

Weekly highlights by L'ECONOMISTE



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Investment, water management... The new Pacts



**Draft Budget Bill:
Major reform
of corporate tax
begins**



**Economic
mergers:
“Take this
matter seriously”**

**Draft Budget Bill /
Social contribution
The employers want the
tax not to be renewed**



**Archeology
Roman soldiers
trode the ground
of the Volubilis
valley**

EDITORIAL

Red tape

Meriem OUDGHIRI

BEYOND the focus on water management and investment, the royal speech for the new parliamentary season has also established an in-depth analysis of the business climate. It represents an uncompromising barometer of all that remains to be accelerated. Topping the projects remaining to be implemented is the Devolution Charter, the decree of which was published at the end of 2018! Two years will soon have lapsed without yet seeing the implementation of this charter, which is supposed to give room for adaptation and above all lead to decisions that take into account the priorities and specificities of the different territories. Increasingly, local actors are claiming spaces for participation in order to be able to play a more active role in regional development. An investor who arrives with a project in his hands needs to find an interlocutor able to make decisions, and to hold nor-

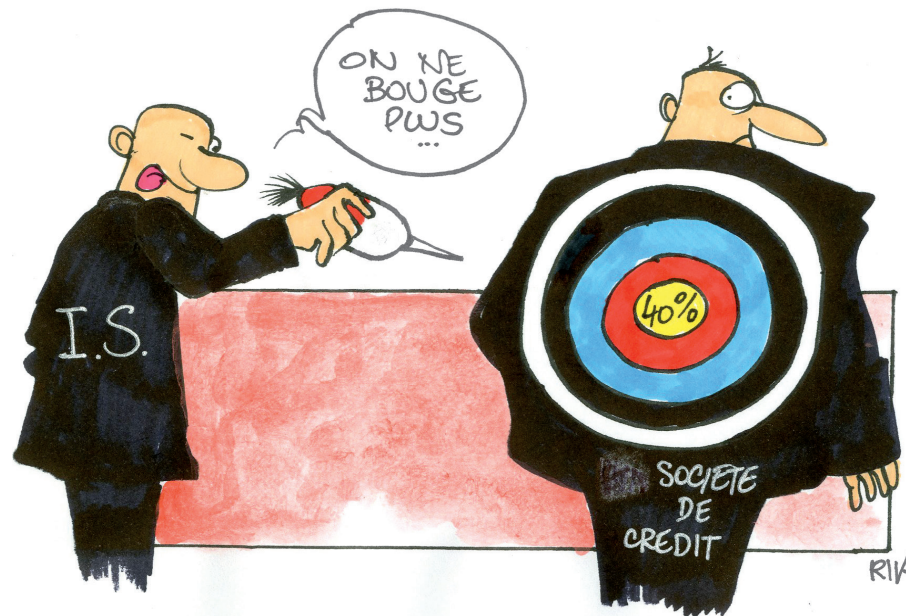
mative power and the responsibilities that go with it. It is a question of also eliminating all the administrative red tape which complicates life too much and ends up closing the window of change. Looking at things more closely, one realizes the development initiated by the regions, in any case a large portion of them. These models have been in existence for some time already, in the perspective that the regional level would emerge from its torpor to reverse the top-down logic of the centralizing State. All the local actors need to be allowed to breathe, and need greater steering capacities. Removing the obstacles that hinder effective recovery is the goal. It is a question of accompanying, of advancing at the same pace, and of adopting a completely new conception of local business management. In the end, it's about connecting once and for all to the reality on the ground. □

