

Tax Alert



Notification on Implementation of Sub-Decree on Tax Incentive for Small and Medium Enterprises (SMEs) in the Priority Sector

(Notification No. 20515 GDT, dated 21 December 2018)

The General Department of Taxation (GDT) recently issued this notification no. 20515 pursuant to Sub-Decree no. 124 dated 2 October 2018 issued by The Royal Government of Cambodia on tax incentive for SMEs. This notification aims to advise on implementation on the Sub-Decree. Those SMEs, in the priority sector, who would like to request for tax incentive from the GDT shall submit supporting documents to the GDT as follow:

<p>Exemption of Tax on Income (Tol), Prepayment of Tol and Minimum Tax:</p> <ul style="list-style-type: none"> • Company statute; • Approval letter for operating business or certificate of incorporation and certificate of tax registration including patent certificate; • Business planning and financial statements for registered companies; • Contracts or agreements for purchase of goods or services; • Employment contracts and human resource planning; and • Lease agreement or certificate of ownership of the immovable property, the business address of the SME. 	<p>Tax incentives for deductible expenses:</p> <ul style="list-style-type: none"> • Company statute; • Approval letter for operating business or certificate of incorporation and certificate of tax registration including patent certificate; • Business planning and financial statement for registered companies; • Contracts or agreements for purchase of goods or services; and • Training program for employee.
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For more details, please refer to the notification.

Effectiveness Implementation of Double Taxation Agreements (DTAs)

(News on notification, dated 27 December 2018)

The GDT issued a notification to inform the effective implementation of the following:

- The DTA between Cambodia and China signed on 13 October 2016;
- The DTA between Cambodia and Brunei signed on 27 July 2017; and
- The DTA between Cambodia and Vietnam signed on 31 March 2018.

The three agreements above shall be enacted and effectively implemented starting from 1 January 2019 onwards.

Law on Financial Management (LoFM) for the year 2019 to amend on Tax Provision

(LoFM 2019, dated 14 December 2018)

The recent 2019 Law on Financial Management provided certain changes to Article 5 and 7 of the Law on Taxation (LoT) which is extracted as follows:

Article 5 New:

Tol shall now be calculated from accounting results from each calendar year. Enterprise, with overseas parent company, can request for a different tax year from calendar year. Physical person shall also be subjected to Tol, calculated from total income realized in each calendar year.

Article 7-New (One):

Taxable income is the net income realized from business activities and other non-business activities by physical or legal person. Taxable income includes capital gains, interest, rent, royalty and income from financial assets or investment assets, as well as real estate income.

Legal person's taxable income shall now be the net result of adjusted accounting result in the tax year in accordance with the tax provisions. Physical person's taxable income shall be the net result from total income in the tax year by deducted expenditures and depreciation in which is determined by the Sub-Degree.

For more details, please refer to the 2019 LoFM.

As a committed tax advisor to our clients, we welcome any opportunity to discuss the relevance of the above matters to your business.

Contact us

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