

# **Proposal to support the sustainable biomass sector through VAT exemption**

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RAFFLES HOTEL  
PHNOM PENH

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# THE CONTEXT

**Biomass is an important source of energy for industry, SMEs and households**

**(GASIFIERS)**



**Brick factories**



**Ice factories**

**(BOILERS & GASIFIERS)**



**Garment factories**



**Food processing factories**

**Restaurants & households**

**Charcoal production**



**Palm sugar...**



**Smoked Fish...**



# BARRIERS FOR SUSTAINABLE BIOMASS

- **The biomass sector in Cambodia is essentially an INFORMAL ECONOMY**
  - sources of biomass can not be tracked (mainly for woody biomass)
  - Fraction of non-renewable biomass: 76%
- **The price of biomass is extremely low**
  - unsustainable sourcing (illegal logging)
  - very low labor/processing costs (below any standards and rights)
  - evasion of all sort of tax regimes (no mean for its control and regulation)



# THE PROPOSAL



**To support the development of the sustainable biomass sector through its exemption from the Value Added Tax (VAT).**

- **Why?**
  - competition in the biomass sector is based on prices
  - VAT in Cambodia is 10% of all income from sales, which determines an increase of price for the customer.
  - the informal and unsustainable sector doesn't pay VAT

# THE IMPACT

**Increased competitiveness:**  
No VAT ->  
Price 10% down or  
profitability 10% up

**-Formalization` and  
development of the  
sector**  
**- Attraction of more  
investments**

**Increased income  
from taxes for the  
RGC**  
- Employment  
taxes  
- Profit taxes

**Positive impact on  
the environment:**  
- Preservation of  
natural forests  
- CO2 emissions  
reduction

**Mapping and tracing  
of biomass resources  
(biomass resources  
database) -> Positive  
impact on other  
sectors**

**VISION:** The preservation of the natural resources and development of a formal sustainable biomass sector will ensure that biomass will remain also in the future a sustainable source of renewable energy, which can support the country's economic and social development.

# THE IMPLEMENTATION

VAT exemption would be granted to registered companies upon a formal application, which needs to demonstrate the sustainability of the biomass value chain.

## Principles:

- **General**
  - Compliance with national laws
- **Social**
  - Application of Cambodian Labor Law
  - Attention to worker's safety
  - Contribution to the development of local communities and improvement of their livelihood.
- **Environmental**
  - Environmental impact assessment
  - Biomass Life Cycle Assessment
  - Reduction of CO2 emissions in comparison to the baseline scenario.
- **Economic**
  - Efficient use of the biomass
  - Benefits for local and national economy
  - Compliance with national taxation.





# CONCLUSIONS

- The proposal has been submitted in December 2014 to the Ministry of Mines and Energy (MME) by the EUROCHAM Green Biz Committee
- In March 2015 MME has approved the proposal!
- Next step (May 2015): presentation of the proposal to the Ministry of Economy and Finance

# THANK YOU



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