



Cambodia
Tax Newsletter

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Law on Financial Management for 2018

(Reach Kram No. NS/RKM/1217/019 dated 9 December 2017 promulgating the Law on Financial Management for 2018)

The Law on Financial Management for 2018 updates the following tax regulations and provisions:

Repeal of law on slaughter tax

The Law on Slaughter Tax promulgated by Sub-Decree No.17 dated 15 February 1991 is repealed

Amendment of monthly taxable salary of resident employees

From January 2018, the monthly taxable salary of resident employees will be subject to Tax on Salary as follows:

Monthly Taxable Salary (Riel)	Rate
0 - 1,200,000	0%
1,200,001 - 2,000,000	5%
2,000,001 - 8,500,000	10%
8,500,001 - 12,500,000	15%
12,500,001 – upwards	20%

Provision for tax on petroleum and mining operations

“Taxpayers” under this provision refer to:

- Contractor, a person with whom the Cambodian government has concluded a petroleum agreement,
- Licensee, a person who has been issued with, or granted, mining rights

A taxpayer is entitled to a Minimum Tax exemption but subject to Tax on Income (“TOI”) at a rate of 30% on taxable income from petroleum and mining operations. “Taxable income” is gross income realized from petroleum and mining operations less deductible expenses allowed by this law.

In addition to the above TOI, the taxpayer is subject to additional tax based on an exceed income ratio at progressive rates as follows:

Grade	Exceed income ratio	Rate
1	0 – 1.3	0%
2	1.3- 1.6	10%
3	1.6 – 2.0	20%
4	2.0 – upwards	30%

“Exceed income ratio” is a division of accumulated income to accumulated expenses, which have been derived and incurred, respectively, from petroleum or mining operations until current tax year.

For petroleum operations, the taxpayer can carry forward taxable losses up to 10 years, while for mining operation the taxpayer can only carry forward taxable losses up to 5 years.

Prakas on external audit of banking and financial institutions

(Prakas No. T7.017.335 PK released on 14 November 2017)

Effective from 14 November 2017, the National Bank of Cambodia ("NBC") requires that any audit firm intending to audit banking and financial institutions shall apply for accreditation from the NBC.

The accredited audit firm is not allowed to audit any banking and financial institution ("institution") in the following situations:

1. Having material direct and indirect financial and/or economic relations with the institution
2. Any member of the management of the audit firm being an immediate or close family member of the board, management, head of internal audit, head of compliance, head of finance or other senior officers of the institution
3. Receiving any direct or indirect interests from the institution and/or having any other relationship, as determined by the NBC that may reasonably pose conflict of interest with the institution

The audit firms shall not provide the following services to the audited institutions:

1. Bookkeeping or other services related to the accounting records or financial statements
2. Financial information systems design and implementation
3. Internal audit outsourcing services
4. Tax consultation services
5. Any other services, as determined by the NBC that may pose conflict of interest

In case the audit firm already provided any of the above mentioned services to one of these institutions, the audit firm is not allowed to provide audit service to that institution unless the services were completed at least three years ago for point 1 and one year ago for the other points above.

An audit firm shall not provide audit service for a continuous period of more than three years with the same institution. Branches or subsidiaries of foreign banks can use the same audit firm as their head office; however, the engagement partner shall be changed every three years. The audit firm may resume its audit engagement with the same audited institutions only after a lapse of two years from the last audit engagement.

Circular B7-010-002 CL dated 29 December 2010 on the selection of independent auditors for annual audit of banks and financial institutions and any others provisions contrary to this Prakas are hereby abolished.

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