DOING BUSINESS GUIDE

Cambodia

Asialink Business

Contents

1. Why Cambodia

Cambodia has a small but rapidly growing economy with strong regional connections across Southeast Asia and a diversifying industrial base. The country offers targeted opportunities for Australian businesses in specific sectors. While Cambodia is making efforts to enhance the transparency and predictability of its business environment, challenges such as skills shortages and a lack of infrastructure continue to hinder investment. Australia and Cambodia share a long-standing bilateral relationship and strong people-to-people ties. While the trade relationship is modest, Australian businesses will find promising opportunities, particularly in education, tourism, and agriculture.

1.1. Economy overview

Cambodia has experienced significant levels of economic growth over the last two decades. With its growing population of over 17 million, around 60 per cent of whom are under age 35, Cambodia reached lower middle income status in 2015. As more Cambodians enter the middle class, demand is growing for goods and services such as appliances, home furnishings, education and healthcare. However, purchasing power remains lower in Cambodia than in many other Southeast Asian markets.

The garment, tourism and agriculture sectors remain the backbone of Cambodia's economy. Economic productivity remains low as a large share of Cambodia's population remains employed in traditional agriculture. Cambodia's manufacturing sector has expanded in recent years into electrical and car parts, bicycles and rubber. This has been made possible, in part, by increases in electricity capacity although prices remain high relative to the region. Continued industrial growth will require greater investment in infrastructure to support rural-urban connectivity, modern transportation and logistics networks.

Cambodia is heavily reliant on development funding and foreign direct investment, which accounts for nearly half of all investment in the country. Although government policies are supportive of foreign investment, the ruling Cambodian People's Party retains a great deal of influence over economic policy and investment.

Cambodia has long-standing economic ties to other Asian markets such as China, Hong Kong, Thailand and Vietnam. A variety of multilateral free trade agreements, as well as its current status among the Least Developed Countries, grant it tariff-free access to major markets and make it a potential base for business activities. Its geographic location along the Southern Economic Corridor development project, connecting Myanmar, Thailand, Cambodia and Vietnam, provides access to supply chains and international shipping infrastructure. Cambodia has fostered relationships with both the United States and China. While this is advantageous for accessing trade and investment opportunities, Australian businesses should be mindful of potential geopolitical risks.

Invested: Australia's Southeast Asia Economic Strategy to 2040 identifies Cambodia as one of its regional trade and investment partners expected to enjoy rapid economic growth. In 2023, the value of two-way trade was over AUD 1.3 billion, up 18 per cent from the previous year. Cambodia and Australia are members of the **ASEAN-Australia-New Zealand Free Trade Agreement** and the **Regional Comprehensive Economic Partnership agreement**, both of which help to support trade throughout the region.

Australia also plays an important role in supporting Cambodia's advancement from Least Developed Country status through the **Cambodia Australia Partnership for Regional Economic Development**.

This program aims to help Cambodia grow its economy through diversification and trade policy. More information is available in **Section 5.1** and from the Department of Foreign Affairs and Trade's **Cambodia Country Brief**.

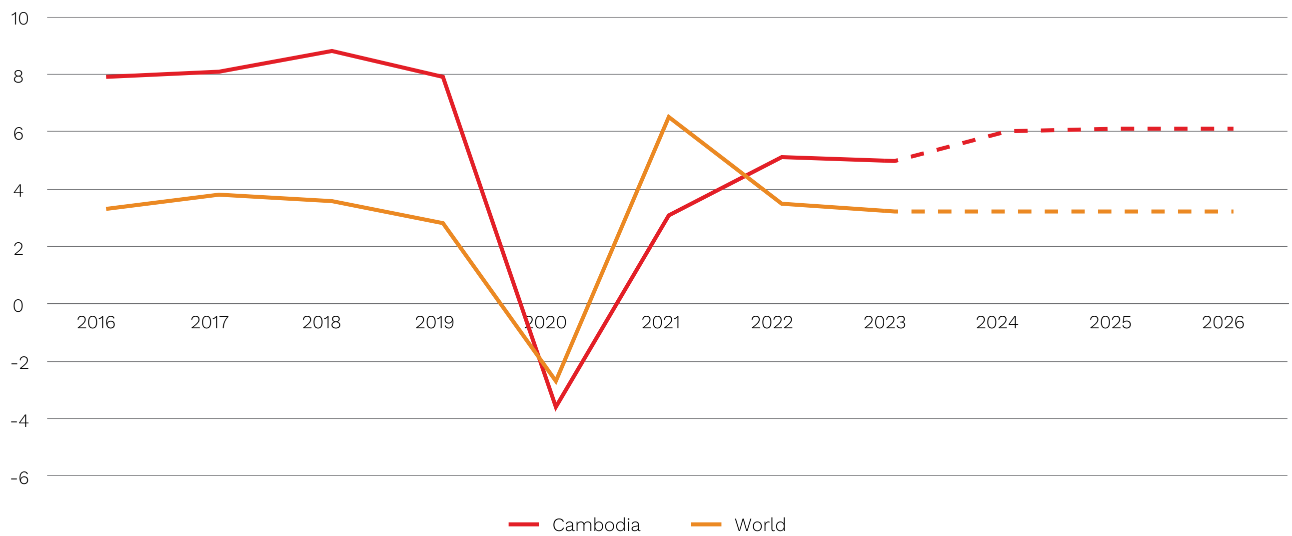
Cambodia's growing population and commitment to trade-friendly policies make it a potential export destination for Australian businesses. Opportunities for investment exist in light manufacturing, agriculture, tourism and the green economy. Cambodia's long-term economic growth will depend on continued efforts to improve its business environment with stronger regulatory and anti-corruption frameworks.

Comparing key indicators: Cambodia and Australia

Cambodia	Australia
AUD 68.9 billion GDP (current rates) (2024)	**AUD 2.8 trillion** GDP (current rates) (2024)
100th Global GDP Ranking (current rates) (2023)	**13th** Global GDP Ranking (current rates) (2023)
6.0% Forecast % GDP Growth (2024)	**1.2%** Forecast % GDP Growth (2024)
AUD 3,047 GDP per capita (PPP) (2023)	**AUD 99,460** GDP per capita (PPP) (2023)
114% Trade to GDP ratio (2022)	**48%** Trade to GDP ratio (2022)
12% FDI inflow (% of GDP) (2022)	**4%** FDI inflow (% of GDP) (2022)

Source: IMF and World Bank

Figure 1: Real GDP Growth – Cambodia and world average (2016 – 2026f), %



Source: IMF

1.2. Sectoral snapshots

Cambodia's growth trajectory presents opportunities for Australian trade and investment, particularly in sectors that align with Cambodia's economic development priorities and its growing middle class. This section provides a short overview of prospective sectors.

Consumer products

As urbanisation increases, more middle-class consumers are willing to pay for products, such as household appliances, that improve their quality of life. However, Cambodia's relatively low incomes mean that consumers often have less purchasing power than in other parts of the region. As incomes increase, Cambodia's hot and humid climate is likely to drive demand for air conditioning units. Few buildings have central air and energy is expensive, making energy efficient household units popular. Additional market opportunities include household water purification equipment, other energy efficient appliances such as washing machines and home furnishings.

Education

Education is an area of both economic and cultural exchange between Australia and Cambodia. Australia is the top English-speaking destination for Cambodian students. At the same time, thousands of Australian students have participated in work or study programs in Cambodia. A strong opportunity exists for Australian education providers to offer educational pathways to upskill a broader proportion of the Cambodian workforce in key areas such as tourism, agriculture, entrepreneurship and healthcare. The Cambodian Government has stated its aim to improve the quality and capacity of its educational institutions by working with the private sector to expand technical and vocational training at the secondary level. Having improved their corporate governance and teaching quality, Cambodian universities are increasingly open to partnerships with foreign partners. The government has published a plan to give higher education institutions greater autonomy, which would expand the curricula that foreign providers can offer.

Food and agribusiness

Cambodia's food and agribusiness market is forecast to grow by 6.4 per cent year-on-year to 2027. An uptick in food and beverage retail and hospitality markets is being driven by rising incomes, demographic changes and increased tourism. The Cambodian Government has identified rural development as a priority area, presenting an opportunity for Australian agriculture and agtech businesses to increase productivity, mechanisation and support the development of cold chain logistics in the country. Austrade has identified **dairy**, grains, **pulses and feed**, **meat and livestock**, and **packaged foods** as opportunities for Australian businesses.

Health and medical

Cambodia operates 132 public hospitals and 1,288 health centres, but demand for healthcare is outstripping supply. In 2021, 83.4 per cent of Cambodian households sought care in the private system, up from 76.5 per cent in 2009. Local and international private health providers are investing in and operating new private hospitals and clinics to meet rising demand. The majority of healthcare expenses are paid out-of-pocket, though demand for health insurance is growing among the middle class. The number of pharmacies is increasing in line with consumer demand for complementary medicines, health supplements and wellness products. Businesses should be aware that importing healthcare products into Cambodia typically requires a license from the Ministry of Health.

Green economy

Cambodia has set a target to be net-zero by 2050. Due to inadequate infrastructure development in power generation and transmission, achieving this will require significant public and private investment. The Cambodian government aims to shift 60 per cent of the country's power from oil and coal to renewable sources by 2040. In 2024, the Cambodian government capped the price of solar energy to remain competitive with existing grid power and to encourage its use. Austrade has identified **renewable energy solutions**, including solar and wind generation and ancillary services, as an opportunity for Australian businesses, including through partnership with Cambodian companies. Foreign investment in this sector can be made independently or through government partnerships.

Infrastructure, transportation and cities

Cambodia's infrastructure has historically suffered from inadequate investment. Since 2018, however, the government has invested in transportation and regional connectivity to support a growing urban population. The country aims to improve connectivity with Thailand and Vietnam, providing Australian businesses with an opportunity to assist in improving cross-border transportation and logistics infrastructure. While there is political support for infrastructure development and project costs are relatively low, competition is high due to a significant Chinese presence in the market. Austrade has identified **roads, rail, ports and logistics** and **airport solutions** as opportunities for Australian businesses.

Mining

Cambodia has untapped reserves of gold, iron, copper, and bauxite. The Cambodian Government's National Policy on Mineral Resources, in alignment with the ASEAN Minerals Cooperation Action Plan, aims to develop these mineral resources into a viable mining industry. Australian companies already have a strong reputation in this sector in Cambodia. The existing reserves and favourable policy settings present a strategic opportunity for Australian businesses. Cambodia liberalised foreign investment across most sectors in 2021. This allows foreign entities to own 100% of their business operations, including those in the mining industry. This makes Cambodia's mining industry an attractive destination for early investment by Australian businesses.

Tourism

Inbound tourism has been an important driver of Cambodia's economic growth. Tourist numbers are improving following a slump during the COVID-19 pandemic. Domestic tourism increased by 200 per cent in 2022 but there remains room for significant growth. There are opportunities for Australian businesses to upgrade and expand tourism infrastructure, develop hotels and resorts, offer eco- and cultural tourism experiences and provide hospitality training to local workers.

2. Understanding Cambodia

Entering a new market requires knowing what makes that market unique. An understanding of Cambodia's business culture and key risks provides a solid foundation from which to explore opportunities across the region.

2.1. Business culture

Cultural intelligence is key to achieving sustainable business outcomes. Being able to read cultural clues and respond appropriately helps develop relationships, communicate effectively and build trust. While cultural and communication norms are changing as virtual modes of engagement increase, core cultural values remain an important factor in business. Not understanding the particularities of doing business in Cambodia could lead to missed opportunities, delays and lost engagements.

Communication

Consistent with other Southeast Asian countries, communication styles in Cambodia are often indirect. It is considered improper to openly criticise others in public, show strong emotions, approach situations aggressively or give outright refusals to others. Instead, Cambodians may smile and give affirmative answers. Foreigners should be aware that 'yes' can have multiple meanings and smiling may indicate happiness or politeness. 'Yes' may indicate agreement, or simply that one is listening. It is important to interpret these interactions in context and seek clarification when necessary.

