



KINGDOM OF CAMBODIA
National Religion King

MINISTRY OF ECONOMY AND FINANCE

No 098 MEF. BK

PRAKAS
On
INCOME TAX

Deputy Prime Minister

Minister of Economy and Finance

- Having seen the Constitution of the Kingdom of Cambodia.
- Having seen Reach Kret No. NS/RKT/0918/925 dated 06 September 2018 on the Appointment 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 Creation of the Ministry of Economy and Finance.
- Having seen Reach Kram No. NS/RKM/0508/016 dated 13 May 2008 promulgating the Law on Financial System
- Having seen Reach Kram No. NS/RKM/0297/03 dated 24 February 1997 promulgating the Law on Taxation and its amendment.
- Having seen Reach Kram No. NS/RKM/0303/009 dated 24 March 2003 promulgating the Law on the Amendment of the Law on Investment.
- Having seen Reach Kram No. NS/RKM/0303/010 dated 31 March 2003 promulgating the Law on the Amendment of the Law on Taxation.
- Having seen Sub-Decree No. 488 ANK.BK dated 16 October 2013 on the Organization and Functioning of the Ministry of Economy and Finance.

- Having seen Sub-Decree No. 33 ANK.BK dated 13 February 2019 on the amendment of Article 15 of Sub-decree No. 111 ANK.BK dated 27 September 2005 on the Implementation of the Law on the Amendment of the Law on Investment of the Kingdom of Cambodia.
- Having seen Prakas No. 1059 MEF.BK.GDT, dated 12 December 2003, on the Tax on Profit.
- According to the requirements of the Ministry of Economy and Finance.

DECIDES

CHAPTER 1

General Provision

Article 1: Purpose

This Prakas is intended to gather, amend, and update Prakas and regulations on income tax in response to the economic growth of the Kingdom of Cambodia.

Article 2: Objectives

This Prakas aims to determine the rules and procedures for the implementation of income tax provisions.

Article 3: Scope

This Prakas is applicable to taxpayers under the Self-Assessment regime except for small taxpayers who have to comply with the other provisions.

Article 4: Taxpayer

For the purpose of income tax, the taxpayer refers to a person who is obligated to pay tax, which includes a physical person and a legal person.

Article 5: Resident and Non-Resident Taxpayer

1- For a physical person, the term resident taxpayer refers to any physical person who satisfies any one of the 3 criteria as below:

- 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 centre of economic interest, 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 (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- For a legal person, the term “resident taxpayer” refers to an entity, which is organized, managed or has a principal place of business in the Kingdom of Cambodia.

3- The term “Legal Person” means any enterprise or organization carrying on a business whether or not officially recognized by the competent institutions of the Royal Government. The term “Legal Person” includes capital company, any government institution, religious organization, charitable organization, non-profit organization, or any permanent establishment of the non-resident person in the Kingdom of Cambodia. The term “Legal Person” does not include a partnership or a sole proprietorship.

4- The term “Permanent Establishment” means a fixed place of the business in the Kingdom of Cambodia, the branch of a foreign company or an agent resident in the Kingdom of Cambodia, through which the non-resident person carries on their business. The term “Permanent Establishment” also includes network or other association or connection through which a non-resident person engages in economic activity in the Kingdom of Cambodia. For e-commerce activities, a non-resident taxpayer is considered to have a permanent establishment in the Kingdom of Cambodia if the goods or services are supplied or used in the Kingdom of Cambodia. Permanent establishment is considered as a resident legal person for only the income from a Cambodian source. For The purpose of this Article, Permanent establishment such as following:

- a- A place of management;
- b- A branch of a foreign enterprise, an agency;
- c- An office of a foreign enterprise;
- d- A warehouse, a factory, a workshop, a farm or a plantation;
- e- A mine, an oil or gas well, a quarry or any other natural resources;
- f- A building site, a construction project or an assembly project, or supervisory activities connected to such site or project, where such site or project or activities continue for more than 182 days at one time or more in any 12 month period;

- g- The furnishing of services including consultancy services by the employees or other personnel of a foreign enterprise where such activities continue within the Kingdom of Cambodia for periods aggregating for more than 182 days at one time or more in any 12 month period;
- h- Business activities (including heavy equipment operations) for one or more exploration or business of natural resources for the total more than 90 days at a time or more in any 12 month period;
- i- In addition to the provisions of sub-paragraphs a to h of this paragraph, a person shall be considered a permanent establishment in the Kingdom of Cambodia if such person satisfies one or more of the three conditions as follows:
 - has and regularly exercises the authority to conclude contracts in the Kingdom of Cambodia on behalf of a foreign enterprise;
 - regularly maintains in the Kingdom of Cambodia a stock of goods or merchandise from which he regularly delivers or supplies such goods or merchandise on behalf of a foreign enterprise;
 - collects insurance premiums or insures risks, except the reinsurance of risks, situated in the Kingdom of Cambodia, on behalf of a foreign enterprise;
- j- In actual implementation, the tax administration shall decide for each particular case whether there is permanent establishment or not, on the basis of factual circumstances in that case except in the case of the implementation of the clauses of an international agreement.

5- the term “Capital Company” means public limited company, private limited company, and limited sole proprietorship.

6- the term “Enterprise” means an institute or entity which physical person or Legal person carry on the business.

7- the term “Non-Resident Taxpayer” means any person who is not a resident taxpayer and receives income from Cambodian sources.

Article 6: Tax Base

Income Tax is the debt of a resident person on income from Cambodian sources and income from foreign sources, and the debt of a non-resident person on income from Cambodian source.

Article 7: Source Income

1- In accordance with Article 33(new) of the Law on Taxation, The Cambodian source of income shall include, but not be limited to the following incomes:

- a- Interest paid by a resident taxpayer;
- b- Dividends distributed by a resident taxpayer. For the purpose of this sub-paragraph:

- In case of a transfer of any or all of the retained earnings into the capital of the enterprise, if any time, the enterprise withdraws capital to the shareholder, the withdrawal of the capital shall be deemed as a dividend on the share of capital acquired from retained earnings; In case of a transfer of any or all of the shares in the capital or capital of enterprise which holding the retained earnings the retained earnings pertaining to the shares transferred, whether or not diverted in capital considered as the dividends;
- c- Income from services performed in the Kingdom of Cambodia;
- d- Compensation for management and technical services paid by a resident taxpayer. For the purpose of this sub-paragraph:
 - The term “Management Service” means any management service designed to perform the management functions of a business, including recruitment, training, management, sales, etc.
 - The term “Technical Service” means services 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. The term "consulting service" means the professional or advisory service related to technical service as stated in this sub-paragraph;
- e- Income from movable or immovable property, if such property is situated in the Kingdom of Cambodia;
- f- Royalties from the use, or right to use intangible property paid by a resident, or paid by a non-resident taxpayer through a permanent establishment that maintains in the Kingdom of Cambodia. For the purpose of this sub-paragraph the term “ Royalty for Intangible Assets” means:
 - The right to use, publish and sell copyright of literary, artistic, scientific, or similar rights (including copyrights and broadcasting audio or video ...) patent, business option, brands manufactured, trademarks, drawings, templates, plans, formula, and secrets about how to make... In essence, anything that is intangible or other rights;
 - Knowledge or know-how or information related to industry, trade, science, technology ...
 - The transfer of knowledge or information described in this sub-paragraph;

- Suggestions or services related to the implementation or using the rights described in this sub-paragraph;

The royalties for intangible assets also include the payment of any benefits from mining interests other than the net income from business on this resource and dividends;

- g- Gain from the sale of immovable property located in the Kingdom of Cambodia or from the transfer of any interest in immovable property situated in the Kingdom of Cambodia or capital gain from financial assets and investment assets in the Kingdom of Cambodia, or capital gains from the transfer of any or all of the equity in the capital of the enterprise in the Kingdom of Cambodia;
- h- Premiums from the insurance or reinsurance of risks in the Kingdom of Cambodia;
- i- Gain from the sale of movable property which is part of the business property of a permanent establishment of a non-resident taxpayer in the Kingdom of Cambodia;
- j- Income from business activities carried on by a non-resident taxpayer through a permanent establishment in the Kingdom of Cambodia;

2- In accordance with Article 34 (new) of the Law on Taxation, any income that is not treated as from Cambodian source income in paragraph 1 of this Article shall be deemed to be from foreign source income.

3- As stated in Article 35 of the Law on Taxation where there is insufficient information to determine what the source of income is, or where the rules set forth so far in Article 33(new) of the Law on Taxation or other tax provisions cannot clearly reflect the income is from any one source, the tax administration is the one to decide on the source of that income.

Article 8: Income Exempt from Tax

Income exempt from tax shall be as follows:

- 1- The income of the Royal Government and institutions of the Royal Government;
- 2- The income of:
 - a- Any organization organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes and no part of the property or earnings of which is used for any private interest;
 - b- Any association in the case where the income of these association is not used for the private benefit of any shareholder or physical person;

Income exempt from tax in this paragraph not including the income from activities not within the exclusively of those associations or organizations.

CHAPTER 2

General Rules on Taxable Income

Article 9: Tax Year

In accordance with Article 5 (new) of the Law on Taxation, the tax year shall be determined as follows:

- 1- For the legal person:
 - a- the income tax is calculated from the accounting results derived in each calendar year (from 1st January to 31st);
 - b. For the new enterprises carry on a business at any time of the calendar year, the accounting results shall be counted from the beginning of business up to 31st December of the calendar year;
 - c- If many successive accounting results are drawn up in any calendar year, the accounting results are added up to have the tax base for the income tax;
 - d- Enterprises controlled by the legal non-resident may apply for a fiscal year diverse from the calendar year;
 - e- For enterprises that suspend or closure their business activities, the final accounting result shall be:
 - From January 1st until the date of suspension or permanent closure of the enterprise for using the calendar year as taxable year;
 - From the beginning of the current tax year until the suspension or permanent closure date of the enterprise requesting the implementation of the tax year difference from the calendar year.

2- For the physical persons, the income tax is calculated from the total income realized in each calendar year.

Article 10: Taxable Income

1- As stated in Article 7 (new) (one) of the Law on Taxation, the taxable income is the net income obtained from all the results of all types of operations realised by the enterprise including capital gains from the sale of various elements of the assets during the operation or at the close of the business, interest, rental, and royalty as well as income from financial or investment assets also including immovable property. Taxable income also includes all capital gains from real estate, financial or investment property that the physical or legal person derives from operations other than business operations. From this definition, the carrying on of a business whether the law permits or not does not have any effect on the income tax.

2- Taxable income comes from the deduction between all gross incomes and all expenses originated from all types of operations of the enterprise during the operation or at the close of the business. In accounting principles, taxable income is the balance

of the profit and loss account realized from all types of enterprise operations. This operation realised by the enterprise may be directly related to the objective of the enterprise or may not be directly related to the activities of the enterprise which may be realised as a primary activity or as a secondary one and includes mainly:

- a- Supply of on goods and service, other operation (brokerage, work for commission, Concession rights of intangible property...);
 - b- The disposal of an item of the assets. In this aspect, a disposal refers to any operation or event leading to the disposal of an item from the assets of the enterprise such as sale, expropriation, investment (Capitalization), exchange, distribution, donation, withdrawal of capital...);
 - c- For legal enterprise or sole proprietorship shall be calculated in the taxable income of:
 - Gains on disposal of the assets sold;
 - Assets that are not sold on the day of suspension (fixed assets, stock, raw materials, a work in progress...) shall be deem to the return of the Enterprise Ownership (transfer of business assets to private assets). These assets are valued at market value;
- 3- The taxable income is the difference between the value of the shareholder's equity (or owner's equity) at the close and the beginning of the taxable period.
- a- The taxable income is the difference between the values of the shareholder's equity at the close and at the beginning of the period producing the result which is being used as basis for tax assessment and which must be deducted with capital contributions and must be added up with all appropriations for personal use that the owner of a sole proprietorship has made in that period. This definition shows that in the taxable income there may be also incomes originated in any circumstances where the enterprise has made no operation like capital gains realised in an expropriation, in a seizure or in an event leading to the reception by the enterprise of an insurance compensation;
 - b- The shareholder's equity is the total value of the assets minus the sum of all claims of third (long-term or short-term loans), and provisions legally made.
 - The main items in the total assets are:
 - Fixed assets such as freehold land, improvement and preparation of land, freehold building, plant, good will, preliminary and formation expenses...;
 - Current assets such as stocks (goods, raw materials and other supplies, packagings, products, works in progress ...) various bonds and securities, cash in bank accounts, cash in hand...;(Research and development costs and the cost on other long-term assets: these costs are not real values in the assets);

- Claim of a third person: this is a debt which is definite in its principle and in its amount, which is borrowed to serve the needs of the business and which is linked to a normal management of the enterprise;
- Provisions: these items must be legally made;
- c- Capital contribution: a capital contribution, whether in cash or in kind, is not a taxable income. Capital contribution made by the owner of a sole proprietorship with appropriate supporting documents, must be deducted from the difference between the closing and the starting values of the owner's equity for the taxable period;
- d- Appropriation in cash or in kind for personal use by the owner of a sole proprietorship includes mainly:
 - The appropriation of a raw material, finished product, good, service ..., to serve personal needs of the owner of a sole proprietorship and family (food, clothing, household equipment, various materials and works for the owner of a construction enterprise...);
 - The use to serve personal needs of the owner of a sole proprietorship of an asset belonging to the enterprise (house, car ...);
- e- The sale to a partner of a good or service below the price normally (arm's length price or market price) charged to a general person;
- f- It is also determined as the taxable income for:
 - the cancellation of a debt;
 - the reduction of a debt that a creditor has granted to the enterprise;
 - various liability accounts which do not exist in reality and without proof;
 - the recording in the assets of unrecorded;
- g- the variation of the shareholder's equity makes possible the correction of all mistakes in the balance sheet at the close of the period. If such correction leads to an increase in the value of an asset or a decrease in the value of a liability account caused by this correction will result in a re-assessment of the taxable income of that period. The taxpayer has the right to do corrections to the opening balance sheet of a subsequent period which is within the legal time limit correction, except for the opening balance sheet of the first period in the legal time.

