

Doing Business in Morocco



BDO 50 YEARS
DELIVERING EXCEPTIONAL CLIENT SERVICE WORLDWIDE

BDO

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Key indicators

Country profile

Situation

- **Geographical area** : North Africa at 14 km from Spain
- **Area** : 711 KKM2
- **The longest coastline in Africa**: Atlantic ocean & Mediterranean Sea (500 km)
- **Capital**: Rabat/ **Economic capital**: Casablanca/ **Many important ports** (Tangier, Casablanca, Agadir)



Population

- **Population** : 33,8 millions
- **Urban population**: 60%
- **Working population** : 11,67 millions
- **Unemployment**: 10%
- **Life expectancy**: 74,8 years Men : 73,9 years; Women: 75,6 years
- **Fertility rate** : 2,19 children per woman
- **GDP per head** : 2871,51\$/year
- **Poverty rate**: 9%
- **Enrolment rate (for 10 years old children and more)** : 57%

Language & currency

- **Official languages**: Arabic, Berber
- **Convoyed languages**: French, English, Spanish
- **Currency**: 1 euro ~ 11 DH

Key indicators

Country profile

- **Emerging Financial market** (74 listed companies). In 2014, Casablanca financial market has been included in the Global Financial Center Index as the 33rd financial market in the world and the 1st in Africa.
- **Global businesses:** Tourism, off shoring, food processing industry, automotive industry, solar energy ...
- **Closeness to European market:** 14 kilometers
- **European Union: 1st trading partner (both customer and supplier)**
- Then the major following suppliers are China, USA and Kingdom of Saudi Arabia. The most important customers, after EU, are India and USA
- **74% of world's reserves and first exporter of phosphate in the world**
- **Coastline of Thousands of Kilometers with fauna-rich marine waters.**
- **Has some of the most developed infrastructures among African countries**
- **One of the most politically stable countries in AFRICA**
- **Morocco is known for it's cultural openness and its nice weather.**



The Moroccan economy

- The economic system defines itself through a large opening towards the outside.
- Morocco has ratified with its principal economic actors more Free Trade Agreements:
 - ❑ The free trade agreement with the European Union (EU) with the objective of integrating the European Free Trade Area by 2012.
 - ❑ Agadir Agreement, signed with Egypt, Jordan, and Tunisia, within the framework of the implementation of the Arab Free Trade Area.
 - ❑ The free trade agreement with the United Arab Emirates.
 - ❑ The free trade agreement with Turkey.
 - ❑ The free trade agreement with the United States effective from January 1st 2006 onwards.
 - ❑ The free trade agreement with the Greater Arab Zone, the GAFTA (the Great African Free Trade Area) provides complete elimination of tariffs between the signatories of the Agreement (Morocco, Tunisia, Libya, Egypt, Lebanon, Syria, Palestine, Jordan, Iraq, Kuwait, Saudi Arabia, UAE, Oman, Qatar, Bahrain and Yemen)

In 2014, the international rating agency Standard & Poor's (S & P) announced an improvement of outlook of the Moroccan note. If the long-term rating remains BBB-, outlook in turn, pass from negative to stable.

S & P justifies the stable outlook by the many reforms undertaken by Morocco, including improved fiscal and external deficits.

The scoring is supported by the macroeconomic management of the country, which has always focused on stability. according to S & P, strong economic growth compared to its peers, low inflation, indebtedness, moderate external and public debt.

