

# E-commerce Ecosystem in Cambodia

By PROFITENCE

September 2021

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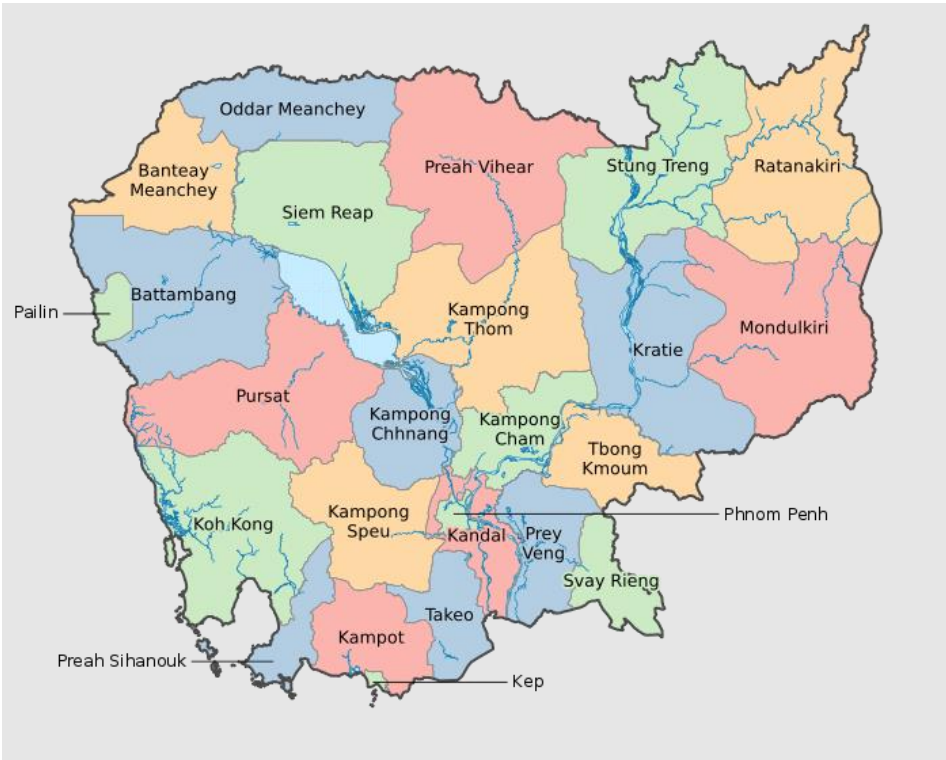
## Disclaimers

*This study is not an exhaustive study and is prepared for a general understanding of the e-commerce ecosystem in Cambodia only. It is not designed as or should be deemed as professional advice from PROFITENCE. Information and data contained in this study is either collected from publicly available sources or based on the author's understanding of the market. PROFITENCE is neither a legal nor a tax expert, so the legislation around e-commerce business was cited from published articles of reputable legal entities in Cambodia which have been accredited accordingly. Under no circumstances will PROFITENCE be deemed liable or responsible for the accuracy of the information.*

In our annual publication report last year, [Overview of E-commerce Landscape in Cambodia](#), we provided a general understanding of the e-commerce concept in the country. This year's report, **E-commerce Ecosystem**, is an extended version that aims to provide a more holistic view of the e-commerce industry. This report includes a consumer behavior survey, overview of the e-commerce ecosystem, trends of key industries, and a brief summary of the key legislation.

E-commerce in Cambodia is still at an early stage, and with the government's efforts and main growth drivers such as mobile penetration, and a large population of youth, the industry is expected to follow the same positive growth trend as Thai's e-commerce. Main challenges of the sector still revolve around the lack of IT experts, infrastructure and a large unbanked population. While COVID-19 has become a catalyst for several e-commerce businesses such as food delivery, it also hinders growth of others such as ride hailing. The current legislation related to e-commerce is yet to be entirely formalized, so businesses must stay alert and have up-to-date knowledge to mitigate the risk of non-compliance.

After analyzing Thailand's e-commerce journey, we have learnt that the key to a successful e-commerce business depends on the number of buyers and sellers, consumer experiences and strong support from the government.



Capital

**Phnom Penh**

(GMT+7, 24 Provinces)

GDP (US\$)

**25.3** billion

(World Development Indicators, 2020)

GDP Per Capita (US\$)

**1,655**

(Statista, 2020)

Local Currency

**Cambodian Riel**

(Aug 18, 4,079 riel = 1.00\$)

Population

**16.71** million

(World Development Indicators, 2020)

Language

**Khmer**

Other Languages : 3%

Density

**95** P/Km<sup>2</sup>

(Worldometer, 2020)

Area

**181,035** Km<sup>2</sup>

Median Age



**25.3**

Total

**24.6**

Man

**26**

Female

Inflation Rate

**2.5%**

IMF, 2020

GDP Growth Rate

**-3.1%**

World Bank, 2020

Unemployment Rate

**0.13%**

Statista, 2020

Religion

**95%** Buddhists

2% Malay & Chams

1% Christians

“An e-commerce transaction is the sale or purchase of goods or services, conducted over computer [or mobile] networks by methods specifically designed for the purpose of receiving or placing of orders. The goods or services are ordered by those methods, but the payment and the ultimate delivery of the goods or services do not have to be conducted online. An e-commerce transaction can be between enterprises, households, individuals, governments, and other public or private organizations”.

