



**LEGAL  
AND  
TAX  
UPDATE**

**DFDL Cambodia**

**2026 Annual Compliance**

**9-Jan-2026**

DFDL Cambodia would like to take this opportunity to wish all our readers a healthy, happy and prosperous 2026. As we start the new year and come back to the office, we have put together this update to remind readers of the most recent and salient legal, tax and accounting annual compliance obligations for enterprises in Cambodia.

We note that annual compliance requirements may vary for different enterprises. In all cases, we encourage you to seek expert advice from a professional advisor regarding the annual compliance requirements that may be applicable to your entity.

## 2025 Tax on Income Return

The standard tax year in Cambodia runs from 1 January to 31 December. Electronic filing for the 2025 annual Tax on Income (TOI) declaration with the General Department of Taxation (GDT) must be completed by the 31st of March 2026, or within three (3) months after the end of the tax year for enterprises that have a non-standard tax year.

Self-assessment taxpayers (taxpayers that are registered with the GDT) that have local branches are required to file a consolidated 2025 TOI declaration attaching the financials of the respective local branches with the return. Self-assessment taxpayers that have both Qualified Investment Project (QIP) and non-QIP activities are required to submit their annual 2025 TOI return in accordance with Prakas 1127 MEF.P dated 11 October 2016.

All self-assessment taxpayers filing annual 2025 TOI returns with the GDT via Tax on Income-TOI

E-filing are required to include a balance sheet, profit and loss account and an annexed list of any related party transactions carried out during the 2025 tax year.

## 2025 Local Transfer Pricing Report

Under Article 18 of the Law on Taxation, the GDT has broad authority to adjust income and deductions in transactions between related parties where necessary to prevent tax avoidance or evasion and to ensure proper income reporting. Cambodia's formal Transfer Pricing ("TP") framework was established under Prakas No. 986 and significantly strengthened by Prakas No. 574 (dated 19 September 2024), which applies from the **2025 tax year onward**.

For transfer pricing purposes, a related party relationship exists where parties are relatives, where one entity directly or indirectly controls another, where two entities are under the common control, or where an entity constitutes a permanent establishment of a non-resident taxpayer. "Control" is broadly defined and exists where an entity holds 20% or more of the equity interest or voting power in another entity:

### *Arm's Length Principle and Methodologies*

Cambodian transfer pricing rules are grounded in the arm's length principle, which requires that prices charged between related parties reflect those that would have been agreed between independent parties under comparable circumstances. To demonstrate compliance, taxpayers must undertake a comparability analysis using one of the five recognised transfer pricing methodologies: the Comparable Uncontrolled Price ("CUP") method, Resale Price

method, Cost Plus method, Transactional Net Margin Method ("TNMM"), or the Profit Split Method. The choice of method depends on the specific facts and circumstances of each case and must be supported by appropriate evidence and documentation.

#### *Documentation and Disclosure Requirements*

Taxpayers engaged in related party transactions must disclose such transactions in Annex 1 of their annual TOI return. Unless they qualify for any exemption<sup>1</sup>, taxpayers are also required to maintain comprehensive Transfer Pricing Documentation ("TPD"). Certain smaller taxpayers may be exempt from preparing TPD if they meet specific turnover, asset, and transaction value thresholds, although disclosure obligations remain.

The TPD should include information on the ownership structure, nature of business conducted, functional analysis, details of related party transactions and pricing policies, benchmarking analyses, and a conclusion identifying the arm's length range. The TPD must be retained for 10 years and submitted to the GDT upon request.

#### *Documentation rollover*

Under Prakas 574, prior year TPD may be rolled forward provided there are no material changes in the controlled transactions or comparability factors that would affect the methodology used. However, financial indicators for comparables must be updated annually.

#### *Comparables and Benchmarking*

In practice, Cambodia does not yet have a robust pool of publicly available local comparable data. Taxpayers commonly rely on regional benchmarking studies. However, during audits the GDT may compare taxpayer analyses against its own internal databases, which are not publicly accessible. This makes careful documentation and defensible methodology particularly important.