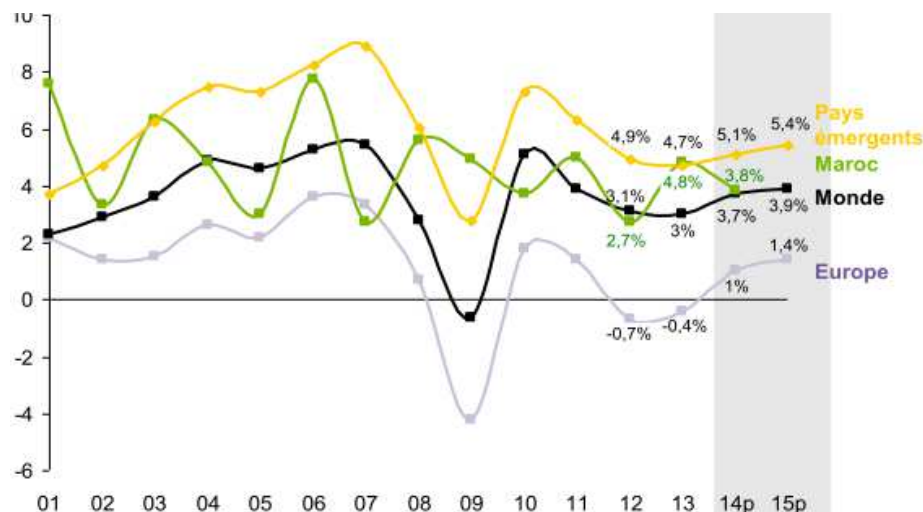
Key indicators

Macroeconomic indicators

Macroeconomic indicators	2013	2014	2015
GDP growth (%)	4,6	1,8	4,4
Trade balance (Deficit % PIB)	-13,21	-12,01	
Inflation rate (%)	1,9	1,1	1,3
Foreign Direct Investments (Milliard MAD)	40	32,6	39
Unemployment rate (%)	9,2	9,9	10

Source: HCP

Comparative of past and projected GDP growth (2001-2015)



Source: FMI

▪ The GDP growth average rate is close to the level of emerging countries and higher than the European average

▪ Controlled inflation

▪ Second most attractive African country of FDI according to the study «African countries of the future 2013/2014» -*Financial Times*-

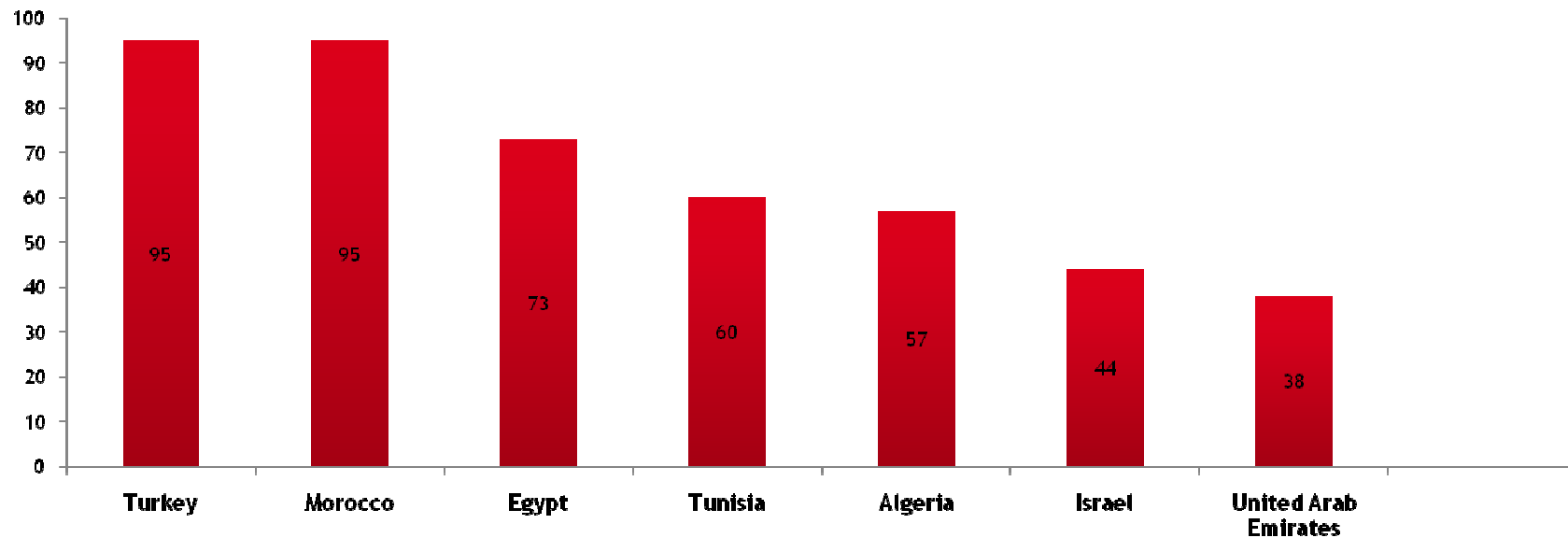
▪ In 2015, Standard & Poor's maintained Morocco in the « Investment » Grade with a sovereign rate of BBB- as a result of the optimistic projected growth perspectives, the lowering of government debt and the social and political stability of the kingdom.