Article 11: Business Assets

1- As the values of the shareholder's equity at the close and at the opening of the period are used as basis for tax calculation, enterprises shall clearly record the business assets which is the part of enterprise's property by its category.

2- Except for land and buildings applied with sub-paragraph a of paragraph 5 of Article 36 of this Prakas, the business assets of a sole proprietorship shall be in accordance with the following rules:

- a- The owner of enterprise must separate within the business assets and his private property. The recording in the balance sheet is a criterion that differentiates a business asset from a private property;
- b- The owner of sole proprietorship does not have the right to record or not to record at will, an item of the assets, capital or liabilities;
- c- The owner of a sole proprietorship must record in the balance sheet of his enterprise all items of the assets including capital or liabilities which are involved in the business operation as following:
 - all fixed assets used in the carrying out of business activities (purchased goodwill, transport equipment ...). Must also be recorded in the assets of the balance sheet on Any fixed assets for mixed use (for business and for personal use);
 - all current assets involved in business activities (stock in trade, products, raw materials, accounts receivable, cash in hand, ...);
 - all capitals and liabilities related to the business activities (loans for purchase of a fixed asset, short-term and long-term loans, ...);
- d- The owner of a sole proprietorship is not allowed to record in the balance sheet of his enterprise any assets which is not related to the business activities as such:
 - immovable property or part of an immovable property which does not serve in the business activities (for example a dwelling house);
 - a claim or a debt not related to the business activity;The balance sheet of a sole proprietorship must show all the assets which, by nature or by assignment or by purpose, serve the business, and only these items;
- e- The separation between the business assets and the private property are very important because:
 - the basic expenses that come into the calculation of the taxable income are the ones related to an item of the business assets. As such, all expenses related to an asset not recorded in the balance sheet are not deductible;
 - the transfer of an asset from the business assets to the private property is considered as a sale from which may arise a taxable capital gain or a deductible capital loss;
 - the inverse operation which is the transfer of an asset from the private property to the business assets is a capital contribution. This contribution must be recorded at real value at the date of the transfer.

3- The business assets of a legal person enterprise must be in accordance with the following rules:

- a- Business assets are the property of the enterprise. Legally, the business assets of the legal person enterprise must be separate from the assets of a shareholder or a partner;
- b- For a de facto company, any asset that a shareholder has agreed to put under common ownership must be recorded in the assets of the balance sheet.

Article 12: Accounting Rules

1- In accordance with the accounting rules in force in the Kingdom of Cambodia, income must be reported in the year in which it is earned whether that income is already paid or not. The deduction for an expense may be taken when all facts determining the taxpayer's liabilities have occurred, the results of economic activities with respect to the expense have occurred, and the amount of the taxpayer's liability can be actually determined.

- 2- For a transaction made in a foreign currency, the following rules shall apply:
 - a- Must record it in the accountings books in Cambodian Riels by using the exchange rate at the date of the transaction;
 - b- Where a form of exchange rate protection is being used, a claim or debt must be changed into Riels on the basis of the future exchange rate as stated in the contract;
 - c- Where a claim or debt arises and get settled in the same period, the difference between its value as recorded in the books when such claim or debt arises and its value at the date of settlement becomes a gain or loss on foreign exchange to be recorded in the financial income or expense of the period;
 - d- At the end of the period, a claim or debt in foreign currency must be valued on the basis of the exchange rate at the closing date. The difference resulting from this valuation must be recorded immediately as gain or loss on foreign exchange;
 - e- In the following period, at the date of settlement of the claim or debt, the gain or loss on foreign exchange to be recorded is the difference between the value of that claim or debt at the settlement date and its value at the close of the preceding period;
 - f- For any cash that the enterprise may have at the end of the period, the enterprise must proceed the same way as in the rule provided for a claim or debt as stated in sub-paragraph d of this paragraph.

Article 13: Adjustments Outside Accounting Books

According to the accounting rules, the net income or loss is the balance of the profit and loss account of the period. However as there are separate tax provisions, there must be subject to various adjustments outside the accounting books (write-backs and deductions) as stated in Article 51 of this Prakas.

Article 14: Burden of Proof

1- When the taxpayer fails to maintain sufficient documents or fails to provide sufficient information, the tax administration has the right to assess tax on the taxpayer on the basis of any precise information available to the tax administration. In case of disagreement for the tax assessment of tax administration, the taxpayer must have evidence to prove the tax assessment is invalid.

2- When there is clear difference between the taxable income or the income reported by the taxpayer and the purchase of assets or other things which make the taxpayer's expenditure conspicuous or extravagant, the tax administration has the right to assess tax on the basis of the estimated income appropriate for the amount of expenditures to buy those assets or other things that are conspicuous. In case of disagreement for the tax assessment of tax administration, the taxpayer must have evidence to prove the tax assessment is invalid.

Article 15: Provisions

1- In accordance with Article 6 (new) of Law on Taxation, for the purpose of income tax, the deduction for an expense may be taken when all facts determining the taxpayer's liabilities have occurred, the results of economic activities with respect to the item have occurred, and the amount of the taxpayer's liability can be actually determined. So except for a domestic bank, provisions from other enterprise to absorb an expense or loss which is not yet incurred actually is not allowed for deduction and this is so even if such expense or loss is very probable.

2- For a domestic bank, provisions for bad debts shall be determined in the table as following:

No	Credit Risk Classification	Allowance Provisions
1	Normal	0%
2	Special mention	0%
3	Substandard	Comply with law and provisions of Bank
4	Doubtful	Comply with law and provisions of Bank
5	Loss	Comply with law and provisions of Bank

The allowance provisions in this Article does not apply for financial lease transactions.

A domestic bank shall be included to the taxable income in the tax year for the credit in which allowed for deduction of the provision for bad debts, including interest and expenses when the bad debts is repayment.

For the purpose of this Article, the term "bank" refers to banks and financial and microfinance institutions which is apply to the laws and regulations in the banking and financial sector of the Kingdom of Cambodia.

CHAPTER 3

General Rules on Stocks and Works in Progress

Article 16: Definition

- 1- A stock is made out of the enterprise's assets which come into the business cycle:
 - a- To be sold in their original state, or after undergoing some processing, or at the end of a production process; or
 - b- To be completely used up at first use.
- 2- Stocks include mainly:
 - Goods, various supplies (raw materials, consumables, packaging ...), products (intermediate products, finished products, by-products ...);
 - Works in progress: these are products or services in the process of realisation in the production process.
- 3- Also considered as a stock, goods, and raw materials belonging to the enterprise whether such product is situated in or outside the compound of the enterprise.
- 4- At stock taking, if products, goods, or raw materials which the enterprise has not yet received which can be definitely considered as a property of the enterprise must be shown in stock and recorded in the balance sheet of the period.
- 5- Products, goods, or raw materials which is stored in any warehouse in Cambodia or abroad, or consigned to a third person's care, or put as a deposit, or loaned out, must be recorded in the assets of the enterprise which owns it.
- 6- there shall be considered as a stock if the products or goods which meets the two conditions as below:
 - a- Products, goods, or raw materials owned by the enterprise at the date of stock taking whether or not stored in the warehouse of the enterprise;
 - b- Products, goods, or raw materials are for use in production process or for sale in its original state or after some processing (a movable property in the enterprise assets which is not a fixed asset).
- 7- A work in progress is the assets in the process or not yet realisation at the close of the period. The assets in progress normally exists in a construction enterprise, a civil engineering enterprise or any other enterprise using heavy equipments in the work and having long production cycle.
- 8- The enterprise must not record in stock an item already delivered but for which the enterprise has not yet issued the invoice.
- 9- Accounts for the recording of a stock or a work in progress may be divided into:

- a- Raw materials and supplies: recording of goods or materials with any level of processing which are to be included in the composition of the product to be processed or produced;
- b- Other supplies: recording goods or materials which are consumed completely at first use or consumed quickly, which are involved in the processing or production work without entering into the composition of the product being processed or produced, or which are used in the business as packaging. These accounts include:
 - Consumable things;
 - Consumable supplies:
 - fuels;
 - supplies for cleaning and maintenance;
 - supplies for workshop and factory;
 - supplies for store and warehouse;
 - office supplies;
 - Packaging:
 - packaging to be written off;
 - packaging to recuperate which cannot be separately identified;
- c- Work in progress for goods: recording products in the process of production and works in the process of realization;
- d- Work in progress for services: recording of a study or research or supply of service not yet finished and which is made under a contract which does not provide for a progressive transfer of ownership, or for the recording of a completed study or research or supply of service which is made under a contract stipulating that the work would become a claim on the client only after he has accepted the price;
- e- Stocks of products include:
 - Intermediate products: these are products reaching a given level of completion but which are to be put into another stage of the production cycle;
 - Finished products: these are products which have reached the final level of completion in the production cycle;
 - By-products: these can be waste from the production process for sale (Examples: bits of cloth, wood, metal, paper ...), or can be scrap like salvaged parts or materials from a fixed asset which the enterprise dismantles or no longer uses. These materials are for use in the production cycle or for sale;
- f- Stocks of goods: goods purchased by the enterprise for sale without processing;
- g- Inventory in transit:

- Materials, supplies and goods not yet delivered to the warehouse but which have already become a property of the enterprise;
- Products or goods already taken out of the warehouse and in the process of being delivered to the customer but for the time being are still property of the enterprise, materials, supplies, products or goods stored at a shop outside of the enterprise compound or entrusted with a third person.

Article 17: Stock Valuation

Stock valuation shall be performed as following:

- 1- Valuation by acquisition cost (Cost of goods received) by the actual purchase cost which includes:
 - a- The purchase price in the invoice. Any rebate or allowance the supplier has agreed for that product must be deducted from the purchase price;
 - b- Other expenses directly related to the purchase or supply like the costs of transport, transit, commission and brokerage, unloading, handling, custom duty and other taxes except value add tax(VAT) which can be claimed as a credit. General expenses for the supply and storage expenses shall not be included in acquisition cost. Similarly, any accidental wastage or loss or any financial expense shall not be included in acquisition cost.
- 2- Valuation by production cost (cost of products) cost includes:
 - a- The acquisition cost of materials and supplies used in the production;
 - b- Direct expenses incurred to bring the product to the place and in the condition where the product actually is. The enterprise may include also indirect expenses in the case where they can be included easily and logically in the production cost of the stock;
 - c- Not included in production cost the general administrative expenses, storage expenses, research and development costs, and financial expenses.
- 3- Determination of the cost of outgoing inventory (stock exit cost):
 - a- For a goods or products which is separate, the cost of outgoing inventory is the entry (in stock) cost of that goods or products;
 - b- for an item which is interchangeable, two methods as below are allowed for the determination of the cost of outgoing inventory:

The weighted average which comprises two variants:

 - monthly weighted average: in this method the unit cost of outgoing inventory in any one month is sum of the cost of inventory at the beginning of that month and the cost of all entries (purchased or produced) in that month divided by the sum of the quantity of inventory at the beginning of that month and the quantity of all entries in that month. This unit cost is applied to all outgoing inventories in the month;

- weighted average after each entry: the unit cost of outgoing inventory after any one entry is the sum of the cost of the remaining inventory before that entry and the cost of that entry divided by the sum of the quantity of the remaining inventory before that entry and the quantity of that entry. This unit cost is applied to all outgoing inventories after that entry until a newer entry is made;

First-in, first-out (FIFO): goods or products entering into stock first will exit stock first.