When meeting someone for the first time, it is customary to perform the sompeah, a bow-like gesture with palms together. Hierarchy determines how one performs this gesture. The higher the hands and the lower the bow, the more respect is being shown. This greeting is commonly used for new introductions or after long absences, although it may be replaced with a handshake. Whether it be the sompeah or a handshake, it is important to return the gesture; not doing so is considered rude.

Though English fluency rates are rising in Cambodia, it is polite to determine whether someone is fluent in English and employ a translator if they are not. Businessmen and women tend to be addressed with 'Mr' and 'Madam', respectively, followed by a first name. Some senior leaders may carry the title 'Your Excellency.'

Punctuality is important and Cambodians may arrive early to events when senior people are in attendance. Meetings are generally unstructured and will continue until all parties feel satisfied. Decisions may take a considerable amount of time, as they are deliberated through the organization's hierarchy. When exchanging business cards or gifts, use the right hand or both hands. The care with which one handles cards and other items presented is considered indicative of how one will treat the giver.

Although Cambodians prefer to conduct important business in person, staying connected through multiple communication channels can help build and maintain relationships. Cambodians frequently use messaging apps including WhatsApp, Telegram and Messenger.

Navigating culture in business – the importance of core cultural values

	Country	
Core cultural values	**Australia**	**Cambodia**
Direct communication	Very high	Very low
Group focus	Low	Very high
Hierarchical approach	Very low	Very high
Relationship focus approach	Low	Very high
Risk taking	Very high	Low

Very high High Medium Low Very low

Relationships

An important element of doing business in Cambodia is building strong relationships with suppliers, distributors, clients and business partners. Fostering and maintaining a sense of harmony is highly valued in business relationships. Cambodians accomplish this through face-to-face interaction, getting to know one another through social interaction and avoiding confrontation. If Cambodians disagree, they often remain silent instead of openly voicing their dissent. It is polite to do the same. Disagreements are frequently resolved through a third party and not spoken of again once they are settled. This process can be time-consuming but should not be rushed.

Hierarchy

Hierarchy is a defining feature of the Cambodian business landscape. Deference is generally shown to senior leaders for important decisions as well as everyday interactions. Visitors can show respect through greeting gestures.

The importance of partnerships

Successfully navigating the Cambodian business landscape often requires local talent, knowledge and expertise, and partnerships can be an important model for doing business.

Identifying a potential partnership requires having relationships in place that can facilitate introductions. After a potential partner has been identified, it is essential to conduct due diligence. This includes understanding their customers and clients, reach across Cambodia, support for product localisation and in-market reputation. It is essential to undertake reference checks and risk assessments before formalising any local partnerships.

The strength of a local partnership brings advantages across multiple aspects of a commercial operation – from procurement and contracting to gaining credit. Importantly, a local partner can often assist with bureaucratic requirements, including company and product-specific registration processes. Building a long term and sustainable partnership takes time and patience, but is very advantageous in the Cambodian market.

2.2. Managing risks

Doing business in Cambodia comes with many risks. The economy is growing quickly, but is also highly uncertain due to anti-competitive institutional practices, corruption, weak regulatory enforcement and underdeveloped infrastructure. However, these risks can be identified, mitigated and managed through careful research and planning.

Risk factors in Cambodia

Economic – *including the potential for government default (sovereign risk), fiscal, monetary and exchange rate risk.*

What this means for your business in Cambodia

Cambodia's riel (KHR) enjoys a relative degree of monetary stability, although a stronger US dollar has affected its value. Cambodia is still highly reliant on the US dollar for transactions, including lending. Cambodia's National Bank (CNB) does not guarantee the ability to exchange riels for US dollars or other foreign currencies, making the exchange outlook uncertain. The government has indicated it plans to 'de-dollarise' the economy. Moody's rates Cambodia's sovereign credit as B2, indicating a high level of credit risk. Its outlook on the country's external position is stable.

Potential mitigations for foreign exchange risk include forward contracts, foreign currency options and utilising foreign bank accounts and loans to manage currency inflows and outflows. Seek advice on the level of currency risk and potential mitigations.

Political – *including the potential for political instability and restrictive government policies.*

What this means for your business in Cambodia

The Cambodian People's Party (CPP) has been in power since 1979, operating under a largely autocratic regime. Basic administrative structures are present in Cambodia, although their effectiveness is limited by bureaucratic inefficiency and corruption. Cambodia is ranked 119th out of 137 countries on the BTI Political Transformation Index.

It is essential to perform political risk due diligence for any major investments and be mindful of political affiliations of potential partners. For significant investments, political risk insurance may provide potential mitigation

Corruption – *including the potential for bribery, embezzlement and conflicts of interest.*

What this means for your business in Cambodia

Transparency International's Corruption Perceptions Index ranks Cambodia 158th out of 180 countries. While improvements are being made, the government does not provide a high degree of transparency to the business community. Informal payments remain a common part of doing business in Cambodia.

You should familiarise yourself with Australia's foreign corruption and bribery legislation and ensure you have a robust anti-corruption strategy. The Australian government recommends that businesses resist making facilitation payments, which are often difficult to distinguish from bribes.

Regulatory – *including the potential for regulations that increase the cost of doing business, reduce the attractiveness of an investment or change the competitive landscape.*

What this means for your business in Cambodia

Cambodia ranks 106th out of 184 nations of Heritage International's Index of Economic Freedom. Cambodia's 2021 Law of Investment Policy laid the groundwork for regulatory improvements, but the institutional environment remains weak. Regulatory enforcement can be hampered by cronyism and nepotism. Similarly, regulatory proceedings can be uncertain due to corruption and inefficient systems.

A trusted local partner can help you understand, navigate and secure complex regulatory processes.

Intellectual property (IP) – *including the potential for weak or underdeveloped IP protections and enforcement mechanisms.*

What this means for your business in Cambodia

Cambodia has established a solid legal framework for intellectual property (IP) rights and has a relatively efficient registration process. Cambodia is a World Intellectual Property Office member. Even so, internationally agreed IP standards are not consistently enforced and the sale of pirated products persists.

Registration for patents, trademarks and copyrights can help mitigate IP risk. Continual product development and brand updates can deter counterfeiting. There are also technology solutions such as RFID tags and QR codes to authenticate products.

Geopolitical – *including the potential for trade relationships, security partnerships and territorial disputes to impact business activities.*

What this means for your business in Cambodia

Cambodia has been a WTO member since 2004 and has eight free trade agreements in force, mainly with countries in the Asia-Pacific. Despite its openness to foreign investment, Cambodia has struggled to attract FDI from Western countries. The country is now heavily dependent on China to fulfill its FDI needs. This has increased competition for Australian businesses and investors and may result in more complex geopolitical risk assessments.

Boards and leadership teams should familiarise themselves with geopolitical issues that may impact your business and, if relevant, develop plans in response to potential scenarios. You may also wish to seek external advice.

Supply chain – *including the quality of infrastructure, levels of corruption, corporate governance, supply chain visibility and timeliness.*

What this means for your business in Cambodia

Supply chain risk is moderately high in Cambodia due to underdeveloped infrastructure, low supply chain visibility, and persistent corruption. FM Global's Resilience Index ranks Cambodia 118th out of 130 countries.

Although risks are moderately high, advice from a local partner can help to navigate a novel logistics environment to ensure you are able to take full advantage of Cambodia's sophisticated environment.

Climate – *including the potential for extreme weather events and rising sea levels to impact trade routes, supply chains and infrastructure.*

What this means for your business in Cambodia

The Notre Dame Global Adaptation Initiative rates Cambodia as the 132nd most vulnerable to climate change and the 159th least prepared out of 185 countries. The most severe risks stem from Cambodia's vulnerability to river floods, but droughts, extreme heat, wildfires and sea level rise are also a concern. These risks are likely to affect the agricultural sector and may disrupt supply chains.

Identifying and mitigating climate change risks–including their socioeconomic consequences–should be embedded in all elements of your strategy and operating model.

3. How to enter the market

Understanding a foreign business environment is key to a successful market entry. This chapter focuses on important considerations for businesses looking to enter Cambodia, including market entry models for exporters and investors, common business structures and adapting your product or service for the local market.

3.1. Exporting to Cambodia

In 2023, exports to Cambodia totalled over AUD 438 million, making it one of the smaller export destinations in the region. Education-related travel, coal and agriculture are among Australia's top exports to Cambodia, but other areas such as infrastructure and clean energy also offer promising opportunities.

Market entry models for exporting goods

Choosing an appropriate market entry model is essential for businesses looking to export to Cambodia. Any choice should be informed by factors such as the overarching business strategy, target sector, and business size and maturity. Market entry models frequently evolve over time.

Market entry model	Usually suited for
A. Direct exporting	Exporting products when more control is desired over distribution, marketing and sales
B. Agents and distributors	Exporting products when less control is desired over brand, marketing and sales
C. Online sales	Selling products via e-commerce

A. Direct exporting

In direct exporting, businesses sell directly to a Cambodian customer from Australia. Exporting directly to Cambodia requires a significant level of involvement in the export process, including market research, marketing, distribution, sales, product registration and approval, import-export licencing and receivables.

Direct exporting has some advantages, including:

- Greater control of commercial processes, including sales
- Better margins, as middlemen are avoided
- More direct customer relationships

While there are advantages, direct exporting may ultimately involve higher establishment costs in Cambodia, as employing dedicated in-house staff and other resources may be necessary to manage the complexities of exporting and sales. Businesses using this model may need to consider ways to offset these costs, including employing an agent or distributor to handle local product registrations, while still maintaining control over other aspects such as marketing and supply chain.

This approach will require businesses to engage with customers regularly to build awareness and understanding of the products they are selling on your behalf. In return, their understanding of the Cambodian market can be applied to product development, pricing and marketing. Selling directly to local retailers can generally cut commissions, reduce expensive travel and create an effective conduit to market.

B. Agents and distributors

Many Australian firms doing business internationally rely on agents or distributors. The roles of agents and distributors differ, and they can vary across industry. It is therefore critical that roles and responsibilities are clearly defined early in any agreement.

Agents: Agents act as representatives of suppliers and do not take ownership of the products they sell. They are usually paid on a commission basis, which provides an incentive for them to drive sales. Being based in Cambodia, they will often represent several complementary products or services. They can be retained exclusively as the sole agent for a company's goods or services or as one of several for the exporter.

Distributors: Unlike agents, distributors buy the goods from exporters and then resell them to local retailers or direct consumers. In some cases, a distributor may sell to other wholesalers who then on-sell to retailers or consumers. Distributors may carry complementary and competing lines and usually offer after-sales service. They earn money by adding margins to product prices. Distributor margins are generally higher than agent fees because distributors have costs associated with carrying inventory, marketing and extending credit for customers.

Choosing an agent or distributor: Whether using an agent or distributor, building a close working relationship is essential. Due diligence when selecting an agent or distributor is important – ask for trade references and seek a credit check through a professional agency. It is best to meet any potential agents or distributors in Cambodia; this will give them a chance to demonstrate knowledge of the market and provide an early opportunity to build the relationship.

Time in market is an important consideration when choosing a distributor in Cambodia. As distributors have a high rate of closure, engaging an established distribution business reduces the risk of disruption to a business relationship. On the other hand, established distributors can lack the dynamism of younger companies.

WHEN CHOOSING AN AGENT OR DISTRIBUTOR, DO THEY...?

- ☑ **Demonstrate an understanding of the products and prices of your competitors?**
- ☑ **Have a depth of experience in your sector and sub-sector?**
- ☑ **Have a depth of knowledge of the local market and sub-market?**
- ☑ **Demonstrate an understanding of consumer / customer trends?**
- ☑ **Have access to sales and / or marketing channels most relevant for your product?**

C. Online sales

E-commerce adoption in Cambodia is rising rapidly but still trails its neighbours. A nascent e-commerce market and growing numbers of young, digitally savvy consumers offer a modest opportunity to sell products and services online.

Government support for e-commerce is growing both within Cambodia and across the region. In 2019, the Cambodian Government enacted legislation to help regulate the e-commerce market and provide better consumer protections. In 2022, the Regional Comprehensive Economic Partnership's (RCEP) e-commerce provisions came into effect. The RCEP harmonises rules for traders and provides a framework for both consumer and data protection, providing significant market opportunities to expand online sales.

