foreword

Welcome to Morocco

Strategically located less than three hours from the main European cities, Morocco is one of the most dynamic countries in the African continent.

Morocco offers several advantages for international business and is becoming a popular destination for companies to start operations. Morocco has a well educated and flexible workforce, business friendly laws and regulations, a stable political environment and infrastructures that support trade and the efficient movement of goods.

This guide is intended to provide general information about doing business in Morocco. It will help you understand some of the most important considerations for doing business in the country including some of the key areas to consider when thinking about setting up a new business in Morocco and ensuring that it is compliant with the regulations in the country.

This guide cannot and should not serve as substitute for specific professional advice concerning a prospected or actual business undertaking.

Local and specific knowledge is essential to good planning and is available through Acconcil and its offices throughout Morocco.

Details of how to contact us are included at the end of this guide and we would be delighted to hear from you.

Tarik Bouziane
Managing Partner
Acconcil, Casablanca

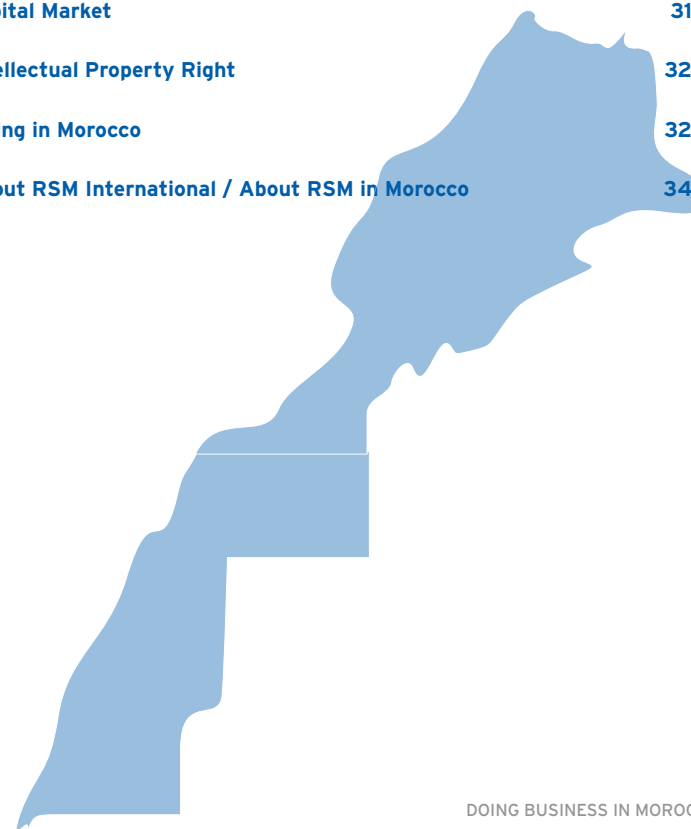
The information contained herein has been update to April 2011.

In a world of different cultures, it's good to have an advisor who meets global requirements with local knowledge.

RSM International is the sixth largest network of independent accounting and consulting firms worldwide. RSM International is represented in over 85 countries and brings together the talents of 32,500 individuals. RSM member firms are driven by a common vision of providing high quality professional services to ambitious and growing organisations.

Foreword	
Country Information	4
Investing in Morocco	14
Business Organisation	21
Tax System	24
Employment	27
Auditing and Accounting	29
Capital Market	31
Intellectual Property Right	32
Living in Morocco	32
About RSM International / About RSM in Morocco	34

Contents



1. Country Information

GENERAL INFORMATION		
Superficie	710,850 Km ²	
Capital	Rabat	
Economic Capital	Casablanca	
Main cities	Fès, Meknès, Marrakech, Oujda, Agadir, Tanger, Dakhla, Laâyoune	
Climate	Mediterranean	
Time Zone	GMT (GMT+1 in summer)	
Official language	Arab	
Languages commonly used	French, Spanish	
DEMOGRAPHY		
Population	31 million inhabitants	
Density	67,59 inhabitants/m ²	
Active population	51%	
Urban population	57%	
Life expectancy	72 years	
CURRENCY		
Currency	Moroccan Dirhams (MAD)	
1 US US\$	8,33 MAD (31/12/2010)	
1 €	11,37 MAD (31/12/2010)	
1 Yen	0,1025 MAD (31/12/2010)	
MACROECONOMY (2009)		
GDP	88,063 million US\$	
GDP/Inhabitant		
GDP per sector	Primary Sector	16%
	Secondary Sector	29%
	Tertiary Sector	55%

About Morocco - A diverse and lively mix of cultures and languages

Part of the westernmost region of North Africa, Morocco is also known as Al Maghrib in Arabic, literally meaning "the West". Recognised for its diverse geography, contrasting climate, and eclectic peoples and customs, the kingdom is a constitutional monarchy.

The country is bordered by Algeria to the east, Mauritania to the south, the Mediterranean to the north-east and the north Atlantic to the west.

Morocco's ventral location has resulted in a rich culture and 3000-year history of privileged relations with Europe and other nearby regions. In a time of trying economic conditions around the world, the greatest challenge for the kingdom in the coming years is to successfully achieve a balance between its heritage and economic and social progress.

Population: The 2009 population growth rate was 1.47%. Population centers are unevenly distributed, with significant conglomerations on the northern coast, the Rif area and the Atlas mountain range.

Morocco's population is relatively young, approximately 29% of the population below 15 years of age, while 65% of locals are between 15 and 65 and around 6% are over 65.

Average life expectancy has risen to 70 years for men and 74 years for women.

Morocco has rapidly been transforming into a largely urban society over the past decade, with approximately 60% of citizens now living in cities and urban areas, due to a trend of rural migration to coastal centers. Due to the growth in urban agglomerations, unemployment has become an essential concern in recent years, with pressures mostly felt by younger generations. The trend of urban migration is partly fuelled by the dwindling appeals of rural life and the higher standard of living perceived in the cities. The influx of Morocco's increasingly young population into urban areas, especially those located on the country's Atlantic seaboard, feeds a significant informal employment sector, which has been a focal point of the government's current long-term reform and legislative agenda. While statistics vary widely, in 2009 the generally accepted national unemployment figure was around 10%, though in urban areas it is thought to be more like 15%.

