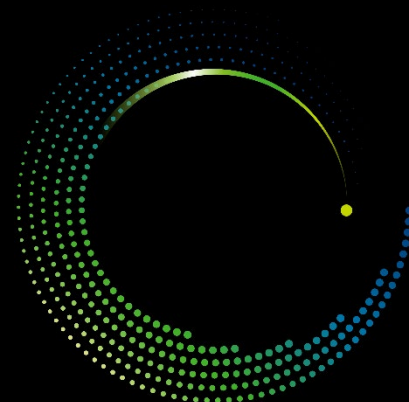


International Tax Cambodia Highlights 2023

Updated February 2023



Recent developments

For the latest tax developments relating to Cambodia, see [Deloitte tax@hand](#).

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); companies subject to audit but not publicly accountable may use CIFRS for small and medium-sized entities or full CIFRS.

All enterprises and nonprofit organizations (NPOs) must have their financial statements audited by an independent external auditor. For all public limited companies (PLCs) and qualified investment projects (QIPs), an independent audit is compulsory. Enterprises other than PLCs and QIPs are required to have an independent audit where any two of the following criteria are met: (i) annual turnover of more than KHR 4 billion, (ii) total assets of more than KHR 3 billion, or (iii) more than 100 employees. NPOs are required to have an independent audit where annual expenses exceed KHR 2 billion and they have more than 20 employees.

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

Corporate taxation

Rates

Corporate income tax rate	20% (standard rate); 0% to 30% based on business activity
Branch tax rate	20%, plus 14% branch remittance tax
Capital gains tax rate	Taxed as income at 20%

Residence: A company is resident in Cambodia if it is organized or managed in Cambodia or if it has its principal place of business in Cambodia.

Basis: Resident taxpayers are subject to tax on worldwide income; nonresidents, including branches, are taxed only on Cambodia-source income.

Taxable income: Income tax is calculated on taxable profit. For resident taxpayers, taxable profit is 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.

Rate: Income tax rates range from 0% to 30%, based on business activity. The standard rate is 20%.

Enterprises operating in certain industries, such as oil or natural gas production or the 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 general insurance operations are subject to a 5% tax rate on gross premiums. Profits from the insurance or reinsurance of life insurance schemes and from activities other than insurance and reinsurance are subject to tax at a rate of 20% of taxable profit.

Surtax: There is no surtax.

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).

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

An enterprise that distributes dividends out of pretax income to a domestic or foreign shareholder (except a QIP that is in a tax holiday period) is subject to the advance tax on dividend distributions (ATDD), which equals the grossed-up dividend amount multiplied by the annual income tax rate of 20% (30% for income from oil or natural gas production or the exploitation of natural resources).

Capital gains: There is no separate capital gains tax for resident legal entities. Any gain on the sale of assets/shares is subject to tax on income at a rate of 20% on the higher of the contract price or the market value; the gains also are subject to the minimum tax.

The Ministry of Economy and Finance (MEF) and the General Department of Taxation (GDT) issued guidance on a capital gains tax that was intended to apply as from 1 July 2020 but has been postponed and likely will not be implemented until at least 2024. The 20% tax would apply to resident individuals who meet residency criteria in Cambodia and nonresident taxpayers (including both nonresident individuals and nonresident legal entities). Taxpayers would be required to submit a tax return and remit the capital gains tax payable to the tax administration within three months after the capital gain is realized. The capital gain would be calculated as the difference between the proceeds from the sale or transfer of assets (e.g., immovable property, finance leases, investment assets, brand names, copyrights, and foreign currency) and deductible expenses. For certain types of capital asset (e.g., immovable property), the deductible expenses would be 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 asset, deductible expenses would be the total actual expenses. Capital gains tax exemptions would be available where certain conditions are met.

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 business activity and subject to unilateral tax reassessment). Tax losses may not be carried back.

In the petroleum exploitation industry, tax losses may be carried forward for a maximum of 10 years.

Foreign tax relief: 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: There is no participation exemption.

Holding company regime: There is no holding company regime.

Incentives: Investment incentives for QIPs primarily consist of an exemption from minimum tax; either a corporate income tax holiday or special depreciation at a 40% rate in the first year that an asset is brought into use; and exemptions from import duty.

A VAT exemption on the importation of raw materials is available for 100% export-oriented enterprises.

Compliance for corporations

Tax year: The default tax year is the calendar year. A taxpayer must obtain approval from the GDT 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 and payment: A taxpayer must file and pay annual corporate income tax within three months after the year end via the GDT's e-filing system. Monthly tax returns and the prepayment of income tax must be submitted by the 20th day of the following month or the 25th day of the following month in the case of e-filing. Taxpayers must submit their monthly tax returns via the GDT's e-filing system.

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 1.5% per month on late and underpaid taxes.

Rulings: A taxpayer may request a tax ruling to clarify any specific tax concerns.

