



GLOBAL PRESSURE, LOCAL RULES: WINNING M&A DEALS IN CAMBODIA

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Introduction

With the introduction of a modern merger control regime, Cambodia is taking a clear step promoting a fair competition and providing a more transparent environment for business growth. Currently, the Cambodia's merger control regime is primarily governed by the **Law on Competition** promulgated on October 5, 2021 and came into force on October 6, 2021 following the subsequent regulations. Collectively, these legal instruments aim to prevent anti-competitive business combinations within the Cambodian market.

Below are the key implementing regulations in connection with the business merger control:

- **Law on Competition** dated October 5, 2021: It governs any activities that prevent, restrict, or distort competition in the market, and to establish the governing regulator in Cambodia.
- **Sub-Decree No. 60** dated March 6, 2023: It outlines the requirements and procedures of business merger, which include pre- and post-combination notification process and the potential for the issuance of an Advance Ruling Certificate ("**ARCs**").
- **Inter-Ministerial Prakas No. 411** dated July 17, 2023: It specifies the public service fees for notifications, ARC, and registration of business combination.

- **Decision No. 095** dated March 14, 2023: It establishes thresholds that need to obtain pre-combination notification prior to a business combination ("**pre-notification**").
- **Supporting Prakas (Nos. 177, 178, 179)**: These regulations address the requirement and procedures of the registration, thresholds for post-business combination notification, and ARC.

The regime applies to business combinations that may significantly prevent, restrict, or distort competition in a relevant Cambodian market, regardless of the transaction location, including outside Cambodia if it is found to have a significant connection to the local market. The **Competition Commission of Cambodia ("CCC")** is the primary authority, with delegated powers to the **Consumer Protection, Competition, and Fraud Repression Directorate-General ("CCF")** for oversee enforcement and routine tasks.

What counts as a Business Combination?

The Business combination includes:

- Mergers or acquisitions where one or more persons acquire control (e.g. in the form of voting rights, board appointments, key decisions) over an entity or its assets. It applies regardless of transaction location if the parties have turnover, assets, or activities in Cambodia.

- Joint ventures or formations creating joint control. Example: Formation of a jointly controlled project company in Cambodia → Business Combination subject to review.
- Minority stakes if they confer control; however, purely internal restructurings are excluded unless they are anti-competitive. Example: Acquisition of 30% with board or veto rights → treated as acquisition of control.
- Pure internal group restructurings are not counted as business combination transaction.

Thresholds for Notification

The requirement for pre-notification to the CCC on such proposed business combination is triggered if the thresholds shown in the table below are met. The amount is based on the total of the parties (and their groups) in Cambodia for the prior financial year.

Sector	Total Assets (KHR/US\$)	Sales Turnover (KHR/US\$)	Input Purchase Turnover (KHR/US\$)	Transaction Value (KHR/US\$)
General Businesses	≥ 340 billion/ ~85 million	≥ 270 billion/ ~67.5 million	≥ 120 billion/ ~30 million	≥ 41 billion/ ~10.25 million
Banking/Financial Institutions	≥ 4.5 trillion/ ~1.125 billion	≥ 420 billion/ ~105 million	≥ 3.8 trillion/ ~950 million	≥ 120 billion/ ~30 million
Insurance/Securities	≥ 1 trillion/ ~250 million	≥ 280 billion/ ~70 million	≥ 820 billion/ ~205 million	≥ 61 billion/ ~15.25 million

**Using an exchange rate of US\$1: KHR4,000.*

Per Prakas No. 178, the post-notification is required if values reach **at least 50%** of a threshold above, where pre-notification to the CCC was not required.

Timing and Requirements

- **Pre-notification (mandatory if thresholds above are met):** This must be completed before substantive completion (i.e. the transfer of control). One of the parties to the business combination shall file, and closing must be suspended until approval is obtained. Within 30 working days of the closing of the transaction, one of the notifying parties must register such business combination with the CCC.
- **Post-notification (mandatory if levels reach at least 50% of threshold amounts):** At least one party of such business combination must notify the CCC within 30 working days after substantive completion of the transaction.
- **ARC (optional):** Parties to an M&A may voluntarily apply to the CCC for an advanced ruling certificate, including those who are required to pre-notification or post-notification to business combination. For low-risk deals meeting thresholds but unlikely to harm competition, an ARC allows for closing within one year of issuance without a full review (per Prakas No. 179).

Note: Any business combination that could affect competition or the local market in Cambodia must be reviewed, with no exceptions from the requirement to notify the CCC. Combination executed outside Cambodia but involving a target with Cambodian operations may still be required notification. Being non-compliant may result in risk of administrative sanctions, penalties, and transaction delays.



