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## **Tax competitiveness and the fight against tax evasion: Challenges for Morocco in the era of globalization**

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### **Abstract:**

The duality between tax competitiveness and tax evasion is one of the major challenges facing national and international tax authorities. The paradox of tax competitiveness and the fight against tax evasion is an area where the interests of stakeholders overlap. In a context of globalization that goes hand in hand with objectives that converge towards greater wealth, the issue of tax competitiveness and the fight against tax evasion seems to be very delicate and crucial.

In this study, we will analyze the issues and factors explaining this duality and the consequences it has for the rationalization of tax competitiveness. In this context of increased tax competition and gradual harmonization of regulations, our question is as follows: In the era of globalization, how can Morocco reconcile economic attractiveness and the fight against tax evasion, while preserving its fiscal sovereignty?

Our article adopts a qualitative study that explores and interprets regulatory frameworks, international agreements and administrative practices to identify the success factors and

obstacles to tax competitiveness in Morocco, in order to make choices and decisions and improve the functioning and performance of the tax system in a context of globalization.

**Keywords:** Tax competitiveness, tax evasion, international tax standards, tax sovereignty, economic attractiveness.

### **Introduction:**

Globalization, the ultimate driver of economic growth and interconnection, has simultaneously exacerbated a fundamental tension between the tax competitiveness of nations and the fight against tax evasion. This paradox highlights an area of conflicting interests, where the pursuit of wealth by economic actors wherever possible, combined with legal and fiscal disparities and divergences between countries, leads to aggressive optimization strategies by multinational companies. Morocco, as an emerging country, is at the heart of these dynamics, faced with the imperatives of attracting foreign investment while having to align itself with international tax standards.

The signing of the BEPS (Base Erosion and Profit Shifting) convention in 2017 and its implications for Moroccan taxation Morocco finds itself mortgaged, adding to the blatant fiscal anachronism, notably the revision of incentive schemes such as those of Casablanca Finance City (CFC) and the conversion of free zones into industrial acceleration zones, testify to the direct impact of these international pressures as a condition for emerging from the grey area.

Developing countries, including Morocco, often find themselves in a delicate position, forced to grant tax advantages to attract capital, while striving to preserve their fiscal sovereignty in the face of harmonization and transparency requirements.

In this context of increased tax competition and progressive harmonization of regulations, our challenge is as follows: In the era of globalization, how can Morocco reconcile economic attractiveness and the fight against tax evasion, while preserving its fiscal sovereignty?

To address this issue, our plan is as follows:

I- Tax competitiveness: Definition and basis.

II- Tax evasion: Definition and economic consequences.

III- The Moroccan tax system in the face of international tax standards: complexity of integration and national fiscal sovereignty.

## **I. Tax competitiveness: Definition and basis**

### **A. Definition and objectives of tax competitiveness**

Tax competitiveness is a key concept in the debate on international taxation. It refers to a country's ability to make involuntary concessions to attract and retain capital, investment and businesses by offering a favorable tax environment compared to other jurisdictions. This competitiveness manifests itself through various levers, including corporate tax rates, specific tax incentives (tax

credits, exemptions), the simplicity of the tax system, and regulatory stability<sup>1</sup>.

Let us start from the premise that tax competitiveness can be defined as the set of tax measures implemented by a state to make its territory attractive to businesses and investors. Some call this enriching oneself in exchange for concessions and sacrifices. The main objective is to stimulate economic activity, create jobs, increase tax revenues in the long term (by broadening the tax base rather than raising rates), and strengthen the country's position in the global economy. It is based on the idea that lower taxes or more advantageous tax regimes can encourage businesses to set up or expand their activities in a given country<sup>2</sup>.

### **B. Economic foundations of tax competitiveness**

There are many economic theories underlying tax competitiveness<sup>3</sup>:

**Supply-side theory:** This suggests that high taxes discourage investment and work, while lower taxes stimulate the supply of goods and services by encouraging production and innovation.

**Capital mobility:** In a globalized world, capital is highly mobile. Companies can easily relocate their activities or profits to jurisdictions offering more advantageous tax regimes. Tax competition stems from this mobility, with each country seeking to attract capital.

**Agglomeration effects:** The presence of an ecosystem of businesses, skills and infrastructure can enhance the attractiveness of a territory. Taxation can be a trigger for initiating or consolidating these effects.

