



Cambodia Tax Alert

TOI exemption granted to businesses impacted by suspension of EBA scheme

Cambodia's Ministry of Economy and Finance (MEF) issued guidance on 24 March 2020 explaining how an exemption from Tax on Income (TOI) will apply to enterprises in the garment, textile, and footwear sectors including enterprises producing bags and hats in Cambodia that have been affected by the suspension of the European Union's Everything but Arms (EBA) trade scheme (Prakas No. 319 MEF.Prk). The TOI exemption applies from 2020 onwards.

The EBA scheme grants full duty-free, quota-free access into the EU market for all products except arms and ammunition for certain countries, subject to certain conditions. The EU Commission partially suspended the scheme for Cambodia on 12 February 2020.

To calculate their TOI exemption, enterprises first must calculate the actual impact of the EBA suspension on their businesses, as follows:

$$\text{Rate of impact} = (\text{Volume of affected export value} \div \text{Volume of total export value}) \times 100\%$$

The rate of TOI exemption is based on the rate of impact and is calculated as follows:

- 20% to 39% rate of impact: 50% TOI exemption.

- 40% to 100% rate of impact: 100% TOI exemption.

To benefit from this incentive, enterprises should provide evidence detailing the actual impact of the EBA suspension on their businesses when submitting their TOI returns to the tax administration.

If you have any questions or would like additional information on the topics covered in this alert, please contact the Deloitte Cambodia tax team below.

Best regards,

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