A FEW FACTS ABOUT TAXATION IN CAMBODIA

1. Introduction

The taxation regime in Cambodia is known as the real regime and classified into three main categories: large, medium and small. The Large Real regime applies to most companies whilst the Small real regime is reserved for sole proprietorships, which do not meet the criteria to be a medium regime taxpayer. The tax to be paid by a company is applied according to different categories classified on the basis of taxable turnover, including but not limited to the residency.

The taxation system in Cambodia is relatively new and is still subject to evolving legislation. The responsibility for administering taxation in Cambodia is the General Department of Taxation (GDT) of the Ministry of Economy and Finance (MEF). The main law regarding tax in the Kingdom of Cambodia is the Law on Taxation, adopted in 1997 and revised in 2003. In 2004, the GDT has also issued a Prakas on the Profit Tax. In addition, the Law on Commercial Enterprises, the Law on Investment, the Law on Customs and the law on Issuance and Trading of Non-Government Securities are amongst the main legislations that are largely related to tax matters.

One of the significant recent changes was the abolishment of the Estimated Regime and the Simplified Regime of Taxation and the restructuring of the Self-Assessed Regime i.e. Real Regime. With the abolishment of both Simplified and Estimated Tax Regimes the only remaining regime is the Real Regime.

2. Corporate taxes

2.1. General provisions:

a) Residence, taxable status, entity characterisation

Residence: The term "resident taxpayer" means any legal person or pass-through organised or managed in Cambodia, or having its principal place of business in Cambodia. A permanent establishment is considered a resident legal person with respect to its Cambodian source income only.

Taxable status: The income of a pass-through in Cambodia is determined as follows: (i) Each member takes into account separately the distributive share of the items of income, gain, loss, deduction, credit, and charitable contributions for the year. For this purpose each item retains its character and is treated as distributed during the taxable year whether or not actually distributed. The loss to be carried forward will be determined after the items have been distributed; (ii) The rules for determining the amount distributed, the treatment of contributions, and the adjustment to each member's base distributive share in the pass-through in any taxable year is determined by sub-decree.

Entity characterisation: The term "legal person" means any enterprise or organisation carrying on a business whether or not officially recognised by the competent institutions of the Royal Government. The term "legal person" includes any government institution, religious organisation, charitable organisation, or non-profit organisation. For a non-resident person, the term "legal person" means any permanent establishment in the Kingdom of Cambodia. The term "legal person" does not include a pass-through or a sole proprietorship.

b) Corporate tax base

Cambodian resident companies are subject to tax on worldwide income. Non-residents are subject to tax only on their Cambodian sourced income only. Non-resident taxpayers are legal persons deemed to have a permanent establishment in Cambodia, generally defined by a fixed place through which the non-resident person carries on its business.

Other business entities: Commonly used business entities in Cambodia include companies incorporated in Cambodia; a branch of a company incorporated outside Cambodia and a representative office of a company incorporated outside Cambodia. All business enterprises are taxable under the real regime tax system (RRTS). Therefore, the tax obligations of an entity depend on the categories they are classified in the real regime as provided under the Law of Taxation.

Permanent establishments: Cambodia uses the concept of permanent establishment (PE) to distinguish resident and non-resident corporate taxpayers. The term "resident taxpayer" means any legal person or pass-through organised or managed in Cambodia, or having its principal place of business in Cambodia. Factors to be considered in determining a PE include a place of management, an agent or office, a warehouse or factory, a workshop, any place of extraction of natural resources, a plantation, etc. Carrying out projects (e.g. supervisory activities of construction project, provision of services) exceeding a time period of six months in any 12-month period may also be considered as having a PE.

Permanent establishment is defined in Cambodia as "a fixed place of business in Cambodia, the branch of a foreign company or an agent resident in Cambodia, through which the non-resident person carries on their business. The term PE also includes any other association or connection through which a non-resident person engages in economic activity in Cambodia".

