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Guide to taxation in Cambodia - 2020

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Cambodian Services Group

List of abbreviations

Term	Definition
ASEAN	Association of Southeast Asian Nations
AT	Accommodation Tax
ATDD	Advance Tax on Dividend Distribution
CamDX	Cambodia Data Exchange
CDC	Council for Development of Cambodia
CGT	Capital Gains Tax
CPM	Cost Plus Method
CUP	Comparable Uncontrolled Price Method
DTA	Double Tax Agreement
GDT	General Department of Taxation
KHR	Khmer Riel
KICPAA	Kampuchea Institute of Certified Public Accountants and Auditors
LOAA	Law on Accounting and Auditing
LOCE	Law on Commercial Enterprises
LOFM	Law on Financial Management
LOT	Law on Taxation
MEF	Ministry of Economy and Finance
MLVT	Ministry of Labour and Vocational Training
MOC	Ministry of Commerce
MT	Minimum Tax
NAC	National Accounting Council
NBC	National Bank of Cambodia
NPO	Non-Profit Organisation
OECD	Organisation for Economic Co-operation and Development
PE	Permanent Establishment

PLCs	Public Limited Companies
PLT	Public lighting tax
PSM	Profit Split Method
PTOI	Prepayment to Tax on Income
QIP	Qualified Investment Project
RO	Representative Office
RPM	Resale Price Method
RT	Registration Tax
SMEs	Small and Medium-sized Enterprises
ST	Specific Tax
TNMM	Transactional Net Margin Method
TOFB	Tax on Fringe Benefits
TOI	Tax on Income
TOI Prakas	Tax on Profit Prakas
TOS	Tax on Salary
TOS Prakas	Tax on Salary Prakas
USD	United States Dollar
VAT	Value Added Tax
WHT	Withholding Tax
WTO	World Trade Organization

1.0 Investment climate

Business environment

Cambodia follows an open market economy. The diversified economy depends heavily on textiles and tourism, and includes significant agricultural, oil and natural gas, financial services, port and logistics services, education and trading activities.

Cambodia is a member of the WTO since 2004. Along with Brunei Darussalam, Singapore, Indonesia, Laos, Malaysia, Myanmar, Philippines, Thailand and Vietnam, Cambodia is a member of the ASEAN, a trade alliance intended to foster economic cooperation, social progress and cultural development among ASEAN members; to protect regional peace and stability; and to establish a joint market for attracting foreign trade and investment.

Currency

The official currency is the KHR, which is approximately 4,000 KHR per 1 USD.

Banking and financing

Cambodia's government has successfully improved financial facilities, strengthen the base of financial institutions and made it easier for the investors to get business financing in Cambodia. Cambodia's banking sector provides a wide range of services, from traditional lending and deposit-taking to corporate and investment banking activities. The banking and finance industries in Cambodia are regulated by the NBC.

Foreign investment

Cambodia is a desirable jurisdiction for foreign investors looking to set up operations, primarily because of its attractive corporate structure and favorable tax treatments and tax reliefs/incentives, political stability, advantageous location, untapped natural resources and land, the proximity of Asia raw materials. Cambodia is also among Asia's lowest-cost workforces. It is relatively easy to set up a business in Cambodia with 100% foreign investment, with the exception of land holding rights.

Cambodia welcomes foreign investment that contributes to its economic growth and specifically favours high value-added investments and technology-based industries by offering attractive incentives for qualifying activities.

Tax incentives

Quality Investment Project status investments

Investment incentives including tax exemptions are available for a range of business activities, which are not in the negative list of investment activities prohibited by laws.

Enterprises are required to submit an investment proposal, feasibility study and other necessary registration documents to the CDC for review and approval before being granted a QIP status.

With the QIP status, the Company can enjoy tax incentives as follows:

- Tax holiday: During the tax holiday period, a QIP receives an exemption of TOI and PTOI. The tax holiday period is comprised of a trigger period, a three-year period, and a priority period.
- 40% special depreciation: Alternatively, a QIP can choose a 40% special depreciation allowance on the value of the new or used tangible properties used in production, particularly for capital-intensive projects.
- Import duty exemption: A QIP will receive duty-free import of production equipment and construction materials, together with raw materials in production for export according to the nature of the business. Also, agricultural materials used as inputs in export industries may be exempted from VAT.
- Exemption of MT with proper accounting records approved by the GDT.