- In case of enterprise using stock management method by date, the remaining inventory shall be valued at entry cost of the items which enter stock last;
- In case of enterprise using the permanent in-out method, the remaining inventory shall be valued at the actual cost.

Article 18: Valuation of Work in Progress

A work in progress shall be valued at production costs which include mainly:

- a- costs of materials used;
- b- labour costs;
- c- various expenses at the site;
- d- part of the overheads of the headquarters and part of depreciation costs and which parts are normally determined by estimate.

The enterprise cannot to include pure distribution and administrative expenses, or financial expenses.

CHAPTER 4

General Rules on Business Income

Article 19: General Principles of Revenue Recognition

1- An Enterprise must comply with the rules of accounting system in force in the Kingdom of Cambodia. For the purposes of income tax, an income must be reported in the period in which it is earned whether it is already paid or not.

2- For the supplies goods or services, An enterprise must record income at the time of issue the invoice if that invoice is issued before the time of delivery goods, receipt of money, time of delivery goods, services or payment. In particular, enterprises within income tax exemption period must apply revenue recognition according to the accounting rules in force in the Kingdom of Cambodia.

3- Where goods or services are applied to own use, an enterprise must record income in the time at which the goods are first applied or the time at which the performance of the services is completed.

4- Where goods or services are supplied by way of gift, an enterprise must record income in the the time of supply is the time at which the goods are delivered whether that delivery takes on the characteristic of a transfer of the right to use or to dispose, or the performance of the services is completed.

5- Where goods are supplied under a rental agreement, or goods or services are supplied under an agreement or law which provides for periodic payments, or where there is a continuous supply of services, such goods or services are treated as successively supplied for successive parts of the period of the agreement, and an enterprise must record income in the the time of supply of each successive supply is the earlier of the date on which the payment is due and the date on which the payment is received.

6- For finance lease, an enterprise must record income on the date of the first occurrence in among of the date on which the payment is due and the date on which the payment is received.

7- For financial services, except the allowable loans for provision in accordance with tax provisions which the bank suspend the interest, an enterprise must record income in the time of supply is the date by which interest, fee, or commission, accrues to the supplier of the service as stated in the contract for financial services, or the date on which the interest, fee, or commissions, is paid if the payment is made before the date by which the supplier of services should receive the payment.

8- For any construction or construction service enterprise, an enterprise must record income of a part of each supply on the date of the first occurrence in among of the date which the payment is due to the contract and the date required to record as income in accounting list apply to the rules of accounting system in force in the Kingdom of Cambodia.

Article 20: Additional Condition for Revenue Recognition

For the Supply of goods, the revenue recognition arises at the time of transfer of ownership, possession or the use rights which in most cases occurs at the time of delivery of the goods. The supply of goods shall be as following conditions:

- a- A supply under suspensive condition: in this case, the transfer of ownership, possession or the use rights is conditional on the realisation of an event in the future. If the event is not realised, the contract will be suspended until the event is realized which results to the transfer of ownership, possession or the use rights and causes the claim to become payable;
- b- A supply under resolutive condition: in this case, the transfer of ownership, possession or the use rights is immediate like in a straightforward sale through a simple contract. But the sale is cancelled if the condition stated in the contract is realised. As such, the income must be recorded in the period

where there is transfer of ownership, possession or the use rights. If later on the resolutive condition is realised, the cancellation of the sale is recorded in the period in which the condition is realized;

- c- Money withheld as a guarantee: for the money temporarily withheld by the purchaser as a guarantee of the quality of the work supplied, the supplied enterprise must include it in the results of the current period at the time of delivery-reception of the work or at the time the work is put under the responsibility of its owner;
- d- Deposit: a deposit made by the purchaser at the time he orders a good or service is a part of the purchase price of that good or service and the supplied enterprise must record that money as an income at the date of its reception.

Article 21: Income from business activities

Income from business activities is the income from the supply of goods or services, which is the business activity specified on the patent tax of enterprise. This income also includes revenue recognition from taking goods or services for own use.

The income from the business activities stated in this Article and the subsidiary income as stated in Article 22 of this Prakas is the turnover which is the calculation base of the prepayment of tax or Minimum Tax.

Article 22: Subsidiary Income

A subsidiary income is an income which is not related to the business activity of the enterprise but also be included in to the income of the enterprise. A subsidiary income includes:

- 1- income from rented immovable property whether or not the property is involed in business activities.
- 2- Immoveable property given for use for free to a third person shall be considered that enterprise received taxable income which is equal to the market price of the rental of that property.
- 3- Immoveable property given for private use for free to the employee shall be considered that the enterprise received a taxable income equal to the market price of the rent of that property except for property given for overall use to employee in accordance with the provision of law on labour.
- 4- Royalties: incomes from the exploitation of various intangible assets such as patent, copyright, model, franchise, brand, know-how, ...
- 5- Other subsidiary incomes include mainly: income from the sale of scrap and waste, rental of business equipment, income from consigned packaging...

Article 23: Other Incomes

In addition to the income from the business activity and subsidiary incomes, in the taxable income of the enterprise have other incomes in taxable income such as:

- 1- Income from securities shares and dividend income.

- 2- Financial income: income from loans, caution money, savings accounts, current accounts,...
- 3- Incomes from activities for the benefit of employees.
- 4- Donation and Grant:
 - a- Donation and grant (or subsidy) must be included in the taxable income of the period in which such donation or grant is received. Donation and grant include mainly:
 - various donations received from whatever sources;
 - a business grant that the state, a community, or a third person, has given to the enterprise (for example price subsidy, grant to ease business expense, stability grant;
 - b- Investment grant:
 - For an investment grant for asset in class 1 with a value over than 40 million Riels, the enterprise may choose not to record it immediately in the taxable income. In such a case, the enterprise must record the investment grant part by part in the taxable income. The part to be recorded as taxable income for any one taxable year is equal to the depreciation in the same year of the asset received through, or created with, the investment grant. Example: for an asset in Class 1 with a straight line depreciation rate of 5% and which has been received through an investment grant with a value of 100 million Riels, the part to be recorded in the taxable income of each taxable year (except for the last year of depreciation) is 5 million Riels;
 - For all assets in Class 2, 3 and 4, the full amount of the investment grant must be recorded in the taxable income of the taxpayer, deducting in the depreciation schedule to determine the amount available for depreciation in the first year the asset is put in service.
- 5- Construction or improvement of immovable property where the rentee has made at his own expense without claiming any refund from the enterprise to increase in value of the immovable property. This increase in value of the remaining immovable property shall be included in the taxable income in the tax year in which the property has taken back.
- 6- The exceed cost of the sale or stop using the business assets.
- 7- Insurance compensation: the enterprise may receive an insurance compensation after the occurrence of a disaster (fire, theft, other property damages ...), or within the framework of a insurance policy which has been bought in favour of the enterprise. This compensation must be recorded in the taxable income of the enterprise. As for the loss sustained by the enterprise and the expense the enterprise has made to repair the damaged property, the enterprise must record them as expenses.
- 8- Other compensations: they include mainly:

- a- compensation for the requisition of materials and equipment like boats requisitioned by the state for the evacuation of people in a flood disaster ...;
- b- compensation for a breach of contract;
- c- compensation for damages;
- d- compensation for unfair competition.

9- Reduction of a tax which was previously deducted from taxable income: this tax reduction is an income for the period in which the enterprise has received this benefit.

10- Debt reduction: the reduction of a debt which the supplier or a third person has agreed in favour of the enterprise and which causes an increase of the enterprise net assets, must be recorded as an income for the period in which the enterprise has received that reduction.

CHAPTER 5

General Rules on Expenses

Article 24: Principle for Business Expense

1- A deductible expense is a expense which the taxpayer has paid or incurred in the tax year to carry on the business and which does not cause the inclusion in the assets or elimination from any liability.

2- Expense paid or incurred in the taxable year: an expense in any tax year is deductible only for in that tax year. An deductible expense meets the conditions as stated in Article 25 of this Prakas. The taxpayer cannot move the date of recording of an expense from one period to another. For the determination of the results of any tax year, shall be taken into consideration only events and operations which cause such results to be realized such as:

- a- Expense pertaining to previous periods: except the expense stated in sub-paragraph b of paragraph 2 of Article 25 of this Prakas, an expense which has arisen and become a expense of any one previous tax year cannot be deducted from the results of the current tax year;
- b- Expense not paid in tax year: if in accordance with the rules as stated in Article 24 and Article 25 of this Prakas is an expense of any tax year but at the closing date that expense is not yet paid, the enterprise must record that expense in the accrued expense account (for example: office rental not yet paid, accrued tax for the period, ...). If there is no such recording, that expense cannot be recorded as an expense in the next tax year;
- c- Expense of subsequent periods: the reporting in the tax year of an expense pertaining to a subsequent period shall not be allowed;

- d- A prepaid expense: shall be deducted from the results of the tax year in which this expense is actually incurred only.
- 3- Expense incurred to carry on the business: shall be allowed for deduction only those expenses incurred to serve the needs of the business or for the benefits of the business. So any expense which is not linked to the normal management, or which provides benefits to a third person, is not deductible. An expense which is not an expense incurred to carry on the business includes mainly:
- a- Expense to serve personal needs of the owner of a sole proprietorship (for example: expense on housing, taxes on the owner himself, expense on a car used privately, expense on servants, the wages given to owner of sole-proprietorship or spouse, direct debit from customer payments...);
 - b- Conspicuous or extravagant expense which is of no use or of little use to the business. The term “extravagant” is best defined or characterized as spending excessively or wastefully, beyond what is reasonable, unreasonable high in price or cost, or flamboyant.
- 4- Expense which does not cause in return the inclusion of the assets or elimination from any liability: is an expense which causes a decrease in the net assets of the enterprise. Any expense which does not cause a decrease in the net assets of the enterprise is not deductible. An expense which does not cause a decrease in the net assets includes mainly:
- a- Expense not burden of the enterprise itself;
 - b- Expense which causes in return the inclusion in the assets of a new element or which causes an increase in the value of an element of the assets;
 - c- Expense incurred to increase substantially the duration of the use of an asset;
 - d- Expense which causes in return the elimination of the liabilities (for example repayment of a debt).

Article 25: Principle for Deductible Expense

- 1- For the purposes of income tax, any expense meeting the conditions as stated in Article 24 of this Prakas must also meet the 3 conditions as below to be deductible:
- a- The facts determining an expense have occurred and the exactly obligation of the enterprise, this means the reality of the expense is proven by verifiable evidence, for examples: invoice, bill of entry, business letters, loan contracts, expense card...;
 - b- The results of economic activities (or economic performance) with respect to that expense have occurred:
 - Where a expense requires the payment for the supply of a property, goods or service, the results of economic performance occurs when the enterprise is supplied by the property, goods or service;
 - Where a expense arises through the use or the supply by the enterprise of a property, goods or service, the results of economic performance occurs when the enterprise has used the property or supplied the property or service;

- The results of economic performance occurs when one of the following payments occurs:
 - For workers compensation, tort, or breach of contracts claims;
 - For rebates or refunds;
 - For prizes and awards;
 - Under warranty or service agreements;
 - For taxes other than creditable foreign taxes, the minimum tax, and the income tax;
 - c- The expense of the enterprise has been precisely determined in accounting record in the tax year with the proper proofs indicating clearly its amount (invoice, ...).
- 2- In addition to the 3 conditions above:
- a- In order for an expense that remains unpaid at the end of the tax year to be deductible for tax purposes, it must constitute a genuine liability of the enterprise. If such an unpaid amount does not constitute a genuine liability, no deduction is allowed. For existing a genuine liability, there must be an enforceable claim by the creditor with a reasonable expectation that the debt will in fact be paid by the enterprise;
 - b- For salary payment for employee, the enterprise can deduct in the current tax year if it is paid within 180 days of the following tax year. if the salary payment paid to the employee as stated in this sub-paragraph and not paid within 180 days of the following tax year, this expense must be re-include to taxable income for the current tax year. but if payment occurs after 180 days, expenses are allowed for deduction as the following tax year only for the payments in that following tax year. The principle for 180 days does not apply to pension reserves of employee;
 - c- For expenses paid to a related person, the enterprise can deduct in the current tax year if it is paid within 180 days of the following tax year, except for a deductible outlay or expense for inventory, capital property and depreciable property. For expenses paid to a resident related person who is not a self-assessment system, the deduction is not allowed before the actual payment. If the expense to be paid to a related person as stated in this sub-paragraph is not paid within 180 days of the following tax year, such expense shall be re-included to taxable income for the current tax year and shall not be allowed for deduction for subsequent tax year;
 - d- if the enterprise adjusting itself by re-included the unpaid to the income for current tax year as required in sub-paragraph b and sub-paragraph c of this Prakas within 30 days after 180 days, the enterprise shall not be suffer for additional tax and interest. If the enterprise not adjust on time,

additional tax and interest shall be calculated from the following month after 180 days.

