KPMG

Investing in Cambodia

Seize the opportunity

2018 and beyond

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About KPMG

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 outstanding professionals and partners working together to deliver value in over 156 countries worldwide.

The purpose of KPMG's network of firms 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 250 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.

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Cambodia Economy

Cambodia is a member of ASEAN and the WTO, and enjoys Most Favored Nation (MFN) status and Generalized System of Preferences (GSP) program benefits and Everything But Arms (EBA) program benefits when trading with other countries, especially the United States (US) and countries in the European Union (EU).

Cambodia's GDP grew by **7%** in 2017 and is predicted to be **7.2%** for the year 2018. The inflation rate was **3.2%** in 2017 and is predicted to be **4.5%** in 2018.

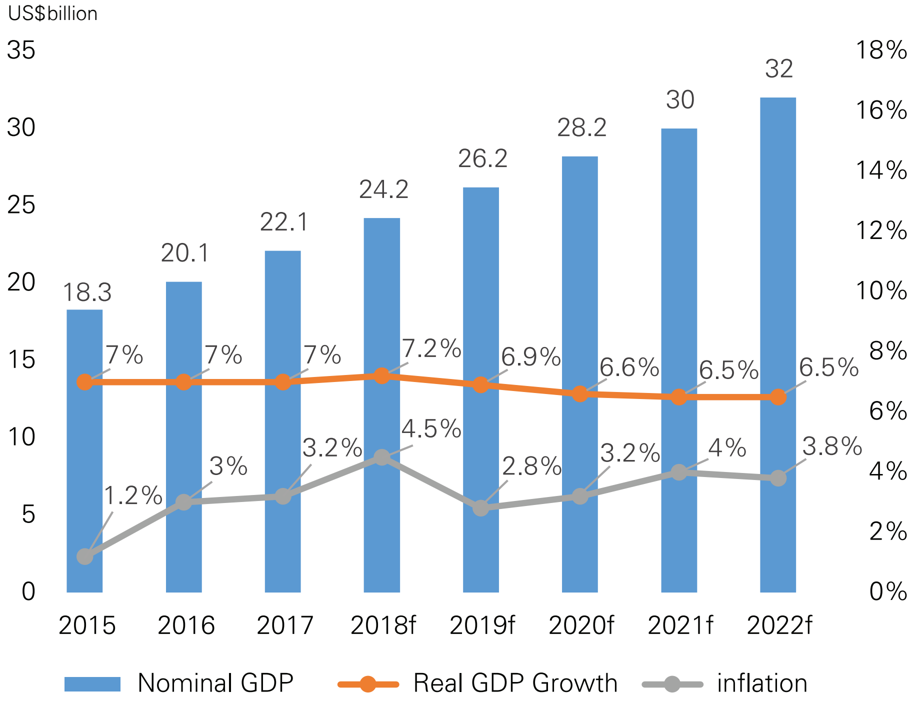
Market Overview

Economy

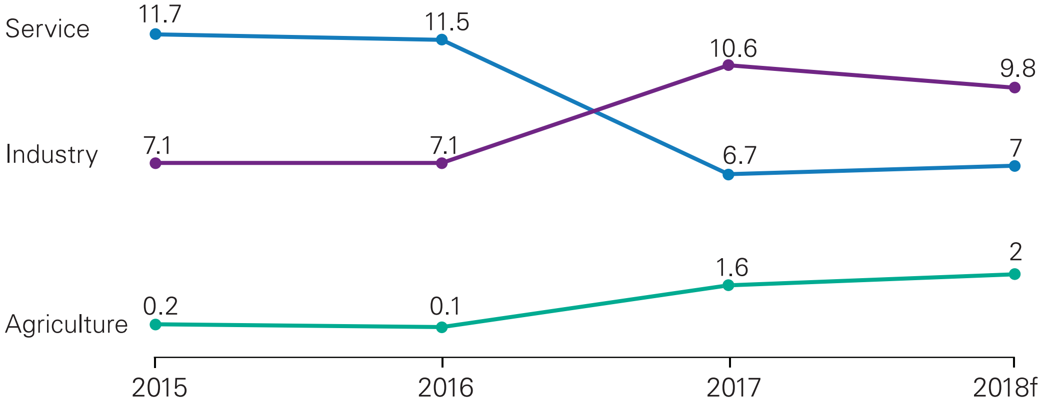
Industry is the primary source of growth, driven mainly by export of garments and footwear to the US and the EU. Cambodia's large supply of low-cost labor and investment-friendly regulations have attracted substantial foreign direct investment (FDI) into the production of garments and footwear.

The Law on Investment (LoI) provides incentives to both local and foreign investors, especially on the import duty exemption and tax on income holidays of up to nine (9) years. The Cambodian government places priority on the export sector.

GDP, GDP Growth, Inflation



GDP by Sector (%)



Source: *Economist Intelligence Unit (EIU)*

Market Overview

Banking System

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

By March 2018, the key players in Cambodia's financial sector were 39 commercial banks, 6 representative offices, 15 specialized banks, 74 micro-finance institutions, 11 financial leasing companies and 25 insurance companies.

