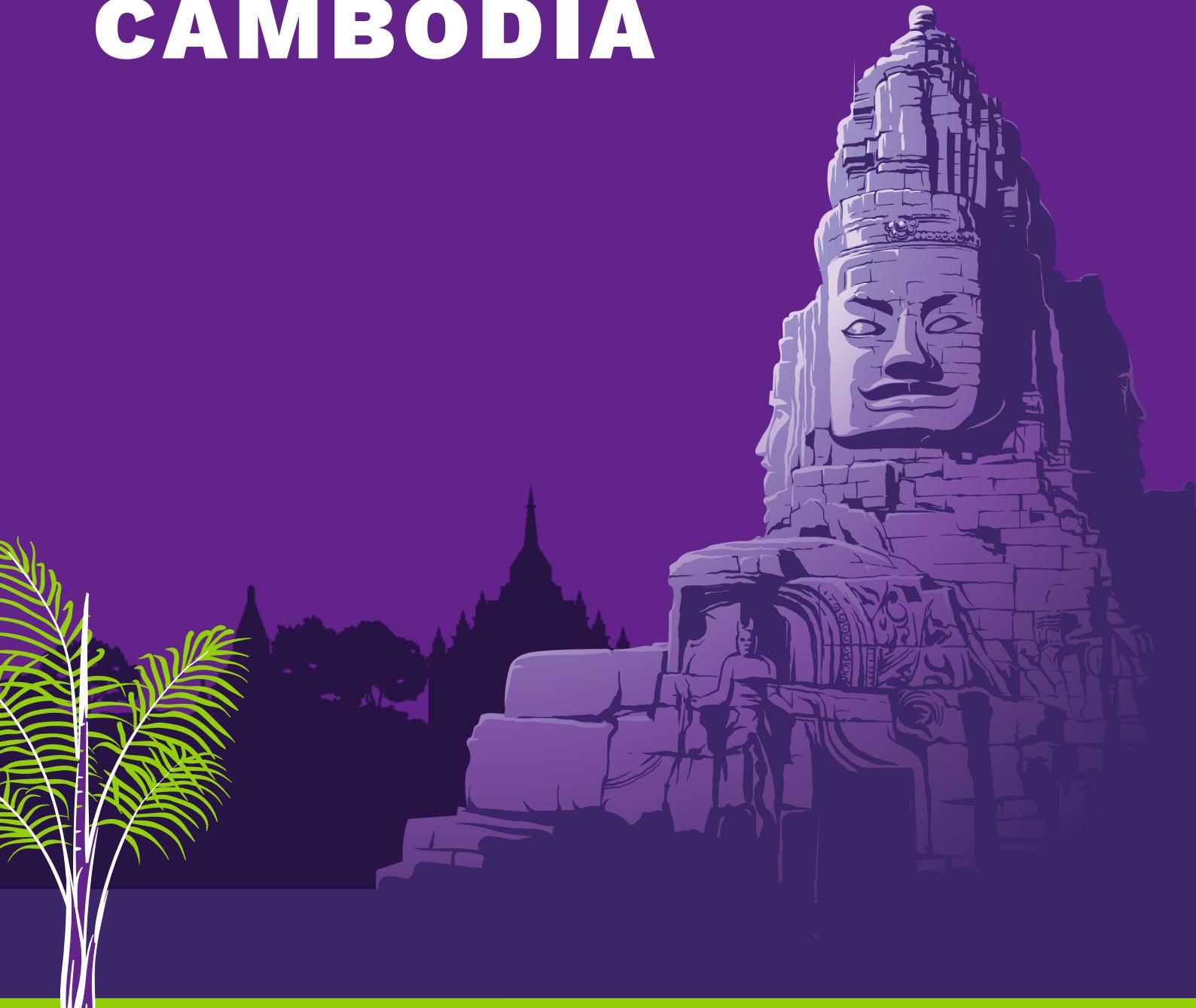




An Equus Software Company

GLOBAL EMPLOYER GUIDE

CAMBODIA





Basic Country Facts

Full name

- Kingdom of Cambodia

Capital

- Phnom Penh

Main Languages

- Khmer
- Chinese
- Vietnamese

Population

- 16.25 million

Monetary unit

- Cambodian riel

Internet domain

- .kh

International dialing code

- +855

Currency

- Cambodian riel

STATUTORY LABOR REQUIREMENTS

Probation Period

- Probationary periods of up to 3 months are allowed.

