



Tax Amendments

Fides Management & Corporate Services

The Law on Amendment to Law on Taxation (LALoT) was promulgated on 31 March 2003 and released recently. Summary of the main changes is set out below.

The Law on Amendment to Law on Investment (LALoI) was promulgated on 24 March 2003. We will brief you of the main changes separately.

Changes that have direct impact on approved investment projects or new Qualified Investment Projects (QIPs) are summarised below.

Tax on Profit

QIPs will be entitled to tax on profit at a rate of 9% for a 5 year transitional period commencing from the date in which the LALoI was passed.

Thereafter, the normal tax rate of 20% will apply, except those QIPs in a tax exemption period.

Tax Exemption Period

QIPs must now attach a Certificate of Compliance issued by the Council for the Development of Cambodia (CDC) to the corporate profit tax return lodged for the year in which the tax exemption period applied.

The rights, privileges and entitlements of a QIP may not be transferred or assigned to any third party except by acquisition or merger as stipulated in the Law on Investment.

Special Depreciation

QIPs 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. Otherwise, add back will be required.

Other changes that effect business enterprise in general are summarised below.

Minimum Tax and Prepayment of Profit Tax

The basis for computing the minimum tax has been changed to exclude *value added* tax. The same basis shall apply to the computation of prepayment of profit tax. As advised by the tax authorities, this change is subject to a Prakas.

The minimum tax does not apply to QIPs as amended in year 2001 and now included in the LALoT.



Additional Profit Tax on Dividend Distributions (APTD)

The Advanced Tax on Dividend Distributions is now replaced by the Additional Profit Tax on Dividend Distributions.

Essentially, APTD is levied on distribution of profits that were subject to profit tax at a rate of 0%. Other distributions shall be subject to APTD as stipulated in the tax regulations. The APTD rate is 20%.

APTD does not apply to distribution of profits that were subject to profit tax at the normal rate of 20% or 30%. APTD does apply to distribution of profits that were subject to profit tax at a rate of 9%.

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

Withholding Tax

Reduction in the withholding tax rates are 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

Whereas, the withholding tax rate levied on remuneration paid to non-resident person has been increased to the highest marginal rate for personal income tax of 20% at a flat rate.

Income from Cambodian Source

The definition of Cambodian source income has been expanded to include income of “Permanent Establishments”. Payment of management and technical assistance fees has also been included.

Depreciation

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

The depreciation rates and method of depreciation have been revised as follows :

Class 1	Building and 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

Transitional rules for taxpayers to adopt the new depreciation method in the 2003 fiscal year shall be provided by a Prakas.

For further information or advice, please contact us (Rany Chung (Ms), Country Manager).

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