In March 2016, the National Bank of Cambodia (NBC) instructed the banking institutions to raise the minimum capital requirement by 22 March 2018 as follows:

- US$50 million (for commercial banks incorporated as foreign branches, whose parent bank is rated "Investment Grade")
- US$75 million (for commercial banks incorporated as foreign branches, whose parent bank is NOT rated "Investment Grade"; a foreign subsidiary or a local company)
- US$15 million (for specialized banks incorporated locally)
- US$30 million (for micro-finance deposit taking institutions)
- US$1.5 million (for micro-finance institutions).

Currency

The local currency, Khmer Riel (KHR), was introduced in 1980. However, Cambodia is a heavily dollarized country where 80% of deposits and credits in the banking system are made in United States Dollars (US$). The Cambodian economy is classified as partially dollarized, given that the US 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 restricts foreigners from owning land in Cambodia. However, foreigners are allowed to have a renewable long-term lease for up to 50 years plus 50 years and freehold ownership of certain condominiums.

Business Sectors

Given the range of business sectors in Cambodia, there is continued interest from investors to establish operations in the country. Whereas previously the garment sector was the core business sector in Cambodia, business interests and opportunities are becoming increasingly diversified.

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

Favorable investment environment

One of **Asia's lowest labor costs** and a dynamic workforce

The Cambodia Securities Exchange (CSX) is a joint venture between the Cambodian Ministry of Economy and Finance, which holds 55%, and the Korea Exchange (KRX), which holds 45%.

Cambodia Securities Exchange (CSX)

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.

Companies Listed on CSX

As of 31 March 2018, there are five Companies listed on the CSX. Three State owned enterprise (SOEs) - Phnom Penh Water Supply Authority (PPWSA), Phnom Penh Autonomous Port (PPAP), Sihanoukville Autonomous Port (PAS) and two private companies - Grand Twins International (Cambodia) Plc (GTI) and Phnom Penh SEZ Plc (PPSEZ).

Key Operating Rules

Market hours, trading times

Market is open from 8:00 am to 11:30 am, Monday-Friday, with trades executed six times daily.

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.

Key Settlement Rules

Settlement time

Settlement is performed two days after the trade, T+2, at 8:30am

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 0.05% of the value of the settled trade

Stock Trading on the Exchange

The SECC requires trades on the 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

Listed entities enjoy the following benefits:

Exemption of ToI for enterprises that made initial public offering (IPO) in the five (5) years period from date of the Sub-Decree i.e. 8th January 2015, as follows:

1. Exemption from paying ToI found by independent audit firm after the General Department of Taxation (GDT) had completed a comprehensive audit for the period of N-1, N-2, N-3 (N is the year of IPO)
2. Exempt from paying ToI found by GDT after a 2nd audit re-auditing after the comprehensive audit for the period up to seven (7) years counting backward from year N-3

– 50% reduction of withholding tax on interest and/or dividend deriving from holding and/or buying securities for three (3) years from the 8 January 2015; and

– A temporary suspension of the monthly prepayment of income tax

However, if the GDT finds any irregularities with the company, particularly tax compliance, they can terminate the above incentives.

Currency of the Exchange

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

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

Securities Firms

The SECC has granted licenses to 12 securities firms to operate on the CSX - six underwriters, three securities brokers, two investment advisers and one dealer.

Key Requirements for listing on the CSX

A Listing Entity, which intends to transfer from Growth Board to Main Board, shall meet the listing criteria of its intended transferring market and submit the application to the Cambodian Stock Exchange.

Main Board		Growth Board
KHR30 billion (US$7.5 million)	**Shareholders' equity**	KHR2 billion (US$500,000)
– KHR2 billion (US$500,000) for the latest year; and – Cumulative KHR3 billion (US$750,000) for the latest two (2) years	**Net Profit**	– Positive net income for latest year; or – Positive operating cash flow & gross profit margin 10%
– 200 shareholders; and – 7% of the total voting shares	**Minority Shareholder**	– 100 shareholders; and – 10% of the total voting shares
two (2) years	**Audited Financial Statements**	one (1) year
KHR4,000,000 (US$1,000)	**Listing Eligibility Review Fee**	KHR2,000,000 (US$500)
– 0.010% - 0.030% of total market cap – Minimum KHR10,000,000 (US$2,500)	**Listing Fee**	KHR4,000,000 or 0.025% of the total market cap, whichever is larger
– 0.005% - 0.020% of total market cap – Minimum KHR3,000,000 (US$750)	**Annual Listing Fee**	KHR4,000,000 or 0.015% of the total market cap, whichever is larger
– Board members: 5 to 15 – Independent director: > 1/5 of total number of directors – If foreign independent director: > 6 months of working experiences in Cambodia	**Corporate governance**	– Board members: <= 7 – Independent director: >=1 – Non-executive director (as representative of the private shareholders) >= 1
a. Audit Committee b. Risk Management Committee: Assets > KHR200 billion (US$50 million) c. Nomination Committee (optional) d. Board may consider to establish it and other Committees as necessary and as required by SECC	**BOD Committees**	a. Audit Committee b. Risk Management Committee: Assets > KHR200 billion (US$50 million) c. Nomination Committee (optional) d. Board may consider to establish it and other Committees as necessary and as required by SECC

Setting Up Business In Cambodia

"Generally, there are no restrictions on the setting up of businesses."

Michael Gordon
Senior Advisor
Tax and Corporate services

Many businesses require a license or permit to operate, including areas such as banking and finance institutions, tour agencies, real estate agencies, telecommunications, industrial factories, etc.

