



Cambodia tax alert

Tax on Income for Insurance Enterprise

Following the tax update of Tax on Income (TOI) regime for the insurance enterprise stated in 2017 Law on Financial Management, the Ministry of Economy and Finance (MEF) has issued Prakas 490 dated 30 April 2018 to provide the further guideline on its implementation which was effective since 1 January 2017 as summary below.

General insurance, reinsurance and micro-insurance enterprises

- Subject 5% TOI on the gross premium collected from customers
- Interest income from statutory reserved fund required by regulators which is already withheld and paid taxes, is not subject to TOI.
- Commission and insurance compensation received from reinsurance and micro-insurance enterprises are not subject to TOI.
- Incomes from other activities beside the above stated shall be subject to 20% TOI after deducting the allowable direct expense to these incomes.

Life insurance and reinsurance enterprises

- Subject to 20% TOI on the following income:
 - Income from life insurance and reinsurance activities
 - Interest income from statutory reserved fund required by regulators
 - Investment income and indirect incomes such as rental, royalties, compensations, financial assets or investment property realised during business operation or closure of business
 - Other incomes not stated above.
- Pay the 1% Prepayment of Tax on Income (PTOI) on monthly turnover. The term "Turnover" means the gross premium from life insurance business less the refund premium and the insurance compensation; and other income.
- Allowable for deductible expense in according to tax law and regulations except for technical reserve which stated below.

Technical reserve

The life insurance and reinsurance enterprise shall require to make the provision of technical service and deposit the amount in the technical served account as follows

- Allow to make the provision for technical reserve in the current year aligned with international standard recognised by the MEF. The MEF will issue another Prakas on rules and procedures for this provision within three years after this Prakas.
- If the provision of technical reserve of any taxable year is less than balance in the technical reserved account, the difference shall be recorded as income in that taxable year.
- If the provision of technical reserve of any taxable year is more than balance in the technical reserved account, the difference shall be recorded as expense in that taxable year.
- If the insurance compensation is not settled within the limited timeline stated in the insurance policy and there is no request for the claim by the insuree or beneficiary within two years, the insurance compensation shall be treated as income of that taxable year.

Withholding Tax (WHT)

Insurance enterprises are required to withhold taxes in according with Article 25 New and 26 New (One) of the LOT and submit the returns by 20th of the following month.

For general insurance, reinsurance, and micro insurance enterprise, it is not required to withhold the tax on the payment of net reinsured premium to non-resident reinsurer.

However, for life insurance and reinsurance enterprise, withholding tax is imposed on net life reinsurance premium paid to non-resident reinsurer.

If you have any questions, or would like additional information on the topics covered in this alert, please contact:

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