

**KINGDOM OF CAMBODIA**  
**Nation – Religion – King**

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**Ministry of Economy and Finance**

No. 464 SHV.BrK

**PRAKAS**  
**ON**  
**INSTRUCTION IN TAX COMPLIANCE OF ASSOCIATIONS AND NON-GOVERNMENT**  
**ORGANIZATIONS**

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**Senior Minister**  
**Minister of Economy and Finance**

- Having seen the Constitution of the Kingdom of Cambodia;
- Having seen Royal Decree No. NS/RKT/0913/903, dated 24 September 2013, on the Appointment of the Royal Government of the Kingdom of Cambodia;
- Having seen Royal Decree No. NS/RKT/0416/368, dated 4 April 2016, on Reshuffle and Addition of Members of the Royal Government of the Kingdom of Cambodia;
- Having seen Royal Kram No. 02/NS/94, dated 20 July 1994, promulgating the Law on Organization and Functioning of the Council of Ministers;
- Having seen Royal Kram No. NS/RKM/0196/18, dated 24 January 1996, promulgating the Law on Establishment of the Ministry of Economy and Finance;
- Having seen Royal Kram No. NS/RKM/0508/016, dated 13 May 2008, promulgating the Law on Public Financial System;
- Having seen Royal Kram No. NS/RKM/0297/03, dated 24 February 1997, promulgating the Law on Taxation;
- Having seen Royal Kram No. NS/RKM/0303/010, dated 31 March 2003, promulgating the Law on Amendment to the Law on Taxation;
- Having seen Royal Kram No. NS/RKM/1216/019, dated 14 December 2016, promulgating the Law on 2017 Financial Management;
- Having seen Royal Kram No. NS/RKM/0815/010, dated 12 August 2015, promulgating the Law on Associations and Non-Government Organizations;
- Having seen Sub-Decree No. 488 ANKr.BK, dated 16 October 2013, on Organization and Functioning of the Ministry of Economy and Finance;
- Having seen Sub-Decree No. 75 ANKr.BK, dated 25 May 2017, on Revision to Sub-Decree No. 488 ANKr.BK, dated 16 October 2013, on Organization and Functioning of the Ministry of Economy and Finance;

- Having seen Decision No. 110 SSR, dated 5 December 2017, on Creation of Inter-Ministerial Commission for Managing the Work Activities of Foreign NGOs;
- Having seen Prakas No. 1059 BrK.SHV.PD, dated 12 December 2003, on Income Tax, of the Ministry of Economy and Finance;
- Having seen Prakas No. 496 SHV, dated 6 April 2016, on Tax Registration;
- Pursuant to the necessity of management of tax collection by the General Department of Taxation (GDT) of the Ministry of Economy and Finance

## **Decides**

### **Article 1: Purpose**

This Prakas aims to strengthen tax compliance of associations and non-government organizations (NGOs) in the Kingdom of Cambodia;

### **Article 2: Objective**

The objective of this Prakas is to provide further instruction in tax compliance of associations and NGOs in accordance with the applicable taxation laws and regulations and the Law on Associations and NGOs to ensure efficient and effective implementation.

### **Article 3: Scope**

This Prakas applies to associations and NGOs who conduct their activities in the Kingdom of Cambodia.

### **Article 4: Definition**

For the purpose of this Prakas:

1. "Association" refers to membership organization or similar organization created by individuals or/and entities with the aims of representing and protecting the interest of its members without seeking any profit or sharing proceeds. "Association" also includes commercial, industrial or agricultural chamber. For the purpose of this Prakas, an association created in the Kingdom of Cambodia is referred to as "Local Association", while an association created outside the Kingdom of Cambodia is referred to as "Foreign Association".

2. "NGO" refers to non-membership organization or similar organization, including foundation, created by individuals or/and entities other than government institutions with the aim of providing funds or services in one or more sectors to serve the public interest without seeking any profit or sharing proceeds. For the purpose of this Prakas, an NGO created in the Kingdom of Cambodia is referred to as "Local NGO", while an NGO created outside the Kingdom of Cambodia is referred to as "Foreign NGO".

### **Article 5: Tax Registration**

According to Article 3 New and Article 101 of the Law on Taxation, all associations and NGOs are required to register with tax administration in accordance with the applicable tax laws and regulations.

