

# Weekly highlights by L'ECONOMISTE

Netflix, Amazon...

## VAT on digital services is coming



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EDITORIAL

Undercover

Meriem OUDGHIRI

**M**ANY people are familiar with the decade-old French TV show « Patron incognito », the French version of the « Undercover Boss » US TV show... The concept is the following: a business owner disguises himself as an employee of his or her own company, and goes down into the field to observe the work of his or her employees and thus discover what goes on behind the scenes. The idea is also to identify organizational weaknesses, so that problems can be brought to light more quickly and action taken more rapidly. In other words, the best way to find out what's going on at grassroots level is to get your hands dirty. For some experts, these stagings give a skewed view of the world of work and of the employer/employee relationship. But it would be a good idea for our Moroccan bosses to go there, too. A sort of « Live My Life » (Put Yourself in My Shoes) for a while, to check out strategies and observe working conditions. Of course, it all depends on the size of the company, and all of this remains « reality TV ».

There are other ways of measuring your company's efficiency, such as mystery shopping or hidden audits... The fact remains that all these processes cannot function without one fundamental element: Human Resources. What kind of check-up of HR are we conducting, at a time when our country is considered a pest when it comes to education and training?

Bigwigs talk about skills, talents, soft and hard skills... in short, everything that might fit on a resume, but doesn't necessarily stay the course.

In the tourism and hotel industries, to take just one example, graduates leave the classroom with a very low level of practical experience, which is crippling and unrecognized by professionals (see [www.leconomiste.com](http://www.leconomiste.com)).

The CESE (Economic, Social and Environmental Council) even recommended that the sector's employment map be updated, in order to provide a clearer picture. In fact, such map is vital for all activities in the economy.

Because markets have been changing dramatically for some time now. □

## Weekly highlights

### Netflix, Amazon...

## VAT on digital services is coming

**P**ERSONS and entities not residing in Morocco and providing remote services will have to identify themselves to the tax authorities, declare sales made in Morocco and pay the tax due. This change introduced by the Finance Law 2024 brings Morocco into line with international standards. Services purchased from platforms such as Netflix and Amazon, as well as from companies producing gaming applications, are affected.

In other words, the VAT territoriality rules set out in Article 88 of the General Tax (CGI) Code have been revised. Services supplied remotely and online by a non-resident person who has no establishment in Morocco, to a customer whose head office, establishment or tax domicile is in Morocco, or to a customer who is occasionally resident in Morocco, are now subject to VAT. This minor change will enable additional revenue to be collected by the tax authorities, and consumption to be linked to the customer's place of tax



residence. The DGI (General Directorate of Taxes) has just published a circular note on the tax measures of the 2024 Finance Law, which provides a number of details on these changes. Services are deemed to have been provided in Morocco, even if the customer is abroad at the time the online service is provided, or even if the service is consumed online by the customer abroad. For chartered accountants, the implementation of this measure is

likely to be complicated, especially given the diversity of online services and service providers.

Questions are also being raised, particularly with regard to controls and sanctions. «Discussions are progressing at OECD level, and mechanisms will certainly follow. That said, the mechanism will be fine-tuned in the next finance law. Of course, we can't leave a legal vacuum when it comes to digital transactions», say some charte-

red accountants. In their view, the tax authorities can always have recourse to tax treaties and, in particular, to measures on administrative assistance for VAT collection, even if this tax is not included in such treaties.

It can also rely on the banking system. Pending implementation of the new measure, tax authorities have provided an indicative list of services supplied at a distance subject to VAT. These include the supply and hosting of computer sites, and remote maintenance of programs and equipment. Added to this are the supply and updating of software and applications, and the supply of digital content (music, films, online games, gambling, images, videos, texts, information, etc.). Also on the list are subscriptions to film and TV platforms, video-on-demand (VOD) services, databases or their provision, and the remote supply of training, consulting, or assistance services. □

