

Diploma in Cambodian Tax Syllabus

(F6) Cambodian Tax

AIM

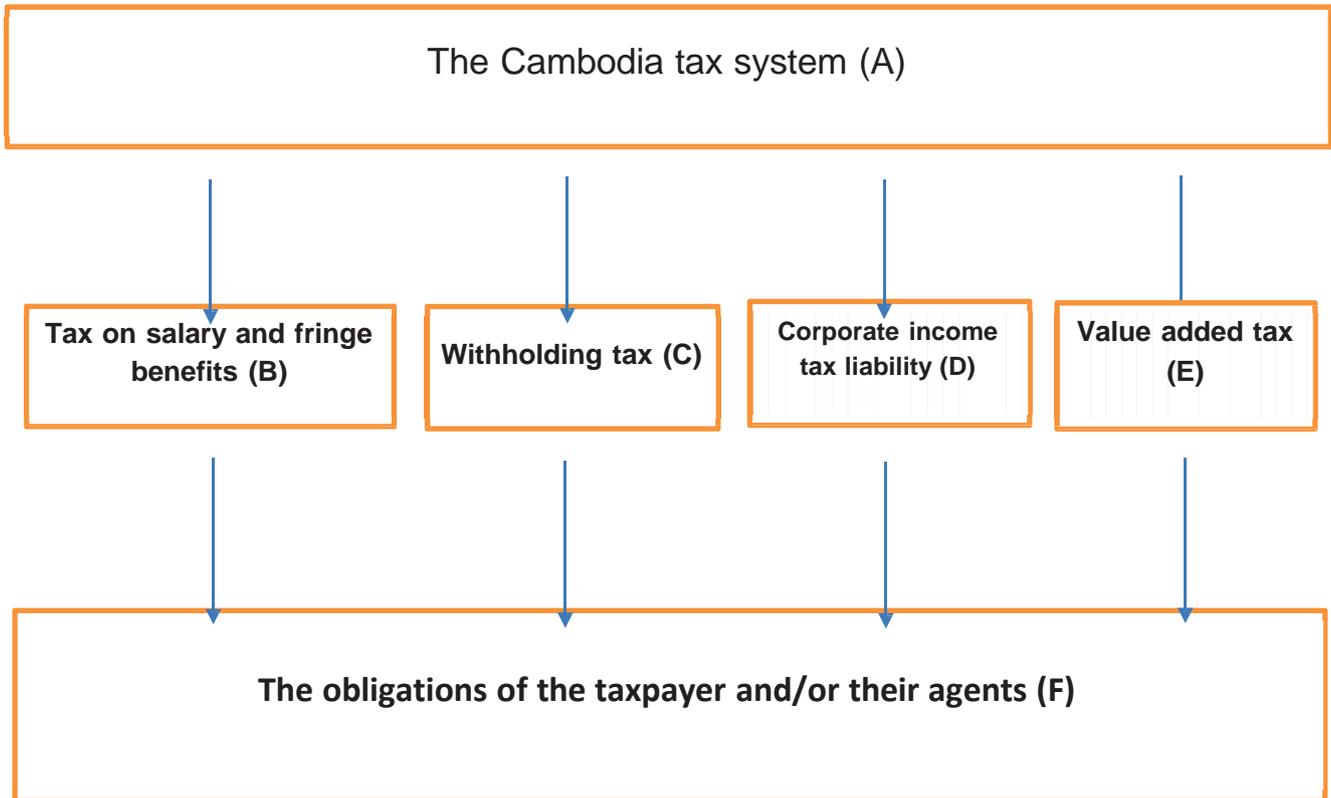
To develop knowledge and skills relating to the tax system as applicable to individuals and companies.

MAIN CAPABILITIES

After completing this examination paper, students should be able to:

- A. Explain the operations and scope of the tax system
- B. Explain and compute the tax on salary and fringe benefits of employees
- C. Explain and compute withholding taxes applicable to the payment to a resident and nonresident taxpayer
- D. Explain and compute the corporate income tax liabilities
- E. Explain and compute the effect of value added tax (VAT) on incorporated and unincorporated businesses
- F. Identify and explain the obligations of taxpayers and/or their agents and the implications of non-compliance

RELATIONAL DIAGRAM OF MAIN CAPABILITIES



RATIONALE

This syllabus introduces candidates to the subject of taxation and provides the core knowledge of the underlying principles and major technical areas of taxation, as they affect the activities of individuals, employees and businesses.

In this syllabus, candidates are introduced to the rationale behind and the functions of the tax system. The syllabus then considers the separate taxes that an accountant would need to have a detailed knowledge of, such as tax on salary and fringe benefits, withholding tax, corporation tax liability and the value added tax liability.

