

International comparison of insurance taxation

Cambodia

General insurance – overview

Definition	Accounting	Taxation
Definition of property and casualty insurance company	A company authorised under the Insurance Law to carry out general (or non-life) insurance business.	There is no specific definition in the tax law. Generally would follow the definitions in the Insurance Law.
Commercial accounts/ tax and regulatory returns	Accounting	Taxation
Basis for the company's commercial accounts	<p>The company's commercial accounts are prepared based on regulations issued by Ministry of Economy and Finance (MoEF), Cambodian Accounting Standard (CAS) and Cambodian Financial Reporting Standards (CFRS). CAS and CFRS are similar to IAS and IFRS.</p> <p>Effective 1 January 2012, all companies with public accountability are required to prepare their accounts under Cambodian International Financial Reporting Standards (CIFRS) (which is equivalent to full IFRS). Therefore, companies with insurance activities are required to use CIFRS and the regulation issued by the MoEF.</p>	Generally based on audited financial statements.
Regulatory return	Annual audited financial statements to be submitted three months after the financial year end. In practice, an insurance company is required to submit a monthly list of claim (disbursement) report, outstanding risk and premium register.	N/A.
Tax return	N/A.	Separate monthly and annual tax returns are required by the General Department of Taxation (GDT). The annual corporate income tax return is due 3 months after the balance date.
Technical reserves/ equalisation reserves	Accounting	Taxation
Unearned premiums reserve (UPR)	Premiums shall be recognised as income at the date of inception of the risk and commensurate with the risk patterns. UPR for unexpired risks for general insurance business shall be calculated using Acceptable Unearned Premium Methodology 1/8, 1/24, 1/365 or 40%, unless the incidence of risk warrants a more appropriate method.	N/A.
Unpaid claims reported	Calculated on a case-by-case basis.	N/A.
Claims incurred but not reported (IBNR)	Provision of IBNR - can use average value method or formula method. Claim liability is estimated on a case-by-case basis with all the information available and reviewed at least annually by an experienced officer. The overall adequacy of the provision is reviewed monthly and annually by senior management.	N/A.

Cambodia: General insurance – overview (continued)

Technical reserves/ equalisation reserves (cont.)	Accounting	Taxation
Unexpired risks	The liability for unexpired risks should be assessed on the basis of realistic assumptions with regard to the premiums accounted and the unexpired liabilities in respect of these premiums. It should not in any case be less than the amount determined by the 1/8th method for non-marine classes of business, marine hull and aviation business or 25% in respect of marine cargo business.	N/A.
General contingency/solvency reserves	Regulation issued by the MoEF specified the minimum fund solvency and capital adequacy requirements that must be met by all insurers. In addition, all insurers licensed in Cambodia must reinsure at least 20% of its insurance business with a state owned reinsurance company.	N/A.
Equalisation reserves	Not stipulated.	N/A.
Expenses/ refunds	Accounting	Taxation
Acquisition expenses	No special treatment.	N/A.
Loss adjustment expenses on unsettled claims (claims handling expenses)	Provision must be made in relation to claim liabilities for all future claims handling costs.	N/A.
Experience-rated refunds	N/A.	N/A.
Investments	Accounting	Taxation
Gains and losses on investments	Investment in property should follow CAS 40 (similar to IAS 40). General rules applied for all other investments as there is no specific guidance in Cambodia.	Realised gains on investments are subject to the Tax on Profit rate of 20% or Minimum Tax, whichever is higher.
Investment reserves	No specific requirement. Included in P&L.	Generally reserves are not deductible for tax purposes.
Investment income	No specific requirement. Included in P&L on an accrual basis	Investment income is subject to the Tax on Profit rate of 20% or Minimum Tax, whichever is higher.
Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Similar to insurance accounting.	N/A.
Mutual companies	Accounting	Taxation
Mutual companies (all profits returned to members)	N/A.	N/A.

Cambodia: General insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	<p>Not applicable for insurance and reinsurance businesses.</p> <p>For other businesses:</p> <ul style="list-style-type: none"> • loss must be recorded in the Tax on Profit (ToP) return and submitted to the Tax Department on time; • business activities of the company must not have changed; and • ownership of the company must not have changed. <p>Tax losses can be carried forward for a maximum period of 5 years.</p>
Foreign branch income	Generally, foreign branch income is taxable. The tax paid overseas is creditable.
Domestic branch income	Incorporate into the head office's tax return.
Corporate tax rate	<p>Based on the Law on Taxation and Circular No. 003 MoEF.GDT dated 10 February 2011, an insurance company having principle activity in the insurance or reinsurance of life, property, or other risks, shall be taxed at:</p> <ul style="list-style-type: none"> • 5% of gross premiums received in the tax year for in the insurance or reinsurance of risk in Cambodia; • for other activities that are not insurance or reinsurance, the standard corporate tax (Tax on Profit) rates will apply; and • Interest received from domestic banks and saving institutions already subject to Withholding Tax is exempt from Tax on Profit. <p>The Company is also subject to Prepayment of Tax on Profit (PToP) which required to pay on monthly basis as follows:</p> <ul style="list-style-type: none"> • 5% of gross premiums received in the month; • 1% of the revenue s from activities other than insurance or reinsurance activities that the company receives in the month. <p>Tax on Profit (ToP) is calculated on taxable profit inclusive of capital gains and passive income, such as interest (except interest stated above), rental and royalty income. The standard ToP rate is 20%. Cambodia does not have a separate capital gains tax. Any gain on the sale of fixed assets and investment is subject to ToP.</p> <p>Minimum Tax is imposed at the rate of 1% of annual turnover. The term turnover is not defined. In practice, the GDT has taken a broad interpretation to include all revenue streams of a company.</p> <p>If the taxpayer is in a loss position or the ToP liability is less than the Minimum Tax liability, than Minimum Tax is payable. Alternatively, if the ToP liability is greater than the Minimum Tax liability, then no Minimum Tax is payable.</p>
Other tax features	Taxation
Premium taxes	Premium contribution: 5% on gross premiums for insurance or reinsurance of risk received in Cambodia, payable on a monthly basis.
Capital taxes and taxes on securities	N/A.
Captive insurance companies	N/A.
Value added tax (VAT)	Based on the Law on Taxation, Insurance is a non-taxable supply and exempt from VAT. However, non-insurance activities are applicable to VAT.