Governments use various instruments to improve their tax competitiveness<sup>4</sup>, including: reducing corporate tax rates, offering preferential tax regimes, improving the business environment and entering into bilateral tax agreements.

### **II- Tax evasion: Definition and economic consequences**

Tax evasion<sup>5</sup> is the antithesis of states' pursuit of tax competitiveness. It represents a major challenge for national

<sup>1</sup> - IMF studies on the impact of taxation on foreign direct investment (FDI).

<sup>2</sup> - Books on tax economics and international taxation (e.g., Reuven Avi-Yonah's International Taxation).

<sup>3</sup> - Academic publications on the theory of tax competition.

<sup>4</sup> - OECD reports on tax competition

<sup>5</sup> - NB: Court decisions and high-profile cases of tax evasion revealed by investigative media (e.g., Panama Papers, LuxLeaks).

and international tax administrations, undermining tax fairness and reducing the public resources needed to finance essential services<sup>6</sup>.

### A. Definition and distinction from tax optimization

Tax evasion refers to all illegal or abusive practices aimed at avoiding tax or reducing the amount of tax due in violation of the law. It differs from tax optimization, which consists of using loopholes or legal mechanisms in a tax system to reduce one's tax burden. The line between the two is sometimes blurred and is the subject of legal and ethical debate.

**Illegal tax evasion:** Concealment of income, false declarations, use of false documents, transfer of undeclared funds to tax havens.

**Aggressive or abusive tax avoidance:** Use of complex and artificial arrangements, although technically "legal", whose main purpose is to circumvent the spirit of tax law (e.g. through abuse of rights or aggressive tax planning). It is this type of avoidance that the BEPS project aims to combat<sup>7</sup>.

In this regard, multinational enterprises (MNEs) have sophisticated means at their disposal to engage in tax evasion<sup>8</sup>: abusive transfer pricing, locating profits in tax havens, "double-dip" and tax arbitrage strategies, erosion of the tax base through the deduction of interest and royalties, etc.

### B. Economic and social consequences of tax evasion

Tax evasion has profound repercussions<sup>9</sup>:

**Loss of tax revenue:** It deprives governments of crucial resources for funding public services (education, health, infrastructure), social protection and economic development.

**Tax inequity:** It places a heavier burden on ordinary taxpayers (households and SMEs) who do not have the same means of optimization, creating a sense of injustice.

**Distortion of competition:** Companies that engage in tax evasion may enjoy an unfair competitive advantage over those that fully comply with their tax obligations.

**Weakening of fiscal sovereignty:** States see their ability to manage their fiscal policy and define their tax base reduced.

**Impact on institutional credibility:** A widespread perception of tax evasion can erode public confidence in institutions and tax justice.

### III- The Moroccan tax system and international tax standards: complexity of integration and national tax sovereignty.

As an emerging country that is highly integrated into global value chains and keen to attract foreign direct investment (FDI), Morocco finds itself intrinsically caught up in the complex web of international taxation. This position forces it to strike a delicate balance between the need to maintain tax competitiveness in order to attract capital and the imperative to align itself with increasingly demanding international tax standards designed to curb base erosion and profit shifting (BEPS). This dual movement requires a profound overhaul of the Moroccan tax system, raising fundamental questions about the scope and limits of its national tax sovereignty.

#### A. Impact of international standards on the Moroccan tax system: A gradual overhaul under external and internal pressure

Morocco's commitment to combating tax evasion and aligning itself with international standards is no longer an option, but a strategic necessity for its credibility and integration into the global economy. The major turning point was the Kingdom's accession to the OECD/G20 Inclusive Framework on BEPS in 2017. Far from being a mere formality, this accession triggered a process of significant legislative and administrative reforms aimed at complying with the 15 actions of the BEPS plan<sup>10</sup>.

#### 1. Reform of incentive and preferential regimes: Lessons learned from the EU's "grey list" (BEPS Action 5)

<sup>6</sup> - IMF or World Bank publications on the impact of tax evasion on developing countries. And Tax Justice Network, State of Tax Justice (global reports on tax losses due to evasion, including estimates for countries such as Morocco).

<sup>7</sup> - OECD reports on the BEPS project and its specific actions.

<sup>8</sup> - OECD reports on the BEPS project and its specific actions

<sup>9</sup> - Studies by the Tax Justice Network or other specialized NGOs.

