SUMMARY OF TAX OBLIGATION
IN THE KINGDOM OF CAMBODIA
(Law on Taxation and other Tax Laws)

I. TAX SYSTEM

Taxpayers

All taxpayers shall be obliged to register with the tax administration within 15 days of having economic activity. Practically, the taxpayers in the Kingdom of Cambodia are divided into two categories, the self-assessment regime and the estimated regime taxpayers.
- The self-assessment regime taxpayers include legal entities, and individual businesses that have their annual turnover exceed 500 million riels in case of the supply of goods 250 million riels in case of the supply of services and 125 million riels in case of taxable turnover resulting from the government contracts;
- The estimated regime taxpayers are those smaller taxpayers other than the self-assessment regime taxpayers on which the taxes are officially determined for a certain period during the calendar year.

Tax Types

All enterprises and corporations in the Kingdom of Cambodia shall comply with the tax provisions containing in the Finance Acts and the Law on Taxation.
The major types of taxes are:
- Tax on Profit (TOP);
- Withholding Taxes;
- Minimum Tax (MT);
- Tax on Salary (TOS);
- Value Added Tax (VAT);
- Specific Tax on Certain Merchandise and Services (STCMS);
- Public Lighting Tax (PLT);
- Accommodation Tax;
- and a number of other taxes like Patent Tax, Stamp and Registration Tax, Tax on Rental of House and Land, Tax on Unused Land, etc.
**Tax on Profit**

The Tax on Profit is the debt of a resident taxpayer on income from Cambodian sources and from foreign sources. For a non-resident taxpayer, this tax is assessed on income from Cambodian sources only.

*The rates of the Tax on Profit:*

The tax rates on the annual profit are as follows:

1. 20 percent for the profit realized by a legal person.
2. 30 percent for profit realized under an oil or natural gas production sharing contract and the exploitation of natural resources including timber, ore, gold, and precious stones.
3. 9 percent for the profit of qualified investment project approved by CDC to be entitled to the 5 year transitional period commencing from the tax year after the date of the promulgation of the Law on the Amendment of the Law on Investment of the Kingdom of Cambodia.
4. 0 percent for the profit of qualified investment project during the tax exemption period as determined by CDC.
5. According to the progressive tax rate by tranche for the table below for the profit realized by the physical person and the distributive share to each member of a pass-through that is not classified as a legal person.

<table>
<thead>
<tr>
<th>Parts of the annual taxable profit</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>From 0 to 6,000,000 Riels</td>
<td>0%</td>
</tr>
<tr>
<td>From 6,000,001 to 15,000,000 Riels</td>
<td>5%</td>
</tr>
<tr>
<td>From 15,000,001 to 102,000,000 Riels</td>
<td>10%</td>
</tr>
<tr>
<td>From 102,000,001 to 150,000,000 Riels</td>
<td>15%</td>
</tr>
<tr>
<td>Greater than 150,000,000 Riels</td>
<td>20%</td>
</tr>
</tbody>
</table>

6. For an enterprise having principal activity in the insurance or reinsurance of life, property, or other risks, the tax on profit shall be determined as follows:

a. 5% of the gross premiums received in the tax year for the insurance or reinsurance of risk in the Kingdom of Cambodia,

b. according to the rates in article 20 of this law for other of activities that are not insurance of reinsurance.
Prepayment of Profit Tax

The self-assessment regime taxpayers must file and pay, on a monthly basis, the prepayment of profit tax at the rate of 1% of the turnover (inclusive of all taxes except for VAT) realized in the previous month by the 15th of the following month. This prepayment is deductible against the tax on profit at the annual liquidation of the tax.

Additional Profit Tax on Dividend Distributions

At the time of making dividend distributions, the self-assessment regime taxpayers shall pay the additional profit tax on dividend distributions as follows:

1. An additional profit tax shall be paid in the amount of 20/100 upon
   a. distribution of retained earnings or annual profit after tax, if the taxpayer is distributing retained earnings or profits that were subject to a tax rate of 0%; and
   b. any other distribution, except for those mentioned in paragraph 2 and paragraph 3 below as well as for any repayment of capital.

2. An additional profit tax shall be paid in the amount of 11/91 upon distribution of retained earnings or annual profit after tax, if the taxpayer is distributing retained earnings or profits that were subject to a tax rate of 9%.

3. Additional profit tax shall not be paid on the distribution of retained earnings or annual profit after tax, if the taxpayer is distributing retained earnings or annual profit that were subject to the normal rate of 20%, or the rate of 30%.

