KPMG
cutting through complexity

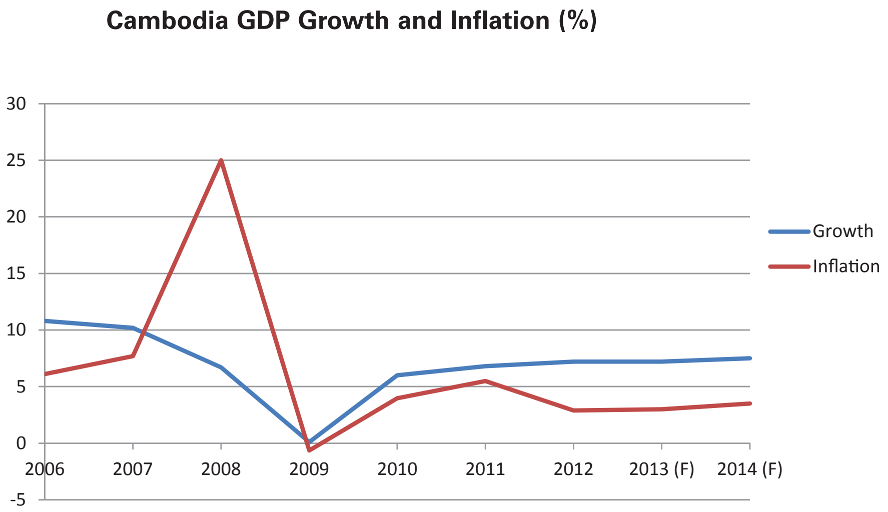
INVESTING IN CAMBODIA

Content

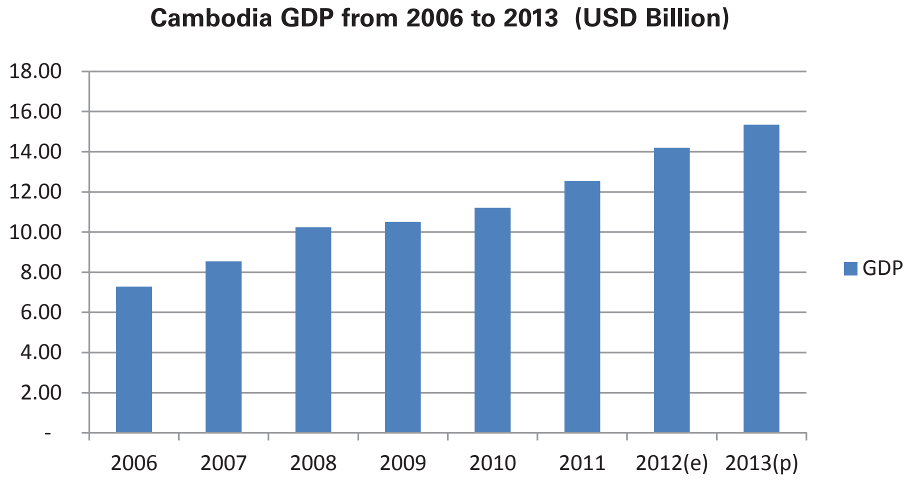
Cambodia Market Overview

Market Overview

Cambodia joined ASEAN in 1999 and WTO in 2004 and has experienced an economic boom over the last fifteen years with average annual growth of 8%. However, it experienced a contraction in 2009 caused by the global crisis. Cambodia's GDP grew by 6% in 2010 and by 7.2% in 2012. GDP growth is forecasted to be 7.2% and 7.5% for the year 2013 and 2014 respectively. In 2012, the inflation rate dropped to 2.9% from 5.5% in 2011. The inflation rate is forecasted to slighly increase to 3% and 3.5% in 2013 and 2014.



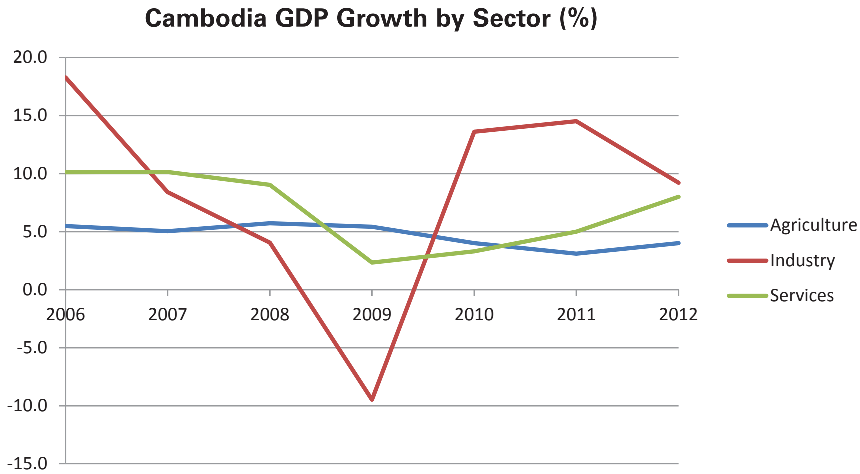
Source: ADB (Asian Development Outlook 2011/2012/2013)



Source: Ministry of Economy and Finance, National Institute of Statistics and National Bank of Cambodia

Economy:

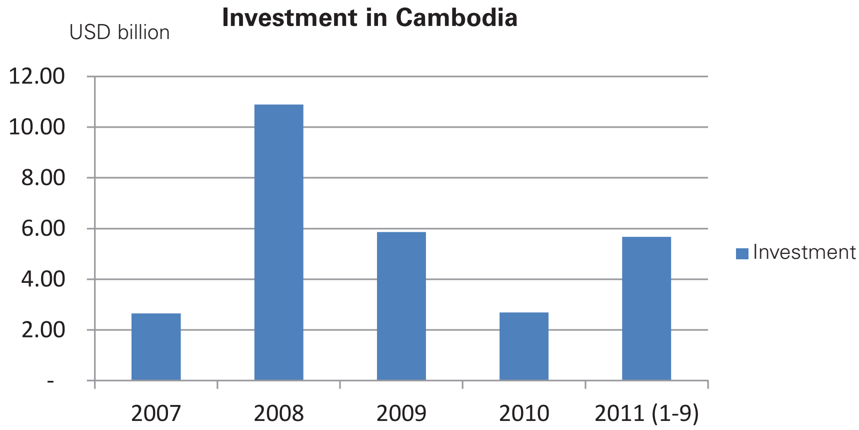
Industry is the primary source of growth, driven mainly by export of garments and footwear to the United States (US) and the European Union (EU). US garment and footwear imports from Cambodia in 2012 fell by 1.8% to $2.6 billion. Exports of garments and footwear to the EU surged by 10.8% to $1.8 billion.



Sources: National Institute of Statistics; ADB estimates. Asian Development Outlook 2013

Foreign Direct Investment (FDI):

Cambodia shifted to a free market economy and welcomed FDI in 1989. Since then, Cambodia has received more than USD25 billion in FDI. While Cambodia has adopted a competitive investment strategy, it still lags behind Asia-Pacific countries in terms of investment facilities and other factors such as roads, ports and other infrastructure developments.



Source: CIB (CDC)

Banking System:

Commercial banks are a primary source of funding. Limited access to capital is one of the constraints of doing business in Cambodia.

In 2013, the key players in Cambodia's financial sector are 32 commercial banks, 4 Representative Offices, 7 specialized banks and 37 micro-finance institutions and 13 insurance companies.

In the face of inflationary pressures and a sharp increase in credit in 2008, The National Bank of Cambodia (NBC) raised the minimum capital requirement for commercial banks to $37.5 million.

Currency:

The local currency, Riel (KHR), was introduced in 1980. However, Cambodia is a heavily dollarized country with 80% of deposits and credits in the banking system in U.S. dollars. Cambodia is classified as partially dollarized, given that in such economies, the U.S. dollar circulates in conjunction with an official national currency as opposed to fully dollarized economies where the dollar is the only legal tender.

Land Ownership:

The Law on Investment of Cambodia restricts foreigners from owning land in Cambodia since land ownership is reserved to natural and legal Cambodians.

However, effective from December 2011, foreigners are allowed to have a long-term lease for up to 50 years and renewable long-term lease or a renewable short-term lease.

Business Sectors:

There are estimated to be in excess of 25,000 businesses in operation of which approximately 15,000 are foreign enterprises[**]. Small and medium sized enterprises (SMEs) make up the vast majority of business in Cambodia and provide around two-third of the country's employment.