Non-resident firms must register with the GDT if they are deemed to have a permanent establishment in Cambodia. When they have a permanent establishment, non-residents are considered as taxpayers on income from Cambodian source.

Cambodia has recently entered into a Double Taxation Agreement with Singapore and China but they have yet to be ratified.

c) Taxable year

Tax year is calendar year, but a company may apply for a tax year other than calendar year, for example, to be consistent with its parent company/if the foreign parent company owns more than 51 percent equity shares. The Tax on Profit for the real regime system of taxation is calculated from the balance sheet results realised in the previous tax year.

d) Computing taxable income

The Tax on Profit for the real regime system of taxation is calculated from the balance sheet results realised in the previous tax year. If there is no closing balance sheet during anyone year the tax to be paid for the following year is assessed on the profit made in the previous period from the end of the last taxable period. For new enterprises the calculation is made from the start of business operations up to the December 31st of the year for which the tax is calculated. If many successive balance sheets are drawn up during the same year the results of these balance sheets are added up to have the base for the tax to be paid.

The Tax on Profit for the simplified and estimate regime systems of taxation is calculated on a cash method of accounting on the past calendar year. Directives on the reporting and the filing of a final declaration for enterprises that cease activities, are reorganised, or are sold or transferred during the calendar year shall be determined by the MEF.

Exempt income: In general, expenses that may be deduced from income are charges or expenses which the taxpayer has paid or incurred in the tax year for the normal management of the business and which do not acquire a property or eliminate debt. Dividends received from resident companies are not subject to income tax but is subject to a standard 20% profit tax, which is also applied to the dividend paid to the resident shareholder.

In general, income exempt from tax includes: Government income; Income of religious charitable, scientific, literary or educational organisations as long as none of the income is used for private purposes; The income of labor organisations, chambers of commerce, industry or agriculture as long as the income is not used for private benefit; and Profit from limited and carefully defined farming ventures.

Inventory valuation and inventory flow: The Cambodian Accounting Standards allow the use of FIFO, weighted-average cost or net realisable value.

Depreciation or capital allowances: Depreciation is calculated under the straight-line method for class 1 assets and intangible assets. The declining balance method is used for class 2, 3, and 4 assets. The rates to be used are set out in the table below:

Depreciation rates

Class 1	Buildings and structures and their basic components	5%
Class 2	Computers, electronics, information systems, software and data handling equipment	50%
Class 3	Automotive, trucks and office furniture and equipment	25%
Class 4	Other tangible properties	20%
Intangible assets	Intangible assets where the life cannot be determined by using the straight-line method	10%

Some expenses that cannot be deducted include: donations, grants and subsidies that are not charitable contributions; amusement, recreation or entertainment activities; penalties and additional taxes imposed by the tax administration; taxes reassessed by the tax administration; and expenses related to personal living or family expense except for fringe benefit.

A return for tax on profit must be prepared and filed with the tax administration whether the company is in a loss or profit position.

Reserves: There are special rules for bank reserves that were adopted in 2012. Commercial banks are required to maintain reserve requirements against deposits and borrowings at a daily average balance equal to a specified percent in Riel and a specified percent in foreign currencies with the National Bank of Cambodia.

Special allowances: Interest is limited to an amount equal to the total interest income plus 50 percent of net non-interest profit. The input to deduct interest in excess of this limit can be carried forward to future years. There are no limits placed on the excess amount that can be carried forward nor on how many years it can be carried forward. Charitable contributions may be deducted to the extent of 5 percent of taxable profit before the charitable contribution is determined.

e) Intercompany dividends

The advanced tax on dividends distribution is determined as follows:

(i) If an enterprise distributes dividends to its domestic and foreign shareholders during the tax year, it withholds and pays tax an amount equal to the product of the amount of the dividend grossed up by the tax on profit rate and multiplies by the appropriate annual tax rate.

(ii) Withheld tax becomes a tax credit against the tax on profit of the dividend distributing enterprise for the tax year in which the withholding takes place. If the tax credit exceeds tax on profit the excess is carried forward and becomes a tax credit for the following year. There is an exception for insurance companies.

