

Tax Treaty Between Cameroon and Czech Republic – Details

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Report from Aisha Aize Isa, Principal Associate, IBFD

Details of the [Cameroon - Czech Republic Income Tax Treaty \(2023\)](#), signed on 7 February 2023, have become available. The treaty was concluded in the Czech, French and English languages, each text having equal authenticity. In the case of divergence, however, the English text prevails. The treaty generally follows the [UN Model \(2011\)](#).

The maximum rates of withholding tax are:

- 10% on dividends ([article 10\(2\)](#) of the treaty);
- 10% on interest reduced to 0% when paid by Government or Central Bank of a contracting state to Government or Central Bank of the other contracting state, government owned institutions for export promotion, the interest is connected with the sale on credit of any merchandise or equipment or any loan or credit guaranteed by the Government or its instrumentality ([article 11\(2\)](#) and [\(3\)](#) of the treaty); and
- 10% on royalties and fees for technical services ([article 12\(2\)](#) of the treaty).

Deviations from the UN Model include that:

- [article 2](#) (Taxes covered) of the treaty does not include taxes on capital or taxes imposed on total capital;
- [article 3](#) (General definitions) of the treaty includes definitions for enterprise ([article 3\(1\)\(f\)](#)) and business which covers professional services and activities of an independent character ([article 3\(1\)\(g\)](#)); the definition of internal traffic does not make reference to the place of effective management ([article 3\(1\)\(j\)](#));
- [article 4](#) (Resident) of the treaty tie-breaker rule for non-individuals allows the competent authorities of the contracting state settle issues of dual residence using the mutual agreement process and deny benefits where such agreement cannot be met ([article 4\(3\)](#));
- [article 5](#) (Permanent establishments) of the treaty extends the examples of permanent establishment to include sales outlet ([article 5\(2\)\(g\)](#)) and warehouse ([article 5\(2\)\(h\)](#)); the definition of permanent establishment is extended to cover exploration of natural resources using a drilling rig or ship ([article 5\(4\)](#)); there is a prerequisite for activities to be of preparatory or auxiliary character to all qualify for a permanent establishment exclusion;
- [article 7](#) (Business Profits) of the treaty reduces the scope of source state taxation to only profits attributable to the permanent establishment and sales of goods or merchandise that are the same or similar to those done through the permanent establishment ([article 7\(1\)](#)); no profit is attributable to a permanent establishment for activities of mere purchase ([article 7\(5\)](#));
- [article 8](#) (alternative a) (Shipping and air transport) does not make reference to place of effective management ([article 8\(1\)](#)) or include provisions on operation of boats engaged in inland waterways transport. In addition, the article classifies profits from rental on bare boat basis and incidental profits of ships or aircraft in international traffic derived from the use or rental of containers in taxable income ([article 8\(2\)](#));
- [article 9](#) (Associated enterprises) does not give provision for granting or denying corresponding adjustments;
- [article 10](#) (Dividends) allows for the application of a branch tax of 10% on the profits of a permanent establishment;
- [article 12](#) (Royalties and fees for technical services) includes in-scope payments made for fees for technical services ([article 12\(2\)\(b\)](#));
- [article 13](#) (Capital gains) of the treaty makes no reference to place of effective management for capital gains from sale of ships and aircrafts. In addition, there is a general provision that allows for source state taxation for gains from the alienation of shares ([article 13\(4\)](#));
- [article 14](#) (Income from employment) includes a provision on how the duration threshold should be determined and a definition for the term employer. In addition, place of effective management is not used for remuneration connected to international traffic ([article 14\(4\)](#) and [\(5\)](#));
- [article 15](#) (Directors' fees) the wording is similar to the [OECD Model \(2014\)](#) but includes reference to other similar organ of a company;
- [article 17](#) (Pensions) text deviates from that of the UN Model but allows for exclusive taxation by the paying state with no provision covering the treatment of payments under a social security scheme;
- [article 19](#) (Students and business apprentices) ensures the non-discrimination with respect to tax treatment of other payments received for by foreign students not covered by paragraph 1 ([article 19\(2\)](#));
- [article 20](#) (Other income) allows the source state tax any other income derived from it;
- [article 22](#) (Non-discrimination) does not contain provisions regarding taxation of capital (paragraph 4);

- [article 24](#) (Exchange of information) does not contain the sentence regarding preventing avoidance or evasion of taxes; and
- [article 26](#) (Entitlement to benefits) contains the principal purpose test and allows the contracting states to apply their domestic anti-avoidance rules.

The treaty does not include any protocol.

Cameroon; Czech Republic - Tax Treaty Between Cameroon and Czech Republic – Details (07 Mar. 2023), News IBFD.

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