International Tax

Cambodia Highlights 2024

Updated January 2024

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. Fund 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: Residents 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 residents, 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

General

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 (MT) at a rate of 1% of total annual turnover inclusive of all taxes, except value added tax (VAT).

Global minimum tax (Pillar Two)

Cambodia has not committed to implementing rules that generally are in line with the global anti-base erosion (GloBE) or "Pillar Two" model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for certain multinational enterprise groups.

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

An enterprise that distributes dividends out of pretax income to a resident 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 and the General Department of Taxation (GDT) have issued guidance on a capital gains tax that was intended to apply as from 1 July 2020 but has been postponed until the end of 2024. The 20% tax would apply to resident and nonresident individuals, as well as nonresident legal entities. Taxpayers would be required to submit a tax return and remit the capital gains tax payable to the tax authorities 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 assets (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 assets, 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: Resident 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 documentation is required.

Participation exemption: There is no participation exemption.

Holding company regime: There is no holding company regime.

Incentives: A QIP investor may choose one of two investment incentive options, as follows:

- Option 1:
  - Tax holiday or exemption from tax on income (TOI) for three to nine years, depending on the industry and investment activities, as from the time the QIP first derives revenue;
  - After the TOI exemption period ends, TOI may be paid based on the following progressive rates relative to total TOI:
    - 25% for the first two years;
    - 50% for the following two years; and
    - 75% for the subsequent two years;
  - Exemption from prepayment of tax on income (PTOI) during the TOI exemption period;
  - MT exemption, subject to an independent audit report; and
  - Export duty exemption, unless required by other laws or provisions.
- Option 2:
  - Special depreciation as provided in the Law on Taxation;
  - Deduction up to 200% for other essential expenses for up to nine years;
  - PTOI exemption during the special depreciation period;
  - MT exemption, subject to an independent audit report; and
  - Export duty exemption, unless required by other laws or provisions.

In addition, the following incentives apply:

- Customs duty, specific tax (SPT), and VAT borne by the state for export QIPs and supporting industry QIPs that import construction equipment, production equipment, and other production inputs;
- Customs duty, SPT, and VAT borne by the state for local market QIPs and supporting industry QIPs that import construction and production equipment;
- VAT exemption on local purchases of production inputs that serve the QIP; and

- 150% expense deduction for a number of activities (e.g., research, development, human resource development).

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-filling 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-filling. 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: Resident 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 documentation is 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 "Penalties" under "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%

Dividends: No withholding tax is imposed on dividends paid to a resident shareholder. Dividends paid 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 residents, other than Cambodian banks and financial institutions. Interest paid 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 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, resale price, cost plus, profit split, and transactional net margin methods. 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.

Anti-hybrid rules: 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.

Nonresidents without a permanent establishment in Cambodia that make electronic supplies of digital goods and services and perform other e-commerce activities for domestic consumption are required to register for VAT purposes under the simplified VAT registration system if they satisfy certain turnover thresholds.

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-filling. Taxpayers must submit their monthly VAT returns via the GDT’s e-filing system.

Nonresident taxpayers using a business-to-consumer (B2C) model are required to collect 10% VAT from consumers and pay the tax in KHR to the tax authorities on a monthly basis. Nonresident taxpayers using a business-to-business (B2B) model are subject to VAT under the reverse charge mechanism.

The VAT rules for e-commerce activities include an exemption from certain registration requirements and the application 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 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 exceeding five hectares 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. The unused land tax will be suspended at the end of 2024.

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 used.

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 approximately 12 tax treaties/agreements.

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

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