



Ministry of Economic &amp; Finance

No.: 002 សហ.អពខ

**Kingdom of Cambodia**  
**Nation Religion King**

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**INSTRUCTION****ON****IMPLEMENTATION OF NEW TAX ON SALARY**

In accordance with the Article 47(new) of the Law on Taxation that was amended by the Law on Financial Management in 2018 promulgated by the Royal Krame No. NS/RKM/1217/019 dated December 09, 2017, Ministry of Economic & Finance would like to instruct as bellows:

**1- Implemented Period & Increasing Rate with New Categories**

Every enterprises who is the resident taxpayer, Government Institutions and any organization that have an obligation to withhold and pay the tax on salary (TOS) will be implemented with new rate for Salary that will be paid to the employee from January 2018 that will be submitted the monthly tax declaration not later than on the day of 20 of next month.

Monthly Taxable Salary (Riels)	Salary (USD)	Rate
<i>0-1,200,000</i>	300.00	0%
1,200,001-2,000,000	500.00	5%
2,000,001-8,500,000	2125.00	10%
8,500,001-12,500,000	3125.00	15%
12,500,000-upwards	3125 upwards	20%

**2- DEPENDENT HOUSEWIFE AND CHILDREN**

Based on the evident of the family's situation, Government Officer, Teacher, Medicine and Employee who has the burden to livelihood the children and spouse will be allowed to decrease the base of tax calculation on salary for dependent housewife and children in 15,000.00 Riels per month. This reduction will make the base of tax calculation on salary becoming a lower and make the Government Officers, Teacher, Medicine and Employee who have the burden to livelihood the child and spouse that received the salary in the circle of amount from 1,200,001 Riels to 1,600,000 Riels (Around from USD300.00 to USD400.00) can be able to evade from the tax payment on salary.

### 3- TAX CALCULATION ON SALARY

According to Article 42 (new) of the Law on Taxation, meaning of "Salary " refer to the Salary, Bonus, Remuneration, Overtime and any other allowance and fringe benefit that paid to the employee or paid for benefit direct or indirect to the employee for the fulfillment of employee activities.

In order to calculate the tax on salary of resident employee, we will take the base of tax calculation on salary by taking the total of taxable salary minus dependent housewife and children. Specifically for employee, factories worker, enterprises, the taxable salary will be allowed to deduct more with the remuneration for the fulfillment of employee activities under the Circular No. 011 MEF dated 06 October 2016 on the Implementation of Obligation to Withholding Tax on Fringe Benefit.

And then should be checked the base of tax calculation on salary that is under which rate we going to calculate after that we take the base of that tax calculation on salary to multiple with tax rate and minus the rebate of tax rate. Rebate of tax rate with each categories is the sum of the tax on salary that exempt for salary 1,200,000 Riels first and rebate of each tax rate.

#### **Timetable of Rate Increasing and Rebate of Each Tax Rate**

Monthly Salary (Riels)	Monthly Salary (USD)	Rate	Rebate of Tax Rate (Riels)	Rebate of Tax Rate (USD)
0-1,200,000	300.00	0%	0	0
1,200,001-2,000,000	500.00	5%	60,000	15.00
2,000,001-8,500,000	2125.00	10%	160,000	40.00
8,500,001-12,500,000	3125.00	15%	585,000	146.25
12,500,000-upwards	3125 upwards	20%	1,210,000	302.25

#### **Formula**

Dependent Housewife and Children = 15,000 Riels x Dependent housewife and Number of Children

Base of Tax Calculation on Salary = Taxable Salary - Dependent housewife and children

Tax on Salary = Base of Tax Calculation on Salary x Tax Rate - Dependent housewife and children

#### **Note:**

For the employee, factory worker, enterprises, if taxable salary including the remuneration of fulfillment of employee activities, that remuneration will be allowed to deduct from the taxable salary.

**Example 1: The employee, factory worker, enterprises received the monthly salary 1,800,000 Riels including the remuneration, transportation fee and welfare in total amount of 100,000 Riels.**

A- In the case of a single employee with no dependents

- Base of Tax Calculation on Salary = 1,800,000 Riels - 100,000 Riels = 1,700,000 (Tax Rate = 5%)
- Rebate of Tax Rate = 60,000 Riels
- Tax on Salary = (1,700,000 Riels x 5%) - 60,000 Riels = 25,000 Riels ✓

B- In the case of an employee who is married to a housewife and has 3 dependent children

- Dependent housewife and children = 150,000 Riels x 4 = 600,000 Riels
- Base of Tax Calculation = 1,800,000 Riels - 100,000 Riels - 600,000 Riels = 1,100,000 Riels (Tax Rate = 0%)
- Rebate of Tax Rate = 0 Riel
- Tax on Salary = 1,100,000 Riels x 0% - 0 Riel = 0 Riel

**Example 2: Company Manager received the monthly salary = 8,600,000 Riels**

A- In the case of a single employee with no dependents

- Base of Tax Calculation = 8,600,000 Riels (Tax Rate = 15%)
- Rebate of Tax Rate = 585,000 Riels
- Tax on Salary = (8,600,000 Riels x 15%) - 585,000 Riels = 705,000 Riels ✓

B- In the case of an employee who is married to a housewife and has 3 dependent children

- Dependent housewife and children = 150,000 Riels x 4 = 600,000 Riels
- Base of Tax Calculation on Salary = 8,600,000 Riels - 600,000 Riels = 8,000,000 Riels (Tax Rate = 10%)
- Rebate of Tax Rate 160,000 Riels
- Tax on Salary = (8,000,000 Riels x 10%) - 160,000 Riels = 640,000 Riels ✓

Ministry of Economic & Finance will do expect that all the enterprises who is the resident taxpayer, government institutions and any organization have an obligation to withhold and pay Tax on Salary will be paid attention to implement and comply with this instruction effectively.

**Done at Phnom Penh, January 15, 2018**

**[Signed & Sealed]**

**PhD. H.E Oun-Pornmonirath**

CC:

- The Office of Council of Ministers
- General Secretariat of Royal Government
- Cabinet of Prime Minister
- Cabinet of Deputy Prime Minister
- Municipality-Provincial Hall
- All Ministries / Institutions
- Doc-Archives