E-commerce can be classified into different types such as Business-to-Business (B2B), Business-to-Consumer (B2C), Consumer-to-Consumer (C2C), Direct-to-Consumer (D2C), Consumer-to-Business (C2B), Business-to-Government (B2G) and Consumer-to-Government (C2G).

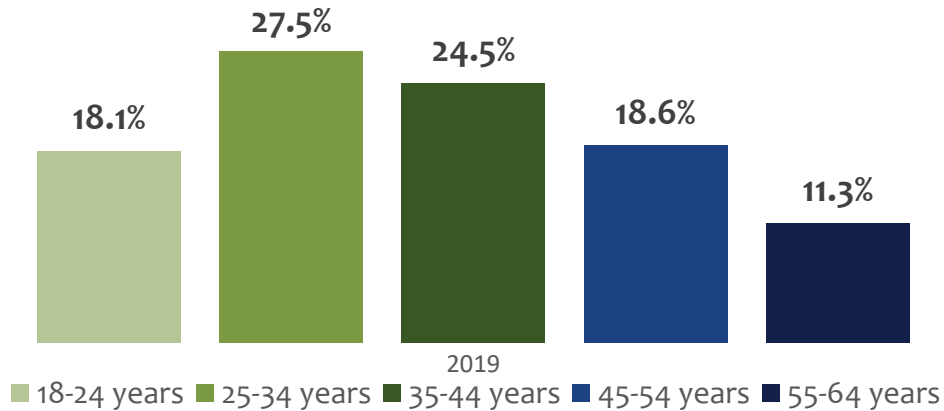
According to Sub Decree No.65, “Electronic commerce” refers to the activities of purchasing, selling, leasing or exchanging products or services, including electronic commercial and civil commercial activities. A non-exhaustive list of examples of electronic commerce include:

1. Electronic Order Processing of Tangible Products
2. Electronic Ordering and Downloading of Digital Products
3. Electronic Ordering and Downloading of Digital Products for Purposes of Commercial Exploitation of the Copyright
4. Updates and Add-Ons
5. Limited Duration Software and Other Digital Information Licenses
6. Single-Use Software or Other Digital Products
7. Application Hosting-Separate License
8. Application Hosting-Bundled Contract
9. Application Service Provider-ASP
10. ASP License Fees
11. Website Hosting
12. Software Maintenance
13. Data Warehousing
14. Customer Support over a Computer Network
15. Data Retrieval
16. Delivery of Exclusive or Other High-Value Data
17. Advertising
18. Electronic Access to Professional Advice
19. Technical Information
20. Information Delivery
21. Access to an Interactive Website
22. Online Shopping Portals
23. Online Auctions
24. Sales Referral Programs
25. Content Acquisition Transactions
26. Streamed (Real Time) Web Based Broadcasting
27. Carriage Fees
28. Subscription to a Website Allowing the Downloading of Digital Products

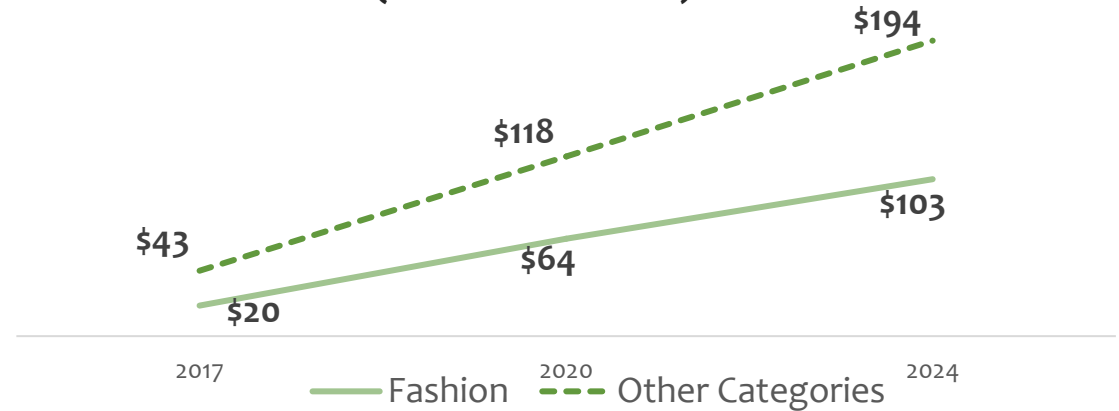
# Demographics

Over 50% of e-commerce users in Cambodia are between 25 to 44 years old and female consumers are slightly higher than male. The main consumer groups are from low and middle-level income, and fashion was the most bought item online in 2020.

