



Tax update

Tax collection for small taxpayers

The General Department of Taxation (GDT) has strengthened the tax collection from small taxpayers who were previously estimated regime taxpayers, based on Notification letter 1769 dated 2 February 2016 by requested for all small taxpayers to submit the monthly tax return and pay the relevant taxes such as Prepayment of Tax on Profit, VAT, Tax on Salary, Withholding Tax on rental, Specific Tax, Public Lighting Tax and Accommodation Tax if any by 20th of following month.

With the current policy to encourage small taxpayers to comply with tax regulations and to increase the State revenue, the VAT collection is made only at 20% on total sales revenue each month on the assumption that 80% of purchases have been allowed for input VAT credit. In addition to this there is no tax on fringe benefit and withholding tax on services, interest, royalty, and technical and management fee except for rental on movable and immovable property.

Moreover, small taxpayers are required to follow the simply accounting system which was introduced by Prakas 1820 dated 25 December 2015 with below summary of its specification.

- Purchase day book
- Sales day book
- Inventory book

Rule and procedure for Tax on Profit (TOP) and other taxes

TOP	Rule and procedure
Withholding Tax (WHT)	<ul style="list-style-type: none"> • Exempted from WHT obligation except WHT on rental of movable and immovable properties
Fixed Assets (FA)	<ul style="list-style-type: none"> • Depreciation for FA used for business purposes except land, building, shops and tourist cars. • FA used prior to tax registration is allowed depreciation at 50% of historical cost • Capitalisation rule of FA is made at KHR1,000,000 (~USD250) inclusive of all taxes on all used asset owned and used in the enterprise inclusive of asset under finance lease
Depreciation	<ul style="list-style-type: none"> • Pooled asset account • A full year depreciation when FA are used • 30% declining balance method • Tax written down value which is equal or less than KHR1,000,000 (~USD250) shall be depreciated all in that year
Expenses	<ul style="list-style-type: none"> • For business purposes only
Stock of goods	<ul style="list-style-type: none"> • Required stock record for enterprise supplying of goods only • For mixed supply of goods and services, if turnover of supply of goods is equal or less than 10%, there is no requirement on stock record.
TOP rate	<ul style="list-style-type: none"> • Follow Article 20 (New) of the LOT on progressive rate
Prepayment of TOP	<ul style="list-style-type: none"> • 1% of monthly turnover inclusive of all taxes except Value Added Tax (VAT) filed and paid by 15th of following month • “Turnover” means: <ul style="list-style-type: none"> - Supply of goods or services - Difference between purchase and selling price for supply of goods and services as follows: <ul style="list-style-type: none"> ➤ Gold, diamond and precious gemstones ➤ Money exchange - Other commissions
Minimum Tax	<ul style="list-style-type: none"> • 1% of annual turnover inclusive of all taxes except VAT
TOP payable	<ul style="list-style-type: none"> • Annual TOP > Minimum Tax => Paid exceed amount

	<ul style="list-style-type: none"> Annual TOP < Minimum Tax => Minimum Tax is considered as TOP
Loss carried forward	<ul style="list-style-type: none"> Not allowed to offset with next year taxable profit
Other taxes	Rule and procedure
VAT	<ul style="list-style-type: none"> Claim 80% of input VAT regardless having invoices or not No input VAT claim for supply of gold, diamond, gems, and money exchange
Other taxes	<ul style="list-style-type: none"> Withhold and remit Tax on Salary and other taxes under laws and regulations
Taxpayer's obligation	<ul style="list-style-type: none"> Register, submit tax returns and remit taxes, properly record simplified accounting and submit it to tax administration Fail to record or incorrectly record accounting, the taxable profit shall be deemed (20% of supply of goods, 40% of supply of services and 50% of supply of gold, diamond, precious gemstones and money exchange).

If you have any questions, please feel free to contact us.

Best regards,
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