▪ Rated , in North Africa as the first country in terms of prosperity and well-being and the second across the continent. (Source: *The Legatum Institute*)

Key indicators

Moroccan economy

Growth of GDP per head between 2012 and 2022 (%) - Source: IHS Global Insight, Euler Hermes 2013



- Despite the global crisis, Morocco was able to resist the wave of impacts it has created thanks to both macroeconomic stability and soundness of the financial sector. (source of the macroeconomic figures: finances.gov.ma).
- The economic growth rate in 2015 is expected to be 4,3% according to HCP & 4,6% according to the EBRD.
- The medium-term outlook for the Moroccan economic growth at horizon 2022 is more optimistic.

Infrastructures

Motorways network

The motorway frame is 1,773 km long (August 2016). Morocco has for ambition, as part of its "Road Map for 2035" to build 3,400 kilometers of highways and 2,100 kilometers expressways

It is the second largest in the African network.

Railway

Leader in Africa in terms of rail infrastructure with the first position on the continent (2120 km), and passes to the 33rd position globally, surpassing countries such as Norway, Brazil, Turkey or Australia. (Davos Report 2015/2016)

Morocco is the first African country to adopt a high-speed train (TGV) which will cover initially Casablanca-Tangier and Casablanca, Fes, Taza and Oujda by 2035.

Airport network

Morocco has 18 international airports including Casablanca's which is the country's largest and one of the largest in Africa.

Moroccan airports handled 17,3 million passengers in 2014.

The number of airlines operating in Morocco (winter 2013/2014) has doubled since 2003: 44 companies compared to 22 in 2003.

Royal Air Maroc Group, the most important Moroccan airlines and the second in Africa.

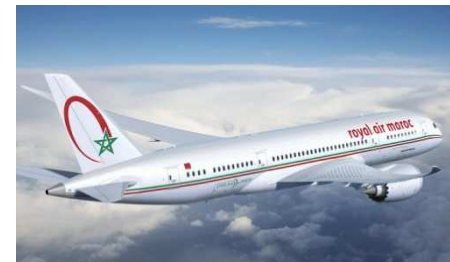
Morocco is nowadays connected with 51 countries and 113 airports via regular lines, compared to 2003 when the numbers were 29 countries and 43 airports.

Harbor Infrastructures

As of 2007, Tanger-Med outperforms the port of Casablanca.

Tanger-Med is located 14 kilometers from Spain. This harbor handled 1.8 million containers in 2012 (8 millions expected in 2016).

Since 2011, Morocco moved from the 78th to 17th position in maritime connectivity and became the first country in Africa (UNCTAD report).

