



The Implementation of the Tax Obligation for Credit Guarantee Enterprises

(Instruction no. 19362 GDT, dated 23 November 2021)

The General Department of Taxation (GDT) has recently issued instruction no. 19362 which is effective from 23 November 2021 implementing the tax obligations for credit guarantee enterprises. The rules and procedures for the tax obligations of the credit guarantee enterprises set out as follows:

Tax treatment of Credit Guarantee Fees	<ul style="list-style-type: none"> – Credit guarantee fees shall be treated as similar to income derived by a general insurance service provider.
Tax on Income (ToI)	<ul style="list-style-type: none"> – Similar to general insurance activities, receipt of income from credit guarantee activities shall be subject to 5% ToI, which shall be paid on the 20th of the following month after the income is earned. – The 1% PToI and the 1% Minimum Tax (MT) shall not be applicable. – Other income from activities not related to credit guarantees shall be subject to 20% ToI, 1% PToI, and/or 1% MT, similar to other taxpayers.
Value Added Tax (VAT)	<ul style="list-style-type: none"> – Credit guarantee fees, being treated as an insurance service, shall be considered as a non-taxable supply. Hence, no input VAT credits shall be allowed for purchases related to such credit guarantee activity
Other taxes	<ul style="list-style-type: none"> – The enterprise shall continue to fulfill its other tax compliance obligations under the prevailing tax laws and regulations

Our comments

Instruction 19362 clarifies that credit guarantee activities shall be considered as similar to a general insurance service, subject to 5% ToI on the gross income/premium received and shall be considered as a non-taxable supply for VAT purposes. However, the GDT should provide further clarification as to what type of business activities shall be considered as “credit guarantee activities” which are in scope of this new instruction.

Notification for Enterprise to Settle Tax Debts

(Notification no. 19151 GDT, dated 17 November 2021)

The GDT has issued this notification to inform the taxpayers with outstanding tax debts to settle their tax liabilities by 31 December 2021. The GDT shall publish the list of enterprises and owners who fail to settle their tax debts by 31 December 2021. The GDT shall also implement strict tax debt collection measures for taxpayers with outstanding tax debts, including the following:

- Suspend the import-export operation through the cooperation with the General Department of Customs and Excise of Cambodia;
- Temporary suspend the enterprise's business activity;
- Freeze the bank account(s) of the company and the owner(s) through the request for cooperation with the National Bank of Cambodia;
- Freeze the transfer of immovable and movable properties ownership;
- Invalidate the approval letter and licenses through the cooperation with the Council for Development of Cambodia;
- Bring in the taxpayer to settle the tax debt

through the request for cooperation with the General Commissariat of National Police;

- Seize the assets of the taxpayers; and
- Initiate necessary court proceedings.

Our comments

As good citizens and taxpayers of Cambodia, taxpayers are reminded of their obligation to settle their tax debts with the government on a timely manner to contribute to the development of the national economy. This notification has been issued to gently remind the taxpayers of such obligation.

The measures mentioned in the said notification conveys the government's strict measures in collecting taxes which is the lifeblood of the government. We hope, however, that the GDT will not apply these strict measures in respect of tax debts which are currently in dispute and pending resolution with the GDT.

We expect that the GDT will also implement more aggressive tax audit procedures, coupled with these collection measure to achieve their tax collection budgets.

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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