#### **Article 6: Exemption of Income Tax**

According to Article 9 New of the Law on Taxation, income tax is exempted on income of:

- 1- any NGO organized and functioned purely for the religious, charity, scientific, or educational purposes, and no asset or income of which is used for the private interest;
- 2- any association, provided that no income of which is used for private interest of the shareholders or physical persons.

The income which is subject to tax exemption under this Prakas includes legal funds or donations from individuals or entities, resources or assets of the association or NGO, contribution of its members, and other sources of income, except the income from business activities as stated in Article 8 of this Prakas.

#### **Article 7: Eligibility and Loss of Eligibility for Income Tax Exemption**

1- In order to be eligible for income tax exemption as described in Article 6 of this Prakas, all associations and NGOs shall submit an application to the General Department of Taxation in a determined form and attach a copy of the following documents:

- a. statute and letter of approval on registration at the Ministry of Interior, for local associations and NGOs;
- b. Memorandum with the Ministry of Foreign Affairs and International Cooperation, for foreign associations and NGOs.

2- The associations and NGOs shall notify the GDT of any change of any terms stated in the application for income tax exemption within 15 days upon such change.

3- The associations and NGOs shall lose their eligibility for tax exemption if they fail to fulfill the conditions set out in Article 6 of this Prakas or if there is evidence that they have conducted any act obstructing the enforcement of tax regulations as stated in Article 128 of the Law on Taxation.

## **Article 8: Activities outside its Pure Objectives**

1- All activities of associations or NGOs, which are not in their pure objectives as stated in Paragraph a, Article 6 of this Prakas, to seek income or fund shall be considered separate business activities and shall be subject to tax in accordance with applicable tax laws and regulations.

### **Example 8.1:**

Organization A was created for the purpose of development and assistance to orphans and homeless people by providing free education and training on literature, cooking, hospitality, and motor vehicle repair in order for them to serve the customers, and all the staffs and cooks are the trainers and trainees in the organization. The proceeds from the restaurant and motor vehicle repair house are used to support the organization's activities.

### **Example 8.2:**

Association B was created for the purpose of developing agricultural plantations, and their activities are research on plant breeding. Association B established a school to train its trainees by charging tuition fee. The proceeds from the training school are used to support its activities.

In the two examples above, the activities of the restaurant, motor vehicle repair house, and training school are considered separate business activities, and the proceeds of which shall be subject to income tax.

2- The association and NGO in Paragraph 1 of this Prakas shall be obliged to register with tax administration and record a separate account book for their business activities which are outside their pure objectives.

3- Separate business activities of the association and NGO in this article shall be categorized into any type of tax payer based on their annual turnover as stated in Prakas No. 025 SHV.BrK.GDT, dated 24 January 2018.

## **Article 9: Other Tax Obligations**

Besides income tax, associations and NGOs also have to fulfill the obligation in accordance with Article 25 New, 26 New (One), and 31 New of the Law on Taxation to withhold and pay the salary tax and other taxes and duties in accordance with the applicable tax laws and regulations.

**Article 10: Submission of Tax Declaration**

Associations and NGOs shall submit monthly and annual tax declarations for their objectives and separate business activities according to the form, timeframe and venue determined by tax administration, regardless of whether they have any tax to pay or not.

For annual tax declaration, it shall be attached with relevant documents, including but not limited to bank account information, financial statement, financing agreement, project activities plan, project implementation report, and other relevant documents.

**Article 11: Repeal**

Any provisions conflicting to this Prakas shall be repealed.

**Article 12: Enforcement**

Cabinet chiefs, secretaries-general, government delegate in charge as General Director of the General Department of Taxation, government delegates in charges as general directors or general directors of all general departments, general inspectors of all general inspectorates, all unit chiefs under the supervision of the Ministry of Economy and Finance, and all associations and NGOs shall comply with this Prakas according to their respective duties from the date of signature onwards.

Phnom Penh, 12 April 2018

*(Signature and stamp)*

PhD. **Aun Pornmonirath**

**Recipients**

- Office of Council of Ministers
- Ministry of Interior
- Ministry of Foreign Affairs and International Cooperation
- Secretary-General of the Royal Government
- Cabinet of Samdech Prime Minister
- Cabinets of Deputy Prime Ministers
- Municipal/Provincial Halls
- As Article 12 "for implementation"
- Royal Gazette
- Archive