Despite ongoing economic development, an estimated 15% Moroccans still live below the international poverty line.

Ethnicity: Morocco's population is composed of Arabs, Berbers and Sahrawi. Inter-marriage between different groups is common, as is inter-marriage with various other sub-Saharan African minorities. This has blurred ethnic differences through the centuries. There are, however, cultural divisions between cosmopolitan coastal regions, where European and Arab cultures trend to play a strong role, and the country's Berber and Sahara-dominated interior locales. The country has had a strong Jewish presence for many years (at one point the local Jewish community was 250,000 strong) though a substantial percentage of this population moved to Israel and Western Europe after 1948. Mellahs, the historic Jewish quarters that can be found in many of the kingdom's cities, have distinct wall and fortified gates.

Languages: There are at least four languages in regular use around the country, making Morocco a multi-lingual kingdom. Many locals have a knack of learning numerous foreign languages. Classical Arabic is the country's official language, but its local dialect, Darija, is the most commonly used in everyday life. Darija differs from classical Arabic in both pronunciation and vocabulary, and it can have additional local influences in different regions of the country.

Berber is widely spoken in the south areas; an estimated 8m people use Berber daily.

French is still extensively spoken, especially among influential foreign-educated classes, older generations and in the big urban centers. Spanish is widespread in the northern regions of the country, but French remains the favourite language for business, science and in higher education.

English and German is also spoken in far smaller proportions, and mainly in connection with tourism and in a large cities, such as Marrakech and Agadir.

Religion: The great majority of Moroccans are Sunni Muslims and followers of the local Malekite rite, which is principally known for its focus on tolerance. The King is considered to be "commander of the believers" and Morocco's top religious authority. Sufism is also widespread, and there are numerous Sufi holy places and festivals. Morocco was home to one of the world's largest Sephardic Jewish populations prior 1948, but emigration has sharply lowered numbers to around 4000, down from around 250,000 prior the birth of Israel. The remaining community is still economically and politically influential, and the Moroccan Jewish Diaspora has been

a powerful ally in foreign relations with the EU and the US. Christianity is practiced primarily by the country's European residents and by a growing community of sub-Saharan African immigrants.

Geography and Climate: Morocco offers a wide range of geographic diversity, with a total area of 710,850 sq meters. The country rich soil and mild climate have been a blessing to the thriving local agriculture sectors.

The Kingdom is spread over four topographical zones: the Atlas and the Rif mountain ranges to the north, reaching altitudes of 4165 meters; the fertile coastal plains to the west; the drier Anti-Atlas region in the center; and the Sahara desert to the south.

Morocco's Mediterranean and Atlantic coastlines extend well over 3500km. To the north, the Strait of Gibraltar separates North Africa from Europe by a mere 17km at the narrowest point, making neighboring Spain easily visible most days.

Morocco has a Mediterranean climate. Rainfall is concentrated in the winter months, in line with northern hemisphere weather patterns. Most of the rainy conditions come off the Atlantic Ocean buffeting the coastal regions with rains and strong winds. The hot and dry summer months see temperatures as high as 40°C throughout the country and even higher in some remote inland regions. The Atlas is temperate and generally accounts for most of the country's snowfall during the winter months. The southern and Anti-Atlas regions are predominantly desert climates sprinkled with several lush oasis areas.

Most Moroccans inhabit the biggest cities on the Atlantic coastal plain.

Political Environment

A constitutional monarchy

The ten year anniversary of King Mohammed VI's rise to the throne in 2009 offered Morocco the chance to take stock of its political evolution over the past decade, and with some satisfaction.

The westernmost Arab state, nestled between Europe and Africa, has continued its tradition of social and political stability, demonstrating a willingness to ensure that it adapts to the demands of the global economy while maintaining traditions that it holds dear.

Kingdom had undergone some significant changes in recent years, including closing the gender gap, tackling poverty and slowly decentralizing its government. The manner in which it has gone about implementing the reforms has ensured that political risk is kept at a minimum. This has been achieved thanks in large part to the strong executive authority of the King.

Morocco is a constitutional monarchy with a parliamentary system of government. The King, who also holds the title of the Commander in Chief as the country's military leader and Commander of the faithful as the country's religious leader, appoints the Prime Minister following parliamentary elections. With the Prime Minister's recommendations, the King then appoints the other members of government. In event of legislative gridlock, the King has the power to dissolve parliament and call for new elections. Similarly, the monarch can dismiss a minister from office if he feels it is appropriate.

The country's bicameral legislature is split into an upper house, the Chamber of Counsellors, and a lower house, the Chamber of the Representatives. The upper chamber has a total of 270 seats, all of which are filled through indirect elections by local councils, unions and professional groupings. Counsellors serve nine years terms, with a third of them up for election every three years. The lower house has 325 seats, of which 295 are multi-seats constituencies and 30 seats are reserved for national women only electoral lists. Representatives are elected every five years by universal suffrage. The next elections for both houses will be held in 2012.

While power is consolidated at the highest levels of the monarchy, moves have been made to expand the authority of parliament in recent years, following a number of amendments to the constitution in the early 1990s. The changes have, among other things, given elected officials greater responsibility for a range of issues, including budgetary and investigatory matters. Additionally, the Chamber of Representatives has been given the authority to dissolve the cabinet through a vote of no-confidence.

Judiciary System

The judiciary system is based on a combination of Islamic law and European civil law, and is headed by the Supreme Court. Judges to the high court are appointed by the Supreme Council of the Judiciary, which is led by the King. There are five Chambers in the Supreme Court: constitutional, penal, administrative, social and civil. The constitutional chamber has the authority to review legislation.

Morocco is divided into 16 regions, each of which now falls under the purview of the Ministry of the Interior, following the implementation of decentralization in 1997.

Each region is overseen by a "Wali" who is appointed by the King. Regions are further divided into 42 provinces and 28 prefectures managed by governors.

