

# Tax Alert



## **Suspension on the Prepayment of Tax on Income of Agricultural Enterprises**

*(Prakas No. 100, dated 29 January 2019)*

The Ministry of Economic and Finance has recently issued this Prakas, to provide suspension of 1% Prepayment of Income Tax for agricultural business for a period of 5 years starting from 2019 onwards, to encourage development in the sector.

The agricultural products covered under this Prakas include rice paddy, corn, bean, pepper, cashews, cassava and rubber. This suspension requires enterprises to be compliant with their tax obligations as well as maintain proper accounting records.

For more details, please refer to the Prakas.

## **Procedures for the Request of Recognition, the Use of Tax Invoice and Tax Obligations of Agents Supplying Goods or Services on Behalf of Principal Enterprises**

*(Instruction No. 1543 GDT, dated 23 January 2019)*

Following the Prakas 597, the General Department of Taxation (GDT) recently issued this Instruction to provide procedures for agents.

The procedures are as follows:

### **Certificate:**

The agents must complete a provided form and submit to the GDT to obtain the agent certificate. The agents can complete additional forms if there are multiple principals.

### **Invoicing:**

Agents can choose either their own invoice format or principal's invoice format for sales of goods/services. However, the principal(s) is still responsible for keeping compliance with invoicing requirement by the GDT.

### **Tax declaration:**

Agents must submit tax declarations on the commission from the principal whereas the principal must declare taxes on the sales of goods or services by the agents.

Failure to obtain agent certificate can result in assessment by the GDT that the agents are supplying their own goods/services, rather than on behalf of the principal.

For more details, please refer to the Instruction.

## Value Added Tax (VAT) refund online

*(Instruction 001 MEF, dated 9 January 2019, Instruction 776 GDT, dated 16 January 2019)*

The Ministry of Economy and Finance (MEF) recently issued Instruction 001 MEF to implement a new online system in addition to the recent Prakas 576 which provides mechanism for VAT refund. This system records VAT of the GDT for the purpose of managing VAT refund or credit utilisation requests for taxpayers.

The online request procedures as provided by the Instruction are as follows:

The Taxpayer
<ul style="list-style-type: none"><li>- register in the system at <a href="http://www.tax.gov.kh">www.tax.gov.kh</a>;</li><li>- select VAT for refund request and enter the detailed data following provided format;</li><li>- review and reconcile the information;</li><li>- print out and submit the form to the Department of Administration and General Works.</li></ul>
General Department of Taxation
<ul style="list-style-type: none"><li>- review the comprehensiveness and accuracy of request and document;</li><li>- issue receipt of documents if correct or notify requestor to correct or reject the request;</li><li>- issue a notification of VAT refund to the taxpayer, disclosing the approved refund amount;</li><li>- send money order to the National Treasury Department to make payment to the taxpayer.</li></ul>

Similarly, for VAT credit utilisation requests, taxpayers can print out and submit a report on the usage of VAT credit attached with relevant monthly VAT return(s).

For more details, please refer to the Instruction.

## Tax Incentive for the Securities Sector

*(Sub-Decree No. 01, dated 4 January 2019)*

A new Sub-Decree has been issued recently by the Royal Government which provides tax incentives for the securities sector and as a kind of extension of existing tax incentives expired by 2018. These incentives aim to attract more investors to grow the stock market further.

The tax incentives can be summarised as follows:

Tax incentives	<ul style="list-style-type: none"> <li>- 50% of Tax on Income (ToI) payable up to 3 years counting from the year of the issuance of Initial Public Offering (IPO) or the following year if the issuance of IPO is within the last 6 months of tax year or any period approved by the MEF.</li> <li>- Waiver of tax debt on Tax on Income (ToI), withholding tax, VAT, specific tax, accommodation tax and public lighting tax from:             <ul style="list-style-type: none"> <li>• 3 – 10 years for companies/enterprises that fulfil the criteria for listing in the primary market.</li> <li>• 2 – 10 years enterprises that fulfil the criteria for listing in the secondary market.</li> </ul> </li> <li>- 50% of Withholding Tax on interest and dividend up to 3 years for public investor.</li> </ul>
Scope	<ul style="list-style-type: none"> <li>- Companies/enterprises listed and approved to make IPOs.</li> <li>- Existing listed companies may receive tax incentive in the first point above on 50% of ToI payable.</li> <li>- Public investors who hold and/or buy-sell securities on the stock exchange.</li> <li>- Not applicable for Qualified Investment Project enterprises that is under tax holiday period.</li> </ul>
Requirements	<ul style="list-style-type: none"> <li>- Tax compliance certificate issued by the GDT indicated the regular tax declaration and payment and not under tax audit yet.</li> </ul>
Termination	<ul style="list-style-type: none"> <li>- Failure to comply with tax declaration and payment;</li> <li>- Failure to comply with tax audit review of accounting records and other document; and</li> <li>- Failure to pay any tax reassessment.</li> </ul>

For more details, please refer to the Sub-Decree.

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

### KPMG Cambodia Ltd.

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