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Ministry of Economy and Finance
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Chapter 1

Provisions for the Tax on Profit

Section 1

General Provisions

Article 1: Charge to Tax

The provisions for the tax on profit as stated in the Finance Act of 1994 promulgated by the Royal Kram No. 02NS dated 28 December 1993, the Amendment to the Finance Act of 1994 promulgated by the Royal Kram No. 08NS dated 30 November 1994, the Finance Act of 1995 promulgated by Royal Kram No. 11NS94 dated 31 December 1994, and the Amendment to the Finance Act of 1995 promulgated by Royal Kram No. CS/RKM/0995/01 dated 01 September 1995 shall be amended as follows for the benefit of the State budget.

Article 2: Object of the Tax

The tax of profits is the debt of a resident person on income from Cambodian sources and income from foreign sources and of a non-resident person on income from Cambodian sources.

Article 3: Definitions (New)

For the purposes of the tax provisions:

1. The term "resident taxpayer" means:
    a. any physical person who is domiciled in or has a principal place of abode in, the Kingdom of Cambodia, or who is present in the Kingdom of Cambodia on more than 182 days during the calendar year;
    b. any legal person or pass-through organised or managed in the Kingdom of Cambodia, or having its principal place of business in the Kingdom of Cambodia.
2. The term "non-resident" means not a resident taxpayer according to paragraph 1 of this Article and receives income from a Cambodian source.
3. 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.
4. The term "permanent establishment" means a fixed place of business in the Kingdom of Cambodia, the branch of a foreign company or an agent resident in the Kingdom of Cambodia, through which the non-resident person carries on their business. The term "permanent establishment" also includes any other association or connection

through which a non-resident person engages in economic activity in the Kingdom of Cambodia.

5. The term "pass-through" means a general partnership with up to 10 resident individual partners in which the proportional sharing by the partners of items of capital, profit and loss meet the criteria which shall be determined by sub-decree. In this definition, a "pass-through" cannot be a member of another partnership and does not include a corporation, a permanent establishment, or a sole proprietorship.
6. The term "sole proprietorship" means a business enterprise owned 100 percent by one physical person. In this definition, a husband and wife and their dependent children shall be treated as one physical person.
7. The term "business" means a person's economic activity the aim of which is to derive income from the production and sale of goods, the supply of services, the lease, rental or sale of property, or any other activity.
8. The term "dividend" means any distribution of money or property that a legal person distributes to a shareholder with respect to the shareholder's equity interest in such legal person, with the exception of stock dividends and distributions in complete liquidation of the company. Whether or not a distribution is a dividend shall be determined under the preceding condition without regard to whether or not the legal person has current or accumulated income or profits or earnings.
9. The term "shareholder" means any person owning an equity interest in a legal person. For the purposes of this tax a legal person which is not a corporation shall be treated as if it were a corporation and any person who holds an equity interest in, or may otherwise gain income or profit as a participant in such a legal person shall be treated as a shareholder of such legal person.
10. The term "related person" means:
    a. a member of the taxpayer's family;
    b. an enterprise which controls or is controlled by, or is under common control with, the taxpayer. The term "Control" means the ownership of 51 percent or more in the value or voting power of the equity interests in the enterprise. For determining the degree of control of a taxpayer who is a physical person, shall be taken into consideration all equity interest owned by the taxpayer and those owned direct.

Article 4: Tax Regimes

The tax regimes are as follows:

1. The assessment of the tax on profit shall be made according to the real regime, simplified regime, or estimated regime system of taxation.
2. The rules and procedures for the assignment of taxpayers to one of the three regimes as above will be determined by sub-decree and shall be based on the form of the business, the type of business activity, and the level of turnover.

Section 2

Taxable Profit and Tax Rates

Article 5: Tax Year

The tax year shall be determined as follows:

1. The tax on profit for the real regime system of taxation is calculated from the balance sheet results realised in the previous tax year.
2. If there is no closing balance sheet during any one 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 31st of December of the year for which the tax is calculated.
3. 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.
4. The tax on profit for the simplified and estimate regime systems of taxation shall be calculated on a cash method of accounting on the past calendar year.
5. 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 prakas of the Ministry of Economy and Finance.

Article 6: Accounting Rules

Accounting rules shall be determined as follows:

1. For a taxpayer under the simplified regime system of taxation using cash method of accounting, income is reported in the year that cash or other property is actually received even if as payment pertaining to other years, and expenses or deductions are taken in the year in which the expenses or other items are actually paid except for prepaid expenses and depreciation allowances.
2. For a taxpayer under the real regime system of taxation using the General Chart of Accounts method of accounting, income is reported in the year it is earned whether that income is already paid or not. The deduction for an expense may be taken when all facts determining the taxpayer's liability have occurred, the results of economic activities with respect to the item has occurred, and the amount of the taxpayer's liability can be actually determined.
3. For real regime taxpayers, expenses incurred to a related person under the simplified regime system of taxation is not allowed as a deduction before actual payment.
4. Domestic banks and savings institutions shall be allowed to establish provisions for bad debts for the determination of the taxable profit. The rules and procedures on deductions shall be provided by sub-decree.

Article 7: Taxable Profit

The taxable profit is the net profit obtained from all the results of all types of operations realised by the enterprise including capital gains from the sale of various parts of the asset during the operation or at the close of the business, as well as income from financial or investment operations and interest, rental, and royalty income.

Article 8: Determination of Taxable Profit

The taxable profit is made up of the excess gross product realised on the expenditure that is made with the view of acquiring and preserving profit.

Article 9: Income Exempt from Tax (New)

Income exempt from tax shall be as follows:

1. Except for contrary provisions and for income that is taxable under article 22 of this law the tax on profits shall not apply to:
    a. the income of the Royal Government and institutions of the Royal Government;
    b. the income of any organisation that are:
        1. organised and operated exclusively for religious, charitable, scientific, literary, or educational purposes;
        2. no part of the assets or earnings of which is used for any private interest;
    c. the income of any labour organisation, or any chamber of commerce, industry, or agriculture, in the case where the income of these organisations is not used for the private benefit of any shareholder or physical person.
    d. The profit from the sale of agricultural produce that a person who is not a real regime system of taxation taxpayer has produced by himself whether the produce is sold in its raw state or after transformations that are an extension of habitual agricultural work. Operations by industrial means including transformation, preservation, and commercial packaging are not considered part of habitual agricultural work.
2. The Ministry of Economy and Finance shall define by Prakas the procedures for the application for tax exemptions, the loss of tax exemptions, for tax declarations, and for registration.

Article 10: Determination of Income of a Pass-Through

The income of a pass-through shall be determined as follows:

1. With regard to a pass-through, each member in determining one's income for a taxable year shall take into account separately one's distributive share of the items of income, gain, loss, deduction, credit, and charitable contributions for such year. For this purpose each item shall retain its character and shall be 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.
2. 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 shall be determined by sub-decree.

Section 3

Deductions

Article 11: Allowable Deductions

Allowable deductions shall be as follows:

1. Except as provided in articles 12 through 18 of this law, expenses that are allowed as a deduction include expenses that the taxpayer has paid or incurred during the tax year to carry on a business.
2. Any rent, interest, compensation, payments, or fees paid to an officer or director of an enterprise, a partner, a member of a pass-through, a member of the taxpayer's family or other related person where there is proof that the payment is for services actually performed and to the extent that such payment is reasonable.
3. Amounts paid on new buildings and other tangible assets, permanent improvements or betterments including any construction or acquisition period interest and taxes. These amounts are to be recorded in the relevant asset account and shall be deductible as depreciation as provided in article 13 of this law.

Article 12: Interest Expense

There shall be allowed as a deduction interest expenses paid or incurred by the taxpayer during the tax year to carry on 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 remaining from the above mentioned deduction shall be treated as an interest expense for the next tax year and the deduction shall be made according to the content of this same article.

Article 13: Depreciation of Tangible Property (New)

1- Conditions for the normal depreciation of tangible property are as follows:
   a. In determination of taxable profit, a deduction for depreciation shall be allowed to the owner of a tangible property, or to the lessee of
   that property in the case where the lessee bears the risk of loss or destruction of that property as determined by Prakas of the Ministry Economic and Finance.
   b. Depreciable tangible property is tangible property that is likely to lose value because of use or obsolescence used in a business. Land is not depreciable property.
   c. All tangible property shall be divided into following classes:
      Class 1: Building and structures including their basic components. Rate of depreciation 5 percent Straight –line method.
      Class 2: Computer, electronic information systems, software and data handling equipment. Rate of Depreciation 50 percent Declining Balance method.
      Class 3: Automobiles, Truck, and Office Furniture and Equipment. Rate of Depreciation 25 percent Declining Balance method.
      Class 4: All Other Tangible Property. Rate of Depreciation 20 percent Declining Balance method.

d. The procedures for establishing property classes, adding a new property to a class, disposing of a property from a class, and the treatment of repairs and various expenses shall be determined by Prakas of the MEF.
e. Transitional rules for taxpayers to use the new depreciation method in the 2002 fiscal year are provided by Prakas of the MEF..
f. The deduction for depreciation under this paragraph must be calculated on the property value determined after deduction of the special depreciation amount under paragraph 2 of this Article.

2- Condition for the special depreciation of tangible property are as follows:
   a. Special depreciation is an amount deductible in the first year of purchase or if later the first year the tangible property is placed into service by the qualifying investment project as mentioned in sub-paragraph b of this paragraph. This amount is equal to 40 percent of the capital cost of new or used tangible property used in manufacturing and processing as determined by Prakas of the Ministry of Economic and Finance. Special depreciation will reduce the capital cost available for regular depreciation according to paragraph 1 of this Article.
   b. A special depreciation of tangible property shall be deduction in determining a qualified investment project's taxable income for a tax year if the investor elected not to use the tax exemption period entitlement under paragraph 4 of Article 20(New) of this Law.
   c. Tangible property that has enjoyed a deduction for special depreciation shall be held for a minimum period of four tax year after the tax year in which the special depreciation was deduction. If the tangible property is disposed of prior to this period, the investor shall re-include in the taxable profit an amount equal to the special depreciation deduction reduced by 2 percent of that deduction for each month or any part of the month that the property was in place. This amount will not affect the book value of the tangible property for determination of capital gains taxable according to Article 7 of this Law.

Article 14: Depreciation of Intangible Property

For intangible property including patents, copyrights, drawings, models, and franchises, having a limited life the depreciation rate on each property shall be calculated on the life of that property according to the straight line method of depreciation. If the life of the intangible cannot be determined the annual depreciation deduction shall be at the rate of 10 percent of the value of the intangible property.

Article 15: Depletion of Natural Resources

Depletion of natural resources shall be determined as follows:

1- The allowance for the depletion of any natural resource, including any oil and gas, shall be determined as follows.
   a. All exploration and development costs, including interest attributable to these costs, shall be added to the asset account of the resource.
   b. The amount of the depletion for each natural resource deductible for the tax year shall be determined by multiplying the balance of the account for the natural resource with the ratio of the quantity produced from the

natural resource during the year to the estimated total production from the natural resource.

