

Weekly highlights by L'ECONOMISTE



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EDITORIAL

«The place to be»

Meriem OUDGHIRI

MOROCCO is on many radars these days. After the US investors in the city of Dakhla, a large Moroccan delegation of business leaders is currently in Tel Aviv. Since Wednesday, the Aerospace Meetings Casablanca has been held, after two years of absence, bringing together nearly 650 participants and 250 companies from around twenty countries. In terms of air transport, the CEO of Ryanair is traveling to Morocco to set out his new roadmap.

In a more than tense geopolitical environment, all these meetings are highly symbolic. They represented a renewed confidence in the Kingdom. These meetings are also additional opportunities to (re) create links and develop networking. Being well organized and well sold, these meetings add bonuses on the scale of «smart» investments. The ability to attract them is a crucial issue in the competition between countries on the inter-

national scene. Similarly, the communication work is essential to heal relationships sometimes characterized by misunderstandings and clichés. Morocco has all the potential necessary to build a real investment base on its territory. The transformation of the country, which begun over the past 20 years, has enabled Morocco to boost its attractiveness, but what is needed today is to speed up the pace, because there are still battles to be won on various fronts.

In other words, there is a need to translate on the ground the will and the orientations into concrete measures (from the taxation standpoint and others). One must also continue to send strong signals concerning the continuation of reforms. Basically, one must convert the try by making the most of this famous confidence that Morocco enjoys, so that the country can be even more «The Place to Be». □

Weekly highlights

Morocco-Israel

Highlights of the 1st Economic Forum between the two employers

From our special envoy to Tel Aviv, Amin RBOUB



Chakib Alj, president of the CGEM during the signing of the Strategic Partnership Agreement with his counterpart (left) the president of the Israeli Employers & Business Organizations (IEBO) (Ph. AR)

■ **Strong participation with over 200 Moroccan and Israeli business leaders**

■ **The CGEM participates with 80 economic operators and presidents of federations**

■ **Signing of a strategic partnership agreement between the 2 employers' representatives**

THE kick-off of the first economic forum between Morocco and Israel, on Tuesday, March 15 in Tel Aviv, had a very strong symbolic power. The event brought together the elite of the Israeli and Moroccan business community to identify business opportunities, have the businesspeople get to know each other and set up partnerships and joint ventures (JV), or have synergies play between the two economies that are both different but complementary. This 1st Forum is co-organized by the General Confederation of Moroccan Enterprises (CGEM) and the Israeli Employers Business Organizations (IEBO).

This first meeting of its kind was a great success with the participation of more than 200 business leaders, decision makers and lea-

ders representing the two countries. The event also coincided with the opening of Royal Air Maroc's first flight service linking Casablanca to Tel Aviv. The same inaugural RAM flight carried the CGEM delegation chaired by Chakib Alj. During the plenary session, the Moroccan «bosses' boss» said that «this highly symbolic forum comes to consolidate cooperation and partnership between businessmen ... Since the signing of the Abraham Agreements

between Morocco and Israel in 2020, exchanges and partnerships are multiplying between the two countries. Bilateral cooperation is growing considerably. It is up to businesspeople to take over and transform this vision into sectors of common interest, and especially to intensify trade in order to translate the partnership into business opportunities... Many opportunities are to be found in key sectors such as agriculture, industry, tourism,

health, education, water, technology, R&D...».

For the president of the CGEM, the current global geostrategic context could open windows of opportunity between Morocco and Israel... The First Economic Forum was marked by the signing of a strategic partnership between the CGEM and its Israeli counterpart (IEBO). This «strategic partnership agreement» now represents the roadmap to facilitate and promote trade relations and exchanges between the two countries.

This partnership comes after the signing of a cooperation agreement on trade and investment between Morocco and Israel, following the visit of the Minister of Economy and Industry Orna Barbivai last February in Rabat. With this agreement, Israel and Morocco are aiming for an annual trade volume of 500 million US dollars, compared to the current 131 million. Since the normalization of relations in December 2020, the two countries intend to expand the areas and perimeters of cooperation. They are committed to facilitating trade and investment in both directions including industry, automotive sectors, renewable energy, agribusiness, agriculture, textile and clothing, services, pharmaceuticals, technology, education, health, and other sectors. □

