



Cambodia Tax Alert

TOS exemption on 2020 seniority indemnity payments

In a circular dated 24 March 2020 (no. 002), Cambodia's Ministry of Economy and Finance (MEF) provided guidance regarding the Tax on Salary (TOS) exemption on 2020 seniority indemnity payments.

From 2019 onwards, employers have been required to compensate all employees who have open-ended employment contracts (i.e., Undetermined Duration Contracts "UDC") with seniority indemnity payments twice a year instead of making a single dismissal indemnity payment upon termination of the employment. The seniority indemnity payments must be paid in June and December and may total up to 15 days of wages or salary and other benefits. Employers also may have to make back payments for periods before 2019.

The MEF issued a circular on 11 April 2019 (no. 003) providing that any seniority indemnity payments made to Cambodian employees are exempt from TOS but payments made to expatriate employees in Cambodia are taxable.

The new circular provides the following clarification:

- Seniority indemnity payments for years prior to 2019 and for 2019 are still covered by circular no. 003.
- Seniority indemnity payments for 2020 and later years that do not exceed KHR 4 million (or US\$1,000) are exempt from TOS. The portion of

seniority indemnity payments that exceeds KHR 4 million per year is subject to TOS. The seniority indemnity payments are made twice a year by 30 June and 31 December, the TOS should be calculated as follows:

- **First payment:** Taxpayers should subtract KHR 2 million from the total seniority payment due and add the remaining amount to the monthly salary base for TOS calculation purposes at the time of payment.
- **Second payment:** Taxpayers should follow the same approach used for the first payment.
- Seniority indemnity payments are deductible for Tax on Income (TOI) purposes when the amounts are paid.

The new circular does not address the TOS exemption for Cambodian employees. However, similarly to the 2019 circular, it applies to enterprises in the garment, textile, footwear, and other sectors.

If you have any questions or need our assistance in reviewing or calculating your seniority indemnity payments for 2020, please let us know.

If you have any questions or would like additional information on the topics covered in this alert, please contact the Deloitte Cambodia tax team below.

Best regards,

Kimsroy CHHIV
Tax Partner
Deloitte Cambodia
kchhiv@deloitte.com

Vuthy SRENG
Tax Director
Deloitte Cambodia
vsreng@deloitte.com



Access the latest global and regional tax news, information, and resources from **Deloitte tax@hand**: A digital platform designed for global tax professionals, available anytime, on any device.

deloitte.com/taxathand



Dbriefs is a series of live, on-demand and interactive webcasts focusing on topical tax issues for business executives. Obtain your Continuing Professional Education (CPE) credit for career development when you watch the webcast.

[Subscribe for the latest webcasts.](#)



Deloitte's 175th milestone year is the first anniversary to be acknowledged and celebrated globally.

This uniquely unifying moment offers the opportunity to demonstrate the value of Deloitte's role in the world—past and future. Deloitte has been making an impact that matters for 175 years and will continue to do so for many years to come.



Deloitte Cambodia | Add Deloitte as safe sender

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organisation"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax & legal and related services. Our global network of member firms and related entities in more than 150 countries and territories (collectively, the "Deloitte organisation") serves four out of five Fortune Global 500® companies. Learn how Deloitte's approximately 312,000 people make an impact that matters at www.deloitte.com.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which are separate and independent legal entities, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Hanoi, Ho Chi Minh City, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Osaka, Shanghai, Singapore, Sydney, Taipei, Tokyo and Yangon.

About Deloitte Cambodia

In Cambodia, services are provided by Deloitte (Cambodia) Co., Ltd. and its subsidiaries and affiliates.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms or their related entities (collectively, the "Deloitte organisation") is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2020 Deloitte (Cambodia) Co., Ltd.

[Update Profile](#)

[Unsubscribe](#)