

KPMG

AFRIQUE CENTRALE

CAMEROON

TAX



GUIDE 2019

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Income Tax



Business income

The tax system under ordinary law for companies established in the Republic of Cameroon is codified in the General Tax Code and applied to both resident and non-resident companies. This tax is levied on categories of income as follows:

- Profits or income made by companies and other corporate bodies
- Salaries, wages, pensions and life annuities;
- Income from stocks and shares;
- Income from real estate;
- Profits from handicraft, industrial and commercial activities;
- Profits from farming business;
- And profits from non-commercial and related profession.

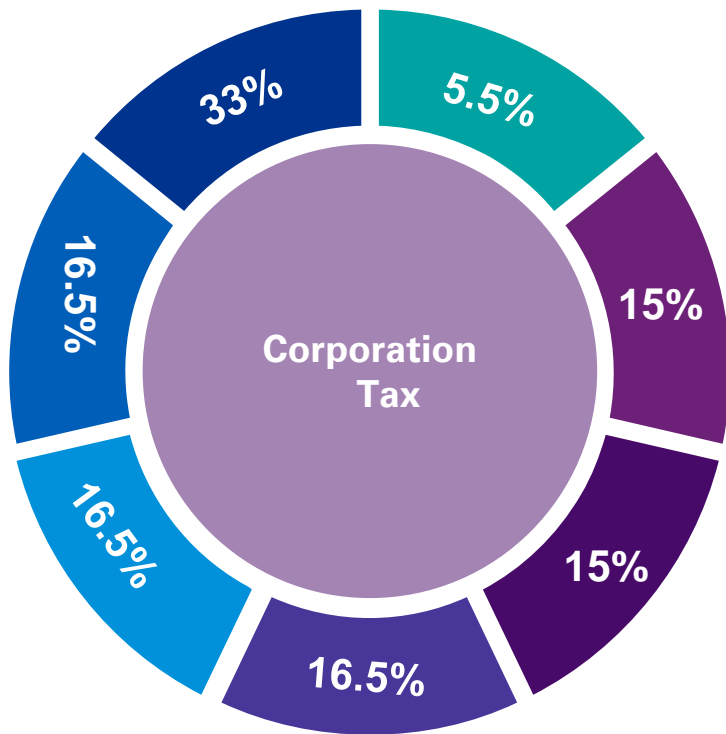
The Standard corporate income tax rate is **30%**. An additional council tax of **10%** is applied making the total tax charge to be **33%**. The monthly minimum tax applied on the turnover is generally **2.2%, 3.3% or 5.5%** of turnover based on the tax regime to which the company belongs. The minimum tax is creditable against corporate tax due for the current financial year. In case of loss, the monthly amounts paid within the year is considered as corporate minimum tax.

