



International tax

Cameroon Highlights 2012

Investment basics:

Currency – CFA Franc BEAC (XAF)

Foreign exchange control – All transfers of funds outside the Central African Economic and Monetary Community (CEMAC, consisting of Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea and Gabon), including loans obtained by resident companies from abroad and the solicitation of foreign securities in the CEMAC zone, must be declared and are subject to special control measures for statistical purposes. Transfers of amounts in excess of XAF 5 million must be lodged with an authorized intermediary (i.e. a bank authorized by the central bank).

Documentation must be submitted to the authorities for currency transfers for the settlement of imports in excess of XAF 100 million.

Expatriate employees may apply for authorization to repatriate 20% of their net earnings on a regular basis. However, if the family and dependents live outside the CEMAC zone, permission may be obtained to repatriate up to 50% of net earnings. Any savings accumulated by expatriates may be repatriated upon departure from Cameroon.

All foreign direct investment exceeding XAF 100 million is subject to prior notification to the Ministry of Finance.

Accounting principles/financial statements – The accounting standards are based on the Organization for the Harmonization of Business Law in Africa (OHADA). Financial statements must be filed annually.

Principal business entities – These are the public limited company, private limited company, partnership, economic interest group and branch of a foreign company.

Corporate taxation:

Residence – An entity is deemed to be resident if its registered office, center of activity or management is located in Cameroon or if it has resident employees in

Cameroon that provide services to customers.

Basis – Resident corporations are taxed on their worldwide income. Nonresidents are taxed only on Cameroon-source income.

Taxable income – Taxable profits are determined after deducting allowable expenses and charges. Expenses equal to or exceeding XAF 1 million are not deductible if paid in cash.

Taxation of dividends – Dividends received by a resident company from a resident or nonresident company are subject to corporate income tax. The recipient may offset any Cameroon tax withheld from the dividends against its corporate income tax liability. Foreign tax paid on dividends derived from a nonresident company is not creditable against Cameroon corporate income tax unless specifically provided for under a tax treaty.

The treatment of dividends received by corporate shareholders differs when the shareholder: (1) owns at least 25% of the shares in the affiliate; (2) the head office of the shareholder and its affiliate are located in Cameroon or another CEMAC state; and (3) the shares remain registered in the name of the shareholder for at least 2 consecutive years. Shareholders satisfying these requirements are entitled to be taxed on 10% of the net dividends received. Where the payer and recipient disclose the dividends in their respective financial statements in the same year, the withholding tax paid by the affiliate may be set off against the withholding tax payable by the shareholder on any dividend distributions subsequently made by such shareholder.

Capital gains – Capital gains are treated as ordinary business income and taxed at normal company tax rates. Capital gains arising from the gratuitous allocation of shares, founders' shares or debentures on the merger of limited liability companies or limited partnerships with share capital also are excluded, provided the company resulting from the merger has its registered office in

Cameroon or another CEMAC state. Upon the assignment, transfer or cessation of a company within 5 years following its creation or purchase, net capital gains will be assessed at half their value (1/3 of their value after more than 5 years).

Losses – Losses may be carried forward for up to 4 years, but may not be carried back.

Rate – The corporate tax rate is 35%. Taking into account the 10% surcharge, the effective rate is 38.5%. The basic rate is reduced to 30% for the first 3 years a company is listed on the national stock exchange.

Surtax – A surcharge of 10% of the tax charged is levied over the 35% corporate tax rate.

Alternative minimum tax – A minimum tax is payable annually at 1% of the turnover of companies in the actual regime, 3% of companies in the simplified regime and not involved in the importation of goods and 5% for producers, providers of services and importers of goods in the simplified regime. A local surcharge of 10% also is payable, bringing the effective rate to 1.1%, 3.3% and 5.5%, respectively, of turnover. The alternative minimum tax is applicable where a company posts a tax loss or where 1.1% or 3.3% or 5.5% of turnover amounts to more than 38.5% of taxable profits.

Foreign tax credit – No

Participation exemption – See under "Taxation of dividends."

Holding company regime – No

Incentives – Under a reinvestment regime, eligible companies may benefit from a tax reduction of 50% of qualifying reinvestment, provided the reinvestment does not exceed 50% of the profits declared during the relevant fiscal year. Enterprises in the information and communication technology sectors are subject to a reduction of 25% of qualifying reinvestment, provided the reduction does not exceed 25% of profits declared during the relevant fiscal year.