Accessing digital consumers: As mobile internet access has become more affordable, penetration rose to 145 per cent in 2023 (1.4 mobile connections per citizen). At 6 per cent of consumer spending per capita, digital expenditures in Cambodia is on par with the regional average. In 2021, e-commerce revenue in Cambodia was AUD 1.4 billion. Growth is expected to continue at 16.4 per cent per year, putting the market's value over AUD 2 billion by 2025.

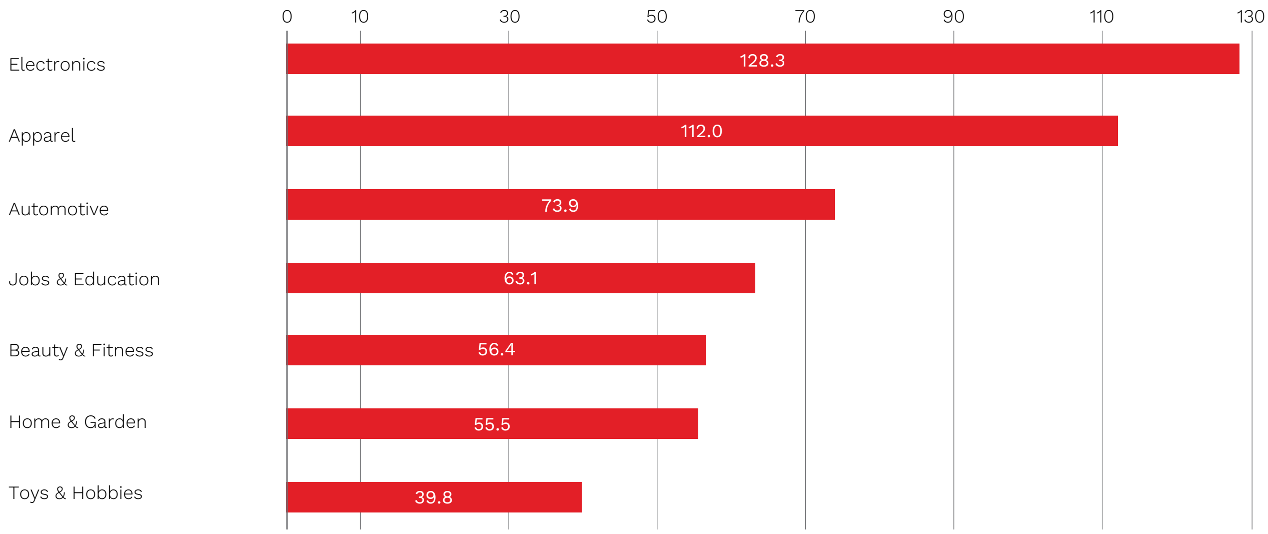
Increasing numbers of Cambodians are using their phones for digital banking, cashless money transfers, ride-hailing apps, food delivery and other payments. As more Cambodians use social media, platforms like Facebook are increasingly becoming important sales channels.

Electronics lead consumer e-commerce spending in Cambodia (**Figure 2**). Apparel, automotive, jobs and education are also important e-commerce categories, with beauty, personal care and hobbies tipped to see the most growth in consumer spending.

Search engines: Search engines are often the first step to online product discovery. Google dominates the market, followed by Bing, Yahoo and Baidu.

Search engine	Market share (%)
Google	96
Bing	2.3
Yahoo	0.5
Baidu	0.4

Figure 2: E-commerce spending on consumer goods (2024), AUD billion



Source: Aftership

Online sellers and marketplaces: The e-commerce market in Cambodia is fragmented compared to neighbouring countries. Chinese sellers are among the most popular: Taobao and AliExpress are two of the largest platforms. Cambodia's online marketplaces are generally open to foreign sellers.

Social media: Cambodia was home to 11.65 million social media users in 2023. Facebook and TikTok are the most prominent platforms, with 11.65 and 9.96 million users, respectively. Instagram is less popular, with 1.85 million users. In keeping with most social media platforms, Facebook, TikTok and Instagram usership is growing.

Platform	Key product range	Market share (%)*	Address
Taobao	Fashion, electronics, beauty, home care, food and beverages, sporting goods and books and other media	14.9	world.taobao.com
AliExpress	Fashion, electronics, home goods, accessories, DIY and hardware, tools and hobby equipment	11.7	aliexpress.com
Amazon	Home care and decor, health and beauty, baby care, sporting goods, automotive accessories, books and media	10.9	amazon.com
LODA	Jewellery, fashion, accessories, beauty products, electronics, automotive accessories, home decor, hardware and tools	5.3	loda.com.kh

**by site traffic*

3.2. Investing in Cambodia

Investment environment

Cambodia remains a frontier economy, but it offers incentives for investors and has joined several multilateral trade agreements. The combination of these factors has led to growing investor confidence in the market, albeit off a low base. From 1993 to 2022, FDI as a percentage of GDP in Cambodia grew from just two per cent to over 12 per cent. Net FDI inflows totalled AUD 5.4 billion in 2022, representing a 200 per cent increase from 2015.

Investment promotion in Cambodia is managed by the Council for the Development of Cambodia (CDC). In 2021, the Law on Investment was passed to provide incentives to attract more foreign investment. The CDC has identified agrifood, automotive, electronics, textiles, bikes and parts and furniture and plywood as priority sectors, but incentives are available in many others as well.

Corruption and weak regulation are important risks that businesses must consider when doing business in Cambodia. The country has made some progress in addressing these issues and has taken steps to stimulate foreign investment since signing the Paris Peace Accords in 1993.

The Cambodian Government provides a selection of incentives for investors in Qualified Investment Projects (QIPs).

QIPS are entitled to either:

- A full tax exemption for three to nine years, depending on the sector and investment activity and discounted rates for the six years following the exemption period; or,
- The right to deduct capital expenditure (up to 200 per cent) of specific expenses incurred for up to nine years.

QIPs are also eligible for:

- Full exemption from export taxes,
- Full exemption from import duties (on construction materials, equipment and production inputs),
- Full exemption from value added tax for local production inputs,
- 150 per cent tax deduction on expenses related to research and development, innovation, training, employee welfare facilities and services and machinery upgrading.

To benefit from these incentives, companies must obtain an annual compliance certificate from the CDC. More specific incentives can be found through the Council for the Development of Cambodia.

Investment rules and regulations

Cambodia imposes relatively few restrictions on foreign investment. With the exception of property, foreigners can own 100 per cent of their business in any sector (see **Section 4.1** Land and property rights below for further details). The government guarantees restitution for losses incurred as a result of civil disturbances, states of emergency or government nationalisation.

Cambodia also offers a number of Special Economic Zones (SEZs) which provide logistical and administrative advantages to businesses such as easy access to transportation and shipping, affordable utilities and co-located government services. The quality of services offered across Cambodia's SEZs vary and businesses seeking to take advantage of these zones should undertake due diligence. Exports from Cambodian SEZs have more than doubled since 2017.

In addition to offering incentives, the Cambodian Government's 2021 Law on Investment also aims to streamline the foreign investment approval process. There is a fast-tracked application process for many business activities through the **Council for the Development of Cambodia (CDC)**. Applications for natural resources exploration or extraction, infrastructure projects, environmentally-sensitive practices or investments greater than AUD 76 million require additional approval from the Ministry of Commerce (MOC). The CDC states that it aims to provide a decision on most basic applications within 20 days.

Market entry models for investing

Choosing an appropriate market entry model is essential for businesses looking to invest in Cambodia. A business' size, sector and growth strategy will help determine which market entry model fits best. Investment models frequently evolve over time as businesses enter and expand in a market. Seek professional advice on the best structure for your business.

Market entry model	Usually suited for
A. Representative office	Exploring the market and marketing and promotion activities, but not generating revenue
B. Branch office	Conducting some commercial activities on behalf of the parent company
C. Partnership	Establishing a business with a Cambodian partner or partners
D. Private limited company	Establishing a privately held business that operates as a separate legal entity
E. Public-private partnership	Establishing a long-term contractual relationship with government to deliver a product or service

A. Representative office

Opening a representative office (RO) can be a useful and economical first step to explore business opportunities in Cambodia. ROs can help to promote the products or services of the parent company in a new geography and assess the business environment without establishing permanent operations.

A representative office must register with the Ministry of Commerce (MOC) and include the words ‘Representative Office’ before the company name. ROs are not permitted to conduct commercial activities or generate revenue. However, they are entitled to rent office space, employ local staff and appoint managers. ROs are subject to local tax rules.

Establishing a representative office in Cambodia

Step	Procedure	Timeframe
1	Apply for name reservation and pay application fee to the MOC	2-4 weeks
2	Obtain a Certificate of Registration through the Online Business Registration System	
3	Open a corporate bank account	
4	Register for a Tax Identification Number (TIM) within 15 days of registering the business	
5	Register with the Ministry of Labor and the National Social Security Fund (NSSF) to make monthly contributions for employees	

B. Branch office

Establishing a branch office (BO) in Cambodia allows a company to engage in commercial activities without establishing a separate legal entity. While BOs can carry out business operations such as importing, exporting, manufacturing, processing and construction, they are ineligible for incentives such as those offered to QIPs. A BO must have the same name as its parent company and include ‘Branch’ in front of its name.

Establishing a branch office in Cambodia

Step	Procedure	Timeframe
1	Apply for name reservation and pay application fee to the MOC	2-4 weeks
2	Obtain a Certificate of Registration through the Online Business Registration System	
3	Open a corporate bank account	
4	Register for a Tax Identification Number within 15 days of registering the business	
5	Register with the Ministry of Labor and the National Social Security Fund to make monthly contributions for employees	

C. Partnerships

Forming partnerships is a common way for foreign businesses to enter the Cambodian market. Partnerships can be general or limited in nature. General partnerships do not need to be formalised through registration. Limited partnerships limit the liability of each partner to the extent of their capital contributions, but must be registered with the MOC.

Partnerships must be formed with at least 51 per cent Cambodian ownership and have an address in Cambodia. Under this arrangement, the right of Cambodian nationals to own property is extended to the business entity. Partnerships require an address and a company representative to be present in the country. Establishing a partnership in Cambodia follows the same process as wholly owned companies. The company will be considered a resident for tax purposes.

Establishing a partnership in Cambodia

Step	Procedure	Timeframe
1	Apply for name reservation and pay application fee to the MOC	2-4 weeks
2	Obtain a Certificate of Registration through the Online Business Registration System	
3	Open a corporate bank account	
4	Register for a Tax Identification Number within 15 days of registering the business	
5	Register with the Ministry of Labor and the National Social Security Fund to make monthly contributions for employees	

D. Private limited company

In Cambodia, foreigners may incorporate limited liability companies without a Cambodian business partner. This can provide flexibility and greater market access to foreign businesses. Private limited companies (PLCs) are allowed to have between 2 and 30 shareholders but are not allowed to sell shares to members of the public.

PLCs are required to have at least KHR 4 million (AUD 1,460) in start-up capital deposited into a Cambodian bank prior to registration. To register, companies must also have an address and a representative in Cambodia. PLCs are considered foreign persons unless 51 per cent of their capital is owned by Cambodian nationals. Agents may be able to expedite the process of setting up a private company in Cambodia, but due diligence should be thoroughly carried out beforehand.

