

REPUBLIQUE DU CAMEROUN
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MINISTERE DES FINANCES

REPUBLIC OF CAMEROON

Peace-Work-Fatherland

MINISTRY OF FINANCE



GOVERNMENT'S FISCAL AND FINANCIAL SUPPORT MEASURES IN THE FACE OF THE COVID-19 CRISIS

11th SESSION OF THE CAMEROON BUSINESS FORUM (CBF-11)

THURSDAY 22 OCTOBER 2020

The Minister of Finance
Louis Paul MOTAZE

**The Prime Minister, Head of Government,
Honourable Members of the Government,
Representatives of Technical and Financial Partners,
Representatives of the Private Sector,
Ladies and Gentlemen,**

Within the framework of these deliberations, the Ministry of Finance is expected to present government's support measures in fiscal and financial terms in the face of the COVID-19 crisis

.It should be noted that the support measures proposed by my ministry are aligned with the response strategy to the Covid-19 and economic and social resilience, put in place by the Government, from the start of the pandemic. This strategy, amounting to nearly 480 billion over the 2020-2022 period, is broken down into five main pillars, namely: (i) strengthening of the health system; (ii) economic and financial resilience; (iii) strategic sourcing; (iv) strengthening research and innovation, and (v) social resilience.

For the year 2020, the implementation of this strategy has helped to structure Ordinance No.2020/001 of 03 June 2020, to amend and supplement certain provisions of Law No. 2019/023 of 24 December 2019, on the Finance Law of the Republic of Cameroon for fiscal year 2020, through the establishment of a Special Allocation Account (COVID-19 SAA). This account entitled "**Special National Solidarity Fund for the Fight against the Coronavirus and its Economic and Social Repercussions**" amounts to a total of CFA 180 billion francs, for the fight against the Coronavirus and its economic and social repercussions.

The COVID-19 special allocation account should help achieve the objectives set out in the strategy by covering (i) health expenses related to the fight against the Coronavirus pandemic in Cameroon; (ii) the State social support expenditure for vulnerable personnel affected by the health crisis due to Covid-19; (iii) State financial assistance to enterprises in the sectors of activity affected by the pandemic; and (iv) funding for research and innovation in the fight against the Coronavirus.

As can be seen, the overall government support strategy is therefore a multidimensional and multi-sector strategy.

With regard to support to enterprises specifically, within the framework of the implementation of the "Economic and financial resilience" pillar, 72.7 billion have been directed towards strengthening the resilience of enterprises through Decree No. 2020/3221/PM to fix the distribution of the allocation of the said SAA.

However, it is clear that the measures taken so far by the Government are essentially immediate measures of resilience and rescue in the face of the consequences of the pandemic. As the control of the crisis is subject to many uncertainties, it is therefore important to strengthen the effectiveness of the measures already taken in order to revive economic activity in order to find the growth path compatible with our development objectives.

To this end, the Ministry of Finance proposes accompanying measures, broken down into general measures from which the vast majority of enterprises could benefit for the coming years, and specific measures targeting sectors and branches with high potential that have been identified to revive our economy.

Some of the measures are already in application and will be extended for the 2021 fiscal year, some others will be enshrined in the finance law.

A. REGARDING GENERAL MEASURES, nineteen (19) have been adopted.

They include:

On the financial component, the following eight (08) measures are earmarked:

- raising the guarantee ceiling provided for in the 2020 finance law from CFAF 40 billion to 200 billion, to allow the State to grant a guarantee to the tune of 25% of the amount of the loan granted by banks to disaster-stricken enterprises. This is a leverage effect paving the way for over 800 billion;
- the establishment of financing lines by BEAC for the financing of enterprises;
- resorting to innovative sources of financing, such as bridging loans;
- securitization of domestic debt in order to stimulate the secondary market and improve corporate cash flow;

- the establishment of lines of credit with a pool of banking institutions at subsidized rates for the benefit of affected enterprises. Certain banking institutions have already expressed their interest in supporting the Government (BGFI);
- partnership between the Ministry of Finance and insurance companies (like Atlantiques Assurances) to support the private sector in the coverage of guarantees and deposits;
- increasing the ceiling for reimbursement of VAT credits from 6 billion to 7 billion;
- free registration of domestic public debt buyback agreements by credit institutions;
- raising the threshold for exemption of interest on savings accounts from income tax on movable capital from CFAF 10 million to CFAF 50 million;
- exemption from tax on income from movable capital of interest on cash vouchers other than those issued by the public treasury and subscribed for a period exceeding one year.