#### *Exemption for related party loans*

While interest on qualifying related party loans may be exempt from the arm's length principle where prescribed supporting documentation is maintained, Prakas 574 introduces further exemptions for Cambodian resident taxpayers (excluding financial institutions). These include newly incorporated entities within their first three years of operations, qualifying single-member private companies, and certain sole proprietorship structures. Short-term cash advances repaid within one year are generally not treated as loan transactions for transfer pricing purposes.

#### *Transfer Pricing Adjustments*

Under Prakas 574, the GDT has also introduced both primary and secondary adjustments, representing a significant development that aligns Cambodia with the OECD Transfer Pricing Guidelines. Primary adjustments correct the transfer price to arm's length, while secondary adjustments address the resulting imbalance in accounts between related parties (typically treated as deemed dividends or capital contributions).

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<sup>1</sup> Prakas 574 takes effect from 1 January 2025 and as such, the new TPD thresholds would apply from the financial year 2025 onwards.



### *Consequences of non-compliance*

Non-compliance with transfer pricing requirements can result in administrative fines, withdrawal of tax compliance certificates, transfer pricing adjustments with additional tax, monthly interest charges on unpaid tax, and in serious cases, criminal prosecution.

### **2026 Patent Tax**

Self-assessment taxpayers operating in Cambodia are required to register and pay their 2026 Patent Tax with the GDT by the 31st of March 2026 for each business activity that they carry out. The amount of Patent Tax payable in 2026 is dependent on the classification of the enterprise under the self-assessment regime of taxation.

The 2026 Patent Tax fees are as follows:

<b>Self-Assessment Regime of Taxation</b>	<b>Patent Tax Fee (in KHR)</b>	<b>Patent Tax Fee (in USD)</b>
<b>Small Taxpayer</b>	KHR 400,000	USD 100
<b>Medium Taxpayer</b>	KHR 1.2 million	USD 300
<b>Large Taxpayer</b>	KHR 3 million or KHR 5 million*	USD 750 or USD 1,250

*\*If the annual turnover of the Large Taxpayer exceeds KHR 10,000 million (USD 2.5 million) then the Patent Tax payable will be USD 1,250. If the annual turnover of the Large Taxpayer is less than KHR 10,000 million (USD 2.5 million) the Patent Tax payable will be USD 750.*

## Application for Annual Certificate of Compliance – Qualified Investment Project

Under the former regulatory framework, QIP entities were required to apply for the Certificate of Compliance ("COC") within 90 working days of each financial year. However, Sub-Decree 139 dated 26 June 2023 requires the investment projects to submit semester and annual report to the CDC/PMIS within **20 days** following the closing date for submitting tax returns to avoid losing its investment and tax incentives.

Following the receipt of the semester and annual reports from the investors, the CDC/PMIS will issue a COC to the investors. If a QIP entity fails to obtain a COC it may lose its investment incentives.

## Application for Tax Compliance Certificate

On 23 December 2016, the Ministry of Economy issued Prakas 1536 MEF which had the stated purpose of creating levels of taxpayer compliance to encourage taxpayers to become compliant with their tax obligations. Prakas 1536 created three levels of taxpayer compliance – (1) Gold, (2) Silver and (3) Bronze.

Based on a list of weighted criteria if a taxpayer achieved a score of 16-20 points it will be awarded gold taxpayer compliance status, 11-15 points silver taxpayer compliance status is attained and from 110 points bronze taxpayer compliance status is attained.

Once awarded the compliance certificate is valid for a period of two years so those taxpayers whose gold certificate compliance expired on 31 December 2025 should have started the renewal process already with the GDT. This is even more important given the creation recently of the Special Tax Audit Unit which is mandated to look after gold compliance taxpayers.

For those taxpayers who are not yet gold compliance taxpayers and wish to be please contact us to find out more.



## **Application for Proper Accounting Record**

Prakas 638 MEF date 2 July 2017 sets out the criteria for determining taxpayer improper accounting record and procedures for paying Minimum Tax.

