



Implementation of Value Added Tax on Supply of Unprocessed Agricultural Products

(Prakas 495 MEF dated 6 April 2016)

The Ministry of Economy and Finance (MEF) recently issued Prakas no. 495 MEF, dated 6 April 2016, on the implementation of Value Added Tax (VAT) on the supply of unprocessed agricultural products. Prakas no. 495 MEF aims to ease the burden for the agricultural industry and people involved in the plantation process, by simplifying the VAT rules which are applicable to businesses operating in this industry. These guidelines are in support of the government's policy of exporting rice.

Pursuant to this Prakas, the supply of unprocessed agricultural products shall become non-taxable supplies. Relevantly, the term "unprocessed agricultural products" is defined to include "roots, tuber, stalk, fruit's skin, fruit, flower or seeds from agricultural planting".

Meanwhile, the credit from VAT inputs on import and local purchase of raw materials for the planting of unprocessed agricultural products shall be implemented in accordance with existing Sub-Decree no. 114 on VAT.

This Prakas is effective from 6 April 2016.

Notification on the implementation of amendment of the rate for Specific Tax on Certain Merchandises that are domestically produced

(Notification no. 4227 GDT dated 22 March 2016)

Further to Sub-Decree no. 192, dated 29 December 2015, on the amendment of Customs Duties & Specific Tax on Certain Merchandises (STCM) rates, the GDT has issued Notification 4227 GDT on the implementation of this amendment. The notification specifically refers to only **local production and supply** of beer, wine and cigars.

The new STCM rates will be as follows:

1. **30%** on all kinds of beer products (increase from 25%)
2. **35%** on all kinds of wine products (increase from 20%)
3. **20%** on all kinds of cigar products (increase from 15%).

Meanwhile, the basis of the STCM calculation remains the same as stated in the Notification 015 dated 9 July 2014 and Notification no. 005 dated 19 January 2015.

The implementation of this amendment shall be effective from 1 April 2016 onwards.

Prakas on collection of Stamp Duty

(Prakas no. 273 MEF, dated 17 March 2016)

On 17 March 2016, the Ministry of Economy and Finance (MEF) issued Prakas no. **273 MEF** on the collection of Stamp Duty (SD) to replace the existing Prakas no. 735 dated 8 August 2013, which is abrogated. This new Prakas aims to determine proper procedures for the collection of SD, to ensure effective tax collection and provide certain tax exemptions and tax relief.

In accordance with the 2013 Law on Financial Management, SD shall be applied to:

- The transfer of ownership for immovable properties (IP) or transportation means or share injection as IP in a company,
- Transfer of all or part of the shares in a company,
- Contract for the supply of goods or services using state budget,
- Application for a legal documents (i.e. company establishment, merger and dissolution letters).

SD exemption:

A SD exemption is available for the recipients of an ownership or possession right of:

1. Government concession land;
2. The transfer of IP between biological relatives for the first time only (as per the decision by the government dated 10 January 2016);
3. The transfer of any vehicles with horsepower of 150 cc or less. This exemption shall not apply retrospectively for taxes already paid;
4. Immovable property and transportation means or vehicles of any institutions in the Kingdom of Cambodia, the foreign diplomat or consular mission, international organizations, or other government technical cooperation agencies;
5. The purchase of transportation means or vehicles for resale of a registered Enterprise. However, the purchase of transportation means which are already registered with the Public Transport Institution is not exempted, and
6. Share trading in the Primary or Secondary Market.

**Any company selling bonds to the public through the stock markets will be exempted from SD even if it is required by the Ministry of Commerce to revise their Memorandum of Article and Association (M&A).*

SD Relief:

Tax relief will be available for the recipient of ownership or possession rights in respect of immovable property from a biological relative by allowing a deduction from the tax base of:

- KHR200,000,000 (USD50,000) for a succession;
- KHR100,000,000 (USD25,000) for a donation; and
- KHR100,000,000 (USD25,000) for the Transfer of IP between biological relatives for the 2nd time.

** Supporting documents are required as proof, such as a family book, birth certificate...etc.*

SD rates and value will be determined as follows:

Items	Rate	Value
Immovable property and Transportation means	4%	Market price at the time of transfer to be determined by the MEF
Share transfer	0.1 %	Market price at the time of transfer
Contract value using state budget	0.1 %	The value of the contract
Legal documents (i.e. company establishment, mergers and dissolution letters)	KHR1,000,000	Flat rate for each legal document

** SD is payable by the party who obtains the ownership or rights and must be declared and paid within 3 months to the Tax Office from the date of the transaction. Penalty amounts for non-compliance will be equal to the SD payable.*

The existing Prakas no. 735 dated 8 August 2013 has been abrogated and replaced by the above Prakas, which have added some tax exemptions and tax relief. The detailed clarifications on items subject to SD, exemptions and suspensions, rates and basis for implementation, should assist taxpayers and the public in complying with the regulation.

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

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