<sup>10</sup> - OECD (2021), Global Minimum Tax: Overview of Pillar 2 Rules, Inclusive Framework on BEPS, and OECD (up to date), Peer Review Reports on BEPS Action 5 - The Peer Review and Monitoring Process of the Forum on Harmful Tax Practices (see reports specific to Morocco), as well as OECD (2015), Action 5: Addressing harmful tax practices, taking into account transparency and substance, OECD/G20 Final Report on Base Erosion and Profit Shifting.

Historically, Morocco has used aggressive tax incentives, such as export processing zones and Casablanca Finance City (CFC) status, to stimulate exports and attract multinational companies. These regimes offered substantial benefits, including partial or total exemptions from corporate income tax (CIT) for extended periods, or significantly reduced rates. For example, free zones allowed for a total exemption from CIT for the first five years, followed by a rate of 8.75%. For CFCs, export-oriented service companies benefited from a reduced rate of 8.75% (compared to the standard rate of 31% at the time)<sup>11</sup>.

However, the intensification of the international fight against harmful tax practices, under the aegis of the OECD and the European Union, called into question the viability of these regimes. The EU, in particular, has exerted significant pressure, going so far as to place Morocco on its "grey list" of non-cooperative jurisdictions for tax purposes on several occasions (notably in 2017 and 2019). The main criticism focused on the lack of "real economic substance" associated with the tax benefits granted. According to the OECD/BEPS criteria (Action 5), a preferential regime must not be "harmful"; it must require substantial economic activities (staff, assets, expenditure) in the jurisdiction for profits to be taxed at a reduced rate<sup>12</sup>.

Morocco's legislative response has been swift and decisive, illustrating its desire to bring its tax framework into line with international standards while preserving its attractiveness. Finance Law No. 70-19 for the 2020 financial year<sup>13</sup> was a seminal piece of legislation in this regard:

**Transformation of Casablanca Finance City (CFC):** The CFC tax regime has been completely overhauled. Reduced corporate tax rates are now conditional on the effective exercise of activities with significant economic substance in Morocco. The applicable corporate tax rate has been changed from 8.75% to a progressive rate. Newly CFC-certified companies, if they carry out eligible activities (financial services, professional services, services to regional headquarters, etc.), benefit from a total exemption for the first five financial years and a reduced rate of 15% thereafter, but these advantages are subject to the effective carrying out of

<sup>11</sup>- General Tax Code (CGI), Part II, Title I (Corporate Tax), in particular the articles relating to corporate tax rates, Industrial Acceleration Zone regimes (Art. 6-II B), CFC status (Art. 6-II C), transfer pricing (Art. 210, 214-I and 237-I for the CbCR). And Finance Law No. 70-19 for the 2020 financial year, specific articles amending the free zone and CFC regimes. As well as Dahir No. 1-10-162 of 20 Jomada I 1432 (24 April 2011) promulgating Law No. 44-10 on the status of Casablanca Finance City. (Subsequent revisions).

<sup>12</sup>- OECD (2015), Action 5: Addressing harmful tax practices, taking into account transparency and substance, OECD/G20 Final Report on Base Erosion and Profit Shifting.

operations on Moroccan territory, the employment of qualified personnel, and significant operating expenses in the country. This overhaul aimed to transform CFC from a financial centre potentially perceived as an artificial profit center into a genuine regional economic hub with high value-added activities.

**Conversion of "export processing zones" into "industrial acceleration zones" (ZAI):** The 2020 Finance Act also repealed the tax regimes for export processing zones for new establishments, replacing them with Industrial Acceleration Zones (ZAI). This new scheme, which has been in operation since 2021, maintains its tax appeal but with stricter conditions and alignment with substance criteria. Companies established in ZAIs benefit from a five-year corporation tax exemption, followed by a reduced rate of 15% for industrial activities (compared to the previous rate of 8.75%). This change in terminology and regime underlines a desire to target investments that are truly productive and create industrial jobs, rather than simple processing or low value-added services that can be easily relocated<sup>14</sup>.

### **1.1 Fiscal transparency and exchange of information: Tools for better traceability (BEPS Action 13)**

Fiscal transparency has become a pillar of the fight against international tax evasion. Morocco has fully embraced this dynamic:

**Automatic exchange of information (AEI):** Morocco has committed to AEI, notably through the OECD's Common Reporting Standard (CRS), which has been in effect since 2021. This means that Moroccan financial institutions (banks, insurance companies, fund managers) collect information on financial accounts held by non-residents and transmit it to the Directorate General of Taxes (DGI), which then exchanges it with the tax authorities of the account holders' countries of residence. This bilateral or multilateral exchange significantly reduces the opportunities for Moroccan or foreign taxpayers to conceal offshore assets.

