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Taxation

## MEF to Provide Tax Incentives to Educational Institutes Until 2023

The Ministry of Economy and Finance (“**MEF**”) has issued Prakas No.209 on Tax Incentives for Educational Institutes dated 2 March 2020 (“**Prakas**”).

The Prakas aims to provide tax incentives for the education sector in order to support and enhance human resources development and to reduce the expenses of parents and guardians of students. The Prakas sets out the mechanisms for determining the implementation of tax on income, withholding tax and Value-Added Tax (“**VAT**”) that are applied to educational institutes in the Kingdom of Cambodia.

Under the Prakas, “Educational Institutes” refers to public and private educational establishments which provide educational service from kindergarten to tertiary education. This also includes technical and vocational training institutes. The Educational Institutes are provided with the following tax incentives:

- Suspension of the payment of Minimum Tax of 1% on annual turnover until the end of 2023;
- Suspension of payment of Prepayment of Tax on Income until the end of 2023; and
- Payment of tax on income only if there is taxable income.

The provision of educational scholarships to students, either in full or partially, will not be considered as taxable revenue for the calculation of annual tax on income. The proof of such scholarships is required.

In relation to withholding tax, Educational Institutes are required:

- For transactions with resident taxpayers who are not under the Self-Assessed Regime, to withhold tax for services on construction, engineering, architecture and other services which indirectly involve the students’ education, for rent of movable or immovable property, and royalties. Withholding tax for interests and management or consultation services or other similar services which directly involve the student’s education shall be exempted. In such cases, the receipts or documents proving the payments shall be submitted to the tax authority on a monthly basis; and
- For transactions with non-resident taxpayers, to withhold tax on royalties, rentals and other revenues related to the use of the subject property. Withholding tax for interests, dividends, and management and technical services which directly involve the students’ education shall be exempted.

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In relation to VAT, the provision of educational service, and the supply of goods and other services for education including food and accommodation for students are considered as non-taxable supplies. VAT inputs related to the provision of non-taxable supplies cannot be claimed as VAT credit but are allowed as deductible expenses.

Despite the fact that the above incentives are made available to the Educational Institutes, they are still obliged to comply with the prescribed tax obligations such as: (i) tax registration; (ii) monthly and annual tax declarations; (iii) having appropriate accounting system; and (iv) for educational establishments having an annual turnover of more than KHR 4,000 million, submission of the audited financial statements performed by a licensed independent accounting firm.

The Prakas is effectively applicable starting 2 March 2020. However, the incentives set out therein will not be applicable to any educational establishment that fails to comply with the provisions of this Prakas.

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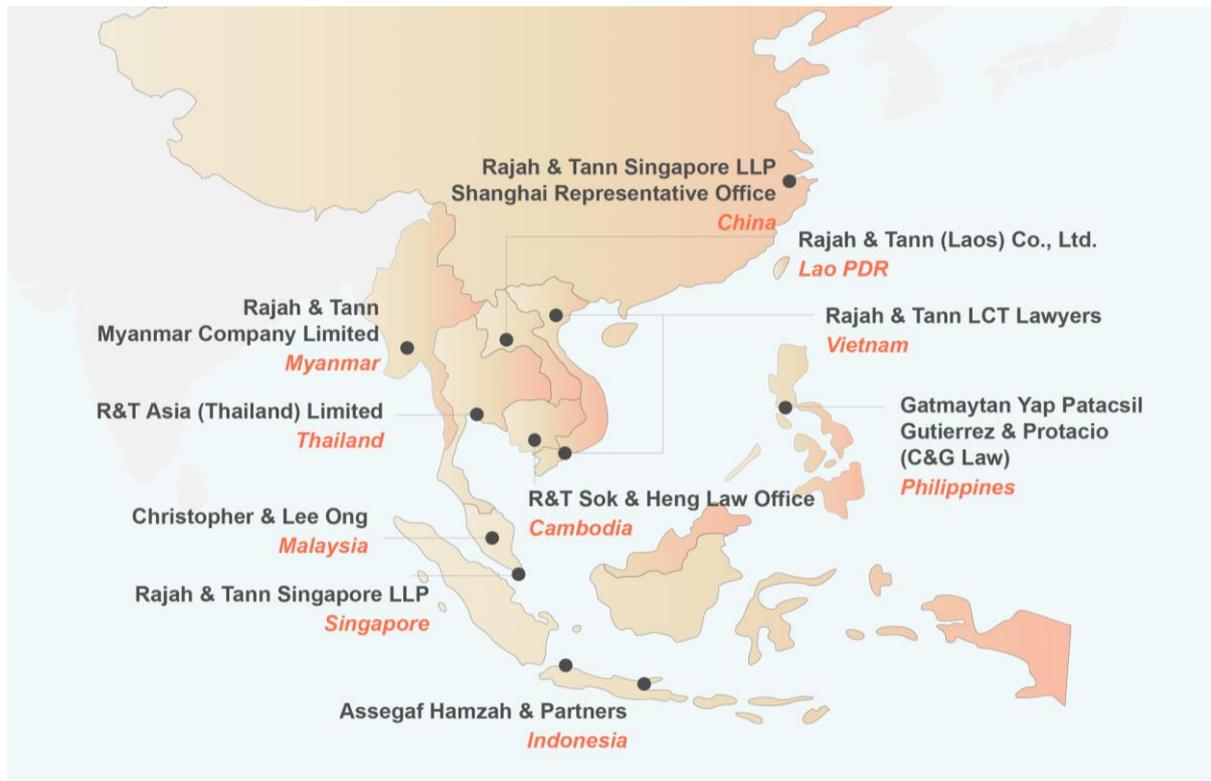
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