Establishing a private limited company in Cambodia

Step	Procedure	Timeframe
1	Obtain a deposit receipt for start-up capital from any authorised Cambodian bank	1 day
2	Apply for company name reservation and pay application fee to the MOC	2-7 days
3	Apply for Incorporation with the MOC	2-4 weeks
4	Register for a Tax Identification Number	4-6 weeks
5	Submit notification of operations to the Ministry of Labor prior to commencing operations and prepare for inspection	

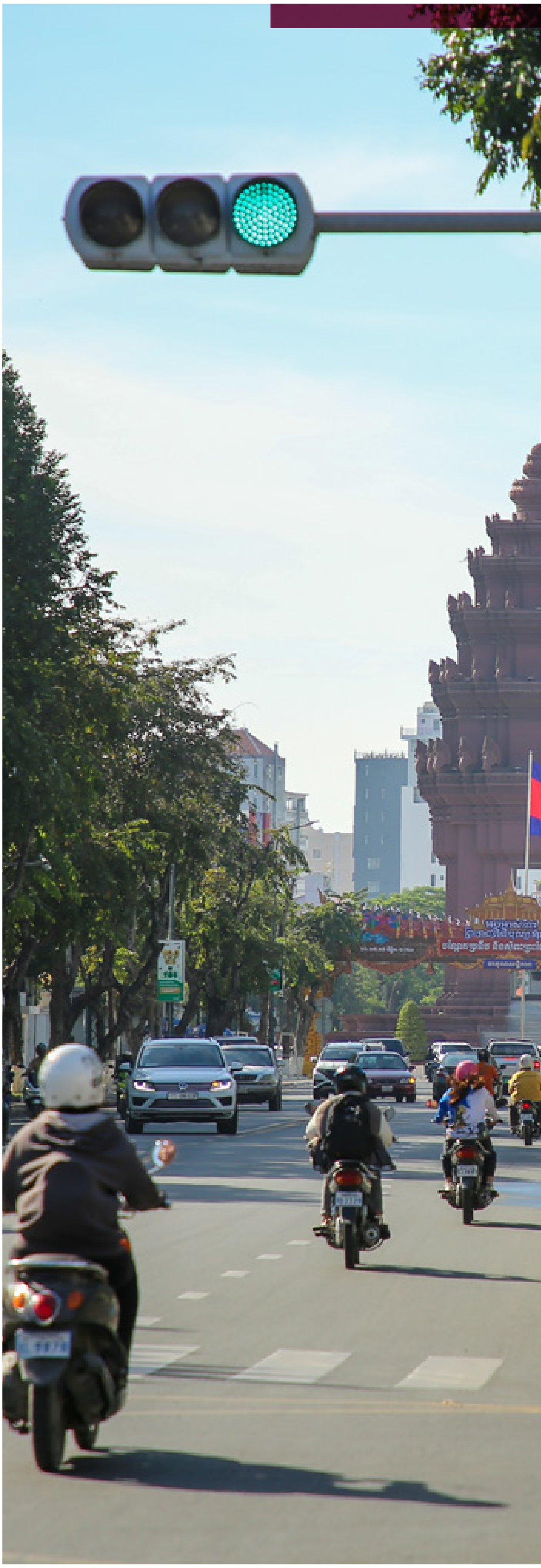
E. Public-private partnership

Public-private partnerships (PPPs) are usually long-term contractual arrangements between governments and private entities for the purposes of delivering a specific project or service. In Cambodia, Ministry of Economics and Finance (MEF) is responsible for overseeing all aspects of PPPs, including reviewing and approving applications, developing policies and managing development.

PPPs are approved for the delivery of infrastructure projects across a wide range of sectors. PPPs are also eligible to be approved as Qualified Investment Projects, making them eligible for several incentives.

Establishing a public-private partnership in Cambodia

Step	Procedure	Timeframe
1	**Identify or propose a suitable project opportunity to the MEF**	12-18 months
2	**Submit a pre-qualification application and all required documentation to the MEF**	
3	**If approved for prequalification, attend the pre-bid meeting (not required, but helpful for gaining information)**	
4	**Submit a formal offer. 'Technical Proposals' and 'Financial Proposals' must be submitted separately for independent review**	
5	**Review and sign the final contract to finalise the agreement**	



3.3. Go to market strategy

Success in Cambodia requires businesses to tailor their product or service to the market. This should be based on detailed analysis of consumer trends, price consciousness, branding, marketing and advertising.

Cambodia's per capita household income is growing rapidly, but still trails most neighbouring countries by a significant margin (**Figure 3**). Traditional grocery stores and markets still dominate much of Cambodia's retail landscape. E-commerce is growing, however, particularly in urban areas. The country is home to a relatively young population increasingly active in digital spaces. In 2023, nearly one third of Cambodians shopped online multiple times each month. In keeping with global trends, the use of cash declined significantly with the COVID-19 pandemic as the adoption of digital payments and e-wallets increased.

Understanding the characteristics, aspirations and spending habits of Cambodia's consumers is crucial for businesses looking to enter the market. Businesses entering Cambodia should adjust their value propositions to capitalise on emerging consumer trends. A majority of Cambodian consumers (76.5 per cent) consider sustainable living to be very important. Businesses can gain a competitive edge by tailoring their products and services to increasingly eco-conscious consumers.

Consumer trends in 2023

Cambodia

AUD 27.7 billion
Total consumer expenditure

62%
Consumer Expenditure as % of GDP

AUD 9,957
Median Disposable Income per Household

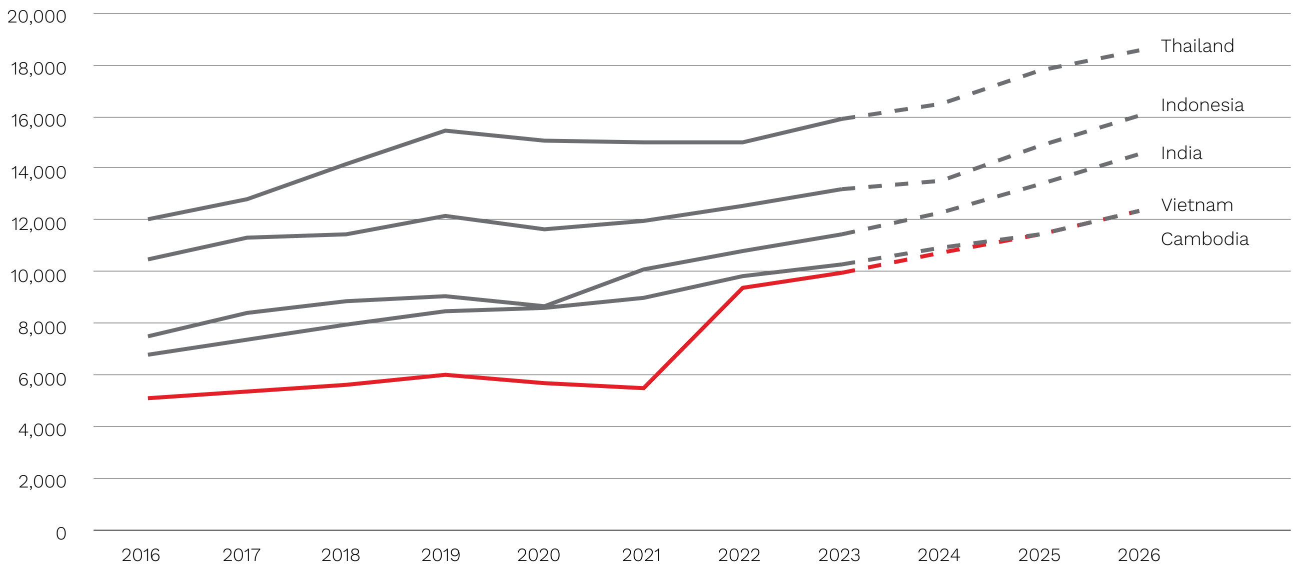
Australia

AUD 1.3 trillion
Total consumer expenditure

51%
Consumer Expenditure as % of GDP

AUD 118,616
Median Disposable Income per Household

Figure 3: Median disposable income per household (2016-2026f), AUD, current prices



Source: Euromonitor International

Explanatory note: Cambodia's income rose significantly between 2020 and 2022 following the implementation of the government's Cash Transfer Program to alleviate poverty and unemployment for 2.7 million Cambodians during the Covid-19 pandemic.

Price consciousness

At AUD 9,957, Cambodia's median household disposable income is among the lowest in the region. In addition to having relatively low purchasing power, many Cambodians feel vulnerable to increases in the cost of living. Nearly one third of Cambodians say they are focused on reducing unnecessary expenses. Paying off debt and saving for home purchases are among the population's top financial goals. Australian businesses should be aware that value for money is top of mind for many Cambodian consumers.

Branding

Branding is as critical in Cambodia as in any market, and companies benefit from researching and understanding the specific tastes of consumers in new markets. Two-thirds of consumers tend to purchase products they are already familiar with. Although this presents a challenge for new entrants, social media and digital advertising have proven persuasive among Cambodian consumers. New brands in Cambodia can establish a positive reputation through targeted promotion campaigns and building consumer confidence.

For many consumer products in Cambodia and other ASEAN nations, Western brands may be less well-known than regional ones. Australian businesses may need to consider how to best promote the Australian origin of their products when entering new markets. **Austrade's Nation Brand** toolkit provides a range of free branding assets for businesses looking to export.

Marketing

Trade marketing to distributors and retailers can be an effective way for businesses to promote their products and services in the Cambodian market. A trade show can be a useful starting point. They are effective ways to reach new clients, gain insights into the competitive landscape and network with other businesses. Cambodia hosts over 30 trade shows each year in sectors such as textiles, beauty products, agricultural equipment and mining technology. Cambodia's rapidly growing economy and investment-friendly environment attracts many foreign businesses to these shows.

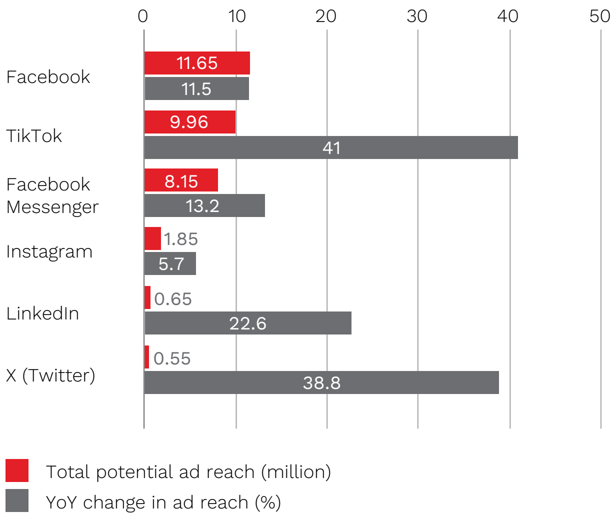
Sales promotions can also help establish new brands, especially among value-conscious consumers. Offering special discounts can be an effective way to increase sales and gain customer loyalty, particularly in sectors crowded with well-known local brands.

Marketing and promotional efforts, whether at trade shows, in sales promotions or online, should appear in Khmer to ensure accessibility for all consumers.

Advertising and media

Cambodians typically rely on personal experience and word of mouth when purchasing products, but may also be swayed by social media advertising and other brand communications. Smartphones are ubiquitous and most Cambodian consumers have access to mobile internet. Similarly, nearly all Cambodians use social media and nearly two thirds rely on various platforms to learn about new products. Facebook has the largest potential ad reach, followed by TikTok (**Figure 4**). Along with X (Twitter), TikTok saw the largest growth in potential ad reach in 2023.

Figure 4: Digital advertising audiences in Cambodia (2023)



Source: We Are Social

As with other types of marketing, it is important for content to be written or spoken in Khmer. It is legally required that the Khmer name of a business be displayed on all communications used for public purposes. It must also be larger than the English name (if included) and placed above it.

