African Regional Centre for Endogenous and Community Development

Report on the State of Tax Equity in Cameroon

2021 Edition

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Introduction

- Tax justice and fairness should be the backbone of a progressive economic policy and especially of an ambitious programme of emergence, as is the case for Cameroon today. According to an analysis by the non-governmental organisation Tax Justice Network, Cameroon loses an estimated $140 million (CFAF 78 billion) in tax revenue each year. This is more than enough to increase the combined annual budgets of the Ministry of Social Affairs and the Ministry for the Promotion of Women and the Family fivefold.

- Thus, well-defined fiscal policies have both fundamental and instrumental value. It is important to understand women as autonomous citizens rather than dependent on their families or husbands. In addition, fiscal policies can be active tools in addressing gender-related social and economic inequalities. Fiscal policies, through funding, redistribution, representation of people and price review (and thus the provision of incentives) can thus contribute to the full realisation of women's and girls' rights by addressing their specific needs and priorities and promoting changes in gendered norms and power relations.

- The evaluation of fiscal policies is not limited to assessing how they are designed, but should also focus on the actual impact of tax systems on individuals and society. Any analysis of the distributive and social impacts of tax systems must focus on identifying the factors and policies that influence gender inequalities in decision-making power, access to and control over resources, roles and responsibilities of households, markets, states and organisations.

- This analysis examines the level of tax equity in Cameroon through the prism of six evaluation criteria. Progressivity, the sufficiency of resources collected, the policy of tax exemptions for businesses, the quality of public expenditure and the level of accountability in relations with taxpayers and beneficiaries of public expenditure.

I- Tax progressiveness

The analysis of tax fairness through the lens of tax progressivity looks at several things. Most importantly, it looks at how the tax burden is distributed among different taxpayers. The ultimate objective of a progressive tax system is to leave enough income available to economic agents to either consume, invest or save for the future. The fiscal reality for the Cameroonian taxpayer can be heavy. In addition to employer's charges, income tax, they have to pay contributions such as the audio-visual tax, regardless of whether they have a television or not, pay mortgage contributions, with no guarantee of receiving a property loan one day, and on top of that, purchasing power and investments are punctured by a 19.25% VAT, to which is sometimes added excise duties whose calculation model is complex.

The first aspect of progressivity analysis concerns the balance between the distribution of direct and indirect taxes among taxpayers. In Cameroon, tax progressivity is accepted for direct personal income. There are several thresholds for the payment of personal income tax (IRPP). The first threshold is that it is not applicable for persons who earn CFAF 62,000 or less per month, i.e. an annual income (basis of calculation, CFAF 744,000). However, this threshold can be as high as CFAF 1.24 million, because in the calculation of the salary IRPP, a flat-rate deduction of CFAF 500,000 is applied to the overall annual income for all income brackets. The other IRPP thresholds concern interest on savings accounts not exceeding CFAF 10 million and net capital gains on the sale of assets not exceeding CFAF 500,000. Thus, personal income tax on salaries is paid in income brackets according to the following scale (in CFAF):

- From 0 to 2 000 000..10%
- From 2 000 001 to 3 000 000 ....15%
- From 3 000 001 to 5 000 000 ....25%
- More than 5 000 000..............................////.......35%

In Cameroon there are 4 income brackets. The tax rate applicable to the last quarter of the income bracket is higher than that of the average of the third quarter. Calculations show that above 5 million incomes, the minimum tax rate is 1.75 million CFA francs, whereas the rate applicable to the average of the third quarter is only 1 million CFA francs. But if we put this into perspective with the various consumption taxes, there is little income available for those earning less than 5 million to get by. An in-depth reflection on the applicable rates adjusted for the impact of VAT and the level of inflation in the economy is important to establish more balance.

