

**Kingdom of Cambodia
Nation Religion King**

Ministry of Economy and Finance
No: 543 MoEF.BrK

**Prakas
On
Tax on Salary**

**Deputy Prime Minister
Minister of Economy and Finance**

- Having seen the Constitution of the Kingdom of Cambodia
- Having seen Royal Decree NS/RKT/0918/925 dated 06 September 2018 on Appointment of Royal Government of Cambodia
- Having seen Royal Decree NS/RKT/0320/421 dated 30 March 2020 on Appointment and Adjustment of Composition of Royal Government of Cambodia
- Having seen Royal Code NS/RKM/0618/012 dated 28 June 2018 promulgating the Law on Organization and Functioning of Council of Ministers
- Having seen Royal Code NS/RKM/0196/18 dated 24 January 1996 promulgating the Law on Establishment of Ministry of Economy and Finance
- Having Royal Code NS/RKM/0508/016 dated 13 May 2008 promulgating the Law on Public Financial System
- Having seen Royal Code NS/RKM/0297/03 dated 24 February 1997 promulgating the Law on Taxation
- Having seen Royal Code NS/RKM/0303/010 dated 31 March 2003 promulgating the Law on Amendment to the Law on Taxation
- Having seen Sub-decree 488 OrNKR.BK dated 16 October 2013 on Organization and Functioning of Ministry of Economy and Finance
- Having seen Sub-decree 75 OrNKR.BK dated 25 May 2017 on Adjustment to Sub-decree 488 OrNKR.BK dated 16 October 2013 on Organization and Functioning of Ministry of Economy and Finance
- Having seen Sub-decree 09 OrNKR.BK dated 13 February 2020 on Annual Income Tax and Monthly Salary Tax Thresholds
- Having seen Prakas 1173 MoEF.PD.BrK dated 31 December 2003 on Tax on Salary
- According to the necessity of the Ministry of Economy and Finance;

**Decide
Chapter 1
General Provisions**

Article 1 Purpose

The purpose of this Prakas is to adjust and update Prakas and regulations related to tax on salary to respond to the Cambodian economic growth and ensure the effectiveness of tax revenue collection.



Article 2 Scope

This Prakas shall apply to resident natural persons in the Kingdom of Cambodia for salary from Cambodian source and salary from foreign source and non-resident natural persons for salary from Cambodian source.

Article 3 Definition

For the objectives of this Prakas:

- 1- The term “salary” refers to salaries, remunerations, severance pay, bonuses, 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 fulfillment of employment activities.
 - A- The term “salaries” refers to wages that are paid to an employee for performing work regardless of hourly or daily or weekly basis or minimum basis, regardless of being paid directly or indirectly or paid in cash or in kind. The term “salaries” also includes risk bonus (work, region or health), family allowance (wife or/and children), backpay.
 - B- The term “remunerations” refers to a reward for performing work in addition to wages as a reward for performing a particular work for the employer.

For example: Ms. B is an accountant at Company A which its basic business activity is supply of agricultural products. Ms. B is asked by the company to be filmed for an advertisement spot which the company will pay her for this advertisement spot. Thus, the pay for Ms. B’s advertisement spot is deemed to be a remuneration.
 - C- The term “severance pay” refers to position pay, severance pay for fixed duration contract (FDC) or seniority indemnity for undetermined duration contract (UDC) or indemnity for dismissal and other indemnities.
 - D- The term “bonuses” refers to incentive bonus, target bonus, pay in addition to the monthly salary and similar bonuses for employees performing the work that is the business benefit of the employer.

For example: Company A is a real estate company that earns more incomes than that set in the annual plan and the company pays each employee a bonus of 3 months’ salary. Thus, the incentive bonus that employees receive shall be deemed to be a bonus.
 - E- The term “overtime” refers to a pay that workers/employees have received by working overtime outside their normal working hours.
 - F- The term “compensations” refers to money provided to employees because their workplace is moved far away from their house or their work runs a risk etc.
- 2- The term “employer” includes public institutions, resident legal entities, resident partnerships, permanent establishments in the Kingdom of Cambodia, non-profit organizations or resident natural persons who run a business.
- 3- The term “employee” refers to a natural person who has received a salary from performing their work including those who are responsible for enterprises or directors of enterprises, civil servants, elected officials except members of the National Assembly and Senate.
- 4- The term “resident” used for employees, taxpayers or natural persons means those who have a residence or a principal place of abode in the Kingdom of Cambodia or who are present in the Kingdom of Cambodia more than 182 days within 12 months completed in the current tax year.
- 5- The term “non-resident” refers to any natural person who is not a resident under paragraph 4 of this Article and receives salary from Cambodian sources.