Income Tax

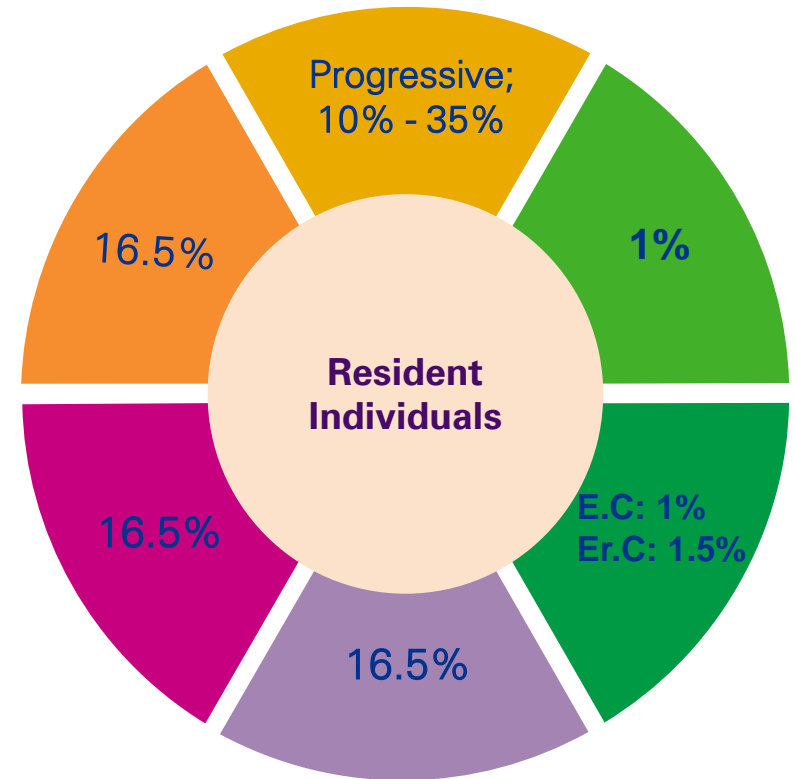


Rates

Resident Companies



Resident Individuals

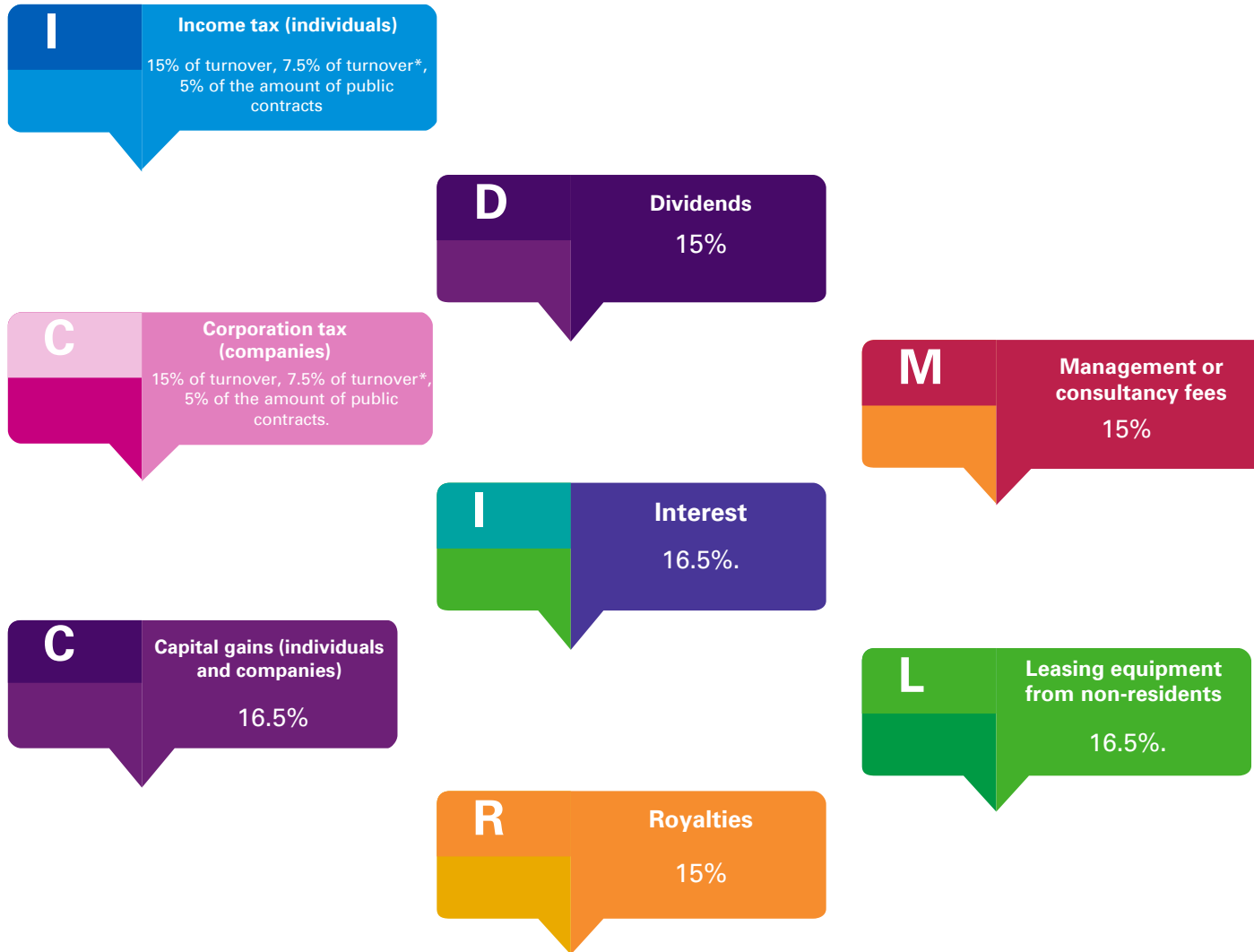


Key

- Resident company
- Capital gains
- Dividends
- Interest
- Royalties
- Management fees
- Withholding tax
- Personal income tax
- Capital gains
- Dividends
- Interest
- Contributions to the National housing fund
- Contributions to the National Employment Fund
- E.C: Employee's Contribution
- Er.C: Employer's contribution

Income Tax

Non-residents



*Final tax withheld at source (rate may be varied by applicable tax treaty)



Capital gains tax

The Cameroonian legislator subject to income tax at the rate of **16.5%**, all profits from transfer of stocks, bonds and other capital shares.

Thereby, the following shall be taxable as income from movable capital, net overall capital gains realized in Cameroon or abroad during the transfer, even indirectly of shares, debentures and other capital shares of enterprises governed by Cameroonian law, including entitlement relating to natural resources.

It is possible in the framework of a tax treaty to have a particular rate for capital gains.

Transfer pricing and thin capitalization rules (1/2)

The regulations on transfer pricing have been improved in the last four finance law with the aim to ensure that related party transactions are conducted on arm's length terms.

For this purpose, the General Tax Code specifies that for the assessment of the company tax payable by companies which are controlled by, or which control an undertaking established outside Cameroon, the profits indirectly transferred to the latter by increasing or reducing the purchase or selling price, or by any other means, shall be incorporated in the results shown by their accounts.

