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Legal and Tax Digest

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Labor

Prakas No. 110/25 dated May 5, 2025 issued by the Ministry of Labor and Vocational Training (“MLVT”) on “The Opening and Closing of Enterprises and Establishments”

This Prakas supersedes Prakas No. 288 dated November 5, 2001 on the Declaration of Opening and Closing of Enterprises and Establishments. It requires that all owners or directors of entities file an opening enterprise declaration certificate with the MLVT prior to commencing operations. It entered into effect on May 5, 2025.

Registration Requirements

- Newly established entities must apply for this certificate through the online business registration portal at <https://registrationservices.gov.kh>. An enterprise account must then be created in the Labor Automated Central Management System (“LACMS”) at <https://lacms.mlvt.gov.kh> within 30 days of receiving the certificate to ensure compliance with the Labor Law, since the account will be used to file any labor-related obligations.
- Currently operating entities that have not yet registered an official opening enterprise declaration certificate must create an account in the LACMS system within 30 days from the effective date of this Prakas.

Obligation to Display

The certificate must be publicly displayed at the entity’s premises.

Obligation to Update Information

All entities must notify the MLVT within 30 days of the closure or temporary suspension of the business or changes to any of the following:

- The name of the entity
- Shareholder, representative, or director of the entity
- Transfer of shares, shareholders’ or general director’s details; the entity’s articles of incorporation
- Registered business address
- Structure
- Business activities or objectives
- Tax identification number or other details contained in the patent tax certificate
- Contact information for the head of administration, human resources matter, and labor-related matters
- Bank account details
- Contact details, including the phone number, email, or person handling the MLVT online portal
- Other general operational information (e.g. number of employees, products, trademarks, import/export activities)

Penalties for Non-Compliance

Any non-compliance with these provisions is subject to fines ranging from KHR2,440,000 to KHR3,600,000 (approx. US\$610 to USD\$900) and/or imprisonment of up to one month, depending on the violation.

*Prakas No. 112/25 dated May 6, 2025 issued by the MLVT on “**Overtime Work Outside of Normal Working Hours, Work on Paid Holidays, and Suspension of Weekly Rest Days**”*

This Prakas sets out specific conditions, formalities, and procedures in relation to overtime work, work during paid holidays, and suspension of weekly days off. It supersedes all previous regulations related to overtime payments, including Prakas No. 80 dated March 01, 1999 on Overtime Work Beyond Normal Working Hours, Prakas No. 357/21 dated December 30, 2021 on the Rules and Procedures for Work on Paid Public Holidays, and any other related regulations. This Prakas is entered into force from the signing date of the Prakas.

Overtime Work Outside of Normal Working Hours

Conditions: Overtime work outside of normal working hours is permitted for the following as long as employees voluntarily agree to work overtime and the employer does not coerce or threaten disciplinary measures if employees choose not to:

- Special assignments in relation to inventory and balance sheets, liquidation deadlines, and closing the accounting books
- High workloads caused by unusual circumstances where alternative measures are not feasible for the employer

Employers must ensure safe transportation or proper rest areas for night-shift workers.

Payment rates: Employees are entitled pay at the following rates for overtime work:

- 150% of regular pay for overtime during the day on normal working days
- 200% of regular pay for overtime at night (10:00 PM to 5:00 AM)

Work on Paid Holidays

Conditions: Normally, employees are entitled to paid leave on national holidays as declared each year by the MLVT; however, work on paid holidays is permitted under the following circumstances:

- It is necessary because based on the nature of the business or its operations, work cannot be suspended during national holidays; and
- Employees voluntarily agree to work without any disciplinary measures imposed on employees who choose not to work during the holiday.

Payment rate: Employees are entitled to pay at the rate of 200% of their regular pay for work on paid holidays.

Suspension of Weekly Rest Days

Conditions:

- The suspension of weekly days off is permitted when urgent work is required to prevent imminent accidents or repair damage to materials, facilities, or buildings.
- The weekly days off may be suspended for up to two nonconsecutive days per month, and missed rest days must be compensated for within 30 days and cannot be taken consecutively.
- Certain sectors, such as public services (e.g. sanitation, infrastructure), construction and repair work, agriculture and fishing, food processing and storage, restaurants and retail in open areas, and mining and water transportation may reduce rest days by up to two days per month (not consecutively) to make up for missed work days due to adverse weather conditions.

