Cambodia
Transfer Pricing Guide 2024

wts global

Cambodia

1. Legal Basis

Is there a legal requirement to prepare TP documentation?

Yes, there are TP documentation rules. A TP report has to be prepared annually.

Since when does a TP documentation requirement exist in your country?

From 10 October 2017.

Adoption of the OECD or UN legislation in your country?

OECD.

Is your country a member of the OECD, Inclusive Framework, or other OECD groups (e.g. BEPS)?

No.

Are TP policies of multinational enterprises in principle accepted by the tax authorities, if they are in line with the OECD TP Guidelines?

Yes.

Which TP methods may be applied?

The Guidelines provide for all methods described in the OECD TP Guidelines (OECD methods are Comparable Uncontrolled Price (**"CUP"**); Resale Price method (**"RPM"**); Cost Plus method (**"CPM"**), Profit Split (**"PS"**); and Transaction Net Margin Method (**"TNMM"**)).

Is there a stated preference for any particular TP methods?

The most appropriate method should be used.

Have the documentation requirements of OECD BEPS Action 13 already been implemented (i.e. the LF, MF and CbCR concepts)?

Only the LF is applicable - Prakas 986 requires the retention of annual documentation. No guidance is available on MF or CbCR.

Reference to documentation and statements of local-government or tax authorities regarding OECD BEPS implementation status

While Prakas 986 requires transactions be undertaken at arm's length and documentation to be retained annually, Cambodia has not indicated its intention to implement OECD BEPS Action 13.

Is there any statute of limitation period?

The statute of limitations is three years, which may be extended to 10 years if fraud or obstruction of the implementation of the law is involved.

Reference to relevant articles of law, legislative regulation or applicable administrative guidance that are in place for TP documentation in general.

The documentation requirements: Prakas 986.

2. Master File (MF)

What is the (consolidated revenue) threshold requirement for the obligation to prepare a MF?

Not applicable.

Euro Equivalent

Not applicable.

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From which year does this obligation exist?

Not applicable.

When does the MF need to be available?

Not applicable.

When does it need to be submitted?

Not applicable.

Does the MF have to be prepared in the relevant local language?

Not applicable.

Is documentation in English permissible?

Not applicable.

What are the possible consequences of not having the MF available?

Penalties?

Not applicable.

Imprisonment?

Not applicable.

Shifting of the burden of proof?

Not applicable.

Other?

Not applicable.

To what extent do the local rules differ from the OECD standard regarding the OECD content requirements for the MF as shown in the BEPS implementation overview chart?

Not applicable.

3. Local File (LF)

What is the threshold requirement for the obligation to prepare a LF?

No thresholds, a file is prepared per entity.

Euro Equivalent

Not applicable.

From which year does this obligation exist?

From 10 October 2017.

When does the LF need to be available?

There is no specified deadline for the preparation of TP documentation.

When does the LF need to be submitted?

The documentation should be filed within seven working days, on request.

Does the LF have to be prepared in the relevant local language?

There is none specified, as TP documentation prepared in the English language may be submitted to the GDT.

Or is documentation in English permissible?

Yes.

What are the possible consequences of not having the LF available?

Penalties?

Yes. If TPD is incomplete or non-contemporaneous, a penalty of 10% to 40% of the underdeclared amount may be assessed, depending on the quantum of the underdeclared amount relative to the tax amount declared. Monthly interest is calculated at 1.5% of the amount of taxes deemed underdeclared. It may also result in the withdrawal of the Taxpayer's Certificate of Tax Compliance.

Imprisonment?

No.

Shifting of the burden of proof?

No.

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Other?

No.

To what extent do local rules differ from the OECD standard regarding the OECD content requirements for the LF as shown in the 2017 OECD TP Guidelines?

The prescribed information required to be disclosed in the LF is consistent with the OECD Action 13 requirements.

4. Country-by-Country Reporting (CbCR)

What is the threshold requirement for the obligation to prepare Country-by-Country Reporting?

Not applicable.

Euro Equivalent

Not applicable.

From which year does this CbCR obligation exist?

Not applicable.

