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 1 January 2012.

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.
# Table of contents

## TAXATION
- General overview

## TAX ON PROFIT
- Scope of taxation
- Residency and source
- Rates of tax
- Prepayments
- Tax holidays
- Calculation of taxable profits
- Allowable and non-allowable deductions
- Special depreciation
- Losses
- Transfer pricing
- Administration

## MINIMUM TAX
- General overview
- Administration

## WITHHOLDING TAXES
- Dividend distribution
- Other payments
- Deductibility of withholding taxes

## VALUE ADDED TAX (VAT)
- General overview
- Scope of application
- Exempt goods and services
- Rates of tax
- Basis of taxation
- Registration
- Administration

## SPECIFIC TAX ON CERTAIN MERCHANDISE AND SERVICES
- General overview
- Rates of tax
- Basis of taxation
- Administration

## IMPORT AND EXPORT DUTIES
- Import Duties
- Investment incentives
- Export Duties

## TAX ON SALARY
- General overview
- Residency
- Taxable salary
- Deductions
- Rates of tax
- Administration
Table of contents

OTHER TAXES
- Tax for Public Lighting
- Accommodation Tax
- Tax on House and Land Rent
- Patent Tax
- Fiscal Stamp Tax
- Tax on Immovable Property
- Tax on Unused Land
- Registration Tax (Property Transfer Tax)
- Tax on Means of Transportation
- Tax Stamps

DOUBLE TAXATION AGREEMENTS

INTERNATIONAL AGREEMENTS

CDC & INVESTMENT ISSUES

STATUTORY AUDIT REQUIREMENT

CAMBODIAN STOCK EXCHANGE

CAMBODIA INTERNATIONAL FINANCIAL REPORTING STANDARDS

SERVICES IN CAMBODIA
**General overview**

Most foreign investments and foreign investors will be affected by the following taxes:

- Tax on Profit
- Minimum Tax
- Withholding Tax
- Value Added Tax
- Import Duties
- Tax on Salary

There are various other taxes that affect certain investors, including:

- Accommodation Tax
- Specific Tax on Certain Merchandise and Services
- Tax for Public Lighting
- Other taxes
TAX ON PROFIT

Scope of taxation

Cambodia’s taxation rules vary according to the taxpayer’s regime. Real regime taxpayers include most large or incorporated taxpayers. The majority of foreign investors will fall into the real regime. Unless otherwise noted, our comments are therefore restricted to real regime taxpayers.

Residency and source

Resident taxpayers are subject to tax on worldwide income/profits while non-residents are taxed on Cambodian sourced income/profits only. Residents earning foreign sourced profits and income can receive credits for foreign taxes paid.

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

A permanent establishment (PE) is taxable on its Cambodian source income only.

Rates of tax

<table>
<thead>
<tr>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard rate</td>
</tr>
<tr>
<td>Oil and gas, and certain mineral exploitation activities</td>
</tr>
<tr>
<td>Insurance activities</td>
</tr>
<tr>
<td>Resident individuals</td>
</tr>
</tbody>
</table>

20%
30%
5% (on gross premium income)*
0% to 20%

* For insurance and reinsurance companies, income derived from other business activities is subject to the Tax on Profit rate of 20%.

Prepayments

A Prepayment of Tax on Profit equal to 1% of monthly turnover inclusive of all taxes except VAT, is required to be paid on a monthly basis by the 15th day of the succeeding month. The Prepayment can be offset against the annual Tax on Profit liability and the Minimum Tax (see below).

Where a taxpayer is in the period of Tax on Profit holiday, the taxpayer is also exempted from the Prepayment obligations. However, a nil monthly return will need to be lodged.

Where a taxpayer is not subject to Minimum Tax (see below), a monthly Prepayment of Tax on Profit must still be made. However, unutilised Prepayments from a prior year can be used to offset the current amount due and no physical payment may be required.

Tax holidays

A Qualified Investment Project (QIP), being a project recognised and registered with the Council for the Development of Cambodia (CDC) will be entitled to a tax holiday. The holidays take the form of a complete exemption from Tax on Profit. The Tax on Profit exemption period begins from the earlier of the year the QIP becomes profitable or 3 years from deriving revenue. The duration of these holiday periods is from 3 to 6 years.
Calculate taxable profits

For Cambodian resident taxpayers, taxable profit is essentially the difference between total revenue, whether domestic or foreign sourced, and allowable expenses paid or incurred to carry on the business, plus designated passive income such as interest, royalties and rent.

