

Technical Update

June 2020

Further Tax Reliefs from the Royal Government

(Letter No.13052 GDT, dated 28 May 2020)

Following the Royal Government's announcement of a 4th round of reliefs for the private sector, the General Department of Taxation (GDT) issued Letter No. 13052, dated 28 May 2020, to provide internal instructions to other tax administration units on the implementation of the tax reliefs for airline companies, certain tourist-related enterprises and banking and microfinance institutions. The tax reliefs are as follows:

Airlines sector

Airline companies registered in Cambodia and still operating, shall receive a further exemption of Minimum Tax (MT) for the two months of June and July 2020. During this exemption period, they are not required to pay the monthly 1% Prepayment of Tax on Income.

Tourism sector

Enterprises operating registered hotels, guesthouses, restaurants and travel agency companies in Phnom Penh city, Siem Reap, Sihanouk, Kep and Kampot provinces, and Bavet and Poi Pet cities, shall be further exempted from payment of all kinds of monthly taxes for the taxable months of June and July 2020.

Taxpayers must still comply with their tax return declaration obligations and use the online VAT management system (E-VAT).

Banking and microfinance sector

For domestic banks and microfinance institutions in Cambodia:

- a) The Withholding Tax (WHT) rate on interest from new loans, whether borrowed from local or foreign sources or from Double Tax Agreement (DTA) partnered countries or not, shall be reduced to 5% and 10% in 2020 and 2021 respectively. The WHT rates shall revert back to the normal rate in 2022.
- b) WHT on interest from existing loans, either borrowed from local or foreign sources or from DTA partnered countries or not, shall be reduced to 10% for 2020 and revert back to the normal rate in 2021.



Our comments

These further tax reliefs from the government, in addition to the tax reliefs already provided in previous months (February, March and April 2020), should further help to alleviate those businesses seriously impacted from the Covid-19 outbreak as well as aiming to assist with the long-term recovery of the banking and microfinance sector.

The MT exemption for airline companies and the exemption from payments all monthly taxes for applicable tourism enterprises is essentially another two-month extension to the previous tax reliefs provided in April 2020.

For the banking and microfinance sector, the reduction in the WHT rate on interest from loans should incentivize lenders to give loans to financial institutions in Cambodia, potentially making it easier for the banks and microfinance institutions to borrow money and help in the recovery of the economy for the near future.

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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Please contact us if you have any questions:

Phnom Penh

PO Box 2352
4th Floor, Delano Center
No.144, Street 169, Sangkat Veal Vong,
Khan 7 Makara, Phnom Penh,
Kingdom of Cambodia

T: +855 23 216 899

F: +855 23 216 405

E: kpmg@kpmg.com.kh

Michael Gordon

Senior Advisor,

Partner

T: +855 23 216 899 (ext. 7222)

E: mgordon@kpmg.com.kh

Nguon Socheata

Director

T: +855 23 216 899 (ext. 7217)

E: nsocheata@kpmg.com.kh

Tan Mona

Partner

T: +855 23 216 899 (ext. 7221)

E: tmona@kpmg.com.kh

Song Kunthol

Director

T: +855 23 216 899 (ext. 7202)

E: skunthol@kpmg.com.kh

So Dary

Partner

T: +855 23 216 899 (ext. 7277)

E: daryso@kpmg.com.kh

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