2- Procedures for the determination of the estimated total production shall be provided by sub-decree.

Article 16: Charitable Contributions

A deduction shall be allowed for charitable contributions to an organisation as provided in article 9 of this law. But it shall not exceed 5 percent of taxable profit determined before taking the charitable contribution deduction.
The criteria for charitable contributions shall be determined by sub-decree.

Article 17: Carry Forward of Losses

In case of a loss in any one tax year, this loss is considered as a charge to the following tax year and shall be deducted from the profit realised in that following year. If this profit is not sufficient to definitively settle it, the remaining part of the loss is carried over successively to following tax years until the fifth tax year.
When losses occur in more than one year, this article shall be applied to the losses in the order in which they arose.

Article 18: Allocation of Income and Deductions Among Taxpayers

In the case of two or more enterprises, whether incorporated or organised in or outside of the Kingdom of Cambodia, which are under common ownership, the tax administration may as may be necessary 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, or their owners.
For purposes of this article, two or more enterprises are under common ownership if a person owns 20 percent or more in the value or the equity interests of each enterprise.

Article 19: Not Allowed as Deductions

For the provisions for the Tax on Profit, expenses that shall not be allowed as a deduction are:

1. Any expense on activities generally considered to be amusement, recreation, or entertainment or the use of any means in connection with such an activity.
2. Personal living or family expenses except for fringe benefits in cash or in kind subject to withholding tax according to the provisions for the Tax on Salary,
3. Any tax imposed by the provisions for the Tax on Profit or withholding tax imposed by the provisions for the Tax on Salary.
4. For the loss on any sale or exchange of property, directly or indirectly, between related persons.
5. For any expense except for expenses already incurred and for which the taxpayer can establish the amount of the expense, and the business purpose of the expense in a manner as determined by sub-decree.

Section 4

Tax Rates and Tax Due

Article 20: Determination of Tax Due (New)

The tax rates on the annual profit are as follows:

1. 20 percent for the profit realised by a legal person.
2. 30 percent for profit realised under an oil or natural gas production sharing contract and the exploitation of natural resources including timber, ore, gold, and precious stones.
3. 9 percent for the profit of qualified investment project approved by CDC to be entitled to the 5 year transitional period commencing from the tax year after the date of the promulgation of the Law on the amendment of the Law on Investment of the Kingdom of Cambodia.
4. 0 percent for the profit of qualified investment project during the tax exemption period as determined by CDC.
5. According to the progressive tax rate by tranche for the table below for the profit realised by the physical person and the distributive share to each member of a pass-through that is not classified as a legal person.

Parts of the annual taxable profit	Tax rate
From 0 to 6,000,000 Riels	0%
From 6,000,001 to 15,000,000 Riels	5%
From 15,000,001 to 102,000,000 Riels	10%
From 102,000,001 to 150,000,000 Riels	15%
From greater than 150,000,000 Riels	20%

6. The rights, privileges and entitlements of a qualified investment project under the law on the amendment of the law on investment of the Kingdom of Cambodia may not be transferred or assigned to any third party except by acquisition or merger.

Article 21: Tax on Insurance Companies

The tax on an insurance company shall be determined as follows:

1. For an enterprise having principal activity in the insurance or reinsurance of life, property, or other risks, the tax on profit shall be determined as follows:
    a. 5 percent of the gross premiums received in the tax year for the insurance or reinsurance of risk in the Kingdom of Cambodia,
    b. according to the rates in article 20(new) of this law for other of activities that are not insurance of reinsurance.
2. The rules and procedures for the payment of the tax on profit for an insurance company shall be determined by Prakas of the Ministry of Economy and Finance.

Article 22: Tax on Unrelated Business Profit

For an unrelated business the tax on profit shall be determined as follows:

1. The tax on profit shall be fixed at 20 percent of taxable income from unrelated business income of organisations as stated in article 9(new) of this law.
2. For purposes of the tax on profit, the term "unrelated business taxable income" is the gross income realised from an unrelated business regularly carried on by any organisation, reduced by the deductions which are directly related to the carrying on of such business and which are allowed by the provisions of tax on profit.
3. The term "unrelated business" means any commercial or industrial business, or any other business of the organisation aiming to obtain profit or funds and which are not substantially related to the purpose or function constituting the basis for tax exemption as stated in article 9(new) of this law.

Article 23: Advanced Tax on Dividend Distributions (new)

The advanced tax on dividend distributions shall be determined as follows:

1. An additional profit tax shall be paid in the amount of 20/100 upon
    a. distribution of retained earnings or annual profit after tax,if an enterprise is distributing retained earnings or profit that were subject to a tax rate of 0% according to paragraph 4 of Article 20(new) of this Law; and
    b. any distribution, except for those mentioned in paragraph 2 and paragraph 3 of this article as wall as for any repayment of capital.
2. An additional profit tax shall be paid in the amount of 11/91 upon distribution of retained earnings or annual profit after tax, if an enterprise is distributing retained earnings or profits that were subject to a tax rate of 9% according to paragraph 3 of Article 20 (New) of this Law.
3. Additional profit tax shall not be paid on the distribution of retained earnings or annual profit tax, if an enterprise is distributing retained earnings or annual profit that were subject to the normal rate of 20% according to paragraph 1 of Article 20(New), or the rate of 30% according to paragraph 2 of Article 20(New) of this Law.
4. If an enterprise receives a dividend from another enterprise that has paid tax under paragraph 1, paragraph 2, and paragraph 3 of this Article, it shall record the amount of that dividend into its dividend account. When that enterprise subsequently distributes dividend to its shareholders the amounts distributed which are taken out of the dividend account shall not be subject to additional profit tax on dividend distribution under paragraph 1, paragraph 2, and paragraph 3 of this article. .
5. For the purpose of this Article, any distribution of retained earnings or all annual profit after tax is deemed to be made in the following order;
    a. first out of retained earnings subject to the normal rate of 20% according to paragraph 1 of Article 20(New) of this Law, or the rate of 30% according to paragraph 2 of Article 20(New) of this Law;
    b. subsequently out of retained earnings subject to reduced rate of 9% according to paragraph 3 of Article 20(New) of this Law;
    c. and more subsequently out of retained earnings subject to the 0% rate according to paragraph 4 of Article 20(New) of this Law.

Section 5

Other Taxes

Article 24: Minimum Tax (New)

A minimum tax is imposed on taxpayers subject to the real regime system of taxation. The minimum tax is a separate and distinct tax from the tax on profit. This tax is payable by a taxpayer subject to the real regime system of taxation except the qualified investment projects. The minimum tax is imposed at the rate of 1 percent of the annual turnover inclusive of all taxes, except Value Added Tax, and is payable at the time of the annual liquidation of the tax on profit.
The minimum tax may be reduced by the annual tax on profit that is actually paid according to the rules found in articles 37(New), 38, and 39 of this law.

Section 6

Withholding Taxes and Prepayment of Tax on Profit

Article 25: General Withholding Tax (New)

The general withholding tax shall be determined as follows:

1. Any resident taxpayer carrying on business and who make any payment in cash or in kind to a resident taxpayer shall withhold, and pay as tax, an amount according to the below mentioned rates which are applied to the amount paid before withholding the tax:
    a. The rate of 15 percent on:
        1. income received by a physical person from the performance of services including management, consulting, and similar services;
        2. royalties for intangibles and interests in minerals, and interest paid resident taxpayer carrying on business other than domestic bank or savings institutions to a resident taxpayer.
    b. The rate of 10 percent on the income from the rental of movable and immovable property.
    c. The rate of 6 percent on interest paid by a domestic bank or savings institution to a resident taxpayer having a fixed term deposit account.
    d. The rate of 4 percent on interest paid by a domestic bank or savings institution to a resident taxpayer having a non-fixed term saving account.
2. The withholding in this article shall not apply to interest paid to a domestic bank or savings institution and to the payment of tax exempt income as stated in article 9(New) of this law.

Article 26: Withholding on Payments to Foreign Persons (New)

Any resident taxpayer carrying on business and who makes any of the following payments to a non-resident taxpayer shall withhold, and pay as tax, an amount equal to 14 percent of the amount paid.

a. interest;

b. royalties, rent, and other income connected with the use of property;
c. compensation for management or technical services that shall be determined by Prakas of the MEF;
d. dividends.

Article 27: Withholding Tax as Final Tax (New)

The withholding tax on payments to a resident taxpayer under article 25(New) of this Law, and on payment to a non-resident taxpayer under Article 26(New) of this Law shall be considered the final tax on the recipients of the payments described in the 2 Article above.

Article 28: Prepayment of the Tax on Profit (New)

An enterprise liable to the tax on profit according to the real regime system of taxation including a qualified investment project liable to the tax on profit at the rate of 9 percent, has the obligation to pay a monthly prepayment of the tax on profit at the rate of 1 percent of turnover inclusive of all tax except Value Added Tax, realized in the previous month. The turnover attributable to a qualified investment project during the exemption period as determined by Law on the Amendment of the Law on Investment of the Kingdom of Cambodia shall be exempt from this prepayment. The prepayment will be deducted from the tax on profit at the annual liquidation of the tax.

Section 7

Obligations of Taxpayers

Article 29: General Obligations of Real or Simplified Regime System Taxpayers

Real or simplified regimes system taxpayers have the obligations:

1. All taxpayers liable to the tax on profits who must pay taxes according to the real regime or simplified regime system of taxation shall send every year to the tax administration a declaration of the profit they have realised in the previous tax year. This declaration must absolutely be registered in the period of 3 months after the end of the tax year.
2. Real regime system taxpayers must submit to the tax administration a tax declaration to which is attached:
    a. Balance sheet
    b. Results Account
    c. Tables of complementary information.
3. Simplified regime system taxpayers must submit to the tax administration a tax declaration with attached documents in the form provided by the tax administration.
4. An enterprise with a loss must submit a tax declaration in the same manner and period of time.

Article 30: Obligation of Estimated Regime System Taxpayers

Estimated regime system taxpayers have the obligations:

1. The taxpayer subject to estimated regime system of taxation must submit the tax declaration to the tax administration every year by October 31, in the form provided by the tax administration.
2. The amount of estimated profit is determined by the tax administration after verification and consultation with the businessman or his representative. This estimated profit is calculated according to the profit rate with consideration to the type and activities of the business which shall be determined by Prakas of the Ministry of Economy and Finance.
3. This tax level on estimated profit shall be kept constant for a period of 3 months, 6 months or 1 year.
4. The taxpayer subject to the tax on profit under estimated regime system of taxation shall pay this tax every month at the time fixed by the tax administration.

Article 31: Obligations of Withholding Agents (New)

1- The person or designated payor who withholds tax under articles 25(New), and 26(New) of this law, shall submit a tax declaration and pay the tax withheld 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 payment is made.