(iii) An enterprise ("first enterprise") owning 20 percent or more in value of the equity in a second enterprise is required to establish a dividend account. Whenever the first enterprise receives a dividend on which the tax has been paid from the second enterprise, it is required to record the amount of that dividend into its dividend account. When the first enterprise subsequently distributes dividends to its shareholders the amount distributed which is taken out of the dividend account is not subject to withholding tax under (1) above.

(iv) An enterprise receiving a dividend from an enterprise required to withhold tax (i) above) or a dividend from a dividend account ((iii) above) does not include the dividend in income.

f) Special tax regimes

Cambodia has special incentives for the establishment and management of Special Economic Zones (SEZs). Per Sub-decree 148, some of the possible incentives are as follows: (i) Developers may be exempt from ToP for up to nine years; (ii) Equipment and construction materials to be used for infrastructure construction may be exempt from import duties and other taxes; (iii) Custom duty exemption on import of machinery and equipment for construction of roads connecting the town to the zone; and (iv) Zone investors may receive VAT-related incentives.

Other special regimes Investment companies: According to the 1994 Law on Investment, as amended in 2003, and to subsequent related sub-decrees, Qualified investment companies can benefit from special tax incentives. All investors other than those in a negative list are entitled to apply for a Qualified Investment Project (QIP) status with the Council for the Development of Cambodia (CDC). A QIP can apply for a tax exemption period up to nine years from Tax on Profit. During this period, the QIP is also exempted of Prepayment Tax on Profit and may have import duty exemptions.

If an investment company does not choose to benefit from this tax exemption period, it can apply for a special rate of depreciation on manufacturing assets. The special depreciation is an amount deductible in the year of purchase or, if later, the first year the tangible property is placed into service by the QIP. It is equal to 40 percent of the capital cost of new and/or used tangible property used in manufacturing and processing. Special depreciation reduces the capital cost of assets for normal depreciation. There is a minimum four-year holding period for property that had a special depreciation deduction. If the asset is disposed of by any means prior to the four-year period, an amount equal to the special depreciation deduction, reduced by 2 percent for each month that the assets were in place, is returned to the taxable profit.

Moreover, exemption from import duty on production equipment, raw materials and inputs to manufacture and the right to employ foreign labor are part of the incentives for a QIP.

Oil or natural gas production companies: Companies realising profit from oil or natural gas production and exploration of natural resources (including timber, ore, gold and precious stones) are subject to a special tax rate of 30 percent of profit.

Insurance companies: Insurance companies are subject to a tax on profit equal to 5 percent of the gross premium from insurance and reinsurance of risks in Cambodia plus 20 percent of profit from activities which are not insurance or reinsurance. Moreover, an additional monthly payment of 0.5 percent of the premiums is used as contribution to the MEF to promote the insurance field in Cambodia. Insurance companies are exempt from VAT.

As with companies generally, an insurance company must also pay Prepayment Tax on Profit (PPT). This is at 5 percent of monthly gross premiums and 1 percent of other turnover. In this case, turnover includes all taxes on other incomes except premiums from insurance or reinsurance of risks in Cambodia but does not include interest income from banks. The paid PPT will be used to offset the Tax on Profit. Moreover, an insurance company must deduct salary tax from payments of salaries, wages and other remuneration made to all employees.

g) Double tax protection

A resident taxpayer who has received income from foreign sources and paid taxes according to foreign tax law may claim a credit against the tax on profit following the presentation of documents confirming this tax payment abroad. The credit is conditioned upon the lower of the tax amount paid in the foreign country or the Cambodian tax payable on the foreign source income. However, in practice a foreign tax credit is not known to have been used by a company.

