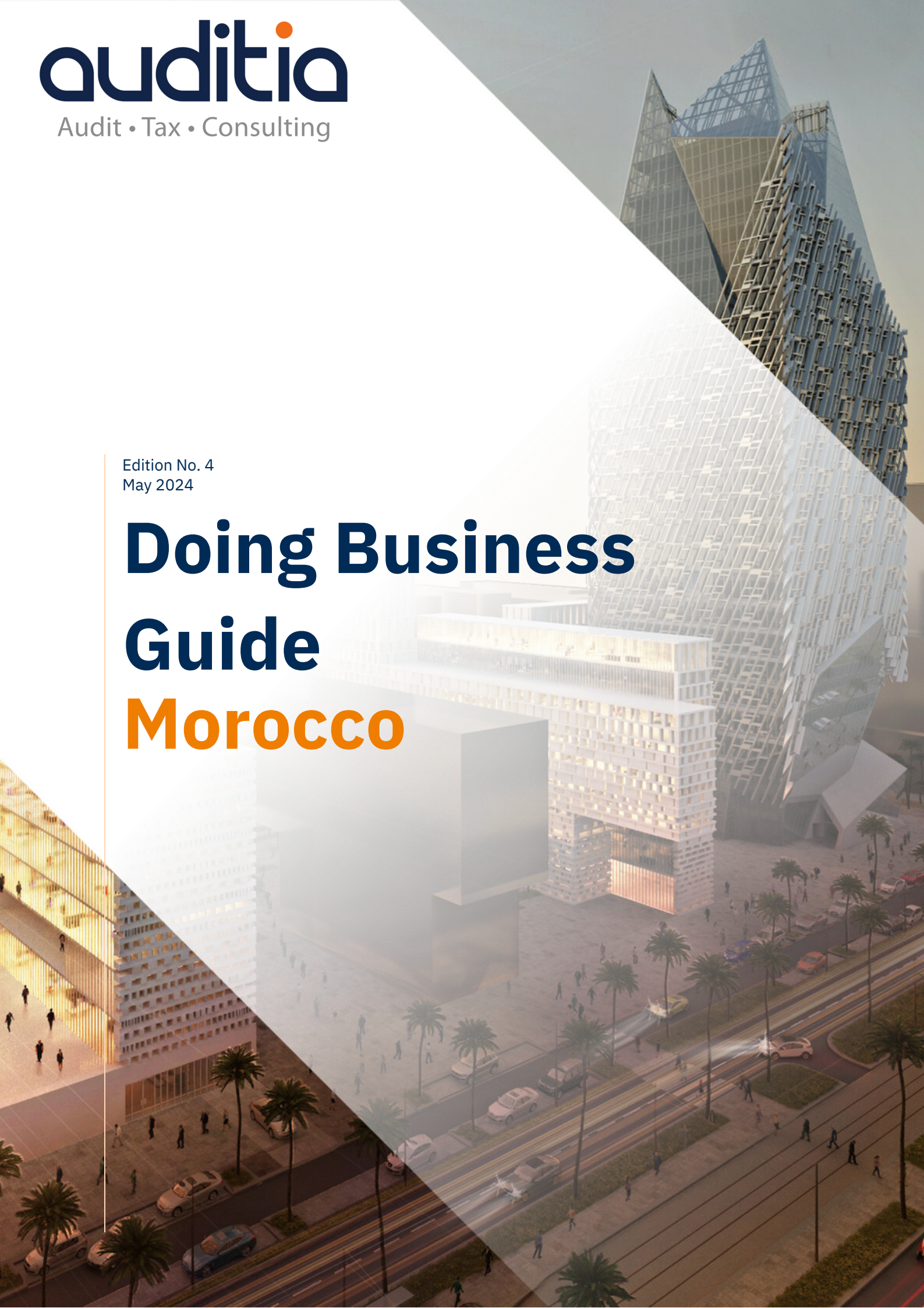


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Doing Business Guide Morocco



About This Guide

This guide has been produced by Auditia for the benefit of their clients and all organizations who are interested in doing business in Morocco.

Its main purpose is to provide a broad overview of the various issues that should be considered by organisations when considering setting-up business in Morocco.

There are many investment opportunities in Morocco. This guide provides you with practical information so that you are better prepared to choose the offer that best meets your needs.

