

CIRCULAR N° 020 /MINFI/ DGI/LRI/UEIR of **08 MAY 2024**,
laying down the practical procedures for the implementation of
the obligations of legal persons and arrangements in respect of
beneficial ownership.



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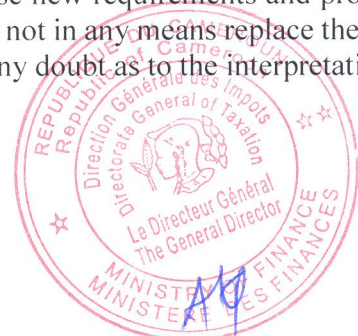


THE DIRECTOR GENERAL OF TAXATION

TO

- *The Head of the Internal Audit Office;*
- *Directors and persons ranking as such;*
- *Heads of Regional Tax Offices;*
- *Deputy Directors and persons ranking as such;*
- *Heads of Services and persons ranking as such.*

1. The Finance Law for the year 2023 has introduced in the domestic legal framework, the standard on beneficial ownership incorporated in article M8d of the Manual of Tax Procedures (MTP). This standard places a number of obligations on legal persons and legal arrangements, such as :
 - the obligation to determine and identify the beneficial owner ;
 - the obligation to file a copy of the beneficial ownership information with the Tax Administration ;
 - the obligation to retain the information and to maintain an internal register of beneficial owners ;
 - the obligation to update the beneficial ownership information whenever there are changes ;
2. To ensure the effective implementation of this standard, the following regulations have been issued :
 - Decree No. 2023/06801/CAB/PM of September 27, 2023 laying down the application of Article M8d of the General Tax Code relating to the transparency of beneficial ownership;
 - Ministerial Order No. 00000761/A/MINFI/DGI of 4 December 2023, specifying procedures for implementing certain provisions of Decree No. 2023/06801/CAB/PM of September 27, 2023 laying down the application of Article M8d of the General Tax Code relating to the transparency of beneficial ownership.
3. This circular clarifies the practical modalities for applying these new requirements and provides appropriate guidance for their effective implementation. It does not in any means replace the legal and regulatory provisions which it merely clarifies. If there is any doubt as to the interpretation of



the terms thereof, reference should be made to the legal and regulatory provisions, and if necessary, contact the tax administration to seek clarification.

