

## Company Creation Casablanca - Morocco

The Kingdom has developed a strategy for attracting foreign investments based on three main elements: a legal and institutional framework that is more attractive towards international investors, a regional strategy or attracting IDE and centered sectoral strategy on the attraction of relocation.

Three fundamental freedoms were highlighted: the right to invest, the right to transfer profits and the right to transfer the sale under certain conditions. Investors do not have to obtain prior authorization.

All sectors are open to foreign investment with the exception of agriculture; regulated by the Dahir (law) N° 1-69-25 amended by Dahirs 1-97-171 and 1-01-55 forming the code of agricultural investment.

The investment on offshore financial centers, in export processing zones or in the hydrocarbon sector are also subject of specific regulations. Finally, the acquisition of farmlands by foreign investors is prohibited; however, foreign investors can rent the lands in long-term leases.

A "Charter Investment" was adopted in 1995 to encourage foreign investors to be established in the territory. The main incentives that the Charter consists of are:

- Total exemption of corporate income tax for the first 5 years of activity and reduction of 50% on turnover for export for 5 years.

- Exemption from VAT and the licence fee during 5 years.

- VAT exemption for capital assets that are locally acquired.

- Suspension of VAT on goods and services that are subject to export.

- For investments in the province of Tangier: reduction of 50% in corporate tax (IS), in the business tax and license fee. - For investments in the free zone of Tangier, total exemption from income tax for 5 years and tax of 8.75% for the next 10 years.

- Tax of 10% on sale surplus value (capital gain) of stock options under certain conditions.

- Exemption from registration fees on acts of acquiring land designed for the realization of a project. The scheme is also applied to companies investing in areas of priority development.

- Regime of convertibility for foreign investment carried out in Morocco in foreign currencies.

-Investments protection and free transfer of capital.

-Guarantee of non-discrimination between foreigners and nationals.

Since first January 2000, all investments of more than 200 million DH (18 million euros) benefits, in addition to the tax benefits, exemption from duties and taxes and measures for regional development. In addition to all these tax and customs, foreign investors can locate in the zones that are geographically and sectorally delineated. Two types of host infrastructure have been developed:

-industrial parks such as the one of Bouskoura, of Jorf Lasfar (industrial units of grade A and with pollution control) or of Meknes.

-Free Zone of Tangiers that concerns only exporting companies.

To improve the business environment, an Investments Commission was established in 1998 to rule on administrative obstacles to investment projects and approving the agreements and investment contracts. Meanwhile, the Directorate of investments is put in charge since 1996 of promoting Morocco to international operators.

Since 2002, support for entrepreneurship takes place at the 16 regional investment centers (ICC), whose principal mission is to simplify procedures through a single form of enterprise creation and promotion of regions to investors in sectors of great potential. The Moroccan State created the fund HASSAN II "for economic and social development that gives direct aid to investment in industrial sectors with high growth potential. In addition, the Moroccan Fund to upgrade enterprises "FOMAN" was created to provide financial support to enterprises engaged in the process of upgrading. The Moroccan company law is governed by three laws: the Code of commerce, Law N°. 17-95 on public companies (anonymous companies) and Law N°. 5-96 on other social forms. The foreign investor may acquire a stake in a Moroccan existing company or create his own business. Capital companies are the corporate form most widespread in Morocco, (public limited company, public companies with limited responsibility or limited company by shares) and the people (companies in partnership, simple partnership and participation) are also possible.

Other legal structures are the joint venture whose manner of exercise are fixed by contract; holdings and coordination centers that have no specific legal regime but whose flat rate tax is determined on the basis of management fees and coordination involved, the Economic Interest Groupings which can be formed only by legal persons, can be created without capital and are administered by the main stipulations determined in the constituted contract.

To accompany foreign operators in their investment projects, the government has adopted a sectoral approach in attracting IDE, which revolves around three main axes namely activities related to outsourcing and offshoring; Tourism and agriculture.

Subcontracting concerns in Morocco nearly 2,500 firms with a turnover of over 29 billion DH (2.6 billion euros), distributed mainly in textiles-clothing, electrical and electronic construction and of the automobile. In the tertiary sector, the policy of attracting IDE to call centers has become very successful.

In the sector of tourism, the Tourism Development plan "Vision 2010" and the "Plan Azur" is the main vehicle for attracting foreign investment: in this day, four resorts were granted to foreign investors.

In the agricultural sector, the government launched in May 2003 restructuring of two public companies and SODEA and SOGET. Relatively of good progress, the process of restructuring has led to launch an international tender in late October 2004 for the implementation of 205 projects of concession to the private sector covering 56 497 ha of land of the two companies. The Finance Act 2006 introduced a new General Tax Code. Since 1st January 1996, the rate of tax on

resident companies is 35% on the benefits (the former rate of 39.6% continues to apply to insurance companies and banks). The non-resident companies in the areas of construction or engineering may, under certain circumstances, opt for an alternative tax at the rate of 8% of their contract. The most long-term capital gains are taxed in Morocco at the rate of 35%. Dividends are taxed by deduction at source tax at the maximum rate of 10% and provide a tax credit that is equivalent. Branches are taxed like other companies. The standard rate of VAT is 20% and reduced rates are of 7% (water, electricity, pharmaceuticals...) 10% (restoration...) and 14% (construction work, coffee, tea...) including products and services concerned.

In 1996, an association agreement was reached with the European Union. Entered into force in 2000, it will lead to the establishment of a free trade area by 2012. A free trade agreement was also signed in June 2004 with the United States. In addition, the Kingdom is negotiating several agreements for regional integration "South-South". A free trade agreement with Jordan, Egypt and Tunisia, the Agadir Agreement, was signed in February 2004 but not yet ratified by Morocco. Similarly, a free trade agreement was signed with Turkey in April 2004.

Morocco has concluded 51 bilateral agreements for the guarantee and protection of investments as well as 33 agreements of non double taxation and ratified the conventions establishing the International Center for Settlement of Investment Disputes, the Multilateral Investment Guarantee (MIGA) and the Inter-Arab Organization for Investment Guarantee.

Pursuant to the provisions of Article 1 of Law N°. 13-89 on foreign trade, goods are free to import. However, there are quantitative import restrictions on certain products such as explosives, the friper or retreaded tires or for use and they are subject to an import license. In addition, certain goods are subject to prior declarations of Importing: those that are likely to cause serious harm to domestic production and imports and massive imports of subsidized products.

Finally, an application for exemption from customs duties is required for the free importation of goods for import admitted free of tariffs under the conventions and trade and tariff agreements concluded by Morocco. Morocco applies the Customs of Harmonized System. Customs duties are calculated on the CIF value of goods. There are currently 7 Basic customs rates ranging from 0% to 50% and preferential customs duties under the Charter of Investment (0, 2, 5 and 10%).

Foreign companies that market their products in Morocco are usually in need for a representative for an importer or distributor. The franchise has grown rapidly in recent years. There are 164 franchise systems and 709 outlets. France is the main country of origin networks with 49% of teachers.

It has finally established a convertibility regime for investments realised in foreign currencies. This scheme guarantees investors the freedom to achieve their investment operations in Morocco, to transfer the revenues generated by these investments and the proceeds from liquidation or a sale. The investor is required within 6 months of the completion of its investment to inform the Office of Changes by communicating a detailed record to it.