Advantages of investing in Cambodia:

- ASEAN membership offers regional trade benefits
- WTO member since 2004 increasing trade integrations
- Duty free or preferential export access to most developed economies
- Among Asia's lowest labour cost and a dynamic workforce
- Favorable investment environment.

* NBC website

** Sacombank Campodia Country Report 2010 (Plus revised estimate)

While banks have been the main source of funding for businesses in Cambodia, this will soon change with the opening of securities markets. Cambodia officially launched a stock exchange on 11 July 2011. The Cambodia Securities Exchange (CSX) is a joint venture between the Cambodian Ministry of Economy and Finance, which controls 55%, and the Korea Exchange (KRX), which holds 45%.

Cambodia Securities

The Regulator:

The Securities and Exchange Commission of Cambodia (SECC) regulates the Cambodia Securities Exchange (CSX) in Cambodia . The SECC is established under the law on The Issuance and Trading of Non-government Securities.

Requirements for listing on the CSX (Prakas):

Prakas are regulations that are issued by the SECC. The SECC had issued 23 major Prakas as of April 2013.

Companies Considering Listing:

Three state owned enterprises, Sihanoukville Autonomous Port (SAP), Telecom Cambodia (TC) and Phnom Penh Water Supply Authority (PPWSA) have been selected to list on the exchange.

On 18 April 2012, Phnom Penh Water Supply Authority has been officially listed on the CSX while the other two SOEs still in progress.

In addition, two private companies - TY Fashion (Cambodia) and Grand Twins International (Cambodia) have planned to list on the CSX and the IPO works are in progress.

More than 10 other private firms and two more state-owned companies have expressed intentions to list on the CSX.

Exchange (CSX)

Key Operating Rules	
Market hours, trading times	Market is open from 8:00 am to 11:30 am, Mon-Fri, with trades executed six times daily (according to a Press release - the 26th Plenary Meeting of the SECC dated 15 January 2013).
Minimum trading unit	Price variance is set as follows: 1) KHR50 for a share price KHR50K per share; 2) KHR250 for a share price equal or above KHR50K but below KHR500K per share; 3) KHR500 for a share price equal or above KHR500K. Minimum trading unit is one share.
Daily price limit	+/- 5% of the base price, or KHR10 where the base price is below KHR1,000 (According to a Press release - the 26th Plenary Meeting of the SECC dated 15 January 2013)
Transaction fees (excl. brokerage)	The rate has been revised from 0.25% to 0.15% on the value of the settled trade according to a Press release - the 24th Plenary Meeting of the SECC dated 21st March 2012. In order to develop the current stock market in Cambodia, the transaction fees above have been further reduced by 50% for the year 2013.

Stock Trading on the Exchange:

The SECC is set to require trades on the new stock exchange to be settled after two days.

ACLEDA Bank Plc, Canadia Bank Plc, and the Bank for Investment and Development of Cambodia have been licensed as cash settlement agents by the SECC.

ACLEDA Bank Plc, and Tricor Securities Services Plc have been licensed as securities registrar, transfer agent, and paying agent by the SECC.

Tax Incentives for Listing on CSX:

Companies listing on the CSX will receive temporary tax reductions for the first three years. The 22 April 2011 sub-decree notes that for firms that list, the Tax on Profit would drop from 20% to 18%, while the withholding taxes on interests and dividends would both drop from 14% to 7% for the first three years.

Currency of the Exchange:

To increase the use of the local currency, all stock quotations on the CSX must be in Riel only.

SECC will help alleviate some of this risk at the outset by allowing dollar settlements by negotiation for the first 3 years.

Securities Firms:

The SECC has granted licences to 16 securities firms to operate on the CSX - seven underwriters, four brokers, three investment advisers and two dealers.

On 21 March 2013, one of securities firm Sacombank Securities (Cambodia) Plc has withdrawn from the market.

Key Settlement Rules	
Settlement time	Settlement is performed two days after the trade, T+2, at 8:30 am
Account opening	Securities firms open both an account with a cash settlement agent and with the securities depository
Good faith deposit	A good faith deposit of 100% of the cash value of the trade is required from the buyer and 100% of the securities to be traded required from the seller
Clearing, settlement fees	Clearing fees are 0.1% of the value of the settled trade

Key Requirements for Listing on the CSX	
Quantitative requirements	• The number of shareholders who hold shares with the voting rights less than 1 % (one percent): The number of shareholder who hold shares with the voting rights less than 1% (one percent), and who hold shares from more than 10 (ten) shares, are required to have at least 200 (two hundred) people by the date which the securities are officially registered for sale. • The number of shares of shareholders with the voting rights less than 1% (one percent): The number of shares of shareholders who hold shares with the voting rights less than 1% (one percent) are required to have 200,000 (two hundred thousand) shares or 15% (fifteen percent) of total number of shares with the voting rights, whichever number is higher.
Qualitative requirements	• Share ownership of the largest shareholders must not have changed for one year before the official listing
Eligibility, listing fees	• KHR4M for the examination of eligibility, 0.1% of the total market capitalisation according the to base price of the stock for listing
Annual fees	• Market cap <= KHR12BN, fee of KHR3M • Market cap > KHR12BN, <= KHR40BN, fee of KHR3M on first KHR12BN market cap, 0.02% on remaining market capitalisation • Market cap > KHR12BN, <= KHR200BN, fee of KHR3M on first KHR12BN, KHR5.6M on the next KHR28BN in market cap and 0.02% on remaining market capitalisation • Market cap > KHR200BN, fee of KHR3M on the first KHR12BN, KHR5.6M on the next KHR28BN in market cap, KHR24M on the next KHR160BN in market cap, and 0.005% on remaining market capitalisation
Size	• Equity capital above KHR5BN (USD1.2M) at filing time • Last financial year net profit above KHR500M (USD125k) • Aggregate net profit for last 3 years above KHR1BN (USD250k) • Companies with equity below KHR20BN (USD2.5M), 20% of equity capital must be listed. Otherwise, 15% must be listed
Financial Accounts	• Audited financial statements for last three financial years
Governance	• For listed public enterprises, the Board shall not exceed 7 members and have at least 1 independent director and 1 non-executive director as a representative of the private shareholders • For listed companies, the Board shall have at least 5 members, but not exceed 15 and have at least 1 out of 5 independent directors.
Other requirements	• Three year business plan • Controlling shareholder lock-up for 12 months and 15% shareholder lock-up for 6 months

KPMG Introduction

Turning knowledge into value

Who we are

KPMG is one of the world's leading professional services firms. We're proud of our firm's strong and established reputation, a reputation that is built on a long history of independence, integrity and objectivity.

It's what drives us to deliver clear and practical advice to help our clients grow and succeed in their chosen field.

It's what makes us committed and successful leaders in our profession.

Global presence

KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. We have over 152,000 outstanding professionals working together to deliver value in over 156 countries world wide.

KPMG's network of firms' purpose is to turn knowledge into value for the benefit of our clients, our people, and the capital markets. KPMG's member firms aim to provide clients with a globally consistent set of multidisciplinary financial and accounting services, based on deep industry knowledge.

KPMG in Cambodia

KPMG in Cambodia was established in 1994. Today, with over 130 professionals, KPMG is one of the largest professional services firms in Cambodia with a balanced mix of international and local clients.

In Cambodia, our local experience, enhanced by technical and industry knowledge of our global network, means we have the tools and knowledge to gain a deep understanding of our clients' businesses. It enables our professionals to turn knowledge into value for the benefit of our clients, our people and the capital markets.

Our leadership

KPMG in Cambodia continually invests in our people, services and quality processes. We're focused on the research and development of services to help our clients achieve sustainable and strong business performance.

We're also committed to appropriately delivering on our capital markets responsibilities, as well as assisting our clients in effectively communicating true business performance to stakeholders.

Supporting our communities

KPMG in Cambodia has a long history of supporting the communities in which we live and work. This contribution takes the form of our people's time, knowledge and experience, as well as our financial donations and grants.

Why select us

Independent, clear and practical advice

Fast, effective and informed decision making is a business imperative in an increasingly complex business environment.

Our clients find our independent, objective and professional advice to be clear, concise and jargon free.