Women's Right

Among some of the biggest reforms passed under King Mohammed VI has been that of the family code (Moudawana) a legislative overhaul aimed at reducing the gender gap and strengthening the rights of women. The Moudawana largely closed the door on polygamy, enabling women to file for divorce without their husbands' approval, making the decision subject to a court ruling. Similarly, the legal age for marriage for girl was raised from 15 to 18. The new legislation also codified family responsibility as being within the domain of both spouses. Finally, the nationality code was amended to grant Moroccan women married to foreigners the right to pass on citizenship to their children. The Moudawana was one example of how the kingdom sought to build upon its reputation of a progressive social legislation, but reforms such as this have had more than a simply symbolic effect. The commitment of leaders to protecting the rights of women can be seen in the increasingly active role women play in determining the social, political and economic agenda of the country, women now holding a number of significant positions in private sector.

Economy and Key Sectors

While many countries grappled with the global economic downturn in 2009, Morocco proved resilient to the crisis and expanded by more than 4%. In the same time, unemployment fell to record lows decreasing to 9.1%, even as foreign demand slid and capital transfers slowed. This is largely due to strict controls on currency exchange and the capital markets' limited integration with the global system.

Seeking to boost growth, King Mohammed VI's government maintained an ambitious investment policy geared towards improving infrastructure while attempting to diversify the economy.

The poverty rate, measured by the number of people living on less than US\$1.25 a day, was reduced from 15.3% in 2001 to 8.9% in 2007.

The main economic indicators

Preserving macroeconomic stability is a major concern for Moroccan governments. Several actions and structural reforms have been undertaken to put the country on the path of strong and sustainable growth:

Access to new growth levels

A continuously growing economy with an average growth rate of 5.1% over the period 2001-2009, registering an increase of 3.3 points compared to the previous decade.

Controlled inflation

Around 2% despite the increase in oil and raw material prices

Reducing debt levels

The overall debt of the treasury was reduced by 26 points between 2000 and 2009 to stand at 47% of GDP.

GDP Evolution

	2005	2006	2007	2008	2009
GDP (m\$)	63,120	69,060	73,715	82,398	88,063

Key partners

Among the UE, France and Spain assume the most prominent roles, in part due to their colonial legacy and to their proximity.

Some 500 French companies have established subsidiaries in the kingdom, employing more than 114,000 people and tens of thousands of French citizens have taken up residence in the country.

Spain is the second-largest supplier of Moroccan territory and hundreds of Spanish businesses operate in the country.

Further afield, Morocco enjoys strong ties with the US. The kingdom was in fact the first country to seek diplomatic relations with US government in 1777.

Historic carrier sectors

Natural Resources

Morocco has abundant natural resources such as iron ore, manganese, zinc, lead, salt, cobalt, silver, but phosphates are undoubtedly the country's most significant resource and a major contributor to GDP. Morocco is currently the world's leading phosphates exporter, with approximately one-quarter of the global market.

Tourism

With varied and contrasting landscapes (3500 km of coastline, mountains, deserts ...), a rich cultural heritage (imperial cities, old towns, food and crafts), Morocco is a unique and diverse touristic experience only 2h30 min flight from major European cities.

Between 2005 and 2010, the number of tourists visiting Morocco has increased from 5.8 to over 9.3 million, and a mounts of foreign direct investments are around EUR30 billion over this period combined. In addition, in 2009, Morocco was the only Mediterranean countries to have increased more than 6% while the world market decreased by 5%.

Agriculture

The agricultural sector contributes with 19% to the national GDP, divided between agriculture (15%) and agro-industry (4%). This sector employs over 4 million people including about 100,000 in agro-industry.

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.

Fishing

The grand strategy of sector development means build the sector into a genuine development opportunity in the Kingdom, and is based on three main axes declined as projects: Sustainable use of resources and promotion of responsible fishing involving Fishermen also considered as major players in sector development. The development of an efficient and quality fishing strengthening competitiveness.

The fishing sector in Morocco has developed an integrated, ambitious and comprehensive development plan in 2020 called "Halieutis". It aims at upgrading and modernization of various sectors of the fishing industry and improves its competitiveness and performance.

Textile

With a liberalized market and Free-Trade agreements with Turkey and the USA, the textile clothing industry presents many competitive advantages including easy access to the two largest markets in the world: the European Union and the USA.

Investors in the sector benefited from numerous other incentives, investment aid, technical assistance, aid financing and exports promotions.

With 63% of the sector output, the area of Grand Casablanca has become a service and an industrial platform for many international investors thanks to the assets it offers: geographical proximity, reactivity, professionalism and know-how, knowledge of the standards as required by the European markets, sensitivity mode and a strong commitment to the respect of the social and environmental standards -the whole being accompanied by a deliberate policy of sector development.

Beyond the confirmed advantages of the region, there are also other new opportunities such as co-contracting with foreign investors as well as the apparition and development of new niches such as lingerie, home furniture and kids clothing.

Emanating from the Emergence Program, the textile sector has already proved its reliability in the Grand Casablanca region where it presents many assets, which make textile one of the most promising sectors in the area.

Emerging sectors

Renewable Energies

To reduce the country's dependency on external energy market, wind and solar energy production units are being set up around the country to take advantage of the sunny climate and the near constant wind in some areas to the aims to reduce the country's dependency on external energy markets.

Automotive Manufacturing

The automotive sector has experienced over the last five years strong development in Morocco on two fronts and Original Equipment Manufacturers. Recently, it has experienced the largest industrial discontinuity in Africa with the establishment of a Renault assembly place of 400,000 vehicles per year to run. The proposed EUR1 billion investment would eventually create around 36,000 direct and indirect jobs and contribute to the massive and accelerated the automotive industry in Morocco.

The Moroccan automotive sector has very important development opportunities for the next decade.

Off Shoring

Today, Morocco has entered the exclusive club of off shoring destinations recognised worldwide, particularly in the French speaking countries.

Now days, Morocco destination for such an implantation is often considered when an off shoring decision is in process.