Small and medium-sized enterprises

Customs incentives are also available for SMEs.

SMEs may obtain a Customs Duty Exemption on imports for production equipment, construction equipment, and raw materials or other production inputs if a business enterprise falls into the promoted list which includes producers and suppliers of clean water, export-oriented enterprises, supporting industries for export-oriented enterprises, domestic sellers, enterprises engaged in research and development relating to information technology, and SMEs operating in an industrial zone.

If the incentive is used in a way that does not align with the objective, SMEs retroactively are required to pay the customs duty that they initially were exempted from, and penalties will also be imposed.

Accounting, filing and auditing requirements

Cambodia's MEF issued guidance on the statutory audit requirements on 10 July 2020 effective immediately (Prakas no. 563 MEF.BrK). The guidance revises the criteria under which all enterprises and NPOs must have their financial statements audited by an independent external auditor, which are summarised as follows:

Types of entity	New criteria
PLCs and QIPs	Compulsory
Enterprises other than PLCs and QIPs	<p>Meet any two of the following criteria:</p> <ul style="list-style-type: none"> • Annual turnover above KHR 4 billion (~ USD 1 million); • Total assets above KHR 3 billion (~ USD 750,000); or • More than 100 employees.
NPOs	<p>Meet the following two criteria:</p> <ul style="list-style-type: none"> • Annual expenses above KHR 2 billion (~ USD 500,000); and • More than 20 employees.

All enterprises (i.e., except NPOs) that used to have their previous year financial statements audited by an independent external auditor will continue to have their financial statements audited for at least three consecutive years, regardless of whether they meet the above criteria.

The deadline to submit audited financial statements with the NAC within six months and 15 days after the closing date of the accounting books. In addition, the GDT will request the entities to submit audited financial statements with the annual TOI if their financial statements are to be audited.

Based on the sub-decree dated on 1 June 2020, NAC has issued the penalties to be imposed for non-compliance with the LOAA (Sub-decree no. 79 RNKr.BK), effective from 1 June 2020 as stated in sub-decree. The purpose of the sub-decree is to increase the responsibility of enterprises, NPOs, accountants, and auditors so as to ensure that the LOAA is implemented effectively.

The sub-decree covers the following:

- Enterprises and legal entities registered with the MOC and/or the GDT as large or medium-sized taxpayers;
- All NPOs registered with relevant ministries and institutions; and
- All accounting and auditing professionals who are members of KICPAA must obtain the business from NAC in order to provide accounting and auditing services.

Double Tax Agreements

The purposes of this DTAs are mainly to increase the cross-border trade and investment, and to improve the mechanism for tax collection, information exchange and the double taxation reduction on the same income.

Below is the summary of DTAs that Cambodia has entered:

DTAs	Signed date	In force
Cambodia-Singapore	20 May 2016	Yes
Cambodia-Thailand	7 September 2017	Yes
Cambodia-China	13 October 2016	Yes
Cambodia-Brunei	27 July 2017	Yes
Cambodia-Vietnam	31 March 2018	Yes
Cambodia-Indonesia	13 October 2017 in Phnom Penh 23 October 2017 in Jakarta	Yes
Cambodia-Hong Kong	20 June 2019 (Signed in Phnom Penh) 26 June 2019 (Signed in Hong Kong)	Yes
Cambodia-Malaysia	3 September 2019 (Signed in Phnom Penh)	Not yet
Cambodia-Korea	25 November 2019 (Signed in Republic of Korea)	Not yet

2.0 Setting up a business

Principal forms of business entity

Investors seeking to carry on a business in Cambodia shall set up a legal entity for their business operation's benefits. The initial business registration must be processed with the Commercial Registration Bureau of the MOC through the online registration procedures. Under the Sub-Decree No. 84 dated 10 June 2020, online business registration is required to streamline and address the procedures, requirements and approvals from different authorities in one-off platform such as:

- Business registration with the MOC
- Tax registration (Patent tax certificate, Certificate of tax registration, Tax registration Identification Card, and Notification Letter on the Tax Obligation) with the GDT of the MEF
- Declaration of the opening of an enterprise with the MLVT
- Registration of a QIP with the CDC

The applicant shall input information and upload documents as required electronically via one designated website, <https://www.registrationservices.gov.kh>. The application and required documents will be channelled through a platform known as the CamDX to the relevant authorities for review and approval.