Taxpayers must submit a formal request to the tax authority. An evaluation committee will review whether the taxpayer has maintained proper accounting records in line with the criteria outlined in Prakas 638 to exempt from 1% minimum tax. If approved, the tax authority will issue a Proper Accounting Confirmation Letter, which is valid for two years.

Taxpayers whose confirmation letters expire on 31 December 2025 should have already begun the renewal process with the GDT. For those who have not yet obtained a Proper Accounting Confirmation Letter and wish to do so, please contact us for assistance.

Also, taxpayers can be exempted from Minimum Tax by virtue of being a Qualified Investment Project (QIP) that maintains annual external audited financial statements and maintaining proper accounting records.

## **Submission of Annual Financial Statements**

### *Enterprises with Audited Financial Statements*

Entities that are required to obtain external audited financial statements for the 2025 standard financial year are obliged to submit their audited financial statements with the Accounting and Auditing Regulator (ACAR),

using the ACAR e-filing system, no later than 6 months and 20 days after the close of their accounting period which for most entities will be 20 July 2026.

### *Enterprises without Audited Financial Statements*

Entities that are not required to have their 2025 financial statements externally audited are required to submit their 2025 financial statements through ACAR's e-filing system no later than 3 months and 20 days after the close of the accounting period which for most entities will be by 20 April 2026.

To complete the submission process entities are required to first register with the ACAR online system and then secondly complete the templates provided by ACAR regarding the presentation of their financial statements. Once completed, these documents need to be signed affix with company stamp, uploaded and submitted to ACAR.

Penalties for non-submission or late submission of financial statements to ACAR range between KHR 800,000 (approx. US\$ 200) to KHR 20,000,000 (approx. US\$ 5000). Notification 065/24 AAR dated on 25th Dec 2024 issued by ACAR provided some key reminders to all enterprises and NGOs operating in Cambodia.

The key reminders contained in the Notification included the requirement for all Cambodian entities and NGOs to:

1. Maintain accurate accounting records.
2. Prepare financial statements in accordance with the applicable accounting standards

within three (3) months from the closing date of the financial year.

*Accounting Standards refer to the Cambodia International Financial Reporting Standards (CIFRS) or the Cambodia International Financial Reporting Standards for Small and Medium Sized Entities (CIFRS for SMEs) or the Cambodian Financial Reporting Standards for Not-For-Profit Entities (CFRS for NFPEs).*

3. Complete the independent audit work and publish the audit opinion for annual financial statements no later than six (6) months from the date of the financial year-end if enterprises or organizations meet the conditions and criteria as stated in Prakas No. 563 MEF dated 20th July 2020 on the obligation to submit independent audited financial statements
4. Enterprises or organizations that do not have a Financial Reporting Identification Number (FIN Number) from ACAR yet, must request a FIN Number online via the ACAR online portal. Enterprises must submit a letter of request to change their FIN number to ACAR before 60 days of the deadline to submit financial statements if the enterprise or organization has changed its status to that of an enterprise/organization that is subject to an independent audit or vice versa.
5. Enterprises or organizations can use the digital financial reporting platform of ACAR to prepare financial statements and submit financial statements to ACAR or can use the management system to submit financial statements through online (E-Filing).
6. Enterprises or organizations must pay the applicable government fee for maintaining financial statements by following the Prakas

No. 001 MEF dated 12th January 2022 on the public service fee issued by ACAR.

7. Enterprises or organizations can assign a representative to perform the accounting and auditing duties with ACAR officers. The representative can be an employee of an enterprise or organization, or an accounting firm or an audit firm with a valid license from ACAR. The representative(s) must have a letter to transfer the right to other enterprises or organizations. Enterprises and organizations must take responsibility for their representative's actions.

*Notification regarding use of English language and accounting system*

Enterprises established after 21 July 2022 are required to apply within 180 days from the date of their registration with the GDT with ACAR to use the English language in their accounting system.

## **Corporate Secretarial Services**

Amendments to the Law on Commercial Enterprises dated 29 January 2022 provide that all limited liability companies incorporated in Cambodia are required to appoint a corporate secretary who permanently resides in Cambodia.

