Cameroon

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A. At a glance

Corporate Income Tax Rate (%)	38.5 (a)
Capital Gains Tax Rate (%)	38.5 (b)
Branch Tax Rate (%)	38.5 (a)(c)
Withholding Tax (%)	
Dividends	16.5 (d)(e)
Interest	0 (f)
Royalties from Patents, Know-how, etc.	15
Fees for Technical Services, Digital Services and Professional Activities	15 (g)
Specific Payments to Resident Individuals or Companies	5.5 (h)
Branch Remittance Tax	16.5
Net Operating Losses (Years)	
Carryback	0
Carryforward	4

(a) The minimum tax is generally 1.1%, 3.3% or 5.5% of turnover. For further details, see Section B.
(b) In certain circumstances, the tax is deferred or reduced (see Section B).
(c) An optional final withholding tax is available for petroleum contractors and subcontractors of oil companies (foreign companies in Cameroon that have contracted with petroleum companies established in Cameroon). The rate of this special tax (TSR) is fixed at 15% of turnover. The 2011 Financial Law extended this tax regime to foreign individuals or companies that carry out activities on a casual (day-to-day) basis in Cameroon subject to the prior authorization of the Director General of Taxation, issued on written request of the service providers (companies) or authorized clients.
(d) This withholding tax also applies to directors' fees, nondeductible expenses and adjustments of profits following a tax examination. The withholding tax also applies to allowances granted to members of commissions, ad hoc or permanent committees and to members of public, semipublic, regional or local bodies.
(e) This withholding tax applies to residents and nonresidents.
(f) Interest on savings of up to XAF10 million is exempt from withholding tax. Interest on state bonds is exempt from corporate income tax and the tax on movable capital (this tax is withheld at a rate of 16.5% from income on shares and negotiable bonds and from certain other income). The 2014 Financial Law

confirms that interest on loans paid to nonresident lenders or creditors is exempt from withholding tax.

(g) This withholding tax applies to nonresidents. The 2012 Financial Law provides that this tax also applies to "software," which is defined as computer applications and programs relating to the operation or functioning of an enterprise.

(h) This withholding tax applies to fees, commissions, emoluments and remuneration for services that are paid to resident individuals or companies. These payments include the following:
- Payments made to persons in the self-employed professions, such as consultants, experts, architects, physicians, auditors in charge of damages, trade intermediaries and salesmen
- Payments made to magistrates and representatives of the law (attorneys, bailiffs and notaries)
- Payments made to forwarding agents, customs brokers, stevedores, accounting firms and internet service providers.

The withholding tax does not apply to payments made for services related to transport, bank interest, insurance premiums and commissions, air ticket expenses and commissions, and water, electricity and telephone expenses. The 10% surtax applies to the withholding tax rate of 5%, resulting in a total withholding tax rate of 5.5%.

B. Taxes on corporate income and gains

Corporate income tax. Cameroonian companies are taxed on the territoriality principle. As a result, Cameroonian companies carrying on a trade or business outside Cameroon are not taxed in Cameroon on their foreign-source profits. Cameroonian companies are those registered in Cameroon, regardless of the nationalities of their shareholders or where they are managed and controlled. Foreign companies with activities in Cameroon are subject to Cameroonian corporate tax on Cameroonian-source profits.

Tax rates. The regular corporate income tax rate is 38.5% (35% plus a 10% council surtax). For companies operating under the real earnings tax regime, the minimum tax payable is 1.1% (1% plus the 10% surtax) of annual gross sales (turnover) for the preceding fiscal year. The minimum tax payable is increased to 1.65% for companies under the basic tax regime. The minimum tax payable is higher for companies under the simplified tax regime (3.3% for non-importing traders, and 5.5% for producers, service providers and importation traders). The minimum tax is creditable against corporate tax due for the current financial year.

Profits realized in Cameroon by branches of foreign companies are presumed to be distributed and are consequently subject to a branch withholding tax of 16.5% on after-tax income. This rate is subject to reduction by treaty.

