

## Law on the Amendment of the Law on Commercial Enterprises

On 29 January 2022, our Majesty King of Cambodia signed the Law on the Amendment of the Law on Commercial Enterprises (“**Amended LCE**”). Law on Commercial Enterprises (“**LCE**”) is the main instrument in governing business forms in Cambodia – sole proprietorship, partnership, limited liability company, and foreign business in Cambodia. The harmonization of the LCE with financial and other regulations, raising compliance standard in the limited liability company and the changing of the business landscape in Cambodia, are key inspirations in this amendment.

Here are several major amendments which might significantly impact on the businesses in Cambodia:

### I. Sole Proprietorship

The amended LCE has officially regulated one of the existing forms of the business, which is the sole proprietorship. As per default rule of the sole proprietorship, the amended LCE prescribes that a sole proprietor will hold unlimited and personal liability of all obligations and debt arising out of sole proprietorship business and set out event(s) which may lead to the dissolution.

In addition, a sole proprietor who is in the classification list of the self-assessment regime taxpayer shall register its business at the Ministry of Commerce (“**MOC**”).

### II. Nominee Shareholder Arrangement

The amended LCE has introduced an arrangement of nominee shareholder in the limited liability company under Article 147 (Duplicate). The nominee shareholder arrangement is an agreement between a beneficial owner and a nominee, in which the former entrusts the later, either natural or legal person, to hold and manage the share on behalf of the former in the limited liability company.

Likewise, the agreement shall be deposited at the MOC.

Our team will keep you posted when the Royal Government of Cambodia issues the Sub-Decree on the Condition, Formality, and Procedure in Nominee Shareholder Agreement and Information Depository.

### III. Company Secretary

To ensure that the limited liability company strictly follows the regulatory obligations under the amended LCE, the limited liability company is required to appoint a fully qualified company secretary before its business registration.

### IV. Branch Registration

The amended LCE has also introduced provisions on a branch establishment by partnership or

limited liability company, locally incorporated in Cambodia. A branch is an agent of the parent company and can only conduct the business activity as prescribed in the parent company's business objectives. The conduct of the branch will be bound by the parent company.

## **Conclusion**

It is believed that Cambodia will benefit from this new legal framework. The amended LCE is seen as a path to a further growth of commercial sector in 2022, which prudent businesses should accordingly make some assessment over their commercial enterprises' compliance requirements.

Should any additional information be required regarding this legal alert or if you have any further inquiry, please contact our team at [info@anlor.legal](mailto:info@anlor.legal) or reach out to our professionals below:



**Kattika LOR**  
*Managing Partner*

T: (+855) 12 89 89 55  
E: [kattika@anlor.legal](mailto:kattika@anlor.legal)



**Bunnarith AN**  
*Partner*

T: (+855) 85 99 99 39  
E: [bunnarith@anlor.legal](mailto:bunnarith@anlor.legal)