



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

## Subjects:

1. Law on Financial Management for 2020
2. Adjustment to determination of specific tax base for certain locally-produced goods

## The following report may be of interest to:

General taxpayers

### Law on Financial Management for 2020

(Royal Kram No NS/RKM/1219/025 dated 20 December 2019)

The Law on Taxation promulgated by Royal Kram No NS/RKM/0297/03 dated 24 February 1997 has been amended by the 2020 financial law. The key changes from the previous tax law include:

#### Article 9 New

Paragraph E and the term 'and exemption of taxable income under Article 22 of this law' stated in paragraph 1 were removed in Article 9 New.

#### Article 20 New (two)

Taxable income realised by a physical person or sole proprietorship or distributed to each member of a Partnership not classified as a legal entity is taxed according to the progressive tax rates to be determined by Sub-Decree at the request of the Minister of Economy and Finance.

#### Sentences a, b and c of paragraph 2 of Article 22 New

The amendment to Article 22 New (two) is the replacement of 'additional income tax on dividend distributions' under Article 23 New (one) by the 'advanced tax on dividend distributions' in Article 23 New (two) below.

#### Article 23 New (two) – Advanced tax on dividend distributions

1. Except for a Qualified Investment Project (QIP) during tax holidays, if any enterprise distributes its dividend from its income before annual income tax payment to local or foreign shareholders, the enterprise shall pay tax equal to the multiple of grossed-up dividends according to their income tax rates and the annual income tax rates.
2. The tax paid above shall be allowed as a tax credit for offsetting against taxable annual income tax distributed. If tax credit amounts exceed the annual income tax, the exceeded amount is allowed to be carried forward to offset against the income tax of the following taxable years.
3. When an enterprise continues to distribute the taxed dividend under point 1 above, it shall not be subject to the advanced tax on this dividend distribution again.
4. Advanced tax on dividend distributions isn't made on the income from insurance or reinsurance premiums on properties or other risks in Cambodia.

#### Article 37 New

1. Total tax liability is calculated according to Article 20 New (one) of the tax law.
2. There's a change from 'deducting any foreign tax credit under Article 36 of the tax law' to 'deducting tax credit paid under Article 23 New (two) and any foreign tax credit under Article 36 of this law.'

**Article 47 New (three)**

- The term 'Additional Income Tax' is replaced by the term 'Advanced Tax'.
- The term '15<sup>th</sup> day' is replaced by the term '20<sup>th</sup> day'.
- The term '2% interest' is changed to '1.5% interest'.

**Amendment to stamp tax**

1. Stamp tax, the benefit for the national budget, is transferred to the benefit for provincial-municipal administrative budgets.
2. Stamp tax is imposed on notifications, such as notices made of plastic, normal paper, or cloth, or on business logos and signboards for business purposes.
3. Authorities shall not issue permit letters for notices lacking stamp tax payment.
4. The scope for the stamp tax implementation and calculation base will be determined by Sub-Decree. Rules and procedures for managing stamp tax collection is determined by the Prakas of the Minister of Economy and Finance.
5. Stamp tax isn't imposed on notices publicised for non-profit purposes.
6. Stamp tax penalties will comply with tax law and regulations in force.

**Adjustment to the determination of specific tax base for certain locally-produced goods**

*(Prakas No. 012 MEF.BrK dated 14 January 2020)*

The purpose of this Prakas is to modify Prakas No. 139 MEF.BrK dated 19 January 2015 and to provide guidelines for implementing the determination of a specific tax base for certain locally-produced goods. This Prakas applies to self-declaration taxpayers doing their businesses of producing certain specific tax goods for supply in Cambodia.

The specific tax base for the locally-produced goods, such as beers, wines, cigarettes and cigars, non-alcoholic drinks, and other specific tax goods, is 90% of the invoice price issued to customers, excluding VAT, public lighting tax and specific tax.

This specific tax is due and paid when supplied. The rules for these supplies are the same as the rules for VAT supplies as stated in the tax law. Any provision contrary to this Prakas shall be abrogated.



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