

# Morocco

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### What's new?

Summary of updates/Changes to R&D and government incentives from 1 January 2019 through 31 October 2020

There are no new developments in 2020.

### Featured government incentives

Incentive name	Description	Maximum percentage	Qualification standards	Key exclusions or issues
<b>Hassan II Fund</b>	The government incentivizes investment projects promoting specific industrial sectors and the development of modern technologies through financial assistance	Financial assistance of up to 15% of the total investment; and up to MAD 30 million for the acquisition and/or construction of land, buildings, and equipment	Expenditure incurred by entities operating in the automotive, aerospace, chemical, electronics, and pharmaceutical sectors	Investment must exceed MAD 10 million before tax Investment in capital goods must exceed MAD 5 million before tax
<b>Import duty and VAT</b>	A VAT exemption is available for equipment goods, materials, and tools needed to achieve investment projects with an investment amount of at least MAD 100 million  An import duty exemption is granted for parts, spare parts, and accessories imported at the same time as the equipment	100% exemption	Limited to framework agreement	Limited to 36 months
<b>Free Zones</b>	Eligible to companies that sell at least 85% of their output abroad	100% exemption	100% exemption from corporate income tax for first five years and then 8.75% for the next 20 years	Application for approval must be submitted to determine if entity qualifies

### Industries most often affected by government incentives in country

Technology, Media & Telecom	Financial Services
● Telecom, Media & Entertainment	Banking & Capital Markets
● Technology	Insurance
Consumer	Investment Management
Consumer Products	Real Estate
Retail, Wholesale & Distribution	Life Sciences & Health Care
Automotive	● Health Care
● Transportation, Hospitality & Services	● Life Sciences
Energy, Resources & Industrial	Government & Public Services
● Power & Utilities	Health & Social Care
● Mining & Metals	Defense, Security & Justice
● Oil, Gas, & Chemicals	Civil Government
● Industrial Products & Construction	International Donor Organizations
	● Transport

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Type	National incentive?	State, provincial, regional or local incentives? <sup>1</sup>	Filing deadlines imposed?	Is the claim made in advance or arrears? <sup>2</sup>	Nature of incentive	Maximum benefit available to large enterprises	Maximum benefit available to small and medium-sized enterprises
<b>Innovation</b>							
R&D grant (national or EU)	●	●	●	Arrears	Reimbursement of costs	100% of R&D costs incurred <sup>3</sup>	100% of R&D costs incurred <sup>3</sup>
<b>Investment</b>							
Hassan II Fund	●	●	●	Arrears	Tax credit	15% of the total investment and MAD 30 million for the acquisition and/or construction of land, buildings, and equipment goods <sup>4</sup>	15% of the total investment and MAD 30 million for the acquisition and/or construction of land, buildings, and equipment goods <sup>4</sup>
Import duty and VAT exemption	●	●	●	Arrears	Tax credit	100% exemption	100% exemption
Export promotion	●	●	●	Arrears	Tax credit	Five-year corporate tax exemption; thereafter, a reduced rate of 17.5%	Five-year corporate tax exemption; thereafter, a reduced rate of 17.5%
<b>Special Economic Zones</b>							
Free Zones	●	●	●	Arrears	Tax credit	Unlimited VAT and customs duty exemptions <sup>5</sup> Five-year corporate income tax exemption; thereafter, a reduced rate of 8.75% for 20 years	Unlimited VAT and customs duty exemptions <sup>5</sup> Five-year corporate income tax exemption; thereafter, a reduced rate of 8.75% for 20 years

Key: ● = PERMANENT INCENTIVE (■) = TEMPORARY INCENTIVE (■) = NEGOTIABLE ● = NO ● = LIMITED APPLICABILITY ● = NOT APPLICABLE