Payment rate: Employees are entitled to pay at the rate of 200% of their regular pay for work on a scheduled rest day.

Procedural and Recordkeeping Requirements

- Employers must submit a request at least three working days in advance through the LACMS at <https://lacms.mlv.gov.kh>.
- The request must specify the number of workers involved, a justification for the request, and proof of majority consent (more than one-half of the employees involved or two-thirds of shop stewards).
- All related documentation must be retained for labor inspection purposes.

Penalties for Non-Compliance

Any non-compliance with these provisions is subject to fines of KHR3,360,000 (approx. US\$840) for each violation in accordance with the Labor Law and Joint Prakas No. 498 on Monetary Fines for Violations of the Labor Law dated July 31, 2023.

Environment

*Prakas No. 3591 dated May 6, 2025 issued by the Ministry of Environment on “**The Classification of Development Projects for Environmental Impact Assessment**”*

This Prakas expands the scope of environmental impact assessments (“EIAs”) and clarifies the types of projects subject to the various types of EIAs, such as full EIA, initial EIA, and environmental protection contract to better guide project owners in Cambodia. It entered into effect on the signing date, and supersedes Prakas No. 021 dated February 3, 2020 on the Classification of Environmental Impact Assessments for Development Projects.

This Prakas applies to all development project proposals, including the existing projects of private individuals, private companies, state joint ventures, state-owned companies, ministries, and government institutions.

It also expands the range of covered sectors to include mining, energy, industry, tourism, and infrastructure, as outlined in the Annex. It also increases the number of projects subject to EIAs, from 197 to 238.

The table below summarizes the updates from the Prakas on the required documents for each type of project and the period of time the Ministry of Environment has to review them:

Type of Development Project	Required Documents	Review Period
Project with minor environmental and social impacts	<ul style="list-style-type: none"> Environmental protection contract Environmental management plan 	30 working days from the date of receipt of a complete application for the contract, management plan and other required documents
Project with moderate environmental and social impacts	<ul style="list-style-type: none"> Initial EIA report 	60 working days from the date of receipt of the initial EIA report
Project with serious environmental and social impacts	<ul style="list-style-type: none"> Full EIA report 	90 working days from the date of receipt of the full EIA report

Real Estate

*Circular No. 001 dated May 22, 2025 issued by the Ministry of Land Management, Urban Planning and Construction on “**Implementation of the Procedure for Registration of Private Units of Old Co-Owned Buildings Built Before 1979 and Before December 19, 1997**”*

The circular provides additional instructions to supplement Prakas No. 050 dated July 19, 2024 on Procedures and Formalities for the Registration of Private Units in Co-Owned Buildings Built Before December 19, 1997 (“**Prakas No. 050**”) in order to safeguard the legal ownership rights of individuals in all co-owned buildings built before December 19, 1997 (including those built before 1979) and to streamline registration procedures. These new guidelines are as follows:

Registration Principles

All registrations must include:

- **Land parcel identification:** To identify the land on which the building sits.
- **Private unit identification:** To identify each individual owner’s private unit within the building.

The process follows both **systematic** and **sporadic** land registration principles, depending on the adjudication area.

Land Parcel Identification

- **Naming the co-owned building:** When registering the land parcel where the co-owned building is situated, the adjudicating official will use the land parcel data collection form (Annex 1 of the circular) to document details about both the shared land and the co-owned building. The land parcel will be identified as a co-owned building with the land parcel number serving as the building's name (e.g. Co-owned Building No. 0001). If the building has an existing name, its name will be added (e.g. Co-owned Building No. 0001 Mean Chey).
- **Co-owner list and representation:** The land parcel data collection form will have documents attached with the name, birth year, gender, and fingerprints of each of the co-owners or private unit owners in the co-owned building. One or more representatives must be appointed to act on behalf of the group.
 - If there is no agreement on who represents the co-owners, a majority of more than 50% of the owners can decide. If that fails, the local authorities (village or sangkat chief) will appoint a representative.

