



Manzanares
INTERNATIONAL LAWYERS

YOUR
LEGAL GUIDE
TO BUYING A
PROPERTY IN
MOROCCO

UNITED KINGDOM-IRELAND-SPAIN-BULGARIA-BRAZIL-MOROCCO-ITALY

Preliminary clarification

With this guide, we do not intend to replace the need for the specialised and personalised attention you must demand from one of our qualified professionals you will contact if you wish to buy a property in Morocco. Our aim is to provide a general step-by-step idea of the basic questions you must keep in mind in this important and sometimes delicate process; in order to guarantee a safe transaction, with no unexpected surprises.



THE PROCESS OF BUYING A PROPERTY IN MOROCCO

1.1. RESERVATION OF THE PROPERTY

The first step is to formalise your offer on the property and remove it from the market, thus protecting your interest to purchase. Once the terms of the purchase have been discussed and the seller accepts the offer, a binding agreement is born which is sealed by signing a reservation contract and includes a sum of money to reserve the property prior to the exchange of private purchase contract.

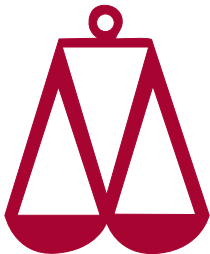
This reservation fee is fully refundable in the case that the checks Carried out by our lawyers unveil any legal obstacles which affect the buying process.

The searching process

Whilst the property is 'reserved' in your name, our local lawyer will carry out all the necessary searches and investigations of the property with the relevant authorities to ensure that the property you are purchasing is legal and free from any charges, debts or encumbrances.

We will also ensure that the property has the necessary Title Deeds and that the vendors are the rightful owners. In the case of a new property, we will ensure that the constructors are reputable and solvent and will obtain guarantees that the property will be constructed and delivered according to the agreed terms and conditions.

We will guarantee in writing from our Law Firm that the searching process has been satisfactorily concluded. You will have a very accurate description and explanation about every single aspect of the property.





THE PROCESS OF BUYING A PROPERTY IN MOROCCO

1.2. THE PRIVATE CONTRACT

Once the searches are complete, and we are absolutely certain the property is legally declared in the best conditions to purchase; a Private Contract is drafted and signed by both parties. This private contract sets out all the details of the agreement, payment terms and completion date. During this stage the buyer puts down a non-returnable deposit which will be a percentage of the purchase price, less the holding deposit paid at the reservation.

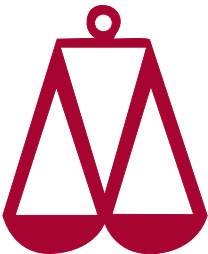
1.3. COMPLETION (Signing the title deeds)

The property sale process is finalised before a Notary, with the buyer and seller signing the Deed of Sale (Title Deeds). The Notary is a public official whose role it is to identify the buyer and the seller, and ensure that all legal requirements have been met, and that the amount due to be paid has been settled.

If you are unable to be present in the signing of the deeds, we can carry out all necessary procedures in your name by means of Power of Attorney. In fact, it is common practice of our firm to have a valid power of attorney from the beginning of all buying and/or selling operations.

a) Taking possession of the property

Immediately after the deeds have been signed, the buyer will receive the keys to the property, and can take possession of the property.





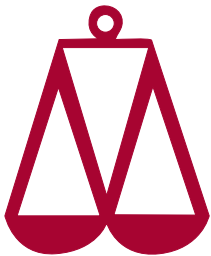
THE PROCESS OF BUYING A PROPERTY IN MOROCCO

b) Title deeds and property registration

The property registration procedure entails the payment of all the taxes applicable to the property and the obtaining of the final register stamp for the Title Deeds, which guarantees the transfer of the property. This procedure is an important step, and takes place once the Title Deeds have been signed and you have taken possession of your property. The title deeds usually take around two to three months to be returned by the Land Registry office. The Notary will give us notice that the deeds are available for collection.

c) Utilities

Once the sale has been finalised, we will ensure that all the utility contracts for the property (electricity, water, rubbish collection, etc.) are in the name of the buyer. We will also arrange all bills to be paid by direct debit from your account if you wish.