### Notes:

- Green means that this incentive is currently in effect. Yellow means that the incentive has limited applicability, i.e., the requirements for this incentive limit its value to most companies. Red means that there is no incentive.
- If the response is advance, this means that the government must approve the award of the incentive prior to the commencement/completion of the project/activity. If the response is arrears, this means that the award of the incentive is determined at the end of the tax period or after the completion of the qualifying project or activity. Most tax incentives are considered to be claimed in arrears because they are reported on tax returns.
- Limited to entities approved for support under the Industrial and Investment Development Fund
- Limited to automotive, aerospace, chemical, electronics, and pharmaceutical sectors
- Free zone benefits limited to companies that sell 85% of their production abroad

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### Country background

The corporate income tax rate in Morocco ranges from 10% to 31%.

Morocco actively encourages foreign investment and seeks to facilitate investment through macro-economic policies, trade liberalization, structural reforms, and investments in infrastructure, as well as incentives for investors through the Investment Charter.

The Moroccan Investment and Development Agency (AMDI) is a financially autonomous public institution responsible for the promotion of investment in Morocco.

### Innovation Incentives

#### Research & Development (R&D) Grant

The Industrial and Investment Development Fund (FDII), created by the 2015 Finance Law, grants financial assistance for tangible and intangible investments, up to 30% of the total investment amount, for eligible investments greater than MAD 20 million or the creation of at least 50 permanent jobs. The financial assistance covers expenses related to research and development, innovation, and creation (including the cost of developing new models, salary expenses for skilled employees, charges related to control and testing, model/collection purchases, and external expertise linked to innovation and creativity).

### Investment Incentives

#### Hassan II Fund

The government incentivizes investment projects that promote specific industrial sectors and the development of modern technology through financial assistance. The incentives are available to qualifying entities in the automobile, aeronautics, nanotechnology, microelectronics, and biotechnology sectors. Financial assistance is granted in an amount equal to 15% of the total investment, capped at MAD 30 million for the acquisition and/or construction of land, buildings, and equipment.

#### Industrial and Investment Development Fund (FDII)

The FDII was introduced by the 2015 Finance Law with a budget of MAD 20 billion until 31 December 2020 in furtherance of the Industrial Acceleration Plan. Financial assistance is granted to companies that:

- Invest more than MAD 100 million;
- Create more than 250 jobs;
- Transfer technology; and
- Implement projects in a priority area.

### Other Incentives

#### Casablanca Finance City

Casablanca Finance City (CFC) is an economic and financial zone that aims to attract and encourage international institutions and investors to invest and operate in North, West, and Central Africa and to choose Casablanca as a gateway to access this region. Targets for the zone are financial companies, professional services providers, and regional or international headquarters of multinationals.

The CFC was created under Law No. 44-10 enacted in December 2010, as amended by Law No. 68-12 enacted in June 2014. Law No. 44-10 creates "CFC status" and entrusts the Casablanca Finance City Authority with overall responsibility for the management and institutional promotion of the CFC. The benefits of the CFC status include tax incentives, exchange control facilitation measures, and other benefits for doing business. Benefits include:

- A corporate income tax exemption applicable to all profits without distinction between the local and export portions during the first five years of operations and a 15% rate thereafter; and
- A permanent exemption from the withholding tax on dividends.

#### Industrial Acceleration Zones

Incentives granted to companies operating in the Industrial Acceleration Zones usually include an exemption from corporate income tax and local business tax, VAT, and customs duties for a certain period for companies that derive income from at least 85% of their total sales abroad. Qualifying companies can access other incentives or forms of financial assistance available through the Investment Charter (provided AMDI approval is obtained), such as:

- Financial assistance for the acquisition of land and/or the construction of production units for certain sectors (through the Hassan II Fund);
- A five-year income tax exemption, followed by a 20-year reduced rate of 8.75%;
- A permanent exemption from the withholding tax on dividends paid to nonresidents relating to activities performed within the zones;
- Unlimited VAT and customs duty exemptions; and
- Engineering and technical training support.