

# Cambodia news brief

A periodic summary of new rulings and documents relating to legal, tax and investment developments in Cambodia



March 2017

## Subject:

1. Loan interest rate cap
2. Tax incentives for small and medium enterprises that voluntarily register for tax

## The following report may be of interest to:

Small and medium enterprises and financial institutions



## Prakas on loan interest rate cap

(Prakas No. B7-017-109 Prokor dated 13 March 2017)

The National Bank of Cambodia (NBC) has issued this Prakas to set an interest rate cap of the banking and financial institutions (financial institutions) under its supervision and how they operate rural loans. This Prakas states the intention to protect customers from being charged high interest rates from financial institutions.

This Prakas is applicable to microfinance institutions taking deposits from the public, microfinance institutions and rural credit operators under the supervision of the NBC.

The financial institutions shall set the maximum loan interest rate at 18 percent per year. This loan interest rate cap is applicable to new loan agreements, restructured loans and refinancing with signatures and/or thumbprints, and will come into effect from 1 April 2017. Any financial institution that does not comply with this Prakas shall be penalised under the Law on Banking and Financial institutions.

## Tax incentives for small and medium enterprises that voluntarily register themselves for tax

(Sub-decree No. 17 ANKr.BrK dated 7 February 2017)

The Royal Government of Cambodia has issued this Sub-decree to set a tax incentive mechanism for small and medium enterprises (SMEs) that have yet to register for tax to voluntarily register for tax to fulfil tax obligations to establish a transparent and equitable tax payment atmosphere.

This Sub-decree provides tax incentives to the SMEs that voluntarily register themselves for tax during the years 2017 and 2018.



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The tax incentives for the SMEs are as follows:

1. The SMEs that voluntarily register with the General Department of Taxation (GDT) in 2017 and 2018 will claim a two-year exemption from Tax on Profit (ToP) commencing from the year in which the SMEs first generate revenue, or from the year of tax registration if the SMEs have earned revenue [prior to the tax registration date]. During the ToP exemption period, the SMEs will also be exempted from the Prepayment of ToP and Minimum Tax.
2. After the end of the ToP exemption period, the SMEs will pay the ToP and Minimum Tax in accordance with the Law on Taxation.
3. This ToP exemption is not applicable to the SMEs that do not voluntarily register themselves for tax.

The SMEs that register with the GDT shall still submit annual ToP returns to the tax authorities in accordance with the deadlines, and declare and pay all other taxes in accordance with tax law and regulations. Failure to register with the GDT shall be considered as an act of obstruction and criminal violation of the Law on Taxation.

*(Please contact us if you need a copy of any of the regulations mentioned above.)*

For more information, please contact Heng Thy at [heng.thy@kh.pwc.com](mailto:heng.thy@kh.pwc.com) or call +855 (0) 23 860 606.