Forms of entity

According to the LOCE in Cambodia, the investor intending to open a business is required to set up an entity either in the form of a sole proprietorship, general or limited liability, partnership, public limited liability company, the foreign branch, and the RO, with either a foreign or Cambodian national.

Private limited company

To establish a Private Limited company, the entity should have from 1 to 30 shareholders. The Private Limited Company is not allowed to offer its shares or other securities to the public; however, it is allowed to transfer its shares to the other shareholders.

Public limited company

The process of running a Public Limited Company is regulated and has more restrictions compared to other forms of entities. There shall be at least three directors managing the Public Limited Company. The shareholders shall elect directors by an ordinary resolution of shareholders who have the right to vote.

The form of this entity may offer the securities to the public - financial institution and insurance company; however, it is required to have the approval from the relevant authorities.

Foreign company

A foreign company may set up a branch to start up a business operation in Cambodia which has the same legal entity as its principal.

- **Foreign branch** - Before commencing a business, a foreign branch should apply for the business registration with the MOC. The procedure of registration of the foreign branch is similar to the Private Limited Company except its own articles of incorporation. In addition, all the liabilities of the branch office will belong to its principle.
- **RO** - Foreign companies that wish to explore the feasibility of doing business in Cambodia may register as a RO with the MOC. The RO's activities are confined to market research, feasibility studies, advertising and marketing activities on behalf of its head office. The RO is prohibited from entering into any contractual arrangements facilitation for selling goods or services.
- **Subsidiary** - Foreign investors who wish to have at least 51% shareholding of a legal entity in Cambodia should establish their entity in the form of a limited company which maintains nationality as a foreign entity. However, a foreign nationality in Cambodia is not eligible to hold the land right as mentioned above.



3.0 Business taxation

Overview

The annual and principal tax obligations imposed on registered entities in Cambodia is TOI. TOI tax rate ranges from 0% to 30% based on business activity. The standard rate is 20%.

TOI is calculated on the difference between taxable profit derived from all income sources including capital gains and passive income (i.e. interest, rental and royalty income) and deductible expenses during the year.

Residence and permanent establishment

- A resident taxpayer refers to a legal entity which is organised or managed in or has a principal place of business in Cambodia.
- A non-resident taxpayer means not a resident of Cambodia.

A PE is defined as a fixed place of business or resident agent in Cambodia through which a non-resident person performs economic activities, wholly or partially, in Cambodia. The term PE also includes any other association or connection through which a non-resident person engages in economic activity in the Kingdom of Cambodia. A PE shall be considered a resident legal person with respect to its Cambodian source income only.

Taxable income and rates

The TOI rate for registered entities in Cambodia ranges with the following business activities:

Business activity	Rate
Enterprises oil or natural gas production or exploitation of natural resources, including timber, ore, gold and precious stones	30%
QIPs during tax holiday period	0%
The gross premium realised by general insurance, reinsurance and micro-insurance enterprises	5%*
The income realised by a legal person, life insurance and reinsurance enterprises	20%

*TOI shall be determined at 5% of the gross premiums received in the tax year while 20% TOI is applicable for other income.

Minimum tax

MT is a separate tax from TOI and imposed at 1% on annual turnovers. It is payable at the time of the yearly TOI when a taxpayer is in a loss position, or the TOI liability is less than MT liability.

Although 'turnover' is not defined, the tax authorities generally interpret it to include incomes from primary and other sources, including capital gains, and passive income. In the context of insurance, 'Turnover' means the gross premium from life insurance business less the refund premium and the insurance compensation, and other income.

MT exemption is available only to enterprises that maintain proper accounting records.

