

CAMEROON

D. MOUKOURI & PARTNERS LAW FIRM

FIRM INFORMATION

Website address: www.moukourilaw.com

Languages spoken: English and French

Managing Partner: Ms Danielle Moukouri Djengue

Address: 1068, Blvd Ahmadou Ahidjo, opposite Afriland First-Bank, Akwa, Douala

Telephone: +237 233 42 25 44 / +237 243 08 23 34

Email: d.moukouri@moukourilaw.com



COUNTRY INFORMATION

Cameroon is a country located in the Gulf of Guinea and has a population of about 23.34 million inhabitants. It has a surface area of about 475 000 square kilometres and is a member of the Economic Community of Central African states known under its French acronym as CEMAC. The country is bilingual, with English and French as official languages.

Situated at the meeting point between West and Central Africa, Cameroon is a special country as more than 200 ethnic groups and cultures therein assimilate into a cohesive whole. Its rich cultural diversity has earned it the description of "Africa in miniature". Cameroon's varied climate and abundant rainfall favour agricultural activity, livestock breeding and fishing. These activities form the backbone of the economy and have made Cameroon the principal food producing country in Central Africa. Cameroon has a dense forest with many tree species covering over 20 million hectares. The country also has several mineral resources including oil, gas, bauxite, iron ore, cobalt and gold. Cameroon has three main ports (in Douala, Limbe and Kribi) and three international airports (in Douala, Yaounde and Garoua).

Its main exports include oil and gas, cocoa, coffee, timber, aluminium, banana, cotton, rubber, palm oil, pineapples and tea. Penja pepper and Oku honey are among the best in the world. In September 2013, they were certified as Geographical Indications by the African Intellectual Property Organization (OAPI). With their international registration certificates, these natural and agricultural products are the first to benefit from intellectual property protection in Cameroon and among the first in Africa.

Cameroon also has vast hydroelectric potential and several hydroelectric dams have been constructed. The country also has a good telecommunications network and has 2 increasingly modernised roads and railway infrastructure.

ECONOMIC INDICATORS (2017 ESTIMATES)

GNI per capita is USD1 330.

INFLATION RATE

The inflation rate was 0.5% in December 2016.

POLITICAL SYSTEM

Constitutionally, Cameroon has a President who is the head of State and a Prime Minister who is the head of government. Executive power is exercised by the government. Legislative power is vested in the National Assembly and the Senate.

FORMS OF BUSINESS

With the OHADA Uniform Act of January 30, 2014 governing commercial companies any person, regardless of nationality, can choose among the following types of registered companies, to establish a business:

- Private Company
- Limited Partnership
- Private limited company
- Public limited company
- Simplified joint-stock company
- Economic interest group.

Foreign companies may open either a branch or a representative office in Cameroon.

PRIVATE LIMITED COMPANIES (SARL)

The Law of December 14, 2016 has reduced the minimum share capital of a private limited company (SARL) to 100 000 CFA francs. It is now possible to set up a private limited company with such minimum share capital through a "one stop shop" within approximately 3 working days. The minimum nominal value of shares is 5 000 CFA francs.

However where the share capital is equal to or above 1 000 000 CFA francs, the services of a notary public are required for the incorporation and the company can be set up within approximately 10 working days. There is no requirement for local shareholders.



Whatever the share capital, a private limited company may be created by one shareholder and the share capital must be fully subscribed by the shareholders upon incorporation of the company. Shares representing contributions in cash must be paid upon subscription of the capital by at least half of their nominal value. The payment of the balance can be made in one payment or by instalments within a period of two years from the registration of the company with the Trade and Personal Property Credit Register pursuant to the terms provided in the articles of association or before any capital increase.

The management of the company is simple and generally handled by one or more managers and the general assembly of shareholders. A constituent general assembly is required to appoint an auditor for the evaluation of contributions in kind.

The manager may either be appointed in the company's articles of association or by the general assembly of shareholders. The appointment of external auditors is not required except where the company meets two of the following requirements at the end of a fiscal year:

- a share capital above 125 million CFA francs;
- an annual turnover of more than 250 million CFA francs; or
- a permanent workforce of more than 50 persons.

