



# TaxNotification

## Fides Management & Corporate Services

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**The Notification on the Law on Amendment to Law on Taxation (LALoT) has been issued by the Ministry of Economy and Finance dated 17 December 2003.**

**The above Notification shall take effect from 1 January 2004 and summary of the main changes is set out below.**

### **Tax on Profit**

A 5-year transition period shall be provided to Qualified Investment Projects (QIPs) during which taxable profit earned by QIPs is subject to tax on profit at a rate of 9%.

Thereafter, the normal tax rate of 20% will apply, with the exception of QIPs that have obtained exemption from tax on profit.

### **Minimum Tax and Prepayment of Profit Tax**

The minimum tax and prepayment of profit tax shall be levied at a rate of 1% of turnover inclusive of all taxes, with the exception of *value added* tax.

The minimum tax shall not apply to QIPs.

### **Additional Profit Tax on Dividend Distributions (APTD)**

The Additional Profit Tax on Dividend Distributions shall replace the Advanced Tax on Dividend Distributions.

APTD is levied at a rate of 20% on distribution of profits that were subject to tax on profit at zero rate; at 11/91 on distribution of profits that were subject to tax on profit at a rate of 9%.

APTD does not apply to distribution of profits that were subject to profit tax at the normal rate of 20%.

Dividend distributions shall be deemed to be distributed in the manner stipulated in the tax regulations.

### **Withholding Tax**

The withholding tax rates shall be amended as follows :

- 6%            On interest income from fixed term deposit
- 4%            On interest income from non-fixed term deposit
- 14%          On payment to non-residents
- 20%          On remuneration paid to non-resident person

### **Certificate of Compliance by QIPs**

QIPs must attach a Certificate of Compliance issued by the Council for the Development of Cambodia (CDC) to the corporate profit tax return lodged with the tax authorities.



## Depreciation

Depreciation is allowed for the owner of a tangible asset and lessee in case of a leased asset where the lessee bears the risk of loss or destruction of that asset.

The amended depreciation rates and method of depreciation are as follows :

Class 1	Building and its structures including their basic components	5%	Straight line method
Class 2	Computers, electronic information systems, software and data handling equipment	50%	Declining balance method
Class 3	Automobiles, truck, and office furniture and equipment	25%	Declining balance method
Class 4	All other tangible assets	20%	Declining balance method

## Special Depreciation

QPIs may elect to depreciate its eligible capital expenditure at a special rate of 40% in place of a tax exemption period entitlement. Special depreciation is allowed in the first year of purchase or the first year in which the asset is put into used.

Eligible asset that is subject to special depreciation must be held for a minimum period of four years after the final year of deduction. Otherwise, add back will be required.

## Cambodian Standards of Accounting and Auditing

The Cambodian Accounting Standards (CAS) and Cambodian Standards on Auditing (CSA) have recently been adopted by the National Accounting Council (NAC). The standards adopted are based on international standards. The booklets and CDs for the CAS and CSA are available at the NAC or Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA). Payment may be required depending on the organisation.

As stated in the Prakas issued by the Ministry of Economy and Finance dated 16 October 2003, large to medium size enterprises are required to prepare its financial statements in accordance with the CAS and have the financial statements audited by a recognised accounting firm in Cambodia. Enterprise will have until 2005 to fully comply with these requirements.

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For further information or advice, please contact MS RANY CHUNG, Country Manager.

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