Enterprises that create jobs in the agriculture, energy, tourism and social housing sectors

through a structuring project regime may be eligible for tax benefits, including: exemption from the business license tax for the first 2 years of operation; fixed (at XAF 50,000) rather than ad valorem registration fees for instruments of incorporation, an extension and increase of share capital and the transfer of real estate related to the establishment of the project; a VAT exemption on local purchases of building materials and imports related to the creation of the project; accelerated depreciation at a rate of 1.25 of the normal rate for specific fixed assets required during the installation phase; and an extension of the loss carryforward period to 5 years.

A corporate entity whose turnover is less than XAF 100 million and that is a member of an approved management center benefits from a 50% reduction of the corporate income tax.

Withholding tax:

Dividends – A withholding tax of 16.5% (15% withholding tax and a 10% local surcharge) applies to dividends paid to a resident and a nonresident. The rate may be reduced under a tax treaty.

Interest – A withholding tax of 16.5% (15% withholding tax and a 10% local surcharge) applies to interest paid to a nonresident. The rate may be reduced under an applicable tax treaty.

Royalties – Royalties paid to a nonresident are subject to a 15% withholding tax (the 10% local surcharge is not applicable), unless reduced under a tax treaty. However when such amounts are paid to a firm located outside the CEMAC that participates in the management of a Cameroon firm in which it holds shares, the royalties will be considered as sums accruing from the distribution of profits and subject to the 16.5% withholding tax.

Technical service fees – No

Branch remittance tax – No

Other – No

Other taxes on corporations:

Capital duty – The formation of a company and any subsequent capital increases are not subject to registration fees.

Payroll tax – The employer is required to make monthly contributions to the Housing Loan and Employment Fund in an amount equal to 2.5% of the total amount of the salary and fringe benefits.

Real property tax – Property tax is payable annually on real estate for which an ownership certificate or an administrative or judicial order has been issued. Tax is charged at 0.1% of the assessed property value, with the usual 10% local surcharge.

Social security – The employer must pay 11.2% of the basic pay, allowances and benefits of its employees monthly to the National Social Insurance Fund (capped at XAF 300,000 per month). The employer also must contribute 1.75%, 2.5% or 5% of total salary, depending on the risk category of activities carried out by employees.

Stamp duty – Various stamp duties apply to contractual obligations and transfers or leases of property at rates ranging from 1% to 15%. Fixed stamp duties are levied on motor vehicle licenses, advertising materials, passports, visas and bills of lading.

Transfer tax – The sale of a business is subject to a transfer tax rate of 15%. For real property, see under “Stamp duty.”

Other – A special income tax at the rate of 15% is withheld on payments made to suppliers of services located abroad. This withholding tax is also applicable to companies located in Cameroon for a short-term business (i.e. less than 6 months).

A 5% tax must be withheld by the state and its bodies and certain private corporate bodies on payments made to suppliers of services located in Cameroon.

Taxes are imposed on the sale of petroleum products, liquor and business licenses. The business license tax is imposed at graduated rates on the annual turnover of an enterprise.

Anti-avoidance rules:

Transfer pricing – There are no specific regulations on transfer pricing. However, the tax authorities may make adjustments to taxable income where related party transactions are not conducted on arm's length terms.

Thin capitalization – No

Controlled foreign companies – No

Other – No

Disclosure requirements – No

Administration and compliance:

Tax year – Calendar year

Consolidated returns – No

Filing requirements – Advance payments of company taxes are due before the 15th of each month. Any final balance of tax is

payable on the submission of the annual tax return by 15 March of each year.

A presumptive assessment will be issued in certain cases (e.g. when a taxpayer fails to file a tax return within the time limits provided by law impedes the ability of the tax authorities to verify income).

Penalties – Interest may be imposed at 1.5% of the tax due per month for late filing or payment. With respect to the monthly payments of taxes, late declaration is subject to a penalty of 10% per month. Penalties are assessed at: 30% (good faith), 100% (bad faith) and 150% (fraud). Where a taxpayer initiates the process to settle outstanding taxes, no penalties will be assessed.

