

7Profile -- The Kingdom of Cambodia (Cambodia for short)

I. Jurisdiction Background

The Kingdom of Cambodia (Cambodia for short) is located in Southeast Asia. Cambodia has a tropical monsoon climate with two main seasons: rainy season which from May to October and dry season which from November to May. The annual average temperature is about 27.7 degrees centigrade, and the temperature exceeds 30 degrees centigrade in the hottest months, April and May.

Economically, over the past two decades before COVID-19 struck in 2020, Cambodian economy blossomed and grew at an average rate of 7.6 percent between 1995 and 2019, which was driven largely by tourism, manufacturing exports, real estate, and construction, making it one of the fastest-growing economies in the world. After reaching lower middle-income status in 2015, it set its sights on becoming an upper middle-income economy by 2030 and higher-income economy by 2050. The COVID-19 pandemic triggered the first economic contraction in 25 years, where in 2020, the economy contracted 3.1 percent. During the post-COVID-19 period, the economy continues to gradually recover, growing at 3.0 percent and 5.2 percent in 2021 and 2022, respectively. Cambodia's economic growth is estimated to have reached 5.4 percent in 2023.

Culturally, Buddhism is established as a national religion by the Constitution and 90% of the population is Buddhist. Other religions are also practiced in Cambodia, which include Islam, Christianity and others.

Cambodia is a constitutional monarchy with the king is the head of state and reign but not govern. The present King, His Majesty Norodom Sihamoni, acceded to the throne on 29 October 2004. The Constitution stipulates that Cambodia adopts a policy of liberal democracy and pluralism.

II. Organizational Structure

The General Department of Taxation (GDT) is the only institution under the Ministry of Economy and Finance that manages the collection of internal tax revenue. GDT is led by a director general and assist by deputy director generals. GDT has 12 departments and units such as: Department of Administration and General Affairs; Department of Finance and Personnel; Department of Law, Tax Policy and International Tax Cooperation; Department of Tax on Movable and Immovable Properties; Department of Information and Communication Technology; Department of Tax Crime Investigation; Department of Large Taxpayers; Department of Small and Medium Taxpayers; Department of Enterprise Audit; National Tax School; Phnom Penh Municipality Tax Division; and Unit of Special Tax Audit. In addition, GDT also has 35 provincial/district tax branches in order to provide quick access and convenience for taxpayers to directly communicate.

III. Current Tax System

Cambodia practices a unified national tax system based on the principle of territorial jurisdiction. Moreover, Cambodia implements

worldwide tax system. Currently, there are 13 types of taxes as below table:

13 Types of Taxes in the Law on Taxation (Promulgated by the Royal Kram NS/RKM/0523/004 dated 16 May 2023)	
1. Tax on income For legal person: <ul style="list-style-type: none"> • 20% for corporation including Capital Gains Tax • 30% for petroleum operations and natural resources For legal person: <ul style="list-style-type: none"> • 0% - 20% for sole proprietorship and partnership (progressive rates) • 20% for Capital Gains Tax The obligation of withholding agent: <ul style="list-style-type: none"> • 4% - 15% for payment to resident taxpayer • 14% for payment to non-resident taxpayer 	6. Accommodation Tax <ul style="list-style-type: none"> • 2% for accommodation service in hotel
	7. Patent Tax <ul style="list-style-type: none"> • 400 000 riel – 5 000 000 riel based on the type of taxpayers (Small, Medium and Large)
	8. Signboard Tax <ul style="list-style-type: none"> • 100 riel – 1 500 riel/dm² and height for all forms
	9. Tax on Property Rental <ul style="list-style-type: none"> • 10% for property rental that the owner or authorized person is not the self-assessment taxpayer
2. Tax on Salary <ul style="list-style-type: none"> • 0% - 20% for resident taxpayer (progressive rate) • 20% for non-resident taxpayer • 20% for fringe benefits 	10. Tax on Property <ul style="list-style-type: none"> • 0.1% for immovable property
3. Value Added Tax <ul style="list-style-type: none"> • 0% for taxable supply on exported goods or services provided outside the Kingdom of Cambodia • 10% for taxable supply on goods or services provided in the Kingdom of Cambodia 	11. Registration/Stamp Tax <ul style="list-style-type: none"> • 0.1% for share transfer and supply contract of goods or service by using the state budget • 4% for ownership transfer, share contribution in kinds of immovable and movable property in the company • 1 000 000 riel for company merger and closure
4. Special Tax <ul style="list-style-type: none"> • 3% - 10% for service supply 	12. Unused Land Tax <ul style="list-style-type: none"> • 2% for unused land in the Kingdom of Cambodia