Annual corporate secretarial services may include the safekeeping of corporate books and records, maintenance of annual filing of statutory forms and associated fees, arranging quarterly Directors meetings including the preparation of meeting minutes and resolutions passed by the Directors, arranging the Annual General Meeting (AGM) of the company, including sending out required notices to all shareholders, preparing minutes and resolutions passed at the AGM and filing the Annual Declaration of Commercial Enterprise.

## **Annual Declaration of Commercial Enterprise**

Following the issuance by the Ministry of Commerce ("MOC") of the Prakas on the filing of Annual Declaration of Commercial Enterprises ("ADCE") dated 5 April 2017, an ADCE must now be submitted by each enterprise to the MOC using its online system.

Use of the online system for submission of an ADCE is now compulsory and must be performed within three (3) months from the anniversary of the enterprise's re-registration on the MOC's online system.

A submission made after the three-month period will be subject to a penalty of KHR 2,000,000 (approx. USD 500) imposed by the MOC.

## **National Domain Name**

On 1 April 2022, the MOC and the Ministry of Posts and Telecommunications issued a Joint Notification (Notification 0837) which set out requirements for locally registered companies to use a level 2 national domain name ".com.kh" and e-mail address with a level 2 national domain name ".com.kh."

If a locally registered company does not have an e-mail address with a level 2 national domain name it must apply for such domain name from the Telecommunication Regulator of Cambodia as soon as possible in order to comply with the requirements set out under Sub-Decree 287 dated 31 December 2021.

Under Article 5 of Sub-Decree 287, a level 2 national domain name includes:

- (1) a domain name ending with ".com.kh" designated for a business enterprise or public enterprise;
- (2) a domain name ending with ".org.kh" designated for an association and union; organization,
- (3) a domain name ending with ".edu.kh" designated for a public and private educational institution;
- (4) a domain name ending with ".net.kh" designated for a company or institution providing computer network services; and
- (5) a domain name ending with ".gov.kh" designated for ministries and state institutions.

Except for a domain name ending with ".gov.kh," all other domain names have a validity of one year from the date of registration and are renewable by paying an annual fee. After expiration, if the renewal fee is not paid, the domain name will be suspended temporarily. After sixty days without payment, the domain name will be deleted from the system. The domain name may also be deleted if requested by the domain owner or pursuant relevant laws and regulations.

In addition, from 1 January 2023 onwards, when filing an ADCE, all companies must provide the MOC with an email address having a level 2 national domain name. Joint Notification 0837 does not specify whether non-compliance with the above requirements will subject a company to any monetary fines.