2- An enterprise shall submit a tax declaration the additional profit tax on dividend distribution as determined under Article 23(New) of this Law, and pay the tax 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 distribution is paid.

Article 32: Obligations of Persons Required to Make Prepayments of the Tax on Profit

Persons required to make prepayments for the tax on profit shall 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.

Section 8

Sources of Income

Article 33: Income from Cambodian Sources (New)

The Cambodia source of income shall include, but not be limited to the following income:

1. interest paid by a resident enterprise or resident pass-through, or a governmental institution of the Kingdom of Cambodia;
2. dividends distributed by a resident enterprise;

3. income from services performed in the Kingdom of Cambodia;
4. compensation for management and technical services paid by a resident person;
5. income from movable or immovable property, if such property is situated in the Kingdom of Cambodia;
6. royalties from the use, or right to use intangible property paid by a resident, or paid by a non-resident though a permanent establishment that he maintains in the Kingdom of Cambodia;
7. gain from the sale of immovable property located in the Kingdom of Cambodia or from the transfer of any interest in immovable property situated in the Kingdom of Cambodia;
8. premiums from the insurance or reinsurance of risks in the Kingdom of Cambodia.
9. gain from the sale of movable property which is part of the business property of a permanent establishment maintained by a non-resident taxpayer in the Kingdom of Cambodia;
10. income from business activities carried on by a non-resident through a permanent establishment in the Kingdom of Cambodia.

Article 34: Income from Foreign Sources (New)

All income that is not Cambodian source of income according to Article 33(New) of this Law is treated as foreign source of income.

Article 35: Determination of Source

Where there is insufficient information to determine the source of income, or where the rules set forth so far cannot clearly reflect the income is from any one source the tax administration is the one to decide on the source of that income.

Section 9

Calculation of Annual Tax Due

Article 36: Foreign Tax Credit

A resident taxpayer who has received income from foreign sources and who has paid taxes according to foreign tax law shall receive a tax credit for deduction from the tax on profit to be paid in the Kingdom of Cambodia under the condition that there is presentation of documents confirming this tax payment abroad.
In order to calculate the tax to be paid in the Kingdom of Cambodia before deduction of this tax credit, the total amount of income received from Cambodian sources and foreign sources shall be taken into account.
The tax credit is determined separately for the tax paid by a Cambodian resident in each foreign country. But, the tax credit to be allowed for deduction in the tax year is the smaller of:

a. the tax amount actually paid in a foreign country,

b. the amount obtained by multiplying the total tax on profit from all sources for the same period calculated according to the tax rate in article 20 of this law with the ratio of income received in that foreign country to the total income from all sources.

The foreign tax credit is possible only if the resident taxpayer has complied with the formalities and supplied various documents as specified by the tax administration especially certification from the foreign tax payor and from the foreign tax administration.

In the case where the tax credit exceeds the tax liability, the amount of the excess may be carried forward to be used in succeeding years up to the fifth counting from the year following year in which the credit arose. In the case of tax credits in more than one year the credits must be taken in the order in which they arose.

Article 37: Determination of the Liability to the Tax on Profit (New)

The calculation of the liability to the tax on profit shall be as follows:

1. calculate the total tax liability according to article 20 (New) and Article 23 (New) of this law,
2. minus any foreign tax credit of this Law, but not in excess of the tax liability in paragraph 1 of this article,

Article 38: Determination of Tax Due or Tax Credit for the Tax Year

The determination of tax due or tax credit for the tax year shall be as follows:

1. If the result from the calculation in article 37 of this law is greater than the sum of any withholding tax made on the behalf of the taxpayer under article 25 of this law, and the prepayments for the tax on profit made by the taxpayer for the tax year under article 28 of this law, the taxpayer shall pay the difference to the tax administration.
2. If the result from the calculation in article 37 of this law is less than the sum of any withholding tax made on the behalf of the taxpayer under article 25 of this law, and the prepayments for the tax on profit made by the taxpayer for the tax year under article 28 of this law, the taxpayer may, after properly accounting for any minimum tax liability, apply for a refund of the difference, or carry the difference forward to be used as a prepayment in the following year.
3. Before making any tax payment under paragraph 1, or claiming any refund under paragraph 2, the taxpayer must first determine any liability for the minimum tax according to the procedures as stated in article 39 of this law.

Article 39: Determination of the Minimum Tax, and the Tax Due or the Tax Credit for the Tax Year

The determination of the minimum tax, the tax due or the tax credit for the tax year shall be as follows:

1. The taxpayer must pay the minimum tax at the time of the liquidation of the tax on profit. The minimum tax due may be reduced by any liability for the tax on profit under article 20 of this law for the same tax year.
2. If the liability for the tax on profit exceeds the liability for the minimum tax:

a. the taxpayer shall pay any tax due under article 37 of this law at the time of submission of the tax declaration;
b. if the withholding in articles 25 and 28 of this law exceeds the minimum tax liability the taxpayer may claim a tax credit;
c. in the case as stated in paragraph 2 of this article, the taxpayer is not liable for minimum tax.

3. If the liability for the tax on profit is less than the liability for the minimum tax:
   a. the taxpayer's tax credit under paragraph 2 of article 38 of this law will be reduced by the difference;
   b. the amount by which the tax credit is reduced in complying with the sub-paragraph a of this paragraph, shall be considered as payment of the minimum tax for the tax year.

Chapter 2

Provisions for The Tax on Salary

Section 1

General Provisions

Article 40: Charge to Tax

The provisions for the tax on salary as stated in the Finance Act of 1995 promulgated by the Royal Kram No. 11NS94 dated 31 December 1994 shall be amended as follows for the benefit of the State Budget.

Article 41: Object of Tax

The tax on salary is a monthly tax imposed on salary that has been received within the framework of fulfilling employment activities
A physical person resident in the Kingdom of Cambodia is liable to the tax on salary for Cambodian source salary and foreign source salary.
A non-resident physical person is liable to the tax on salary for Cambodian source salary.

Article 42: Definitions (New)

For the purposes of the provisions for the tax on salary:

1. The term "resident" when used for an employee, taxpayer, or physical person means has his resident in or his principal place of abode in, the Kingdom of Cambodia, or who is present in the Kingdom of Cambodia on more than 182 days in any period of twelve months ending in the current tax year.
2. The term "non-resident" means any person who is not resident.
3. Except for contrary provisions, any reference to the terms employee, taxpayer, and physical person are references to both residents and non-residents as defined in this article.

4. The term "employer" includes any government institution, any resident legal person, any resident pass-through, any permanent establishment in the Kingdom of Cambodia, any non-profit organisation, or any resident physical person carrying on a business.
5. The term "employee" means any physical person receiving salary from their employment activity including any responsible officer or director of an enterprise, any government office, any elected official except for members of parliament and senate.
6. The term "Cambodian source salary" means salary received within the framework of fulfilling employment activities in the Kingdom of Cambodia. As for the salary received by a non-resident for furnishing technical assistance it shall be treated as from sources in the country where the payor of such income resides.
7. The term "foreign" means:
    a. when used with respect to an physical person means non- resident;
    b. for the determination of the source of income, means outside of the Kingdom of Cambodia.
8. The term "salary" in this Law means salary, remunerations, wages, bonuses, and overtime, compensations and fringe benefits which are paid to an employee, or which are paid for the direct or indirect advantage of the employee for the fulfilment of employment activities.

Section 2

Tax Exempt Salary

Article 43: Salary of Diplomatic and Other Foreign Officials

The tax exemption for the salary of diplomatic and foreign officials shall be as follows:

1. Shall be exempted from the Tax on Salary:
    a. Salaries that officers and employees of a diplomatic or consular mission of a foreign government holding a diplomatic or official passport of that government have received within the framework of fulfilling their official function in the Kingdom of Cambodia.
    b. Salaries that foreign representatives, officials and employees of international organisations and of agencies of technical co-operation of other governments have received within the framework of fulfilling their official function in the Kingdom of Cambodia.
2. Any tax exemption in this article shall be based on the principle of reciprocity between the governments concerned.

Article 44: Tax Exempt Income of Employees

Shall be tax exempted:

1. Real refunds on professional expenses made by the employee under the assignment and for the benefit of the employer and which satisfy the 3 following conditions:

a. made for the direct and exclusive interest of the enterprise;
b. not exaggerated nor extravagant;
c. supported by detailed invoices already paid and made in the name of the recipient of the real expense refund.

2. Indemnity for the layoff within the limit as provided in Labour Law.
3. Additional remuneration with social characteristics where there is provision in Labour Law.
4. Supply gratis or below acquisition cost of special uniforms or professional equipment.
5. Flat allowance for mission and travel expenses. This allowance should not overlap the real expense refund provided in this article.

Section 3

Monthly Tax Base, Monthly Taxable Salary and the Determination of the Monthly Tax

Article 45: Monthly Tax Base

Except for fringe benefits taxable under article 48 of this law the monthly tax base for a resident is the taxable salary from which is deducted:

1. withholding obligations as the result of the compliance with the Labour Law in order to create pensions and for the maintenance of social welfare;
2. payments which are allowed to be tax exempt in Article 44 of this law.

Article 46: Monthly Taxable Salary

The monthly taxable salary shall be determined as follows:

1. Monthly taxable salary for a resident employee includes:
   a. salary received from Cambodian sources;
   b. salary received from foreign sources;
   c. advance money, loan or instalment made by the employer to the employee which shall be added to the taxable salary of the month in which they are paid out and shall be deducted from salary in the month of any repayment made by the employee.
2. Based on the evidence of family situation, any resident employee with:
   a. minor dependent children at the time of tax payment is allowed a reduction in the tax base of seventy-five thousand Riels per each child per month,
   b. spouse having only an occupation as housewife is allowed a reduction in the tax base of seventy-five thousand Riels for one person only per month.
3. For a non-resident taxpayer taxable salary includes salary from Cambodian sources taxable according to the provisions of this chapter.

Article 47: Determination of the Monthly Tax of an Employee

For a resident employee the tax to be paid must be determined on the monthly taxable salary and must be withheld by the employer according to the progressive rates by tranche as follows:

Taxable Parts of the Monthly Salary	Tax Rate
From 0 to 500,000 Riels	0%
From 500,001 to 1,250,000 Riels	5%
From 1,250,001 to 8,500,000 Riels	10%
From 8,500,001 to 12,500,000 Riels	15%
Over 12,500,000 Riels	20%

Article 48: The Determination of the Tax on Fringe Benefits

For fringe benefits, every month, the employer shall withhold and pay tax by the time specified at the rate of 20 percent of the total value of fringe benefits given to all employees. The value of fringe benefits is the fair market value inclusive of all taxes.

Article 49: Determination of the Tax on Salary for a Non-Resident Taxpayer (New)

Except for fringe benefits to be taxed under article 48 of this law, for a non-resident taxpayer the tax shall be withheld by the payor at the rate of 20 percent on every payment of taxable salary as provided in paragraph 3 of article 46 of this law. This withholding tax is the final tax on salary for the non-resident receiving the salary.