Weekly highlights

Draft Budget Bill

Major reform of corporate tax begins

A big step will be taken this year in terms of implementing the goals of the framework law on tax reform. The Government has chosen to initiate a comprehensive corporate tax reform and to introduce changes in the income tax while continuing to lower the minimum contribution rates. In the case of the corporate tax in particular, the changes will be made gradually over a four-year period. The government's proposals exceed the expectations of employers, and this, even if major corporations, those who make super-profits, will pay more. Improving the current tax system will notably involve eliminating the variability of the proportional normal rate depending on the tax result. Added to this is the completion of convergence towards unified rates by eliminating the gap between those applicable to local and export turnover for all companies subject to the corporate tax. The government also wants to improve the contribution of large companies making a net profit of more than 100 million Dirhams (MAD) (9 million USDs), including those carrying out regulated activities or in a situation



of monopoly or oligopoly, and this, regardless of the location of the company. The Draft Budget Bill also talks about improving the tax contribution of credit institutions and similar bodies as well as insurance and reinsurance companies. Given the difficult economic situation, the social solidarity contribution will be renewed for the years 2023, 2024, and 2025. In any case, the General Confederation of Moroccan Enterprises (CGEM) has asked for the non-renewal of this surcharge to be validated.

With particular regard to the corporate tax over the next four years, the rates will experience changes to reach certain target rates. The rate is 20% as the normal common law rate applicable to all companies whose net profit is less than 100 million Dirhams, both in terms of local and export turnover. Even companies located in Casablanca Finance City and in industrial acceleration zones are concerned. The gap between the current rates and the target rate will be covered gradually over four years. For example, com-

panies subject to a 31% corporate tax rate will benefit from a reduction of 2.75 points this year. For companies whose net profit is equal to or greater than 100 million Dirhams, the targeted corporate tax rate is 35%. A rate of 40% is scheduled for credit institutions and similar bodies. The same is true for the central bank (Bank Al-Maghrib), the Caisse de dépôt et de gestion (CDG), as well as insurance and reinsurance companies. To mitigate the increase, a gradual reduction, over four years, would be granted in terms of the rate of withholding tax on the proceeds from stocks, shares, and similar income. The goal is to go from 15% to 10% over 4 years. The government's proposal involves the revision of the specific rate of 20% applicable to the income of certain companies and its replacement by the rate of the tax scale. This specific rate of 20% will nevertheless be maintained for a transitional two-year period to allow the enterprises concerned to transform themselves into companies and therefore to benefit from the common law rate of 20% provided for in terms of corporate tax. □

Khadija MASMOUDI

Economic mergers: "Take this matter seriously"

"THERE is a good chance of exceeding the 2021 record in terms of economic concentrations", predicts the president of the Competition Council. Ahmed Rahhou was the guest of the Club de L'Economiste forum on October 13, 2022 in Casablanca. The famous peak stood at 121 operations in 2021 versus 43 in 2019. In mid-October 2022, economic concentrations stood almost at the same level as last year. "We will have to redo the accounts after the end of the regularization of undeclared operations. The companies concerned have until December 31, 2022 to comply with the law on freedom of prices and competition", continued our guest. The competition authority has granted a grace period to companies that have initiated acquisitions, created joint structures (joint ventures), or taken direct or indirect control of a competitor... and made three successive decisions on June 24, August 31, and September 29, 2022. How many filers



Ahmed Rahhou

so far? The regulator does not specify. Companies in breach of the law are dubious, even recalcitrant, according to some business lawyers in Casablanca. For the time being, the educational and awareness-raising approach takes precedence. The Competition Council will change its attitude as of January 01, 2023. This date marks the end of the regularization open to concentra-

tions without prior authorization from the Competition Council. This regularization concerns transactions concluded between January 2019 and the end of 2021. "People must take these cases seriously", advises the presidency. The amicable settlement with businesses in trouble with the law will no longer be relevant from January 01, 2023 onwards. "Certainly, a member of the business community may avail itself of the 5-year statute of limitations, but everything ends up being known in the business. Our investigation service will do everything to find possible fraudsters", insisted the Council's general rapporteur, Khalid Bouayachi (see L'Economiste # 6360 of October 03, 2022). Sources of information do exist: central trade register, legal ads,

exchanges of data with administrations such as the tax authorities or with foreign regulators, etc. even whistleblowing by a competitor, or press articles. Consequently, the initiator of an operation takes legal responsibility for such an operation with the competition authority. Two good tips are provided here: first, "One spontaneously declare its situation to the Council. If the file is incomplete, a company has one month to complete its declaration and obtain discharge", advises the presidency. An initial examination will allow a company to be told whether its operation must be declared or not. This work will facilitate the task for the company as well as for the people tasked with analyzing the application. Second tip: an applicant must remember to deliver 4 copies of each document relating to its economic concentration, in order to avoid repeated visits to the regulator's office. □