Cambodia: Life insurance – overview

Definition	Accounting	Taxation
Definition of life insurance companies	A company authorised under the Insurance Law to carry out general life insurance business.	Generally follows the definitions in the Insurance Law.
Commercial accounts/ tax and regulatory returns	Accounting	Taxation
Basis for the company's commercial accounts	Cambodian Accounting Standard (CAS) and Cambodian Financial Reporting Standards (CFRS). CFRS 4 (similar to IFRS 4) is introduced in Cambodia. However the regulator has not defined or introduced policy. Effective 1 January 2012, all companies with public accountability are required to prepare their accounts under Cambodian International Financial Reporting Standards (CIFRS) (which is equivalent to full IFRS).	Generally based on audited financial statements accounts.
Regulatory return	Annual audited financial statements to be submitted three months after the financial year end.	N/A.
Tax return	N/A.	Separate monthly and annual tax returns are required by the General Department of Taxation (GDT). The annual corporate income tax return is due 3 months after the balance date.
General approach to calculation of income	Accounting	Taxation
Allocation of income between shareholders and policyholders	Will be based on CFRS 4. Detailed regulations not issued yet.	N/A.
Calculation of investment return	Accounting	Taxation
Calculation of investment income and capital gains	Will be based on CFRS 4. Detailed regulations not issued yet.	Realised investment income is subject to the ToP rate of 20% or Minimum Tax, whichever is higher.

Cambodia: Life insurance – overview (continued)

Calculation of investment income and capital gains	Accounting	Taxation
Actuarial reserves	Will be based on CFRS 4. Detailed regulations not issued yet.	N/A.
Acquisition expenses	Will be based on CFRS 4. Detailed regulations not issued yet.	N/A.
Gains and losses on investments	Will be based on CFRS 4. Detailed regulations not issued yet.	Realised gains on investments are subject to the ToP rate of 20% or Minimum Tax, whichever is higher.
Reserves against market losses on investments	Will be based on CFRS 4. Detailed regulations not issued yet.	N/A.
Dividend income	Will be based on CFRS 4. Detailed regulations not issued yet.	Non-taxable for dividend income from tax registered companies in Cambodia. Taxable for dividend from overseas. The tax paid overseas is creditable.
Policyholder bonuses	Will be based on CFRS 4. Detailed regulations not issued yet.	N/A.
Other special deductions	Will be based on CFRS 4. Detailed regulations not issued yet.	N/A.
Reinsurance	Accounting	Taxation
Reinsurance premiums and claims	Will be based on CFRS 4. Detailed regulations not issued yet.	N/A.
Mutual companies/ stock companies	Accounting	Taxation
Mutual Companies	N/A.	N/A.

Cambodia: Life insurance – other tax features

Further corporate tax features	Taxation
Loss carry-overs	<p>Not applicable for insurance and reinsurance businesses.</p> <p>For other businesses:</p> <p>In order for tax losses to be carried forward, the following conditions must be met:</p> <ul style="list-style-type: none"> • loss must be recorded in the Tax on Profit (ToP) return and submitted to the Tax Department on time; • business activities of the company must not have changed; and • ownership of the company must not have changed. <p>Tax losses can be carried forward for a maximum period of 5 years.</p>
Foreign branch income	Generally, foreign branch income is taxable. The tax paid overseas is creditable.
Domestic branch income	Incorporated into head office's tax return.
Corporate tax rate	<p>Based on the Law on Taxation, an insurance company having principle activity in the insurance or reinsurance of life, property, or other risks, shall be taxed at:</p> <ul style="list-style-type: none"> • 5% of gross premiums received in the tax year for the insurance or reinsurance of risk in Cambodia; and • for other activities that are not insurance or reinsurance, the standard corporate tax (Tax on Profit) rates will apply. • Interest received from domestic banks and saving institutions already subject to Withholding Tax is exempt from Tax on Profit. <p>Tax on Profit (ToP) is calculated on taxable profit inclusive of capital gains and passive income, such as interest (except interest stated above), rental and royalty income. The standard ToP rate is 20%. Cambodia does not have a separate capital gains tax. Any gain on the sale of fixed assets and investment is subject to ToP.</p> <p>Minimum Tax is imposed at the rate of 1% of annual turnover. The term turnover is not defined. In practice, the GDT has taken a broad interpretation to include all revenue streams of a company.</p> <p>If the taxpayer is in a loss position or the ToP liability is less than the Minimum Tax liability, then Minimum Tax is payable. Alternatively, if the ToP liability is greater than the Minimum Tax liability, then no Minimum Tax is payable.</p>
Policyholder taxation	Taxation
Deductibility of premiums	N/A.
Interest build-up	N/A.
Proceeds during lifetime	N/A.
Proceeds on death	N/A.
Other tax features	Taxation
Premium taxes	Premium contribution: 5% on gross premiums for insurance or reinsurance of risk received in Cambodia, payable on a monthly basis.
Capital taxes and taxes on securities	N/A
Captive insurance companies	N/A.
Value added tax (VAT)	Based on the Law on Taxation, Insurance is a non-taxable supply and exempt from VAT. However, non-insurance activities are applicable to VAT.

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