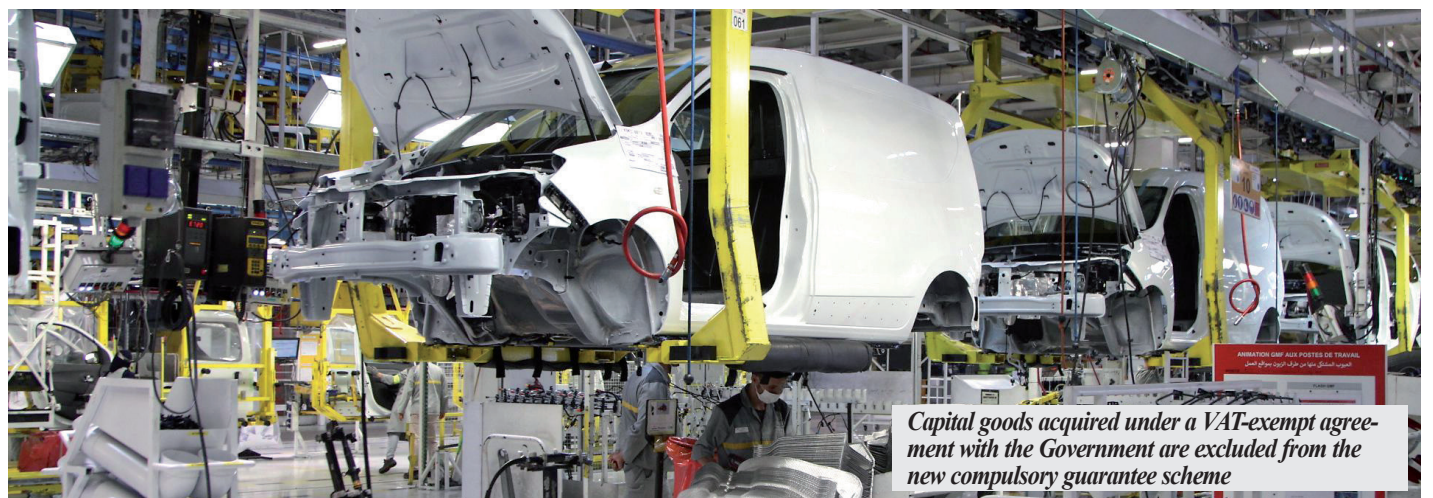
**Khadija MASMOUDI**

## Investment/VAT exemption

### How the new system works

**W**ILL the economic machine finally get going again after the publication of the Circular on Tax Provisions 2024? In any case, it is expected to answer many of the questions that taxpayers and practitioners are asking. One of the provisions on the minds of those concerned concerns the new system of VAT-exempt purchases of capital goods, with the right to deduct both on the local and international markets (see L'Economiste no 6683 of 17/01/2024).

Since January 1, 2024, this incentive has been subject to the compulsory presentation of sufficient guarantees, already listed in a summary note published by the Directorate General of Taxes (DGI) and taken up in greater detail by the circular note. These include bank guarantees, pledges of public contracts or business assets, bills of exchange, and mortgages. According to some advisers, the conditionality of this incentive has blocked transactions for many economic operators since the Finance Law



Capital goods acquired under a VAT-exempt agreement with the Government are excluded from the new compulsory guarantee scheme

came into force. «Since January of this year, many of my clients have not posted any sales, pending clarification of the terms and conditions for VAT-exempt purchases of capital goods. What's more, banks didn't know what type of bank guarantee was required. For new investors, the banks require the counterpart in sufficient provisions. This is not an easy task», says a chartered accountant. As a result, some businesses have been unable to enter into any commercial transactions since the beginning of the year, due to

the lack of visibility for banks regarding the nature of the required guarantee. The practitioner recommends that the administration publish a note on the operating procedure for bank sureties and other types of guarantee. Moreover, not all such guarantees can be formalized with banks, trustees, or accounting firms. In some cases, the services of a notary are required.

As a reminder, a few days ago the Customs administration issued a press release informing the operators concerned that capital goods imports

initiated up to December 31, 2023 and paid for in full or in part in 2024 will continue to be subject to the old VAT regime. The new procedure for benefiting from the domestic VAT exemption (Article 92-I-6 of the CGI Code), as specified in the DGI circular just published, consists for taxpayers in submitting a request and provide evidence of regular bookkeeping, enabling the goods he intends to purchase to be entered in a fixed asset account giving rise to depreciation. □

**Hassan ELARIF**

## Morocco/Mauritania

## The frustration of fruit and vegetable exporters

MOROCCAN exporters to Africa are warning of the «deterioration» of their situation. They even paint a very pessimistic picture. «We are experiencing a real crisis», says Mohamed Zemrani, President of the Moroccan Association of Exporters to Africa, a member of FIFEL (the Moroccan Interprofessional Federation for the Production and Export of Fruit and Vegetables). He adds, «Since the increase in customs tariffs at the Moroccan-Mauritanian border, several exporters, including myself, have stopped shipments. We can no longer bear the excessive customs duties».