<ul style="list-style-type: none"> • 5% - 35% for goods production or distribution 	
5. Public Lighting Tax <ul style="list-style-type: none"> • 5% for supply of alcohol and tobacco products at the first stage only 	13. Tax on Means of Transportation <ul style="list-style-type: none"> • 50 000 riel – 2 000 000 riel based on type of vehicle, cylinder, weight or number of seats.

IV. Overview of Tax Preference Policies

Cambodia has provided a series of preferential policies such as tax exemptions, tax credits, and tax refunds in order to attract foreign investment, promote economic growth, and enhance the competitiveness of the country. These policies focus on income tax, VAT and customs duty.

1. Qualified Investment Project (QIP) Incentives

Basic Incentives:

Investment activities registered as QIP are entitled to choose basic incentives under the following two options:

Option 1: Tax Exemption

- Tax on income exemption for 3 to 9 years, depending on the sector and investment activities, from the time of earning its first income. After the income tax exemption period has expired, QIP is entitled to an incentive to pay income tax at a progressive rate proportional to the total tax due as follows:
 - 25 percent for the first 2 years
 - 50 percent for the next 2 years, and
 - 75 percent for the last 2 years.
- Prepayment of tax on income exemption during income tax exemption;

- Minimum tax exemption provided that an independent audit report has been carried out;
- Export Tax exemption, unless otherwise provided in other laws and regulations.

Option 2: Special Depreciation

- Deduction of capital expenditure through special depreciation as stated in the tax regulations;
- Eligibility of deducting up to 200 percent of specific expenses incurred for up to 9 years;
- Prepayment of tax on income exemption for a specific period of time based on sectors and investment activities;
- Minimum tax exemption provided that an independent audit report has been carried out;
- Export Tax exemption, unless otherwise provided in other laws and regulations.

Additional Incentives:

- VAT exemption for the purchase of locally made production inputs for the implementation of the QIP.
- Deduction of 150 percent from the tax base for any of the following activities:
 - a. Research, development, and innovation
 - b. Human resource development through the provision of vocational training and skills to Cambodian workers/employees

c. Construction of accommodation, food courts or canteens where reasonable priced foods are sold, nurseries and other facilities for workers/employees

d. Upgrade of machinery to serve the production line, and

e. Provision of welfare for Cambodian workers/employees, such as comfortable means of transportation to commute from their homes to factories, accommodation, food courts or canteens where foods are sold at reasonable prices, nurseries and other facilities.

- Entitlement to tax on income exemption for the expansion of QIP which will be determined in the Sub-Decree.

2. Tax Incentives for Small and Medium Enterprises (SMEs) in the Priority Sector

The SMEs in the priority sectors that are promoted and receive incentives are: (1) production of agricultural or agro-industrial products; (2) food production and processing; (3) manufacturing which produce domestic consumer goods, recycle waste and produce goods for the tourism sector; (4) manufacturing which produce finished products or assembling parts to supply other manufacturers; (5) research and development of information technology (IT) including services for management through IT systems which are considered innovative; and (6) enterprises locating in the SME cluster and enterprises which develop the area. The tax incentives include:

- Tax on income exemption for a 3-year period;
- Tax on income exemption for a 5-year period if the enterprise meets any conditions which are (1) using 60% or more of raw

material from local sources; or (2) employing 20% more staff; or (3) locating in the SME cluster;

3. Tax Incentives for Listed Companies

Enterprises having issued shares for the first time to the public on the Cambodia Securities Exchange are entitled to tax incentives such as (1) tax on income exemption up to 50% of income tax payable for 3 years and (2) relief on tax arrears of certain kinds of taxes with the specific timeframes and conditions.