Annual Leave

- Employees are generally entitled to 1 1/2 days of annual paid leave for every month worked.
- After every 3 years of service, employees are entitled to an additional day of vacation per year.

Public Holidays

- New Year's Day (1st January)
- Victory Day (7th January)
- Meak Bochea Day
- International Women's Day (9th March)
- Cambodian New Year
- Labor Day (1st May)
- Vesak
- Royal Ploughing Ceremony
- King Sihanoni's Birthday (13th to 15th May)
- National Day of Remembrance (20th May)
- Queen Mother's Birthday (18th June)
- Pchum Ben Day
- Constitution Day (24th September)
- Commemoration Day of King Father, Norodom Sihanouk (15th October)
- Paris Peace Agreements Day (23rd October)
- King Norodom Sihanoni's Coronation Day (29th October)
- Bon Om Touk
- Independence Day (9th November)

Maternity Leave

- Female employees who have worked for the employer for at least one year are generally entitled 90 days of leave at half of their normal salary.

Paternity Leave

- Fathers are entitled to one day of paid paternity leave.

Sick Leave

- Employees are generally entitled to up to 6 months of sick leave, with a doctor's certificate, and are compensated as follows:
 - 100% of wages during the first month of sick leave
 - 60% of wages during the second and third months of sick leave
 - unpaid leave from the fourth until sixth month

Work Hours

- In general, Cambodians work an 8-hour day and the workweek is no more than 48 hours.
- Employees should not be expected to work more than 9 hours per day

Overtime

- Employees may not work more than 2 hours of overtime per day.
- Overtime is compensated at 1.5 times the regular wage, or if performed at night, on a Sunday or holiday, at 2 times the regular wage.



Notice Period

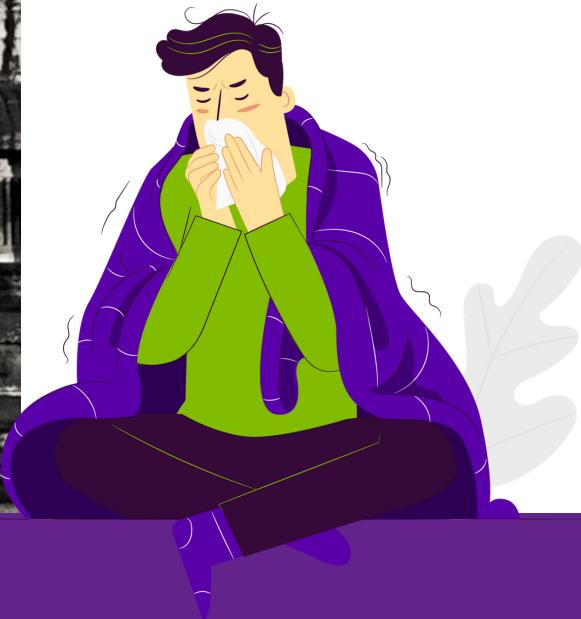
- Termination notice must be served in writing according to the following schedule:
 - up to 6 months' service: 7 days
 - 6 months to 24 years' service: 15 days
 - 2 to 5 years' service: 1 month
 - 5 to 10 years' service: 2 months
 - 10+ years' service: 3 months

Severance

- At the end of a fixed-term contract, employees are generally entitled to severance pay of at least 5% of the wages received during the contract.
- Employees with indefinite contracts receive severance pay based on their length of service, as follows:
 - for 6 to 12 months of service: 7 days' wages
 - for each year of employment: 15 days' wages, up to a maximum of 6 months of wages

13th Month

- 13th month pay is not mandatory



Income Tax

- There is no personal income tax, per se, in Cambodia.
- Instead, a monthly salary tax is imposed on individuals who derive income from employment.
- General consulting income is excluded from salary tax but is subject to tax on profit.
- A Cambodian resident's worldwide salary is subject to Cambodia salary tax, while non-residents are taxed on Cambodian-sourced salary.
- Non-residents are taxed at a flat rate of 20%, which constitutes a final tax.
- The Tax on Fringe Benefits (ToFB) is imposed on taxable fringe benefits provided by an employer, including the providing of, among other items, private use of vehicles, accommodation, food, utilities, household personnel, low-interest loans, discounted sales, educational assistance (except for employment-related training), insurance premiums and pension contributions in excess of the levels provided by the Labor Law.
- The ToFB is borne by the beneficiary
- Fringe benefits are taxable at the flat rate of 20% of the amount paid.
- The monthly cash salary of residents is taxed at the following rates:

| Monthly salary (KHR) | Tax rate (%) |
|-------------------------|--------------|
| 0 to 1,300,000 | 0 |
| 1,300,001 to 2,000,000 | 5 |
| 2,000,001 to 8,500,000 | 10 |
| 8,500,001 to 12,500,000 | 15 |
| Over 12,500,000 | 20 |