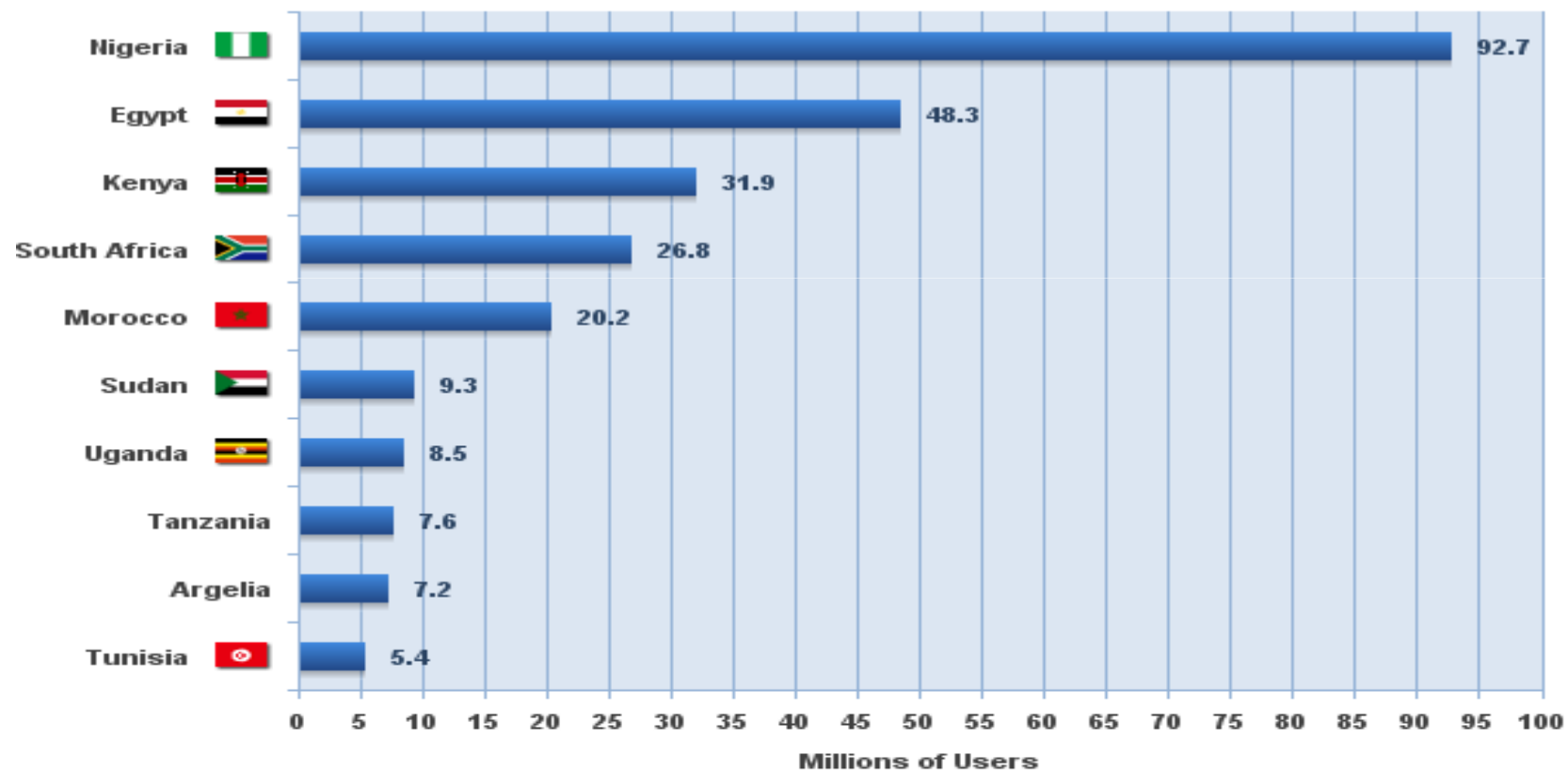


Infrastructures

Telecoms and internet

The telecommunications sector contributes up to 10% of the annual GDP, major recipient of FDI.

Africa Top 10 Internet Countries November 2015



Source: Internet World Stats - www.internetworldstats.com/stats1.htm
330,965,359 Internet Users in Africa estimated for November 30, 2015
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Major lines of development in Morocco



« Plan Azure »

- Strengthening of touristic attractiveness
- Construction of 6 luxurious sea resorts + Human resources training
- Primary goal (achieved) : hosting 10 millions tourists

« Plan Emergence »

Sectorial focused strategies to improve kingdom's exportations:

- Development of new Global businesses in Morocco such as: offshoring, renewable energies ...
- Establishment of industrial platforms: Export Processing Zones (EPZ)
- Empowerment and modernization of Moroccan industry branches including traditional manufactures



« Plan Maroc Vert »

Plan conceived to modernize and industrialize the Moroccan agriculture in order to reduce the dependence of its outputs on weather.

Infrastructures development

Among the most developed in Africa: 15 international airports, 27 ports including the newest Tanger Med, 2nd motorway frame in Africa, 2120 km of railway and the first African country that will develop a high-speed line (TGV), 70 logistics platforms etc.



Major lines of development

Morocco as economic and financial in Africa

According to its relative strengths, Morocco is actually considered as an African hub for foreign investments, and seen as a favorite platform to reach and invest in African markets, especially those of west and central Africa.

- Maroc Telecom has acquired business licenses of historical telecoms operators in Mauritania, Burkina, Gabon and Mali
- AWB, BMCE et BP has been implanted in major area of « EUMOA »
- « Saham group » and « Anas Seffrioui »

Historical partner

- Morocco is an African country
- Militated in favor of African solidarity and cohesion since 1960 in the reign of Mohamed V
- Many royal delegations have established and developed important business partnerships.
- Many agreements signed with other African countries (tax treaties, Free Trading Agreement- FTA still being negotiated with UEMOA and CEMAC).
- Hosting many francophone African students
- Immigration of Moroccan people to Senegal

Well known Moroccan private sector

- Strong Moroccan companies in many branches: Banking, Insurance, Telecom, cement industry has been developed thanks to external growth strategies