*B*ASIC NECESSARY FORMALITIES

There are various basic formalities you must take into account when completing your property buying process in Morocco:

2.1. POWER OF ATTORNEY

To be your legal representative in Morocco it is essential that you sign a Power of Attorney on our behalf. With this Power, we are able to sign contracts, Deeds and all documentation related to your purchase process. We will draft the Power of Attorney to be signed, at your convenience, either in Morocco or through our London or Dublin offices. If you live in the U.K. or Ireland, we will be able to make the necessary arrangements for you to obtain the Power at the closest Notary to your home. We will also arrange for the Power to be legalised, making it valid in Morocco.

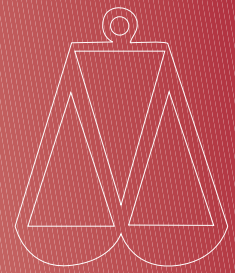
2.2. BANK ACCOUNT IN MOROCCO

It is essential to have an account in a bank in Morocco in order to contract utility services and to pay them by direct debit. We are able to open a bank account in Morocco on your behalf.





AXES IN MOROCCO



The purchase of a property in Morocco involves, both for residents and non-residents, a series of fiscal obligations which must be met:

3.1. TAXES ON CONVEYANCE, TRANSFER AND REGISTRATION OF ASSETS AND DOCUMENTED LEGAL PROCEDURES (*Droits D'enregistrement Et De Timbre*).

The Tax on Conveyance, transfer and registration of assets are imposed with a rate between 1% to 6%, depending on the good given as a gift, conveyed or given as a contribution.

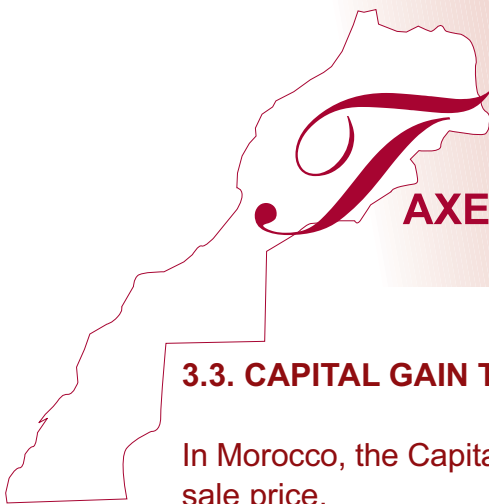
In the particular case of real estate conveyancing, it was recently reduced to 3% of the property's value and the rules were simplified by combining multiple tax regulations into one source, making compliance easier.

The taxes on documented legal procedures (Stamp Duty) are imposed on the value of the transaction at a rate of 0,5% or 1,5%, depending on the nature of the act, the carrying out and the conveyed value.

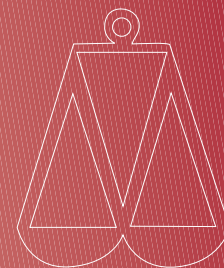
3.2. V.A.T. (*Taxe Sur La Valeur Ajoutée, TVA*)

In Morocco the Value Added Tax (VAT) is a non-cumulative tax levied at each stage of the production and distribution cycle. Thus, suppliers of goods and services must add VAT to their net prices. Where the purchaser is also liable for VAT, input VAT may be offset against output VAT.

In this case, a rate of 20 % applies to building and construction activities.



AXES IN MOROCCO



3.3. CAPITAL GAIN TAX (T.P.T.)

In Morocco, the Capital Gains Tax is 20% of the profit with a minimum of 3% of the sale price.

The Capital Gain Tax is the difference between

- the purchase price minus the expenses and
- the purchase price plus the acquisition costs, investment costs and interests paid in regards to the credits related to the real estate.

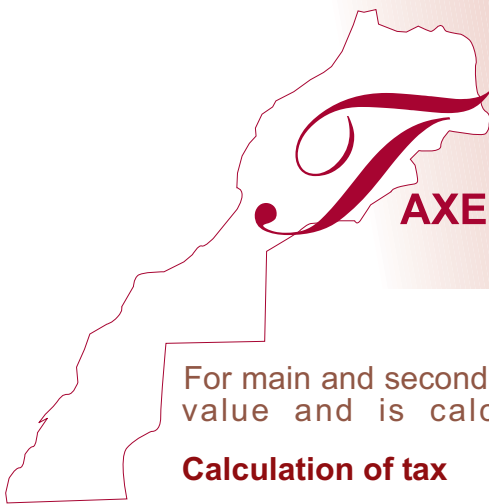
In some cases, it is possible that a total exoneration of the tax is applied (if the transfer value is less than 60,000 DM, if the real estate has been the main residence for at least 8 years, etc.)

