



February 2018

Cambodia news brief

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



Subject:

1. Market interest rates for loans for 2017 corporate income tax (CIT)
2. Strengthening of the foreign labour inspection in Cambodia

The following report may be of interest to:

General taxpayers and companies

Market interest rates for loans for 2017 CIT calculation *(Notification No. 2126 GDT dated 15 February 2018)*

The General Department of Taxation (GDT) has issued a notification No.2126 to determine the caps on the market interest rates for loans for CIT purposes. Under this Notification, the market interest rates for 2017 are as follows:

1. For borrowing in KHR = 12.12%. This interest rate is derived from the average interest rates of 6 local large commercial banks.
2. For borrowing in USD = 9.31%. This interest rate is derived from the average interest rates of 8 local large commercial banks.

The maximum interest rates for deduction purposes are:

USD loans	KHR loans
Ø 11.172% for third-party loans (9.31 x 120%)	Ø 14.544% for third-party loans (12.12 x 120%)
Ø 9.31% for related-party loans	Ø 12.12% for related-party loans

Where a company borrows at a lower interest rate than the above rates, the actual rate would be implemented.

Strengthening of the foreign labour inspection in Cambodia *(Inter-ministerial Prakas No. 719 MLVT&MOI dated 19 February 2018)*

On 19 February 2018, the Ministry of Labor and Vocational Training (MLVT) and Ministry of Interior (MOI) issued an inter-ministerial Prakas on strengthening the foreign labour inspections in Cambodia.

Under this Prakas, when the MLVT and MOI joint inspection group do a foreign labour inspection at enterprises, the owners/directors of enterprises, casinos, or entertainment clubs and foreigners doing any business in Cambodia, shall cooperate with the inspection group and provide necessary documents such as articles of incorporation (AOI) of the enterprise, certificate of incorporation issued by MOC, declaration of employees, declaration of staff movement 'in and out', quota approval letter to hire expatriate employees, foreigner employment contracts in Khmer and registered with the MLVT, foreigners' valid employment cards and work permits, etc.

In case the owners/directors hire foreign employees without valid employment cards and work permits or any foreigner is doing any business without a valid employment card and work permit, they will be fined and penalised under the labour and immigration laws.



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