Moreover, the sector has witnessed a considerable success on the field: in one year, more than 50 companies have expressed interest to have location in the areas of Casanearshore and Rabat Technopolis. The first two installments of Casanearshore are now completely booked. And finally, the sector has witnessed the creation of more than 20,000 jobs between 2005 and 2008.

Morocco Off shoring sector then presents a very important development opportunities for the next decade.

In addition to the strategic measures adopted to strengthen the attractiveness of Morocco as a destination, the Kingdom has structural advantages, favorable to the emergence of an industry and competitive dynamics Off shoring:

- Geographical proximity and time: three hours flight and one-two hours time difference with Europe
- Human resources abundant, beating the French and Spanish
- Political stability in a democratic and peaceful country
- Recent economic performance favourable
- Solid growth based on good fundamentals
- Competitive labor cost

Section 2 : Investing in Morocco

The growth of inward investment in Morocco over the past 20 years has been impressive. The range of investors has become increasingly diversified and while European countries, particularly Spain and France, remain the largest investors, recent years has been characterized by increasing investment from other regions such as Middle East. The Moroccan government has undertaken a range of legal and structural reforms aimed at liberalizing the economy and simplifying the regulatory and Tax framework.

Infrastructures

For over a decade, Morocco launched large-scale projects aimed at elevating its infrastructure to international standards.

Highways

With the completion of the complementary program, the highway network will pass from a length of 1500 km in 2010 to 1800 km in 2015, connecting all cities exceeding 400,000 residents.

Airports

Thanks to an Open Sky policy, the 15 international airports in Morocco (largest airport hub in the region) are used by a multitude of international companies and are connected to major cities and economic platforms of world affairs.

Ports

Tanger-Med Port entered into service in 2007 with a total capacity of over 3 million containers (8 million in 2016), in addition to professional real estate of over 2000 hectares, complements the overall port infrastructure consisting of 11 ports meeting international standards.

Free trade agreement

Thanks to diverse free-trade agreements, Morocco is at the crossroads of the main international exchange routes, linking the United States of America, Europe, Africa and the Middle-East.

Morocco is offering to the investor free duty access to a market of 55 countries representing more than 1 billion consumers and 60% of the world GDP.

Morocco/European Union:

Morocco is the first country in the southern side of the Mediterranean sea to benefit from the advanced status in its relations with the European Union.

Morocco/United States:

Signed on June 15, 2004 and went into force in January 2006, the Free Trade Agreement with the United States (Morocco's 6th largest trade partner) is part of the overall strategy of the Moroccan economy.

Quadra (Agadir Treaty):

Signed in February 2004 and came into effect in April 2007, the Agadir free trade agreement between Morocco, Egypt, Jordan and Tunisia, provides for the immediate lifting of Non-Tariff Barriers and the gradual establishment of a free trade area.

Morocco/Turkey:

The Free Trade Agreement signed with Turkey supports trade between the two countries that continues to grow, as it reached in 2009 an annual volume of USD900 million against 260 million in 2003.

Morocco/WAEMU (underway):

The upcoming signature of trade and investment agreement between Morocco and the West African Economic and Monetary Union will lay the ground for sustained regional cooperation and contribute to making the kingdom a gateway to the West African market.

Free zones and Off shoring

Tangier Free Zone

The TFZ (Tangier Free Zone) is a protected free trade environment where companies from around the world can operate tax-free. It covers an area of 345 hectares and incorporates a vast container port at the junction of the biggest maritime routes in the world with the capacity to handle both cargo and passenger ships. The free zone has allowed Tangier to develop into an industrial pillar of the country.

Tangier Export Free Zone

Founded in 1999, Tangier's Free Trade Zone is the most important business hub in the region. Computer engineering, automotive and aeronautic sectors, textile, mechanics, training. Over 475 companies of all sizes boosted by foreign investment from the European Union, United States of America, North Africa and the Middle East have generated more than thirty different activities.

Nouasser Free Zone

A dedicated Aerospace zone (including an Electronic district) benefiting from a free zone status located nearby the Casablanca airport.

Kenitra Automotive Free Zone

Atlantic Free Zone (AFZ) is the new industrial and logistic park located in Kenitra. The project includes a large Free Trade Zone (with more than two million square

meters) which offers a number of tax and customs benefits advantages for all the companies that decide to set up business inside the free zone.

AFZ, as a state of the art industrial platform, is the ideal location for companies from all industrial sectors interested in setting up a logistic or production centre in Morocco.

It is located in Kenitra, just 40 km away from Rabat and 130 km away from Casablanca, and is linked by highway and rail to the country's two main ports (Tangier-Med and Casablanca), and to the main international airports (Casablanca, Rabat, Tanger, Fez).

Integrated Industrial Platforms (P2I)

The P2I program aims to progressively establish a network of 22 P2I, some of which are existing zones and which need to be upgraded according to the value proposition offered to investors.

Alongside the development of P2I, a program for creating areas for economic activity is set up, besides the rehabilitation of several industrial zones. The main objective is to enable regions to strengthen their industrial potential.

The General P2I: Open to all sectors, and can combine several sectoral areas.

The Sectoral P2I: Although they are dedicated to a specific sector, they may contain areas reserved to sectors close to the main sector (e.g. electronics area in a car P2I).

Telecommunication Infrastructures

Telecommunication infrastructures meeting international standards.

Three global operators (Fixed phone, Mobile, Internet and data), the telecommunications sector in Morocco achieves every year an intense and sustained activity: 97% mobile penetration and 13 million Internet users (September 2010).

Incentives

In addition to the tax exemptions granted under the common law, Moroccan law provides specific financial, tax and customs advantages to investors.

Moroccan Plans in Process

Green Plans

Morocco has put in place a far-reaching strategy to develop the renewable energy sector to satisfy increasing demand in the kingdom, with this offering excellent investment opportunities for both foreign and domestic investors. The kingdom represents an extraordinary natural resource base, potentially enabling the country to become self-sufficient and eventually an exporter of electricity.

An ambitious program for the development of solar power plants has been put in place that will provide 2000 MW of electricity with an annual capacity of 4500 GWh by 2020. The sites for the initial five plants have been identified and have a total surface area of 10,000 ha, while the first plants, at Ouarzazate, is to be operational by 2015.