Procedures for Review and Approval

The notification and filing procedures may vary depending on the type of requirements that need to be fulfilled with the CCC.

Service types, Official Fees, Timelines, and Validity

Pursuant to Inter-Ministerial Prakas No. 411, the official service fees, service duration, and validity are set out below.

No.	Description	Official Service Fee (KHR/US\$*)	Minimum time for service provision (working days)	Validity
1. Pre-Notification for Business Combination				
1.	- General Businesses	8,000,000/2,000	150 days	Permanent
2.	- Insurance/Securities	10,000,000/2,500	150 days	Permanent
3.	- Banking/Financial Institutions	12,000,000/3,000	150 days	Permanent
2. ARC for Business Combination				
4.	- General Businesses	10,000,000/2,500	120 days	Permanent
5.	- Insurance/Securities	12,000,000/3,000	120 days	Permanent
6.	- Banking/Financial Institutions	14,000,000/3,500	120 days	Permanent
3. Business Combination Registration				
7.	- General Businesses	600,000/150	7 days	Permanent
8.	- Insurance/Securities	800,000/200	7 days	Permanent
9.	- Banking/Financial Institutions	1,000,000/250	7 days	Permanent
4. Post-Notification for Business Combination				
10.	- General Businesses	400,000/100	7 days	Permanent
11.	- Insurance/Securities	600,000/150	7 days	Permanent
12.	- Banking/Financial Institutions	800,000/200	7 days	Permanent

*Using an exchange rate of US\$1: KHR4,000.

Other Key Obligations and Sanctions

Area	Summary
Gun-Jumping Prohibition	No implementation or integration before clearance; violations attract fines.
Ongoing Reporting	Annual or ad-hoc reporting may be required for ongoing combinations.
Due Diligence	Parties must self-assess thresholds and Cambodian effects; merger clauses recommended in transaction documents.
Sanctions	Fines of 3%–10% of affected market revenue (up to 3 years; group-wide), divestiture orders, interim measures, and court enforcement.
International Cooperation	CCC may coordinate with foreign competition authorities in cross-border cases.

Tax Considerations in M&A

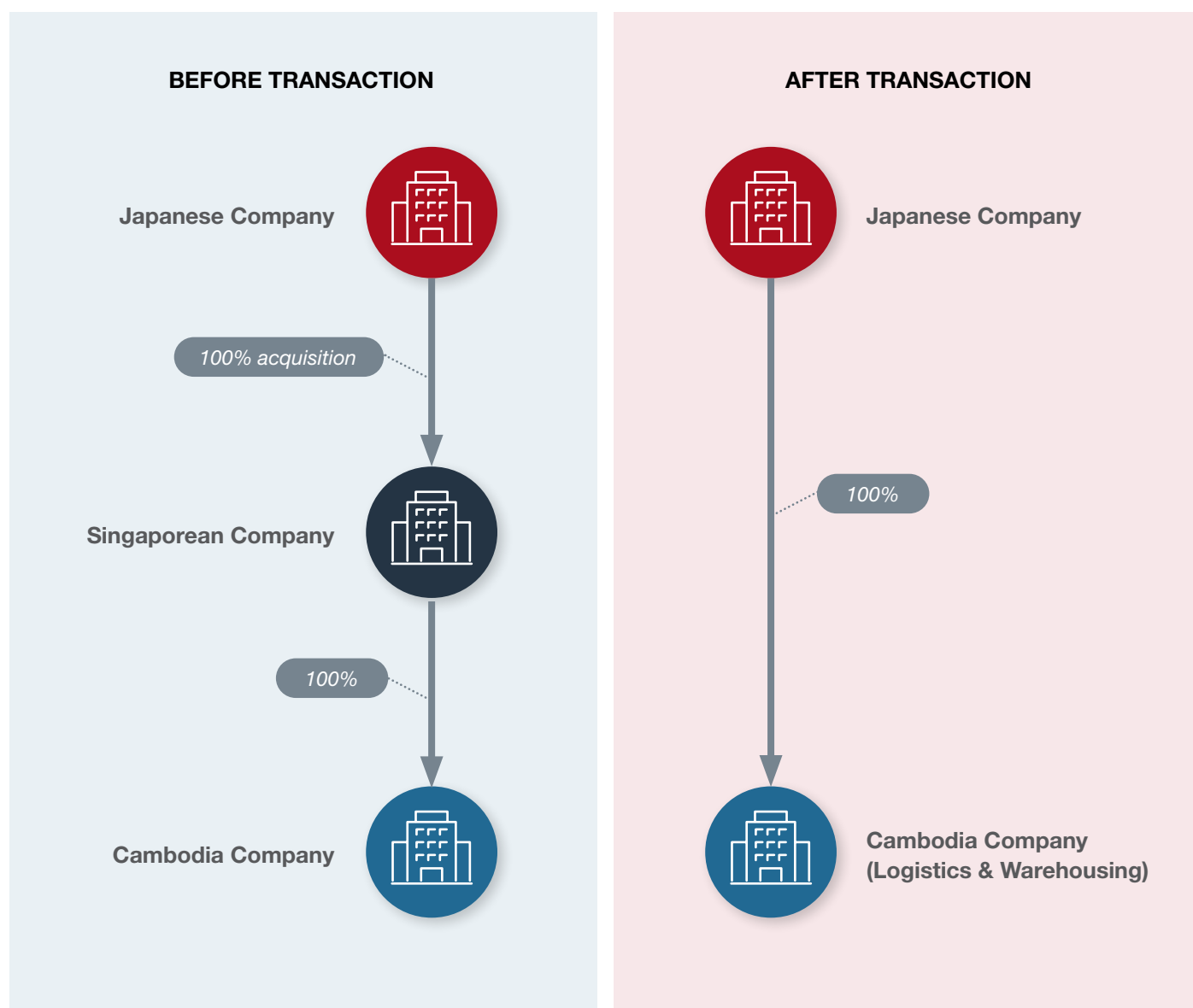
Transactions Merger and acquisition transactions in Cambodia may trigger multiple tax exposures depending on deal structure:

- Capital Gains Tax / Tax on Income for sellers (share or asset disposals)
- Stamp duty (4%) on transfers of immovable property or shares in land-holding companies
- Stamp Duty (0.1%) on transfer of shares of the higher of the Entity's registered capital; its net assets per its latest audit report or tax on income return; and the selling price of the shares being transferred
- VAT implications on asset transfers (subject to exemptions for going concerns).
- Withholding tax on cross-border payments such as interest, dividends, or service fees.
- Tax incentives or exemptions for Qualified Investment Projects (QIPs), subject to CDC approval

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Case Study: Cross-Border Acquisition with Cambodian Nexus (*Competition + Tax Illustrated*)

Scenario: A Japanese manufacturing group (Buyer) acquires 100% of a Singapore holding company (Target). The Target owns a Cambodian operating subsidiary active in logistics and warehousing.



Step 1: Merger Control Analysis (Cambodia)

1. Is this a “Business Combination”? **Yes**
 - Acquisition of control
 - Cambodian subsidiary generates local turnover
 - Foreign-to-foreign deal, but with Cambodian market impact
2. Do notification thresholds apply? **Pre-Notification required (General business turnover and transaction value thresholds exceeded)**
 - Cambodian Company turnover in Cambodia: USD 75 million
 - Transaction value: USD 120 million
 - Practical Impact
 - Filing must be made before completion
 - Closing suspended until CCC approval
 - Review timeline:
 - 7 days sufficiency check
 - 30 days primary review (if no competition concerns)

Step 2: Tax Analysis (Cambodia)

Transaction Level (Offshore):

- Share transfer occurs outside Cambodia
- No Cambodian capital gains tax at Singapore/Japan level

Cambodian Exposure: Cambodian taxes still arise because the target holds Cambodian assets.

Key Tax Issues:

Tax Item	Impact
Stamp Duty (4%)	Applies if Cambodia Company is a land-holding company
Stamp Duty of Share Transfer (0.1%)	Applies to higher of the Entity's registered capital; its net assets per its latest audit report or tax on income return; and the selling price of the shares being transferred
VAT	Not triggered (share deal, not asset transfer)
Withholding Tax	Future dividends, management fees, or interest paid offshore
Capital Gains (Future Exit)	Applies on future disposal of Cambodian assets/shares
QIP Incentives	May continue if CDC conditions remain satisfied

Note: Early structuring avoids hidden tax leakage.

Step 3: Combined Legal & Tax Timeline

Week 1–2

- Merger control threshold assessment
- Tax structuring review (share vs asset deal)

Week 3

- Pre-notification filing with CCC
- SPA signed with regulatory conditions precedent

Week 4-8

- CCC primary review
- Tax registrations / stamp duty planning

Approval

- Closing permitted
- Completion registration filed (within 30 working days)

What Could Go Wrong (If Not Assessed Early)

- Closing before CCC approval → gun-jumping fine
- Ignoring land-holding status → unexpected 4% stamp duty
- No tax planning → withholding tax leakage on post-closing payments

Key Client Takeaways

- Foreign deals can still trigger Cambodian merger control
- Control matters more than deal location
- Competition + tax must be assessed together
- Early planning saves time, cost, and regulatory risk



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