The information provided cannot be exhaustive and we recommend anyone considering doing business in Morocco or looking to Morocco as an opportunity for expansion, should seek professional advice before making any business or investment decision.

While every effort has been made to ensure the accuracy of the information contained in this guide, no responsibility is accepted for its accuracy or completeness.

The information in this guide is up to date as at the edition date.

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Our Vision: Responding to all of our clients' entrepreneurial projects in order to develop synergies, create leaders, inspire, and bring together ideas that lead to added value.

Our Mission: Making life easier for our clients with the help of our talents and technological tools so they can focus on what they love.

Introduction

Why Morocco?

Morocco has witnessed an accelerated process of political, economic and social reforms, and its steady economic growth and strategic geographic position make it an investment opportunity well worth considering.

Besides its privileged geographical position on both the Atlantic Ocean and the Mediterranean Sea, Morocco enjoys significant intangible assets, making it an attractive destination for foreign direct investment (FDI), institutional, political and macroeconomic stability (stable growth, controlled inflation and reduced debt) Open economy (access to a market of nearly 1 billion consumers thanks to free trade agreements (FTAs) with the European Union, USA, Turkey, etc.)

The country is currently positioned as a production and exportation hub for foreign companies, thanks to its various competitive strengths as outlined below.

Cost competitiveness

Low wages – the average monthly wage is US\$385

World-class infrastructure

According to the Global Competitiveness Report 2020 by World Economic Forum, Morocco has the best infrastructure in North Africa, ranked 5th on the African continent and 53rd in the world.

Highways: Morocco has a network of highways with a length of 1,800 km, which allows connecting various Moroccan cities and securing the movement of more than 400,000 people, and its length is expected to reach 3,000 km by 2030.

Ports: The port network in Morocco includes 39 ports, 13 of which are designated for foreign trade. The port of Tangier Med is a strategic platform given its exceptional capacity: 9 million containers, 7 million passengers, 700,000 trucks for international land transport, in addition to one million vehicles destined for export.

Airports: Morocco has 18 airports, 16 of which are international airports, with international airlines that provide regular flights to the most important cities and capitals of the world.

Airlines: Royal Air Maroc group, the most important Moroccan airline, is the second largest in Africa.

Railway: Morocco has a railway network that extends over 2,110 km and has 120 stations that are constantly being upgraded. Morocco is the first African country to launch the high-speed train at a speed of 320 kilometers per hour, and this train connects the cities of Tangier and Casablanca (as a main line for business). Oujda and Agadir, passing through the cities of Fez and Marrakech.

Trains: Morocco is the first African country to adopt a high-speed train (TGV).

Proven returns on investment Morocco is an attractive country for foreign investors. The country has demonstrated excellent performance over the past few years and was ranked the most FDI-attractive destination in Africa. According to the 2023 Foreign Direct Investment Report issued by FDI Intelligence, Morocco ranked third.

And according to the same source, Morocco, which ranks third, enjoys a strong investment momentum until 2023 thanks to the macroeconomic cycle, as the International Monetary Fund put GDP growth for 2023 at 3.1% and inflation at 4.1%, and the interest aroused by its potential in the field of renewable energy among investors.

Free trade agreements Morocco as a gate to Africa

Through its links with EFTA and the Arab free trade zone, Morocco provides investors with duty-free access to a market of 55 countries.

A strong legal framework of FTAs has developed Morocco's commercial relations and puts it at the crossroads of the main international exchange routes, linking the USA, Europe, Africa and the Middle East.

Sectorial plans

Morocco has launched different strategic sectorial plans to speed the development of strategic and promising sectors such as agriculture, mining, renewable energy and automotive manufacturing:

Green plan – aims to revive Morocco's agriculture, which is the main driver of the country's economic growth.

'Digital Morocco' plan – aims to position Morocco as a dynamic emerging country in IT. **Halieutis plan** – aims to improve the performance of fishing industry by developing landing infrastructures and equipment.

Rawaj Plan – aims to revive and improve interior trade.

National pact for industrial emergence – aims to support national and foreign industrial investment via contract between the country and private sectors, targeting six priority sectors: Offshoring, Automobile, Aeronautics, Electronics, Textile and agribusiness.

Morocco as a gate to Africa

The country's administrative and macro economic stability, connectivity with the world and policy of national and continental economic expansion are assets that have established Morocco as a key force in the African continent.

Morocco has re-joined the African Union (AU), which helps to reassure investors that they have the right platform for entering the African market.