Multidisciplinary and industry focused approach

Delivering independent, professional advice requires a multidisciplinary and industry focused approach. We can establish dedicated teams of professionals with deep industry experience from across KPMG's service divisions. It means our clients receive advice from professionals who understand their business.

Global knowledge sharing

We understand that keeping our professionals constantly up-to-date on global technical and industry developments allows our clients to receive in-depth advice, no matter where in the world they do business. KPMG's global knowledge sharing system puts the latest technical and industry knowledge at our people's fingertips.

Our services

Sector Focus

At KPMG, we understand that each industry has its own opportunities, issues and challenges. As such, our business has established industry or sector groups, enabling targeted, industry-specific experience and advice instead of solutions to be delivered where needed. For our clients, this focus on industry and country specific knowledge means we can deliver trained professionals who have an intimate knowledge of your specific business issues, as well as an overriding commitment to strive for the highest quality services.

Through education, industry-focused training, and first-hand experience, our professionals have gained an in-depth understanding of the issues faced in a range of key industries.

Our Sectors
Our professional teams share knowledge and develop their skills with a focus on industry sectors such as:

Consumer Market
Retail, Food & Beverage, Consumer Goods, Transport & Logistics

Financial Services
Banking, Insurance, Securities, Funds Management

Infrastructure and Real Estate
Building, Construction & Real Estate, Infrastructure

Government & Healthcare
Government (ODA/NGO), Healthcare

Energy & Natural Resources
Oil & gas and mining projects, Pipelines, Refinery, Petrochemical, Retail & Distribution

Industrial Markets
Automotive, Chemicals, Diversified Industrials, Pharmaceuticals

Information, Communications & Entertainment
Electronics, Software & Services; Communications and Media

Audit

Integrity, quality and independence are the building blocks of KPMG's approach. Our audit process does more than just assess financial information. It enables our professionals to consider the unique elements of the client's business - its culture, the industry in which it operates, competitive, pressures, and inherent risks.

Audit

Financial Statement Audit

Reporting Accounting Services

IFRS Reporting Services

Maximum Assurance

Other Forms of Assurance and Attestation reporting

KPMG's member firms have developed a globally consistent audit methodology that is designed to focus on the key areas of risk, based on a company's operational characteristics and performance profile. Our partners and professionals are trained to look closely at all aspects of financial reporting so they are better able to isolate risk.

Financial Statement Audit is based on the KPMG Audit Methodology. It is designed to facilitate our ability to form an opinion in accordance with applicable Financial Reporting Framework. We assist clients with the application of, and compliance with, local specific statutory reporting requirements for Cambodia as well as other regulatory or group reporting.

Reporting Accounting Services assist and provide guidance to clients at all stages of a fund raising process . We act as the reporting accountants by bridging the gap between the company and regulators, underwriters and legal counsel. Our professionals are experienced in public offerings, listings and private placements, both locally and internationally.

IFRS Reporting Services enables us to assist clients with the application of, conformity and reporting under International Financial Reporting Standards (IFRS), when required and as appropriate. This takes on additional importance as counties move forward IFRS adoption.

Maximum Assurance is a new concept which extends audit's core assurance offering beyond the audit of financial statements. With our core audit skill set and our deep understanding of our clients business issues and risks faced, we can offer a broad and highly valued assurance services. These serviecs include providing assurance on data, regulatory compliance, internal control, accounting matters or supporting on resources.

Other Forms of Assurance and Attestation Reporting includes Non-Financial Assurance Service, Agreed-Upon Procedures, and other types of self-reporting. Organisations have realised that financial reports alone do not adequately communicate either opportunities or business risks. KPMG's Non-Financial Assurance Services help organisations learn how to define, capture, and report on non-financial indicators. This helps them find new ways to safeguard their reputations, build trust among their stakeholders, and ultimately improve their corporate performance.

KPMG Cambodia's Tax services are designed to reflect the unique needs and objectives of each client, whether we are dealing with the tax aspects of a cross-border acquisition or developing and helping to implement a global transfer pricing strategy. In practical terms, this means that we work with our clients to assist them in achieving effective tax compliance and managing tax risks, while helping to control costs.

Tax

Corporate Income Tax and International Corporate Tax

Indirect Taxes

Global Tax Outsourcing

Transfer Pricing and supply chain management

Merger & Acquisitions Tax

Trade & Customs

Market Entry Services

Our **Corporate Income Tax** and **International Corporate Tax** team advises organisations on domestic and international tax laws affecting local and cross border transactions and other regulatory matters, such as foreign investment rules and industry specific regulatory requirements as well as domestic tax issues such as incentives, deductibility and corporate tax management. Our industry-focused, experienced professionals provide tax advisory services that are tailored to the needs of the industry.

Indirect taxes, such as VAT can be complex and costly. **Indirect Tax Services** focus on effective indirect tax planning, compliance and related cash flow management, helping companies improve profitability and build stakeholder value.

In addition to tax advisory services, KPMG helps businesses manage their **tax compliance obligations**. These obligations can represent a substantial outflow of funds from a business and a drain on management time due to increased reporting requirements, greater scrutiny by tax authorities and harsher penalties for non-compliance. Our Global Tax Outsourcing group works with our KPMG offices internationally to assist multinational groups to co-ordinate and comply with their tax compliance obligations on a global basis.

Transfer Pricing Services (TPS) helps organisations manage their transfer pricing risks, fulfil regulatory compliance and design effective transfer pricing policies. TPS assists with risk assessment reviews, documentation and compliance, audit defence, advance pricing arrangements, competent authority procedures, transfer pricing planning and due diligence, and supply chain analysis. Our industry-focused full time transfer pricing professionals and multi-disciplinary approach helps provide corporations with effective transfer pricing strategies across the region and the world.

Merger & Acquisitions Tax (M&A Tax) professionals are involved in providing tax advisory services in connection with corporate restructuring, mergers and acquisitions, advising on tax efficient investment structures and conducting tax due diligence.

Our **Trade & Customs** professionals advise clients on duties, planning and compliance related obligations when importing and exporting goods.

Our **Market Entry Services** provide market related strategic advisory support, in particular market entry, research and advice to support your strategy development. Our Market Entry team provides Advisory services to companies entering the Cambodia market.

Advisory

KPMG's Advisory professionals assist clients through a range of services relating to Risk Consulting, Transactions & Restructuring, and Management Consulting. Together, these services can help address a client's strategic needs in terms of growth (creating value), governance (managing value), and performance (enhancing value).

Risk Consulting

Financial Risk Management
Accounting Advisory Services
Internal Audit, Risk Consulting

KPMG's Risk Consulting group is built on addressing clients' urgent strategic and operational challenges, as appropriate in today's environment. The practice focuses on key risk areas relating to accounting and reporting, finance and treasury, regulatory compliance and controls.

Internal Audit, Risk Consulting Services (IARCS). We help organisations improve their corporate governance practices, risk management and internal control systems by focusing on strategic and operational risk issues spanning different functions and operating units. We provide governance, risk and consulting services to support compliance with listing rules and other regulatory requirements, helping develop integrated frameworks that unify governance, risk, compliance and assurance functions.

Financial Risk Management. We assist organisations to reinforce and enhance their in-house risk management and compliance resources. Our services cover a broad range of activities, including credit risk management, market and treasury risk management, anti-money laundering requirements and operational risk management.

Forensic. KPMG Forensic's global network of experienced professionals use accounting, investigation, intelligence, technology, economics and deep industry skills alongside consistent global methodologies to help reduce reputational risk and commercial loss, and to improve the value obtained from existing contracts.

Accounting Advisory Service. We help our clients on a range of important matters that have significant accounting ramifications, including converting to International Financial Reporting Standards (IFRS), initial public offerings, merger and acquisition activity, cross-border transactions, improving the speed and quality of financial reporting (Quality Close) and improvements in the financial reporting process chain.

Transactions and Restructuring

Transaction Services

Corporate Finance

Restructuring

KPMG's Transactions & Restructuring group comprises three divisions, providing transaction services, corporate finance, restructuring services. Whether you aim to buy a business, raise capital, investigate fraud, improve performance or wind down operations, our professionals can devise and help implement practical and commercial strategies to achieve your goals.

Transaction Services. We provide assistance to clients on mergers and acquisitions, particularly with respect to financial and commercial due diligence, analysis on financial projections, cash flows, management information, systems and controls, and staff compensation. The team also provides vendor due diligence and assistance for clients divesting their businesses.