Deductibility rules

An expense is considered to be deductible for the TOI purpose if it meets the three following conditions:

- Proven by verifiable evidence (i.e. invoices, bill of entry, agreement, etc.)
- Incurred as a result of economic activities
- Recorded in the period with proper supporting documents

Interest expenses

Interest expenses are deductible up to the total interest income, with 50% of net non-interest income. The excessive amount to such a limit can be carried forward until the fifth tax year by using the sequence year in which the interest occurred.

Based on Notification No. 7558 GDT dated 19 March 2020, for third party loans, the interest rate shall follow the interest in the loan agreement and have proper supporting documents. For related party loan, the interest rate shall be charge at Arm's Length Principle.

For the exploitation of petroleum industry, the calculation of the maximum deductible interest expense each year is based on a debt-to-equity ratio of 3:1.

Charitable contribution

A deduction is allowed up to a maximum of 5% of taxable income, supported with sufficient supporting documents.

Tax depreciation

The tax depreciation charge is annually calculated including the tax depreciation of new assets acquired during the year based on rates under LOT.

All tangible property is divided into different classes below:

Class:	Depreciation rate	Depreciation method
Class 1	5%	straight-line
Class 2	50%	declining balance
Class 3	25%	declining balance
Class 4	20%	declining balance
Intangible property	10% or based on useful life	straight-line

Referring to Prakas No. 536 MEF dated 4 June 2018, the appropriate depreciation method in the industry of petroleum exploitation is the straight-line method to determine the tax depreciation for 'research, exploration, and development expenditure'. Other tangible and intangible assets are depreciated in accordance with Articles 13 and 14 of the LOT.

Treatment of provisions

The provisions are not deductible for tax purposes as they do not satisfy the deductibility criteria in the TOI Prakas. Consequently, adjustments must be made so that a deduction is claimed when all the deductibility criteria is met as stated above on the deductibility rules.

Loss carried forward

Tax losses could be carried forward up to five years to offset taxable profit after the year in which the losses are incurred. The loss carried forward is subject to certain conditions such as no changes in business activities and subject to unilateral tax reassessment. Tax losses cannot be carried back.

In the petroleum exploitation industry, tax losses can be carried forward for a maximum of 10 years based on Prakas No. 536 MEF dated 4 June 2018.

Capital gains tax

Cambodian tax regulations do not have a separate CGT for resident legal person. Gains on the sale of shares, and immovable property (i.e. land and buildings) and other assets are taxable under the TOI at a rate of 20% on the contract price or the market value, whichever is higher.

Currently the MEF and GDT issued a Prakas No.346 on CGT that is effective for implementation from 01 July 2020 onwards. CGT applies to both resident and non-resident taxpayers. 'Resident taxpayers' refers to any individual who meets residency criteria in Cambodia and 'non-resident taxpayers' cover both non-resident individuals and non-resident legal persons. The taxpayer shall submit a tax return and remit CGT payable to the tax administration within three months after the capital gain is realised. Based on the Notification No.24095 GDT dated 22 October 2020, the government has decided to postpone the implementation of CGT until the end of 2021.

Capital gain is the difference between the proceeds from sale/transfer of assets (i.e. immovable property, finance lease, investment asset, brand name, copy-right and foreign currency) and deductible expenses. The deductibility of expenses can be determined 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 only equate to the amount of actual expenses. CGT is imposed at the rate of 20% on the gain from the capital proceeds/transfer.

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

Administration

Tax year-end

The default tax year for all registered entities is the calendar year commencing from 1 January to 31 December. However, any registered entity with 51% foreign ownership is allowed to request for new tax year end different from the calendar year.

Tax filing and payment

The due date for the lodgement and payment of TOI is three months following the tax year-end (i.e. 31 March). The payment of TOI can be remitted to the tax authority via authorised banks.
Status of limitations

According to Cambodian tax regulations, the statute is 10 years if there is any obstruction to the implementation of the tax laws.

Rulings

A taxpayer can request a tax ruling to clarify its specific tax concerns.

