



## **Cambodia tax alert**

### **Withholding Tax (WHT) on dividend distribution**

The implementation of WHT on dividend distribution has been guided in the Prakas No. 518 issued by the Ministry of Economy and Finance on 5 May 2017.

The Prakas states that the conversion of capital reserve/retained earnings into the capital or equity is not considered as dividend distribution and not subject to WHT if it meets the following criteria:

- Board of directors' resolution
- Approved by competent authority (i.e. Ministry of Commerce and/or National Bank of Cambodia)

However, in the event of sale of shares or dividend distribution from resident to non-resident shareholder during on-going business operation or liquidation, WHT at 14% is imposed on the amount of shares, equity or capital converted from retained earnings, which previously did not subject to WHT on dividend distribution.

The term "dividend" refers to distribution of money or property based on a shareholder's equitable interest.

#### **Point to consider:**

The Prakas 518 did not mention on the form of sale of share whether it shall be captured for all sale transaction either it is done locally or at the ultimate shareholder level. At the current practices, only the direct sale of share in Cambodia targeted by non-resident shareholder is subject to 14% WHT on any conversion of capital from retained earning which is not yet subject to 14% WHT.

We can assist if you need our tax advisory services on this matter.

Should you have any questions, please contact us our tax director, Ms Kimsroy CHHIV, via [kchhiv@deloitte.com](mailto:kchhiv@deloitte.com).

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