International Tax
Cambodia Highlights 2017

Investment basics:

Currency – Khmer Riel (KHR)

Foreign exchange control – Payments for commercial transactions may be made freely between residents and nonresidents, provided they are made through an authorized bank. Funds transfers exceeding USD 10,000 must be declared to the National Bank of Cambodia before the transfer.

Accounting principles/financial statements – Publicly accountable entities are required to use full Cambodian International Financial Reporting Standards (CIFRS); and companies subject to audit but not publicly accountable may use either CIFRS for small and medium-sized entities or full CIFRS.

Qualified investment projects (QIPs) registered with the Council for the Development of Cambodia must have their financial statements audited by an independent external auditor registered with the Kampuchea Institute of Certified Public Accountants and Auditors. All other enterprises that meet at least two of the following criteria also must be audited: (i) more than 100 employees; (ii) annual turnover of more than KHR 3 billion; and (iii) total assets of more than KHR 2 billion.

Principal business entities – These are the sole proprietorship, partnership, limited liability company, branch of a foreign corporation and representative office.

Corporate taxation:

Residence – Residents include companies that are organized, managed or have their principal place of business in Cambodia.

Basis – Resident taxpayers are subject to tax on worldwide income; nonresidents are taxed only on Cambodian-source income.

Taxable income – The tax on profits is calculated on taxable profit. For resident taxpayers, taxable profit is calculated as the difference between total revenue (including capital gains and passive income, such as interest, rental and royalty income and insurance compensation) and allowable expenses paid or incurred to carry on the business.

Taxation of dividends – Dividends paid to Cambodian shareholders are not taxable.

If a company distributes dividends from retained earnings that have not been subject to tax in Cambodia (e.g. where a QIP entitled to a tax holiday distributes dividends derived during the tax holiday period), the distributing company is subject to the additional tax on dividend distributions (ATDD).

Capital gains – There is no separate capital gains tax. Any gain on the sale of fixed assets/shares is subject to the tax on profits at a rate of 20% on the higher of the contract price or the market value; the proceeds also are subject to minimum tax.

Losses – Tax losses may be carried forward to offset taxable profit for up to five years after the year in which the losses are incurred, subject to certain conditions (e.g. no changes in ownership or business activity, and subject to unilateral tax reassessment). Tax losses may not be carried back.

Rate – The tax on profits rate ranges from 0% to 30%, based on the business activity. The standard rate is 20%.

Enterprises operating in certain industries, such as oil or natural gas production or exploitation of natural resources, including timber, ore, gold and precious stones, are taxable at a 30% rate.

QIPs are subject to a 0% rate during the tax exemption period (see "Incentives," below).

Insurance companies that generate taxable profits from the insurance and reinsurance of property and other risks are subject to a 5% tax rate on gross premiums; taxable profits from life insurance and reinsurance and risks other than property are subject to tax at a rate of 20% of taxable profits.

Surtax – No

Alternative minimum tax – Enterprises that do not maintain proper accounting records, including those that incur losses, generally are subject to a minimum tax at a rate of 1% of total annual turnover inclusive of all taxes, except value added tax (VAT). QIPs, however, are not subject to the minimum tax.

Foreign tax credit – Cambodian companies may claim a foreign tax credit to offset the corporate income tax payable, limited to the amount of Cambodian tax payable on the foreign income. Supporting documents are required.

Participation exemption – No

Holding company regime – No

Incentives – Investment incentives for QIPs primarily consist of an exemption from minimum tax, either a profits tax holiday of up to six years or special depreciation at a 40% rate in the first year property is placed in service, and exemptions from import duty.

A VAT exemption on the importation of raw materials is available for 100% export-oriented enterprises located in assigned special economic zones.

Withholding tax:

Dividends – Dividends paid by a resident company to a nonresident shareholder are subject to a 14% withholding tax, in addition to the ATDD. No withholding tax is imposed on dividends paid to a resident shareholder.

Interest – Interest paid by a resident company to a nonresident is subject to a 14% withholding tax; a 15% withholding tax applies on interest paid to resident taxpayers, other than Cambodian banks and financial institutions.

Royalties – Royalties paid to a nonresident are subject to a 14% withholding tax (15% when paid to a resident).

Technical service fees – Technical and management service fees paid to a nonresident are subject to a 14% withholding tax (15% on fees paid to resident individuals, subject to certain exemptions). There is no definition of technical or management services, but the tax authorities' informal interpretation is that the term captures all service fees.

Branch remittance tax – The remittance of branch profits from Cambodian sources in the current taxable year to a foreign head office is not subject to ATDD if the tax on profits already has been paid. However, the 14% withholding tax will be imposed on the remittance of branch profits.

Other – A 14% withholding tax applies for rental payments made to a nonresident. Rent is subject to a 10% withholding tax, regardless of whether it is paid to a resident individual or to a "self-declaration regime" taxpayer.

Other taxes on corporations:

Capital duty – No

Payroll tax – No

Real property tax – Property tax is levied at 0.1% per year on immovable property with a value exceeding KHR 100 million. A tax on house and land rentals is levied at 10% of the rental fees. A tax also applies on unused land at a rate of 2% of the market value of the land per square meter, as determined by the Commission for Evaluation of Unused Land.

Social security – Employers with eight or more employees must register and make monthly occupational risk contributions at a rate of 0.8% of the monthly salary, capped at USD 2 per employee. The employer also is responsible for withholding and paying health care benefit (HCB) contributions to the National Social Security Fund (NSSF) at 2.6% of the average monthly wage of which 1.3% is the employer contribution and 1.3% the employee contribution.

