

# SMESEH: TAX AND CUSTOMS INNOVATIONS IN THE FINANCE LAW ON THE PROMOTION OF THE IMPORT-SUBSTITUTION POLICY



MINPMEESA

## Newsletter No. 1

MINISTRY OF SMALL AND MEDIUM-SIZED ENTERPRISES, SOCIAL ECONOMY AND HANDICRAFTS

March 2023

Tax reforms constitute a core element in public policy and have an impact on economic activity. Cameroon's economic outlook for 2022 projected growth of 4.1% and an inflation rate of less than 3%. However, according to the National Institute of Statistics (INS), economic activity in 2022 saw a slowdown in growth to 3.4% and an inflation rate of 6.2% compared to 2021 (growth rate 3.5% and inflation rate 2.3%).

As a result, there is a decrease in growth of 0.1% compared to 2021 and of 0.7% compared to the forecast, as well as an increase in inflation of 3.9% compared to 2021 and of 3.2% compared to the forecast. This under performance is mainly caused by the persistent effects of the health crisis, aggravated by the Russian-Ukrainian war.

To reduce this gap, the government's action remains mainly focused on the continued implementation of the National Development Strategy 2020-2030 (NDS-30), with an emphasis on the structural transformation of the economy through promoting the import-substitution policy.

In this regard, the State has undertaken actions to increase productivity in some of the key sectors of structural transformation, through the tax and customs innovations in the 2023 Finance Law. These are: agro-industry, forestry-wood, cotton-textile-clothing-leather. These innovations deal with: (i) facilitating access to land to encourage the implementation of second-generation agriculture; (ii) implementing the support plan for local production; (iii) exempting from taxes and duties, companies operating in the agro-industry and wood sector.

To play its role in achieving the NDS-30 goals, MINPMEESA is carrying out actions aimed at **increasing the productivity of SMESEH in the targeted sectors in order to promote the import-substitution policy**. It is with that aim in mind that the Ministry decided, through this Newsletter, to inform its targets on the tax and customs innovations in the 2023 Finance Law, in order to enable them to reap the best benefits.

1

Tax innovations in the Finance Law for SMESEH in the MINPMEESA targeted sub-sectors

**Strengthening of the promotion mechanism for the agricultural, livestock and fisheries sectors**

General incentives applicable to all actors (VSEs, MEs, CIGs, etc)

In the start-up phase



- Exemption of the patent;
- Exemption from VAT on **agricultural inputs and equipment**;
- Exemption from **registration fees** on **transfers of agricultural land** and loan agreements;
- Exemption from **property tax** on **agricultural land**;
- Exemption from **tax and employers' contributions** on salaries paid to seasonal agricultural workers.



DIVISION OF STUDIES, PROJECTS AND FORECASTS (DEPP)

P.O. BOX. 6096 YAOUNDE Contact : (+237) 222 23 23 88 Fax : (+237) 222 22 41 58 E-mail : [cabinet@minpmeesa.cm](mailto:cabinet@minpmeesa.cm) Website:

[www.minpmeesa.cm](http://www.minpmeesa.cm)

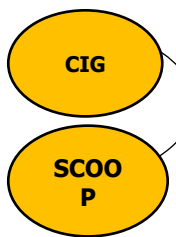


# 1

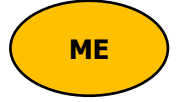
## Tax innovations in the Finance Law for SMESEH in the MINPMEESA targeted sub-sectors

### Strengthening of the promotion mechanism for the agricultural, livestock and fisheries sectors

#### Specific incentives for actors during the first 05 years of operation:

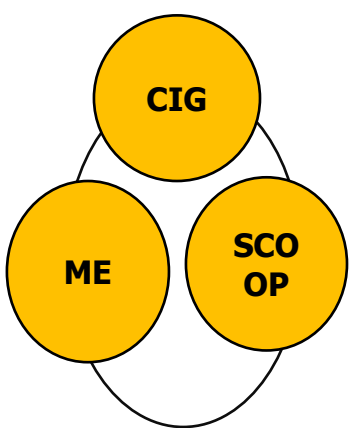


- Exemption from patent contributions;
- Exemption from the advance payment and minimum collection of income tax;



- Reduction of corporate tax by up to 75%;
- Exemption from direct taxes (VAT and DE);
- Reduced rates of customs duties;
- Law No. 2013/004 of 18 April 2013 setting incentives for private investment in the Republic of Cameroon.

#### Incentives beyond the 5th year of operation



- Exemption from patent contributions;
- The advance payment of Income Tax at the rate of 0.5% of turnover.

### Promoting the transformation of local raw materials

1

A 30% reduction in the taxable base for excise duties proportional to the value of the goods (ad valorem) for beverages produced from local raw materials (03 years)

2

The reduction of 50% of the monthly income tax instalment for companies that process raw materials.

The following sectors are concerned by these measures: agriculture, livestock, fishing, leather products, cabinet making.