The kingdom has equally ambitious plans for wind energy generation, intending to increase the capacity of wind-generated electricity by 2000 MW by 2020. The wind energy program includes a 200 MW wind farm to be constructed at Tarfaya with the potential to deliver another 100 MW via an extension to the installation. The tender for the construction and operation of Tarfaya was awarded in 2010 and the plants should be operational by 2012. In addition to the Tarfaya plant the national electricity provider has already signed term sheets with another 11 developers to provide more than 1000 MW of additional capacity.

Halieutis Plan

Morocco has launched the Halieutis Plan, a blueprint to expand the country's fishing sector, with a set of goals that include adding 20,000 jobs to the industry and increasing fishing exports to EUR2 billion by 2020.

The plan, which was set in motion on September 2010, also aims to increase fish stocks and manage them more professionally. The plan was launched to complement Moroccan Green plan, a government program to boost the agricultural industry.

The Halieutis Plan is based on an integrated sector-wide strategy with three main goals: bringing about sustainable fishing, developing fishing efficiency and boosting competitiveness to achieve a higher market share.

The new fisheries program is comprising 16 projects, including one aimed at creating three so-called "industry clusters" based in Tangier, Agadir and Laayoune-Dakhla which will attract investments totaling nine billion dirhams.

Two additional agreements have been signed by the government and public institutions with the goal of promoting and developing the sea fishing sector and supplying harbor equipment.

The new scheme is intended to increase the fishing sector's contribution to GDP from 8.3 billion dirhams (2007) to 21.9 billion dirhams by 2020. Officials also hope to see exports increase from their 2007 level of 16.2 billion dirhams to more than 23.9 billion dirhams.

The program also seeks to increase domestic fish consumption in Morocco from 10kg per person per year to 16kg per person per year by 2020.

Rawaj Plan

The Department of Trade and Industry has developed the Vision 2020 Rawaj plan for sector development and trade distribution. Rawaj plan revolves around four main axes:

- The large and medium distribution
- The independent commerce
- Trade Network and Franchise
- Public spaces merchants under the responsibility of municipalities (wholesale markets, slaughterhouses and fish markets).

This plan aims to make Morocco a platform for shopping with an offer that meets the needs of all consumers, to modernize the local shops (labeling, central purchasing, networking traders ...), to contribute to the emergence of national champions (assistance and support of national operators in the creation and development of commercial networks)

- Implementation of 600 supermarkets and hypermarkets in 2020, with more than 50 hypermarkets generating nearly 80,000 jobs
- Creation of 15 malls that can accommodate almost 3000 franchise stores and modern trade and generating nearly 21,000 jobs
- Creation of 15 outlets, discount stores and factory outlets generating 5,000 jobs
- Increase the current GDP of trade to 98 billion MAD
- Bring the contribution of trade to GDP at 12.5%
- Increase sector growth to 8% annually

In order to encourage merchants to join the modernization plan, program Rawaj vision 2020 provides for the establishment of a dedicated funding mechanism, including the creation of a development fund for commerce. The fund will finance and support projects initiated by local communities in order to organise the commercial spaces and develop sites for the settlement of itinerant traders. The endowment fund is 200 million MAD per year over the period 2009 to 2012.

Investment Agencies (CRI)

Dedicated investment agencies have been established by the government.

The Moroccan Investment Development Agency provides investors with investment information and assistance with administrative requirements.

Regional Investment center are dedicated regional offices that act as a one-stop shop providing advice to investor.

Assistance with launching new Business:

It is a single window for new business creators which provides informations and advice in a wide range of matters ie: legal, Tax and social security Advices.

Assistance for investors:

The CRI provides also advice on any administrative authorizations or conventions related to investment projects. It brings also all the assistance in documentation and advice on solutions and arrangements relating to the investment projects.

The main attributions are as follow:

- Action in facilitating the realization of projects submitted by the entrepreneurs
- Suggestion of Simplification of administrative procedures relating to investments
- Propose ways of improving the attractiveness of the region and initiate improvement of the incentive system at the regional level
- Help maintain, consolidate and develop existing investment towards rehabilitation of the economic fabric of the region
- Encourage investment and diversification of regional economy
- Suggest ways of tracking and emphasizing regional investment potentials and opportunities
- Monitor and attract potential regional, national and international investment projects opportunities

Banking System

Banks in Morocco operate in a similar way to its European equivalents. Here is some information about banking and the services you can expect from Moroccan banks.

King Mohamed VI and the present government have made attracting foreign and domestic investment a high priority and now:

- Local financing is available to foreign investors on the same basis as to Moroccan companies
- Most Moroccan banks are connected to the SWIFT global payment system allowing them quick execution of foreign currency transfers world-wide

- If required, banks will repatriate foreign companies' earnings from Morocco, provided the original investment was registered with the foreign exchange office
- Foreign currency and convertible Dirham accounts can be opened for non residents

Insurance

The insurance sector in Morocco has experienced a better development after the adoption of new reform policies. The U.S.-Moroccan Free Trade Agreement has created many opportunities for the country's finance sector. Ministry of Finances and Privatization has been working as the regulatory body in the country's insurance sector.

Foreign Exchange Office

Foreign exchange Office is a public entity, under the supervision of the Ministry of Finances and Privatization. It is responsible, in accordance with legislative and lawful provisions into force, for three Main missions:

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

Within the framework of the mission of the exchange transactions regulation, which is allotted to him, the Foreign Exchange Officer has engaged during these last years a process of liberalization aiming at entitling authorised banks to freely carry out the major part of the transfers towards foreign countries. It thus granted delegation to those banks to freely carry out settlements relating to imports, exports, international transport, insurances and reinsurance, foreign technical assistance, travels, schooling, medical care, savings on income, and all the other operations considered as current.

Money laundering

The Morocco money laundering legislation, Law 43-05 adopted in 2007, and the Criminal and Civil Procedure Code will be amended to bring Morocco's money laundering regulation aligned with the new international standards. The proposed changes include certain clarifications and a widening of the definition of terrorist acts to include the act of financing individuals and groups with a view to committing a terrorist act and the confiscation of the assets of a person guilty of funding terrorism.