But a higher share of indirect taxes on direct taxes on persons reduces the effectiveness of progressivity. Since 2000 and according to data available until 2018, consumption taxes such as net VAT, both domestic and import-export, have always exceeded the share of income tax and flat tax, especially when added to excise duties. Over the period in question, Cameroon collected CFAF 37,000 billion in taxes in all categories. Only CFAF 10 662 billion came from direct taxes, i.e. about 28.7%, and the share of indirect taxes through consumption reached CFAF 14 724 billion in cumulative total, i.e. the equivalent of 39.9% of the total revenue mobilised by the country over the period analysed. Moreover, there was an upward trend in the share of consumption taxes in tax revenue. In 2018, this share was 47.5%, while the share of direct taxes fell to 27.6%, according to our calculations. Another aspect of progressivity concerns gender equity. In principle, the tax law is applied equally to men and women and overall everyone is subject to the same levels of taxation. Similarly, there are no situations in the tax law in which gender equality is jeopardised. However, there are withholding taxes that do not benefit women fully and equally. One example is the withholding of salary for contributions to Crédit Foncier. Given the difficulties that women have in Cameroon i) to access land and ii) to access credit, the mobilisation of these taxes on the income of female wage earners may lead to inequalities. However, this hypothesis must be verified with the register of credits granted by Crédit Foncier, in order to see the share that goes to men and that which goes to women. The same reflection can be made for the payment of the contribution tax to the national employment fund. Ultimately, the State does not prove that the resources mobilised put in place a policy that allows this institution to recruit men and women equitably, and this is the case for the contribution to the resources of FEICOM. It is not clear whether these resources are granted to the communes in consideration of their capacity to implement policies that would benefit women living in the communes as a whole. In spite of these resources being paid for example, women who carry out trade activities still have to pay to occupy public toilets or to ensure the cleaning of their spots in markets.

Similarly, the tax scales have not been updated in the last five years to reflect the current price level. The last update of the IRPP was in January 2004 (GTC 2021, Pages 925). There seems to have been an increase in excise duties on consumer goods and services and a proportional increase in indirect taxes as a share of tax revenue. Finally, income tax depends on whether one is an employee, or whether one's income comes from investments in real estate or from self-employment. However, the effective implementation of the collection of tax on real estate income, which is 15%, is not yet fluid and does not allow for a clear idea of the administration's orientations in the event that this income exceeds the income thresholds indicated. Real estate is taxed in Cameroon, as confirmed by Articles 577 and following of the General Tax Code in its 2021 edition. This is also the case for income from land ownership, as confirmed by Articles 45 and following of the General Tax Code. The relevant legal provisions also provide for exemptions. The GTC combines property tax and real estate ownership in the same register (Art. 577).

Cameroonian tax law recognises the right of an individual to have an activity, the profits of which would be taxed according to the real or simplified regime. In this regard, income that is assimilated to business profits can benefit from a lower level of taxation than those who earn a salary. Under the terms of the 2021 tax law, financial assets are not taxed per se. "Article 35 of the GTC 2021 version, revisits the financial assets that can be taxed. This list is captured in the following provision: ""Are taxable as income from movable capital:

- Income from shares and similar income;
- Income from bonds;
- Income from debts, deposits, guarantees and current accounts;

- Gains from the sale of shares, bonds and other capital shares."

There is no such thing as a global wealth tax under Cameroonian tax law.

For companies, according to Article 17 of the General Taxation Code, the corporate tax rate is at least 30%. Since January 2021, there are derogations, but these raise the rate of corporation tax to 28% (art 17 bis). There is a derogatory provision for companies that issue shares or bonds on the stock market (Arti 108 GTC, 2021). But even there the minimum requirement is at least 25%. Companies are forced to pay an advance of 2.2% Corporation Tax on turnover. Companies legitimately complain about this form of taxation, which is a drain on cash flow without being repaid with interest. But several studies have shown that some companies engage in transfer pricing in the face of tax pressure. This issue does not seem to be sufficiently addressed by the Directorate General of Taxation. In the 980 pages of the GTC, transfer pricing is mentioned only 9 times. There is a regulation on transfer pricing. It has been strengthened in recent years, but it is still a process that can be improved. Also, the fight against transfer pricing remains fragile because of the tax administration's deficiencies in capturing what fully falls within the transfer pricing register.

