Cambodian
2018 Tax Booklet

A summary of Cambodian taxation

The information in this booklet is based on current taxation rules and practices including certain legislative proposals and measures as at 31 March 2018.

This booklet is intended as a general guide. Where specific transactions are being contemplated, definitive advice should be sought. A list of appropriate contacts is given opposite.
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Taxation

General overview

Most business activities and investments in Cambodia will be affected by the following taxes:

- Corporate income tax
- Minimum tax
- Withholding tax
- Value added tax
- Import duties
- Tax on salary of employees.

There are various other taxes that may affect certain activities in specific industries, including:

- Accommodation tax
- Specific tax on certain merchandise and services (excise tax)
- Public lighting tax
- Other taxes

Cambodian tax system

Cambodia’s tax system is a self-declaration regime. The estimated and simplified regimes were eliminated in 2016, and the term ‘real regime’ has been replaced by the term ‘self-declaration regime’. Taxpayers under the self-declaration regime are classified into three categories:

- small taxpayers
- medium taxpayers
- large taxpayers

Foreign companies, branches and representative offices registered with the Ministry of Commerce (MoC) and the General Department of Taxation (GDT) are generally under the self-declaration regime.

Small local and family businesses whose annual turnover is below KHR250 million (approximately USD62,500) are exempt from tax obligations and liabilities.

Currently, Cambodia does not have a comprehensive personal income tax system that requires individuals to file and pay tax to the GDT directly.
2 Corporate Income Tax (CIT)

Scope of taxation

All foreign companies registered in Cambodia are under the self-declaration regime. Unless otherwise noted, the content of this publication applies only to self-declaration regime taxpayers.

Residency and source of income

Resident taxpayers are subject to tax on their worldwide income while non-residents are taxed on Cambodian-sourced income only. Residents earning foreign-sourced income can receive credits for foreign taxes paid, as Cambodia unilaterally accepts foreign tax credits.

Resident taxpayers include companies organised, managed or having their principal place of business in Cambodia. A non-Cambodian national will become a resident if they have their residence or principal place of abode in Cambodia, or are present in Cambodia for more than 182 days in any 12-month period ending in the current tax year.

A permanent establishment (PE) is subject to tax on its Cambodian-sourced income only.

Tax rates

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard rate</td>
<td>20%</td>
</tr>
<tr>
<td>Oil and gas, and certain mineral exploitation activities</td>
<td>30%</td>
</tr>
<tr>
<td>General risk (non-life) insurance activities</td>
<td>5% (on gross premium income)</td>
</tr>
<tr>
<td>Resident individuals</td>
<td>0% to 20%</td>
</tr>
<tr>
<td>Tax exemption (tax holiday)</td>
<td>0%</td>
</tr>
</tbody>
</table>

Prepayments

A monthly prepayment of CIT, equal to 1% of monthly turnover including all taxes except VAT, must be paid by the 20th day of the following month. The prepayment of CIT can be offset against the annual CIT liability or the minimum tax liability. If the prepayment of CIT exceeds the annual CIT liability or minimum tax liability, the excess prepayment of CIT can be carried forward indefinitely to offset against a future CIT liability.

If a taxpayer is not subject to minimum tax (see page 10), monthly Prepayment of CIT must still be made. But unused prepayments of CIT from prior years can be offset against the prepayment of CIT due in the current tax year and there may not be any physical payment required.

A company that has been granted a tax holiday, and is therefore subject to 0% CIT is not required to pay prepayment of CIT on turnover derived from the project that has been granted tax incentives. But the entity must still prepare the CIT return and submit it to the tax authority.

Tax holidays

A Qualified Investment Project (QIP), being a project recognised and registered with the Council for Development of Cambodia (CDC) will be entitled to a tax holiday. The tax holiday period is composed of a trigger period + 3 + priority period.

The trigger period starts on the date the Final Registration Certificate is issued by the CDC and ends on the last day of the taxation year immediately preceding the earlier of:
- If the QIP derives a profit: the taxation year that the profit is first derived; or
- If the QIP derives income from the investment activity, the third taxation year after the taxation year in which the income is first derived.
Corporate Income Tax

The priority period is determined by the CDC based on the industry, investment capital and other factors.

Calculation of taxable income

Taxable income is essentially the difference between total taxable revenue, whether from a domestic or foreign source, and deductible expenses incurred to carry on the business, plus other passive income such as interest, royalties and rent.