## Labour Compliance Foreign Employee Quota for 2026

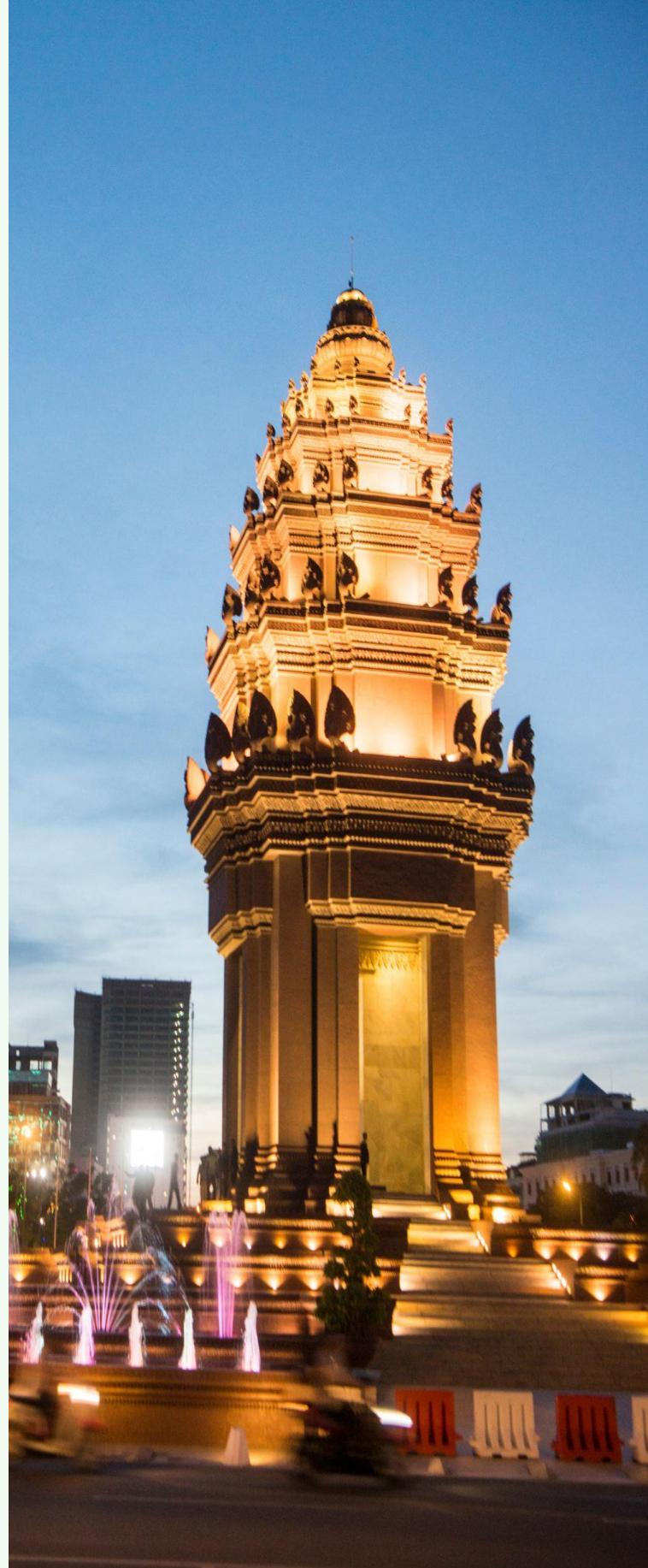
Enterprises employing or intending to employ foreign employees are required to apply for a foreign employee quota via the Ministry of Labour and Vocational Training ("MLVT") online system. All applications must be submitted by the required deadline each year. Typically, the foreign employee quota application window is open from early September to 30 November each year for the use of foreign employees in the following year.

According to Joint Prakas 498 on the Penalty for Individuals Violating the Provisions of the Labour Law dated 31 July 2023 ("Joint Prakas 498"), if an enterprise hires foreign employees without the approved quota, it may be subject to a fine of up to up to KHR 12.6 million (approximately USD 3,150) by the MLVT. Please note that fines may be imposed in triple in the event of repeat offenses. Additional sanctions, as imposed by the Labour Law, include terms of imprisonment from six days to one month. To our knowledge to date, terms of imprisonment have yet been strictly enforced.

### *Foreign Employee Work Permits for 2026*

A foreign national must hold a valid work permit to lawfully work in Cambodia.

A work permit for foreign employees is valid for only one year. No matter when the work permit for foreign employees is issued by the MLVT, it expires on 31 December of that year. If an enterprise continues to employ foreign nationals in Cambodia for the following year, the enterprise needs to apply for an extension of their foreign work permits by 31 March of the following year.



While a work permit or an extension thereof can be requested online, foreign employees may also be called to present themselves in person before the MLVT after submission of their work permit applications subject to the discretion of the MLVT.

Further, based on the Instruction 110/23 on the Provision of Foreign Work Permit for Foreign National Employers, an individual whose name appears on the patent tax certificate of the Cambodian enterprise must have a valid work permit regardless he/she works or resides in Cambodia.

The MLVT has increased its investigations and is actively applying fines against enterprises that have not complied with the above requirements. Additionally, the abovementioned annual fee of KHR 520,000 (approximately USD 130) may be required to be paid accumulatively for each year of non-compliance by an enterprise (per foreign employee).

According to Joint Prakas 498, if an enterprise hires foreign employee(s) without a work permit, it may be subject to a fine of up to KHR 12.6 million (approximately USD 3,150) by the MLVT.