Corporate Finance. We help clients with M&A origination and deal management, target search, capital raising, strategic and financial analysis, pricing analysis, valuation, negotiation support and financial structuring. We can advise on project management of a merger or acquisition, from inception through to completion and ultimately, in some cases, an IPO or trade sale exit. Corporate Finance also has teams dedicated to the financing of infrastructure and other capital intensive projects.

Restructuring Services. We work alongside lenders, stakeholders and all levels of management to develop restructuring strategies that improve a company's balance sheet, profit & loss and cash flow. We can provide background support to the executive team and assist them in renegotiating their finances, providing a robust challenge to the business plan that underpins their refinancing proposals. Operational Restructuring seeks to provide the skills needed for turnaround planning and implementation to restore profitability and build a platform for growth.

Management Consulting

Business Performance Services (BPS)

IT Advisory

KPMG's Management Consulting group assists our clients in improving and transforming business performance through strategic and operational re-engineering and better leverage of technology investments. We help develop strategies relating to Finance Transformation, Supply Chain Management, IT Strategy Implementation, Cost Optimisation, Business Integration, Business Intelligence as well as ERP Advisory services.

Business Performance Services (BPS). We help clients improve the operation of their business through a range of services such as margin enhancement, finance function and process improvement, post-merger integration, cost optimisation and performance measurement. BPS can help organisations improve their operating margins by focusing on both cost management and process efficiency and also assist clients to make informed decisions about outsourcing, shared services and joint venture possibilities. As better operating practices are incorporated across the enterprise, this can help provide greater confidence to external investors, business partners and the markets.

IT Advisory. Our services allow our clients to harness the full potential of information technology in line with their business strategy and vision whilst also supporting or driving compliance with laws and regulations. Offering services through the life cycle, our IT Advisory professionals can also assist our clients through the implementation process to achieve measurable results.

Our People

We put a great deal of emphasis on ensuring our people enjoy their workplace as much as they do the professional challange and career development. Our focus is on an open, friendly and collaboratice culture, and it touches every part of our working lives.

It is essential that you choose a professional services firm that has the experience, range of services and people that will provide you with the support and knowledge that you need to be successful in Cambodia. That's why we believe that ongoing training of our professionals is essential for our success in helping ensure that our clients continue to receive high professional standards of service. Our professionals are trained to follow KPMG policies and procedures to provide consistent delivery of services. A number of our staffs have also been seconded overseas for extended periods, returning to Cambodia with enhanced skills and international knowledge.

Our Values

KPMG professionals are guided by a set of common shared values, which establish how we behave with clients, colleagues and in the wider community.

At KPMG, we take our values and reputation seriously. This professional reputation is vital to the success of our business, the integrity of our clients and the personal development of our people.

What does this mean in practice?

We lead by example – at all levels acting in a way that exemplifies what we expect of each other and our clients.

We work together – bringing out the best in each other and creating strong and successful working relationships.

We respect the individual – respecting people for who they are, and for their knowledge, skills, and experience as individuals and team members.

We seek the facts and provide insight – challenging assumptions, pursuing fact and strengthening our reputation as trusted and objective business advisors.

We are open and honest in our communication – sharing information, insight and advice frequently and constructively and manage tough situations with courage and candour.

We are committed to our communities – acting as responsible corporate citizens by broadening our skills, experience and perspectives through work in our communities and protecting the environment.

Above all, we act with integrity – constantly striving to uphold the highest professional standards, provide sound advice and rigorously maintain our independence.

KPMG and Corporate Social Responsibility

With 138, 000 people around the world, we believe that our actions have an impact on the world that we are trying to build for ourselves and for future generations. This belief strong reflects who we are as an organisation.

Corporate Social Responsibility (CSR) has been a constant factor for us and is led by our senior leadership. CSR is about working together with our clients, non-government organizations (NGOs), stakeholders and local government to deliver solutions to social and environmental issues.

We are dedicated to contribute in a meaningful and sustainable way with three major areas to focus:

Education – To support underprivileged youth through formal or informal education, that could empower them to have a better future.

Empowerment – To support innovative progammes and NGOs that provide sustainable solutions to key social issues, with the goal of helping people to help themselves.

Environment – To support an environmental projection agenda by collaborating with external stakeholders working on key environmental issues and creating or participating in innovative programmes that provide sustainable solutions to resource issues.

Setting up business in Cambodia

Commonly used business entities

A new entity is registered with the Cambodian Ministry of Commerce (MoC). Approval for registration usually takes approximately ten and a half working days upon submission of all required documents. In general, businesses operate in Cambodia via the following vehicles:

- a company incorporated in Cambodia
- a branch of a company incorporated outside Cambodia
- a representative office of a company incorporated outside Cambodia.

Main legal formalities for the formation of a company or registration of a branch

Company

The minimum registered capital is 4,000,000 Riels (approximately USD1,000). Generally, there is no restriction on foreign ownership (except for land holding). The name of the company must first be cleared with the MoC.

A standard memorandum and articles of association will have to be prepared for the company and lodged with the MoC, together with the prescribed information for incorporation.

Branch

Certain documents and information of the holding company and the Cambodian branch are required to be provided to the MoC for branch registration. The name of the Branch shall be the name of its principal.

A Branch office can carry on regular trading activities (sales and purchase of goods and services).

Representative Office (RO)

A RO is prohibited from undertaking profit making activities including the buying or selling of goods, performing services or engagement in manufacturing, processing or construction. The name of the RO shall be the name of its principal.

Requirements for foreign investors

For a Cambodian company, the full name, address, nationality of the foreign investor and the number of shares held in the company are required by the MoC.

For a Cambodian branch, the place of registration of the foreign company, details of its structure and other information in the prescribed documents is required by the MoC.

For a RO, the requirements are the same as a Branch.

If the Cambodian company or Cambodian branch needs to apply for a particular license to carry out its business operation, additional information on the foreign investor may have to be provided to the relevant government authority.

Currency/monetary restrictions

Currently, Cambodia does not have any restrictions on funds transfer (i.e. the repatriation of profits or capital from Cambodia etc). Also, the Foreign Exchange Law of 1997 provides for foreign currencies to be freely purchased via the banking system. In particular, the Law states that there should be no restrictions on foreign exchange operations; however, these operations can only be performed through an authorized financial institution.

Qualified Investment Project (QIP)

Investors may apply for a QIP status by registering their projects with the Council for Development of Cambodia (CDC). However, a project with investment capital less than USD2,000,000 shall be registered with the provincial/ municipal investment sub-committee.

QIP will be entitled to certain incentives. A tax holiday period may be available up to a maximum of 9 years.

Setting up business

Generally, there are no restrictions on the setting up of businesses. However, many businesses require a license or permit to operate, including areas such as banking and finance institutions, tour agencies, real estate agencies, telecommunication, industrial factories, etc.

Accounting/Finance for companies and Cambodian branches of foreign companies

Financial statements

The National Accounting Council of Cambodia has decided to adopt International Financial Reporting Standards for Small and Medium-sized Entities and International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) effective for Financial Statements with the period beginning on or after 1 January 2010 and 1 January 2012, respectively. The new standards will be referred as Cambodian International Financial Reporting Standards for Small and Medium-sized Entities (CIFRS for SMEs) and Cambodian International Financial Reporting Standards (CIFRS). Public accountability entities are required to adopt CIFRS and non-public accountability entities that meet the audit requirements below are required to adopt CIFRS for SMEs or opt to use CIFRS, if necessary. Other entities can also adopt CIFRS for SMEs.

Audit requirements

All enterprises that meet two of the three criteria set by Prakas no. 643 of the Ministry of Economy and Finance, shall submit their annual financial statements to be audited by an independent auditor. The audit shall be carried out by an auditor registered with Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA):

- annual turnover above 3,000,000,000 Riels (Approximately USD750,000)
- total assets above 2,000,000,000 Riels (Approximately USD500,000)
- more than 100 employees

For QIPs registered with the Council for the Development of Cambodia in accordance with the Law on Investment, there is an obligation to submit their annual Financial Statements to be audited by an independent auditor registered with the KICPAA.

Book year/ accounting currency

Generally, the tax and accounting year is the calendar year. The accounting year end does not need to coincide with the calendar year, although any change must be approved. The bookkeeping shall be prepared in Khmer Language and in Khmer Riels.

