



Phnom Penh, *ol* March 2018

No. *2908* .....GDT

**Mr. William Merae Clough**

Chairman of Board of Directors of Post Media Co., Ltd.  
Level 8, Bldg. H, Phnom Penh Center,  
Corner of Preah Sihanouk and Preah Sotheros Blvd.  
Sangkat Tonle Bassac, Khan Chamkamon,  
Phnom Penh

VAT Number: L001-100135420

**Subject: Tax Re-assessment of 2010, 2011, 2012, 2013, 2014, 2015 and 2016**

**References:** - Letter of Department of Enterprise Audit No. 1829 GDT.DEA, dated 11 Oct 2017  
- Letter of Department of Enterprise Audit No. 1898 GDT.DEA, dated 24 Oct 2017  
- Letter of Post Media Co., Ltd. No. 001/0218 K.S, dated 15 Feb 2018.

**Dear Mr. Clough,**

With regard to the above subject and references, I am writing to inform you that your counter request in your letter No. 001/0218 K.S, dated 15 Feb 2018 to reduce a substantially huge amount of due tax from 14,994,941,709 Riels to 200,000,000 Riels is not acceptable by the General Department of Taxation (GDT) for the fact that Post Media Co., Ltd had no concrete evidence nor a legal basis to prove for GDT to reconsider your appeal to reduce the amount of tax re-assessment.

The total re-assessed amount of tax due of Post Media Co., Ltd of 14,994,941,709 Riels covering the period of 7 years from 2010 to 2016 was carefully and professionally re-assessed by GDT following appropriate due process of tax audit procedures as stipulated in the Law of Taxation of the Kingdom of Cambodia and it is, therefore, GDT will maintain its stance on the amount of its findings as indicated in the two letters: 1829 GDT.DEA dated 11 Oct 2017 and letter 1898 GDT.DEA dated 24 Oct 2017. For more details of the specific bases and components making up the total amount of the tax re-assessment of 14,994,941,709 Riels, please see below table and the proceeding explanations of each of the re-assessed components.

With regard to your justification and the reasoning that the amount of \$2,539,132.33 transferred from Australia were in the form of a capital injection to support the running cost of Post Media Co., Ltd, when as a matter of fact these injections were neither declared in its monthly and annually tax filing with GDT nor were they disclosed to GDT in its financial statements. On the contrary, our tax audit team discovered these transactions through Post Media Co., Ltd.'s bank statements and as such they were treated as subsidies or revenues which are taxable under Section 4.8 of Prakas No. 1059 dated 12 December 2003 on Tax on Profit. By law, failing to appropriately declare or disclose such transactions to GDT is considered as an act of tax evasion. Legally, for GDT to treat such transactions as a capital injection, Post Media Co., Ltd failed to produce copies of appropriate business plans and relevant management/board resolutions approving such a decision together with relevant copies of documents of endorsement by Ministry of Commerce approving the update of Post Media Co., Ltd's capital resulting from such capital injections. If Post Media Co., Ltd informed us that those transactions were capital injection and did a proper tax filing, the tax re-assessment would not have been incurred. Thus, we could not accept your claim as capital injection.



GDT is like any other tax administrators around the world has been committed to carry out its duty following all the necessary due process of tax procedures in every aspect of tax administration as stipulated in the Law of Taxation of the Kingdom of Cambodia. Our key principle as a tax administrator is to collect no more or no less of any due tax from taxpayers in the Kingdom of Cambodia and likewise, all taxpayers in the Kingdom of Cambodia including Post Media Co., Ltd have the duty and obligation to fully comply with all the provisions of Law of Taxation of the Kingdom of Cambodia.

