

CAMBODIA

RECENT MAJOR DEVELOPMENTS IN CAMBODIA

Exemption from monthly prepayment of tax on profit for garment and footwear factories

The Ministry of Economy and Finance has announced that effective for the period from April 2008 to December 2010, garment and footwear factories (must be Qualified Investment Projects recognised by the Council for the Development of Cambodia) are not required to pay the monthly prepayment of tax on profit after the tax exemption period. However, the garment and footwear factories are required to pay the annual tax on profit to the Tax Department.

Value added tax (VAT) on lease of land

The Tax Department has recently clarified that lease of land is subject to VAT at 10%.

Under the law, the sale of land is exempt from VAT. In the past, taxpayers have taken the position that as sale of land is exempted from VAT, the lease of land should also be exempted from VAT. However, the Tax Department has now confirmed that the lease of land is a service and 10% VAT applies to all land leases.

In addition, the lessees are required to deduct 10% withholding tax before making payment to the lessors.

National social security fund (NSSF)

The Ministry of Labour and Vocational Training has issued a Prakas or Declaration detailing the registration obligation and other documentation process for employers or owners of enterprises under the Law of Social Security Scheme.

Registration requirement

All existing enterprises or companies must register with the National Social Security (NSS) within 45 days after the effective date of the Declaration. New enterprises or establishments shall register with the National Social Security within 45 days from the date of incorporation.

Based on the Declaration, NSSF is only applicable to enterprises or establishments that have 8 or more employees.

Contribution rate and procedure

The Ministry of Labour and Vocational Training has announced that all employers with at least 8 employees must register with the NSS and are required to contribute to NSSF within 30 days after the issuance of their registration certificates.

The employers are required to contribute to the Occupational Risks Contribution (ORC) an amount equals to 0.8% of the monthly average wage of an employee to NSSF's designated bank account every month by 15th of the succeeding month. The monthly average wage is capped at Riel1,000,000 (approximately USD250) per month. The maximum ORC per month for each employee is approximately USD2 (0.8% x USD250).

All enterprises registered with NSS are required to pay ORC starting from November 2008.

