



# Hotel & Guesthouse Business Licensing in Cambodia

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**A** No 64, St 111  
PO Box 172  
Phnom Penh  
Cambodia

**T** +855 23 217 510  
+855 23 212 740

**F** +855 23 212 840

**E** [info@bnglegal.com](mailto:info@bnglegal.com)

**W** [www.bnglegal.com](http://www.bnglegal.com)

## 1. OVERVIEW

The Royal Government of Cambodia has adopted the following laws and regulations to facilitate the development of hotel and guesthouse accommodation services:

- o Royal Kram No NS/RKM/1207/030 Promulgating the Civil Code
- o Royal Kram No NS/RKM/0609/007 Promulgating the Law on the Tourism
- o Sub-Decree No. 16 on Hotel and Tourism Accommodation Services
- o Prakas No. 063 on Granting Tourism License to Hotel and Accommodation Services
- o Prakas No 106 on the Label Sample for Hotel Classification STAR I, II, III, IV and STAR V
- o Prakas No 098 on Commercial Registration
- o Prakas No 104 on the Filing of Annual Declaration of the Commercial Company
- o Circular No. 03 on the Business Management on Hotel and Tourist License
- o Notification No. 1962 on the Capital Requirement for Commercial Registration
- o Notification No. 6168 on the Certificate of Bank Deposit for Commercial Registration

## 2. REGISTERING A COMPANY

The Ministry of Commerce maintains a commercial registry of all businesses formed in Cambodia. Prior to commencing operations in Cambodia, all businesses are required to register with the Ministry of Commerce.

Before preparing the large volume of documentation required and paying the registration fee, the prospective business owner should conduct a search of the proposed company name. The Ministry of Commerce will make sure that the proposed name is not already taken by another firm. The proposed company name will also be checked against the list of registered trademarks. This check may add a couple of days to the company registration process, but might also prevent the hassle and expense of litigation in the long-term.

The company shall have the minimum capital not less than twenty million Riels (approx. \$5,000USD). The certificate of a bank deposit is one of the requirements for establishment a company with the Ministry of Commerce. In order to receive this certificate, the owner of the company has to submit a signed Memorandum and Articles of Association (MAA) and other required documents to the bank when opening a company account. After receiving an account number, the business owner must request the deposit certificate, which usually costs around \$10-15 USD. The bank should issue two deposit certificates of deposit. The business owner must then submit the required documentation in the Khmer language with the application form and pay the registration fee at the registrar bureau at the Business Registration Department.

Once registration is completed, the business will receive a registration certificate indicating the company's registration number, two principal approval letters and the officially-recognized MAA stamped by the Ministry and the company seal. It takes around three to four weeks to process a new company registration at the Ministry of Commerce, starting from when the completed application documents are submitted.

### **3. TAX REGISTRATION**

The company must register with the tax administration within 15 days from the date that the Ministry of Commerce signs the business registration certificate and the principle approval of registration. The company must file these documents with the tax administration wherever their principal office is registered. The tax officer will not grant the Patent and VAT certificate unless the business owner provides the hotel or guesthouse license and the approval.

When the registration is complete, the tax administration will issue a Patent and VAT certificate of registration, which will include the tax identification number of the company. This identification number must be used on all tax-related documents.

If the company fails to pay the taxes owed by their due date, an additional tax shall be imposed at the rate of 10 percent of the amount of the delinquent tax payment plus 2 percent interest on the delinquent amount for each month or part of the month that the taxes owed are not paid. In some situations, the penalty rate will be 25% if the tax department considers the omission to be seriously negligent.

### **4. ACQUIRING NECESSARY APPROVALS**

The Ministry of Tourism requires several preliminary approvals prior to accepting the license application. The business owner must obtain a letter of security, safety and fire control certification, a sanitation certificate, construction or repair approval and approval for the company location issued by the local government. Company location approval often takes the longest to procure, so ample time should be allocated to this process. All the other documents usually take between one or two weeks to obtain.

To obtain approval on the business location, the company's submission forms must be signed and stamped by the Sangkat (Commune), Khan (District) and local Commerce Departments, along with the other required documents, such as an original lease agreement, corporate documents from the Ministry of Commerce and documentation proving payment of the official fees. After these formalities and procedures are complete, the authority should issue an approval for the business location, which is valid for three years.

### **5. ACQUIRING THE HOTEL OR GUESTHOUSE LICENSE**

The Royal Government has assigned the Ministry of Tourism with the task of leading and managing the tourism industry in the Kingdom of Cambodia. As a result, the Department of Tourism Industry is responsible for reviewing all tourism application forms for hotel and guesthouse businesses.

After receiving the business registration certificate and approval from the Ministry of Commerce, the business owner must submit these two documents, along with application forms in Khmer, the security, safety and fire control certificate, the sanitation certificate, construction or repair approvals and the registration fee to the Department of Tourism Industry at the Ministry of Tourism. To complete the formalities and procedures, the business must file an approval for company location as well.

After receiving the necessary documents and the application form from the business owner, the Department of Tourism Industry begins its review. If approved, the Ministry of Tourism will issue a hotel and guesthouse license to the company within 28 days. The Ministry of Tourism has the right to refuse to grant a license to the owner if the requirements have not been fulfilled.

As part of the licensing process, the business owner can apply for a one- to five- star rating. The criteria are spelled out in the Sub-Decree on Hotel and Tourism Accommodation Services of 2004. The rating is determined after an inspection by a Ministry of Tourism inspector.

## **6. ADDITIONAL BRANCH LOCATIONS**

The business owner must use the license approved by the Ministry of Tourism at his or her principal place of business. If the business owner wants to open another branch at a different location, he or she must submit the documents described above and a new application to the Ministry of Tourism for each new location. The business owner must submit the required documents to be approved for any transfer of license, change of ownership, or shutting down of the business to the Ministry of Tourism three months in advance.

## **7. MAINTENANCE AND INVALIDATION**

The company director has to file the annual declaration of commercial enterprise to the Ministry of Commerce by the end of each year. Also, a company that fails to file three years consecutively shall be deemed invalid and have their corporate status revoked.

A hotel or guesthouse license is valid for one year. The business owner must submit a renewal form and other required documents, and pay the official fee, to the Department of Tourism Industry 30 days before the current license's expiration. The business owner may continue the business while applying for a renewal.

The company is obliged to pay of 1,140,000 Riels (approx. \$3,00USD) for Patent Tax every year, due between 1 January to 31 March.

The Certificate of Registration of the Ministry of Commerce are valid for three years. The company shall submit the necessary documents for renewal of the Certificate 30 days prior to expiration.

## **8. PENALTY**

If the business owner continues to operate under an expired license or fails to implement the instructions of the Ministry of Tourism, the business owner is subject to a fine of 200% of the first license fee. This fine shall be paid to the Ministry within three months, otherwise the Ministry may suspend the business or revoke the owner's license. The revocation or suspension of the business must not exceed six months and the business owner will have to submit a request letter to re-start the business after the expiration date.