Commonly used business entities

A new entity is registered with the Cambodian Ministry of Commerce (MoC). Approval for registration usually takes approximately ten (10) working days upon submission of all required documents. In general, businesses operate in Cambodia via the following vehicles:

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

Online business registration with the MoC

The MoC uses an Online Business Registration Service for registration and management of all commercial business entities, including to keep their official information up to date, and complete filings, without having to physically attend the MoC.

Payment of registration fees can be made via the electronic banking system. A payment receipt is issued by an automated system as evidence of payment.

Main legal formalities for the new establishment and registration

1. Company

The minimum registered capital is KHR4,000,000 (approximately US$1,000). 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 memorandum and articles of association have to be prepared for the company and lodged with the MoC, together with the prescribed information for incorporation.

2. Branch

For branch registration, relevant documents and information of the parent company and the branch is required to be provided to the MoC, the name of the Branch uses the name of its principal e.g. "Branch of XYZ Co.Ltd.".

A Branch office can carry out trading activities such as sales and purchase of goods and services.

3. Representative Office (RO)

A RO is prohibited from undertaking profit making activities including buying or selling of goods, or services and construction. The name of the RO shall be the name of its principal e.g. "Representative Office of XYZ Co.Ltd.".

Requirements for foreign investors

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

For a Branch, the place of registration of the foreign company, details of its structure and other information in the prescribed documents need to be disclosed to the MoC.

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

If the company or branch needs to apply for a particular license to carry out its business operations, additional information from 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). Foreign currencies may be freely purchased via the banking system and there are no ordinary restrictions on foreign exchange operations.

Accounting & Reporting Requirements

Financial statements

The National Accounting Council of Cambodia has adopted 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 standards are referred to as Cambodian International Financial Reporting Standards for Small and Medium-sized Entities (CIFRS for SMEs) and Cambodian International Financial Reporting Standards (CIFRS). With the exception of non-profit organizations, 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. Non-profit organizations established in compliance with the Law on Association and NGO are required to adopt Cambodian Financial Reporting Standards for Non-Profit Organizations (CFRSNPO).

Pursuant to the request of the National Bank of Cambodia and the Department of Financial Industry of the Ministry of Economy and Finance, the National Accounting Council (NAC) of Cambodia, through their announcement on 25 February 2016, approved to delay the implementation of Cambodian International Financial Reporting Standards (CIFRS) to 2019 for banking and financial institutions and general insurance companies.

Law on accounting & auditing

The Law on Accounting and Auditing sets forth certain accounting requirements which include but are not limited to the following:

- Enterprises and not-for-profit organizations are required to prepare financial statements within three (3) months following the year-end.
- Financial statements form the basis for fulfilling tax obligations.
- Accounting records must be maintained and the underlying transactions must be supported by proper documentation.
- Accounting records and financial statements should be in Khmer language and Khmer Riel, and a second set of accounting records and financial statements may be prepared in a foreign currency and in English language if the entity carries out its activities with foreign entities.
- Enterprises and not-for-profit organizations are obligated to maintain their accounting records for a period of ten (10) years.

Book year

Generally, the tax and accounting year is the calendar year. The tax and accounting year end does not need to coincide with the calendar year, although any change must be approved.

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 (see the illustration below). The audit shall be carried out by an auditor registered with the Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA).

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 KICPAA.

For non-profit organizations, there is an obligation to submit their annual Financial Statements to be audited and to lodge the financial report with the National Accounting Council (NAC).

Other Compliance Requirements

National Social Securities Fund (NSSF)

Enterprises are required to register with the NSSF and file monthly reports and make monthly contributions to the NSSF for two social security schemes: the "occupational risk scheme" and "healthcare scheme". The contribution rates are 0.8% of the average monthly wage of employees for the occupational risk scheme and 2.6% of the average monthly wage of employees for the healthcare scheme.

Certificate of Compliance (CoC)

Annually, all QIPs are required to obtain a CoC from the CDC in order to receive the investment incentives granted under the investment license. The CoC is intended to provide confirmation that the QIP has complied with relevant tax and investment regulations.

Permission letter for registered office from municipality or provincial office

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

Annual Declaration of Commercial Enterprise (ADCE)

All entities registered with the MoC are required to prepare and lodge an ADCE with the MoC annually.

Labor law compliance

Enterprises with at least one employee are required to register with the Ministry of Labor and Vocational Training (MLVT). After the initial registration, enterprises are required to notify the labor office on an ongoing basis of any relevant changes, such as staff movements. Enterprises wishing to employ foreign workers must apply for a foreign manpower quota annually, and for work permits for foreign staff.

Other obligations for employers may include registration of internal work rules and fulfilling trade union and staff representative election requirements.

Cambodia Tax Guide

"Taxpayers will be required to submit and pay taxes to the General Department of Taxation (GDT) on an annual and monthly basis."

Mona Tan
Partner
Tax and Corporate services

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 (currently called "Tax on Income") 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. Subsequently, certain Laws on Financial Management have included amendments and updates to the existing Law.

Overview

Subsequent to the promulgation of the 2016, 2017 and 2018 Law on Financial Management (LoFM), the tax regime system received major restructuring.