**Country-by-Country Reporting (CbCR)<sup>15</sup> :** In accordance with BEPS Action 13, Morocco has introduced the obligation

<sup>13</sup>- Finance Act No. 70-19 for the 2020 financial year, specific articles amending the free zone and CFC regimes.

<sup>14</sup>- OECD (2015), Action 13: Transfer Pricing Documentation and Country-by-Country Reporting, OECD/G20 Final Report on Base Erosion and Profit Shifting.

<sup>15</sup>- Finance Act No. 65-20 for the 2021 fiscal year, articles relating to the introduction of the CbCR. And Circulars from the Directorate General of Taxes (DGI) (e.g. Circular 730 on the CbCR, Circulars relating to the ZAI and CFC regimes).

to file a **Country-by-Country Report (CbCR)** for large multinational groups (global consolidation greater than or equal to €750 million). This report, made mandatory in Morocco by the Finance Act for 2021 (Articles 214-I and 237-I of the CGI), provides the DGI with an overview of the group's economic activities, revenues, taxes paid, and the location of its workforce and tangible assets by jurisdiction in which it operates.

**Benefits for the DGI:** The CbCR is an unprecedented risk analysis tool for the Moroccan tax administration. It helps identify inconsistencies or aggressive optimization schemes that could indicate an artificial transfer of profits out of Morocco. For example, if a group reports high profits and pays little tax in Morocco but has significant staff and assets, while a subsidiary in a low-tax jurisdiction reports substantial profits with few or no employees and assets, this will alert the DGI to a risk of abusive transfer pricing or the relocation of intellectual property without substance. This information greatly facilitates targeted tax audits.

## **1.2 Strengthening transfer pricing rules (BEPS Actions 8-10)**

Transfer pricing, which governs transactions between entities within the same multinational group, is the main lever for tax base erosion for companies. Morocco has strengthened its legislative and control arsenal to align itself with the OECD's arm's-length principle, which stipulates that intra-group transactions must be valued as if they had taken place between independent companies<sup>16</sup>.

## **1.3 Transfer pricing documentation:**

Moroccan companies belonging to multinational groups are now required to prepare detailed documentation on their transfer pricing policies. This documentation, which must comply with OECD guidelines (Master File and Local File), must justify the compliance of their transactions (sales of goods, provision of services, loans, royalties, etc.) with the arm's length principle.

## **1.4 Strengthening of tax control:**

The DGI has significantly strengthened its transfer pricing control capabilities. Teams of specialized auditors have been trained and benchmarking tools are used to assess the compliance of multinationals' transfer pricing policies. Significant tax adjustments have already been notified to companies in Morocco for breaches of transfer pricing rules, demonstrating the administration's determination.

## **1.5 Advance pricing agreements (APAs):**

Morocco has also introduced the possibility for taxpayers to request advance pricing agreements (APAs), providing legal certainty on the tax treatment of their complex intra-group transactions.

## **2. Towards global minimum taxation: The challenge of Pillar Two of the BEPS project**

The BEPS 2.0 project<sup>17</sup>, with its two pillars, represents the next tax revolution. Pillar one aims to reallocate part of the profits of the largest multinationals to market jurisdictions, while Pillar Two establishes a minimum effective tax rate of 15% for multinational companies with consolidated turnover exceeding €750 million.

**Implications for Morocco:** Although Morocco has not yet implemented the Pillar Two rules, its participation in international discussions positions it as a player that is aware of the issues at stake. The implementation of these rules will have profound implications for its competitiveness strategy<sup>18</sup>:

**End of the "race to the bottom":** Very low tax regimes will lose their attractiveness if the parent company's country of origin or other jurisdictions can levy additional tax to reach the minimum rate of 15%. This means that Morocco will no longer be able to rely on very low CIT rates as its main argument for attracting FDI.

**Reassessment of incentives:** Morocco will have to reassess the effectiveness of all its tax incentives. Those that result in an effective rate of less than 15% will be less attractive because the difference will simply be collected elsewhere. It may be led to favor incentives based on actual expenditure

<sup>16</sup>- OECD (2017), Multilateral Instrument to Implement Tax Treaty Measures to Prevent Base Erosion and Profit Shifting (MLI). And the General Tax Code (CGI), Part II, Title I (Corporate Tax), in particular the articles relating to corporate tax rates, Industrial Acceleration Zone regimes (Art. 6-II B), CFC status (Art. 6-II C), transfer pricing (Art. 210, 214-I and 237-I for the CbCR).