Withholding Tax on Income Realized by a Resident Taxpayer

Any resident taxpayer carrying on business and who makes any payment in cash or in kind to a resident taxpayer shall withhold, and pay as tax, an amount according to the below mentioned rates which are applied to the amount paid before withholding the tax:

a. The rate of 15 percent on:
   - income received by a physical person from the performance of services including management, consulting, and similar services;
   - royalties for intangibles and interests in minerals, and interest paid by a resident taxpayer carrying on business other than domestic banks and saving institutions to a resident taxpayer.

b. The rate of 10 percent on the income from the rental of movable and immovable property.

c. The rate of 6 percent on interest paid by a domestic bank or savings institution to a resident taxpayer having a fixed term deposit account.

d. The rate of 4 percent on interest paid by a domestic bank or saving institution to a resident taxpayer having a non-fixed term saving account.
The withholding in this article shall not apply to interest paid to a domestic bank or savings institution and to the payment of tax exempt income.

**Withholding Tax on Income Realized by a Non-Resident Taxpayer**

Any resident taxpayer carrying on business and who makes any of the following payments to a non-resident taxpayer shall withhold, and pay as tax, an amount equal to 14 percent of the amount paid.

a. interest;
b. royalties, rent, and other income connected with the use of property;
c. compensation for management or technical services;
d. dividends.

**Minimum Tax**

The Minimum Tax is a separate and distinct tax from the tax on profit. This tax is subject to the self-assessment regime taxpayers except for the qualified investment project (QIP) recognized by the Council for Development of Cambodia (CDC). The Minimum Tax is imposed at the rate of 1 percent of the annual turnover inclusive of all taxes except for VAT, and is payable at the time of the annual liquidation of the tax on profit. The minimum tax may be reduced by the annual tax on profit that is actually paid.

**Tax on Salary**

The tax on salary is a monthly tax imposed on salary that has been received within the framework of fulfilling employment activities. A physical person resident in the Kingdom of Cambodia is liable to the tax on salary for Cambodian source salary and foreign source salary. A non-resident physical person is liable to the tax on salary for Cambodian source salary. The enterprise which is the employer of an employee has the obligation to withhold tax before salary payment and pay this tax to the tax administration by the 15th of the month following the month in which the salary is paid.

For a resident employee the tax on salary due is determined on the monthly taxable salary and is withheld according to the progressive tax rate as below:

**Salary Tax Rates**

<table>
<thead>
<tr>
<th>Monthly salary (Riels)</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 500,000</td>
<td>0%</td>
</tr>
<tr>
<td>500,001 - 1,250,000</td>
<td>5%</td>
</tr>
<tr>
<td>1,250,001 - 8,500,000</td>
<td>10%</td>
</tr>
<tr>
<td>8,500,001 - 12,500,000</td>
<td>15%</td>
</tr>
<tr>
<td>12,500,001 - upwards</td>
<td>20%</td>
</tr>
</tbody>
</table>

For a non-resident employee the tax on salary is withheld at the rate of 20% of the amount to be paid before withholding. This withholding tax is the final tax on salary for the non-resident receiving the salary.
For fringe benefits, every month, the employer shall withhold and pay tax at the rate of 20% of the total value of fringe benefits given to all employees. The value of fringe benefits is the fair market value inclusive of all taxes.

**Value Added Tax**

The self-assessment regime taxpayers who are making taxable supplies are obliged to register for VAT, and collect VAT from the supplying of goods or services to their customers. The term “good” means tangible property other than land or money. The term “service” means the provisions of something of value other than goods, land, or money.

**Taxable supply**
The term taxable supply means:

1. The supply of goods or services by a taxable person in the Kingdom of Cambodia. The taxable person is any taxpayer under the Real Regime Tax System and others as specified by regulations;
2. The appropriation of goods for his own use by a taxable person;
3. The making of gift or supply at below cost of goods or services by a taxable person;
4. The import of goods into the customs territory of the Kingdom of Cambodia.

**Non-taxable supplies**
Non-taxable supplies are as follows:

1. Public postal service;
2. Hospital, clinic, medical, and dental services and the sale of medical and dental goods incidental to the performance of such services;
3. The service of transport of passengers by wholly state owned public transportation system;
4. Insurance services;
5. Primary financial services;
6. The imports of articles for personal use that are exempted from customs duties;
7. Non-profit activities in the public interest;
8. The imports or the purchases of goods for use in the exercise of their official function of foreign diplomatic and consular missions, international organizations and agencies of technical cooperation of other governments.