Currently, there is only one tax regime, the Self-Assessment Regime (SAR)*, which is further divided into three classes of taxpayers:

Classes	Turnover criteria	Accounting standard
Small taxpayer**	From KHR250 million (~US$62,500) to KHR700 million*** (~US$175,000) per annum, or more than KHR60 million (~US$15,000) for three consecutive months within the current calendar year	Simplified accounting standard
Medium taxpayer	From KHR700 million (~US$175,000) to KHR4,000 million (~US$1,000,000) per	International accounting standard of Cambodia
Large taxpayer	More than KHR4,000 million (~US$1,000,000) per annum	International accounting standard of Cambodia

The classification is also dependent upon the form of the enterprise as well as the business activity.

Medium and large taxpayers will be required to submit and pay taxes to the General Department of Taxation (GDT) on an annual and monthly basis. This mainly involves the following taxes:

- Annual Tax on Income or Minimum Tax (see 1)
- Annual Patent Tax (see 3)
- Monthly Prepayment of Tax on Income (see 1)
- Monthly Tax on Salary and Fringe Benefit Tax (see 2)
- Monthly Value Added Tax (see 3)
- Monthly Withholding Tax (see 3)

** Previously it was called "Real Regime Tax System," and then changed to SAR under the 2017 LoFM*
*** Small taxpayer is required to submit a monthly tax return in one single form, called form "TRS 01"*
**** New turnover threshold as per Prakas no. 025, amendment of taxpayer classification, dated 24 January 2018.*

01 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 for PE definition).

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

Residence

A company is resident in Cambodia if:

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

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).

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 ToI rate.

Dividends

A dividend is defined as a distribution of property or money, made by a legal person to a shareholder with the exception of distribution of capital or equity interest in a complete liquidation of the Company.

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.

Exempt Income

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

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 income 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.

Losses

Tax losses can be carried forward for a maximum of five (5) years (except for tax loss of petroleum and mineral resource operation as discussed in the page). 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.

Grouping/Consolidation

There are no grouping or consolidation provisions in Cambodia.

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

Fixed 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.

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.

The petroleum and mineral resources sectors are subject to a specific tax regime for expensing of exploration and development costs.

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.

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

Interest Expense

The allowable interest deduction on loan shall be allowed as follows:

1. For loans from non-related party, the interest expense shall not exceed 120% of the market interest rate, and
2. For loans from related party, the interest expense shall not exceed the market interest rate.

The GDT will issue the market interest rate annually.

The interest expense as per points 1&2 above are still subject to the below limitation of the interest deduction.

Interest expense allowable as a deduction is limited to an amount equal to the total interest income plus 50% of net non-interest income 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.

The petroleum and mineral resources sectors are subject to a specific tax regime for interest expense.

Tax Rates

The Cambodian Tax Law provides the following corporate income tax or annual ToI rates:

– 20% on income realized by a legal person.

– 30% on income realized under an oil or natural gas production sharing contract and the exploitation of natural resources including timber, ore, gold and precious stones.

– 0% on income of the QIP during the tax exemption period as determined by CDC.

– For insurance enterprises, ToI shall be:

- 5% of gross premium received for general insurance, reinsurance or small scale enterprises, which includes property, liability and health insurance.
- subject to normal CIT/ToI rate of 20% for life insurance or reinsurance enterprises, which includes life, endowment and annuity insurance.

Foreign company branches are generally subject to ToI on the same basis as a company as noted above, for instance remittance of profit to the overseas Head Office will be subject to the Additional Income Tax on Dividend Distribution (AITDD) unless the profit has been subject to and fully paid ToI. Furthermore, if the branch is making transfer of Cambodian sourced income to its overseas parent company it is also required to withhold the 14% WHT.

Tax on Petroleum and Mineral Resources Operations

With the 2018 LoFM, promulgated on 9 December 2017, there was an amendment on the existing tax law by adding additional Articles on the tax provisions on petroleum and mineral resources. As per the 2018 LoFM, taxpayers conducting Petroleum and Mineral Resources operations shall be subject to:

* Annual ToI rate of 30% on taxable income during a tax year;

* Tax on Excess Profit at a progressive tax rate by tranche based

Tranche	Excess profit ratio	Rate
1	up to 1.3	0%
2	above 1.3 to 1.6	10%
3	above 1.6 to 2	20%
4	above 2	30%

* loss carried forward is allowed until the tenth year for petroleum operations and the fifth year for mineral resource operations;

* deduction for interest expense is subject to debt to equity ratio of 3:1 rule;

* there are various other tax treatments, for example, depreciation, deductions, transfer of interest, etc. that is applied for this sector as recently provided under the 2018 LoFM.

Tax Administration

Tax Identification Number

Business entities are required to register with the tax administration within fifteen (15) working days, from the commencement of economic activities, or after receiving the registration approval certificate or approval letter from the relevant ministries or institutions.

Tax Returns

The annual tax return must be filed within 3 months following the tax year. 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 ToI (PToI) 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 PToI at the rate of 5% on gross premiums from insurance or re-insurance income and at the rate of 1% on other related income as indicated in Tax Rate Section above. Payments of PToI are due by the 20th day of the following month.

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

The minimum tax[2] is a separate and distinct tax from the ToI, 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 ToI 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 PToI.

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 and 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 ten (10) years.