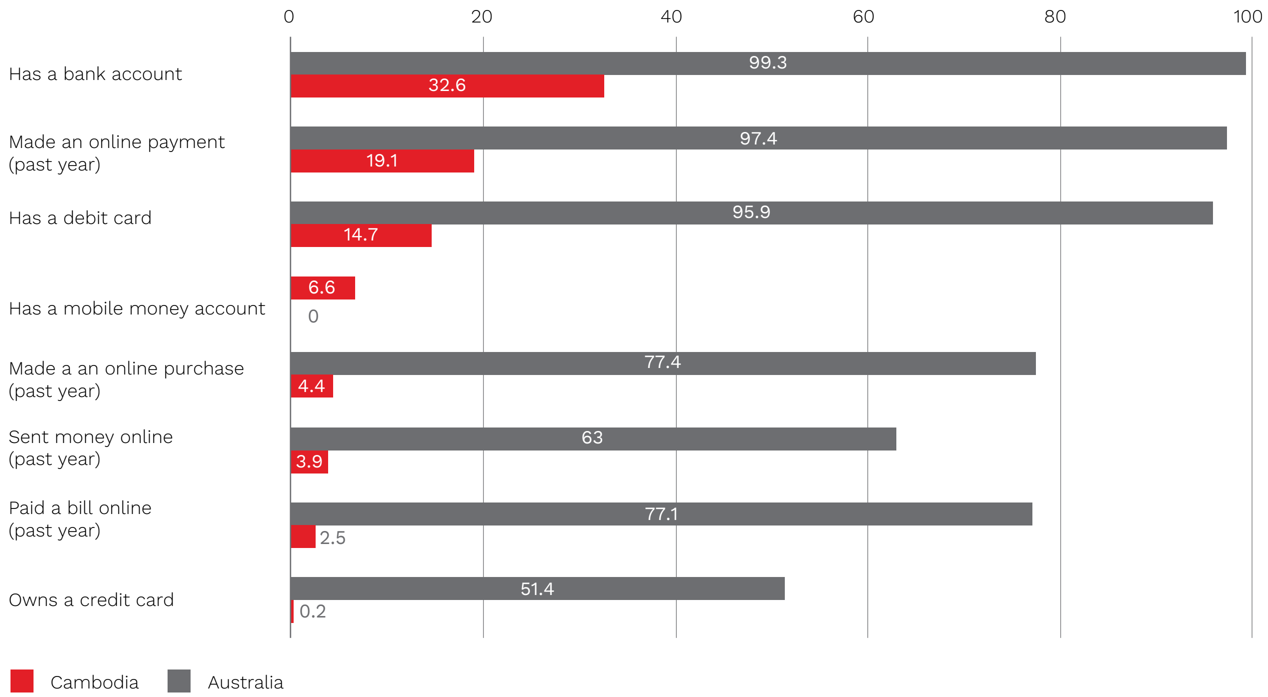
Advertising is heavily regulated in Cambodia. In addition to a company name, all text in advertising material must appear in Khmer. If a foreign language is also used, it must be less than half the font size of the Khmer text. Prior to advertising any commercial goods or services, businesses must obtain an advertising license or permit from the relevant sectoral ministry. Businesses also require a compliance certificate from the Ministry of Commerce which certifies that the text in the advertisement complies with consumer protection and other laws. In general, advertising materials are prohibited from making misleading claims, using superlatives like 'best' or 'superior' and using text which violates any other laws.

Digital Payments

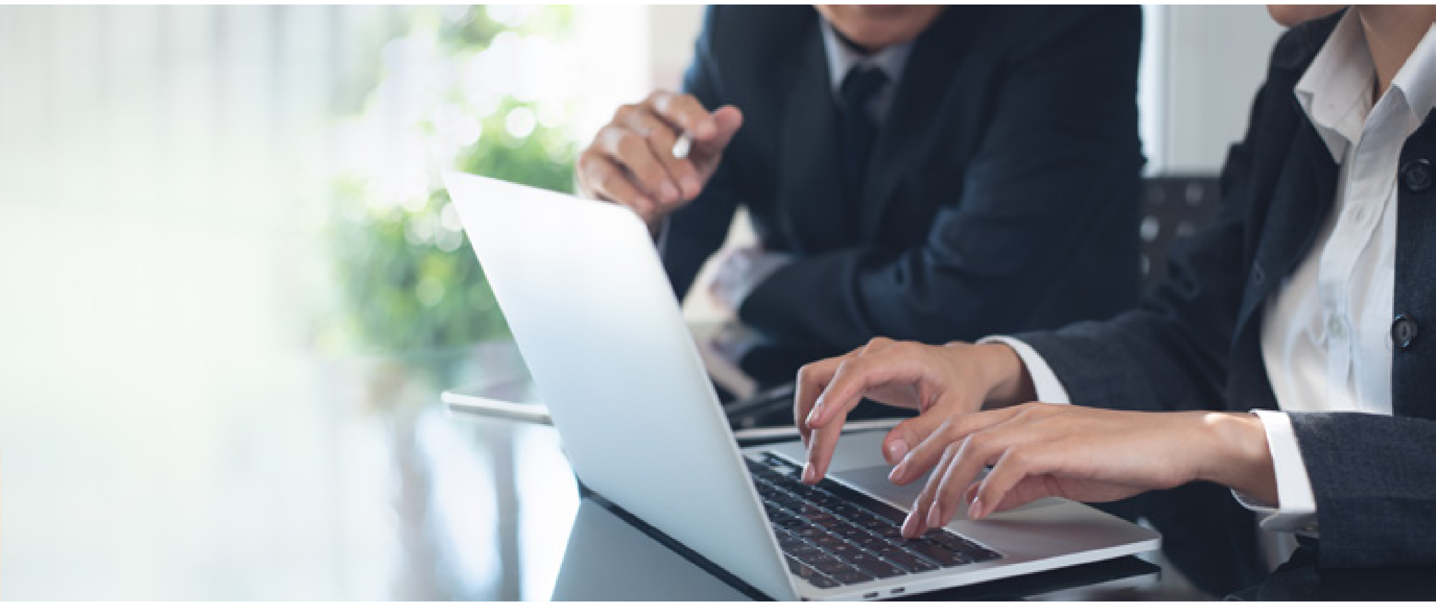
Despite the increased uptake of digital payments, Cambodia's low rate of financial inclusion means it remains a highly cash-based economy. In 2023, only a third (32.6 per cent) of Cambodians had a bank account with a financial institution (**Figure 5**). However, digital money is transforming consumer payment trends. In 2020, the National Bank of Cambodia (NBC) launched its digital currency Bakong. The Bakong can be transacted directly as cash-online or in person and does not require a bank account. Increasing financial inclusivity through digital payment options is part of the NBC's ambition to build a robust digital economy in Cambodia.

A growing proportion of businesses are adopting digital payment capabilities in Cambodia. In 2022, QR payments became the second most popular payment method across all purchase categories. Digital payments can make financial transactions safer, cheaper and more convenient. As the popularity of digital payments grows, businesses should consider how they can be integrated into their business models.

Figure 5: Financial inclusion factors (2023), %



Source: We Are Social



3.4. Developing your market entry strategy

A well-considered market entry strategy requires a systematic approach that supports long-term success. This section distils the factors businesses should consider when formulating an approach to the Cambodian market into a series of key questions.

Asialink Business provides advisory services and capability training programs to help organisations understand and access opportunities in Asian markets. Should you have questions about any aspect of your Cambodia market entry strategy, please **contact us**.

CALIBRATING AMBITION

- What is your company's aspiration for the market?
- What are the challenges and risks you will need to mitigate?

CONSUMERS

- What is the current or potential demand for your product or service in Cambodia?
- Who are the primary customers / consumers for your product or service in the market?
- How will you tailor your product or service to local preferences?

COMPETITORS

- Who are your competitors in the market, and what is their offering?
- How does your product or service compare to competitors on price?

SALES, BRAND AND MARKETING

- What is your unique value proposition for the market?
- What is the ideal mix of marketing and sales channels to reach your target customers?
- Is your marketing strategy aligned with your identified consumer base and value proposition?

MODE OF ENTRY

- What is the right market entry model for your business?
- What are the specific geographies you should target?

DELIVERY PARTNERS

- Does your team have the right mix of skills and expertise to support your market entry?
- What partnerships will contribute to your business' success in the market?
- What external advice do you need to commission?

OPERATING MODEL

- What changes do you need to make to your business across areas such as operations, HR, finance and IT?

4. Business practicalities

Australian businesses need to be aware of business practicalities when operating in Cambodia. The information in this chapter presents an overview of the main areas that need to be considered – including regulations, customs duties, taxation and accounting, employment law and banking.

4.1. Laws and regulations

Land and property rights

Much Cambodian land is state-owned and used for public service provision, conservation and rural properties. In almost all cases, the right to own property in Cambodia is limited to individuals with Cambodian citizenship or legal entities deemed to be of Cambodian nationality. While foreigners cannot own land, a legal entity they have a stake in with a Cambodian business partner who owns at least 51 per cent, may do so. Foreigners are able to purchase apartments and condominiums, provided they are not on the ground floor of a building.

Under Cambodia's 2021 Investment Law, foreigners are allowed to engage in long-term leases for land and property. These contracts allow for the use and development of land for business or other purposes. Australian businesses should be aware that there have been reports of land and title disputes in Cambodia. It is important to perform due diligence before committing to any lease agreements or land purchase.

Cyber security

The Ministry of Posts and Telecommunications (MPTC) proposed a draft law on cybersecurity in July 2023 that is ostensibly meant to protect citizens' digital privacy. It has come under criticism, however, for excluding government entities and potentially restricting civil liberties, as well as cross-border data flows, which would hinder the business environment. As of September 2024, the law is not in force.

Intellectual property

To support continued economic development, Cambodia is working to bring its intellectual property (IP) framework into line with World Trade Organisation (WTO) standards. Cambodia has been a member of the World Intellectual Property Organisation (WIPO) since 1995 and WIPO has an office in Phnom Penh. Cambodia is a signatory to the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS) and the Madrid Protocol. While the government also has a number of IP enforcement departments, such as the Cambodian Counter Counterfeit Committee, oversight and enforcement responsibilities remain poorly defined and IP protection is weak.

Intellectual property laws, protections and disputes are overseen by the Department of Intellectual Property Rights (DIPR). Cambodia regulates seven kinds of IP: trademarks, patents, utility models, industrial designs, geographical indications, integrated circuit layout designs and copyright. The following rules apply to IP registration:

Protection	Detail	Duration
Trademarks	Filed with DIPR. Trademarks include distinctive marks such as logos, words, unique packaging or colours. Protection ensures exclusive use to differentiate business goods and services.	10 years. May be renewed for successive terms.
Patents	Applications are processed through DIPR. Patents protect new inventions, including products or processes that offer new technical solutions or enhancements.	20 years from the filing date, non-renewable.
Utility models	Similar filing procedure to patents. Like patents, utility model certificates also apply to new, industrially-applicable inventions. Unlike patents, they do not require a novel inventive step to be protected.	7 years, non-renewable.
Industrial designs	Managed by DIPR, this covers new and original three-dimensional aesthetic designs applicable to products. Registration provides protection for all unique elements of a design.	5 years, renewable for a maximum of 15 years.
Geographical indications	Ensures products are recognised for their geographic origin and qualities or reputation due to that origin. Administered by DIPR, this helps protect and promote regional products.	Permanent, unless invalidated or cancelled.
Integrated circuit layout designs	Protects original 3D layouts of integrated circuits used in electronics, registered with DIPR. To receive protection, the design must not have been used commercially anywhere in the world for more than two years.	10 years, non-renewable.
Copyright	Protection is automatic upon creation and covers literary, artistic, and scientific works. It grants authors, composers and artists control over the use of their original works, without the need for formal registration. Voluntary registration is available through the Ministry of Culture and Fine Art.	From the time of creation to 50 years after the author's death.

Violation of IP and enforcement options: Cambodia's IP framework has improved dramatically in recent years, but violations still occur. Businesses or individuals seeking to enforce their IP rights have several options:

- Sue for monetary damages in civil court
- Request the General Department of Customs and Excise (GDCE) suspend import clearance for infringing goods
- Pursue criminal prosecution or fines

Taking legal action against IP infringers is the only way for businesses and individuals to recoup financial losses resulting from infringement. However, this process can be time consuming. Because Cambodia's manufacturing base is relatively small and most infringing goods are imported, it can be easier to have infringing imports disallowed. To pursue this option, businesses must submit a statement to GDCE showing the goods to be counterfeit and pay an official fee. Businesses can consult **IP Australia** for advice.

4.2. Customs duties

Import duties and tariffs

Cambodia has implemented several programs to reduce tariffs and improve economic integration in the region. For example, the ASEAN Trade in Goods Agreement eliminates import tariffs for ASEAN member states. Under the ASEAN-Australia-New Zealand Free Trade Agreement, nearly all Australian goods may enter Cambodia tariff-free.