1. DEFINITION OF CONCEPTS

1.1 The concept of beneficial owner

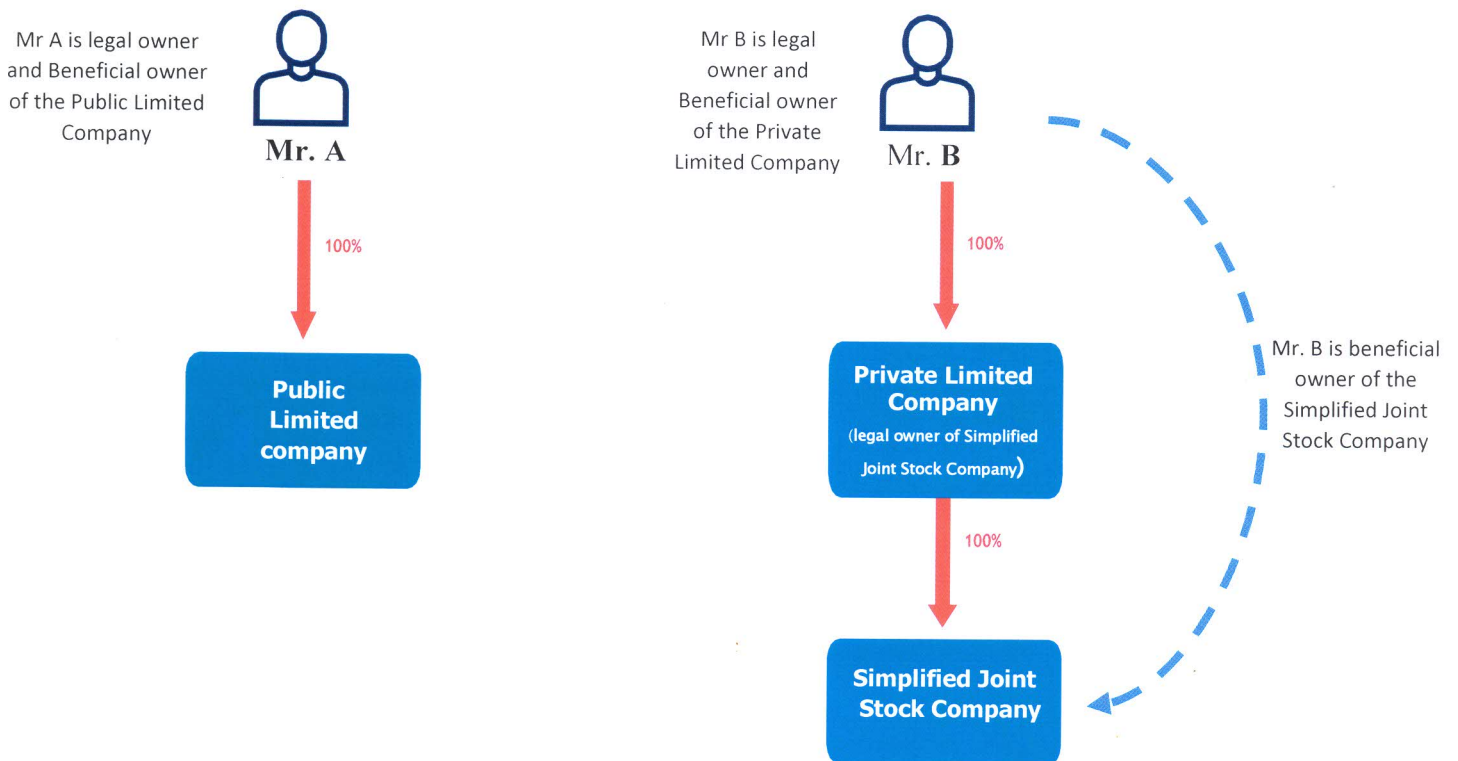
4. Under Article 2 of Decree N° 2023/06801/CAB/PM of September 27, 2023 laying down procedures for implementation of Article M8d of the General Tax Code, relating to the transparency of the beneficial ownership, a **beneficial owner** refers to **“the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those natural persons who exercise ultimate effective control over a legal person or arrangement.”**
5. The terms **“ultimately owns or controls”** and **“exercise ultimate effective control”** refer to situations where ownership or control is exercised through a chain of ownerships or by means of control other than direct control.
6. Accordingly, only a natural person can be an ultimate beneficial owner. This implies that, a legal person such as a company, or a legal arrangement cannot be a beneficial owner and any entity of this type must be examined beyond the apparent legal ownership structure to determine its beneficial owner.
7. In addition, more than one natural person can be the ultimate beneficial owner of a given legal person or arrangement.

1.2 Distinction between the beneficial owner and the legal owner of an entity

8. The legal owner of an entity is the person who holds the legal title to ownership, such as shares. The legal owner can be a legal person or a natural person.
9. However, beneficial owners are always the natural persons who ultimately own or control an entity or legal arrangement directly or indirectly. These are generally hidden/concealed/undisclosed natural persons/who control the person whose identity is revealed or the entity subject to declaration. Unlike the legal owner, the beneficial owner does not necessarily have legal title.
10. Illustration of the difference between a legal owner and a beneficial owner.



Example 1:



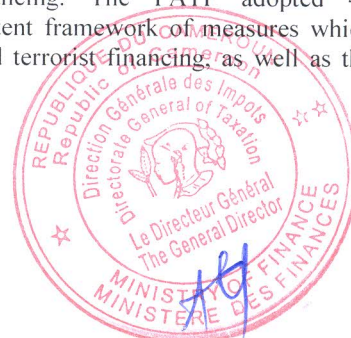
Mr. A is the legal owner of the Public Limited Company, just as the Private Limited Company is the legal owner of the Simplified Joint Stock Company and Mr. B is the legal owner of the Private Limited Company, as all three hold legal title (shares) in these companies. On the other hand, the only beneficial owners are Mr. A and Mr. B, both natural persons and each holding more than 20% of the capital of the Public Limited Company, and the Simplified Joint Stock Company respectively.