The management of private limited companies is flexible given that there is no board of directors and few statutory regulatory requirements.

PUBLIC LIMITED COMPANIES (SOCIÉTÉS ANONYMES)

Public limited companies must have a minimum share capital of 10 million CFA francs. The nominal value of its shares is freely determined by the shareholders in the articles of association. It may be set up within two to three weeks. Depending on its business activity local shareholders may be required.

The share capital of the public limited company must be fully subscribed for before the date of the signature of the articles of association. Only 25% of the share capital representing cash contributions must be paid upon incorporation and the rest is payable within three years from the date of registration of the company in the Trade and Personal Property Credit Registry or before any capital increase. A public limited company may be created with one shareholder. There are two types of public limited company, namely public limited companies with a managing director and public limited companies with a board of directors.

A board of directors is optional where the public limited company has less than four shareholders. Where this is the case, the management and control of the company will then be in the hands of a managing director.

Where a public limited company is to be managed by a board of directors, it must be made up of at least 3 (and not more than 12) shareholders. Non shareholders may be appointed to the board. The management of the company is exercised by a general manager who can also act as the chairman of the board. The appointment of auditors is mandatory.

BRANCH AND REPRESENTATIVE OFFICE OF A FOREIGN COMPANY

A branch is an establishment owned by a foreign company that has granted it a certain degree of autonomy in management. The branch has no distinct legal personality and forms part of the foreign company. It is registered at the Trade and Property Credit Register.

A representative office is owned by a foreign company and is generally set up in order to create a link between the parent company and a new market where the office is situated. The representative office may obtain information for provide information to the parent company. It is registered at the Trade and Property Credit Register but does not have a distinct legal personality.

INVESTMENT CLIMATE AND INCENTIVES

To facilitate, promote and attract productive investments geared towards strong, sustainable and shared economic growth as well as job creation, the Law No 2013/004 of April 18, 2013 lays down incentives for private investment.

The law applies to investment operations relating to the creation, extension, renewal, asset re-structuring and/or conversion of businesses. However, it is not applicable to investment in sectors governed by special instruments, in particular the upstream oil, mining and gas sectors, as well as those under the general partnership contracts regime.

The incentives are available to foreign natural or legal persons, whether or not established in Cameroon, which conduct business in Cameroon or hold shares in Cameroon companies, with a view to encouraging private investment and boosting national production.

Common incentives are tax, customs, financial and administrative incentives. Special incentives are available for enterprises carrying out investments that contribute to certain priority objectives. These incentives are exemption from Value Added Tax on investment programme loans, exemption from property tax on built-on and non-built-on estates on landed property dedicated to a processing plant and all immovable property extensions, direct goods clearance at the request of the investor, fixed registration fees and the special temporary admission of industrial equipment and materials.

The grant of the incentives are subject to an approval from the Minister for private investment and the Minister of Finance.

EXCHANGE CONTROLS

Cameroon is a member of Economic and Monetary Community of Central African States (CEMAC). CEMAC has a central bank (BEAC) and a monetary union which has entered into a monetary cooperation agreement with France on 23 November 1972.



The currency in CEMAC member states is the CFA franc. This currency is issued by BEAC and has an unlimited convertibility with the Euro.

Inward direct investments require prior declaration. At the time that an inward direct investment is declared, confirmation should be obtained from the Ministry of Finance that the usual guarantees for the repatriation of capital and profits will apply.

Transfers of funds outside the CFA franc zone for settlement of imports should be declared for statistical purposes. The transfer of an amount in excess of 5 million CFA francs must be domiciled with an authorised intermediary, namely a bank.

TAXATION OF RESIDENT ENTITIES

Resident entities are assessed on profits or income earned from operations in Cameroon or from transactions effected in Cameroon, subject to the provisions of applicable tax treaties. A commercial entity is resident in Cameroon if its headquarters or effective management is in Cameroon or if it has a permanent establishment or a representative in Cameroon. However the profits of a company not fulfilling the above conditions will still be taxable in Cameroon where they carry out activities that comprise a full business cycle in the country.