1: Tax year is calendar year, but an enterprise 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 shall be imposed on taxpayer who maintain "improper" accounting records (i.e. effective from the tax year 2017 onwards). Under the LoFM 2018, petroleum and mineral resource operations are not subject to minimum tax.

Land Area
Approximately
181,035km²

Population
16.2 (2017) million
16.5 (2020(f)) million

Capital City
Phnom Penh
Provinces & Cities
25

Trade Balance
(US$ Billion)
Import 1.057
Export 1.062

Minimum Wages
US$170/month

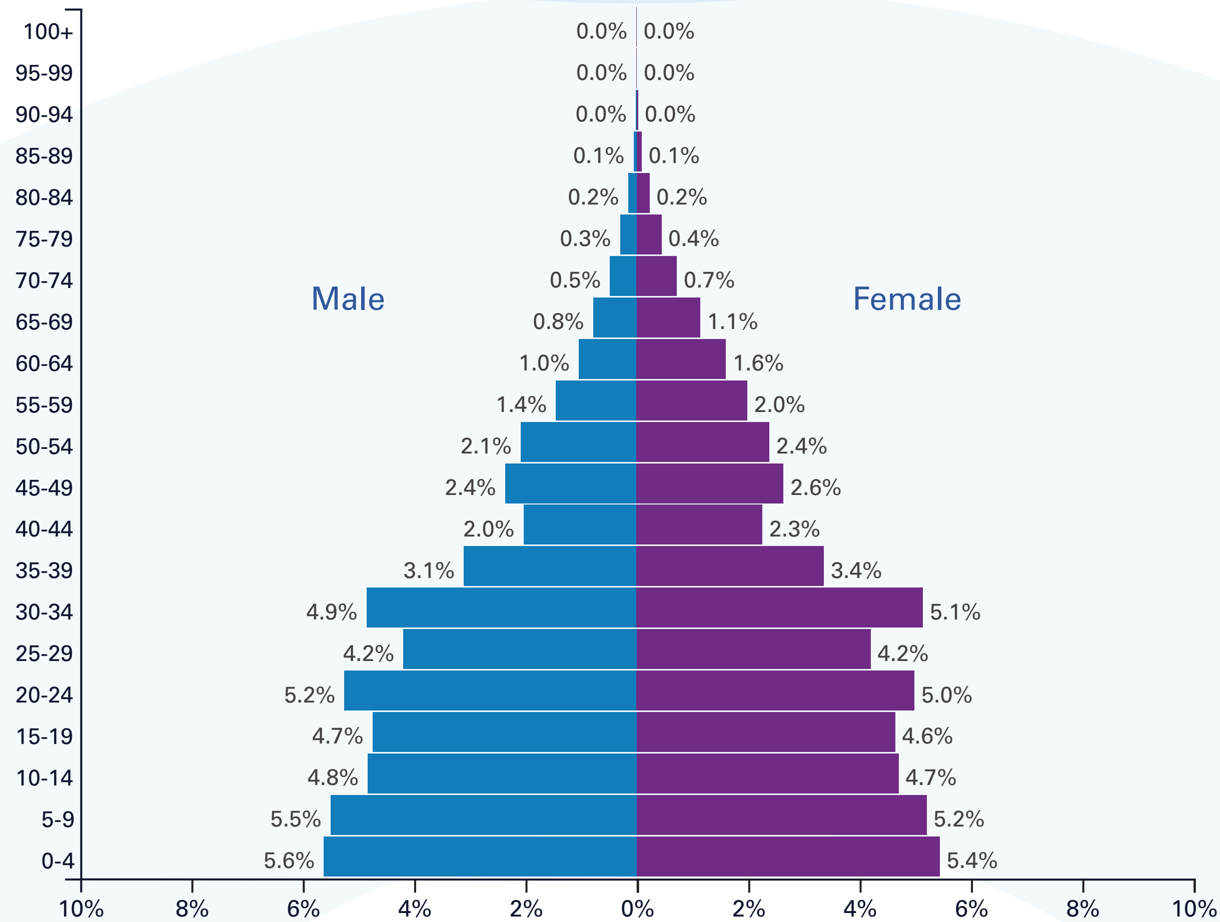
GDP Growth %
7% (2017)
7.2% (2020(f))

GDP
US$22.1 (2017) million
US$28.95 (2017) million

GDP/ capita
US$1,364 (2017)

Exchange rate US$ to KHR
4,017 (2017 avg.)

Inflation
3% (2017)



Population of Cambodia 2017

Source: *PopulationPyramid.net*

02 Taxation of Individuals

Introduction

Individual residents of Cambodia are liable for personal income tax/tax on salary (ToS) 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 and Cambodian tax payable on foreign source income.

Employers are required to withhold income tax from salaries and other benefits paid to employees. Salary is taxed according to progressive tax rates ranging from 5% to 20%.

The following allowances may be exempted from either ToS or FBT:

– Commuting expenses (between home & workplace), accommodation allowances, and accommodation provided within the Company's premise (all in accordance with Labor Law),

– Meal allowances where provided to all worker-employees regardless of position/ function,

– Social security or welfare fund (within the limit of the law),

– Health insurance or life/health insurance premium where provided to every employee regardless of position or function,

– Baby care allowance or baby nursery expense (in accordance with Labour Law)

Companies and enterprises are required to submit an allowance policy for the above allowances to the GDT to be eligible to the above tax reliefs.

