

Taxpayer's Rights, Tax Security, and Effective Revenue Mobilization. The Case of Cameroon

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Abstract:

The purpose of this study is to take stock of taxpayers' rights, and tax security, examine the reforms acquired, and to formulate prospects for reforms with a view to the optimal mobilization of tax revenues. On analysis, the taxpayer's rights are guaranteed both before the tax authorities and before the tax judge, even if some practical difficulties are often observed. This, guarantee is a guarantee of tax security, a requirement provided for in tax texts and ensured in tax procedures and sometimes tested by administrative, procedural, and material constraints. The reforms acquired and those envisaged offer practical solutions to the modernization of the Tax Administration and the improvement of its relationships with taxpayers and development partners.

INTRODUCTION

The mobilization of financial resources is an ongoing challenge in most African states grappling with constant tax reforms (Th. Obrist, T.-G. M. Kalonji (dir.), *Droit fiscal en Afrique subsaharienne francophone*, 2022). While, tax resources make up the bulk of some States' budgets (S. Th. Bilounga, *Finances publiques camerounaises, budgets-impôts-douanes-comptabilité publique*, 2020), they must be mobilized with respect for taxpayers' rights and guarantee legal and judicial certainty (J. Fermose, *La sécurité fiscale en droit camerounais, RPSJC*, 2020). The purpose of the sub-study reflection is twofold: on the one hand, the need to highlight the laws and regulations adopted in recent years by Cameroon State, which have made it possible to reform tax procedures and improve relations between the tax administration and taxpayers, thus responding to the requirements of modernity and concerns, increasingly vital, from the private sector. On the other hand, the recourse of some African States, in particular, to indebtedness with donors (bilateral or multilateral) to sometimes fill the budget deficit or meet sovereign charges, leads to question these tax systems with a view to optimize the tax yield of the State and other public entities.

REVIEW RELATED LITERATURE

In the notional sense, if the rights of the taxpayer refer to a set of prerogatives recognized to the latter by tax legislation or regulations (S. Th. Bilounga, 2020), beyond the controversy of the doctrinal position (some authors perceive tax security as a principle or requirement, others admit it as a fundamental value or right), Tax certainty can be understood as a requirement that the rules of tax law and the acts of taxation constituting the legal framework within which the tax authorities exercise their powers must guarantee the stability of legal situations, the exercise of freedoms, and legitimate expectations. However, safeguarding either of these guarantees impact tax revenue mobilization, including the legal and administrative mechanisms for the tax administration to collect tax from taxpayers. The study aims to bring all these concepts into coherence to highlight their substantiality and applicability.

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Indeed, the reflection on "the rights of the taxpayer, tax security, and the effective mobilization of tax revenues". Based on the Cameroonian example, makes it possible to examine all the reforms acquired in this area, in particular: the simplification of procedures, the guarantee of taxpayers' rights, the broadening of the tax base, the security, and digitalization of tax operations (DGI Annual Report, 2018), among others. Because of these developments and findings, it can be noted that the current approach has a double interest: from a theoretical point of view, the process advocates instead a renewed efficiency of the Cameroonian tax system both at the level of texts and tax principles. From a practical point of view, this study highlights the taxpayer's rights, the level of tax security favorable to the administration-taxpayer couple, and the business climate, as well as the reforms necessary to optimize tax returns.

METHOD

This study aims to bring coherence to taxpayers' rights regarding of tax security and effective tax revenue mobilization. The analysis consists to demonstrates that African tax systems, particularly the Cameroonian one, guarantee the maximum rights of the taxpayer and tax security, necessitating, nevertheless, reforms with a view to optimize tax revenues. This study, which is intended to be promising, is based on a positivist and pragmatic approach, by taking stock of the tax system under study and wants to suggest prospects for reforms.

STATUS OF THE TAX SYSTEM

Tax security, the guarantee of taxpayers' rights, and the mobilization of tax revenues are now a pressing concerns of the public tax authorities. Studying of taxpayers' rights, tax security, and tax revenue mobilization in African tax legislation and Cameroon in particular, requires taking stock of the situation for a better evaluation.

The Situation

Based of Cameroonian tax legislation and administrative practice, it is necessary to draw up, in a synoptic manner, the case of the taxpayer's rights, the state of tax security, and the mobilization of tax revenues.