Allowable and non-allowable deductions

Cambodia’s tax rules contain a general deductibility provision under which all expenditure first falls for consideration as a deduction. Any expenditure satisfying the general criteria will be deductible unless specific provisions apply, such as the item falling into the list of non-deductible expenditure.

Specific deductibility provisions apply to the following expenditure:

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 – to the extent incurred during the construction/acquisition phase, the expenditure must be capitalised and depreciated with the relevant property.

c. Interest not falling into (b) – deductible to the extent of interest income and 50% of residual income. The non-deductible portion may be carried forward to the succeeding year’s calculation.

d. Expenditure on tangible property – depreciable according to designated rates and methods of depreciation.

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

e. Expenditure on intangible property – depreciable over the life of the property (or at 10% of the value).

f. Expenditure constituting exploration and development costs – amortizable with reference to the exploitation of the relevant natural resource.

g. Charitable contributions – deductible to the extent the amount does not exceed 5% of taxable profit. Donations made during the financial year 2010 and 2011 to support victims in the border dispute or the Koh Pich incident through CTN and Bayon Foundations are fully deductible on the 2010 and 2011 Tax on Profit returns. The taxpayer must have proper evidence supporting the payments.

h. Amusement, recreation or entertainment – non-deductible.

i. Personal expenditure not subject to Tax on Salary – non-deductible.

j. Tax on Profit itself, including where paid on another’s behalf – non-deductible.

k. Withholding Tax, Tax on Salary and Tax on Fringe Benefit borne by a payor/employer on behalf of suppliers/employees – non-deductible.

l. Various accrued expenses depending on stipulated conditions.
Special Depreciation

A QIP will be entitled to a 40% special depreciation in the first year of purchase or if later the first year the assets are used. However, the special depreciation will only apply to assets used in “manufacturing and processing” (still to be defined) and only if the taxpayer has elected not to use a tax holiday. A clawback provision exists for assets held for less than 4 years.

Losses

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

To be eligible to carry forward tax losses, a taxpayer must not change its activities or ownership.

If a taxpayer received a unilateral tax reassessment from the General Department of Taxation (‘GDT’), a taxpayer will not be able to utilise the tax losses brought forward in the year of reassessment.

Transfer Pricing

The GDT has wide powers to redistribute income and deductions between parties under common ownership in order to prevent the avoidance or evasion of taxes. Common ownership exists at a relatively low level of 20%.

No deduction is available for certain losses incurred on dealings between 51% commonly owned parties.

Administration

Tax on Profit returns are to be filed annually within 3 months of the tax year end. The standard tax year is the calendar year although different tax year-ends can be granted upon application.
MINIMUM TAX

**General overview**

Real regime taxpayers are subject to a separate Minimum Tax. The Minimum Tax is an annual tax with a liability equal to 1% of annual turnover inclusive of all taxes except VAT. However, an exemption has been provided for QIPs.

As a separate tax to the Tax on Profit, Minimum Tax is due irrespective of the taxpayer’s profit or loss position.

**Administration**

Minimum Tax is due 3 months after the tax year end; the same time as the annual Tax on Profit. A Minimum Tax liability can be reduced by Prepayment of Tax on Profit payments.
**WITHHOLDING TAXES**

*Dividend distribution*

Distributions of dividends are subject to Additional Tax on Profit on Dividend Distribution (Additional ToP) as follows:

<table>
<thead>
<tr>
<th>Distribution of profits that were subject to a Tax on Profit rate of:</th>
<th>Additional ToP calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>Distribution x 20/100</td>
</tr>
<tr>
<td>9%</td>
<td>Distribution x 11/91</td>
</tr>
<tr>
<td>20%</td>
<td>Nil</td>
</tr>
<tr>
<td>30%</td>
<td>Nil</td>
</tr>
</tbody>
</table>

A shareholder is entitled to establish a special dividend account from which the relevant dividend may be on-paid without further Additional ToP obligations.

A dividend will be exempt from tax in the hands of the shareholder if Additional ToP and Withholding Tax (for non-resident shareholders) have been paid.

*Other payments*

Withholding Tax needs to be withheld on payments made by residents (and it seems only those who are real regime). The withheld tax constitutes a final tax when withheld in respect of resident and non-residents.