Article 50: Foreign Tax Credit

A resident taxpayer who has received foreign source salary and who has paid taxes according to foreign tax law shall receive a tax credit which for deduction from the tax on salary to be paid in the Kingdom of Cambodia under the conditions that there is presentation of documents confirming this payment abroad.

a. In order to calculate the tax to be paid in the Kingdom of Cambodia before deduction of this tax credit, the total amount of salaries received from Cambodian sources and foreign sources shall be taken into account.
b. The tax credit is determined separately for the tax paid by a Cambodian resident in each foreign country. But, the tax credit to be allowed for the tax on salary paid abroad is the smaller of:
    - the tax amount actually paid in a foreign country, or
    - the amount obtained by multiplying the tax on total salaries from all sources for the same period calculated according to the table of progressive tax rates by tranche in article 47 of this law with the ratio of salary received in that foreign country to the total salaries from all sources.

The refund of the foreign tax credit is possible only if the resident taxpayer has complied with the formalities and supplied various documents as specified by the tax

administration especially the certification from the employer and from the tax administration of the place of employment abroad.

Section 4

Obligations of Employers and Employees

Article 51: Cause of Tax Liability

The salary payment is the cause of the tax liability.

Article 52: Tax Debt and the Obligation to Withhold

The tax debt and the obligation to withhold shall be as follows:

1. This tax is the debt of the physical person receiving the salary, including foreign physical persons, except for contrary provisions as stated in international agreement.
2. The tax on salary shall be collected through monthly withholding procedure by the employer at the time of each salary payment.
3. If the employer resides abroad, the fiscal representative appointed in the Kingdom of Cambodia by the employer is the one in charge of withholding the tax on salary prior to the salary payment to employees and of transferring their taxes to the State.
4. The employer or the resident representative in the Kingdom of Cambodia of a foreign employer and the employee shall be jointly responsible for the payment of the tax on salary in the Kingdom of Cambodia regardless of whether the salary is paid in the Kingdom of Cambodia or abroad. In the case where no withholding is made on the tax on salary, the employer is held responsible under this law even if the tax is already paid by the employee.

Article 53: Payment of Tax Withheld

The withholding tax related to the salary payment made in any one month shall be paid by the 15th of the following month to the tax administration in the area of the domicile or principal establishment of the person in charge of withholding the tax.

Article 54: Tax Withholding, Record Keeping and Reporting Requirements

All employers who make taxable salary payments shall be in charge of:

1. withholding tax prior to the salary payment;
2. reporting to the tax administration and the employee of the status of the tax withheld;
3. keeping and maintaining books and records which shall be determined by prakas of the Ministry of Economy and Finance.

Chapter 3

Provisions for the Tax on Value Added

Section 1

General Provisions

Article 55: Charge to Tax

From 1 January 1998 onward, shall be established a Tax on Value Added on taxable supplies for the benefit of the State budget.

Article 56: Definitions

For the purpose of the provisions of the tax on value added:

1. The term "good" means tangible property other than land or money.
2. The term "service" means the provisions of something of value other than goods, land, or money.
3. The term "supply of a good" means the transfer of the right to use or dispose of a good as the owner whether or not for consideration. The supply of a service incidental to the supply of a good shall be considered a supply of a good.
4. The term "supply of a service" means a supply that is not a supply of a good or land or money which is made for consideration. The supply of a good incidental to the supply of a service shall be considered a supply of a service.
5. The term "person" means any person or group of persons engaged in business and any other person who is related to the person.
6. The term "related" in relation to a person means:
    a. a person who owns 20 percent of more in value or voting power in equity interests in the person under consideration;
    b. having common management or directors with the person;
    c. a member of the family or spouse or a member of the family of the spouse of the person;
    d. purchasing 30 percent or more of the person's total output in any three consecutive month period.
7. The term "tax" in this chapter means the tax on value added.

Article 57: Non Taxable Supplies

Non taxable supplies are as follows:

1. Public postal service.
2. Hospital, clinic, medical, and dental services and the sale of medical and dental goods incidental to the performance of such services.
3. The service of transportation of passengers by a wholly state owned public transportation system.
4. Insurance services.

5. Primary financial services which shall be determined by prakas of the Ministry of Economy and Finance.
6. The importation of articles for personal use that are exempt from customs duties and that are within the value level which shall be determined by prakas of the Ministry of Economy and Finance.
7. Non profit activities in the public interest that have been recognised by the Minister of Economy and Finance.

Article 58: Non Taxable Supplies for Diplomatic Missions and International Organisations

Non taxable supplies for diplomatic missions and international organisations shall be as follows:

1. The imports of goods for or by foreign diplomatic and consular missions, international organisations and agencies of technical co-operation of other governments for use in the exercise of their official function shall be treated as non taxable supplies. Non taxable supplies shall only be allowed on the certification by the chief of mission to the Tax Department that the goods are being imported for purpose of the use as above.
2. The import of goods for the personal use of the official personnel of missions and organisations as stated in paragraph 1 of this article shall be treated as non taxable supplies only for those items that are on an enumerated list which shall be determined by prakas of the Ministry of Economy and Finance.
3. The non taxable supplies in this article shall be based on the principle of reciprocity between governments concerned.

Section 2

General Principles for the Tax on Value Added

Article 59: Taxable Person

The taxable person refers to any person subject to the real regime system of taxation who makes a taxable supply as stated in article 60 of this law.
A person subject to the simplified regime system of taxation may apply to be classified as a taxable person. The conditions and procedures for this application shall be determined by prakas of the Ministry of Economy and Finance.
For the purpose of this chapter, an employee shall not be treated as a taxable person with respect to activities engaged in as an employee.

Article 60: Taxable Supply

Except for contrary provisions in this chapter, the term "taxable supply" means:

1. the supply of goods or services by a taxable person in the Kingdom of Cambodia;
2. the appropriation of goods for his own use by the taxable person;

3. the making of a gift or supply at below cost of goods or services by the taxable person;
4. the import of goods into the customs territory of the Kingdom of Cambodia. The rules and procedures for the application of this article shall be provided in sub-decree.

Article 61: Taxable Value

The taxable value shall be determined as follows:

1. The taxable value for any supply shall be the price of the goods or services the seller charged the purchaser. The taxable value includes any charges for transportation and other items payable to the seller with respect to the supply, including any specific tax on certain merchandise and services but excluding the tax on value added. Procedures for the adjustment of the taxable value at the time of supply and after the time of supply shall be determined by sub-decree.
2. When the payment for a taxable supply involves any consideration other than money for the direct or indirect benefit of the seller, this consideration shall be included in the taxable value at its fair market value.
3. The taxable value for any imported good shall be the customs value including insurance and freight plus any customs duties and any specific tax on certain merchandise and services. If there is no such adjusted customs value, the fair market value shall be used.
4. If the taxable value of the goods or services supplied does not represent the true value, the tax administration may determine a value for such goods or services and such value shall be presumed to be the correct value until proven otherwise to the satisfaction of the tax administration.
5. The taxable value of used goods that the taxable person regularly purchases from consumers for resale or sells on behalf of other persons shall be the differential between the selling price and the purchase price, or the commission from the sale of those goods.

Article 62: Time of Supply

The time of supply shall be determined as follows:

1. The tax on value added becomes due and payable at the time of supply.
2. The time of supply of goods and services shall be the time by which the seller must issue the invoice or the time the seller issues the invoice if that invoice is issued before the time it must be issued by the seller.
3. A value added tax invoice must be issued within seven days after the goods are shipped or services rendered or after payment if payment occurs before the goods are shipped or services rendered. If a shipment is not accompanied by an invoice, there shall be attached a shipping document which has been properly recorded in the shipping journal.

4. For the supply of goods or services which are made continuously or which involve multiple payments, the time of supply shall be determined by prakas of the Ministry of Economy and Finance.
5. In the case of the import of goods, the time of supply shall be the time the importer files a declaration to the customs administration according to the regulations in force.

Article 63: Location of Supply

The location of supply shall be determined as follows:

1. The supply of a good takes place in the Kingdom of Cambodia if the good is delivered in the Kingdom of Cambodia, whether that delivery takes on the characteristic of a transfer of the right to use or to dispose. In the case where the supply must include transportation, the supply takes place in the Kingdom of Cambodia if the good is in the Kingdom of Cambodia when the transportation starts.
2. The supply of a service takes place in the Kingdom of Cambodia if the service is performed in the Kingdom of Cambodia, except that:
    a. the supply of a service in connection with immovable property is deemed to take place where the property is located;
    b. the supply of a service in connection with transport is deemed to take place where the transport occurs.
3. Goods are imported into the Kingdom of Cambodia if they are brought within the customs territory of the Kingdom of Cambodia.

Section 3

Tax Rate and the Calculation of Tax

Article 64: Tax Rate

The tax rate shall be as follows:

1. The tax on value added shall be imposed at the tax rate of 10 percent on the taxable value of each taxable supply in the Kingdom of Cambodia.
2. The tax on value added shall be imposed at the tax rate of 0 percent on the taxable value of each taxable supply of goods exported from the Kingdom of Cambodia and of the taxable supply of a service rendered outside of the Kingdom of Cambodia as stated in article 63 of this law.
3. The tax administration may use a number of documents to certify that export has in fact occurred including export certification from the Customs Department, import documents from the country of import, executed letters of credit, and payments received by a domestic bank.

Article 65: Input Tax Credit and Non Taxable Supplies

The input tax credit and the non taxable supplies shall be determined as follows:

1. The tax paid by a taxable person on goods and services for use in the business which are supplied by another taxable person or the tax paid by the taxable person as an importer on imported goods or services for use in his own business shall become an input tax credit deductible against the output tax. Input means any goods or services purchased and output means any goods or services sold.
2. In the case where goods and services purchased are used partly for taxable supplies and partly for non taxable supplies, the tax credit shall be allowed only for that portion used for taxable supplies.

Article 66: Determination of Tax

The tax amount shall be determined as follows:

1. The tax charged under article 64 of this law shall become a debt to the State at the time of supply.
2. The tax to be paid to the State is equal to the total output tax according to the rates in article 64 of this law minus the total input tax credit allowed for the same month.

Article 67: Capital Assets that Cease to be Used in the Business

If a capital asset for which a tax credit has been received under article 65 of this law ceases to be used in the business of the taxable person, such asset shall be treated as sold and taxable for its then fair market value at the time of cessation of use.

Article 68: Necessary Documentation to Claim an Input Tax Credit

The request for an input tax credit shall be attached with:

1. a value added tax invoice, drawn up in accordance with article 77 of this law,
2. a customs Bill of Entry for Import, certified by customs authorities, which must state the name of the taxable person as consignee or importer and the amount of tax paid at the time of import.

Article 69: Input Tax Not Allowed as a Tax Credit

The input tax that shall not be allowed as a tax credit includes the tax paid by a taxable person on entertainment, amusement, or recreation expenses; the purchase of automobiles; or the purchase of certain petroleum products.

