



# IMPACT OF EITI ON THE GENERAL DIRECTORATE OF TAXATION

Since Cameroon adhered to the EITI in 2005 and taking into account the findings and recommendations made by the different conciliation reports and the validation report, the fiscal policy of extractive resources in Cameroon has positively evolved as well as relationships with the Technical Supervisory Ministry.

## **I- The positive evolution in the management of the tax policy of extractive resources by the General Directorate of Taxation**

### **A- Internally within the tax administration**

#### **1) Increased monitoring of specific extractive sector levies.**

The EITI requirement to produce conciliation reports has highlighted the important role of the General Directorate of Taxation in this process. Unlike in the past, the operational structures of the General Directorate of Taxation that monitor and track sector-specific payments (fixed duties, annual surface fees, ad valorem tax and extraction tax) have been upgraded. The General Directorate of Taxation requested and obtained the creation of an ad valorem tax account in the State accounting code (account 7358) which did not exist until mid-2014.

#### **2) Closer consideration of sub-national payments/transfers of extractive sector revenues.**

Some state entities benefit from Extractive sector revenues. The implementation of the EITI has resulted in a greater interest by the General Directorate of Taxation to account for these transfers. However, constraints related to the State's fiscal system make it difficult for decentralized administrative units to benefit directly from these transfers.

### **B- Improvement in the understanding of extractive activities.**

#### **1) More intensive dialogue with mining companies.**

The implementation of the EITI has made it possible for the staff of the General Directorate of taxation to better collaborate with mining companies. This has led to a better understand of mining activities and subsequently improved on mining fiscal policies. Today, there is more direct dialogue between the staff of the General Directorate of Taxation and these companies particularly those of the solid mines sector.

#### **2) Strengthening of the technical capacity of the staff of the Directorate of Taxation in extractive resources.**

The desire to better understand mining activities has prompted the General Directorate of Taxes to embark on measures to strengthen the technical capacities of its senior staff in related fields to taxation. Thus, either on government financing or with the financing of some international institutions, officials of the General Directorate of Taxation regularly take part in international seminars, colloquia and foras on the extractive sector.

## **II- Strengthening of cooperation between the technical and financial Ministries of the extractive sector, with a view to increasing the efficiency of tax administration.**

The Ministry of Finance (MINFI) and the Ministry of Mines (MINMIDT) provide financial and technical management of mining activities on behalf of the State in Cameroon. MINFI carries out the recovery of specific taxes of the mining sector (at first through intermediate revenue agents and from 1 January 2015 through the General Department of Taxes). MINMIDT is responsible for the administrative and technical aspects of mining activities.

The preparation and production of EITI reports has enabled these different administrations (MINFI and MINMIDT) to increase dialogue and collaboration. This has positively impacted on the quality of EITI reports especially as concerns unilateral declarations by the administration.

Observations by successive conciliators and the validator that there were many intermediaries in the collection chain of mining taxes consequently making traceability difficult was one of the factors which prompted the authorities to transfer the exclusive competence of tax administration in the area of assessment, collection and control of taxes, of the mining sector through the finance law of 2015.

The fact that it is now a single administration that collects mining taxes will further improve the quality of future EITI reports and facilitate the task of conciliators who will henceforth have a single contact in this matter.

The implementation of the 2015 Finance Law has led to the establishment of a partnership agreement between the General Directorate of Taxation and CAPAM by Joint Decree n ° 03950 / MINFI / MINMIDT of 1 June 2015. By this decree, CAPAM's financial and technical authority permits the General Directorate of Taxation to collect the monthly installment of the corporation tax and the ad Valorem tax paid by companies engaged in artisanal semi-mechanized mining. In addition, in the East Region, the General Directorate of Taxation, particularly benefits from the effective physical presence of CAPAM on semi-mechanized artisanal mining sites to obtain information on the location of operators in order to better collect the taxes.

In addition, the Permanent National Secretariat of the Kimberly Process determines the value of rough diamonds it appraises and transmits the amount of ad valorem tax based on the said value to the General Directorate of Taxation for collection.

This partnership and collaboration between The General Directorate of Taxation, CAPAM and the Kimberly Process are producing interesting results and have greatly enhanced the effectiveness of General Directorate of Taxation in collecting mining taxes.