In early January this year, the Mauritanian authorities decided to increase transit fees for Moroccan fruit and vegetables by 150%. This measure is intended to «foster national production». It will take effect until next April. The decision has aroused the ire of Moroccan professionals. They are crying foul. «The losses caused by this decision are enormous. They amount to 1.8



million Dirhams (USD 180,000) every day. Previously, 900 tons of vegetables and citrus fruit passed through these borders every day. Today, this volume has been reduced to more than half», says Mohamed Zemrani.

Zemrani blames the Ministry for the crisis. «This increase in customs tariffs

is Mauritania's response to the measure taken by the Ministry of Agriculture to ban vegetable exports in 2023», he pointed out.

Indeed, the Government has decided to suspend exports of onions, potatoes, and tomatoes to the West African market in order to secure supplies for the

local market and stabilize prices. The latter have soared due to the drop in supply, as a result of the drought which has impacted production. «Export volumes should have been reduced, not banned. The decision was badly received by the Mauritanian authorities and even by other African countries. It was detrimental to us. Africans have lost confidence in our ability to meet their needs», said the association's president.

He also criticized the decision to increase Moroccan customs duties on watermelons from Mauritania. «It is absolutely absurd!», he said, criticizing that decision.

Mohamed Zemrani didn't mince his words. He blasts the Ministry of Agriculture. He accused the Ministry of «making unilateral decisions without consulting the industry». According to this professional, the increase in customs tariffs at the Morocco-Mauritania border has also had an impact on supplies to other African countries. □

Khadija SKALLI

## Franchises: Even big brands have the blues

THE franchising business is in a bad way. Industry representatives are warning of a series of closures and bankruptcies, over-indebtedness to suppliers, waves of layoffs, drastic falls in sales in a context marked by rising charges, taxes, exorbitant rents, inflation, and falling purchasing power... In fact, this situation is not new. It is the accumulation of several difficult years, a gloomy economic situation, plus four years of drought and successive poor agricultural seasons... which have impacted the morale of households and consumers. Among the activities most represented in franchises are fast-food, catering, bakeries/pastries, cafés/ice-cream shops, ready-to-wear, cosmetics, car maintenance, distribution, and chocolate shops. «Since Covid, most chains have experienced cash flow difficulties, debt re-scheduling, credit deferrals... An over-indebted situation that has impacted all players», explains Mohamed El Fane, President of the Moroccan Franchise Federation (FMF).

On the other hand, since 2021 and 2022, most entrepreneurs in the franchise ecosystem have been rolling up



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their sleeves in the hope of recapturing the growth that would come with economic recovery, added the president of the Franchise Federation.

«As much as 2022 was a rather average year, 2023 will have been extre-

mely difficult for the franchise sector», points out Mohamed El Fane. According to the Moroccan Franchise Federation, inflation has been the crushing blow, rising to 60 or even 70%. What's more, «with imported inflation, fran-

chise purchases and products have risen by 40 to 60%, but the brands are unable to pass on the extra costs to the end customer, which represents a loss of earnings for the chains», adds the Federation's President. The inflationary spiral has been compounded by other circumstantial factors, notably the war in Ukraine, the earthquake, the war in Gaza, and other factors. «All these factors combined have weakened purchasing power and impacted business. As a result, entrepreneurs and brand owners are in a state of disarray and uncertainty. Consequently, they are unable to plan ahead for lack of visibility and profitability. Similarly, development projects and network extensions have virtually ground to a halt», explains El Fane, President of the Franchise Association. The fact is, says the FMF president, that Morocco is preparing to host sporting events on a continental and global scale (AFCON 2025, World Cup 2030, and other events). The logical thing to do is to anticipate these events by creating opportunities and an enabling business climate for franchises. □

Amin RBOUB

## Weekly highlights

### A tale of the caftan



View of the exhibition at the Musée de la Parure in Rabat. A single garment with regional specificities (Ph. FNM)

