



## **SUMMARY OF THE ACCOUNTING AND TAX REGULATIONS IN CAMBODIA**

### **1 Taxation Compliance**

#### ***1.1 Tax registration***

As stipulated in the tax provisions, a newly set up enterprise is required to register with the tax authorities within 15 days after incorporation/registration. Subsequent to tax registration, the enterprise must submit the monthly and annual tax returns by the due date irrespective of whether or not the enterprise has business operations.

Failure to compliance could result in penalty being levied by the tax authorities. The penalty for late filing of the tax return is **Riels 2 million** (~US\$500) per month. Whereas, the penalty for late payment of tax is at a rate of 10% or 25% plus interest at a rate of 2% per month.

The penalty for late filing will also apply to a dormant company that failed to lodge a Nil tax returns in compliance with the tax regulations.

#### ***1.2 Monthly and annual tax compliance***

Enterprise operating in Cambodia is required to submit the following monthly and annual tax returns:

	<b>Return</b>	<b>Period</b>	<b>Due Date</b>
i	Specific tax	Monthly	By 10 <sup>th</sup> day of following month
ii	Prepayment of profit tax	Monthly	By 15 <sup>th</sup> day of following month
iii	Withholding tax	Monthly	By 15 <sup>th</sup> day of following month
iv	Tax on salary and fringe benefits	Monthly	By 15 <sup>th</sup> day of following month
v	Value added tax	Monthly	By 20 <sup>th</sup> day of following month
vi	Tax on public Lighting	Monthly	By 20 <sup>th</sup> day of following month
vii	Patent tax	Annual	By 31 <sup>st</sup> March each year
viii	Corporate profit tax	Annual	By 31 <sup>st</sup> March of following year



### **1.3 Patent tax**

All enterprises operating in Cambodia is required to register and pay the patent tax in the amount of Riels 1,140,000 (~US\$285) annually by 31 March of each year.

A patent certificate will be issued by the tax authorities upon payment of the tax. Enterprise cannot operate in Cambodia without a patent certificate, which must be presented to the competent authorities for various purposes eg. import, export etc.

### **1.4 Tax rates**

Summary of the current tax rates are as follows:

General corporate profit tax	:	20%
Minimum tax	:	1% on gross income
Personal income tax	:	5% to 20% marginal rate
Fringe benefits tax	:	20% on gross amount
Resident withholding tax	:	4% to 15%
Non-resident withholding tax	:	14% to 20%
Tax on dividend distributions	:	0% to 20%
General value added tax	:	10%

### **1.5 Tax investigation**

The Cambodian tax authorities have the power to reassess tax:

- (i) Within three (3) years of submission of the corporate profit tax return, or
- (ii) Within ten (10) years of submission of the corporate profit tax return if there is evidence of obstruction of the tax provisions, or
- (iii) At any time at the consent of the taxpayer.

## **2 Social Security Scheme**

The Law on Social Security Scheme requires enterprise to register with the National Social Security Fund (“NSSF”) within 45 days of opening of the establishment. This requirement is applicable for enterprise employing eight (8) or more employees.

Upon registration, the NSSF shall provide an ID number to the enterprise and issue an “Occupational Risk Insurance Card” for each of the employee registered. The enterprise is also required to submit a monthly report detailing its number of employees to the NSSF by the 15<sup>th</sup> day of the following month.



Enterprise employing eight (8) or more employees is required to make monthly contribution for occupational risks to the NSSF. The monthly contribution rate is 0.8% of the employee's average monthly wages or salaries. Payment of the contribution is required within 30 days upon registration with the NSSF.

A monthly declaration and payment of contribution must be submitted/remitted to the NSSF by the 15<sup>th</sup> day of the following month. Payment of contribution must be banked into the bank account of the NSSF held with Aceda Bank. Penalty may be levied by the NSSF for late payment.

### **3 Account Obligations**

The Law on Accounting and Auditing promulgated on 8 July 2002 requires enterprise to:

- (i) Maintain the accounting ledgers in Khmer and in Riel denomination.
- (ii) Kept the books of accounts and accounting records for a period of ten (10) years.
- (iii) Prepare the financial statements in compliance with the Cambodian Accounting Standards adopted by the Cambodian National Accounting Council.
- (iv) Have the financial statements audited by a registered accounting firm in Cambodia, if the criteria set for statutory audit is met.

In accordance with the tax regulations and Law on Accounting and Auditing, enterprise must maintain the accounting ledgers in Khmer and in Riel denomination. Penalty may be imposed for non-compliance, and tax loss may not be allowed as deduction against future profit made by the enterprise.

### **4 Statutory Audit**

The Prakas on the "Obligations to Submit the Financial Statements for Audit" issued by the Ministry of Economy and Finance on 26 July 2007, stated that statutory audit shall apply to enterprises that meet two of the following three criteria:

- (i) Annual turnover of Riels 3 billion (~US\$750,000) and above,
- (ii) Total assets of Riels 2 billion (~US\$500,000) and above, based on the average value of assets held in that year, and
- (iii) Employees head count of 100 and above, based on the average number of employees employed in that year.

Other conditions apply to certain enterprises eg. for qualified investment projects, dormant companies etc.

Statutory audit will apply from the financial year commencing 1 January 2007 or thereafter. The audit must be completed within six (6) months following the year end closing.