

Technical Update

January 2023

Implementation on New Taxable Salary Thresholds

(Instruction No. 017 MEF, dated 27 December 2022)

Effective from 1 January 2023 onwards, the below new salary thresholds shall be implemented for salary payable to resident employees from January 2023 for determining their taxable salary subject to ToS at the progressive tax rate by tranche:

No.	Threshold of taxable salary subject to ToS (Riel)				Tax Rate	Tax Relief (Riel)	Tax Payable
1	From	0	to	1,500,000	0%	0	nil
2	From	1,500,001	to	2,000,000	5%	75,000	[Taxable salary x 5%]- 75,000
3	From	2,000,001	to	8,500,000	10%	175,000	[Taxable salary x 10%]- 175,000
4	From	8,500,001	to	12,500,000	15%	600,000	[Taxable salary x 15%]- 600,000
5			over	12,500,000	20%	1,225,000	[Taxable salary x 20%]- 1,225,000

For tax residents, the tax relief amounting to KHR150,000 per month for the spouse and for each dependent child shall be deducted from the gross salary of the employee to arrive at the taxable salary base. In addition, the benefits (e.g., transportation, meal, social security / welfare fund, health insurance, baby care and indemnity / severance pay) provided to employees-workers for fulfilling works as per Circular no. 011 MEF, dated 6 October 2016, shall also be deducted from the gross salary to arrive at the taxable salary base.

Our comments

It should be stressed that as per General Department of Taxation (GDT)'s practice, enterprises providing benefits as per Circular no. 011 must submit to the GDT a copy of their policy on such benefits for these to be eligible for such tax exemption. In this case, without such notification/approval from the GDT, there may be a risk that those benefits may be considered as part of taxable salary which may not be deducted from the gross salary to arrive at the taxable salary threshold. Meanwhile, taxpayers should also keep sufficient supporting documents on the claiming of tax reliefs for the spouse and dependent child in case these are requested by the GDT during tax audit events.

Extension of the Prepayment of Tax on Income (PTol) Suspension for the Textile and Garment Sector

(Prakas No. 002, dated 6 January 2023)

Prakas no. 002 further extends the 1% PTol suspension period for the textile and garment industry for another 3 years starting from 2023 to the end of 2025. The suspension is applicable to Qualified Investment Projects (QIPs) in the textile and garment industry, including enterprises producing textiles, garment, footwear, bag, handbag and hat for the purpose of export, whose income tax holiday (ITH) period already expired.

Furthermore, qualified enterprises are required to comply with the following conditions:

- maintain proper accounting records as per the provisions of the Law on Taxation and the Provision of the Law on Accounting which are in effect;
- declare and pay all other tax obligations by the stipulated deadline; and
- provide the annual independent audit report to the GDT.

The GDT has the right to invalidate this temporary suspension and impose other penalties if enterprises fail to comply with the above conditions.

Our comments:

The textile and garment industry is one of the pillar industries sustaining Cambodia's economy. The extension of the 1% PTol suspension will provide some tax relief to this industry, whose operations were significantly impacted by the global pandemic. It should be noted, however, that the PTol suspension is only applicable to QIPs in the sector, and subject to the three conditions, including the timely submission of proper tax declarations, keeping of proper accounting records and providing the annual independent audit report to the GDT. As it is, qualified enterprises must ensure proper compliance with tax and regulatory obligations in Cambodia to benefit from said tax relief.

As a committed tax advisor to our clients, we welcome any opportunity to discuss the relevance of the above matters to your business.

Contact us

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