### Cambodian E-commerce Users by Age



### Cambodia E-commerce Revenue by Category (In USD million)



### Demographic of E-commerce Users



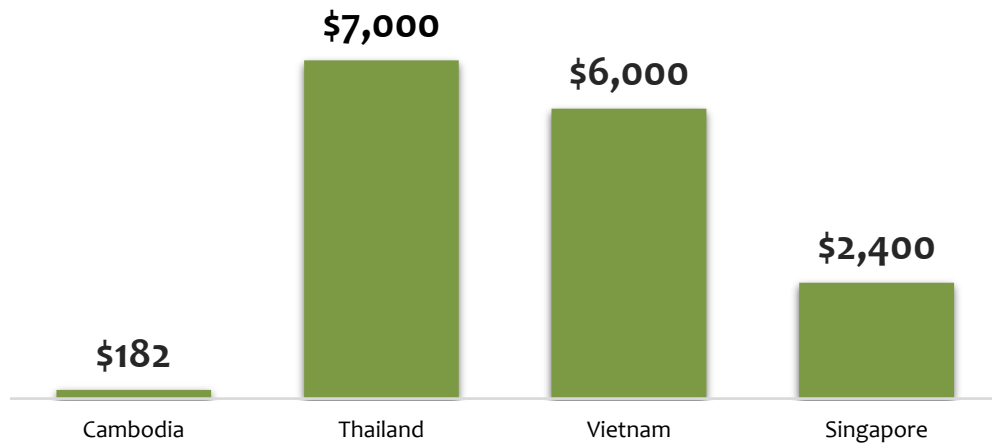
- 43.4% Low income
- 47.6% Medium income
- 9.1% High income

### E-commerce Users by Gender



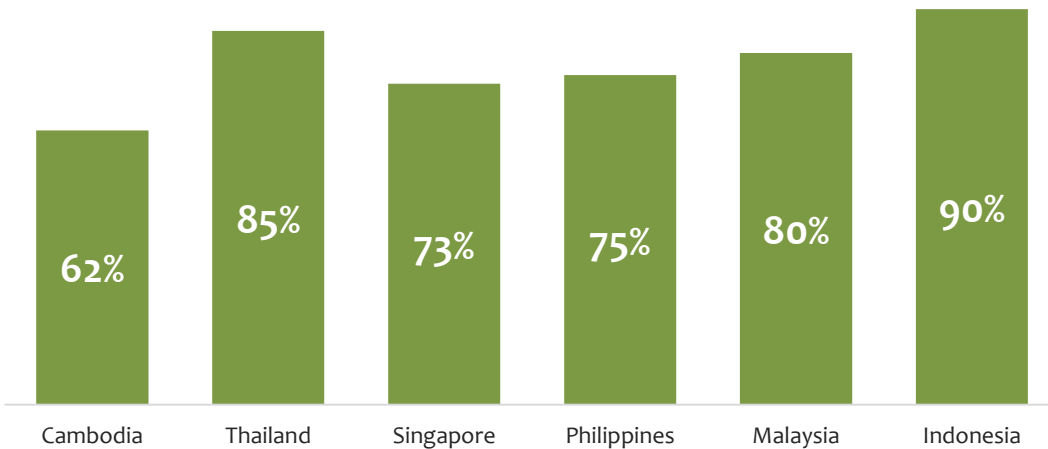
1.4% more women than men use e-commerce

## E-commerce Revenues in 2020 (In USD million)



Source: Statista, 2020

## % of E-commerce Users to Internet Users



Source: Datareportal, eCommerce ASEAN

Source: ADB, Statista

- Electronic commerce is a relatively new market concept in Cambodia, having its law legislated recently in 2019. The country is gradually formalizing this industry, making it an attractive investment with long-term potential high growth.
- With over 60% of internet users using e-commerce platforms, just slightly lower than the regional average, Cambodia is seen as being on the right path and moving towards the same positive growth trend as its regional peers.
- Statista, a global provider of market and consumer data estimated the market size\* of e-commerce in Cambodia to be USD 182M in 2020 and USD297M in 2024.
- According to ADB, 27.6% of the USD 470M revenue in tech and digital business in 2019 is from e-commerce, followed by 7.8% from e-services, 10.2% from digital media, 12.7% from advertising technology, 3.8% from transportation and 37.9% from online travel.

\* Note: Scope of the market size:

- Sale of physical goods via a digital channel to a private end user (B2C)
- Purchases via desktop computer (including notebooks) and purchases via mobile devices (e.g. smartphones)



# Growth Drivers

## Becoming more digitalized



Mobile Penetration

**126%**

(21.18M Mobile Connection)

## High level of internet access



Internet Penetration

**53%**

(8.86M Internet Users)

## Affordability leads to more usage



Mobile Internet

**\$5** per month for 4G  
2.6% of minimum wage (\$190)

## A need for e-commerce platforms to connect businesses with consumers



Number of SMEs

**>500,000**

## Higher consumer spending



GDP Per Capita

**USD 1,720**

Up 3.91% from USD 1655.39  
in 2020

## Large pool of target consumers



**> 50%**

Are under 25 years old

## People embrace digitalization due to COVID-19



COVID-19 as a catalyst that  
pushes more people to  
shop online

## Lack of Trust

- Being extremely skeptical that goods will actually appear once money is paid in advance.
- Consumers are not confident of the quality of products.
- Fear of being unable to get a refund or exchange.