Stamp duty – Certain legal documents relating to the establishment, dissolution or merger of a business enterprise are subject to a registration tax (i.e. stamp duty) of KHR 1 million. Some documents relating to the transfer of title to certain assets (e.g. land and vehicles) are subject to stamp duty at a rate of 4% of the value transferred. The transfer of a company's shares, in whole or in part, is subject to a 0.1% stamp duty on the market value of the shares at the transaction date. A 0.1% stamp tax also is levied on contractual amounts for the provision of goods or services using the national budget. Certain exemptions apply. Stamp duty is imposed on the buyer.

Fiscal stamp tax is payable on certain official documents, especially for foreign investors, and on certain advertising postings and signage. Amounts vary depending on the location of the signage, illumination and language of scripted words.

Transfer tax – No

Other – The tax on means of transportation imposes a number of statutory fees on the registration of certain transportation vehicles, including trucks, buses and ships.

Anti-avoidance rules:

Transfer pricing – There are no comprehensive transfer pricing regulations in Cambodia, although the General Department of Taxation (GDT) has broad powers to re-allocate income and deductions between related parties under common ownership, to prevent the avoidance or evasion of taxes. Common ownership exists where a person holds 20% or more of an enterprise.

Thin capitalization – There are no formal thin capitalization rules but there is a cap on a taxpayer's annual maximum interest deduction of 50% of net noninterest income, plus interest earned.

Controlled foreign companies – No

Disclosure requirements – Enterprises must disclose transactions in their monthly and annual tax returns filed with the GDT.

Compliance for corporations:

Tax year – The default tax year is a calendar year. An approval letter from the GDT is required if the taxpayer wishes to use a different tax year.

Consolidated returns – Consolidated returns are not permitted, and no tax relief is available between independent entities in a group.

Filing requirements – A taxpayer must file and pay annual corporate income tax within three months after the year end. Monthly tax returns and the advance payment of profit tax must be submitted by the 15th day of the following month.

Penalties – Penalties apply for failure to file, late filing or the filing of a fraudulent return. Taxpayers are subject to penalties of 10%, 25% or 40% and interest of 2% per month on late and underpaid taxes.

Rulings – A taxpayer can request a tax ruling to clarify its specific tax concerns, but responses to such requests are rare.

Personal taxation:

Basis – A resident employee is subject to tax on salary (TOS) on worldwide sources of income, irrespective of the place of payment; nonresidents are taxed only on Cambodia-source income.

Residence – A resident is defined as an individual who is domiciled or who has a principal place of abode in Cambodia, or who is present in Cambodia for more than 182 days in any 12-month period ending in the current tax year.

Filing status – The employer is responsible for withholding and remitting the TOS to the GDT each month. Employees are not required to file tax returns.

Taxable income – The TOS is imposed on salaries received as compensation for employment activities in Cambodia. The term "salary" is defined broadly to include wages, remuneration, bonuses, overtime, compensation and fringe benefits. Fringe benefits (in cash or in kind) include the private use of a motor vehicle, the provision of meals and/or accommodations, pension fund contributions that are more than 10% of salary, etc.

Capital gains – No

Deductions and allowances – The allowance for each dependent is KHR 150,000, subject to specified conditions. Certain income is exempt from TOS, such as actual reimbursements of professional expenses, limited indemnity for a layoff, remuneration provided under the labor law and limited flat allowances for mission and travel expenses.

Rates – Progressive rates ranging from 0% to 20% apply to residents earning employment income. Nonresidents are subject to a flat rate of 20%. The tax rate on fringe benefits is 20%.

Other taxes on individuals:

Capital duty – No

Stamp duty – Similar to the rules that apply for corporations, registration tax is applicable to individual owners on the sale of shares, the sale of property and inheritances. See "Other taxes on corporations."

Capital acquisitions tax – No

Real property tax – This tax is applicable to individual owners in the same way as it is to companies. See "Other taxes on corporations."

Inheritance/estate tax – No, but see "Stamp duty."

Net wealth/net worth tax – No

Social security – The employee is responsible for paying HCB to the NSSF at a rate of 1.3% of the average monthly salary.

Compliance for individuals:

Tax year – Calendar year

Filing and payment – TOS is deducted from employee salaries, but the employer is responsible for withholding and remitting the tax on a monthly basis. Employees are not required to pay TOS directly to the tax authorities.

Penalties – Penalties do not apply to individual employees, but are levied on the employer. The penalty and interest rates are the same as those for corporate tax noncompliance. See “Compliance for corporations.”

Value added tax:

Taxable transactions – VAT is levied on taxable supplies, which include all supplies of goods and services and sales of fixed assets, except for the following: public postal services; hospitals, clinics, medical and dental services; the state-owned public passenger transportation system; primary financial and insurance services; approved nonprofit activities; the import of goods by foreign diplomatic international organizations and agencies of technical cooperation for personal use; the supply of water and electricity; educational services, unprocessed agricultural product, solid and liquid waste collection services.

Rates – The standard rate is 10%, but certain supplies are zero-rated or exempt.

Registration – All taxpayers making supplies of taxable goods and services in Cambodia must register for VAT before making taxable supplies.

For registered taxpayers to claim input VAT, strict rules apply with regard to obligations relating to invoicing, timing and accounting records.

Filing and payment – Monthly filing is required and VAT must be paid by the 20th day of the following month.

Source of tax law: 1997 Law on Taxation; Sub-decree on VAT; Prakas on Tax on Profit; 1997 Foreign Exchange Law; Prakas on Registration Tax Collection; Law on Social Security Schemes; Law on Financial Management and its subsequent amendments

Tax treaties: Cambodia has signed two tax treaties (with China and Singapore), but the treaties are not yet in force.

Tax authorities: General Department of Taxation and the Ministry of Economy and Finance

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