«**A**UX fils du caftan marocain» (A tale of the caftan) is the new exhibition at the Musée national de la parure les Oudayas in Rabat. This temporary exhibition takes visitors on a journey through the colors, shapes, materials, and techniques of this emblematic Moroccan costume, highlighting five production schools in various regions of the country: Oujda, Tétouan, Fez, Rabat-Salé, and Marrakech. Some thirty caftans and accessories evoke the different practices used from the 19th century to the present day. These pieces reveal the richness of Moroccan culture and its many tributaries, and provide an insight into the history of the caftan as a heritage rooted in Moroccan traditions. Each piece on display tells the story of a timeless heritage and reveals the craftsmanship handed down from generation to generation.

The «Aux fils du caftan marocain» exhibition enriches the museum's permanent exhibition, and pays tribute to the ingenuity and creativity of the men and women who help shape our national heritage and take it around the world. This sumptuous garment, deeply rooted in the country's sartorial habits, has undergone several transformations over the centuries, but remains an essential part of the national wardrobe. Originally a princely costume, it made its first appearance in the 12th century under the Almohad reign. Sober and devoid



A rare 19th-century Moroccan caftan in brocade with highly sophisticated ornamentation, offered for sale by the Drouot auction house (Private Photo)

of sumptuous ornamentation, as the rulers of the time preached a return to the fundamental sources of Islam, wishing to break with the opulence of their Almoravid predecessors, they refused to use silk and gold in their garments. However, under Caliph Muhammad an-Nâsir, the caftan became more affordable. A census taken for tax purposes counted no fewer than 3,490 weaving workshops and more than 3,000 weavers in Fez. It was under the Marinid dynasty that the caftan took on its finest finery, with the use of fabrics such as brocade.

A prestigious garment, the caftan was offered as a gift to sultans of foreign powers. A list of gifts sent by the Marinid sultan Abu Al-Hassan to the Mamluk sultan an-Nâsir Muhammad

cites gold-embroidered garments, with taffeta, wool, stiff silk, and stripes. The sultans of the Marinid dynasty also sent luxurious garments to the Ottoman sultans, who named them «Fas Kaftanlar» in reference to the city of Fez. Towards the end of the 15th century, the caftan took a new turn with the massive arrival in Morocco of Andalusians expelled from Spain who settled mainly in Tétouan and Fez, but also in Chefchaouen, Rabat, and Salé.

Over time, weaving (tarz) workshops dedicated in part to making caftans flourished. Traditionally reserved for men, it was during the Saadian period that women began to adopt the garment, launching a bold transformation that propelled the caftan to the status of an icon of feminine elegance. Even more sumptuous, the caftan will feature new fabrics such as brocade.

Ibn Khaldun mentions silk garments and belts adorned with gold thread woven in Fez. For men, the caftan was made from cloth imported from England. Sultan Ahmed Al Mansour introduced the fashion for a transparent tunic over the traditional caftan, nicknamed mansouria after its name. This combination gave rise to the now timeless takchita, made up of two pieces unlike the caftan: the first is the tahtiya and the second is called fouqia or dfina or mansouria. □

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### Beyond communities



Embroidery detail on a Judeo-Moroccan caftan worn by the bride. A beautiful Moroccan-Andalusian heritage (Private photo)

**T**HE quintessential ceremonial garment for Moroccan women (weddings, christenings, religious festivals), the traditional caftan transcends regions, communities, and religions. The traditional garment is also worn daily by Moroccan Jewish women. The Judeo-Moroccan caftan draws part of its origins from Renaissance Spain. The keswa el kebira, worn by brides, is a genuine heritage of this know-how, and comprises three pieces that are a blend of Moroccan and Andalusian influences. The large dress is cut from velvet in different colors depending on the region: green or blue for inland towns, and garnet-red for coastal towns.

Sleeve lengths and styles, skirts and hairstyles also vary from region to region. For example, the «zeltita» is a large skirt with a different cut in different parts of Morocco. A vest or «gomabaz» with puffed sleeves that roll up over the shoulders and, finally, as a breastplate, the «ktef», the most precious part of the outfit, thanks to its rich gold or silver embroidery. Other inseparable accessories include the scarf (sebnia in Arabic) and the crown (swalef), set with pearls, rubies, emeralds, and gold coins. □