

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 Representative Office in Cambodia

Unless otherwise indicated, Cambodia representative office stated in this guide refers to a foreign company's representative office (hereinafter referred to as "RO") registered 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.

The same with the branch, a RO in Cambodia has no separate legal personality from its parent company. Liabilities incurred by a RO are liabilities of the parent company. The main difference between a limited company, a branch and a RO is that a RO is not allowed to carry out generating profit activities (regular sale, purchase of goods, services, manufacturing, construction). It is primarily concerned with sourcing local goods and services and garnering local information for the parent company. It also serves as a vehicle for promoting and marketing the parent company's products and services in Cambodia. A RO is thus best suited in assisting foreign investors wishing to explore the marketplace and business opportunities of Cambodia.

Since a RO cannot conduct any business, it shall not receive any incentive as qualified investment project ("QIP") to be approved by the Council for the Development of Cambodia. Meanwhile, a RO can be registered with tax department as medium taxpayer and pay patent tax of USD300 per year.

Basically, for the purpose of registering a RO in Phnom Penh, Cambodia, you will need to provide the registration certificate, Articles of Association, directors' passport copies with the address of the parent company and the passport copies and the address of the authorized officer

of a RO as well as the address of the registered office with office rental agreement, the principle business activity. The required documents and materials are detailed in Section 4 of this guide.

In general, the whole process for the registration of a RO in Cambodia 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 RO

(1) Name of the Branch

The name of a RO shall be the name of the parent company and must be ended with ‘Representative office’.

(2) Registered Address

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

(3) Corporate Secretarial

Each RO 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 a RO and its authorized officer. Kaizen may provide the corporate secretarial service for our client’s Cambodia RO as well as assist with non-routine corporate secretarial services.

2. Taxation

Cambodia RO is subject to the following taxes:

(1) 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.

(2) 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 General Department of Taxation (hereinafter referred to as “GDT”) by the 20th day of the following month.

(3) 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.

(4) Patent Tax

Cambodia RO shall pay patent tax (also known as business registration tax) and renew its Patent Tax Certificate by the end of March every year. 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, a RO to be registered with the GDT as a medium taxpayer and shall pay the patent tax of USD300 per year.

(5) 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 GDT. PTOI calculated at 1% of monthly turnover inclusive of all taxes, except Value Added Tax. 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.

Please be noted that pursuant to the local law, the income – related taxes are also required to be declared by a RO, in spite of the fact that a RO does not carry out any generating profit activities.

3. Cambodia RO Registration Procedures and Timeframe

Under normal circumstances, the whole process for a RO registration takes 14-16 weeks to complete.

(1) Choose a RO Name

Kaizen can help our client to produce the equivalent name of a RO in Khmer language, perform a name availability search and reserve the name.

(2) Prepare and File Certificate of Incorporation

To register your RO 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.

(3) Open corporate bank account

Once a RO duly incorporated in Cambodia, the incorporation documents should be submitted to the bank for bank account opening. Please consider, that 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, Cambodia RO shall be further registered with the GDT to apply for Patent Tax Certificate.

The tax registration process shall be initiated within 15 working days following the date a RO is registered with the MOC. If a RO 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 authorized officer 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) English name of Cambodia RO;
- (2) A good quality colour scanned copy of the registration certificate and Articles of Association of the parent company. The documents above shall be translated into English and certified by a lawyer or notary public in the incorporation country;
- (3) Letter of appointment from the parent company for the authorized officer of Cambodia RO;
- (4) The authorization letter from the parent company for legally using its name and logo etc.;
- (5) Six good quality colour scanned copy of the passport in respect of each director of the parent company, requires the signatures of directors on the lower right corner of each copy and their residence address;
- (6) Six good quality colour scanned copies of the passport in respect of the authorized officer of a RO, requires his/her signature on the lower right corner of each copy and the residence address;
- (7) Six recently - taken photographs with white background without glasses and ears are clearly shown (4x6cm) and signing on the back of authorized officer;
- (8) Declaration of non-civil and non-guilty in respect of the authorized officer;
- (9) The principal business activity in Cambodia.

Note: In accordance with the Article 274 of Cambodia Law on Commercial Enterprise, Cambodian RO is entitled to conduct market research, participate in exhibitions, contact costumers etc. However, it cannot buy or sell goods, perform services, or engage in manufacturing, processing or construction.

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 branch is duly registered:

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

6. Other Optional Registrations and Annual Compliance Requirements

(1) Labour Registration and National Social Security Fund Registration

Once incorporated, the same with a limited company and a branch, each Cambodia RO 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 a RO intends to employ any expatriate staff, the employee quota approval shall be applied on an annual basis. Moreover, a RO will be also required to handle a work permit for the foreign staff, which shall be renewed annually.

In the interim, the registered RO 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 RO officially registered in Cambodia, it is required to maintain accounting records in accordance with Cambodian Accounting Standards, file & pay TOS, FBT and withholding tax. With that, although a RO is not allowed to carry out generating profit activities hence there is no income tax to pay, but the income – related taxes declaration also shall be arranged upon the Law. Therefore, Cambodia RO shall file the annual TOI return to the GDT as well as pay patent tax and renew its Patent Tax Certificate on the annual basis like other forms of business entity such as limited company or branch. 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, a RO 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 a RO registration, bank opening and other consulting services in Cambodia. Please reach out to Kaizen consultants so that provide you with detailed information.



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