In this example, the natural persons are beneficial owners by virtue of legal ownership. However, it should be noted that the possession of a legal ownership is not the only basis for the status of beneficial owner since a person could be beneficial owner without holding a legal title, due to the exercise of control by other means.

1.3 The Concept of Legal Person

11. The Financial Action Task Force (FATF)¹ defines legal persons as “any entities other than natural persons that can establish a permanent customer relationship with a financial institution or

¹ The Financial Action Task Force (FATF) is an intergovernmental policy-making body that sets international standards for anti-money laundering and counter terrorism financing. The FATF adopted 40 recommendations in 2012 which set out a comprehensive and consistent framework of measures which countries should implement in order to combat money laundering and terrorist financing, as well as the financing of proliferation of weapons of mass destruction



otherwise own property. This can include companies, bodies corporate, foundations, Anstalt², partnerships, or associations and other relevantly similar entities”.

1.4 The Concept of Legal Arrangement

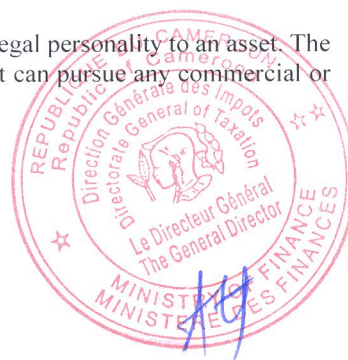
12. Article 2 of Decree No. 2023/06801/CAB/PM of September 27, 2023 laying down procedures for the application of Article M8d of the General Tax Code on transparency of beneficial ownership defines legal arrangements as the set of legal relationships or operations by which one or more persons having the status of settlors transfer goods, rights or securities, or a set of goods, rights or securities, present or future, to one or more other persons having the status of trustees or administrators who, (while keeping them separate from their own assets), act for a specific purpose for the benefit of one or more beneficiaries.
13. This category includes trusts, fiduciaries and other similar legal arrangements, including foreign-incorporated legal arrangements whose administrators or managers are domiciled in Cameroon or whose assets are located therein.
14. Trust or fiducie, refers to a legal act in which an individual or a legal entity (the settlor) transfers all or part of its property (including control thereof) to a third party or to several institutions, the trustee(s), on behalf of one or more beneficiaries.

2. ENTITIES WITHIN THE SCOPE OF THE REQUIREMENT TO MAINTAIN A REGISTER OF BENEFICIAL OWNERS

2.1 Reporting entities

15. The following entities are subject to the beneficial ownership requirements provided for in Article M8d of the Manual of Tax Procedures (MTP):
 - all legal entities subject to the obligation of tax registration under Article M1 of the General Tax Code. These are legal entities who are liable to payment of a tax, duty or fee or advance payment of tax, duty or fee provided under the provisions of the General Tax Code, in their capacity as tax bearers or taxpayers;
 - persons subject to anti money laundry and the financing of terrorism and the proliferation of weapons of mass destruction regulations in Central Africa;
 - collective investment schemes (*organismes de placements collectifs*);
 - associations, foundations and, in general, any non-profit organisation established in Cameroon;
 - administrators of legal arrangements registered abroad, but resident in Cameroon;
 - foreign companies which carry out economic activities in Cameroon without having a head office therein.

² "Anstalt," is a unique legal entity in Liechtenstein law, consists of giving a legal personality to an asset. The special feature of this establishment which is similar to a foundation is that it can pursue any commercial or non-commercial purpose



16. In addition, in accordance with the provisions of article 6 of Decree No. 2023/06801/CAB/PM of September 27, 2023, persons subject to the anti-money laundering and financing of terrorism and weapons proliferation regulations of mass destruction in Central Africa (AML/CFT), are required to identify the beneficial owners of their legal entity clients, to update and keep the information of the said beneficial owners.
17. Among those subject to Anti-Money Laundering and the Financing of Terrorism (FAML/FT) regulations are: financial institutions and their broker service providers to companies and trusts, external auditors, chartered accountants, tax advisors, lawyers, notaries, bailiffs and other independent legal professionals, in particular court administrators, court-appointed judicial representatives (mandataires judiciaires) and licenced auctioneers.
18. Financial institutions are understood to mean banks, microfinance establishments, leasing establishments, foreign exchange bureaux, insurance and reinsurance companies.

