



## Cambodia Issues Prakas 648 on Tax Obligations for Airway Transport Businesses

The Ministry of Economy and Finance (MEF) has issued Prakas 648 MEF.PrK.GDT dated 12 August 2025 (“**Prakas 648**”), providing comprehensive rules on Tax on Income (ToI), Special Tax, and Value-Added Tax (VAT) for enterprises engaged in transporting passengers and/or cargo by air.

This new regulation expands upon the earlier Prakas 198 (17 March 2025), which introduced the foundation for airline taxation in Cambodia. Together, these measures provide greater clarity, certainty, and predictability for both resident and non-resident operators in the aviation sector.

### 1. Scope of Application

- **Resident airlines** – incorporated, managed, or with principal business in Cambodia.
- **Non-resident airlines** – foreign enterprises operating flights into/out of Cambodia.
- **Permanent establishments (PEs)** – branches, offices, or agents of foreign carriers in Cambodia

are treated as resident entities for Cambodian-sourced income purposes.

### 2. Tax on Income

- **Resident airlines** – subject to 20% Tax on Income on worldwide income.
- **Non-resident airlines** – subject only to Cambodian-sourced income, calculated under a deemed profit regime:
  - 15% of gross Cambodian-source income is deemed taxable profit.
  - Applied at 20% → effective tax = 3% of gross revenue.

| Item                           | Amount (USD) |
|--------------------------------|--------------|
| Gross Cambodian-source revenue | 1,000,000    |
| Deemed taxable profit (15%)    | 150,000      |
| Tax on Income (20%)            | 30,000       |
| <b>Effective tax rate</b>      | <b>3%</b>    |

### Specific Tax on Passenger Transport

| Flight Type                              | Economy       | Business      | First Class   |
|--|---------------|---------------|---------------|
| Domestic                                 | KHR<br>10,000 | KHR<br>16,000 | KHR<br>16,000 |
| International<br>(departing<br>Cambodia) | KHR<br>40,000 | KHR<br>60,000 | KHR<br>80,000 |

This levy applies per passenger, per flight, and must be remitted monthly.

### 3. VAT Treatment

- **Domestic flights** – 10% VAT.
- **International flights** – 0% VAT (covering ticket sales, navigation, landing or parking, information services, fuel, catering, and in-flight sales).
- Airlines must itemize VAT separately on invoices, alongside airport charges, civil aviation fees, airport security fees, passenger service fees and any other applicable fees.

### 4. Filing & Compliance

- **Resident airlines** – monthly and annual tax returns.
- **Non-resident PEs** – monthly returns (annual filing required, but no annual Tax on Income payment).
- PEs are liable for withholding and remitting taxes on behalf of their non-resident principals.

### 5. Interaction with DTAs

- Airlines from DTA jurisdictions may benefit from exclusive taxing rights in their country of residence for international air transport income.
- Prakas 648 requires strict adherence to Cambodia's DTA implementation rules (e.g., residency certificates).

Cambodia has signed DTAs with 13 countries: Singapore, China, Brunei, Thailand, Vietnam, Indonesia, Hong Kong, Malaysia, the Republic of South Korea, Macau Special Administrative Region of the People's Republic of China, Turkey, Laos and Philippines. 11 of them are now in effect as follows except Laos and Philippines to be determined:

| Parties to the DTA            | Date of Effect   |
|-------------------------------|------------------|
| Republic of Singapore         | 1 January 2018   |
| The Kingdom of Thailand       | 1 January 2018   |
| Brunei Darussalam             | 1 January 2019   |
| People's Republic of China    | 1 January 2019   |
| Socialist Republic of Vietnam | 1 January 2019   |
| Hong Kong                     | 1 January 2020   |
| Republic of Indonesia         | 1 January 2021   |
| Malaysia                      | 1 January 2021   |
| Republic of South Korea       | 1 January 2022   |
| Macau                         | 1 January 2024   |
| Turkey                        | 1 January 2024   |
| Laos                          | To be determined |
| Philippines                   | To be determined |

### 6. Strategic Implications for Airlines

- **Resident carriers** – must strengthen invoicing systems to ensure accurate VAT and Specific Tax compliance.
- **Non-resident carriers** – should assess PE exposure in Cambodia, as dependent agents or ticketing offices may create filing obligations.

- **Both** – should consider DTA protections to avoid double taxation and align contracts and reporting with GDT expectations.

### **Conclusion**

Prakas 648 represents a mature and comprehensive tax framework for Cambodia's aviation sector, combining income tax, VAT, and special levies under a single regulatory umbrella.

For airlines and cargo operators, immediate priorities include:

- Reviewing commercial arrangements for PE risk,
- Updating ticketing and invoicing systems, and
- Leveraging DTA protections where available.

*Tax services required to be undertaken by a licensed tax agent in Cambodia are provided by Mekong Tax Services Co., Ltd, a member of DFDL and licensed as a Cambodian tax agent under license number – TA201701018*

## **Contacts**



**Clint O'Connell**

Partner, Managing Director,  
Head of Cambodia Tax and  
Accounting Practice



**Vajiravann Chamnan**

Tax Partner,  
Cambodia