Article 26: Non-deductible Expense

Except for contrary provisions, save for those expenses which meets the conditions as stated in Article 25 of this Prakas, all other expenses are non-deductible expenses and must be written back to the taxable income.

CHAPTER 6

Deductible and Non-deductible Expense

Article 27: Preliminary and Formation Expenses

1- Preliminary and formation expenses are expenses incurred at the time of the founding of the enterprise. these expenses cannot be included in other asset account. For the purpose of income tax, preliminary and formation expenses can be totally deducted in the first tax year. But if the enterprise chooses to do deduction through amortisation, these expenses cannot be amortised in more than 2 years.

- a- Expenses for formation and initial development of the enterprise: is the expenses related to the activity before and during founding the enterprise. These expenses includes mainly: feasibility study for the founding of the enterprise, advertising, lead and supervise the worksite, personnel training, advance funding, technical assistance, ...;
 - b- Expenses pertaining to the Articles of association of the company: are expenses incurred at the founding of the company or expenses incurred in similar operations (reorganisation, merger, ...). These expenses include mainly the registration tax on various documents of the enterprise (capital contribution, recapitalisation, merger, ...), various fees at the founding of the enterprise, expenses for formal publicity, ...;
 - c- Expenses incurred at the time contracts to borrow money are made;
 - d- Expenses incurred in the purchase of fixed asset, these includes only taxes on the transfer of a right or rights of possession, various fees and commissions, and expenses on formal documents. All other expenses are a part of the cost of the assets or expense in the tax year in which they arise.
- 2- The following expenses are not preliminary and formation expenses:
- a- Expenses which usually occurs during the tax year (for example: Expenses of advertising on goods and services...);
 - b- Expenses for the installation or assembly which must be included in the acquisition cost of the relevant fixed asset.

Article 28: Purchase

- 1- There are 3 types of purchase:
 - a- A purchase which can be stored like various supplies and goods;
 - b- A purchase which cannot be stored like water, electricity, fuels and lubricants, small office supplies, small tools which must be frequently replaced, ... (at the end of tax year, these purchases are recorded not in an inventory account but in a prepaid expense account);
 - c- The purchase of services which is an amount paid to a subcontractor for the production, the processing, the packaging of products, repairs, or maintenance... The subcontractor can be a jobbing producer (raw materials supplied by the purchaser), an industrial subcontractor, a subcontractor for the supply of goods or services (usually for works in civil engineering, constructions, ...).
- 2- The recording of a purchase: a purchase must be recorded at the reception of the invoice and at the real cost of that purchase.
 - a- For a domestic good, the purchase cost is a real expense for the enterprise for that purchase. This expense is the purchase price to which are added subsidiary expenses directly related to the purchase like transport cost, insurance, ... and from which are subtracted various rebates agreed for by the supplier;
 - b- For an imported good, the purchase cost includes mainly:
 - purchase price;
 - cost of transport;
 - insurance cost spent outside the country;
 - custom duty or taxes which can not be claimed;
 - transit cost, commissions and brokerage paid to various enterprises abroad (including bank charges, expenses for formalities, payment expenses);
 - various costs after the good has entered in domestic like transit cost, commissions and brokerage paid to various enterprises in domestic, cost of transport and insurance from the border to the warehouse.
- 3- Recording of the customs duty: customs duty (taxes on goods imported or exported) must be recorded in the “customs duty” account and not in the purchase account for goods.
- 4- Recording of the value added tax (VAT):
 - a- For an enterprise making non VAT taxable supplies: must comply with the rules specified for various taxes as stated in paragraph 5 of this Article;

- b- For an enterprise making VAT taxable supplies:
 - for a VAT in which can be claimed as a credit must record it in Accounts receivable and for a VAT in which cannot be claimed as a credit must comply with the rules specified for various taxes as stated in paragraph 5 of this Article;
 - for a VAT in already recorded in a accounts receivable as stated under sub-paragraph 1 of this sub-paragraph but later on cannot be claimed as a credit by the provision not allowed, the enterprise must record this VAT in the relevant asset account or purchase account. But if this VAT in cannot be logically recorded in an asset account or purchase account, the enterprise may record it as an expense in the tax year in which there is such a credit refusal.

5- Recording of various taxes: various taxes such as specific taxes, public lighting tax, accommodation tax... these taxes shall not be deducted from the purchase cost. If these taxes are shown in the invoice for the purchase of the good or service, they must be added to the purchase price and must be recorded in the expense account (purchase account or general expense account) or asset account.

6- Appropriation of goods or services for the needs of the business: for the appropriation of goods or services for the needs of the business not considered for sale but must be have a clear evidence and not record for expenses.

7- Purchase period, purchase adjustment, stock, account payable - supplier: like other expenses, a purchase must be recorded in the tax year in which the purchasing arises. In compliance with the rule on the recording of a purchase at the date of reception of invoice, at the end of the tax year there may be time-lag between invoice reception, goods reception and recording in accounting books. So at stock taking the following adjustment entries shall be made:

- a- If the invoice is not yet received but the goods are already delivered and received, an estimated debt must be recorded in the account payable “Trade creditors-accruals for goods and services (supplier - invoice not received)” and a purchase account must be debited of the same amount;
- b- If the invoice is already recorded in accounting books but the goods are not yet received, these goods must be recorded in the stock-list at the end of the tax year by using account “inventory in transit”.

Article 29: External Services Expenses

- 1- Rentals which include:
 - a- Rental of an immovable or movable property to serve the needs of the business: in this there may be various payments as follows:

- rental and incomes on the renting by the enterprise of an immovable or movable property to serve the needs of the business (including any payment made within the framework of a finance lease): these amounts must be deducted in the tax year in which they are incurred regardless of the date of actual payment;
 - prepaid rental: this amount must be recorded in the assets of the balance sheet in “prepayment” account and as such does not have any effect on the results of the tax year of payment. It is to be deducted only from the results of the tax year in which it is being used to pay for the incurred rental expense;
 - deposit for guarantees: the amount paid as deposit for guarantees must be recorded in the assets of the balance sheet. Deposit for guarantees affects only the results of the tax year in which it is actually earned by the owner of the rented property;
 - for tax purposes, key-money (lease-premium) paid by the enterprise to the owner of a rented property is a non-deductible expense;
- b- Rental of dwelling house: the rental of a dwelling house can be deducted according to the exact use of the dwelling house. For a dwelling house to serve the needs of the employee of the enterprise, the rental is the deductible expenses and is a fringe benefits received by the employee. For a dwelling house to serve other needs, the rental is a non-deductible expense.

2- Repairs and maintenance: in general, an expense in repairs and maintenance is deductible as the current expense for any maintenance and repairs which allow asset for operation or normal use or operational state until the end of its depreciation period. In particular for any improvement which is a repair or improvement for leading to a capital gain for the asset or increase productivity or would extend the duration of the use of that asset as the originally determined must be recorded in the relevant asset account.

3- Insurance premium: insurance premium paid on contract for insurance against risks on property (accident, fire, typhoon, ...) or against eventual expenses (business or vicarious liability) must be deducted from the tax year in which that insurance premium becomes an incurred expense (calculated in proportion to the number of days in the tax year which are covered by the insurance contract).

4- Commissions and external remuneration:

- a- Commissions and various remuneration paid: moneys paid for services provided to the enterprise is deductible only in the case where the reality and usefulness of the services are proven and their amounts not exaggerated;
- b- Royalties for a concession, patent, license, brand, copyright: these royalties are deductible only in the case where they are not a consideration for the purchase expense of an asset and their amounts are not exaggerated.

5- Mission: mission expenses are deductible only if the mission serves the needs of the business and their amounts are not exaggerated in comparison to the type and size of the business or to the net income realised. For mixed expenses (mainly travel and mission expenses for both business and tourist purposes), deduction is allowed only for the part which is irrefutably to serve the business. Travel and mission expenses abroad, participation to, or the organisation of a conference, seminar, meeting... are deductible only when their usefulness for the enterprise is clearly shown and directly related to the enterprise business.

6- Amusement, recreation and entertainment: shall not be allowed as a deduction any expense on activities considered to be amusement, recreation, or entertainment such as food supplies, drinks, tobacco, accommodation or any hospitality....

Article 30: Taxes

1- Taxes paid during the tax year:

- a- Any tax paid through the tax declaration and taxes which can be deducted is allowed to be deducted in the tax year in which these taxes are paid or payable;
- b- Taxes paid without a tax declaration are allowed to be deducted in the tax year in which it meets the conditions for a deductible expense.

2- Deductible taxes: for the purposes of income tax, the enterprise can deduct all taxes which are paid include patent tax (business registration fee), tax on import and export (customs duty), specific tax on certain merchandise and services, tax on public lighting, accommodation tax, the non-deductible value added tax (non-deductible input tax), wealth transfer tax, stamp tax, tax on transportation forms and all kind of vehicles...

3- Non-deductible Taxes: enterprise can not deducted for the prepayment of income tax, the income tax, and the minimum tax and taxes are not a charge for the enterprise but they are a charge for the person who receives the taxable income (for example: withholding tax, tax on salary).

Article 31: Salary and Similar Expenses

1- Conditions for deduction: salary and fringe benefits are deductible if they are related to real work and not exaggerated of the employee.

2- Expenses recorded in the tax year: salary and fringe benefits are the annual expense for the business which deducted only from the results of the tax year in which these expenses are actually incurred. At the end of the tax year, there may be salaries which are being paid in advance or not yet paid to the employee recording in “prepaid charges” or “accrued charges” accounts.

3- Other remuneration is the amount received from the performance in a period of time including:

- a- Remuneration of a salaried employee who is not a manager which is stated in details in the Prakas on the tax on salary;
- b- Remuneration of member of partnership, owner of a sole proprietorship: because of the member of partnership and a sole proprietorship through their activities in the enterprise. As the income of enterprise belongs totally to the owner of member, the owner of enterprise so the remuneration of member or the owner of enterprise is not allowed for deduction nor considered a dividend distribution and. to take that profit in advance for his own use without any liability for the advance tax on dividend distribution. But in the case where the tax administration has a sound basis to believe that the collection of taxes may suffer, the tax administration can require the taxpayer to pay tax immediately;
- c- Remuneration paid to other members of the owner's family: remuneration paid to a son, a son-in-law or other relatives of the owner is deductible if it is a compensation for real work, not exaggerated and actually paid out;
- d- Remuneration of managers of a legal enterprise: because these persons have the right to supervise and to decide, their remuneration may be exaggerated. The following criteria may be used to identify and to determine the exaggerated amount (the exaggerated part of the remuneration is a non-deductible expense):
 - importance of the activities carried out by the manager and of the responsibilities assigned to him;
 - growth of the income of the enterprise;
 - size of the enterprise;
 - comparison of this remuneration with the remuneration of the managers of enterprise with similar job in another enterprise which carries on a similar business in the same area, or of a high ranking salaried employee in the enterprise;
 - comparison of the total remuneration provided to managers and the total remuneration provided to all salaried employees.

4- considered paid in the tax year, if it should be noted that amounts debited to an expense account and credited to a shareholder account or related person account. the terms “credits” and “credited” cover any situation where enterprise has set aside and made unconditionally available to the non-resident creditor an amount due to the non-resident such as where:

- a- A tenant or agent deposits rents in a bank account on behalf of a non-resident enterprise;

- b- A bank credits interest to the savings account of a non-resident taxpayer;
 - c- Deposits a pension or annuity payment of an insurance or trust company in the bank account of a non-resident taxpayer;
 - d- The amount due is applied by the resident taxpayer (or deemed resident taxpayer) against an amount owing by the non-resident taxpayer;
 - e- An amount is credited to a specific shareholder account.
- 5- Any social security contributions required by the Labour Law are deductible.