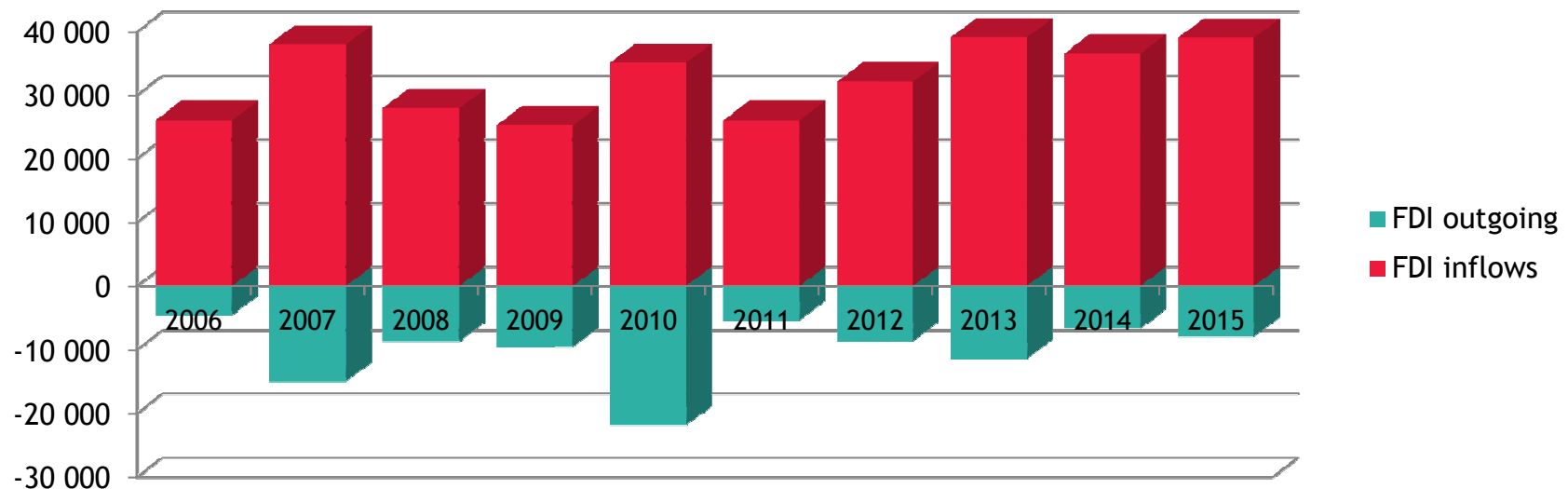
Comparative advantages of Morocco

- Due to its strategic location between Europe, West Asia and Africa, Morocco is the gateway to sub-Saharan Africa.
- Taking advantage of its proximity, Morocco has already concluded several bilateral agreements with various countries of sub-Saharan Africa. The market share of Moroccan goods in sub-Saharan Africa has more than doubled in 10 years, going from 0.23% in 2003 to 0.48% in 2013;
- This merger will enable the country to benefit from a low cost of labor as well as low cost products (such as the production of agricultural inputs);
- The market for final consumption in Africa is still underexploited, the demand is nevertheless important. As such, agribusiness is a good example of the adaptability of Moroccan products with preferences observed in African markets;
- Morocco has made between 2003 and 2013 an annual average growth of 18% on exports to the countries of the continent;

Attractiveness of Direct Investment

Morocco is an attractive country for foreign investors. The publication of the "World Investment Report 2015" by UNCTAD noted that thanks to its political stability and its aggressive policy in order to attract investment, the kingdom posted an excellent performance. In 2015, net FDI flows reached 3,6 \$ MM a 8,6% increase compared to 2014. Morocco has accounted for 33% of FDI flows to North Africa against 10% in 2010 and 6% of FDI towards the African continent. Despite a bleak international economic context, a comparative evolution of FDI flows positions the kingdom ahead of other countries in the North African area.

