

Technical Update

May 2020

Withholding Tax (WHT) Incentive for Securities Investors

(Prakas No. 471 MEFPrk, dated 5 May 2020)

The Ministry of Economy and Finance (MEF) issued Prakas 471, dated 5 May 2020, to provide guidance on the implementation of the **WHT incentive** for securities investors on the Cambodian Securities Exchange (CSX), as stated in Article 6 of the Sub-Decree 01 issued on 4 January 2019.

The objective of this Prakas is also to determine the WHT rate on interest payments from debt securities.

The incentive on WHT shall be a 50 (fifty) percent reduction of WHT on interest and/or dividends received from holding and/or buying-selling of government bonds, stock securities and debt securities for 3 (three) years starting from 1 January 2019 to 31 December 2021.

Additionally, WHT on interest from debt securities shall be set at:

- a) 6% rate for interest payments to resident taxpayers; same as interest payments by local banks on fixed deposit accounts;
- b) 14% rate for interest payments to non-resident taxpayers.

Our comments

The Prakas above from the MEF is part of the government's objective to draw more investors to the CSX, and the WHT incentives are specifically meant to make debt securities more attractive.

With the WHT on interest (from debt securities) to resident taxpayers set clearly at 6%, the MEF is making it essentially the same, tax-wise, for taxpayers to invest their money in debt securities as to put it in a fixed deposit account with the banks. It should also clear any previous confusion taxpayers may have, that interest payments from debt securities are subject to the normal 15% rate for WHT on interest.

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

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