Resident/Non-Resident

A person is a resident of 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-resident means any person who does not fall under either of the above stated criteria.

Employment Income/Employee

Individuals receiving remuneration in the course of employment are subject to personal income tax known as tax on salary. 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.

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.

Deductions

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

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 20th 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.

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)	150,000
Dependent spouse (must be housewife)	150,000

Tax Rates

Residents

The ToS rates are as follows:

Taxable Income for the Month (KHR)	Progressive Tax
Up to 1,200,000	0%
From 1,200,001 - 2,000,000	5%
From 2,000,001 - 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 a flat rate of 20%.

03 Indirect And Other Taxes

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. The zero rate applies to export of goods and services and certain charges in relation to international transport of people and goods. Also, this zero rate is applicable for any goods and services supplied by supporting industries QIP/contractors to particular export industries.

VAT on certain supply and import of certain agricultural products shall be borne by the State (i.e. State Charges).

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;
- non-profit activities for public interest that have been recognized by the Ministry of Economy and Finance;
- educational services;
- supply of unprocessed agricultural products;
- supply of electricity; and
- supply of water for public use; and solid-liquid trash collection or cleaning service

Enterprises providing taxable supplies of goods and services are required to register for VAT if they meet the criteria 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 that have contracts with government with a total taxable turnover exceeding of 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 the value of imported goods, including any customs duty, insurance and freight charges.

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	20%
Beers	30%
Wine	35%

For domestically produced goods, the basis for STCMS's calculation is 90% of the selling price disclosed on the invoice exclusive of VAT and STCMS.

Payment of STCMS to the GDT is due on the 20th day of the following month.

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 basis for TPL calculation* is as follows:

* for importer or manufacturer, the tax rate is 3% of the value of taxable product exclusive of VAT and TPL itself.

* for reseller and/or distributor, the tax rate is also 3%, but the basis is now only 20% of the amount recorded on invoice, exclusive of VAT and TPL itself.

The tax is payable on a monthly basis, by the 20th day of the following month.

** the revised calculation for reseller and/or distributor was effective 9 October 2017 onward,*

Accommodation Tax (AT)

AT is a tax on the provision of accommodation services. AT is levied at the rate of 2% on accommodation services fees, 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 20th day of the month following the month in which the charges occur.

Other Taxes

Withholding Taxes (WHT)

Resident with holding 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 [1]	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%

1: The 15% WHT on service is not applicable if the recipient of the payment is a real - regime tax payer, provided that a valid invoice is obtained.

Non-Resident WHT

Any resident taxpayer carrying on business, including PE of non-resident taxpayer, who makes payment from Cambodian source income to a non-resident, shall withhold and pay as tax an amount equal to 14% of the amount payable. Payment from Cambodian source income may include the following:

Payment	Rate
Interest [2]	14%
Income from movable or immovable property, if such property is situated in the Kingdom of Cambodia.	14%
Management or technical services	14%
Dividends	14%
Other various Cambodian source income(s) as provided in the Article 33 (new) of LALoT	14%

Conversion of retained earnings to capital/equity will not be considered as dividend distribution and is not subject to WHT (supported by BoD resolution).

When there is sale of share or distribution of capital or equity interest, the part of the share or capital/equity that was converted from retained earnings will be subject to the 14% WHT.

Under DTAs, the 14% WHT rate on certain payments will be reduced to 10% such as payment for interest, royalties, technical service fees & dividends to resident of the DTAs signatories. Please refer to section 5 below for DTAs signatory countries.

The Small taxpayers are exempted from the obligation to act as withholding agents, except with regard to the WHT on rental fees for movable and immovable properties.

Note: 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 20th day of the following month.

2: For MFI, making interest payment to non-resident will only be subject to a reduced rate of 10%.
(4% will become state-charge for 2017 and 2018, effective from 27 October 2017).

Additional Income Tax on Dividend Distribution (AITDD)

AITDD is imposed on any dividend distribution, by calculating the difference between Tax on Income payable and Tax on Income paid during the year.

If the dividend distributed has already deducted AITDD or ToI, then the recipient company can record in a dividend account. Subsequent distribution of the said dividend to the recipient enterprise's shareholder shall then be exempted from AITDD. Payment of AITDD to the GDT is due on the 20th day of the following month in which the distribution is paid.

Patent Tax

Patent tax is a yearly business registration tax which all enterprises carrying on business activities in Cambodia are required to pay by 31st March. A "patent tax certificate" will be issued by the GDT upon registration and/or after each successive change or update with the GDT of information of the enterprise that affects the patent tax certificate.

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 amount of patent tax payable will be depending upon the form of the business, as well as the type of business activity and the level of turnover.

Patent Tax

- Large Taxpayers*: either **KHR3,000,000 (~US$750)**,if annual turnover is between KHR4,000 million and KHR10,000 million; or **KHR5,000,000 (~US$1,250)** if annual turnover is over KHR10,000 million
- Medium Taxpayers: **KHR1,200,000 (~US$300)**
- Small Taxpayers: **KHR400,000 (~US$100)**

* Large Taxpayers are required to pay KHR3,000,000 (~USD750) for each additional patent tax certificate, if the enterprise has any branch, warehouse or business in different cities or provinces.