Individual taxation

Rates		
Individual income tax rate	Monthly taxable income (KHR)	Rate
	Up to 1,500,000	0%
	1,500,001–2,000,000	5%
	2,000,001–8,500,000	10%
	8,500,001–12,500,000	15%
	Over 12,500,000	20%
Capital gains tax rate		See commentary

Residence: An individual is resident in Cambodia if the individual is domiciled or has a principal place of abode in Cambodia or is present in Cambodia for more than 182 days in any 12-month period ending in the current tax year.

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.

Taxable income: 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 accommodation, and pension fund contributions exceeding 10% of salary.

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%.

Capital gains: See “Capital gains” under “Corporate taxation,” above, regarding the proposed new capital gains tax rules.

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 rate allowances for work and travel expenses.

Foreign tax relief: Cambodian individuals may claim a foreign tax credit to offset their income tax payable, limited to the amount of Cambodian tax payable on the foreign income. Supporting documents are required.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: Employees are not required to file tax returns.

Filing and payment: The employer is responsible for withholding TOS from employees’ remuneration and remitting the tax to the GDT on a monthly basis. Employees are not required to pay TOS directly to the tax authorities.

Penalties: Penalties for noncompliance are imposed on the employer, not the employee. The penalty and interest rates are the same as those for corporate tax noncompliance (see “Compliance for corporations,” above).

Rulings: A taxpayer may request a tax ruling to clarify any specific individual tax concerns.

Withholding tax

Rates				
Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	0%	14%, plus ATDD	14%, plus ATDD
Interest	15%	15%	14%	14%
Royalties	0%/15%	0%/15%	14%	14%
Fees for technical services	15%	15%	14%	14%

Dividends: No withholding tax is imposed on dividends paid to a resident shareholder. Dividends paid by a resident company to a nonresident shareholder are subject to a 14% withholding tax, unless the rate is reduced under an applicable tax treaty, in addition to the ATDD.

Interest: A 15% withholding tax applies on interest paid to resident taxpayers, other than Cambodian banks and financial institutions. Interest paid by a resident company to a nonresident is subject to a 14% withholding tax, unless the rate is reduced under an applicable tax treaty.

Royalties: Royalties paid to a resident generally are subject to a 15% withholding tax; however, royalties paid for shrink-wrapped software, site licenses, downloadable software, or software bundled with computer hardware to a self-declaration taxpayer are exempt from withholding tax. Royalties paid to a nonresident are subject to a 14% withholding tax, unless the rate is reduced under an applicable tax treaty.

Fees for technical services: Technical and management service fees paid to a resident are subject to a 15% withholding tax, subject to certain exemptions; fees paid to a nonresident are subject to a 14% withholding tax, unless the rate is reduced under an applicable tax treaty. Service payments of less than KHR 50,000 are not subject to withholding tax.

“Technical services” are defined as all services that are technical in nature and that require technical skill or knowledge in the development or creation of business inputs, such as services in science, physics, medicine, dentistry, pharmacology, law, hydraulics, physiology, art, education, engineering, architecture, research study, accounting, economics, welfare, and nuclear power, as well as consultation services. “Management services” are defined as all services that are managerial in nature and performed to manage a business, such as recruiting staff, or training or managing sale agents.

Branch remittance tax: A 14% withholding tax is imposed on the remittance of branch profits to a foreign head office. A remittance of branch profits from Cambodian sources in the current taxable year to a foreign head office is not subject to ATDD where the tax on income already has been paid.

Other: A 10% withholding tax applies to rental payments made to a resident individual. Rental payments made to a self-declaration taxpayer are exempt from withholding tax if supported by proper documentation. A 14% withholding tax applies to rental payments made to a nonresident.

A 14% withholding tax also applies to Cambodia-source income payments made to a nonresident by a resident taxpayer carrying on a business in Cambodia or a nonresident person with a permanent establishment in Cambodia.

Anti-avoidance rules

Transfer pricing: Cambodia has issued a transfer pricing regulation that adopts the five transfer pricing methods in the OECD guidelines: the comparable uncontrolled price method, resale price method, cost plus method, profit split method, and transactional net margin method. The regulation does not specifically state whether a company must select the most appropriate method for its comparisons and documentation. The regulation also provides guidance on the preparation of transfer pricing documentation for transactions between related parties.

Transactions between related parties must comply with the arm’s length principle, and taxpayers must conduct a comparability analysis to assess the arm’s length nature of the price of a controlled transaction. For a transaction to be on arm’s length terms, the analysis must support that either: (i) a comparable transaction does not have any significant differences from the controlled transaction that could affect the market price; or (ii) accurate adjustments can be made to eliminate any significant differences.

Interest deduction limitations: There are no formal thin capitalization rules, but there is a cap on a taxpayer’s annual maximum interest deduction of 50% of net income excluding interest, plus interest earned. Any unused portion can be carried forward for five consecutive years to offset future taxable profits.

Controlled foreign companies: There are no controlled foreign company (CFC) rules.

Hybrids: There are no anti-hybrid rules.

Economic substance requirements: There are no economic substance requirements.