Tax audit

New guidance on tax audits sets out rules and procedures for the tax audit process. The given guidance offers clear guidelines and timelines for audits for taxpayers under the self-declaration regime. Importantly, the interest rate on an unpaid amount is reduced from 2% to 1.5% as from 13 March 2019 while the penalty rate on unpaid taxes remains the same.

Type of tax audit	Status of limitations for an audit	Completed periods
Desk audit	Within 12 months after submission of the tax return, or during the current year ("year N")	Within three months
Limited audit	Current year N and/or the prior year ("year N-1")	Within three months
Comprehensive audit	Any period within the last three years (up to "year N-3")	Within six months

Transfer pricing

Cambodia issued Prakas No. 986 on transfer pricing rule, which provides guidelines for the preparation of transfer pricing documentation between related parties. The transfer pricing regulation is based on the principles set forth in the 2017 OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations ("OECD Guidelines") which states that transactions between related parties should be consistent with the arm's length standard.

Moreover, a regulation adopted five methods provided by the OECD which are CUP, RPM, CPM, PSM and TNMM. The regulation does not specifically state whether the company should select the most appropriated method for its comparison and documentation.

In case of non-compliance with the documentation requirements above, the tax authority can either revoke the certificate of tax compliance, re-evaluate the certificate of tax compliance and penalise the entity in accordance with Article 133 of the LOT of Cambodia, or sue the entity for criminal tax offenses and penalise them as provided in Article 134 to 138 of the Law on Taxation.

A classification of taxpayers

According to the Prakas on the Amendment of Classification of Taxpayers under Self-Assessment Regime, the GDT has classified taxpayers into three types:

Types of taxpayers	Level of turnover or legal form
Small	<ul style="list-style-type: none"> • From KHR250 million (~USD62.5K) to KHR700 million (~USD175K); or • Join in bidding, price consulting or price surveying in supplying goods and services
Medium	<ul style="list-style-type: none"> • From KHR700 million (~USD175K) to KHR4,000 million (~USD1M); or • A registered legal entity, representative office; or • A national and sub-national institution, association and non-governmental organisation; or • Foreign diplomatic and consular mission, international organisation and other government's technical cooperation agencies
Large	<ul style="list-style-type: none"> • More than KHR4,000 million (~USD1M); • A subsidiary of a multinational company, a foreign branch; or • A Qualified Investment Project ("QIP")

A classification of tax compliance

Furthermore, Prakas No. 1536 MEF permits the Cambodian tax authority to issue a tax compliance certificate in Gold, Silver or Bronze for two years, to any taxpayer with a total compliance score ranging from 1 to 20 points.

4.0 Withholding taxes

Overview

WHT is imposed on the income of recipient while a payer is obligated to withhold and remit it to the tax authority. It is due when the expense is paid or recorded in the accounting records of the payer (i.e. accrual basis). WHT payment and return submission are due on the 20th of the following month. WHT schemes are separated between payment to resident and non-resident taxpayers.

Payment made to residents

Services

WHT is imposed at the rate of 15% on income received by a physical person for service performance including management, consultancy and similar services except for the income from the selling of goods, leasing and employment activities.

Examples of service performance by a physical person that shall be subject to 15% WHT include the following:

- commission or brokerage
- transport, repair, construction, management or consulting activities
- scientific or technical artistic services

Royalty

A 15% WHT applies to royalty payments for intangible properties and interest in minerals made to a resident taxpayer.

Royalties for intangibles refer to:

- copyright, patent, brand name, trademark, model, design, drawing or other rights
- know-how, skill, information related to knowledge or experience in the field of industry, commerce, science or technology
- transfer of a right on knowledge or information
- a consultancy or any other service related to the use of rights

Rental

A 10% WHT is levied on income from the rental of movable property (i.e. industrial, commercial, technical or scientific equipment) and immovable property (i.e. land, house, or other constructions).

The payment for the rental is exempt from WHT if the following conditions are met:

- The leased movable and immovable properties must be recorded as state property in the property register maintained by the MEF.
- The MEF must certify that the rental payment that is a revenue to be paid to the national budget.

Interest (except financial institutions)

Interest paid to a physical person or resident taxpayers other than local banks and saving institutions shall be subjected to 15% WHT.