For more details regarding the specifics of free trade with Cambodia, including rules and restrictions, visit the Department of Foreign Affairs and Trade's **FTA Portal**.

Calculations and payments

As a member of the WTO, Cambodia's customs duty calculation procedures align with the General Agreement on Tariffs and Trade (GATT). Under GATT's Valuation Agreement, import duty is calculated by multiplying the imported good's value by the corresponding import duty rate. The dutiable value of imported goods is typically based on the cost, insurance and freight level under the International Commercial Terms.

Other taxes and charges

Cambodia levies a 10 per cent value added tax (VAT) on most goods and services. Some goods and services are exempt from VAT if they support certain industries or public services. Supplies for Qualified Investment Projects (QIPs) and those bound for businesses in Special Economic Zones (SEZs) are generally exempt from VAT and other import duties, if applicable.

Cambodia also charges a tax for public lighting (TPL) on the distribution of alcohol and tobacco products. For importers, tax is generally five per cent of the goods' value. For distributors, TPL is charged at 20 per cent.

Export duties

While most goods are exempt, Cambodia does levy export duties on items such as timber and animal products, including seafood. Businesses should note that an export permit from the General Department of Customs and Excise of Cambodia (GDCE) is required for all goods leaving the country, regardless of whether duties must be paid. Details regarding export procedures can be found on the **GDCE website**.

Import and export regulations

The GDCE is responsible for trade facilitation and enforcement. The agency requires that importers and exporters file declarations of their activities with documentation such as packing lists, invoices, proof of insurance, landing or airway bills and other documents, if required.

To streamline the customs process, the government has developed a **National Single Window**. The platform allows importers and exporters to interact with all government agencies involved in the trade process without filing multiple forms. The GDCE also encourages businesses to use their single administrative document to reduce the bureaucratic load.

All importers and exporters must ensure that their business entity is registered with the MOC and has a Tax Identification Number (TIN). Businesses must also register for VAT payment and complete a customs declaration. Further details are available through the Cambodian government's **National Trade Repository**.

4.3. Taxation

In Cambodia, businesses register for taxation through a local branch of the General Department of Taxation (GDT). The GDT oversees taxation for both individuals and businesses. Their regime includes corporate income taxes, salary taxes, stamp duties, withholding taxes and value added taxes. There is no double taxation treaty in place between Cambodia and Australia.

This section provides an overview of the taxes Australian businesses can expect to face when operating in Cambodia. Not all applicable taxes are covered in this guide and the information provided is of a general nature. Businesses should seek professional tax advice for understanding the taxes specific to their activities.

Table 1: Overview of Cambodia's taxes for businesses

Tax	Tax rate (%)
Corporate income tax	20
Capital gains tax	20
Withholding	
Dividends	14
Branch remittance tax	14
Royalties	15
Services	15 on payments to residents 14 on payments to non-residents
Rental	10
Interest	15

Corporate Income Tax

In Cambodia, corporate tax rates and filing requirements vary by enterprise size and sector of operation. Size is defined as follows:

Table 2: Corporate tax brackets and criteria

Taxpayer classification	Criteria	Tax rate
Small	Sole proprietorship or partnership with: • Annual turnover between KHR 250 million and 1 billion (AUD 91,547 and AUD 366,189) for agricultural, service and commercial sectors, • Annual turnover between KHR 250 million and 1.6 billion (AUD 91,547 and AUD 585,902) for the industrial sector, • Total turnover for any three consecutive months in calendar year more than KHR 60 million (AUD 21,971), • Total expected turnover for next three consecutive months more than KHR 60 million (AUD 21,971), or • Participation in bidding, price consultation, or surveys for the supply of goods or services.	0-20%
Medium	• Annual turnover between KHR 1 billion and 4 billion (AUD 366,189 and AUD 1.5 million) for the agricultural sector, • Annual turnover between KHR 1 billion and 6 billion (AUD 366,189 and AUD 2.2 million) for service and commercial sectors, • Annual turnover between KHR 1.6 billion and 8 billion (AUD 585,902 and AUD 2.9 million) for the industrial sector, • Registered as a legal person or representative office, • National or subnational state institutions, associations, or non-government organisations or projects under these institutions, or, • Foreign diplomatic and consular missions, international organisations and technical cooperation agencies of other governments.	20%
Large	• Annual turnover more than KHR 4 billion (AUD 1.5 million) for the agricultural sector, • Annual turnover more than KHR 6 billion (AUD 2.2 million) for service and commercial sectors, • Annual turnover above KHR 8 billion (AUD 2.9 million) for the industrial sector, • Subsidiary of multinational company, branch of a foreign company, or, • Qualified Investment Projects (QIPs).	20%

Regardless of size, representative offices of foreign companies are taxed as medium enterprises. Branch offices and subsidiaries are considered large enterprises for tax purposes. Cambodia and Australia do not have active tax agreements, so all taxes must be paid at rates dictated by the Cambodian government.

Cambodia provides a range of tax incentives for foreign companies. Qualified Investment Projects (QIP) are eligible for several tax exemptions and deductions, detailed in **Section 3.2**. Additional tax incentives are provided in the agriculture and securities sectors.

Personal income tax

Cambodia's personal income taxes are charged as a monthly salary tax. The tax rate depends on residency status. An individual is classified as a tax resident if they are present in Cambodia for more than 182 days in a 12-month period. Residents are charged on all earnings, regardless of location. Non-residents are taxed only on income derived from employment in Cambodia.

Non-residents are taxed at a flat rate of 20 per cent. Residents are taxed at the following progressive rates:

Monthly salary tax rates

Monthly taxable income (KHR)	Tax rate (%)	Gross Tax Payable (KHR)
First 1,500,000 (AUD 549)	0	0
Next 500,000 (AUD 183)	5	25,000 (AUD 9)
First 2,000,000 (AUD 732)	-	25,000 (AUD 9)
Next 6,500,000 (AUD 2,380)	10	650,000 (AUD 238)
First 8,500,000 (AUD 3,113)	-	675,000 (AUD 247)
Next 4,000,000 (AUD 1,465)	15	600,000 (AUD 220)
First 12,500,000 (AUD 4,577)	-	1,275,000 (AUD 467)
More KHR 12,500,000 (AUD 4,577)	20	

Indirect taxes

Value added tax (VAT): Apart from some exemptions, all goods and services are taxed at a rate of 10 per cent. Exemptions include goods and services supplied to export-oriented garment, textiles, footwear, luggage and headwear manufacturing as well as rice production intended for local sale and consumption. VAT returns and payments must be submitted within 20 days of the following month.

Stamp tax: Tax imposed on the transfer of title of assets and shares, at a rate of 4 per cent and 0.1 per cent, respectively.

Patent tax: Must be paid upon registering for a Tax Identification Number. The tax ranges from 400,000 KHR (AUD 146) for small enterprises, 1.2 million KHR (AUD 439) for medium enterprises and 3 million KHR (AUD 1099).

Land and property taxes: Tax on immovable property, including land, buildings and other infrastructure built on land, are levied at a rate of 0.1 per cent of the tax base of the asset. The tax base is equal to 80 per cent of the market value of immovable properties in question. A separate annual tax return must be filed with the GDT for each individual piece of immovable property. Payment of tax is due on 30 September. Cambodia also charges an annual tax on unused land that does not fall under the scope of immovable property tax charges. The tax rate is two per cent of the market value of the land per square metre due on 30 June each year.

4.4. Audit and accountancy

Auditing and accountancy play a vital role in enhancing transparency and accountability in a business, especially one engaged in a foreign market. It increases business performance by identifying risks and highlighting areas for improvement.

Accounting standards

Accounting standards in Cambodia are managed by the Accounting and Auditing Regulator (ACAR). Local and foreign businesses are required to prepare their accounts in accordance with Cambodia International Financial Reporting Standards (CIFRS). CIFRS is in full agreement with the International Financial Reporting Standards (IFRS). Cambodia offers a separate set of IFRS standards for small and medium enterprises which are designed to provide a simpler framework for record keeping.

Although Australian Accounting Standards are also based on IFRS, Australian businesses with operations in Cambodia should review any differences between jurisdictions to ensure their records are compliant with both countries' accounting authorities.

Statutory audits

In Cambodia tax audits can be frequently imposed which may be administratively burdensome for some businesses. Audits are conducted by an independent external auditor registered with the Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA). All Qualified Investment Projects are required to have their financial statements audited annually.

Additionally, any company fulfilling at least two of the following criteria must undergo an annual audit and submit it to ACAR:

- Annual turnover above KHR 3 billion (AUD 1.1 million)
- Total assets over KHR 2 billion (AUD 725,680)
- More than 100 employees

Audits must be completed within six months of the financial year end. For businesses that do not require an audit, unaudited financial statements must still be submitted to ACAR. All companies require a Certificate of Financial Reporting Identification Number to submit financial statements to ACAR.

Books and records

Businesses can choose to use KHR or another foreign currency as their functional currency, but financial statements must be prepared in KHR. Records may be kept in English if businesses are unable to use accounting software that supports Khmer, but all supporting documents should be written in Khmer. ACAR must be notified if accounts are being kept in English prior to submission.

Businesses may choose their own financial year end. Financial statements cover a 12-month period and must be completed within three months of year-end.

Quality control

Audits are overseen by ACAR, who maintains a list of approved auditors from which businesses may choose. KICPAA provides auditors with a list of standards and compliance tools to improve audit quality. KICPAA is a member of the International Forum of Independent Audit Regulators.

Cambodia has established an Audit Quality Monitoring Committee with the help of the Institute of Chartered Accountants in England and Wales and the Asian Development Bank.

4.5. Employing workers

Doing business in Cambodia will often require employing local and foreign workers. Understanding Cambodia's labour market regulations, recruitment methods and country-specific management styles is crucial to building and supporting an effective team.

Labour market

Skill level: Cambodia has a young and growing workforce supporting its growth in textile and light manufacturing. However, the skill level of the workforce has historically been considered low and many businesses report struggling to fill positions for skilled professionals. Although the government has more than doubled education spending as a share of GDP since 2012, secondary school completion rates remain just over 25 per cent. This is well below the regional average of 52 per cent. The lack of skilled workers may present challenges for businesses establishing themselves in Cambodia.

Employment contracts: Cambodia's 2021 Labor Law recognises both oral and written employment contracts. A probationary period of up to three months is permitted, which may be considered in addition to the duration of the employment contract. Contracts may be formed with local or foreign workers, though preference must be given to Cambodian nationals. Foreign workers may not exceed 10 per cent of the workforce in any given enterprise. Contracts may take on the following forms:

Contract type	Criteria	Contract period
Fixed duration contract (FDC)	Work that lasts a specific period of time not in excess of two years. This contract may be renewed.	2 years or less
Unspecified duration contract (UDC)	If an employment contract does not meet the criteria of an FDC, or if the total duration and initial renewal period exceeds four years, it is considered UDC.	Indefinite
Probationary contract	An employer may issue a probationary contract to determine an employee's skill level for a certain period, depending on the type of worker.	• 30 days for specialised workers • 60 days for non-specialised workers • 90 days for regular employees

Minimum wage: The minimum wage in Cambodia applies only to workers in the textile, garment and footwear manufacturing sectors. It was raised to KHR 850,000 per month (AUD 310) in 2024. In other sectors, employees should not be paid less than this amount. Employers should consider the needs of the employee's family, the cost of living and the average salary of other workers in the same industry with similar skills.

Human resources and employment law: The 2021 Labor Law is Cambodia's primary employment legislation. It regulates employment terms and conditions for all employees under a contract with an employer, regardless of nationality.

Working hours: Standard work hours for employees are eight hours per day, up to 48 hours per week. Employees must have 24 consecutive hours off at least once per week. Usually, employees are given Sundays off. Alternative schedules may be set, provided they do not exceed 10 hours per day and 48 hours per week over the course of a 12-week period.

Holidays: All workers are entitled to 18 days per year (1.5 days per month). For every three years of continuous employment, workers receive one extra day of paid leave per year. Cambodia also has 21 public holidays for which employees must be paid 200 per cent of their normal wage if employers request them to work. In addition, workers are generally given an additional month's wages at Khmer New Year, bringing their annual total remuneration to 13 months' pay per year.

