



KINGDOM OF CAMBODIA

National Religion King

MINISTRY OF ECONOMY AND FINANCE

No: 575 MEF

PRAKAS

On

SALARY TAX

DEPUTY PRIME MINISTER

Minister of Ministry of Economy and Finance

- Having seen the Constitution of the Kingdom of Cambodia;
- Having seen Reach Kret No. NS/RKT/0823/1981 dated 22 August 2023 on the Appointment of the Royal Government of Cambodia;
- Having seen Reach Kret No. NS/RKT/0224/205 dated 21 February 2024 on the Appointment for adjustment of the composition of the Royal Government of Cambodia;
- Having seen Reach Kram No. NS/RKM/0618/012 dated 28 June 2018 promulgating the Law on the Organisation and Functioning of the Council of Ministers;
- Having seen Reach Kram No. NS/RKM/0196/18 dated 24 January 1996 promulgating the Law on the establishment of the Ministry of Economy and Finance;
- Having seen Reach Kram No. NS/RKM/0323/001 dated 10 March 2023 promulgating the Law on Financial System;
- Having seen Reach Kram No. NS/RKM/0523/004 dated 16 May 2023 promulgating the Law on Taxation;
- Having seen Sub-Decree No. 43 ANK.BK dated 28 February 2022 on the Organization and Functioning of the Ministry of Economy and Finance;
- Having seen Sub-Decree No. 48 ANK.BK dated 11 March 2024 on the threshold of annual taxable income and the monthly taxable salary;
- According to the requirements of the Ministry of Economy and Finance.

DECIDES
CHAPTER 1
GENERAL PROVISION

Article 1: Purpose

This Prakas aims to determine the rules and procedures for collecting salary tax.

Article 2: Scope

This Prakas is applicable for physical person resident in the kingdom of Cambodia for Cambodia source salary and foreign source salary and a non-resident physical person for Cambodia source salary.

Article 3: Definitions

For the purpose of this Prakas:

1- **Salary** means salary, remunerations, indemnities, 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 fulfillment of employment activities.

- a- **Salary** means the basic salary paid to an employee for performance of work including family allowances whether paid directly, indirectly, or paid in cash or in kind.
- b- **Wage** means wages paid to an employee for performance of work whether on the basis of an hourly, daily or weekly whether paid directly, indirectly, or paid in cash or in kind.
- c- **Remunerations** means any consideration for the performance of work supplementing to the salary or wages in the sense of given out of kindness for performing duties to the employer.

Example1:

Ms. B is an accountant at Company A which the main business activity is the agricultural products supplies. Ms. B was invited by the company to advertise the business, and the company will pay the fee for the advertising. Therefore, the fee for advertising of Ms. B is considered as remunerations.

- d- **Indemnities** means the severance indemnities, indemnities of termination for labor contracts of specific duration or seniority payment for labor contracts of unspecific duration or indemnity for the layoff and other indemnities.
- e- **Bonuses** means the incentive amount such as bonuses, overtargets, salary supplements on monthly salaries, and approximate bonus for performing of the employees for the benefit of the employer.

Example2:

Company A is a real estate company receives exceed annual income, and the company pays each employee an incentive bonus of 3 months of monthly salary. Therefore, the bonuses that employees receive is considered as bonuses.

- f- **Overtime** means the payment that a worker-employee receives during the framwork of overtime working out of their normal working hours;

g- **Compensation** means other allowances provided to employees due to relocation away from home or risky work etc.

2- **Employer** includes any government institution, any resident legal person, any partnership, any permanent establishment in the Kingdom of Cambodia, associations, organizations, political parties, or any resident physical person carrying on a business.

3- **Employee** means any physical person receiving salary from their employment activity including any responsible officer or director of an enterprise, any governmental officer, any elected official except for members of parliament and senate.

4- **Resident**, when used for an employee, taxpayer, or physical person means has his residence 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.

