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PROPERTY TAXES: TIPS FOR BUYERS AND RENTERS 1

Property taxes: Tips for buyers and renters

If you are a property owner, seller or buyer in Cambodia, you need to know about the different property taxes in the Kingdom. Knowledge on these taxes helps a property owner become aware of his tax obligations.

For those who sell or lease real estate and other properties, it is important to know the basics of property taxation before entering into transactions in order to make informed decisions. The same applies to prospective buyers or investors, who need to have a working knowledge on tax laws and regulations governing property transfer, sale, lease, etc, for them to make sound investment decisions.

Below is some important information on the property taxes applicable in Cambodia, thanks to Realestate.com.kh.

What is property tax?

This kind of tax is paid for immovable properties like land, apartments, etc. This needs to be filed and paid annually by September 30.

The first step in filing and paying the tax is by registering. To register, you go to the tax branch where the property is located and fill out the PT01 and PT02 forms.

The PT02 is the tax application form, while the PT01 provides information about the property. In registering, you also need to bring some documents attesting to property ownership, like a birth certificate, passport and certificate of ownership issued by the appropriate issuing authority.

Property tax is only 0.1 percent of the property value. The value is determined by the Immoveable Property Assessment Committee. The calculation of the tax is based on several factors including location, materials used and data collected by the government. Owners only pay this tax if the value of a property is more than \$25,000. Also exempted are agricultural land, state land and industrial locations. The law has been strictly enforced over the last three years.

Things you need to know about the transfer tax

Buyers are responsible for paying the tax, which is also known as stamp duty. It is payable upon completion of a transaction. The rate for the transfer of property title stands at 4 percent of the property's value.

The actual tax levied is computed either through an actual government valuation or the actual transaction price. In practice, however, the two valuation methods are often not applied, relying instead on the negotiated price between property sellers and buyers.

Where does the withholding tax apply?

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This kind of tax applies to the rental of a property. If, for example, a business is renting an office space, it has to pay a 10 percent withholding tax on the rent. The landlord is responsible for withholding the tax and the lessee acts as the withholding agent and pays the obligation on his tax returns.

If you buy condo units from a developer, you need to pay 10 percent value added tax (VAT), except for the land where the properties stand. The same thing applies if the lessor is a registered taxpayer. If the lessee is a registered taxpayer, a 10 percent withholding tax is deducted.

Who pays rental tax/income tax?

Locals and foreigners who own and rent out their properties needs to pay rental/income tax every year. A foreign investor who buys property here and rents it out needs to pay 14 percent of the gross rate annually. For locals, the rate stands at 10 percent.

Remember, if you want more reliable information regarding property taxation, we strongly recommend that as an investor or buyer, you should obtain independent legal or professional advice to ensure both certainty and clarity.

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