



# Common and Current Tax Issues in Cambodia 2016

Taxation Practice in Cambodia  
Thai Business Council in Cambodia (TBCC)

Phnom Penh, Cambodia – 2 September 2016

# What makes us unique?



“We are pioneers in emerging markets”



\*DFDL collaborating firms | †In commercial cooperation with Sarin & Associates

# Regional Reach: ASEAN and South Asia



## **Bangladesh (2011)**

Country Partner: 1

Advisers: 5

## **Cambodia\* (1995)**

**Sarin & Associates**

Partners: 5

Advisers: 42

## **Lao PDR (1994)**

Partners: 2

Senior counsels: 1

Advisers: 10

## **Indonesia\* (2011)**

**Mataram Partners**

Partner: 1

Advisers: 10

## **Myanmar (1995)**

Partners: 2

Senior Counsel: 1

Advisers: 20



## **Philippines\* (2015)**

**Ocampo & Suralvo Law Office**

Partners: 3

## **Singapore (2010)**

Partners: 2

Advisers: 3

## **Thailand (2005)**

Partners: 4

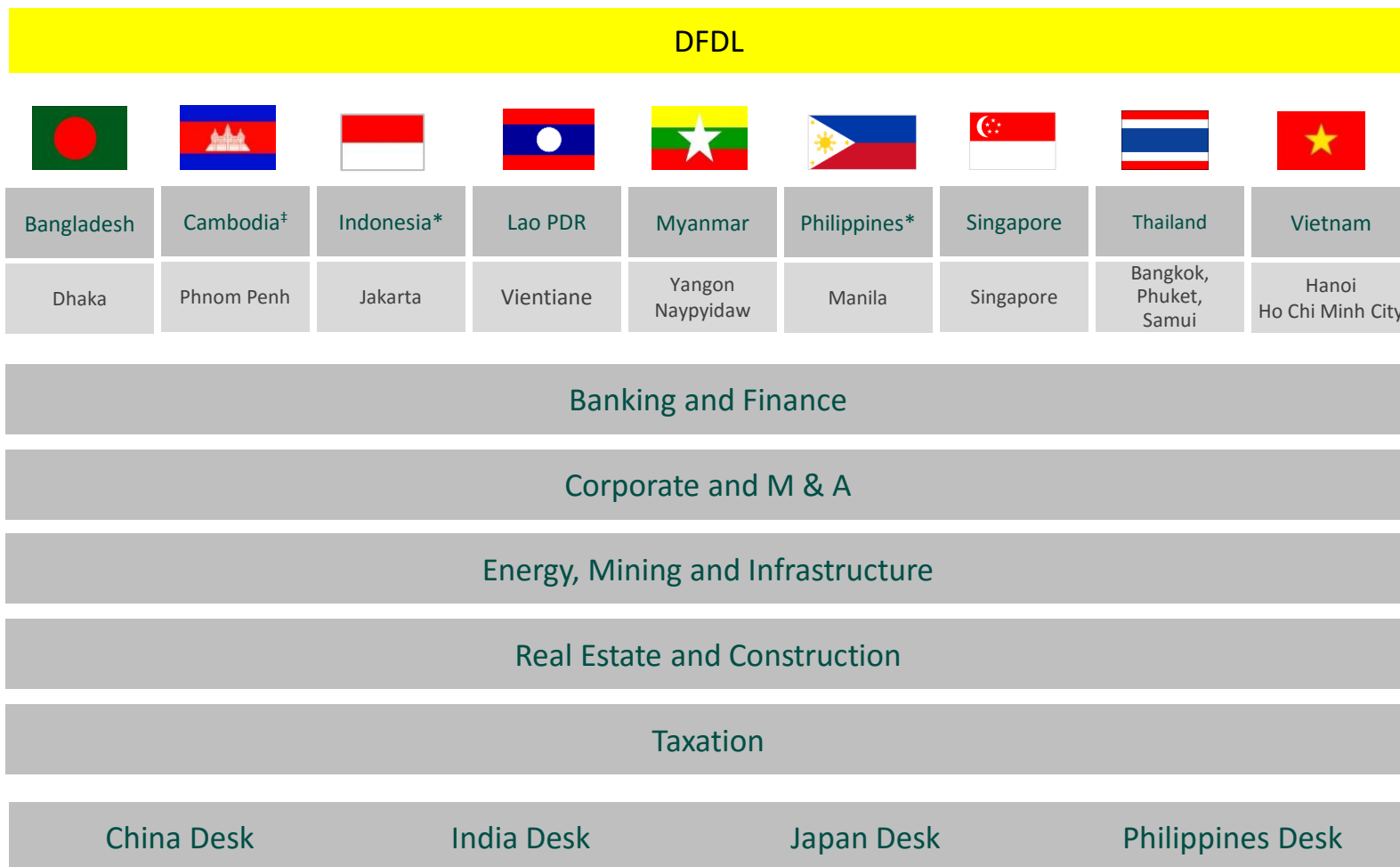
Advisers: 28

## **Vietnam (2006)**

Partners: 4

Advisers: 17

In Cambodia, DFDL works in commercial cooperation with Sarin & Associates. In Indonesia, DFDL works in association with Mataram Partners. DFDL collaborates with Philippine law firm, Ocampo & Suralvo Law Offices, which provides local legal advice.



\* DFDL collaborating firms | <sup>‡</sup> In commercial cooperation with Sarin & Associates

