



CAMBODIA TAX ALERT

TAX INCENTIVES FOR LISTING ENTITIES



Sub-Decree 01 ANKr.BK dated 4 January 2019 (“**Sub-Decree**”) has introduced a new package of tax incentives for those entities in Cambodia looking to list on the Cambodian Stock Exchange (**CSX**). The 2019 tax incentives provided to listing entities on the CSX are much more comprehensive and concessional than those that were initially offered in 2011, when the CSX first established, and in 2015.

The Sub-Decree reflects the desire of the Cambodian regulators to increase the existing number of listed entities on the CSX. At the time of writing, there are five listed entities on the Main Board of the CSX, and the Sub-Decree has been introduced to encourage new applicants, particularly SMEs, to list (noting the introduction of a Growth Board specifically for SME listings on the CSX). We provide a summary of the salient points contained in the Sub-Decree below.

To whom does the Sub-Decree apply?

The Sub-Decree is applicable to entities that list and offer either stock or debt securities on the CSX from 4 January 2019 and to public investors, both non-resident and resident, who hold or trade stock, debt or government securities from those entities that have listed on the CSX.

There is a three year limitation on applying for the incentives offered under the Sub-Decree. Entities that are granted approval from the Securities and Exchange Commission of Cambodia (**SECC**) and registered with the CSX to make initial public offering of equity and/or debt securities within three years from the issuance of the Sub-Decree (being before 4 January 2022) need to submit an application to the General Department of Taxation (**GDT**) through the SECC.

What types of incentives are available?

The Sub-Decree provides a number of tax incentives to qualifying entities.

- **Tax on Income**

A qualifying entity will be eligible for a 50% reduction of its annual Tax on Income (TOI) liability for three years commencing at the beginning of the first tax year that the approval was given if the securities were issued before 30 June of that year. If the securities were issued after 30 June and before 31 December the TOI reduction would take effect from the following year.

Examples:

ABC Co. obtains approval from the SECC and offers stock securities on the CSX from 15 May 2019. The three year 50% TOI reduction for ABC Co will start from the tax year beginning 1 January 2019.

DEF Co. obtains approval from the SECC and offers stock securities on the CSX from 15 September 2019. The three year 50% TOI reduction for DEF Co will start from the tax year beginning 1 January 2020.

The Minister of Economy and Finance can approve a TOI reduction period that is outside of the prescribed formula outlined above at their discretion.

- Tax Amnesty

Qualifying entities shall also receive a amnesty for historical taxes including:

- Tax on Income,
- Withholding Taxes
- Value Added Tax
- Specific Tax
- Accommodation Tax
- Public Lighting Tax.

For qualifying entities that offer stock and debt securities on the Main Board of the CSX the historical tax liability waiver can extend up to ten (10) years from the date the entity meets the requirements for registration on the Main Board. The initial two (2) historical tax years, from the date of listing, of the entity will still be subject to tax re-assessment by the GDT.

For SME's that qualify to register on the Growth Board of the CSX the historical tax liability waiver also extends to ten years. Only the first historical tax year of the listing entity will remain subject to tax re-assessment by the GDT.

Examples:

ABC Co was first incorporated with the Ministry of Commerce and registered with the GDT in Cambodia in 2010. ABC Co meets the requirements for registration on the Main Board of the CSX in March 2019. ABC Co Ltd would still be liable to re-assessed taxes arising from a tax audit for the tax years 2017 and 2018. However ABC Co would receive a tax amnesty on re-assessed taxes for the tax years 2010 through to 2016.

DEF Co is a Medium Enterprise that was first incorporated with the Ministry of Commerce and registered with the GDT in 2013. DEF Co meets the requirements for registration on the Growth Board of the CSX in March 2019. DEF Co would still be liable to re-assessed taxes arising from a tax audit for the tax year 2018. However ABC Co would receive a tax amnesty on re-assessed taxes for the tax years 2013 through to 2017.

Does my entity need to complete a Comprehensive Tax Audit before listing with the CSX?

The Sub-Decree provides that the issuance of stock or debt securities and registration of security trading does not require the completion of a comprehensive tax audit for prior tax years. What is required is a tax compliance certificate from the GDT confirming that the entities have declared on a regular basis their tax declarations and tax payments.

My entity was listed with the CSX prior to 2019 – am I am still eligible for these new incentives?

Entities that were already listed on the CSX prior to the enactment of the Sub-Decree are still entitled to receive the three year 50% TOI reduction with respect to their annual TOI liability.

What incentives are offered to public investors who hold or trade in government, stock or debt securities?

Public investors, whether resident or non-resident are entitled to a 50% reduction of the withholding tax that would be applicable on the payment of interest or distribution of dividends received by them from holding or trading in government, stock or debt securities. This reduction is effective for three years from the effective date of the Sub-Decree.

Can the tax incentives be revoked?

The GDT reserves the right to propose that the tax incentives of an entity be revoked in the event that the entity fails to:

- File monthly tax declarations and tax payments by the due date,
- File their annual Tax on Income declaration and tax payment by the due date,
- Attach to the annual TOI declaration the audited financial statements of the entity,
- Allow the GDT to conduct a tax audit,
- Pay taxes as required by the tax regulations in Cambodia.

If you require further guidance on any of the above matters, please do not hesitate to get in touch with our Key Contacts below or your usual DFDL advisor.

KEY CONTACTS



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