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J 2020

L F M
2020

(R K NS/RKM/1219/025, 20
D 2019)

T L F M (LFM)
2020, R K NS/RKM/1219/025
20 D 2019
L T (LT)

W :
1.P 4 A 20 N ()

"T T
I (TI)

- A 20
LT, S -D
M E F (MEF)"

2.A 23 N ()
A 23 N (). A T D
D (ATDD) :
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A 20 N () "

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ATDD

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3.A 22 N (TI),
- , .W
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ATDD A 23 N ()
TI
1 2 A 20 N ().

D -
W T
A 26 N () .

4.T "A " A
31 N "A
".

5.A 47 N (). R

S -D MEF.

O

B A 23 N (), QIP
(.. 0% TI)

(R/E) 0% TI,
QIP 20% A I
T D D (AITDD). I ,
QIP 0% TI

.H ,
QIP
(.. AITDD) 20% -
QIP

W 2020 L FM, A
23 N (), AITDD

A T D
D (ATDD). A
(

1997 LT)
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P TI.

As above, based on the Article 23 New (two), we would think that the exemption on QIPs as well as on income from insurance and reinsurance premiums on property from the subject/imposition of the ATDD is a welcome measure which provides a real tax incentive for QIPs. Nonetheless, it is still in question on the applicability of this ATDD on undistributed R/Es of QIPs prior to the promulgation date of the 2020 LoFM, i.e. whether they are still required to pay 20% ATDD once they distribute R/E from prior years that was subject to 0% Tol before the promulgation date of the 2020 LoFM. We would think that this can be still subject to interpretations and hence, this matter should be consulted and clarified further with the GDT.

Another update to LoT provisions for Tol on physical person and pass-through shall be determined by the MEF's Sub-Decree. As a result, the threshold of income and progressive rate of those physical persons and pass-through shall be updated and generally, it might be taken a consideration of time to get Sub-Decree above to be issued by the MEF.

The similar update to the LoT provisions for salary tax progressive rate to be set by the MEF also show that the responsibility and decision are delegated to the MEF to determine the threshold for taxable salary. The expected changes would likely be further raising the threshold for taxable salary, to exclude even more workers/employee salary from being taxed in accordance with the government policy to provide further tax relief for working people.

We will cover further update regulations or additional implementation regarding above matter, if any, in subsequent publications

Use of Exchange Rates

(Instruction 27617, dated 12 December 2019)

The General Department of Taxation (GDT) has issued Instruction no. 27617, dated 12 December 2019, to instruct the use of exchange rates for taxpayers in the self-assessment regime.

From **January 2020** onward, exchange rates to be used for issuance of invoice and for calculation of monthly and annual taxes shall be determined as follows:

1. Daily exchange rate, taxpayers shall use daily exchange rate of the National Bank of Cambodia (NBC), for disclosure on invoice in Khmer Riel. During a non-working day or before working hours of NBC, taxpayers shall use the exchange rate a day before.
2. Salary exchange rate, taxpayers shall use the exchange rate of the NBC issued every 15th of each month, to calculate salary taxes. If the 15th falls on a non-working day, taxpayer shall use the exchange rate a day before.
3. Monthly exchange rate taxpayers shall use the exchange rate of the NBC issued on the last day of each month to calculate monthly taxes.
4. Annual exchange rate taxpayers shall use the exchange rate of the NBC issued on the last day of December of each year to calculate annual taxes.



Our comments

Per this Instruction, it seems the GDT will no longer issue the exchange rates for monthly and annual taxes declaration as currently practiced with effect from January 2020.

In respect of this Instruction, it has been raised a few issues/concerns such as:

- Creating an administrative burden on those taxpayers who have high volume of invoices issuance on a daily basis when it is required to disclose Khmer Riel based on daily exchange rate as most companies' business transactions as well as the accounting records and system has already been set up US\$ as a functional currency,
- Unclear exchange rates to be used for monthly tax return preparation. For instance, should the 1% Tax on Income be either calculated on Khmer Riel disclosure per the invoices or conversion of the monthly exchange rate on the total sales based on US\$ figure. Also should the 10% WHT on rental be calculated based on daily rate of the rental invoice or the monthly exchange rate at the end of the month.
- Unclear annual exchange rates for certain taxpayers with different tax year.

Given the above, a further clarification and/or specific request might be sought from the GDT if any taxpayer cannot implement the Instruction above (i.e. point 1 above) in particular from the practical issue perspective.

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

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