



Tax Newsletter

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Penalty exemption on voluntarily amended tax returns

(Notification No. 1219 GDT on penalty exemption on voluntarily amended tax returns dated 19 January 2017)

To enhance revenue collection, the General Department of Taxation (“**GDT**”) encourages taxpayers who have not maintained proper accounting records to make the necessary adjustments and file amended tax returns for at least three years or more.

Voluntarily amended tax returns which are filed prior to 1 April 2017 will be exempt from penalties including additional tax and interest. Taxpayers should note, however, that the amnesty does not apply to taxpayers under audit or reassessment by the GDT.

Implementation of new tax on salary rates

(Instruction No. 017 MEF.GDT on the implementation of new tax on salary rates dated 27 December 2016)

Effective January 2017 Monthly Tax Returns (“**MTRs**”), all taxpayers are required to adopt the following progressive TOS rates when preparing their MTRs and the rates apply to resident employees:

Monthly Salary (Riel)	Rate
0 - 1,000,000	0%
1,000,001 - 1,500,000	5%
1,500,001 - 8,500,000	10%
8,500,001 - 12,500,000	15%
12,500,001 - upwards	20%

In addition to the new TOS rates, the government has increased the rebates available to minor dependent children and spouses occupied as housewife/househusband from 75,000 Riel to 150,000 Riel per person. The rebate may be used as a deduction in calculating employee’s salary base for TOS purposes.

Amendment of the submission deadline for monthly tax returns

(Prakas No. 1539 MEF.GDT on amendment of the submission deadline for monthly tax returns dated 23 December 2016 and Notification No. 931 GDT dated 16 January 2017)

Under the Prakas issued by the Ministry of Economy and Finance (“**MEF**”), the submission deadline for MTRs including the prepayment of tax on profit, tax on salary, withholding tax, value added tax, specific tax on certain merchandises and services, tax on accommodation and tax on public lighting has been extended from the 15th to the 20th of the following month.

The GDT also clarified that the new deadline also applies to payment of the respective taxes.

The new deadline applies to the December 2016 MTRs onwards.

Failure to lodge and make tax payments by the 20th of the following month will be considered as obstructing the implementation of the tax provisions and penalties will apply in accordance with Article 128, 133 and 136 of the Law on Taxation.

Implementation of provision for doubtful debts for domestic banks

(Prakas No.1535 MEF.PK on implementation of provision for doubtful debts for domestic banks dated 23 December 2016)

Effective 23 December 2016, the MEF classifies loans for banks and financial institutions and Micro-Finance Institutions (“MFI”) for Tax On Profit (“TOP”) deductibility purposes as follows:

Loan Classifications	Allowable Provision under Tax Regulations	
	Banks and Financial Institutions	MFIs
Standard loan	Not allowed	Not allowed
Special mention loan	Not allowed	Not allowed
Sub-standard loan	20% of the gross value of the loan	Not allowed
Doubtful loan	50% of the gross value of loan	30% of the gross value of loan
Loss loan	100% of the gross value of the loan	100% of the gross value of loan

Any loan provision including its associated interest and other costs which are allowed as tax deductible expenses recovered by the bank or MFI should be added back in the TOP calculation as taxable income during the year in which the loan and/or interest was recovered.

Banks or MFIs, which are willing to make amendments to their provisions for previous years, and before the date this Prakas is ratified, will be exempted from additional tax and interest on such amendments.

On the other hand banks or MFIs, that do not adhere to the regulations in the Prakas or relevant banking and financial sector regulations, will not be allowed to book the provisions in the fiscal year in which it does not comply.

Classification of taxpayers' compliance status

(Prakas No. 1536 MEF.PK on classification of taxpayers' compliance status dated 23 December 2016)

To enhance tax compliance obligations in Cambodia, the MEF has introduced the following criteria and scoring methods designed to enable taxpayers to self-assess on their tax compliance status.

Furthermore, the Prakas provides 12 criteria with a maximum score of 20, and a score of one or two is awarded to each criteria. The following table provides a summary of the various compliance classifications:

Taxpayers' Classification	Scores	Tax Compliance Certificate ("TCC")*
Gold	16 – 20	TCC will be automatically issued to taxpayers.
Silver	11 – 15	TCC will be issued upon request from taxpayers.
Bronze	1 – 10	TCC will be issued upon request from taxpayers.

* TCC is only valid for two years and subject to assessment from the GDT.

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