h) Returns and filing dates

Annual returns are due March 31st of the following year. Persons required to make prepayments for the tax on profit submit a tax declaration and pay the prepayment of the tax on profit to the tax administration in the form as specified by the tax administration by the 15th day of the month following the month in which the liability arose. The person or designated payor who withholds tax, submits a tax declaration and pays the tax withheld to the tax administration by the 15th day of the month following the month in which the withholding is made. Cambodia's goal is to allow corporations to use electronic filing, however, at this point, the filing of returns and payment of tax is still dependent on a physical stamp. Annual corporate tax turn is due within three months of the tax year-end. Extension is not possible

i) Payment mechanics

Internal withholding on resident companies: Under Cambodian law, payment of interest, dividends rent or royalties made to residents companies are subject to tax. Withholding on royalties is 15 percent; interest 15 percent, (except payments made to a Cambodian bank); while rent is taxed at a 10 percent rate. Public investors are entitled to a

50 percent reduction on the withholding payable on interest and/or dividends received from the Cambodia Stock Exchange for three years, starting from the launch of the securities market.

Schedule for tax payments or deposits: Each month, a firm must pay a "prepayment tax", the amount being 1 percent of the turnover of the firm, regardless of whether the firm is profitable. This prepayment will be offset against the Tax on Profit at the end of the tax year, however, if the liability for the Tax on Profit is below the prepayment tax, the company is liable for the prepayment tax as an alternative, minimum tax. If prepayments do not equal 20 percent of the company's profits for the year, the deficit must be paid with the annual return.

j) Statute of limitations

Generally, the GDT regularly extends the time limit for tax audit up to ten years. However, the time frame within which tax authorities can perform tax audits include as follows: (i) 3 years from the date of submission of the tax return; (ii) 10 years from the date of submission of the tax return if there is any evidence of 'obstruction of the implementation of laws; and (iii) anytime with the written consent of the taxpayers

2.2. Corporate tax rates

The standard corporate tax rate in Cambodia is 20 percent of the profit of a firm. Each month, a firm must pay a "prepayment tax", the amount being 1 percent of the turnover of the firm, regardless of whether the firm is profitable. This prepayment will be offset against the Tax on Profit at the end of the tax year, however, if the liability for the Tax on Profit is below the prepayment tax, the company is liable for the prepayment tax as an alternative, minimum tax. If prepayments do not equal 20 percent of the company's profits for the year, the deficit must be paid with the annual return.

The Law on Taxation provides for real regime and taxpayers under the Real Regime are classified into three categories Small taxpayers, Medium taxpayers and Large payers based on the taxable turnovers. Except for special tax regimes, there are no reduced tax rates in Cambodia. There are no special additional taxes or levies except special industries like oil, gas and mineral extraction.

2.3. Corporate capital gains and losses

There is no separate capital gain taxation in Cambodia. Under the Prakas on Tax on Profit, capital gains are considered income and are subject to the normal treatment of tax on profit. Gains arising from the disposal of real property and other assets are treated as ordinary income in Cambodia and are therefore subject to tax at the prevailing tax on profit rate. There is no separate capital gain taxation in Cambodia. Under the Prakas on tax on profit, capital gains are considered income and are subject to the normal treatment of tax on profit.

Corporate combinations and divisions: The 2013 Law on Financial Management established the rules regarding mergers and dissolution of business in Cambodia. It allows the transfer of title of assets and company shares subject to stamp tax. The transfer of title in certain assets (e.g., land, building, vehicles) and transfer of company shares (partial or full) are subject to stamp tax. The transfer of assets is subject to 4% tax. The transfer of title of company shares (partial or full) are subject to 0.1 % tax rate.

2.4. Position of losses from business operations

Capital operating losses are not differentiated. Foreign losses are not differentiated, however, loss is disallowed on any sale or exchange of property directly or indirectly between related persons. Cambodia permits a loss to be carried over for up to five years after the loss year. When losses occur in more than one year, these rules are applied in the order in which the losses arose. A taxpayer who is subject to a unilateral tax assessment from the tax administration may not bring forward losses from previous years for deduction. Losses can be brought forward to years after the unilateral tax assessment.