**Rates of tax**
The rates of VAT are as follows:

- **0%** This rate applies only to goods exported from the Kingdom of Cambodia and services consumed outside Cambodia. Exports are defined as including international transportation of passengers and goods.
- **10%** This standard rate applies to all supplies other than exports and non-taxable supplies.

**Calculation of tax due**
The VAT paid on import of goods or the VAT on locally purchase of goods or services for the business is called “Input Tax”.

The VAT charged on supplying of goods or services to customers is called “Output Tax”.

\[
\text{VAT due} = \text{Output Tax} - \text{Input Tax}
\]
Non-deductible Input Tax

Non-deductible input tax are the VAT paid on:
- Entertainment, amusement and recreation expense unless the taxable person carries on a business as a provider of entertainment, amusement or recreation;
- Purchases or imports of automobiles, unless the taxable person carries on the business of dealing in, or hiring such automobiles; or
- Purchases or imports of certain petroleum products, unless the taxable person carries on the business as a supplier of such petroleum products.

The taxable person must file the monthly VAT return in the form prescribed by the tax administration by the 20th of the month following the month that the supplies have been made.

Specific Tax on Certain Merchandise and Services

The Specific Tax on Certain Merchandise and Services is imposed on a number of local and imported products, and services. The goods subject to the specific tax on certain merchandise and services are mainly cars and spare parts and motorcycles and spare parts (tax rates 30%, 20%, 10%), petroleum products (20%), soft drinks, alcoholic drinks (10%), beers (20%). For services, there are entertainment services (10%), the transport by air of passengers (10%), and telephone services (3%). The taxpayer producing or supplying these merchandises or services is responsible to pay this tax to the tax administration by the 15th of the month following the month that the supplies are made.

Tax for Public lighting

The Tax for Public Lighting is an indirect tax with the rate of 3% to be imposed on all alcoholic drinks and cigarettes. The person who supplies these products is responsible for the payment of this tax to the tax administration by the 15th of the month following the month that the supplies are made.

Tax on Accommodation

The Tax on Accommodation is an indirect tax with the rate of 2% to be imposed on accommodation in hotels and guest houses. The person who supplies accommodation services is responsible for the payment of this tax to the tax administration by the 15th of the month following the month that the supplies are made.

Patent Tax

The Patent Tax is applied on total annual turnover and is paid by the end of March every year. The new taxpayer shall pay this tax in a full year amount if the business is started within the first half of the year, or pay in a half year amount if the business is started within the second half of the year. The taxpayer who has branches, warehouses, factories or workplaces for the same business in the same local jurisdiction is subject only one patent tax payment, but if that taxpayer has different businesses in different local jurisdictions he shall pay the patent tax for each business and each jurisdiction. The taxpayer must display the patent certificate at the principle place of business.
II. SUMMARY OF TAX RETURN FILING OBLIGATION

All taxpayers are obliged to file the tax returns even though they are nil returns, and pay the monthly or yearly taxes, at the following schedules:

**Monthly Obligation**:
- Prepayment of profit tax: by the 15th of the month following the month that the supply is made;
- Additional profit tax on dividend distribution: by the 15th of the month following the month that the distribution is made;
- Withholding taxes: by the 15th of the month following the month that the payment is made;
- Tax on salary: by the 15th of the month following the month that the salary is paid;
- Specific tax on certain merchandises and services: by the 15th of the month following the month that the supply subject to this tax is made;
- Tax for public lighting: by the 15th of the month following the month that the supply subject to this tax is made;
- Tax on accommodation: by the 15th of the month following the month that the accommodation service is made;
- Value added tax (VAT): by the 20th of the month following the month that the supply is made;

**Yearly Obligation**:
- Profit tax: Self-assessment regime taxpayers must file annual profit tax return with the tax administration by the end of the third month after fiscal year end, with the attachment of balance sheet, income statement, and some additional information. The tax is due and payable at the time of filing the return.
- Patent tax: The taxpayers shall file the return and pay the patent tax every year by the end of March.

The delay in filing of tax returns and payment of tax will be subject to penalties as specified in the Law on Taxation.

On the other hand, a taxpayer may be subject to other taxes specified by the laws according to the activities actually taken.

All taxpayers shall keep accurate books and records required by the laws of the Kingdom of Cambodia.

LARGE & MEDIUM TAXPAYERS BUREAU