Interest for fixed deposit

WHT at 6% is levied on interest paid by local banks or savings institutions to a resident taxpayer or a physical person having a fixed term deposit account.

Interest for saving deposit

WHT at 4% is imposed on interest paid by local banks or savings institution to a resident taxpayer or a physical person having a non-fixed saving deposit account.

WHT exemption

An exemption from WHT exists for the following payments:

- Payment for service with amount lesser than KHR50,000.
- Payment for the rental of movable and immovable property to self-declaration taxpayer
- Payment in cash or in kind made to a self-declaration taxpayer for the performance of service including management, consulting and other similar services.
- Payment in cash or in kind made to a self-declaration taxpayer for the purchase of shrink-wrap software, site licence, downloadable software and software bundled with computer hardware.

Payment made to non-residents

Under the 2017 LOFM, which is effective from 1 January 2017 onwards, the Article 26 of LOT has been amended. The new regulation states that any resident taxpayer carrying on a business including a permanent establishment of a non-resident person who pays any Cambodian-source income as defined under Article 33 new of the LOT to a non-resident taxpayer, must withhold tax at 14% of the amount paid. WHT does not apply to property or risk reinsurance premiums in Cambodia.

WHT rate summary

Taxable Income	Tax Rate
Resident taxpayers	
Service	15%
Royalty for intangible properties	15%
Interest (except local bank and financial institutions)	15%
Rental	10%
Interest for fixed deposit	6%
Interest for saving deposit	4%
Non-resident taxpayers	
Cambodian-source income	14%



5.0 Value Added Tax

Overview

VAT is imposed on the supply of goods and services, which are supplied by a taxable person in Cambodia. An enterprise registered under the VAT provisions can use the input VAT it pays on purchases to offset against its output VAT. There is no reversed VAT charge that was introduced.

Taxable supply of goods and services

10% rate applies to standard taxable supplies in Cambodia and the importation of goods into Cambodia.

0% rate applies to the supply of goods and services for export from Cambodia, including:

- The supply of goods and services of supporting industries or sub-contractors to exporters (i.e. garment and footwear industries)
- The supply of international transportation services consumed outside Cambodia (i.e. international ports and airport or the first entrances to the territory of Cambodia).
- The supply of paddy rice and exports of milled rice
- The supply of services which are performed and used outside Cambodia

Non-taxable supply of goods and services

Several goods and services are under the exemption as follows:

- Public postal services
- Hospital, clinic, medical and dental services, and the medical and medical products incidental to the performance of such services
- A wholly state-owned public passenger transportation system
- Insurance and primary financial services
- Approved non-profit activities
- Imported goods for personal use
- Land (but not on the building component)
- Educational services
- Electricity and clean water
- Supply of unprocessed agricultural products, and basic food products
- Solid and liquid waste collection services

VAT calculation

The VAT is the result of multiplication between the tax base and tax rate.

The tax base is determined the cost of goods and services for the general supply. However, for imports, the VAT base is the accumulated custom value and other applicable taxes on import goods.

Block input VAT

The following purchases are not allowed for claiming the input VAT except for business services in the categories below:

- Entertainment, amusement or recreation expenses
- Certain petroleum products, including gasoline, lubricant oil and diesel oil
- Mobile telephone expenses
- Passenger motor vehicles

A new implementation of the online VAT refund begins to replace the traditional mechanism of the VAT refund. It is believed to be an effective and efficient mechanism. Despite that, it requires additional submission of sales and purchase records to the online platform for the refund verification purpose.

Taxpayers must file monthly VAT returns, online VAT and pay the tax (if applicable) by the 20th day of the following month.

6.0 Other taxes

Property tax

Property tax is levied on immovable property in Cambodia and is payable annually no later than 30 September of each taxable year by the owner. Immovable property is subject to this tax and includes land, houses, buildings and other constructions built on the land. The annual Property Tax is levied at 0.1% per year on the immovable property with a value exceeding KHR100 million (~USD25,000).

The Immovable Property Assessment Committee determines the value of the immovable property.