In order to establish some fairness towards taxpayers who are also consumers, article 128 paragraph 6 of the GTC 2021 edition indicates that the basic necessities exempted from VAT are the following: pesticides, fertilisers and their inputs, as well as other agricultural inputs, from:

- Livestock and fisheries used by producers;
- Beef and veal, with the exception of imported meat;
- Pharmaceutical products, their inputs as well as materials and equipment of the pharmaceutical industries;

There are also rates below zero for many non-food products, but mostly services. However, there is no specific VAT for services and goods belonging to the rich or the poor. Everyone faces VAT in the same proportions. Some capital goods in the fields of agriculture, livestock and fisheries benefit from tax allowances. There is no uniform list. For example, imports of new vehicles for urban transport use are currently taxed at a single rate of 10%, to encourage the renewal of car fleets for the AFCON.

In exchanges with the tax administration, tax policy strategies are mainly concerned with the amount of resources that the administration can capture. Taxes such as the withholding tax on turnover continue to divide corporate taxpayers and the tax administration. The former believe that taxing turnover is not appropriate in a country where access to capital is complex for businesses and cash flow is under heavy pressure.

On the whole, the rules for calculating the tax base are fairly well defined in the GTC. But a combination of applicable rules and exemptions can make it complex for non-professionals. The flat tax rate is not aimed at a specific category of person, but at sectors of activity, which may be predominantly invested by women or men, depending on the case. The flat tax takes into account the size of the companies. There are classifications according to turnover. But this breakdown can be criticised. The fact is that turnover does not define the net margin ratio. To a certain extent, companies with lower turnovers can achieve higher margins and vice versa. The fact that we are in a hybrid tax system, which does not tax the actual value added, but rather the activity, poses a problem in determining the effective tax base. Yes, the advance tax rates are different for different sizes and types of companies. For some of them, its payment is even exempted, such as companies that are under the patente regime.

II- Sufficiency of domestic resources

The sufficiency of tax resources is a measure of how far domestic resource mobilisation is possible and effective. With a tax-to-GDP ratio that has not exceeded 15% in the ten years prior to 2018, it is clear that tax administrations are failing to mobilise sufficient revenue. However, this reality hides a number of disparities.

According to the International Monetary Fund's most recent report on Cameroon (August 2021), Cameroon's current gross domestic product is estimated at CFAF 23,000 billion in 2020 and CFAF 22,855 billion in 2019. At the same time, the budget execution report published by the Ministry of Finance indicates that tax revenue in 2020 was CFAF 3,177.5 billion and CFAF 3,517.3 billion in 2019. This gives a tax revenue to GDP ratio of 13.8% in 2020 and 15.3% in 2019. It can already be said that the average tax revenue to GDP ratio in 2020 was lower than in 2019. That said, 2020 was the year of the covid which had an exceptional impact on all countries. But according to OECD tax revenue statistics, Cameroon was on an upward slope in terms of tax revenue despite GDP growth. And the 2019 rate was higher than the average for the years from 2014 onwards than the average for LICs, but not the average for LMICs (low middle income countries) and low income countries. Different finance ministers have often referred in speeches at the annual ministry meetings to the need to do better and meet global tax revenue targets. But this does not take the form of a concerted and strategic government commitment. The transfer pricing tax reforms reflect some willingness on the part of the government to limit illicit financial flows. However, although the Ministry of Economy produced a report in 2020 on the deterioration of the tax base in foreign trade, and the Prime Minister showed interest in the work of civil society in combating IFFs, it can be noted that there is no government strategy to directly combat IFFs. According to data from the budget office, fiscal expenditure in the year 2020 was CFAF 158.4 billion. This represents 0.54% of GDP estimated by the IMF (August 2021 report). This is almost the same volume of tax expenditure as in 2019. But it is difficult to make direct comparisons because in 2020 fiscal spending was exacerbated by the Covid-19 pandemic and its exceptional measures. The government does not publish a linear picture of its tax expenditures and it is difficult to make comparisons on an annual basis. The country collects royalties under the provisions of the Petroleum Code and the Mining Code. However, the minimum effective tax rate on the extractive sector remains quite low due to the numerous specific exemptions offered by the sectoral oil and mining codes. Extractive companies benefit from a range of exemptions and waivers that impact their tax base.

