

**ANNUAL CONFERENCE OF HEADS OF THE  
CENTRAL AND EXTERNAL SERVICES OF THE  
MINISTRY OF FINANCE**

**TOPIC:**

**FISCAL INSTRUMENTS TO SUPPORT  
ECONOMIC ACTIVITIES CONTAINED IN THE  
2010 BUDGET**

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## Introduction

Before discussing the fiscal measures of 2010 Finance Law, it should be noted that in recent years, the legislative framework has introduced a number of important tax incentives, whose purpose is to support economic activities. These are notably measures to reduce tax burden and to facilitate business activities.

With respect to the reduction of tax burden, the scheme for developmental projects aimed at both large and small companies and the scheme for public-private partnerships contracts can be mentioned as prove of the determination of the government to promote the realization of major development projects. For example, the scheme for developmental projects was granted to **14 companies**, with an investment forecast of about **263 billion CFA francs**, and an employment forecast of about **9 470 jobs**.

With respect to the business activities, we can mention the introduction of the system of advance tax ruling which permits taxpayers to know with certainty the tax regime applicable to their investment projects prior to execution, the exemption of newly created companies from payment of the business licence tax during the first two years of operation, the lowering of the threshold for reimbursement of VAT credits from 25 to 10 million, the abolition of the requirement for a bank guarantee and a deposit of 10% of the amount of disputed taxes in the context of litigation, to strengthen the rights and guarantees of taxpayers and to ease their access to the Judge.

In the year 2009, tax expenditure as a result of developmental projects amounted to **1,6 billion CFA francs**, while the Tax Scheme for the Investment Code had a tax expenditure estimated at **9 billion CFA francs** distributed amongst **38 companies**.

Faced with the persistence of crisis at the end of 2008, the authorities introduced more targeted measures to support economic activity. As such, at the height of the crisis in 2009, several relief measures were introduced in the finance law for 2009, in favour of the forestry sector which was severely hit. Accordingly, an exemption from the factory admittance tax was introduced for wood subject to secondary or tertiary processing according to the criteria prescribed by law. Likewise, the same law relieved operators of the timber sector from the requirement to provide a bank guarantee to cover their fiscal and environmental obligations. Lastly, it may also be convenient to mention that a 50% abatement on the Annual Forestry Royalty was introduced in favour of companies of the timber sector.

These measures have been a shot in the arm for enterprises of this sector, which have witnessed a net improvement in their cash flow of about **7 billion F CFA** corresponding to the tax expenditure for the year. Thus, about **6 400 jobs** have been saved in the forestry sector.

**With government objectives in terms of raising tax revenue for the year 2010 set at 1 031 billion, of which 941 billion represents non-oil revenue and 90 billion represents tax on petroleum companies**, the challenge for the Tax Administration will be to reconcile the objective of increased mobilization of revenue for financing development and supporting economic activity on the other hand. The tax administration therefore needs to manage these incentive provisions which can be divided into measures to support and facilitate investments (I), and measures to stimulate consumption (II).

## **I – Measures to encourage and facilitate investment**

The tax policy to support economic activity contained in the finance law for 2010 centres on two main areas, namely: promotion of private investment and easing of procedures in view of facilitating the implantation and development of businesses.

### **A - Tax incentive measures**

In order to make Cameroon an attractive location for investors and stimulate economic activity, the newly introduced incentive measures are of a general nature on the one hand and more specific to certain sectors on the other hand.

#### **1) General measures**

- Exemption from tax for individuals and businesses on the interest earned by virtue of ownership of debt securities issued by the State and decentralized local collectivities, to facilitate public financing of major developmental projects and the emergence of a true stock exchange culture in Cameroon. The budget for the year 2010 having provided a debenture loan of 200 billion.
- The elimination of registration fees on instruments relating to the setting up, extension or increase of capital in order to reduce the cost of starting a business.
- The institution of a system of legal revaluation of assets intended to consolidate the assets of our enterprises, and thus facilitate their access to credit.
- Increase in tax reduction granted to enterprises that are adherents of Certified Management Centres, to promote this important instrument of legal, fiscal, accounting and managerial follow-up of small and medium size enterprises so that through these structures, companies can innovate and produce value added.