Section 4

Payment of Tax

Article 70: The Monthly Filing of the Value Added Tax Declaration

The value added tax declaration for any month shall be submitted to the tax administration on or before the 20th day of the following month and the tax shall be paid according to the amount declared at the time the declaration is filed.

Article 71: Treatment of Excess Credits

If the input tax paid by the taxable person under article 64 of this law exceeds the output tax collected by that person for any month:

a. the excess shall be used as a tax credit against any outstanding liability of such person for the tax on value added for prior months,
b. the remainder of the excess shall be treated as an input tax credit under article 65 of this law for the succeeding month.

Article 72: Refunds for Exporters

The tax administration may refund the monthly excess input tax credits according to the request of the taxable person who has as a primary activity export if that person has shown proper certification of exports and has complied correctly with his obligations in book and other record keeping.

Article 73: Refunds Where Excess Credits Continue for Three Months or More

If the taxable person has excess input tax credits for three months or more that person may apply for a refund of the tax at the end of the third month or in any month thereafter. To be effective for any month, the request must be filed in a period of 20 days after the close of such month.

Article 74: Refunds to Diplomatic Missions and International Organisations

Foreign diplomatic and consular missions, international organisations and agencies of technical co-operation of other governments may apply for a refund of the tax on those goods purchased locally that are listed on an enumerated list which shall be determined by prakas of the Ministry of Economy and Finance. The refund shall be granted only on the certification by the chief of mission to the tax administration that the goods are being bought for use in the exercise of the official function of the relevant unit.

Article 75: Liability for the Collection and Payment of Tax

The liability for the collection and payment of tax is as follows:

1. A taxable person or importer has the obligation to pay the tax imposed by article 64 of this law with respect to every taxable supply in which the taxable person or importer engages.
2. Special conditions for the liability of the purchaser for the tax where the supplier is not engaged in business in the Kingdom of Cambodia or where there are other obstacles to the collection of the tax from the supplier shall be provided by sub-decree.
3. Any person making a supply of goods and services on behalf of the owner, other than as an employee, and having control of the supply shall be treated as a taxable person with respect to that supply.

Section 5

Administrative Provisions

Article 76: Registration

The principles of registration shall be as follows:

1. A taxable person as stated in article 59 of this law must complete registration for the tax on value added within a period of 30 days of the day on which the person becomes a taxable person. The rules and procedures for registration shall be determined by sub-decree.
2. Where a person required to register fails to register the tax administration may register that person from the time that the person should have been registered. The person so registered shall be liable for all tax in article 64 of this law from the date person should have been registered.
3. Where a taxable person registered under this article expects not to be classified as a taxable person for the current and succeeding year, such person may apply for de-registration.
4. For a group of two or more related persons where one or more of those persons is not a taxable person the tax administration may treat a taxable person as registered in respect to all or part of the related economic activities. Where none of the related persons is a taxable person the tax administration may register one or more of those persons of the group in respect to all or part of the related economic activities.
5. For registration purposes and with the approval of the tax administration, for a group of taxable persons who are related as defined in article 56 of this law, the activities of various members of the group may be treated as the activities of one designated member. In any such case, each member of the group must undertake to be jointly and severally liable for compliance with the provisions of this chapter.

Article 77: Value Added Tax Invoice

The principles for the value added tax invoice shall be as follows:

1. Any taxable person who makes a supply shall provide the purchaser a serially numbered Value Added Tax Invoice.
2. The invoice required by paragraph 1 of this article with respect to any supply shall have the title of "Value Added Tax Invoice" and shall contain the following:
    a. the name and registration number of the seller,
    b. the date of issue of the invoice,
    c. the name of the purchaser or purchaser's employee or agent,
    d. the quantity, description and selling price of the goods or services,
    e. the total value excluding the specific tax on certain merchandise and services and the tax on value added,
    f. the total taxable value if different from the amount in subparagraph e of this paragraph,
    g. the amount of the tax payable,

h. the date of supply of the goods or services if different from the date of issue of the invoice.

3. A person cannot issue any invoice or other document indicating an amount which claims to be tax on the supply of any goods or services unless such person is a taxable person registered according to article 76 of this law, and the goods or services supplied are taxable goods or services.
4. Without prejudice to any other penalties, where any invoice falsely claims to be a Value Added Tax Invoice and shows that an amount of tax is payable, the person issuing such invoice shall pay to the tax administration within seven days of the date of issue of the invoice any amount shown on the invoice whether or not such tax amount would otherwise be properly payable.
5. In the case of sales at retail where most sales are not to a taxable person the invoice as required in paragraph 1 of this article shall be considered satisfied if the seller has provided a detailed cash register receipt or other documentation which shall be determined by sub-decree.
6. In the case of an import, the customs Bill of Entry properly filled and containing certification of the payment of the tax shall be used as the control document for establishing eligibility for a tax credit.

Article 78: Failure to Issue Value Added Tax Invoice

The failure to issue value added tax invoices shall be subject to penalties as follows:

1. Without prejudice to any other penalties, if the tax administration can find for a second time that an establishment of a taxable person has failed to issue the required invoice, the tax administration may lock and seal the establishment for a specified period not to exceed 7 days.
2. If any establishment, which has been closed under paragraph 1 of this article, has committed again such an offence, such establishment may again be closed for a specified period not to exceed 7 days.

Article 79: Books, Records, and Information

The principles for the books, records, and information for the tax on value added shall be as follows:

1. For the purposes of the provisions in this chapter the taxable person shall keep copies of all invoices issued and all invoices received.
2. The taxable person shall properly record and preserve books and records of every transaction made together with an account showing the amounts of tax collected on his sales and the amount of tax paid on his purchases and any adjustment to sales value or tax amount in a manner prescribed by the tax administration.
3. The works referred to in paragraph 2 of this article shall be maintained daily and totalled at the end of each month and a balance struck. The taxable person shall prepare monthly a Value Added Tax Statement in the manner prescribed by the tax administration.

4. The invoices, records and any other document relating to the tax shall be kept in chronological order in a manner and at the place prescribed by the tax administration for a period of at least 10 years after the completion of the last transaction to which they pertain.
5. All documents and records required to be kept under this article and any other documents and records pertaining to the business of the person shall be made available for inspection by tax administration on demand.

Article 80: Special Rules for Imports

The provisions of this chapter pertaining to imports shall be administered by the Customs Department in a manner as provided by sub-decree.

Article 81: Cessation of Business

The rules for the cessation of business shall be as follows:

1. Within 10 days upon ceasing to carry on the business for which the taxable person is registered that person shall submit to the tax administration a declaration on the prescribed form to which is attached detailed information on sales and purchases since the last tax declaration and provide details on all goods in stock on which tax has not been paid or on which a tax credit has been received and shall pay any tax due.
2. The rules and procedures for winding up the business, for de-registration, and the responsibilities of a legal representative shall be determined by sub-decree.

Article 82: Transfer of Business

The transfer of a business from one person to another person, in accordance with the conditions to be provided by sub-decree, shall not be subject to the tax on value added. The rule and procedures for the notification of transfer, the registration of the person acquiring the business, the responsibility of the person transferring the business, the responsibility of the person acquiring the business, and the preservation of records shall be determined by sub-decree.

Article 83: Contracts Entered Into Before the Effective Date of this Tax

The principles governing contracts entered into before the effective date of this tax shall be as follows:

1. The tax imposed by article 55 of this law shall apply to taxable supplies under contracts entered into before the effective date of this tax, if such supplies take place on or after such date.
2. In the case of any taxable supply described in paragraph 1 of this article, any value added tax recorded outside the contract shall be treated as additional consideration for the goods or services purchased and as a legal obligation of the purchaser to the seller.

Article 84: Tax Credit for Stocks of Goods

The tax credit for stocks of goods shall be determined as follows:

1. Where a person is newly registered and on the date of registration has stocks on which the tax on value added or the Tax on Turnover has previously been paid, that person may apply to be allowed, by the tax administration, a tax credit for the tax paid on that stock after the tax administration has verified that any invoices or the copies of the bills of entry for those goods are correct.
2. If satisfied to the correctness of such documents, the tax administration may authorise a tax credit for those supplies made within 60 days prior to the date of registration or the effective date of this law. Such a credit can be taken in one or more declarations for this tax subject to such conditions as the tax administration may impose.

Chapter 4

Amendments to the Finance Act of 1994 and to the Amendments to the Finance Act of 1995

Section 1

Provisions for the change of the Specific Tax on Certain Merchandise to the Specific Tax on Certain Merchandise and Services

Article 85:

From the date of the promulgation of this law the Specific Tax on Certain Merchandise of the amendment to the Finance Act of 1995 promulgated by the Royal Kram No CS/RKM/0995/01 dated 01 September 1995 shall be called the "Specific Tax on Certain Merchandise and Services" and a number of articles shall be amended as stated in this chapter.

Article 18 of the above mentioned law shall be changed as follows:

- 30 percent for automobiles classified under the harmonised tariff heading 8703 with an engine displacement of more that 2000 cc. And spare parts for those automobiles;
- 20 percent for petroleum products and automobiles classified under the harmonised tariff heading 8703 with an engine displacement of up to 2000 cc. And spare parts for those automobiles;
- 10 percent for all types of beverages and tobacco products, hotel and other entertainment services, and all types of motor vehicles and spare parts classified under the harmonised tariff headings 8702, 8704.21 through 8704.90, 8706, 8708, 8714, and 8711 with engine displacements from 125 cc. Upwards.
- 2 percent for the domestic sale of tickets for the transport by air of passengers from inside of the Kingdom Cambodia to abroad, and telecommunication services from inside the Kingdom of Cambodia to abroad.

The phrase “the sales price recorded on invoice” in paragraph 2 of article 21 of the above mentioned law shall be changed to “the ex-factory sales price recorded on invoice”.

Add the paragraph as below to article 21 of the above mentioned law:

- for services supplied in the Kingdom of Cambodia, the invoice price of the service supplied.

The phrase “concerning merchandise produced” in paragraph 2 of article 22 of the above mentioned law shall be changed to “concerning merchandise produced and services supplied”.

Add the paragraph as below to article 23 of the above mentioned law:

- the supplier for services supplied in the Kingdom of Cambodia.

Add the paragraph as below to article 24 of the above mentioned law:

- For telecommunication and transport services in the Kingdom of Cambodia a separate register containing the date and value of services supplied from points inside of the Kingdom of Cambodia to points outside of the Kingdom of Cambodia.

Section 2

Provisions for the Change of the Tax on Turnover

Article 86:

The Tax on Turnover as stated in the Finance Act of 1994 promulgated by the Royal Kram No 02NS dated 28 December 1993 shall be changed as follows.