5- **Non-resident** means any person who is not a resident according to paragraph 4 of this Article and receives salary from a Cambodian source.

6- **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- **Foreign source salary** means salary received within the framework of fulfilling employment activities outside the Kingdom of Cambodia.

8- **International organization** means an inter-governmental organization established under international treaties to consider the interests of its members or to act in the public interest by non-profit activities.

Article 4: Employment Status

Employment activity characterized by the state of subordination to the employer of the employee in fulfilling their activities. Any physical person shall be considered as an employee and subject to the salary tax if the physical person have the employment activity with the 2 conditions as following:

1- Not risk for non-payment of employment services rendered as long as he appears for work at a designated place and performs the tasks which are part of a general employment agreement whether written or not;

2- Not able to fix the time and place for rendering employment services;

3- The physical person is not required to have a significant investment in the equipment necessary to render employment services;

4- The physical person does not supply services to several recipients simultaneously.

Article 5: Residence and Source Rules

1- Any physical person who satisfies any one of the 3 criteria as below shall be treated as residence in the Kingdom of Cambodia:

a- A physical person has his residence located or situated in the Kingdom of Cambodia if he owns, rents, leases, or has available for use a house, apartment, dormitory, etc. in which he usually stays or occupies;

- b- A physical person's principal place in the Kingdom of Cambodia, which is a factual determination based on factors such as the physical person's center of economic, the amount of time spent, the nature of time spent, where that person's family resides, the physical person's bank accounts are hold, his main social activities take place;
- c- A physical person is present in the Kingdom of Cambodia for more than 182 days during one or more separate periods in any period of 12 months ending in the current tax year. In determining the number of days in the Kingdom of Cambodia, presence for any part of a day is counted as a whole day;

In the case of any uncertainty in the specified in sub-paragraph a and sub-paragraph b of this paragraph, the presence of physical person stated in sub-paragraph c shall be the final criteria for determining the resident of the physical person.

2- **Resident physical person** as provided in Article 41 of the Law on Taxation, shall be subject to salary tax for salaries received in and from outside of the Kingdom of Cambodia.

3- **Non-resident physical person** as provided in Article 49 of the Law on Taxation, is subject to the salary tax for the salary that such person has received for employment services rendered in the Kingdom of Cambodia, except salary paid for technical or other services where the payer of the salary does not have a presence in the Kingdom of Cambodia in the form of a permanent establishment or fixed base of operation in the Kingdom of Cambodia. For the purpose of this paragraph, Technical assistance means services which characterized as technical assistance that require technical skills or knowledge to develop or create inputs in business, such as scientific, physical, chemical, medical, dental, pharmaceutical, law, hydrology, veterinary, arts, education, engineering, architecture, research, accounting, economic, well-being, atomic, including consulting services by technician.

4- In determining the liability of an employee to salary tax, the tax administration shall consider various facts as following:

- a- Person who bears the responsibilities and risks for the work produced;
- b- Person who has the authority to instruct the employee;
- c- Person who controls the place where the work is performed, the basis of remuneration and other connections to the employer;
- d- Person who supplies the materials and tools needed by the employee;
- e- Person who determines the number and qualifications of the employee or employees hired.

CHAPTER 2 SALARY

Article 6: Objective of Salary

The salary tax is a monthly tax imposed on salary that has been received within the framework of fulfilling employment activities.

Article 7: Taxable Salary

Taxable salary is all salary incomes from employment activities except the fringe benefits as stated in Chapter 3 of This Prakas. Monthly taxable salary shall be determined as following:

- 1- For a resident employee includes:
 - a- Salary received from Cambodian sources;
 - b- Salary received 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 a non-resident employer, taxable salary includes salary from Cambodian sources taxable according to the provisions of this chapter.
- 3- The monthly salary of resident employee or non-resident employee as stated in paragraph 4 of Article 51 of the Law on Taxation shall be subject to salary tax no matter where the salary is paid.