The same shall apply to undertakings which are controlled by an undertaking or group likewise in control of undertakings established outside Cameroon.

Transfer pricing and thin capitalization rules (2/2)

Furthermore, since 2012, the Cameroonian Tax Administration has introduced the filing of the Transfer Pricing documentation prior to the execution of tax audits and has extended the duration of tax audit involving Transfer Pricing issues. Since the 2019 finance law, the submission of the transfer pricing documentation is required prior to the reception of annual tax return.

Besides that, the thin capitalization rules have been clearly defined by the Cameroonian legislator. In this regard, it is specified in the General Tax Code that interests on current accounts of partners or shareholders provided that their rates do not exceed the TIAO rate advances increased by **2 points**. However, such deduction shall be possible with respect to partners who directly or indirectly own at least of **25%** of the share capital or corporate voting rights only if:

The sums of money made available by all the partners do not exceed two and half times the amount of equity. Otherwise, interest on excess amount shall not be deductible;

The interest paid to said partners does not exceed **25%** of profits before corporate tax and before deduction of the said interest and depreciation taken into account in determining such profit. Otherwise, the excess amount of interest shall not be deductible.

Other taxes

Real estate taxes on developed and undeveloped properties

Tax on real estate property levied annually on rental value of developed and undeveloped properties. Rate is 0.1% of the value. Withholding tax at rate of 15% is applicable on income from renting out built-on or non-built-on property situation in Cameroon.



R

Business license duty

Any natural person or corporate body of Cameroonian or foreign nationality carrying out any economic, commercial or industrial activity or any other profession not exempted by law shall be required to obtain a business license.

The business License shall be assessed on the annual turnover declared by the taxpayer. The new companies are exempted from Business License for a period of one (01) year.



B

Double tax relief and tax treaties

No unilateral double taxation relief is granted under domestic tax law in respect of foreign taxes paid. Bilateral relief is provided under Cameroonian tax treaties.

Withholding tax on payments to countries with which Cameroon has a DTA:

*CEMAC: Economic and Monetary Community of Central African Countries (Cameroon, Central African Republic, Chad, Congo Republic, Equatorial Guinea, Gabon)

Type of income	France	Canada	Tunisia	South Africa	CEMAC*
Dividends	15%	16.5%	12%	10%, 15%	Rate applicable in the company's tax resident country
Interest	15%	16.5%	15%	10%	Rate applicable in the company's tax resident country
Royalties	15%	15%	15%	10%	<u>For real estate:</u> rate applicable in the country where the property is located <u>For copyrights, licenses and patents:</u> exemption in the country where the rights derived.
Management Fees	15%	15%	15%		N/A



Personal Income Tax (PIT)