Social Security

- Employers are required to make Occupational Risks Contribution (ORC) and payment for healthcare to the National Social Security Fund (NSSF).
- With regard to ORC, an employer with at least eight employees must register itself and all its employees with the NSSF.
- The employer is required to contribute ORC equal to 0.8% of the monthly average wage of an employee to the NSSF's designated bank account.
- In addition to the NSSF contribution payment for occupational risks, the employer is also required to contribute, collect, and remit the contribution for healthcare to the NSSF on a monthly basis.
- The healthcare contribution is required from both employers and employees at 1.3% (each) of the monthly average wage of employees.
- However, from 1 January 2018, the obligation to pay the contribution of healthcare as stated in the above paragraph shall be the full burden (100%) of the employer.

| Contribution | Employer | Employee |
|---------------------------------------|----------|----------|
| Occupational Risks Contribution (ORC) | 0.8% | - |
| National Social Security Fund (NSSF). | 2.6% | - |

Deductible Expenses

- Based on the General Department of Taxation's (GDT's) internal instruction, the tax authorities set the maximum market interest rates for the loans obtained from related persons (i.e. the market interest rate at the time of obtaining the loan) and from third parties (i.e. 120% of the market interest rate at the time of obtaining the loan).
- If the interest rate is higher than the market interest rate, the surplus interest expense is not deductible.
- As an example, the GDT set the annual market interest rate on loans for 2013 at 12% per annum.
- An allowance for a spouse and minor dependent children in the amount of KHR150,000 per person per month is deductible from taxable salary.



