

**Chandrawat
& Partners**

Doing Business in Morocco

A comprehensive guide on doing business



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Introduction

Morocco is a region in the middle east and North Africa with a population of 37,840,044. The country ranks 24th in paying taxes, 60th in enforcing contracts and 73rd in resolving insolvency. Morocco is a significant market opportunity for foreign companies and investors for many reasons. Morocco's strategic trading location, large consumer class, potent economic growth, make this North African nation very attractive to investors.

Morocco has made an incredible leap in the World Bank's 2019 Doing Business index, ranking 60 out of 190 economies. This main improvement attracted the attention of the private sector, drawing even more foreign cash into the kingdom.

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 have 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.



Economic overview

Significant social and economic progress have been achieved over the last two decades, due to large public investments and structural reforms. The Moroccan economy remains heavily dependent on the export of raw materials. Modern sectors like tourism and telecommunications are of growing importance to the economy.

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

The government published its three-year budget plan as part of the 2023 Budget, which envisages a continued reduction of the deficit to closer to pre-pandemic levels (projected at 5.2% of GDP this year and 4.5% in 2024). The debt-to-GDP ratio has been increasing in recent years, reaching 70.3% in 2022 and is expected to remain stable. The unemployment rate has been declining in recent years and averaged 11.1% in 2022. For 2023 and 2024, the IMF expects it to further decrease to 10.7% and 10.2%, respectively.



Foreign direct investment policy



Morocco has been one of the preferred targets of Foreign Direct Investment, in the MENA (Middle East and North African) countries. According to United Nations Conference on Trade & Development ("UNCTAD's") World Investment Report 2022, FDI flows to Morocco reached USD 2.1 billion in 2021. After the positive results of the Industrial Acceleration Plan 2014-2020, a vast project of economic modernization to attract more FDI, the second phase for 2021-2025 was launched by the government which focused mainly on the integration of small and medium enterprises and by placing industry at the heart of technological transformations.

Morocco's FDI profile is quite diversified, with a consolidated presence of some large multinationals in manufacturing industries, including automotive, aerospace and textiles.

- Foreign investment in Morocco can take the following forms:
- The Establishment of companies;
- Participating in the capital increase of a company;
- The establishment of a branch or a representation office;
- The acquisition of financial instruments;
- Supply the current account of partners in cash or trade receivables;
- Granting of loans;
- Acquisition of real estate or rights of use regarding these properties;
- The fulfillment of construction activities and/or real estate development;
- Term deposits to a bank.



Real estate activities



Manufacturing industries



Finance and insurance activities



Top 5 sectors receiving highest FDI Equity Inflow during FY 2022-23 are Services Sector (Fin., Banking, Insurance, Non Fin/ Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis, Other) (16%), Computer Software & Hardware (15%), Trading (6%), Telecommunications (6%) and Automobile Industry (5%).



Key sectors

The main industries in Morocco are renewable energy, aeronautics and the automotive industry and electronics which have made significant strides over the past decade, in addition to the offshoring sector, textile, food processing, pharmaceutical industry and mining. A new industrial policy, known as the Industrial Acceleration Plan was introduced with the aim to bring the sector's contribution to the GDP from its current 14% to 23% by 2030.



Renewable energy



Automotive manufacturing



Offshoring



Agriculture



Construction & real estate

A few key sectors in Morocco are-

Renewable energies

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

Automotive manufacturing

The automotive sector has experienced strong development over the last five years. The proposed EUR1 billion investment would eventually create around 36,000 direct and indirect jobs and contribute to and accelerate the automotive industry in Morocco. The automotive sector is going to witness opportunities over the next decade.

Offshoring

Today, Morocco has entered the exclusive club of offshoring destinations recognized worldwide. Morocco's Offshoring sector presents a very important development opportunity 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. Offshoring has geographical proximity, an abundance of human resources and political stability in a democratic and peaceful country.

Agriculture

Agriculture is an essential sector in Morocco, employing a significant portion of the population and contributing to both domestic consumption and export. Key agricultural products include citrus fruits, olives, vegetables, cereals, and wine.

Construction and real estate

Morocco has witnessed significant construction and real estate development, driven by infrastructure projects, urbanization, and tourism. Major cities like Casablanca and Marrakesh have experienced substantial growth in commercial and residential properties.



Advantages

To facilitate foreign investment, the Moroccan government has created several Regional Investment Centers to minimize and accelerate administrative procedures. In 2014 and 2015, Morocco has come up with some reforms and strategies to attract more investors. A few advantages of doing business in Morocco are-

Strategic location

Morocco is strategically located at the crossroads of Europe, Africa, and the Middle East. Its proximity to major markets provides access to over one billion consumers in Europe, Africa, and the Arab world. This advantageous geographic location makes Morocco an attractive base for trade and investment.

