

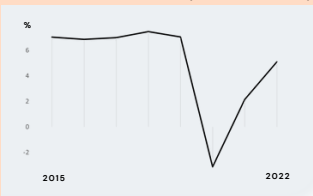


# Cambodia

Cambodia experienced an extended period of strong economic growth over the last decade. As a result, their middle-class consumer market is expanding and will continue to drive GDP growth.

Economic growth and pro-business policies have strengthened its position as an attractive business destination.

GDP GROWTH IN % (2015-2022e)



2020 TO 2022 (ESTIMATED)  
(SOURCE: IMF)

## GDP

- **US\$1,752** PER CAPITA (2022e)
- **5%** AVERAGE ANNUAL GROWTH RATE FROM 2015 TO 2022e

(2018-2022)



2021 (ESTIMATED), 2022 (FORECAST)  
(SOURCE: KPMG)

## INFLATION RATE

THE FORECASTED AVERAGE INFLATION RATE IN 2022 IS **3.8%**

KHR PER US\$, PERIOD AVERAGE (2017-2021)



(SOURCE: WORLD BANK)

## EXCHANGE RATE (KHR/US\$)

KHR IS CLOSELY PEGGED AGAINST US\$



Cambodia has a dual-currency system; US\$ is widely used in the country.



A MEMBER OF ASEAN & PARTICIPATING COUNTRY OF THE REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP)

RCEP is the world's largest FTA, comprising about 30% of global GDP. It eliminates or reduces custom duties for about 90% of goods exported into the 15 RCEP countries.

Singapore is also a member of ASEAN and a participating country of RCEP.

(SOURCE: MTI)

## POPULATION

(SOURCE: STATISTA, EDB)



(2022 FORECAST)

**17.2** million

(2020)

**69%** below 35 years old

## LABOUR FORCE

(SOURCE: WORLD BANK, EDB)



WORKING POPULATION

(2021)

**9.4** million

EDUCATION LEVEL

(2019)

**73%** with advanced\* education

MINIMUM WAGE

(2022)

**US\$ 194**

\*short-cycle tertiary education, bachelor's degree or above

As of 2021,  
Internet penetration: 80%  
Mobile ownership: 124%

(SOURCE: PHNOMPENH POST, KHMER TIMES)



Primary Messaging tool



Primary Social Media

# SETTING UP A BUSINESS IN CAMBODIA



## INCORPORATING PROCESS

**9 STEPS, 99 DAYS**

(SOURCE: WORLD BANK, KPMG)



Ministry of Commerce (MoC), General Department of Taxation (GDT) and Ministry of Labor and Vocational Training (MLVT) are the three main institutions for business registration.

There are various corporate structures available, including a limited liability company (LLC), a public limited company (PLC), a representative office, a branch and subsidiary.

## CORPORATE TAX

(SOURCE: KPMG)

**0-30%**

depending on the type of business entity.

## FOREIGN OWNERSHIP

(SOURCE: ACCLIME)

**100%**

For private limited companies, representative offices, branch offices and subsidiaries in selected sectors.

## PRODUCT REGISTRATION

(SOURCE: CREDEVO, CAMBODIA NATIONAL TRADE REPOSITORY)

Registration of pharmaceutical products - Department of Drugs and Food under Ministry of Health

Regulated Product License for food, beverages and electronics production - Institute of Standard of Cambodia (ISC)

## IMPORT AND EXPORT

(SOURCE: ENTERPRISESG, PHNOMPENH POST)

Cambodia's total trade volume in Q1 2022 increased by 9.1% (US\$13.1 billion) compared to US\$12.1 billion for same period of 2021.

## FREE TRADE AGREEMENT (FTA)

(SOURCE: ENTERPRISESG)

The ASEAN Free Trade Area (AFTA) is made up of 3 agreements, including the ASEAN Trade in Goods Agreement (ATIGA) which eliminates tariffs for almost all goods and services.

## INWARD DIRECT INVESTMENT



(SOURCE: STATISTA)

CAGR: 10%

This diagramme shows the net flows of foreign direct investment (FDI) into Cambodia.

In Q1 2022, Cambodia received US\$2.4 billion worth of FDI. A total of 43 investment projects were approved by the Council for the Development of Cambodia (CDC).

(SOURCE: PHNOMPENH POST)

## INVESTMENT SINGAPORE - CAMBODIA

(SOURCE: ENTERPRISESG, PHNOMPENH POST)

An Investment Guarantee Agreement (IGA) between Singapore and Cambodia protects investors from both countries, promoting greater investment flows.

From 1994 to 2021, Singapore had invested US\$2.7 billion in Cambodia.

# SECTOR HIGHLIGHTS

## FOOD MANUFACTURING



Consumer spending per capita is forecast to increase 21.6% by 2025.

2021 --> US\$408.2

2025 --> US\$496.4

*(forecast)*



Growing appreciation for novel and innovative food due to growing urban middle class and expatriate community.



Priority is given to the development of the agro-processing sector, as the majority of raw materials are exported to neighboring countries for manufacturing before being re-exported back.

