

Tax updates: TU005/2020

12 June 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:

1. The Reduction of Withholding Tax on Interest Due to COVID-19

In response to the widespread COVID-19 and the request from the Cambodia Chamber of Commerce, the GDT has allowed the reduction of WHT on the payment of Interest for resident and non-residents to the Financial Institution based on the Letter no. 12922 GDT dated 26 May 2020, as below:

1. For old loans:
 - Reduce to 10% which will be implemented only from April until the end of December 2020.
2. For new loans:
 - Reduce to 5% which will be implemented only from April until the end of December 2020, and shall reduce to 10% which will be implemented from January until the end of December 2021 and 2022.
 - After the allowed period, the WHT on interest shall be adjusted back to normal in accordance with Law on Taxation (LOT).
 - The reduction of the WHT shall not applicable for the enterprises that pay off the old loan before the payback period to create the new loan, and shall subject to penalties in accordance with the LOT.

2. The Implementation on VAT Output on the Transfer and Dispose of Fixed Assets

Refer to Article 65 and 67 of the LOT and the Prakas on TOI 2020, the GDT issued an instruction 11587 to clarify on the VAT output on the transferred/disposed of the fixed assets. If the following criteria are met, the transferred/disposed of fixed assets is not considered as taxable supply:

The VAT input has not been claimed as credit, but it is included in the cost of assets when purchased

1. Is not subject to VAT when purchased (purchased from individual or non-VAT registered Company).
2. Subject to VAT state charge when purchased
3. Subject to 0% VAT when purchased
4. The Net Book Value ("NBV") is zero (Accumulate depreciation equal to historical value)

3. The Postponement of Payment of Back Pay Seniority Indemnity Before 2019 and New Seniority Indemnity in 2020

The Ministry of Labour and Vocational Training (MLVT) has released the Notification on the Postponement of Payment of Back Pay Seniority Indemnity Before 2019 and New Seniority Indemnity in 2020 dated 02 June 2020, following the Press Release on Instruction of the Royal Government on Further Measure to Help the Private Sector and Employees Severely Affected by the COVID-19 Pandemic (Round 3, 07 April 2020), which effective from signatory date.

The purpose of the Notification is to inform the owners/directors of the factories, enterprise, and worker/employees using undetermined duration contract (UDC) that the payment of back pays seniority indemnity before 2019 and new seniority indemnity in 2020 in accordance with the Labour Law and Regulations when terminating the employment contract of workers/employees, except the employment contract is terminated due to the serious misconduct of workers/employees or resignation of workers/employees.

4. The Fine for the Violation Law on Accounting and Auditing

The Sub-Decree determines the violation of Law on Accounting and Auditing and set out the mechanism for penalties management in order to promote the responsibilities of the enterprises, non-profit institutions, professional accountants and auditors to ensure the effective implementation on this law.

The Sub-Decree shall applicable for enterprises and leger persons registered under Ministry of Commerce and/or General Department of Taxation as Large and Medium taxpayers, registered non-profit institutions, and all accountants and auditors who are the members of Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA) and who have obtained the professional license form the National Accounting Council (NAC).

All the above mentioned units who fail to comply with this Sub-Decree will be subjected to a fine between 100,000 Riels to 30 million Riels and license suspension, as listed below:

1. Using the wrong accounting period from the Law on Taxation Accounting and Auditing without authorization;
2. Not using Khmer language in accounting records and financial statements;
3. Using a currency other than Riels in accounting records and financial statements without authorization
4. Non-submission of financial statements to the General Secretariat of the NAC on the due date;
5. Not maintaining accounting records;
6. Not preparation financial statements in accordance with the accounting standards in force;
7. Failure to submit financial statement subject to independent audit;
8. Not using financial statements in accordance with the accounting standards in force for fulling tax obligations; and
9. Not maintaining accounting documents determined by law.

Disclaimer

The information in this document is for general information purposes only and should not be used as a substitute for consultation with professional advisors. This document is in itself not an opinion document.

This article is not comprehensive and was prepared based on information available generally and is not intended to be relied upon as professional advice. The views expressed in this article represent our perspectives as of the date of this article. We may identify additional issues as we analyse the standard and the entities, and our views may evolve during that process.

When applying the individual accounting frameworks, entities should refer to all accounting standards in its entirety. We will not accept liability for any loss or damage suffered by any person directly or indirectly through reliance upon the information contained in this article.

For further information about how Baker Tilly Cambodia can assist you and your organisation, please contact us via below:

Contact us

Baker Tilly Cambodia
#87 Street 294 Sangkat Boeung Keng Kang 1
Khan Chamkamorn Phnom Penh, Cambodia
T: +855 (0) 23 987 100
M: +855 (0) 15 888 233
E: info@bakertilly.com.kh



Baker Tilly Cambodia