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- Hotel and Guesthouse Licensing

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### Introduction

Cambodia has become one of the most prevailing destinations for tourists around the world. During the third quarter of 2016, over 1.1 million international tourists visited Cambodia.<sup>1</sup> Those travelers needed a place to rest such as 5-star hotels, serviced apartments, or guesthouses. Cambodia's hospitality industry has flourished due to stable political situation and security and continuous economic growth since the last ten years. As the hotel industry has significantly developed, the government has adopted legal and administrative mechanisms to ensure the proper functioning of this industry, especially the licensing mechanisms. The Law on Tourism and its supporting regulations govern the processes of acquiring hotel and guesthouse licenses and hotel classification.

A hotel business is an enterprise that can provide a furnished or serviced accommodation along with other amenities such as restaurant, foods, shop, gym, exercise, meeting room and other related service to suit the client's needs.<sup>2</sup> According to the law and regulations, opening a hotel or guesthouse in Cambodia involves a number of administrative steps. While it generally perceives that opening a hotel or guesthouse is simple, the process is rather complex in reality.

### 1. Setting up a hotel

The owner of a hotel or a guesthouse can choose the form of business it likes, either as a sole proprietorship, partnership, or private limited liability company. However, if the owner would like to limit its liability vis-à-vis a third party, it is recommended that hotel be setup as a private limited company. By operating a private limited company, the liability of the owner with regard to the third party is limited. Like any private limited company, the hotel or guesthouse business must obtain an incorporation certificate. Once, the company is duly incorporated, the hotel or

guesthouse becomes a legal entity separate from the owner.

### 2. Setting up a tax entity

Once the hotel company is set up, the company must be registered with the Tax Department as a tax entity. The registration of a tax entity must be done within 15 working days after the issuance of the incorporation certificate. After duly registered as a tax entity, the Tax Department issued a Patent Certificate and VAT certificate to the company. A Patent is a form of annual business tax.

### 3. Authorities issuing hotel and guesthouse's license

The next step is the application for a license to operate a hotel or a guesthouse. According to the Law on Tourism, the Ministry of Tourism, in general, is a governmental institution that has the authority to regulate tourism sector in Cambodia and to issue tourism-related licenses, including hotel and accommodation service's license, in particular. The Ministry of Tourism and the Provincial Department of Tourism are the state's body's to regulate the performance of hotels and accommodation facilities through licensing. The licensing authority is shared between the Ministry of Tourism and Provincial Department of Tourism according to the size of the facilities:

Ministry of Tourism	Provincial / Capital Department of Tourism
Hotel : having more than 20 rooms	Hotel : having less than 20 rooms
Guesthouse : having more than 15 rooms	Guesthouse : having less than 15 rooms

### 4. Acquiring hotel and guesthouse license

The required documents for submitting to the Ministry of Tourism are:

- Tourism application form
- Registration certificate from the Ministry of Commerce
- Patent/VAT Certificate
- Approval for business location
- Letter of security, safety and fire control certification
- Sanitation certificate
- Construction or repair approval
- Approval for the business location issued by the local government



1. Tourism Statistics Report, September, 2016, Statistics and Tourism Information Department, Ministry of Tourism  
2. Prakas No. 63 on Granting Tourism License to Hotel and Accommodation services, dated 18 July 2007

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## ABOUT US

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We differentiate ourselves by coupling a deep understanding of the local business environment with international professionalism and integrity.

We facilitate business, investment and trade between Cambodia, Myanmar, and the rest of the world through innovative and cost-effective legal services.

Superior knowledge of local protocol, local procedure, and local people is necessary for any business to succeed.

Conducting daily business in Cambodia and Myanmar, BNG Legal is up to date with the newest procedures and requirements, helping clients efficiently and successfully complete any project.

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[cambodianlaw.wordpress.com](http://cambodianlaw.wordpress.com)

BNG Legal believes expanding access to legal information is crucial to rule of law. To that end, several of our legal professionals write a blog discussing recent developments in the legal landscape.

