

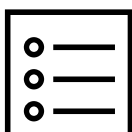
Cambodia

News Brief



June 2024

A periodic summary of new rulings and documents relating to legal, tax and investment developments in Cambodia



Subject

Income tax incentives for the expansion of Qualified Investment Projects (Prakas No.313 MEF dated 10 May 2024)

The following report may be of interest to:

Qualified Investment Projects (QIPs)

The Ministry of Economy and Finance (MEF) issued Prakas 313 dated 10 May 2024 to provide further guidelines for income tax incentives for the expansion of QIP projects as stated in Article 16 of Sub-Decree 139 on Implementation of the Investment Law in Cambodia.

The income tax exemption is provided for the below expansion of QIP projects:

- a. expansion of existing production
- b. expansion through product line diversification within the same lines
- c. expansion through equipping new technologies for improvement of productivity and environment projection
- d. other expansion activities to be approved by the government.

The expansion of the QIP project is entitled to a specific period of income tax exemption in line with initial investment activities, which ranges from three to nine years depending on the sectors and investment activities as stated in the annex of Sub-Decree 139.

The incentivised QIP expansion is limited only to additional investment capital paid each year and used for construction materials and new production equipment (excluding the value of land and working capital). If the investment capital is paid on an instalment basis, the tax exemption shall be proportionate based on the amount paid and used for construction materials and new production equipment in each tax year.

Please refer to the Prakas for various examples of income tax-exempt income calculation, including the proportional calculation based on the instalment injection of the investment capital each year.

The income tax exemption from the QIP expansion shall start when the enterprise earns its first income from the QIP expansion activities.

The QIP expansion is also exempted from monthly prepayment of income tax of 1% during the tax holiday period. Minimum tax exemption for the expansion is also granted if there is an independent audit report.

However, income tax incentives could be revoked if certain conditions aren't met, including failure to use the expansion investment capital on new construction materials and production equipment, failure to inject the full amount of the expansion investment capital before the expiry of the tax holiday period or failure to comply with tax obligations in Cambodia. In this case, the tax authority notifies the Council for the Development of Cambodia (CDC) or the Municipal/Provincial Investment Sub-committees of the CDC to take necessary actions per the laws enforced.

Any provisions which are contrary to this Prakas shall be abrogated.



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