Faical FAQUIHI

Investment, water management... The new Pacts

THIS is one of the main challenges to be met to ensure a post-crisis economic recovery. In his speech at the opening of the parliamentary session, HM the King insisted on the central role of productive investment. This is considered an “essential lever for the revival of the national economy and the anchoring of Morocco in promising sectors”. It is a matter of betting on sectors offering job opportunities to young people and ensuring sources of financing for the various social and development programs. The Sovereign openly called on the government, as well as on the private and banking sectors, to translate their commitments into a national investment pact. The goal is to mobilize investments worth 550 billion Dirhams (50 billion USDs), and to create 500,000 jobs, during the 2022-2026 period. To achieve this, several mechanisms must be rolled out, starting with the judicious implementation of the new National Investment Charter. The latter must “give tangible impetus to the attractiveness of Morocco for private investors, both national and foreign”. One of the first challenges is to remove the obstacles that continue to hinder an effective revival of national investment, at all levels, especially that in terms of the business climate, despite the structural reforms



In front of the M.P.s, HM the King underlined that the revival of the dynamics of investments requires the improvement of the business climate and the consolidation of the rules of fair competition, as well as the effective implementation of the mediation and arbitration mechanisms for dispute settlement (Ph. MAP)

that have made it possible to improve Morocco's performance in this area, “much remains to be done to release energy, make the most of the national potential, encourage private initiative, and attract more foreign investment.” The development of investments is certainly decisive to ensure economic recovery, but the management of the water problem will determine the future of the whole country. Currently, the issue of water resource management is all the more acute as the country is going through the most intense period of drought it has

known for more than three decades. Nevertheless, “regardless of the rainfall, which will mark the years to come, we are committed to accelerating the implementation of the program of dams, whose projects are spread across the entire Kingdom”, said the Sovereign. Indeed, more than 50 new large or medium-sized structures have been erected and 20 others are in progress. HM the King insisted on the completion of the construction of the scheduled dams, the establishment of hydraulic interconnections, and the construction of seawater

desalination stations. This is coupled with the guarantee of water savings, particularly in terms of irrigation. At the same time, the Sovereign warned against any exploitation of this strategic issue. “The water problem should not be used as a pretext for political one-upmanship, nor as an argument to fuel social tensions”, said the Sovereign. All Moroccans are called upon to show responsibility for the rational use of water. “This requires a real change in behavior in our relationship to water”. □

M.A.M.

Draft Budget Bill/Social contribution

The employers want the tax not to be renewed

STIMULATING private investment, strengthening the cash flow of companies, improving their competitiveness, and encouraging the “Made in Morocco” products and services, not to mention the streamlining of the processes and of the relationship with the Administration: these are the four pillars around which revolve the proposals of the General Confederation of Moroccan Enterprises (CGEM) for the 2023 Appropriations Bill. A total of 15 priority measures were unveiled on Tuesday, October 18, at a press conference held by the CGEM in Casablanca.

■ **Social solidarity contribution:** Established for the first time in 2013, the social solidarity contribution has been implemented three times in recent years, thus neutralizing all efforts to

reduce the corporate tax. Employers want visibility concerning this surcharge. They want “to have the confirmation of its non-renewal”, especially that such a tax has become “permanent”, thus becoming a kind of additional corporate tax. The CGEM also raises again the issue of the VAT reform. The employer's association is in favor of the initiation of the redevelopment of five taxation rates, the redefinition of the scope of application and of the waivers, as well as the generalization of the right to deduction and reimbursement. Another proposal is to continue the reduction of the minimum contribution with a view to its abolition in 2025. For next year, the transition to a rate of 0.3% is desired. Special treatment is also expected for the affected sectors, in this case tourism and transport.