Company tax is currently levied at the rate of 30%. In addition, a local surcharge of 12% of the company tax is payable. Special rates can be approved under the special incentive tax regime.

A minimum company tax is payable annually equal to 2% of the turnover of the company. A local surcharge of 10% is also payable. The minimum company tax is payable each month on the turnover realised in the preceding month as advances on the annual tax. Tax treatment of losses include the carrying forward of losses for up to four years although losses of one entity may not be transferred to another entity (including a subsidiary) and in the case of a corporate reorganisation.

A special company tax is imposed on the transfer of shares and interest is subject to transfer duty. Within one month of their establishment, companies must make a "declaration of existence" at the Tax Collection Office of the area where their head offices are located.

TAXATION OF NON-RESIDENT ENTITIES

Non-resident entities are taxable only on income derived from Cameroon. Tax is levied at the same rate and in accordance with the same rules applicable to resident entities (see above). A non-resident entity must appoint a solvent representative in Cameroon for tax purposes. If a representative is not appointed, the resident taxpayer who entered into a service contract with the non-resident taxpayer is jointly liable with the non-resident taxpayer for the payment of taxes and the discharge of other tax obligations arising from the service contract.

TAX TREATMENT OF GROUPS OF COMPANIES

Cameroon tax laws contain no special provisions for groups of companies. A company is always treated as an independent entity and it is not possible for companies, however related,

to combine their results for tax purposes. Special rules do however limit the taxable portion (for company tax purposes) of a dividend paid by a subsidiary to its parent company to 10% if certain conditions are met (see section on Dividends below).

TAX TREATMENT OF BRANCH OFFICES AND SUBSIDIARIES

The profits of a branch office or a subsidiary of a non-resident company are subject to company tax in the same manner as those of a resident company (see above). Subject to the provisions of applicable tax treaties, the profits of branch offices of non-resident companies and those that do not have their head office in Cameroon are deemed to be distributed at the end of each tax year to non-resident persons. Such profits are subject to a dividend withholding tax at the rate of 16.5% (which is the same rate that applies to dividends paid abroad).

CORPORATE ASSESSMENTS AND PAYMENTS

The tax year runs from 1 January to 31 December each year and a company's financial year, for official purposes, must correspond to the tax year. A return showing the company's results for the financial year must be filed by 15 March of each year, along with any supporting documents requested by the tax authorities. The tax authorities may adjust the results shown in the return. The taxpayer has the right to respond to the adjustments and has recourse to the courts if an agreement cannot be reached with the tax authorities.

DIVIDENDS

Dividends received by a resident company from a resident or non-resident company are subject to company tax but the recipient company has the right to set off any Cameroon tax withheld from the dividend against its company tax liability. In the case of dividends received from a non-resident company, foreign tax paid on the dividend cannot be credited against Cameroon company tax unless an applicable tax treaty provides for such credit. The treatment of dividends received by corporate shareholders depends on whether:

- the shareholder has at least a 25% shareholding in the company;
- the parent companies and their subsidiaries have their registered office in Cameroon or another CEMAC member state; and
- the stocks or shares have always been registered in the name of the holding company, and, where the shares concerned were not allotted on issue, whether the company undertakes to keep them in registered form for two consecutive years at least.

If these requirements are met, only 10% of the net dividend received is subject to tax. If the dividend paid is disclosed in the financial statements of the company in the same year that the receipt of the dividend is disclosed in the financial statements of the shareholder, the withholding tax paid by the company is set off against the withholding tax payable by the shareholder on any dividend distributions subsequently made by that



shareholder.