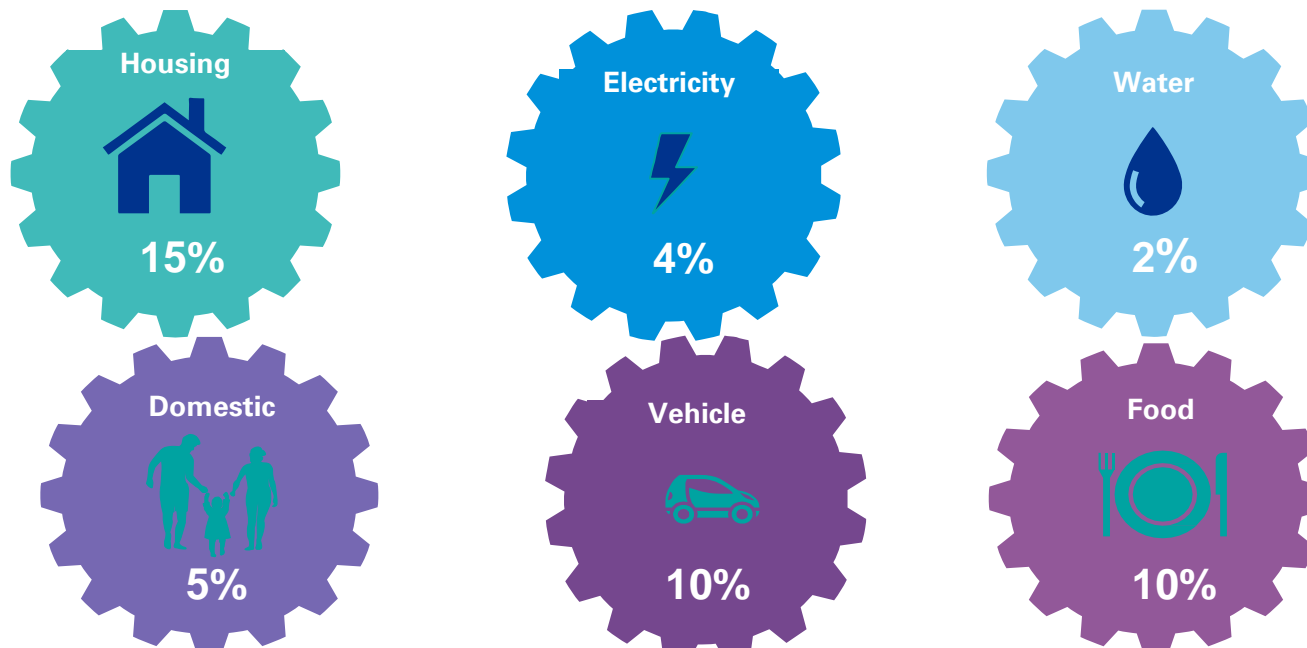
Taxable income

Income from salaries, wages, allowances, emoluments, pensions and life annuities; where the remunerated activity is carried out in Cameroon.

Basis of assessment

The basis of assessment shall be the gross amount of salaries, allowances, emoluments, wages, pensions and life annuities as well as benefits in kind or in cash granted to the persons concerned.

The following scale is applicable to the gross taxable salary:



Personal Income Tax (PIT)

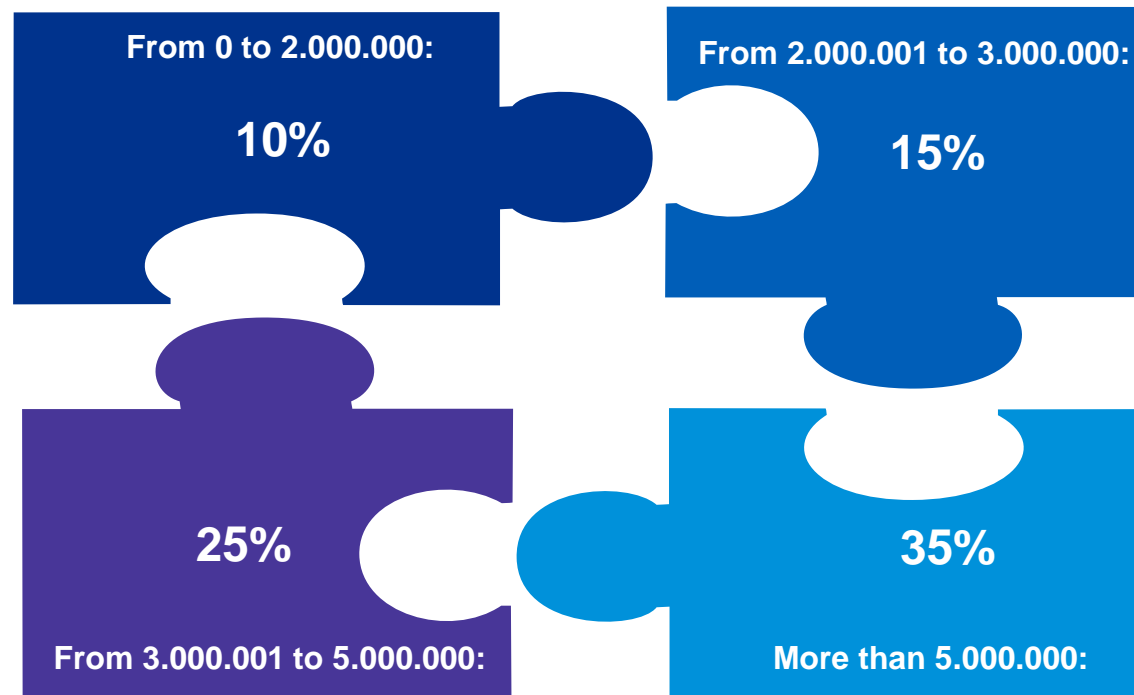
The basis of assessment of the personal income tax shall be the sum of each type of category of net income earned by the taxpayer within on tax year, after an abatement of a fixed amount of **CFAF 500,000** concerning wages and salaries.

The net taxable income shall be determined by deducting the gross amount paid and the benefits in kind or cash granted, the business expenses calculated at the fixed rate of **30%**, as well as the contributions paid to the state, the National Social Insurance Fund (NSIF) for compulsory retirement.



Calculation of PIT

The calculation of personal income tax is done by applying the following scale to the **overall net income** rounded down to the nearest thousand francs:



The calculated PIT shall be increased by **10%** representing additional council taxes.

Taxes on salaries

- **Contribution to the Housing Loans Fund:** 1% for employees and **1.5%** for employers on the monthly salary;
- **Contribution to the Employment Fund:** The national contribution to the employment fund is paid monthly by employers at the rate of **1%** on the same basis as the national housing fund.
- **Local development tax:** is a direct Council tax collected for the basic facilities and services provided to the populations, notably street lighting, sanitation, refuse collection, ambulance services, drinking water supply, electrification. The rates vary depending on whether it is an employee or persons liable to discharge tax or business license from **3,000 to 90,000 FCFA per year.**
- **Audiovisual communication tax:** are subject to this tax, the employees of all sectors and natural persons and corporate bodies who pay the business license. The tax amount bracket varies between **0 and 13,000 FCFA** and is based on the gross salary.