1. Delete paragraph 2 of article 39 of the above mentioned law.
2. The phrase "value out of customs." in article 46 of the above mentioned law shall be changed to "value inclusive of customs duty and the specific tax on certain merchandise and services."
3. Add the paragraph as below to article 47 of the above mentioned law:
4. The Tax Department may collect consumption tax and apply penalties on any good being offered for sale within the territory of the Kingdom of Cambodia for which the seller cannot provide adequate documentation that the consumption tax was paid at the time of import.
5. Add the paragraph e. as below to article 49 of the above mentioned law:

   From 1 July 1997 all taxpayers shall:

   - use the time of supply rule as stated in article 62 of this law which provides for the tax on value added to determine the date on which tax becomes a debt of the taxpayer towards the State.
   - issue invoices in accordance with the rules and procedures as stated in articles 63 of this law which provides for the tax on value added;
   - be considered as having obstructed the implementation of tax provisions and subject to penalties under article 133 of this law in the case of non-compliance with article 49 paragraph e.
6. To the Amendments to the Finance Act of 1995, shall be added one paragraph to article 33:

   From 1 January 1998:

   - taxpayers under the real regime system of taxation shall not be subject to the tax on turnover;

- taxpayers under the other regime systems of taxation shall be subject to the tax on turnover rate at the of 2 percent:
- articles 44, 45, 46, 47, and 48 of the Finance Act of 1994 and article 37 of the Finance Act of 1995 are repealed."

Chapter 5

Provisions on Tax Rules and Procedures

Section 1

General Provisions

Article 87: Object

By the provisions of this chapter there shall be establish the rights and obligations of the taxpayer and the tax administration, procedures for the review of tax paid, procedures for resolving disputes, tax penalties.
The provisions of this chapter apply to all taxes unless a specific tax provides otherwise.

Article 88: Definitions

For the purpose of this chapter:

1. The term “tax” means any direct or indirect tax.
2. The term “person” means a physical person or a legal person.
3. The term “taxpayer” means a person obligated to pay tax.
4. The term “tax administration” means the organisation of the Tax Department.
5. The term “tax declaration” means documents that tax provisions require a taxpayer or withholding agent to fill in under the conditions as stated in this law.
6. The term “withholding agent” means the person that tax provisions require to withhold and to pay taxes to the budget on behalf of the third person.
7. The term “economic activity” means the regular or continuous or from time to time activity of a person whether or not for profit in the supply of or intent to supply goods or services to other persons for the purpose of obtaining a benefit.

Article 89: International Treaties

Provisions of international treaties related to taxation which have been ratified by the National Assembly shall take precedence over provisions of this law.

Article 90: Language Used in Tax Declarations and Tax Documents

All tax declarations as well as documents and correspondences necessary for tax assessment, tax collection and enforcement of tax law or involved in other procedures in the determination of tax shall be made in Khmer language.

Section 2

Rights and Obligations

Article 91: Rights and Obligations of the Taxpayer

The rights and obligations of the taxpayer shall be as follows:

1. The taxpayer has the rights as follows:
    a. to be considered as confidential and used only for the purposes specified in tax provisions all information related to his activities which are provided to the tax administration as stated in article 94 of this law;
    b. to regularly receive information concerning the process of tax system and procedure in tax assessment as stated in articles 96 and 118 of this law;
    c. to receive information about one's own rights including the rights to appeal as stated in articles 118 and 122 of this law;
    d. to appeal as stated in this law to every decision made by the tax administration as stated in articles 118 and 122 of this law;
    e. to pay no more tax than what is required by tax provisions as stated in article 107 of this law.
2. The taxpayer has the obligations as follows :
    a. to register with the tax administration as stated in article 101 of the law;
    b. to submit the tax declaration and provide information as required by tax provisions as stated articles 98 and 104 of this law;
    c. to pay taxes according to the schedule as stated in tax provisions;
    d. to maintain books of account, supporting documents, and other documents and to show them to the tax administration as stated in tax provisions and article 98 of this law;
    e. to present oneself to the tax administration according to the date as stated in the letter of notification of the tax administration as stated in article 99 of this law;
    f. to pay various taxes, additional taxes, and interest as determined by the tax administration according to the date as stated in the tax provisions or as notified by the tax administration in writing as stated in tax provisions and articles 107, 130, 131, and 132 of this law.

Article 92: Powers and Obligations of the Tax Administration

The power of the tax administration includes the following:

1. to assess the tax base of the taxpayer or the withholding agent as stated in articles 116 and 117 of this law;
2. to request the presence of the taxpayer or the withholding agent as stated in article 99 of this law;

3. to determine the necessary books, documents, and supporting documents that the taxpayer or the withholding agent must maintain and provide to the tax administration as stated in articles 98 and 100 of this law;
4. to require the taxpayer or third person to provide information related to the taxpayer or withholding agent as stated in article 99 of this law;
5. to enter the residence or the business establishment of the taxpayer, the withholding agent, or a third person to obtain information related to the taxpayer or the withholding agent as stated in article 100 of this law;
6. to receive from state institutions information concerning or related to the taxpayer or the withholding agent as stated in article 116 of this law;
7. to apply recovery measures to the taxpayer or the withholding agent when the person fails to pay various taxes, additional taxes, and interest as required by this law as stated in articles 109 through 115 of this law;
8. to redetermine transactions between related taxpayers as stated in tax provisions.

The tax administration has the obligations as follows:

1. to collect taxes, additional taxes and interest as stated in article 93 of this law;
2. to maintain confidentiality of information that the taxpayer or a third person has provided and communicate this information only to the person as determined by tax provisions as stated in articles 94, 128 and 138 of this law;
3. to provide information to the taxpayer or to the withholding agent to ensure proper implementation of tax provisions as stated in article 96 of this law;
4. to refund or credit overpaid taxes as stated in tax provisions;
5. to provide a letter of notification for tax assessment to the taxpayer or to the withholding agent as stated in articles 116 through 118 of this law.

Section 3

Tax Administration

Article 93: Responsibility for Tax Administration

The institutions responsible for the administration of tax provisions are as below:

- the Tax Department of the Ministry of Economy and Finance;
- other institutions of the Royal Government which tax provisions have empowered.

The tax administration has the obligation to collect taxes and apply penalties as determined by tax provisions and to appeal to the court in the case of violations of law.

Article 94: Confidentiality of Tax Information

The tax administration and every person who is or has been official and agent of the tax administration must keep confidential the information pertaining to the taxpayer that they have received during their official performance of their duty and can provide the information only to the person that this article allows.

The official and the agent of the tax administration can provide information related to the taxpayer only to:

1. an official and other agent of the tax administration at the time and for the purpose of carrying out the duties according to the tax provisions;
2. the criminal authority for the purpose of laying charges for tax violations;
3. the court in the stage of ruling in order to assess the tax of the taxpayer that must be paid or the responsibility for the violation of the tax provisions;
4. the tax authority of another country in accordance with the international agreement.

The person who receives information from another who is authorised to provide the information as stated in paragraph 2 of this article must keep the confidentiality of that information as determined in this article except for a minimum level for which it is necessary to provide the information.

The information related to the taxpayer can be provided to another person if there is written accord from the taxpayer.

Article 95: Delivery of Information to the Taxpayer (New)

1- A letter or notification that the tax administration provides to the taxpayer shall impose an obligation on the taxpayer to the tax administration only when that letter or notification is made in written form and is delivered to the taxpayer.

2- When the tax provisions require the tax administration to provide a letter or notification to a person in writing, that letter of notification shall be considered as correctly delivered only if that letter or notification has been delivered to that person or sent by registered mail to the legal address of that person.

3- The date of the latter or notification is the date of delivery to the person. In the case where the letter of notification is sent by registered mail the date of notification is the date of the stamp on the registered letter of bureau of post.

4- The letter of notification shall be considered correctly delivered and received if the conditions of paragraph 2 of this article are satisfied even if the person so notified refuses delivery or to accept registered mail.

5- Where the address of a person has changed and the person has failed to notify the tax administration of the change, the letter of notification sent to the last known address shall be considered correctly delivered and received.

6- If for any reason letter or notification cannot be delivered to the taxpayer in accordance with the previous paragraphs of this Article, the letter or notification shall be considered correctly delivered if the tax administration has:

   a) affixed the letter or notification to the door of the premises where the taxpayer has his residence or is carrying on a business; or
   b) published in a newspaper, requiring the tax payer to come to the tax administration office not later than 15 days from the date of publication.

Article 96: Publicity and Explanation of Tax Law

The Tax Administration must prepare short explanatory booklets about the important contents of each tax.
For a tax that the tax administration determines as advisable to explain and to guide, the local tax officials must arrange to educate those taxpayers so that they understand their obligations and rights.

Article 97: Incentives for the Efficient and Effective Collection of Tax

The Ministry of Economy and Finance shall establish an incentive system for officials and agents of the tax administration. The procedures for the operation of the incentive system shall be determined by □arkas.

Article 98: The Keeping of Financial and other Supporting Documents

The taxpayer must keep books of account, supporting documents, and other financial documents as determined by the tax provisions and must submit these books and documents to the tax administration for inspection when requested.
As to the taxpayer who has no obligation to keep books of account according to the General Chart of Accounts of the Kingdom of Cambodia, he must keep a journal with chronological recording of all income and expenses pertaining to the business in line with a form prescribed by tax administration.
The person who must keep books of account, documents, or journals that are prescribed by the tax provisions or other provisions, must preserve these books or documents for a period of 10 years starting from the end of the tax year.
An invoice shall be issued for every transaction between the taxpayer and another person. The rules and the content of the invoice shall be determined by sub-decree.
The taxpayer shall correctly record the details of the invoice in the journals of account.

Article 99: Right to Receive Information

For the purpose of determining the tax that any person must pay or for the purpose of collecting taxes, the tax administration can issue a letter of notification to the taxpayer or a third person:

- to provide information related to the taxpayer as stated in the letter of notification such as information on suppliers, clients, or bank accounts;
- to present oneself at the time and place designated in the letter of notification for the purpose of showing or providing information, documents, or data that are in the possession of the person and that are clearly stated in the letter of notification.

In addition to the information required as stated in paragraph 1 of this article, the letter of notification must contain the name and the identification number of the taxpayer (if available) and the signature of the tax administration issuing the letter of notification.

Article 100: Power of Investigation (without an advanced letter of notification)

For each inquiry for which a letter of mission is issued, the tax administration has the right to enter the business establishment, the place that is considered to be the business establishment, the place that is open to the public, or other places for the purpose of assessing the tax of any person that must be paid or for the purpose of collecting taxes:

- during the business hours;
- any time according to the condition and reasons stated in the warrant issued by a judge.

The tax administration that has entered legally the place as stated in paragraph 1 of this article can:

- compile or copy documents that are in that place;
- confiscate documents or other evidence that can become information for assessing the tax of a person that must be paid;
- install different control instruments or seal goods if they are related to any application of tax;
- inventory assets, raw materials, work in progress, finished products, and all other stock.

The tax administration can request a banking institution in the Kingdom of Cambodia to provide information about the taxpayer's account in the bank.