First, concerning the rights of the taxpayer, the legislation of most African States and Cameroon in particular, guarantees taxpayer's rights both before the tax administration and before the tax judge (J. Fermose, *in Th. obrist et T-G. M. Kalonji*, 2022). On the one hand, the taxpayer's rights before the tax authorities consist essentially of ownership such as: the right to a tax identity (unique identifier number), the right to tax documents (forms, tax forms, assessment notices, other collection documents), the right to information (in particular during the tax audit phase), the right to be assisted by counsel of one's choice, the right to oral and adversarial debate, among others (S. Th. Bilounga, 2020). On the other hand, the rights of the taxpayer before the tax judge are, among others: the right of access to the judge (right of referral), the right to a fair trial (suitable to a procedure and an adversarial debate, right to exercise the means of appeal), in particular.

Secondly, tax security, i.e., the principle of legal certainty applied to taxation, is an increasingly present concern in the tax systems of African States and, in particular, in Cameroon.

On the one hand, tax security is perceptible through tax principles both in terms of standards and with to civil liberties. In the first case, reference is made to the principles of fiscal legality, non-retroactivity of tax law, and guarantee of the stability, predictability and quality of the tax

standard applicable to taxpayers, and other actors in the tax process. Indeed, clarity is, therefore, an element of legal certainty and must be understood structurally and substantially: About the structural aspect, it is by far the simplest: Book I deals with the different types of taxes (Articles 2 to 613), Book II governs tax procedures (Articles L 1 to L 147), Book III deals with local taxation (Articles C 1 to C150). To, it should be noted that the legislator took care to add the letters L and C respectively to the second and third Books of the General tax code (GTC) to distinguish them from the first. Substantially, it can be observed that the normativity of the provisions of the GTC is clearly perceived in both the general and specific provisions. Similarly, with the accessibility of the GTC, under the formal prism, it is appreciable and it is related to the availability of the tax standard: the said code is revised annually and made available on January 1st, of each year, in several media.

In the second case, the tax legislator guarantees the exercise of taxpayers' civil liberties through the security of tax operations, the protection of the economy of legally concluded contracts, and the repression of tax offenses. On the other hand, shield in tax proceedings, in particular the relationship between the taxpayer and the tax authorities, and especially before the tax judge, is reflected first in the tax ruling, which gives the taxpayer the right to rely on the interpretation that the tax authorities have made known to him of the tax texts (circulars, instructions, Article L 33 of the Cameroonian GTC), and then, by generalizing the oral and adversarial debate provided for in the audited taxpayer's charter.

Finally, about the mobilization of tax revenues, it is necessary to look at both those of the State, and other public entities. On the one hand, the mobilization of State revenues, they have evolved significantly over the last ten years. The State's tax revenues increased by 20.8% in the 1st quarter of 2022. More, between January and March 2022, the Treasury recorded an increase in revenue of around 110.3 billion FCFA, compared to the same period during 2021. To this end, the overall revenues mobilized by the Directorate General of Taxation (DGT) increased from 1059 billion in 2010 to 2656 billion FCFA in September 2022, or nearly 40% of the general budget of the State. Between, 2010 and 2022, the average monthly tax revenue collected by the DGT increased from 88 billion in 2010 to 221 billion FCFA in 2022 (Report of the DGT Meeting and the private sector, Douala, September 3, 2022).

On the other hand, the mobilization of revenues from other public entities (local authorities, public institutions), which have grown over the last ten years, whether in terms of tax revenues allocated to decentralized territorial authorities or public institutions. The tax revenues allocated to these two entities increased from 67 billion in 2010 to nearly 272 billion FCFA in 2022. It can be seen that the average monthly assigned payment was 6 billion in 2010 and will rise to 23 billion FCFA in 2022. Also, between 2010 and 2020, the payments allocated to these entities were multiplied by four (04) with an evolution of +205 billion FCFA.

In addition to this synoptic analysis of the situation of taxpayers' rights, tax security, and the mobilization of tax revenues in the Cameroonian tax system, it is now necessary to make a general assessment.

Evaluation

Beyond the situation of taxpayers' rights, tax security, and the mobilization of tax revenues, an assessment should be made to identify not only practical constraints and difficulties but also technical ones.

First, taxpayers' rights and tax security are often tested at least on two levels: first, in front of the tax administration, unsophisticated taxpayers often come up against the technicality of tax procedures and are sometimes subject to periodic checks by specific crooked tax agents. Similarly, the constant evolution of tax legislation does not allow some taxpayers to be up to date with legislative and regulatory tax reforms; and some still ignore procedures such as tax rulings, and requests for free remission (tax remission or moderation).

