



Tax Alert Amendment of Law on Taxation

The Financial Management Law for 2016 is being discussed at the Cambodian National Assembly and expects to be approved by 17 December 2015. The Law includes amendment of the self-assessment system of the Law on Taxation in abolishing the estimated tax regime and transportation tax for motorbike and low capacity engine; introducing of simplified accounting system for small businesses; categorizing the group of taxpayers based on the legal status and level of turnover; increasing the annual patent tax; and other upcoming regulations which are going to issue by the Ministry of Economy and Finance (MEF).

Changes proposed under the new rule

We highlight the proposed changes below.

Types of taxpayer

Types of taxpayer	Level of turnover or legal form	Accounting principle	Patent Tax (per business objective per annum)
Small	From KHR250 million (~USD62.5K) to KHR700 million (~USD175K)	Simple accounting rule	KHR 400,000 (~USD100)

Medium	From KHR700 million (~USD175K) to KHR2,000 million (~USD500K) Or a registered legal entity with competent institution of Royal Government of Cambodia	CIFRS for SME or CIFRS*	KHR 1.2 million (~USD300)
Large	More than KHR2,000 million (~USD500K) Or a Qualified Investment Project approved by the Council for the Development of Cambodia	CIFRS for SME or CIFRS	Between KHR3 million (~USD750) and KHR5 million (~USD1,250)

* Cambodian International Financial Reporting Standards (CIFRS) has fully adopted IFRS.

Tax principle for medium and large taxpayers

- Income and expense shall be recognized on an accrual basis
- Tax deductions for related party transactions shall be allowed only when the expense is actually settled or paid out
- Banks, Microfinance and Credit Offices are permitted to make doubtful debt provisions purposely for determination of taxable profit. However, the rules and procedures shall be determined by separate Prakas issued by the MEF.

Upcoming regulation

The MEF is going to issue the Prakas for instruction and guidance on the following:

- The simple accounting principle for small taxpayers on which the General Department of Taxation (GDT) is working together with the Cambodia National Accounting Council
- Doubtful debt provisions and tax deductibility for banks, microfinance and credits office is currently under discussion between the GDT and Working Group E on Banking and Finance
- Detail of transportation tax and its exemption

If you have any questions, please feel free to contact me at kchhiv@deloitte.com.

Best regards,
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