Start-up Nation

The case studies of the Israeli economy include companies specializing in services, digital, technologies, and start-ups... Morocco is betting heavily on sharing experiences with the Start-Up Nation Center. A rich, diversified, and quite developed ecosystem... The UM6P (Mohammed VI Polytechnic University) is in the process of setting up partnerships in this area in order to develop partnerships and research programs in knowledge technologies, or around the themes of water, energy, food, industry 4.0... Another forum will be held in Morocco next May to deepen the reflection on partnerships in digital, innovation, R&D... with the microcosm of the Moroccan Tech. These are just the first steps of economic cooperation between the two countries. The challenge, according to members of the business community, will be to pave the way to involve public opinion and civil society in both countries to this new momentum. The challenge is to reestablish ties while intensifying trade, develop flows by speeding up joint ventures, or sharing experience and know-how... Eventually, FDIs (Foreign direct investments) will be rolled out in both directions and, why not, maybe even consist of joint projects including industrial parks and logistics platforms... Some people already speak of the birth of a new economic hub in the Mediterranean. A model that shows the way to other countries in the region... The whole challenge is there! The second part of the Morocco-Israel Economic Forum was devoted to Business to Business (BtoB) meetings to identify areas of interest and consider partnerships or even joint ventures. □

Weekly highlights

New anti dumping investigation in the metal industry

■ It involves a product from Turkey

■ Galvanized wire used in agriculture and industry

■ The complainants are 4 Moroccan companies

TURKEY is the country that has been the subject of the largest number of anti dumping investigations to date. First, there was the one on hot-rolled steel sheet initiated in 2013, following a complaint from the Maghreb Steel company. Then there was the complaint filed on refrigerators initiated in 2016 upon request of Manufacture Nationale pour la Réfrigération et l'Électronique. Then finally there was the investigation on galvanized wire. Indeed, the Ministry of Industry and Trade launched investigations on March 09, 2022, on this metallurgical product used in agriculture and industry (wire mesh, barbed wire, automotive ...).

The investigation was opened following a complaint lodged by four Moroccan companies: Somatref, Sicotrem, Sodefer, and Galvafil. Another operator, Siderurgie Zayane, «supports» the accusations of «dumping and significant damage to the



Public hearing in Rabat as part of an anti-dumping investigation. The investigation lasts in principle 12 months and may be extended to 18 months if special circumstances justify it (Ph. Faïçal Faquih)

domestic industry» made against the Turkish exporters and producers. «The four complainants represent 100% of the local production of galvanized wire», says the Moroccan Directorate General for Trade. This detail is important because the companies can claim to «represent the domestic industry». They can therefore request the opening of an investigation because the complainants «constitute the major proportion of the total national production» of galvanized wire, as required by Law No. 15-09 on trade defense. In this process, the admissibility of a complaint is as important as the green light of the Commission for the Surveillance of Imports who has indeed given its approval for the

initiation of the investigation on February 03, 2022.

The Directorate for Trade Defense and Regulation has previously prepared the ground for the investigation on the basis of «objective and sufficient evidence». The dumping margin was calculated on the basis of import invoices. This margin is «significant» and «largely exceeds the minimum of 2% authorized» by the international trade law, and more precisely, by the GATT agreements which inspired the Moroccan law on trade defense.

But nothing is settled for the moment. The investigation has just started. The Ministry of Industry has set deadlines for the parties to come forward. The investigations of the

Ministry will consist of «collecting and verifying» data from Turkish exporting producers of galvanized wire, importers, Moroccan producers, and other interested parties.

All of these procedures aim at determining if there is really dumping. Dumping occurs when the price of a product sold for export is lower than the price in the exporting country. «Import prices have been adjusted for international and for domestic transportation costs at the ex-works level», the ministerial note said. The data presented by the complainants «was obtained from a Turkish company's commercial information». There is another issue in these international trade law cases, i.e. to demonstrate the existence of significant damage and the causal link, namely to prove, with figures, that imports «have increased remarkably in absolute terms and in relation to national production and consumption», which is tantamount to also establishing that the exporting producers have gained «substantial market share». «Imports of galvanized wire from Turkey have had a negative impact on sales price levels in Morocco, the quantities sold, the market share and profits...», according to information from the complainant companies. The investigators relied on this fact to start investigations. □