3: Business Organisation

Legal Forms

The Public Limited company Plc. (SA)

Certain companies especially of great dimension require large capital sums. It may be therefore necessary to call upon a great number of associates.

By limiting the liability for its shareholders to the contributed capital it makes it possible to increase ad infinitum the number of its associates thanks to the following characteristics:

- Shareholders: Minimum five
- Minimum authorised capital: MAD 300.000 without public offer for funding and MAD 3.000.000 with public offer for funding
- Capital: release of a quarter at least, the remain within three years maximum
- Shares: Representing authorised capital, they may be either nominal or in the bearer's name, the minimum value of the share being MAD 100
- Liability of shareholders: Limited to their capital contributions
- Duties of the auditors: a consistent financial and legal audit. The auditors are appointed by the shareholders general meeting

Limited liability company (SARL)

It is a company a part of located between a partnership, in that the associates hold assets, and a limited company (SA) as the liability of the associates may not exceed the value of their contributions in the authorized capital.

- Associates: the minimum number is two or one (in the case of a single associate), and the maximum is 50
- Minimum authorised capital: MAD 10.000 composed of assets of a minimum value of MAD 10. The assets must be subscribe entirely. The assets representing participation in cash may be limited to the value of a quarter of the capital. A period of 5 years starting from the date of registration is granted for the release of the uncalled capital by a simple decision of the management
- Management: one or more managers, chosen among the associates or hired individuals. Their civil and/or penal liability may be committed

- Liability: limited to the assets of the associates. If contribution in kind, the associates are jointly liable for the value allotted to the contributions
- Auditor: Mandatory when the sales turnover is higher than MAD 50 Millions

Case of Partnership SNC (collective company)

This legal form is appropriate more particularly for companies of small size. It has the following characteristics:

- Associates: minimum two and must both be tradesmen
- Liability: Unlimited and interdependent liability of the associates (the associates are interdependent persons liable with regard to their private property as well as the debts of their company)
- Management: one or more managers named by the statutes. In the absence of nomination by the statutes, management is deemed joint

Limited partnership (including shareholders)

It is a legal category combining the characteristics of a collective company (SNC), given the presence of active unlimitedly liable associates involved in the business management, and a plc, given the presence of associates (sleeping partners) who hold freely negotiable shares not requiring the preliminary assent of the others associates.

- Associates: composed of the active associates, unlimitedly and jointly liable, in addition to the shareholders, liable only within the limit of their shares
- Sleeping partners: no less than three
- Minimum authorised capital: MAD 300,000 if does not call for a public offer and MAD 3,000,000 if it calls for a public offer. A quarter at least must be released at the outset, the remainder within three years
- Shares: they represent the authorized capital, they may be either nominal or to the bearer. The minimum value of the share is MAD 100
- Management: The first managers are appointed by the statutes. Afterwards the managers are appointed by the Ordinary General Meeting of the Shareholders, and confirmed by the liable associates, unless otherwise stipulated in the statutes
- Auditor: it is mandatory to appoint an auditor

Limited partnership (LPs)

Company made up between the sleeping partners contributing funds (liable up to the limit of their contributions) and active sole managers jointly liable for their management. The active managers are deemed tradesmen.

Branch whose parent company is abroad

The foreign parent company may operate in Morocco via a branch or a permanent establishment.

These forms of establishment are taxing in Morocco according to the common law.

Individual Enterprise

It is a business owned by a single person (the owner) who directs and decides all matters relating to it. Legally, this type of business has no existence distinct from that of its owner; its profits are regarded as incomes of its owner and such as.

The owner is also held accountable for the debts of his business company, and in the event of difficulty other properties of the owner may be seized.

Section 4: Tax System

General Regime

Value-Added Tax (VAT)

In general, VAT arises when a services is performed, goods are delivered or, in case of imports, when clearance documents are filed with customs. Exports are exempt from VAT. The applicable VAT rates are as follows:

- 7% rate applies for some goods of general consumption, water, renting out of water and electricity meters
- 10% rate applies bank and credit transactions and exchange commissions except leasing, the supply of catering services and the activities of some professions (lawyers, interpreters)
- 14% rate is applies for transportation transactions, electrical energy, etc.
- 20% is the standards VAT rate applicable to transactions other than those subject to the reduced VAT rates mentioned above

Corporation Income Tax and Withholding Tax

Residency is the key of determining corporation taxation. Under territoriality rules relating to corporate tax, companies, whether resident in Morocco or not, are subject to corporate tax on all profits or income relating to goods or property they own, activities they perform or profit-making transactions they carry out in Morocco, even when these are occasional nature, or which the right of taxation is attributed to Morocco by virtue of a double tax treaty.

Also, non-resident entities receiving remunerations such as royalties, interest or other payments for work performed or services rendered to their permanent establishment in Morocco or branches or entities domiciled or performing activities in Morocco are taxed generally through withholding tax.

The normal corporate tax rate is 30% (37% for banks and insurance companies). It is 15% for companies with an annual turnover not exceeding MAD 3 million.

The withholding tax rate is 10% maximum on the distribution of dividends to non-resident shareholders and after tax profits to the branch's head office.

Thus, total tax burden is 37% (30%+0.7*10%) (43.3% for banks and insurance companies), though some double tax treaties signed by Morocco can reduce the withholding tax rate.

Taxable income is determined on the basis of financial statements obtained according to the generally accept Moroccan principles, with some adjustments relating to fiscal law.

It should be note that a minimum levy is also required by the fiscal law.

The minimum levy in general may not be less than 0.5% of the sales with a minimum of MAD 1,500

However, the entity will not subject to its levy during the first 36 months following the commencement of operations.

Tax losses arising from normal business activities of the enterprise are deductible. Losses may be carried forward four years.

Income Tax

Individuals who are tax residents in Morocco are liable for income tax on all their income derived in Morocco. Income tax is calculated by applying a progressive tax rate to the taxable income base. As a general rule, all types of remuneration and benefits received by an employee for services rendered are considered taxable income.

