



# Technical Update

## Tax and Corporate Services

April 2018

### 1. New Public Holiday on the 20th of May

**Ministry of Labor and Vocational Training (MLVT) – Prakas No. 084/18 on the Public Holiday, “The Day of Remembrance”**

This Prakas establishes a new public holiday on the 20th of May every year, allowing all employees in all enterprises or establishments as prescribed under Article 1 of the labor law, to have one day’s paid public holiday. If the public holiday falls on a Sunday, the employees shall be given one day off on the following working day.

### 2. Extension of deadline to renew foreign work permit until 30 April 2018

**MLVT – Notification No. 012/18 dated 29 March 2018 on the extension of deadline for renewal of foreign work permits from original deadline 31 March 2018 to 30 April 2018**

The MLVT has announced that foreigners having businesses or working in Cambodia will be given an extension until 30 April 2018 to apply for their work permits.

**Commentary:** In our February 2018 Technical Update, we highlighted the MLVT and the Immigration Department’s increased enforcement of work permit requirements through their joint inspection teams. We encourage all those who have not applied for, or applied for renewal of, their work permits to date, to take advantage of this deadline extension. Failure to obtain a valid work permit may result in fines of KHR40,000 per day (approximately US\$10) for late registration/renewal. Failure to comply with the foreigner work permit requirements could result in administrative fines of up to US\$630 for each offense or up to US\$900 by the Court. The Law on Immigration applies further penalties to foreigners such as imprisonment and deportation.

### 3. New regulations clarifying conditions to connect Solar PV electricity into the National Grid

**Electricity Authority of Cambodia (EAC) Regulation No. 018 dated 26 January 2018 on the general conditions for connecting solar photovoltaic (PV) generation sources to the Electricity Supply System of the National Grid or to the Electrical System of a consumer connected to the Electricity Supply System of the National Grid**

This regulation clarifies the conditions to connect solar

electricity from solar panels to the National Grid. The regulation provides that consumers may install solar PV systems for their own consumption as long as they do not interfere with the National Grid. Only Big Consumers (medium voltage consumers) and Bulk Consumers (high voltage consumers) can consume electricity generated from their solar PV systems and also be synchronized with the National Grid.

A two-part tariff system is applicable to these Big and Bulk Consumers. Their proposed solar project must first be examined by Electricité Du Cambodge (EDC). The EDC’s permission, if issued, is valid for one (1) year in which the project must commence within this period. It is unclear whether this validity period can be extended. Solar projects must be developed in accordance with the National Plan. If a proposed project is not included in the National Plan, it must first be approved by the Ministry of Mines and Energy (MME) and the EDC, before electricity generated from the project may be connected to the National Grid.

**Commentary:** These regulations have undoubtedly clarified the conditions for consumers to contribute their electricity to the National Grid. With a clearer legal framework, businesses will be more willing to invest in this source of renewable energy in Cambodia.

### 4. Issuance of Permission Letters for commercial operations and services

**Ministry of Commerce (MoC) – Prakas No. 080 dated 05 March 2018 on the management and issuance of Permission Letters for commercial operations and services**

This regulation requires all merchants, traders, and service providers who are exempted under Article 4, category 1, of Prakas 025 dated 24 January 2018 on the classification of taxpayers under the self-assessment regime, to apply for a business permission letter at the Municipal or Provincial Department of Commerce in their area.

Article 4, category 1, of Prakas 025 applies to Small Taxpayers, being Sole-Proprietorships or Partnerships that:

- a) have annual turnover from 250 million Riels to 700 million Riels;

- b) have turnover for any three consecutive months in the current calendar year from 60 million Riels or above;
- c) have predicted turnover for the next three months from 60 million Riels or above;
- d) participate in bidding, negotiation, or quotation for the supply of goods or services.

Those taxpayers who are exempted under Article 4, category 1, of Prakas No. 025, must register with the Ministry of Commerce via the online system.

Once issued, the approval letter is valid for one (1) year from the date of issuance and must be renewed within thirty (30) days before its expiration.

**Commentary:** The MoC is requiring all merchants, traders, and service providers conducting small businesses in all sectors in Cambodia to properly register with the MoC or Municipal or Provincial Department of Commerce in accordance with this regulation. Any business conducted without a permission letter from the above-mentioned authority is considered illegal, and is subject to closure and/or subject to a financial penalty imposed by the MoC.



## 5. Filing of Memorandum and Articles of Association (M&A)/Statute of Business Associations at the MoC

### MoC Prakas No. 088 dated 07 March 2018 on the lodgment of the statutes of Business Associations in Cambodia

Business associations, being all associations that operate in support of commercial operations, services, and trade in the Kingdom of Cambodia without seeking profits, must file their M&A or statute at the Department of Private Sector Development of the MoC upon registration or having obtained approval to operate their business from the appropriate authority. There is no applicable public service fee.

If there is a change in the M&A or statute, such as change of address or internal management policies, the new M&A or statute must be filed again within thirty (30) days of that change. A business association that ceases its operations must notify the MoC in a written letter. A business association that is registered but has not filed its M&A or statute is not considered to be a valid business association.

This Prakas abrogates the MoC Prakas No. 046 dated 23 January 2013.

**Commentary:** The Ministry of Commerce aims to monitor the registration of business associations and other types of enterprises. Therefore, to avoid any rejection or loss of legal recognition, all business associations are urged to file their Statute, submit annual reports of their activities, and notify the MoC of any changes as mentioned above.

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