

# Cambodia Basic Tax Training

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# Agenda

- Overview of implementation of Current Taxation Laws
- Cambodian Tax Compliance
- Other taxes
- Penalties and interest
- New depreciation method

# Overview of implementation of Current Taxation Laws

- The principal taxation law is the 1997 Law on Taxation (“LoT”).
- The 1997 LoT was amended and the Law on Amendment of the Law on Taxation (“LALoT”) was promulgated by Royal Kram NS/RKM/0303/010 dated 31 March 2003.
- The Prakas on tax on profit was issued by the Ministry of Economy and Finance on 3 August 2000.
- Prakas on ToP – updated 12 December 2003, effective 1 January 2004.
- Sub decree on VAT.

# Cambodian Tax Compliance

- Monthly tax compliance:
  - Prepayment of Profit Tax;
  - Salary Tax and Fringe Benefit Tax;
  - Withholding Tax;
  - Value Added Tax;
  - Specific Tax on Certain Merchandise and Services; and
  - Tax on Public Lighting.

# Cambodian Tax Compliance

(continued)

- Annual tax compliance:
  - Minimum Tax;
  - Tax on Profit; and
  - Patent tax.

# Prepayment of Profit Tax

- The prepayment of profit tax (“PPT”) is calculated at the rate of 1% of the monthly turnover inclusive of all taxes excluding VAT (inclusive of all taxes and VAT prior to 1 January 2004).
- The PPT return and payment are due to be filed and paid to the TD by the 15th day of the following month.
- This PPT will be used to offset against the tax on profit due at the annual tax liquidation.

# Salary Tax

- A resident employee is subject to withholding tax on salary based on either Cambodian or foreign sourced salaries.
- The salary tax is calculated on a sliding scale from 5% to 20%.

| <b>Taxable Income for the Month</b> |                               |                |             |
|-------------------------------------|-------------------------------|----------------|-------------|
|                                     | <b>Riels</b>                  | <b>USD</b>     | <b>Rate</b> |
| <b>Up to</b>                        | <b>~ 500,000</b>              | <b>~ 125</b>   | <b>0%</b>   |
| <b>From</b>                         | <b>500,001 – 1,250,000</b>    | <b>~ 313</b>   | <b>5%</b>   |
| <b>From</b>                         | <b>1,250,001 – 8,500,000</b>  | <b>~ 2,125</b> | <b>10%</b>  |
| <b>From</b>                         | <b>8,500,001 – 12,500,000</b> | <b>~ 3,125</b> | <b>15%</b>  |
| <b>Over</b>                         | <b>12,500,000</b>             | <b>~ 3,125</b> | <b>20%</b>  |

- A non-resident employee is subject to withholding tax on salary at the flat rate of 20% (Pre LALoT is 15%) from Cambodian source salary.

# Fringe Benefit Tax

- Fringe benefit tax (“FBT”) is calculated at the flat rate of 20% of the taxable value of the fringe benefits (divided by 0.8) inclusive of all kinds of taxes and the tax on fringe benefits itself.
- Fringe benefits included
- Vehicles
- Food, house and accommodation.
- Water, electricity, telephone and home servant
- Low-interest loans and free, subsidized or discounted goods and services.
- Other benefits.
- Lodged with salary tax return – 15th of the following month



# Withholding Tax

|   | Pre   | Post  |
|---|-------|-------|
| <ul style="list-style-type: none"><li>Resident withholding tax (“WHT”) is applicable to the following payments and rates:</li></ul>   | LALoT | LALoT |
| <ul style="list-style-type: none"><li>Payment for services including management, consulting, and other similar services;</li></ul>  | 15%   | 15%   |
| <ul style="list-style-type: none"><li>Payment of royalties for intangible assets and interest in minerals, oils or natural gas;</li></ul>                                     | 15%   | 15%   |
| <ul style="list-style-type: none"><li>Interest payment made to a physical person or enterprise, except for interest paid to a domestic bank or savings institution;</li></ul> | 15%   | 15%   |

# Withholding Tax

(Continued)

|  | Pre   | Post  |
|--|-------|-------|
|  | LALoT | LALoT |
| • Income from rental of movable or immovable properties;   | 10%   | 10%   |
| • Interest on a fixed term deposit account paid by a domestic bank or savings institution to a resident taxpayer | 15%   | 6%    |
| • Interest on savings account made by a domestic bank or savings institution to a resident taxpayer.             | 5%    | 4%    |

# Withholding Tax

(Continued)

- Non-resident WHT is required to be deducted on the following payments to non-residents at the rate of 14%;
- Interest;
- Royalties, rent, and other payments connected with use of property;
- Compensation for management or technical services;
- Dividends;
- Prior to the implementation of the LALoT the WHT rate was 15%, and applied to payments of Cambodian source income;
- Return is lodged by 15th of the following month.