Other compliance requirements

Permission letter for registered office from municipality or provincial office

In addition to registration with the MoC, a registration with the Phnom Penh Municipality or provincial commercial offices is necessary for confirming the business' registered address.

Annual Declaration of Commercial Enterprise (ADCE)

All entities registered with the MoC in Cambodia are required on an annual basis to prepare and lodge with the MoC an ADCE.

Certificate of Compliance (CoC)

Annually, all QIPs are required to obtain a CoC from the CDC to receive the investment incentives granted under the investment license. The CoC is intented to provide confirmation that the QIPs comply with relevant tax regulation.

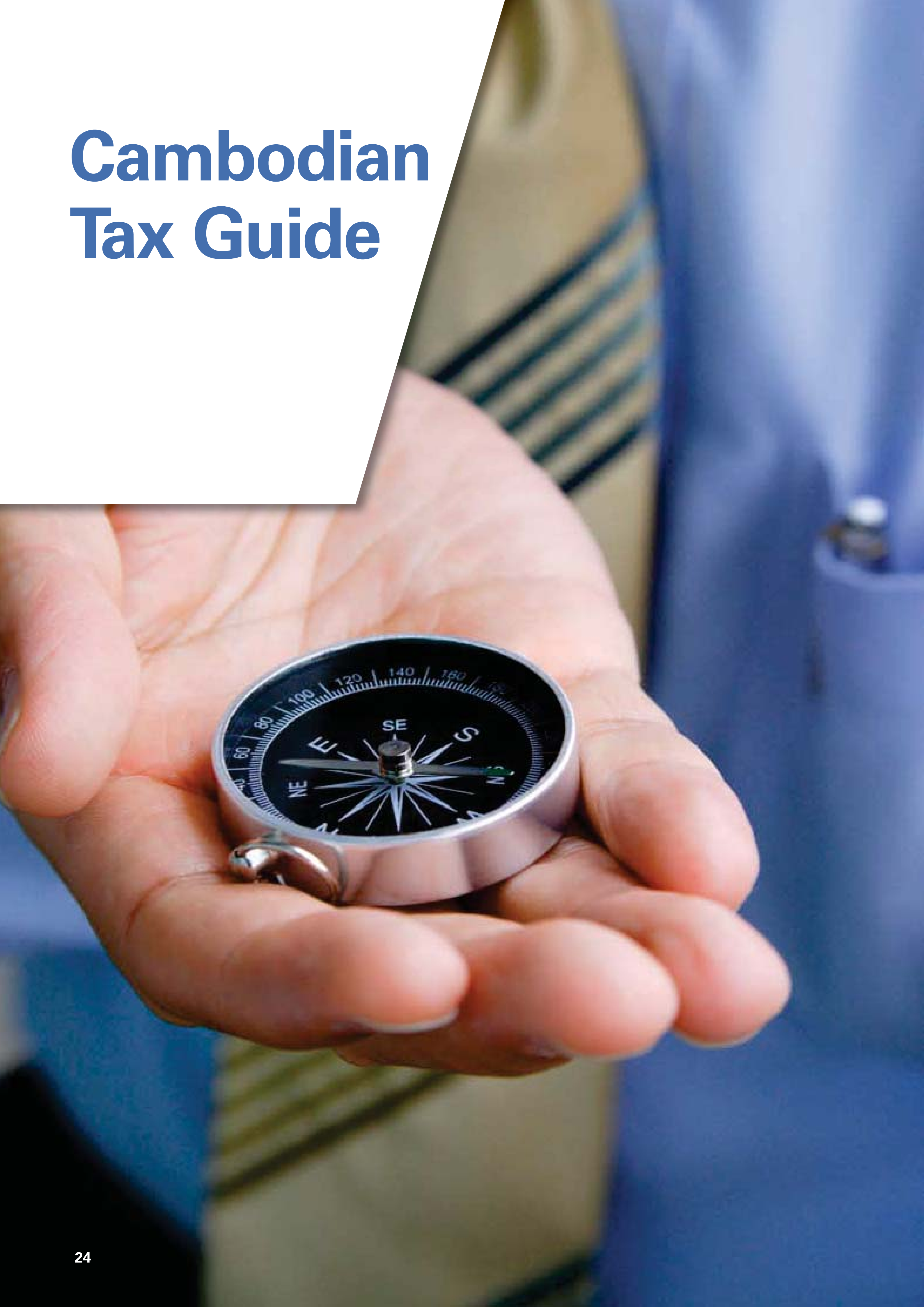
Labour code compliance

The enterprise is required to notify the Ministry of Labour and Vocational Training on an ongoing basis of any changes that may occur. The obligations for an employer under the labour code compliance include: initial registration requirement, declaration of staff movement in/out, annual application for quota of foreign workers, annual application for work permits of expatriate staff, registration of minutes of meeting for the election of staff representatives, etc.

National Social Securities Fund (NSSF)

Every month, an employer or owner of an enterprise (8 staffs or more) shall report the number of workers/ employees and pay the required contribution of 0.8% of average monthly wage of workers/employees to NSSF by the 15th of the following month.

Cambodian Tax Guide



Overview

The principal taxation law of Cambodia is the Law on Taxation (LoT) adopted by the National Assembly in January 1997. In 2000, the Ministry of Economy and Finance issued a Prakas (regulation) on Tax on Profit to clarify certain tax provisions stipulated in the 1997 Law. The Law on Amendment on the LoT (LALoT) was signed into Law in March 2003, and the revised Prakas on Tax on Profit was issued in December 2003.

The Cambodian Tax Law provides for three types of tax regime:

- the real regime tax system (RRTS)
- the estimated regime and
- the simplified regime.

Each regime imposes different tax obligations on taxpayers. All enterprises, other than sole proprietorships, are taxable under the RRTS. Therefore, the tax obligations set out below are applicable to taxpayers who are subject to the RRTS.

Sole proprietorships will be subject to tax under the real regime if the sole proprietorships meet certain conditions as stated in the tax provisions (i.e. level of turnover or type of business activities).

A real regime taxpayer will be required to submit and pay taxes to the General Department of Taxation (GDT) on an annual and monthly basis. Such taxes are mainly as follows:

- Annual Tax on Profit or Minimum Tax (see 1 & 1.14)
- Annual Patent Tax (see 3.5.3)
- Monthly Prepayment of Tax on Profit (see 1.14)
- Monthly Tax on Salary and Fringe Benefit Tax (see 2 - 2.7)
- Monthly Value Added Tax (see 3.1)
- Monthly Withholding Tax (see 3.5.1)

1. Taxation of Companies

Introduction

Corporate taxpayers in Cambodia are classified as either resident taxpayers, or non-resident taxpayers. A resident taxpayer is primarily an enterprise that has a place of management and carries on business in Cambodia, as defined below. A non-resident taxpayer is an enterprise that derives Cambodian source income, but does not have a place of management in Cambodia.

A non-resident taxpayer will be deemed to be Cambodian resident for tax purposes if it is found to have a Permanent Establishment (PE) in Cambodia (see 6.2 for PE definition).

A resident taxpayer is subject to Tax on Profit (ToP) or Corporate Income Tax (CIT) on income derived from both Cambodian and foreign sources, whereas, a non-resident taxpayer is subject to ToP/CIT in respect of its Cambodian source income only.

1.1 Residence

A company is resident in Cambodia if:

- It is organised or managed in Cambodia; or
- It has its principal place of business in Cambodia.

1.2 Taxable Income

Taxable income is the net profit obtained from all types of business operations including capital gains realized during the business operation or at the cessation of the business, interest, rental, and royalty income as well as income and gains from financial or investment assets including immovable assets.

Taxable income shall also include all capital gains realized from operations other than business operations. The determination of taxable income, and the rules and procedures for the collection of the tax due, are determined by Prakas (Regulation).

1.3 Capital Gains Tax

All realized gains (including capital gains) are treated as income. Cambodia does not impose a separate tax on capital gains. Gains arising from the disposal of real property and other assets are treated as ordinary income and are therefore subject to tax at the prevailing ToP rate.

1.4 Dividends

A dividend is defined as a distribution of property or money, made by a legal person to a shareholder. A distribution arising from a complete liquidation and stock dividend is specifically excluded from the definition of a dividend.

Dividends received from non-resident companies are subject to income tax in Cambodia. A credit is allowed for tax paid overseas on foreign source income, subject to certain conditions.

1.5 Exempt Income

Dividends received from resident companies are not subject to income tax.