Officially, the government claims an unemployment rate of 3.6% in 2020, according to data from the National Institute of Statistics, which uses indicators from the World Bank, which were collected from officials. But a significant proportion, estimated at 80% of Cameroonian workers who have an income, are in the informal sector despite being graduates and of working age. As a result, the ratio of those who pay IRPP to the overall population is quite low. This can be estimated on the basis of various data from the National Institute of Statistics. There are 358,000 workers in modern enterprises[1] and 259,000 civil servants and contract workers [2] out of an estimated population of 26 million. This makes a ratio of 2.6% of the population that pays an identifiable IRPP. The percentage of registered and tax-paying businesses remains very low due to a strong presence of informal businesses. Generally speaking, the environment for formalisation remains very difficult. The Doing Business ranking still identifies challenges in terms of obtaining permits, and even in the process of starting a business. But rather than raising awareness, the tendency of tax officials is to redress and this does not always encourage formalisation, when it is not mandatory.

III- Tax exemptions for companies

The need for the private sector to receive economic incentives because of the risks it takes to keep the economy going is a reality. It is in this sense that governments around the world provide fiscal incentives that may be general or sector-specific. But these incentives take the form of a voluntary renunciation of the mobilisation of resources that would have been used to finance projects for the benefit of the population. All stakeholders should therefore be able to ensure that the rules governing corporate tax exemptions are clearly established, and above all that behind the adoption of each incentive measure there is a rigorous analysis of what is lost and what is ultimately gained by the population. Beyond legality, parliamentary control should check whether the allocation of exemptions is sufficiently transparent to allow for a real control of their part, but also of the civil society involved in the budget process.

The overall framework for exemptions is provided for in the Finance Laws, but the application is subject to regulatory provisions, and there are wide possibilities for discretionary exemptions. But they are difficult to control. The only time this control can be exercised is when the budget is voted, but generally, parliamentarians have little time and a lot to do when analysing the draft finance laws and in some cases partisan discipline and interactions between MPs and members of the government at the political level weaken the control power.

The practice of discretionary tax exemptions exists in Cameroon. Tax exemptions are often policy-driven budgetary measures, insofar as there is no concerted effort within the government for a technical cost-benefit assessment, backed by a clear explanation. The most common explanations given are the need to support consumption or to make people's lives easier. In many cases this has proved ineffective. But cases of collusion have often been

[1] 2018 Directory of private companies INS)

[2] (Https://www.crtv.cm/2020/01/fonction-publique-en-quelques-chiffres/).

reported. The government unfortunately does not communicate enough on this issue with the public. The documents that do exist are annexes that the Budget Directorate chooses to publish on its website. They are not complete and it is difficult to have a history over the last ten years. But when they do exist, the documents available allow for the detail of tax exemptions. Some tax exemptions are disclosed. This is the case in the fish sector or rice imports and also in some sectors such as bottled water and hydrocarbons. These issues should be discussed publicly and in diversity. They are rarely the subject of rigorous parliamentary debate.

IV- Capacity of the tax administration

Tax equity, which presupposes sufficient mobilisation of domestic resources, requires a structured and efficient organisation of the system for collecting the various taxes. Centralising the tax collection bodies allows for better coordination, as in Togo, where there is a General Revenue Office (OTR), or in Senegal, where there is a Directorate of Taxation and Domains. It has often been established that a decentralised public resource collection system loses efficiency. People (individuals or entities) should be able to be identified at once when faced with a tax, regardless of its nature. Also, the resources allocated to the collection system must be sufficient to allow for effective deployment and to support capacity building programmes where needed. And if a centralised system is not possible within the structure, it is important to put in place monitoring mechanisms that allow the effectiveness of the various administrations involved in the domestic resource collection value chain to be continuously monitored.