Each month, the Moroccan employer has to withhold and pay income tax to the Treasury on every payment to the employee.

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 payment must 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 the Moroccan taxable entities (or branches), and their related foreign entities or head offices are also subject to the transfer pricing rules.

Foreign tax relief

Considering that 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.

Withholding tax

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

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

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

Professional Tax

Professional tax applies to individual or legal entities, either Moroccan or non-Moroccan, which carry on professional activity in the kingdom. Professional tax is determined on the basis of the gross rental value of the premises using leases and rent contracts, by comparison or direct appreciation performed by the tax authorities. There is a tax exemption for the first five years since the start of the activities.

Property Tax

Property tax applies to building used by their owners for primary or secondary residence or made freely available to their spouses, children and relatives for use. The tax is calculated annually by applying the property tax rate to the rental value of the building. New buildings acquired as a primary residence are exempt from property tax during the first five years and they also benefit from 75% reduction of the rental value thereafter.

Communal Tax

Communal tax applies to the land, buildings and equipment, and is levied on the rental value, as ascertained for professional tax or property tax as the case may be. The communal tax is established on the rental value at the rate of 10.5% for the buildings located in the vicinity of urban communes and delimited centers and 6.5% for the buildings located in the peripheral zones of urban communes.

Free Zones Tax System

Free Zones offer number of tax advantages such as:

- Exemption of taxes on dividends and partnership shares
- Corporate tax is 0% during the first five years and then a reduced rate of 8.75 % starting at the 6th year applies, for the next 20 years
- License Tax & Urban Tax : exempted during 15 years
- Exemption of all registration taxes and stamp duties
- Exemption of VAT and tax-free repatriation of foreign earnings

Double Taxation Treaties

Morocco has signed double tax treaties with 39 countries, including with the US, the majority of the European countries, many Middle Eastern countries, some East Asian countries and with some African countries.

Section 5: Employment

Morocco has also reformed many of its labor laws and clarified employment rules. The government is improving the country's pool of skilled labour by stepping up funding for public learning institutions that offer vocational training.

Contracts of Employment

There is an employment contract when a person committed to his work at the disposal of another, in obedience to which it is placed, on payment of a fee.

The parties are free to include in their contracts all the terms on which they reach agreement if those are compliant with the applicable laws.

The employment contract is concluded for an indefinite period, for a fixed term or for a specific job.

Rights During the Employment

Minimum Wage

Negotiated in April 2008, the increase of the minimum wage in Morocco came into force on 1st July 2009. The minimum wage is increased to MAD 10.64 for industry, trade and the free professions. It is MAD 55.12 per day in agriculture.

All workers should receive, in addition to their salary, a bonus of seniority:

- 5% of the gross salary after two years of continuous service or not in the same institution or with the same employer
- 10% after five years service
- 15% after 12 years of service
- 20% after 20 years of service
- 25% after 25 years of service

Working Time

The labor law allows the employee to work 44 hours per week for non-agricultural sector and 48 hours per week for the agricultural sector. Overtime is billed + 25% between 6pm to 9pm and + 50% between 9pm to 6am.

Annual Leave

- Employees aged under 18 years old: leave entitlements are of two days per month of work

- Employees aged over 18 years old: leave entitlements are of one day and half per month of work. The employee has the right to leave after six consecutive months of activity

One month of work corresponds to 26 days of actual work.

Social Security (CNSS)

Social security contributions are payable by the employer and employee on the employee's wages. The standard rates concern four parts:

- Family allowances (imposed only on the employer) at the rate of 6.4% on gross salary without ceiling
- Social benefits (imposed on both employee and employer) at the rate of 4.29% for the employee and the rate of 8.6% for the employer on the gross salary with an annual ceiling of MAD 72,000
- Health care (imposed on both employer and employee) at the rate of 2% for employee and the rate of 3.5% for the employer based on the gross salary without ceiling
- Vocation training (imposed only on the employer) at the rate of 1.6% on gross salary without ceiling

The social security contributions are withheld by the local employer on a monthly basis.

Foreign Employment

Legally, employers must attempt to recruit Moroccan staff before looking beyond this to the rest of the world.

To obtain a work contract, the employer has to ask the ministry of employment for the authorisation to hire a foreigner and register the contract established according to the typical model provided by the ministry of employment. The work contract must be certified by the service in charge migrants' employment belonging to the Department of employment in the Moroccan Ministry of Employment.

For the first application, the permission to work is generally for a duration of one year. It can be then renewed for duration of one or two years at the request of the employer. Any modification brought to the object of the contract must be necessarily indicated to the competent services in the Ministry of employment (working conditions, contract duration etc.).

Section 6: Auditing and Accounting

Auditing

The status of the auditor has been redefined by the companies law of 1999.

The auditor's report must state whether the financial statements have been properly prepared in accordance with the provisions of the Companies' Law and whether they give a true and fair view.

Audit is required for all public limited companies, listed companies, banks and insurances and for all other companies with an annual turnover over than MAD 50 million.

In Morocco, company audit must be done by a statutory auditor appointed during the Annual General Meeting. The statutory auditor must belong necessarily to the Chartered Accountants Association.

For some companies (listed, public, banking, credit institute, insurance...) audit must be lead by two statutory auditors.

Appointed auditors are required to comply with the Ethical Standards established by the chartered accountant Institute.

These are designed to preserve the position of independence for the auditors by identifying potential threats to their independence and a series of safeguards that may be applied to address those safeguards.

It requires the auditor to carry out his work freely and in an objective manner.

The purpose of an audit is to enhance the credibility of financial statements by providing written reasonable assurance from an independent source that they present a true and fair view in accordance with an accounting standard. This objective will not be met if users of the audit report believe that the auditor may have been influenced by other parties, more specifically company managers and/or directors or by conflicting interests (e.g. if the auditor owns shares in the company to be audited). In addition to technical competence, auditor independence is the most important factor in establishing the credibility of the audit opinion.

In general, these standards are broadly comparable with other regimes around the world.