Article 32: Interest

The term “interest” refers to an amount of debt obligation which paid by a debtor to a creditor including any discount, premium, or similar payment except for the refund of capital. Interest is a consideration for the loan of the money or for the forgiveness to sue for credit provided in the form of goods or services which a debtor pay to a creditor. Debt obligation refers to the obligation to pay an amount in cash or in kind to another person and includes the obligation of a bank , a deposit, the obligation with regard to an account payable, a bill of exchange, a bond, ... Interest includes mainly:

- 1- Interest on money borrowed from a third person:
 - a- Interest on money borrowed from a third person by the enterprise to serve the needs of the business is deductible from the results of the period in which that interest is incurred. In this the enterprise must be able to demonstrate the reality of the borrowing by having proofs such as a borrowing contract with all the dates and terms of repayment of capital and interest clearly specified;
 - b- Interest on money borrowed from a third person to serve the personal needs of the owner of enterprise is not deductible. For a sole proprietorship, this situation arises when the “proprietor’s account” has debit balance (the balance of a proprietor’s account of the tax year is equal to the balance of that account at the beginning of the tax year subtracted with added capital contribution and profit in the tax year and plus the loss in the tax year and an appropriation of the owner of enterprise). In this, the enterprise may be forced to loan to face a cash flow shortage resulting from an appropriation made by the owner which is bigger than the profit or loss realized in the tax year. In all these cases, the deductible interest is the one pertaining to the part of the loan which exceeds the highest figure in the tax year of the debit balance of the proprietor’s account.
- 2- Any money paid as a consideration for the enterprise own capital or interest paid to the proprietor’s account of a sole proprietorship is not deductible.

3- Limitation on interest deduction: the limitation on interest deduction for any tax year is the maximum amount of interest which is allowed as a deduction in that tax year and which is calculated by using the formula “A+B” where:

A = any interest income received or accrued in the tax year

B = 50% of net income calculated without interest income or interest expense

The interest allowed as a deduction for any tax year shall be made at the end of that tax year. Interest expense disallowed as a deduction in the current tax year may be carried forward as an interest expense to succeeding years for deduction under same limitation until fifth tax year by using the sequence year in which the interest occurred.

Article 33: Exceptional or Extraordinary Expenses

1- Penalties Including additional tax, late payment interest, and fines of all types, incurred by the enterprise due to non-compliance with laws and regulations is not allowed for deduction. These penalties include mainly:

a- Additional tax and late payment interest for non-compliance with tax obligation;

b- customs penalty;

c- fine for non-compliance with economic or price regulations;

d- fine for personal offence;

e- fine for violation of a regulation on public order.

2- Charitable contributions: for the purpose of income tax, charitable contributions refer to contribution an amount in cash or in kind to a non-profit activity as defined in paragraph 2 of Article 8 of this Prakas. The level of the deduction allowance of charitable contribution as stated in this paragraph as following:

a- Amount of charitable contribution which can be taken as a deduction in any tax year cannot exceeds 5% of the net income before taking charitable contribution deduction;

b- For the balance of charitable contribution remaining from deduction taking as stated in sub-paragraph a of this paragraph, this amount cannot be carried forward for deduction in another taxable year and as such shall become a non-deductible expense for the tax year in which it arises.

3- Donations: a donation made by the enterprise for whatever purpose is a non-deductible expense.

4- Grants and subsidies: Grants or subsidies refer to the compensation for the carrying out and securing a business that the enterprise done in whatever purpose is not allowed for deduction.

5- Loss on a claim: is revenue recognition of enterprise for the loss that impossibility to recover. For the purposes of income tax, a loss on a claim is deductible where the impossibility to recover that loss can be clearly shown (for example:

by documented attempts to collect the debt or clear evidence of the efforts, steps and attempts to collect or obtain the amount owing by definitive insolvency of the debtor, ...) and that claim has been written off from the accounting books of the enterprise. In general, the giving up of a claim is an abnormal act of management is not allowed for deduction.

6- Other exceptional and extraordinary expenses: in general various losses and expenses are deductible if they arise within the framework of a normal business operation of the enterprise. Particularly, these losses and expenses are not related to an abnormal act management is not deductible. On the other hand, the enterprise must make sure that these losses and expenses have not been used as a deduction in another way (for example: the loss of a good in a disaster or theft should not necessitate a separate deduction because this loss is automatically taken for deduction by the mechanism of the recording of purchase, sale and inventory).

CHAPTER 7

General Rules on Depreciation

Article 34: Depreciation and Conditions of Depreciation

Depreciation and Conditions of Depreciation shall be determined as following:

1- The acquisition of a fixed asset does not cause the net assets to decrease because the expense brings in return the inclusion of a new property in the assets of the enterprise which have no influence on the taxable income. Fixed assets get depreciated because of use, era, or obsolescence is a real expense which allowed for deduction from taxable income of the enterprise by depreciation.

2- Depreciation is the recording of the definitive decrease in value of an asset as a result of use, passing time, technical change, or other cause by spreading the cost of the asset over the planned duration of its use (useful life) in accordance with a schedule of depreciation. Any major change in the conditions of use of an asset would require a review of the depreciation schedule currently under implementation.

3- For the purposes of income tax, the depreciation which can be deductible must meet 5 conditions as follows:

- a- It must be made only on a fixed asset recorded in the balance sheet of the enterprise;
- b- It must be made only on a fixed asset subject to depreciation;
- c- It must be made on the basis and within the scope of the cost price;
- d- It must be calculated with the method as stated in Articles 35 to 39 of this Prakas;
- e- It must be made actually by the enterprise.

In particular, land is not a depreciable property.

4- In determination of taxable income, a deduction for depreciation shall be allowed to the owner of a tangible property, or to the lessee of that property in the case where the lessee bears the risk of loss or destruction of that property. Typically, the lessee will bear the economic risk in situation of a financial lease.

Article 35: Fixed Asset allowed for Depreciation

1- The enterprise must do depreciation only on fixed assets recorded in its balance sheet. A fixed asset is an element of the assets which would serve a durable use in the activities of the business unit and which would keep its original form from the date of its placement in service up to the date its ceases to be used. Can be considered as a fixed asset, any asset which meets the two following criteria:

- a- Purpose: an asset of any type (tangible or intangible) which the enterprise has bought or produced, which is not for transformation or for sale but for a durable use (for example: a car bought by the enterprise for sale is an element of the purchase account and inventory account, where as a car to serve the internal needs of the enterprise is a fixed asset). These assets can be resold only after use;
- b- Duration: the keeping of an asset in the business unit shall be considered as durable if it lasts for more than one year from the date the asset was placed in service for the first time.

2- Difference between a fixed asset and an expense: an expense which causes in return the inclusion of a new element in the assets of the enterprise is a fixed asset. For an expense pertaining to an asset already recorded in the balance sheet, the enterprise must comply with paragraph 2 of Article 29 of this Prakas.

3- Fixed assets are divided as follows:

a- Intangible property:

Intangible properties are depreciable mainly as:

- Preliminary and formation expenses;
- Research and development costs: these are the costs of a research and development made by the enterprise for business. Like the preliminary and formation expenses, these costs are expenses which bring nothing in return in the assets of the enterprise. And the account in which are recorded these expenses is an asset account with no real value. So to record as a fixed asset any one research and development project, that project must be clearly identifiable and must have good prospect for a commercial success. For the purposes of income tax, these expenses can be deducted totally from the results of the period in which they arise;

- Patents, trade marks, licences, concessions, computer software (items protected by law);
- Purchased goodwill;
- Right to do business;
- Other intangible assets;

Intangible assets are not depreciable mainly as securities, shares and other financial fixed assets and the right to use the land...

b- Tangible fixed asset: tangible property shall be divided into 4 classes as following:

- Class 1: Constructions including Buildings, structure of the building including their basic components, roads, railways, transport ships;
- Class 2: Computers, electronic information systems, Electronic equipment and data storage equipment;
- Class 3: Automobiles, Truck, and Office Furniture and Equipment;
- Class 4: All Other Tangible Property apart from property in Class 1, Class 2 and Class 3;

In the case of any special tangible asset, the General Department of Taxation shall determine the amortization method.

Article 36: Method for Recording Fixed Assets

1- For intangible asset and asset in class 1, the enterprise must record separately for each asset account in which all amounts related to that asset (purchase price, rebate, refund, permanent improvement, ...).

2- For tangible assets in class 2, class 3 and class 4, the enterprise must record in a pooled asset for each class and must be recorded the undepreciated balance available for depreciation, all amounts related to additional acquisitions and all amounts related to dispositions of assets during the tax year.

3- Natural resources: Expenses for exploration and development, including interest in exploration and development, are accrued to the natural resources account.

4- Long-term agriculture (biological assets)

- a- Agricultural crops: Must be recorded in the biological asset account for the expenses of developing direct expenses associated with cultivation, including interest on development and cultivation, and infrastructure expenses for cultivation;

- b- Animal husbandry: must be recorded in the biological asset account of the expenses for developing direct expenses related to animal husbandry including interest in development and animal husbandry and infrastructure costs for animal husbandry .
- 5- For a fixed asset is used to serving the needs of the enterprise business and other needs external to the enterprise business, Enterprise shall be imply as following:
- a- For the use of a fixed asset to serve the personal needs of the owner of the enterprise or to the employee or third parties shall be considered to have supply at fair market value (to be recorded in subsidiary incomes). In this case, providing the fixed asset to serve to the employee shall be allowed as a deductible and shall be taxable on fringe benefits;
 - b- For a sole proprietorship or a partnership, the use of land and personal buildings for the purpose of doing business shall not be recorded in the balance sheet and shall not be considered as a rent. In the case of enterprises recorded in the balance sheet, depreciation expense is not allowed for deduction from taxable income and shall not be considered for sale when stop using in business. For the purpose of this subparagraph, the owner of land and building include any persons named in the family book issued by the competent authority;
 - c- For an enterprise which has complied with the rules as stated in subparagraphs a of this paragraph, the mixed use of a fixed asset recorded in the balance sheet does not have any effect on depreciation taking.

Article 37: Depreciation must be made on basis and within the scope of cost price

1- Depreciation must be made on the basis of the cost price of the asset to depreciate. The accumulated depreciation of an asset cannot exceed the cost price of that asset even if a newly calculated value is higher than this cost price. The cost price is the original value of the fixed asset as recorded in the accounting books. The original value which is the value of the asset at the date when, and at the place where, that asset was included in the enterprise. The cost price is the original value of the fixed asset is also called the historical cost which is not adjust in principle.

2- The cost price or historical cost of assets must be recorded in the enterprise assets shall be determined as following:

- a- the acquisition cost if the asset is purchased by the enterprise:
 - the recording in the accounting books shall be made at the cost of purchase minus any rebate and plus any subsidiary expense (customs duty and any related expense, transport cost, transit and warehouse cost, cost to fixed assets, cost to take delivery, transport insurance...) and any installation cost necessary to render the asset operational;

- the general expenses and financial expenses related to fixed must not be included in the original cost of purchase;
 - where payment is deferred, the recorded value of the asset must be based on the agreed price and as such shall not be affected by the methods of payment in the future whether the compensation cost increases or decreases.
- b- the production cost if the asset is produced by the enterprise:
- the recording in the accounting books shall be made at the real cost of production which is the original cost of purchase of materials and supplies used plus all direct expenses (personnel expenses, external expenses for services) and indirect expenses of production where these indirect expenses can be definitely and logically included in the production cost of the asset. The real production cost must be determined by cost accounting method or by statistical method where there is no such accounting;
 - the production cost must not include storage cost, general administration and sale cost, research and development cost, and financial cost. But for the real production cost of very big assets like a industry construction, long-term growing crops or animal husbandry, interests on borrowed fund to finance the construction, growing crops or animal husbandry must be allowed from the first loan to the time for manufacturing;
- c- The asset is received by the enterprise from the state, a community, or a private investor must recorded in the accounting books by the value of property contribution as specified in the capital contribution agreement;
- d- The fair market value if the enterprise obtains the asset for free must be recorded in the accounting books at the fair market value or the price which the independent enterprises operate together.
- 3- The value added tax which is incurred in the purchase or production of the asset which cannot allowed for the input tax credit must be allowed for including to the cost of the asset.