## Medium of Payment

- Approx. 22% of the population has an account with FI's and 3.8% of them purchase or pay bills online.
- Cash on delivery remains the main method of payment.
- For business models that require advance payments, it is inconvenient for consumers.

## Lack of IT Readiness

- The concept of e-commerce is new in the country, accompanied by a lack of qualified e-commerce IT experts to support the complications & manage platforms.

## Limitation of Infrastructure

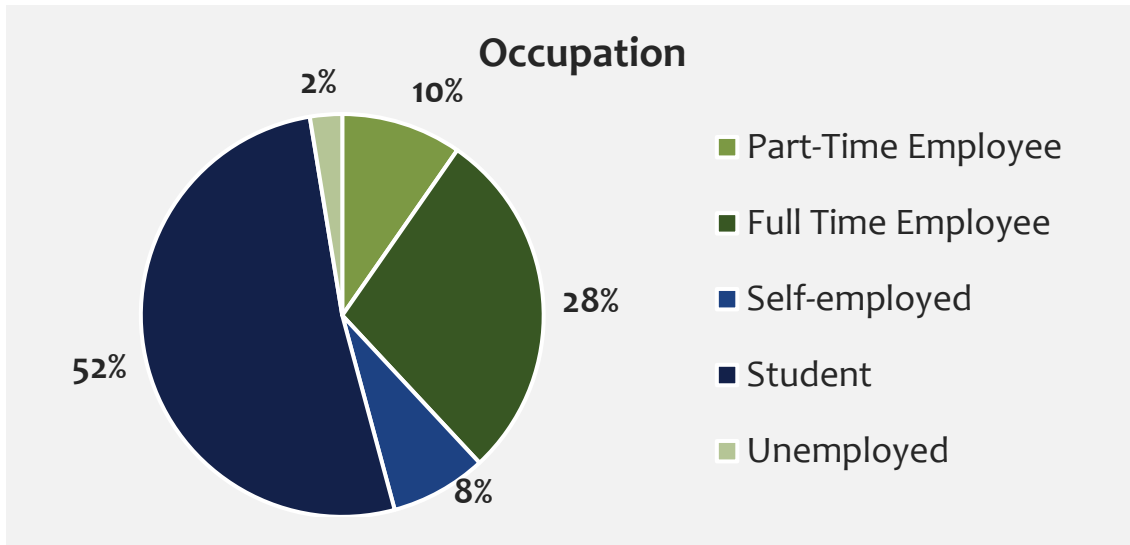
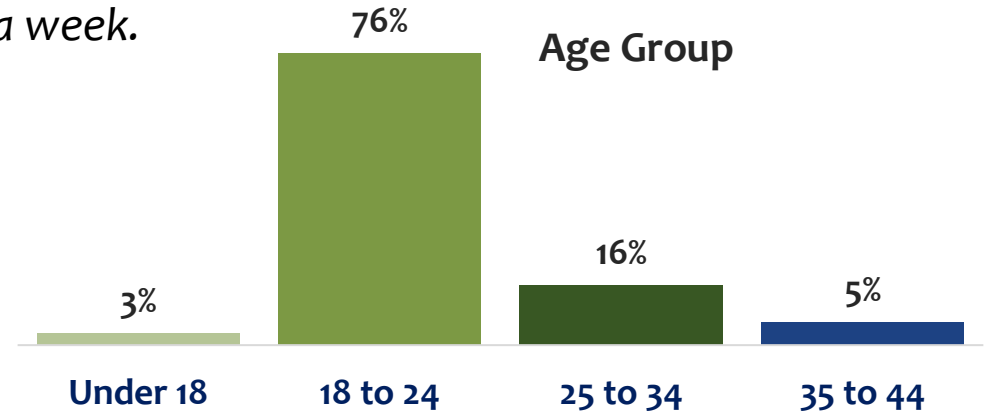
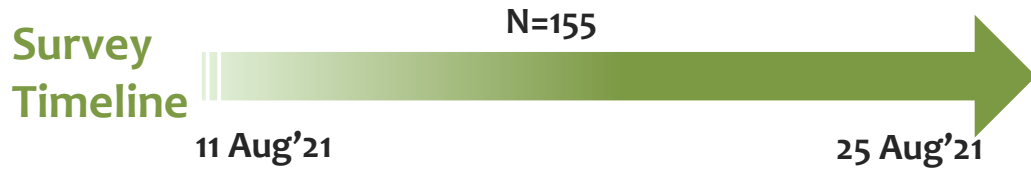
- Outside of Phnom Penh, roads & house numbers are not properly labeled.
- Door delivery service is not smooth.
- A centralized system of e-commerce is yet to be introduced.

