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# CAMBODIA

**Legal and Tax Digest**

**April 2025**

## Taxation

*Prakas No. 192 dated March 12, 2025 issued by the Ministry of Economy and Finance on the “**Rules and Procedures for Implementing Trust Taxation**”*

The Prakas provides significant guidance on the legal and tax treatment of trusts in Cambodia.

### Types of trusts

The Prakas provides clarification on several types of trusts that are specified under the Law on Trusts:

- **Public trusts:** Established for the benefit of the public, these include development funds and social welfare initiatives.
- **Commercial trusts:** Operated for profit, these encompass structures like pension funds, education funds, and investment vehicles.
- **Social trusts:** These are funded by settlor donations for charitable, cultural, educational, religious, or scientific purposes.
- **Individual trusts:** These are created for the personal or specific interests of the designated beneficiaries.

### Tax registration requirements

Trustees are subject to specific tax registration obligations as follows:

- A trustee that is a legal entity must register as a medium or large taxpayer.
- Independent physical trustees may register as small, medium, or large taxpayers based on their turnover or fixed assets, in accordance with the Prakas on Taxpayer Classification.
- The registration process must be initiated within 15 working days from the commencement of economic activities or upon obtaining approval from the Trust Regulator.

### Accounting requirements for trustees

Trustees are required to maintain proper accounting records as follows:

- Accounting records for their own operations must be kept from those of the trust to ensure clear tracking of the trust's property ownership, income, expenses, liabilities, and other transactions.
- All accounting practices must comply with the rules prescribed under the Law on Taxation.
- When managing multiple trusts, separate accounting records must be maintained for each trust.



## Tax implications for trustees and trusts

### ***Taxation for trustees***

Trustees are subject to tax on any income earned from managing trust operations. Legal entity trustees are subject to 20% Tax on Income, while individual trustees, including sole proprietorships and partnerships, are subject to progressive rates ranging from 0% to 20%.

Transfers of property or funds by the settlor or trustor to a trustee for management, administration, or maintenance per the terms specified in the trust deed or applicable laws are not considered the income or property of the trustee.

### ***Taxation for trusts***

Trust property may be subject to various taxes depending on the nature of transactions:

- Immovable property rental tax: Applies to rental income generated from trust-owned immovable property. If a property is rented out, tax at a rate of 10% applies on the gross rental income. The trustee must calculate the tax, file a declaration, and remit payment to the General Department of Taxation.
- Capital gains tax: Levied on income from the sale or transfer of trust assets. The trustee must record this income, calculate the tax amount, file a declaration, and pay the tax according to the regulations in force.
- Registration tax: Applicable when transferring ownership or possession rights of trust property (movable or immovable), including land and buildings.
- Withholding tax: When distributing after-tax income to non-resident beneficiaries, this tax applies unless capital gains tax has already been paid on that income. The trustee must record these transactions in the trust's accounting records, calculate the withholding tax, submit a declaration, and remit payment as required.

Existing tax exemption provisions remain applicable to trust property, provided the relevant eligibility criteria under the tax laws are met.

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*Notification No. 004 dated April 23, 2025 issued by the Ministry of Economy and Finance on “**Additional Incentives for Property Taxes for Stalled Building Projects in Preah Sihanouk Province**”*

As part of its “Special Program to Promote Investment in Sihanoukville Province 2024” (“**Special Program**”), the Royal Government of Cambodia announced the extension of property tax exemptions for stalled building projects in Sihanoukville Province that began construction in 2016. The exemptions are granted for an additional three years—until the end of 2028—regardless of whether construction is completed in 2025. This applies to all stalled construction projects in Sihanoukville Province, irrespective of whether they fall within the scope of the Special Program.

Of note is that this property tax exemption does not apply retroactively to any taxes or administrative penalties that have already been paid.

In addition, for projects that have not yet received any incentives, including tax incentives under the Special Program, project owners may apply to the Preah Sihanouk Province Investment Promotion Working Group to receive additional incentives beyond the property tax exemption.

