

Tax Alert

December 2016



Prakas on the Implementation of Provision for Doubtful and Loss Loan for Local Banks

(Prakas no. 1535 MEF, dated 23 December 2016)

The Ministry of Economy and Finance (MEF) has issued a new Prakas no. 1535 MEF to set out the guideline for tax adjustment of the provision for doubtful and loss loan for local banks and local micro-finance institutions (MFIs). The tax treatment of the provision for doubtful and loss loan has been a longstanding concern of the financial services industry in Cambodia.

For your ease of reference, we summarise in the below table the prescribed tax adjustment of the provision for doubtful and loss loan for tax on profit (ToP) calculation:

	Loan classification	Remark
Bank(s)	Normal (1%)	Provision is not tax deductible
	Special mention (3%)	
	Substandard (20%)	Provision is tax deductible
	Doubtful (50%)	
	Loss (100%)	
MFI(s)	Standard (0%)	Provision is not tax deductible
	Substandard (10%)	Provision is tax deductible
	Doubtful (30%)	
	Loss (100%)	

*the Prakas is effective from 23 December 2016

The Prakas also indicates that any additional tax and interest resulting from the above adjustment for the periods prior to the effective date of this Prakas shall be exempted. However, any bank or MFI that has already paid the additional tax and interest on the provision adjustment before issuance of this Prakas should not be eligible to claim a refund.

Prakas on the Amendment of the Deadline for monthly tax returns lodgement

(Prakas no. 1539 MEF, dated 23 December 2016)

The MEF has also issued a new Prakas no. 1539 MEF to amend the deadline for the lodgment of monthly tax returns. The new deadline for lodgment of the monthly tax returns (namely prepayment on profit tax, salary and fringe benefit tax, withholding tax, VAT, specific tax, accommodation tax and tax on public lighting) is the 20th day of the following month. The Prakas is effective from 23 December 2016 onward.

Prakas on the Classification of tax compliance

(Prakas no. 1536 MEF, dated 23 December 2016)

On 23 December 2016, the MEF issued a Prakas no. 1536 MEF on the classification of tax compliance for each enterprise as follows:

Class	Point	Remark
Gold	16-20	Highly compliant
Silver	11-15	Moderately compliant
Bronze	1-10	Slightly compliant

**Please refer to the Prakas for the detailed criteria and conditions for the classification and judgment*

The General Department of Taxation will issue a certificate of tax compliance to the gold status taxpayers, while silver and bronze status taxpayers are required to apply for a certificate. Furthermore, the validity of the certificate for each taxpayer is two years.

Instruction on the use of invoice serial number for Real Regime taxpayers

(Instruction no. 21606 GDT, dated 26 December 2016)

The General Department of Taxation (GDT) has issued an Instruction no. 21606 GDT on the use of invoice serial number for Real Regime taxpayers.

For your ease of reference, we summarize the details in the Instruction as follows:

1) Invoices must follow a sequential serial number for each year and are required to be maintained for 10 years for medium and large taxpayers or 3 years for small taxpayers.

2) Using of alphabet is allowed before each invoice serial number to determine the location. However, the invoice must follow one standard (i.e. PPCI-001, PPCI-002, PPCI-003...).

A taxpayer with branches is required to issue invoices for each branch and/or head office separately and shall split between tax invoice and commercial invoice.

3) Different alphabet is not allowed in a single line serial number to classify customers, products, areas, activities and other purposes.

4) Taxpayers issuing invoices by the POS machine are allowed to use invoice serial numbers for each machine. However, taxpayers must disclose each machine's ID on the invoice and report the number of machines being use by the end of January 2017 and notify any changes to the GDT.

We will provide our in-depth insight on selected matter(s) above in our regular Technical Update. As a committed tax advisor to our clients, we welcome any opportunity to discuss the relevance of the above matters to your business.

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