Deductions at source or advance payments apply to all purchases and importations by traders, including the following:
- Purchases and importations by traders subject to the flat-rate tax system
- Purchases of goods by traders from manufacturers, farmers, importers, wholesalers, retail-wholesalers and forestry operators
- Purchases of petroleum products by petrol station owners
- Purchases of staple products by exporters
- Purchases and importations by enterprises that do not hold the taxpayer's card (non-registered enterprises)

Exceptions to the advance payment rule apply to the following:
- Importation of goods by traders under the Specialized Management Units of the Directorate General of Taxation

- Purchases of goods by the state, councils and persons living abroad
- Purchases by registered industrialists for the operation of their enterprises if they are assessed under the real earnings tax system

The following are the applicable tax rates for advance payments:
- 0.5% for purchases of petroleum products by petrol station owners
- 1% of the amount of operations realized by registered traders under the real earnings tax regime
- 3% of the amount of operations realized by traders that are not importers and non-registered traders, if the traders are under the simplified tax system
- 5% of the amount of operations realized by registered importers that are subject to the simplified tax system
- 10% for transactions carried out by non-registered enterprises and by taxpayers engaging in imports operations, if they are subject to the flat-rate tax

The above rates are added to the sales price or customs value of the goods purchased. The advance payments are calculated without the council surtax of 10%. For companies, advance payments are creditable against their future monthly tax installments or minimum tax.

Corporations may apply for various categories of priority status and corresponding tax exemptions. The priority status varies depending on the nature of the project and the level of investments.

Investment incentives. The law of 18 April 2013 introduced investment incentives, which are summarized below.

Installation phase. Incentives that are available during the installation phase (five years after the issuance of the approval) include exemption from registration duties, transfer duties, customs duties and value-added tax for certain items.

Operational phase. Incentives available during the operational phase (10 years for all companies qualifying for the incentives) include exemptions or reductions with respect to minimum tax, corporate tax, customs duties on certain items and other specified taxes and fees.

In addition, companies may carry forward losses to the fifth year following the year in which the losses are incurred.

Capital gains. Capital gains are taxed at the regular corporate rate. Capital gains include gains on the sale of real estate, corporate shares and business assets. The tax, however, can be deferred or eliminated in the event of a merger.

If the business is totally or partially transferred or discontinued (such as in the event of a merger, liquidation or sale of the business), only one-half of the net capital gains is taxed if the event occurs less than five years after the start-up or purchase of the business, and only one-third of the gains is taxed if the event occurs five years or more after the business is begun or purchased.

Capital gains realized on the Cameroonian stock market are exempt from corporate income tax and the tax on movable capital. However, under the 2014 Financial Law, capital gains realized in Cameroon or abroad that are derived from the sale of shares by an individual or corporate entity holding an exploitation or exploration permit for natural resources extracted from the Cameroonian subsoil are subject to income tax on the gains.

Administration. The fiscal year runs from 1 January to 31 December. However, companies that started operating during the six-month period before the prescribed closing date can report their first results at the end of the fiscal year following the fiscal year in which they began activities.

Corporate income tax must be paid by the deadline for filing the tax return. Companies must file their income tax return by 15 March of the year following the fiscal year. Late returns are subject to interest of 1.5% of the tax due per month of delay. In addition, late payments are subject to a penalty of 10% per month of delay, up to a maximum of 30% of the tax due. This penalty applies only if payments are made at the initiative of the taxpayers. It does not apply in the case of a tax audit.

The minimum tax is paid in accordance with the same rules applicable to the payment of corporate income tax. Manufacturers, farmers, wholesalers, retail-wholesalers, forestry operators, petrol station owners and exporters must pay to the tax authorities the advance payment of tax on purchases by the 15th day of the month following the month of the purchase (for further details regarding advance payments, see *Tax rates*).

Dividends. Dividends paid to residents in Cameroon are subject to a 16.5% withholding tax (15% plus the 10% council surtax). Resident recipients must include the gross dividend in taxable income, but they receive a corresponding 16.5% tax credit to prevent double taxation. Dividends paid to nonresidents are subject to a 16.5% withholding tax, which is a final tax.

A parent corporation may exclude up to 90% of the dividends received from a 25%-owned subsidiary if the parent company and the subsidiary have their registered office in a Central African Economic and Monetary Community (CEMAC) country (Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea and Gabon). In this case, however, no withholding tax credit is allowed. Instead, the tax can be offset against any withholding tax due on its own dividend distributions.

