

# Business and Investment in Cambodia



In collaboration with

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# Company and Business

The establishment of a business entity in Cambodia is mainly governed by the Law on Commercial Enterprises and Law on Commercial Rules and Register which are regulated by the Ministry of Commerce, whereas the establishment of investment company is governed by the Law on Investment under the supervision of the Council for the Development of Cambodia. Other essential compliances for operating business in the Kingdom especially on tax, accounting, and auditing aspects are mainly governed by the Law on Taxation and Law on Accounting and Auditing. The labor compliances are mainly regulated by the Labor Law and Law on Social Security Schemes. The Royal Government of Cambodia attempted to modernize its business registration procedure by introducing various digital program and various law amendment as an effort to reduce the cost of doing business in the Kingdom. The followings are some of the essential questions when it comes to business establishment in Cambodia.

## Types of Companies

### Question 1

*What types of companies can be established under Cambodian Law?*

Cambodian Law on Commercial Enterprise allows for the establishment of the following types of companies: sole proprietorship, partnership, limited liability company (LLC), and foreign business entities. The partnership includes general partnership and limited partnership. The limited liability companies

comprise of private limited liability company and public limited company, while the foreign business entities include representative office, branch office, and subsidiary. Cambodian Law on Investment also offers a type of company called Investment Project which includes qualified investment project (QIP), expanded qualified investment project, and guaranteed investment project.

## Company Address

### Question 2

*Do foreign companies require a local address if they are interested to invest in Cambodia?*

Foreign companies and local companies are subjected to the same provision of business registration. Foreign companies shall specify a location of their business in Cambodia in Memorandum and Articles of Association. The requirement can be satisfied by entering into a lease or through shareholder contribution.

## Representative Office

### Question 3

*Can a foreign company open a Representative Office in Cambodia?*

Foreign companies may open representative offices upon approval from the Commercial Registration Bureau at the Ministry of Commerce (MOC) except where a Commercial Registration Branch is available in their provinces.

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## Branch Office

### Question 4

*What documents are required to establish a branch of a foreign company in Cambodia?*

All foreign branches may request approval from the Business Registration Bureau at the Ministry of Commerce except where a Commercial Registration Branch is available in their provinces by submitting the following documents:

- a. Application Form E (3 sets include 2 originals and 1 copy)
- b. Certified true copy of the Articles of Incorporation of the holding company (1 set)
- c. Certified true copy of the certificate of incorporation of the holding company (2 sets)
- d. Photographs (4x6 cm) of director or manager (3 photos)
- e. Letter of appointment by holding company appointing its director or manager of the local branch (1 original)
- f. Copies of the passport or ID of director or managers with his/her original signature (3 copies)

## VAT and Patent Requirements

### Question 5

*Does a registered company need to obtain VAT and Patent?*

After receiving a stamped Memorandum and Articles of Association and Certificate of Incorporation, registered companies must proceed to the Tax Department for VAT and Patent registration. Patents are registered following 15 days after the date of incorporation.

## Business License

### Question 6

*Is it possible to assign a business license?*

It is possible to assign a license, but the owner must receive approval from the Ministry of Commerce and the Tax Department by filing a request. Specialized licenses may also need prior approval from the relevant ministries or government institutions.

## Minimum Shares Price

### Question 7

*What is the minimum price to purchase shares in a limited company?*

The new amendment of Law on Commercial Enterprises removed the minimum price to purchase shares in a limited company. Accordingly, there is no minimum price requirement for the share value in Cambodia.

## Ownership

### Question 8

*Can foreigners own 100% of the share, or are they required to have a Cambodian partner?*

Foreigners can own 100% of the share in a Cambodian commercial company. However, it shall be considered as foreign company if less than 51% of the share of the company is held by Cambodian. Investors or businesses which intend to own land in Cambodia should consider the issue of nationality of the company since foreigners, including foreign companies, are prohibited from land ownership in the Kingdom.





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## Annual Declaration

### Question 9

*Does a company have to file an annual declaration?*

All companies are required to file an Annual Declaration of Commercial Enterprise (ADCE) to the Ministry of Commerce using its online system. In the annual declaration, each partnership or company is required to report changes to any of the items of information. The submission of an ADCE via an online system is compulsory and must be filed no later than 03 (three) months from the anniversary of its business registration date. The failure to comply with such obligation will be subjected to KHR 2 (two) million (around USD 500) fine.

## Company Dissolution

### Question 10

*What are the conditions that a company can dissolve in Cambodia?*

A company may be dissolved on its decision by submitting the articles of dissolution to the Ministry of Commerce's office in charge of company administration in order to receive certificate of dissolution. However, the company bankruptcy application at the court does not apply under this condition.