Faïçal FAQUIHI

Increase in diesel prices

Road transporters get the subsidy they asked for

■ An online platform within two weeks at the latest

■ All segments of road transport targeted

TRUCK drivers have just won their case. At the end of the meeting they held on Monday, March 14, with Mohamed Abdeljalil and Fouzi Lakjaa, respectively Minister of Transport and Minister Delegate in charge of the Budget, they received confirmation about the establishment of a public aid. The subsidy, which has been requested for several weeks, will be distributed to all road transport operators: transport of personnel, passengers, goods, and even taxi drivers... The two ministers announced

to participants that a platform should be put online within two weeks. The road transport professionals affected by the increase in diesel prices will be asked to register and to provide information about their fleet, diesel consumption, personnel, turnover, and other information.

According to one participant, only companies that are in compliance with their social security (CNSS) and tax obligations are eligible for the subsidy. This could be a problem, especially since the informal sector represents about 40% of the freight transport sector. In principle, as was the case for previous public aid measures, a company that does not comply may not receive public funds. This will not solve the issue of informal operators, some of whom regularly threaten to go on strike. The government could also be faced with

the complicated case of taxi drivers. A few years ago, following the liberalization of fuel, the Government tried to provide assistance to taxi drivers. The problem of eligibility arose, knowing that a single taxi involves at least three people: the holder of taxi license, the vehicle owner, and the driver(s).

Moreover, transportation professionals are waiting to know the scale of the subsidy, its basis of calculation, its duration, and other factors. The fact of registering on the platform does not automatically mean for a carrier that the aid will be served to the applicant. The subsidy that has been much asked for by road transport professionals across all its segments should be distributed as long as diesel prices continue to rise, the goal being to avoid that the consumer be impacted by the big fluctuations of fuel prices that affect all products. In some

cases, those fluctuations are an excuse for unjustified price hikes.

The meeting of Monday, March 14 with the two ministers was once again an opportunity for professionals to present the problems of the sector. Among these is of course the increase in VAT, which should rise from 14% to 20%. At least, this is the request of truck drivers. This is a measure aimed at increasing the amount of the value added tax recovered by transport companies.

The other issue raised by the representatives of the sector involves the revision of the conditions of access to the profession. The companies wish to tighten the criteria to be able to exercise this activity, by instituting for example requirements in terms of training, diploma, financial and technical capabilities, and other criteria. □

Hassan EL ARIF

Weekly highlights

Phony invoices

The tax authorities prepare strong enforcement measures

CRIMINAL sanctions for offences (article 231 of the General code on criminal sanctions) in case of issuance of phony invoices will soon be applicable. The Directorate General of Taxes (DGI) is currently working on a draft decree that will make issuers of phony invoices liable to jail sentences. The announcement was made by Khalid Zazou, acting director general, at the members' forum held on Thursday 10 March by the French Chamber of Commerce and Industry of Morocco. The article in question provides for jail sentences for natural persons who are found to have committed an offence or to have been responsible for it, or if it has been proven that said offence was committed on his/her instructions and with his/her consent. The imprisonment of a fraudster may be pronounced by a magistrate, regardless of his/her legal status. The same penalty applies to persons who have been accomplices to the facts in question, or who have assisted or advised the party involved in the making of a phony invoice. Tax authorities are stepping up the fight against this scourge because of the fiscal stakes it represents.

One of the key provisions of the 2021 Appropriations Bill involves the introduction of a mechanism to combat the scourge of phony invoices (Article 146 of the General Tax Code on documentary evidence of expenditures). This concept differs from fake invoices in that they do not correspond to any ac-

tual transaction. Thus, when the tax authorities realize that an invoice is issued in the name of a supplier who is not in good standing with regard to taxes, the expense is not deductible. Not being in good standing means not filing tax returns, not paying taxes and not proving

of total indifference. The person who issues phony invoices pays his/her annual car tax sticker, his/her insurance, and commits himself/herself never to issue a bad check. But when it comes to bogus bills, it's a national sport because there are no policemen,» said Khalid

deducted from the operating income.

Persons who have had an invoice rejected because it was deemed to be inconclusive can always ask the tax authorities to reconsider their position, provided that the invoice was paid by a crossed check that cannot be endorsed. Other means of payment may be accepted provided they are traceable. Only when the tax authorities have sufficient evidence will they reject an invoice: the issuer must be both tax delinquent and have no real activity. The two conditions are linked. The burden of proof is obviously on the administration.