1

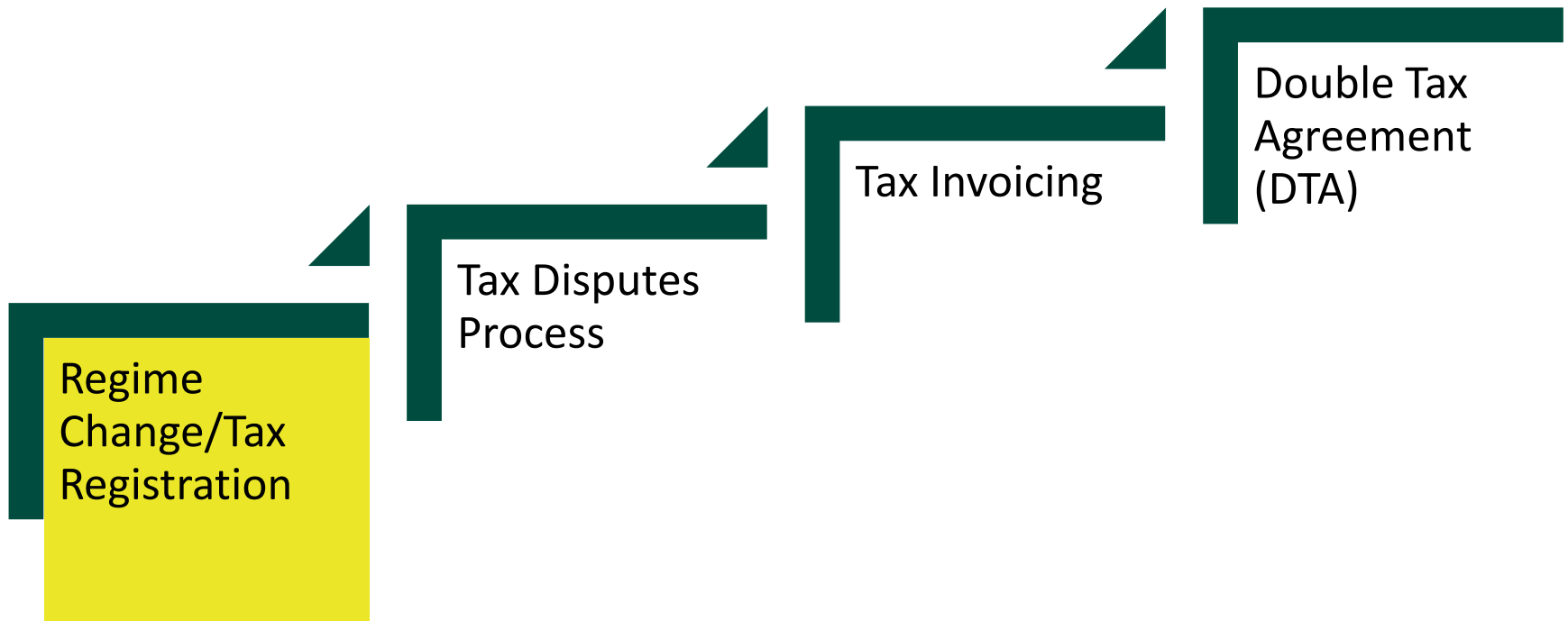
Recent Taxation Development

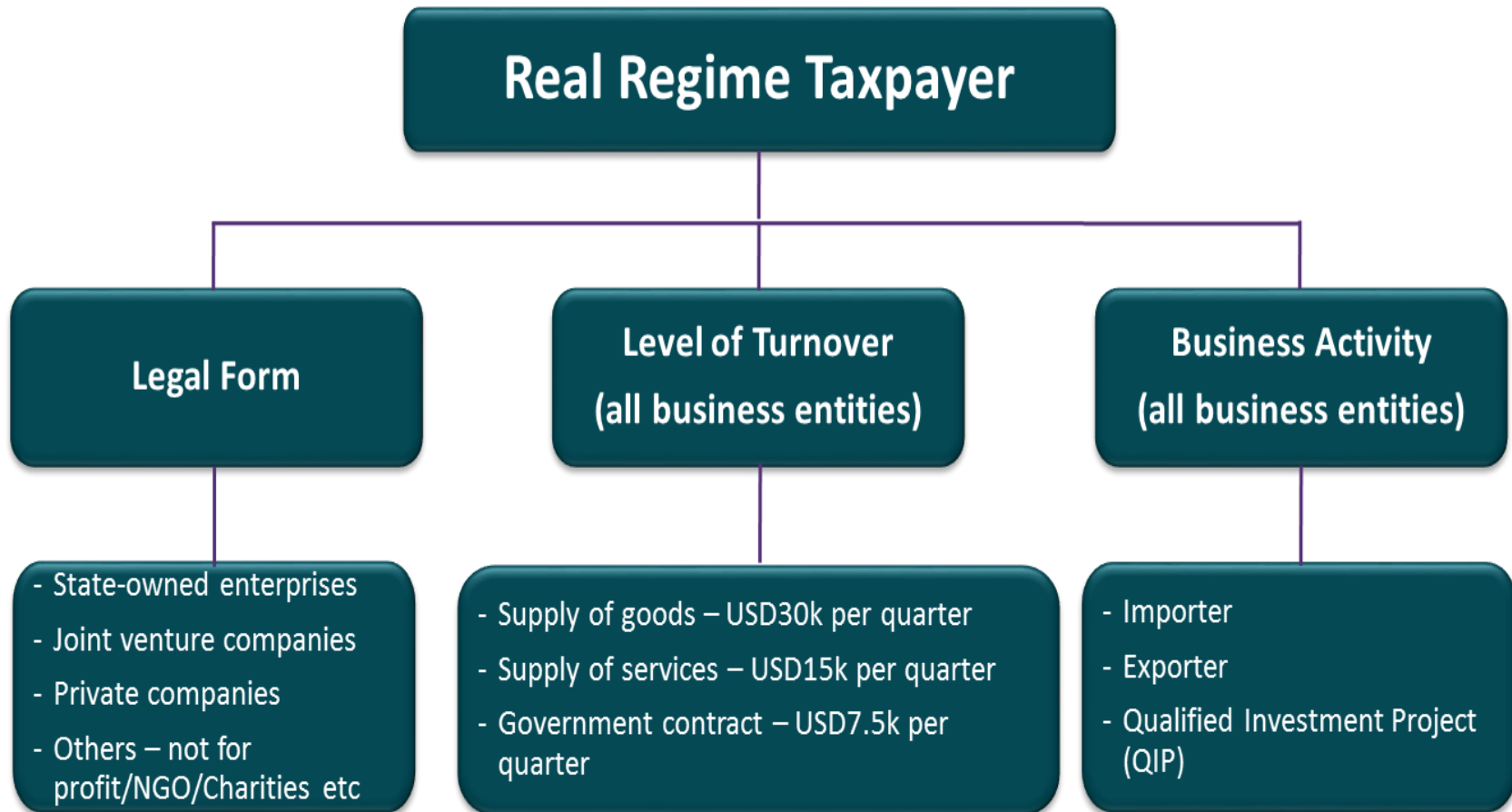
2

Common Practical Tax Issues

3

Q & A





- Simplified/*Estimated*/Real Regime
- The tax revenue generated from the estimated tax regime taxpayers accounted **for a small percentage** of the total tax revenue collected by the GDT in the first nine months of 2015;
- Historically, **a large amount of all GDT** tax officials were utilized in the collection of estimated tax regime tax revenue.
- There are a number of taxpayers who were sheltering the estimated tax regime but who **should have actually been in the real regime** of taxation
- The need to use tax officials more efficiently to collect the most amount of tax revenue