Cambodian tax system is still developing, and there is no personal income tax, which can be seen in the tax syllabus of other developed countries such as Singapore. In addition, withholding tax is one of the mechanisms used by the government of the developing countries to collect tax revenue from non tax-registered persons, and Cambodia is no exception. In such circumstances, candidates are introduced to “tax on salary and fringe benefits” and “withholding tax”.

Having covered the core areas of the basic taxes, the candidate should be able to compute tax liabilities, explain the basis of

their calculations, apply tax planning techniques for companies and identify the compliance issues.

DETAILED SYLLABUS

A. The Cambodia tax system

1. The overall function and purpose of taxation in a modern economy
2. Different types of taxes
3. Tax regime and classification of taxpayers
4. Principal sources of tax law and practice
5. Tax avoidance and tax evasion

B. Tax on salary and fringe benefits

1. The scope of tax on salary
2. Income subject to tax on salary and fringe benefits
3. The comprehensive computation of tax on salary and fringe benefits
4. Tax planning for tax on salary liabilities

C. Withholding tax

1. The scope of the withholding tax regime
2. The computation of withholding tax liabilities

D. Corporate income tax liabilities

1. The scope of corporate income tax
2. Profits chargeable to corporate income tax
3. The comprehensive computation of corporate income tax liability

E. Value Added tax

1. The scope of value added tax (VAT)
2. The VAT registration requirements
3. The computation of VAT liabilities

F. Obligations of tax payers and/or their tax agents

1. The system of registration and making of returns
2. The submission of information and claims and the payment of tax liabilities
3. The procedures relating to enquiries, appeals and disputes
4. Penalties for non-compliance

APPROACH TO EXAMINING THE SYLLABUS

The paper will be mainly computational and will have five questions, all of which will be compulsory.

Questions one and two will be for a total of 55 marks with one of the questions being for 30 marks and the other for 25 marks. One of the two questions will focus on tax on salary and fringe benefits and the other question will focus on corporate income tax.

Questions three, four and five will be on any area of the syllabus and will be for 15 marks each.

There will always be at a minimum of 10 marks on value added tax on any paper. These marks will

normally be included as part of questions three, four and five or there might be a separate question on value added tax.

STUDY GUIDE

A. CAMBODIA TAX SYSTEM

1. The overall function and purpose of taxation in a modern economy

- a. Describe the purpose (economic, social etc) of taxation in a modern economy

2. Different types of taxes

- a. Identify the different types of tax.
- b. Explain the difference between direct and indirect taxation

3. Tax regime and classification of taxpayers

- a. Explain the current applicable tax regime for taxpayers
- b. Explain the criteria for classification of taxpayers between small, medium and large, and its accounting and tax requirement

4. Principal sources of tax law and practice

- a. Describe the current structure of the Cambodia tax administration
- b. State the different sources of tax

law and practice

5. Tax avoidance and tax evasion

- a. Explain the difference between tax avoidance and tax evasion
- b. Explain the need for an ethical and professional approach
- c. Brief introduction on the Double Taxation Agreements entered between Cambodia with Singapore and China

B. TAX ON SALARY and FRINGE BENEFITS

1. The scope of the tax on salary

- a. Understand the definition of “salary” under the tax law
- b. Criteria to determine an employment status
- c. Explain how the residence of an individual is determined
- d. Tax treatment of a resident individual versus a non-resident individual
- e. Explain the circumstances when the salary is exempt from tax on salary
- f. The employer’s obligation to withhold tax, record, retain and provide the relevant employment information

2. Income subject to tax on salary and fringe benefits

- a. Understand the term “monthly taxable salary and fringe benefits”
- b. The basis of assessment for employment income
- c. Understand the personal allowance and rebates of tax that can be deducted from taxable salary
- d. Fringe benefits provided to employees

- e. Explain the circumstances when certain allowance provided to employees are exempted from either tax on salary or fringe benefit tax

3. The comprehensive computation of tax on salary and fringe benefits

- a. Compute taxable salary
- b. Compute the amount of benefits assessable
- c. State the conditions for applying a foreign tax credit
- d. Compute a foreign tax credit
- e. Explain the conditions for the employment related payments received by employees to be excepted from tax on salary
- f. Explain the salary tax’s

implication on the salary of personnel of Diplomatic Mission, Foreign Government, International Organization and Foreign Aid Project

4. Tax planning for tax on salary liabilities

- a. Identify and explain the tax aspects of employee incentive plans
- b. Explain how an alternative structure of remuneration package can minimize tax cost to employers

