

Transfer Pricing in Cambodia

Annual compliance requirements

TP Forms (Appendices)

- **TP Forms (Annex 1)** – Information on related parties and related party transactions.
- **Annex 1** must be submitted together with the annual corporate income tax return within **three months** after fiscal year ending.

TP Documentation

- **TP Documentation (Local File)** – Specific information on related party transactions of the local taxpayer and analysis of such transactions including the Transfer Pricing method.
- No specific deadline. But the **Local File** must be available upon request by the local tax authority during the future tax audit event.

TP administration & enforcement

Commonly seen TP audit cases

- Any enterprise continuously making losses or having low profitability
- Any enterprises incurring related party transactions but lacking adequate compliance documentation
- Transfer Pricing of complex transactions, intra-group services, royalty payments for intangibles, and financial transactions
- Multinational enterprises having significant transactions with related parties
- Validation of the comparable companies selected in the TP documentation
- Imposing profitability adjustments resulting in multiple administrative challenges.

TP assessments and penalties

- Withdrawal of taxpayer's certificate of tax compliance
- Tax authority TP adjustment, resulting in additional tax
- Tax penalties, ranging from 10% to 40% of any additional tax arising from any adjustment made, plus interest charge of 1.5% (per month)
- Criminal charges (imprisonment or further monetary punishment)
- High risk of unilateral assessment/deemed assessment.

TP dispute resolutions

- Implement a new or refreshed TP policy
- Analyze comparability basis used by the taxpayer vs tax authority and conduct functional analysis and benchmarking, etc.
- Negotiate a compromise position with local authorities or seek relief from higher authority
- Domestic remedies (i.e., appeal, litigation)

How KPMG can support

- 1 Transfer Pricing compliance support**
- 2 Transfer Pricing consulting and advisory**
- 3 Transfer Pricing controversy and dispute resolutions**

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