If there is a change of owner, the loss sustained by the former owner cannot be brought forward for deduction against the profit of the new owner. In addition to this, if there is a change in business activities, which can be considered a cessation of an old enterprise and the creation of a new enterprise, the loss sustained by the enterprise in its former activities cannot be brought forward and used against the profit realised in the new activity.

2.5. Group treatment

There are no specific rules on group treatment in Cambodia. If an enterprise ("first enterprise") owns 20 percent or more in value of the equity in a second enterprise, it is required to establish a dividend account. Whenever the first enterprise receives a dividend on which the tax has been paid from the second enterprise it is required to record the amount of that dividend into its dividend account. When the first enterprise subsequently distributes dividends to its shareholders the amount distributed, which is taken out of the dividend account is not subject to dividend withholding tax. An enterprise, which receives a dividend from a dividend account does not include the dividend in income. Deductions are disallowed for the loss on any sale or exchange of property, directly or indirectly, between related persons.

2.6. Withholding taxes on non-resident taxpayers

Withholding tax of 14 percent is applied to dividends paid by Cambodian companies to non-residents.

Interest: Interest, defined as an amount paid by a debtor to a creditor for monies owing to the creditor according to the law, paid to a non-resident is subject to Cambodian withholding tax of 14 percent. Interest paid by a resident taxpayer other than a domestic bank or savings institution to a physical person or enterprise is subject to withholding tax at 15 percent. Interest (that is not paid to a domestic bank and is not tax exempt) paid by a domestic bank or saving institution to a resident taxpayer on fixed term deposit account is subject to withholding at 6 percent. Interest (that is not paid to a domestic bank and is not tax exempt) paid by a domestic bank or saving institution to a resident taxpayer on a non-fixed term deposit account is subject to withholding at 4 percent.

Royalties: Withholding tax of 14 percent is applied to royalties paid by a Cambodian resident to a non-resident. Royalties for the use of intangible property are subject to a 15 percent rate. The tax registration of the recipient does not matter but domestic banks and savings institutions are excluded.

Services: Compensation for management or technical services fee is subject to a 14 percent tax rate.

Other withholding taxes: Rent, and other income connected with the use of property is subject to a 14 percent withholding tax rate. Performance of management, consulting and similar services, if paid by a resident to a resident is withheld at 15 percent. Performance of management, consulting and similar services, rent, and other income connected with the use of property, if paid by resident taxpayer to a non-resident is subject to a 14 percent withholding tax rate. Rental of movable and immovable property paid to a resident taxpayer is withheld at a rate of 10 percent.

2.7 Taxes imposed as penalty

Additional tax, late tax payment interest, and fines of all types would apply for the violation of any tax legislation. The law on Taxation provides for both criminal and additional tax penalties for failure to comply with the tax laws. There are, for instance, additional penalty taxes for: - underpayment of tax; late payment of tax; and obstruction of the implementation of tax law. There are criminal penalties for: tax evasion; obstruction of tax collection; and aiding and abetting tax evasion. The payment of additional tax as a penalty does not necessarily prevent criminal charges.

3. Value-Added Tax

The standard rate of 10 percent applies to all nonexempt supplies and on imports. Cambodia does not have any reduced rates of VAT. The rate of 0 percent applies to goods exported from Cambodia, on services rendered outside Cambodia, and on certain charges for international transportation of passengers and goods. Certain items are exempt from VAT. In addition there are certain special VAT rates on specific products.

Some services and supplies are exempted from VAT, including: the public postal service; Hospital, clinic, medical, and dental services; the sale of medical and dental goods incidental to the performance of such services; the transportation of passengers by a wholly state owned public transportation system; Insurance services, primary financial services; the importing of articles for personal use that are exempt from customs duties; and Non-profit activities for public interest that have been recognised by the MEF.

VAT registration must be made at the commencement of business operations or within 30 days in which the taxpayer becomes a taxable person.

4. Personal taxes

4.1 General provisions:

An individual is deemed to be a Cambodian resident if he is domiciled in or has a principal place of abode in Cambodia or is present in Cambodia for more than 182 days during the calendar year. Cambodian residents are taxed on their worldwide salary income. Non-residents are subject to monthly deduction of salary tax only on salaries received from Cambodian source.