- 6- The term “salary from Cambodian sources” refers to salary received by performing work in the Kingdom of Cambodia. However, a salary that a non-resident receives for providing technical assistance shall be deemed to have a source in the country where the salary payer resides.
- 7- The term “salary from foreign sources” refers to a salary received for performing work outside the Kingdom of Cambodia.
- 8- The term “international organizations” refers to inter-governmental organizations that are established by an international treaty for the benefit of members or serving the public interests by activities without seeking a profit.

Article 4 Work status

If compared to professional activities or other activities, work activities are identified according to the status of work performed by employees under the supervision of their employer. A natural person shall be deemed to be an employee and is subject to tax on salary if the work status of the natural person meets 2 of the following conditions:

- A- Have no risk of not being paid for their work activities if the natural person has come to work at the place as set and meet the conditions stipulated in an employment contract regardless of being made orally or in writing.
- B- The natural person cannot set time and place for performing work by himself/herself.
- C- The natural person does not need to spend much capital to buy tools used for performing work.
- D- The natural person does not perform work for many persons at the same time.

Article 5 Rules of residence and source

- 1- For the criteria of residence in Cambodia, a natural person who meets one of the following 3 criteria shall be deemed to be a resident in the Kingdom of Cambodia:
 - A- The natural person has a residence in the Kingdom of Cambodia which is ownership or rental or lease, rented house, building, room, dormitory etc. which is usable and the natural person always stays in or occupies.
 - B- The natural person has a principal place of abode in the Kingdom of Cambodia according to the actual form of stay based on factors such as economic center of the natural person, duration of stay, nature of stay, place where the family of the natural person stays, bank account of the natural person, place where the natural person carries out main social activities.
 - C- The natural person is present in the Kingdom of Cambodia more than 182 days per time or many times within 12 months completed in the current tax year. In determining the number of stay days in the Kingdom of Cambodia, the presence in any part of any day shall be counted as one full day.

In case of unclarity about the criteria stipulated in point A and point B of this paragraph, the presence of natural person stipulated in point C is the final condition for determining the state of being a resident of the natural person.

- 2- As stipulated in Article 41 of the Law on Taxation for resident natural person in the Kingdom of Cambodia, the salary received inside and outside the Kingdom of Cambodia shall be subject to tax on salary.



- 3- As stipulated in new Article 49 of the Law on Taxation for non-resident natural person in the Kingdom of Cambodia, the salary that this person has received for performing work in the Kingdom of Cambodia shall be subject to tax on salary except any salary paid for technical services or other services and the salary payer is not present in the form of permanent establishment or specific operation base in the Kingdom of Cambodia.
- 4- Employees can be free from the obligation of paying tax on salary as stipulated in paragraph 3 of this Article provided that they meet the following 3 conditions:
 - A- The employee is not present in the Kingdom of Cambodia more than 182 days per time or many times within 12 months completed in the current tax year.
 - B- The employee receives a salary paid by or in the name of the employer who is not a resident in the Kingdom of Cambodia.
 - C- The employee receives a salary that is not the charge of a permanent establishment or specific operation base that the employer operates in the Kingdom of Cambodia.
- 5- To determine whether an employee is subject to tax on salary, the Tax Administration shall take the following into consideration:
 - A- Person who is responsible for or in charge of damage resulting from the work performed.
 - B- Person who has the right to manage employees.
 - C- Person who manages the place where the work is performed, person who sets the basis of remuneration and set other relations with the employer.
 - D- Person who supplies materials and equipment that employees use.
 - E- Person who sets the number and level of capacity of employees to be hired.
- 6- For the purpose of the tax on salary, the qualification to be a resident shall be set under paragraph 1 of new Article 42 of the Law on Taxation regardless of immigration status.