Special Income Tax (SIT)

Subject to international tax treaties, a special tax is hereby instituted at an overall rate of **15%** on income paid to natural persons and corporate bodies domiciled out of Cameroon, by enterprises or establishments based in Cameroon, the State or regional and local authorities, as remuneration for various services.

For example, the following remunerations are submitted to special income tax:

Copyright related to all literary or artistic works regardless of the mode, value, genre or purpose, particularly literary works, musical compositions;

Remuneration paid for the use or transfer of use of software, construed as computer applications and programs relating to the operation or functioning of an enterprise;

the sale or leasing of licenses to use patents, trademarks, processes and secret formulae;

the leasing of, or right to use cinema films or TV programs and films;

remuneration for supply of information relating to industrial, commercial or scientific experiments and the leasing of industrial, commercial or scientific equipment;

remuneration for studies as well as technical, financial or accounting assistance;

remuneration paid to companies engaged in drilling, research or assistance work on behalf of oil companies;

audiovisual services with digital content;

Generally, amounts paid abroad, as remuneration for various services provided or used in Cameroon.

The basis of assessment shall be the gross amount of the levies and remuneration referred to above. Gross amount shall mean various kinds of remuneration including the special income tax.

The 2019 new finance law introduces an extra-abated rate of SIT of **2%** on income paid abroad for the rendering of maritime services.

Property Tax

Property tax is due annually on real estate properties built or not situated in Cameroon. The following are exempted from the property tax :

State, decentralized collectivities, public establishment with no commercial and industrial activities;

Public hospitals, private and public schools ;

Religious organizations and cultural or humanitarian associations declared of public utility, in terms of their buildings used for non-profit use;

For industrial, agricultural, livestock and fisheries enterprise regarding their constructions for factory use, sheds or warehouses, except for office buildings thereon;

International organizations which have signed agreements with Cameroon;

In the diplomatic representative, subject to reciprocity;

Are also exempted land used exclusively for agriculture, livestock and / or fisheries.

The rate of property tax is fixed at 0.1% of the value of land and buildings as reported by the owner.

Value Added Tax (VAT)

Value added tax (VAT) is levied on natural persons or legal entities, including authorities and bodies governed by public law which, usually or occasionally carry out taxable transactions.

These persons shall be liable for VAT regardless of their turnover achieved, their situation in relation to other taxes and the nature or form of their activities. There are two rates of the VAT:

- **General rate:** 19.25% including additional council taxes;
- **Zero rate:** 0% for exportation sales.

Value Added Tax (VAT)

Territoriality

Transactions carried out in Cameroon even when the residence or head office of the real taxpayer is situated outside Cameroon shall be subject to VAT.

Taxable operations

The following operations are submitted to VAT :

Supply of goods;

Provision of services and construction works;

Importations ;

Transfers of assets elements (except those on the list of non taxable goods provided by section 241 of customs code);

Selling of second hand materials by professionals;

Real estate transactions carried out by real estate developers ;

Health care insurance;

Sales of petroleum products imported or produced in Cameroon ;

Transactions carried out by enterprises approved under the Free Zone regime;

Games of chance and games of entertainment;

Insurance premiums, except for pensions, health, life and death policies.

Excise duty

An ad valorem and specific excise duty on products is instituted. Generally, excise duty is applicable on the following products: Wines of fresh grapes, cigars and cigarettes, cosmetics, beers, telephone and internet operations.

Rules applicable on VAT relating to persons liable, taxable operations, exoneration and territoriality are also applicable to excise duty.

Rates

Rates shall be fixed as follows:

General rate 25%

Average rate 12,5

Abated rate 5% (for games of chance and games of entertainment not liable to the tax on games of chance and games of entertainment)

Extra-abated rate 2% (for telecommunications companies and internet service providers)

Rates are applied on goods and services locally produced or imported. The additional council tax added to the general rate is applied on local goods and services and on imported goods.

The 2019 Finance Law institutes a limit on the specific excise duty on non returnable packaging of products other than alcoholic and gaseous beverages which is fixed at **10%** of the value of the product.

Excise duty

Exemptions

Some transactions which were normally supposed to be taxable are exempted by the tax code (The list is substantially restricted). Are exempted from VAT :

- Transactions relating to international traffic : vessels used for industrial or commercial activity on the high seas, vessels and aircraft for their maintenance and refuelling;
- The inputs of livestock and fishery products used by producers, provided that the products themselves are exempt, to avoid inconsistency (finished products are exempted while the inputs are taxable);
- The composition, printing, import and sale of newspapers and periodicals, except proceeds from advertising;
- Certain primary goods, « essential » pharmaceutical products, school books ;
- Tuition and boarding fees (within the normal framework) ;
- The social consumption brackets for the benefit of households and relating to water (up to 20m3 per month) and electricity (up to **220kw/h per month**);
- Transactions subject to reciprocity and quotas goods and services destined for the official use of foreign diplomatic and consular missions and international organizations;
- Sales of mining products ;
- Interests on foreign loans;
- Materials and equipment's used in harnessing solar and wind energy ;
- Tests, consultations, health care, hospitalization, medical and biological analysis and the provision of prosthesis in health facilities ;
- Control equipments used to fight against HIV/AIDS;
- Pharmaceutical products, the inputs thereof as well as the materials and equipment used in pharmaceutical industry ;
- Leasing transactions carried out by credit establishments for borrowers towards the acquisition of specialized agricultural equipment to be used in farming, livestock, breeding and fishing ;
- Real estate transactions of all kinds carried out by non-professionals.