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 has also implemented the ASEAN Trade in Goods Agreement (ATIGA) entered into force on 17 May 2010. According to ATIGA, customs duty rate of most goods shall be from 0% - 5% by 2015.

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

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

Property Transfer Taxes

There is a 4% tax on the transfer of ownership or possession rights for immovable property or transportation means (such as land, building, vehicles).

This 4% tax is imposed on the market value at the time of the transfer, which is to be determined by the Ministry of Economy and Finance (MEF) and payable by the party acquiring the ownership or possession rights and must be paid within three (3) months from the date of the transaction.

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 US$25,000). The value of the immovable property is assessed by the Assessment Committee, which is set up by the MEF.

The deadline for paying the TIP is 30 September.

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.

However, unused land on which 'Tax on immovable property' has been paid is not subject to tax on unused land, effective from 2011 onwards.

Tax Audit

The tax audit period over which a tax audit can be performed in Cambodia can be for a maximum of three (3) years after filing tax return. This period is extended to ten (10) years where there is evidence that the taxpayer has obstructed the implementation of the tax provisions or any time per taxpayer's request.

As a matter of practice, the GDT often extends the timeframe beyond three (3) years to undertake tax audits.

There are three main types of tax audit: desk audit, limited audit and comprehensive/final audit. A tax year which has been audited by the comprehensive/ final tax audit is considered as "closed".

** There are also other types, i.e. a special audit on VAT credits, an audit on VAT refunds...etc.*

If the tax auditors find any grounds (i.e. under-declared tax, non-compliance...etc.), they can issue a tax reassessment notice. Any reassessed tax will be subject to penalties as follows:

- 10% if the taxpayer is negligent
- 25% if the taxpayer is seriously negligent
- 40% if it is a unilateral tax reassessment

The taxpayers will have thirty (30) working days to either make the tax payment or submit a protest to the GDT.

Recently, a "Committee for Tax Arbitration (CTA)" was proposed, under the MEF. It is stated that this committee will play the role of a third party arbitrator if the taxpayer is dissatisfied with the GDT's decision on the initial protest above.

However, as a matter of practical reality there is limited recourse for a taxpayer in any dispute with the GDT

The detailed procedure of tax protest is described in Prakas 1470 by the MEF and Sub-Decree 03 by the Royal Government of Cambodia.

04 Tax Incentives

The Council for the Development of Cambodia (CDC) is the principal government agency responsible for providing incentives to stimulate investment in Cambodia. Investors are required to submit an Investment Proposal to either the CDC or the Provincial-Municipal Investment Sub-committee (PMIS) to obtain Qualified Investment Project (QIP) status depending on the amount of capital investment and location of the investment project in question.

QIP status does not depend on the project being included in a list of eligible projects. Instead there is a "negative list". This means investment incentives would be available to all sectors not included in the negative list.

The stated investment incentives (generally) available to QIPs are:

– exemption from tax on income (ToI) imposed by the LoT

– the ToI exemption consists of a Trigger Period (of up to three (3) years), three (3) years automatic exemption, plus a Priority Period that will be provided for in the Law on Financial Management. In effect, the maximum exemption is up to nine (9) years.

– accelerated depreciation on manufacturing assets (however, this is not available if the QIP elects to take the profit tax exemption referred to above)

– exemption from import duty on production equipment, raw materials and inputs to manufacture; and

– the right to employ foreign labor.

The CDC requires all QIPs to apply for a Certificate of Compliance (CoC) annually, 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 and higher educational institutes. This incentive is administered by the GDT.

Listed companies that publicly issue shares and/or debt securities approved by the Securities Exchange Commission of Cambodia (SECC) will also be granted incentives as indicated on page 7.

Garment and footwear manufacturing enterprises also receive tax incentives in the form of a suspension of the monthly PToI until 2022.

To be eligible however, those enterprises must ensure their regulatory compliance as taxpayers in the following areas:

– maintain proper bookkeeping, declare and pay ToI, fulfill other tax obligations, and

– submit an independent audit report to the tax administration annually (by three (3) months of the following tax year).

Special Economic Zones (SEZs)

Generally, investors (QIP) located in SEZs are entitled to the same incentives and privileges as other QIPs. However, SEZs provide a one-stop service via the Special Economic Zone Administration. Special customs procedures (simpler and quicker formalities) are also applied in SEZs. In addition, other incentives may apply.

05 International Tax

Double Tax Relief

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

Double Tax Agreements (DTA)

On 20th May 2016, Cambodia signed its first DTA agreement with Singapore. On 13th October 2016, Cambodia signed its 2nd DTA with China. Subsequently, on 27th July and 9th September 2017, additional DTAs were also signed with Brunei and Thailand, respectively.

At the date of publication of this guide, all DTAs have been ratified by the respective partner countries, and by the Cambodian side on 9th December 2017. The Cambodian Tax Office later indicated the effective implementation dates of the DTAs are 1st January 2018 for Singapore and Thailand, 1st January 2019 for China and

1st January of the following year after it is enacted for Brunei after it comes into effect. Finally, rules and procedures for implementation of the DTAs with all four countries were issued on 26th March 2018. Taxpayers shall need to submit requests to departments of the GDT for Certificate of Residency to gain the benefit of the DTAs and to apply the DTA rate for WHT.