Deductible Expenses

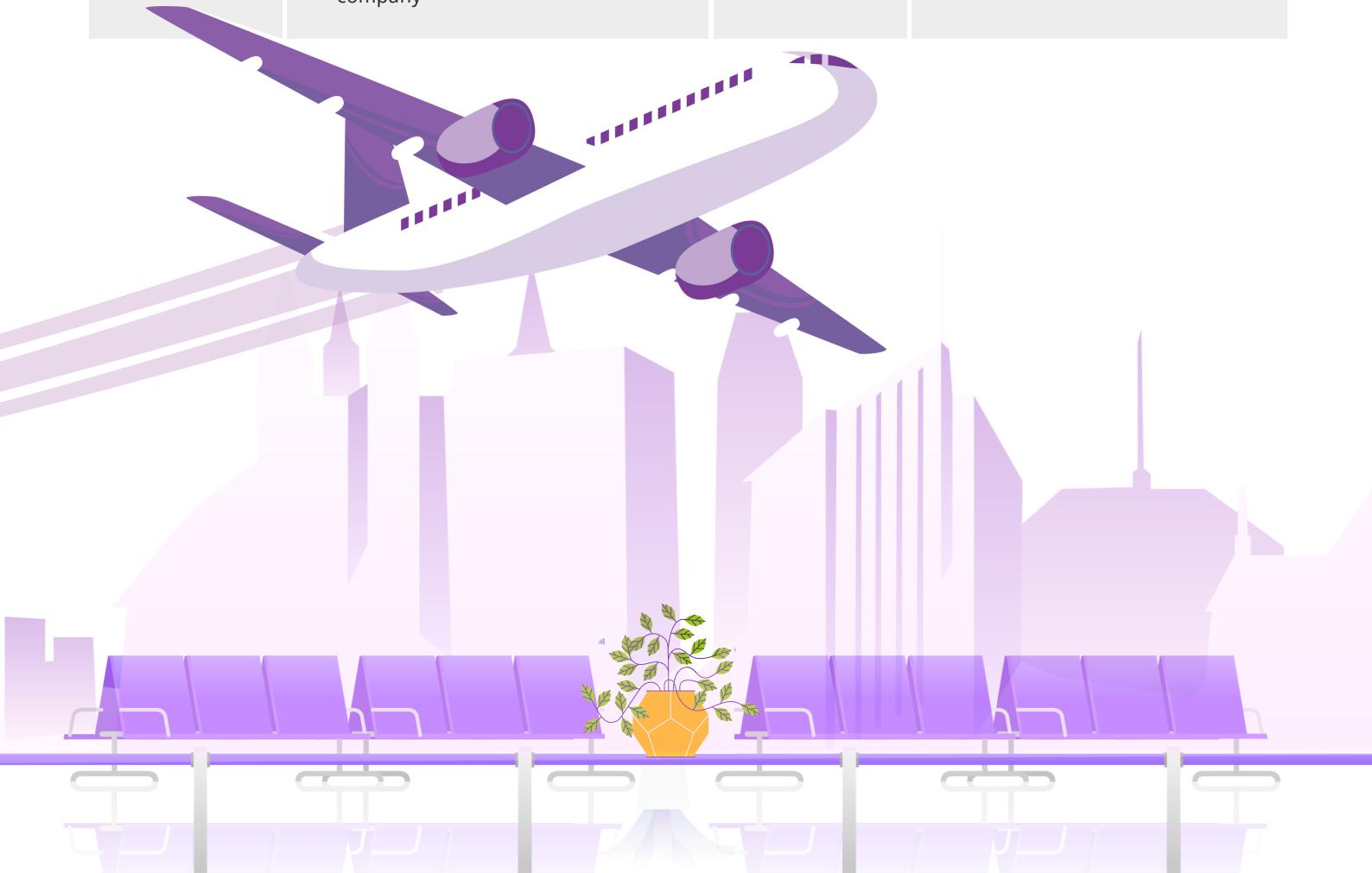
| | |
|---------------------------|--|
| Interest Expenses | <ul style="list-style-type: none">• Based on the General Department of Taxation's (GDT's) internal instruction, the tax authorities set the maximum market interest rates for the loans obtained from related persons (i.e. the market interest rate at the time of obtaining the loan) and from third parties (i.e. 120% of the market interest rate at the time of obtaining the loan).• If the interest rate is higher than the market interest rate, the surplus interest expense is not deductible.• As an example, the GDT set the annual market interest rate on loans for 2013 at 12% per annum. |
| Personal Allowance | <ul style="list-style-type: none">• An allowance for a spouse and minor dependent children in the amount of KHR150,000 per person per month is deductible from taxable salary. |

Immigration

- All foreign nationals who wish to work in Cambodia must obtain work permits from the Cambodian Ministry of Labor.
- To be eligible for a work permit, a foreigner must have a business visa. An employer who has established an office and registered with the Ministry of Labor in Cambodia is responsible for processing an application for the employee's work permit.
- Work permits normally have an initial duration of one year.
- The two types of work permits are the temporary work permit and the permanent work permit.
- Temporary work permits are issued to the following foreigners:
 - Staff and management specialists
 - Technical staff
 - Skilled workers
 - Service providers or other laborers
- Permanent work permits are issued to the following foreigners:
 - Foreign immigrants recognized by the Ministry of Interior
 - Foreign investors, spouses and dependents recognized by the Council for the Development of Cambodia
- It takes one to three months to obtain an approval for a work permit.
- A work permit must be renewed every 12 months before its expiration.
- Before March of each year, an application to renew the work permit must be submitted to the Ministry of Labor together with the updated documents regarding the initial work permit submission.



| Type of Visa/ Permits | Documentation | Validity | Eligibility |
|----------------------------------|---|-------------------------|--|
| Temporary Work Permit | <ul style="list-style-type: none"> 3 sets of Application Form as issued by the Ministry of Interior Passport with valid visa 3 photographs (4x6), taken from the front without hat or glasses Certificate of Health from a physician in Cambodia Written work contract Insurance policy issued by employer or any insurance company | 1 year (can be renewed) | <ul style="list-style-type: none"> Temporary work permits are issued to the following foreigners: <ul style="list-style-type: none"> ◦ Staff and management specialists ◦ Technical staff ◦ Skilled workers ◦ Service providers or other laborers |
| Permanent Work Permit | <ul style="list-style-type: none"> 3 sets of Application Form as issued by the Ministry of Interior Passport with valid visa 3 photographs (4x6), taken from the front without hat or glasses Certificate of Health from a physician in Cambodia Written work contract Insurance policy issued by employer or any insurance company | Indefinite | <ul style="list-style-type: none"> Permanent work permits are issued to the following foreigners: <ul style="list-style-type: none"> ◦ Foreign immigrants recognized by the Ministry of Interior ◦ Foreign investors, spouses and dependents recognized by the Council for the Development of Cambodia |