IDE evolution over the period of 2006-2015 (Billion Dh)

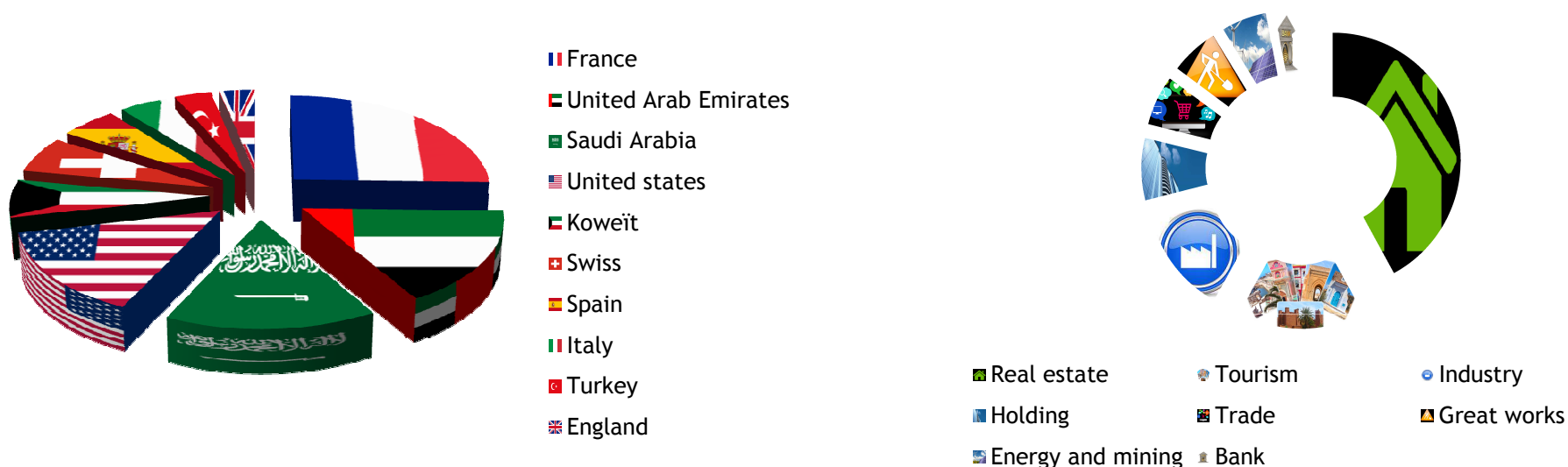


Source: office des changes

Incentives for foreign investors

Distribution of FDI by country of origin and by sector in 2014

2014,in %



Source : Agence Marocaine de Développement des Investissements

- Europe remains the largest regional group of investors in Morocco.
- France represents 21% of FDI.
- Morocco is the second destination of French FDI after China.
- Since 2007, investment from the Arab countries increased sharply, especially in the areas of tourism and real estate.

The advanced status: acknowledgment of the reforms initiated by Morocco

"Morocco is the first country in the South of the Mediterranean ocean to benefit from the advanced status in its relations with the EU. " **Benita Ferrero-Waldner**, European Commissioner for External Relations and European Neighborhood Policy.

In economic terms, this status includes the "establishment of a common economic space" based on the rules applicable in the European Economic Area.



Contributions of the new Moroccan constitution

Voted on July 2011 as part of a national referendum, the new constitution aims at providing a step forward in the course of development of the country and meet the requirements of democratic and socio-economic progress.

- The main changes brought by this constitution are as follows:
- The clinging to the long lasting fundamentals of the Moroccan nation, whose leader is responsible of ensuring the sustainability and continuity by guaranteeing the protection of the faith and the faithful, and the free exercise of religion.
- The desire to strengthen and consecrate the attributes and mechanisms induced by the parliamentary nature of the Moroccan political system through a separation of powers and clarifying their respective responsibilities.
- The executive will be appointed within the party winning the elections of the House of Representatives, marking the emergence of a government elected by direct universal suffrage.
- The inclusion within the constitution of all the human rights as they are universally acknowledged. Similarly it will discuss the democratic emergence of the executive branch led by the Head of Government.

Legal: The main types of companies

<u>Corporations types</u>	<u>Definition</u>	<u>Main characteristics</u>
The corporation (SA)	« The corporation » has the status of commercial company	<ul style="list-style-type: none"> - Minimum of five shareholders. - The minimum share capital for non listed corporations is 300 KMAD, and 3 000 KMAD for listed corporations. - the minimum of stock's nominal value for non listed corporations is 50 DH, versus 10 DH for the listed ones. - The quarter of monetary capital nominal value should be paid-up at the first subscription , when the non-monetary capital should be transferred to ownership's company once it's created. - Management: Board of directors or supervisory board - Control: statutory auditor appointed for 3 years
Limited liability company (LLC)	With it's status of commercial company, « LLC » is an hybrid company's type where the responsibility of the partners is limited to their contribution to the capital, but it includes some characteristics of partnerships companies.	<ul style="list-style-type: none"> - One person can create the company with a limit of 50 MMAD VAT excluded. -The maximum number of partners can not exceed (50) • The share capital may not be less than 1 DH • Possibility of contributions in kind • Management: may be performed by one or more individuals , responsible individually or jointly screws third parties. • The management control of the company is entrusted to one or more auditors. <p>This optional control becomes mandatory if the turnover > 50 million DH;</p>