# One Regime to rule them all....



With the elimination of the estimated regime of taxation what will remain is only one tax regime – the real regime of taxation. Taxpayers in the real regime of taxation will be divided as follows:

## **Small taxpayers**

Enterprises that have annual turnover from KHR250 million (USD62,500) to KHR700 million (USD175,000);

## **Medium taxpayers**

Enterprises that have annual turnover from KHR700 million (USD175,000) to KHR2,000 million (USD500,000) or that have been registered as a legal person;

## **Large taxpayers**

Enterprises that have annual turnover over KH2,000 million (USD500,000) or that have registered as a Qualified Investment Project (QIP)

Small Real Regime Taxpayer - taxpayers that ***are Sole Proprietorships or Partnerships*** that:

- Have annual ***taxable turnover*** from Khmer Riel (“KHR”) 250 million **(USD62.5k)** to KHR700 million **(USD175k)**;
- Have taxable turnover, in any period of *three consecutive calendar months (within this tax year)*, exceeding 60 million KHR **(USD15k)**;
- Expected taxable turnover of 60 million KHR (USD15k) or more in the next three consecutive months;
- Participate in any bidding, quotation or survey for the supply of goods and services including duties.

Medium Real Regime Taxpayers include:

- Enterprises that have ***annual turnover*** from KHR700 million (USD175k) to KHR2,000 million (USD500k);
- Enterprises that have been incorporated ***as legal entities***;
- Sub-national government institutions, *associations, and non-governmental organizations*.

### Large Real Regime Taxpayers include:

- Enterprises that have annual turnover over KH2,000 million (**USD500k**);
- *Branch of a foreign company;*
- Enterprises registered as a Qualified Investment Project as approved by the Council for the Development of Cambodia;
- Government Institutions, foreign diplomatic and consular missions, international organizations and agencies.

# Practical Differences between the regimes - Patent Tax



**Small taxpayers:** annual Patent Tax of KHR400,000 (USD100)



**Medium taxpayers:** annual Patent Tax of KHR1,200,000 (USD300)



**Large taxpayers:** a minimum of annual Patent Tax of KHR3,000,000 (USD750) and a maximum of KHR5,000,000 (USD1,250).

### **THE RULES AND PROCEDURES FOR IMPLEMENTATION OF SIMPLIFIED ACCOUNTING RECORDS FOR SMALL TAXPAYERS**

- a. Purchases day book:* is the record that taxpayer will keep daily on their operating expenses such as asset, purchasing of goods and service for sell, raw material, staffs, electricity and water supply, assets rental fee and other expenses.
- b. Sales Day Book:* is a daily record on goods and service sales by invoice, in case that the supply of goods and service has a high cost or total daily record, in case good and service has low cost or retail sale on one record.
- c. Inventory book:* is the record on information related to the stock of goods, purchased goods.

## Article 12: Rate of annual profit tax

Taxpayers shall apply the rate of annual profit tax as per the *progressive tax rate by tranche* as stated in new Article 20 of the Law on Taxation.

### Progressive Rates

Annual Taxable Profit				Incremental tax rate
Khmer Riel		Approx. US\$ equivalent		
From 0	To 6,000,000	0	1,463	0%
From 6,000,001	To 15,000,000	1,463	3,658	5%
From 15,000,001	To 102,000,000	3,658	24,878	10%
From 102,000,001	To 150,000,000	24,878	36,585	15%
Over 150,000,000		36,585		20%

- Except for WHT on rental of movable and immovable property
- Indicator of things to come – amendment to the Law on Taxation later this year.

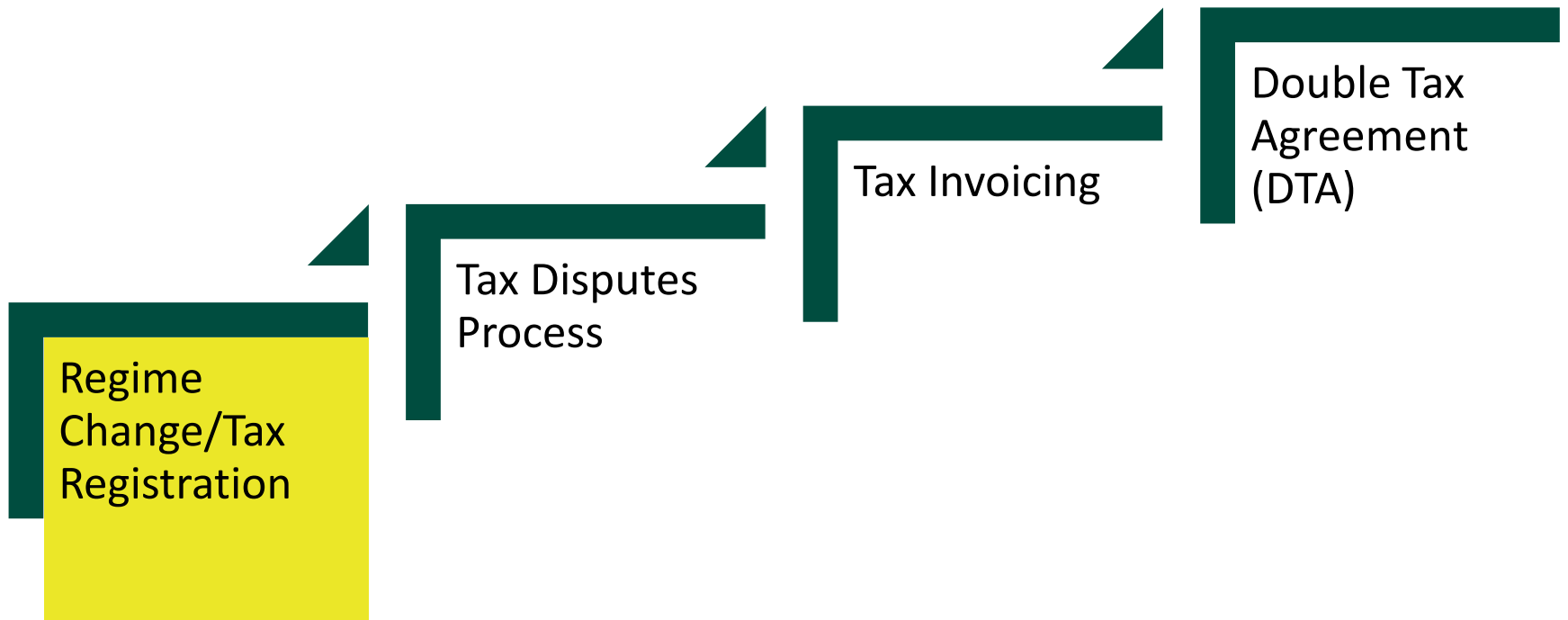


Article 15 :

