



Cambodia  
Tax Newsletter

November 2017



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## Instruction on reduced Withholding Tax (“WHT”) rates on interest payments from Microfinance Institutions (“MFI’s”) to non-resident lenders

*(Prakas No. 1129MEF.PK - released on 27 October 2017)*

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Effective 27 October 2017, The Ministry of Economy and Finance (“MEF”) has reduced the WHT rate on interest payments by MFI’s on their offshore loan funding. The Prakas is applicable to MFI’s operating under Cambodia’s banking and financial law.

The Prakas states that MFI’s are only required to withhold 10% tax on interest payments to their non-resident lenders while the remaining 4% WHT will be treated as the state’s burden.

This change is designed to support the microfinance sector. For MFI’s to be entitled to the reduced WHT rate, MFI’s must comply with the following requirements:

1. The loan agreement must be certified by both the lender and MFI’s lawyers
2. All other documents relating to the loan funding and transfer of the funds should be kept on file by the MFI and made available to the tax authority on request and
3. The loan transaction must be properly accounted for in the MFI’s accounts

This incentive applies from the effective date of this Prakas (27 October 2017) until the end of 2018.

## Suspension of Prepayment of Tax on Income (“PTOI”) for the textile and garment industries

*(Prakas No. 1130 MEF.PK - released on 27 October 2017)*

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Prakas 1130 exempts textile and garment companies that produce clothing, footwear, bags and hats for export from the monthly PTOI obligation until the end of 2022.

This incentive only applies to garment and textile companies that were previously Qualified Investment Projects (“QIP’s”) and where the tax exemption period has ended.

1. To be eligible for the above incentive, the following requirements must be met: The company must maintain proper accounting records in accordance with the provisions of the law on taxation and accounting
2. The company must declare and pay the applicable tax on time and
3. The company must submit an annual financial audit report to the tax administration

In the event that the company does not comply with the above requirements, the tax authority may withdraw the incentive and impose penalties in accordance with existing law.

## Registration of unregistered workers with the National Social Security Fund (“NSSF”)

*(Notification No. 307 MLVT.NT.NSSF - released on 19 October 2017)*

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This Prakas requires all employers to register their employees with the NSSF from 24 October 2017 onwards. The NSSF is managed by the Ministry of Labor and Vocational Training and the Prakas confirms that taxpayers with less than eight employees need to register their employees with the NSSF. Taxpayers that do not register their employees will be responsible for the loss of their employee’s benefits.

## Determination of the rates, rules and procedures for making NSSF contributions for occupational risk and health care for those covered by the labour law

*(Prakas No. 449 MLVT.PK.NSSF - released on 10 November 2017)*

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The Prakas confirms that all enterprises regulated by the Law on Social Security Schemes have an obligation to pay the occupational risk contribution (“ORC”) and health care contribution (“HCC”) starting from 1 January 2018.

The ORC and HCC rates apply as follows:

- ORC = 0.8% of the employee’s average wage which is subject to the contribution
- HCC = 2.6% of the employee’s average wage which is subject to the contribution

The average wage, which is subject to the contribution, is set based on appendix 1 of the Prakas, where the minimum average, monthly, wage is KHR200,000 (US\$50) and the maximum is KHR1,200,000 (US\$300).

Taxpayers are required to pay the ORC and HCC within 15 days of the following month. In the event taxpayers fail to pay the above obligations by the deadline, penalties will apply in accordance with article 36 of the law on social security and interest of 1.5% per month will also apply to the un-paid contributions.

Payments may be made through the taxpayer’s bank account or via an online payment system. Employers should lodge the required documents with the NSSF office or, alternatively, taxpayers may post the documentation to the NSSF via the Cambodian postal service or by email: [contribution@nssf.gov.kh](mailto:contribution@nssf.gov.kh).

## Benefit from Tax Compliance Status Assessment

*(Circular No. 007 MEF - released on 4 August 2017)*

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Ministry of Economy and Finance determines the benefits from tax compliance status assessment as follows:

The taxpayers obtaining gold status will get:

- Certificate of tax compliance status with validity of 2 years
- The VAT refund of less than 500 million Riel without conducting the audit
- The comprehensive audit will be conducted once every 2 years without limited audit or desk audit unless there is a request from taxpayer.

The taxpayers obtaining silver status will get:

- Certificate of tax compliance status with validity of 2 years
- The VAT refund of less than 200 million Riel without conducting the audit
- The comprehensive audit will be conducted once every 2 years and the limited audit will be conducted one time per year without desk audit unless there is a request from taxpayer.

The taxpayer obtaining bronze status will get the certificate of tax compliance status with validity of 2 years and must comply with tax obligation in according with the existing law and provision.

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VN No. 030702001C

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