# Investment

Cambodia has made significant improvement in its regulatory environment in the area of investment. In late 2021, the new Law in Investment was promulgated bringing a more investor-friendly regulation into place. This new law reduces the complexity of investment project application by cutting down the period of issuance of Certificate of Registration to 20 days as well as the creation of online application option. Upon receiving the Certificate of Registration from CDC as a Qualified Investment Project (QIP), the investor may receive up to 9 years of tax holiday (along with 6 more years gradual period), or the special depreciation. In addition to these incentives, the investor will also receive full import duties, export tax exceptions, and some other incentives such as the use of foreign labor. Moreover, investment projects in Special Economic Zones (SEZ) are also entitled to the same incentives as QIPs on custom duty and tax and other special benefits. The following are questions that are commonly asked when it comes to investment in Cambodia.

## Qualified Investment Project (QIP)

### Question 11

*What is a Qualified Investment Project (QIP)?*

Under new Law on Investment, a QIP is defined as an investment project which has received a registration certificate from the Council for the Development of Cambodia (CDC) or a Municipal-Provincial Investment Sub-Committee. QIP is issued to a project, not to an investor or investing

enterprise. QIP is entitled to certain investment incentives, one of which is tax exemption or special depreciation.

## Investment Dispute Settlement

### Question 12

*What are the dispute settlement mechanisms for foreign investments?*

The law on investment governs dispute settlement procedures for the dispute between investors or investor related to the investment project except land-related disputes. In the case that a dispute occurred, CDC or Municipal-Provincial Investment Sub-committees shall arrange the reconciliation for the investors and the relevant stakeholders in order to find a suitable solution in accordance with the existing procedure upon the written request from the investors within 30 (thirty) days. In the event that the reconciliation is not successful, the dispute shall be settled by national or international arbitration with the consents of the dispute parties, or the relevant courts of the Kingdom of Cambodia.

## Income Tax Exemption

### Question 13

*Is there any tax levied on income?*

Income tax exemption is one of the two options for the basic investment incentives under the new Law on Investment. A QIP is entitled to income tax exemption for a certain period. This period of this exemption depends on the sectors and

investment activities of the investment project. Sub-Decree No. 139 on the Implementation of the Law on Investment of Cambodia (“Sub-Decree No. 139”) classifies investment activities eligible to investment incentives into three groups. The investment project which obtained the QIP status shall be entitled to income tax exemption period from the time of earning its first income as follows:

- a. 09 (nine) years for group 1;
- b. 06 (six) years for group 2; and
- c. 03 (three) years for group 3.

After the expiration of this this exemption period, a QIP is entitled to income tax payment at a progressive rate proportional to the total tax due as follows:

- a. 25 (twenty-five) percent for the first 02 (two) years;
- b. 50 (fifty) percent for the next 02 (two) years; and
- c. 75 (seventy-five) percent for the last 02 (two) years.

## Special Depreciation

### Question 14

*Is income tax exemption the only option for basic investment incentives under the law on investment?*

Special depreciation is an alternative option from income tax exemption for the basic investment incentives under the new Law on Investment. Special depreciation allows the of deduction of capital expenditure as stated in the tax regulations in force. Sub-Decree No. 139 classifies investment activities eligible to investment incentives into three groups depending on the sectors and investment activities of the investment project. A QIP is entitled to the deduction at the rate of 200 (two hundred) percent on the specific expenses as follows:

- a. 09 (nine) years for group 1;
- b. 06 (six) years for group 2; and
- c. 03 (three) years for group 3.

## Tax and Custom Duty Exemption for Imports

### Question 15

*Is there any tax and custom duty exemption for imports?*

In addition to the income tax exemption or the special depreciation, a QIP shall be entitled to the tax and custom duty exemption for imports as follows:

- a. **QIP:** is entitled to custom duty, special tax, and value added tax exemption for the import of construction material, construction equipment, and production equipment;
- b. **Export QIP and supporting industry QIP:** is entitled to custom duty, special tax, and value added tax exemption for the import of production input;
- c. **Annex 3 of the Sub-Decree No. 139:** investment activities in this annex are entitled to custom duty, special tax, and value added tax exemption for the import of construction material, construction equipment, and production equipment other than tax incentive after registered as QIP unless otherwise stated in the law;
- d. **Annex 4 of the Sub-Decree No. 139:** investment activities in this annex are entitled to custom duty, special tax, and value added tax exemption for the import of production input; and
- e. **Domestically oriented QIP:** may refund or offset the future payment of the custom duty, special tax, and value added tax for the later import of goods in the case that such QIP has declared its tax duties arising from its export or supply to the export QIP.