Are Taxpayers required to notify of CbCR filing in your country?

Not applicable.

If yes, when and how do the tax authorities need to be notified?

Not applicable.

If the reporting entity (ultimate parent or surrogate parent) is in your country, what is the CbCR submission deadline?

Not applicable.

Are there any deviating submission deadlines for the secondary mechanism?

Not applicable.

Does your country have a requirement that the financial figures of the group need to be aligned?

Not applicable.

Where is the CbCR to be submitted?

Not applicable.

How is the CbCR to be submitted, specifically, is there any prescribed standard?

Not applicable.

What are the possible consequences of not having the CbCR available?

Penalties?

Not applicable.

Imprisonment?

Not applicable.

Shifting of the burden of proof?

Not applicable.

Other?

Not applicable.

To what extent do your local rules differ from the OECD standard regarding the content requirements for the CbCR as shown in the 2017 OECD TP Guidelines?

Not applicable.

Did your country sign the Multilateral Competent Authority Agreement on the Exchange of CbCR ("CbCR MCAA")?

Not applicable.

Did your country enter into other information exchange agreements, such as on a bilateral basis?

Not applicable.

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Can a Taxpayer in your country fulfil his CbCR requirement by referring to the reporting entity in the same or another country?

Not applicable.

5. **TP disclosure in tax return or TP specific returns**

Is there a threshold for Related Party Transactions?

No.

Does a Taxpayer need to disclose information regarding TP documentation in his tax return?

Yes. Annex 1, which is the related party disclosure form, must be attached to the Corporate Income Tax (**"CIT"**) return.

The TP disclosure form is required as an annex of the annual CIT return which should be filed within 90 days after the end of the fiscal year-end.

When a Taxpayer files a tax return for which he understands or should understand that the result reported in that tax return is too low due to incorrect transfer pricing, what could be the legal consequences?

Failure to submit, late submission or incorrect disclosures will result in administrative penalties and may also result in the withdrawal of the Taxpayer's certificate of tax compliance.

What could be the consequences for the tax advisor/accountant/administrator drafting and filing the tax return of a client where that advisor/accountant/administrator understands or should understand that the result reported is too low due to incorrect TP?

Same as above.

Does a Taxpayer need to file TP specific returns?

Yes, TP disclosure is required as Annex 1 of the annual CIT return which should be filed within 90 days after the end of the Fiscal Year-end.

Please state the filing form number and name.

TP disclosure form is Annex 1 of the annual CIT return.

What would be the filing deadline?

It should be filed within 90 days after the end of the fiscal year-end.

What would be the penalties for non-compliance?

Failure to submit, late submission or incorrect disclosures will result in administrative penalties and may also result in the withdrawal of the Taxpayer's certificate of tax compliance.

6. **Benchmarking**

Is there any local guidance or requirement with regard to the preparation of a benchmark study?

No, although single year is acceptable, use of full range and interquartile range based on the spreadsheet quartile formula is accepted, roll forward study is acceptable and simple average is acceptable.

Is there any stated preference for local benchmarks?

Finding local comparables is extremely difficult because of a lack of publicly available databases and only a few companies are listed on the local stock exchange. Accordingly, regional comparables are accepted.

Are there any materiality thresholds that apply to the requirement to have a benchmark study available?

No.

7. **Year-end, secondary, and corresponding adjustments**

Are year-end/ secondary/ corresponding adjustments permissible?

No.

Does the Taxpayer have to comply with any specific features or guidance?

This is not specified by the Law. It will depend on each tax inspector.

8. <u>TP Audit and Dispute Resolution Mechanisms</u>

What are currently the main TP areas of scrutiny by the tax authorities in your country?

Historically, the revenue authority has focused on the garment industry for TP audits. The logistic, shipping and freight-forwarding industries are also a focus for TP audits by the authorities. At an individual transaction level, payment of management fees, royalties, and payments for other intangibles are all currently being closely scrutinised by the tax authority.

Based on your experience, are joint or multilateral audits initiated and carried out?

No.

Does the Taxpayer have the option to apply for bilateral or multilateral APAs?

No.

Are there any restrictions?

No.

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