Private Unit Identification

- **Parallel registration:** Private unit registration is done together with land parcel registration, as required under Prakas No. 050.
- **Unit information collection:** Data for each private unit is recorded in a designated form (Annex 2 of the circular).
- **Unit coding system:** Each private unit receives a unique 16-digit ID whereby the first 12 digits represent the land parcel, and the other 4 digits represent the unit. This will align with each village's numbering system.

Land Title Issuance and Recordkeeping

Public display: Following a technical review of the documents, the Administrative Committee of the adjudication area will publish its findings. Objections are handled through investigation and mediation by the Administrative Committee.

Title Certificate issuance:

- **Undisputed land parcels:** These are registered in the land registry book and a title certificate (Annex 4 of the circular) is issued but retained by the cadastral administration until the owner surrenders the old property certificate or proof of ownership (see details in the next section). It cannot be released to any representatives or interested parties.
- **Undisputed private units:** These are entered in a separate registry that is similar to the land registry book (Annex 3 of the circular) and title certificates are issued in duplicate—one copy is kept by the district level cadastral administration and one is kept by the capital-provincial-level cadastral administration. Once owners surrender their old property certificate or proof of ownership to the cadastral administration, they will receive their new title certificate.

- **Disputed properties:** Registration will be delayed until the dispute is resolved.

Exchange of Old Ownership Documents

- Owners must submit their existing property certificates or other proof of ownership to cadastral administration to receive their new title certificate. Once submitted, the old documents will be stamped as void and stored at the cadastral administration's office.

Entertainment

Instruction No. 005/25 dated May 26, 2025 issued by the Commercial Gambling Management Commission of Cambodia ("CGMC") on "Maintaining Security and Order in the Commercial Gambling Sector"

This instruction aims to strengthen security and maintain order in the gambling sector, while ensuring legal compliance with the applicable regulations. It applies to casino owners, casino operators, and owners of integrated resorts, who must comply with the requirements below:

- **Security personnel:** There must be sufficient qualified security personnel to monitor guest entry and exit points, and to maintain safety and order on the premises of casinos and integrated resorts.
- **Prohibited items:** The possession or introduction of explosive weapons or hazardous substances that could compromise security and public safety on the premises of casinos and integrated resorts is strictly prohibited.
- **Security screening:** Scanners or other detection devices must be installed and operated around the clock at all entry and exit points to screen for explosives and hazardous substances.
- **Restricted access:** Cambodian citizens, individuals under 18 years of age, persons with criminal records, as well as those legally restricted from gambling are strictly forbidden from participating in gambling activities.
- **Security systems:** There must be a comprehensive security system on the premises of casinos and integrated resorts.
- **Implementation of appropriate measures:** Effective actions must be taken to prevent and respond to activities that threaten security and order, including:
 - Fraud and telecommunications fraud
 - Money laundering
 - Financing of terrorism and the proliferation of weapons of mass destruction
 - Illegal detention
 - Drug trafficking
 - Human trafficking
 - Other criminal acts
- **Reporting obligation:** Any violations or incidents affecting security and order on the premises of casinos and integrated resorts must be promptly reported to the General Secretariat of the CGMC.

- **Enforcement:** The General Secretariat of the CGMC will assign specialized officers to monitor and inspect as necessary. In cases of non-compliance with this instruction, the premises' owner may be subject to administrative penalties and/or monetary fines as per the applicable laws and regulations.

Taxation

Instruction No. 19116 dated June 20, 2025 issued by the General Department of Taxation on “Tax Obligations for Board Members and Company Directors”

This instruction reaffirms the applicability of Tax on Salary (“**TOS**”) and Withholding Tax (“**WHT**”) for both resident and non-resident board of directors’ (“**BOD**”) members and company directors.

Rules for determining TOS applicability

A BOD member or director is considered an employee and subject to TOS if they meet *any two* of the following four conditions.

- There is no risk that they won’t be paid, provided they perform the work as stipulated in an employment contract (oral or written) and at the designated place.
- They are not able to independently determine their work time and location.
- They are not required to make any personal capital expenditures for tools or equipment necessary for their work.
- They do not work simultaneously for multiple employers.

An employee who serves as a BOD member or director for a Cambodian company is subject to TOS for any income earned from such work. This includes employees who are seconded from a parent company or head office abroad for a fixed period, if they receive remuneration for such work. TOS applies regardless of whether they hold a work permit and irrespective of the location from which their salary is paid. In other words, any salary earned for services rendered in Cambodia is taxable under TOS, even if paid by a foreign entity.

