KPMG

Technical Update

January 2023

Implementation of Advanced Tax on Dividend Distribution

(Instruction no. 30408.GDT, dated 14 December 2022)

This General Department of Taxation (GDT) instruction was issued to clarify the scope and imposition of the Advanced Tax on Dividend Distribution (ATDD) in Cambodia. Below are the salient provisions of this GDT instruction:

Scope and definition	• ATDD is essentially a prepayment of annual Tax on Income (ToI) imposed on an enterprise that distributes a dividend from income which was not yet subjected to ToI. • The ATDD paid in the current tax year shall be allowed to be used as a tax credit against the annual ToI at year-end.
Tax Base	• ATDD will be imposed on the grossed-up value of the dividend distribution multiplied by the annual ToI rate (i.e., generally at 20%). Please refer to the GDT instruction for the step-by-step guidance in computing the ATDD base for QIP and non-QIPs.

Exemptions	• ATDD will not apply to the following:
	  • Qualified Investment Projects (QIPs) within the income tax holiday (ITH) period, including retained earnings (RE) accumulated during the ITH period existing before the year 2020.
	  • Redistribution of the dividend income received which was already subjected to ATDD

Special rules for QIPs entitled to pay tax at a progressive rate (i.e., 25%, 50%, or 75%)	• ATDD shall be payable as follows:
	  • Total ATDD payable x 25% for the first two (2) years.
	  • Total ATDD payable x 50% for the next two (2) years.
	  • Total ATDD payable x 75% for the last two (2) years.

For clarity, the GDT instruction also provides illustrative examples and steps on the computation of the ATDD for normal enterprise and for QIPs.

Our comments

Prior to this new GDT instruction, there have been some grey areas on the applicability of ATTD on the distribution of RE by QIPs accumulated during the ITH period prior to 2020. The above GDT instruction has now clarified that such a transaction would not be subject to ATDD.

However, there still appears to be a grey area on whether ATDD will apply to RE accumulated during the ITH period from 2020 onward but distributed by the QIP after the expiration of the ITH period.

In light of the above, QIPs should now be able to formulate better tax planning strategies on what to do with their accumulated RE (e.g., to be reinvested, to be distributed as dividend, etc.), depending on which years these were accumulated, and the period on which the QIP plans to distribute/reinvest such RE. We suggest that you consult with your trusted advisors on how to proceed with any tax planning opportunities identified under this new GDT instruction.

It should be noted, however, that the declaration and payment of the ATDD is a tax timing issue as the ATDD paid can be claimed as a tax credit against the annual ToI payable. Nevertheless, impacted taxpayers should still ensure proper compliance of their ATDD obligations under this instruction as non-compliance could still result in potential administrative and financial penalties.

As a committed tax advisor to our clients, we welcome any opportunity to discuss the relevance of the above matters to your business.

Contact us

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