In Cameroon, the Directorate General of Taxation is the main centralised tax authority. However, it is only competent for taxes. For the payment of customs duties, the Directorate General of Customs is competent, and it also collects the related taxes before paying them back. Local authorities also have the power to mobilise certain taxes, but their volumes remain marginal and are dependent on the level of economic activity in the locality. However, the most important part of the resources of the communes is collected by the DGT and transferred to the public treasury. There are also entities that mobilise financial resources, such as the National Social Security Fund, which mobilises the pension contributions of private and semi-public sector workers, and the Pay and Pensions Directorate, which manages those of public sector workers. Finally, as regards the collection of VAT and other indirect taxes such as excise duties, the Ministry of Finance annually updates the list of companies authorised to withhold and remit VAT at source. However, the tax collection strategies are defined by the DGT for taxes on economic activities and the DGC for import and export duties.

Within the DGT there is a section called Large Enterprises. It is responsible for collecting taxes from companies that have a certain size and level of business volume. This was never publicly announced, but in discussions with tax officials, it was learned that there was now a wealthy persons' department. But we have not been able to confirm how it works and the type of taxpayers it targets.

Cameroon is one of the signatories of the multilateral convention on mutual assistance in tax matters. However, in the course of discussions, it became clear that this participation has certain limitations. The Cameroonian tax administration does not yet benefit from the automatic information exchange process. It still has to make requests that are subject to sometimes complex conditions. Also, tax administration officials acknowledged that although they are participating in the multilateral agreement, they sometimes have a challenge in terms of competence to take full advantage of this agreement.

The country has made a remarkable effort to computerise its operations in the relationship with taxpayers. There are currently several digitised and computerised processes for managing the relationship with taxpayers. But it is new, not used to its full potential and sometimes has bugs. But from what we have seen in exchanges with several categories of taxpayers, it is now possible to declare income online. A compulsory registration process for potential taxpayers is being set up. Tax identification numbers have also been introduced, which require a valid national identification number or a commercial registration number. For many financial transactions, this tax identification number is required. However, it is not clear whether the tax identification number is required for business start-ups. On the other hand, any newly created company that wishes to have a bank identification or any other financial service will have to have a tax reference.

Audit reports on the situation of the DGT are not necessarily made public. The annual activity report that is published does not often mention a detailed analysis of the situation of the DGT's operating resources, which in this sense still functions as a large public administration. The tax administration, especially the DGT, organises training sessions with partners such as GIZ, Tax Without Borders and the OECD. In 2018, the tax administration claims to have trained more than 3500 agents (annual report 2018), but it is not clear whether the tax administration receives training on independent evaluation of tax justice and fairness.

In Cameroon, there is a general control mechanism for all public administrations, but not one that deals specifically with the activities of the tax administration. Thus an independent evaluation of its work is not always done and if it is, the information is not made public. There are internal regulations of the tax administration, but the strained relations with taxpayers are a sign that this code is not known and if it exists is not necessarily applied and respected. It is difficult to assess whether the DGT applies a strict whistleblower protection policy, as very few whistleblows are received on the functioning of the tax administration. But the National Anti-Corruption Commission publishes annual reports on suspicions of corruption, and the tax sector appears. There have never been reports of a whistleblower being repressed. However, no one knows how the administration would react if it actually became aware of a whistleblower's actions. The willingness to investigate tax evasion issues is on display and cases of opening investigations have often been mentioned at conferences by tax officials. But it is not clear that a dynamic strategy is defined and from what we have learned, the resources allocated to it are not always adequate.

V- Quality of public expenditure

Optimal mobilisation of budgetary resources can only be fully appreciated if the use of these resources is in line with the promises of democratic and modern governments. All promises are equally important. Currently, a major global concern has become that of security, both social and health (Covid-19). However, many studies have shown that all human rights can only be realised today if people are well educated, have easy access to health care, and above all if the number of people considered vulnerable is sufficiently reduced. Women make up a large part of the population both globally and within countries, and play an essential role in building modern societies, and this role is not always measured in financial terms. They take care of the household, educate future generations and are shock-absorbing cushions for various societies. It is therefore increasingly argued that public expenditure policies should take into account this particular aspect of "gender" policies»[3].