Chapter 2 Salary

Article 6 Subject of tax

Tax on salary is the monthly tax set on salary received from performing work.

Article 7 Taxable salary

Taxable salary is all salary income received from performing work except fringe benefits as stipulated in Chapter 3 of this Prakas. Monthly taxable salary shall be set as follows:

- 1- For resident employees:
 - A- Salary from Cambodian sources
 - B- Salary from foreign sources
 - C- Advance money, loan or installment 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- For non-resident employees, taxable salary includes Cambodian source salary that is subject to tax under the provisions of this Chapter.



Article 8 Tax exempt income of employees

Tax exempt salary includes:

1. Real refunds on professional expenses made by the employee under the assignment and for the benefits of the employer and which meet the following 3 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. Indemnities 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 shall be exempt from tax on salary if the employee is required to return those materials to the employer when they resign. However, for uniforms it is necessary for performing work and shall be provided in the same manner for all employees who have the same position.
5. Flat allowance for mission and travel expenses provided instead of reimbursement regime for real expense as stipulated in paragraph 5 of Article 44 of the Law on Taxation which cannot exceed the State's allowance for the same work.

Article 9 Staff of diplomatic missions and foreign governments

Salary and benefits of officers and employees of diplomatic missions or consulate of any foreign government holding diplomatic or official passport of that country in the framework of performing official work in the Kingdom of Cambodia shall not be subject to tax on salary.

Article 10 Employees of international organizations and technical cooperation agencies

Salary and benefits provided to representatives, officers and employees employed by the principal office of international organizations and technical cooperation agencies of foreign governments for the activities of performing official work for these organizations shall not be subject to tax on salary.

Article 11 Employees of technical assistance projects

1- Other than resident natural persons in the Kingdom of Cambodia working in administrative position or ordinary assistant position in the technical assistance project who shall be subject to tax on salary, employees as described in the technical assistance project of an international organization or technical cooperation agency of any foreign government as technical assistance staff shall be exempt from tax on salary after the project documents obtain approval from the Minister of Economy and Finance.

2- If the international organization or technical cooperation agency signs an agreement to handover the project to any contractor, the employees of the contractor working as technical assistance staff as described in the project documents as stated in paragraph 1 of this Article shall be exempt from tax on salary. The contractor shall clearly keep records of the work of technical assistance staff and separate the work outside the project or his/her other staff



Article 12 Salary tax base

- 1- Monthly salary tax base is all the amount of payments either in cash or in kind after deducting allowance for dependent children and housewife spouse except any amount determined as fringe benefits as stipulated in Chapter 3 of this Prakas.
- 2- Based on the evidence of family situation, any resident employees with:
 - A- Dependent children at the time of tax payment is allowed a reduction in the tax base in the amount of 150,000 Riels (one hundred fifty thousand Riels) per each child per month.
 - B- A housewife spouse is allowed a reduction in the tax base in the amount of 150,000 Riels (one hundred fifty thousand Riels) for one person only per month.
 - C- For a family where both father and mother have taxable salary, the reduction in the tax base for dependent children is applicable for only the taxable salary of the father or mother.
- 3- As stipulated in paragraph 1 of Article 46 of the Law on Taxation, all the money that the employer pays to his/her employee in the form of advance money, loan or installment shall be added to the monthly taxable salary of the month that those amounts were paid to the employee. The amount to be added to the monthly taxable salary is the amount of advance money, loan or installment that has not been withheld for paying tax.
- 4- Advance money, loan or installment that the employee repays shall be deducted from the taxable salary of the month that the employee repays. For loan, the reduction is allowed for only the principal amount while the interest shall be recorded as income of the employer.
- 5- As stipulated in paragraph 4 of Article 52 of the Law on Taxation, the monthly salary of resident or non-resident natural person shall be subject to tax on salary regardless of where it is paid.

