



## **Cambodia tax alert**

### Regulation issued on withholding tax on dividends paid to nonresidents

Cambodia's Ministry of Economy and Finance issued a regulation (Prakas No. 518) on 5 May 2017 that provides guidance on the application of withholding tax on dividends paid by Cambodian companies to their nonresident shareholders.

According to the regulation, the conversion of capital reserves/retained earnings into capital or equity will not be considered a dividend distribution and will not be subject to withholding tax if the conversion has been approved by a resolution of the board of directors and a competent Cambodian authority (e.g. Ministry of Commerce and/or the National Bank of Cambodia).

However, a 14% withholding tax will be imposed on a dividend distribution or a transfer of shares to a nonresident in the course of normal business operations, or in a liquidation of the company, where the distribution/transfer arises from an equity or a capital conversion from retained earnings, which was not subject to withholding tax on dividend distributions.

The term "dividend" refers to a distribution of money or property based on a shareholder's equitable interest in the company paying the dividends.

#### **Comments**

The regulation does not indicate whether it intends to capture all transactions involving share transfers (whether locally or at the ultimate shareholder level). Currently, only direct transfers of shares in Cambodia by nonresidents are subject to the 14% withholding tax on a conversion of capital from retained earnings that has not yet been subject to withholding tax.

If you have any questions on this alert, please contact us our tax director, Ms Kimsroy CHHIV, via [kchhiv@deloitte.com](mailto:kchhiv@deloitte.com).

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