## LEGAL DATABASE

The laws and regulations in our database are based upon the Official Gazettes, law compendiums and other collections from the ministries and institutions of the Royal Government of Cambodia. These are available to the public through our partner site, [www.bnglaw.net](http://www.bnglaw.net).

- Receipt of payment of application fee

The completed application for hotel and accommodation service's license and supporting documents can be submitted online or to the Ministry of Tourism or the Provincial Department of Tourism based on the accommodation size and types. Upon the submission of the application and supporting documents, officer of Ministry of Tourism or the Provincial department of Tourism will do the inspection at the hotel or accommodation's location to ensure that the business complies with the required standards. Within 28 working days following the inspection, the Ministry of Tourism or the Provincial Department of Tourism must decide whether they provide or reject the license. In the case of the rejection, the correction or adjustment is necessary for getting the license.

The online application can be submitted via [www.cambodiatourismindustry.org](http://www.cambodiatourismindustry.org) and [www.touristguide.com](http://www.touristguide.com). The license has a validity of maximum one year and can be renewed. The online registration will assist in notification of business before the license is required renewal date.

In addition to hotel's license, certain permits are also required, for example the permit for the restaurant and for entertainment such as massage parlor, steaming or dancing hall. The restaurant and the entertainment permit are approved by the Ministry of Tourism or the Provincial Department of Tourism based on the size of the restaurant and entertainment.

Further, certain business owner is required to apply for the approval on environment protection from the Ministry of Environment or Provincial Department of Environment, if the hotel and accommodation operation may affect the natural environment.<sup>3</sup>

In order to open another branch at a different location, business owner must submit the required documents for opening the main premise and a new application for opening the additional location branch to the Ministry of Tourism.

Persons wishing to operate a hotel that have been closed, and are re-opening must also apply for a new license.

### 5. Hotel classification

The required documents for hotel classification are:

- Application forms including the request form and classification form that need to be completed and signed by the general manager of a hotel
- Tourism Business License (Hotel License)
- Receipt of payment of application fee

The signed applications and supporting documents must be lodged with the Ministry of Tourism or the Provincial department of Tourism, if the hotel locates in the province. Upon the submission, the

officer of the Ministry of Tourism or the Provincial Department of Tourism will conduct an inspection of the hotel. The certificate of classification will be issued within 28 days after the inspection.

The official fee varies according to the classification's level as summarized in the chart below:

Hotel Classification Level	Fee
Five Star	1,200,000 Riel
Four Star	1,000,000 Riel
Three Star	800,000 Riel
Two Star	600,000 Riel
One Star	400,000 Riel
Below Star Level	200,000 Riel

### 6. Penalty

In case the business owner continues to operate the hotel or guesthouse when the licenses has been expired license or fails to implement the administrative procedure 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 or the Ministry will 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-operate the business after the expiration date.<sup>4</sup>

### 7. Conclusion

To setup a hotel and guest house, it is recommended to set up a private limited company rather than a sole proprietorship. The company shall be registered through common procedure with Ministry of Commerce to obtain incorporation certificate and VAT and Patent certificate from General Department of Taxation before applying hotel and accommodation licensing.

In addition to manual application to the Ministry of Tourism or the Provincial Department of Tourism, currently, the application for license can be made online through an automatic system of the Ministry of Tourism.

In addition, the government may request the business owner to apply for the approval on environment protection from the Ministry of Environment or Provincial Department of Environment, if the hotel and accommodation operation may affect the natural environment.

Documents required for the application for license are varied based on the accommodation size, type and other related permits

It is required to submit a new application for opening a branch at a new location to the Ministry of Tourism.

Persons wishing to operate a hotel that have been closed, and are re-opening must also apply for a new license.

<sup>3</sup>. Circular No. 003 on hotel and accommodation of Ministry of Tourism dated 18 July 2007

<sup>4</sup>. Prakas No. 63 on Granting Tourism License to Hotel and Accommodation services, dated 18 July 2007