*Tax losses are not allowed to be carried forward – forfeited at year end*

Article 16 :

*For calculation of value added tax to be paid for each month, taxpayers shall be allowed to have an input tax credit of 80 percent for settlement with output tax whether taxpayers have an invoice of input tax or not.*



The requirement to register for taxation applies to all taxpayers, who have:

*“either commenced economic activity or registered with the Ministry of Commerce or any other applicable Government entity in Cambodia (the taxpayer must register within 15 working days from whichever comes first – economic activity or registration with a Government entity)”*



**Economic activity** is a defined term which is expressed as

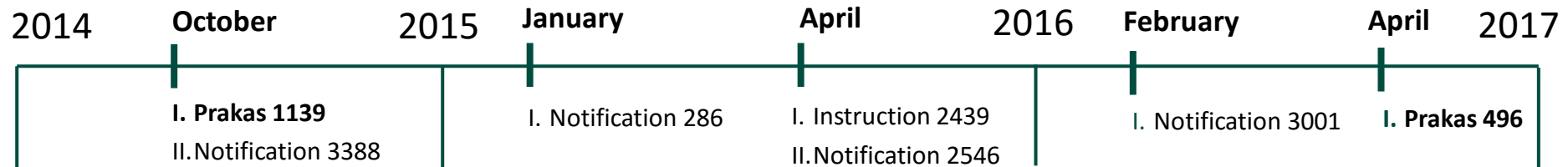
*“the regular, continuous or occasional activity of a person, whether or not for profit, in the supply or intent to supply, goods or services to another person for the purpose of obtaining a benefit”.*



## Taxpayers include:

- Company – single member, private, public,
- Branch,
- Representative Office,
- NGOs,
- Business Associations,
- Not-for-profit entities,
- Sole proprietorships,
- Partnerships





## Key Milestones

- Prakas 1139 registration process that applies to all existing and new taxpayers – old
- Prakas 496 has appeared to widen the tax registration requirements to not just Small Taxpayers as defined under the revised real regime – but also to individuals who undertake economic activities in Cambodia or have annual turnover below KHR250 million (USD62,5k), or turnover of any three consecutive months in the current calendar year below KHR60 million (USD15k).

- One of the main concerns with Prakas 1139 was the requirement that the chairperson of the board of directors or company owner be directly present at the tax administration to have their photo taken and fingerprints scanned.
- Under Prakas 496 – a dispensation is provided to the chairperson/owner of foreign nationality who resides outside of Cambodia and cannot come to have their photo taken and finger prints scanned. Under that scenario a power of attorney may be awarded to a representative in the company’s board of directors to meet the requirements on behalf of the chairperson/owner.
- Those chairpersons/owners who hold Cambodian nationality or hold foreign nationality but permanently reside in Cambodia are still required to be directly present to have their photo taken and fingerprints scanned.

## ***New Tax Registration***

- Pay patent tax and registration fee
- Complete the registration form
- Arrange documents for tax officers' review
- Bring the documents for tax officers to key in preliminary information in system
- Take photo and finger prints
- All processes are done under National Tax School (NTS).

## ***Timeframe:***

Based on Prakas, 7-10 working days after submission and documents accepted.

In practice: Can be more than 6 weeks



# Tax Registration – Fees



Entity Type	Tax Registration Fees		Information Update - Fees	
	Khmer Riel	USD	Khmer Riel	USD
Public institutions, diplomatic missions, foreign consulates, international organizations, technical cooperation agencies of other governments and political parties	KHR 0	USD 0	KHR 0	USD 0
Small Taxpayers or Taxpayers below 250 million Riels annual turnover	KHR 20,000	USD 5	KHR 10,000	USD 2.50
Medium & Large Taxpayers, associations and organizations	KHR 400,000	USD 100	KHR 200,000	USD 50

**The following formal documents will be delivered by the GDT;**

Public institutions, diplomatic missions, foreign consulates, international organizations, technical cooperation agencies of other governments, political parties, associations and organizations, which do not operate a business:

- Tax registration certificate and/or;
- Tax registration card and/or;
- Notification on filing tax returns.

Sole proprietorships, legal entities, associations and organizations, which operate a business:

- VAT registration certificate and/or;
- Tax registration card and/or;
- Patent tax certificate and/or;
- Notification on filing of tax returns.

*Taxpayers with annual turnover below 250 million riels, or turnover of any three consecutive months of the current calendar year below 60 million riels:*

- Certification of tax registration and/or;
- Tax registration card.



## **Principle of self-assessment**

The real regime of taxation is based on the general principle that taxpayers are responsible for identifying, calculating and remitting their tax obligations to the tax administration, and the tax administration has the authority to verify that information

