

Instructive circular on tax on profit and tax on salary of insurance companies

(No.006 MoEF, dated 29 December 2009)

On 29 December 2009, the Ministry of Economy and Finance (MoEF) issued an instructive circular on tax on profit (ToP) and tax on salary (ToS) of insurance companies (the circular) in order to reinforce the implementation of the 1997 Law on Taxation (1997 LoT) effectively. The circular refers to an insurance company as a company that operates insurance or re-insurance on life, property or any other risk in Cambodia.

The circular indicates that an insurance company is required to declare and pay the 5% prepayment of tax on profit (PTP) on its gross premiums from insurance or re-insurance income on a **monthly** basis to the General Department of Taxation (GDT). This requirement is not specifically mentioned in the 1997 LoT and the 2003 Prakas on ToP. We understand this 5% PTP would be allowed to offset against the annual 5% ToP on the company's gross premiums.

Accordingly, it is now recommended that an insurance company declare and pay the monthly 5% PTP to the GDT by the set due date to abide by the circular and avoid any penalties being imposed by the GDT.

The circular also confirms that the standard rate of 1% PTP will apply to non insurance related income and such income will be subject to the usual ToP rate of 20%.

Prakas on suspension of payment of prepayment of tax on profit for garment and shoe manufactures

(No. 483 MoEFPrk, dated 29 May 2009)



The MoEF has issued a Prakas no. 483 MoEF to notify the extension of the suspending period regarding payment of the prepayment of tax on profit for garments and shoe manufactures for another 2 years after the issuance of Prakas no. 305 Prk.TD dated 23 April 2008.

Accordingly, pursuant to the Prakas no. 483 MoEF, garments and shoe manufactures will not be required to pay the monthly PTP until end of year 2012.

The 2010 Law on Financial Management (LFM)

(No. NS/RKM/1209/026)

The LFM promulgated on 16 December 2009 has laid down a number of tax provisions we would like to outline as below:

Tax incentives in Financial Development Division (FDD)

The 2010 LFM provides that FDD shall be created under the management of Financial Development Division Committee in order to oversee sustainable financial and securities sector development. Business activities in the FDD would be entitled to a partial or complete exemption from tax and/or customs duties, and this exemption would be for not more than 9 years.

Types of business activities in the FDD to be entitled to the incentives and various conditions applicable shall be determined in detail by a sub-decree proposed by the Minister of the MoEF.



Tax on Immovable Property (TIP)

TIP was created in the 2010 LFM to manage immovable properties located in Cities/Provinciality of Cambodia and as part of the state revenues. The term "immovable property" is defined as land, houses, buildings and constructions that are built on the land.

TIP will be collected every year at the rate of 0.1% on the value of the immovable property that is over KHR100,000,000 (approximately USD25,000). The value of the immovable property shall be the market value to be assessed by the Assessment Committee, which will be created by the coming Prakas of the MoEF.

The deadline for paying the TIP is 30 September each year.

Certain immovable properties are exempted from paying the TIP such as:

- agricultural land
- an immovable property belonging to the Royal Government or Government Institutions
- an immovable property belonging to communities or an individual organised and operated solely religion or charity purposes
- an immovable property belonging to a diplomatic or consular mission, international organizations and agencies of technical cooperation of other governments.

The Minister of the MoEF will issue a Prakas in order to implement and collect this TIP.

Notification on new commercial registered identification number

(No. 3773 MoC, dated 31 December 2009)

On 31 December 2009, the Ministry of Commerce (MoC) announced changes to the basis of issuing identification registration numbers (ID) of enterprises. The new ID system will be based on the form of the enterprises (e.g. commercial, investment, or a sole proprietorship company, branch or representative office) with a new abbreviation for registered nationality of the enterprises.

Enterprises that are already registered and obtained their commercial registered identification number before 2010 shall still use their existing registered ID, and may only need to change the registered nationality based on the new abbreviation.

Notifications on National Social Security Fund (NSSF)

(No. 12/09NSSF and 14/09NSSF, dated 8 and 22 December 2009)

On 8 December 2009, the NSSF of the Ministry of Labour and Vocational Training (MLVT) issued a notification No.12/09 that where there is a change of Enterprise/Establishment's name, address, employer/owner, director or representative, the NSSF is to be advised within 30 days after the change.

On 22 December 2009, the NSSF also issued a notification No.14/09 to announce to directors or owners of all the registered enterprises that failure to register the branches and report the actual number of employees will result in fines being imposed by the NSSF.



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