Excluded topic: National Social Security and Fund Contributions

C. WITHHOLDING TAX (WHT)

1. The Scope of the WHT regime

- a. Understand the principal concept of the WHT
- b. Understand withholding tax agents and their obligations

c. Explain the consequence for WHT agents who fail to withhold the WHT

2. The Computation of WTH liabilities

- a. Understand the WTH on payments made to a resident
- b. Understand the WHT on payment made to a resident including specific WHT reduction for small taxpayers,

as well as taxpayers under specific industries such as educational institution, cinema and real estate industries

c. Explain the payments of Cambodian source of income by a resident taxpayer to a non-resident taxpayer which is the subject of the 14% WHT

d. Explain the circumstances when the payment is exempt from WHT

d. Calculation of WHT

e. Explain when the WHT is payable.

f. WHT rate reduction on payment of interests and dividends of listed companies

D. CORPORATE INCOME TAX LIABILITY

1. The scope of the corporate income tax

a. Determine the basis period for assessing corporate profits, including the case of a change of accounting date

b. Explain how the residence of a company is determined.

c. Explain Cambodian sourced income

d. Understand the difference between an incorporated company, a branch of a foreign company and a representative office

- e. Understand the income not taxable under corporate income tax

2. Profits chargeable to corporate income tax

- a. Recognize the tax treatment of income from trade/business, including insurance company
- b. Recognize the tax treatment of income **tax for taxable income realized by a legal person (either a branch office or company) versus taxable income for physical person, sole proprietorship and partnership**
- c. Recognize the expenditure that is allowable and not allowable in calculating the tax-adjusted trading profit
- d. Compute capital allowance (tax depreciation)
- e. Understand the deductibility of interest expense and charitable contribution
- f. Understand how tax losses can be carried forward and forfeited
- g. Understand how the minimum tax can be exempted**
- h. Understand the various corporate tax rates, the prepayment of profit

tax and minimum tax

- i. Explain the tax implication of being a company who operate a single Qualified Investment Project "QIP" as well as those who operate multi-QIP**

3. Comprehensive computation of corporate income tax liability

- a. Prepare a basic tax computation for a company involving the different types of income
- b. Understand the computation of foreign tax credit
- c. Understand how WHT credit, **foreign tax credit**, and PPT are used to offset against corporate income tax liability
- d. Understand the tax implications arising from the distribution of profits by a company **or branch office** to its shareholder **or head office**

Excluded Topics:

Taxation of production of mineral resources and charitable organizations

E. VALUED ADDED TAX (VAT)

1. The Scope of VAT

- a. Describe the scope of VAT
- b. **Explain the taxable supplies, taxable person, time of supplies, location of supply, taxable value**

- c. List the principal zero-rated exempt supplies, and non-taxable supplies
- d. VAT implication on the paddy plantation, supply and export of rice company
- e. Non-taxable supplies for diplomatic missions and international organization
- f. Transfer of business
- g. Capital assets that cease to be used in the business

2. The VAT registration requirements

- a. Recognize the circumstances in which a person must register for VAT
- b. Explain the advantages of voluntary VAT registration
- c. Explain the circumstances in which pre-registration VAT input can be recovered
- d. Explain how and when a person can deregister for VAT

3. The computation of VAT liabilities/credit

- a. Explain how VAT is accounted for and administered
- b. Recognize the tax point when goods or services are supplied
- c. Explain in the difference between VAT and Commercial invoices

- d. List the information that must be given on VAT invoice/commercial invoice, and consequences for non-issuance of the proper/valid invoices
- e. Explain and apply the principles regarding the valuation of supplies including imports
- f. Understand the circumstances in which VAT input is not allowed as a credit

Excluded topics: VAT liability of agents

- g. Understand adjustments of VAT amount after issue of VAT invoice

F. RIGHTS AND OBLIGATION OF TAX PAYERS

1. The systems of registration and the making of returns

- a. Describe the procedures by which individuals and business establishments register with the tax authorities
- b. Describe the procedures by which registered taxpayers submit and amend their tax returns
- c. Explain the obligations of business to keep proper books of account and the consequences of failing to do so

2. The submission of information and claims and the payment of tax liabilities

- a. Describe the procedures by which registered taxpayers pay and finalize their tax liabilities

- b. Describe the procedures by which taxpayers may apply for a tax refund or credit

3. The procedure relating to enquiries, appeals and disputes

- a. Explain the circumstances and timeframes in which the tax authorities can enquire into the tax affairs of taxpayers

- b. Explain the procedures for dealing with appeals and disputes **over tax reassessment/assessment with the tax authorities**

4. Penalties for non-compliance

- a. State the penalties that can be charged for non-compliance with requirements of the tax law

- b. Calculate late payment penalties on overdue tax and withholding tax