Stable and favorable business environment

Morocco has implemented economic reforms and established a stable and investor-friendly business environment. The government has implemented measures to streamline bureaucracy, improve transparency, protect intellectual property rights, and facilitate foreign investment. The country's political stability and commitment to economic liberalization provide a solid foundation for business operations.

Competitive labor market

Morocco has a relatively young and skilled workforce. The labor market offers a diverse pool of talent across various sectors, including manufacturing, technology, and services. The labor costs in Morocco are generally lower compared to many European countries, making it cost-effective for businesses to operate and employ skilled workers.





Trade agreements and market access

Morocco has established trade agreements with several countries, including the European Union, the United States, and countries in Africa and the Arab world. These agreements provide preferential market access, reduce trade barriers, and promote the flow of goods and services. Companies operating in Morocco can benefit from these agreements to access a wider customer base and enjoy tariff concessions.

Infrastructure development

Morocco has made significant investments in infrastructure development, including transportation, logistics, and energy. The country has well-developed ports, airports, and road networks that facilitate trade and connectivity. Additionally, Morocco has been investing in renewable energy infrastructure, positioning itself as a regional leader in clean energy production.

Strong economic sectors

Morocco has developed strong sectors such as automotive, aerospace, textiles, and agribusiness. These sectors offer opportunities for collaboration, investment, and partnerships. The government has implemented sector-specific incentives to attract investment and promote the growth of these industries.



Government Support and Incentives

The Moroccan government provides various incentives and support programs to attract foreign investment. These include tax incentives, grants, and subsidies, especially for investments in priority sectors, export-oriented activities, and regions with high potential for development. Additionally, free trade zones and industrial parks offer additional benefits for companies looking to establish operations in Morocco.

Business incentives

Foreign companies starting a business in Morocco are eligible for financial assistance under the same conditions as Moroccan companies. This assistance is offered as an incentive to encourage regional development and to avoid over-industrialization in certain areas. It is therefore essential for companies to choose the right location.

Restriction on ownership

There are no restrictions on foreign ownership, with the sole exception that foreigners cannot own agricultural land.



Types of businesses



Company

- Stock company
- Limited liability company
- Limited company with shares
- Private limited company



Partnerships

- General partnerships
- Limited partnerships
- Limited company with shares



Sole proprietorship

Company

Limited Liability Company

- The most common form of business structure is the limited liability company (S.A.R.L), referred to as a company. The shares in companies limit the liability of each shareholder to the investment and any amount uncalled on the shares.
- Limited liability companies 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 Moroccan Dirhams. This type of company has no corporate name but a trading 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 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 Moroccan Dirham.
- 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.

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.

Sole proprietorship

Foreigners may establish sole proprietorships in Morocco. 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.



Minimum eligibility criteria

- Minimum 1 shareholder (Individual/ Corporate Entity).
- Minimum 1 director.
- 100% local or foreign shareholding allowed.
- The firm should possess a registered business address in Morocco.
- The least share capital expected to register a Limited liability company in Morocco is 30,000 Moroccan Dirham
- The firm should obtain a tax identification number and comply with all relevant tax obligations.
- Foreign nationals may need to acquire a work license to function in Morocco.
- There is no requirement to be physically present at the time of company registration, but banks in Morocco require the physical presence of the company principals at the time of account opening as part of their due diligence procedure

Documents required to establish a Limited liability company in Morocco-

- Obtain 'Certificat Negatif' – This is obtained from the Regional Investment Centre to register a company name. This can be applied by the applicant in person or online. Cost for this process is MAD230 and takes about 1 day.
- Pay Stamp Duty – The applicant will need to pay the relevant stamp duty at any kiosk, bookstore or post office. This also takes 1 day and cost about MAD30.
- Register for patent tax, the Tribunal of Commerce, social security and taxation – The applicant can download a form at the website of the Regional Investment Centre (Center Regional d'Investissement (CRI)). Once the form is completed, it must be submitted in person at the CRI.

The CRI will centralize the following procedures –

- Deposit the bye laws and registration at the Tribunal of Commerce and the Company Registrar
- 'Patente' tax number which is a professional tax number
- 2 announcements in a legal journal and in an official bulletin
- Declaration of fiscal existence
- Social security affiliation
- Legalization of legal books



How to set up a business?