## Inventory Issue

- MSMEs face issues of maintaining inventory stock for online stores, especially during the COVID-19 period when the whole supply chain system has been interrupted.

# Survey Design

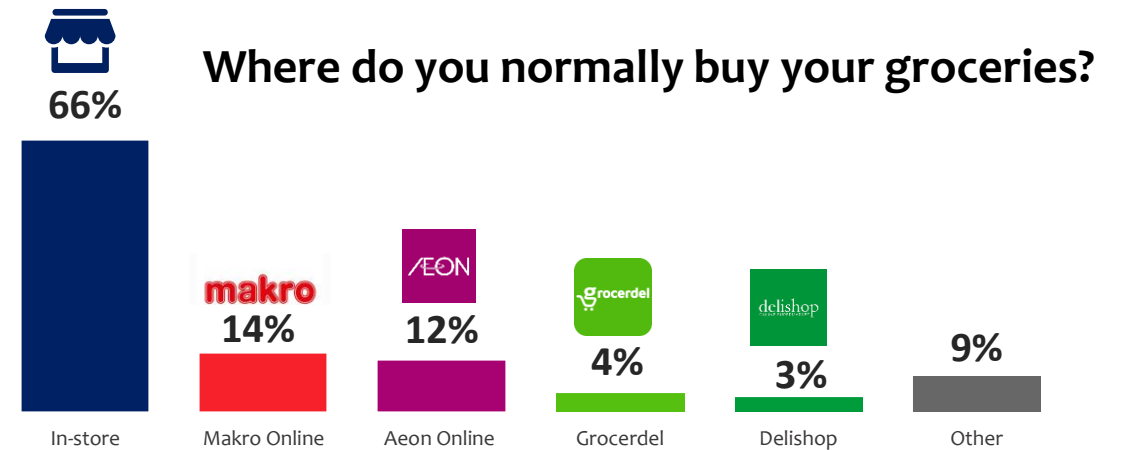
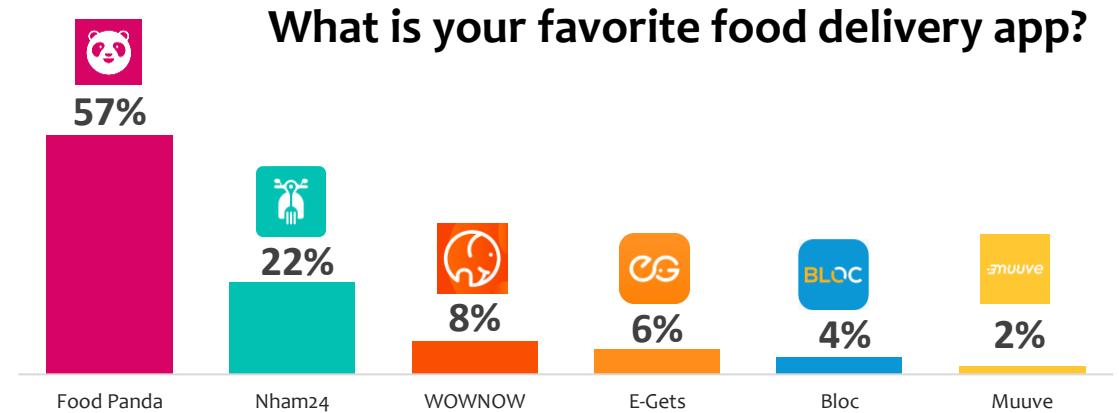
To understand online shopping behavior of Cambodians, PROFITENCE conducted a short survey that ran for 2 weeks from 11 August to 25 August 2021. The sample size was n=155\*, concentrated mostly in Phnom Penh, among university students and young professionals. The frequency of online shopping is once a week.



\* A more comprehensive study that covers larger pool of participants can be done through the increase of sample size, upon request.

