

Cambodia News Brief



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

Subject:

Interest documentation required for loans among related parties (Instruction No. 10979 GDT dated 25 May 2022)

The following report may be of interest to:

Taxpayers with related parties

To comply with Prakas No. 986 dated 10 October 2017 on Transfer Pricing Rules, the General Department of Taxation (GDT) has issued the following instructions:

- a. An enterprise in a loan transaction from a related party can determine the loan interest rate according to any rate that's been agreed and shall be exempt from compliance with the arm's length principle if the enterprise has the following loan transaction supporting documents from the related party:
 1. Loan agreement clearly stating the period of the loan and repayment
 2. Business plan or current and forecasted financial statements along with the purpose of the loan and explanations
 3. Board of Directors' resolution (for an enterprise that is not a single member private limited company).
- b. When an enterprise borrows money from a related party, the loan interest rate won't exceed the market interest rate when borrowing it. For the purpose of this Instruction, the market interest rate is the average of the interest rates of at least five local commercial banks, which are annually issued by the GDT.
- c. For a cash advance transaction an enterprise has with a related party, if it's to be repaid within one year starting from the day of receiving the cash until the day of its actual settlement, it won't be considered as a loan transaction and will be exempt from the interest compliance with the arm's length principle.

Instruction No. 4909 GDT dated 18 March 2019 on interest documentation for loans among related parties will be abrogated.

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