Taxpayers must prepare an annual CIT return which includes a section for making adjustments to accounting profit to arrive at the taxable profit and tax payable.

Deductible and non-deductible rule

Expenses are tax-deductible if they are paid or incurred during the tax year to carry on business. Expenses must be supported by valid documentation.

Specific deductibility provisions apply to the following expenses:

a. Designated payments to company officers, directors, etc.: Deductible to the extent that the payments are reasonable.

b. Plant and building related interest and taxes: Interest and taxes incurred during the construction or acquisition phase must be capitalised and depreciated with the relevant property.

c. Interest expenses not falling into (b above): Deductible up to the total interest income plus 50% of net non-interest income. Any interest expense exceeding this limit may be carried forward to the following year’s calculation. The interest rate on loans may be between 0% and the maximum interest rate determined by the GDT each year. Interest expenses that exceed the maximum annual rate are permanently non-deductible. The maximum interest rate allowed for tax deduction purposes is:
   - 120% of the annual interest rate for loans from a third party, or
   - 100% of the annual interest rate for loans from a related party.

d. Tangible property: Depreciable using the applicable rates and methods below.

<table>
<thead>
<tr>
<th>Asset</th>
<th>Rate</th>
<th>Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Buildings and structures</td>
<td>5%</td>
<td>Straight line</td>
</tr>
<tr>
<td>- Computers, electronic information systems, software and data handling equipment</td>
<td>50%</td>
<td>Declining balance</td>
</tr>
<tr>
<td>- Automobiles, trucks, office furniture and equipment</td>
<td>25%</td>
<td>Declining balance</td>
</tr>
<tr>
<td>- All other tangible property</td>
<td>20%</td>
<td>Declining balance</td>
</tr>
</tbody>
</table>

e. Intangible property: Depreciable over the useful life or at 10% using the straight-line method.

f. Exploration and development costs: Amortisable with reference to the exploitation of the relevant natural resource.

g. Charitable contributions: Deductible up to a maximum of 5% of taxable income provided that adequate evidence is available.

h. Amusement, recreation or entertainment: Non-deductible.

i. Personal expenses not subject to tax on salary or tax on fringe benefits: Non-deductible.

j. Income tax, including tax paid on another’s behalf: Non-deductible.

k. Withholding tax, tax on salary and tax on fringe benefits borne by a payer or employer on behalf of suppliers or employees: Non-deductible.

l. Accrued expenses: Deductible if they meet stipulated conditions.

m. Loss on any sale or exchange of property, directly or indirectly, between related parties: Non-deductible.
Corporate Income Tax

Special depreciation

A QIP is entitled to 40% special depreciation of assets in the first year of purchase or the first year the assets are used. Special depreciation only applies to assets used in ‘manufacturing and processing’ (not defined) and only if the taxpayer has elected not to use a tax holiday. A claw-back provision exists for assets held for less than four years.

Losses carried forward

Taxpayers may carry forward losses for five years. The carry-back of losses is not permitted. There is no provision for any consolidated filing or group loss relief.

To be eligible to carry forward tax losses, a taxpayer must have proof of the loss, such as accounting records and tax returns that were filed on time, and must not have changed its business activities or ownership.

If a taxpayer receives a unilateral tax reassessment from the GDT, the taxpayer will not be able to utilise the tax losses brought forward in the year of tax reassessment.

Transfer pricing

On 10 October 2017, the Cambodian Ministry of Economy and Finance issued the Prakas No. 986 M.E.F.Prk. to provide ‘rules and procedures on income and expense allocation among related parties’ (known as the ‘Local Transfer Pricing (TP) Rules’), which is effective immediately. The TP rules represent one of the most important developments in the Cambodian tax regulations aiming to improve tax transparency and combatting tax avoidance.

Related party definition

The local TP rules define ‘related party’ as a relative of a taxpayer or an enterprise that controls, is controlled by, or is under common control with the taxpayer. The term ‘control’ means ownership of 20% or more of the equity interest in the enterprise or voting power in the board of directors.

Transfer pricing methodologies

The acceptable transfer pricing methods for determining the arm’s length price under the local TP rules are those endorsed by the Organisation for Economic Co-operation and Development (OECD) in the Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations, i.e. comparable uncontrolled price, resale price, cost plus, transactional net margin, and profit split methods.

