

Shenzhen, China
Rooms 1203-06, 12/F.
Di Wang Commercial Centre
5002 Shennan Road East
Luohu District, Shenzhen
T: +86 755 8268 4480

Shanghai, China
Room 603, 6/F., Tower B
Guangqi Culture Plaza
2899A Xietu Road
Xuhui District, Shanghai
T: +86 21 6439 4114

Beijing, China
Room 303, 3/F.
Interchina Commercial Bldg.
33 Dengshikou Street
Dongcheng District, Beijing
T: +86 10 6210 1890

Taipei, Taiwan
Room 303, 3/F.
142 Section 4
Chung Hsiao East Road
Daan District, Taipei
T: +886 2 2711 1324

Singapore
138 Cecil Street
#13-02 Cecil Court
Singapore 069538
T: +65 6438 0116

New York, USA
202 Canal Street
Suite 303, 3/F.
New York
NY 10013, USA
T: +1 646 850 5888

Guide to Starting a Company in Cambodia

Unless otherwise indicated, Cambodia company stated in this guide refers to a private limited company formed and incorporated in Cambodia, under Cambodia Law on Commercial Enterprise 2005 and the related regulations.

Introduction

Cambodia is located in the Indochinese peninsula, between Vietnam, Laos and Thailand. By far, the economy of Cambodia is one of the fastest-growing economies in the Southern Asian region. Cambodia is one of the members of the WTO and ASEAN as well as has the Most-Favored Nation status. It enjoys Everything But Arms (EBA) and the Generalized System of Preferences (GSP) program preferences while trading with other countries. Besides, Cambodia provides one of Asia's lowest labour costs and friendly regulations for the investment. These and other attractive benefits make more and more foreign investors enter Cambodia market.

A private limited company is by far the most popular investment vehicle in Cambodia amongst foreign investors in terms of flexibility of the corporate management structure and the tax interest. Cambodia limited company will be treated as an independent legal entity and eligible for a status of qualified investment project (hereinafter referred to as "QIP") to be approved by the Council for the Development of Cambodia to receive tax holidays and import duty exemptions. With that, Cambodia limited company pays patent tax depending on its classification of taxpayer (medium or large taxpayer) and its annual turnover (around USD300 per year as medium taxpayer and USD750-1250 as a large taxpayer).

Basically, for the purpose of registering a private limited company in Phnom Penh, Cambodia, you will need to provide the proposed name of the company, the proposed amount of registered capital, the passport copies with address of each shareholder and proposed director, the address of the registered office with the office rental agreement and the main business scope of Cambodia company. The required documents and materials are detailed in Section 4 of this guide.

In general, the whole process for the registration of Cambodia company takes around 14-16 weeks. It should however be noted that most of the procedures are subject to approval granted

by the government departments and therefore some of the procedures may take longer than expected.

1. The Major Features of Cambodia Limited Company

(1) Name of Company

The company's name must be ended with 'Private Limited Company' or an appropriate abbreviation.

In addition, the name of a company must be distinguishable from the names reserved or already registered with the Ministry of Commerce (hereinafter referred to as "MOC").

(2) Registered Address

The registered office address of the Cambodia company must be located at Cambodia. Please note that it is mandatory to provide a Cambodia office address when handle the company registration with the MOC. Kaizen can provide an address in Phnom Penh to be used as the registered office for Cambodia company for one year to comply with the Cambodia requirements as well as receive and forward letters and couriers on behalf of our client.

(3) Capital

In accordance with the Law, the minimum registered capital is USD1,000. Kaizen advises to register USD5,000 to satisfy the operating costs.

(4) Shareholders

There is no restriction on the number of shareholders of a Cambodia company. A company can have one or more shareholders. The shareholder could be a legal person or a natural person. There is no restriction on the nationality of the shareholder.

(5) Directors

There is no restriction on the nationality or the number of directors. However, the company may be 100% foreign - owned and no local residence director is needed, unless the company intends to buy the own land where a maximum foreign shareholding cannot exceed 49%.

(6) Company Constitution

At the time of registration, Cambodia company shall declare whether it will use a model constitution or a customized constitution. Kaizen can assist you in the registration of a company based on a model or a customized constitution depending on your preference. In case that our client prefers to use a customized constitution, Kaizen can conduct the registration of a company on the client's behalf based on a customized constitution, draft or review the constitution that is customized to contain necessary terms required by our client and translate it into Khmer language.

(7) Corporate Secretarial

Each company registered in Cambodia has ongoing statutory requirements under Cambodia Law on Commercial Enterprise. Any breach of the Law may incur the penalties including fines and the risk of possible prosecution against the company and its directors. Kaizen may provide the corporate secretarial service for our client's Cambodia company as well as assist with non-routine corporate secretarial services such as change of registered address, capital increase, change of shareholder and so on.