Morocco has signed almost 1,000 agreements and treaties with various African countries, many of which have been visited personally by King Mohammed VI.

The expansion of Moroccan banks throughout Africa (with a presence in over 21 countries now) demonstrates the role of Morocco as a major geopolitical player within the continent and on the global economic stage. Apart from being a land of mystery and one of the most popular tourist destinations for many people from every corner of the globe, Morocco has become a favourite investment destination for many of the world's global companies due to its strategic position and economic/political stability.

Strategic position

Fully exploited its geostrategic competitive advantages, Morocco has gradually established it self as a business and finance hub and gateway to Africa. Straddling the Atlantic Ocean and the Mediterranean Sea, its proximity to Europe, the Middle East and the Americas make it an attractive jurisdiction for investors.



Strong economic growth

Morocco has made remarkable progress in the annual report on Doing Business for the year 2020, by ranking 53rd globally, compared to 60th in the previous year's report, registering an advance of 7 ranks in the new global ranking.

According to the annual report of the World Bank Group issued on Thursday, October 24, 2019 in Washington, Morocco achieved a distinguished rating in the Doing Business report of the World Bank Group for the year 2020, by rising to 53rd globally out of 190 countries included in the report, noting that the government set in its program the goal of entering the circle of the top fifty economies. globally by 2021.

Stable government

Morocco is the safest and most stable country in the MENA region for investors, having escaped the impact of the so-called 'Arab spring' which has seen a sharp rise in political instability, security problems and social unrest among Morocco's north African neighbours and other Arab countries over the past 6 years. Unaffected by this turmoil, Morocco has clearly maintained its economic and political stability, giving it a competitive advantage.

Linguistic diversity

Morocco is a country characterized by its linguistic diversity. Between Amazigh, Darija, Arabic, French, English and Spanish, Moroccans speak or understand at least two languages. This linguistic diversity nurtures Moroccans' sense of identity and broadens the horizons of what they can do.

Recently, then, the teaching of English has been gradually integrated to include all levels from preparatory to university in public education, and from primary to higher education in private schools.

Economy

The Moroccan economy achieved a growth rate of 7.9% in 2021, recovering the production losses it witnessed during the first year of the pandemic. However, a series of interlocking shocks led to a sudden slowdown in economic activity, and GDP growth fell to only 0.3% in the first quarter of 2022. This is due to the impact of another drought, the third in the past four years, which will lead to This led to a sharp contraction in the agricultural gross domestic product. In addition, Morocco, as an importer of energy and food, was severely affected by the commodity price shocks triggered by the war in Ukraine.

Main economic indicators

Total revenues in the Kingdom increased during 2022 by 18.8 percent, to reach 304.3 billion dirhams (\$29.8 billion), compared to 256 billion dirhams (\$25.1 billion), as a result of an increase in tax revenues by 17.4 percent. Non-tax revenues increased by 29 percent, to 48.6 billion dirhams (\$4.7 billion).

Inflation

Due to Covid 19, Morocco's annual inflation rate has peaked at 8.3% at the end of 2022.

Main sectors

Natural resources

Phosphate in Morocco is the third world source of phosphate, and Morocco has 75% of the reserves

The country ranks first on the African continent in the production of other minerals, such as silver, zinc, lead and barite, according to the Ministry of Energy and Minerals.

Agriculture

The agricultural sector represents a basic pillar in the national economy, as its contribution to the GDP is more than 15%, and agriculture is the main source of income and employment, as it absorbs more than 25% of the workforce, helping to make Morocco one of the most attractive countries in terms of investment. As agriculture represents one of the most important sectors in the Moroccan economy, the government has made considerable efforts to improve the investment environment in this sector, particularly in the context of the Green Morocco Plan that aims to make agriculture the main growth engine of the national economy with significant benefits in terms of GDP growth, job creation, rural inhabitants income and export.

Fishing

Morocco ranks first in the world in exporting canned sardines, and the United Nations Food and Agriculture Organization (FAO) classified Morocco as the main producer and exporter of sardines.

The sardines in Morocco belong to the European sardines, which is one of the best types of sardines and the most demanded among the countries of the world, which is known as "pilchard" or (pilchardus).

Morocco exports sardines to more than 60 countries, and directs more than half of sardines' exports to Africa, while France is the first imported market within the European market, and America is the most important customer for Moroccan semi-canned anchovies, of which Morocco is the third source in the world.

