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Cambodia news brief

A periodic summary of new rulings and documents relating to legal, tax, and investment developments in Cambodia



Subject:

Rules and procedures of implementing agreements for the avoidance of double taxation and the prevention of tax evasion with respect to taxes on income (*Instruction No. 4084 GDT dated 26 March 2018*)

The following report may be of interest to:

General taxpayers and companies

The General Department of Taxation (GDT) has issued Instruction No.4084 to provide guidelines for the implementation of agreements for the avoidance of double taxation and the prevention of tax evasion with respect to taxes on income (Double Taxation Agreement - DTA) in accordance with Prakas No. 116 MEF.BrK dated 2 February 2018.

Legal or physical persons covered under the scope of the Agreements are Cambodian resident taxpayers and residents of other States party to the Agreements.

For Cambodia, taxes covered under the scope of the DTA are Income Tax, Withholding Tax (WHT), Minimum Tax, Additional Tax on Dividend Distribution, Tax on Capital Income and Tax on Salary.

To enjoy the benefits under the DTA, taxpayers shall have (i) their resident documents (e.g. Certificate of Residence) issued by competent authorities of the States party to the Agreements, and (ii) supporting documents to prove they are the beneficial owners of DTA benefits.

Pre-approval from the Department of Law, Tax Policy, and International Tax Cooperation of the GDT is required for a reduced WHT rate on payment of dividend, interest, royalty or technical fee paid to resident taxpayers in the States party to the Agreements. Pre-approval is also required for exempt income for operation of aircraft in international traffic and the 50% reduction of taxes for operation of ships, boats, rail or road vehicles in international traffic.

For Cambodian resident taxpayers, they can also apply for a Certificate of Residence from the Department of Administration and General Affairs of the GDT to confirm their residency status in Cambodia in order to claim DTA benefits in the States party to the Agreement. The Certificate of Residence issued by the GDT is valid for one year from the date of issuance.

To avoid double taxation, Cambodian resident taxpayers can claim the tax credit paid to the tax authorities to the other States party to the Agreements. They are required to prove with supporting documents that the taxes on their foreign-sourced income has been paid to the other States party to the Agreements. The tax credit can be used to offset with tax liabilities in Cambodia.



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