Rulings – No

Personal taxation:

Basis – Individuals resident in Cameroon are taxable on their worldwide income; nonresidents are taxable only on Cameroon-source income.

Residence – An individual is resident in Cameroon if his/her principal center of interest or business is in Cameroon or place of abode is in Cameroon (i.e. more than 183 days in a tax year are spent in Cameroon).

Filing status – For couples married under the joint property regime, any earnings from real estate may be declared by either spouse.

Taxable income – A single income tax, based on graduated rates, applies to the net total income derived from various categories of income. Income categories include: salaries, wages, pensions and life annuities, income from stocks and shares, income from real estate, profits from handicraft, industrial and commercial activities, profits from agricultural activities and profits from non-commercial and related professions.

Capital gains – Capital gains derived from the sale of shares are subject to tax at a final rate of 15%. Unrealized gains arising from company mergers are not subject to personal income tax if the new company has its registered office in Cameroon or another CEMAC state.

Deductions and allowances – Allowable deductions include business expenses, social security contributions, professional expenses (fixed at 30%) and a real estate deduction (fixed at 30%).

Rates – Progressive rates are imposed from 10% to 35%. A surcharge of 10% of the principal tax also is levied on the rates.

Other taxes on individuals:

Capital duty – The formation of a company and subsequent capital increases are not subject to registration fees.

Stamp duty – Various stamp duties apply to contractual obligations and transfers or leases of property at rates ranging from 1% to 15%. Fixed stamp duties are levied on motor vehicle licenses, advertising materials, passports, visas and bills of lading.

Capital acquisitions tax – No

Real property tax – Property tax is payable annually on real estate for which an ownership certificate or an administrative or judicial order has been issued. Tax is charged at 0.1% of the assessed property value, with the usual 10% local surcharge.

Inheritance/estate tax – Tax is charged at progressive rates up to 10% on estates valued in excess of XAF 10 million. The first XAF 500,000 is tax-free.

Net wealth/net worth tax – No

Social security – The employee is required to make monthly contributions to the National Social Insurance Fund at a rate of 2.8% of basic pay and allowances, up to XAF 300,000 per month. For the Housing Loan and Employment Fund, the employee contributes 1% of his/her gross salary.

Administration and compliance:

Tax year – Calendar year

Filing and payment – Taxpayers who derive income only from employment and whose taxes are withheld at source by the employer need not file a tax return. The employer deducts tax on employment income and remits it to the tax authorities before the 15th of each month (unless the individual earns less than XAF 62,000 per month). Tax on income from an individual's business is due at the same time. The annual tax return and any balance of tax must be submitted by 15 March of each year.

Penalties – Interest may be imposed at 1.5% of the tax due per month for late filing or payment. With respect to the monthly payments of taxes, late declaration is subject to a penalty of 10% per month. Penalties are assessed at: 30% (good faith), 100% (bad faith) and 150% (fraud). Where a taxpayer initiates the process to settle outstanding taxes, no penalties will be assessed.

Value added tax:

Taxable transactions – VAT is levied on the supply of goods; the provision of services; the import of goods; real estate activities; construction and delivery of buildings by real estate professionals; the sale of second-hand goods and equipment by professionals; transfers of non-exempt assets; and the leasing of underdeveloped land and unfurnished premises by real estate professionals.

Rates – The effective standard VAT rate is 19.25% (i.e. a 17.25% VAT and 10% surcharge). Exports are zero-rated. Certain essential goods are exempt.

Registration – All corporate businesses with taxable turnover are required to register. Nonresident VAT payers are required to appoint a solvent resident representative to be jointly responsible for the payment of VAT and the discharge of other VAT obligations.

Filing and payment – VAT returns, and any tax payable, are due by the 15th of each month following the month in which the transaction took place. Late payment incurs interest penalties at a rate of 1.5% per month, up to a maximum of 50% of the principal liability. Fines are levied for various omissions in discharging VAT obligations.

Source of tax law: The Universal declaration of human rights, the Constitution of Cameroon, international treaties, tax treaties, General Tax Code.

Tax treaties: Cameroon has concluded tax treaties with CEMAC countries, Canada, France and Tunisia.

Tax authorities: Ministry of Finance and Budget

International organizations: CEMAC, BEAC, OHADA

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