Tourism

Morocco's tourism vision in the year 2030 seeks to attract 26 million tourists to visit the Kingdom. That is, double the number of tourists arriving in the country in 2019, which is the "current reference year.

Textile

The field of the textile and clothing industry is considered one of the most important productive sectors in Morocco, given the growing consumer market and the agreements signed between the Kingdom and several countries in this field.

The textile sector occupies a strategic position in the national industrial activity through its significant contribution (27 percent of jobs and 7 percent of value added in the field). Despite the economic crisis that its main partners are suffering from (especially Spain and France, which absorb nearly 60 percent of the sector's exports), the fabric has shown resilience in the face of these challenges.

Emerging sectors

Renewable energy

Solar energy in Morocco is at the forefront of the energy sources that Rabat relies on to secure its future needs for electricity demand, and to export the surplus to Europe and neighboring countries.

Morocco has invested approximately \$5.2 billion in electricity projects, and aims to generate 80% of its electricity needs, based on renewable energy sources, by 2050.

Rabat produces approximately 4,030 megawatts of renewable energy, led by solar energy projects in Morocco, out of a total generation capacity of 11,000 megawatts, in addition to an additional 4,516 megawatts of renewable energy in the implementation and planning phase. According to the Ministry of Industry, exports of the auto industry amounted to 83.78 billion dirhams (about 8 billion dollars) in 2021, an increase of 15% compared to 2020, while expectations indicate that it will reach 100 billion dirhams (about 9 billion dollars) as an export volume by the end of 2022. Creating more than 190,000 job opportunities since 2014.

The automotive sector's exports exceeded the sales of the phosphate sector and its derivatives during January of this year, after achieving 10 billion dirhams.

Offshoring

The offshore sector has seen rapid development in recent years and continues to show significant growth potential. The sector has a very positive growth dynamic on the international front, with an estimated development of 25% per year. Morocco is becoming one of the world's leading destinations in offshoring, offering significant economic opportunities to companies seeking growth. The country's human resources provide top-quality services and skills, while its geographic proximity and cultural sensitivity with Europe are two other assets that attract investors.

Rather, manufacturers will work to lay the foundations for the second phase of the sector, which is growing at a very fast pace.

Twenty years later, the Moroccan platform for the aerospace industry no longer needs to present itself, as the technology pole in Nouaceur has become a destination for major international industrial companies in order to achieve better growth. Such a success that Morocco became the main source of aviation supplies, spare parts and aircraft parts on the African continent.

Today, the aviation sector includes a total of 142 companies in continuous development, providing approximately 20,000 highly qualified jobs and a turnover of two billion dollars. With a local integration rate of more than 40 percent, the Moroccan platform is growing in capacity and contributing enormously to the development of foreign trade.

In the year 2022, the exports of this global sector, the most stringent in terms of quality, training and confidence of bidders, amounted to a total of 21.27 billion dirhams, compared to 15.83 billion dirhams in 2021, a growth of 34.4 percent, which makes it The aviation industry is one of the industries with the strongest growth in terms of exports.

"Morocco is becoming one of the world's leading destinations in off shoring offering significant economic opportunities to comparies seeking growth"

Automotive manufacturing

Exchange office, exports of the auto sector increased by 44.8 percent compared to the same period in 2022, when the figure was about 6.9 billion dirhams.

Morocco aspires to double its annual production capacity to two million cars by 2030, from 700,000 cars currently, according to Minister of Industry and Trade Riad Mazour, in a video he posted on the "LinkedIn" platform, in which he answered questions about future prospects. industrial sector in the country.

It was revealed that an investment agreement worth 50 million euros is about to be signed to establish a factory dedicated to the production of a local car brand with a production capacity of about 3,000 cars per year, provided that the figure will reach 20,000 after 4 years, to be added to the "Renault" and "Stelantis" factories. Its total production capacity currently stands at 700,000 cars annually, of which 50,000 are electric cars, according to Al Sharq news channel.

Morocco's production capacity is expected to rise to 1 million vehicles over the next three years, as Stellantis recently made a new investment of 300 million euros, which will double the production capacity of its Kenitra plant to 400,000 vehicles.

Aeronautics

In less than 20 years this sector has shown remarkably fast growth, from around 10 firms to over 100 international companies today.

After the successful year of 2022, the year 2023 is expected to be more promising for the national aviation industry.