Transfer pricing documentation

Entities which transact with related parties must prepare and maintain transfer pricing documentation setting out related-party transactions and the transfer pricing methodologies used to justify an arm’s length value. Based on the local TP rules, contents of information required in the TP documentation is more detailed than those listed in the OECD guidelines. Documents related to the transactions including invoices must also be kept for a period of ten years from the tax year end.

Entities must also declare information of related-party transactions when filing their annual corporate income tax return and provide relevant transfer pricing documents if required by the tax authority.
Corporate Income Tax

Penalty for non-compliance

The direct consequence for non-compliance with the TP requirements includes a withdrawal of tax compliance certificate if the taxpayer has obtained one. The taxpayer shall be penalised in accordance with Article 133 of the Law on Taxation (for obstructing the implementation of the tax law). The tax administration might also take legal action to seek prosecution for criminal violations of tax provisions as stated in Articles 134-138 of the Law on Taxation (a fine from USD1,250 to USD5,000 and imprisonment from 1 year to 5 years).

The most important risk is that the tax authorities make a TP adjustment, which could result in significant changes in the taxable income or non-deductible expenses. This could result in significant underpayment of taxes. Penalties up to 40% and interest charge of 2% per month (without cap) will be imposed on any underpaid taxes. Generally, the tax authorities will also assess indirect taxes such as VAT or other excise taxes if the TP adjustment is made.

Administration

CIT returns must be filed annually within three months of the tax year end. The standard tax year is the calendar year, although different tax year-ends may be granted on application.

The CIT liability can be offset by the unused prepayment of CIT and other withholding tax credits.
### Additional Tax on Dividend Distribution (ATDD)

**Dividend distribution**

The distribution of dividends is subject to additional CIT on dividend distribution as follows:

<table>
<thead>
<tr>
<th>If the dividend is already subject to CIT rate:</th>
<th>ATDD rate:</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>20% or 30%</td>
</tr>
<tr>
<td>20%</td>
<td>Nil</td>
</tr>
<tr>
<td>30%</td>
<td>Nil</td>
</tr>
</tbody>
</table>

Interim dividends that have not been subject to CIT are subject to ATDD at a standard rate of 20% or 30%.
Minimum Tax

General overview

Self-declaration regime taxpayers are subject to minimum tax. Minimum tax is an annual tax that is equal to 1% of annual turnover (not defined) including all taxes except VAT. From 1 January 2017, only taxpayers that do not maintain proper accounting records are subject to minimum tax. The criteria for determining whether a taxpayer has maintained proper accounting records is broadly defined in a Prakas. QIPs are no longer automatically exempt from minimum tax and will be subject to the same condition (i.e. maintaining proper accounting records) to be entitled to minimum tax exemption.

Minimum tax is due if the minimum tax liability (1% of the total annual turnover) exceeds the CIT liability (20% of taxable profit). This tax is irrespective of whether the taxpayer is in an income or loss position.

Administration

The minimum tax deadline is the same as the annual CIT deadline, which is three months after the tax year end.

The minimum tax liability can be offset by the unused prepayment of CIT and withholding tax credits.
5  Withholding Taxes

*Scope of withholding taxes*

Withholding Tax (WHT) needs to be withheld on certain payments (in cash or in kind) made by residents. In practice, only self-declaration regime taxpayers are required to withhold tax. The withheld tax constitutes a final tax.

The following types of payments are subject to withholding tax:

*Payments to residents*

- Rental: 10%
- Services: 15% (except payments to a registered taxpayer supported by proper tax invoices)
- Royalties: 15%
- Interest: 15% (except payments to a bank in Cambodia)
- Interest on fixed-term deposits: 6% (for payments from a bank in Cambodia only)
- Interest on non-fixed term savings deposits: 4% (for payments from a bank in Cambodia only)

*Payments to non-residents*

A resident taxpayer including permanent establishment making payment of Cambodian-sourced income to a non-resident is required to withhold 14% WHT. This withholding tax does not apply to payment of premium for reinsurance of property or other risks in Cambodia.

Withholding tax is due when the expense is paid. An expense is considered paid when it is recorded in the accounting records as an expense or when it is physically paid. Withholding tax must be remitted by the 20th day of the following month.

