

Cambodia news brief

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

November 2017



Subject:

Guidelines on the implementation of Withholding Tax (WHT) on interest payments by MFIs for overseas loans (*Prakas No. 1129 MEF-BrK dated 27 October 2017*)

The following report may be of interest to:

Microfinance institutions (MFIs)

The Ministry of Economy and Finance (MEF) has issued Prakas No. 1129 to reduce the WHT burden for MFIs that take out overseas loans. This Prakas is applicable to MFIs under the banking and financial law and provisions in Cambodia.

According to Article 26 new (one) of the Law on Taxation, 14% WHT applies on interest payments for overseas loans. Based on this Prakas, the WHT on interest paid by MFIs for overseas loans are:

1. 10% WHT on the interest paid to a non-resident taxpayer, and
2. 4% WHT state [tax] burden to support the microfinance sector

This provision applies to payments in 2017 and 2018, but is not applicable for interest that was paid before this Prakas came into effect.

MFIs must maintain the following supporting documents:

1. Loan contracts certified by lawyers of both parties
2. Money transfer documents related to the loan contracts
3. Proper accounting records

These supporting documents are not required to be attached to tax returns, but are required to be maintained for tax audit purposes.



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