CAPITAL GAINS

Capital gains are treated as ordinary business income and are taxed at normal company tax rates. However, a capital gain realised on the disposal of a fixed asset in the course of trading is excluded from income for a period of three years if the taxpayer reinvests the gain in new fixed assets for the business. Also excluded are capital gains resulting from the gratuitous allocation of shares, founders' shares or debentures on the merger of limited liability companies or limited partnerships with share capital, provided that the company arising from the merger has its registered office in Cameroon or another CEMAC member state. In addition, on the assignment, transfer or cessation of a company within five years following its formation or purchase, net capital gains will be assessed at only half their value. If such an event takes place more than five years after the company is formed or purchased, the net capital gains will be assessed at a third of their value.

WITHHOLDING TAX ON IMPORTS AND SELLING PRICE

There is a withholding tax of 1% of the total customs value of imported goods or 1% of the selling price of purchases made. The withholding tax on the selling price of purchases is levied at the rate of 5% for non-registered taxpayers.

TAX TREATMENT OF INDIVIDUALS

Individuals resident in Cameroon are taxable on their worldwide income. Non-residents are taxable only on income of Cameroon origin. A person is deemed to be resident in Cameroon if the individual has a place of abode, a principal place of residence or a centre of business activity in the country. Any person who spends more than 183 days in any tax year in Cameroon is expected to file a tax return. A person is considered to be a non-resident if the individual does not have a principal place of abode or centre of business in Cameroon and has not been physically present in the country for more than 183 days. In most cases, a non-resident's tax liability is settled by withholding taxes levied on its income.

PERSONAL ASSESSMENTS AND PAYMENTS

Individual taxpayers must file tax returns each year by 15 March. However, taxpayers whose sole earnings are salaries, wages, pensions, life annuities and/or capital gains from securities or income from real estate and whose taxes are withheld at source are exempted from the obligation to file a tax return. The procedures for payment of personal income tax vary according to the type of income. Payment of personal income tax on income from salaries, wages, pensions and annuities is made by withholding at source. Income from securities and, in some cases, income from real estate is also withheld at source. Personal income tax on other income is assessed after submission of the return and must be paid within fifteen days following the issue of the notice of assessment. The taxpayer is directly responsible for paying income tax on the following types of income: industrial and commercial profits, professional earnings and agricultural profits.

VALUE ADDED TAX (VAT)

Cameroon introduced Value Added Tax (VAT) from 1 January 1999. It is levied on all commercial transactions and activities except those that are specifically exempted. All exports of taxable products and similar transactions are assessed at 0%. All other transactions are assessed at the rate of 17.5%. Late payment of VAT attracts interest at the rate of 1.5% per month up to a maximum of 30% of the principal VAT due. Fines are levied for various omissions in discharging VAT obligations.

BUSINESS LICENCE TAX (KNOWN IN FRENCH AS PATENTE).

Any natural person or corporate body of Cameroonian or foreign nationality operating any economic, commercial or industrial activity or carrying out any other profession not included among the exemptions set forth in this General Tax Code, is liable for the business licence tax assessed on the basis of the annual turnover declared by the taxpayer under the various categories provided by the General Tax Code. The tax is calculated by applying a digressive rate to the turnover of the taxpayer for the last but one years. This rate is fixed by the regional or local authorities which receive the proceeds of the business license, within a duly determined range per turnover bracket.

DEDUCTIONS

Tax deductions are allowed for reasonable expenditure incurred in performing activities that produce assessable income. Expenditure considered either excessive or unnecessary for the reasonable needs of the business will be disallowed to that extent. The following are deductible: overhead expenses (like sundry remuneration and provision of services, rental expenditures, taxes, charges and fines, insurance premium, acts of liberality, gifts and subsidies), financial costs, actual losses, depreciation, provisions and claims and debts expressed in foreign currency.

REGISTRATION, STAMP AND OTHER DUTIES

Registration fees are fixed, proportional, progressive or degressive, depending on the nature of the instruments and transfer liable thereto. Generally, private instruments and those of administrative services, notaries, and judicial or extrajudicial services as well as declarations are subject to registration. The minimum fee for registration is 2000 CFA francs. The time limit for the registration of instruments depends on the type of instrument and runs from 15 days to 6 months. Failure to register instruments and declarations pertaining to the transfer of real estate is subject to a fine equivalent to 50% of the fees due per offence.

