



CAMBODIA - September 2017

CAMBODIA TAX ALERT: 2017 PROPERTY TAX DEADLINE..... 1

Cambodia Tax Alert: 2017 Property Tax Deadline

Earlier this month the General Department of Taxation (GDT) issued Notification 16245 reminding owners of immovable property to file their annual Property Tax declaration and pay Property Tax before the deadline of 30 September 2017. We note that the 30th of September falls on a Saturday this year so we suggest those required to declare and pay Property Tax should do so by Friday the 29th of September.

The 2017 Property Tax payment can be made at any tax branch or any branch of Canadia, Acleda, Vattanac or Cambodia Public Bank. Those already registered for Property Tax need to provide their 2016 tax payment receipt or Property Tax Registration Identification Card. Please also note that if there has been any changes to the registered immovable property such as its size, separation, demolition or change in ownership, these must also be notified to the GDT so that the changes can be properly updated.

For immovable property that is yet to be registered the owner must contact the tax branch where the property is located to formally register it. When registering immovable property at the tax branch, the following documents must be submitted;

- Tax Form PT01 (issued by the GDT) – which outlines the information about the immovable property;
- Tax Form PT02 (issued by the GDT) – the Property Tax Application Form;
- ID Card, Birth Certificate or Passport;
- Residence book or Family book or Residency letter;
- For legal entities that hold land the registration number issued by the Ministry of Commerce is required along with registration documents issued by other Ministries including the GDT;
- Certificate of Immovable Property ownership or Letter of Ownership issued by the Cadastral administration or authorities;
- Land Sale and Purchase Agreement – if payments are made on an installment basis; and
- Water and electricity bill which show the address of the immovable property if they have been connected to the property*.

*In the future the GDT plans to send all notifications related to Property Tax together with the water and electricity bill.

The owner of immovable property can also request for a Registration Identification Card to facilitate payments of Property Tax in future years. To receive the card the owner must complete a form (PTI 01 – issued by the GDT) and pay a fee of Khmer Riel 5,000.

Please note that the failure to register immovable property and pay Property Tax may trigger penalties as per the tax regulations.

Property Tax – Analysis

International Property Tax Institute

IPTI Xtracts- The items included in IPTI Xtracts have been extracted from published information. IPTI accepts no responsibility for the accuracy of the information or any opinions expressed in the articles.

What is Property Tax?

Officially referred to as Tax on Immovable Property (TOIP), as its name suggests, TOIP imposes a tax of 0.1% on all immovable property which has an assessed values exceeding Khmer Riel 100 Million (or approximately USD 25,000). The reference to “immovable property” is important as TOIP does not just apply to land but also to buildings and construction or infrastructure on land. More specifically this can include apartments, condominiums, factories, warehouses etc. In theory, it is possible to have two parties responsible to pay TOIP on the same piece of land that has a building constructed on it i.e. the owner of the land and the owner(s) of the building.

Who is responsible to register and pay for TOIP?

TOIP is payable by the owners, possessors or “final beneficiaries” of immovable property and includes both physical persons and legal persons. A final beneficiary is defined as a “physical person or legal person who obtains the right to use, the right to enjoyment, the right to disposition, and the right to final enjoyment over the real estate/immovable property.” Therefore, a final beneficiary may be a long-term lessee holding a lease of over 15 years. In practice, for clarity, the party responsible for TOIP should be clearly stated in the long-term lease contract.

Property tax and Unused Land Tax

The Finance Act of 1995 established a tax on unused land (TUL) which is “imposed on the vacant block of land without any building or the land on which there is only abandoned building, in some cities or in some regions determined by the committee for evaluation of unused land.” Such TUL shall be paid by the proprietors at the rate of 2% calculated on the square-meter price of the land depending on the region. The TUL is also payable the latest on the 30th of September each year.

When TOIP was introduced, there was some confusion as to whether an owner of unused land would be responsible to pay both TOIP and TUL. The Financial Law 2015 clarified this point by stipulating that “Tax on Unused Land shall be paid by the owner on land that does not fall under the scope of tax on Immovable Property”.

How is TOIP calculated?

TOIP is calculated on the tax base of the immovable property as per the valuations issued by the Property Evaluation Commission. When determining the tax base for Property Tax, the initial KHR100M (USD 25,000) amount is deducted from the value of the property, after which the 0.1% Property Tax rate is applied.

Example

Miss X owns property which has a land area of 7m x 25m and a 4-story building with a flat on each floor (E0, E1, E2, E3) of 4m x 20m. The market prices per square meter as evaluated by the Property Evaluation Commission are as follows:

Land price: US\$300/m²

Ground floor (E0): US\$120/m²

First floor (E1): US\$80/m²

Second floor (E2): US\$65/m²

Third Floor (E3): US\$40/m²

Land price: 10m x 30m x US\$300 =
US\$ 90,000

Ground floor (E0): 6m x 15m x US\$120 =
US\$ 10,800

First floor (E1): 6m x 15m x US\$ 80 =
US\$ 7,200

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Second floor (E2): 6m x 15m x US\$ 65 =
US\$ 5,850

Third floor (E3): 6m x 15m x US\$ 40 =
US\$ 3,600

Price of property US\$ 117,450

$$\begin{aligned}\text{Property Tax} &= (80\% \text{ of Price of property} - \text{US\$25,000}) \times 0.1\% \\ &= (\text{US\$93,960} - \text{US\$25,000}) \times 0.1\% \\ &= \text{US\$68.96}\end{aligned}$$

*Note: During the initial phase of implementation, the tax base is calculated using only 80% of the property value. The initial phase is currently still in effect. The date on which the initial phase will end is not yet known. When the initial phase ends, the full value of the property and not 80% of the value will be used.

Tax compliance

The taxpayer must register their immovable property with the appropriate authorities, and is issued a Taxpayer Identification Number for the property in question. Each year, before 30 September, the taxpayer must file a tax return and pay the Property Tax. In case of a transfer of immovable property, the taxpayer must declare the transfer. The new owner can be held liable to pay the Property Tax of the former owner: "Any real estate which has been sold, transferred, or given as donation by the original owner or occupant without paying property tax, the tax debt and tax obligations toward the real estate shall be borne by the final owner or final possessor or final beneficiary".

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