



Subject:

Implementation of withholding tax on dividend distributions

The following report may be of interest to:

General taxpayers



Guidelines on implementation of withholding tax on dividend distributions

(Prakas No. 518 MEF dated 5 May 2017)

The Ministry of Economy and Finance (MEF) has issued Prakas No. 518 to provide guidelines on the implementation of withholding tax on dividend distributions as stated in the new Articles 26 and 33 of the Law on Taxation.

This Prakas intends to set out rules for implementation of withholding tax on dividend distributions that resident taxpayers pay to non-resident taxpayers. This Prakas is applicable to self-declaration taxpayers carrying out their businesses in Cambodia. The key points are:

1. **Withholding tax on dividend distributions.** Distribution of dividends, as defined in Article 10 of the Law on Financial Management for 2017, by resident taxpayers to non-resident taxpayers is subject to withholding tax at 14% (Article 26).
2. **Conversion of retained earnings into capital.** Conversion of retained earnings, in part or in full, into registered capital of enterprise isn't considered as dividend distribution and it's not subject to withholding tax. Enterprises making the conversion are required to have a resolution of their Board of Directors and the revised capital must be recognised by the competent authorities.
3. **Sale of shares or distribution of capital from conversion of retained earnings.** If an enterprise sells its shares or distributes its capital during the on-going business operations or during liquidation or dissolution of the enterprise, the capital portion that is converted from the retained earnings is subject to withholding tax (Article 26).



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4. **Obligations of withholding agents.** An enterprise that makes any dividend payment to non-resident taxpayers must submit a tax return and pay the withholding tax to the tax authorities by the 20th day of the following month.

For withholding tax purposes, if the dividend distribution is recorded in the accounting books it will be considered as a dividend payment and so will trigger withholding tax obligations.

Please contact us if you need a copy of this Prakas.

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