Article 13 Dependent child

- 1- Dependent child is a child of the employee whose age is not more than 14 years old or is a child of the employee who is a student or university student whose age is not more than 25 years old and who is studying full time at an officially recognized educational institution.
- 2- Dependent child shall have birth certificate and/or relevant supporting documents.
- 3- If a dependent child whose age is more than 14 years old to 25 years old is a student or university student who is studying full time at an officially recognized educational institution, the employer shall present a certificate clearly proving that the child is a student or university student who is studying full time.
- 4- The Tax Administration shall have right to deny the certificate of any educational institution that previously issued a fake certificate.
- 5- Dependent child is still deemed to be a dependent child in the month that the child reaches 15 years old or in the month that the child graduates or reaches 26 years old.

Article 14 Rate of tax on monthly salary of employees to be withheld

- 1- For resident employees, the tax amount to be paid shall be set based on the monthly taxable salary and shall be withheld by the employer as per the progressive tax rates as stipulated in Sub-decree on Annual Income Tax and Monthly Salary Tax Thresholds.
- 2- For non-resident taxpayers, the tax amount shall be withheld by the payer of the salary at a rate of 20 percent for every payment of taxable salary as stipulated in paragraph 3 of



Article 46 of the Law on Taxation. This tax is the final tax of tax on salary for non-resident who receives the salary.

Chapter 3

Fringe Benefits

Article 15 Determination of fringe benefits

- 1- As stipulated in paragraph 8 of new Article 42 of the Law on Taxation, fringe benefits include goods, services or benefits in cash or in kind that the employer provides directly or indirectly to a natural person for performing work that the natural person performs for the benefit of the employer.
- 2- Benefits that the employer provides directly or indirectly to a natural person shall be subject to fringe benefits tax. Those benefits include:
 - A- All types of vehicles
 - B- Food
 - C- Residence, stay
 - D- Water, electricity and phone
 - E- Domestic worker in the residence
 - F- Money lent with lower interest than market interest. The rate of market interest that is applicable shall be set by the Ministry of Economy and Finance.
 - G- Discount sale of goods
 - H- Educational assistance for employees which is not any part of training program directly related to the work performed by the employee.
 - I- Educational assistance for children of employees
 - J- Life or health insurance premium except the provision of the same fringe benefits for all employees without distinction according to roles and positions.
 - K- Part of support of unreasonable and unnecessary expense for the employer's business.
 - L- Amount paid to social welfare fund that exceeds the limit allowed by the law.
 - M- Amount paid to pension fund that exceeds 10 percent of the monthly salary without adding fringe benefits of the employee.
 - N- Expenses on guest reception, entertainment, recreation or use of any means related to those activities which is not any part related to work.
 - O- Provision of any part of shares or company capital.

Article 16 Use of vehicles

The use of vehicles to transport employees shall not subject to fringe benefits tax if it meets the following 3 conditions:

- A- The vehicle is parked in the business location after working hours and on days off.
- B- The vehicle is not specifically handed over to any employee or member of any employee after working hours.
- C- The vehicle is not used by an employee or dependent individual of employee to do personal work.



Article 17 Rate of fringe benefits tax

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 provided to all employees. The value of fringe benefits is the fair market value inclusive of all taxes.

Article 18 Taxable value of fringe benefits

- 1- Value of fringe benefit is the fair market value inclusive of all taxes of fringe benefits provided. For assets to be depreciated, the fair market value is the depreciated amount allowed as stipulated in point C of paragraph 1 of new Article 13 of the Law on Taxation. In case the Tax Administration disagrees to the fair market value of fringe benefits as set by the employer, the Tax administration has the right to re-assess the taxes to be paid as stipulated Article 119 of the Law on Taxation.
- 2- Fringe benefits shall be taxable in the month that the fringe benefits are provided to employees without considering the date that the fringe benefit becomes the charge of the employer.

Chapter 4 Foreign Tax Credit

Article 19 General principles of foreign tax credit

- 1- A resident natural person who has received salary from foreign sources and has paid taxes according to foreign tax law shall receive a tax credit for deduction from the tax on salary to be paid in the Kingdom of Cambodia under conditions that documents confirming the payment in the foreign country are presented.
- 2- 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.
- 3- The tax credit is determined separately for the tax paid by a Cambodian resident natural person in each foreign country. The tax credit allowed to be deducted for the tax on salary paid abroad is the smallest amount among:
 - A- The tax amount actually paid in any foreign country
 - B- 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 in new Article 47 (three) of the Law on Taxation by the ratio of salary received in that foreign country to the total salaries from all sources.
- 4- 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 foreign payer of tax on salary and the foreign Tax Administration.