*Deductibility of withholding taxes*

If a taxpayer fails to withhold taxes from suppliers or employees, the taxpayer is not allowed to gross up the base to calculate those taxes. Any withholding taxes borne by the taxpayer are not deductible for CIT purposes.
Value Added Tax (VAT)

General overview

Under the VAT system, output tax is collected from the customer by adding VAT to the invoice amount. A business must also pay input tax on purchases to its suppliers. The business must pay the output tax to the tax authority after deducting the input tax paid to its suppliers. In theory, the business remits tax on the value that it adds to the supply chain. The tax is ultimately borne by the end consumer, or a business that is exempt from tax, as these cannot recover input tax paid.

Scope of application

VAT applies to the business activities of self-declaration regime taxpayers that make taxable supplies. The business must charge VAT on the value of goods or services supplied.

VAT also applies to the duty-paid value of imported goods (but, in practice, this does not include services). However, there are concessions for exporters and certain tax-exempt entities. Also, cigarettes, alcohol and motor vehicle products imported for the purpose of re-export are exempt from VAT. Imported goods include any associated services. Services connected to immovable property will be deemed to take place where the property is located. The importer must pay VAT to Customs at the time of paying import duties.

Exempt goods and services

The following are exempt from VAT:

- public postal services
- hospital and medical services, and the provision of medical and dental goods incidental thereto
- public transportation operated by state-owned providers
- insurance activities
- primary financial services (not defined)
- imports of certain personal effects
- non-profit activities in the public interest (as approved)
- educational services
- supply of electricity and clean water
- unprocessed agricultural products
- removal or collection of solid and liquid waste.

If a business sells exempt goods or services, it won’t be able to recover any input tax paid on its purchases. In contrast, input tax related to supplies subject to 0% VAT can be recovered. If a business generates both taxable and exempt sales, it will only be able deduct input tax on the portion used in the taxable activity.
6 Value Added Tax (VAT)

Tax rates

There are two VAT rates:

0% - This rate applies to export of goods and services from Cambodia. Export of services includes the international transportation of passengers or goods, or services in connection thereto. This rate also applies to supporting industries or sub-contractors who supply certain goods and services to exporters (i.e. garment manufacturers, textile, and footwear industries) subject to certain criteria. Domestic supplies of paddy rice and exports of milled rice are also subject to 0% VAT.

10% - This is the standard rate and applies to all other supplies.

Tax base

The output VAT to be charged is calculated based on the taxable value (excluding VAT). For imported goods, VAT is calculated on the CIF (Cost, Insurance, and Freight) import price plus import duty plus any applicable specific tax.

Input VAT related to rice farming, paddy rice purchases, and exports of milled rice can be claimed as a credit or refunded.

VAT charged on entertainment, petroleum products, mobile telephone calls or the purchase of passenger motor vehicles can’t be claimed as an input credit.

Registration

All self-declaration regime taxpayers that supply taxable goods and services in Cambodia must register for VAT. QIPs may register for VAT prior to making taxable supplies. This allows the taxpayer to claim VAT input credits and, in theory, obtain monthly refunds.

Administration

Taxpayers must file VAT returns to declare and pay VAT each month. Payment must be made by the 20th day of the following month. In the event that the deadline falls on a Saturday, Sunday, or public holiday, it will be extended to the next working day. VAT on imports is paid to the General Department of Customs and Excise at the time of import.

If the taxpayer’s input VAT exceeds the output VAT for a period of three months or longer, the taxpayer can then apply for a refund from the tax authorities.

There are detailed rules about invoicing and record-keeping obligations. There are also specific requirements for invoices based on whether the invoice is issued to a VAT-registered taxpayer or a non-registered person.
Specific Tax on certain merchandise and services

General overview

Specific tax is a form of excise tax that applies to the importation or domestic production and supply of certain goods and services.

Tax rates

The specific tax rates for certain goods and services are as follows:

<table>
<thead>
<tr>
<th>Goods or services</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local and international air tickets sold in Cambodia</td>
<td>10%</td>
</tr>
<tr>
<td>Entertainment including spa services</td>
<td>10%</td>
</tr>
<tr>
<td>Local and international telecommunication services</td>
<td>3%</td>
</tr>
<tr>
<td>Diesel, lubricant, brake oil, raw materials for producing engine oil</td>
<td>0% to 25%</td>
</tr>
<tr>
<td>Other imported and locally produced products including vehicles</td>
<td>0% to 70%</td>
</tr>
<tr>
<td>and its accessories, alcoholic drinks and non-alcoholic drinks, electronic products, etc.</td>
<td></td>
</tr>
<tr>
<td>(the rate of these products can change frequently)</td>
<td></td>
</tr>
</tbody>
</table>

Tax base

The specific tax base for locally-produced goods is 90% of the invoice price excluding VAT and specific tax. For imported goods, the tax base is the customs duty plus the CIF value. For hotel and telecommunication services, the tax is calculated on the invoice value. For air tickets, the tax is calculated based on the value of air tickets issued in Cambodia for travel within and outside of Cambodia.