Article 8: Salary Tax Exemption

Salaries shall be exempted as following:

- 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 conditions as following:
 - 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 in case of the termination of contract within the limit as provided in the Labor Law and the types of tax exemption indemnities shall be determined by the Prakas of the Minister of the Ministry of Economy and Finance.
- 3- Additional remuneration for establishment of pensions and insure social welfare or with social affair characteristics as provided in the Labor Law and Social Security Schemes Law shall be determined by the Prakas of the Minister of the Ministry of Economy and Finance.
- 4- The supply of uniforms and professional equipment free of charge or at below cost is exempt from salary tax if the employee must return the articles to the employer upon termination of employment and in the case of uniforms they must be a necessity to perform the job and must be supplied to all persons in similar positions in the same manner.
- 5- The flat allowance for mission and travel in lieu of the real expense refund as provided in paragraph 5 of Article 44 of the Law on Taxation cannot exceed the government allowance for similar works.

Article 9: Employees of Diplomatic Missions and Foreign Government

Salary and other fringe benefits that officers and employees of any 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 shall not be subject to salary tax.

Article 10: Employees of International Organizations and of agencies of technical cooperation

The salary and other fringe benefits paid to representatives, officers, and employees employed by the headquarters of international organizations and agencies of technical cooperation of other governments for employment activities in an official capacity for such organizations shall not be subject to salary tax.

Article 11: Employees of Technical Assistance Projects

1- Except for physical persons resident in the Kingdom of Cambodia who are employed in an administrative or clerical position within a technical assistance project and who shall be subject to the salary tax, employees who are defined in the technical assistance project document of an international organization or agency of technical cooperation of a foreign government as technical assistance personal shall be exempt from salary tax after the project document has received approval from the Minister of Economy and Finance.

2- Where the international organization or agency of technical cooperation has contracted a contractor for the execution of the project, the employees of the contractor who work as technical assistance personnel has been defined in the project document described in paragraph 1 of this Article shall be exempt from salary tax. The contractor shall clearly record the work of the technical assistance personnel and separate it from any work outside the project or from the work of all of his other personnel.

Article 12: Salary Tax Base

1- The base for monthly taxable salary shall be all payments in cash or in kind minus the endowment for dependent children and housewives except those payments classified as fringe benefits in chapter 3 of this Prakas.

2- Based on the evidence of family situation, any resident employee shall be allowed for deduction of tax base as following:

- a- Minor dependent children for 150 000 riels per each child per month;
- b- Spouse having only an occupation as housewife for 150 000 riels for one person only per month.
- c- In case where both spouses in a family are working, the deduction as stated in sub-paragraph a of this paragraph is allowed for one parent only.

3- As provided in paragraph 1 of Article 46 of the Law on Taxation, any amounts which advanced to an employee by an employer in the form of an advance, a loan or installment is to be included in the monthly taxable salary in the month the amounts are advanced. The amount to be included in monthly taxable salary is the amount of the advance, loan or installment before any withholding.

4- Any repayment by the employee of an advance, loan or installment shall be deducted from monthly taxable salary in the month of repayment. In the case of a loan, only the principal amount may be deducted. Interest shall be recorded as income for the employer.

Article 13: Dependent Minor

1- A dependent minor is a child of the employee who is not greater than 14 years of age or who is a child of the employee and a full time student at a recognized degree granting educational institution and who is not greater than 25 years of age.

2- A dependent minor must have a proper birth certificate and/or supporting Documents.

3- In the case of a dependent minor who is over 14 years to 25 years of age and a full time student at a recognized degree granting educational institution, the employer must present a letter of certification which clearly states that the dependent minor is currently enrolled as a full time student in a degree program.

4- The tax administration has the right to deny the certification of an educational institution that has previously issued false certifications.

5- A dependent minor shall be considered a dependent minor in the month where the person attains to 15 years of age or in the month the student completes a degree program or attains to 26 years of age.