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## Investment Sectors Eligible for Investment Incentives

### Question 16

*Which investment sectors are eligible for investment incentives?*

The following investment sectors and activities are entitled to investment incentives under the new Law on Investment:

- a. High-tech industries involving innovation or research and development;
- b. Innovative or highly competitive new industries or manufacturing with high added value;
- c. Industries supplying regional and global production chains;
- d. Industries supporting agriculture, tourism, manufacturing, regional and global production chains and supply chains;
- e. Electrical and electronic industries;
- f. Spare parts, assembly and installation industries;
- g. Mechanical and machinery industries;
- h. Agriculture, agro-industry, agro-processing industry and food processing industries serving the domestic market or export;
- i. Small and medium-sized enterprises in priority sectors and small and medium-sized enterprise cluster development, industrial parks, and science, technology and innovation parks;
- j. Tourism and tourism-related activities;
- k. Special economic zones;
- l. Digital industries;
- m. Education, vocational training and productivity promotion;
- n. Health;
- o. Physical infrastructure;
- p. Logistics;
- q. Environmental management and protection, and biodiversity conservation and the circular economy;

- r. Green energy, technology contributing to climate change adaptation and mitigation;
- s. Other sectors and investment activities not listed by this Law deemed by the Royal Government of Cambodia to have potential for socio-economic development.

The additional details of investment sectors and activities which could be entitled to investment incentives are set out under Annex 2 of Sub-Decree No. 139.

## Investment Activities Ineligible for Investment Incentives

### Question 17

*Which investment activities are ineligible for investment incentives?*

The investment activities or group of investment activities which are ineligible for investment incentives are listed in the Negative List under Annex 1 of Sub-Decree No. 139. This list comprises of the activities from agricultural sector, service sector, industrial sector, and infrastructure sector which have small investment capital and/or small land size.

## Other Investment Incentives

### Question 18

*Are there any investment incentives other than income tax exemption or special depreciation as well as the tax and custom duty exemption?*

A QIP could be entitled to three types of investment incentives such as basic incentive, additional incentive, and special incentive.

**Basic incentives:** other than the income tax exemption or special depreciation as well as some tax and custom duty exemptions on imports, a QIP shall be entitled to other basic investment incentives as follows:



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- a. Prepayment tax exemption in a specific period based on the group of investment activity list as follows:
    - 09 (nine) years for group 1;
    - 06 (six) years for group 2;
    - 03 (three) years for group 3.
  - b. Minimum tax exemption provided that an independent audit report has been carried out;
  - c. Export tax exemption, unless otherwise provided in other laws and regulations.

**Additional incentives:** a QIP is entitled to the additional incentive as follows:

- a. Value-added tax exemption for the purchase of locally made production inputs for the implementation of the QIP;
- b. Deduction of 150 percent from tax base for the activities which focus on research, development, innovation, or the upgrade of machinery as well as any activities which improve the well-being of the employees/workers;
- c. QIP is entitled to custom duty, special tax, and value added tax exemption for the import of construction material and construction equipment for the construction of childcare center, first aid room, food courts, free-food canteens, canteens where reasonable price foods are sold for employees/workers of its investment project in its location; and
- d. New vehicle assembly QIP is entitled to incentive in the form of the deduction of custom duty, special tax, and value added tax for the import of spare parts for vehicle assembly for domestic supply based on the rate and conditions set out in the Sub-Decree.

**Special incentives:** the specific sector and investment activities having high potential to contribute to national economic development could be entitled to specific special incentives to be set forth under the Law on Financial Management.



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## Investor Rights

### Question 19

*What are the rights that investor pursuant to investment law receive?*

An investor pursuant to the investment law is entitled to the following:

- a. The right to hire foreign employees to manage or operate an Investment Project based on the scope provided by the investment law and other law and regulations.
- b. The right to obtain a temporary long-term stay permit for oneself, spouse and children who are minors.
- c. The right to request temporary long-term stay permits for foreign employees and their spouses and children who are minors.
- d. The right to obtain a work permit and employment book for oneself and foreign employees.

## Treatment for Foreign Company

### Question 20

*Is there any exclusive treatment for Foreign Company in Cambodia?*

Foreign and local company are subjected to the same provisions under Cambodian Law in general, and investment law in particular except in the area of land ownership. Accordingly, foreign company is not subjected to any specific law which has the intention to govern their activities. Cambodian Law on Investment has stated clearly the principle of non-discrimination between Cambodian and foreign investor.

## Foreign Exchange

### Question 21

*Is there any control on Foreign Exchange in Cambodia?*

Cambodian Law on Investment provides a friendly provision concerning the foreign exchange. Foreign currency purchasing and repatriation to settle their financial obligation in connection to their investment through authorized intermediary bank are freely allowed in accordance with Cambodian Law on Investment.