Based on Guideline 517 on Administrative Fines for Owners or Directors of Factories, Enterprises or Establishments that Employ Foreign Employees without Work Permits and Employment Cards dated 17 January 2023 (**“Guideline 517”**), if the labour inspector finds less than five foreign employees working without work permits in an enterprise, the labour inspector may impose administrative fines based on the actual number of foreign employees

without valid work permits. If there are five or more foreign employees working without work permits, the labour inspector may impose a maximum administrative fine of KHR 63 million (approximately USD 15,750), which is five times the administrative fine imposed by the MLVT.

Please note that fines may be imposed in triple in the case of subsequent and repeat offenses. Additional sanctions, as imposed by the Labour Law, include terms of imprisonment from six days to one month and, in the case of repeat offences, from one to three months. In addition, pursuant to the Law on Immigration and its implementing regulations, the non-compliant enterprise may be subject to a fine of up to KHR 500,000 (approximately USD 125) as imposed by the Ministry of Interior, and in case of subsequent offense(s), imprisonment of up to three months (noting that the foreign employee may be subject to deportation in accordance with the Law on Immigration).

#### *National Social Security Fund (“NSSF”)*

An enterprise employing one or more employees is required to register itself and all its employees with the NSSF within 30 days after the date of its opening. Once registered, the enterprise must pay a monthly contribution for:

- (1) occupational risk insurance (work related accidents and occupational diseases);
- (2) health care insurance; and
- (3) pension scheme.

*(The pension scheme has been implemented from July 2022, although the contribution*

*payment has effectively commenced from October 2022.)*

Each registered enterprise must pay the contribution by the 15th of each month and report to the NSSF the number of employees before the 20th of each month. These dates may be changed subject to periodic notifications issued by the NSSF. The monthly contribution for the pension scheme must be made together with contributions for the occupational risk and health care schemes.

#### *Seniority Pay for Employees under Unspecified Duration Contract ("UDC")*

Seniority pay equal to 15 days of wages and fringe benefits per year must be paid to employees employed under UDCs during ongoing employment in two installments every year: 7.5 days of wages and benefits in June and 7.5 days of wages and benefits in December.

#### *Self-Declared Labour Inspection*

Enterprises are required to complete semi-annual self-declared labour inspections via the MLVT online system in June and December. Under this self-declared labour inspection, enterprises are required to conduct self-assessment including providing supporting documents with respect to its compliance with the Cambodian Labour Law and implementing regulations.

Non-compliance with any of the 31 prioritized compliance points (among all other compliance points) may result in administrative fines being imposed by the labour inspectors, with the quantum of fines being determined based on the extent of non-compliance in accordance with the Cambodian Labour Law and Joint Prakas 498.

#### *Large Employer Obligations*

When an enterprise employs 100 or more employees, the company must employ 1% of its total workforce as qualified disabled persons and report to the MLVT and the Ministry of Social Affairs, Veteran and Youth Rehabilitation in January each year.

An enterprise employing more than 60 employees is required to conduct annual training of apprentices based on the following quota in proportion to the enterprise's total workforce:

- (1) 10% for enterprise that employs between 61 to 200 employees;
- (2) 8% for enterprise that employs between 201 to 500 employees; and
- (3) an additional 4% for every further 500 employees at the enterprise that employs more than 51 employees, provided that a maximum of 110 apprentices may be trained by an enterprise in one year.

#### **Want to know more?**

If you require assistance with any of your annual compliance obligations or would like more information please email [cambodia@dfdl.com](mailto:cambodia@dfdl.com)

# Contact Us



**Clint O'Connell**  
Partner, Managing Director,  
Cambodia



**Vajiravann Chamnan**  
Tax Partner  
Cambodia



**Vandana Vijayakumar**  
Transfer Pricing Director



**Michelle Cielo**  
Accounting Director  
Cambodia



**Raksa Chan**  
Senior Consultant  
Cambodia



**Kang Thavy**  
Senior Consultant  
Cambodia