

**Kingdom of Cambodia
Nation Religion King**

Ministry of Economy and Finance
No. 002 MoEF

**Instruction
On
Implementation of New Rate of Tax on Salary**

Pursuant to new Article 47 (two) of the Law on Taxation amended by the Law on Finance for 2018 Management promulgated by Royal Code NS/RKM/1217/019 dated 09 December 2017, the Ministry of Economy and Finance would like to give an instruction as follows:

1. Application Period and New Progressive Tax Rates

All enterprises that are resident taxpayers, state institutions and organizations that are obliged to withhold and pay tax on salary (TOS) shall implement the new progressive tax rates for the salary paid to employees from January 2018 which have to submit monthly tax return no later than the 20th of the following month.

Table of new progressive tax rates are as follows:

Taxable Parts of the Monthly Salary	Tax Rate
From 0 Riel to 1,200,000 Riels	0%
From 1,200,001 Riels to 2,000,000 Riels	5%
From 2,000,001 Riels to 8,500,000 Riels	10%
From 8,500,001 Riels to 12,500,000 Riels	15%
More than 12,500,000 Riels	20%

2. Allowance for spouse and dependent children

Based on the presented evidence of the family status of civil servants, teachers, doctors and workers/employees who are responsible for feeding their children, husband or wife, the reduction of salary tax calculation basis for each dependent child and housewife spouse shall be 150,000 Riels per month. This reduction makes the salary tax calculation basis smaller which may make civil servants, teachers, doctors and workers/employees who are responsible for feeding child, husband or wife and who have a salary of between 1,200,001 Riels to 1,600,000 Riels (around from US\$300 to US\$400) free from the salary tax.

3. Calculation of Tax on Salary

According to new Article 42 of the Law on Taxation, the term “salary” refers to salary, remuneration, severance pay, bonus, overtime pay, other additional pays and fringe benefits paid to employees or paid for direct or indirect benefits for employees for performing work.

To calculate salary tax of the resident employees, salary tax calculation basis must be found by taking the total salary to minus allowance for spouse and dependent children. In particular, for workers/employees, factories, enterprises, the taxable salary shall be deducted further by the benefits received from performing their work as stipulated in Circular 011 MoEF dated 06 October 2016 on Implementation of Obligation to Withhold Tax on Fringe Benefits.

Then must check which tax rate the salary tax calculation basis falls into and then take the salary tax calculation basis to be multiplied by the tax rate and minus the difference-over-tax-amount for that tax rate. Difference-over-tax-amount of each level is the sum of the tax on salary exempted from the first 1,200,000 riels salary and difference of tax amount of each level.

Table of progressive rates and difference-over-tax-amount of each level:

Taxable Parts of the Monthly Salary	Rate	Difference-over-tax-amount of each level
From 0 Riel to 1,200,000 Riels	0%	0 Riel
From 1,200,001 Riels to 2,000,000 Riels	5%	60,000 Riels
From 2,000,001 Riels to 8,500,000 Riels	10%	160,000 Riels
From 8,500,001 Riels to 12,500,000 Riels	15%	585,000 Riels
More than 12,500,000 Riels	20%	1,210,000 Riels

Formula:

Allowance for spouse and dependent children = 150,000 Riels x number of spouse and dependent children

Salary tax calculation basis (STCB) = Taxable salary (TS) - Allowance for spouse and dependent children

Tax on salary (TOS) = Salary tax calculation basis x Tax rate - Difference-over-tax-amount (DOTA)

Note: For workers/employees of factories and enterprises, if the taxable salary include benefits received from performing their work, the benefits are allowed to be deducted from the taxable salary.

Example 1: A factory/enterprise worker/employee has a salary of 1,800,000 Riels in which he/she has a transport allowance and meal allowance of 100,000 Riels.

A. Case of Being Single

STCB = 1,800,000 Riels - 100,000 Riels = 1,700,000 Riels (taxed at 5%)

DOTA = 60,000 Riels

TOS = (1,700,000 Riels x 5%) - 60,000 Riels = **25,000 Riels**

B. Case of Having Housewife Spouse and 3 Dependent Children

Allowance for spouse and dependent children = 150,000 R x 4 = 600,000 R

STCB = 1,800,000 R - 100,000 R - 600,000 R = 1,100,000 R (taxed at 0%)

DOTA = 0 R

TOS = (1,100,000 R x 0%) - 0 R = **0 R**

Example 2: A company manager has a salary of 8,600,000 R.

A. Case of Being Single

STCB = 8,600,000 R (taxed at 15%)

DOTA = 585,000 R

TOS = (8,600,000 R x 15%) - 585,000 R = **705,000 R**

B. Case of Having Housewife Spouse and 3 Dependent Children

Allowance for spouse and dependent children = 150,000 R x 4 = 600,000 R

STCB = 8,600,000 R - 600,000 R = 8,000,000 R (taxed at 10%)

DOTA = 160,000 R

TOS = (8,000,000 R x 10%) - 160,000 R = **640,000 R**

The Ministry of Economy and Finance hopes strongly that all enterprises that are resident taxpayers, state institutions and organizations that are obliged to withhold and pay tax on salary will pay attention to implementing this instruction in an effective manner.

Phnom Penh, 15 January 2018

(signed and stamped)

Dr. Aun Pornmoniroth

Place to receive:

- Office of the Council of Ministers
- Secretary General of the Royal Government
- Cabinet of Samdech Techo Prime Minister
- Cabinet of Samdech, H.E. Lok Chumteav Deputy Prime Minister
- Municipal/Provincial Halls
- All ministries/institutions
- Archives