# Value Added Tax

- Value added tax (“VAT”)
- VAT is charged on a wide range of goods and services supplied in Cambodia and on the importation of goods.
- VAT is charged at the rate of 10%.
- An exception occurs for:
  - goods exported outside Cambodia and services performed outside Cambodia - the VAT rate is 0%; and
  - Non taxable supplies such as financial services, insurance services, medical services etc - VAT does not apply.

# Value Added Tax

(Continued)

- What is Output VAT?
- Output VAT is VAT that you charge to your customer when you are a taxable person making taxable supplies.
- What is Input VAT?
- Input VAT is VAT that you are charged by your supplier on your business purchases and expenses in Cambodia and on goods imported for your business.
- What is the VAT payable, and credit or refund?
- If output tax is greater than input tax then you make a VAT payment.
- If input tax is greater than output tax then you claim a VAT credit or refund.
- VAT return is to be lodged by 20th of the following month

# Specific Tax on Certain Merchandise and Services

- Specific tax on certain merchandise and services (“STCMS”) is imposed on the following goods and services:

|  | Rate |
|--|------|
| • Domestic and overseas telephone services   | 10%  |
| • Domestic and international air tickets   | 10%  |
| • Selling of domestic beers in Cambodia  | 30%  |
| • Entertainment services   | 10%  |
| • There are various other goods and services subject to STCMS  |      |
| • STCMS return and payment are due for lodgement and payment with the TD by 10th day of the following month. |      |

# Tax on Public Lighting

- The Tax for Public Lighting (“TPL”) is imposed on the supply of alcohol and tobacco products both imported and produced in Cambodia.
- The TPL shall be imposed on all chains of supply.
- TPL is calculated at the rate of 3% on the value of the taxable products inclusive of taxes but not the TPL and VAT.
- The TPL return and payment are due to be filed and paid to TD by the 20th day of the following month.

# Minimum Tax

- The Minimum tax is calculated at 1% of annual turnover inclusive of all taxes except VAT (inclusive of all taxes and VAT prior to 1 January 2004).
- However, investment enterprises are not subject minimum tax after 2001.
- The minimum tax is due by 31 March of the following year. If tax on profit is greater than the minimum tax then the minimum tax is not payable.



# Tax on Profit

- The Tax on Profit (“ToP”) rate is based on each industry as follows:

| Industries   | Rate |
|--|------|
| • General rate   | 20%  |
| • An oil or natural gas production sharing contract and the exploitation of natural resources including timber | 30%  |
| • Investment enterprise  | 9%   |
| • Investment enterprise during the period of tax exemption   | 0%   |

- The ToP return is required to be filed to the TD by the 31 March of the following year. The ToP is due if the ToP payable is greater than the minimum tax.

# Patent tax

- Patent tax is a yearly business registration tax that all enterprises carrying on business activities in Cambodia are required to pay by 31 March.
- The standard patent tax payment is KHR1,140,000 (approx.USD300)

# Other taxes

- Additional profit tax on dividend distribution (“APTDD”) is payable as follows:
- Distribution of retained earnings or annual profit after tax
- The profit of QIP during the tax exemption period as determined by CDC.
- The profit of QIP approved by CDC to be entitled to the 5 years transitional period
- The profit of trading companies
- The profit of natural gas companies

| Profit tax | ATDD     |
|------------|----------|
| 0%         | Dividend |
|            | 20/100   |
| 9%         | Dividend |
|            | 11/91    |
| 20%        | Nil      |
| 30%        | Nil      |

# Other Taxes

(continue)

- Customs duty is levied on certain goods entering Cambodia. The rates vary depending on the type of goods entering Cambodia. Currently, there are only four duty rates, via 0%, 7%, 15% and 35%.
- Stamp Duty is subject to the following legal documents of KHR1,000,000 (approx. USD250).
  - Company formation;
  - Company merger;
  - Dissolution of a company; and
  - An agreement to provide goods or services to public organizations.

# Penalties and interest

- Penalties
  - If the taxpayer or withholding agent is considered negligent the amount of penalty will be 10% of the unpaid tax;
  - If the taxpayer or withholding agent is considered seriously negligent the amount of penalty will be 25% of the underpaid tax; and
  - If the taxpayer or withholding agent receives a unilateral tax assessment the amount of the penalty will be 40% of the unpaid tax.
- Interest is charged at 2% per month and will accrue on the unpaid tax.

# New Depreciation Method

- Rates
  - Class 1 – buildings and structures – 5% straight line
  - Class 2 – computers, electronic information systems, software – 50% declining balance
  - Class 3 – automobiles, trucks, office furniture and equipment – 25% declining balance
  - Class 4 – all other tangible property – 20% declining balance
- Calculation
- Pooled asset accounts
- Value as at 31 December 2004



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