Tax on unused land

Tax on unused land is levied on a non-constructed land and abandoned constructed land which is located in the cities and the areas which are levied by the Unused Land Appraisal Committee. The tax rate is 2% of the market value of the land per square meter, as determined by the Commission for evaluation of unused land.

The owner is responsible for the payment of this tax to the tax administration by September 30 each year.

Registration tax/ transfer tax/ stamp duty

RT is a tax imposed on the registration of the transfer of certain types of property, as well as on the particular types of documents that must be registered by the buyer.

RT is levied as follows:

- KHR1 million (~USD250) on certain legal documents relating to establishing, dissolving or merging a business enterprise
- 4% of the value of immovable property and vehicles upon the transfer of ownership or rights of possession (such as land and vehicles)
- 0.1% of the value of shares upon the transfer of all or part of a company's shares
- 0.1% of the value of contracts to supply goods that use the state budget

RT shall be exempted in the following cases:

- receiving ownership or land possession in the form of government concession
- receiving ownership or real estate possession from relatives
- receiving ownership of all types of motorbike, tricycle, tractor, and fishery vehicle which has the power of up to 150 horsepower

In addition, based on Financial Management Law 2020, the stamp tax levied on business signs and commercial posters or banners is usually chargeable on rubber, plain paper, cloth or other materials except for non-business purpose. Failure to comply with stamp tax obligations will be subjected to penalties.

Specific tax on certain merchandise and services

ST is imposed on some locally produced and imported products and services. The local taxpayer producing or supplying these merchandises or services is responsible for paying this tax to the tax administration by the 20th day of the following month that the supplies are made. For import products, ST is due at the time of import.

Examples of ST are as below:

Goods / Service	Rate
Local and international air tickets sold in Cambodia	10% selling price exclusive VAT and SPT
Entertainment services	10%
Certain locally produced carbonated and similar non-alcoholic drinks	10%*
Telecommunication services	3%
Locally produced cigarettes and cigars and all kinds of tobacco	20%
Imported cigarettes and cigars and all kinds of tobacco	20%
All types of locally produced beer products	30%*
All types of imported beer products (increased from 25% to 30%)	30%
All types of locally produced wine products	35%
All types of imported wine products (increase from 20% to 35%)	35%

*For locally produced products, the ST is calculated at “ex-factory selling price”. The ex-factory selling price has been increased from 65% to 90% of selling price exclusive VAT and ST.

Public lighting tax

PLT is a tax imposed on locally produced and imported alcohol and cigarettes at a rate of 3%. Further redistribution, the PLT base is at 20% of Sale price.

Accommodation tax

AT is a tax imposed on the supply of accommodation services (i.e. hotel, resort, guest house, motel, apartment hotel, bungalow, and so forth) at a rate of 2% of the taxable value inclusive all taxes except AT and VAT.

Advance tax on dividend distribution

Any dividend distributed from profits before tax (i.e. retained earnings) to resident or non-resident shareholders is subject to ATDD. The ATDD rate varies depending on the source of the profits distributed (i.e. the ATDD rate can be 0%, 20%). Dividends paid out of profits that are not subjected to 20% TOI are subjected to 20% ATDD, while dividends paid out of profits that have already been subjected to 20% TOI, are not subjected to ATDD. The Law on Financial Management for 2020 has revised the ATDD rules as follows:

- An enterprise that distributes dividends out of pre-TOI income to a domestic or foreign shareholder (except a QIP in a tax holiday period) is subject to the ATDD, which equals the grossed-up dividend amount multiplied by the annual TOI rate.
- ATDD that has been paid may be credited against the TOI liability in the same year, with any excess credit available to be carried forward indefinitely.
- Enterprises that already have paid the ATDD with respect to a dividend distribution will not be subject to the tax again on subsequent dividend distributions.
- ATDD will not apply to general insurance premiums and the reinsurance of property and other associated risks in Cambodia.