There are special stamp duties payable on certain documents such as passports and visas, Identity cards, resident permits and resident card, national driving licenses, vehicle registration licence, firearms licence, licences for hunting and like activities, bill of Lading, registration certificates for appliances subject to



the tax on games of chance and leisure and transport contracts. The duties vary as follows:

- proportional duties: 1% to 15 %;
- degressive and Progressive fees: 0.25% to 10%;
- fixed rates: 4000 FCFA to 50.000 FCFA%.

Stamp dues are also payable on motor vehicles and advertising. For advertising on cigarettes and alcoholic beverages, as defined by the General Tax Code, the rate of stamp duty is 10%. Luminous signs and plaques placed on the façades of commercial and industrial establishments to indicate their locations are exempted from stamp duty on advertising. There is an airport stamp duty for all commercial flights departing from Cameroonian territory.

LAND AND LANDED PROPERTY ACQUISITION

In Cameroon, the State is the custodian of all land and guarantees to all natural persons and corporate bodies having landed property the right to freely enjoy and dispose of such property. Land can be acquired either through grants, lease, allotment, assignment, transfer, dismemberment and merger depending on whether it is a national land or a privately owned land.

Natural persons and corporate bodies of foreign nationality or incorporation wishing to invest in Cameroon as well as diplomatic and consular missions and international organizations may conclude lease agreements or purchase land, except in border areas. Deeds drawn up for this purpose require the prior approval of the Minister of Land, failing which they are null and void. Deeds to establish, transfer or extinguish real property rights must be drawn up by notary, failing which they are null and void.

A non resident who owns built-on and non-built-on estates will pay property tax if they are in main towns or in urban areas with urban infrastructure and amenities such as tarred or earth road, water supply, and electricity and/or telephone networks. However if they rent a building under an emphyteutic contract, or rehabilitation lease, or the building is subject of an authorization of temporary occupation of the public domain which is taxable in the common law jurisdiction, the property tax will be issued in the name of the emphyteutic construction or rehabilitation lessee or authorisation holder. If land is to be used exclusively for purposes of farming, stock breeding and/or fishing, it is exempted from property tax. The property tax is determined from the value of land and buildings as declared by the owner and the rate of this tax is 0.1%. Property tax is due on 1 January of the fiscal year of assessment and must be voluntarily settled by no later than 15 March.

LABOUR RELATIONS

In Cameroon, the right to work is a basic right and the State has to make every effort to help citizens to find and secure their employment. Work is also a national duty incumbent on able-bodied adult citizens.

Labour relations between wage-earners and apprentices under the supervision of employers are regulated by Law No 92/007 of 14 August 1992 which instituted the Labour Code. This

Code is supplemented by several ministerial regulations and also collective agreements regulating a particular sector.

Employment contracts are freely negotiated by the parties and may be recorded in whatever manner the parties find convenient. However, any form of evidence may be adduced to prove the existence of an employment contract. An employment contract may be concluded for a specified duration or an unspecified duration. Where the contract is concluded for a specified duration, it may not be concluded for more than two years with one renewal. Contracts of foreign workers may be renewed only after endorsement by the Minister of Labour. Irrespective of the place where the contract is concluded and the residence of either party, every contract of employment which is performed in Cameroon (even partially) is governed by the Labour Code. However the Labour Code will not apply to an employee who is on secondment for a period not exceeding six months.

During the existence of the employment contact, workers and employers without any distinction whatsoever, can freely and without prior authorisation, apply to set up an employers association or union. Foreign applicants must have resided for not less than five years in Cameroon.

EXPATRIATE STAFF AND FAMILIES

In Cameroon, labour can be outsourced to foreigners on production of a certificate issued by the Minister of Unskilled Labour confirming that there is a lack of skilled Cameroon workers. However foreigners are permitted to work in Cameroon in professional qualifications. A foreigner who comes to Cameroon for an assignment not exceeding six months will not require a work permit. Applications for work permits must be submitted to the Ministry of Labour. Entry visas are required for foreign visitors.