Key Figures

Morocco has the ambition to go a step further while being the most attractive destination to invest in the region



29,80
GDP in Billiards USD



35.45 Million
Inhabitants



2,6%
Growth rate



2nd FDI Destination
in Africa

8,3%
Inflation rate

The Moroccan economy benefits from having one of the lowest inflation rates in Africa



2110
(KM) of
highways

39 Ports
13 of which are international

18 Airports
Some of the best in Africa



1st in Africa
In terms of
infrastructure quality
WEF,
2018



2nd country
In rankings in the MENA region



Ranked 1st
Financially in Africa
Global financial centres
index, 2020

5,3

Months of foreign exchange reserve

385 USD/month

Morocco is known for having the most attractive average monthly salary in the region.

3,37

FDI inflows
in Millions USD

Key Industries

Automotives

The automotive industry in Morocco has more than 50 years of experience. The automotive journey started back in the 60's with the creation of the first assembly line. The Kingdom succeeded in securing the assembly industry with car manufacturers establishment and hundreds of international suppliers.

During the last decade the Moroccan automotive industry has shown continuous growth in terms of export turnover, integration rate, companies established and job creation. Today, the automotive sector benefits from qualified human resources, world class infrastructure and the commitment of the Government to support its development.

Aeronautics

Morocco's aerospace industry paved its way towards remarkable growth, thanks to competitive advantages that the country offers. This industry is now solidly rooted in the global market, attracting major international players who have heavily invested with state-of-the-art aeronautical production capacity. The Moroccan Aerospace is now a key player at a global scale, with highly trained human resources and a strategic location making the country one of the most privileged destinations for global aerospace leaders.

Agri-food industry

Exports of agricultural and marine food products in Morocco exceeded the threshold of 80 billion dirhams in 2022 (about 8 billion dollars), which represents an increase of about 20% compared to 2021, as the value of these exports amounted to about 68 billion dirhams (about 6.7 billion dollars).

According to the Ministry of Agriculture, Fisheries, Rural Development, Water and Forests, the agricultural and marine food products sector ranks third among Moroccan export sectors, after phosphate and automobile exports. Within the Moroccan journey to reach internalization, several foreign companies invested in the country attracted by the market potential and governmental incentives. The sector is dynamic and resilient which ensure the supply of local and export market with competitive products, reinforcing its strong position and worldwide growth.

Pharmaceutical

With over 60 years of experience, Morocco has proved to be a world-class destination for the international pharmaceutical production. The country is ranked second in the continent in terms of volume. Several multinational companies decided to expand their pharmaceutical manufacturing to the country as a main gateway to Africa. The pharmaceuticals industry is highly regulated covering 65% of the country's needs which contributes to refined quality of production. Regulations include the monitoring of pharmaceuticals manufacturers, market positioning and drug pricing.

Outsourcing

Outsourcing is one of the fast growing industries in Morocco, with international market presence, making it the number one African destination for the sector. It is a thriving industry thanks to its proven agility and adaptability and its highly qualified services recognized worldwide. Outsourcing in Morocco consists of 5 ecosystems: **CRM, BPO, ITO, ESO, and KPO.**

Success Stories

Spirit Aerosystems

"The Moroccan aviation industry is firmly anchored in global value chains. Major international players have invested here, setting up a very competitive industrial platform. Established in Morocco since 2013, we have benefited from highly qualified human resources, very competitive manufacturing costs and great support from the government." **Stephen Orr VP -GM, Spirit Aero Systems Morocco**

Sabca-Pilatus PC12

"Pilatus trusted us after an international competition, in which we were able to demonstrate that Sabca Maroc was the most competitive, the most qualified in terms of quality, work capacity but also confidence, motivation of the teams and their ability to achieve this goal." **Thibauld Jongen, CEO, SABCA**"

Renault Group

"Morocco has made the strategic choice to develop its renewable energies and reduce its carbon footprint. This decarbonization project will allow industries to gain in competitiveness. It will be a structuring element in the years to come, and it is totally in line with our vision." **Renault Group CEO, Luca De Meo**"

Stellantis

"We have worked very hard to develop our supplier base in order to ensure that the added value and the technology necessary to make this impressive car is available in the Kingdom of Morocco. I can proudly say that the results we are obtaining today, both in our factory and at the level of our partners and suppliers, exceed our expectations." **Carlos Tavares, CEO of Stellantis**"