For resident employees, TOS applies on:

- Salary derived from both Cambodian and foreign sources.
- Cash advances provided by the employer.
- Loans or installments granted by the employer to the employee.

For non-resident employees, TOS applies on:

- Salary derived from Cambodian sources only.

WHT obligations for BOD members or directors not classified as employees

- BOD members or directors who do not meet the employment conditions specified above but who perform services on behalf of a non-resident individual, whether or not they have a work permit, are subject to WHT.
- Resident or non-resident individuals who perform independent work for a company in Cambodia are also subject to WHT.

Exemption from TOS

BOD members or directors who meet all of the following conditions are exempt from TOS:

- They have their name in the company's articles of incorporation or on the patent tax certificate, but do not have any daily executive duties in Cambodia; and
- They attend only occasional board or shareholder meetings; and
- They do not receive any salary from the company in Cambodia.

Instruction No. 18574 dated June 17, 2025 issued by the Ministry of Economy and Finance on "Tax Obligations for Share Premiums"

This instruction aims to provide clear guidance on the tax treatment of share premiums to clear up the confusion that has arisen during tax audits, address concerns raised by businesses and taxpayers, and support a transparent environment for raising equity capital in Cambodia.

Clarifications

- Share premiums (i.e. the extra money investors pay above a share's par value) paid when buying new shares is not considered taxable income. Instead, they are viewed as capital contributions.
- To qualify for this tax exemption, companies must ensure that share capital and share premiums are fully paid and properly documented. This requires maintaining accurate accounting records supported by documents such as share subscription agreements and proof of payment.
- If documentation is insufficient or missing, the General Department of Taxation may treat these capital contributions as taxable income, potentially resulting in tax liabilities for the entity.

Recommendations for companies

- Prepare all necessary documentation prior to inviting share subscriptions.
- Ensure full payment of subscription amounts into the company's bank account.
- Collaborate closely with legal and tax advisers to comply with evolving tax regulations.
- Retain all relevant evidence, including shareholder resolutions and bank receipts, to have evidence to support the capital contributions during a tax audit.

Telecommunications

Notification No. 1445 dated June 9, 2025 issued by the Ministry of Posts and Telecommunication ("MPTC") on "Licensing to Establish and Operate a Data Center"

Under this notification, which is effective from the signing date, the MPTC is requiring all entities that wish to establish and operate a data center to obtain a license, and also applies to those entities already offering data center services.

Services requiring a license:

- Data storage, website hosting, and email services
- Rental of server space or main servers
- Maintenance of software or customer computer equipment housed within the data center
- Data protection and security services within the data center
- Cloud technology services, such as Infrastructure as a Service (IaaS), Platform as a Service (PaaS), and Software as a Service (SaaS)

Any entity operating without a license will face administrative sanctions, which may include monetary fines, or suspension or termination of its operations.

Real Estate

*Notification dated June 17, 2025 issued by the Real Estate Business and Pawnshop Regulator ("RPR"), on the "**Obligation to Obtain a Valid Business License Before Commencing Operations**"*

Under this notification, the RPR, operating under the Non-Bank Financial Services Authority ("FSA"), has reaffirmed the strict obligation for all entities involved in real estate and pledge businesses to obtain a valid business license before commencing operations. Any operation without a proper license will face administrative sanctions.

Types of businesses that require a license:

- **Residential development:** The construction and sale of flats, villas (single, twin, hybrid), and similar residential units.
- **Co-ownership building development:** Development of condominiums, office towers, market buildings, and multi-purpose structures.
- **Land development:** Projects involving residential, commercial, or agricultural land parcels.
- **Real estate services:** Activities encompassing property management, appraisal, and agency services.
- **Pledge and security interest services:** Lending-related businesses where movable property is pledged as collateral under legally binding agreements to secure repayment obligations.

The RPR requires all relevant entities to submit their licensing applications promptly. Applications must be completed in person at the FSA office located at No. 168F, 7th Floor, Street 598, Sangkat Chhang Chamres 1, Khan Russey Keo, Phnom Penh, Cambodia.

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