Administration

Taxpayers must declare and pay specific tax on domestic sales each month. And this must be done by the 20th day of the following month. In the event that the deadline falls on a Saturday, Sunday, or public holiday, it will be extended to the next working day. For imports, specific tax is payable to the General Department of Customs and Excise at the time of import. There are also detailed rules about invoicing and record-keeping obligations.
8 Import and export duties

*Import duties*

Import duties are levied on a wide range of products. Rates vary from 0% to 35%.
As a member of ASEAN, Cambodia is required to reduce import duties in accordance with the Common Effective Preferential Tariffs programme. The introduction of the ASEAN Trade in Goods Agreement (ATIGA) in 2010 significantly reduced the customs tariffs on the importation of most products from ASEAN countries to Cambodia. These rates are expected to drop further to between 0% and 5%.

*Investment incentives*

The CDC has the power to grant import duty exemptions to QIPs and for specific industries (e.g. telecommunication services, oil and gas exploration and mining activities).

*Export duties*

Export duties are levied on a limited number of items such as timber and certain animal products (including most seafood).
9 Tax on Salary

General overview

Cambodia’s tax on salary rules are based on residency and source principles. A Cambodian resident taxpayer’s worldwide salary will be subject to Cambodian tax on salary. For non-residents, only Cambodian-sourced salary is subject to tax on salary. The place of payment is not considered relevant in determining the source.

Tax on salary applies to employment-related remuneration only, and does not apply to general personal income per se. There are rules that enable the authorities to deem certain consultants to be employees.

Residency

A Cambodian resident taxpayer includes any physical person who:

- has a residence in Cambodia
- has a principal place of abode in Cambodia, or
- is physically present in Cambodia for more than 182 days in any 12-month period ending in the current tax year.

Taxable salary

A distinction is made between salary and fringe benefit components. Different tax rates also apply.

Salary

The term Salary is defined to include basic remuneration, wages, bonuses, overtime, and other compensations.

Fringe benefits

Fringe benefits include:

- private use of motor vehicles
- food
- accommodation support (including utilities and domestic helpers)
- low-interest loans and discounted sales
- educational assistance (unless related to the employment, i.e. training)
- health and life insurance premiums (unless the same benefits are provided to all employees)
- excessive or unnecessary cash allowances
- contributions to a pension plan (unless such contributions are not more than 10% of the employee’s monthly salary)
- entertainment or recreational expenditure (which may also be non-deductible for CIT purposes).
Tax on Salary

Exempt salary

Exempt salary includes:

- some redundancy payments
- reimbursement of employment-related expenses
- some uniform entitlements
- some travel allowances
- health or life insurance premiums provided to all employees
- accommodation support in accordance with the Labour Law
- meal allowances provided to all employees
- NSSF or social welfare fund contributions as required by law
- infant allowance or nursery expenses in accordance with the Labour Law
- salaries of members of the National Assembly and Senate
- salaries of certain employees of approved diplomatic, international and aid organisations
- salaries of non-resident employees, subject to certain conditions.

Deductions

There are small rebates for employees’ dependents and deductions can be made for the repayment of employer loans or advances.

Tax rate

Residents

<table>
<thead>
<tr>
<th>Monthly salary (riel)</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-1,200,000</td>
<td>0%</td>
</tr>
<tr>
<td>1,200,001-2,000,000</td>
<td>5%</td>
</tr>
<tr>
<td>2,000,001-8,500,000</td>
<td>10%</td>
</tr>
<tr>
<td>8,500,001-12,500,000</td>
<td>15%</td>
</tr>
<tr>
<td>12,500,001 and over</td>
<td>20%</td>
</tr>
</tbody>
</table>

Non-residents

The tax rate for non-residents is a flat rate of 20%. This is a final tax.

Fringe benefits

Fringe benefits are taxable at a flat rate of 20% of the amount paid.