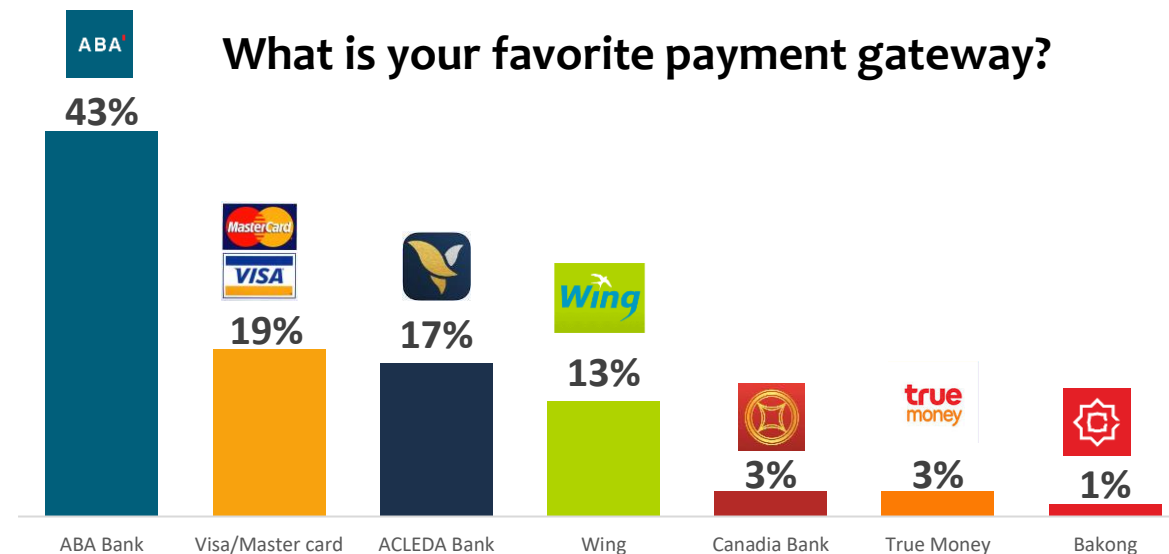
# Survey Results (1)

The survey result illustrated that the most-bought item online in 2021 is food and groceries, followed by fashion & apparel, with respective share of 30% and 28%. Food is dominated by top food delivery app; Food Panda. Specifically on groceries, however, over 60% of respondents prefer to shop in-store, possibly due to a concern of freshness of meat and vegetables.



# Survey Results (2)

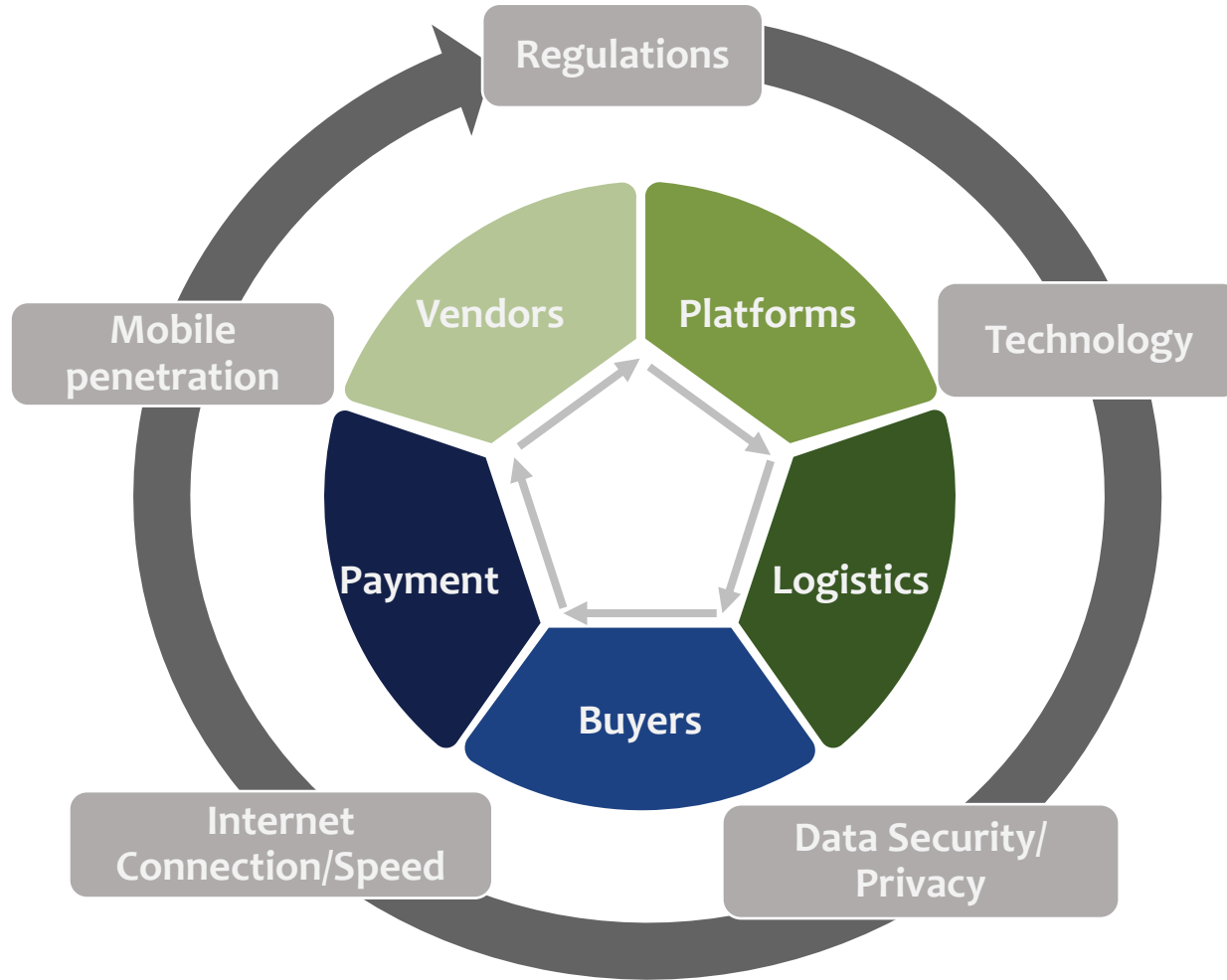
Facebook is the most used platform for online shopping, followed by Instagram and Taobao. Online payment is dominantly done via ABA, and over 60% of respondents reported to be quite comfortable with online/digital payment.