Value Added Tax (VAT)

- VAT is charged at 10% on the value of the supply of most goods and services.
- Exported goods and services rendered outside Cambodia are zero-rated.
- In addition, 0% VAT applies to the supporting industries or contractors who directly supply goods (including milled rice) or services (including milled rice production services) to export-oriented garment, textile, footwear, bag, handbag, and headwear manufacturers, milled rice exporters, and domestic supplies of paddy rice.

Withholding Tax

Dividends

- Dividends paid by a resident company to a nonresident shareholder are subject to a 14% withholding tax, in addition to the ATDD
- No withholding tax is imposed on dividends paid to a resident shareholder

Interest

- Interest paid by a resident company to a nonresident is subject to a 14% withholding tax; a 15% withholding tax applies on interest paid to resident taxpayers, other than Cambodian banks and financial institutions

Royalties

- Royalties paid to a nonresident are subject to a 14% withholding tax (15% when paid to a resident).

Fees for Technical services

- Technical and management service fees paid to a nonresident are subject to a 14% withholding tax (15% on fees paid to resident individuals, subject to certain exemptions).

| Type of Payment | Residents | | Nonresidents | |
|-----------------------|-----------|------------|---------------|---------------|
| | Company | Individual | Company | Individual |
| Dividends | 0% | 0% | 14% plus ATDD | 14% plus ATDD |
| Interest | 15% | 15% | 14% | 14% |
| Royalties | 15% | 15% | 14% | 14% |
| Technical Service Fee | 15% | 15% | 14% | 14% |



Termination

- Termination notice must be served in writing according to the following schedule:
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 - for each year of employment: 15 days' wages, up to a maximum of 6 months of wages

Statutory Benefits

- These are mandatory benefits as postulated by law
- These include probationary period, annual leave, public holidays, sick leave, maternity leave, paternity overtime pay, notice period, and severance pay
- Statutory benefits also include social security benefits