The types of payments are as follows:

*Payment to residents*  
- Rental – 10%  
- Interest – 15% (except payment to a Cambodian bank)  
- Services – 15% (except payment to a registered taxpayer and supported by a valid VAT invoice)  
- Royalties – 15%

*Payment to non-residents*  
- Interest – 14%  
- Rent or right for use of property – 14%  
- Management or technical fees (not defined) – 14%  
- Dividends – 14%

Public investors invested on Cambodia Stock Exchange are entitled to a 50% reduction on the Withholding Tax payable on interest and/or dividends received from the government, equity and debt securities for 3 years, starting from the launch of the securities market.

Withholding Tax is due when the amount is paid. An expense is considered “paid” when it is recorded in the accounting records.

Withholding Tax is required to be remitted by the payer on a monthly basis, by the 15th day of the succeeding month.
Deductibility of withholding taxes

In the event that a taxpayer fails to withhold taxes (i.e. Withholding Tax, Tax on Salary and Tax on Fringe Benefits) from suppliers or employees, the taxpayer is not allowed to gross up the bases to calculate those taxes. Any withholding taxes borne by the taxpayer as a result of the above failure are not deductible for Tax on Profit purposes.
VALUE ADDED TAX (VAT)

General overview

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

Scope of application

Cambodia’s VAT applies to the business activities of real regime taxpayers making taxable supplies. The business must charge VAT on the value of goods or services supplied.

VAT also applies on the duty paid value of imported goods (but it appears to not include services). However, there are concessions for exporters and certain tax-exempt bodies. These are in addition to cigarettes, alcohol and motor vehicle products imported for the purpose of re-export. 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 same time they pay Import Duties.

VAT may be payable on the appropriation of goods for personal use, or as a result of the gifting of goods or services.

Exempt goods and services

VAT will not be payable in respect of a number of activities, including the supply of:

- Public postal services.
- Hospital and medical services, and the provision of goods incidental thereto.
- Public transportation activities operated by state owned providers.
- Insurance activities.
- Primary financial services.
- The import of certain personal effects.
- Non-profit activities in the public interest (as approved).
- Electricity.

If a business sells exempt goods or services, it will be unable to recover any input tax paid on its purchases. This contrasts with zero rating, where the sales are within the VAT system (albeit at a VAT rate of zero), and hence input tax can be recovered. Where a business generates both taxable and exempt sales, it will only be able to claim a deduction of input tax for the portion of inputs used in the taxable activity.
**VALUE ADDED TAX (VAT)**

*Rates of tax*

There are two rates as follows:

0% - This rate applies only to goods exported from Cambodia and services consumed outside Cambodia. Exports are defined to include the international transportation of passengers or goods, or services in connection thereto. In addition, this 0% rate applies to supporting industries or subcontractors who supply certain goods and services to exporters (i.e. garment manufacturers, textile, and footwear industries) subject to certain criteria. 0% rate also applies to domestic supplies of paddy rice and export of milled rice.

10% - This standard rate applies to all other non-exempt supplies.

*Basis of taxation*

The output tax to be charged is calculated by multiplying the taxable value (net of VAT) by the applicable VAT rate. With respect to imported goods, VAT will be calculated on the CIF import price plus Import Duty plus any Specific Tax on Certain Merchandise and Services.

For goods sold on a hire purchase or financial lease basis, it appears VAT will be calculated on the total price and at the time of supply, rather than the installments actually received.

For goods made available under rental or periodic payment arrangements, the goods will be treated as being successively supplied.

Input VAT related to rice farming, paddy rice purchase, and export of milled rice is creditable or refundable.

Input credits will not be available for VAT charged on entertainment, petroleum products, mobile telephone calls or the purchase of passenger motor vehicles.

*Registration*

All real regime taxpayers making supplies of taxable goods and services in Cambodia must register for VAT.

QIP 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*

For domestic supplies, taxpayers will be required to file VAT returns and make VAT declarations and payments on a monthly basis, by the 20th day of the succeeding month. For imports, VAT will be payable to customs at the time of import.

Where the taxpayer’s input VAT for the month exceeds its output VAT, the business will have to carry the excess forward for three months. The business can then apply for a refund from the Tax Department.

Detailed rules exist in regard to specific invoicing and record keeping obligations. Invoices vary according to whether a VAT registered or non-registered person is being invoiced.
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.