*(SOURCE: STATISTA, ASEAN)*

## INFRASTRUCTURE

### Ports



Measures adopted to expedite shipping procedures and reduce shipping costs:

- Expanding port operations
- Establishing electronic data interchange system



State-owned ports saw growth in revenue in 2021 despite the pandemic:

Sihanoukville Autonomous Port (↑17.6% year-on-year)

Phnom Penh Autonomous Port (↑14% year-on-year)

### Real Estate



Almost 4,000 projects, worth more than US\$10.4 billion were approved in the first 11 months of 2021.

*(SOURCE: PHNOMPENH POST)*

## AGRIFOOD TRADING



Agriculture contributed 22.4% to Cambodia's GDP in 2020.



Singapore is one of Cambodia's top 10 agri-food importers.



Free Trade Agreements with China and South Korea offer additional opportunities to expand agricultural exports.



Investments in the agro sector are expected to increase to US\$722 million by 2023. It registered US\$492.8 million in 2019.

*(SOURCE: STATISTA, ISEAS, BUSSINESS TIMES)*

## OPPORTUNITIES IN OTHER SECTORS



### Renewable energy

Promotion of renewable energy and energy efficiency initiatives to achieve government's aim of reducing greenhouse gas emissions by 42%, by 2030.



### Healthcare & Pharmaceutical

Growing middle class is increasingly willing to pay for private medical services, seeking more reliable and sophisticated forms of medical care.



For information on other sectors, please visit [GlobalConnect@SBF](mailto:GlobalConnect@SBF) or contact [globalconnect@sbf.org.sg](mailto:globalconnect@sbf.org.sg)

**SMEs in priority sectors** (e.g. agriculture, food production, manufacturing of consumer goods for the tourism sector, innovative IT services) that **use 60% raw material from local sources and employ 20% more staff** are eligible for income tax exemption.

There are also additional deductions for **SMEs that incorporate technology and encourage staff training to improve work efficiency:**

- 200% of expenses on IT accounting systems
- 200% of expenses on training
- 150% of investments on machine or technology

*(SOURCE: KPMG)*

Apply to Cambodia's General Department of Taxation (GDT) through an online system or submit the application form and supporting documents at the tax administration.

# FREQUENTLY ASKED QUESTIONS



## What are the requirements to start a business?

### Limited Liability Company (LLC)

- Registered local office address
- Minimum capital requirement of KHR4 million (US\$1000)
- Between 1 and 30 shareholders, and at least 1 director
- Overseas companies can create an LLC in Cambodia either as a wholly owned "subsidiary" or under shared ownership. Generally, the parent company will only potentially be liable for the subsidiary's debts and liabilities up to the point of its subscribed capital in the subsidiary.
- The company shall issue a minimum of 1,000 shares with a par value of not less than KHR4,000 per share with only one class of share.

(SOURCE: KPMG, ACCLIME)

### Branch

Engage in the same business activities as an LLC incorporated in Cambodia. However, the branch office does not benefit from the limited liabilities afforded to an LLC or subsidiary.

### Representative Office

To engage in sales liaison and market research activities in Cambodia but strictly prohibited from any business activities and should not derive any income from its operations.



## How much is the minimum investment for a company which engages in Foreign Direct Investment (FDI)?



### Fields of Investment

Supply industry (supplying the export industry)

Production of animal food

Production of food and beverages; textile; garments; footwear; paper; rubber products; plastic products; traditional medicine; clean water supply; processing cereal or crops for export

Production of chemicals; cement; agriculture fertilizer; petrochemical; modern medicines.

### Minimum investment

US\$100,000

US\$200,000

US\$500,000

US\$1 million

(SOURCE: KPMG, ACCLIME)



## What is the tax structure for FDI?



### Taxable income

Oil or natural gas production, exploitation of natural resources including timber, mineral, gold and precious stones

Income realised by a legal person

Insurance or reinsurance activities on property risk

Qualified Investment Projects (QIP) during the tax exemption period



### Tax rates

30%

20%

5%

0%



### Other taxes

**Value-added Tax:** 10% or 0% for certain exported services

**Patent Tax:** A separate patent tax certificate is required for each business activity and location. The amount depends on the type of taxpayer. It ranges about US\$100 to US\$300 for SMEs.



Registration with the tax administration should be completed within 15 working days from the commencement of economic activities, or after registration approval.

(SOURCE: KPMG, DELOITTE)

### Qualified Investment Projects (QIP)

A QIP may be eligible for tax exemption / special depreciation and additional incentives such as import duty exemption and value-added tax exemption.

Foreign investors may register their projects with the Council for the Development of Cambodia (CDC) for an QIP status.



## IMPORTANT INFORMATION

### SUPPORT SCHEMES & PROGRAMMES


- Market Readiness Assistance Grant
- Enterprise Development Grant
- Enterprise Financing Scheme

Initiatives such as [GlobalConnect@SBF](#), [Scale-up SG](#) and [iTalent Solutions Map](#) enable companies in their journey towards internationalisation.


Visit SBF [Singapore Business Institute \(SBI\)](#) for the list of available training for your respective areas of interest.

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