

Cambodia

News Brief



July 2025

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



Subjects

1. Tax obligations for share premiums
2. Tax obligations for board members or company directors
3. Tax obligations for international waterway transportation of goods

The following report may be of interest to:

General taxpayers

Tax obligations for share premiums

(Instruction 18574 GDT dated 17 June 2025)

In accordance with Article 7 of the Law on Tax and Prakas 578 dated 19 September 2024, regarding income tax, the General Department of Taxation (GDT) has issued Instruction 18574 to clarify the tax implications related to share premiums:

1. A share premium is a capital addition or capital contribution by shareholders to the enterprise. It's not taxable income.
2. Both share capital and share premiums from new share subscriptions must be fully paid to the enterprise. These transactions should be clearly documented in the accounting books with appropriate supporting evidence.

If an enterprise lacks proper documentation, any increase in the owner's capital account may be classified as taxable income under income tax regulations.

Tax obligations for board members or company directors

(Instruction 19116 GDT dated 20 June 2025)

In accordance with Article 42 of the Law on Tax and Prakas 575 dated 19 September 2024, regarding salary tax, the GDT has issued guidelines for implementing tax obligations. The guidelines are summarised below:

1. Salary tax obligations to board members or company directors as employees

Board members or company directors working for a company in Cambodia, including those temporarily seconded by a parent company or head office abroad (regardless of work permit status), who receive a salary for their work, are subject to salary tax, even if the salary is paid overseas.

2. Withholding tax (WHT) obligations to board members or company directors as non-employees

Board members or company directors not fulfilling the conditions of an employment relationship, and performing services as non-residents (with or without work permits), as well as resident or non-resident individuals conducting independent work for a company in Cambodia, are subject to service WHT as detailed in Articles 25 and 26 of the tax law.

3. Exemptions from salary tax for certain board members or company directors

Board members or company directors are exempt from salary tax if they:

- a. are registered on the company's article of incorporation and patent tax certificate, but don't actively manage the company in Cambodia
- b. only attend occasional board and shareholder meetings
- c. don't receive a salary from the company in Cambodia.

The guidelines also provide several specific examples for reference. We recommend reviewing your current arrangements for board members, company directors, legal representatives and secondees appointments to identify potential risks.

Tax obligations for international waterway transportation of goods

(Prakas 405 MEF dated 21 May 2025)

The Ministry of Economy and Finance (MEF) issued Prakas 405 to establish rules and procedures for tax obligations for taxpayers involved in international waterway transportation of goods, outbound and inbound.

This Prakas applies to both resident and non-resident taxpayers with permanent establishments (PE) in Cambodia engaged in international waterway transportation, including international liners, their branches or subsidiaries, agents of international liners and freight-forwarders in Cambodia.

A disbursement note can be issued to recover advanced payments made on behalf of customers to liners, supported by invoices from liners to customers. Disbursed income and expenses aren't taxable income or deductible expenses for income tax purposes. When withholding tax (WHT) is applicable, the issuers of the disbursement notes must withhold and remit the WHT to the tax authorities if their customers are non-registered individuals.

Reimbursement should be claimed via proper invoices, with reimbursed income considered for income tax purposes.

According to Article 20 of the tax law, enterprises involved in international waterway transportation are required to pay income tax at:

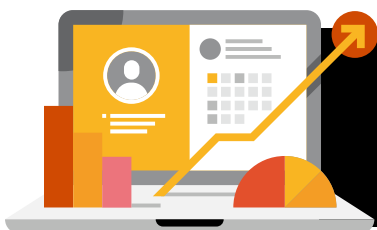
1. 20% on taxable income earned by international shipping enterprises and international shipping agents that are resident taxpayers under the self-declaration regime
2. 20% on Cambodian-sourced income earned by non-resident liners operating business through their PE in Cambodia. The PE or agents of the non-resident liners must withhold the income tax and remit it to the tax authorities on the liners' behalf. The tax base for income (attributable income) is set at 15% of gross income earned by non-resident liners from transportation from Cambodia to the final overseas destination. Effectively, agents must withhold and pay 3% (20% x 15%) of the gross income, which is the final tax for the non-resident liners.

Article 65 of the tax law details the application of VAT on international waterway transport as:

1. 0% VAT on the supply of international waterway transportation. Transactions involving the purchase and resale of goods storage space on the vessels, when there's a profit margin, are also considered part of an international waterway transportation.

2. 10% VAT on services rendered in Cambodia, including agent's commissions, lift-on and lift-off services in port premises, domestic transport services, import or export document preparation services, packaging services and other services.
3. 10% VAT on the supply of port's services, such as loading or unloading of goods from ships, container storage, and other related services, except for the services related to any means for waterway usage.

This Prakas is effective from 21 May 2025. Any provisions contrary to this Prakas are abrogated. Please refer to this Prakas for more tax details.



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