When making its inquiry on entry the tax administration must demonstrate the proper behaviour and avoid any possible damage to the honour or the business of the taxpayer. In any case, the on site inquiry shall not be more than what is necessary.

Article 101: Requirement to Register

A person must register with the tax administration within 15 days after the person begins economic activity.

A person shall inform the tax administration within 15 days of any change in the address, form, name, or object of the business, the transfer or cessation of the business, the leadership or the person in charge of tax matters of the enterprise.

Article 102: Certificate of Registration and Tax Identification Number

When the registration is complete the tax administration shall issue a certificate of registration which will include the tax identification number of the person. This identification number shall be used on all tax related documents.

All departments under the Ministry of Economy and Finance shall use the identification number of this article. All contracts with government institutions must bear the tax identification number to be considered valid.

Article 103: The Right of the Tax Administration to Register a Taxpayer

The tax administration has the right to register a person who is required by law to be registered and who has failed to register. In this case, the tax administration can determine the effective date of registration.

Section 4

Tax Declarations

Article 104: Preparation and Submission of the Tax Declaration (New)

1- The taxpayer or withholding agent must submit a tax declaration to the tax administration according to the form, the time and the place determined by the tax administration.

2- The tax declaration must be signed by the taxpayer or his legal representative.

3- All investors shall file a monthly return for each month and an annual tax return for that tax year, and pay all taxes payable as required by each tax provision.

4- All investors shall attach a CDC Certificate of Compliance to the annual tax return for that tax year.

Article 105: Preparation and submission of the information declaration and other documents

Any person who makes payments to another person must submit to the tax administration an information declaration about that payment in a manner as prescribed by the tax administration.

Article 106: The Taxpayer's Representative

The person who is the representative of the taxpayer, must have on behalf of the taxpayer, the right to:

- submit tax declarations;
- show reports and various correspondences;
- pay taxes as prescribed by the tax provisions;
- make protests and appeals;
- perform all obligations for which the taxpayer is held responsible under tax provisions.

The taxpayer can transfer rights in written form to another person to carry out activity on his behalf in matters related to taxes with the rights and obligation as stated in paragraph 1 of this article. The taxpayer can set limits on this transfer of right.

The tax administration can require the person who acts on behalf of the taxpayer on the basis of the transfer of right to submit evidence in written form of this transfer of right.

The taxpayer shall be directly responsible for every activity of the person who is his legal representative or of the person who has received the right transferred from him until the time when the tax administration receives the confirmation in written form from the taxpayer about the cancellation of that transfer of right.

The person who is the representative of the taxpayer shall register this relationship with the tax administration within 15 days from the date that the relationship was established.

Section 5

Collection of Taxes

Article 107: Payment of taxes

The payment of taxes shall be as follows:

1. Tax is due and payable within the period of time that tax provisions require for the submission of a tax declaration.
2. A tax debt is due and payable within 30 days after a letter of notification for tax collection is delivered.
3. A tax debt is due and payable within 3 days after delivery of a letter of notification for tax collection as provided in paragraph 4 of article 116 of this law.
4. The Minister of Economy and Finance shall establish by prakas rules and procedures by which:
    a. to schedule the collection of a tax debt to avoid the risk of a loss from non-collection;
    b. to consider a tax debt as a non-collectable tax.

Article 108: Liability of Directors, Managers, or Owners

If the directors or managers or owners of an enterprise know or intentionally cause the enterprise not to declare or to under declare tax in violation of the tax provisions or not to pay withheld tax to the tax administration, those directors or managers or owners are personally liable for the taxes to be paid.

Section 6

Power of the Tax Administration in Tax Collection

Article 109: Rights on the Properties of Taxpayers

If any person who is obligated to pay tax as required by tax provisions, neglects or refuses to pay tax after a reminder letter of notification for tax collection is properly delivered the tax administration shall have a lien on that person's properties in accordance with the tax debt.

The lien on the taxpayer's properties is born on the date the reminder letter of notification for tax collection is delivered to the taxpayer as stated in article 95 of this law.

If various conditions of this article are correctly satisfied, the lien on the properties as stated in paragraph 1 will have validity and priority over all other liens existing before or after that lien on the taxpayer's property.

Any person can make a protest to the tax administration requesting the removal of the lien on his own property as stated in paragraph 1 of this article by alleging an error in imposing that right.

If the tax administration has determined that the imposition of the lien on that property was in error, the tax administration must issue a certificate confirming the removal of the lien on the property within 10 days after the determination together with a statement in the certificate that the imposition of the lien was erroneous.

Article 110: Reminder Letter of Notification for Tax Collection

The tax administration must send a reminder letter of notification for tax collection to the taxpayer at least 15 days before proceeding with any recovery measure.

Article 111: Confiscation

The confiscation of the taxpayer's properties shall be as follows:

1. If the taxpayer fails to pay the tax debt within 15 days after receiving the reminder letter of notification for tax collection, the tax administration can confiscate the taxpayer's properties to guarantee the payment of the tax debt as well as the expenses for the collection of the tax. For the purpose of this law the term "confiscation" means the confiscation by all means and the sale of the taxpayer's properties by the tax administration but the confiscation of properties shall not exceed the tax debt and expenses for the collection of the tax debt.
2. The person holding or administering the taxpayer's properties confiscated by the tax administration under paragraph 1 of this article can not return those properties to the taxpayer or use those properties to make various payments except for payments that tax administration has authorised.
3. The tax administration can implement the confiscation of the taxpayer's properties which are held or administered by another person 15 days after notifying the person holding or administering the properties.
4. The person who is holding or administering such confiscated properties, must surrender those properties or pay taxes, additional taxes, interest, and expenses for the collection of taxes to the tax administration, except for such part of properties which are under the proceedings of liquidation of the business activity.
5. Any person who fails to surrender property, as stated in paragraph 4 of this article, is responsible in the amount of the value of those properties but not in excess of the amount which is the object of that confiscation.
6. Any person who has complied with the requirements in paragraph 2 and 4 of this article shall be released from any responsibility to the taxpayer or third persons on the property, tax amounts, or other obligations transferred to the tax administration.
7. If the tax administration has a sound basis to believe that the collection of taxes can suffer, the tax administration can require the taxpayer to pay tax immediately and if the taxpayer does not comply with this requirement can proceed with the immediate confiscation of the taxpayer's properties.
8. Such personal property as determined by sub-decree is exempt from the confiscation.
9. The sale of the confiscated properties must be carried out by auction. Expenses incurred from this sale are the charge of the taxpayer.

Article 112: Protection of the Taxpayer

The properties to be confiscated by this law must be confiscated, held, and accounted for only by the tax administration. Other institutions of the government by themselves cannot use this law to confiscate or to hold those properties. If there is sale of properties confiscated by this law, any part of the proceeds, which are in excess of the tax liability of the taxpayer under this law, must be returned to the owner of those properties.

Article 113: The Freezing of Bank Accounts

The confiscation in article 111 of this law may include also the freezing of the taxpayer's account at the bank by the tax administration's letter of notification which goes into effect immediately upon delivery of that letter to the bank.
Under this notification for the freezing of bank accounts, the bank cannot open new accounts for this same taxpayer and cannot make payments from the accounts, except for the payments prescribed by the tax administration for settling the taxes to be paid, interest, and other additional taxes.
The frozen bank accounts can only be reopened with a letter of notification from tax administration.
The bank that does not comply with the letter of notification as described in paragraph 1 of this article, shall be responsible to the tax administration to the extent of the amounts in the taxpayer's account at the time when the letter of notification is delivered.

Article 114: Stopping Export-Import Operations

The confiscation in article 111 of this law may include stopping export-import operations. Stopping export-import operations means the distraint by the customs administration of imported goods to be sent to the taxpayer and the goods to be exported by the taxpayer, under a letter of notification from the tax administration which takes immediate effect upon delivery of that letter to the customs administration.
The tax administration can confiscate and sell the taxpayer’s goods which are distrained by the customs administration according to the conditions as stated in article 111 of this law.
The release of export-import operation from the stopping shall be implemented under a letter of notification from the tax administration.
Goods distrained by the custom administration that do not belong to the taxpayer shall be released from this distraint with the approval from the tax administration.

Article 115: Order Nullifying Permit and License

The confiscation in article 111 of this law can include the issue of a letter of notification by the tax administration to the competent authorities requesting them to nullify various permits and licenses of the taxpayer to implement an activity.

Section 7

Tax Assessment

Article 116: Assessment of Tax

The tax amount shall be assessed as follows:

1. In the case where the taxpayer’s tax is paid through the withholding method and the taxpayer does not have the obligation to make the tax declaration, the taxpayer’s assessment of tax shall be the assessment of the tax amount withheld in the calendar year.
2. In the case where the taxpayer or withholding agent has the obligation to submit a tax declaration, the taxpayer’s or withholding agent’s assessment of tax shall be the

assessment of tax that the taxpayer or withholding agent has calculated on the tax declaration submitted to the tax administration.

3. In the case where the taxpayer or withholding agent has the obligation to submit a tax declaration but does not do so, does not maintain proper records of account or other documents as required, or does not provide the necessary information to the tax administration to properly determine tax, the taxpayer's or withholding agent's assessment of tax shall be the unilateral tax assessment made by the tax administration and delivered to the person. The unilateral tax assessment shall be based on:
    a. information mentioned in various tax declarations or in other documents submitted by the taxpayer to the tax administration;
    b. information mentioned in an information declaration;
    c. other information received by the tax administration.
4. When there is a basis indicating that the collection of tax can suffer, the tax administration may assess tax on the taxpayer at any time.

Article 117: Tax Re-Assessment and Period of Tax Re-Assessment

The tax re-assessment and period of tax re-assessment shall be as follows:

1. In the case of a tax assessment based on paragraph 1 of article 116 of this law, the tax administration can re-assess the tax within three years following the calendar year in which the withholding took place.
2. In the case of a tax assessment based on paragraph 2 and 3 of article 116 of this law, the tax administration can re-assess the tax in one of the periods of time as below:
    a. within 3 years after the date the tax declaration was submitted;
    b. within 10 years after the date the tax declaration was required to be submitted if there is evidence of the obstruction of the implementation of tax provisions;
    c. at anytime with the written consent of the taxpayer.
3. The taxpayer or withholding agent may request to amend a tax declaration within three years of the filing date of the tax declaration in paragraph 2 of article 116 of this law, on the basis of an error or an oversight made by the taxpayer in the original tax declaration. If the amended tax declaration results in a refund or credit of tax, the tax administration has the right to do a verification under established tax verification procedures.
4. The taxpayer or withholding agent can request the tax administration to amend a tax re-assessment within 3 years of the date the tax administration made the tax re-assessment on the basis of additional information that was not available to the taxpayer or the tax administration at the time of the tax re-assessment.
5. Where a taxpayer or withholding agent amends his own tax declaration or requests the tax administration to amend a tax re-assessment, the time limitations for tax re-assessment under paragraphs 1 and 2 of this article will apply from the date the amended tax declaration was submitted or from the date the tax administration amends the tax re-assessment.