Years of service	Days of leave
Less than 3 years	18
Between 3 and 6 years	19
Between 6 and 9 years	20
Between 9 and 12 years	21
Between 12 and 15 years	22

Overtime: Overtime is permitted for exceptional or urgent jobs. However, employees are permitted to refuse without penalty. Employers must seek approval from the Ministry of Labour and Vocational Training's Department of Labour Inspection prior to giving overtime work to employees. Generally, overtime hours are limited to two hours per day and should not exceed 10 hours per week. Employees must also receive either KHR 2,000 (AUD 1) or a free meal during their shift.

Timing of overtime	Basic overtime pay
Completed before 10pm	150% of employee's wages
Between 10pm and 5am, on Sunday or a public holiday	200% of employee's wages

Sick leave: In the event of illness, employers are to pay workers their normal wage for the first seven days. If the illness extends beyond this period, workers may receive 70 per cent of their normal wage through National Social Security Fund (NSSF) benefits. Employers are also required to suspend workers' contracts for up to six months in the event of illness. After this period, the contract may be terminated.

Social, health and unemployment insurance contributions: Employers are required to make Occupational Risks Contributions (ORC), healthcare contributions and pension payments to the National Social Security Fund on top of employees' monthly wages. Contributions are made to employees' NSSF accounts.

Contribution rates for NSSF payments by employees and employers (% of monthly wages)

Years of employment		ORC	Health	Pension (paid from the start date of the pension scheme 2022)
Less than 5	Employee	-	-	4
	Employer	0.8	2.6	4
Between 5 and 10	Employee	-	-	8
	Employer	0.8	2.6	8
Between 10 and 20	Employee	-	-	10.75
	Employer	0.8	2.6	10.75
Between 20 and 30	Employee	-	-	13.5
	Employer	0.8	2.6	13.5

Ending employment: In general, fixed duration contracts (FDCs) can only be terminated if both parties agree or there has been serious misconduct by either party. If the contract duration is less than 12 months, employers must give notice of contract conclusion and non-renewal at least 10 days before the expiration date. For FDC contracts longer than one year, 15 days of notice are required. Unspecified duration contracts can be terminated for any reason relating to employee performance or organisational needs. Required notice depends on the length of service.

Length of service	Notice period
Less than 6 months	7 days
Between 6 months to 2 years	15 days
Between 2 and 5 years	1 month
Between 5 and 10 years	2 months
More than 10 years	3 months

Severance pay: Severance payments of at least five per cent of wages are required for FDCs where sufficient notice of nonrenewal is given by the employer or when the contract is terminated by mutual agreement. In cases where insufficient notice is given or the contract is terminated without reason, additional payments must be made to employees. UDCs require severance payments equal to 15 days of wages and benefits per year of employment, up to a maximum equivalency of six months of wages.

Recruiting staff

Online advertising: Many companies recruit online to increase the likelihood of getting skilled workers.

- 9cv9 is a global employment platform specialising in the Southeast Asian job market
- BongThom is a local Cambodian job advertising and application website with postings from across the country
- CamHR is a large and well-established recruiting platform in Cambodia.
- LinkedIn provides valuable intelligence when searching for employees in a particular sector or field

Executive search: Executive search firms can provide tailored searches for more senior roles. International firms such as Keller and Talentnet have offices in Cambodia. Local firm Top Recruitment also offers services throughout the country.

Work permits: Work permits for foreigners may be obtained through the Ministry of Labor and Vocational Training for a period of one year, renewable indefinitely. Generally, foreign workers must not exceed 10 per cent of an establishment's employee base. Workers require a valid passport, visa and residence permit to apply for a work permit. Work permits also require the granting of a health certificate by the Department of Occupational Safety.

4.6. Banking in Cambodia

The banking sector in Cambodia has undergone significant modernisation in recent years. Several laws have been passed imposing stricter regulations to combat money laundering, terrorism financing and financial crime. Laws regulate the activities and minimum capital requirements for Cambodia's three types of financial institutions: commercial banks, specialised banks and microfinance institutions.

To conduct commercial activities, most foreign businesses will be required to open a bank account in Cambodia. Bank accounts are typically denominated in KHR or USD. Accounts for everyday banking should be opened through a commercial bank, but businesses may choose to use a specialised bank for accessing loans and credit.

Foreign exchange controls

Since the enactment of the 1997 Law on Foreign Exchange, Cambodia has imposed no restrictions on the exchange of foreign currency. However, banks are required to notify the National Bank of Cambodia regarding transfers exceeding USD 10,000 (AUD 15,200). Australian firms should be prepared for changes in policy as the government attempts to "de-dollarize" the economy.

Table 3: Financial institutions in Cambodia

Institution	Details
Commercial banks	Permitted to accept deposits, issue loans and exchange foreign currencies.
Specialised banks	Designed to supplement commercial bank services by providing loans and other forms of credit to businesses or individuals.
Microfinance institutions	Permitted to provide financial services to low-income households and microenterprises but prohibited from leasing activities, providing derivative payments, dealing commodities, exchanging foreign currency or offering payment services through checking accounts.

5. Appendices

Understanding the relationship between economics, politics and government can give businesses an edge when entering a new market. This chapter provides general information on political and legal structures, relevant government agencies, key economic zones and the bilateral relationship with Australia.

5.1. Country information

Politics and government

Cambodia is a constitutional monarchy with an elected parliamentary government. The King serves as the head of state while the Prime Minister is the elected head of government. The executive branch is ruled by the party that wins the most seats in the National Assembly. The Prime Minister is then appointed by the King from within the elected party.

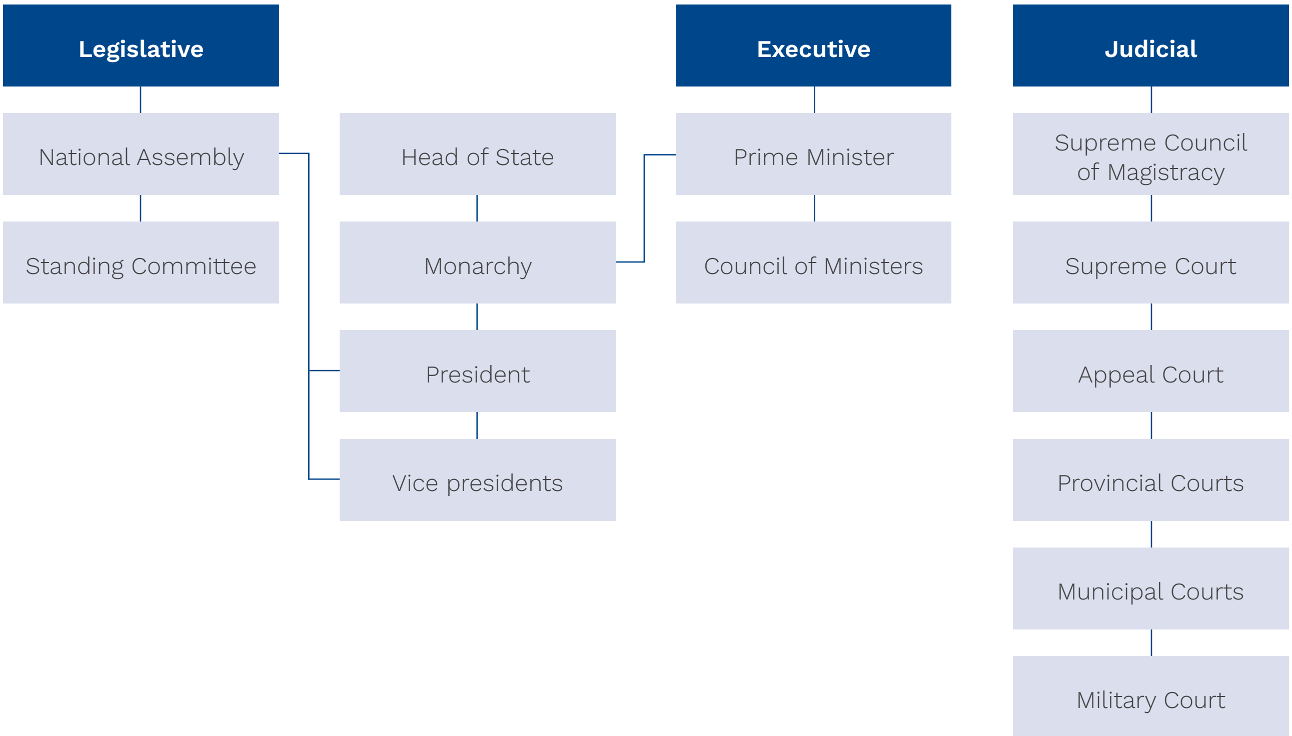
Legislative power is vested in a bicameral parliament. The National Assembly holds elections every five years for its 125 members. The Senate is the upper house of the Cambodian legislature. It consists of 62 members serving six-year terms; two members of the Senate are appointed by the King, two are elected by the National Assembly and the remaining 58 are elected by local government commune councillors across the country.

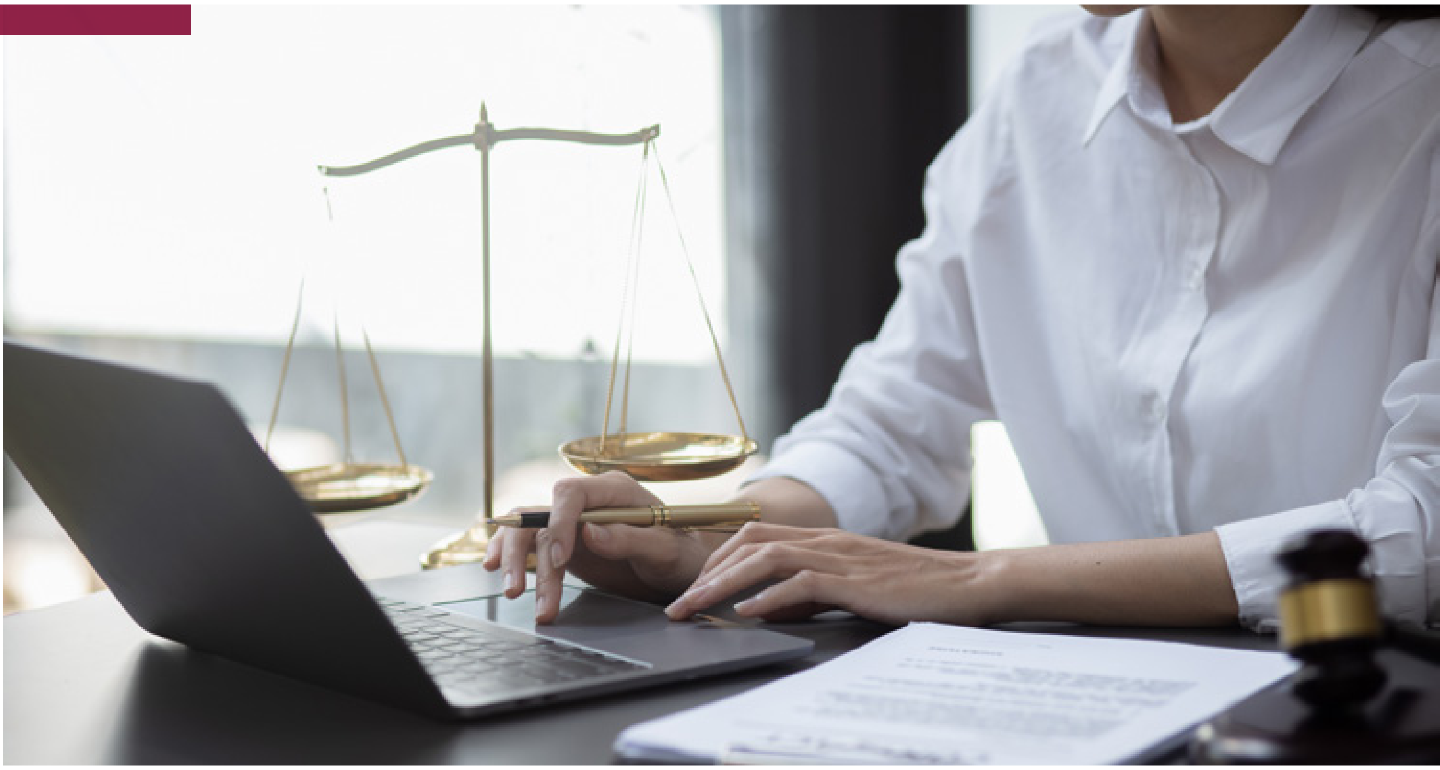
The Cambodian People's Party has ruled the country since 1979. As a number of the larger opposition parties have been banned, Cambodia has become a de facto one-party state.