Foreign tax relief. In general, foreign tax credits are not allowed; income of residents and nonresidents subject to foreign tax that is not exempt from Cameroonian tax under the territoriality principle is taxable, net of the foreign tax. The French tax treaty, however, provides a tax credit that corresponds to withholding tax on passive income.

C. Determination of trading income

General. Taxable income is based on financial statements prepared according to generally accepted accounting principles and the OHADA (organization for the harmonization of business law in French-speaking Africa) standard statements.

Business expenses are generally deductible unless specifically excluded by law or by the provisions of an international convention. Expenses that are not deductible include the following:

- Head office overhead, research costs and technical, financial and administrative assistance fees paid to residents or nonresidents that exceed any of the following:
  - — 5% of taxable profits for ordinary law companies before their deduction.
  - — 2.5% of turnover for public works projects.
  - — 7.5% of turnover for design and engineering services.
- Royalties from patents, brands, models or designs paid to a non-CEMAC corporation participating directly or indirectly in the management of, or owning shares in, the Cameroonian corporation.
- Rent expense for movable equipment paid to a shareholder that manages the company in fact or by right and holds, directly or indirectly, more than 10% of the capital.
- Losses related to bad debts that do not comply with the enforcement measures provided in the OHADA Uniform Act relating to the organization of simplified procedures for collection and enforcement.
- Liberalities, gifts and subsidies exceeding 0.5% of the turnover of research, philanthropic, development, educational, sports, scientific, social and family institutions or bodies.
- Gifts and subsidies exceeding 5% of turnover of clubs participating in official national competitions and the bodies in charge of organizing these competitions.
- Interest paid to shareholders in excess of the central bank annual rate plus two points. Under the 2014 Financial Law, the deductibility of interest paid to shareholders owning directly or indirectly at least 25% of the capital or voting rights of the company is subject to the following two cumulative conditions:
  - — Interest paid may not exceed one and one-half of the amount of real capital for all shareholders.
  - — Interest paid to such affiliates may not exceed 25% of the income before income tax and deduction of such interest and depreciation.
- Commissions and brokerage fees for services on behalf of companies located in Cameroon that exceed 5% of purchased imports and sales of exports.
- Remuneration granted to wage earners that are excessive in comparison to the services rendered and that do not correspond to effective work and conventional norms.
- Amounts set aside for self-insurance.
- Certain specific charges (such as contributions other than those for retirement paid to a foreign social security organization, which are deductible up to a limit of 15%, and premium insurance paid to companies located in Cameroon for employees' retirement indemnities), gifts, subsidies and penalties (to some extent).
- Expenses paid in cash of XAF1 million or more. The XAF1 million limit is assessed with respect to the total amount of specific expenses recorded in the expenditures account. Accordingly, splitting an expense worth XAF1 million into two equal parts of XAF500,000 each and paying them in cash does not result in the deductibility of the expenses. Under the 2014 Financial Law, all reimbursements of loan advances to shareholders paid in cash are treated as dividends and are accordingly subject to dividend withholding tax.

- Expenses paid to local suppliers without reference to a Cameroonian tax identification number and without an invoice that complies with the standard requirements for the deductibility of expenses.
- Remuneration paid to liberal professionals in violation of the regulations governing their respective professions.
- Expenses for services and certain purchases paid to natural persons or nonresident legal entities established in territories or states considered to be tax havens.
- Disbursements from tax havens invoiced to local companies by other companies located in or outside tax havens.

Inventories. Inventory is normally valued at the acquisition cost or at the lower of cost or market value. Cost must be determined on a weighted-average cost-price method. The first-in, first-out (FIFO) method is also generally acceptable.

Provisions. In determining accounting profit, companies must establish certain provisions, such as a provision for a risk of loss or for certain expenses. These provisions are normally deductible for tax purposes if they provide for clearly specified losses or expenses that are probably going to occur and if they appear in the financial statements and in a specific statement in the tax return.

Insurance companies may deduct technical provisions provided by the Conférence Interafricaine des Marchés d'Assurance (CIMA) Code.