2. Taxation

A Cambodia company is subject to the following taxes:

(1) Income Tax

Prepayment of tax on income (hereinafter referred to as "PTOI") is one of the monthly tax obligations, which taxpayers registered in Cambodia shall declare and pay together with other tax returns to the General Department of Taxation (hereinafter referred to as "GDT"). PTOI calculated at 1% of monthly turnover inclusive of all taxes, except Value Added Tax (hereinafter referred to as "VAT"). PTOI must be paid and filed by the 20th of the following month.

The liquidation of the TOI is the balance of tax payable after deduction of all tax credits and PTOI and shall be paid upon filing the annual TOI return to the GDT which shall be done by 31st March in the year following the tax year.

(2) VAT

VAT is charged at 10% on the value of the supply of most goods and services in Cambodia as well as on the goods importation. Exported goods and services rendered outside Cambodia are zero-rated. In addition, 0% VAT applies to certain charges in relation to international transport of people and goods and also applicable

for goods and services supplied by supporting industries QIP/contractors to particular export industries.

VAT returns and payments are due to be filed and paid within 20 days of the following month.

(3) Withholding Tax

Pursuant to the Law, a resident taxpayer is required to withhold tax from the different type of payments of Cambodian source income to a resident entity. Kaizen has sorted out the type of the payment caught in the table below for your reference:

Grade	Type of Payment to a Resident	Tax Rate
1	Income received by a physical person from the performance of services including management, consulting, and similar services, royalties for intangibles and interest in minerals, and interest paid by a resident taxpayer carrying on business other than domestic banks and saving institutions to a resident taxpayer	15%
2	Rental income on movable or immovable property	10%
3	Interest paid by a domestic bank on fixed term deposits	6%
4	Interest paid by a domestic bank on non-fixed term deposits	4%

Any resident taxpayer carrying on business and who makes such payments as the interest, royalties, rent, and other income connected with the use of property, compensation for management or technical services, dividends to a non-resident taxpayer shall withhold and pay as tax, an amount equal to 14 % of the amount paid.

(4) Tax on Salary

All Cambodian individual residents are subject to the tax on salary (hereinafter referred to as “TOS”) on Cambodian and foreign sourced salary income at a progressive rate from 5% to 20% per month, while non-residents are subject to a flat rate of 20% on salary received from Cambodian source salary income only.

Salary is defined as remuneration, wages, bonuses, overtime, compensation, direct benefit or indirect benefit or advance payment provided by the employer. The tax base is reduced by KHR75,000 per month for every dependent child and nonworking spouse of the resident taxpayer. For the more detailed information on TOS for residents please refer to the table below.

Grade	Monthly Taxable Income (KHR)	Tax Rate
1	Less than 1,200,000	0%
2	More than 1,200,000 and less than 2,000,000	5%
3	More than 2,000,000 and less than 8,500,000	10%
4	More than 8,500,000 and less than 12,500,000	15%
5	Over 12,500,000	20%

The TOS is due to be filed and paid to the GDT by the 20th day of the following month.

(5) Fringe Benefit Tax

A fringe benefit tax (hereinafter referred to as “FBT”) on private use of motor vehicles by employer, housing, education assistance (except employment related training), 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 of FBT is 20% and shall be paid on a monthly basis.

(6) Patent Tax

Cambodia company shall pay patent tax (also known as business registration tax) and renew its Patent Tax Certificate by the end of March every year. In case that a company carries out different types of businesses or carries out business in different cities or provinces, a separate patent tax certificate is required to be applied for each distinct business activity or location accordingly.

The amount of patent tax depends on the form of the business, as well as the type of business activity and the level of turnover. Pursuant to the Prakas No. 1821, the patent tax payments are set and divided into the followings:

- (a) KHR400,000 (around USD100) for small taxpayers;
- (b) KHR1,200,000 (around USD300) for medium taxpayers;
- (c) KHR3,000,000 (around USD750) where the company’s annual turnover is between KHR4,000 million and KHR10,000 million; KHR5,000,000(around USD1,250) where the company’s annual turnover is over KHR10,000 million for large taxpayers.

Please be noted that in accordance with the relevant regulations of GDT, the company in Cambodia shall pay the patent tax of USD300 or USD750-1,250 since it is only entitled to be registered with GDT as a medium or large taxpayer.

3. Cambodia Limited Company Registration Procedures and Timeframe

Under normal circumstances, if the company name and the business scope do not need an extra license or permit, the whole process for registration of Cambodia limited company takes 14-16 weeks to complete.

(1) Choose a Company Name

Proposed company name cannot be similar to other names that already on file with the MOC. Kaizen can help our client to produce the equivalent name of the company in Khmer language, perform a name availability search and reserve the name.

