

# Technical Update TU007/2024

Issued in July 2024

These articles covered the important regulations issued by:

- General Department of Taxation (GDT)
- Ministry of Economics and Finance (MOEF)

The coverage of this newsletter are on the following areas:

1. PRAKAS NO 313.MOEF.PRK.GDT ON THE INCENTIVE OF TAX ON INCOME FOR QUALIFIED INVESTMENT PROJECTS (QIP) ON THE EXPANDING THE PROJECT
2. INSTRUCTION NO.18412 GDT ON THE IMPLEMENT OF TAX INCENTIVES FOR MICRO-ENTERPRISES AND SME.

**I. PRAKAS NO 313.MOEF.PRK.GDT ON THE INCENTIVE OF TAX ON INCOME FOR QUALIFIED INVESTMENT PROJECT (QIP) ON THE EXPANDING THE PROJECT DATED 10 MAY 2024**

**Qualified Investment Project Enterprises might find this Instruction intriguing**

In accordance to the new released Prakas No. 313. MOEF.Prk.GDT dated 10 May 2024 from the Ministry of Economy and Finance (MEF), Qualified Investment Projects (QIPs) undertaking expansions of existing production, through diversification of production items in the same category, through equipping new technology that enhances productivity or environmental protection and expansion of other activities shall have permission from the Royal Government will now be granted for *income tax exemption when the EQIP first generated its income.*

The additional income tax holiday for the QIP expansion shall follow the income tax holiday period for the original QIP based on the criteria stated in the Sub Decree No. 139 on Implementation of Law on Investment of the Kingdom of Cambodia:

- A. 9 (nine) years for group 1
- B. 6 (six) year for group 2
- C. 3 (three) for group 3

The QIP expansion tax on income exemption is the total taxable income multiplied by the rate of QIP expansion capital. The rate of QIP expansion capital is calculated as follows:

$$\text{ITE} = \text{TTI} \times (\text{QIPEC} / \text{TIC})$$

**ITE** : Income that enjoys income tax exemption

**TTI** : Total taxable income

**QIPEC**: QIP expansion capital that enjoys incentives

Please refer to the Article 5 of the same Prakas for examples of the different scenarios.

The QIP expansion shall be granted the 1% Prepayment of Tax on Income on the monthly tax turnover in proportion to the EQIP during the EQIP period. The 1% minimum tax shall be also exempted if obtained the independent audit report.

The EQIP incentives shall be revoked for the followings:

- Failure to utilize the QIP expansion capital on construction materials or other new equipment as per requested
- Failure to inject enough QIP expansion capital before the expiration of the tax exemption period for the EQIP.
- Failure to fulfilled tax obligations in accordance with the laws and regulations governing taxation.

## II. INSTRUCTION NO. 18412 GDT ON THE IMPLEMENTATION OF TAX INCENTIVE FOR MICRO-ENTERPRISES AND SMEs DATED 20 MAY 2024

### Micro-enterprises and SMEs who have not registered might find this Instruction intriguing

The GDT has issued a new Instruction to provide tax incentive for micro-enterprises and SMEs who are voluntarily registered with the GDT on specific industries including:

- Wholesale, retailing, and maintenance
- Accommodation and Food
- Handicraft
- Community agriculture

The incentives provided by the GDT to the micro-enterprises and SMEs are listed as follows:

No.	Incentives/Type Of Exemption	Voluntarily Registered In The Period 2023-2028		Voluntarily Registered In The Period 2024-2025
		Micro Enterprise	Small Enterprise	Medium Enterprise
1.	Exemption on Official fees associated with tax registration	Yes	Yes	No
2.	Exemption on additional tax, penalties and interest in which occurred from non-compliance prior to the voluntary registration	No	Yes	Yes
3.	Exemption on Patent Tax during the tax registration	No	Yes	Yes
4.	Exemption on Patent Tax for 2 years after the completion of tax registration (2024 or 2025)	No	Yes	Yes
5.	Exemption of PTol, Tol and MT for 2 years after the completion of the tax registration by counting from the year of completion, and subsequent year	No	Yes	Yes

To entitle for the above incentives, the taxpayers are required to be in the industries which mentioned in the appendix of this Instruction, and also need to register through the CamDX system or complete the 101 form to apply for tax registration.

The GDT has also emphasized that it will not be considered as voluntary registration if the taxpayers received the invitation letters to register with the GDT twice, and fail to take actions within 15 days.

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