Rates of tax

The rates of tax for certain goods/services are as follows:

<table>
<thead>
<tr>
<th>Good/Service</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diesel fuel</td>
<td>4.35%</td>
</tr>
<tr>
<td>Lubricant, brake oil, raw material for producing engine oil</td>
<td>10%</td>
</tr>
<tr>
<td>Motorcycles (including motor-tricycles) with capacity of more than 125cc and its spare parts</td>
<td>10%</td>
</tr>
<tr>
<td>Local and international air tickets sold in Cambodia</td>
<td>10%</td>
</tr>
<tr>
<td>Certain carbonated and similar non-alcoholic drinks</td>
<td>10%</td>
</tr>
<tr>
<td>Cigarettes</td>
<td>10%</td>
</tr>
<tr>
<td>Entertainment including Spa</td>
<td>10%</td>
</tr>
<tr>
<td>Local and international telecommunication services</td>
<td>3%</td>
</tr>
<tr>
<td>Tires, inner-tubes and inner-tubes covers, etc.</td>
<td>15%</td>
</tr>
<tr>
<td>Cigars</td>
<td>25%</td>
</tr>
<tr>
<td>Beer (locally produced)</td>
<td>25%</td>
</tr>
<tr>
<td>Beer (imported)</td>
<td>25%</td>
</tr>
<tr>
<td>Wine</td>
<td>10%</td>
</tr>
</tbody>
</table>

Basis of taxation

For domestically produced goods, Specific Tax is calculated on the “ex-factory selling price”. The “ex-factory selling price” is defined as 65% of the selling price before VAT and any discount. For imported goods, the tax is calculated inclusive of customs duty and CIF value. For hotel and telecommunication services, the tax is payable on the invoice value. For air tickets, the tax is calculated based on the value of air tickets issued in Cambodia and will include travel within and outside of Cambodia.

Administration

For domestic sales, taxpayers must make Specific Tax declarations and payments on a monthly basis, no later than the 15th day of the succeeding month. For imports, Specific Tax is payable to Customs at the time of import. Detailed rules exist in regard to invoicing and record keeping obligations.
import and export duties

import duties

Import Duties are levied on a wide range of products. Rates vary from 0% to 35%.

Following Cambodia’s entry into ASEAN (during 1999), the government is required to reduce Import Duties in accordance with the Common Effective Preferential Tariffs program.

investment incentives

Import Duty exemptions can be granted by the CDC to QIPs and specific industries (i.e. telecommunication services, exploration of oil and gas and mining activities).

export duties

Export Duties are levied on a limited number of items such as the export of timber and certain animal products (including most seafood).
TAX ON SALARY

General overview

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

Tax on Salary extends to employment related remuneration only, as opposed to general personal income per se. Genuine consulting income is also excluded (although such income will be subject to Tax on Profit). 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 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 cash and fringe benefit salary components. Different tax scales also apply.

Cash salary

Cash salary includes remuneration, wages, bonuses, overtime, compensations and employer provided loans and advances.

Fringe Benefits

Fringe benefits include:

• The (presumably private) use of motor vehicles.
• The provision of accommodation support (including utilities and domestic helpers).
• Low interest loans and discounted sales.
• Educational assistance (unless employment related, i.e., for training).
• Certain insurance support.
• Excessive or unnecessary cash allowances, and social welfare and pension contributions.
• Entertainment or recreational expenditure (which may additionally be non-deductible to the provider for Tax on Profit purposes).
TAX ON SALARY

Exempt Salary

Exempt salary includes:

• Certain redundancy payments.
• Reimbursement of employment related expenses.
• Certain uniform entitlements.
• Certain traveling allowances.
• The salaries of certain employees of approved diplomatic, international and aid organizations.
• The salaries of non-residents where the salary cost is not deducted in Cambodia.
• The salaries of members of the National Assembly and Senate.

Deductions

There are small rebates for employee dependents and deduction for the repayment of employer loans or advances.

Rates of tax

Cash Salary – Residents

<table>
<thead>
<tr>
<th>Monthly Salary (Riel)</th>
<th>Cumulative tax at top of band</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>500,000</td>
<td>0%</td>
</tr>
<tr>
<td>500,001</td>
<td>1,250,000</td>
<td>37,500</td>
</tr>
<tr>
<td>1,250,001</td>
<td>8,500,000</td>
<td>762,500</td>
</tr>
<tr>
<td>8,500,001</td>
<td>12,500,000</td>
<td>1,362,500</td>
</tr>
<tr>
<td>12,500,001</td>
<td>upwards</td>
<td></td>
</tr>
</tbody>
</table>

Cash Salary – non-residents

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

Fringe Benefits

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

Administration

As the Tax on Salary rate scales are stated in Cambodia Riels, earnings in foreign currency have to be translated into Riels. Official exchange rates are provided monthly.