Period for tax audit and reassessment by the tax administration

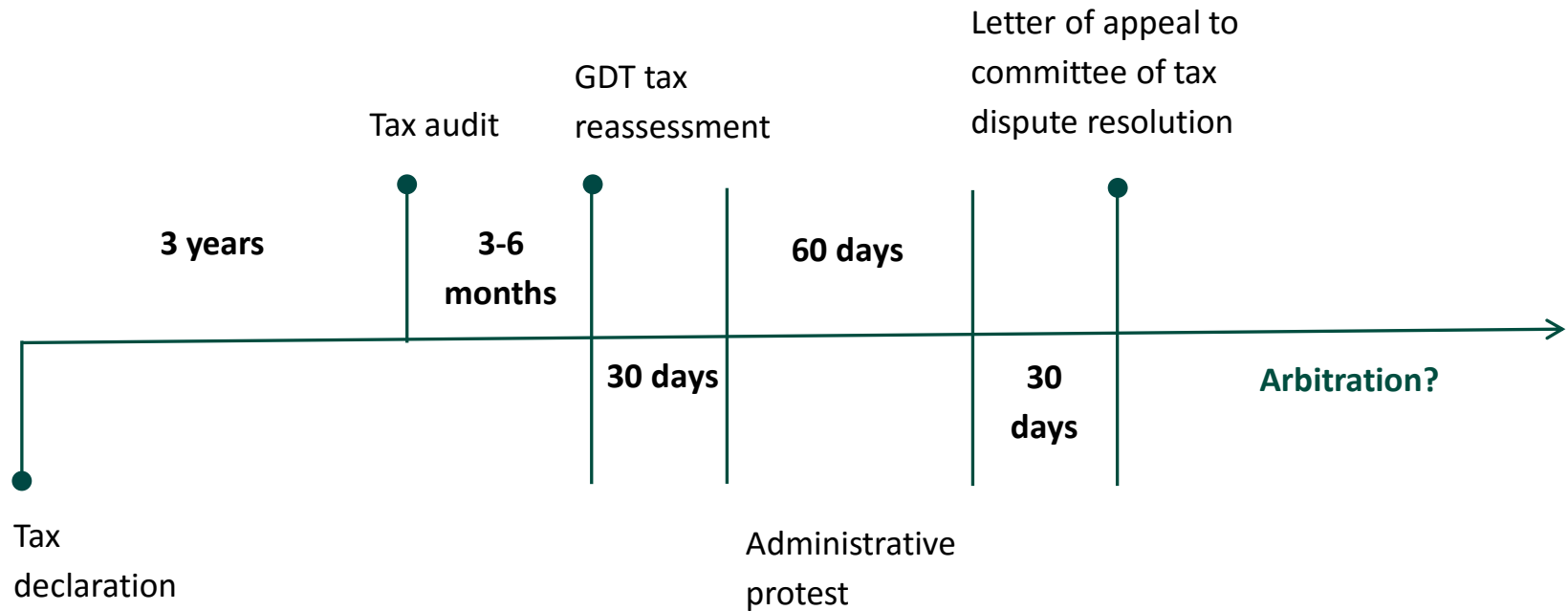
*Legal Reference: LOT, Articles 117.1 and 117.2*

The tax administration has the right to audit and reassess tax in one of the periods of time as below:

- Within **three (3) years** after the date the tax declaration was submitted
- Within **ten (10) years** after the date the tax declaration was required to be submitted if there is evidence of the **obstruction** of the implementation of tax provisions
- At any time with the written consent of the taxpayer

- Fails to maintain proper records of account and other documentation or fails to issue invoices on transactions; or
- Fails to allow the tax administration access to records of account and other documents; or
- Fails to register with the tax administration; or
- Fails to notify the tax administration of any change in the registration as stated in the law; Makes or furnishes fraudulent records, documents, reports or other information; or
- Conceals or deliberately destroys accounting papers, records, documents, reports or other information; or
- Attempts to obstruct the assessment or the collection of taxes; or Fails to submit a nil tax declaration within 30 days of the date required by law

# The Process



In Cambodia, there are three main kinds of tax audits:

## **1) Desk audit:**

This level of control is designed to verify the accuracy of declared information by cross-checking it with the tax return or other information requested by the tax administration. Conducted by Department of Large Taxpayers or Tax Branch.

No visitation required as audit is performed based on information already known to the tax auditor.

The Tax Branch or Large Taxpayer Department will issue a Formal Notice of Tax Re-Assessment to the Taxpayer.



## **2) Limited audit:**

This audit is more expansive.

Carried out again by audit officers of the Tax Branch or Large Taxpayer Department.

Tax auditors will use all available resources, including visits to the taxpayer's place of business, to verify the accuracy of the taxpayer's returns.

Tax auditors will generally focus on a particular tax type for any period of time – often try and extend the scope of the audit after it has begun.

### 3) Comprehensive tax audit:

Carried out by the Enterprise Audit Department of the GDT. Is as close as a taxpayer will get to closure for a particular tax period.

The auditor will look at all taxes in the period under audit.

**Note:** Although a comprehensive tax audit is considered final, if the tax administration has reason to believe a taxpayer has committed tax evasion or fraud they may re-open the case.

If the tax auditor determines that the taxpayer has underpaid taxes, the level of violation is determined by the percentage of underpayment.

A taxpayer is deemed negligent if:

- The amount of underpayment of tax is less than 10%
- The taxpayer files the tax declaration after the due date
- The taxpayer pays the tax after the due date

A taxpayer is deemed to be seriously negligent if the amount of underpayment of tax is more than 10%.

The penalty on the underpayment of tax varies with the level of violation:

- 10% for negligence
- 25% for serious negligence
- 40% if it is a unilateral tax assessment

In addition to the penalty on the underpayment of tax, interest is charged at 2% per month of the underpaid amount.

1. *Restates the key points of the tax audit process*
2. *More adherence to the procedural requirements in particular:*
  - *timeframes*
  - *form and accuracy of submissions*
  - *supporting documentation*
  - *collection of tax debt*
  - *tax disputes committee*

The person lodging the complaint, who is not satisfied with the decision to resolve the complaint or to reject the complaint of the Director General of the General Department of Taxation, can lodge its appeal to the committee of tax dispute resolution within thirty (30) working days starting from the date on which the letter of notification on the decision to resolve the complaint or to reject the complaint of the Director General of the General Department of Taxation is received, with a copy being sent to the General Department of Taxation.



The key points to be taken from Instruction 1127 are as follows:

- All VAT registered taxpayers under the revised real regime of taxation (“RRT”) are required to issue an invoice for every sale or supply of goods or services in accordance with the 4 invoice templates that have been provided by the GDT.
- Any invoice which does not conform to the requirements of Instruction 1127 shall not be permitted to be used to obtain a VAT input credit or to claim as an expense with respect to tax on profit.



As per Notification 1127 a VAT invoice is now required to include the following:

- Name, address, and value-added tax identification number (VATTIN) of the seller or supplier;
- Clear invoice number in a chronological order and date of issuance of the invoice;
- Name and address of the purchaser and value-added tax identification number in case the purchaser is a taxpayer under the self-assessed regime;
- Description, quantity, and selling price of the goods or services;
- Total prices excluding tax and separate tax amount;
- The ink quality printed in the invoice and the invoice paper shall be able to be kept for a long period of time; and
- All invoices shall be written or printed in Khmer, or both Khmer and English, and the English text shall be under the Khmer text.

- **Invoicing Requirements**

With respect to the first six (6) requirements to constitute a valid VAT invoice as listed above – the invoice template used by a taxpayer can be modified from the templates that have been provided by the GDT provided that they still contain the first six criteria as listed above in some form. The GDT will not dictate where a taxpayer puts its logo on the invoice or how the invoices may be designed.