Procedure to set up a business-

1. Foreign companies have a choice between several legal form to carry out their activities in Morocco. The different types of companies in Morocco fall into three main categories:

- Partnerships: general partnership, limited partnership, and joint venture.
- Capital companies: private limited company, public limited company, simplified public limited company, and limited partnership with shares.
- Branch office

In practice, the most commonly used legal forms of companies in Morocco are the Limited Liability Company (SARL) and the Public Limited Company (SA).

2. Getting the negative certificate - The negative certificate is an administrative document issued by the Moroccan Office of Industrial and Commercial Property (OMPIC).

The application for the negative certificate is submitted online through the OMPIC website, and its validity period has recently been reduced to 90 days.

3. Any company in Morocco must have a registered office address. In this regard, Two options are available :

- Rent premises by signing a commercial lease agreement;
- Be domiciled in a business center.

4. Opening a business bank account- This procedure is mandatory for SAs and LLCs whose paid up capital exceeds MAD 100,000.

It involves opening a temporary bank account in a local bank where the company's share capital is transferred.

Once the transfer completed, the bank issues a certificate of capital freezing.





5. Signing of the articles of association - Drafting the company's articles of association is the most critical step in Morocco company formation.

6. Submission of the incorporation file to the regional investment centre (CRI)

The required documents by Morocco company registry (CRI) are the following:

- Negative certificate,
- Final articles of association,
- Single form of the CRI,
- Copies of ID cards or passports of the managers and representatives of the shareholders
- articles of association and trade register extract of the parent company, if applicable.

All the incorporation documents are then filed with the regional investment center (CRI) in the city where the company's registered office is located.

7. Legal advertising- Once the company is incorporated, the formalities of legal publication in a newspaper and the official bulletin must be completed.

8. Finalize business bank account setup

Once these steps are completed, the entire incorporation file is sent to the bank for the opening of a final business bank account.

Taxation

The Moroccan taxation system consists of direct and indirect taxes. The main national taxes are corporate income tax, personal income tax and value added tax.



Corporate Tax

The normal rate is 30%, with a 37% rate applying to leasing companies and credit institutions. It is 15% for companies with an annual turnover not exceeding MAD 3 million. 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 of 1500 MAD or 0.5% of the annual turnover. It 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.

Value-added tax ("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 materials 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.

Custom duty

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.

Employment and labor laws



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.

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 and one month of work corresponds to 26 days of actual work.



Accounting standards



Tax Year

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

Accounting Standards

- All banks and similar financial institutions need to file using IFRS Standards.
- All companies listed on the Casablanca Stock Exchange other than banks and similar financial institutions are required to choose between IFRSs and Moroccan GAAP.

Accounting Regulation Bodies

National Council of Accounting

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.

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

Employment Policies

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

Salary

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

Occupational accidents & Illness

Occupational accidents are accidents that take place as a result of work or during work and those that happen on the way to or back from work. The employer has to:

- Report any accident within 48 hours
- Provide the victim with a daily indemnity during his/her temporary incapacity to fulfil his/her job. This amounts to half of the salary during the 28 days that follow the accident and to two-thirds starting from the 29th day
- For cases of occupational illness, the victim benefits from the same advantages stipulated by the law on occupational accidents.

Work Inspection

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



How we can help?

Our team of professionals can conduct comprehensive market research to help businesses understand their target audience, industry trends, and potential competitors.

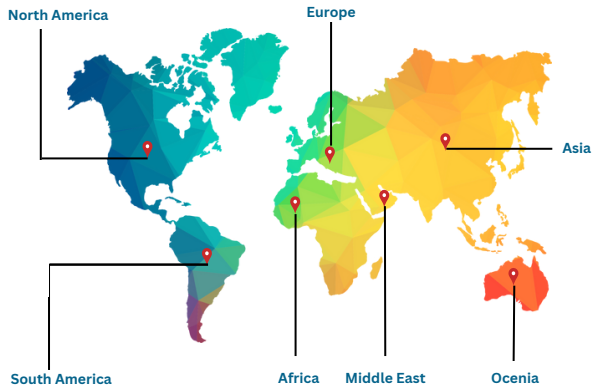
Our experts can help set clear objectives, outline actionable steps, and identify opportunities for growth and expansion.

Our team can conduct risk assessments to identify potential threats and vulnerabilities within a business. They can then recommend risk mitigation strategies to safeguard against adverse events.

Our team can investigate and identify any licenses, permissions or registrations required for the client's specific area or industry. The business assists with the application process and ensures that the organization complies with all legal criteria.



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