

Technical Update

July 2020

Application to Obtain Certificate of Tax Incentives for Small and Medium Taxpayers in the Priority Sector

(Instruction No. 17083 GDT, dated 14 July 2020)

Further the tax incentives for the Small and Medium Enterprises (SME), per Prakas No. 159 Prk dated 17 February 2020 (as covered in our publication in February 2020), the General Department of Taxation (GDT) has issued this Instruction No. 17083 dated 14 July 2020 which provides guidelines to SMEs on how to apply for the tax incentive, where the GDT set up an online management system for tax incentives application.

Per the Instruction, the application procedure is as follows:

- **Application:** taxpayers can choose to either complete an online application form through the online system at the GDT's website <http://www.tax.gov.kh>, or download the "SMEs TIC" form (pdf form) from the GDT's website for completion by hand from the website;
- **Submission:** the completed application forms can be submitted as follows:
 - For online application form: taxpayers can print and submit the application form and required documents to the administration of the Department of Administration and General Works of the GDT or provincial-khan tax branch;
 - For SMEs TIC form: taxpayers can bring the completed forms to submit at the administration of provincial-khan tax branch or the administration of the Department of Administration and General Works for enterprises under khan tax branches.
- **Review:** the GDT will review and give approval within 7 to 10 working days, provided the application form and required documents are accurate.
- **Approval:** the taxpayer can print the certificate of tax incentive directly from the GDT website, with a 6-digit verification code sent through an email of the GDT or obtain from the Tax Office directly if they used the SMEs TIC form.

It is also notable that the Instruction still does not clarify what the required documents are for this application, though it can be found on a "checklist" which should be available on both the online application form and the SMEs TIC form.

Our comments

The guideline and the management system for online application should help facilitate and simplify the application procedure for SMEs to apply for the tax incentives.

Hence, eligible enterprises should consider applying as soon as possible to take advantage of the available tax incentives.

As a committed tax advisor to our clients, we welcome any opportunity to discuss the relevance of the above matters to your business.

Withholding Tax (WHT) on Interest for Loan of Bank and MFI

(Prakas No. 525 MEF.Prk, dated 19 June 2020)

Further to the latest tax relief from the Royal Government, as covered in our earlier publication on letter No. 13052 dated 28 May 2020, the Ministry of Economy and Finance (MEF) issued Prakas No. 525, dated 19 June 2020, on Instruction to Implement Withholding Tax (WHT) on Interest from Domestic and Oversea Loans of Banks and Microfinance Institutions, which restates the WHT relief for the sector and some clarifications.

Furthermore, it also determines documentations bank and microfinance institutions must maintain as follow:

- Loan agreement which is verified by lawyers of both parties;
- Money transfer documents related to the loan agreement; and
- Accurate and clear recording in the accounting books.

The above documents are not required to be submitted/attached during the tax declaration but shall be maintained for tax audit purposes.

Our comments

The Prakas provides more clarifications on the valid implementation period in the initial year, for both new and old loan cases, where the WHT relief rate shall start from April to December 2020. Additional to this, bank and microfinance institutions must keep documents for tax audit purposes.

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