2.2 Exempt entities

19. In accordance with the provisions of Article 7, of Ministerial Order No. 00000761/A/MINFI/DGI of December 4, 2023, Public Establishments and State-Owned Enterprises or companies owned by other State-Owned Enterprises are exempt from the obligation to identify and declare their beneficial owners.
20. However, semi-public companies are within the scope of Article M8; hence, and required to declare their beneficial owners.

3. DETERMINATION OF BENEFICIAL OWNERS

3.1 Criteria for determining beneficial owners of legal persons

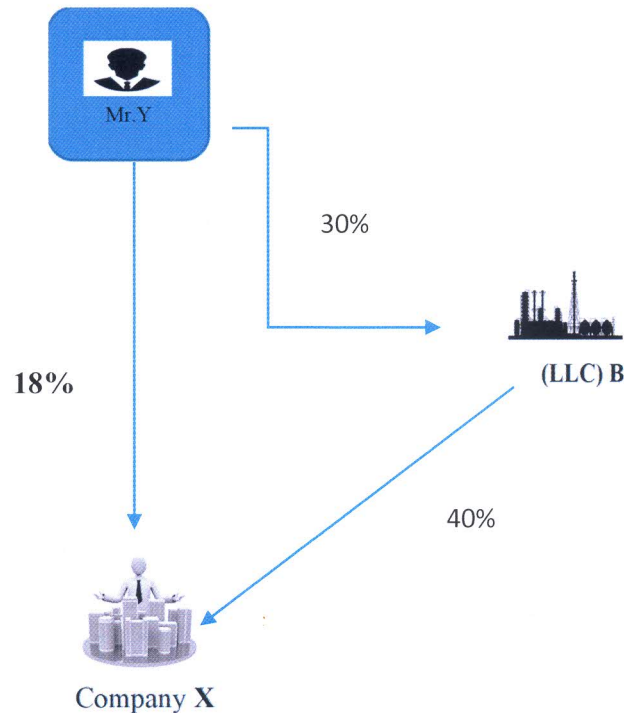
21. Under Article 3 of Decree N°2023/06801/CAB/PM of September 27, 2023 laying down procedures for the application of Article M8d of the General Tax Code on transparency of beneficial ownership the determination of a beneficial owners is conducted following a three-tier approach.
22. According to this method known as “cascade”, legal entities must determine the beneficial owner(s) by first carrying out step (1). Irrespective of whether beneficial owners are identified in step 1, they must proceed to step 2 identify any natural persons who exercise control by other means. If step (2) still does not beyond any doubt, then entities must carry out step (c).

Step 1:

23. Identify the natural persons who directly or indirectly, whether acting alone or together, ultimately own twenty (20) percent or more shares or voting rights of the legal person.
24. When the natural persons holding the shares of a legal person jointly have unlimited liability, they are all beneficial owners, regardless of their share capital ownership or voting rights in the legal person.



Example 2: Control by ownership of 20% or more shares



Mr. Y holds **18%** of the share capital and voting rights of Company X directly which does not reach the minimum required threshold to be considered a beneficial owner (i.e 20%).

However, his 30% stake in the capital of Company B (LLC) which owns 40% Company X, also gives him an indirect holding of **12%** ($30\% \times 40\%$). By combining his total holding he becomes a **30%** ($18\% + 12\%$) holder of the capital of Company X; hence, he must be declared as the **beneficial owner** of Company X.

Step 2:

25. If no natural person is identified in step (1) as beneficial owner, or if there are doubts about the beneficial ownership status of persons identified in step 1, then natural persons who control, by any other means, *de facto* or *de jure* the legal entity, are identified as beneficial owners.
26. Examples of control by other means include:
 - *Differential voting rights:* Different classes of shares may give certain shareholders more control than others, for example through double voting rights.
 - *Power to appoint the majority of senior management:* Control over a legal person may be exercised if an individual has the power to appoint the majority of senior management directly or indirectly (e.g., if the power is vested in a company which in turn is wholly