In Cameroon, the budget for non-university and vocational education is divided in two due to the existence of two ministerial departments to manage this sector. There is the Basic Education Budget on one hand and the Secondary Education Budget on the other. According to the budget execution report for the 2020 fiscal year, basic education benefited from actual expenditure of about CFAF 210.7 billion and that of secondary education was CFAF 384 billion. This makes a total of CFAF 594.7 billion spent on the education sector in 2020. If this is compared to the 2020 GDP, which is estimated at 29,000 billion CFA francs, this represents 2% of the expenditure on education. The budget execution report for 2020, which indicates that the total amount committed by the government was 4,340.7 billion CFA francs, leads us to say that the education budget represented 13.7% of overall expenditure.

Expenditure on education has not particularly increased. Within the envelope of the ministries of basic and secondary education, it is necessary to identify the share that actually goes into education programmes. A large part of the budget is spent on the functioning of the central administrations and their deconcentrated services and not on education per se. Parents still have to pay about 60,000 CFA francs per child to guarantee them a good education (access to books, and other expenses imposed by the teachers' and parents' associations). There is an education component that aims to encourage girls to go to school. But as explained above, budgets are more oriented towards paying the salaries of teachers and the entire body of public workers in the sector. Programmes aimed at supporting girls in their schooling are often carried out by donors within the framework of specific projects, but are difficult to replicate on a large scale and in the long term. There are now specialised education centres for people suffering from vulnerability. The challenge in the governmental system is to agree on the very notion of vulnerability. Besides motor vulnerability (natural or accidental disability), there are socio-economic vulnerabilities (extremely poor groups and others).

[3] See annex at the end of this report

According to the 2020 budget execution report, the government, apart from the exceptional expenditure linked to Covid, devoted CFAF 140.6 billion to public health expenditure. If we relate this to the budget, it makes a total of 3.2% of the total public expenditure for the year under review. There has been an increase in health expenditure, but according to this platform, health expenditure has evolved like a rollercoaster over the last 5 years before 2017. However, it is noted that between the periods 2005 to 2010 when health expenditure represented on average 5% of the budget and today, it is hardly around 3.5%. Analysis of the recent budgetary expenditure programme suggests that there are programmes aimed at protecting mothers and combating specific diseases such as cervical cancer or breast cancer. But it is not clear that there is an articulation of equitable spending between women and men. There is also a deployment of the government with regard to vulnerable groups. But here again, it is not a question of a precise policy with strategic objectives at the global level. It is mainly a question of programmes that are carried out at the instigation of donors, and which may concern several ministerial departments, including the Department of Social Affairs, Women and the Family.

Similarly, the government spent CFAF 100.7 billion on agriculture, but also on livestock, fisheries and animal industries, which we are grouping together in the same portfolio. This represents 2.3% of the overall budget of CFAF 4,340.7 billion. We are therefore below the 10% of the Maputo agreements. A stricter analysis even shows that the share spent directly on agricultural projects may be lower, due to the low level of public investment in the sector, with expenses going more to operations and studies and other intellectual services. Even when sectoral projects piloted by the ministry in charge of planning are added, we remain below the standards and for the purposes of methodology, in the framework of this reflection, the comparison is made with the public budget. We also note that there are 16 parastatal companies that intervene in the "agricultural" domain. They create employment for hundreds of thousands of people but from a budgetary point of view, they have a negative impact because they are largely in deficit. The challenge is that this deficit is not compensated by the production of goods that can be directly consumed in Cameroon. The goods produced often depend on the world market. One can also broaden this by adding fiscal expenditures on agricultural production, such as the VAT exemption on agricultural machinery.

The progression of budgets is a difficult notion to grasp in agriculture, because there is the notion of needs that intervenes. Agricultural budgets have increased, but they remain below the needs expressed by beneficiaries, and above all, they are deployed at a time that does not make them effective. A large part of this budget does not deal with land, water or financing issues. There is a deployment of support to small producers but this support is generally considered weak.