1.6 Deductions

Allowable Deductions

Allowable deductions include most expenses incurred in the course of carrying on a business, with certain limitations. The deductibility of charitable contributions is limited to five percent of taxable profit of the taxpayer.

Depreciation is allowed as a deduction in accordance with the rates determined by the tax provisions. There are also certain restrictions on the deductibility of interest.

Non-deductible Expenses

Non-deductible expenses include:

- increase in provisions
- any expense on activities generally considered to be amusement, recreation, entertainment
- personal expenses, except for fringe benefits which are subject to fringe benefit tax
- any loss on sale or exchange of property, directly or indirectly, between related parties
- penalties, additional tax and late payment interest imposed for violation of the LoT
- non-deductible tax expenses
- donations, grants or subsidies and
- extravagant and / or unrelated business expenses.

1.7 Losses

Losses can be carried forward for a maximum of 5 years. Losses cannot be carried back. Tax losses may be forfeited upon a change in ownership of the business or if there is a change in business activity.

Tax losses will also be forfeited in the event a taxpayer is subject to a unilateral tax assessment.

1.8 Grouping/Consolidation

There are no grouping provisions in Cambodia.

1.9 Tax Depreciation/Capital Allowances

Depreciation is deductible in accordance with specified rates if the assets are used in the course of carrying on a business.

Land is not a depreciable asset. Depreciable assets are divided into the following classes, and are depreciated at the following rates:

Class 1: Buildings and structures – 5% straight line

Class 2: Computers, electronic information systems, software and data handling equipment – 50% diminishing value

Class 3: Automobiles, trucks, office furniture and equipment – 25% diminishing value

Class 4: All other tangible property – 20% diminishing value

Assets in classes 2 to 4 are accounted for on a pooled basis, and therefore capital gains or losses on the disposal of fixed assets are not calculated individually but are calculated based on the result of the pooled asset account.

Additions for fixed assets from class 1 to 4 are depreciated for the full year in the year of acquisition.

1.10 Amortization of Expenditure

Intangible assets, including preliminary and formation expenses, R&D, patents, copyrights, trademarks, computer software, and purchased goodwill can be amortized over the useful life of the property. If the life of the intangible assets cannot be determined, a tax depreciation rate of 10% based on the straight-line method is used.

All exploration and development costs of a natural resource, including interest, shall be capitalized and written-off in accordance with the depletion of the resource recorded as a percentage of the estimated total production from the resource.

1.11 Charitable contribution

The deductibility of charitable contribution expense is limited to 5% of the taxable profit after tax adjustments and before deduction of charitable contribution itself.

Unutilised charitable contribution expense cannot be carried forward as a deduction against taxable profit in future year.

1.12 Interest Expense

Interest expense allowable as a deduction is limited to an amount equal to the total interest income plus 50% of net non-interest profit earned for the year. Net non-interest profit is the gross income, other than interest income, less allowable non-interest expenses. The excess amount can be carried forward to future years.

1.13 Tax Rates

The Cambodian Tax Law provides corporate income tax or annual ToP rates as follows:

- 20% for the profit realised by a legal person.
- 30% for the profit realised under an oil or natural gas production sharing contract and the exploitation of natural resources including timber, ore, gold and precious stones.
- 0% for the profit of QIP during the tax exemption period as determined by CDC.
- 5% on gross premiums received in Cambodia for Insurance Companies engaged in the insurance or reinsurance of life, property or other risks and 20% on non-insurance income.

1.14 Tax Administration

Tax Identification Number

Taxpayers are required to register with the GDT and obtain a Tax Identification Number (TIN) within 15 days after the commencement of business. As a matter of practice, taxpayers are required to register with the GDT within 15 days after obtaining the Ministry of Commerce's approval to conduct business.

Tax Returns

The annual tax return must be filed within 3 months following the tax balance date. The tax year is generally a calendar year. The return must be filed irrespective of whether the company is making a profit or loss.

Payment of Tax

A Company is subject to a monthly prepayment of ToP (PTP) during the year, which is self-assessed at 1% on monthly turnover inclusive of all taxes except for VAT. However, insurance companies are required to declare and pay the monthly PTP at the rate of 5% on gross premiums from insurance or re-insurance income and at the rate of 1% on non insurance related income. Payments of PTP are due by the 15th day of the following month.

The liquidation of the ToP is the balance of tax payable after deduction of all tax credits and PTP and must be paid upon the submission of the annual ToP return to the GDT by the 31st March in the year following the tax year[1].

The minimum tax[2] is a separate and distinct tax from the ToP, and is payable by companies regardless of whether they are in a profit or loss situation. The minimum tax is calculated at 1% on annual turnover inclusive of all taxes except for VAT. However, if the ToP is greater than the minimum tax, the minimum tax is not payable. The minimum tax is calculated at year-end, however it should be totally liquidated by the monthly PTP.

Tax Credits

Tax paid overseas on foreign source income is available as a tax credit, subject to the taxpayer providing sufficient evidence to substantiate the foreign tax paid. The tax credit is calculated separately for each foreign country and is the lower of the foreign tax paid or Cambodian tax payable on foreign source income.

Record Keeping

All books of accounts, accounting records and other documents must be maintained in the Khmer language and in KHR, and kept for a period of 10 years.

1: Tax year is calendar year, but a company can apply for a tax year other than calendar year, for example, to be consistent with its parent company/ if the foreign parent company owns more than 51% equity shares.

2: The minimum tax is exempted for Qualified Investment Project.

2. Taxation of Individuals

Introduction

Individual residents in Cambodia are liable for personal income tax/tax on salary on Cambodian and foreign source income, whereas non-residents are subject to income tax on Cambodian source income only. A credit for foreign income tax paid is allowed against Cambodian income tax. The tax credit is calculated separately for each foreign country and is the lower of the foreign tax paid or Cambodian tax payable on foreign source income. Employers are required to withhold income tax from salaries and other benefits paid to employees. The salary tax rate is based on a progressive tax rate ranging from 5% to 20% (see 2.6).

2.1 Residence/Non-Residence

A person is resident in Cambodia if the person is "domiciled in" or has a "principal place of abode" in Cambodia, or the person is present in Cambodia for more than 182 days during any 12 month period.

A non-residence means any person who is not a residence as stated above.

2.2 Employment Income/ Employee

Benefit Individuals receiving remuneration in the course of employment are subject to personal income tax known as tax on salary. The remuneration includes salary, wage, bonus, overtime and other compensation. A fringe benefit tax on employer-provided cars, housing, low interest loans, and free, subsidized or discounted goods and services is levied on employers according to the taxable value of the fringe benefits provided to their employees. The tax rate is currently 20% and it is payable monthly. The actual cost of providing the benefit will normally be deductible for the employer except for the fringe benefit tax.

2.3 Exempt Income

Employment related payments received by a tax resident that are not subject to income tax include:

- reimbursement of business expenses by the employer, provided that the costs are incurred in the course of employment, the amounts are not excessive and they can be substantiated
- indemnity for layoff within the limit as stated in the Labor Law
- additional remuneration received with social characteristics as provided in the Labor Law
- supply of free or subsidized uniforms or special professional equipment used in the course of employment and
- flat allowances for mission and travel received in the course of employment.

2.4 Deductions

Employees are not allowed any deductions against their salary income as employees are not required to submit annual tax returns.

2.5 Personal Allowances and Rebates of Tax

The following relief is provided to a resident employee:

Relief for the month	KHR
Child relief for each child (14 years old or 25 years old if still at school)	75,000
Dependent spouse (must be housewife)	75,000

2.6 Tax Rates

Residents

The personal income tax rates are as follows:

Taxable Income for the Month (KHR)	Progressive Tax (%)
Up to 500,000	0
From 500,001 – 1,250,000	5
From 1,250,001 – 8,500,000	10
From 8,500,001 – 12,500,000	15
Over 12,500,000	20

Non-residents

Non-residents are taxed on salary from Cambodian sources at the flat rate of 20%.

2.7 Tax Administration

Returns and Assessments

The salary and fringe benefit tax return and payment are due to be filed and paid to the GDT by the 15th day of the following month. Currently the Cambodian Tax Law does not require a resident individual to submit an annual personal income tax return to the GDT. Accordingly, the monthly salary tax deduction is considered to be a final tax for individuals.