- **Khmer Language Requirement**

The GDT has agreed to provide all taxpayers with a 6 month grace period (starting from 24 March 2016) to implement the Khmer language requirement into their invoices and to update their invoicing systems accordingly. **In the event that taxpayers find it difficult to adjust their systems to meet the Khmer language requirement, particularly with respect to technical terms, the taxpayers can use English language for those terms.**

- **Customers Signature**

To be eligible to claim a VAT input credit the issuer of the VAT invoice must sign and stamp the invoice and the recipient must also sign and stamp all received VAT invoices. If the end customer is not VAT registered then they should receive a commercial invoice which they would not be required to sign as they would not be in a position to claim a VAT input credit.

- **Invoice Serial Number**

The serial number sequencing for VAT invoices should be restarted at the beginning of each tax year. For businesses operating in multiple locations they can issue a separate serial number for each location or if the system is centralized they can issue the serial numbers from their head office.

- **Implementation**

As noted above taxpayers have been given a six (6) month timeframe starting from 24 March 2016 to comply with the requirements of Instruction No.1127.

- As per before a VAT registered taxpayer has the choice of whether to issue a tax invoice or a commercial invoice.
- If the recipient of the good or service is a VAT registered taxpayer then they will want to obtain a valid **tax invoice** to ensure that they can claim both a VAT input credit and a deduction of the expense for tax on profit purposes – template (1) and (2) shown in the following slides
- If the recipient of the good or service is not a VAT-registered taxpayer then they can receive a **commercial invoice** which is in compliance with templates (3) and (4) shown in the following slides

# Template (1)

## Valid tax invoice



រូបសញ្ញាសេវាកម្ម  
LOGO

**ឈ្មោះក្រុមហ៊ុនជាភាសាខ្មែរ**  
**COMPANY NAME**

លេខអត្តសញ្ញាណកម្ម អតប (VATTIN) -

អាសយដ្ឋាន៖ ផ្ទះលេខ  ផ្លូវ  ឃុំ/សង្កាត់   
Address N° Street Commune/Sangkat

ក្រុង/ស្រុក/ខណ្ឌ  ខេត្ត/រាជធានី  ទូរស័ព្ទលេខ   
Town/District/Khan Province/City Telephone N°

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**វិក្កយបត្រពន្ធ**  
**TAX INVOICE**

**អតិថិជន / Customer :**

ឈ្មោះក្រុមហ៊ុន ឬអតិថិជន   
Company name / Customer

ទូរស័ព្ទលេខ   
Telephone N°

លេខអត្តសញ្ញាណកម្ម អតប (VATTIN) - (ប្រសិនបើមាន / If any)

លេខវិក្កយបត្រ៖   
Invoice N°

កាលបរិច្ឆេទ៖   
Date

ល.រ N°	បរិយាយមុខទំនិញ Description	បរិមាណ Quantity	តម្លៃឯកតា Unit Price	ផ្ទៃទំនិញ Amount
1				
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សរុប  
Sub Total

អាករលើតម្លៃបន្ថែម 90%  
VAT (10%)

សរុបរួម  
Grand Total

ហត្ថលេខា និងឈ្មោះអ្នកទិញ  
Customer's Signature & Name

ហត្ថលេខា និងឈ្មោះអ្នកលក់  
Seller's Signature & Name

សម្គាល់៖ ច្បាប់ដើមសម្រាប់អ្នកទិញ ច្បាប់ចម្លងសម្រាប់អ្នកលក់  
Note: Original Invoice for customer, copied Invoice for seller

# Template (2)

Valid tax invoice



**ឈ្មោះក្រុមហ៊ុនជាតាតាខ្មែរ**  
COMPANY NAME

លេខអត្តសញ្ញាណកម្ម អតប (VATTIN) [ ] [ ] [ ] [ ] - [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] 1

អាសយដ្ឋាន: ផ្ទះលេខ [ ] [ ] ផ្លូវ [ ] [ ] ភូមិ/សង្កាត់ [ ] [ ] [ ] [ ] ក្រុង/ក្រសួង/ស្ថាន [ ] [ ] [ ] [ ] ខេត្ត/រាជធានី [ ] [ ] [ ] [ ] លេខទូរស័ព្ទលេខ [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]

**វិក្កយបត្រពន្ធនាគារ**  
TAX INVOICE 2

**3** អតិថិជន / Customer :  
ឈ្មោះក្រុមហ៊ុន ក្រុមហ៊ុន [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]  
Company name / Customer  
ទូរស័ព្ទលេខ [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]  
Tel N°  
លេខអត្តសញ្ញាណកម្ម អតប (VATTIN) [ ] [ ] [ ] [ ] - [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ] (ប្រសិនបើមាន / if any)

លេខវិក្កយបត្រពន្ធ Invoice N° [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]  
កាលបរិច្ឆេទ Date [ ] [ ] [ ] [ ] [ ] [ ] [ ] [ ]

លេខ N°	បរិយាយទំនិញ Description	បរិមាណ Quantity	តម្លៃកម្រិត Unit Price	ផ្ទៃទំនិញ Amount
<div style="position: absolute; top: 50%; left: 50%; transform: translate(-50%, -50%); opacity: 0.5; font-size: 2em; pointer-events: none;">                     គំរូ 3 Sample only                 </div>				

**4**

សរុប Sub Total

ពន្ធលើតម្លៃបន្ថែម ១០% VAT (10%)

សរុបរួម Grand Total

**5**

ហត្ថលេខា និងឈ្មោះអ្នកទិញ  
Customer's Signature & Name

ហត្ថលេខា និងឈ្មោះអ្នកលក់  
Seller's Signature & Name

សេចក្តីផ្តើម ប្រាប់ដើមសម្រាប់អ្នកទិញ ប្រាប់ចម្លងសម្រាប់អ្នកលក់  
Note: Original invoice for customer, copied invoice for seller

# Template (3)



## Commercial invoice



រូបសញ្ញាសហគ្រាស  
LOGO

**ឈ្មោះក្រុមហ៊ុនជាភាសាខ្មែរ**  
**COMPANY NAME**

លេខអត្តសញ្ញាណកម្ម អតប (VATTIN) -

អាសយដ្ឋាន៖ ផ្ទះលេខ  ផ្លូវ  ឃុំ/សង្កាត់   
Address N° Street Commune/Sangkat

ក្រុង/ស្រុក/ខណ្ឌ  ខេត្ត/រាជធានី  ទូរស័ព្ទលេខ   
Town/District/Khan Province/City Telephone N°

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**វិក្កយបត្រ**  
**INVOICE**