Next, before the tax court, some taxpayers still find it challenging to comply with the rule of prior complaint, a mandatory law for judicial recourse, and a requirement of public policy whose non-observance leads to the rejection of the form of the judicial remedy. Also, some taxpayers do not always have, in the event of recourse to expertise, the technical and financial means to provide evidence to support their standards.

Secondarily, concerning the mobilization of tax revenues for the benefit of the State and other public entities, a double analysis should be made: first, on the side of the administrations in charge of recovery (DGT and its decentralized services, municipal or regional revenue, accounting agencies). In practice, it can be observed that some of these administrations have difficulties in collecting certain taxes and duties owed by taxpayers in the informal sector who do not have the Unique Identifier Number (UIN).

About to decentralized local authorities, a twofold observation is necessary: first, for municipalities, very few of them collect all local taxation devolved by law, and some have difficulty in managing certain types of taxes because of the constant mobility of taxpayers, in particular, the tax on livestock, the municipal transit or transhumance tax, the tax on recovered products, among others. Similarly, the regions as decentralized territorial collectivities whose first regional elections took place in December, 2020, have not yet been given the opportunity to assess the recovery of regional taxation sufficiently. Furthermore, on the taxpayers' side, we still note the survival of tax incivility characterized by tax evasion and evasion.

In addition, two other complementary difficulties deserve to be noted, in particular: the disparity in tax collection between decentralized territorial authorities because of the economic situation and fiscal potential of each local authority. The other difficulty arises from the overlapping of competencies between the DGT and the decentralized territorial collectivities in the collection of certain taxes (Report of the DGT Meeting and the private sector, Douala, September 3, 2022), and the fiscal equalization system between them, whose complexities are sometimes sources of evaporation of tax gains. But, appears as difficulty or complexity, the principle of the single cash, requiring decentralized territorial authorities that some of their expenses are taken into account by the Treasury, this uniqueness sometimes constitutes a blockage to the execution of local investment projects, sometimes with another consequence: the under-consumption of credits.

In this respect, it can be seen that the difficulties mentioned above, for the most part, boil down to: the weak monitoring capacity of certain municipal taxes by decentralized local authorities, the problem of total demarcation between State taxation and local taxation, the immunity from seizure and volatility of the taxable matter due to certain electronic transactions (transfer of funds), base erosion due to sometimes abusive use of tax incentives, low taxation of natural resources and green taxation, the persistence of tax evasion and evasion, among others.

Light of the above, while tax administrations are experiencing some difficulties in maximizing tax revenue mobilization, significant reforms have been introduced in recent years, and others are underway or planned to address them.

REFORMS ACQUIRED AND ENVISAGED

Considerable reforms have been instituted and envisaged in recent years by African tax laws, and, in particular, Cameroon's, as well as other initiatives specific to tax administrations with a view to consolidate taxpayers' rights, tax security, and optimal mobilization of tax revenues. It is necessary to take stock of the main reforms acquired, and those envisaged by the tax administrations.

Reforms Acquired

Cameroonian tax legislation and regulations have developed a set of reforms that can now be considered achievements, even if they are destined to be improved. For the most part, these reforms relate to the simplification of tax procedures, the improvement of the relationship between the tax administration and the taxpayer, and the socioeconomic promotion of a tax system favorable to the business climate.

First, the tax administration has initiated the process of dematerializing procedures with the online launch of certain tax services, including the electronic declaration (Read Article L2 of the GTC), obtaining the Unique Identifier Number (See Law No. 2019/023 of 24 December 2019 on the Finance Law of the Republic of Cameroon for the 2020 financial year. Read also articles L1 and L1 *bis* of the GTC), the introduction of the standard Value Added Tax (VAT) invoice, electronic payment (Article L7 and L8 paragraph 3, Tax Procedure Books, GTC; article 558, 558 bis, and 573 bis of the GTC. Read, Decree No. 2012/3731 of 13 November, 2012 on tax registration, and Article L104 *bis* of the GTC), etc.

Also, in contentious matters, the tax administration uses alternative methods of settling tax disputes as much as possible. This solution is part of the tax administration's concern to find quick, and practical solutions to conflicts between it and taxpayers to avoid cumbersome and slow court proceedings. Among these means of settling tax disputes, reference can be made to the transaction and mediation (Article L 140 bis paragraph 2 of the GTC).