■ **Corporate tax, registration fees...** Lowering the corporate tax is a recurring request from the CGEM. For the 2023 Appropriations Bill, employers are in favor of its continuation for industrial companies while initiating that of other sectors.

■ **Local taxation:** Its reform should be initiated with priority being given to the overhaul of the business tax and of the tax on municipal services. The CGEM speaks of “inequity between owners and tenants burdening any sale & lease-back operation”. Employers also want to initiate the reform of wage taxation, with the revision of the brackets of the income tax scale and the deduction of tuition fees from the tax base. Employers are also in favor of the renewal of the 36-month income tax exemption for all young recruits

under a permanent contract. Regarding this question, the government has made a decision.

Employers demand the rationalization of the taxation of import inputs in order to promote “Made in Morocco” products and services and allow operators to obtain supplies at costs comparable to those of international competitors.

■ **Third party holder notice, sanctions, oral debate...** and other issues For Appropriations Bill 2023, the CGEM raises again the issue of the overhaul of the policy for the collection of public debts (Third party holder notice), with, among other things, the digitization of the initial contacts. Added to this is the reform of the penalty system by modulating it according to the seriousness of the offence. □

Khadija MASMOUDI

Weekly highlights

Archeology

Roman soldiers trod the ground of the Volubilis valley



THE Roman army was present and even active in the Volubilis valley, as evidenced by the find made by Moroccan archaeologists but also by Polish archaeologists, who have just unearthed the remains of an observation tower on the site of El Mellali, located in the heart of the former Mauretania Tingitana (in northern Morocco). This major find confirms the military calling of this region, considered one of the most important in Roman Africa. This major archaeological discovery, made by Moroccan and Polish specialists, thus revealed a “surveillance” tower which may have been founded and used by the Roman army for strictly military purposes. This is tangible proof of the presence of a Roman defense system around the famous city of Volubilis. “These joint discoveries constitute a real step forward in the study of the defense system of the valley within which Volubilis, the largest city in this part of Roman Africa, is located”, we are told. “Of all the provinces of the Roman Empire, Mauretania Tingitana indeed possesses the least recognized defense system. Previous field missions had suggested the locations of a series of watchtowers, but no excavation had confirmed such hypotheses”, completes a specialist concerning this



A pinch of history

MAURETANIA Tingitana was a province of the Roman Empire whose capital was Volubilis. Its main cities were Banasa, Tingis (Tangiers), Lixus (Larache), Tamuda (Tétouan), and Russadir (Melilla). Before falling under the yoke of Rome, this State, created in the 4th century BC, was an Amazigh kingdom of the Maghreb (ancient Libya) emerging from a federation of Moorish tribes (inhabitants of ancestral Berber origin). After its annexation by the Romans in 42 or 43, the region was divided into two distinct provinces: Mauretania Tingitana and Mauretania Caesariensis. □

A Roman military defense tower has just been discovered on the site of El Mellali, in the Volubilis valley. This is tangible evidence that confirms the hypothesis of watchtower locations, and therefore the presence of a defense system, within the Mauretania Tingitana province (in northern Morocco)

point. “What Polish archaeologists from the University of Warsaw, led by Professor Radoslaw Kara Siewicz-Szczypiorski, have discovered in recent days has exceeded all our expectations”, Polish Ambassador to Morocco Krzysztof Karwowski said. Concretely, the teams, mobilized by the University of Warsaw and the Institute of Archeology and Cultural Heritage (INSAP) in Rabat, were able to “dig up” the upper part of a tower at the southern border of the Roman province, approximately 6.5 kilometers south of ancient Volubilis. But not only that. “We were also able to find on the site several fragments of *pilum* (Roman javelins), as well as nails from the soles of military sandals and some metal elements of the *cingulum* (belt). These finds leave no doubt about the presence of armed soldiers in this region. This is the result of a year of continuous excavations between the two partner teams, under the guidance of renowned professors Aomar Akerraz and Radoslaw Karasiewicz-Szczypiorski. □

Karim AGOUMI