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Building #12, Street 348, Phum 4, Sangkat Toul Svay Prey Ti Mouy, Khan Boeng Keng Kang, Phnom Penh
+855 (0) 23 926 999 · hello@fourmiandpartners.com

INSIGHTS

ACCOUNTING & TECHNOLOGY

IAS 20 government grants and QIP incentives in Cambodia

When a Cambodian company recognises a government grant under CIFRS IAS 20 or CIFRS for SMEs Section 24, why a QIP tax incentive is usually not a grant, and how to handle conditions, repayment and disclosure.



By Liv Bonito
Co-founder & Managing Director · FCCA, CPA (KICPAA)

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IS A CAMBODIAN QIP TAX INCENTIVE A GOVERNMENT GRANT UNDER IAS 20, AND WHEN IS GRANT INCOME RECOGNISED?

Under CIFRS (IAS 20 Accounting for Government Grants and Disclosure of Government Assistance) and CIFRS for SMEs (Section 24), a government grant is a transfer of resources in return for past or future compliance with conditions relating to the entity's operating activities; it is recognised in income when there is reasonable assurance that the conditions will be met and the grant will be received, with performance-condition grants deferred until the conditions are met. A QIP tax incentive is generally a tax benefit determined by the tax base, not a grant: IAS 20.2 and Section 24.3 exclude income tax holidays, investment tax credits, accelerated depreciation and reduced income tax rates, which are accounted for under IAS 12 / Section 29. The QIP certificate terms, not the label, decide the accounting.

IN SHORT

- A government grant is a transfer of resources in return for compliance with operating conditions, not every payment or benefit received from a public body.
- Recognise a grant in income only when there is reasonable assurance the conditions will be met and the grant will be received; a grant received before the conditions are met is a liability.
- A QIP tax holiday or tax credit is an income tax benefit under IAS 12 / Section 29, not grant income under IAS 20 / Section 24.
- A non-tax QIP benefit — cash, land, training or infrastructure support — can still be a government grant; read the certificate and the support agreement.
- Keep the grant agreement, the QIP certificate, the receipt and the evidence that each condition was met with the audit file.

What counts as a government grant?

IAS 20 defines a government grant as assistance by government in the form of a transfer of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. The transfer can be cash or non-cash, such as land, equipment, a below-market loan or a service. A payment that cannot reasonably be valued, or a transaction with government that cannot be distinguished from the entity's normal trading, is outside the definition.

The scope exclusions are as important as the definition. Government assistance that is provided through the tax system — an income tax holiday, an investment tax credit, accelerated depreciation or a reduced income tax rate — is not a government grant. It is accounted for under IAS 12 Income Taxes. Government participation in the ownership of the entity is also outside IAS 20.

A QIP certificate in Cambodia often combines tax incentives with conditions on investment capital, location, employment or sector. The tax incentives are generally within the IAS 12 exclusion; a separate cash grant, land allocation or infrastructure support may be a grant if it meets the definition. The accounting analysis should separate the two before any income is recognised.

GRANT, TAX INCENTIVE OR REFUND: THE ACCOUNTING ROUTE

Item	IAS 20 / Section 24	IAS 12 / Section 29	Evidence
Cash grant with performance conditions	Deferred income until conditions are met; then income	Tax treatment of the grant income separately	Grant agreement, conditions, receipt
Income tax holiday or reduced rate	Outside scope	Current and deferred tax under the tax law	QIP certificate, GDT approval
Investment tax credit	Outside scope if determined by income tax	Tax credit and deferred tax	Tax return, credit documentation
Land or equipment transferred by government	Grant at fair value; conditions apply	Tax base and depreciation of the asset	Title, valuation, transfer agreement
Refund of a grant	Change in estimate; repay the liability	Deduction or income adjustment per tax law	Repayment notice, calculation

Recognition, measurement and the conditions

A grant is recognised when there is reasonable assurance that the entity will comply with the conditions attached to it and that the grant will be received. Reasonable assurance is not a probability threshold that can be assumed from the application; it requires evidence that the grant has been approved, the conditions are within the entity's control and the cash or asset is expected. A grant received before the conditions are met is recognised as a liability, not income.

Grants are measured at the fair value of the asset received or receivable. A non-monetary grant is measured at fair value; if the fair value cannot be measured reliably, the grant is measured at a nominal amount. A grant related to an asset may be presented either as deferred income or as a deduction from the carrying amount of the asset, provided the policy is applied consistently. A grant related to income is recognised in profit or loss over the periods in which the related costs are incurred.

A grant that becomes repayable is accounted for as a change in accounting estimate, not a prior-period error. The repayment is recognised when the obligation arises, and the carrying amount of the related asset or deferred income is adjusted. If the repayment relates to a grant that

was deducted from an asset, the asset's carrying amount is increased and depreciation is adjusted prospectively.

> ⚠ **Read the conditions before the cash arrives**
>
> A grant received before the performance conditions are met is a liability. Do not recognise income because the bank balance increased. The condition may be a number of jobs, a location, an investment amount or a reporting deadline; the grant agreement and the QIP certificate are the evidence.