Secondly, the tax administration has segmented the tax population and established a single tax interlocutor. The latter implies, on the one hand, a single manager for each taxpayer and, on the other hand, a management of taxpayers by type of clientele, likely to improve the quality of the tax service. In the same sense, since the current fiscal year, the Cameroonian tax administration has been experimenting with the institution of an integrated tax partner: it is a taxpayer designated as a focal point in a sector of activity and to serve, if necessary, as an intermediary between the tax administration and other taxpayers in this sector for information and procedural information. The advent of this new actor has a double advantage: it allows the taxpayer to no longer be abused by certain crooked tax officials, sometimes taking advantage of the ignorance of particular taxpayers, but also the tax administration to have a tax intermediary in each sector of activity to serve as a relay and can create a framework for dialogue and consultation.

In addition to this, there are also specific measures governing the activity of taxpayers, in particular, the deductibility of expenses resulting from transactions carried out with partners located in countries with preferential taxation (Article 8 *ter* of GTC); the management of cash

payment (Article 8 *bis* of GTC); the supervision of export operations and similar activities (Article 20 of GTC); the regulation of the deduction of headquarters expenses (Article 20 of GTC Article 20 of GTC), and the taxation of remuneration paid abroad (Articles 8 *ter*, 8 *bis*, 20, 7 et 225 of GTC). Thirdly, the tax reforms acquired also concern socioeconomic promotion with a view the optimal mobilization of tax revenues, and improving of the business climate. Because the achievement of these objectives requires the increase of private investment, Cameroonian tax legislation has provided a favorable framework through the framework law of 18 April, 2013 on the incentive of private investment in Cameroon. To date, 326 private companies are effectively approved, with 400,000 billion CFAF of planned investments and a possibility of impact creation of 106,215 jobs (Report of the DGI meeting and the private sector, Douala, 13 September, 2022). Similarly, tax legislation promotes social issues through tax expenditures: between 2016 and 2020, the average tax expenditure is CFAF 528 billion, and the most expensive measures relate to necessities (CFAF 52 billion per year for rice, CFAF 58 billion per year for fish, CFAF 30 billion per year for wheat).

Moreover, with a view to improve the business climate, the tax administration has undertaken some reforms, including: reducing the time spent on tax obligations from more than 600 hours per year before the reforms to 20 hours per year after the reforms; the reduction of the VAT credit refund period from more than six months before the reforms to 20 days after the reforms upon receipt of the file at central level; reducing the number of taxpayer forms from more than 42 before the reforms to 5 conditions after the reforms.

Beyond these acquired reforms, the favorable effects of which are already perceptible on the tax yield and in the relations between the tax administration and the taxpayer, it is necessary to make other proposals for reforms for a modern and more efficient tax system.

Planned Reforms

The difficulties encountered by taxpayers are regularly addressed to the tax administration during meetings between the DGI and the private sector, in particular, the Cameroon Inter-Employer Group (CIEG/GICAM in French). Indeed, this one note, as a significant difficulty, the uncertainty over international supply and the Russian-Ukrainian war that continue to slow down the recovery of business growth. As such, some figures are indicative: 77.8% of companies in the agri-food industries observed a decline in their net results in the 2nd quarter; 89.5% of companies in the trade and distribution sector report unfair competition in their sectors of activity; 85.5% of companies say they did not increase the number of employees in the 2nd quarter; 80% of companies cited higher supply prices (freight, raw material prices) as significant constraints to their operations during the quarter (Economic Scoreboard, n°18, 2nd quarter 2022). The objective of modernizing the Cameroonian tax system in the service of the authorities' economic policy requires that specific reforms already envisaged by the DGT and desired by the private sector be taken into account, but also those that can be formulated with a view to improve the business climate and the administration-taxpayer relationship. The prospects for reform may concern both tax policy and the administration itself.

First, about broadening the tax base, this measure concerns the optimization of personal taxation, the strengthening of green taxation, and social contributions. In the first case, it should be noted that the gift of individuals to tax revenues is still low, i.e., 7% for personal income tax (against 35% for VAT, 14% for corporate tax, for example).

Regarding of tax policy, there are two strong proposals: further broadening the tax base and empowering the economy and local taxation.

In particular, the combined revenue from property tax and property income tax represented in 2020 is less than 7% of overall tax revenue (including withholding tax on wages). If this imbalance is mainly explained by the difficulties of collecting property taxes related to tax incivility and the absence of specific constraints, it would be appropriate to endow the Decentralised local authorities alongside the State with a concurrent competence to collect property taxes.