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

Exit tax: Due to the absence of CFC rules in Cambodian tax law, certain transactions (e.g., sales of shares or assets and liquidations) are subject to stamp tax, withholding tax, or ATDD, or the gain derived from the transaction is taxed as a capital gain, as appropriate.

General anti-avoidance rule: There is no general anti-avoidance rule.

Value added tax

Rates	
Standard rate	10%
Reduced rate	0%

Taxable transactions: VAT is imposed on taxable supplies, which include all supplies of goods and services and sales of fixed assets, except for the following: primary financial services; public postal services; hospital, clinic, medical, and dental services; the state-owned public passenger transportation system; 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 products; and solid and liquid waste collection services.

“Primary financial services” refers to financial services in which profit margins are derived from activities such as deposit, credit, or loan transactions; initial public offerings of stock, trading of stock or other financial instruments, and clearing and settlement services relating to the Cambodia securities exchange; currency exchange; security (surety); or trading of raw gold.

Rates: The standard rate is 10%, but certain supplies are zero-rated or exempt (e.g., exports, primary financial services, public postal services).

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 online VAT filing is required, and VAT must be paid by the 20th day of the following month or the 25th day of the following month for e-filing. Taxpayers must submit their monthly VAT returns via the GDT’s e-filing system.

As from the April 2022 monthly VAT return, electronic supplies of digital goods and services and other e-commerce activities for domestic consumption carried out by nonresidents that do not have a permanent establishment in Cambodia using a business-to-business (B2B) or business-to-consumer (B2C) model are subject to VAT under the reverse charge mechanism.

The GDT issued additional guidance in January 2023 modifying the rules for the application of VAT on e-commerce activities. Some key changes include an exemption from certain registration requirements and the implementation of a VAT reverse charge mechanism between a nonresident and its Cambodian subsidiaries or branches, subject to the subsidiaries or branches notifying the GDT.

E-commerce activities and operations via electronic systems include the following: electronic order processing of tangible products; electronic ordering and downloading of digital products (software); electronic ordering and downloading of digital products for purposes of commercial exploitation of copyrights; updates and add-ons (for software); limited

duration software and other digital information licenses; single-use software or other digital product; application hosting (separate license); application hosting (bundled content); application service provider (ASP); ASP license fees; website hosting; software maintenance; data warehousing; customer support over a computer network; data retrieval; delivery of exclusive or other high-value data; advertising; electronic access to professional advice; technical information; information delivery; access to interactive websites; online shopping portals; online auctions; sale referral programs; content acquisition transactions; streamed (real-time) web-based broadcasting; carriage fees; and subscription to a website allowing the downloading of digital products.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security contributions: Employers must register and make monthly occupational risk and health care benefit (HCB) contributions at a rate of 0.8% and 2.6% of the average monthly salary, capped at USD 2.40 and USD 7.80 per employee, respectively.

Pension contributions: Employers and employees must register for the pension fund scheme with the National Social Security Fund based on the National Social Security law. The pension fund scheme was introduced in 2021 but mandatory and voluntary pension contributions were implemented as from 1 October 2022.

The minimum contributory wage (i.e., the pre-tax wage used to calculate pension contributions) is KHR 400,000 (approximately USD 100) and the contributory wage cap for any non-public sector employees or workers covered under the Cambodian labor laws is KHR 1.2 million (approximately USD 300). The pension fund contributory wage for public sector employees or workers is provided in separate guidance.

The mandatory contribution rates, which follow a phased-in approach, are as follows:

- First phase (first five years): 4% of the contributory wage (i.e., 2% contributed by the employee and another 2% contributed by the employer);
- Second phase (next five years): 8% of the contributory wage; and
- Third phase: 2.75% increase for the next 10 years and further 2.75% increase in the subsequent 10-year period.

Payroll tax: There is no payroll tax.

Capital duty: There is no capital duty.

Real property tax: Property tax is imposed at 0.1% per year on immovable property with a value exceeding KHR 100 million. A tax on house and land rentals is imposed 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.

Transfer tax: There is no transfer tax, but see “Stamp duty,” below.

Stamp duty: Certain legal documents relating to the 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 imposed on contractual amounts with respect to contracts for the provision of goods or services that use the national budget fund. 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 written words.

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.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax, but see “Stamp duty,” above.

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

Tax treaties: Cambodia has concluded a number of tax treaties/agreements, nine of which are in effect for 2023.

Tax authorities: General Department of Taxation (GDT), Ministry of Economy and Finance (MEF)

Contact us:

Kimsroy Chhiv

Email: kchhiv@deloitte.com

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte provides industry-leading audit and assurance, tax and legal, consulting, financial advisory, and risk advisory services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our professionals deliver measurable and lasting results that help reinforce public trust in capital markets, enable clients to transform and thrive, and lead the way toward a stronger economy, a more equitable society and a sustainable world. Building on its 175-plus year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s approximately 415,000 people worldwide make an impact that matters at www.deloitte.com.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2023. For information, contact Deloitte Global.