## How comfortable are you now with online/digital payment?



# E-commerce Ecosystem



- E-commerce ecosystem can be defined as a network of interconnected functions that enable the full cycle of selling and purchasing online.
- It starts with vendors listing their products on an online platform, buyers browsing and purchasing products, products getting delivered to buyers, and finally payments being made to vendors.
- To attract and retain consumers, an e-commerce platform must have:
  - All product categories (all-in-one app)
  - User friendly interface (easy to navigate, not heavily occupied by ads and ideally 3 clicks away from making payment)
  - Enough stock inventory
  - Same day delivery
  - Product return options
  - A variety of payment methods
- The whole ecosystem relies not only on vendors and buyers, but also on the readiness of the country in terms of regulations, technology, data security/privacy, internet speed and level of mobile penetration.

2019

- October 2019 : Law on Consumer Protection
- November 2019 : Law on E-commerce

- January 2020 : **Prakas No.098**, “online business” shall be deemed to have a Physical Establishment (PE) in Cambodia
- June 2020 : **Single Portal**; a new online business registration system launched by the government
- August 2020 : **Sub Decree No.134**, the determination of Types, Formalities, and Procedures for issuing Approvals or License to intermediaries and Electronic-Commerce (“e-commerce”) Service Provider and Exemptions

2020

- October 2020 : **Prakas No. 290**; on granting of e-Commerce Permits or License
- October 2020 : **Bakong**; Cambodia’s only all-in-one mobile payment and banking app launched by National Bank of Cambodia
- November 2020 : **E-commerce Strategy**; launched by UNDP

2021

- January 2021 : **Prakas No.009**; the new reclassification of Taxpayers to replace Prakas 025
- April 2021 : **Sub Decree No.65**; application of value added tax (VAT) on e-commerce
- May 2021 : **Cambodia Digital Economy and Society Policy Framework 2021-2035**; explores how digital offers a new model of economic growth for the country

