



Cambodia tax alert Interest rate rules on related party loans

On 10 October 2017, The Kingdom of Cambodia's Ministry of Economy and Finance issued Prakas No. 986, a transfer pricing regulations that provides guidelines on the allocation of income and expenses among related parties. In line with this, the General Department of Taxation issued Instruction No. 11946 on 21 August 2018, to clarify the determination of the interest rate between related parties.

Instruction No. 11946 provides as follows:

- An enterprise engaged in loan transactions with related parties shall determine the interest rate by following the Arm's Length Principle as set forth in the Prakas No.986.
- The enterprise is not required to submit the loan agreements to the tax administration for approval. However, the taxpayer shall hold, record and maintain all loan-related documents and shall submit these to the tax administration if required, as mentioned in Article 18 of the Prakas No.986.

Instruction No. 11946 applies to loan transactions among related parties only. For loan transactions between non-related parties, the enterprise shall continue to abide by the instructions set out in Instruction No.151.

If you have any questions, or would like additional information on the topics covered in this alert, please contact:

Mr. Carlo Navarro
Tax Partner, SEA Transfer Pricing Leader
canavarro@deloitte.com

Mr. Thomas McClelland
Tax Partner, Deloitte Vietnam
tmcclelland@deloitte.com



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Deloitte (Cambodia) Co., Ltd.
P.O. Box 1150, Floor 8, Unit 8
#66, Preah Monivong Blvd
Sangkat Wat Phnom
Khan Duan Penh
Phnom Penh, Cambodia

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