4. Tax Incentives for Real Estates

Cambodia has reduced the tax burden of enterprises and individuals in the real Estates sector through tax incentives to stimulate economic growth and investment activities. The incentives include:

- The implementation of capital gains tax on real estate has been further delayed until the end of 2025;
- Stamp duty exemption for properties developed by recognized developer if value lower than or equal to USD 70,000 until the end of 2025;
- Stamp duty exemption for all types of properties developed by recognized developer with value at more than USD 70,000 by allowing the deduction of USD 70,000 from the tax base until the end of 2025;
- For first-time home buyers, stamp duty exemption is applied to all types of properties developed by recognized developer with value lower than or equal to USD 210,000 until the end of 2025.

V. Tax Collection and Management

Under the leadership of His Excellency Kong Vibol, Minister Attached to the Prime Minister, Delegate of the Royal Government in charge as Director General, GDT has established information technology infrastructure and systems to modernize and digitally transform the Cambodian tax administration. These modernization and digitalization contribute to strengthening good governance and good administration. Currently, most tax services can be completed through mobile applications and systems, enabling taxpayers to handle tax affairs anytime and anywhere. Namely, GDT has implemented tax registration through online platform known as CamDX, E-filing for tax declaration, E-payment System, GDT Tax Prefilling App for Small taxpayer declaration, GDT Check & Track App, Tax certificate Management System, Online Tax Vehicle Transferring System, Tax Learning Management System, Incentive Request Management System, Double Taxation Avoidance System, GDT Taxpayer App to pay tax on property and tax on means of transportation, etc. Moreover, GDT has also developed the GDT e-Administration letter, which provide more convenient access to taxpayers to submit and track administrative letters without having to be physically present.

VI. Taxpayer Services

Tax services in Cambodia have been significantly improved in recent years, particularly in the diversified tax service channels. GDT provides taxpayers with convenient and efficient services through various channels, including:

1. Online service platform: The **GDT-Call Center (1277)** is the official helpline of Cambodia's GDT, providing free assistance to taxpayers with their inquiries. This service enables individuals and businesses to consult directly with tax officer at no charge and every working hour, receiving guidance on tax obligations, compliance requirements, and using GDT's electronic services. Additionally, the **GDT-Live Chat** is available through the GDT website (www.tax.gov.kh) and a dedicated mobile application for iOS and Android users. These channels are part of GDT's ongoing efforts to enhance taxpayer support and streamline tax administration processes. It is a friendly user for those who prefer chatting. GDT occasionally organizes live shows or live broadcasts, known as the **GDT Cambodia Tax Program**, on the official Facebook Page to provide information, updates, and guidance on tax matters. Viewers can interact by asking questions during the live stream to receive answers in real-time, making it an interactive platform for taxpayers seeking clarification. GDT also offers **GDT E-Learning** platforms to help taxpayers understand tax procedures and requirements. The e-learning platform aims to make tax education more accessible and support both individuals and businesses comply with tax laws.

2. Offline service windows: GDT's 35 provincial/district tax branches provide face-to-face consultation and services to taxpayers throughout Cambodia.

Implementing the above services has not only improved Cambodia's tax service level but also played a positive role in optimizing the business environment, attracting foreign investment, and fostering economic and social development.

