

# Technical Update

July 2021

## Royal Government's 9<sup>th</sup> Round of Tax Relief Measures to Support the Important Sectors

*(Letter No. 01 BKP, dated 29 June 2021)*

In addition to the tax relief measures provided in March 2021, the Royal Government of Cambodia has provided further relief measures for certain industries which have continued to face pressure from the ongoing outbreak of COVID-19 in Cambodia.

For this purpose, the Royal Government issued an announcement letter No. 01 BKP dated 29 June 2021 on the instruction of the government's 9<sup>th</sup> round of tax relief measure provided to major sectors of the economy which are heavily impacted by the pandemic, which includes the garment, airline, tourism, and transportation and logistics sectors.

The additional tax relief and incentive measures are as follows:

### Garment Industry

- Continue to provide an allowance of USD40 per month for each worker in the garment, textile, footwear, travel accessories, and bag industries for an additional 3 months from July to September 2021. The factory owners in these sectors must contribute an additional allowance of USD30 per worker (i.e., each worker will receive a total combined allowance of USD70 per month).
- Continue to waive the payment of the contribution for Social Security Schemes on Occupational Risk and Health Care to the National Social Security Fund (NSSF) during the business suspension or cessation.
- Continue to postpone the implementation of Social Security on Pension Scheme for another 6 months until the end of December 2021. This extension will be subject to the continuous assessment of the actual socio-economic condition.

### Tourism sector:

- Continue to provide an allowance of USD40 per month for each worker in the tourism sector (e.g., hotels, guest houses, restaurants, and travel agencies) for additional 3 months from July to September 2021. Enterprises and businesses in this sector must contribute a voluntary and practical basis in addition to the Royal Government's allowance.

- For hotels, guesthouses, restaurants, and tourist agencies registered with the GDT and operating in Phnom Penh, Bavet, Poipet, Siem Reap, Sihanoukville, Kep, and Kampot shall continue to be exempted from the payment of monthly taxes of all kinds from July to September 2021.
- Continue to waive the payment of the contribution for Social Security Schemes on Occupational Risk and Health Care to the NSSF during the business suspension or cessation.
- Continue to postpone the implementation of Social Security on Pension Scheme for another 6 months until the end of December 2021. This extension will be subject to the continuous assessment of the actual socio-economic condition.

**Airline sector:**

- Airline companies registered in Cambodia shall be exempted from Minimum Tax (MT) for additional three months, from July to September 2021.
- Continue to defer the payment of civil aviation fees for additional 3 months from July to September 2021, with the permission of the airline to arrange the payment of the debts in stages after this extension period.

**Transportation and logistics sector:**

- Exemption from custom license fees for 2021 and 2022. This extension will be subject to the continuous assessment of the actual socio-economic condition.

**Cash support program for poor and vulnerable families:**

- Continue to implement the cash support programs for poor and vulnerable families during the fights against the spread of COVID-19 for additional 3 months from July to September 2021.

## Our comments

These temporary tax relief measures by the government will help to reduce some pressure on struggling businesses and workers in specific sectors. In respect of the temporary tax exemptions provided, taxpayers still have the obligation to file monthly returns by the due date as normal whether there is tax payable or not. However, for the airline sector, it is unclear whether taxpayers are required to pay the monthly 1% Prepayment of Tax on Income (PTol) during this exemption period. The affected taxpayers may consider seeking further confirmation from the GDT on this matter to avoid any inconsistent interpretation while the matter is not totally clear.

Meanwhile, as the pandemic not only impacts the business sector, but also subjects poor and vulnerable families to further setback, the government has been quick to provide temporary income to affected households to support their daily basic needs.

As per previous practice, the GDT will subsequently issue a letter to provide instructions to implement the tax relief followed by Royal Government of Cambodia announcement on the relief measures mentioned above.

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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