Article 14: Monthly Salary Tax Rate

1- For resident employees, the tax payable shall be withheld by the employer using the progressive rate by tranche with the monthly thresholds as following:

No	Monthly Taxable Salary (Riels)			Tax Rates	
1	from	0	to	1,500,000	0%
2	from	1,500,001	to	2,000,000	5%
3	from	2,000,001	to	8,500,000	10%
4	from	8,500,001	to	12,500,000	15%
5		more than		12,500,000	20%

2- For non-resident employees, the tax payable shall be withheld by the payer at the rate of 20% on all taxable salary payments as stated in paragraph 3 of Article 46 of the Law on Taxation. This tax is the final tax of salary tax for non-resident salaried recipients.

CHAPTER 3 FRINGE BENEFITS

Article 15: Fringe Benefits Defined

1- Fringe benefits, provided in paragraph 8 of Article 42 of the Law on Taxation, include any good, service, or other benefits in cash or in kind, provided directly or indirectly by the employer to a physical person for employment activities that the physical person has fulfilled for the benefits of the employer.

2- Fringe benefits provided by the employer directly or indirectly to an employee shall be subject to the salary tax on fringe benefits. These fringe benefits include mainly:

- a- A vehicle of any kind;
- b- Foods;
- c- A house or housing;
- d- Utilities;
- e- Household personnel;
- f- Loan at less than the market rate of interest, the applicable market rate of interest shall be determined by the Ministry of Economy and Finance;
- g- Discount on the sale of goods;
- h- Educational assistance for the employee that is not part of a training program directly related to the performance of the duties of the employee;
- i- Educational assistance for the employee's minors;
- j- Life and health insurance premiums unless same benefits are provided to all employees regardless of employment or job classification;
- k- The portion of an expense allowance that is not reasonable and necessary to the business of the employer;

- l- Contribution to social security funds in excess of the levels provided in law;
- m- Contributions to a pension plan in excess of 10% of the employee's monthly salary exclusive of fringe benefits,
- n- Expenses on entertainment, amusement or recreation, or the use of any means in connection with such activities which are not part of an employment relationship.
- o- Giving any share of company stock or capital.

Article 16: Use of Means of Transportation

The use of means of transportation to transport employees, accommodation and food to perform the work in an overall and appropriate manner, regardless of employment or job classification is not subject to salary tax on fringe benefits.

Article 17: Tax Rate on Fringe Benefits

For fringe benefits, every month, the employer shall withhold and pay the salary tax on fringe benefits at the rate of 20% of the total value of fringe benefits given to all employees inclusive of all taxes. The withheld tax amount must declare with monthly salary tax.

Article 18: Taxable Value of Fringe Benefits

1- The value of a fringe benefit shall be the fair market value inclusive of all taxes of the fringe benefits provided to the employee. In the case of a depreciable asset, the fair market value of the fringe benefits shall be the amount of depreciation allowed as stated in sub-paragraph c of paragraph 1 of Article 13 of the Law on Taxation. Where the tax administration is not satisfied with the fair market value of the fringe benefits as determined by the employer, the tax administration has right to re-assess the tax due as provided in Article 212 of the Law on Taxation.

2- Fringe benefits shall be subject to tax in the month that such fringe benefits are provided to the employee regardless of the date when the benefit is accrued by the employer.

CHAPTER 4 FOREIGN TAX CREDIT

Article 19: General Principle of Foreign Tax Credit

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

2- In order to calculate the salary tax to be paid in the Kingdom of Cambodia before deduction of this tax credit, the total amount of salary 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 in each foreign country. But the tax credit to be allowed for deduction in the tax year for the tax paid in any one foreign country is the smaller of:

- a- The tax amount actually paid in that foreign country;
- b- The amount obtained by multiplying the total Tax on Salary from all sources for the same period calculated according to the tax rate in Article 14 of this Prakas the Law on Taxation, with the ratio of salary received in that foreign country to the total salary from all sources;

4- 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 salary tax payer and from the foreign tax administration.