Administration

As the tax base for Tax on Salary rates is stated in Cambodian riel, salaries calculated in another currency must be translated into riel for the purpose of calculating tax. Official exchange rates are issued by the tax authorities every month.

Employers must make monthly Tax on Salary declarations and payments no later than the 20th day of the following month. In the event that the deadline falls on a Saturday, Sunday, or public holiday, it will be extended to the next working day. There is no requirement to submit an annual tax return.
Other taxes

Public Lighting Tax (PLT)

PLT is imposed on the distribution in Cambodia of imported and locally-produced alcoholic and tobacco products.

PLT is levied at 3% of the selling price of the products sold by the first importers or local producers. For every subsequent distribution of the products by wholesalers or retailers, the PLT is levied at 3% on the 20% of the selling price recorded on invoices. For PLT purposes, the selling price includes all taxes except PLT and VAT.

PLT is a monthly tax and must be paid by the 20th day of the following month. In the event that the deadline falls on a Saturday, Sunday, or public holiday, it will be extended to the next working day.

Accommodation tax

Accommodation tax is calculated at 2% of the accommodation fee including all taxes and other services except accommodation tax and VAT.

Accommodation tax is a monthly tax and is due no later than the 20th day of the following month for self-declaration regime taxpayers. In the event that the deadline falls on a Saturday, Sunday, or public holiday, it will be extended to the next working day.

Tax on immovable property

Land, houses, buildings and other constructions built on land are considered immovable property. Tax on immovable property is levied at 0.1% per annum on immovable property valued at over KHR100,000,000 (approximately USD25,000). The tax base is the market value determined by the Property Evaluation Commission for Property Tax of the Ministry of Economy and Finance (MoEF), less the threshold. The owner, possessor or final beneficiary of the immovable property is required to pay the tax by 30 September each year.

The following immovable properties are exempt from tax on immovable property:

- agricultural land
- property of the government or government institutions
- property of an association or entity organised and operated exclusively for religious and charitable purposes, where no part of the property or related earnings are used for any private interest
- property of a foreign embassy or foreign diplomatic mission, international organisation or agent for technical co-operation of other foreign governments
- infrastructure including roads, bridges, fresh water production systems or electricity generation systems, airports, ports and railway stations
- houses, buildings, and other constructions on agricultural land directly and permanently used for agricultural activities
- immovable property that has been seriously damaged by an act of God
- houses, buildings, and other constructions that are less than 80% complete and not in use
- immovable property located in a Special Economic Zone (SEZ) that directly supports production activities.

Tax on immovable property applies regardless of whether the property is in use.
Other taxes

**Tax on unused land**

Land in towns and other specified areas, without any construction, or with construction that is not in use, and even certain land with construction, is subject to tax on unused land. The tax is calculated at 2% of the market value of the land calculated using the rate per square metre determined by the Land Appraisal and Valuation Committee at 30 June each year. The owner of the land is required to pay the tax by 30 September each year.

Tax on unused land applies only to land with a value of less than KHR100,000,000 as determined by the Land Appraisal and Valuation Committee, otherwise tax on immovable property applies.

**Stamp tax**

Stamp tax is imposed on the following transactions based on the rate and tax base listed.

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Rate</th>
<th>Tax base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer of title or ownership of immovable property (i.e. land and buildings) including transfers for the purpose of share capital injection</td>
<td>4%</td>
<td>Transfer value or market value determined by the MoEF</td>
</tr>
<tr>
<td>Transfer of title or ownership of all means of transportation</td>
<td>4%</td>
<td>Transfer value (market value determined by the MoEF)</td>
</tr>
<tr>
<td>Transfer of company shares (in part or full) or a merger</td>
<td>0.1%</td>
<td>Transfer value (market value)</td>
</tr>
<tr>
<td>Public procurement contracts for goods and services</td>
<td>0.1%</td>
<td>Contract value</td>
</tr>
<tr>
<td>Certain legal documents related to establishment, dissolution or merger of a business enterprise</td>
<td>-</td>
<td>KHR1,000,000</td>
</tr>
</tbody>
</table>

The recipient or buyer is responsible for paying the stamp tax.

**Tax stamps**

Domestic producers or importers of cigarettes must buy tax stamps and affix them to the cigarette packets. No person is allowed to sell or display for sale packaged cigarettes that do not have a tax stamp affixed.

