



CAMBODIA

SPECIFIC TAX ON TELECOMMUNICATIONS

The Specific Tax on Telecommunications which is imposed on international and local telephone services was previously increased from 2% to 10% in January 2004. The rate was reduced to 3% from 1 April 2006.

Specific Tax Base – For Cigarettes, Beers and Soft Drinks

The Law on the Amendment to the 1995 Financial Law defined the Specific Tax base as “sales price recorded on the invoice inclusive of all costs and taxes except Specific Tax and Turnover Tax”. However, in the 1997 Law on Taxation the term “sales price recorded on invoice” was amended to “ex-factory sales price recorded on invoice”.

The term “ex-factory sales price” was not defined and the taxpayers have calculated Specific Tax based on production costs.

The Tax Department issued a draft Prakas in 2006 which defines the tax base for Specific Tax as “... total price inclusive of all taxes recorded on invoice to the customers excluding the transportation cost to customers (if included in the total price) and taxes [Specific Tax, Value Added Tax (VAT), Public Lighting Tax]”. Based on the proposed Prakas, the Specific Tax base is the selling price on invoice issued by the manufacturers.

After various meetings between the manufacturers and the Tax Department, the Ministry of Economy and Finance has agreed to amend the proposed Prakas. The new Specific Tax base will be 65% of the selling price (excluding VAT). The Prakas on Specific Tax base was effective from 1 May 2007.

ADDITIONAL 2-YEAR TAX HOLIDAY TO TEXTILE MANUFACTURERS WHICH PRODUCE FOR EXPORT

The Law on Investment entitles the Qualified Investment Project to a range of tax incentives and tax holiday. The duration of the tax holiday period is from 3 to 6 years. The Royal Government of Cambodia has decided to grant an extension of the tax holiday to textile manufacturers including textile industries, garment manufacturers and footwear industries which produce for export. These manufacturers can apply for an additional 2-year tax holiday.

Existing enterprises which registered with the Council for the Development of Cambodia prior to 14 March 2005 and whose tax holidays have expired can apply for the additional 2 year tax holiday.

THE IMPLEMENTATION OF ACCOMMODATION TAX

The Accommodation Tax was effective from 1 January 2007. Hotel owners or their representatives are required to submit the return and make payment of taxes to the Tax Department by the 15th day of the following month for real regime taxpayers or the 10th day of the following month for estimated regime taxpayers.

The Accommodation Tax rate is 2% on room charges including all taxes and service charges except the Accommodation Tax and VAT.

The Tax Department has defined the term “Hotel” to include:

- Hotel
- Hotel Apartment
- Suite Hotel
- Resort Hotel
- Motel
- Lodge
- Bungalow
- Guest House
- Tourist Camping
- Other relevant accommodations