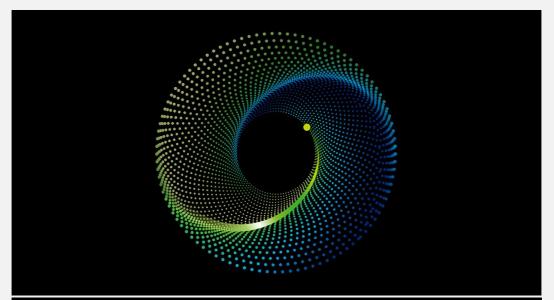
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Cambodia | Tax & Legal | 3 February 2023



## Cambodia Tax Alert

Guidance clarifies how to determine advance tax on dividend distributions (ATDD)

Greetings from your Tax & Legal team at Deloitte Cambodia. We hope that you and your loved ones are staying safe and healthy despite these challenging times. As we navigate ourselves through this trying period, we are committed to provide you with the support you need.

We are pleased to update you on the following:

Cambodia's General Department of Taxation (GDT) issued Instruction 30408 GDT on 14 December 2022 further clarifying how to determine basis for purposes of the ATDD and how to calculate the tax. This guidance complements Prakas on Tax on Income (TOI) 098 issued on 29 January 2020 and the new Law on Investment issued on 15 October 2021.

The ATDD refers to the prepaid TOI on the distribution of dividends from retained earnings that have not been subject to TOI in Cambodia.

### ATDD basis calculation

- For Qualified Investment Projects (QIPs):
  - **Step 1:** Dividends are paid out of retained earnings after paying the annual TOI at 0%.

- Step 2: Dividends are paid out of retained earnings after paying TOI at progressive rates proportional to the total TOI due, as follows:
  - 25% for the first two years;
  - 50% for the subsequent two years; and
  - 75% for the final two years.
- **Step 3:** Dividends are paid out of retained earnings after paying TOI at 20% or 30%.
- **Step 4:** Dividends are paid out of current year income before paying TOI.
- For enterprises other than QIPs:
  - **Step 1:** Dividends are paid out of retained earnings after paying TOI at 20% or 30%.
  - **Step 2:** Dividends are paid out of current year income before paying TOI.

### ATDD determination

The ATDD should be determined as follows:

- The ATDD is equal to the grossed-up dividend amount multiplied by the annual TOI rate, as provided in new article 20(1) of Law on Taxation. The ATDD that has been paid can be used as a tax credit to offset the annual TOI on the dividend distribution. Any excess tax credit can be carried forward to offset annual TOI in the following years.
- The ATDD does not apply to a QIP during its tax holiday, including the accumulated retained earnings earned during the tax holiday period prior to 2020. After the end of the tax holiday period, a QIP that is eligible for progressive TOI rates and distributes a dividend out of retained earnings before paying TOI will have to pay ATDD at progressive rates proportional to the total TOI due, as follows:
  - 25% for the first two years;
  - 50% for the subsequent two years; and
  - 75% for the final two years.
- Enterprises that receive dividend income after paying ATDD should record the amount in their dividend account. When they distribute a dividend subsequently, they will not have to pay ATDD again.

### Contacts

Should you have any comments or questions arising from this newsletter, please contact the Deloitte Cambodia tax team below.





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