



SEA Transfer Pricing Centre— Cambodia tax alert

Expanding perspectives and possibilities

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 regulation 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.

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