Boeing

"This MoU has been a great success as we have been able to integrate 11 suppliers including 2 that supply Boeing directly. These early successes have demonstrated that the Kingdom of Morocco offers excellent value for money and sets it apart from many other countries. We believe that together we can meet the challenges of global aviation and support the long-term growth objectives of both Morocco and Boeing." **Stan Deal, President & CEO Boeing Commercial Airplanes**"

Labour and Personnel

A highly skilled workforce

The growth of an economy depends strongly on the quality of its human capital. Human resources in Morocco have all the advantages needed to become the pillars of competitive investments and value creation – including a high level of education, advanced linguistic capacities and skills in new technologies. Morocco has the necessary geographical, political and cultural capital to be among the top economic performers in the MENA region. To transform this potential into reality, the country is working hard to develop its human capital through improvements in the educational system, development of teacher recruitment and training, alternative educational options, and so on.

Wages

The minimum wage in Morocco is **2,970 MAD** per month. The average wage is about 7,500 MAD per month.

Working hours

In Morocco, the legal working time is 44 hours per week in most companies and 48 hours in the agricultural sector.

Annual leave

Duration of annual leave varies according to the worker's age and their length of service in the company. Generally, it is 1.5 days per month of work. The employee has the right to leave after 6 consecutive months of activity.

Contracts of employment

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

Health and safety

Any firm employing more than 50 employees must offer free medical services to everyone, including foreigners. This medical service is also imposed on companies with fewer than 50 workers when their activity is likely to cause an occupational illness. It is mandatory for all companies to meet the standard safety regulations in Morocco.

Social security

To get qualify for social security, all employers must register themselves and their employees with the National Fund (known as the 'Caisse National de Sécurité Sociale'). Participation in this programme is mandatory for all Moroccan employers.

Taxation System

Corporate Income Tax

General regime

The corporate income tax rate depends on the taxable income according to the following scale:

Net benefit "MAD"	Rate
Less than or equal of 300 000	12.5%
From 300 001 to 1 000 000	20%
More than 1 000 000	28.75%

The moroccan government decided to unify income tax rate for all companies, to one unified rate of 20%,. This tax rate will be applied from 2026.

Industrial companies

Industrial companies benefit from a a reduced income tax rate of 26%.

Industrial acceleration zones

Industrial acceleration Zones are based in different cities and offer number of tax advantages such as:

- Exemption of taxes on dividends and partnership shares
- Total exemption of first 5 years activity
- Reduced income tax rate of 15% after 5 years exemption.

Offshoring activities

Offshoring activities benefit from number of tax advantages such as:

- Total exemption of first 5 years activity
- Reduced income tax rate of 20% after 5 years exemption with 56% government repayment.

Casablanca Finance City (CFC)

Service companies, Regional headquarters and holding companies with the CFC status benefit from:

- Exemption of taxes on dividends and partnership shares
- Reduced income tax rate of 16,25%.

In terms of personal income tax, employees of CFC companies can choose the most favourable personal income tax regime, between a 20% flat tax rate and the progressive standard scale tax.

Value added tax (VAT)

VAT rates are as follows:

- 7% applies to some goods of general consumption, such as water.
- 10% applies to bank, interests and exchange commission's operations, the supply of catering services and the activities of some professions (lawyers, interpreters).
- 14% applies to transportation transactions, electrical energy, etc.
- 20% is the standard VAT rate applicable to transactions other than those subject to the reduced VAT rates mentioned above.

During 36 months of start-up, companies with an investment project can obtain VAT exemptions on acquisition of equipment and furniture.

Grants and Incentives

Imtiaz Growth program

This is an investment grant led by MAROC PME, and applies to industrial SMEs that:

- Achieved a turnover of 10-200 million MAD during the last financial year.
- Have a development project that encourages growth and creates value and jobs. These development projects could be internal or external growth, but must aim to increase the production capacity of the entity.

The amount of the investment grant is 20% of the development project, with a cap of 10 million MAD. These projects could be self-financed or financed through a financial institution.

Export growth contract

To promote export, the government implemented the export growth contract programme, which is managed by 'Maroc Export'. Eligibility requires a strong commitment on the part of the exporting company, to define and implement its export project. The program aims to:

- Generate additional export operations.
- Allow exporting companies to access certain means necessary for the development of their products in target markets.
- Strengthen the positioning of exporting companies in the target markets.
- Convert occasional exporters to professional and regular exporters.