Legal: The main types of companies

<u>Corporations types</u>	<u>Definition</u>	<u>Main characteristics</u>
Company limited by shares (SCA)	The capital of such companies type is shared by stocks between many PARTNERS (commandités) , with status as « traders » and non-limited liabilities and other SHAREHOLDERS (commanditaires) with limited liabilities to their contribution to the firm's capital.	<ul style="list-style-type: none"> • Minimum of 3 shareholders. • Managers are appointed by the memorandum and articles of association. They carry out the set up formalities. • Managers are appointed by the Ordinary General Meeting of shareholders with unanimous consent of PARTNERS. • The Supervisory Board frequently monitors the management of the company. It has almost the same prerogatives as auditors.
Simplified limited company (SAS)	The aim of establishing companies of this type BY TWO OTHER COMPANIES is creating or managing a common subsidiary, or creating a new firm in order to make it a parent company for both of them.	<ul style="list-style-type: none"> • Members : corporations (SA) of which share capital exceeds 2 million MAD. • The share capital must be paid in full upon the sign off of the memorandum and articles of association. • The company cannot initiate a public offering

Legal: The main types of companies

<u>Partnership companies</u>	<u>Definition</u>	<u>Main characteristics</u>
Company in collective name (SNC)	Every partner in companies in collective name has the status of « trader » with non-limited liabilities.	<ul style="list-style-type: none"> • All partners are managers. • The majority of partners can appoint one or several statutory auditors • Social shares: nominative and cannot be disposed of without prior unanimous consent • The company ends with the death of a partner except contrary statutory provisions.
The participative corporation	Such structure does not have a moral self, it only exists in the relationship between its partners.	<ul style="list-style-type: none"> • It is not destined to be known to third party. • If the participants act as partners, they are liable towards third parties as partners with several liability.
Simple partnership (SCS)	In this type, the capital is shared by two categories of shareholders: PARTNERS (commandités) , with status as « traders » and non-limited liabilities and other SHAREHOLDERS (commanditaires) with limited liabilities to their contribution to the firm's capital.	<ul style="list-style-type: none"> • The general partners are jointly and severally liable for the debts. • The limited partners are liable for corporate debts only to the extent of their contribution. • The limited partner cannot in any case carry out an act of management committing the company towards third party, even by proxy. • The company will go on existing despite the limited's partner demise.

Main disposals of the Moroccan taxation

Corporate tax (CT)

- Common law:

Proportional scale according to profit slices for companies eligible for this tax which is calculated as follows :

- 10% for profits less than or equal to 300,000 dirhams
- 20% for profits from 300,001 to 1,000,000 dirhams
- 30% for profits from 1,000,001 to 5,000,000 dirhams
- 31% for profits exceeding 5 million dirhams

, Exemption from the minimum contribution for the first thirty-six months of activity

- Banks and insurance: 37%
- Export: total exemption for the first 5 years, then the reduced rate of 17.5%
- Companies producing less than or equal to three hundred thousand tax gain (300,000) MAD benefit from a reduced tax rate set at 10%
- Special status for both duty free and offshore zones.

VAT

- Common law: 20%
- Discount rate: 7% (some staples), 10% and 14%

Income Tax

- Progressive tax
- Marginal rate: 38% (income tax withholding for employees)

Main disposals of the Moroccan taxation

Exceptional social solidarity contribution on corporate profits

- For companies where net income is equal to or greater than fifteen million (15,000,000)
- progressive tax
- Marginal rate: 2%
- This contribution will end on 31 December 2015

Registration fees

- Creation or capital increase: 1% with a minimum of 1000 MAD
- Are recorded in the fixed fee of one thousand (1,000) MAD , Set ups and capital increases of companies or economic interest groupings , made by outright contributions as when the subscribed capital does not exceed five hundred thousand (500,000) MAD

