



Cambodia tax alert: updates Prakas on Capital Gains Tax (CGT)

Greetings from your Tax team at Deloitte Cambodia. We hope that you and your loved ones are staying safe and healthy in these challenging times.

We are pleased to share with you the following tax updates on the new ruling for capital gains.

On 1 April 2020, Cambodia's Ministry of Finance and Economy (MEF) issued guidance stating that capital gains received by resident and non-resident taxpayers will be taxed at a rate of 20% (Prakas no. 346). Although the Prakas states that this rule will be effective from 1 July 2020, the tax authority verbally confirmed that it actually will be effective from 1 January 2021.

For purposes of the new rule, the guidance provides the following definitions:

- A resident taxpayer is a physical person (i.e., an individual) who meets Cambodia's residency criteria.
- A non-resident taxpayer is a physical person or legal entity who is not a resident taxpayer.
- Capital is defined as immovable properties, finance leases, investment assets, goodwill, intellectual properties, and foreign currencies.
- Capital gain refers to taxable income from the complete sale or transfer of a capital asset net of deductible expenses.

For immovable properties, deductible expenses will equal either:

- (i) 80% of the total sale or transfer income if there is no documentation to support the expenses; **or**
- (ii) the amount of actual expenses based on proper supporting documentation.

For other types of capital assets, deductible expenses will equal the amount of actual expenses only.

Certain capital gains tax exemptions will be available if certain conditions are met.

Taxpayers will be required to submit a tax return and pay the capital gains tax to the tax administration within three months after a capital gain is realised. Transfer of ownership or legal title for a capital asset will not have full legal effect until the associated capital gains tax is paid.

Contact

Should you have any comments or questions arising from this newsletter, please feel free to contact the tax team below.

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