

CLIENT UPDATE 2016 MAY

TAXATION

Singapore and Cambodia : The Avoidance of Double Taxation

On 20 May 2016, the Government of the Republic of Singapore and the Royal Government of Cambodia signed a bilateral agreement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income ("**Agreement**"). However, this Agreement has not been ratified by the two signatory states yet.

This Agreement was signed by H.E. Dr. Aun Pornmoniroth, Senior Minister, Minister of Economy and Finance of the Kingdom of Cambodia, and Ms. Indranee Rajah, Senior Minister of State for Law and Finance of the Republic of Singapore.

This is the first bilateral agreement that Cambodia has entered into to move towards the ASEAN Economic Community ("**AEC**") since the Association of Southeast Asian Nations ("**ASEAN**") launched the AEC in December 2015.

This Agreement was entered into to promote bilateral cooperation, capital flow, sharing of technology and expertise and for tax certainty and avoidance of double taxation. As a result of the lower barriers for cross-border investments, we expect to see an increase in trade and investment flow between the two countries.

The Agreement shall apply to persons who are residents of one or both of the contracting states and it applies to taxes on income, which are taxes imposed on total income, or on elements of income, including taxes on gains from the alienation of movable or immovable property, and taxes on the total amounts of wages or salaries paid by enterprises, imposed on behalf of a contracting state or local authorities, irrespective of the manner in which they are levied.

To avoid double taxation and fiscal evasion, this Agreement also sets out a clear definition and characteristics for important terms such as resident, permanent establishment, associated enterprise, income from immovable property, business profits, capital gains, dividends, etc. Under each section of the Agreement, the signatory states also agreed on not only the characteristics and definitions but also the methods of tax collections, determinations and elimination of double taxation.

For example, the Agreement limits the tax rate of the following sources of income which may be taxed:

<u>Nature of Income</u>	<u>Limits on Tax Rates</u>
Article 10 – Dividends	10%
Article 11 – Interest	10%
Article 12 – Royalties	10%
Article 13 – Technical Fees	10%

After the ratification of this Agreement, the contracting states shall work together to mutually agree on a standard procedures, cooperative in exchanging information and strictly respect the non-discrimination principle.

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ASEAN Economic Community Portal

With the launch of the ASEAN Economic Community (“AEC”) in December 2015, businesses looking to tap the opportunities presented by the integrated markets of the AEC can now get help a click away. Rajah & Tann Asia, United Overseas Bank and RSM Chio Lim Stone Forest, have teamed up to launch “Business in ASEAN”, a portal that provides companies with a single platform that helps businesses navigate the complexities of setting up operations in ASEAN.

By tapping into the professional knowledge and resources of the three organisations through this portal, small- and medium-sized enterprises across the 10-member economic grouping can equip themselves with the tools and know-how to navigate ASEAN’s business landscape. Of particular interest to businesses is the “Ask a Question” feature of the portal which enables companies to pose questions to the three organisations which have an extensive network in the region. The portal can be accessed at <http://www.businessinasean.com/>.

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