Article 118: Procedure for Tax Re-Assessment

The re-assessment shall proceed according to procedures as follows:

1. The tax administration shall provide a letter of notification for tax re-assessment to the taxpayer.
2. The taxpayer has 30 days to answer the tax re-assessment to the office of the Tax Department responsible for the tax re-assessment. Within that period, taxpayer can accept or dispute the tax re-assessment. The taxpayer shall be considered to have accepted the tax re-assessment if he fails to answer.
3. Where there is a dispute over the tax re-assessment, the taxpayer may file a protest with the Director of the Tax Department according to the procedures as stated article 120 of this law.
4. The office of the Tax Department responsible for the tax re-assessment shall forward the results of the tax re-assessment to the tax collection office within a period of 30 days after the issue of the letter of notification for tax re-assessment.

Article 119: Burden of proof

When the taxpayer fails to maintain sufficient documents or fails to provide sufficient information, the tax administration has the right to assess tax on the taxpayer on the basis of any precise information available to the tax administration. The burden of proof that the tax as determined by the tax administration is incorrect is on the taxpayer.
When there is clear difference between the taxable income or the income reported by the taxpayer and the purchase of assets or other things which make the taxpayer's expenditure conspicuous, the tax administration has the right to assess tax on the basis of the estimated income appropriate for the amount of expenditures to buy the assets or other things that are conspicuous. The burden of proof that the tax as determined by the tax administration is incorrect is on the taxpayer.

Section 8

Settlement of the Taxpayer's Protest

Article 120: Rules for Administrative Protests

The rules for the settlement of the taxpayer's protest on tax issues shall be as follows:

1. A taxpayer who is not satisfied with the tax re-assessment or other decision made by the tax administration can file a protest with the Director of the Tax Department. The protest must be limited to facts or other information contained in the tax re-assessment or the decision or the procedures of the tax re-assessment.
2. The administrative protest must be made in writing according to the form as stated in the article 121 of this law, and must be submitted to the tax administration within 30 days after the day the taxpayer receives the letter of notification for tax collection from the tax administration.
3. The administrative protest does not relieve the taxpayer of any obligation to pay various taxes, additional taxes, and interest as specified in the letter of notification for tax collection.

Article 121: Contents of the Administrative Protest by the Taxpayer

An administrative protest can only be accepted if the letter of protest has the contents as below:

1. identification number of the taxpayer who makes the letter of protest, if available;
2. reference to the assessment, decision, or results which are the objects of the letter of protest;
3. facts or acts which are objects of the letter of protest;
4. reasons of the protest;
5. date and signature of the taxpayer and signature of the taxpayer's authorised representative if necessary.

Article 122: Decision by the Tax Administration

The tax administration must issue a new decision within 60 days after the date the letter of protest is received to confirm the correctness or incorrectness, in whole or in part, of the tax assessment or other decision that the taxpayer disputes. The tax administration shall also state the basis of this decision.
If the taxpayer does not accept this new decision of the tax administration he can file a letter of protest to the Committee of Tax Arbitration within a period of 30 days.

Article 123: Committee of Tax Arbitration

The organisation and functioning of the Committee of Tax Arbitration shall be determined by sub-decree upon proposition of the Minister of Economy and Finance.

Article 124: Appeal to the Court

The taxpayer has the right to appeal to the competent court against the decision of the Committee of Tax Arbitration within a period of 30 days after receiving notification of that decision.
The taxpayer must deposit in the national treasury an amount of money equal to the taxes, additional taxes, and interest under dispute and as assessed by the tax administration before filing the appeal to the court.

Section 9

Violations of Tax Provisions

Article 125: Negligence

The taxpayer or withholding agent is considered negligent if the amount of tax paid is less than the amount of tax as determined by tax provisions by no more than 10 percent.
The taxpayer or withholding agent is considered negligent if they fail to file a tax declaration or to pay tax at the date required by law.

Article 126: Serious negligence

The taxpayer or withholding agent is considered seriously negligent if the amount of tax paid is less than the amount of tax as determined by tax provisions by more than 10 percent.

Article 127: Tax evasion

Tax evasion is the willful, knowing, or systematic and repeated violation of tax provisions with the intention of reducing or eliminating the tax amount required by tax provisions to be paid.
Shall be considered also as tax evasion any serious negligence as stated in article 126 of this law which is committed on:

1. two separate occasions within a period of three calendar years;
2. three or more separate occasions in any period of time.

Article 128: Obstructing the Implementation of Tax Law

Obstructing the implementation of tax provisions includes:

1. In the case where the person:
    a. fails to maintain proper records of account and other documentation or fails to issue invoices on transactions;
    b. fails to allow the tax administration access to records of account and other documents;
    c. fails to register with the tax administration;
    d. fails to notify the tax administration of any change in the registration as stated in this law;
    e. makes or furnishes fraudulent records, documents, reports, or other information;
    f. conceals or deliberately destroys accounting papers, records, documents, reports or other information;
    g. attempts to obstruct the assessment or the collection of taxes;
    h. fails to submit a nil tax declaration within 30 days of the date required by law;
    i. willfully supports any of the above acts.
2. In the case where an official of the government:
    a. discloses confidential information without authorisation;
    b. attempts to obstruct the assessment and the collection of taxes;
    c. willfully supports any of the above acts.

Article 129: Criminal violation of tax law

Without prejudice to other administrative penalties a person who has engaged in tax evasion activities as provided in article 127 of this law, or obstructed the administration of the tax system as provided in article 128 of this law shall have committed a criminal violation of tax provisions.

Section 10

Additional Tax

Article 130: Additional tax

Additional tax must be applied to violations of tax provisions.
The additional tax for the underpayment of tax or the late payment must be calculated separately from the additional tax for the obstruction of the implementation of tax provisions.
In the case of the underpayment of tax the additional tax and interest shall be due and payable in the same manner as the underpaid tax amount.
In any case, the implementation of additional tax shall not affect the implementation of penalties for criminal violation of tax provisions.

Article 131: Additional Tax for Underpayment of Tax

To a person who is negligent, additional tax shall be 10 percent of the amount of the underpaid tax plus 2 percent interest on the amount of the underpaid tax for each month or part of a month that the amount of the underpaid tax is not paid.
To a person who is seriously negligent, additional tax shall be 25 percent of the amount of the underpaid tax plus 2 percent interest on the amount of the underpaid tax for each month or part of a month that the underpaid tax is not paid.
In the case of a unilateral tax assessment, additional tax shall be 40 percent of the amount of the underpaid tax plus 2 percent interest on the amount of the underpaid tax for each month or part of a month that the underpaid tax is not paid.
Interest shall not be applied during the period of tax re-assessment under article 118 of this law or within 30 days after delivery of the letter of notification for tax collection.

Article 132: Additional Tax for Late Tax Payment

To a person who fails to pay tax by the due date, additional tax shall be imposed at the rate of 10 percent of the amount of the late tax payment plus 2 percent interest on the amount of the late payment for each month or part of a month that the tax amount is not paid.
Where a person fails to pay tax within 15 days after receiving a reminder letter of notification for tax collection, additional tax shall be imposed at the rate of 25 percent of the amount of the late tax payment plus 2 percent interest on the amount of the late tax payment for each month or part of a month that the tax amount is not paid.
In the case of a unilateral tax assessment for the non-submission of a tax declaration, additional tax shall be 40 percent of the amount of the tax assessed plus 2 percent interest on the amount of the tax assessed for each month or part of a month that the tax amount is not paid.
Late interest shall be calculated from the first day of the month following the month in which the tax must be paid. For the tax on profit the late interest shall be calculated from the first day of the following month for which the period for the filing of the declaration of the annual result has already expired.
The additional tax for the late payment of tax on means of transport shall be 100 percent of the tax that must be paid.

Article 133: Additional Tax for the Obstruction of the Implementation of Tax Law

For the obstruction of the implementation of tax provisions the additional tax shall be as below for each act:

1. two million Riels for a person or a taxpayer or a withholding agent under the real regime system of taxation or a government official;
2. five-hundred thousand Riels for a taxpayer or a withholding agent under the simplified or estimated regime system of taxation.

Section 11

Criminal Violations

Article 134: Power to sue for criminal charges

Except for violations stated in the articles 139 and 140 of this law, legal action to seek prosecution for criminal violations of tax provisions, shall be made by the Director of the Tax Department with the approval of the Minister of Economy and Finance.

Article 135: Tax evasion

Without prejudice to any other penalties, a director or manager or owner of an enterprise or a person entrusted with a responsibility for an enterprise who commits an act of tax evasion as stated in article 127 of this law shall be liable to pay a fine from ten million Riels to twenty million Riels and to imprisonment from 1 year to 5 years or both.

Article 136: Obstruction of the Implementation of Tax

Without prejudice to any other penalties, any person who commits acts obstructing the implementation of tax provisions as stated in article 128 of this law shall be liable to a fine from five million Riels to ten million Riels and to imprisonment from 1 month to 1 year or both.

Article 137: Aiding or Abetting

Any person who deliberately aids or abets another person to commit criminal violations to this law, or deliberately advises or induces another person to commit such violation, shall be guilty and liable to the same penalty as if he has committed the violation himself.

Article 138: To reveal the confidentiality

Without prejudice to any other penalties, any person who violates the article 94 of this law shall be guilty of violation of law and liable to a fine from five million Riels to ten million Riels and imprisonment from 1 month to 1 year or both.

Article 139: Violations by the tax officials

Any person who has been assigned to implement tax provisions and who has deliberately committed act as below shall be guilty of a violation of the law and liable for a fine from five million Riels to ten million Riels or imprisonment from 1 month to 1 year or both:

1. withholding an amount of tax for his own use or for other uses not mentioned in the tax provisions;
2. submitting incorrect reports of the tax amount that he has collected or has received;
3. using his position as tax official to obtain money or other benefits from the taxpayer or other person;
4. collecting or attempting to collect tax without authorisation.

Any person who has been assigned to implement tax provisions and who has deliberately requested an amount more than is allowed by law shall be punished for a violation of law according to the criminal law in force.

Any person who has been assigned to implement tax provisions and who has deliberately requested or accepted bribes shall be punished for bribe taking according to the criminal law in force. The person making the bribe shall be punished for offering bribes according to the criminal law in force.

Article 140: Compensation for misconduct or mistake

If the taxpayer believes that he has suffered financial loss or personal injury from the improper or illegal activities of the tax administration, the taxpayer can sue for compensation for those losses or injuries to court within three years following the date of the last financial loss or personal injury.

Chapter 6

Closing Provisions

Article 141:

All provisions contrary to this law shall be abrogated.

Article 142:

This law is promulgated urgently.

This law is adopted by the National Assembly of the Kingdom of Cambodia on the January 8, 1997 at the 7th session, 1st term of the National Assembly.
Royal capital of Phnom Penh, January 8th, 1997
President of the National Assembly