Employers must make monthly Tax on Salary declarations and payments no later than the 15th day of the succeeding month. There is no annual return.
OTHER TAXES

**Tax for Public Lighting (TPL)**

TPL is imposed on the distribution in Cambodia of foreign made and locally produced alcoholic and tobacco products.

TPL is levied at 3% of the value of such products at the time of each in-country sale. Value for these purposes includes all taxes other than TPL and VAT.

TPL is a monthly tax and is due for payment no later than the 15th day of the succeeding month.

**Accommodation Tax**

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

Accommodation Tax is a monthly tax and is due for payment no later than the 15th day of the succeeding month for real regime taxpayers and by the 10th day of the succeeding month for estimated regime taxpayers.

**Tax on Immovable Property**

Land, houses, buildings and other constructions built on land are immovable property. The Tax on Immovable Property is levied at 0.1% per annum on immovable property with a value of more than the threshold of Riel 100,000,000 (approximately US$25,000). The tax base is the market value as determined by the Immovable Property Valuation Committee less the threshold. The owner of the immovable property is required to pay the tax by 30 September each year.

**Patent Tax**

Registered businesses must pay a (relatively nominal) Patent Tax on initial business registration and annually thereafter. Patent Tax is levied with reference to prior year turnover or estimated turnover.

In practice, the General Department of Taxation imposes Patent Tax at the top band regardless of the level of turnover.

Patent Tax is an annual tax and is due for payment no later than 31 March of each year.

**Fiscal Stamp Tax**

Fiscal Stamp Tax is to be paid on certain official documents and, perhaps more importantly for foreign investors, certain advertising postings and signages. Amounts vary according to such factors as the location of the signage, illumination and nationality of any scripted words.
OTHER TAXES

**Tax on House and Land Rent**

Businesses (other than those in the real regime) renting out land, buildings, certain equipment, storage facilities, etc. are liable for Tax on House and Land Rent. The tax is levied at 10% of the relevant rental fee.

**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 built-upon land, is subject to Tax on Unused Land. The tax is calculated at 2% of the market value of the land per sq.m as determined by the Commission for Evaluation of Unused Land at 30 June each year. The owner of the land is required to pay the tax by 30 September each year.

**Registration Tax (or Property Transfer Tax)**

Certain documents relating the transfer of title in certain assets (such as land and vehicles) are subject to Registration Tax. The tax is imposed at the rate of 4% and is generally levied on the transfer value.

**Tax on Means of Transportation**

This tax imposes a number of statutory fees on the registration of certain transportation vehicles including trucks, buses, motor vehicles, and ships. Real regime taxpayer is required to remit the tax by no later than the 15th of the following month.

**Tax Stamps**

Domestic producers or importers of cigarettes have the obligation to buy and affix Tax Stamps on packets of cigarettes. No person is allowed to sell or display packaged cigarettes for sale without a Tax Stamp.
At the time of writing, Cambodia had not signed any double taxation agreements.
Cambodia has entered into various Investment Promotion and Trade Agreements with countries including:

- Peoples’ Republic of China
- Republic of Korea
- Malaysia
- Republic of Singapore
- Switzerland
- Thailand
- Laos People’s Democratic Republic
- Republic of Indonesia
- Socialist Republic of Vietnam
- Federal Republic of Germany
- France
- Philippines
- Republic of Cuba
- Republic of Croatia
- Kingdom of the Netherlands
- OPEC and Fund International Development
- Republic of Singapore
CDC AND INVESTMENT ISSUES

Most investments will require registration with the Ministry of Commerce (MoC) and other relevant ministries. The CDC may also be approached for the purposes of seeking investment incentives, as outlined under the Amended Law on Investment and Sub-Decree on the Implementation of the Amended Law on Investment.

Negative List

CDC licensing is however, not mandatory (except for certain large, politically sensitive projects, etc.) and are applicable to those projects that do not fall within the Negative List. We list some of the projects in the Negative List below:

• All kinds of commercial activities, import and export, any transportation services (except the railway sector).
• Currency and financial services.
• Activities that relate to newspapers and media.
• Production of tobacco products.
• Provision of value added services of all kinds of telecommunication services.
• Real estate development.