VI- Accountability and citizen participation

Accountability and citizen participation are an essential component of tax fairness. Citizens, who are also taxpayers, should not be treated as subordinates. It is essential that they are informed about all matters relating to taxation. If individuals and companies have to pay *taxes, they should also be given as much information as possible about the trade-offs, decisions, and different regulations that are made on their resources. In the sense of equitable access to information on taxes, companies, because they have a greater power of influence than individuals, must publish information on their accounts, their legal but especially their effective owners. Therefore, the same transparency requirements that apply to other areas such as the extractive industries should apply to the tax area. Audits conducted by private firms should be carried out and the results should be discussed by a maximum of stakeholders.*

In its section 2 paragraphs 1, 2 and 3, the 2018 law on the code of transparency and good governance in Cameroon[4] provides for broad publicity on public finance operations, particularly in relation to taxation. But this law suffers from a situation of uncertainty due to the practice of application decrees in the implementation of laws in the country. Even if the text only provides for regulatory aspects in a very limited way, the administration tends to show resistance, depending on the degree of interpretation. But the law is clear and constitutes a real opportunity for transparency on the tax issue. In tax matters, it is accepted that the General Taxation Code in its most updated version, 2021, is quite clear on the tax provisions and scales. The document also contains some regulatory notes that clarify the scope of the tax law. However, despite this, there are still areas of inaccuracy which are interpreted restrictively by tax officials. For example, the definition of turnover in certain services is too general and does not take into account the notion of margin. Points such as the taxation of leasing are also rather imprecise and this document could do with a good deal of additional commentary in terms of case law or tax doctrine.

In terms of public finance resource management, Cameroon now applies the principle of a single treasury. Even if non-tax revenues are accounted for differently in the budget execution summary, resources are concentrated around the single treasury fund[5]. However, Cameroon does not manage non-tax revenues, which are essentially oil revenues, or revenues from parastatals and public entities such as the CNPS (National Social Security Fund), but also from other public companies that pay dividends such as ENEO, SODECOTON and some others, with complete transparency. But the most critical analysis on this point is the management of oil revenues and the need for more transparency has often been requested by the IMF, but also by the EITI. In its decision on the second EITI Validation, the EITI Board encouraged the authorities to be more transparent about quasi-fiscal expenditures, which are linked to SNH interventions. This recommendation is included in the following note: "The Board encourages Cameroon to ensure complete and reliable information regarding contract and licence management, licence registers, contract disclosure and transparency of beneficial ownership[6]. Cameroon is urged to ensure that declarations and disclosures are made in a

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[4] https://www.prc.cm/fr/multimedia/documents/6579-loi-n-2018-011-du-11-juillet-2018-portant-code-de-transparence-et-de-bonne-gouvernance-dans-la-gestion-des-finances-publiques-au-cameroun

[5] http://www.minfi.gov.cm/compte-unique-du-tresor

[6] Lire l'article ici

timely manner, including for extractive revenues that are not transferred to the public treasury, and that the same is done for social, environmental and quasi-fiscal expenditures".

As for the financial statements of public companies, they are not available in the national trade registers or other accessible sites. The obligation to publish publicly available financial accounts by companies is not effective in Cameroon. Also, information on the direct shareholders of companies is not public. Such a debate has been opened in the extractive sector, notably in the framework of the most recent mining code, which dates from 2016 and which in its article 145 provides for this. A reflection of this has been made in the EITI roadmap on this area and is captured in the following commentary: "the milestones of a publication of beneficial ownership in the extractive sector, subject of course to an implementing text that would specify the details as set out in the 2016 EITI Standard. If this article focuses on shareholders and other subcontractors by even mentioning a threshold, the subtlety of identifying the real owner remains a data to be framed, why not by a text derived from the aforementioned law".

In Cameroon, all public enterprises and institutions are audited by the Chamber of Accounts of the Supreme Court and the Ministry in charge of the Superior State Audit. But an independent audit that would address issues of relevance in the deployment of the tax law does not seem to exist. The DGT publishes an annual report each year, which is more a summary of the positive achievements of its agents and management staff. Strictly speaking, there is no parliamentary debate on an audit of the tax administration, even though the Constitution of Cameroon provides an opportunity for such an event to be held. But there is no parliamentary report that deals annually with the situation and the implementation of the tax system in the country. The finance bill that is submitted to the deputies and senators for consideration gives the main trends in the sources of tax revenue, notably VAT, IRPP and the rest, because it is the same document that serves as the basis for the following year's finance bill. But we do not have details of the estimates and expectations in specific terms on the origin of the resources that will be collected. It is known, for example, that X amount will come from SNH payments, but a review of the base from which VAT and IRPP will be collected is not available. Some elements of accountability such as the origin of funds from the sale of oil are presented in the budget, but not explained in detail. Also, the administration provides general explanations on the discrepancies between the initial finance law and the actual realisation of the budget, but an in-depth analysis and the trade-offs that mark the evolution of things and present the different assumptions are not shared.

