



## Law on Financial Management for year 2021

*(Royal Kram NS/RKM/1220/038, dated 25 December 2020)*

The Law on Financial Management (LoFM) for year 2021, promulgated by Royal Kram no NS/RKM/1220/038 and dated 25 December 2020 has some updates to tax provisions as follow:

### Law on Taxation (LoT), Article 72 New:

The tax administration shall refund on:

1. monthly excess input tax credits according to the request of the taxable person that its primary activity is an export, if that person has proper certification of export(s) and complies correctly with his obligations in keeping books and other records.
2. taxes which foreign tourists paid for goods purchased from taxable persons to be used outside the Kingdom of Cambodia.

The rule and procedure for the tax refund per this Article shall be determined by a Prakas from the Minister of Economy and Finance.

### LoFM 1995, Article 40 New (Two):

Stamp Duty shall be determined at the following rates:

- 4% on transfer of ownership or possession rights of immovable property such as buildings and/or land, or investing immovable property as shares in a company.
- 4% on transfer of ownership or possession rights of the means of transportation or all kinds of vehicles.
- 0.1% on transfer of part or all of the share of a company.
- 0.1% on the contract value for supply of goods or services using state budget
- KHR1,000,000 (one million riel) on legal documents such as company merger letter and company liquidation letter.

## Our comments

The addition of point 2 to Article 72 New of the LoT above would allow the option for foreign tourists to get a refund for taxes paid for goods purchased. Also, this is certainly good news as well as helps to attract more tourists and to consider Cambodia as one tourist destination for promoting tax-free shopping like another countries (such as European Countries, Thailand and Singapore etc.).

However, the rule and procedure is yet to be determined. So, it is unclear how smooth and convenient this process shall be. We will include any update to this matter in our future publications.

The updated Article 40 New (Two) of the 1995 LoFM notably no longer apply the KHR1,000,000 Stamp Duty on company establishment letter. This update does bring the Stamp Duty in line with the recent Ministry of Economy of Finance's Prakas no. 701 MEF.Prk. dated 14 August 2020 on tax registration and tax information update where Stamp Duty is exempted for tax registration of new entities.

## Agreement for the Avoidance of Double Taxation - Cambodia / Malaysia

The Double Taxation Avoidance Agreement (DTA) between Cambodia and Malaysia came into effect and shall begin implementation from 1 January 2021 onwards following an announcement by the GDT. The DTA was ratified on both sides, with Cambodia ratifying it following the "Law on the Approval of the Agreement between Government of Cambodia and the Government of Malaysia on the Elimination of Double Tax Avoidance", promulgated by Royal Kram no NS/RKM/1120/023 and dated 14 November 2020.

Similar to DTAs with other neighboring Southeast Asian countries, typical tax benefit from the agreement is a reduction of WHT rate for various payments such as payments for dividends; royalties; technical services; and interest.

### Our comments

With the DTA between Cambodia and Malaysia effectively implemented as above, it has now been remarked as 8th DTA that Cambodia has with its partnered countries/authorities. Meanwhile, Cambodia had also signed another DTA with South Korea by the end of 2019 which is still pending for ratifications as at this date.

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

## Contact us

### KPMG Cambodia Ltd.

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