VII. Tax Legislation Process

Cambodia's tax legislation system is mainly based on the *Law on Taxation*, which provides the general framework and principles for the country's tax system. In addition, other relevant laws such as the *Law on Commercial Enterprises*, the *Law on Customs* and the *Law on Investment* are also significant legal bases for tax matters. In the context of the economic development and changes in the international tax environment, Cambodia has made many amendments and supplements to the tax laws in order to make them more responsive to the needs of the domestic and international economic scenarios. Obviously, the *Law on Taxation*, promulgated in 2003, has further clarified the applicable scope of tax types and tax rates, and enhanced the operability and standardization of the previous law on taxation. Since 2023, Cambodia has made several amendments to the Sub-degrees, Prakas, tax regulations, and guideline with detailed guidance on specific implementation of the tax law.

VIII. Future Tax Reform

Continuing the reforms and strengthening good governance, which were the core of the Rectangular Strategy, continue to be at the core of the Pentagonal Strategy of the Royal Government of Cambodia. Within the strategic framework of the implementation of the Public Financial Management Reform Program and Revenue Mobilization Strategy 2019-2023 in line with the government's policy of in-depth and sharp reforms, the General Department of Taxation (GDT) has focused on the reform of the tax administration through

the modernization of the tax administration and the strengthening of good governance by strengthening and improving the core and support functions, as well as the reform of fiscal policy implementation to increase the effectiveness and efficiency of tax revenue as well as duties and missions professionally and ethically.

In line with the Pentagonal Strategy and Revenue Mobilization Strategy of the Royal Government of Cambodia of the Seventh Legislature of the National Assembly, GDT has been developed Strategic Plan 2024-2028 which sets three main goals as follows:

- Goal 1: Improve tax compliance by improving quality of services and strengthening the implementation of law and regulations related to taxation,
- Goal 2: Continue digitalizing the Tax Administration to become the tax administration 2.0 plus and
- Goal 3: Continue developing human capital and strengthening work efficiency.

In addition, GDT has developed a manual on the procedures for tax audit and criminal investigation on tax provisions for tax officials and taxpayers, defining Standard Operating Procedures (SOPs). Being specific and precise in performing the functions and duties related to tax audit and criminal investigation on tax provisions, SOPs will guide tax auditors and officials to fully understand their duties and responsibilities as well as warrant and protect the rights of taxpayers.

IX. International Tax Cooperation

Cambodia has shown a positive attitude towards international cooperation in taxation. At present, Cambodia has ratified and implemented the Agreement for the Elimination of Double Taxation with respect to Taxes in Income and the Prevention of Tax Evasion and Avoidance (DTA) with Singapore, China, Thailand, Brunei, Vietnam, Indonesia, Hong Kong SAR, Malaysia, Republic of Korea, Macao SAR, and Türkiye. Recently, Cambodia has signed DTA with Laos and Philippines while DTA with Myanmar has been concluded at the technical level. Cambodia is also negotiating with Japan, United Arab Emirates, Morocco, France, Qatar and Azerbaijan.

Apart from DTA, Cambodia became the 144th member of the Global Forum on Transparency and Information Exchange for Tax Purposes in August 2017, joining efforts led by the OECD to address tax compliance risks associated with highly preferential tax jurisdictions. Moreover, Cambodia was re-admitted to full membership by the Study Group on Asian Tax Administration and Research (SGATAR) at the 44th Annual Meeting of SGATAR held in November 2014 in Sydney, Australia. Historically, Cambodia had been a member of SGATAR since its inception in 1970 in Manila, Philippines, but Cambodia lost its membership in 1975 after the genocidal Pol Pot regime came to power.

Regular meetings on the tax cooperation mechanism between Cambodia and China have been established to resolve tax issues and difficulties encountered by Chinese enterprises operating in Cambodia. These meetings not only provide opportunities for direct dialogue between the tax authorities of the two countries, but also

promote bilateral in terms of tax collection and administration, and tax dispute resolution.