Regardless of the means of payment, tax authorities remain vigilant. For example, a crossed check that cannot be endorsed is not irrefutable proof of payment. In some cases, it is only a gimmick intended to cloud the issue. When the administration asks the bank for the identity of the person who ultimately cashed the funds, it turns out to be the first person who carried out the transaction. The subterfuge consists of creating shell companies using the identity card of a gardener and even of a mentally ill person to use them for fraudulent purposes. Tax authorities are aware of all these practices. «Some fraudsters change companies as they change shirts». The decree in preparation on the implementation of criminal sanctions will make it more visible by fraudsters. □

HASSAN EL ARIF

The Directorate General of Taxes (DGI) in figures in 2020

- Gross revenues: **155.99** billion MAD
- Net global revenues: **145.81** billion MAD
- Spontaneous revenues: **148.81** billion MAD
- Revenues following action from the administration: **7.18** billion MAD
- Telepayment (corporate tax, income tax, VAT, registration fees and stamp duties): **135** billion MAD
- Achievement of the forecasts of the amending finance law: **106.5%**

a real activity. At the same time, the DGI will publish on its website a list of tax identifiers of defaulting suppliers. This list will be updated on a regular basis after final judgment in accordance with the provisions of Article 231 of the CGI on criminal penalties for tax offences.

According to the tax authorities, despite the mechanism provided by the Appropriations Bill of 2021, phony invoices have continued to proliferate during the same year. «The census conducted by the Tax Department indicates that the problem amounts to tens of billions of Dirhams per year under the invoices recovered by some and not declared by others. We cannot admit among us that people continue to issue phony invoices in total impunity, acting carelessly, and within a background

Zazou, acting Director general of taxes. Despite its severity, the measure did not have the expected deterring effect. For four years, the administration has noted that tens of billions of dirhams are missing from the accounts of some taxpayers while they have been deducted by others. Tax authorities are not yet able to put a figure on the extent of the fraudulent invoices. They still have to wait for the outcome of ongoing proceedings to process the information and distinguish between cases of default and cases of non-effective transactions. However, estimates relating to invoices issued and not declared amount to several billion of dirhams. Tax authorities point out that this is in fact a double deduction: the counterfeiters deduct the VAT and benefit from the charge that is

Public finances

Subsidies for basic commodities are growing, investment is falling

THE surge in international gas and wheat prices is having an impact on the Government's budget. At the end of February, expenses related to subsidies for some basic commodities reached 5.4 billion MAD, which represents 31.7% of the budget allocated in the Appropriations Bill. Those expenses reflect only part of the price surge, and the impact could be heavier in the coming months. This would result in exceeding the budget allocated to subsidies for some basic commodities.

For the first two months of the year, operating expenses have increased by

21%, driven by the increase in equipment, which has risen by 20.1%, and common expenses, which have increased by 418.3% as a result of the subsidies for some basic commodities. Personnel expenses at 24 billion MAD are slightly down (-0.4%) compared to the same period last year.

Scrutinized by economic operators, investment has declined by 2.5% to 14.9 billion MAD. Out of a budget of 87.4 billion MAD, 17% have been spent. At first sight, the Government does not intend to touch this budget item to cope with the contingencies generated by the war in Ukraine. The Ministry of Finance emphasizes the

possibility of mobilizing additional resources without freezing investment and hindering the recovery, which relies in particular on public procurements.

Expenditure is also marked by a 44.3% increase in tax refunds, rebates, and restitutions: 1.18 billion MAD. The VAT refunds, which are a breath of fresh air for the cash flow of companies, reached 1.16 billion MAD. When one includes the share borne by local governments, they amount to 1.59 billion MAD versus 1 billion in February 2021.

On the revenue side, statistics from the Kingdom's General Treasury show

an increase of 7.2% due to the good performance of direct taxes (+3.1%), customs duties (13.8%), and indirect taxes of 14.2%.

Net VAT revenues rose by 13%. On the import side, this value-added tax rose by 27.1%, while on the domestic side it fell by 2%. Corporate income tax, registration fees, and the domestic consumption tax on tobacco do increase reasonably.

Nonetheless, at the end of February, the budget deficit increased compared with the same period last year. It reached 11.5 billion versus 10.2 billion at the end of February 2021. □

Khadija MASMOUDI