<sup>17</sup>- OECD (2021), Global Minimum Tax: Overview of Pillar 2 Rules, Inclusive Framework on BEPS, and OECD (updated), Peer Review Reports on BEPS Action 5 - The Peer Review and Monitoring Process of the Forum on Harmful Tax Practices (see

reports specific to Morocco), as well as OECD (2015), Action 5: Addressing harmful tax practices, taking into account transparency and substance, OECD/G20 Final Report on Base Erosion and Profit Shifting.

<sup>18</sup>- International Monetary Fund (IMF), Articles IV Consultation Reports for Morocco (often analyze tax policy and reforms).

(tax credits for R&D, employment subsidies) rather than rate reductions, as these do not directly affect the effective rate<sup>19</sup>.

**Impact on tax revenues:** Pillar Two could potentially increase Moroccan tax revenues if multinationals, which are currently under-taxed, pay the additional tax in Morocco rather than abroad via the domestic additional tax rule (QDMTT). However, this will require legislative changes.

## **B. The challenge of national tax sovereignty: Navigating between global imperatives and decision-making autonomy**

Alignment with international tax standards, while essential for Morocco's integration into the global economic system, raises existential questions about the extent of its fiscal sovereignty. Fiscal sovereignty is the inalienable right of a state to define, levy and administer its own taxes on its territory, and to freely allocate the revenue thus generated. However, the harmonization constraints imposed by international organizations and developed countries are eroding this autonomy<sup>20</sup>.

### **1. The erosion of autonomy in fiscal policy: The end of an era?**

**Constraints on rates and incentives:** The adoption of BEPS standards and, even more so, the advent of Pillar Two, considerably reduce Morocco's room for manoeuvre in designing "out of the ordinary" tax policies. The possibility of offering ultra-competitive (or even "aggressive" in the eyes of some) tax regimes to attract investment is now severely limited. Morocco is forced to harmonize its regimes in order to avoid being "sanctioned" (black/grey lists) or seeing its tax revenues "snatched up" by other jurisdictions<sup>21</sup>.

**Standardization of regimes:** Tax incentives must now comply with the principles of economic substance. This means that tax benefits must correspond to real economic activity, jobs and significant assets in the country. Although this standardization is intended to combat tax evasion, it can be perceived as an intrusion into a state's ability to define its own development priorities through taxation.

<sup>19</sup>- World Bank, Doing Business Report (assesses the business climate in Morocco, including the ease of paying taxes).

<sup>20</sup>- OECD (2015), Action 13: Transfer Pricing Documentation and Country-by-Country Reporting, OECD/G20 Final Report on Base Erosion and Profit Shifting

<sup>21</sup>- European Commission, List of non-cooperative tax jurisdictions (see press releases and reports on Morocco's inclusion/removal).

### **2. The "attractiveness versus fairness" dilemma: A delicate balance**

**The cost of past concessions:** For decades, many developing countries, including Morocco, have been forced to engage in "tax competition from below" to attract FDI. This has often resulted in generous tax exemptions which, while attracting capital, have also significantly reduced potential tax revenues. The question is whether the benefits in terms of employment and technology transfer always outweighed the loss of tax revenue.

**The impact of evasion on development:** Tax evasion deprives Morocco of vital resources to finance its public infrastructure, health and education systems, and social programs. According to the IMF and various NGOs, tax revenue losses due to tax evasion can represent a significant percentage of developing countries' GDP. Preserving fiscal sovereignty in this context also means ensuring that the wealth created within the country contributes fairly to its development. The challenge for Morocco is to maximize the attractiveness of investments while ensuring that they make a fair contribution to the tax system.

### **3. Administrative and technical capacities: A burden for tax administrations in emerging countries**

**Complexity and expertise:** The implementation of the new BEPS rules (sophisticated transfer pricing, CbCR, Pillar Two) requires cutting-edge tax and accounting expertise. Tax administrations in developing countries, which are often underfunded and understaffed compared to those in OECD countries, face a major challenge in terms of upskilling<sup>22</sup>.

