

Technical Update

May 2019

1. Investment and Trade-Reforms announced at the 18th Government-Private Sector Forum (G-PSF)

Keynote Address made by the Prime Minister (PM) at the "18th G-PSF" on 29 March 2019

The following is a summary of existing and new reforms for implementation:

1. Removal of Cambodia Import-Export Inspection and Fraud Repression Directorate General (CAMCONTROL) from border crossings and elimination of Kampuchea Shipping Agency & Broker (KAMSAB)
2. Elimination of Certificates of Origin (CO) for countries where they are not required
3. Reduction of costs in logistics, lift-on/lift-off services and service charges at ports
4. Reduction of electricity costs from 2019 onwards
5. Development of Small and Medium-sized Enterprises (SMEs) – tax and customs incentives as well as other incentives will be made available for SMEs in priority sectors.
6. Trade facilitation measures under the General Department of Customs and Excise (GDCE)
7. Business facilitation measures under the General Department of Taxation (GDT)
8. Reducing the number of public holidays – seven (7) holidays to be removed from 2020
9. Reviewing and developing lists of institutions and timings for inspections at factories
10. Establishing co-payment rates for the future pension scheme
11. Determination of duration and number of days for seniority payments. Seniority payments are not to be subject to tax and are deductible expenses
12. Review of the Labor Law in line with the new economic context
13. Minimum wages in the garment sector
14. Development of the agricultural sector
15. Transforming the Rural Development Bank to the Rural and Agricultural Development Bank
16. Railway transportation
17. Reform measures that are being prepared for implementation as follows:
 - Finalize the Amendment of the Law on Investment and the Law on Special Economic Zones
 - Review and study the feasibility on harmonization of business registration and facilitation of business registration
 - Export market diversification.

2. Investment- Investment Incentives for Expansion of Qualified Investment Project ("QIP")

Royal Government of Cambodia – Sub-Decree No. 33 of 13 February 2019 on the Amendment of Article 15 of Sub-Decree No. 111 on the Implementation of the Law on the Amendment of the Law on Investment

Sub-Decree No. 33 provides additional investment incentives (i.e. exemption period for Tax on Income (ToI) to QIP companies that expand their investment project.

Expansion of investment project refers to:

- Expansion of an existing production line
- Expansion by modifying business objectives for different product(s) that are in the same production line
- Expansion by installing modern technology to increase production capacity or protect the environment
- Expansion of infrastructure serving basic telecommunication services.

Similar to new QIPs, the Tol exemption period for an expansion project comprises a trigger period, plus a three-year period, plus a priority period:

- The trigger period starts when the expansion project is recognized as a QIP and ends when the expansion project derives its first revenue.
- The priority period is determined by the Law on Financial Management in force.

QIP companies are required to maintain proper accounting records. QIP companies that do not maintain proper accounting records will be subject to minimum tax of 1% of total turnover including other taxes, besides value added tax.

3. Commerce – Exports- Certificates of Origin

Inter-Ministerial Prakas No. 1672 of 28 December 2018 on Updated Procedures for Export

This Prakas replaces Inter-Ministerial Prakas No. 233 dated 29 November 2013 and aims to facilitate the export of goods as follows:

- Exports which do not require a certificate of origin (CO):
 - For the export of products that do not require a CO, the exporters are not required to file applications for a CO
 - A notification letter must be sent to the MoC (in the form as attached in Annex 1 of the Prakas) through the MoC's online portal at <https://co.moc.gov.kh/> within thirty (30) days from the export date.
- Exports which require a CO:
 - If a CO is required, exporters must file requests for a CO and pay an official fee.

Exporters under the preferential schemes including Everything But Arms (EBA) and the General System of Preferences (GSP), must register in the European Union's Registered Exporter System - REX.

Other conditions and procedures for CO applications and exporter registrations are stated in the Prakas.

4. Commerce – Annual Declaration of Commercial Enterprises (ADCE)

Ministry of Commerce (MoC) Letter No. 4354 of 4 December 2018 on ADCE Filing

Enterprises are reminded that filing of the ADCE via the online system does not require the MoC official's review and approval. The MoC also reminds enterprises to properly check and make sure the email address in their filing is correct. Enterprises will be responsible for late filing of the ADCE and liable to a penalty of 2,000,000Riels (~ US\$500). All enterprises will be notified about the ADCE filing due date by reminder email four times.

Commentary: The enterprise can also find the date for filing the ADCE when logging into the enterprise's MoC account. However, there is sometimes confusion because the actual final deadline for the ADCE filing is three (3) months after the filing due date stated by the MoC.

5. Customs – GDCE Public Service Fees (General Department of Customs & Excise)

MoEF- Prakas No. 1608 dated 21 December 2018 on the provision of public services of the GDCE

The MoEF public service fees have been updated and are effective from 1 January 2019.

Certain public services including but not limited to requests for advance rulings, customs permits and consultation services have been added to this new Prakas. The amount of taxes and fees for some services have been updated.

As a committed tax and corporate consultant, we welcome the opportunity to discuss the applicability of these laws and regulations to your business at your request.

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