Customs duty

As a member state of the CEMAC Customs Union, Cameroon applies the Community regulations which provide for the free movements of goods between member states. The importation of goods and merchandises from third states is subject to customs duties, except where exemptions or the suspensive customs regimes are applicable.

Customs duties are levied on the customs value of most imported goods at rates ranging from **5%** to **30%**.

Stamp and transfer duty

Stamp duties in Cameroon are established independent of registration fees, on all papers to be used for civil and legal instruments and documents which may be brought before lax courts as proof. It shall be collected on the basis and in accordance with the rules laid down in the General Tax Code.

Transfer duty applies to the sale of immovable property situated in Cameroon at a rate of **10%** of the price indicated in the transfer deed. The transfer of shares and other securities are levied at the reduced rate of **2%**.

Accounting rules

From an accounting perspective, like other OHADA member countries, Cameroon has adopted, since January 1998, the OHADA accounting system provided for by the OHADA Uniform Act Relating to Accounting. Under the Act, companies operating in Cameroon are required to keep their local accounts and to prepare their domestic corporate income tax returns according to the OHADA Generally Admitted Accounting Principles (GAAP).



Registration Fees

Are subject to proportional fees:

Sales of buildings or businesses **10%**

Lease, sub-lease of buildings for professional, industrial or commercial use, and lease made to companies to lodge their personnel and senior staff **10%** ;

Other residential lease **5%** or **2%** ;

Lease of moveable's **5%** ;

Transfer of shares and bonds of companies with registered offices in a CEMAC member country **2%** ;

Markets and public order signed with the State, Administrative Public institutions and companies from the public : **2%** for contracts whose value is **greater than or equal to 5 million** and **5%** for contracts whose value is **less than 5 million**, unless such contracts have most of their finances from abroad.

Termination of Activity

The sale or termination leads to immediate payment of taxes due. Within thirty **(30)** days of the sale or termination, the taxpayer must sign the declaration of taxable income until the day of the sale or termination indicating the effective date thereof and the name, company name and address of buyer.

All the provisions required for taxpayers, to pay taxes and penalties, are applicable in the case of sale, transfer, or death.

In any case the declaration must be accompanied by a full payment of the corresponding taxes.



Departure from Cameroon

No one can leave the Cameroonian territory without declaring the income earned up to the date of departure. This declaration shall be made not later than thirty **(30)** days before the demand for a passport or exit visa. It normally leads to an immediate taxation.

Passport or exit visa can only be issued on presentation of a certificate issued by the competent Tax Centre of the place of residence of the taxpayer.

Any passport or exit visa issued in violation of this provision engage the responsibility of the author and the taxpayer interested in paying taxes where recovery is delayed or compromised, without prejudice to any disciplinary sanctions for professional misconduct.

However, the departure certificate referred to above is not required for employees of Cameroonian nationality for short trips abroad.



