

Tax update:

TU002/2020

26 February 2020

This article covered most recent updates of tax regulation issued by Ministry of Economy & Finance (MEF) and General Department of Taxation (GDT) which cover the following areas:

Table of Progressive Rate for Annual Tax Income for Physical Person(s) and Monthly Tax on Salary

(Sub-Decree 09 ANKR.BK date 13 February 2020)

The Royal Government has issued a new **Sub-Decree 09 ANKR.BK** date 13 February 2020 on the rate of Tax on Income on physical person(s) and rate of Tax on Salary "ToS". Based on our inquiry with GDT, the new rates specified in this Sub-decree shall be effective from the month of February 2020. The exact details of implementation of this Sub-decree shall be subject to further guidelines that expected to be issued by MEF or GDT.

The sub-decree is to announce the implementation of the annual tax on income rate for the physical person, sole proprietorship and general partnership as well as implementation of new threshold for tax on salary for resident person(s).

2020 Tax on income on Physical Person(s) threshold

2020 tax on salary threshold for resident person(s):

No.	Range of annual tax on income			Rate
1	From	0 Riel	to 16,000,000 Riel	0%
2	From	16,000,001 Riel	to 24,000,000 Riel	5%
3	From	24,000,001 Riel	to 102,000,000 Riel	10%
4	From	102,000,001 Riel	to 150,000,000 Riel	15%
5			Over 150,000,000 Riel	20%

No.	Range of the monthly tax on salary			Rate
1	From	0 Riel	to 1,300,000 Riel	0%
2	From	1,300,001 Riel	to 2,000,000 Riel	5%
3	From	2,000,001 Riel	to 8,500,000 Riel	10%
4	From	8,500,001 Riel	to 12,500,000 Riel	15%
5			Over 12,500,000 Riel	20%

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Implementation of Sub-Decree on Tax incentives for SMEs in Priority Sectors

(Prakas No. 159 MEF.BrK dated 17 February 2020)

The Ministry of Economy and Finance issued Prakas No. 159 MEF.BrK dated 17 February 2020 and the purpose of this Prakas is to provide the guidelines for the effective implementation of Sub-Decree No. 124 AMK.BrK dated October 2018 on the tax incentives for Small and Medium Enterprises (SMEs) in priority sectors.

This Prakas aims to identify procedures, conditions, mechanisms and forms in relation to provide tax incentives for SMEs in priority sectors.

The tax incentives set forth in this Prakas applicable to SMEs in the following priority sectors:

- a. Agricultural or agro-industrial and production;
- b. Food processing and manufacturing;
- c. Manufacturing of local consumable goods, waste recycling and production of goods for tourism sector;
- d. Manufacturing of finished products, spare parts or assembly parts for supplying to other manufacturers;
- e. Research and development of information technology, including the provision of innovative IT management services;
- f. Enterprises located in SME cluster zones, and cluster zone development enterprise.

*The above priority sectors do not applicable on sector that considered can affect social security, health and the environment.

The tax incentives for the SMEs are:

1. Three years Income tax exemption from the date of tax registration for newly registered enterprises or from the date of tax update for existing enterprises;

2. Five years Income tax exemption from the date of tax registration for newly registered enterprises or from the date of tax update for existing enterprises, if the SME meets one of the following conditions:

- a. Uses at least 60% local raw material, or
- b. Increases its employee number by 20%, or
- c. Located in a SME cluster zone

1. Prepayment of income tax and minimum tax exemption during the income tax exemption periods above;

2. Incentives for deductible expenses as followings:

- a. 200% tax deduction applicable on the accounting software expense.
- b. 200% tax deduction applicable on the expense related to the accounting or employee technical training.
- c. 150% tax deduction on the investment in machinery or new innovative technology equipment which served to increase productivity.

In order to enjoy these tax incentives, SMEs must be registered, update their enterprise information with the tax authority as required by tax laws and regulations whose business must be in a priority sector as stated above. These SMEs must maintain proper accounting records and must submit monthly and annual income tax returns by the deadline to tax authorities even though they are exempt from income tax.

If you required any assistance or professional advice on the above, please feel free to contact our service team listed on our website.