**អតិថិជន / Customer :**

ឈ្មោះក្រុមហ៊ុន ឬអតិថិជន  
Company name / Customer

ទូរស័ព្ទលេខ  
Telephone N°

លេខវិក្កយបត្រ  
Invoice N°

កាលបរិច្ឆេទ  
Date

ល.រ N°	បរិយាយមុខទំនិញ Description	បរិមាណ Quantity	តម្លៃឯកតា Unit Price	តម្លៃទំនិញ Amount
1				
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13				
14				
15				
<b>សរុប (រួមបញ្ចូលទាំងអាក)</b>				
<b>Total (VAT included)</b>				

ហត្ថលេខា និងឈ្មោះអ្នកទិញ  
Customer's Signature & Name

ហត្ថលេខា និងឈ្មោះអ្នកលក់  
Seller's Signature & Name

សម្គាល់៖ ច្បាប់ដើមសម្រាប់អ្នកទិញ ច្បាប់ចម្លងសម្រាប់អ្នកលក់  
Note: Original Invoice for customer, copied Invoice for seller

# Template (4)

## Commercial invoice



**លេខៈក្រុមហ៊ុនជាតិសាខាខ្មែរ**  
**COMPANY NAME**

លេខអត្តសញ្ញាណកម្ម អតប (VATTIN)  -

អាសយដ្ឋាន ផ្ទះលេខ ផ្លូវ ភូមិ/សង្កាត់ ក្រុង/ស្រុក/ខេត្ត ខេត្ត/រាជធានី ទូរស័ព្ទលេខ  
 Address No. Street Commune/Sangkat Town/District/Khan Province/City Telephone No.

**វិក្កយបត្រ**  
**INVOICE**

**អតិថិជន / Customer :**  
 ឈ្មោះក្រុមហ៊ុន ក្រុមតិចជន  
 Company name / Customer  
 ទូរស័ព្ទលេខ  
 Tel. No.

លេខវិក្កយបត្រ  
 Invoice No.  -

កាលបរិច្ឆេទ  
 Date  -

ល.រ N°	បរិយាយទំនិញ Description	បរិមាណ Quantity	តម្លៃឯកតា Unit Price	សរុបទំនិញ Amount

**សរុប (រួមបញ្ចូលទាំងអាករ)**  
**Total (VAT included)**

ហត្ថលេខា និងឈ្មោះអតិថិជន  
 Customer's Signature & Name

ហត្ថលេខា និងឈ្មោះអ្នកលក់  
 Seller's Signature & Name

ចម្លងដើមសម្រាប់អតិថិជន ចម្លងចម្លងសម្រាប់អ្នកលក់  
 Note: Original invoice for customer, copied invoice for seller



- 1) How to do, in case our customers couldn't issue proper invoice.
  
- 2) Name of product and customer must be in Khmer Language?
  
- 3) Many of expenses incurred during operations but do not have proper receipts can they be claimed as operation expenses under the law?



Many governments tax individuals and/or enterprises on income using different approach:

### > **Source Principle**

If a country considers certain income as taxable income when such income arises within its jurisdiction – such income is taxed regardless of the residence of the taxpayer.

I.E. Residents and non-residents are both taxed on income sourced from the country

### > **Residence Principle**

According to this principle residents of a country are subject to tax on their worldwide income and non-residents are only subject to tax on domestic sourced income.

I.E. Residents of the country are taxed on their worldwide (local and foreign) income.

Most common double taxation arises through the combined operation of residence and source principles.

*For example;*

A resident person of Country A with business activities in Country B will be liable to tax on the income arising from the activity in Country B under the source principle and will be liable to the same income in Country A under the residence principle.

A DTA:

- provides clarity as to how income derived in one state by a resident of the other state is taxed, and
- reduces the possibility that income could be subject to double taxation.

It also deals with eliminating/reducing tax evasion, and encouraging cross-border trade and investment.

	<b>Before</b>	<b>DTA</b>
Royalties	14%	10%
Dividends	14%	10%
Interest	14%	10%
Technical Fees	14%	10%

# DTA – Withholding Taxes



	Without Deduction of Service Fee	With Deduction of Service Fee	Effect of DTA
Profit before service deduction	100.00	100.00	100.00
Service fees	-	80.00	80.00
Taxable profit	100.00	20.00	20.00
Profit tax @ 20%	20.00	4.00	4.00
Profit after tax	80.00	16.00	16.00
Profit tax payable	20.00	4.00	4.00
WHT on dividend @14%	11.20	2.24	1.60
WHT on dividend @10%			
WHT on service fee @ 14%	-	11.20	8.00
WHT on service fee @10%			
<b>Total tax payable</b>	<b>31.20</b>	<b>17.44</b>	<b>13.60</b>
Tax saving	-	13.76	17.60*

1

Recent Development

2

Common Tax Issues

3

Q & A



1. Value Added Tax
2. Withholding Tax
3. Tax on Salary and Tax on Fringe benefit
4. Prepayment of Tax on Profit

## *Output – 10%*

- I. Sales of finished products
- II. Sales of by-products, scrapped materials
- III. Sales of fixed assets

## *Input – 10%*

- I. Import of goods
- II. Local purchase – fixed phone, professional services, purchase of fixed assets, etc

(1) VAT input have to claim within 1 or 3 months?

(2) Can the company recorded VAT input over months?

(3) Tax Invoice (ABB - Abbreviation) can be used for VAT input  
Claim or not?

### *Payment to residents:*

- Rental/Operating leases – 10%
- Interest expenses – 15% (except to local banks)
- Royalties – 15%
- Services – 15%

(1) Which payments to non-resident Taxpayer are subjected to WHT?

*Payments to non resident are:*

- Interest
- Royalties
- Management or technical service (not defined)
- Dividend



14%

### (2) How to classify Resident and Non-Resident for WHT calculation?

Residency >

Company – its entity registered in Cambodia

Individual – Cambodian resident includes person who:

I. Domicile in Cambodia

Example: rent or lease a house or apartment or dormitory in Cambodia.

II. Place of abode in Cambodia

Example: economic center of individual, bank accounts, and the place where the employee's family stays in Cambodia.

III. Present in Cambodia > 182 days in any 12 months period

(3) Which proportion between international and local shareholder for Register Company will be the most effective model for Tax Management?

Commercial considerations normally take priority!

