

Technical Update

Tax and Corporate Services

February 2018

1. New directions for 2018 from the Department of Business Registration (DBR) of the Ministry of Commerce (MoC)

MoC annual report to assess its work in 2017 and set new directions for 2018

The MoC issued its annual report including an assessment of its efforts in the year 2017 and set forth new directions for the Ministry for the year 2018. We summarize some notable works that the MoC plans to prepare and implement this year:

- finalize the draft Prakas on online share transfer and registration procedures
- prepare a Prakas on online liquidation and de-registration procedures
- prepare a Prakas on the online local branch registration
- set up a data management system for the issuance of business licenses or permits for the Municipal/ Provincial Department of Commerce
- implement the Prakas on the recognition of legal representatives in business registration of the MoC (previously summarized by us in our Technical Update of November 2017).

Commentary: As the central regulatory agency for business and commercial activities, the MoC is developing more consistent, uniform, and convenient commercial registration practices. Once implemented, these regulations should benefit current and future businesses and streamline compliance. With the introduction of online systems, the MoC is also more effectively enforcing its commercial regulations and has become rigorous in enforcing penalties against commercial entities for non-compliance. We will provide more updates as we receive them from the Ministry.

2. Adjustments to customs and excise rates

Royal Government of Cambodia (RGC) Sub-Decree No. 214 dated 12 December 2017 on the adjustment of customs and excise rates

The RGC has introduced significant adjustments to custom duties and excise rates in 96 chapters of the Cambodian Customs Tariff. In general, these adjustments are classified into:

- increases and decreases to customs duty rates (including for animals; fish and fish products; milks;

flours; meat; machinery, including agricultural machinery; equipment, including sporting equipment; and yachts)

- increases and decreases to special tax rates (including for telephones; cement; fruit juices; plastics; vehicles; sporting equipment; and yachts)
- increases to export tax rates (including for sand; stone; wood).

Commentary: These adjustments could impact current business operations. For more detailed information on specific rates of each items, please contact us.

3. Registration of animal feed, raw materials and other substances used to produce animal feed

Ministry of Agriculture, Forestry, and Fisheries (MAFF) Prakas No. 051 of 18 January 2018 on the standard requirements and procedures to register animal feed, raw materials and other substances

In an effort to improve the quality, effectiveness and safety of animal feed, raw materials and other substances used to produce animal feed, and in order to meet the standard requirements for imports and exports, business operations, production, manufacturing and use in Cambodia, the MAFF has introduced the following provisions:

- all individuals and legal entities who wish to import, export, operate as a business, produce or manufacture animal feed, raw materials and other substances in Cambodia must register the product with the Department of Animal Health and Animal Produce (DAHAP)
- to register, an application form must be submitted to the DAHAP with the relevant supporting documents regarding the applicant and their product such as type, certification documents from the relevant government authorities, identification mark or sign in Khmer and commercial name of the product
- prohibited substances, dangerous substances, prohibited growth hormones, or prohibited genetically modified organisms (GMO) cannot be registered.

Once issued, the Certificate of Registration is valid for five (5) years from the date of issuance. The Certificate of Registration must be renewed within three (3) months before the date of expiry otherwise it will no longer be valid after its expiry.



Commentary: This regulation enables the MAFF to monitor the standards of products currently being produced and used in Cambodia. The regulation also has the potential to increase the quality and safety of animal products produced in Cambodia.



4. Inspection of Foreign Workforce in Cambodia

Inter-ministerial Prakas between Ministry of Interior (Mol) and Ministry of Labor and Vocational Training (MLVT) No. 719 on the reinforcement of inspection on foreign workforce in Cambodia

In an effort to enforce the Law on Immigration and Labor Law, the Mol and MLVT have partnered up to form an Inspection Team, whose members are tasked to examine the legal and work documents of enterprises and their foreign employees.

The inspection team can, with or without notice, require an enterprise to produce commercial documents, such as its Memorandum and Articles of Association and Commercial Registration certificate, and labor documents, including labor registration of staff members, staff movement notifications, foreign manpower quota (FMQ) approvals and certified employment contracts. Foreign employees may be required to present their passports, entry visa and extensions, and their foreigner work permits. In addition to commercial and labor registration documents of an enterprise, the inspection team can also examine whether a certain enterprise has obtained the appropriate licenses or approval letters for its operations.

Failure to comply with the FMQ and foreigner work permit requirements, for example, could result in fines of up to US\$630 for each offense and/or up to US\$900 by the Court. The Law on Immigration applies further penalties such as a term of imprisonment and deportation orders.

This Prakas came into force on 19 February 2018.

Commentary: The Government continues to take steps to enforce regulations on foreign employees in the Kingdom of Cambodia. In order to comply with the laws and avoid severe penalties, we advise owners of enterprises to ensure that they have obtained the relevant documents for their enterprises and for their foreign employees.

As a committed tax and corporate consultant, we welcome the opportunity to discuss the applicability of these laws and regulations to your business at a mutually convenient time. Please do not hesitate to contact us if you have any query on the above.

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