The QIP trap: a tax incentive is not automatically a grant

Cambodia's investment incentives are granted through the qualified investment project regime administered by the Council for the Development of Cambodia, under the investment law and the QIP certificate. The tax elements — an income tax holiday, a reduced rate, a tax credit or accelerated depreciation — are determined by the tax base and are excluded from IAS 20 by IAS 20.2 and from Section 24 by Section 24.3. They are recognised and measured under IAS 12 / Section 29, with the current tax and deferred tax consequences of the QIP terms.

That does not mean every QIP benefit is outside IAS 20. If the state transfers land, cash, training, infrastructure or another resource to the project, the transfer can be a government grant even if it sits in the same QIP package. The analysis is item by item: identify the resource transferred, the conditions attached, whether the benefit is determined by income tax, and whether the entity can measure it reliably.

The accounting should not double count. A tax holiday is not grant income, and a cash grant is not a reduction of tax expense merely because both appear in the QIP certificate. The QIP article on this site explains the investment approval process; this article addresses the accounting classification, not the incentive rates.

Disclosure and audit evidence

IAS 20 requires disclosure of the accounting policy for government grants, the nature and amounts recognised in the financial statements, unfulfilled conditions and other contingencies, and any government assistance that has not been recognised because it cannot be measured

reliably. Section 24 has a lighter but similar disclosure set. The notes should explain why a QIP tax benefit was treated as a tax item rather than a grant, especially where the amount is material.

The auditor will ask for the grant agreement, the QIP certificate, the GDT approval, the bank receipt, the conditions and the evidence that each condition was met. Under CISA, ISA 250 addresses compliance with laws and regulations, including the investment law and the tax law, and ISA 500 addresses the sufficiency of the evidence. A correspondence file with the CDC and the GDT is part of the audit evidence, not an administrative extra.

- The grant or support agreement, including every condition and reporting deadline.
- The QIP certificate and the GDT approval for the tax treatment.
- The receipt, the valuation of any non-cash resource and the accounting entry.
- The condition-by-condition compliance file and the board or management approval.
- The tax computation showing how the QIP benefit was treated under IAS 12, with no double count.

The Cambodian tax interaction

Grant income is generally part of accounting profit and must be considered in the Tax on Income computation, but the timing and deductibility of the related expenditure can differ. The Law on Taxation (2023) and the GDT's rules determine whether the grant is taxable when received, when recognised, or not at all; the accounting treatment does not settle the tax question. The annual Tax on Income return and the book-to-tax reconciliation should show the grant separately.

A QIP tax holiday changes the current tax expense, not the accounting income. The deferred tax calculation must reflect the expected pattern of the holiday and the temporary differences that will reverse after it. A tax incentive that is available for a limited period can create a deferred tax asset or liability that is easy to miss if the accounting team treats the QIP only as a compliance file.

Key facts

How this article is checked

Figures were verified against the sources listed below in November 2026 and are re-checked each January or when the rule changes. Written by Liv Bonito, Co-founder & Managing Director. General information, not advice on your situation: for that, talk to a partner.

QUESTIONS

Questions people ask

Is a cash payment from a Cambodian ministry always a government grant?

Not always. It is a government grant if it is a transfer of resources in return for past or future compliance with conditions relating to the entity's operating activities, and it can be measured reliably. A payment

for goods or services at market terms, or a payment that cannot be distinguished from normal trading, is outside IAS 20.

Is a QIP tax holiday grant income?

Generally no. Income tax holidays, investment tax credits, accelerated depreciation and reduced income tax rates are excluded from IAS 20 and Section 24 and are accounted for under IAS 12 / Section 29. A separate non-tax resource transferred under the same QIP package can still be a grant and must be analysed on its own terms.

How is a grant for equipment presented?

The entity may present the grant as deferred income or deduct it from the carrying amount of the asset, provided the policy is applied consistently. The grant is recognised in profit or loss over the periods in which the related depreciation is charged. The presentation affects the balance sheet and the depreciation line, not the total profit over the asset's life.

What happens if a grant condition is breached?

A grant that becomes repayable is accounted for as a change in accounting estimate. The repayment obligation is recognised when it arises, and the related asset or deferred income is adjusted. The tax treatment of the repayment is separate and should be confirmed with the GDT.

SOURCES

Where the rules come from

01 IAS 20 Accounting for Government Grants and Disclosure of Government Assistance (https://www.ifrs.org/issued-standards/list-of-standards/ias-20-accounting-for-government-grants-and-disclosure-of-government-assistance/) — IFRS Foundation

02 IFRS for SMEs Accounting Standard, Section 24 Government Grants (https://www.ifrs.org/issued-standards/ifrs-for-smes/) — IFRS Foundation

03 Council for the Development of Cambodia (CDC) — qualified investment project registration (https://www.cdc.gov.kh) — CDC

04 Cambodia's investment law — Kingdom of Cambodia. Criteria for qualified investment projects and the incentives available; confirm against the current text.

05 Law on Taxation (Royal Kram NS/RKM/0523/004, 16 May 2023) and GDT prakas (https://www.tax.gov.kh) — Kingdom of Cambodia / General Department of Taxation