Based on the above ground and in accordance with Article 116, Article 117, and Article 119 of the Law on Taxation, GDT continues to maintain its stance on the amount of its tax re-assessment of Post Media Co., Ltd as follows:

Year	Tax	Additional Tax	Interest	Total
2010-2011-2012-2013	3,978,482,207	994,620,554	5,000,486,501	9,973,589,262
2014-2015-2016	2,951,729,864	737,932,467	1,331,690,116	5,021,352,447
<b>Total</b>	<b>6,930,212,071</b>	<b>1,732,553,021</b>	<b>6,332,176,617</b>	<b>14,994,941,709</b>

Below are details on the basis of how and why our tax auditors have come up with the necessary components (Tax, Additional Tax and Interest) of the total tax re-assessment are:

**The year 2010-2011-2012-2013**

**1. Tax on Income:**

- The tax was re-assessed based on the total quantity of each of the publication minuses a provision of 20% of unsold printed newspapers (which was mutually agreed by Post Media Co., Ltd and GDT in the meeting and recorded in the minute of meeting) and the confirmed selling price of 600 Riels for Khmer newspapers and 2,000 Riels for English newspapers and the printed data for the year 2011 (May to December), 2012, and 2013.
- According to Section 4.8 of Prakas on Tax on Profit, all forms of donations and subsidies must be included in the taxable income of the period in which such donations or subsidies are received. The amount of \$2,539,132.33, which was transferred from Australia to Post Media Co., Ltd has been regarded as a subsidy for the reason mentioned above.

**2. Value Added Tax:** The tax was re-assessed at 10% of the total sold quantity of publication less 20% unsold quantity.

**3. Withholding Tax:** The tax was re-assessed at 14% on payment to non-resident taxpayers based on the company's bank statements.

**4. Tax on Fringe Benefits:** The tax was re-assessed based on various fringe benefits expenditure to foreign employees, and personal expenses of the CEO.

**The year 2014-2016:**

**1. Tax on Income:**

- The tax was re-assessed on the advertisement revenue, which the company failed to fully declare for the year 2014-2016.
- In addition, the tax was re-assessed based on total quantity of the printed edition minuses a provision of 20% of unsold printed newspapers (which was requested by Post Media Co., Ltd) and the confirmed selling price of 600 Riels for Khmer newspapers and 2,000 Riels for English newspapers for the year 2014-2016.

**2. Value Added Tax:** The tax was re-assessed at 10% of 10% of the total sold quantity of publication less 20% unsold quantity.

**3. Withholding Tax:** The tax was re-assessed at 14% on payment to non-resident taxpayers based on the company's bank statements.



**4. Tax on Fringe Benefit:** The tax was re-assessed on the payment of taxable salary of foreign employees. By law, tax on salary of foreign employees should be withheld by employers for the payment but in this case, Post Media Co., Ltd did not withhold it but instead Post Media., Ltd paid on their behalf and therefore the tax payments are subject to tax on fringe benefit.

**Additional Tax and Interest:**

The additional tax and interest were applied on the underpayment and late payment of taxes mentioned above in accordance with Article 130, Article 131, and Article 132 of the Law on Taxation.

The above explanation provides an insight into how and why each of the components making up the total amount of the re-assessed due tax of Post Media Co., Ltd covering the period from 2010 to 2016 was calculated. GDT wishes to also take this opportunity to reiterate that should such transactions in the form of capital injections in the future, Post Media Co., Ltd must take the following necessary steps to:

1. declare in its monthly and annually tax filing with GDT the actual amount of capital injection,
2. disclose in its financial statements of the actual amount of capital injection,
3. produce copies of documents of endorsement by Ministry of Commerce of such capital injection.

This case is strictly a non-tax compliance matter and therefore GDT is expecting Post Media Co., Ltd to treat it as such. GDT welcomes appropriate appeals against this total amount of tax re-assessment shall Post Media Co., Ltd wishes to lodge. It is however vitally important that your counter defend and justification is made in accordance with existing laws and provisions on taxation of the Kingdom of Cambodia together with the necessary supporting documents and concrete evidence. Otherwise, it is reminded that in the event that Post Media Co., Ltd fails to cooperate to settle this total amount of tax re-assessment, additional taxes, and interest as stated above will further incur in accordance with Article 130, Article 131, and Article 132 of Law on Taxation.

Please accept, Mr. William Mcrae Clough, the assurances of my high consideration.



**Kong Vibol**

Delegate of the Royal Government in charge as  
Director General of the General Department of Taxation