

Technical Update TU005/2021

ISSUE IN SEPTEMBER 2021

This article covered one of the important regulations issued by MEF, ACAR and GDT on the following area

THIS NEWSLETTER COVERS

1. NOTIFICATION ON REMINDING OF APPLICATION FOR CHANGING ACCOUNTING PERIOD FOR ENTERPRISE
2. INSTRUCTION ON THE REQUESTING OF APPROVAL LETTER AND TAX CERTIFICATE
3. INSTRUCTION ON INCOME AND EXPENSE RECOGNITION FOR RUBBER PLANTATION INDUSTRY
4. CIRCULAR ON LANGUAGE AND CURRENCY USAGE IN ACCOUNTING RECORD AND FINANCIAL STATEMENT

1. NOTIFICATION ON REMINDING OF APPLICATION FOR CHANGING ACCOUNTING PERIOD FOR ENTERPRISE DATED 8 JULY 2021

This Notification might be interest to General Taxpayers

Pursuant to Royal Code NS/RKM/0416/006 dated 11 April 2016 promulgating the Law on Accounting and Audit on Article 21, it is mentioned that the enterprise is allowed to apply for change of accounting period from accounting period closing on 31 December to another accounting period by stating the proper reason.

In case failure of obtain the approval, the enterprise will be subjected to penalties as stipulated in Sub-decree 79 OrNkr.BK dated 01 June 2020 on Interim Fines for Violations of Law on Accounting and Audit.

To avoid any penalties in the near future, the enterprise who is using accounting period different from 31 December should submit the application letter to obtain the approval from ACAR, as per appendix attached to this notification.

2. INSTRUCTION ON THE REQUESTING OF APPROVAL LETTER AND TAX CERTIFICATE DATED 29 JULY 2021

This Instruction might be interest to General Taxpayers, QIPs, Companies

The GDT has issued the instruction on the Requesting of Approval Letter and Tax Certificate via Tax Certificate Management System which is another online mechanism for taxpayers to request 4 types of certificate and approval letter as below:

1. Tax Compliance Certificate (Gold, Silver, or Bronze);
2. Proper Accounting Certificate;
3. Approval Letter on VAT 0%; and
4. Approval Letter for TOI exemption for Qualified Investment Project.

Specific taxpayers are required to obtained the above certificate in order to enjoy the benefit in Cambodia. Please contact our team for more details.

3. INSTRUCTION NO. 12959 ON THE INCOME AND EXPENSE RECOGNITION FOR RUBBER PLANTATION INDUSTRY DATED 6 AUGUST 2021

This Instruction might be interest to Rubber Plantation Industry

The GDT issue the instruction No. 12959 to explain the definition of the incomes and expenses to be recognized for taxpayer whose business activity is rubber plantation as below:

a) Taxable Incomes

Enterprise shall recognize the income when supply of goods and service. Those incomes from supply of goods and services include:

- Income from supply of product: Water-soluble rubber or frozen rubber
- Subsidiary income: rubber, rubber tree, land clearing service
- Other incomes: income from security, share, financial income...

b) Expenses

Enterprises are required to recognize expense follow as below:

- All costs related to initial planting phase such as land clearing, rubber cultivation, Expense on infrastructure, purchase of fertilizer, land lease, machinery cost, interest expense and other related cost are to be recognized as cost of production
- Besides the above costing, expense such as replacement for damaged crops is any type of expenditure directly related to replacement cultivation including other costs for plant improvement, post installation of newly replaced crops after harvest, cost of equipment (not related to rubber cultivation) and other expenses that are not directly related to rubber plantation.

c) Depreciation

Rubber plantations are required to depreciated in accordance with paragraph 4 non-current asset of article 38 of Prakas 098 of Tax on Income. On the other hand, for other non-current asset, enterprises are required to comply with the depreciation rules according to the tax las as stated in section 3, article 13 new of Law on Taxation.

In the case that rubber plantation starting in different period, enterprise must recognize the price of rubber trees and make different depreciation according to each area.

Enterprise need to calculate the depreciation of rubber tree in accordance to the rate in each tax year as attached in table 1 below.



Table 1: Depreciation

Harvest year	Depreciation rate	Annual depreciation expense	Depreciation cost	Excess balance
Year 1-2	3%	4,200,000	8,400,000	131,600,000
Year 3-4	4%	5,600,000	19,600,000	120,400,000
Year 5-10	5%	7,000,000	61,600,000	78,400,000
Year 11-12	7%	9,800,000	81,200,000	58,800,000
Year 13-15	6%	8,400,000	106,400,000	33,600,000
Year 16-19	5%	7,000,000	134,400,000	5,600,000
Year 20	Excess balance	5,600,000	140,000,000	0

4. Circular On Language and Currency Usage in Accounting Record and Financial Statement

This Circular might be interest to General Taxpayers

In accordance to the Royal Kram no. NS/RKM/0416/006 dated 11 April 2016 which promulgated to use of law on accounting and auditing and Anukret no. 79 ANK/BK dated 1 June 2020 about Transitional Penalty for Violation of Law on Accounting and Auditing and in purpose of facilitating the business owner in doing their business by being able to keep the value of Khmer language and currency also to guarantee the effectiveness in real practice, Ministry of Economic and Finance would like to provide an instructions as below:

- a. Enterprise or non-profit organization are allowed to use English language in the computer accounting system and/or other relevant computer system for accounting record purpose in the case that Enterprise or Non-Profit Organization could not find the computer system that allowed to use Khmer language in accordance to their transaction's requirements. Enterprise or Non-Profit Organization are not required to request for using the English language in computer system but Enterprise or Non-Profit Organization are required to submit the notification letter to Accounting and Auditing Regulator (ACAR) by specifically mention about the name and source of computer system that currently using.
- b. Internal accounting documents which support the accounting work must be in Khmer. Those documents are allowed to use English along with Khmer language. For accounting documents that issued by the computer system which cannot be used Khmer language as mentioned in part 1 above and accounting documents in which prepared and provided by the foreign business partner, organization partner, foreign donator, for the purpose of business with foreign partner are allowed to use English language. In case that the business supporting documents or other transactions beside Khmer and English language, enterprise or non-profit organization are responsible in translating those documents into Khmer or English language by affixing with the enterprise or non-profit organization stamp accordingly.
- c. Enterprise or non-profit organization are allowed to choose functional currency either Khmer or foreign currency in accordance with their own accounting policy by following the accounting standard in recording their daily accounting transactions.
- d. Enterprise or non-profit organization are required to have annual financial statement in Khmer language and either show in Khmer currency only or in both Khmer and foreign currency. In preparing the annual financial statement in Khmer currency, enterprise or non-profit organization needs to act following the instruction of accounting standard in which using the official exchange rate published by National Bank of Cambodia and need to submit the annual financial statement to ACAR following the instruction of ACAR for the object of storing and for checking on the compliance in accordance to the law on accounting and auditing and legal documents.
- e. For enterprise that operating oil in Cambodia are required to follow the Prakas 536 MoEF.Prk dated 04 June 2018 about the instruction on implementation of regulation on tax on oil operation.
- f. In the period of applying this law, accounting and auditing regulator need to check, follow and evaluate the ability in keeping the accounting record in Khmer language and Khmer currency.
- g. Accounting and auditing regulator could raise up any additional necessary regulations for this circular.

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