



Cooperation Committee for Cambodia

HR Learning Workshop

30 September 2025

➤ Topics To Sharing and Learning

- I. Salary & Benefits Legal Compliance and Calculation
- II. Fixed Duration Contract (FDC) and Undetermined Duration Contract (UDC)
- III. Compensation of UDC and FDC Termination

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➤ Build Table Connection

➤ **Assignment Task 1 :** Please work in your table groups to categorize the types of payments below that are subject to tax on salary, fringe benefits tax and non-taxable.

- ✓ Salary
- ✓ Wages
- ✓ Remuneration
- ✓ Vehicles allowance
- ✓ Incentives/Commissions
- ✓ Bonus/13th Month Salary
- ✓ Over Time
- ✓ low-interest loans
- ✓ NSSF
- ✓ Compensations
- ✓ Severance pay

- ✓ House allowance
- ✓ Seniority Pay
- ✓ School Fees for children
- ✓ Per diem (Packages)
- ✓ Entertainment or club membership expenses
- ✓ Life Insurance based on position
- ✓ Excessive per diem

1. 10mn: Group Discussion
2. 5mn: Sharing and Q&A



1. Salary Definition

➤ What is salary definition?

- **Definition:** The fixed monetary compensation paid to an employee for their work, usually expressed as a monthly or hourly rate.

➤ What is the fringe benefit definition?

- In Cambodia, fringe benefits mostly are defined as non-cash benefits provided by an employer to an employee, in addition to their regular salary or wages. These benefits can include items such as:
 - ✓ Health insurance
 - ✓ Housing allowances
 - ✓ Car allowances
 - ✓ Meal allowances
 - ✓ School Fees for children
 - ✓ Gifts or bonuses

2. Salary Payment

- Payroll Timeline According to the notification No. 442/18, MoLVT, from January 2019 onwards, all enterprises who are covered by the provisions of the Labour Law shall prepare the payroll to employees two (2) time per month.
 1. The **first payroll** equals to 50% of basic salary per month which shall be paid in the 2nd week.
 2. The **second payroll** equals to the remaining salary, and other benefits that employees shall receive each month which shall be paid in the 4th week.

3. Threshold of Monthly Taxable Salary



1. 10mn: Group Discussion
2. 5mn: Sharing and Q&A

➤ **Assignment Task 2** : Please work in your table groups to discuss the legal compliance regarding tax rates applicable to salary. Specifically, determine how many tax rates there are and what the corresponding thresholds are for each rate?

3. Threshold of Monthly Taxable Salary

Threshold of Monthly Taxable Salary	Tax Rate	Tax Excess of Each Threshold (TE)
From KHR 0 to KHR 1,500,000	0%	KHR 0
From KHR 1,500,001 to KHR 2,000,000	5%	KHR 75,000
From KHR 2,000,001 to KHR 8,500,000	10%	KHR 175,000
From KHR 8,500,001 to KHR 12,500,000	15%	KHR 600,000
More than KHR 12,500,000	20%	KHR 1,225,000

4. Tax on Salary Formulation

Formula:

- Rebate for spouse and children = KHR 150,000 × Number of spouse and children
- Basis taxable on salary (BTOS) = Taxable salary (TS) – Rebate for spouse and children
- **Tax on salary (ToS) = (BTOS × Tax Rate) – TE**

Please: see the sample salary calculation link [Sep 25 - Payroll.xls](#)

5. Payment Subject to Tax on Salary or Fringe Benefits

Note:

- Payment subject to Tax on Salary includes:
 - ✓ Basic Salary
 - ✓ Incentives/Commissions
 - ✓ Bonus/13th Month Salary
 - ✓ OT
 - ✓ Compensation
 - ✓ and Seniority
- Besides the above payment, it is considered as Fringe Benefits which is subject to the tax rate of 20%.
- The above tax rates are applicable for Residence Employee.
- Non-residence employee is applicable to the rate of 20% (fixed) (Stay in Cambodia less than 182 days in any 12-month period).

6. What are the differences between UDC & FDC?

1. Fixed Duration Contract (FDC):

- In written.
- Precise commencement and termination dates.
- Duration cannot exceed four years (unless gap in employment – one-month break period).
- Initial FDC: Maximum of two years.
- Subsequent renewal: One or many times, but the total duration of renewals cannot exceed two years.
- The total maximum period is four years; after that automatically becomes UDC.