Accounting

Morocco's accounting and auditing framework is inspired by International Accounting Standards (IAS).

The structure of accounts in Morocco is drawn on the French model.

The accounting law requires that any merchant have to establish financial statement at the end of each financial year.

Financial statements consist of a profit and loss account, a statement of recognised gains and losses, a balance sheet, a cashflow statement and related notes. The financial statements are usually required to be filed within three months of the end of the financial period.

There are penalties for late filing.

Summary reports include:

- The balance sheet
- The profit and loss account
- Usefulness and limitations of income statement
- The cash flow statement
- The additional information report

They form an integral whole, however, there are some exemptions:

Persons subject to this law whose annual turnover is less than or equal to MAD 10 million are exempted from the establishment of the usefulness and limitations of income statement, the cash flow statement and the additional information report.

When the conditions for a cessation of activity in whole or in part are met, the taxpayer can prepare its synthesis by methods different from those prescribed by this law.

If, the application of an accounting requirement of this law does not give an accurate picture of assets and liabilities, financial position or results, a company may be exempted. This exemption should be mentioned in additional the information report.

Section 7: Capital Market

The Casablanca Stock Exchange

The Casablanca Stock Exchange was established as long ago as 1929. At that time, it was known as the "Office de Compensation des Valeurs Mobilières" (Office for Clearing of Transferable Securities).

The growing importance of the securities market and the introduction of foreign exchange controls prompted the authorities at that time to improve and regulate the Stock Exchange's organisation and operations.

The market's organisational shortcomings hindered however its attractiveness at a time when domestic investors showed a growing interest in stock market investment. To overcome such shortcomings, reforms were undertaken in 1967, providing Morocco's financial markets with a well-organized legal and technical framework.

Following these reforms, in 1986, Morocco embarked on a Structural Adjustment Program which was completed ten years later. This Program enabled Morocco to consolidate its fundamentals and successfully bring under control its high level of debt and inflation.

Seven years later, in 1993, another major set of market reforms was undertaken to complement and enhance previous measures.

The aim of such reforms was to substantially modernize the market.

In order to increase market transparency, the obligation to publish accounting and financial statements for listed companies went into force in 1993. The refusal of ten companies to comply with these new measures resulted in their de-listing.

In January 1997, further improvements were made to stock market organisation.

Since then, the Casablanca Stock Exchange has been rejuvenated.

Actually, Casablanca stock exchange is the second biggest in Africa, following Johannesburg.

Section 8: Intellectual Property Right

Morocco is truly a “business-friendly” environment. Its strong Intellectual Property Rights (IPR) legislation, promotion of economic reforms, expanding privatization program, and willingness to build long-term trade and investment ties make it an excellent venue for locating operations to penetrate regional markets.

Industrial Property Right (IPR), Law No. 17-97, came into force on 2000 covers patents, industrial designs, marks, appellation of origin, geographical indications, Layout designs (topographies) of integrated circuits, control of anti-competitive practice in contractual licensing enforcement.

Section 9: Living in Morocco

Visa

Working in Morocco entails certain steps and formalities for the employer and the employee. Entry into the Moroccan territory is subject, generally, to the submission of an entry visa or any other validity document, recognised by the Moroccan State as a travel document. The travel documents of foreign nationals whose countries are subject to visa formality need to have due visas to accede to Morocco, delivered by the Moroccan authorities.

Visas are delivered to foreigners subject to this formality, after paying the fees, upon the presentation of the following documents:

- Visa application form duly filled
- ID card and resident's permit
- Valid Passport
- Three passport photos

Moving to Morocco

Personal belongings and furniture are exempt from import duty if they were acquired more than six months before admission to Morocco. House moving shall be conducted within a maximum of six months following the arrival of the expatriate.

Papers required:

- Three global non detailed inventories dated and signed stating: name, nationality, address of departure and delivery in Morocco, a detailed list of furniture, articles and appliances
- Certificate of residence change in duplicate, issued by a local authority in the place of departure (or sworn notarized statement)
- Copy of the employment contract or deposit receipt of the contract request
- Photocopy of the passport.
- Customs clearance will be conducted by the local clearing agent

Financial transactions

The money received from abroad should pass through an account in convertible dirham which ensures convertibility regime for foreign investors. This account allows investment operations in Morocco and guarantees the transfer of proceeds of the investment as well as the repatriation of the proceeds and the gain of a possible resale.

It is recommended to open the account in convertible dirham upon arrival in Morocco in order to rapidly have the sums needed for notarial transactions. It is possible to feed a Moroccan account from abroad by SWIFT.

Schooling

Morocco attaches utmost importance to the education system as a development means of human minds and qualities. The focus is on improving the quality of education, equal access opportunities between the two sexes and higher level of education. The goal is to provide an education that builds a modern, open and democratic society.

Foreign education is present in Morocco through cultural cooperation agreements signed with countries like France, Spain, the United States of America, Turkey and Saudi Arabia. It includes a network of educational institutions installed in the main cities of Morocco.

Section 10: About RSM International/ About RSM in Morocco

RSM International is a global network of independently owned and managed professional service firms, united by a common methodology and desire to provide the highest quality of services to their clients.

The network is the 6th largest worldwide, with over 700 offices in over 80 countries, and employing more than 32,500 people.

RSM International is divided regionally. Morocco is part of the Africa region.

About RSM in Morocco

Acconcil, a member firm of RSM International, was established in 2001 by current managing partner, Tarik Bouziane. It is today one of the leading auditing, accounting and consulting firms in Morocco, offering a wide range of services to local and international clients.

The firm has more than 25 highly qualified personal who have strong values, such as quality, excellence, integrity and ethics. The professionals in the firm unite their skills and expertise to assist and advise clients in each of their projects in order to help their clients to achieve their business goals and ambitions.

Acconcil services include audit and assurance, tax, risk management, transaction advisory and corporate advisory. In addition, we can also assist clients with their accounting.

Morocco is a key region in the world economy and Acconcil is ideally placed to assist clients, whether it is in the development of new opportunities or in meeting clients existing business requirements.

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