Article 38: Nomal Depreciation Method

The nomal depreciation method of fixed assets shall be determined as following:

- 1- Intangible assets: All intangible properties (or intangible fixed assets) must be depreciated by using the straight line method of depreciation by the life of using of that property or the rate of 10% of the value of the intangible property in per year if the life of the intangible property cannot be determined.
- 2- Tangible property:
- Class 1: shall be depreciated individually according to the straight line method of depreciation at the rate of 5% per year of the acquisition cost. For building with non-concrete building, depreciation shall be made at the rate of 10% per year;
 - Class 2: shall be depreciated according to the declining balance method at a rate of 50% per year of the depreciation basis in the class;

- Class 3: shall be depreciated according to the declining balance method at a rate of 25% per year of the depreciation basis;
- Class 4: shall be depreciated according to the declining balance method at a rate of 20% per year of the depreciation basis.

3- Natural resources: The amount of the depletion is deductible for any tax year shall be determined by multiplying the balance of the account for the natural resource with the ratio of the quantity produced from the natural resource in that year to the estimated total production from the natural resource.

4- Long-term agriculture

a- Rubber crops: is allowed for depreciation for 20 years at the rates as follows:

Beneficial Year	Depreciation rate
Year 1 and year 2	3%
Year 3 and year 4	4%
Year 5 to year 10	5%
Year 11 and year 12	7%
Year 13 to year 15	6%
Year 16 to year 19	5%
Year 20	The remain balance

- b- agricultural crops other than rubber: The amount of the depletion which is deductible for any tax year shall be calculated by the straight line method of depreciation of the life of the beneficiary or 5% per year whichever is shorter;
- c- Animal husbandry: The amount of the depletion which is deductible for any tax year shall be calculated by the straight line method of depreciation of the life of the beneficiary or 10% per year whichever is shorter.

Article 39: The Beginning of Depreciation

- 1- Depreciation of assets by straight-line depreciation shall be determined as following:
 - a- depreciation must be made from the date the asset is placed in service and the ending is the date at which the asset is completely depreciated (at that time the accumulated depreciation must be equal to the cost price of the asset). The ending may also be a date earlier than this date of complete depreciation like in the case of disposal of the assets of the enterprise in a sale, scrapping or destruction. Asset placed in service during any tax year is allowed to yearly depreciation allowance (calculated as one full year);

- b- For the ending year of depreciation:
 - in the case where the asset is disposed of by the enterprise, the depreciation allowance is equal to zero;
 - in the case where the asset has reached the end of its useful life, the depreciation allowance is equal to the remaining undepreciated balance of the asset account of the asset. But if this balance is bigger than the yearly depreciation allowance (for example: there is a permanent improvement), the asset shall be considered to have its useful life increased and shall continue to be depreciated until such year this balance becomes smaller than the yearly depreciation allowance and then the asset is totally depreciated to end its depreciation.

2- Depreciation of tangible properties by the declining balance method shall be determined as following:

- a- depreciation must be made from the date the asset is placed in service. Asset placed in service during any tax year is allowed to yearly depreciation allowance (calculated as one full year);
- b- The allowable depreciation for deduction for each class is equal to the depreciation base multiplied by the depreciation rate of each class;
- c- For the first year, The depreciation base of business is the total amount of cost of asset in the pooled asset account by each class which is in service;
- d- For the following year, the depreciation base is equal the balance in the pooled asset account plus the cost of asset which is in service in the tax year minus the price of asset which subtracted or sold in the tax year;
- e- In the tax year, if any property in pooled asset account shall be subtracted or sold from business, the Enterprise shall be deposed from the depreciation base of the pooled asset of the price of asset which subtracted or sold.
 - If the recording results in a negative balance in the pool asset, enterprise must recorded as taxable income of an amount equal to such negative balance and the pooled asset account balance shall be restored to zero;
 - At the end of the tax year, if a pooled asset account no longer contains any property, then any positive balance in the pool shall be recorded as a deductible loss and the pooled asset account balance shall be restored to zero.

3- Depreciation of natural resources or long-term agricultures: Enterprises shall be depreciated of natural or long-term agricultures of the year of the commencement of production. For the purposes of this paragraph, the commencement of production is the year in which the enterprise received income on business of natural resources or long-term agricultures. As for the fixed assets purchased or established after the year

of the commencement of production, enterprise shall be depreciated at the end of the tax year in which such assets is in service as specified in paragraph 1 and paragraph 2 of Article 38 of this Prakas. If a business on natural resource or long-term agriculture is finished in any tax year, the enterprise is allowed to deduct in the tax year of the remaining costs including exploration expenditure, development expenditure, plantation expenditure and animal husbandry expenditure.

Article 40: Depreciation must be made actually by the enterprise

1- In each tax year, the enterprise must record all necessary depreciations for deduction in the tax year even if it has an income sufficient or not for deduction. The depreciation must be made actually by the enterprise with the basic of historical cost. At the end of any tax year, the enterprise must do the valuation at the real current value of its assets (detailed stocktaking), enterprise shall notify to the tax administration for the result of such evaluation. For the tax purpose, If the results of the evaluation varies the real value of an asset in the tax year, the excess of the re-evaluation shall be treated as taxable income and as an additional basis for proceed depreciation.

2- The deductible depreciation must be calculated according to the provisions as stated in this chapter and recorded in the calculation list of the annual tax return payment in each year.

3- The enterprise is not allowed to defer the depreciation on any assets.

4- Depreciation or partial depreciation for any tax year which has not been recorded in the calculation list of the annual tax return payment shall be allowed for deduction in other tax year.

5- Depreciation for which deduction is denied as stated in paragraph 4 of this paragraph, shall be considered to have been regularly made for the purpose of the calculation of the capital gain or loss in a sale.

6- Example:

- a- An enterprise purchases on 15 October 2004 a warehouse at a cost price of 400,000,000 Riels;
- b- The enterprise is regularly depreciated by the straight line method at a rate of 5% for the useful life of 20 years by the rate 5% except in 2006 when it has a big loss in the tax year;
- c- The warehouse is sold on 10 June 2018 for 150,000,000 Riels;
- d- The situation related to depreciation, capital gain or loss, of this warehouse is as follows:
 - Depreciation rate: 5% (the warehouse with a 20 years useful life belongs to class 1 tangible assets);
 - Depreciations is recorded as expenses for each year:

- 2004 (400,000,000 Riels x 5%)= 20,000,000 Riels
(Depreciation for starting year equal to yearly depreciation)
- 2005 = 20,000,000 Riels
- 2006 = 0 Riels
- 2007 = 20,000,000 Riels
- 2008 = 20,000,000 Riels
- 2009 = 20,000,000 Riels
- 2010 = 20,000,000 Riels
- 2011 = 20,000,000 Riels
- 2012 = 20,000,000 Riels
- 2013 = 20,000,000 Riels
- 2014 = 20,000,000 Riels
- 2015 = 20,000,000 Riels
- 2016 = 20,000,000 Riels
- 2017 = 20,000,000 Riels
- 2018 = 0 Riels

(No depreciation for the year of disposal)

- Book value = Cost price – Recorded depreciation
 - Cost price = 400,000,000 Riels
 - Recorded depreciation = 260,000,000 Riels
 - Book value = 140,000,000 Riels
- Capital gain = Sale price – Book value
 - Sale price = 150,000,000 Riels
 - Book value = 140,000,000 Riels
 - Capital gain by book value = 10,000,000 Riels

e- For tax purposes, this capital gain by book value must be increased by the deferred depreciation of 20,000,000 Riels in the year 2006. So the taxable capital gain is 30,000,000 Riels (10,000,000 Riels + 20,000,000 Riels);

f- The case of a capital loss:

If the warehouse is sold instead for 110,000,000 Riels, the capital loss is:

- Sale price = 110,000,000 Riels

- Book value = 140,000,000 Riels
- Capital loss = 30,000,000 Riels

The deductible capital loss for the purpose of income tax is only 10,000,000 Riels is the cost of the inclusion of 30,000,000 Riels must be decreased by the deferred depreciation of 20,000,000 Riels in the year 2006.

- 7- Adjustment of the income tax declaration:
 - a- Through the example in paragraph 4 of this Prakas, it is shown that the enterprise is subject to income tax for deferred depreciation. In the actual implementation, the enterprise must adjust the record in the wrongly of asset account of the tax year by write back this recorded the deferred depreciation;
 - b- For depreciation or a provision made wrongly or in excess of the allowable level, the enterprise must record the rectification of this wrong depreciation or provision for the tax year the mistake is found;
 - c- For the case as stated in sub-paragraphs a and b of this paragraph, the enterprise must declared adjustment of annual tax return as stated in the provisions of the law on taxation;
 - d- After the enterprise has complied with the rules in sub-paragraphs a, b, and c, of this paragraph, it can continue its depreciation or provision recording as allowed by tax provisions.

Article 41: Special Depreciation

Special depreciation shall be determined as following:

1- Special depreciation is an amount deductible in the first year of purchase or if later the first year the tangible property is placed into service. This amount deductible is equal to 40% of the capital cost of new and/or used tangible property used in manufacturing and processing. In the same tax year, special depreciation will reduce the capital cost of tangible assets for normal depreciation deduction as stated in Article 38 of this Prakas.

2- A special depreciation of tangible property shall be deducted in determining a QIP's taxable income for a tax year if the investor elected not to use the entitlement under paragraph 3 of Article 20(new) of the Law on Taxation.

3- There will be a minimum holding period of tangible property that had a deduction for special depreciation for a period of four years. If the assets disposing of by any means prior to the four year holding period during which the special depreciation has been granted, an amount equal to the special depreciation deduction

reduced by 2% of that deduction for each month that the assets were in place, shall be re-included in the taxable income. This amount will not affect the book value of the assets for determination of capital gains tax according to Article 7 of the law on taxation.

4- Example:

An investment enterprise begins the business of the tax year 2004 three machines that are used in his business. For the purpose of income tax, The machines forming class 4 assets are recorded on the depreciation list at 26,000,000 Riels (first machine: 10,000,000 Riels, second machine: 10,000,000 Riels, third machine: 6,000,000 Riels). During 2005, the third machine is sold for 5,000,000 Riels to other enterprise and replaced by a newer model, with an acquisition price of 20,000,000 Riels. Enterprises have chosen a special depreciation method for this investment. Depreciation is calculated as follows:

The depreciation of three machine for 2004:

- Special depreciation $(26,000,000 \times 40\%)$ = 10,400,000 Riels
- Nomal depreciation base $(26,000,000 - 10,400,000)$ = 15,600,000 Riels
- Nomal depreciation $(15,600,000 \times 20\%)$ = 3,120,000 Riels
- Total depreciation for 2004 $(10,400,000 + 3,120,000)$ = 13,520,000 Riels
- Depreciation base carry forward to 2005
 $(26,000,000 - 13,520,000)$ = 12,480, 000 Riels

The depreciation for 2005:

- special depreciation for new machine
 $(2,000,000 \times 40\%)$ = 8,000,000 Riels
- normal depreciation for new machine
 $(20,000, 000 - 8,000,000)$ = 12,000,000 Riels
- normal basic depreciation for all machines:
 $12,480,000 + 12,000,000 - 5,000,000$
(income from sole old machine) = 19,480,000 Riels
- normal depreciation $(19,480,000 \times 20\%)$ = 3,896, 000 Riels
- Total depreciation for 2005
 $(8,000,000 + 3,896,000)$ = 11,896,000 Riels
- Depreciation base carry forward to 2006
 $(19,480,000 - 11,896,000)$ = 7,584,000 Riels

The adjustment on income tax related to the sold of machine in 2005 (after 16 months of use):

- Taxable income for 2005 has to be increased by the special depreciation deduction adjusted for an amount of 2% of that deduction for every month the asset was in service. Re-included Taxable income for 2005 is calculated as follows:
 - special depreciation $(6,000,000 \times 40\%)$ = 2,400,000 Riels
 - less adjustment for time fixed asset
was in service $(2,400,000 \times 2\%) \times 16$ months = 768,000 Riels

- Taxable income to be-included for 2005
(2,400,000 – 768,000) = 1,632,000 Riels

Capital gain and capital loss from the sold of machines shall comply to chapter 8 of this Prakas.

CHAPTER 8

General Rules on Capital Gain and Capital Loss on an Asset

Article 42: General

1- According to Article 7 (new) (one) of the law on taxation, Capital gains from the sale of various assets during the business operation or at the close of the business as a partly of taxable income.

2- Capital gain or capital loss is the difference between the sale and the remaining price defered depreciation of the asset or ocured of the asset revaluation.

