



## Cambodia Tax Alert

# Pension fund scheme introduced

Greetings from your Tax & Legal team at Deloitte Cambodia. We hope that you and your loved ones are staying safe and healthy despite these challenging times. As we navigate ourselves through this trying period, we are committed to giving you the support you need.

We are pleased to update you on the following:

The Royal Government of Cambodia (RGC) issued on 4 March 2021 Sub-Decree No. 32 introducing a pension fund social security scheme for all persons covered under the Cambodian labor laws, effective immediately. The RGC then issued Sub-Decree No. 144 dated 19 August 2021 on the determination of the contributory wage for social security purposes.

### **Employers' requirement to register for the mandatory pension fund scheme with the National Social Security Fund (NSSF)**

All employers with at least one or more employees were required to register for the pension fund scheme with the NSSF within 30 days following the effective date of Sub-Decree No. 32, i.e., by 3 April 2021. However, this requirement does not apply to employers that have already registered with the NSSF for the occupational risk and health care fund scheme. Employers also must register an employee within three days following the start of employment if the employee has not yet registered as a member with the NSSF.

### **Pension fund contribution rates**

Pursuant to Sub-Decree No. 32, the term "contributory wage" refers to the wage, before tax, that is used to calculate pension contributions.

- **First phase:** For the first five years, the contribution rate will be 4% of the contributory wage (i.e., 2% contributed by the employee and another 2% contributed by the employer).
- **Second phase:** For the next five years, the contribution rate will be 8% of the contributory wage.
- **Third phase:** The contribution will increase by 2.75% of the contributory wage for the next 10 years and further increase by another 2.75% in the subsequent 10-year period.

#### **Contributory wage under Sub-Decree No. 144**

- The pension fund contributory wage for public sector employees or workers will be determined in a separate sub-decree.
- The contributory wage for the occupational risk and health care fund contributions of public sector workers are being implemented based on existing regulations.
- The minimum contributory wage is KHR 400,000 (approximately US\$100) and the contributory wage cap for any other workers covered under the Cambodian labor laws is KHR 1.2 million (approximately US\$300).

#### **Payment and reporting procedures**

- To withdraw an old-age pension contribution, a person must meet the following conditions:
  - Be registered under the pension fund scheme with the NSSF;
  - Be at least 60 years old; and
  - Have made contributions to the pension fund for at least 12 months.
- To withdraw a disability pension contribution, a person must meet the following conditions:
  - Be registered under the pension fund scheme with the NSSF; and
  - Have made contributions to the pension fund for at least 60 months prior to becoming disabled.
- A related person can withdraw a survivor pension contribution of their family member unless that member, who must be eligible for an old-age or disability pension or be a member of the NSSF and who must have made contributions to the pension fund for at least 60 months, has passed away.
- A related person can withdraw a funeral pension contribution of their family member unless that member, who must be eligible for an old-age or disability pension, has passed away.

Sub-Decree No. 32 provides a formula for a claimant to calculate the amount to which they are entitled for each type of pension mentioned above.

In addition, Sub-Decree No. 32 gives NSSF members the option to apply for a voluntary pension contribution, subject to certain conditions and pre-approval by the NSSF.

#### **Contacts**

Should you have any comments or questions arising from this newsletter, please contact the Deloitte Cambodia tax team below.

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