



ROUND TABLE DISCUSSION: TAX ADMINISTRATION POLICY DURING AND AFTER THE PANDEMIC

Management of Tax arrears: The Cameroonian experience

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Outline



Introduction: Context

- 01 Managing tax debt arrears in Cameroon during ordinary times
- 02 Tax debt management during and beyond the crisis: The Cameroonian way
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Introduction: Context



- Tax arrears have been a challenge to administrations, mostly those in low-income countries long before the advent of COVID.
- In Cameroon, our outstanding tax debts stood at over **1000 billion (2 billion USD)**.
- This presentation shall examine the how Cameroon managed its tax debts arrears :
 - In ordinary times (A)
 - During and beyond the crisis (B).

01- Managing tax debt arrears in Cameroon during ordinary times

- Faced with the recurrence of outstanding tax debts, the approach deployed is centred on:
 - Writting off bad debts (i)
 - Offsetting debts (ii)
 - Enforcing collection (iii).

01- Managing tax debt arrears in Cameroon during ordinary times

Write off of bad debts

- Most tax arrears emanate from bad debts
- Institution of a committee, comprised of the Audit Bench of the Supreme court, the tax administration and the treasury to examine such debts,
- Over one third (FCFA 330 billion [3 billion USD) was written off for they belong to taxpayers who do not exist.

Offsetting taxes

- Mainly deployed in state-owned companies
- Taxes offset with the debts the Government owes the said companies.
- Tax debts arrears over the past years has been reduced by over FCFA 170 billion.
 - NB: The remaining 50 % of the outstanding tax debts ascribed to private companies.)



01- Managing tax debt arrears in Cameroon during ordinary times

Tax collection enforcement methods.

- Standard practice in most administrations.
 - ✓ Freeze of bank accounts
 - ✓ Close shops (very rare instances)
- Though these methods have shown their proof, they are not adapted to crisis periods marked by the rise of tax debt arrears



02- Tax debt management during and beyond the crisis: The Cameroonian way

- Since 2015, security challenges in the Northern (Boko haram) and western regions (separatist groups).
- With the advent of COVID, the situation of tax arrears was compounded, due to the suspension of tax collection activities
 - 200 billion FCFA (400 million US dollars) in the course of the 2020 fiscal year.
- CREDAF experience to improve tax collection in times of crisis. Strategy based on :
 - the special tax compromise (i)
 - the moratorium (ii)
 - recapitalisation (iii)
 - digitalisation (iv).

02- Tax debt management during and beyond the crisis: The Cameroonian way

The special tax compromise

- Tax reliefs to companies situated in the regions affected by the security crisis.
- Extension of reliefs to companies in sectors affected by the crisis (**tourism, transport**).
 - **over 112**, amounting to a reduction in the tax arrears of over **FCFA 35 billion (70 million dollars)**.

The moratorium

- Considering the weight of their outstanding debts, companies can also benefit from moratoria (instalment payments).
- This procedure eased the payment of **over 32 billion FCFA**.



02- Tax debt management during and beyond the crisis: The Cameroonian way

Management of tax arrears via recapitalisation

- As part of the restructuring of the debt of public entities, the State has undertaken to **recapitalise some of these entities by transforming part of their tax debt into equity investments.**
 - Over FCFA 161 billion of tax arrears reduced.



02- Tax debt management during and beyond the crisis: The Cameroonian way: Digitalisation

So what is the (TCC)?

- Full digitalisation since last decade
- The current crises have underscored the merits of this move.
- This is particularly true of the tax clearance certificate in tax arrears management.
- Before taxpayers had to prove their compliance via **manually issued** documents (*tax status slip, tax non-indebtedness etc*)
- These had negative effects on the business climate and were source of **unethical practices**.
- The TCC instituted to replace all the numerous paperwork cited above. **In Cameroon, this is the sole instrument, which attests to the taxpayer's compliance.**



02- Cameroon's experience with digitalisation (ct'd)

- **How is it obtained ?** online (no human intervention) to taxpayers who either owe no taxes or benefit from a respite of payment or a moratorium.
- **How does it enforce compliance?** Required for all economic operations and administrative procedures. No tax clearance certificate = blacklisted from all economic transactions (**banking, importation and or exportation, public contracts, etc.**)
- **What have been the results so far?**
 - Anticipatory measure to avoid tax arrears: amid the crisis, spontaneous payments were recprded at the samle level as the previous year,
 - Improves its efficiency in this era of barrier measures !

03- Other challenges in tax revenue mobilisation: The cameroonian take Broadening the tax base

In what context?

Increase need for revenue collection

+ 12 increase in revenue targets projected in the 2022 finance law for the Cameroonian tax administration

What challenges ?

- **Government against any measures aimed at reducing tax expenditures** (no tax measure which can lead to an increase in prices) ;
- Certain foreign donors **are against the application of taxes** on the grants or loans they provide ;
- **BEPS.**
- An informal sector **yet to be contained** and **the taxation of individuals** (especially high net worth individuals) is **still very low.**

II- Other challenges in tax revenue mobilisation: Taxpayers entitlements.

- To guarantee the neutrality of certain taxes, the tax administration ought to refund at a regular basis, the tax credits of taxpayers.
- However, with the budgetary constraints faced by the authorities, the VAT refund procedure is stalled or even suspended in some cases.
- This leads to a high degree of dissatisfaction from certain taxpayers. And the consequences on their compliance levels can be negative.

**Thanks for your kind
attention**