3. Indirect and Other Taxes

3.1 Value Added Tax (VAT)

VAT is chargeable on a wide range of goods and services supplied in Cambodia and on the importation of goods. The basic principle of VAT is to charge tax at each stage of production, allowing each supplier credit for the tax paid, so that the VAT eventually impacts the final consumer.

Taxable supplies attract VAT at either the standard rate of 10% or the zero rate. Zero rating applies to export of goods and services, and certain charges in relation to international transport of people and goods.

Exempt supplies are not subject to VAT and include:

- public postal service
- hospital, clinic, medical, and dental services and the sale of medical and dental goods incidental to the performance of such services
- passenger transportation services by a wholly state-owned public transportation system
- insurance services
- primary financial services
- importation of articles for personal use that are exempt from customs duties and
- non-profit activities for public interest that have been recognized by the Ministry of Economy and Finance.

Enterprises providing taxable supplies of goods and services are required to register for VAT if they meet the criteria specified below:

- corporations, importers, exporters and investment companies
- taxpayers with turnover in respect of goods sold exceeding KHR125 million for the preceding three consecutive months or in the next three consecutive months
- taxpayers with turnover in respect of services provided exceeding KHR60 million for the preceding three consecutive months or in the next three consecutive months and
- taxpayers undertaking government contracts with a total taxable turnover exceeding KHR30 million

VAT registration must be made at the commencement of business operations or within 30 days in which the taxpayer becomes a taxable person.

VAT returns and payment are due to be filed and paid to the GDT by the 20th day of the following month.

VAT is payable at 10% on imports by reference to the value of the import, including any customs duty, insurance and freight charges.

3.2 Specific Tax on Certain Merchandises and Services (STCMS)

Certain goods and services are subject to STCMS which is a form of excise tax that applies to importation or domestic production and supply of certain goods and services.

Examples of the levy of STCMS are:

Item	Rate (%)
Domestic and international telephone services	3
Domestic and international air ticket	10
Entertainment services	10
Cigarettes	10
Cigars	25
Beers	25[3]

For domestically produced goods, STCMS is calculated on the ex-factory selling price. The ex-factory selling price is determined as 65% of the selling price exclusive of VAT and any discounts. For imported goods, the tax is computed inclusive of duty and CIF value.

Payment of STCMS to the GDT is due on the 15th day of the following month.

3.3 Tax for Public Lighting (TPL)

TPL is a tax levied on the sale of alcohol and cigarette products, both imported and domestically manufactured, at each stage of supply. The tax rate is 3% of the value of the taxable product inclusive of taxes but not the TPL nor VAT. The tax is payable on a monthly basis, by the 15th day of the following month. The revenue from the collection of this tax shall be used to improve public lighting in cities and the provinces.

3.4 Accommodation Tax (AT)

AT is a tax on the provision of hotel accommodation services. AT is levied at the rate of 2% on hotel accommodation services, inclusive of other services charges and all kinds of taxes but exclusive of the AT itself and VAT. Payment of AT to the GDT is due on the 15th day of the following month.

3: Prior to 1 February 2010, STCMS rate was temporarily maintained at 20%, but with effect from 1 February 2010, it has been increased to 25%.

3.5 Other Taxes

3.5.1 Withholding Taxes (WHT)

Resident withholding tax

A resident taxpayer is required to withhold tax from the following payments of Cambodian source income to a resident entity:

Payment	Rate (%)
Payment for services to a physical person, including management, consulting, and other similar services[4]	15
Payment of royalties for intangible assets and interests in minerals, oil or natural gas	15
Interest payments made to a physical person or an enterprise, except for interest paid to a domestic bank or savings institution	15
Income from rental of movable or immovable properties	10
Interest payments on a fixed deposit made by a domestic bank or savings institution to a resident taxpayer	6
Interest payments on savings account made by a domestic bank or savings institution to a resident taxpayer	4

Non-Resident WHT

A resident taxpayer carrying on a business who makes any of the following payments to a non-resident is required to withhold the non-resident WHT:

Payment	Rate (%)
Interest	14
Royalties, rent and other payments connected with use of property	14
Compensation for management or technical services	14
Dividends	14

The liability for WHT rests with the remitter. The GDT has no recourse to recover withholding tax from the recipient of the payment. The WHT is payable at either the date the payment is **made**, or the date the expense is **recorded** in the books, whichever is first.

Payment of WHT to the GDT is due on the 15th day of the following month.

Cambodia currently has no Double Tax Treaties (DTA) in place (see 5.2). Accordingly, no DTA relief from WHT is available.

4: The WHT is not applicable if the recipient of the payment is a real - regime tax payer.

3.5.2 Additional Profit Tax on Dividend Distribution (APTDD)

APTDD is applicable on the distribution of retained earnings or annual profit after taxes that were subject to the following rates:

ToP rate	APTDD rate
0%	20%
9%	12% (11/91) *
20% or 30%	0%

* The 12% rate is applicable to only a Company which had its ToP at 9%. The 9% ToP expired in 2010.

Dividend distributions to Cambodian resident taxpayers, after payment of the APTDD are exempt income in the hands of the Cambodian resident taxpayer.

Payment of APTDD to the GDT is due on the 15th day of the following month in which the distribution is paid.

3.5.3 Patent Tax

Patent tax is a yearly business registration tax which all enterprises carrying on business activities in Cambodia are required to pay by 31 March. A "patent tax certificate" will be issued by the GDT upon registration.

If the enterprise carries out different types of businesses, a separate patent tax certificate is required for each distinct business activity. Likewise, if a taxpayer carries out business in different cities or provinces, a separate patent tax certificate is required for each location.

The standard patent tax payment is KHR1,140,000 (approximately USD285).

3.5.4 Customs Duty

Customs duty is levied on certain goods entering Cambodia. The rates vary depending on the type of goods. Currently, the duty rates are 0%, 7%, 15%, and 35%.

As a member of ASEAN, Cambodia also implements the tariff reduction schedule under the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area (CEPT for AFTA) since 1 January 2000.

Goods exempt from customs duty include school facilities, medicine, sport facilities, fertilizer, rice seeds and agricultural tractors.

Exemptions can also be obtained as part of the incentives offered by the CDC for the QIP undertaken in Cambodia.

3.5.5 Registration Tax

Registration tax of 0.1 % applies to a transfer of shares. 0.1% registration tax also applies on the government contract value related to the supply of goods/ services that are used under the state budget.

The following legal documents are subject to a registration tax (stamp duty) of KHR1,000,000:

- company formation
- company merger and
- dissolution of a company

3.5.6 Property Transfer Taxes

There is a 4% tax on transfer of title in certain assets (such as land, building, vehicles).

This 4% tax is imposed on the transferred value and payable by the party acquiring the asset, within 3 months from the date of the execution of the agreement to transfer the title.

3.5.7 Tax on Unused Land

A tax is levied on unused land and the registered owner of the land is responsible for the payment of the tax. Tax on unused land is based on 2% of the market price per square meter as determined by the Committee for the Valuation and is due to be paid annually by 30 September.

3.5.8 Tax on Immovable Property (TIP)

TIP was created in the 2010 Law on Financial Management (LFM) and is imposed on certain immovable properties. The term "immovable property" is defined as land, houses, buildings and constructions that are built on the land.

The Prakas on the collection of the TIP was subsequently issued on 19 July 2010 for implementation of the TIP. This TIP will be collected every year at the rate of 0.1% on the value of the immovable property that is more than the threshold of KHR100,000,000 (approximately USD25,000). The value of the immovable property is assessed by the Assessment Committee, which is set up by the Ministry of Economy and Finance.

The deadline for paying the TIP is on 30 September each year.

4. Tax Incentives

The CDC is the principal government agency responsible for providing incentives to stimulate investment in Cambodia. The LoI was introduced in 1994 and substantially revised in 2003. Investors are required to submit an Investment Proposal to either the CDC or the PMIS to obtain a Qualified Investment Project (QIP) status depending on capital level and location of the investment project in question.

The LALoI 2003 changed the way in which incentives are granted. Instead of a list of eligible sectors being provided in the legislation, a "negative list" was established. This means investment incentives would be available to all sectors not included in the negative list.