**Compliance and administration costs:** Not only must companies invest in compliance, but tax administrations must also invest in staff training, data analysis software, and the development of robust information systems to manage automatic information exchanges. These costs can be a significant burden on developing countries' budgets<sup>23</sup>.

<sup>22</sup>- General Tax Code (CGI), Part II, Title I (Corporate Tax), in particular the articles relating to corporate tax rates, Industrial Acceleration Zone regimes (Art. 6-II B), CFC status (Art. 6-II C), transfer pricing (Art. 210, 214-I and 237-I for CbCR).

<sup>23</sup>- Research articles in journals such as *Fiscalité Internationale*, *Revue Fiscale du Notariat*, *International Tax Review*, *Journal of Tax Research*, *Revue d'Économie Financière*, dealing with the impact of BEPS on developing countries, tax competition, or the analysis of tax reforms in Morocco.

#### **4. The influence of bilateral and multilateral agreements: "Shared" sovereignty?**

**The role of the Multilateral Instrument (MLI):** Morocco signed the OECD's Multilateral Instrument (MLI) in 2018, which came into force for the Kingdom in 2020. The MLI makes it possible to simultaneously amend a large number of existing bilateral tax treaties to incorporate anti-abuse clauses from the BEPS project (e.g., the "Principal Purpose Test" (PPT) clause, which denies the benefits of a treaty if the main purpose of the arrangement is to obtain a tax advantage, or the rules on permanent establishments). The MLI strengthens Morocco's ability to counter tax evasion through the exploitation of conventions, but it also represents a form of harmonization "imposed" from above, where the rules are defined mainly by OECD countries. This illustrates a form of "interdependent" sovereignty, where national action is conditioned by multilateral standards<sup>24</sup>.

#### **C. Rationalizing tax competitiveness in a context of harmonization: Towards a renewed and sustainable strategy**

Faced with these pressures and the transformation of the international tax landscape, Morocco must rethink and streamline its tax competitiveness strategy. With the "race to the bottom" now obsolete, attractiveness must be based on more solid, sustainable fundamentals that are aligned with the requirements of a fairer and more transparent global economy.

#### **1. Moving beyond the logic of low rates alone: Holistic and qualitative competitiveness**

**Promoting non-tax factors of attractiveness:** Emphasis must be placed on Morocco's structural strengths that are not directly related to taxation. These strengths include:

**Macroeconomic and political stability:** Political stability and prudent macroeconomic management (low inflation, debt management) are major reassurance factors for long-term investors. The resilience of the Moroccan economy in the face of recent shocks (pandemic, war in Ukraine) is a powerful argument.

**World-class infrastructure:** Massive investments in infrastructure (Tangier Med port, motorway and high-speed rail network, modern industrial zones such as Midparc,

Atlantic Free Zone, Technopolis) offer an undeniable logistical and operational advantage. The Port of Tangier Med, for example, is a leading logistics and port hub in Africa and the Mediterranean, offering exceptional connectivity.

**Skilled and competitive workforce:** Morocco invests in targeted vocational training programs (OFPPT, institutes specializing in automotive and aeronautics) to adapt the skills of its young people to the needs of modern industries. Labour costs remain competitive compared to Europe.

**Strategic access to markets:** Morocco's geographical position at the crossroads of Europe, Africa and the Middle East make it a natural gateway to a vast consumer market. Free trade agreements with the EU, the United States and several African countries reinforce this position.

**Continuous improvement of the business climate (Doing Business):** Efforts to simplify administrative procedures, reduce the time required to set up a business, improve access to finance, and strengthen the rule of law and justice (reforms of the commercial code, dematerialization of administrative services) are crucial.

**Targeted, performance-based tax incentives:** Rather than general exemptions, Morocco should favour incentives that are conditional on specific, measurable objectives, in line with national priorities and international standards. These could include:

**Tax credits for research and development (R&D):** To encourage innovation and technology transfer.

**Employment and training subsidies:** To stimulate the creation of sustainable, skilled jobs.

**Incentives for investment in strategic sectors:** Renewable energy, automotive, aeronautics, green technologies, and agribusiness, which are in line with Morocco's "New Development Model" vision. These incentives must be designed to comply with BEPS rules and avoid being considered harmful.

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<sup>24</sup> - OECD (up to date), Peer Review Reports on BEPS Action 13 - Country-by-Country Reporting (see reports specific to Morocco). And Finance Law No. 65-20 for the 2021 fiscal year, articles relating to the introduction of CbCR.

