THE REPORT

OXFORD BUSINESS GROUP

Committed to reform

Mohamed Boussaid, Minister of Finance

To what extent has the precautionary credit line from the IMF protected the Moroccan economy from exogenous shocks?

BOUSSAID: First, I would like to highlight that the awarding of the precautionary credit line to Morocco should be viewed as a vote of confidence. The IMF has reaffirmed its trust in the kingdom, which is currently undertaking structural reforms to put the public finances on a firmer footing. Thanks to proactive and responsible policies, the government has achieved a considerable reduction in the budget deficit, going from 7.2% of GDP in 2012 to 5.4% in 2013. Furthermore, in light of the recent global financial crisis, the precautionary credit line serves to protect Morocco from potential exogenous shocks such as a sudden rise in oil prices. It should also be noted that the credit line is now available to support the kingdom's ambitious programme of structural reforms aimed at laying the foundations for sustainable and healthy development in the future.

What additional measures is Morocco considering to foster a business-friendly climate?

BOUSSAID: In an extremely dynamic regional environment, Morocco has managed to maintain political and social stability. Strong sector-specific policies have promoted the growth of hi-tech industries in fields such as automobile production and aerospace.

For several years, Morocco has been working on fundamental reforms that have improved the business climate. This is reflected in Morocco's success at reaching 87th place out of 189 countries in the World Bank's 2014 "Doing Business" report, having risen eight ranks since 2013. The prime minister leads the National Committee for the Business Environment, demonstrating that the government sees this as a serious matter to be addressed at the highest level. This committee is driving the implementation of several key strategic projects, such as the modernisation of the legal framework for businesses, the streamlining of the process for resolving commercial disputes, the introduction of tax incentives, the broadening of access to finance and concerted measures to boost the efficiency of the public sector.

Additionally, Morocco has made an early choice to open itself to greater international trade. It is linked by a comprehensive network of free trade agreements to major global economies such as the European market and the US. Morocco also boasts the port of Tanger-Med, strategically located on one of the busiest shipping corridors in the world.

Of the tax provisions introduced by the Finance Bill 2014, which are set to foster export growth?

BOUSSAID: For years, exporters have benefited from several fiscal exemptions and reductions in corporate tax, value-added tax (VAT), registration fees and other professional taxes. The Finance Bill 2014 enables exporters to benefit from several common law tax provisions, including the abolition of the onemonth lag rule on VAT and the introduction of a VAT reverse charge mechanism for non-resident companies. In addition to these benefits, we have instituted tax neutrality on the income tax normally due in the event of the transfer of shares owned by a physical person to a holding company.

Furthermore, all companies registered in export processing zones benefit from a total exemption of corporate taxes or income taxes during their first five years. Following this initial period, they are subject to a highly competitive tax regime with a reduced corporate tax rate of 8.75% for the next 20 years. The Moroccan government is aware that a favourable and stable tax regime is one of the critical factors in fostering a competitive environment for exporters. This is why we have invested so much effort in creating such an environment over the last few years and why we strongly support fiscal stability. When a measure promoting investment is introduced, we guarantee that we will maintain it in the long term.

UNITED KINGDOM
131-151 Gt. Titchfield St. London
W1W B5B United Kingdom
T +44 207 403 7213
F +44 173 026 0274

UAE
1403 Al Thuraya 2 Dubai Media City
PO BOX 502 659
T +971 4 426 4642
F +971 4 426 4641

TURKEY
Esentepe M. Buyukdere C. No: 102
Maya Akar Center K11 D48 Sisli Istanbul
T +90 212 216 0300
F +90 212 216 0200

THE INSIDE EDGE
www.oxfordbusinessgroup.com