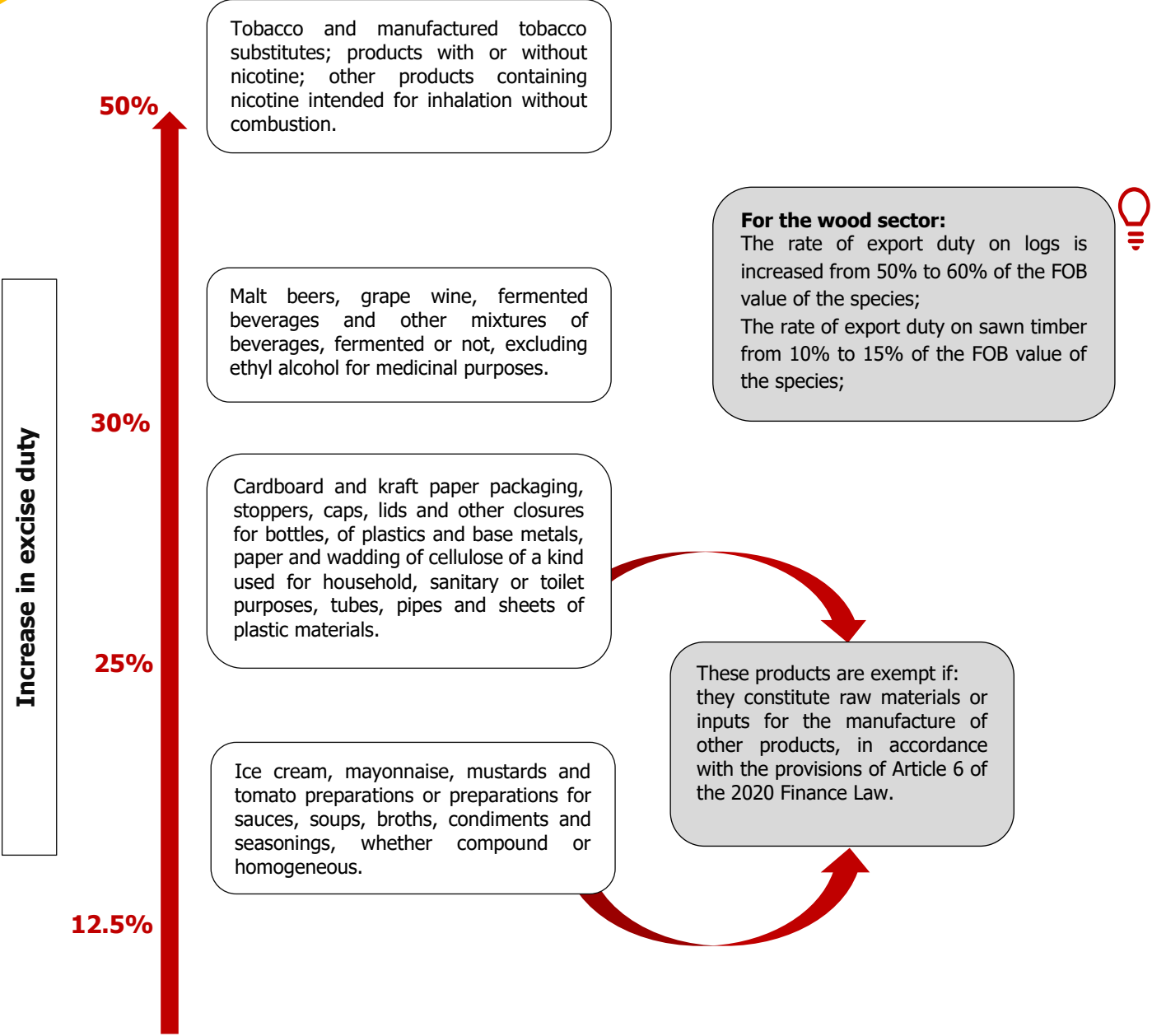




2

Customs innovations in the Finance Law for SMESSEH in the MINPMEESA targeted sub-sectors

*Limitations on imports of products made from existing local raw materials*





# 3

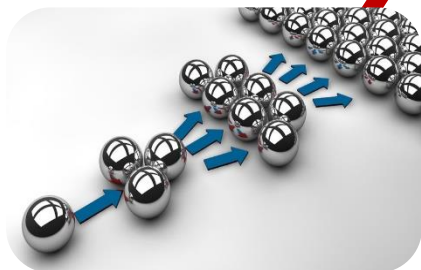
**Impact of tax and customs innovations on the activities of MINPMEESA's targeted SMESEH sub-sectors.**

### *Impact of tax innovations on SMESEH activities*

These measures should favour:

- **The emergence of new production units;**
- **The attraction of foreign investors;**
- **The promotion of local initiatives;**
- **The reduction of the tax burden of production units operating in these sectors;**
- **The reduction of production costs of products made from local raw materials;**
- **The creation of jobs;**
- **The increase of the secondary sector's contributions (local industries) to GDP.**

## **IMPACT**



The impact of these measures is to promote local production of goods and services as a substitute for imports.

### *Impact of customs innovations on SMESEHs*

These customs measures aim at limiting imports, which lead to huge outflows of foreign currency, resulting in an imbalance in the trade balance.