The investment incentives (generally) available to QIPs are:

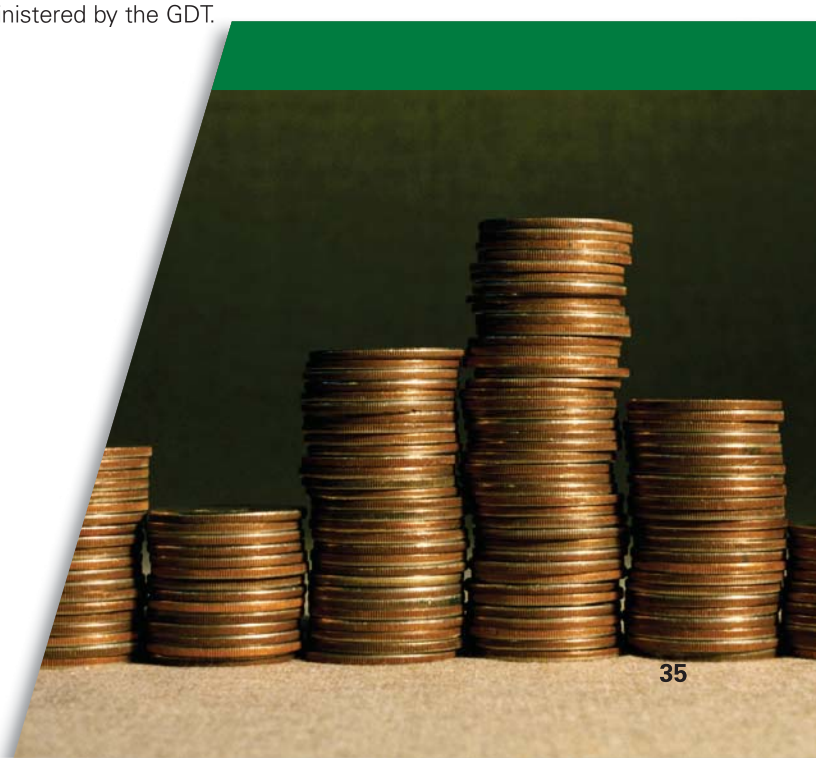
- exemption from tax on profit imposed by the LoT

The tax on profit exemption consists of a Trigger Period (of up to 3 years), 3 years automatic exemption, plus a Priority Period that will be provided for in the Law on Financial Management. In effect, the tax exemption period could be maximum up to 9 years.

- accelerated deprecation on manufacturing assets (however, this is not available if the QIP elects to take the profit tax exemption in point 1)
- exemption from import duty on production equipment, raw materials and inputs to manufacture and
- the right to employ foreign labour.

On an annual basis, the CDC requires all QIPs to apply for a Certificate of Compliance (CoC), to enable QIPs to continue to receive the investment incentives granted under the investment license.

There is also an incentive on similar terms provided to paddy plantation, paddy purchase collection and rice production. This incentive is administered by the GDT.



5. International Tax

5.1 Double Tax Relief

A foreign tax credit is available to a resident in respect of foreign taxes paid, subject to certain conditions.

5.2 Double Tax Agreements

Cambodia has not entered into any Double Tax Agreements (DTA) with other countries. However, Cambodia has made investment and trade agreements with a number of countries such as China, Indonesia, Malaysia, Germany, Switzerland, France, Singapore, Russia, United States of America, Laos, Philippines, Korea, India, Thailand, Bangladesh, Brunei, Uganda, and Vietnam.

6. Anti-avoidance Rules

Introduction

There is no "general anti-avoidance" provision in the Cambodian tax law.

6.1 Transfer Pricing

There is no specific Transfer Pricing legislation in Cambodia.

However, the related party provision of the 1997 LoT (Article 18) gives wide power to the GDT to re-determine related party transactions. The GDT may re determine related party transactions to impose pricing that the GDT considers "arm length" parties would have undertaken in the transactions.

A related party relationship is one where there is a 20% or more shareholders relationship.

6.2 Permanent Establishment

A PE is defined in Cambodia as "a fixed place of business in the Kingdom of Cambodia, the branch of a foreign Company or an agent resident in the Kingdom of Cambodia, through which the non-resident person carries on their business. The term PE also includes any other association or connection through which a non-resident person engages in economic activity in the Kingdom of Cambodia".

The term economic activity is explained as the "regular, continuous or time to time activity of a person, whether or not for profit, in the supply of, or the intent to supply, of goods and services to other persons for the purpose of obtaining any benefit".

As Cambodia has not entered into any DTAs with other countries, the PE provisions under the DTAs or the OECD/UN Models will be subject to the domestic law (and the interpretation of the GDT).

6.3 Thin Capitalization

There is no specific thin capitalization legislation but there are limitations on the deductibility of interest (see 1.11).

6.4 Controlled Foreign Company (CFC) Provisions

There is no CFC regime in Cambodia.

7. Foreign Exchange Controls

All matters relating to the management of foreign exchange are carried out by the NBC. Although the KHR is the official currency of Cambodia, the USD is in common circulation and the majority of commerce is denominated in USD.

There are currently no restrictions on the repatriation of profits or capital from Cambodia, and the LALoI 2003 guarantees the rights of foreign investors to remit foreign currencies abroad for:

- the payment of imports and repayment of principal and interest on foreign loans
- the payment of royalties and management fees
- the remittance of profits and
- the repatriation of invested capital on dissolution of an investment project.

The Foreign Exchange Law of 1997 provides for foreign currencies to be freely purchased via the banking system. In particular, the Law states that there should be no restrictions on foreign exchange operations; however, these operations can only be performed through an authorized financial institution.

It should be noted that the Law does provide for the NBC to implement exchange controls in the event of a foreign exchange crisis.

There are no restrictions on the establishment of foreign currency bank accounts in Cambodia for residents.

8. Glossary

APTDD	Additional Profit Tax on Dividend Distributions
AT	Accommodation Tax
CDC	Council for the Development of Cambodia
CoC	Certificate of Compliance
DTA	Double Taxation Agreements
GDT	General Department of Taxation
LALoI	2003 Law on Amendment on the Law on Investment
LALoT	2003 Law on Amendment on the Law on Taxation
LFM	Law on Financial Management
LoI	1994 Law on Investment
LoT	1997 Law on Taxation
MoEF	Ministry of Economy and Finance
NBC	National Bank of Cambodia
QIP	Qualified Investment Projects
PE	Permanent Establishment
PMIS	Provincial/Municipality Investment Sub-Committees
PTP	Prepayment of Tax on Profit
PSC	Production Sharing Contract
R&D	Research and Development
RRTS	Real Regime Tax System
STCMS	Specific Tax on Certain Merchandises and Services
TIN	Tax Identification Number
ToP	Tax on Profit
TPL	Tax for Public Lighting
VAT	Value Added Tax
WHT	Withholding Tax

Our global network

KPMG International Cooperative ("KPMG International") is a Swiss entity that coordinating entity for the network of independent firms.

KPMG was formed in 1987 with the merger of Peat Marwick International (PMI) and Klynveld Main Goerdeler (KMG), and their respective member firms. Spanning three centuries, the organisation's history can be traced through its founding member firms originating in the UK, Germany, the Netherlands and the US.

Global capability and consistency are central to the way KPMG firms work. By providing international organisations with the same quality of service and behaviour around the world, KPMG can work with them wherever they choose to operate.

Countries

KPMG member firms can be found in 156 countries. Collectively, they employ more than 152,000 people across a range of disciplines. KPMG member firms operate in the countries listed here:

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Brunei
Darussalam
Bulgaria
Cambodia
Cameroon
Canada
Cayman Islands
Chile
China
Colombia
Congo (Democratic Republic of the)
Congo (Republic of the)
Cook Islands
Costa Rica
Croatia
Curacao
Cyprus
Czech Republic
Denmark
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Estonia
Fiji Islands
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Guernsey
Honduras
Hungary
Iceland
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Indonesia
Iraq
Ireland
Isle of Man
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Kenya
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Kuwait
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Myanmar
Namibia
Netherlands
New Caledonia
New Zealand
Nicaragua
Nigeria
Norway
Oman
Pakistan
Panama
Papua New Guinea
Peru
Philippines
Poland
Portugal
Qatar
Romania
Russia
Rwanda
Saudi Arabia
Senegal
Serbia
Sierra Leone
Singapore
Slovakia
Slovenia
South Africa
Spain
Sri Lanka
St. Lucia
St. Maarten
St. Vincent and the Grenadines
Surinam
Swaziland
Sweden
Switzerland
Taiwan
Tanzania
Thailand
Togo
Trinidad and Tobago
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Turkey
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