Tax Treaties

Outside CEMAC





Tax Treaties

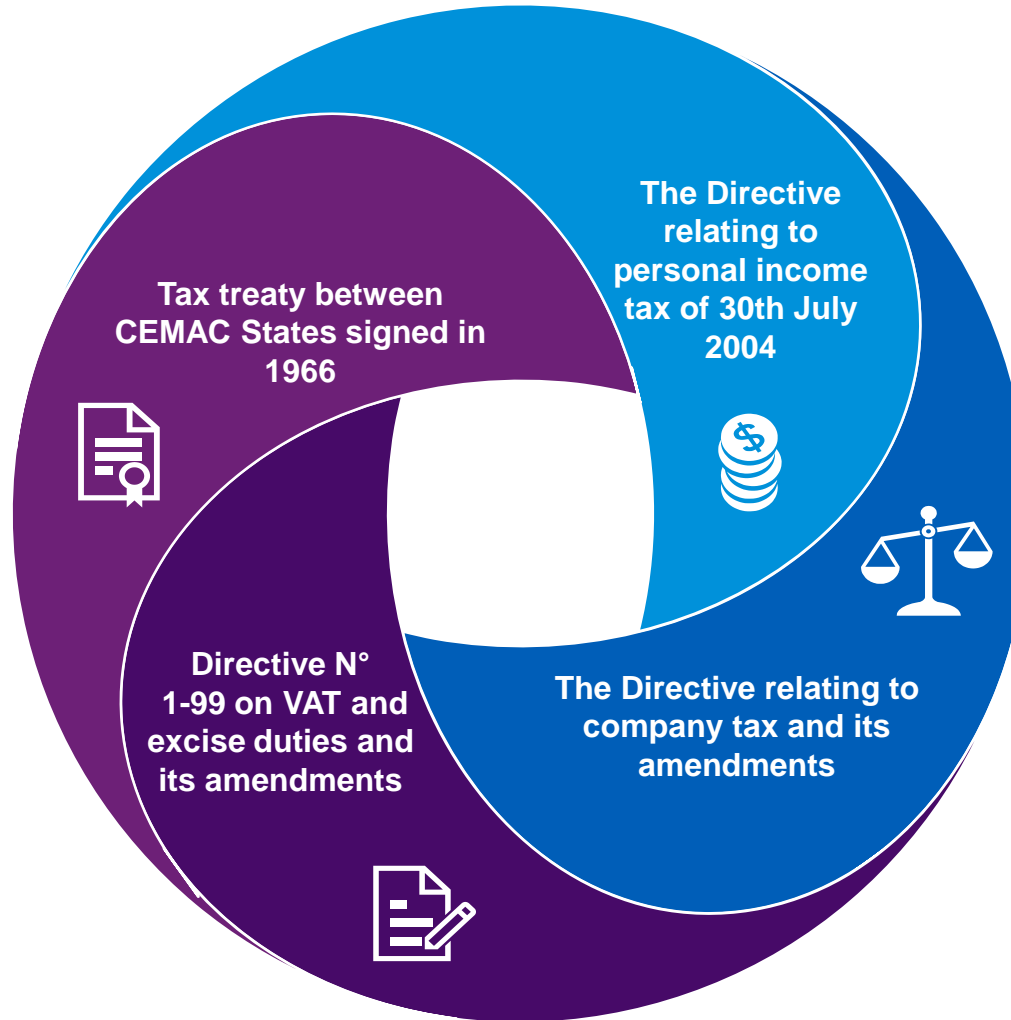
Outside CEMAC

- **Tax Convention between France and Cameroon signed in 1976:** it aims at avoiding double taxation and establish mutual assistance rules with respect to taxes on income, taxes on real estates, registration fees and stamp duties;
- **The tax treaty between Canada and Cameroon signed in 1982:** the aim is to avoid double taxation and prevention of tax evasion with respect to taxes on income;
- **The tax treaty between Switzerland and Cameroon signed in 1990:** the goal here is to avoid the double taxation of income derived from the business of air transport ;
- **The tax treaty between Tunisia and Cameroon signed in 1999:** the goal here is to avoid double taxation with respect to taxes on income.
- **Tax treaty between Morocco and Cameroon in 2014 :** the goal here is to avoid double taxation and prevent tax evasion with respect to taxes on income;
- **Tax treaty between United Arab Emirates (UAE) and Cameroon in 2017 :** the goal is to avoid double taxation with respect to taxes on income;
- **Tax treaty between South Africa and Cameroon in 2017 :** The goal is to avoid double taxation and to prevent tax evasion.
- **OECD Convention on Mutual Administrative Assistance in Tax Matters:** the goal here is to exchange information to prevent tax evasion.



Tax Treaties

With CEMAC





Tax Treaties

With CEMAC

Tax treaty between CEMAC States signed in 1966 whose goal is to eliminate double taxation.

To this end, several directives have been issued to harmonize sub-regional legislation namely :

- **The Directive relating to personal income tax of 30th July 2004**, and introducing a common tax regime for Income Tax of individuals in all countries of the Community. The tax system can be complex to implement especially when an individual is active in several countries of the community: taxation in all countries where the individual is carrying out an activity.
- **The Directive relating to company tax and its amendments** : the directive has establish a harmonization of tax rules on corporate tax in all countries of the community through: the definition of deductible expenses and taxable goods, Neutralization of limitations for the deductibility of certain expenses (such as the Technical Assistance) contained in the domestic law of the CEMAC countries, the introduction of a tax bracket between **25 and 40%** for corporate income tax; the introduction of rules for transfer pricing regime, the introduction of taxation of parent / subsidiary companies.
- **Directive No. 1-99 on VAT and excise duties and its amendments**



Cameroon's government seeks to promote private investments. Private sector is viewed as the main driving force to economic growth and employment.

Cameroon has an agricultural-based economy with the production of this sub-sector increased by **4.1%** in 2010. Its contribution to the primary sector's growth is **3.1%**. The consolidation of agricultural production started a few years ago results from the actions carried out by the Government through several programs and projects.

The MINFI has **15 working days** within which to give his accord, while the Minister in charge of investments has three **(3)** working days to issue the Confirmation.

Import and Export activities in Cameroon are regulated by a vast array of instruments most notably the National and Regional (CEMAC) Customs Code as well as regulations by the Ministry of Trade.

