



## Use of Exchange Rates for Self-Assessment Regime Taxpayers

*(Instruction no. 10362 GDT, dated 17 May 2022)*

The General Department of Taxation (GDT) has issued the Instruction no. 10362 GDT, dated 17 May 2022, which prescribes the official exchange rates to be used by Self-Assessment Regime Taxpayers (i.e., VAT-registered taxpayers) from **June 2022** onwards:

Transaction	Applicable Exchange Rate
<b>1. Issuance of invoice</b>	<ul style="list-style-type: none"> <li>— The <b>GDT’s official daily exchange rate</b> shall be used for the issuance of invoice in Khmer riel.</li> <li>— In case that the taxpayers have incurred supplies on the non-working day or before the GDT has not issued an official exchange rate for a particular day, taxpayers shall use the available official exchange rate of the preceding day (e.g., one day before the non-working day).</li> <li>— Non-resident E-commerce suppliers under simplified VAT registration suppliers are not required to use the Khmer Riel in issuing the invoice. However, they are still required to use the monthly official exchange rates (see point 3 below) for the monthly declaration and payment of their VAT on E-commerce transactions in Cambodia.</li> </ul>
<b>2. Salary exchange rate</b>	<ul style="list-style-type: none"> <li>— The <b>GDT’s official exchange rate every 15th of each month</b> shall be used to calculate salary taxes.</li> <li>— If the 15th falls on a non-working day, taxpayers shall use the available official exchange rate of the preceding day (e.g., one day before the non-working day).</li> </ul>
<b>3. Monthly tax declaration</b>	<ul style="list-style-type: none"> <li>— The <b>GDT’s official exchange rate issued on the last day each month</b> shall be used to calculate monthly taxes, including the VAT on E-commerce declaration by non-resident E-commerce suppliers and any transaction with no Khmer riels equivalent reflected on the invoice.</li> </ul>
<b>4. Annual tax declaration</b>	<ul style="list-style-type: none"> <li>— The <b>GDT’s official exchange rate issued on the last day of December</b> of each year shall be used to calculate annual taxes.</li> </ul>

Any previous regulations on the implementation for the use of exchange rates by self-assessment taxpayers shall be abrogated.

## Our comments

From June 2022 onwards, VAT-registered taxpayers should ensure to apply the GDT prescribed exchange rates in complying with their tax obligations in Cambodia. Prior to this Instruction no. 10362, taxpayers are applying the average exchange issued by the National Bank of Cambodia (NBC) for their monthly and annual tax declaration. Under this new Instruction, taxpayers should apply the GDT's official exchange rate issued on the last day of the month or the year in computing their monthly or annual tax declaration.

It is unclear what exchange rates should be used by taxpayers using fiscal year-ends other than the 31 December calendar year-end in computing their annual tax declaration. Applying the same logic above, the GDT's official rate issued on the last day of their fiscal year-end may be used. Impacted taxpayers should seek specific clarification from the GDT on this matter.

## Capital Gain Tax (CGT) on Income Derived by Taxpayers Under Self-Assessment Regime

*(Notification no. 008 MEF, dated 9 May 2022)*

As per Notification no. 4577 GDT dated 9 March 2022, the Royal Government has granted a delay on the implementation of CGT for another 2 years until 31 December 2023 for certain taxpayers. In other words, the effective date of the implementation of the CGT will be from 1 January 2024 onward.

Subsequently, Notification no. 008, dated 9 May 2022 issued by the Ministry of Economy and Finance (MEF) clarified that the delay of the CGT is not applicable for resident taxpayers under self-assessment regime, and therefore they still have the obligation to declare all capital gain transactions in their annual Tax on Income (ToI) and pay the ToI on the capital gains based on the law and regulations in effect.

## Our comments

It should be noted at the outset that Prakas 346 (i.e., CGT regulations) only applies to resident physical persons, and non-resident taxpayers.

Capital gains derived by residents who are obliged to register for tax are considered as taxable income under Prakas 098 (i.e., ToI regulation) and should be included in the annual ToI calculation. Notification 008 was issued by the MEF to clarify this and remind resident registered taxpayers of their obligation to report capital gain transactions in their ToI returns, notwithstanding the delayed implementation of the CGT regime in Cambodia.

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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