Capital allowances. Land and intangible assets, such as goodwill, are not depreciable for tax purposes. Other fixed assets may be depreciated using the straight-line method at rates specified by the tax law. Small equipment and other items that have a value not exceeding XAF400,000 without tax are directly accounted for as charges and considered deductible expenses.

Legal revaluation of fixed assets. The 2011 Financial Law established a regime for the legal revaluation of tangible and intangible fixed assets, regardless of whether the assets are depreciable. The revaluation must occur by 31 December 2013. The capital gain resulting from revaluation is subject to a withholding tax at a rate of 5%.This is a final tax. The 5% withholding tax is not due if the amount of the capital gain is reinvested within two financial years.

Relief for tax losses. Losses may be carried forward for four years; losses attributable to depreciation may be carried forward indefinitely. Losses may not be carried back.

Groups of companies. The Cameroonian tax law does not provide for the fiscal integration of Cameroonian companies equivalent to a consolidated filing position.

D. Other significant taxes

The following table summarizes other significant taxes.

Nature of tax	Rate (%)
Value-added tax, on transactions carried out in Cameroon; certain transactions are exempt	
Standard rate	19.25
Exports	0

Nature of tax	Rate (%)
Business license; rate varies depending on the amount of turnover	Various
Radio-television tax, equal to the business license; payable by companies subject to the business license	Various
Registration duties, on transfers of real property or businesses	2 to 15
Payroll taxes, paid by employer	2.5
Social security contributions on an employee's annual gross salary, limited annually to XAF3,600,000	
Family allowances, paid by employer	3.7 to 7
Old age, disability and survivor's pension; paid by	
Employer	4.2
Employee	2.8
Social security contributions on an employee's annual gross salary for job-related accidents and diseases; paid by employer	1.75 to 5

E. Miscellaneous matters

Foreign-exchange controls. Exchange control regulations exist in Cameroon for financial transfers outside the franc zone, which is the monetary zone including France and its former overseas colonies. A CEMAC rule (No. 0200/CEMAC/UMAC/CM, dated 29 April 2000) applies to all of the CEMAC countries.

Transfer pricing. In 2012, Article M19 bis in Book II of the General Tax Code on Manual of Tax Procedures was introduced to increase the regulation and control of transfer pricing.

Under the new rules, if in the course of an accounts auditing, the administration has evidence that a company has indirectly transferred profit, the administration may request that the company provide information and documents with respect to certain items, including the following:
- Relationships between the company and one or more companies or groups established outside Cameroon
- The pricing method for industrial, commercial or financial operations in which the company engages with the related parties mentioned in the first bullet and justification for this method and the agreed consideration in these operations
- The activities carried out by the related parties mentioned in the first bullet
- The tax treatment for the company and related parties mentioned in the first bullet with respect to the operations performed with the related parties

The 2014 Financial Law requires "a detailed statement of transactions with companies which control or which are controlled by them up to 25%, in addition to other existing disclosure and documentation requirements."

Companies in the large taxpayers unit must transmit the following information to the tax authorities by 15 March of each year at the same time of the filing of the annual tax return:
- A statement of their shareholdings in other companies if the holdings exceed 25% of the share capital
- A detailed statement of intergroup transactions

F. Treaty withholding tax rates

	Dividends %	Interest %	Royalties %
Canada	15/20 (a)	15/20 (a)	15/20 (a)
Central African Republic	– (c)	16.5 (b)	– (d)
Chad	– (c)	16.5 (b)	– (d)
Congo	– (c)	16.5 (b)	– (d)
Equatorial Guinea	– (c)	16.5 (b)	– (d)
France	15	16.5 (b)	7.5/15 (e)
Gabon	– (c)	16.5 (b)	– (d)
Tunisia	12	15	15
Non-treaty countries	16.5	0 (f)	15

(a) The 15% rate applies to payments from a Cameroonian source. The 20% rate applies to payments from a Canadian source.

(b) If from a Cameroonian source, the payments are subject to withholding tax under Cameroonian domestic tax law. See Section A.

(c) Withholding rates are determined under the domestic tax law of the state of domicile of the payer.

(d) Withholding tax is not imposed. The income is subject to tax in the state of the recipient.

(e) The 7.5% rate applies to payments for financial services, accounting services and technical assistance. The 15% rate applies to other royalties.

(f) See footnote (f) to Section A.