## Council for the Development of Cambodia (CDC)

### Question 22

*Which agencies are involved in administering investment applications?*

Cambodian Law on Investment established the Council for the Development of Cambodia as an executive body acting as the “Etat-Major” and one stop service of the Royal Government of Cambodia to oversee and manage the private investment and special economic zone. Moreover, in order to enhance the effectiveness of public service rendered to the investor, the Law on investment also creates Municipal-Provincial Investment Sub-Committees which the power of the CDC is delegated to administer investment applications through a Sub-Decree.

## The Cambodian Investment Board and Cambodian Special Economic Zone Board

### Question 23

*Who has the authority to grant investment incentives?*

The Cambodian Investment Board (CIB) and the Cambodian Special Economic Zone Board (CSEZB) are the CDC’s operational arms for private sector investment. CIB deals with investment projects

out of special economic zones (SEZs) and CSEZB takes charge of investment projects in SEZs. They review investment applications and grant incentives to investment projects meeting the requirements set forth in the Investment Law and regulations, which streamlined the foreign investment regime and provided generous and competitive incentives for direct private sector investment.

## Timelines of Investment Application

### Question 24

*How soon will applicants of investment projects be notified of the outcome?*

Upon the receipt of the investment project applications either by hand or online, CDC shall review and make the decision on the application through the one stop service mechanism. The new law on investment eliminated the complicated procedure such as the issuance of Conditional Registration Certificate. The new law requires CDC to decide on the application within 20 working days upon the receipt of such application. If the application satisfies the conditions, CDC shall issue the Registration Certificate (RC) within that period. However, even though the investment project that receive RC can be implemented automatically, that does not exempt that project from receiving permits or approval from the relevant ministries or institutions as required by the law and regulations.

## Special Service for Expediting Applications

### Question 25

*Are there any special services for expediting applications?*

The CDC offers a one stop service for investment in Cambodia. Through its executive arm, the Cambodia Investment Board (CIB), CDC is responsible for the processing of applications for investment projects. As such, the government is fully committed to expediting applications for new investment projects.

## Investment Application Procedure

### Question 26

*What are the procedures for investment applications?*

The procedure of investment applications under the new law is simplified as the following:

The Investor must submit the investment project application directly to CDC or Provincial/Municipal Investment Sub-Committee (PMIS) or via an online portal.

The investment application shall be reviewed and decided via one stop service mechanism which is conducted by the representatives of the ministries or institutions seconded to the CDC according to the appointment and assignment of authority from the head of relevant ministries and institutions under the coordination of CDC.

CDC shall issue the Certificate of Registration within 20 working days upon the receipt of the application. The date of issuance of the CR shall be the commencement date of the QIP. However, RC does not exempt that project from receiving permits or approval from the relevant ministries or institutions as required by the law and regulations.

## Nullification of Investment Project

### Question 27

*When will the investment project be nullified?*

The investment project shall be nullified based on the following reasons:

- a. Inability to continue to implement the QIP;
- b. Dissolution of the legal entity implementing the QIP;
- c. Failure to implement the obligations set out in the law and regulation in force;
- d. At the request of the relevant ministries/ institutions for the Investment Project which adversely affects environment or national security or public interests or people's welfare or at the request of the Investor.



# Promoted Sectors/Areas of Investment

Various sectors have been designated by the Royal Government of Cambodia as the priority sectors through the grant of investment incentive as mentioned in Investment Section. These incentives are the attempt to attract foreign direct investment to the Kingdom. However, even though Cambodia has committed to liberal investment regime, some sectors are prohibited from investment in Cambodia due to its impact to the society and environmental well-being.

## Priority Sectors for FDI

### Question 28

*What are the priority sectors for FDI?*

The sectors that receive investment incentive under the Investment Law can be considered as the prioritized sector. However, in general term, Cambodia Industrial Development Policy 2015-2025 has highlighted some main sectors as the following:

- New industries with the capability of breaking into new markets, with high value-added products, creative and highly competitive such as machinery assembly, mechanic/electronic equipment assembly, means of transport assembly and natural resource processing.
- SMEs in all sectors especially those involved in drugs and medical equipment production, construction materials, packaging equipment for export, furniture manufacturing, and industrial equipment, etc.

- Agro-industrial production for export and domestic markets.
- Various types of supporting industries for the agriculture, tourism, and textile sectors as well as for industries serving regional production chains with either global markets or global value chains.
- Industrials serving regional production lines and that future strategic importance such as ICT, energy, heavy industries, cultural/historical/traditional handicraft, and green technology.

These sectors are integrated in the lists of investment sectors and activities under article 24 under the Law on Investment.

## Main Export Products

### Question 29

*What are the most important export products in Cambodia?*

Cambodia main export products are the following: clothing, footwear, travel accessories, machinery & electrical equipment, bike, rice, furniture & lighting equipment, unvulcanized rubber, cane sugar, fruits & vegetables and others.



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