Statutory Benefits

Probationary Period

Annual Leave

Public Holidays

Maternity Leave

Paternity Leave

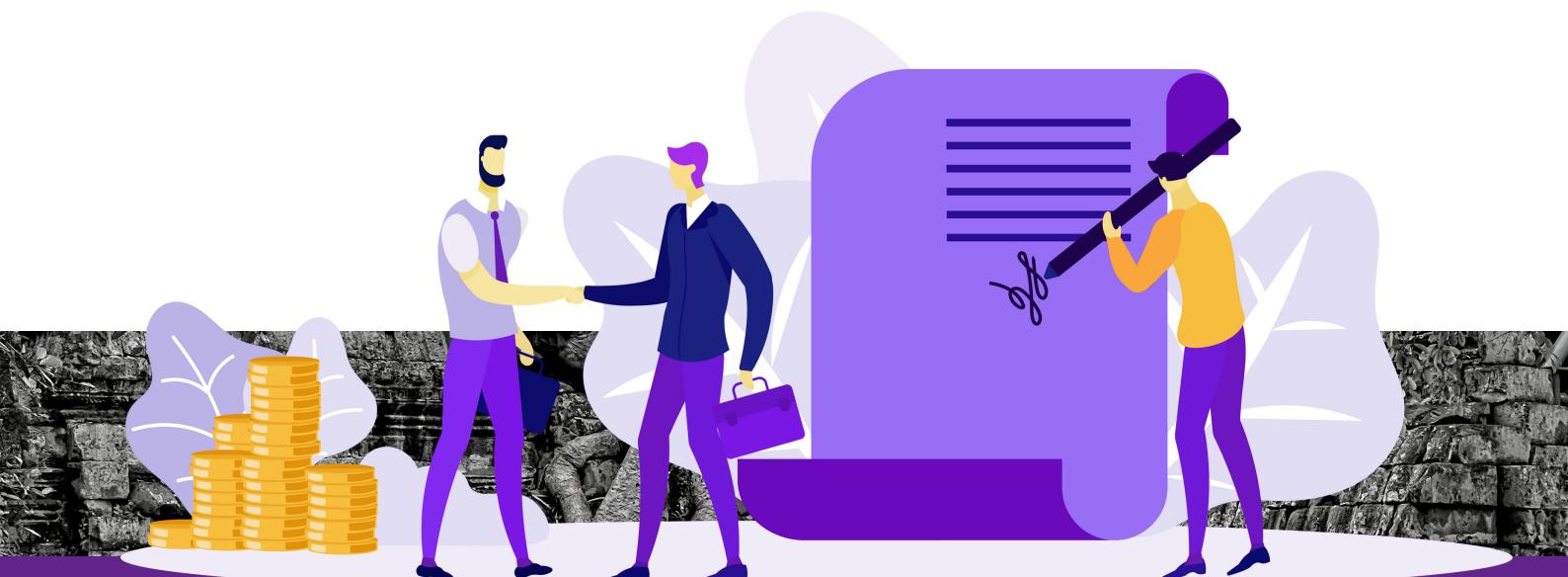
Sick Leave

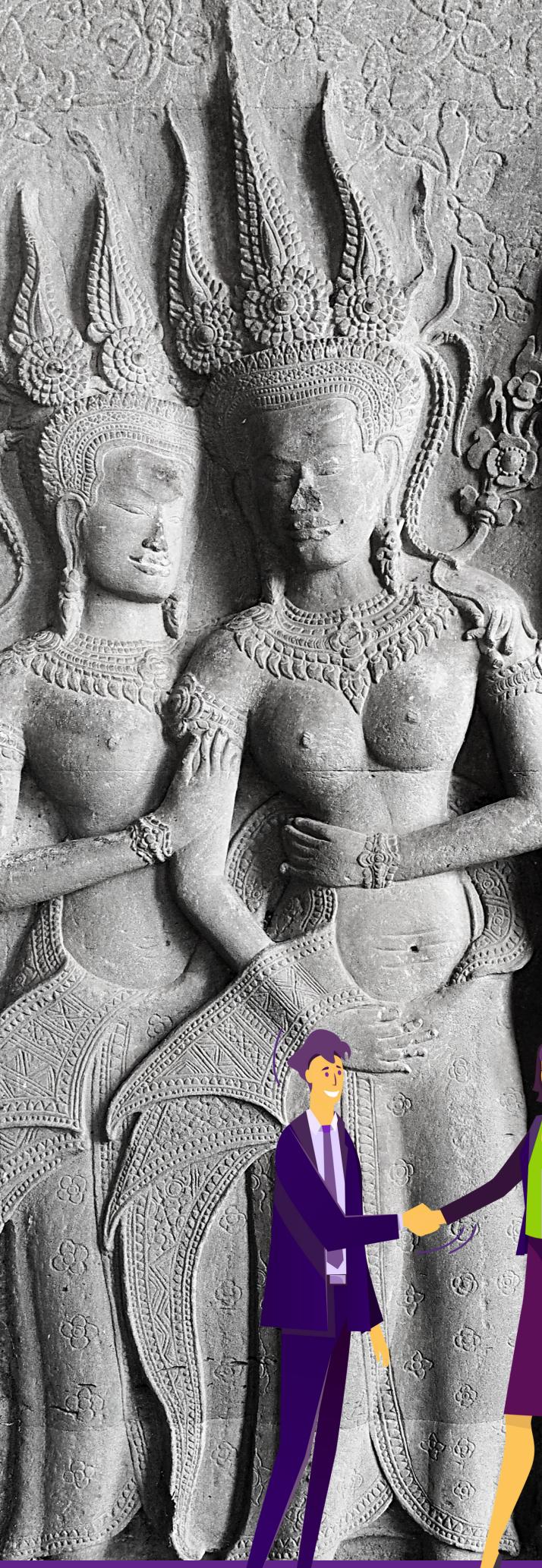
Overtime Pay

Notice Period

Severance Pay

Social Security Benefits





Payments and Invoicing

- Employers must submit to the tax authorities, together with the payment of tax withheld, a monthly tax declaration for withholding salary tax.
- Employees do not have to file an annual return.
- Employers must deduct salary tax from employees' salaries in accordance with the tax tables on a pay-as-you-earn (PAYE) basis.
- The tax withheld must be paid to the tax authorities no later than 20 days after the end of the month in which the salaries were paid. Late payments are subject to penalties.

Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Cambodia ranked 178th in the World in 2019 in terms of ease of doing business.



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CAMBODIA

 **GLOBAL
EXPANSION**

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