2. Undetermined Duration Contract (UDC):

- In written or verbal.
- No ending date from start date.

7. What are the Benefit do UDC & FDC receive?

- 1. FDC :** Entity to receive severance pay 5% of the amount has been paid during the contract and the severance pay amount is non-taxable.
 - **Formula:** Severance pay 5% = Total wages (during the contract period) x 5%
- 2. UDC :** Entity to receive seniority indemnity from 2019 is equal to 15days of wages per year and paid 2 times per year (Prakas No. 443 MoL)
 - 7.5 days in June and
 - 7.5 days in December.
 - For the first year of employment, an employee who has worked consecutively from 1 to 6 months shall be entitled seniority indemnity of 7.5 days.

7. What are the Benefit do UDC & FDC receive? Cont.

- Tax exemption on Seniority Indemnity from 2020 (Circular 002 MEF):

First payment of seniority indemnity: the amount less than/equal to KHR 2,000,000 is non-taxable, and the amount over KHR 2,000,000 is summed to monthly taxable salary basis. Second payment of seniority indemnity: the same as first payment.

- **Formula:** First/Second Seniority Indemnity = average wages/day \times 7.5 (days)

8. How to Compensation Termination of UDC and FDC?

➤ **Assignment Task 3** : Please work in your table groups to discuss the Legal Compensation with both types of contracts end below.

1. **Termination of UDC** (Resignation, Dismissal for gross misconduct, Dismissal for Valid Reason, Dismissal without Reason):
2. **Termination of FDC** (Expiration Contract Date, Agreement between Both Parties, Gross Misconduct or Force Majeure, Premature Termination by Employer, Premature Termination by Employee) :

1. 10mn: Group Discussion
2. 5mn: Sharing and Q&A



9. Termination of FDC Employment Contracts

Legal Compensation	Expiration Date	Agreement between Both Parties	Gross Misconduct or Force Majeure	Premature Termination by Employer	Premature Termination by Employee
Last Salary (basic salary + other pay)	√	√	√	√	√
Compensation for Remaining (unused) Annual Leave	√	√	√	√	√
Damage Pay	X	X	X	√1	√2
Severance Pay 5%	√	√	√	√	X

9. Termination of FDC Employment Contracts (cont.)

Note:

- √1 Employee is entitled to damages in an amount at least equal to the remuneration he would have received until the expiration date of the FDC.

- √2 Employer is entitled to damages in an amount that corresponds to the damage sustained.

10. Termination of UDC Employment Contracts

Legal Compensation	Resignation	Dismissal for Gross Misconduct	Dismissal with Valid Reason	Dismissal without Reason
Last Salary (basic salary + other pay)	√	√	√	√
Compensation for Remaining (unused) Annual Leave	√	√	√	√
Prior Notice	X	X	√	√
Seniority Indemnity	X	X	√	√
Damage Pay	X	X	X	√

10. Termination of UDC Employment Contracts (cont.)

Note:

- If the employer gives proper notice period by law to the employee, there is no payment in lieu of notice period.
- **Damage** is equal to the total amount of seniority indemnity that employee has received from the commencement date of UDC till the termination date.

3. National and Expat NSSF Benefits Payment

1. What are the differences in benefits between NSSF for national staff and expatriate staff?

3. National and Expat NSSF Benefits Payment

Statutory Contributions of National Social Security Fund (NSSF)

NSSF Contributions	Contribution Rate by Employer	Contribution Rate by Employee
Occupational Risk Scheme(min. KHR 200,000; max. KHR 1,200,000)	0.8% of employee's gross wage (max. KHR 9,600)	N/A
Health Care Scheme(min. KHR 200,000; max. KHR 1,200,000)	2.6% of employee's gross wage (max. KHR 31,200)	N/A
Pension Scheme(min. KHR 400,000; max. KHR 1,200,000)	2% of employee's gross wage (max. KHR 24,000)	2% of employee's gross wage (max. KHR 24,000)

3. National and Expat NSSF Benefits Payment

Note:

NSSF regulates the increment of pension contribution rate based on below periods:

- 4% for Oct 2022 – Sept 2027
- 8% for Oct 2027 – Sept 2032
- 10.75% for Oct 2032 – Sept 2042
- Keep adding up 2.75% for every 10 years

The NSSF contribution calculation must use the official exchange issued by NSSF institution.

Thank You