Personal income subject to income tax: (i) Generally, Cambodian resident taxpayers' worldwide salary is subject to Cambodian tax on salary (TOS). While the place of salary payment is not relevant in determining source of income for a Cambodian resident, a distinction is made between cash and fringe benefit salary components; (ii) Fringe Benefits-Fringe benefits are subject to exemption tax in Cambodia. Previously, it was only applied to garment and footwear factories, however the changes in the regulation now applies to all businesses, workers and employees of all factories or enterprises**.** Fringe Benefit tax is subjected to 20% rate.

Deductions and allowances: Children under 14 years of age, or 25 years of age if still at school, and dependent housewives are entitled to tax relief of US$19 (US$ l = KHR4000) each per month. The firm calculating the Tax on Salary and deduct the authorised amounts must keep all the documents proving that the rebates allowed are correct.

Rates of tax on individuals: A firm must deduct salary tax from payments of salaries, wages, and other remuneration made to all employees. The tax rates for residents are progressive. The progressive tax rates based on monthly salaries, applicable to Cambodian residents are:

- Between KHR 0 and KHR 800,000 - 0 percent tax rate;
- Between KHR 800,001 and KHR 1,125,000 - 5 percent;
- Between KHR 1,125,00l and KHR 8,500,000 - 10 percent;
- Between KHR 8,500,001 and KHR 12,500,000 - 15 percent;
- KHR 12,500,000 upwards - 20 percent.

Non-residents are subject to a 20 percent tax on their Cambodian sourced salary.

Individual returns, filing dates, and payment: Individuals are not required to submit tax returns. Employers file monthly salary reports (on the 15th of the following month); employees do not submit tax returns on salary. Taxpayers are responsible for creating the returns necessary to pay the Tax on Profit as described above for non-salary business income. For purposes of the Tax on Profit, the term "sole proprietorship" means a business enterprise owned 100 percent by one physical person.

Husband, wife, and dependent children are treated as one physical person. Employers file monthly salary reports (on the 15th of the following month). Taxpayers are responsible for creating the returns necessary to pay the Tax on Profit as described above for non-salary business income. Employers, rather than individuals, file income tax returns. Cambodia's goal is to allow taxpayer's to use electronic filing, however, at this point, the filing of returns and payment of tax is still dependent on a physical stamp. No extensions are allowed for salary taxes.

4.2. Dividends

Domestic corporations: Resident individuals are not taxed on the receipt of dividends from a Cambodian corporation. Dividends paid by a domestic corporation to a non-resident are subject to 14 percent withholding. The rate of withholding on dividends does not depend on the individual's level of share ownership. The tax withheld on dividends are considered the final tax on recipients of the payments. Withholding satisfies the liability.

Foreign corporations: The calculation of the Tax on Profit takes into consideration a foreign tax credit for amounts properly withheld or taxed in a foreign country (but not amounts in excess of the tax liability).

4.3. Interest

Domestic borrowers: Interest payments made to a non-resident taxpayer are subject to 14 percent withholding. Interest (that is not tax exempt) paid by a Cambodian bank or saving institution to a resident taxpayer on fixed term deposit account is subject to withholding at 6 percent. Interest (that is not tax exempt) paid by a domestic bank or saving institution to a resident taxpayer on a non-fixed term deposit account is subject to withholding at 4 percent. The interest is withheld at reduced rates as listed above. The withholding tax is final.

Foreign borrowers: Individuals are taxed on receipt of foreign interest from a foreign corporation. The calculation of the Tax on Profit takes into consideration a foreign tax credit for amounts properly withheld or taxed in a foreign country (but not amounts in excess of the Cambodian tax liability that is do).

4.4. Social security/national insurance payments

Employer tax contribution: Employers are required to contribute 0.8 percent of an employee's monthly wage to the Cambodian social security system.

