



Cambodia tax alert

Guidance issued on new customs incentive for SMEs

Cambodia's government issued guidance (Sub-Decree 50), which is dated 25 March 2019 and effective as from this date, introducing a new customs incentive for small and medium-sized enterprises (SMEs) that aims to create more jobs, make the country more competitive internationally and increase the availability of domestically manufactured products.

Regardless of its type of legal form, an enterprise with annual turnover from KHR 250 million up to KHR 700 million or that employs from 10 to 50 employees is considered a small enterprise for purposes of the new customs incentive. An enterprise with annual turnover over KHR 700 million and up to KHR 4 billion or that employs from 51 to 100 employees is considered a medium-sized enterprise for purposes of the incentive.

Under Sub-Decree 50, SMEs may obtain a customs duty exemption on imports of production equipment (PE), construction equipment (CE) and raw materials/other production inputs (PI) if their business falls into one of the following categories:

Type of enterprise	PE	CE	PI	Comments
Producer and supplier of clean water	x	x	x	The sub-decree provides that the treatment is the same as for an export-oriented enterprise, please refer to the sub-decree for details
Export-oriented enterprise	x	x	x	If PI are processed but the product is not exported, SMEs retroactively are subject to customs duty on the import
Supporting industry for export-oriented enterprises	x	x	x	If PI are processed but the product is not supplied to an export-oriented enterprise or directly exported, SMEs

				retroactively are subject to customs duty on the import
Domestic seller	x	x		If PI are processed and the product is exported, SMEs can request a refund of the custom duties on the PI after a customs audit
Enterprise engaged in research and development relating to information technology	x (*)			A customs exemption is available only for installation equipment and equipment used in research and development relating to information technology
SME operating in industry zone	x	x		Same as for domestic sellers

(*) A customs duty exemption is available only for the importation of production equipment that is installation equipment or equipment used in research and development relating to information technology.

If the incentive is used in a way that is not aligned with the objective of the sub-decree, SMEs retroactively are required to pay the customs duty that they originally were exempted from, and penalties also are imposed.

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

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