The tax need to be paid to the Tax Authorities within a 30 days following the assignment.

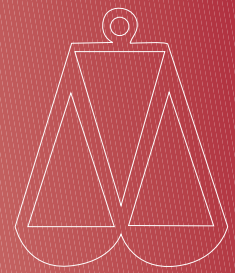
There are no death duties as long as the property stays within the family. There are double tax treaties with some countries to ensure that Capital Gains Tax is not paid in both countries. There is a 100% repatriation of funds when you sell the property.

3.4. URBAN TAX (*Tax Urbaine*)

This annual tax affects real estates used as main or second residence or real estates under a professional activity, rental or any kind of exploitation.



AXES IN MOROCCO



For main and second residences, the calculation basis of urban tax is the rental value and is calculated in accordance with the following chart:

Calculation of tax

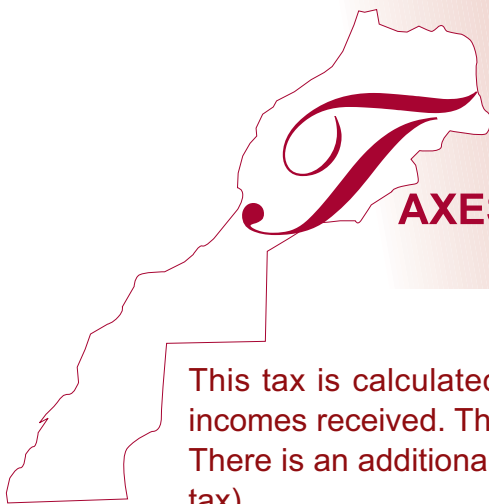
Amount of income	Percentage	Deduction
Less than 3.000 dirhams	0%	0
Entre 3.001 y 6.000 dirhams	10%	300
Entre 6.001 y 12.000 dirhams	16%	660
Entre 12.001 y 24.000 dirhams	20%	1.140
Entre 24.001 y 36.000 dirhams	24%	2.100
Entre 36.001 y 60.000 dirhams	28%	3.540
Over 60.000 dirhams	30%	4.740

For real estate and lands having an activity professional, the tax applicable is a 13.50% of a specific percentage of the value of the land / construction / machinery (3% for lands, 4% for constructions and 4% for machinery).

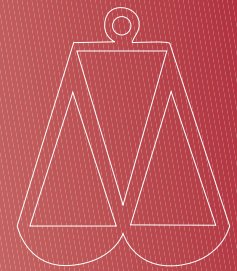
There are exemptions for new premises during the first five years; additionally there is a 50% exoneration in the area of Tangiers.

3.5. LOCAL TAX (*Tax d'édilité*)

This annual tax affects to all types of real estates and constructions and machineries that are also subject of being applied the urban tax.



AXES IN MOROCCO



This tax is calculated based on the base income for the urban tax or the rental incomes received. The tax is a 10% for urban municipalities and a 6% for outskirts. There is an additional tax for regions (between 5% and 10% of the amount of local tax).

In this case, new constructions, extensions and machinery and devices inside the property are not tax free, so this tax must be paid each year starting from the first year.

3.6. TREATIES FOR THE PREVENTION OF DOUBLE TAXATION

Since a Moroccan resident is taxed on income both in Morocco and out with Morocco, the Moroccan tax system provides relief from foreign taxes paid on such income by means of a foreign tax credit. This foreign tax credit cannot exceed the Moroccan tax otherwise payable in respect of the foreign-source income.

The Moroccan government is eager to encourage foreign investment. This is reflected by the territoriality principle for taxation applicable to corporations mentioned above. In addition, Morocco has concluded around seventeen treaties for the prevention of double taxation, mainly with developed countries. Morocco's list of treaty-partners include Belgium, Canada, France, Germany, Italy, Luxembourg, the Netherlands, Norway, Romania, Spain, Sweden, Tunisia, the United Kingdom and the United States.

Most of the tax treaties are based on the OECD model and do not contain specific anti-abuse provisions. Reduced withholding tax rates vary from one treaty to another.

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