Through this program, the government reimburses up to 90% of companies' marketing and promotion expenses.

Moroccan depollution fund

This is an incentive instrument and a financial support that aims at encouraging industrial and craft enterprises to carry out depollution or resource saving investments and introduce an environmental dimension into their activities. It aims to:

- Ensure compliance with environmental regulations.
- Upgrade national industries in anticipation of globalisation of the international market.
- Reduce use of natural resources.

Green Economy Financing Facility Morocco II – GEFF II

GEFF II is a sustainable energy financing line dedicated to Moroccan companies, set up by the EBRD with the support of the European Union (EU) and the Green Climate Fund, with the objective of ensuring additional financing for green investments by private companies, particularly in sustainable energy, water conservation, waste reduction, green technologies and adaptation to climate change. This is the third green financing program launched by the EBRD in Morocco and is intended to be a real proof of the success of the previous programs.

With a budget of 163 million euros, the program is based on a one-stop-shop approach including financing by loan or leasing through a financial institution, free technical assistance and an investment grant. 10% of eligible funding, received after project verification.

Grants and Incentives

Why Conclude an investment agreement with Moroccan Government ?

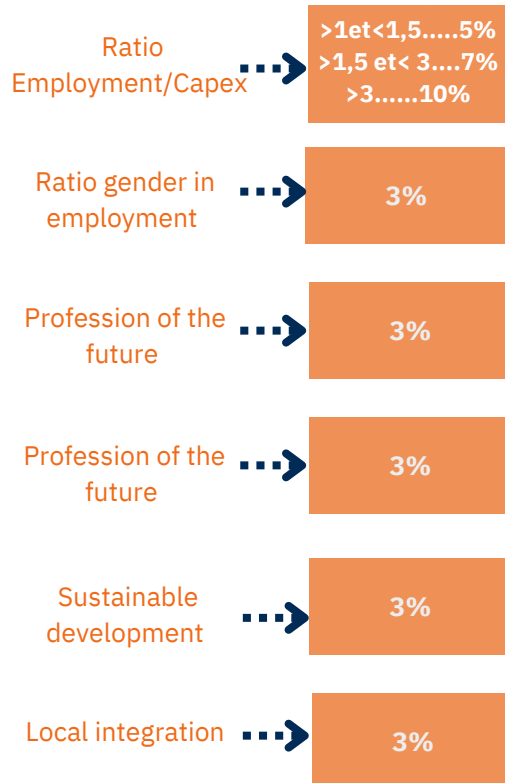
Morocco has introduced specific benefits to investors, within the framework of an investment agreement to be concluded with the government for projects which meet the criteria presented below :

- Investement greater than 50 Million Dirhams
- Creation of at least 50 stables jobs

Granted advantages

The Bonuses could reach **30%** of the total investment amount, towards the following grants:

Common bonuses



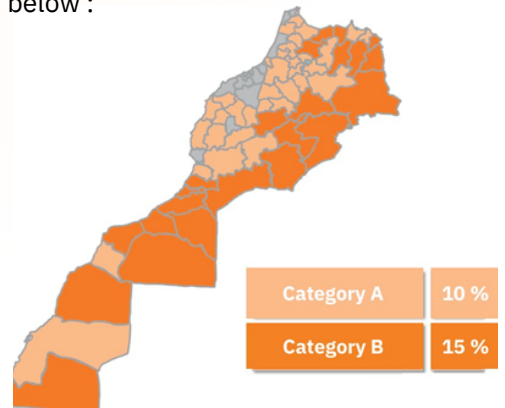
One sectorial bonus

This is a bonus at **5%** of the overall investment budget, dedicated to the following sectors :

- Industry
- Tourism
- Cultural Industry
- Digital Activities
- Renewable Energies
- Tranformation and waste recovery
- Logistics and transport
- Outsourcing
- Aquaculture

One territorial bonus

This bonus is allocated to the investment projects carried out within the territorial procinvcnes falling under category A or B below :



VAT Exemption

Under the investment agreement concluded with the state, businesses may benefit from:

- Exemption from VAT on investment goods necessary for carrying out their projects and acquired by the company throughout the term of the investment agreement.
- Exemption from import VAT on capital goods, equipment, and tools necessary for carrying out their projects for the entire duration of the investment agreement.



The Next Step

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