Article 20: Credit for Foreign Taxes Paid by a Resident

1- The tax credit to be allowed is determined on an annual basis based on total salary received, exclusive of the fringe benefits taxable as salary tax on fringe benefits.

2- As provided in paragraph 3 of Article 50 of the Law on Taxation, substantiation of foreign taxes paid requires:

- a- A statement from the employer or an employment contract detailing the work performed, the date and amounts for any payments of salary for work in a foreign country;
- b- A copy of the form that the employer has submitted to the tax administration of the foreign country for the payment of taxes;
- c- The receipt of payment of foreign taxes issued by the tax administration of the foreign country.

3- Any document as stated in paragraph 2 of this Article which is made in a language other than Khmer or English shall be accompanied by a certified translation of their contents.

CHAPTER 5

OBLIGATIONS OF EMPLOYERS AND SUBMISSION OF DECLARATION

Article 21: Obligations of the Employer to Keep and Supply Records

As provided in paragraph 3 of Article 52 of the Law on Taxation, the employer shall:

- 1- Keep the following information in the employment record for each employee:
 - a- Given name and family name of the employee;
 - b- Sex;
 - c- Birthdate and birthplace;
 - d- Nationality;
 - e- Residence or domicile;
 - f- Position;
 - g- Date of commencement of employment and the date that employment was terminated, if any;
 - h- Gross monthly salary exclusive of fringe benefits;
 - i- Fringe benefits that are part of the employment contract.
- 2- Record in the payment document the following information for each payment to the employee:
 - a- The total monthly salary exclusive of fringe benefits paid to the employee;
 - b- Details of any subsidiary expenses not subject to the salary tax on fringe benefits such as over-time pay, refund of expenses, and other payments or bonuses;
 - c- Any payments to a social security fund as required by the Labor Law;
 - d- The monthly taxable salary of the employee subject to salary tax as stated in Article 14 of this Prakas;
 - e- The tax withheld as stated in Article 14 of this Prakas;
- 3- Record fringe benefits paid to employees with clear indication of the type and value of those fringe benefits.

4- In the case of a fringe benefit purchased by the employer for the benefit of the employee, the employer must keep the invoice or contract for the purchase of that fringe benefit as part of the financial records of the enterprise.

5- Keep a salary and fringe benefits payment list in which are recorded for each employee as following:

- a- The employee's gross remuneration subject to Tax on Salary;
- b- The tax base subject to withholding as stated in Article 14 of this Prakas;
- c- The tax withheld;
- d- The value of fringe benefits provided.

Article 22: Tax Declaration and Tax Payment

Employer or representative shall be submitted the tax declaration and pay the salary tax and salary tax on fringe benefits to the tax administration with the form prescribed by the tax administration no later than 20th of the following month withheld.

CHAPTER 6 CLOSING PROVISIONS

Article 23: Abrogation

All provisions contrary to this Prakas shall be abrogated.

Article 24: Effective Date

The Minister delegate to the Prime Minister, Cabinet Director, Secretary-General, Delegate of the Royal Government in Charge as the Directors General and all Directors General of all general departments, Inspectors General of the General Inspectorate, all Directors entities under the supervision of the Ministry of Economy and Finance shall undertake to implement this prakas as per their respective duties from the signing date.

Phnom Penh, 19 September 2024
Deputy Prime Minister
Minister of Economy and Finance
[Signature]

AUN PORNMONIROTH, PHD

Recipients:

- Council of Ministers
- Cabinet of Samdech Moha Borvor Thipadei, Prime Minister
- Cabinet of His Excellency, Deputy Prime Ministers
- Capital/Provincial Halls
- As in Article 24 "for implementation"
- Royal Gazette
- Records-Archives