## Advertising

*Letter No. 695 dated April 24, 2025 issued by the Office of the Council of Ministers addressing “Prohibitions on Marketing Practices involving Promotional Prize Schemes through Bottle Caps and Cans in the Beverage and Alcohol Industry”*

Pursuant to the joint request submitted on March 18, 2025 by Heineken, four other beverage and alcohol companies, and the Wine Spirits Beer Importers and Distributors Association, the Royal Government of Cambodia has agreed in principle to address marketing practices involving promotional prize schemes through bottle caps and cans in the beverage and alcohol industry.

The agreement covers the following key points:

### **Transition period for compliance**

If a regulatory prohibition is imposed against promotional prize schemes through the lids or caps of alcoholic and other beverage products, there must be a reasonable transitional period for companies to prepare. Accordingly, affected companies will be granted a preparatory period suggested to be no less than six months and up to one year to allow them sufficient time to make adjustments.

### **Consultative meeting**

A formal consultative meeting will be convened between the manufacturers and the relevant ministries and institutions. It will be chaired by His Excellency Prime Minister Hun Manet, with an aim to determine an appropriate timeframe as well as procedural framework for the nationwide prohibition against prize-based marketing strategies in this sector.

### **Relevant advertising restrictions**

The regulatory prohibition that initiated this discussion refers to the provisions outlined in Prakas No. 95 on Unfair Practices in Business Related to Advertising and Sales Promotions issued by the Ministry of Commerce on April 12, 2024. In particular, Article 13 of the Prakas prohibits the use of misleading advertising and promotional practices, including but not limited to:

- The use of unverifiable claims such as “the best,” “only one,” “number one,” “superior” or “unrivaled,” that are unsubstantiated by any valid certification from relevant ministries, institutions, and competent authorities.
- The use of promotional phrases such as “pop open and win,” “scratch and win,” “buy and win,” “pop more win more,” “buy one get one free,” “buy more win more,” or similar

wording that implies undefined or unspecified rewards, which may mislead consumers as to the nature of the products or services offered.

Violation of the rules outlined in Prakas No. 95 may lead to a fine of up to KHR50 million. If the breach involves false or misleading advertising under Article 13, the fine may be as high as KHR80 million.

## Customs

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*Sub-Decree No. 59 dated April 10, 2025 issued by the Royal Government of Cambodia on the “**National Single Window System**”*

This Sub-Decree outlines the regulation and operation of Cambodia’s National Single Windows System (“**NSW System**”), a centralized online platform designed to improve the efficiency of export, import, and transit procedures by enabling the electronic submission and processing of trade-related documents.

The NSW System is used to apply for and issue licenses, permits, certificates, and other authorizations for goods, including:

- Prohibited or restricted items
- Goods under free trade agreements and international treaties
- Petroleum products and duty-free shop items
- Goods of ministries, institutions, diplomatic missions, foreign consulates, and national/international organizations that are exempt from taxes and duties

The system is managed by the National Single Window Project Steering Committee and operated through the official website: <https://nsw.gov.kh>. All relevant ministries and institutions are required to issue authorizations through the system and collaborate electronically to exchange trade-related data.

### Key users of the system

- Government officials
- Exporters/importers
- Customs brokers
- Authorized organizations and individuals

To access the NSW System, users must register through procedures set by the National Single Window Project Implementation Team; they are required to maintain data confidentiality and security at all times.

The NSW System is integrated with domestic and international electronic systems, including the ASEAN Single Window, to enable cross-border data exchange.

### Operational guidelines

- Only the owner of the goods or its authorized representative may apply.
- Ministries must process applications within three working days, unless technical issues arise.
- Temporary offline procedures may be allowed during system disruptions, with proper notification.

### Fees and payments

- Public service fees must follow existing regulations.
- All payments must be made electronically unless an exception applies.

This Sub-Decree is effective from April 10, 2025. Existing laws remain in effect until updated, but all conflicting regulations are void.

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