For foreign branches that repatriate profits to their head office, the profits are:

- Exempt from the ATDD if the repatriated profits are net of TOI paid;
- Subject to the ATDD if TOI has not been paid on the repatriated profits; and
- Subject to withholding tax at a rate of 14%, as provided in new article 26(1), on income from business activities carried out by a non-resident through a permanent establishment as described in paragraph 10 of the new article 33

Import and export duties

Import duties are levied on all imported goods at the point of entry in Cambodia unless the imported goods are subject to duties exemption treatment under the Amended Law on Investment, international agreement or other special regulations. Currently, the import duties rates are 0%, 7%, 15% and 35% depending on the type of goods imported to Cambodia.

Cambodia is a member of the WTO and has a number of free trade agreements with ASEAN and other countries. There are preferential tariff rates on a broad range of products imported from other ASEAN countries and other favourable nations.

Several items are prohibited from export or strictly restricted, such as antiques, narcotic and toxic materials, logs, precious metals and stones and weapons. The export tax rates are 0%, 5%, 10%, 15%, 20% and 50%.

7.0 Tax on individuals

Personal income tax

In Cambodia, the personal income tax is not enforced yet. However, Cambodia has TOS and TOFB, which apply to employees of registered employers only. Residency and source rules are essential to determine whether TOS is applicable. These rules give the tax administration the right to deem certain fringe benefits as income.

Residency status

An individual is a resident of Cambodia for tax purposes if he/she is a resident of Cambodia, has a principal place of abode in Cambodia, or is physically present in Cambodia for more than 182 days in any 12 months ending in the current tax year. A non-resident is a person who does not meet the above criteria.

Tax on salary

A resident of Cambodia is subjected to a monthly deduction of TOS on salaries received from both Cambodian and foreign sources. Taxable salary includes remuneration, wages and salary, bonuses and overtime, except where the income is deemed to be a fringe benefit which is subject to TOFB. The tax rate is on an incremental scale with a top marginal rate of 20%.

With the effective from 2018 onward, new thresholds and rates for the TOS calculation have been updated as follows:

Monthly salary		Tax rate
KHR	USD*	
Below 1,300,000	0 – 325	0%
1,300,001 to 2,000,000	326 – 500	5%
2,000,001 to 8,500,000	501 – 2,125	10%
8,500,001 to 12,500,000	2,126 – 3,125	15%
More than 12,500,000	Over 3,125	20%

* Assumption: USD1 = KHR4,000

A non-resident is subject to a monthly deduction of TOS on salaries received from Cambodian sources. The tax is a flat rate of 20%.

Tax on fringe benefits

When exclusive benefits are provided to employees they are subjected to 20% TOFB regardless of the date which the benefits are accrued.

Fringe benefits (either in cash or kind) provided directly or indirectly by an employer to employees are subjected to TOFB at 20% on the market value. Some of the fringe benefits outlined in the TOS Prakas include:

- Private use of motor vehicles
- Meals
- Accommodation (including utilities and household personnel)
- Educational assistance that is not for training directly related to their employment activities
- Educational assistance for employees' children
- Travel expenses, including recreational leave
- Low-interest loans
- Life and health insurance premiums (unless provided to all employees regardless of employment or job classification)
- Contribution to social security funds in excess of levels provided in law
- Pension fund contributions (more than 10% of the monthly salary exclusive of fringe benefits)
- Entertainment, amusement and recreation expenses, or the use of any means of connection with such activities that are not part of the employment role

Tax exemption

Certain income is exempt from TOS as follows:

- Actual reimbursements of professional expenses
- Limited indemnity for a layoff in accordance with labour law
- Remuneration provided under the labour law and limited flat allowances for mission and travel expenses
- Seniority payment for Cambodia people under the labour law

Employers are responsible for withholding and remitting the TOS and TOFB to the GDT by the 20th day of the following month in which the salaries and fringe benefits are paid.

Rebates

The allowance for deduction is KHR150,000 (~USD38) for each dependent (i.e. a housewife supporting with marriage certificate, a child of less than 14 years of age; or up to 25 years of age if he/she is a full-time student at an officially recognised educational institution).

8.0 Contact us:

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- Corporate tax advisory and structuring
- Tax due diligence
- Custom and global trade
- Indirect tax consulting and compliance
- Global employer services including expatriate employees reporting
- Business Process Solution including bookkeeping, disbursement and reporting services
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