



Cambodia Tax Alert

MEF issues regulations on tax on income incentives for expansion of QIPs

Greetings from your Tax & Legal team at Deloitte Cambodia.

We are pleased to update you on the following:

The Cambodia Ministry of Economy and Finance (MEF) issued regulations (Prakas No. 313 MEF) on 10 May 2024 to provide rules and procedures for the implementation of certain tax on income (TOI) incentives set forth in Sub-decree No. 139 promulgated on 26 June 2023. The incentives covered in Prakas No. 313 are available for the expansion of qualified investment projects (QIPs) in any of the following forms:

- Expansion of existing production;
- Expansion through diversification of products in the same product line;
- Expansion through the installation of new advanced technologies that enhance production or protect the environment; or
- Any other government-approved expansion activities.

A QIP that requests to expand its investment activities is eligible for a TOI exemption for a certain period depending on the investment activities. The exemption is based on the categorized groups of investors (groups 1, 2, and 3) contained in annex 2-4 of Sub-decree No. 139, and commences when the enterprise first receives income from the expanded QIP. The exemption period is three years for group 3, six years for group 2, or nine years for group 1.

The amount of exempt taxable Income is equal to the total taxable Income multiplied by the expansion capital ratio (i.e., capital invested in the QIP expansion divided by the total capital investment).

The QIP is also eligible for an exemption from the 1% prepayment of TOI, based on the investor group and the expansion capital ratio. An exemption from the minimum tax is also available, subject to certain conditions, including a requirement to obtain an independent audit report.

Contacts

Should you have any comments or questions arising from this newsletter, please contact the Deloitte Cambodia tax team below.

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