Law No. 5-96 on general partnerships, limited partnerships, partnerships limited by shares, limited liability companies and joint ventures

Reference: Law No. 5-96 (Dahir No. 1-97-49 of 13 February 1997)

Practice areas: Business and company law

> This is an unofficial explanatory note; only the Arabic text published in the Bulletin officiel is authoritative. Law No. 5-96 governs commercial companies other than the SA, above all the SARL (limited liability company), the form most widely used in Morocco by entrepreneurs and SMEs. It sets the rules on incorporation, management, transfer of shares and members' liability.

Who this law applies to

The law is aimed at business founders, members and managers of SARLs (including single-member SARLs), and partners in general partnerships, limited partnerships, partnerships limited by shares and joint ventures. It is also relevant to heirs who inherit company shares and to investors wishing to take a stake in an SME.

Key rules

- In a SARL, members' liability is limited to their contributions; the company may be formed by a single person.
- The amount of a SARL's capital is freely set in the articles since the statutory minimum was abolished.
- A SARL is managed by one or more managers, who must be natural persons and may or may not be members; they can be held liable for breaches of the law or the articles and for mismanagement.
- Shares may only be transferred to outsiders with the members' approval under the conditions set by the law and the articles.
- In a general partnership (SNC), partners have trader status and are jointly and severally liable, without limit, for the company's debts.

Key deadlines and figures

- A SARL may not have more than fifty members.

- The annual accounts are submitted for members' approval within six months of the financial year end.
- A transfer of shares to a third party requires the consent of a majority of members holding at least three quarters of the shares, unless the articles set a stricter majority where the law allows it.
- Appointing a statutory auditor becomes mandatory above a turnover threshold set by law, and members may request one in certain cases.

What this means in practice

The SARL makes it possible to do business while protecting personal assets, with more flexible operation than the SA. That protection is not absolute: a manager can be pursued for misconduct, and banks often ask for personal guarantees.

Drafting the articles is decisive: the manager's powers, approval clauses, what happens to shares on death, majority rules. A dispute between members (deadlock, removal of the manager, abuse of majority) is easier to resolve when the articles have anticipated these situations.

Reforms and recent developments

Law No. 5-96 has been amended several times. Law No. 24-10 abolished the minimum capital for SARLs, and other reforms improved members' access to information and adapted company law to the gradual digitisation of incorporation and filing formalities. The consolidated version in force should be checked before any transaction.

When to consult a lawyer

A lawyer can help choose the company form, draft the articles and any members' agreement, prepare a share transfer or the arrival of a new member, organise the transfer of shares to heirs, or defend your interests in a dispute between members or a claim against the manager.

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