

# GOVERNMENT AIMING TO BOOST THE SECURITIES SECTOR WITH NEW REGULATION

March 2022 Publication

“Local expertise with international  
experience makes us the advisor of choice”

The Royal Government of Cambodia has subsequently implemented 4 Sub-decrees (Anukret) in support of the securities sector in the country. The 4 Sub-decrees aim to provide tax incentives to eligible enterprises that wish to go public and list on the Cambodia Securities Exchange (“CSX”). The most recent legislation in this regard, the Sub-decree on Tax Incentives in the Securities Sector no. 42 ANKr.BK has been issued on 24 February 2022 (“Sub-decree no. 42”). The purpose of Sub-decree no. 42 is to prescribe terms, conditions and other requirements to become eligible to tax incentives in the securities sector as prescribed in Article 12 of the Law on Public Finance Management 2010 promulgated by Preah Reach Kram No. NS/RKM/1209/026 dated 16 December 2009. According to Sub-decree no. 42, the tax incentives include now as following:

## 1. TAX INCENTIVES FOR ENTERPRISES

### Income tax

Upon having been granted approval by the Securities Regulator of Cambodia (“SERC”) to go public and list on the CSX, the qualifying enterprises will enjoy incentives on income tax for a period of 3 years after listing, as followings:

- 50% reduction of income tax for:
  - Enterprises that issue their first public stock which is equal to more than 20% of the enterprises’ voting rights; and/or
  - Enterprises that issue bonds of more than 20% of the value of total assets which have a maturity date of at least 7 years.
- Proportion basis by taking 20.001 per cent as a base for a reduction on income tax for:
  - Enterprises that issue their first public stock which is equal to or less than 20% of the enterprises’ voting rights; and/or
  - Enterprises that issue bonds equal to or less than 20% of the value of total assets which have a maturity date of at least 7 years.

This proportion basis is limited to not more than 20 billion Khmer Riel, equivalent to USD 5 million, for stock issuance and not more than 8 billion Khmer Riel, equivalent to USD 2 million, for bond issuance.

The period of 3 years of incentives on income tax shall be calculated from:

- (a) The beginning of the taxable year of the stock/bond issuance in the case the issuance took place within the first 6 months of the same taxable year; or
- (b) The beginning of the following taxable year of the stock/bond issuance in the case the issuance took place within the last 6 months of the taxable year; or
- (c) Any certain period approved by the Minister of the Ministry of Economy and Finance.

Be noted that under Sub-decree no. 42, enterprises that have already been listed on the CSX, but haven’t received any tax incentives yet, are also entitled to tax incentives described in this section.

## Tax debt liabilities waivers

The qualifying enterprises will also receive a tax debt liability waiver, including income tax, withholding tax, value-added tax, specific tax on certain merchandise and services, accommodation tax, and public lighting tax. The tax debt liability waivers shall be determined as followings:

- For enterprises listing on the Main Board of the CSX, the waiver on tax debt liabilities can be extended up to 10 years from the date of listing. However, the initial 2 historical tax years will be re-assessed by the General Department of Taxation (“GDT”).
- For SMEs listing on the Growth Board of the CSX, the waiver on tax debt liabilities can be extended up to 10 years from the date of listing. However, the first historical tax year will be re-assessed by the GDT.

## **2. TAX INCENTIVES FOR PUBLIC INVESTORS IN THE SECURITIES SECTOR**

Public resident and non-resident investors in the securities sector are entitled to a 50% reduction of withholding tax that would be applicable on the payment of interest and dividends received. They are also exempted from tax on capital gain in the case they buy or trade in government securities, stocks or bonds.

The above-stated tax incentives for public investors shall be valid for a period of 3 years counting from the effective date of the Sub-decree no. 42.

In order to enjoy the benefits of tax incentives described under 1 and 2, the enterprises and/or investors shall submit an application to the GDT for approval through the SERC. Public Investors must be registered with CSX to qualify for these tax benefits.

By continuing to issue regulations that are beneficial to the listed enterprises and public investors, the government has been aiming for long-term sustainable growth, increased recognition and improved competitiveness in the securities sector. Having seen this trend, it is expected that additional tax incentives will follow in the near future.

## AUTHORS' PROFILES



**Mustafa KOCADAG**

Partner/Head of  
Capital Market and M&A  
Aircraft Leasing & Purchase



**SAY Vareap**

Senior Associate  
Capital Market and M&A  
Aircraft Leasing & Purchase