



Cambodia tax alert

Tax deduction of provisions for Doubtful Debts of Financial Institutions

To formalize the outstanding discussion issues with the Associate of Banking Committee on tax deductions for provisions for doubtful debts required by the National Bank of Cambodia (NBC) and to align with 2016 Financial and Management Law, the Ministry of Economy and Finance (MEF) has issued the Prakas MEF 1535 dated 23 December 2016 to allow for tax deduction for provision for doubtful debts of banks and microfinance institutions (MFI) below.

Tax deduction categories	Bank*	Tax deduction	MFI**	Tax deduction
Normal	1%	X	N/A	X
Special mention	3%	X	N/A	X
Substandard	20%	√	10%	X
Doubtful	50%	√	30%	√
Lost	100%	√	100%	√

* Prakas NBC B7-09-074, 25 February 2009 on provision for doubtful debt for commercial bank.

** Prakas NBC B7-02-186, 13 September 2002 on provision for doubtful debt for Specialised bank and microfinance institution

In case of bad debt recovery, the collected amount shall be taxable in the current year.

Due to previous practice that all provisions for doubtful debts were claimed as the deductible expense for current tax year, the MEF has given a waiver of penalties and interest for amended Tax on Profit returns adjusting the above provisions for each tax year.

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

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