Employee tax or contribution: Employees are not obliged to contribute to the Cambodian social security system.

4.5. Royalties and rents

Domestic licensors: Payment of royalties and rents made to domestic residents are subject to tax. Payments of royalties made to residents is subject to 15 percent withholding tax while rents is 10 percent rate.

Foreign licensors: Royalties, rent and other payments connected with the use of property is subject to withholding rate of 14 percent for non-residents.

5. Transfer pricing and anti-avoidance rules

Transfer pricing: Cambodia has no double tax treaties at this time and there is no transfer pricing reference in the law. However, the arm's-length principle is to be respected by companies. In the case of a parent company providing a service, a loan or any other action that will result in remuneration from the owned company, the GDT will verify if the service is real and the remuneration is correct. Thus, every operation between related parties must be done as if at arm's length.

There is no transfer pricing regime in Cambodia, however, in the case of two or more enterprises that are under common ownership, the tax administration may distribute gross income, deductions, or other benefits among such enterprises and their owners in order to prevent the avoidance or evasion of taxes or to clearly reflect the income of such enterprises. Two or more enterprises are under common ownership if a person owns 20 percent or more of the equity interests of each enterprise.

Accordingly, even if the law is not clear on this point, in practice the arm's length principle must be respected. In the case of a parent company providing a service, a loan or any other action that will result in remuneration from the owned company, the GDT will verify if the service is real and the remuneration is correct. Thus, every operation between related parties must be done at arm's length.

Anti-avoidance provisions: There is no explicit anti-avoidance provision in Cambodian law; however, several penalties in case of violations of tax provisions, including tax avoidance, are expected to be introduced in the near future.

Thin capitalisation: Cambodia does not have any thin capitalisation rules. There is an interest expense deduction limitation based on the amount of a taxpayer's non-interest income. A deduction is allowed for interest expenses paid or incurred by the taxpayer during the tax year to carryon a business but not in excess of an amount equal to the sum of the taxpayer's interest income and 50 percent of the taxpayer's net non-interest income in the tax year. The "net non-interest income" is the gross income other than interest income, reduced by the allowable expenses except for interest expense. Any interest expense is treated as an interest expense for the next tax year and the deduction is made according to the same rules.

6. Other taxes

There is a ***Salary tax*** and a ***Fringe benefits tax***.

Taxes on Property: Stamp duty is levied at a rate of 4 percent on the transfer of the title of immovable property or land. A tax on immovable properties applies to land, houses, buildings, and others constructions built on land located in Phnom Penh municipal and in the province of the Kingdom of Cambodia, which are worth more than KHR 100, 000,000. The owner or the possessor or the usufruct of the property must pay, each year, 0.1 percent of a tax base calculated as 80 percent of the market value of the property = KHR 100, 000,000.

The value of property is determined by the Immovable Property Valuation Committee.

Patente tax: There is a patente tax, which is a lump sum annual business tax, payable every year.

Accommodation tax: Accommodation tax is levied at a rate of 2 percent of the accommodation price.

Stamp tax: Stamp tax applies tocertain documents related to the establishment, dissolution, or merger of a business:

- 0.1% percentage of the transfer value of transfer of company shares;
- 4 % percentage of the transfer value of transfer of title of certain assets; and
- 0.1 %percentage of the contract value of public procurement contracts.

Excise tax is imposed in Cambodia on certain specific goods at importation.

7. Special industries

Industry-specific tax rate apply to certain categories of industrial activity and are subject to high tax rates. Oil and gas and certain mineral exploitation activities are subject to top rate of 30 percent.

8. Repatriation restrictions

There are currently no restrictions on the repatriation of profits or capital from Cambodia, and the 1997 Foreign Exchange Law guarantees the rights of foreign investors to remit foreign currencies abroad. The Law in general, controls any operation carried out between residents and non-residents as it relates to payments for commercial transactions, transfers, capital flows, including investments.

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** Article courtesy of Dr. Sok Siphana, Advisor to the Royal Government of Cambodia*

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