#### **2) Measures targeted at certain sectors**

- The extension of eligibility to the scheme for developmental projects, to include investments in the sectors of health, education, sport and culture.
- Admitting the deduction of donations and subventions made to research organizations working in the health, agriculture and livestock sector, to encourage companies and individuals to participate in financing research in these areas.
- The maintenance of the 50% reduction on the Annual Forestry Royalty for companies of the forestry sector.

### **B - Tax Measures to improve the business climate**

The Doing Business 2009 ranking has clearly shown that Cameroon still has much to do to attract investors. As such, the improvement of the business climate has been a priority of the Government in the Finance Law for 2010 through:

- The introduction of free issuance and renewal of the taxpayer's card. This is in view of reducing the costs and procedures for business creation.
- Waiver of the requirement for certification of statistical and tax returns, to reduce cost of tax compliance for companies. The abolition of this procedure is not only beneficial on the cash situation of enterprises, but also reduces the legal constraints on companies.
- The abolition of withholding at source of VAT and advance on income tax by public institutions and decentralised territorial collectivities in order to reduce VAT credits and improve the cash situation of enterprises.
- The requirement for the administration to notify fiscal adjustments in a timely manner after audits, under pain of nullity of proceedings. This is to streamline the procedures of tax audit and consolidate the rights and guarantees of taxpayers.
- The abolition of the one-month gap rule in the deduction of VAT, in order to ensure the neutrality of this tax on the financial situation of enterprises. The one-month gap that existed prior to the adoption of the finance law for 2010 penalized companies in that it did not allow them to automatically recover the VAT charged on their transactions.

Besides the incentive measures and improvement of the business climate, whose purpose is to support the supply of goods and services, the Finance Law for 2010 also provides several tools to boost consumption both by households and by the State.

## **II - Measures to support and stimulate consumption**

The fight against poverty is indeed one of the priorities of government policy. Thus, this concern has been taken into account in drafting the Finance Law. As such, the 2010 Finance Law has introduced measures to reduce the cost of health care and other measures to support consumption.

### **A – Measures to reduce the cost of health care**

With respect to measures to improve access to health care, the 2010 Finance Law has provided:

- Admitting deduction of contributions made by companies to the State for the purchase of antiretroviral drugs from their income taxable to Company Tax, in order to allow the entire active national population to participate in the fight against this pandemic.
- Expanding the list of pharmaceutical and medical products exempt from VAT in order to facilitate access to treatment for the most disfavoured and vulnerable social sectors.
- The exemption of hospital establishments from property tax and company tax in the case of public hospitals specifically, in order to reduce the burden of managing these institutions and by implication the cost of health care.

These measures aim to reduce cost of health care for households.

## **B – Other measures to support consumption**

- Exemption of domestic processing of wood from VAT, with a view to promote local consumption of Cameroonian wood and improve its value added in case of exports.
- Halving the rate of excise duty applicable to soft drinks, which passes from 25 to 12.5%; the measure is the main cause of the reduction in the prices of soft drinks observed in the market and should also enable to improve the self financing capacity of the brewery industry, big providers of labour.
- The exemption of schools from the property tax in order to reduce the burden of management and by implication the cost of school fees.

### **Conclusion:**

In conclusion, the fiscal provisions to support economic activity contained in the State budget for the year 2010 ought to contribute to economic growth.

The Tax Administration shall concentrate on the improvement of tax administration, with more emphasis on management and monitoring of taxpayers, audits and recovery of tax debts.

With respect to management and monitoring of taxpayers, the primary strategic objective remains the further widening of the tax base by optimizing the management function within production services. One of the main reforms in 2010 remains the completion of the overhaul of the IDU Software and its extension to all the operational services in order to improve registration. There shall also be completion of the system of management by customer groups through the putting into place of Pilot Tax Offices in Yaounde and Douala, and a pursuit of the simplification and computerisation of fiscal procedures.

With respect to audits, the Tax Administration plans to improve the quality of tax audits through a better handling of tax information and proper planning of tax audits based on risk analysis on the one hand, and capacity building of research structures which started in year 2009 on the other hand.

Finally, with respect to recovery, efforts geared towards securing the various means of payment and fiscal assets values will be pursued in order to improve the quantitative objectives related thereto for a more efficient Cameroonian taxation in 2010.