**Patent tax**

Patent tax is an annual tax imposed on initial business registration and annually thereafter. The patent tax is determined as follows:

(i) A large taxpayer is subject to patent tax of Riel 3,000,000 (approx. USD750) if the taxpayer has annual turnover from Riel4,000,000,001 (approx. USD1 million) to Riel10,000,000,000 (USD2.5 million) or Riel5,000,000 (approx. USD1,250) if the taxpayer has annual turnover more than Riel10,000,000,000 (USD2.5 million);

(ii) A medium taxpayer is subject to patent tax of Riel1,200,000 (approx. USD300).

(iii) A small taxpayer is subject to patent tax of Riel400,000 (approx. USD100).

**Tax on means of transportation**

This tax is imposed on different types of means of transportation including vehicles, trucks, buses, and ships. The owner of the vehicle is liable for the tax every year as prescribed by the MoEF.
Double taxation agreements

At the date of this publication, the Kingdom of Cambodia had signed double taxation agreements with the Republic of Singapore, the People’s Republic of China, Brunei Darussalam, the Kingdom of Thailand, and the Socialist Republic of Vietnam for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income.

The agreements between the Kingdom of Cambodia and the Republic of Singapore and between the Kingdom of Cambodia and the Kingdom of Thailand have been effective from 1 January 2018. However, the agreements with the People’s Republic of China, Brunei Darussalam, and the Socialist Republic of Vietnam are not yet effective.

The Kingdom of Cambodia is in the process of negotiating double taxation agreements with other countries.
CDC and investment issues

Most investments are required to be registered with the MoC and other relevant ministries. Applications for investment incentives shall be submitted to the CDC under the Amended Law on Investment and Sub-Decree on the Implementation of the Amended Law on Investment.

Negative List

The projects that fall within the Negative List are not eligible to apply for QIPs. The following activities are included in the Negative List:

- all kinds of commercial activities, import and export, any transportation services (except the railway sector)
- tourism services
- currency and financial services
- activities that relate to newspapers and media
- production of tobacco products
- provision of value added services for all kinds of telecommunication services
- real estate development.

Investment incentives

Investment incentives primarily consist of:

- a CIT holiday of up to six years (excluding the trigger period) or special tax depreciation.
- Customs duty exemptions for the importation of production equipment and construction materials approved under the Master List.

Each year, a QIP is required to obtain a Certificate of Compliance (CoC) from the CDC to guarantee its investment incentives. The CoC is intended to confirm that the QIP has complied with the relevant tax regulations.

Special Economic Zone (SEZ)

A number of SEZs have been approved by the CDC. In addition to the incentives listed above, export-oriented QIPs located in an SEZ are entitled to 0% VAT on the importation of production inputs and raw materials.
Statutory audit requirements

All enterprises (physical or legal persons) that meet at least two of the following criteria are required to have their financial statements audited by an independent external auditor registered with the Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA):

- annual turnover of KHR 3,000,000,000 (approx. USD 750,000) or more
- total assets of KHR 2,000,000,000 (approx. USD 500,000) or more
- more than 100 employees.

All QIPs registered with the CDC are required to have their financial statements audited by an independent external auditor registered with the KICPAA.

All enterprises that have been subject to a statutory audit must continue to have their financial statements audited.

The law does not specify the deadline for submitting the audited financial statements. But the audited financial statements must be completed within six months of the accounting year end.
Cambodian Stock Exchange

The Royal Government of Cambodia has revised the tax incentives granted to companies listed on the Cambodian Stock Exchange and to public investors (residents or non-residents) who hold or trade government, equity or debt securities on the securities market.

The tax incentives include a 50% reduction of the annual CIT liability for the first three years.
Cambodia International Financial Reporting Standards

The National Accounting Council of the Ministry of Economy and Finance has issued regulations on the implementation of the accounting standards. Entities that have public accountability (financial institutions, insurance providers, publicly listed entities, etc.) are required to apply Cambodian International Financial Reporting Standards (CIFRS) from 1 January 2012. However, the adoption of CIFRS for financial institutions under the supervision of the National Bank of Cambodia has been delayed until 1 January 2019. Entities subject to statutory audit that do not have public accountability are required to use CIFRS for Small and Medium-sized Entities which came into effect on 1 January 2010. However, they may choose to apply the full CIFRS.
PwC Cambodia has extensive practical experience advising on Cambodian tax issues as well as on international tax matters.

This tax book has been prepared for general information and assistance for those investing in Cambodia.

For further information or advice, please contact any of the following at PwC:

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