



TaxBrief

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FIDES Certified Public Accountants & Auditors

The Ministry of Economy and Finance (MEF) has issued the Prakas in relation to the supporting industries that would have an impact on doing business in Cambodia.

TaxBrief is prepared by FIDES for the benefit of our clients and prospective clients. It provides in summary an update of the changes in the tax regulations in Cambodia.

Supporting Industries

According to the Prakas issued by the MEF dated 17 June 2005, supporting industry or contractor that directly supplies goods or services to export-oriented garment, textile and footwear manufacturers shall be exempt from *value added tax* on the importation of raw materials, semi-finished products and accessories for the purpose of production. The importation of plant and machinery for production use shall also be exempted from *value added tax*. Whereas, the supplies of goods or services is subject to the value added tax at *zero rate*.

The term “supporting industry” refers to qualify investment project (QIP) that directly supplies goods or services to export-oriented garment, textile and footwear manufacturers.

Whereas, the term “contractor” refers to enterprise providing *at least 80%* of its services directly to export-oriented garment, textile and footwear manufacturers. These enterprises must obtain approval from the MEF for the exemption on an annual basis.

The exemption from value added tax shall apply only to the supporting industry in the production of packing materials, and the making of fabrics, threads, buttons, zippers, hangers and other accessories attached to the garment or footwear. It also applies to contractor providing washing, dyeing, embroidery and screen printing services.

Exemption is subject to the approval and compliance with the tax regulations. Non-compliance will result in the imposition of value added tax at the normal rate.

For further information, advice or assistance, please contact *MS RANY CHUNG*, Partner, or FIDES Taxation Service team.

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