3- The capital gain and capital loss shall be determined as follows:

- a- Realised capital gain or loss: this value arises through the disposal of fixed asset. The disposal may be a sale (most cases), a property contribution into another enterprise, an exchange, a distribution, a donation, a taking back made by the owner of an enterprise during the business operation or at the end of the business, a dismantling, a destruction, the taking out of service, ... The disposal may be an intentional act of the owner or manager of the enterprise or like an expropriation, a disaster, ...;
- b- Recorded capital gain: this the reevaluation of asset through the recording in the accounting books of the current value of asset in replacement of its old value which arises the capital gain. So this is purely an accounting capital gain or not effect on taxable income in case of the value is not in service in the purpose of tax depreciation;
- c- A capital loss in the form of a provision is not allowed for deduction except the realized capital loss as stated in sub-paragraph a of this paragraph.

Article 43: Calculation of the Capital Gain or Loss

1- The sale of a fixed asset produces a capital gain if the sale price is higher than the remained value of deferred depreciation of that asset.

2- deferred depreciation remaining price:

- a- For a fixed asset depreciated by the straight line method: deferred depreciation remaining price is equal the historical cost of that related fixed asset plus a consistent improvement minus the depreciation allowance which has been made for that asset;

- b- For a fixed asset depreciated by the declining balance method: in the case of the disposal of an asset of this type, the enterprise shall not calculate the capital gain or loss for that asset directly. The enterprise must comply with the rules as stated in paragraph 2 of this Prakas and the capital gain or loss will be shown for the whole of each pooled asset account.
- 3- Example:
- a- An enterprise has bought and placed in service a class 1 asset for 25,000,000 Riels. At the third year, the enterprise make consistent improvement for 50,000,000 Riels and at the fifth year the enterprise sold it back for 350,000,000 Riels;
- b- The calculation of depreciation:
- The rate of depreciation = 1,800,000 Riels
 - the depreciation must recorded an expense for each year:
 - first year depreciation:
 $250,000,000 \times 5\%$ = 12,500,000 Riels
 - second year depreciation:
 $250,000,000 \times 5\%$ = 12,500,000 Riels
 - third year depreciation:
 $(250,000,000 + 50,000,000) \times 5\%$ = 15,000,000 Riels
 - fourth year depreciation:
 $(250,000,000 + 50,000,000) \times 5\%$ = 15,000,000 Riels
 - total depreciation allowance = 55,000,000 Riels
- c- Capital gain and capital loss:
- historical cost = 250,000,000 Riels
 - consistent improvement = 50,000,000 Riels
 - depreciation allowance = 55,000,000 Riels
 - the remained value of deferred depreciation = 245,000,000 Riels
 - cost Price = 350,000,000 Riels
 - capital gain
 $(350,000,000 - 245,000,000)$ = 105,000,000 Riels

Article 44: Special Cases

Any special cases related capital gain and capital loss shall be determined as follows:

- 1- The loss on a sale or exchange of property, whether directly or indirectly, between related persons is not comply with the arm's length principle shall be complied with the provisions of Prakas No 986 MEF. BK dated 10 october 2017 on the rules and procedures for transfer pricing.

2- Property contribution into a company, the calculation of a capital gain or loss shall be made from the real value of the shares or securities received in return for the property contribution. As generally, the real value of the shares or securities is equal to the estimated value of the properties brought by the contribution into the accounting books of the enterprise which receives the contribution.

3- An exchange, even with or without any additional cash payment, shall be considered a sale and a normal purchase operation. The capital gain or loss shall be the difference between the fair market value of the properties received in the exchange and the deferred depreciation remaining price given out in that exchange. An exchange is taxable in the tax year in which such exchange arises.

4- For the donation or, taking back of properties from the assets of the enterprise or cessation of activity, these capital gain or loss shall be determined by the fair market value of the properties at the date of the donation, taking back of properties, or cessation of activity.

CHAPTER 9

Withholding Tax

Article 45: General

1- As stated in Article 25(new), Article 26(new)(one), and Article 31(new) of the Law on Taxation, a self-assessment regime taxpayer makes any payment in cash or in kind to resident or non-resident taxpayer shall withhold to tax administration at the time of payment. For the purpose of withholding tax, any operation which is subject to withholding tax and recored in accounting book shall be considered to payment.

2- As stated in Article 31 (new) of the law on taxation, a self-assessment regime taxpayer or any person which tax provisions must withhold and pay tax in the name of third party shall be considered as withholding agents.

Article 46: Withholding Tax on payments made to a Resident

withholding agents who makes any payment in cash or in kind to resident taxpayer shall withhold and pay as tax, an amount according to the below mentioned rates which are applied to the amount paid before withholding the tax:

1- The rate of 15% :

a- The payment from the performance of services including management, consultancy, or similar services to resident taxpayer which is ont the seft-assessment taxpayer. The performance of services including management, consultancy, and similar services, refers to the income from the economic activities of a person except from the production and the selling of goods, the leasing, renting or selling of properties, and

- except from employment activities as stated in the provisions of the Prakas on the Tax on Salary. The income from the performance of services, but not be limited as following, includes mainly: the income from a commission or a brokerage, the income from transport, repair, construction, management, or consultancy activities, the income from similar services like scientific, technical, artistic, or educational services, or from services in the field of medical care, dentistry, legal consultancy, engineering, architecture, study and research, accounting, ...;
- b- The payment to resident taxpayer for income from royalties for intangible asset and the payment for any benefit interests in minerals except for the net income resulting from the exploitation of these resources, and the dividend, which are taxable under separate tax provisions;
 - c- interests paid by a resident taxpayer in soft-assessment regime other than domestic banks to a resident taxpayer.

2- The rate of 10% on income paid from the rental of a movable or immovable property: for the purpose of the withholding tax, an income from the rental of a movable or immovable property refers to an amount in cash or in kind paid by the rentee in consideration for the use of a movable property such as an industrial, commercial, technical, scientific, transportation... and an immovable property such as land, building, other constructions, ... In this, an immovable property shall include all other properties accessory to it as well as the right to act in accordance with the law on land ownership, possession, the right of usufruct, and any other right which can bring about a payment in cash or in kind in a specified or unspecified amount.

3- The rate of 6 % on interest paid by a domestic bank to a resident taxpayer having a fixed term deposit account.

4- The rate of 4% on interest paid by a domestic bank to a resident taxpayer having a non-fixed term savings account.

Article 47: Withholding Tax on payments made to a Non-Resident

Except for the provisions stated in the international agreement on Taxation, withholding agents who make payment of cambodian source income as stated in Article 7 of this Prakas to a non-resident taxpayer shall withhold, and pay as tax, an amount of the rate 14%.

Article 48: Exemption from the Tax Withholding

- 1- A payment in cash or in kind as below is exempted from the tax withholding:
 - a- Interest paid to a domestic bank, and the payment of income exempted from tax as stated in Article 8 of this Prakas;

- b- Payment to the Government or a government institution of the royalties or rental on a movable or immovable property (including among other things the rental of fishing lot or fishing area, the rental of ferry, the royalty on woodland concession, the market tax on goods, ...) and which payment must meet the two conditions as below:
 - the payment must pertain to a movable or immovable property recorded as state property in the property register maintained by the Ministry of Economy and Finance;
 - this payment must receive certification from the Ministry of Economy and Finance that it is a revenue to be paid to the state budget;
 - c- Payment of an income of physical person subject to the tax on salary or the tax on fringe benefits as stated in the provisions of Prakas on the Tax on Salary;
 - d- Payment of interests made by the Government or a government institution to a non-resident on a loan which the Royal Government of Cambodia or the Minister of Economy and Finance has recognised and approved;
 - e- Payment of any service supplies under 50,000 Riels.
- 2- Payment in cash or in-kind among the self-assessment taxpayer is exempt from withholding tax for the following cases:
- a- the income from the performance of services including management, consultancy, and similar services;
 - b- Income from supplies:
 - Shrink-wrap Software;
 - Site License;
 - Downloadable Software; or
 - Software Bundled with Computer Hardware;
 - c- the income from a movable or immovable property.

For all cases as stated in this paragraph, any payments shall be exempted from the withholding tax if that amount has been recorded in an invoice issued which must be made clearly by other self-assessment taxpayer.

Article 49: Calculation of the Withholding Tax

1- The withholding tax to be withheld shall be calculated on the amount to be paid to a person before withholding the tax.

2- For the payment to a non-resident in relation to the supply of materials and equipment and of services, such as in the case of a payment for the purchase of a

machinery from abroad which includes both the price of the equipment and the cost of its assembly by a non-resident technician for the initial operation of the equipment, the tax base for the withholding tax is only the part of the payment related to the service of assembly.

Article 50: Withholding Agents and their Obligations

1- The withholding agent has the obligation to submit a tax return and to pay the withheld taxes to the tax administration by the 15th day of the month following the month in which the withholding was made.

2- The withholding agent has the obligation to pay the withheld taxes but has not withheld and paid the tax to the tax administration, shall be responsible for the withholding tax including to other penalties as provided in the law on taxation.

CHAPTER 10

Calculation of Income Tax

Article 51: Taxable Incomes

1- Write backs and deductions: as there are separate tax provisions not consistent with accounting rules, normally the taxable income is not the same as the accounting profit. For the calculation of the taxable income of any tax year, the enterprise must take the accounting results of that year and carry out various adjustments as follows:

- a- Write back all expenses that are not deductible such as:
 - Accounting depreciation;
 - Amusement, recreation and entertainment expenses;
 - Increase in provisions;
 - Donations, grants and subsidies;
 - Loss and disposal of fixed assets as per accounting book;
 - Other non-deductible expenses;
- b- write back all taxable income that are not recorded as income in accounting book such as:
 - Supplies of goods and services free of charge;
 - Donations and subsidies;
 - Gain on disposal of fixed assets as per the provisions of income tax;
 - others taxable income not recorded in accounting book;
- c- deducte an expenses not recorded, but deductible in the period:

- Deductible amortization, depletion and depreciation as per law on taxation;
- special depreciation as per provisions of income tax;
- decrease in provision;
- loss on disposal of fixed asset as per provisions of income tax;
- other deductible expenses;
- d- deducte an income recorded but not taxable during the period:
 - dividend income received from resident taxpayers;
 - gain on disposal of fixed assets as per accounting books;
 - other incomes recorded, but not taxable during the period.

2- After completing the write back and deduction as stated in paragraph 1 of this Prakas, the enterprise must calculate the deductible charitable contribution for the tax year which must comply as follows:

- a- Caculate the base of charitable contribution by adding the charitable contribution expended in the tax year with the results after adjustment as calculated in paragraph 1 of this Article;
- b- Calculate the maximum deductible charitable contribution for the tax year by multiplying the results as calculated in sub-paragraph a of this paragraph with the rate of 5%;
- c- The deductible charitable contribution for the tax year:
 - If the total amount of charitable contribution in the tax year is equal to or lower than the maximum deductible charitable contribution for the tax year is not adjust charitable contribution expenses;
 - If the total amount of charitable contribution in the tax year is higher than the maximum deductible charitable contribution for the tax year, the difference amount which shall become a non-deductible expense for the tax year. This difference amount must write back to the result of adjustment calculated in paragraph 1 of this Article to determine the result after the deductible charitable contribution.

- 3- After that the enterprise must calculate the result of interest adjustment by:
- a- Calculate the net non-interest income by adding the result after deductible charitable contribution with the interest expense in the tax year subtracting the interest income in the tax year;
 - b- Calculate the maximum deductible interest expense for the tax year by adding together the total interest income in the tax year and 50% of the net non-interest income as calculated in sub-paragraph a of this paragraph;
 - c- If the total interest expense in the tax year is higher than the maximum deductible interest expense for the tax year, enterprise must calculate the deductible interest expense for the tax year by taking the interest expense in the tax year substracted the maximum deductible interest expense for the tax year which calculated in sub-paragraph b of this paragraph. This interest expense remaining from deduction shall be

treated as interest expense for the following tax year until the fifth tax year by the sequence year in which the interest expense is incurred as stated in this paragraph;

- d- If the total interest expense in the tax year is equal to the maximum deductible interest expense for the tax year, Interest expense is completely allowed without any adjustment;
- e- If the total interest expense in the tax year is lower than the maximum deductible interest expense for the tax year, the interest expense in the tax year is deductible in totality for the tax year. If the enterprises have the remaining interest expense in the previous year, enterprise can deducted but all the deductible among shall not exceeds the maximum deductible interest expense for the tax year. In this case, the interest brought forward for deduction from the previous year shall deducted for taxable income;
- f- Calculate the results after adjustment of interest in the tax year by taking the result after the deductible interest expense adding the non-deductible interest expense for the tax year by sub-paragraph c or subtracting the interest expense brought forward for deduction from the previous year by sub-paragraph e.