On 31st March 2018, the Cambodia Tax Office announced on its website that Cambodia signed another DTA with Vietnam. This has not been ratified yet, as of the date of this publication.

In addition, Cambodia has also signed 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, Vietnam and Japan.

06 Anti-Avoidance Rules

Introduction

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

Transfer Pricing

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.

Recently, a new regulation (Prakas 986, dated 10 October 2017), was issued by the MEF, which provides rules and methods for division of income and expense between related parties. This Prakas may be considered as the initial Transfer Pricing (TP) rule in Cambodia to deal with related party transaction.

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 a 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".

With the DTAs above already ratified, the PE provisions of the DTAs should be considered in determining PE status (at least as far as the companies of the partner countries are concerned), and should be no longer subject to domestic law and interpretation of the GDT.

Thin Capitalization

There is no general thin capitalization legislation but there are limitations on the deductibility of interest (see 1. Taxation of Company). A specific Debt: Equity ratio requirement exists for the petroleum and mineral sectors.

Controlled Foreign Company (CFC) Provisions

There is no CFC regime in Cambodia.

07 Foreign Exchange Control

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

There are currently no restrictions on the repatriation of profits or capital from Cambodia, and the law 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.

Audit

- Financial Statement Audit
- Reporting Accounting Services
- IFRS Reporting Services
- Maximum Assurance
- Other Forms of Assurance and Attestation reporting

Nge Huy
Partner
Audit services

Taing Youk Fong
Partner
Audit services

Chew Teng Lim
Managing Partner
Audit services

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.

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 Accountant 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 in adopting.

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 services 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. Organizations have realized that financial reports alone do not adequately communicate either opportunities or business risks. KPMG's Non-Financial Assurance. Services help organizations 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.

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

Mona Tan
Partner
Tax & Corporate services

Michael Gordon
Senior Advisor
Tax & Corporate services

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.

Our **Corporate Income Tax** and **International Corporate Tax** team advises organizations 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 Team** 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 organizations manage their transfer pricing risks, fulfil regulatory compliance and design effective transfer pricing policies. TPS assists with risk assessment reviews, documentation and compliance, audit defense, 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.

Accounting services

- **Management accounts**
- **Accounting system recommendation & setup**
- **Stock listing preparation**
- **Audit assistance**
- **Financial Shared Service Center & CFO Advisory package**
- **Divisional & Project reporting**
- **Payroll service**

Dary So
Partner
Tax & Corporate services

KPMG Cambodia's Accounting Services are modelled to suit a wide range of industries and the specialized accounting needs of each client, from a review of historical accounting matters and helping clients to correct lingering accounting issues, preparing a company for stock listing or audit, to running a full financial shared service center with our CFO advisory package.

Cambodia is experiencing an ever increasing demand for proper keeping of management accounting records and payroll processing, driven by factors including regulatory requirements, audit requirements and increases in foreign investment.

KPMG is strongly positioned to meet this demand with our Accounting teams' wealth of experience providing high quality **Accounting Services** to our clients. Our Accounting team advises clients on the setup and implementation of appropriate accounting systems, follows through with the ongoing maintenance of the accounting system and proper accounting records and provides training to our client's accounting staff. Our team assists clients from basic reporting such as balance sheet & profit & loss up to divisional or project analysis, budget variance reports and specialized investor/donor reporting.

Our **financial shared service center** and **CFO advisory** package allows for the client to outsource financefunctions and Chief Financial Officer activities to our team of trained and experienced staff. Through our financial shared service package we assist our clients all the way through the process, from the basic accounting reporting and management of the accounting team through to reporting to the Board of Directors, budgeting & projections and specialized reporting including financial key performance indicators.

Our **Payroll Services** team has a history of providing expert services to local and international entities operating in Cambodia with both local and expatriate employees. These services include but are not limited to, payroll calculation, payroll reporting, pay slip preparation, and the settlement of payroll related liabilities through trust accounts.

Advisory

- Accounting Advisory Services
- Internal Audit
- IT Advisory
- Management Consulting
- Deal Advisory
- Risk Consulting
- Forensice

James Roberts
Partner
Advisory services

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).

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 organizations 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.

Forensic. KPMG Forensics 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 advise 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.

Management Consulting

- Business Performance Services (BPS)
- IT Advisory

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 optimization and performance measurement. BPS can help organizations 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, is provided 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.

Transactions and Restructuring

- Transaction Services
- Corporate Finance
- Restructuring

KPMG's Transactions & Restructuring group comprises three divisions, providing transaction services, corporate finance, and restructuring services. Whether our client 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 their 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.

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 Optimization, Business Integration, Business Intelligence as well as ERP Advisory services.

Glossary

AITDD	Additional Income 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
LoFM	Law on Financial Management
LoI	1994 Law on Investment
LoT	1997 Law on Taxation
MEF	Ministry of Economy and Finance
NBC	National Bank of Cambodia
QIP	Qualified Investment Projects
PE	Permanent Establishment
PMIS	Provincial/Municipality Investment Sub-Committees
PToI	Prepayment of Tax on Income
PSC	Production Sharing Contract
R&D	Research and Development
SAR	Self - Assessment Regime
STCMS	Specific Tax on Certain Merchandises and Services
TIN	Tax Identification Number
ToI	Tax on Income
TPL	Tax for Public Lighting
VAT	Value Added Tax
WHT	Withholding Tax

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