Civil society has been invited to participate in the budget orientation debate since 2018, but this is a presence without much exchange and little opportunity given for sharing opinions. At the international level, civil society's request is that it be involved in the reflection on important considerations in Cameroon. The way civil society actors are involved is not always transparent and there is for example no call for reflection with a selection of the most relevant contributions. There is a tax dispute, and a contentious procedure of the administration, before the administrative judge, but not a direct and specific appeal mechanism for tax abuses. And the administrative litigation is discouraging, because if it is a question of contesting an adjustment, the taxpayer must first pay part of the disputed tax. There are few cases where taxpayers get a favourable verdict. Administrative discipline is very often to the disadvantage of taxpayers.

Recommendations

We believe that in the current public finance reform process, the issue of tax fairness must be central.

1. **Progressiveness:** On the issue of progressivity, we encourage the government and parliament to engage in frank discussions on the way in which the tax burden is distributed among different taxpayers. Particular consideration should be given to the relevance of Value Added Tax (VAT) and the various excise duties, including the way in which these two taxes impact on consumption. The reflection should focus in particular on the economic impact and the method of reallocation. VAT should be thought of more as a flow and not exclusively as a stock of resources. Efforts must also be made to mobilise more people to pay tax. Better communication is essential in this regard.

2. **Tax sufficiency**: The government loses many opportunities to mobilise domestic budgetary resources. Transparency in the extractive sector should not just be a formality to be moderately compliant with the EITI international standard. A real strategy to track down all tax payers must be implemented. This requires a strategy of formalisation of certain actors that must be understood, beneficial and accountable.

3. **Tax exemptions for companies**: We welcome the initiative of an uncompromising analysis of tax exemptions by the Directorate General of Taxation. We also welcome the opening of this discussion with regard to the fish sector. But we believe that the central administration should defend its documented findings before parliament and work with civil society in charge of budget monitoring to define a better strategy for tax exemptions. It will always be important to examine the discretionary part of these exemptions and to continue to reduce them as much as possible.

4. **Capacity of the tax administration**: We welcome the training initiatives undertaken by the tax administration. But we suggest that the capacity building of the tax administration be deepened by better training of parliaments on purely tax issues. Better training of parliamentarians will pave the way for a more relevant and pragmatic debate on tax issues. The aim is to move the debate and tax policy away from purely administrative

objectives and place it on a documented economic perspective with concrete objectives. To facilitate the fight against tax evasion, both domestic and cross-border, the central government, supported by parliament, should accelerate the adoption of beneficial ownership laws, country-by-country reporting, and the establishment of a property register that is easily accessible to everyone.

5. **The quality of public spending**: We recommend opening a meaningful discussion on public spending targets. We recommend following the example of countries like Ghana, where a project and social objectives budget is adopted, rather than a ministerial department budget. The different sections of the administration that receive allocations should justify spending in line with their contributions to the country's development objectives, and not just for the organisation of their respective sectors. We also believe that the strong concentration of government programmes within the Ministry of Planning should be revised in favour of more coherent government action on cross-cutting projects (Education, Health, Security, Gender and Decentralisation).

6. **Accountability:** In terms of accountability, we recommend the establishment of a national observatory for tax equity that will be composed of representatives of the administration, parliament, the private sector and civil society. Such a body could also serve as a forum for arbitration on issues of tax dynamics. The opinions of this observatory should be binding, i.e. the resolutions and recommendations of this observatory should be examined in a mandatory manner, as part of the discussion process on the finance law.