Investment incentives

The investment incentives primarily consist of:

• An exemption from Minimum Tax.
• A Tax on Profit holiday of up to 6 years.
• Import duty exemptions.

Annually, a QIP is required to obtain a Certificate of Compliance (CoC) from the CDC to guarantee its investment incentives. The CoC is intended to provide confirmation that the QIP has acted in compliance with the relevant tax regulations.
All enterprises (physical or legal persons) that meet 2 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 above 3,000,000,000 Riels (Approx. US$750,000).
- Total assets above 2,000,000,000 Riels (Approx. US$500,000).
- More than 100 employees.

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

The law does not state the deadline for the enterprises to submit their audited financial statements. However, the deadline for audited financial statements to be completed is 6 months after accounting year-end i.e. for the financial year ended 31 December 2011; the deadline is 30 June 2012.
Cambodian Stock Exchange (CSX) has officially launched on 11 July 2011. The listed companies are entitled to a 10% reduction on the annual Tax on Profit payable for three years. Public investors are entitled to a 50% reduction on the Withholding Tax payable on interest and/or dividends received from the above securities for three years, starting from the launch of the securities market.
CAMBODIA INTERNATIONAL FINANCIAL REPORTING STANDARDS

The National Accounting Council of the Ministry of Economy and Finance has issued the regulations for the implementation of the accounting standards. Entities which have public accountability (financial institutions, insurance, publicly traded entities, etc.) are required to use full Cambodian International Financial Reporting Standards (CIFRS) effective from 1 January 2012. Entities subject to audit which do not have public accountability are required to use CIFRS for Small and Medium-sized Entities which was effective since 1 January 2010. However, they have an option to use full CIFRS.
In addition to taxation services, PwC Cambodia has extensive experience in providing advice on the following matters:

- The most appropriate form of doing business in Cambodia
- Setting up a business including joint ventures and wholly foreign owned companies, business cooperation contracts, build-operate-transfer projects, representative offices and branches
- Advisory services
- Statutory audit
- Payroll and Accounting services
- Training of personnel
PwC Cambodia has extensive practical experience advising on Cambodian tax issues as well as on international tax matters.

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

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

**Phnom Penh**
35 Sihanouk Boulevard
PO Box 1147
Phnom Penh, Cambodia
Tel: +855 (0) 23 218 086
Fax: +855 (0) 23 211 594
Web site: www.pwc.com/kh

- **Tax and Consulting**
  Sira Intarakumthornchai
  Email: sira.intarakumthornchai@th.pwc.com
  Heng Thy
  Email: heng.thy@kh.pwc.com

- **Audit**
  Kuy Lim
  Email: kuy.lim@kh.pwc.com

- **Advisory**
  Michael Haddon
  Email: michael.haddon@th.pwc.com
  Khoy Kimleng
  Email: khoy.kimleng@kh.pwc.com

**Bangkok**
15th Floor, Bangkok City Tower
179/74-80 South Sathorn Road
Bangkok 10120, Thailand
Tel: +66 (0) 2 286 9999
+66 (0) 2 344 1000
Fax: +66 (0) 2 286 2666
Web site: www.pwc.com/th

**Ho Chi Minh City**
4th Floor, Saigon Tower
29 Le Duan Street
District 1, Ho Chi Minh City, Vietnam
Tel: +84 (8) 3823 0796
Fax: +84 (8) 3825 1947

**Hanoi**
#701, 7th Floor, Pacific Place
83B Ly Thuong Kiet Street
Hoan Kiem District, Hanoi, Vietnam
Tel: +84 (4) 3946 2246
Fax: +84 (4) 3946 0705
Web site: www.pwc.com/vn

**Vientiane**
Unit 1-3, 4th Floor
Vientiane Commercial Building
33 Lane Xang Avenue
Ban Hatsady, Chanthaboury
Vientiane, Laos
Tel: +856 (21) 222 718
Fax: +856 (21) 222 723

---

© Copyright 2012 PricewaterhouseCoopers (Cambodia) Ltd. All rights are reserved under all applicable existing and future law, statutes, treaties and conventions for the protection of proprietary materials and information. No part of this publication may be reproduced or transmitted by any means, whether electronic, mechanical or otherwise, including any form of storage or retrieval system, without the prior written permission of the copyright owner.

Consideration will be given to requests to reproduce material contained herein on the basis that due acknowledgement is given to PwC as the source of such material.