In terms of taxation, twelve (12) measures could be implemented, in particular:

- reduction from 2% to 1.5% of the deposit rate and the minimum charge for listed enterprises, in order to encourage enterprises to resort to the financial market to finance economic recovery;
- the renewal for the 2021 fiscal year of the special transaction provided for by the 2020 finance law, with a view to helping companies severely affected by the health crisis to free themselves from their tax debts;
- the extension for an additional year of the period for carrying forward tax deficits and repayments deemed to be deferred for the benefit of companies in sectors directly affected by COVID-19;
- the consecration of the total deductibility of capital losses on the transfer of receivables from companies undergoing restructuring in sectors affected by the health crisis;
- registration at fixed duty of transfers of receivables from companies undergoing restructuring and affected by the crisis;

- the relaxation of the conditions for deductibility of provisions on receivables against companies that show proof of cash flow difficulties due to the crisis;
- the removal of the condition of approval of a derogatory regime for the benefit of the application of the fixed duty on the coverage of liabilities during partial asset contribution operations;
- the consecration of full deductibility for the determination of corporate tax, of expenses incurred by companies for the benefit of their employees due to the COVID-19 health crisis;
- rationalization of the conditions for reducing losses relating to damages, by establishing a standard deduction threshold for breakages, set at 0.5% of the overall volume of production;
- the clarification of the VAT regime on the provision of services provided to foreign customers in order to preserve the competitiveness of Cameroonian companies;
- the extension for an additional year of the tax loss carry forward period for the benefit of credit institutions and State portfolio enterprises undergoing restructuring;
- ***the reduction in corporate tax by 2 points for SMEs and SMIs for the year 2021. This measure could be accompanied by guarantees on the stability of jobs.***

B. WITH RESPECT TO SPECIFIC MEASURES, in addition to the general measures proposed above, the following specific measures are envisaged to revive the sectors and branches particularly affected by the COVID-19 pandemic.

- i. In the transport sector, the main measure is the abolition of the axle tax for the benefit of transporters.
- ii. For the Hotel and Catering sector, it is planned:
 - 1) the renewal for the 2021 fiscal year of the suspension of the tourist tax in order to improve the attendance rate of accommodation establishments strongly impacted by the crisis, as well as the tax and customs exemption on investments in relaunch of activities in this sector subject to the prior

- identification of the needs of the disaster-stricken enterprises and tourist establishments,
- 2) The temporary exemption from corporate tax for companies in the hotel sector, for the year 2021.
- iii. For the Forestry sector, three (03) main measures will be considered, in particular:
 - iv. the reduction from 4% to 3% of the rate of the felling tax for the benefit of logging companies with a certificate in sustainable forest management;
 - v. the monthly payment of the annual forestry royalty (AFR) in order to save the cash flow of companies;
 - vi. the submission of excise duty at the general rate of 25% for imported furniture and wood articles, toothpicks, natural and artificial flowers.
 - vii. Regarding the ICT sector, the Ministry of Finance will opt for the establishment of a proactive tax regime to promote start-ups for innovative companies in the said sector with in particular: exemption from the business licence, exemption from all tax charges including deducting taxes from salaries for a period of 3 to 5 years, exemption from VAT on loans granted by credit institutions, exemption from registration fees for leases, transfers of real estate and loans granted by non-credit professionals.
 - viii. As regards the agricultural sector, it is envisaged, on the one hand, in the rice, wheat and fish sectors, the gradual readjustment of the rate of the common external tariff (CET) on these essential goods exempted from tax following the 2008 hunger riots in, and on the other hand the total or partial re-taxation of imports of corn and soybean meal through the repeal of tax expenditures induced by the 2007 finance law. In addition, a strengthening of the tax system for promotion of the agricultural sector with a view to promoting the government policy of import-substitution will be carried out, through the VAT exemption of agricultural, breeding and fishing inputs and equipment.
 - ix. Finally, for the health sector, it is planned to expand customs incentives in favour of pharmaceutical industries, through total exemption from customs duties and taxes in favour of inputs intended for this industry, as well as the

application customs duty reduced by 5% and VAT exemption on industrial equipment intended for the said industry.

These are, Ladies and Gentlemen, the fiscal and financial provisions envisaged by the Ministry of Finance in support of the financing and cash flow of enterprises.

It should be noted that these measures are an integral part of the draft economic recovery plan currently being drawn up.

Thanks for your attention. / -