(2) Prepare and File Certificate of Incorporation

To register your company in Cambodia, the incorporation documents and registration forms with the application fee should be filed with the MOC through the MOC's online system and the MOC will issue the Certificate of Incorporation accordingly. Besides the Certificate of Incorporation, the MOC will issue the certificated Articles of Association, Company seal, etc.

(3) Open corporate bank account

Once the company duly incorporated in Cambodia, the incorporation documents should be submitted to the bank for bank account opening. Please consider, that director(s) and authorized signatory(ies) is/are required to appear at the bank personally to sign the documents and stamp the relevant application forms & registration documents. Kaizen can provide the assistance to open corporate bank account with a leading commercial bank in Cambodia, including preparation of necessary documents required by the bank and visiting the bank with client.

(4) Tax registration with the GDT

Once the MOC registration and bank account opening completed successfully, the Cambodia company shall be further registered with the GDT to apply for Patent Tax Certificate and VAT Certificate.

The tax registration process shall be initiated within 15 working days following the date the company is registered with the MOC. If the company does not register with the GDT in a timely manner, it will be a subject to a penalty of USD500. Please also be noted, that the GDT will require the new director physically present at the GDT for photo - taking and fingerprint - scanning.

4. Required Documents and Materials

To incorporate in Cambodia, it is required to provide the following materials:

- (1) Two to three English names for Cambodia company;
- (2) Six good quality color scanned copies of the passport in respect of each individual shareholder, requires the signatures of the Board on the lower right corner of each copy and their residence address. If shareholder is a legal person, a good quality color scanned copy of the company registration certificate, Articles of Association shall be provided. The documents above shall be translated into English and certified by a lawyer or notary public in the incorporation country;
- (3) Six good quality color scanned copies of the passport in respect of each director, requires the signatures of director on the lower right corner of each copy and residence address;
- (4) Six recently-taken photographs with white background without glasses and ears are clearly shown (4x6cm) and signing on the back of all directors;
- (5) Declaration of non-civil and non-guilty in respect of each director;
- (6) The business scope of Cambodia company (principal business activity);
- (7) The amount of registered capital for Cambodia company, percentage of shareholding if more than one shareholder.

5. Documents to be Returned

After all incorporation procedures are completed, the following documents should be returned to you for your retention and as proof that the company is duly registered:

- (1) Certificate of Incorporation;
- (2) Letter of registration confirmation from MOC;
- (3) Certified Articles of Association;
- (4) Company Seal;
- (5) Office Lease Agreement;
- (6) Bank Account Opening Certificate;
- (7) The Patent Tax Certificate;
- (8) VAT Certificate.

6. Other Optional Registrations and Annual Compliance Requirements

- (1) Labour Registration and National Social Security Fund Registration

Once incorporated, each Cambodia company with at least one employee is required to handle the labour registration with the Ministry of Labour and Vocational Training (hereinafter referred to as “MLVT”). Where the company intends to employ any expatriate staff, the employee quota approval shall be applied on an

annual basis. Moreover, the company will be also required to handle a work permit for the foreign staff, which shall be renewed annually.

In the interim, the newly incorporated company shall apply for the registration with National Social Security Fund (hereinafter referred to as “NSFF”) as well as submit monthly reports and make the monthly NSFF contribution payment.

Kaizen may provide the entire assistance on following matters. Please contact our professionals for further information.

(2) Annual Compliance

After a company officially registered in Cambodia, it is required to maintain accounting records in accordance with Cambodian Accounting Standards as well as file & pay monthly tax returns. In addition to monthly tax returns, Cambodia company shall file the annual TOI return to the GDT, pay patent tax and renew its Patent Tax Certificate on the annual basis. Please refer to Section 2 of this guide to be more familiar with the tax system in Cambodia.

Besides, to maintain an active status and good standing, the company registered in Cambodia is required to file the Annual Declaration of Commercial Enterprise (hereinafter referred to as “ADCE”) with MOC on the annual basis. Failure to file the ADCE may result in penalties.

Kaizen suggests consulting with professional advisors before the proposals coming into effect. We can assist you with company registration, bank opening and other consulting services in Cambodia. Please reach out to Kaizen consultants so that provide you with detailed information.



OUR SERVICES SCOPE

✓ Company Registration	✓ Bank Account Opening	✓ Trademark Registration	✓ Audit & Assurance
✓ Merger & Acquisition	✓ Payroll & Human Resources	✓ Intellectual Property	✓ Tax Filing
✓ Tax Planning	✓ Book-keeping & Accounting	✓ Leasing Services	✓ Trade Supporting

If you wish to obtain more information or assistance, please visit the official website of Kaizen CPA Limited at www.kaizencpa.com or contact us through the following and talk to our professionals:

Email: info@kaizencpa.com, enquiries@kaizencpa.com

Tel: +852 2341 1444

Mobile: +852 5616 4140, +86 152 1943 4614

WhatsApp/ Line/ Wechat: +852 5616 4140

Skype: kaizencpa