Natural persons shall, between 1 January 2014 and 31 December 2016, the contribution of all equity securities they hold in a resident holding company subject to corporation tax, are not taxable under net of the capital gain realized following said intake

Main disposals of the Moroccan taxation

•Others

- Exemption from business tax for the first five years.
- Taxation of withholding tax at a rate of 10% on services purchased abroad.
- Foreign Investment Protection and the free transfer of the foreign exchange capital and income without any limit.
- Individuals who shall, between January 1st 2014 and December 31st 2016 , integrate all equity instruments they hold in a tax resident and liable to CT holding company are not taxable on the capital gains.
- From January 1st 2015, companies can now ask the Tax Administration to conclude a preliminary agreement about the method of pricing of transactions with companies outside of Morocco for a period not exceeding four years.
- Introduction of a new tax exemption on income on the gross monthly salary capped at 10,000 DH for a period of 24 months from the date of recruitment, paid by companies or associations created during the period from January 1st 2015 to December 31st 2019, within 5 employees.
- This exemption is granted when:
 - The employee is recruited under an employment contract of indefinite duration.
 - Recruitment is carried out in the first 2 years of the creation of the company.
- Similarly, the state will take over for a period of 24 months, the contributions of CNSS and vocational training tax for such recru
- Natural persons that proceed, between first January 2014 and 31st December 2015, to the contribution of their equity shares to a Resident Holding Company subject to corporate Tax, are not taxable on the net realized gain on capital.

Social indicators

•Minimum wage and hourly

Gross minimum wage: 13,46 MAD per hour is 2 570,86 MAD per month
44 hours a week with a minimum of a 1 day rest
Services sector : average of 40 hours

•Vocational training

Refund of up to 70 per cent of the costs

•Right to strike

Governed by the Labor Code

•Works Council

Compulsory from 50 employees

Staff representative

. Compulsory from 10 employees: a delegate and an alternate delegate should be nominated

•Health and safety committee

Mandatory from 50 employees

•Compulsory health insurance

Compulsory Medical Insurance : 3.50% of gross salary

•Minimum social contributions (excluding work accident)

16.6% of the gross salary with 8.60% capped at 6 000 MAD per month

•Bank holidays

13 days including 4 related to the lunar calendar

Specific hosting platforms for investors

Casablanca Finance City (CFC)

- CFC is one of the most important Moroccan initiatives to position itself as a continental hub for foreign investments.
- Specific Tax and legal status with dedicated real estate offer, adapted infrastructures and regulatory system, qualified human resources and other associated services.

- This offer concerns:

-Financial institutions (banking companies, insurance and reinsurance companies, insurance and reinsurance brokerage firms, asset management companies and other service providers associated to such activities) .

-Regional headquarters of multinational companies .

-Associated service providers (financial rating, financial research, news and recent trends providers, auditing, tax, legal, financial, strategic, actuarial and human resources consulting companies)

-Holdings

Tax advantages: 0% of « IS- Corporate tax/Tax on profits » for the first five years then it will be paid at a rate of 8,75% / « IR- Tax on incomes » at a rate of 20% during five years.

Legal easing especially about currency regulation.

Complete freedom of foreign assets management

-Relaxing administrative processes associated to transfer of remunerations in foreign currencies relative to various operations between parent companies and their subsidiaries.

-Full freedom of opening bank accountants in foreign currencies and accounts in convertible dirhams.



Specific hosting platforms for investors

Export Processing Zones (EPZ)

- EPZ's are among the pioneers of the Moroccan strategy to attract foreign investments in order to empower export focused activities. In addition to Tangier Free Zone, Morocco has established Atlantic Free Zone near to Kenitra and Oujda Free Zone in the area of the kingdom's East;
- EPZ's offer to the companies located in the area a specific legal regulatory, especially in terms of exchange and customs regimes:
- EPZ's activities are considered as, conditionally, free from some provisions of custom's legislation and regulatory and other provisions in terms of external trade and exchange control.
 - Full freedom of currencies exchange for commercial, industrial or services providing activities between EPZ's established companies and foreign firms.
 - Payments due to concluded operations within EPZ's can be done in foreign convertible currencies.
- Tax advantages: Relief of registration fees for land acquiring/ relief of tax on profits/ of « TVA- Tax on added value »/ of « TP-Business Tax ».



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