



Tax Alert: Amended Law on Taxation Law on Financial Management for 2017

The draft Financial Management Law (the Law) for 2017 is being discussed at the Cambodian National Assembly and is expected to be approved in December 2016. The Law includes a number of tax amendments as listed below and is in force from 1 January 2017 onwards.

Tax on Profit (TOP)

The new Law proposes amendments to the Law on Taxation (LOT) articles 20, 21 and 22 on the TOP rate for insurance companies, branches of foreign company, and sole proprietorship and partnership below.

Insurance company

The tax basis and rates applied to insurance companies have been revised based on the type of insurance.

- 5% of the gross premiums for the insurance or reinsurance of property and other associated risks
- 20% of taxable profit for saving life insurance

The MEF shall issue a Prakas for further guideline.

Branch of foreign company (the Branch)

The taxable profit generated from Cambodian sources shall be applied the tax rate as stated in the amended Article 20 New (one) of the law ranging from 0% to 30%.

The remittance of Branch's profit from Cambodian sources in the current taxable year to head office is not subject to Additional Tax on Dividend Distribution (ATDD) if TOP is already paid.

Moreover, the remittance of Branch's profit after tax shall be subject to 14% Withholding Tax (WHT) if the income is generated from business activities carried on by a non-resident through a permanent establishment in Cambodia.

Sole proprietorship and general partnership

The progressive tax rate shall apply to sole proprietorship and general partnership as follows.

| Taxable profit | | Tax rate |
|---------------------------------|-----------------------|----------|
| KHR | USD | |
| From 0 to 12 million | From 0 to 3,000 | 0% |
| From 12,000,001 to 18 million | From 3,000 to 4,500 | 5% |
| From 18,000,001 to 102 million | From 4,500 to 25,500 | 10% |
| From 102,000,001 to 150 million | From 25,500 to 37,500 | 15% |
| Greater than 150 million | Greater than 37,500 | 20% |

Assumption: USD1 = KHR4,000

Additional Tax on Dividend Distribution

All the dividend distribution in any taxable year is subject to ATDD on the difference between TOP payable applied with rate of 20% or 30% and the actual TOP paid. The enterprise which receives the dividend after paying the ATDD shall record that dividend in its dividend account. Then, if the dividend after tax is subsequently distributed by the enterprise to its shareholders, the dividend shall not be subject to ATDD again.

Minimum Tax

The Minimum Tax is exempted to any enterprises that maintained the proper accounting records, having the external audited report each year by recognisable audited firms.

The MEF shall issue Prakas on required criteria for a proper accounting records and the procedures of the payment of the Minimum Tax later.

Withholding Tax

A resident taxpayer shall be subjected to the 14% WHT on the payment of Cambodia sourced income to a non-resident taxpayer. However, this is not applicable for the reinsurance of property or other risks in the Kingdom of Cambodia.

Tax on Salary

The rebate for each dependent is increased from KHR 75,000 (~USD18.75) to KHR 150,000 (~USD37.5) and the threshold for Tax on Salary calculation shall be amended as follows:

| Taxable salary | | Tax rate |
|------------------------------|---------------------|----------|
| KHR | USD | |
| From 0 to 1,000,000 | From 0 to 250 | 0% |
| From 1,000,001 to 1,500,000 | From 250 to 375 | 5% |
| From 1,500,001 to 8,500,000 | From 375 to 2,125 | 10% |
| From 8,500,001 to 12,500,000 | From 2,125 to 3,125 | 15% |
| Greater than 12.5 million | Greater than 3,125 | 20% |

Assumption: USD1 = KHR4,000

Non Taxable Supplies

Non-taxable supplies under Article 57 have been added as follows:

- Educational services
- Electric power and clean water
- Unprocessed agricultural product
- Solid and liquid waste collection service

Right to Receive Information

Under Article 99 New, the tax administration can issue a notification letter to the taxpayer or third person including bank, insurance company and other financial institution for the purpose of determining tax payable, collecting taxes or fulfilling the required conditions based on the international agreement (e.g FATCA).

Registration Tax

Under Article 11, Registration Tax on the transfer of property or used rights shall be exempted in the following cases:

- Receiving ownership or land possession in form of government concession
- Receiving ownership or real estate possession within relatives in direct line
- Receiving ownership of all types of motorbike, tricycle, tractor, and fishery vehicle which have the power up to 150 horsepower.

Should you have any questions, please contact us our tax director, Ms Kimsroy CHHIV, via kchhiv@deloitte.com.

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