Legal system

The 1993 constitution established Cambodia's court system. Territorial courts operate at the municipal and provincial level. Decisions made in these courts may be challenged through the Appeal Court or the Supreme Court. Chaired by the King, the Supreme Council of Magistracy is responsible for appointing judges and prosecutors at all levels. Despite being constitutionally independent, the judiciary is closely aligned with the rulling Cambodian People's Party and has been subject to allegations of corruption.

Cambodia's government and judicial structure





Key government agencies

Key government agencies and industry associations will need to be consulted throughout the process of setting up a business in Cambodia. Some of these agencies can also be useful for providing advice and initiating contacts.

The main agencies and their areas of authority relating to foreign businesses are:

Government agency	Responsibilities
Ministry of Commerce (MoC)	Regulates trade, commerce and intellectual property rights. Oversees the Department of Intellectual Property Rights, which handles all IP applications and disputes. Businesses can access support for commercial activities, business registration services and annual filing requirements.
General Department of Taxation (GDT)	Manages tax collection and administration. Implements tax policies, processes tax returns and enforces tax compliance. Offers online services for tax registration, filing and payment. Businesses will go through GDT for tax registration and ensuring compliance with Cambodian tax laws.
Ministry of Labor and Vocational Training (MLVT)	Oversees labor laws, employment standards and vocational training programs. Regulates working conditions, minimum wages and labor disputes. Provides skills training and certification programs. Businesses must involve MLVT for drafting employment contracts, ensuring labor law compliance and conducting inspections.
Council for the Development of Cambodia (CDC)	Cambodia's primary investment promotion agency provides investment incentives, approves investment projects and supports economic development initiatives. Coordinates with other government agencies to streamline investment processes.
National Bank of Cambodia (NBC)	Central bank responsible for monetary policy, banking regulation and financial stability. Issues currency, manages monetary policy and supervises financial institutions. Provides guidelines for banking operations and financial services.
Ministry of Environment (MoE)	Ensures environmental protection and promotes sustainable development. Conducts environmental impact assessments, enforces environmental laws and implements conservation projects. Businesses go through MoE for environmental assessments, sustainability initiatives and compliance checks.
Ministry of Industry, Science, Technology, and Innovation (MISTI)	Supports industrial development, scientific research and technological innovation. Issues industrial permits, promotes research and development and issues grants. Encourages the adoption of innovative practices and technologies in industries.

Special economic zones

Cambodia's first special economic zones (SEZs) were created in 2006 to encourage investment and growth in the country. In 2021, Cambodia had 54 SEZs. To operate in an SEZ, businesses must be certified as a Qualified Investment Project (QIP). In addition to incentives offered to all QIPs, those operating in an SEZ receive further advantages such as tax exemptions for imports, exports, VAT and others, depending on the type of project. Changes to Cambodian investment law in 2021 has made it easier for businesses to access SEZ incentives.

Cambodia-Australia bilateral relationship

Australia and Cambodia marked 70 years of bilateral relations in 2022. Australia engages with Cambodia through development projects such as the Cambodia Australia Partnership for Resilient Economic Development and the Mekong-Australia Partnership. Both initiatives are focused oon helping Cambodia achieve resilient, inclusive and sustainable economic growth and development.

Cambodia is a valued trading partner to Australia. Cambodia and Australia have enjoyed a bilateral market access arrangement since 2004. The two countries also signed onto the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) in 2010, providing preferential market access and promoting trade across the region. Australia and Cambodia ratified the Regional Comprehensive Economic Partnership (RCEP) in 2022 to strengthen trade policies for service provision, economic cooperation, e-commerce, IP, PPPs and small and medium sized businesses. Further information on the bilateral relationship is available from DFAT.

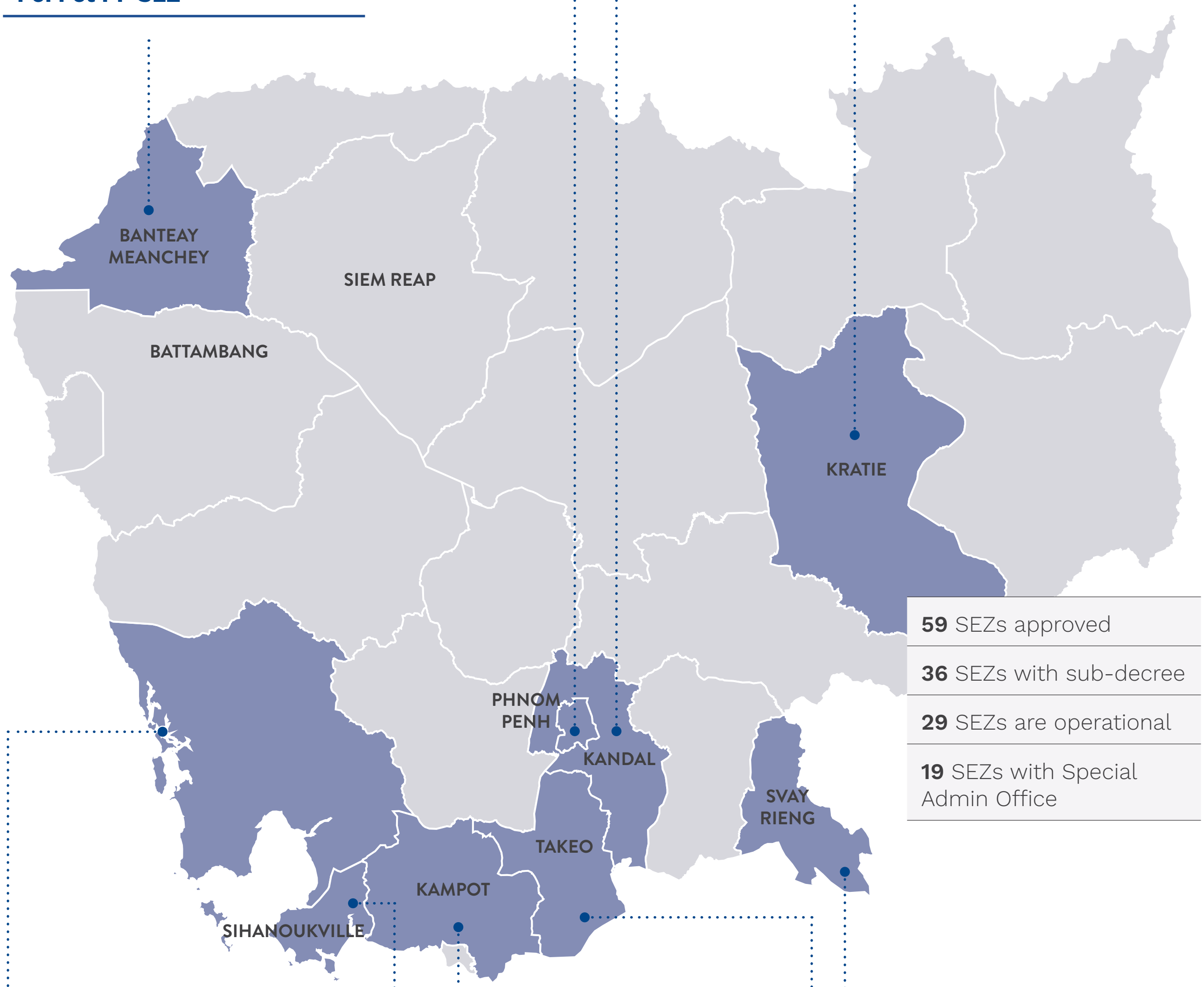
Cambodia SEZ Map

Phnom Penh SEZ
Kerry World Bridge SEZ

Suvannaphum SEZ
Goldfame Paksun SEZ

Poi Pet O'Neang SEZ
Sanco Poi Pet SEZ
Poi Pet PP SEZ

UBE Snoul SEZ



59 SEZs approved

36 SEZs with sub-decree

29 SEZs are operational

19 SEZs with Special Admin Office

Neang Kok Koh Kong SEZ

Kampot SEZ

Manhattan SEZ
Tai Seng Bavet SEZ
Dragon King Bavet SEZ
Hi-Park SEZ
Sandung Sunshell SEZ
Qilu Jian Pu Zhai SEZ
GiGa Resource SEZ
Intervia Automobile SEZ

Sihanoukville SEZ
Sihanoukville Port SEZ
Cambodian Zhejing Guoji SEZ
Sihanoukville 1st SEZ

Doug Chhiv Phnom Din SEZ

Source: EuroCham, Alternative Manufacturing and SEZ Guidebook 2024

5.2. Useful contacts and support resources

Government organisations

Australian Department of Foreign Affairs and Trade (DFAT)

DFAT manages Australia's international network, including in Cambodia. Australia has an Embassy in Phnom Penh.

Australian Trade and Investment Commission (Austrade)

Austrade is the Australian Government agency responsible for facilitating international trade and investment. Austrade can provide advice on the market, potential in-market partners and export marketing services.

Export Finance Australia (EFA)

EFA provides information, support and export finance solutions to Australian businesses looking to expand overseas.

State government agencies

Many state government agencies have representatives or offices in Southeast Asia, including New South Wales, Queensland, Victoria, Western Australia.

Business and industry associations

AusCham Cambodia

The Australian Chamber of Commerce in Cambodia represents and promotes Australian businesses operating in the country. AusCham coordinates a regular program of business seminars, networking and social functions for the business community.

Export Council of Australia

The Export Council of Australia is the peak industry body for the Australian export community.

Programs and support

Go Global Toolkit

Information, tools and support to grow your business globally through a range of digital for every stage of the export journey.

Export Market Development Grants (EMDG)

Austrade seeks to help small to medium Australian enterprises grow their exports in international markets through their EMDG grant program.

Industry Growth Program

The Industry Growth Program supports innovative SMEs undertaking commercialisation or growth projects in the National Reconstruction Fund priority areas.

State or territory government trade and investment agencies may also run programs and provide support to businesses looking to expand into international markets. Please consult your relevant state or territory agency for more information.

5.3. References

A select list of sources used in the development of this publication are included below.

Acclime

Asian Development Bank

Australian Department of Foreign Affairs and Trade

Austrade

Bertelsmann Transformation Index

BNG Legal

Cambodia Development Resource Institute

Cambodia Government (various sources)

CEIC Data

Confluences

Cultural Atlas

Dezan Shira and Associates

DFDL

Economic Research Institute for ASEAN and East Asia

EuroCham Cambodia

Euromonitor

Heritage Foundation

International Business Chamber of Cambodia

International Monetary Fund

International Federation of Accountants

International Forum of Independent Audit Regulators

King & Wood Mallesons

NYU Law

PwC

The Heritage Foundation

Transparency International

United Nations Council of Trade and Development

US AID

US Department of State

US International Trade Administration

United Nations Economic and Social Commission for Asia and the Pacific

Transparency International

VISA

We Are Social

World Bank

World Economic Forum

World Intellectual Property Organization

World Trade Organization

5.4. A note on currency

All money amounts are in Australian dollars unless otherwise indicated.

The following exchange rates were used throughout:

AUD 1 = KHR 2,743

AUD 1 = USD 0.6563

1 KHR = AUD 0.00036

5.5. Acknowledgements

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Harpswell Foundation

Several businesspeople provided anonymous review. We extend to them our sincere appreciation.

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5.6. Disclaimer

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contact@asialinkbusiness.com.au

asialinkbusiness.com.au

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