In the second case, the increased taxation of natural resources, in particular, green taxation (DGT News Newsletter, n°010, June 2022), is an opportunity, because the mining tax revenues mobilized are much lower than the existing potential due to the predominance of the informal sector through artisanal and fraudulent exploitation of mineral resources and the erosion of the tax base (abusive use of tax incentives, transfer pricing). As green taxation is still embryonic (tax on the withdrawal or discharge of water), it is, therefore, helpful to strengthen quality control, the anti-BEPS (That is *Base Erosion and profit shifting*). System and to proceed, if necessary, to progressive taxation of the informal sector in this area. Anything that will make it possible, by increasing a tax or a tax on a product or sector of activity, to guide the taxpayer's behavior taking into account the imperatives related to climate and environmental protection.

In the latter case, it makes sense to find alternative sources of financing social security whose burden on overall taxes is 7%, unlike many developed countries where it amounts to 26% or some countries of the European Union where this tax represents an essential source of tax revenue. For example, in France, the product of social contributions is 374 billion euros in 2021 in the national accounts (excluding pension contributions that the State pays to itself), or 15% of GDP, after 348 billion euros in 2020 (<https://fipeco.fr>).

Second, other tax policy measures are aimed to empower the economy and local tax administration. In the first hypothesis, it is imperative to strengthen the import-substitution policy and rationalize tax expenditures. In this case, it is a question of improving local productivity to increase resilience to the global macroeconomic situation marked by the impact of recent fluctuations in raw material and food prices due to security and health crises.

Also, this policy will increase not only productivity but also the competitiveness of local businesses, with a result of positive impact on tax revenues. In the same vein, it is crucial to rationalize tax expenditures that consume a significant portion of tax revenues, even if the government's objective is very often to make necessities more accessible on the local market. For example, from 2016 to 2020, tax expenditures amounted to 2638 billion CFAF, or 20.78% of non-oil tax revenues and 2.46% of GDP (Report of the DGT Meeting and the private sector, Douala, September 13, 2022).

It is, therefore, necessary to make appropriate, rational, valuable, and timely tax expenditure choices. In the second hypothesis, the overlapping of specific competencies between the DGT and the decentralized local collectivities should lead to a reform of local taxation according to two mechanisms: on the one hand, the total autonomy of the decentralized local authorities on certain taxes collected by the State and repaid; and on the other hand, the abolition of certain inconsistent local taxes by redirecting them towards the general allocation or by aggregating them with certain available taxes.

In addition, in the long term, consideration could be given to the return of divisional tax centers (DTC) to the decentralized local authorities or the creation of specialized bodies for collecting of certain local taxes, such as property taxes. Also, it is no less critical to reintroduce the mechanisms for taxing aid, the care regime of which was abolished by the 2019 Finance Act. This abolition is the result of the reluctance of donors to bear the tax levies (These include value-added tax and special income tax) encumbered by externally financed markets.

In terms of tax administration reforms, they relate to the acceleration of tax digitalization, the improvement of the business climate, and the relationship between the tax authorities and the taxpayer. First, the digitalization of the tax administration remains an opportunity to be pursued. It is essential for the tax authorities need to accelerate dematerialization through electronic payment and the declaration of tax transactions, including electronic monitoring of invoicing. Nevertheless, the digital transition faces two significant challenges : the low penetration of the internet rate in some localities and the persistence of cash payments in the tax transactions of many taxpayers.

Secondly, it is necessary to strengthen the relationship of trust between the tax administration and the taxpayer by developing the concept of integrated tax partners, simplifying procedures, and implementing tax geolocation.

In addition, securing revenues and strengthening the anti-BEPS system and technical cooperation in tax matters are important levers in the fight against tax fraud and evasion. This includes strengthening cooperation with the Global Forum on Transparency and Exchange of Information for Tax Purposes, the Organisation for Economic Cooperation and Development (OECD), the African Tax Administration Forum (ATAF), the Centre for Meetings and studies of heads of tax administrations (CMSTA/CREDAF), private partners, and professional groups, among others.

CONCLUSIONS

Ultimately, the analysis of taxpayers' rights, tax security, and the effective mobilization of tax revenues in African tax systems based on the Cameroonian example led to taking stock of the situation, examining the reforms acquired and formulating prospects for reforms. As a result, the taxpayer's rights are guaranteed both before the tax authorities, and the tax judge, even if some practical difficulties are often observed. This guarantee is a guarantee of tax security, a requirement provided for in tax texts and ensured in tax procedures and sometimes tested by administrative, procedural and material constraints.

PURPOSE OF THE STUDY

Of course, legislation and tax administration provide solutions through reforms aimed at modernizing tax administration and improving its relationship with taxpayers and development partners. While these reforms have essentially streamlined tax policy, the broadening of the tax base, the digital transition, the improvement of the business climate, and the adaptation of the tax administration to the institutional and international environment should be continue.

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