## 2. Strengthening transparency and international cooperation: A guarantee of credibility

**Credibility and investor confidence:** By fully committing to tax transparency (exchange of information, CbCR) and complying with international commitments, Morocco is sending a strong signal to legitimate foreign investors and international partners. A reputation for tax compliance reduces the risk perceived by investors, attracts more ethical companies and strengthens Morocco's position on the international financial stage. It is a selling point for a stable and predictable economy.

**Cooperation with foreign tax administrations:** Strengthening channels of communication and collaboration with other tax administrations through bilateral and multilateral agreements is essential for effectively combating cross-border tax fraud and evasion. This includes participating in joint audits or exchanging information on specific cases.

## 3. Developing the capacity of the tax administration: A strategic investment

**Continuing education and specialization:** It is imperative to invest heavily in continuing education for executives and inspectors of the Directorate General of Taxes (DGI) on the most complex aspects of international taxation: transfer pricing, taxation of the digital economy, analysis of tax optimization schemes, and management of information exchanges. The creation of dedicated centers of expertise is crucial.

**Technological tools and data analytics:** The DGI must continue to modernize its information systems and deploy data analysis tools (big data, artificial intelligence) to effectively exploit the vast amounts of information received via the CbCR and automatic exchanges. This will enable better modelling of tax risks and more effective targeting of controls, moving from a reactive to a proactive approach.

**Strengthening tax control:** A strong tax administration capable of enforcing the law is a pillar of fiscal sovereignty. Robust, fair and well-documented tax controls are essential to deter tax evasion and ensure the fairness of the system.

## 4. Advocacy for the specificities of developing countries: A voice for global tax justice

**Active participation in international forums:** Morocco must continue to play an active role within international organizations (OECD, UN, G20) to defend the interests of developing countries in the development of global tax standards. It is essential that these standards are not only fair but also adapted to the specific realities and needs of these nations in terms of growth and development.

**Arguments for flexibility:** Morocco, along with other emerging countries, can advocate for longer transition periods or flexibility in the application of certain rules, recognizing the challenges related to administrative capacity and the need to attract investment. It can also campaign for capacity-building and technical assistance mechanisms from developed countries.<sup>25</sup>

### Conclusion:

In short, integration with international tax standards confronts Morocco with a profound transformation of its tax policy. It is no longer a question of competing solely on the basis of low tax rates, but of building sustainable tax competitiveness rooted in transparency, fairness, regulatory stability and the overall quality of its business environment. This approach will enable Morocco to preserve its fiscal sovereignty by ensuring that the profits generated on its territory contribute fairly to its development, while gaining an attractive destination for quality investment in a world where tax cooperation is becoming the norm. Morocco is not losing its sovereignty, but redefining it within a multilateral framework, transforming a constraint into an opportunity to strengthen its position and international credibility.

Faced with these challenges, Morocco remains anchored in international standards (BEPS 2017, minimum taxation, transparency), which strengthens its international fiscal credibility but limits its room for manoeuvre in terms of economic incentives. However, multinational companies (transfer pricing, tax havens) are partially circumventing anti-evasion measures.

<sup>25</sup> OECD (2021), Global Minimum Tax: Overview of Pillar 2 Rules, Inclusive Framework on BEPS, and OECD (updated), Peer Review Reports on BEPS Action 5 - The Peer Review and Monitoring Process of the Forum on Harmful Tax Practices (see reports specific to Morocco), as well as OECD (2015), Action 5: Addressing harmful tax

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- OECD (2015), Action 5: Addressing harmful tax practices, taking into account transparency and substance, OECD/G20 Final Report on Base Erosion and Profit Shifting.
- OECD (2015), Action 13: Transfer Pricing Documentation and Country-by-Country Reporting, Final Report of the OECD/G20 on Base Erosion and Profit Shifting.
- OECD (2017), Multilateral Instrument to Implement Tax Treaty Measures to Prevent Base Erosion and Profit Shifting (MLI).
- OECD (up to date), Peer Review Reports on BEPS Action 13 Country-by-Country Reporting (see reports specific to Morocco).
- Books on tax economics and international taxation (e.g., Reuven Avi-Yonah's International Taxation).
- IMF or World Bank publications on the impact of tax evasion on developing countries. And Tax Justice Network, State of Tax Justice (global reports on tax losses due to evasion, including estimates for countries such as Morocco).
- OECD reports on tax competition
- OECD reports on the BEPS project and its specific actions.