
Tax

Tax Incentives for SMEs Voluntarily Registering for Tax

On 7 February 2017, the Royal Government of Cambodia enacted Sub-Decree No. 17 ANKr.BK (“**Sub-Decree No. 17**”) with the clear objective of creating a transparent and equitable tax system by encouraging all businesses to register for tax.

Sub-Decree No. 17 addresses this objective by providing certain tax incentives to small and medium-sized enterprises (“**SMEs**”) that voluntarily register themselves for tax during years 2017 and 2018.

The key features of Sub-Decree 17 are as follows:

- SMEs that voluntarily register with the General Department of Taxation (“**GDT**”) in 2017 and 2018 are provided a two-year exemption on Tax on Profit. The two-year exemption on Tax on Profit commences from the year in which the SME first generates revenue, or from the year of tax registration should the SME have earned revenue prior to the date of tax registration, whichever comes first;
- During the two-year exemption on Tax on Profit, SMEs will also be exempted from the annual 1% Minimum Tax and the monthly Prepayment of Profit Tax;
- In the year following the end of the two-year exemption on Tax on Profit, SMEs will be subject to the applicable standard Tax on Profit rates and / or Minimum Tax in accordance with the regulations provided by the Law on Taxation.

Sub-Decree No. 17 defines SMEs as those enterprises falling under the category of either a Small or Medium Taxpayer as follows:

- Small Taxpayers are enterprises that:
 - (i) have an annual taxable turnover of KHR250 million (approx. USD62,500) to KHR700 million (approx. USD175,000); and
 - (ii) meet the requirements of the Law on Taxation to register for tax as Small Taxpayers.
- Medium taxpayers include:
 - (i) enterprises with an annual taxable turnover of KHR700 million (approx. USD175,000) to KHR2 billion (approx. USD500,000); and
 - (ii) enterprises meeting the requirements of the Law on Taxation to register for tax as Medium Taxpayers.

SMEs that enjoy the two-year exemption on Tax on Profit are still obliged to submit and declare an annual Tax on Profit return during the exemption period, and declare and pay all other taxes in accordance with the law.

The Tax on Profit exemption is not applicable to SMEs that do not voluntarily register for tax. In other words, any SME that is compelled to register for tax or is unilaterally registered by the GDT may not enjoy this exemption.

Failure to register for tax with the GDT will constitute an act of obstruction of the tax provisions as per Article 128 of the Law on Taxation.

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ASEAN Economic Community Portal

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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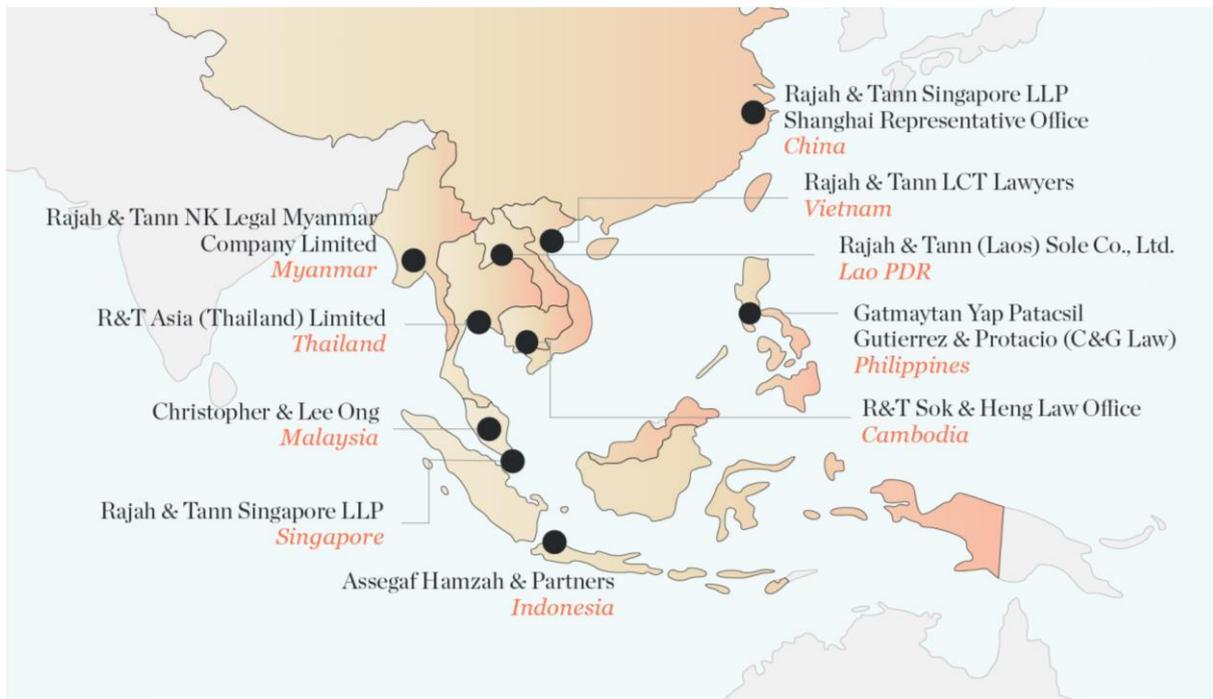
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