4- Calculate the taxable income for the tax year by taking the results after adjustment of interest in the tax year stated in sub-paragraph f of paragraph 3 of this Article subtracting the losses sustained in previous years as allowed by the law on taxation if any.

Article 52: Calculation of the Income Tax

The income tax shall be calculated as follows:

- a- Calculate the income tax by taking taxable income of the tax year as calculated in Article 51 of this Prakas multiplies the tax rate as stated in Article 20 (new)(one) of the Law on Taxation;
- b- Minus any foreign tax credit under new Article 36 of the Law on Taxation as stated in Article 57 of this Prakas for a resident enterprise which has a foreign source income but not in excess of the income tax in sub-paragraph a of this paragraph;
- c- Minus advance tax on dividend distribution that is paid by the enterprise in accordance with Article 23 (new)(two) of the Law on Taxation but not be exceeded the income tax after deducting the foreign tax credit in sub-paragraph b of this paragraph. The subtracting advance tax on dividend distribution in this sub-paragraph is limited to any advance tax on dividend from the income only incurred in the tax year.

Article 53: Calculation of the Income Tax Due or Tax Credit for the Tax Year

The calculation of the income tax due or the tax credit for the tax year shall be as follows:

1- If the result from the calculation in Article 52 of this Prakas is greater than the sum of any withholding tax in accordance with the provisions in chapter 9 of this Prakas, and the prepayments for the income tax made by the taxpayer for the tax year under Article 28 (new) of the Law on Taxation, the enterprise shall pay the difference to the tax administration.

2- If the result from the calculation in Article 52 of this Prakas is smaller than the sum of any withholding tax in accordance with the provisions in chapter 9 of this Prakas, and the prepayments for the income tax made by the taxpayer for the tax year under Article 28 (new) of the Law on Taxation, the enterprise may apply for a refund of the difference for deduction with the prepayment of the income tax in the month the following month which summited the annual tax return or income tax for the following year.

3- Before making any tax payment under sub-paragraph a of this paragraph, or any carry forward for use as prepayment under sub-paragraph b of this paragraph, the enterprise must first determine any liability for the minimum if the enterprise does not receive a certificate of proper accounting from the General Department of Taxation.

Article 54: Calculation of the Minimum Tax, Tax Due or Tax Credit for the Tax Year

The minimum tax, the tax due or the tax credit for the tax year shall be determined as follows:

1- The minimum tax as stated in Article 24 (new)(two) of the Law on Taxation at the time of the liquidation of the income tax. The minimum tax due for any tax year may be reduced by the income tax obviously paid in that tax year.

2- In the case where the income tax calculated in Article 52 of this Prakas exceeds the minimum tax, the enterprise is not liable for the minimum tax and the enterprise must comply with the provisions stated in paragraph a and b of Article 53 of this Prakas at the time of submission of the annual tax return.

3- In case where the minimum tax exceeds the income tax, the minimum tax is reduced by the tax credit of the enterprise as stated in paragraph 1 of Article 53 of this Prakas (that is the sum of any prepayment for the income tax paid by the enterprise in Article 28 (new) of the Law on Taxation and the payment that other enterprise withholding in accordance with the provisions in chapter 9 of this Prakas and the credit tax of income brought forward from the previous year if any) in that:

- a- if the minimum tax exceeds the tax credit in paragraph 3 of this Article, the enterprise shall be paid the additional different;
- b- if the tax credit in paragraph 3 of this Article exceeds the minimum tax, the different shall be allowed bought forward to use as the tax credit of the income tax for the following tax year (prepayment of income tax or annual income tax).

Article 55: Rules on the Carry Forward of Losses

1- As stated in Article 17 of the Law on Taxation, the carry forward of losses shall be determined as follows:

- a- In the case of a loss in any tax year, this loss is considered as a charge and shall be deducted from the income realized in that following year (the first tax year for the carry forward of the loss). If this income is not sufficient to completely settle it, the remaining part of the loss is carried over successively to following tax years until the fifth tax year;
- b- the deduction in any tax year is equal to the income realized in the tax year without retaining any part of the loss for carry forward to following year;
- c- Where losses occur in more than one year, the rule in sub-paragraph a of this paragraph shall be applied to the losses in the order in which they arose.

2- Conditions for the carry forward of losses for deduction:

- a- Proof of a loss:
 - To be deductible, the enterprise must calculate a loss as specified in tax provisions and that loss meets in the annual tax return which has been submitted to the tax administration;
 - The enterprise subject to a unilateral tax assessment from the tax administration in any tax year shall not be allowed to bring forward losses from previous years for deduction in the tax year which have a unilateral tax assessment or carry forward the loss in the year which have a unilateral tax assessment for deduction in the following tax year. For losses incurred before the tax year in which the unilateral tax assessment is allowed for carry forward for deduction in the tax year after the tax year in which the unilateral tax assessment If it is not longer than 5 years of the loss carry forward;
 - A loss brought forward for deduction must be evidenced by accounting books and records which are properly maintained in accordance with the rules as specified in tax provisions and in a good international accounting standard of Cambodia.
- b- Identity of the enterprise:
 - A loss is allowed to be brought forward for deduction is only for the same enterprise;
 - In the case where there is a change in the business activities which can be considered as a cessation of activity of the old enterprise and the creation of a new enterprise (for example the enterprise ceases its retailing activities and starts a business in construction, ...), the loss sustained by the enterprise in its former activities cannot be brought forward for deduction against the income realized in its new activity;

- c- The tax year to bring forward a loss for deduction:
 - A loss in any tax year must be brought forward for deduction against the results of the subsequent tax year which has an profit without allowing to skip the tax year in which have any profit results;
 - If for any reason the enterprise has not brought forward a loss for deduction or carry forward only any part to deducted with the profit result of any following tax year as allowed by tax provisions, this loss cannot be brought forward for deduction against the profit result of any other subsequent tax year;
 - the carry forward of the loss shall be applied respectively to the year in which the loss occurred with not exceed more than five years.

Article 56: Tax Rates on Annual Income

The tax rates on the annual income are as follows:

- 1- 20 percent for the taxable income realized by a legal person.
- 2- 30 percent for taxable income realized under an oil or natural gas production sharing contract and the exploitation of natural resources including timber, ore, gold, and precious stones.
- 3- 0 percent for the taxable income of qualified investment project during the tax exemption period.
- 4- According to the progressive tax rate by tranche for the table below for the taxable income realized by the physical person, sole proprietorship and the distributive share to each member of a partnership that is not classified as a legal person:

Parts of the Annual Taxable Income			Tax Rate
From	0 Riel	to 16 000 000 Riels	0%
From	16 000 001 Riels	to 24 000 000 Riels	5%
From	24 000 001 Riels	to 102 000 000 Riels	10%
From	102 000 001 Riels	to 150 000 000 Riels	15%
	From greater than	150 000 000 Riels	20%

Article 57: Foreign Tax Credit

- 1- A resident taxpayer who has received income from foreign sources and who has paid taxes according to foreign tax law, shall receive a tax credit for deduction from the income 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 tax to be paid in the Kingdom of Cambodia before deduction of this tax credit, the total amount of income 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 income tax from all sources for the same period calculated according to the tax rate in Article 20(new)(one) of the Law on Taxation, with the ratio of income received in that foreign country to the total income 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 tax payor and from the foreign tax administration.

Article 58: Advanced Tax on Dividend Distributions

1- According to Article 23 (New)(two) of the law on Taxation, if an enterprise distributes dividends from its annual advance tax income to its domestic and foreign shareholders, the enterprise shall pay an amount equal to the product of the amount of the dividend grossed up by the income tax rate and multiplies by the appropriate annual tax rate as stated in Article 20 (new) (one) of this law.

2- Advanced tax on dividend distribution is not apply for the qualified investment project during the tax exemption period.

3- The tax paid under paragraph 1 of this Article become a tax credit for deductions with the annual income tax of the dividend distributing. If the tax credit exceeds the annual income tax, such excess shall be carried forward for deduction of the income tax of the following tax year.

4- Dividends paid under paragraph 1 of this Article, when the enterprise subsequently distributes dividends shall not be subject to the advanced tax on dividend distributions.

5- The advanced tax on dividend distributions as stated in this Article shall not apply for the income from the premiums of insurance, reinsurance of property or other risks in the Kingdom of Cambodia as stated in paragraph 1 of Article 21 (New) of the Law on Taxation.

6- Example: In October 2020, an enterprise distributed an income of the current year for 40 000 000 riels to shareholders of the enterprise. Therefore, the enterprise shall declare the advance tax on dividend distribution for the taxable period in October 2020 as follows:

Formula grossed up for income tax at the rate 20%

$$\begin{aligned} \text{Dividend before pay tax} &= \frac{\text{Dividend receivable}}{1 - \frac{20}{100} (\text{tax rate})} = \frac{\text{Dividend receivable}}{0,8} \\ &= 40\,000\,0000 \div 0,8 = 50\,000\,000 \text{ riels} \end{aligned}$$

Advance tax on dividend distribution = 50 000 000 x 20% = 10 000 000 riels.

CHAPTER 11

Accounting Book

Article 59: Accounting Obligation

- 1- Bookkeeping:
 - a- The enterprise must keep accounting books in accordance with Cambodian International Financial Reporting Standards;
 - b- The main principles of keeping of accounting books include:
 - must use the double entry and accrual basis accounting system;
 - All transactions must be recorded in Riels or any foreign currency authorized by the competent authority;
 - Invoices must be issued for all transactions with the other persons. The invoice must have the Sequential number and the correctly citation;
 - Must record properly in the journal the details of invoices;
 - Supporting documents must be properly dated and filed;
 - Must record in the accounting books all transactions in the order in which they arise;
 - Each accounting entry must show for the relevant transaction the origin, the content, the charged accounts, a short description, and the reference to the supporting documents;

- Any rectification must leave a trace of the adjustment in such a way as to be able to reveal the real amount of the flow of fund in the various accounts;
- Bookkeeping must be done in Khmer with figures written in Khmer numerals or Arab numerals, but may keep an additional accounting book in another language.

2- Presentation of accounting documents: the enterprise must have proofs for all items of income and expense he has declared. When required by the tax administration to provide proofs, the enterprise must present all accounting documents, stock-lists, receipts, disbursement vouchers, ... to prove the reality of the information recorded in the tax return. In the case where the enterprise does not allow the tax administration to examine accounting records or other documents, the enterprise shall be considered as an obstruction to the implementation of tax provisions.

3- The keeping of accounting documents: as stated in paragraph 3 of Article 98 of the Law on Taxation, the person who must keep books of account, documents, or journals, as prescribed by tax provisions or other provisions, must preserve these books or documents for a period of 10 years starting from the end of the tax year in which a recording of information concerning the enterprise transaction was made in them.

4- Enterprises performed as following shall be considered as an obstruction to the implementation of tax provisions:

- a- fails to maintain proper accounting records and other documents or fails to issue invoices on transactions;
- b- makes or furnishes fraudulent records, documents, reports, or other information;
- c- conceals or deliberately destroys accounting books, records, documents, reports, or other information.

Without prejudice to any other panalties, the enterprise stated as above shall be subject to penalties as stated in Articles 133 and 136 of the Law on Taxation.

CHAPTER 12

Closing Provisions

Article 60: Abrogation

Prakas 1059 MEF.BK.GDT dated 12 December 2003 on Tax on Profit and other provisions contrary to this Prakas shall be abrogated.

Article 61: Effective Date

The Cabinet Director, Secretary-General, Delegate of the Royal Government in Charge as the Director General of General Department of Taxation, 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 units under the supervision of the Ministry of Economy and Finance and all other enterprises and institutes shall undertake to implement this prakas as per their respective duties from the date of signature onwards.

Phnom Penh, 29 January 2020
Deputy Prime Minister
Minister of Economy and Finance
[Signature and stamp]

AUN PORNMONIROTH, PhD

Recipients:

- Council of Ministers
- Cabinet of Samdech Akka Moha Sena Padei Techo, Prime Minister
- Cabinet of Samdech, His/Her Excellency, Deputy Prime Ministers
- Capital/Provincial Halls
- As in Article 61 “for implementation”
- Royal Gazette
- Records-Archives