Tax implications:

- Cambodia Shareholders > 0% on WHT
- Foreign Shareholders > 14% on WHT
- Capital gains on exit

- Resident – worldwide employment income (0% to 20%)
- Non-resident – Cambodian employment income. (20% flat)
- Residency – Cambodian resident includes person who:
  - I. Domicile in Cambodia  
Example: rent or lease a house or apartment or dormitory in Cambodia.
  - II. Place of abode in Cambodia  
Example: economic center of individual, bank accounts, and the place where the employee's family stays in Cambodia.
  - III. Present in Cambodia > 182 days in any 12 months period



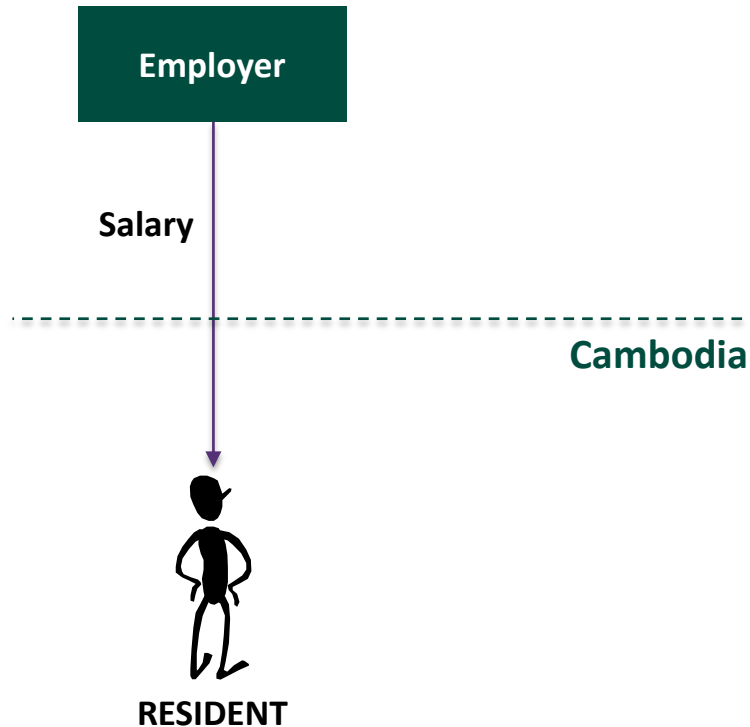
## 3.1 Tax on Salary | General Principles



**Residents are taxed on an incremental scale:**

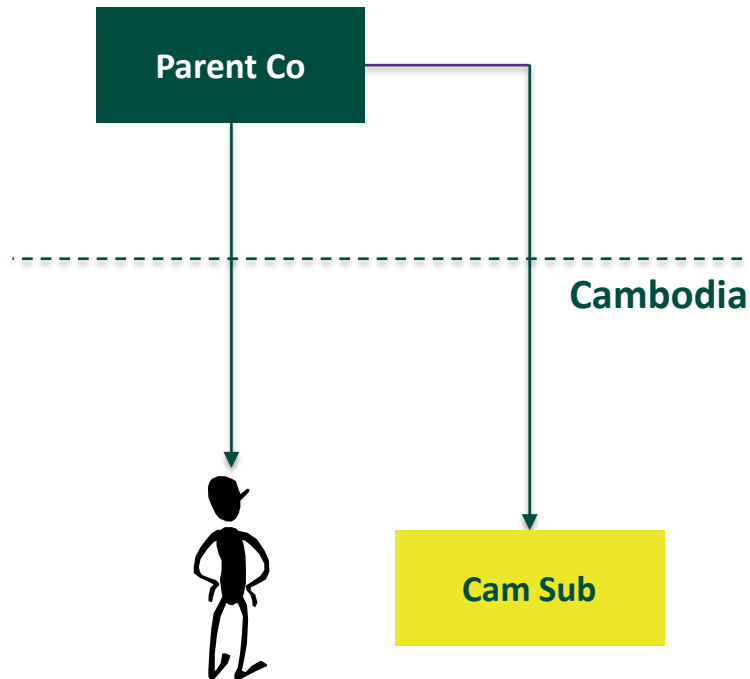
Taxable monthly salary				Incremental tax rate
Khmer Riel		Approx. USD equivalent		
From 0	To 800,000	0	200	0%
From 800,001	To 1,250,000	201	313	5%
From 1,250,001	To 8,500,000	313	2,125	10%
From 8,500,001	To 12,500,000	2,125	3,125	15%
Over 12,500,001		3,125		20%

*Note: Non-residents are taxed at a flat rate of 20%.*



### (1) Income Paid Abroad

- Salary paid abroad for work performed in Cambodia
  - Taxable under TOS
  - **How can the tax be declared if the employer is a non-resident?**



### (2) Short-term Assignments

- Assigning staff to a Cambodian subsidiary
- Reimbursement of salary or not?
- TOS liability?
- 182 days?
- Residence?

## 3.2 Tax on Fringe Benefit | General Principle



### (1) Which kinds of benefits are considered as Fringe Benefit?

- Fringe benefits are benefits in cash or kind provided to staff (local/expatriate)
- Fringe benefits include:
  - Private use of motor vehicle;
  - Meals and accommodation;
  - Payment of rent or the provision of rent-free housing;
  - Electricity, water, telephone;
  - Domestic servants;
  - Loans with concessional interest rates;
  - Non-employment-related educational expenses, including children's education;
  - Life or health insurance, where the same insurance is not available to each employee, irrespective of position;
  - Payment for expenses for entertainment and leisure that are not directly related to employment.
- Taxed at 20% on **taxable value**

(2) Which fringe benefits that business usually considered as company's expense?

**A number of benefits that may be subject to the FBT may be overlooked by the taxpayer**

- The use of motor vehicles
- The provision of meals and accommodation support (including utilities and domestic helpers)
- Low interest loans and discounted sales
- Educational assistance (unless employment related, for example for training)
- Educational assistance for the employee's children
- Certain insurance support where the same insurances are not available to each employee, irrespective of position
- Excessive unnecessary cash allowances and social welfare in excess of the level provided in the law
- Pension contributions in excess of 10% of the employee's monthly salary exclusive of fringe benefits
- Payment for expenses for entertainment and leisure that are not directly related to employment

### **Other issues:**

- 3) Which accommodations provided to staffs are considered as Fringe Benefit?
  
  
  
  
  
  
  
  
  
  
- 3) If company provide their accommodation for non-staff/outsource-staff with no charge, which tax that company are subjected to pay.

## 4. Prepayment of Tax on Profit



- Turnover – is not defined
- Rate – 1% of monthly turnover exclusive of VAT

Practical issue:

How to deal with 1% Pre-profit Tax for Service business which may get profit less than 1% of their revenue.

Thank you



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