Cameroon's Customs and Investment codes have eliminated several restrictions on imports and import-licensing requirements, lifted non-tariff protections, and simplified customs assessments. Cameroon has ratified the Common External Tariff Code regulating regional trade within the CEMAC zone. Cameroon operates the pre-shipment regime for imports.



Currency Exchange controls and rates

The XAF is linked to the euro (€) at a current fixed exchange rate of **1€/ 655.957 FCFA**. Transfers within the XAF zone are not restricted. Dividends out of revenue and capital on disinvestment may be remitted.

The (XAF) is currently used in **6** Central African Countries (CFA). All transfer of funds outside the CEMAC including loans obtained by resident companies abroad and the solicitation of foreign securities in the CEMAC zone, must be declared and are subject to special control measures for statistical purposes.

The CEMAC Exchange Regulations of April 29th, 2000 gives member states:

- Freedom to open accounts in CFA francs and foreign currencies for non-residents;
- Mandatory return of foreign direct investment exceeding **100 million CFA** to the Minister of Finance;
- Free transfer of capital, duly earned profits, funds transfer and termination of business activity;
- Free transfer of salary income for non-residents.



Residence and work permits

Expatriates on special assignments in Cameroon for a period of less than six **(6)** months who are rendering services to a company in Cameroon and who are not employed by a Cameroonian company, shall not require a work permit.

However, when a Cameroonian company employs expatriates and if the expatriate on special assignments in Cameroon for a period exceed **185 days**, they would require work permits, which must be endorsed by the minister in charge of labor before commencement of work, which is valid for two year renewable.

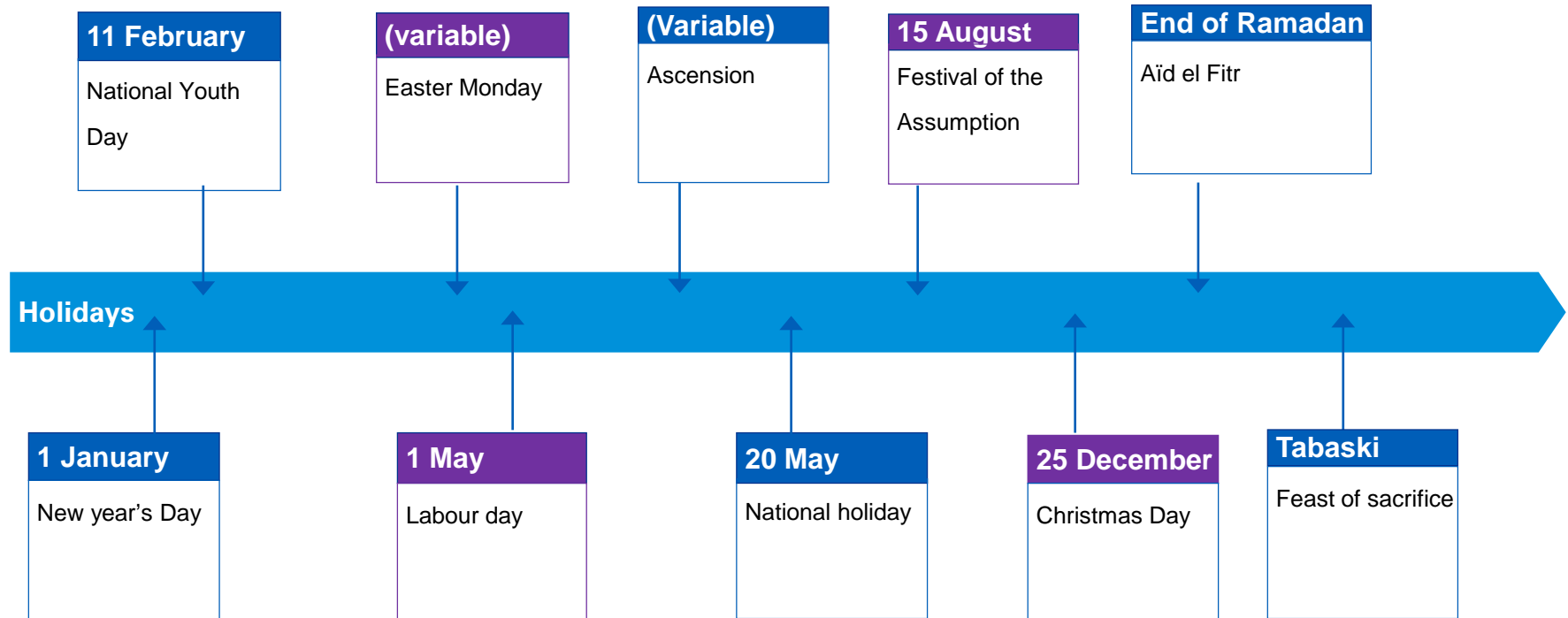


Languages

Cameroon official languages are French and English.



Official holidays



Every time the National holiday or Labour day falls on a Sunday, the day after will be a holiday.



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