

Cambodia News Brief*

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

November 2007

Law on Secured Transactions (No. 0507.012. NS.RKM dated 6 April 2007)

Based on the Law on Secured Transactions passed by the National Assembly, all transactions including a pledge, transfer of title, consignment, assignment, the sales of accounts, secured sales contract and leases of good for periods more than one year can be secured through a registered collateral. The collateral is required to be registered with the Secured Transaction Filing Office (STFO). The STFO will be established under the Ministry of Commerce.

The Law on Secured Transactions has exclusively excluded the following transactions:

- Claims for compensation by an employee;
- The sales of accounts or secured sales contracts as part of the business;
- The assignment of accounts or instruments which are for collection only;
- The assignment of right to an assignee where that assignee is also obliged to perform under the contract; and
- An interest in a deposit, checking, savings, passbook or other cash account except for the benefit arising from the collateral.

Upon filing of such transactions with the STFO, the debtor will have rights to transfer the collateral to the secured party.

New Prakas on Change of Tax Year End

The term "tax year" is not defined under the current tax regulations. The tax year is generally being taken as calendar year for most of the company and the application procedure for a change of tax year end has been informal in past.

Based on the draft Prakas on the Change of a Tax Year End, a company is allowed to change the tax year end to a date other than the calendar year. An application has to be filed with the Tax Department. The draft Prakas sets out a list of documents required and the formal application procedures with the Tax Department.

The draft Prakas also outlines the rules in determining the tax year for newly incorporated company.

(More details will be provided once the Prakas on Change of Tax Year End has been issued)

Value Added Tax (VAT) on Land Lease Rental

In the recent Tax Committee meeting between the Tax Department and private sectors, the Tax Department has clarified that 10% VAT is applicable to the lease of land i.e. both developed and undeveloped land on the basis that it is a provision of services.

The Tax Department has also reiterated that the sales of undeveloped land will be VAT exempted and the sales of developed land will be subject to 10% VAT.

New Tax Registration Procedure

The Tax Department has indicated that they are working closely with the Ministry of Commerce to ensure that all companies are registered with the Tax Department immediately after the registration with the Ministry of Commerce.

Under the new registration procedures, the Large and Medium Taxpayers Bureau will collect the payment of stamp tax on the Ministry of Commerce's business licence and Certificate of Incorporation.