

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:

Incentives under new Law on Investment
(Royal Kram No. NS/RKM/1021/014 dated 15 October 2021)

The following report may be of interest to:

General taxpayers

The new Law on Investment in the Kingdom of Cambodia is promulgated by Royal Kram No. NS/RKM/1021/014. Under this law, investment sectors and activities that are not in the negative list to be separately determined by sub-decree will get tax and customs duty incentives after they are registered as a Qualified Investment Project (QIP). For these QIP-registered investment activities, there are two basic incentive options:

Option 1: Tax exemption

- Income tax exemption from three to nine years depending on the investment sectors and activities, starting from when income is first generated. After this income tax exemption period ends, the QIP will need to pay income tax at these progressive rates:
 - o 25% for the first and second years
 - o 50% for the third and fourth years, and
 - o 75% for the fifth and sixth years
- Exemption from prepayment of income tax (PIT) during the income tax exemption period
- Exemption from Minimum Tax when there is an independent audit report
- Exemption from export duties, except if separately stipulated in other laws or regulations in force

Option 2: Special depreciation

- Deduction of capital expenses through special depreciations as stated in the tax provisions in force
- Deduction of up to 200% of some other expenses for up to nine years. The eligibility of the investment sectors and activities, and the type of expenses, as well as the period of the expense deduction, will be determined under the Financial Management Law and/or Sub-Decree
- Exemption from PIT for a certain period depending on the investment sectors and activities – this will be determined in the Financial Management Law and/or Sub-Decree
- Exemption from Minimum Tax when there is an independent audit report
- Exemption from export duties, except if separately stipulated in other laws or regulations in force

Other incentives (imports)

- a. Export-oriented QIPs and 'supporting industry' QIPs that support export-oriented QIPs can import construction materials, construction equipment, production equipment and production inputs (materials) with the customs duty, Specific Tax and VAT borne by the government.



- b. Domestically oriented QIPs can import construction materials, construction equipment and production equipment with the customs duty, Specific Tax and VAT borne by the government. The incentives for production inputs are determined by the Financial Management Law and/or Sub-Decree.

QIPs located in a special economic zone are entitled to the same incentives and protection as the other QIPs included in this Law.

New additional incentives

1. Exemption of VAT on purchases of production inputs (materials) domestically produced to support the QIP's implementation
2. Deduction of 150% of expenses from the tax base for these types of expenses: (i) research, development and innovation, (ii) professional training and upskilling of Khmer employees/workers, (iii) construction of dormitories, canteens or restaurants with reasonable prices, nurseries, and other food and beverage (nutritional supports) venues for employees/workers, (iv) machinery modernisation to support production lines, and (v) welfare for Khmer employees/workers, e.g. transportation from dormitories to factories and vice versa, to restaurants or canteens, to nurseries, and other food and beverage (nutritional supports) venues.
3. Exemption from income tax for QIP expansion, to be determined by sub-decree.

Certain high-potential investments in industries or activities that will help develop Cambodia's economy may be granted additional special incentives under the Financial Management Law.

The Royal Government will issue a sub-decree on implementation of the new Law on Investment in the Kingdom of Cambodia.

This new law replaces the Law on Investment in the Kingdom of Cambodia promulgated in 1994, which was then amended in 2003. Other provisions contrary to this new law will be abrogated.



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