Article 20 Credit for foreign tax that the resident has paid

- 1- Tax credit allowed shall be set annually based on the total salaries received without adding taxable fringe benefits.
- 2- As stipulated in paragraph 2 of Article 50 of the Law on Taxation, evidence of documents proving foreign tax payment are:



- A- Certification of the employer or employment contract detailing the work performed, date and salary paid for work in the foreign country.
 - B- Copies of documents that the employer has submitted to the Tax Administration in that foreign country to pay taxes.
 - C- Receipt of foreign tax payment issued by the Tax Administration in the foreign country.
- 3- Confirmation documents as stipulated in paragraph 2 of this Article in other languages besides Khmer or English shall attach properly recognized translation.

Chapter 5

Obligations of Employer and Submission of Tax Return

Article 21 Obligations of employer in keeping records, maintaining and providing documents and records

As stipulated in paragraph 3 of Article 54 of the Law on Taxation, the employer shall:

- 1- Keep the following information in each employee's employment documents:
 - A- Name of employee
 - B- Sex
 - C- Date of birth and place of birth
 - D- Nationality
 - E- Residence or accommodation
 - F- Position
 - G- Date of employment and resignation, if any
 - H- Gross monthly salary without fringe benefits
 - I- Fringe benefits stated in the employment contract
- 2- Keep records of the following information in the documents of all payments to employees:
 - A- Total monthly salary without fringe benefits paid to employees
 - B- Detailed information on incidental expenses that are not subject to fringe benefits such as overtime, reimbursement and other payments or bonuses.
 - C- Payment to social welfare fund as required by the Labour Law
 - D- Monthly taxable salary of employee that is subject to tax on salary under new Article 47 (three) of the Law on Taxation
 - E- Withholding tax under new Article 47 (three) of the Law on Taxation.
- 3- Keep records of fringe benefits paid to employees by clearly stating the type and value of fringe benefit.
- 4- In case the employer buys fringe benefits for the benefit of employees, the employer shall maintain the invoice or the fringe benefit purchase contract in the accounting documents of the enterprise.
- 5- Keep records of the following information in the list of salary and fringe benefits of each employee:
 - A- Gross remuneration of employees that is subject to tax on salary
 - B- Tax base to be withheld under new Article 47 (three) of the Law on Taxation
 - C- Amount of withholding tax
 - D- Value of fringe benefits provided.



Article 22 Submission of tax return and tax payment

The payment of tax on salary and fringe benefits tax withheld shall submit tax returns and pay the taxes withheld by the employer to the Tax Administration as per the form set out by the Tax Administration no later than the 20th of the following month.

Tax returns may be reviewed and be subject to tax re-assessment, if any. In case the employer fails to submit tax return on tax on salary, the Tax Administration may assess the tax unilaterally.

**Chapter 6
Final Provisions**

Article 23 Abrogation

Prakas 1173 MoEF.PD.BrK dated 31 December 2003 on Tax on Salary and all regulations contrary to this Prakas shall be abrogated.

Article 24 Implementation

Minister Attached to the Prime Minister, Chief of Cabinet, Secretary General, Royal Delegate in charge as Director General of General Departments, or Director Generals of all General Department, Inspector General of General Inspectorate and heads of units under the supervision of the Ministry of Economy and Finance shall be in charge of implementing this Prakas as per their respective duties from the date of signature.

Phnom Penh, 08 September 2021

Deputy Prime Minister,

Minister of Economy and Finance

(signed and stamped)

Akkabanditsapeacha Aun Pormuniroth

Recipients:

- Office of the Council of Ministers
- Cabinet of Samdech Akka Moha Sena Padei Techo Prime Minister
- Cabinet of Samdech, Excellency, Lok Chumteav Deputy Prime Minister
- Municipal and Provincial Halls
- As in Article 24 "for implementation"
- Royal gazette
- Archives

