

# The tax regime for non-profit making organisations: no need to be

## **1. What is new about the tax regime for non-profit making organisations?**

Up until now, the tax authorities were only able to effectively cater for taxpayers who engaged in commercial activities and who could file their turnover. Depending on their turnover, they were classified into the following categories.

- global tax (*turnover less than FCFA 10 million*) ;
- simplified regime (*turnover between FCFA 10 million and 50 million*) ;
- actual regime (*turnover of more than FCFA 50 million*).

This classification left a large void for nonprofit making organisations.

The new law, therefore, addresses this situation.

## **2. Why a tax regime for non-profit making organisations now?**

The tax regime for nonprofit making organisation is intended to address concerns faced by the organisations in question and the tax authorities.

- For the organisations concerned, which until now have had difficulties in obtaining practical assistance from the tax authorities, the new regime will make it easier to :
  - obtain tax documents such as the taxpayer's registration certificate required to carry out economic operations (opening bank accounts, importation, purchase of land, etc.) and the tax clearance certificate requested by these organisations but which could not be issued before this reform;
  - benefit from the tax exemptions provided for by the law as well as the incentive schemes granted to taxpayers in this category.
- For tax authorities, who faced difficulties in administering these organisations, the new regime :
  - improves the tax management of this category of taxpayers who, unlike the others, do not have a turnover
  - strengthens the monitoring of any taxes due by this category and harmonises the tax management of their operations by all services;
  - enables the fight against unfair competition from organisations that, under the guise of being non-profit making entities, carry out activities that compete with the commercial sector.

## **3. Are there any new taxes created by this tax regime for non-profit making organisations?**

No new taxes are created by the 2022 Finance Law for non-profit making organisations.

All the taxes listed in the law were already in place. This is simply a clarification. Much more, these taxes have even been greatly reduced for this category. For example,

- the company tax rate on the share of their commercial activities is reduced by half, from 30% to 15%;
- the rate of the advance payment of the company tax on the share of their commercial activities is reduced from 2% to 1%.

Likewise, these organisations will benefit from an exemption from certain levies that were previously due, notably the business licence and the property tax.

#### **4. Does the tax regime for non-profit making organisations exist only in Cameroon?**

All tax legislations concerned with the good management of their taxpayers have a specific regime for non-profit organisations. This is notably the case in France as well as in some African countries such as Côte d'Ivoire, Tanzania, South Africa and Morocco.

#### **5. Who is the priority target of this regime?**

The new tax regime applies primarily to well-structured and formalised organisations that do not generate a turnover, such as :

- Ministries (Projects, Programmes, etc.) ;
- Regional and Local Authorities and public establishments
- Social organisations (social security organisation);
- Mutual funds, clubs and private circles
- International organisations ;
- Non-governmental organisations;
- Associations.

It should be recalled that all these organisations were already legally liable to tax. The absence of a regime specific to their status made their administration complex. In this respect, the tax regime enshrined in the 2022 Finance Law clarifies their rights and obligations while offering them more flexible procedures considering their specificity.

#### **6. Are associations popularly referred to as "njangis" specifically targeted by this new law?**

Concerning the specific case of associations referred to as "*njangis*", the following clarifications are warranted:

- "*njangis*" are de facto associations;
- they are generally not declared to the competent authorities and thus operate informally.

Therefore, as de facto associations, they are subject to the tax regime for non-profit organisations. However, the following clarifications are necessary :

- a "*njangi*" that limits itself to collecting savings from its members and returning the funds to them at the end of a period cannot subject its members to tax on the return of their funds, since the funds are simply savings without interest;
- on the other hand, and this is not new, all commercial activities of associations are and remain subject to taxes. Thus :
  - When an association referred to as a "*njangi*" carries out catering, rental or any other commercial activity, it is subject to tax on this activity and must in particular collect and remit the corresponding taxes such as income tax and VAT on these activities;
  - When an association popularly referred to as a "*njangi*" purchases goods and services from the market, it does so tax inclusive and therefore pays VAT (this is what happens daily).

**There is therefore nothing new concerning the regime for associations called "*njangis*".**

**In fact, many associations that carry out important activities are now operating in the informal sector. The new regime for non-profit organisations, far from being detrimental to their interests, is, therefore, an opportunity for them to formalise and become fully-fledged entities in our modernising economy.**

**They will then be able to benefit from all the legal advantages and even the legal security necessary for their members in the event of a dispute.**

**So no need to panic! Nothing new under the sun! The circulars implementing the law, once it is promulgated by the Head of State, will provide further clarification.**