# PROFITENCE Players in E-commerce Ecosystem 2021

## MARKET PLACE



## OTHER



## 3PL



## RIDE HAILING



## PAYMENT GATEWAY



## SHIPPING AGGREGATOR



## BANK



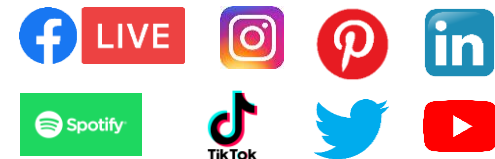
## FULFILLMENT



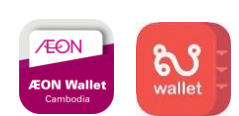
## AFFILIATE MARKETING



## SOCIAL COMMERCE



## E-WALLET



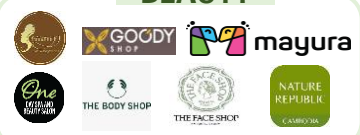
## CARD



## TICKET



## BEAUTY



## AGENCY



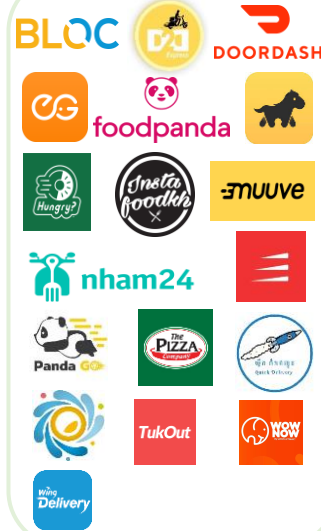
## TRAVEL



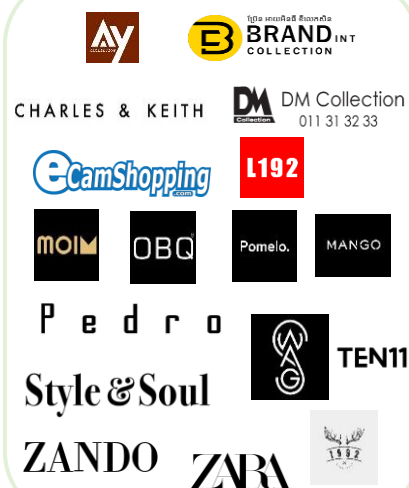
## CROSS-BORDER



## FOOD DELIVERY



## FASHION & APPARREL






## SUPERMARKET



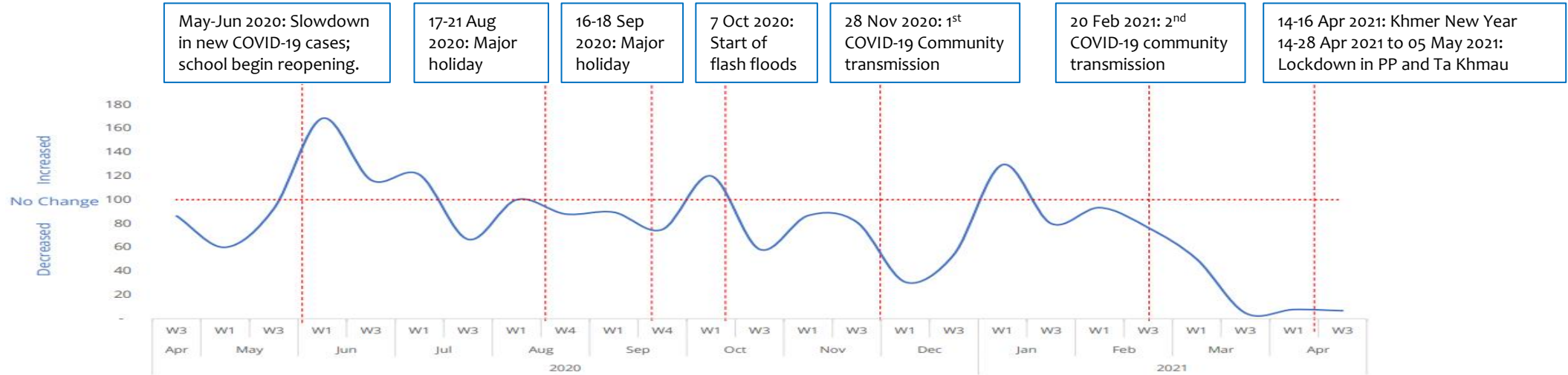


# Trend: Food Delivery

- Leading food delivery companies tend to cater to big cities such Phnom Penh, Siem Reap, Kampot, Kep and Battambang, and are progressively extending their footprint to the whole of Cambodia. With the current situation of COVID-19 and consumers' behavioral change from offline to online, food delivery companies observe a spike in their Gross Merchandise Value (GMV) and more players start to enter the market.
- The competitiveness of food delivery service depends not only on discounts, coupons, low delivery fee, contactless payments, and time saving, but also on the variety of choices of restaurants (equal balance between food and drinks) available on the platform. While discounts and coupons attract consumers to stay with the app, fair benefits and low commission are what keep restaurants on the platform, and therefore, sustain the growth of the business. Thus, sustainable strategy of food delivery businesses relies on experience and benefit of both consumers and vendors.

Descriptions			
Establishment	2019	2015	2020
Social Media Supporter and Rating	5.86M Likes, 5.87M followers ★★★★☆ 58K	514k Likes, 527k followers ★★★★☆ 424	66k Likes, 68k followers ★★★★☆ 1.2K
Market Coverage	Phnom Penh, Siem Reap, Battambang, Kampong Cham, Kampot, Kampong Thom, Sihanoukville, Poipet, Banteay Meanchey, Pursat and Kampong Speu & more	Phnom Penh, Siem Reap, Battambang, Sihanoukville, Kampong Cham, Takeo, Poipet, Kampot, Koh Kong, Kratie, Takmaol, Kampong Speu & more	Phnom Penh, Preah Sihanouk & more
Food & Services	Cosmetics, Electronics, Food & Beverages, Flowers, Groceries, Pharmacy, etc.	Booking, Buy & Sell, Express, Food & Beverage, Flowers, Groceries, Pharmacy, Shop, etc.	Cosmetics, Electronics, Food & Beverage, Flower, Groceries, Pharmacy, Online Shopping, etc.
Payment Gateway	ABA, Cash on Delivery, Union Pay, Master/Visa Card	ABA, ACLEDA Bank, Alipay, Cash on Delivery, Chip Mong Pay, e-money, Master/Visa Card, Phillip Bank, Pipay, Phillip Bank, Sathapana Bank, Wallet, WeChat Pay	ABA, Cash on Delivery, Master/Visa Card, Union Pay, Wallet, WeChat Pay, Wing Pay
Business Vertical	Food Delivery, Pandamart	Nham24, Nham24 Express, Nham24 Fresh	Food Delivery, Online Shopping, Game, Top Up
Marketing Strategies	PromoCode, Buy 1 Get 1, Marketing through social media influencers, Discount, Free Delivery, Coupons, Challenges and Rewards, Invite Friends, Promotion, COVID Equipment Charity.	PromoCode, Buy 1 Get 1, Marketing through social media influencers, Discount, Free Delivery, Coupons, Membership, Referral, Advocate for COVID19 Precaution Methods, Channel for Advertisement.	PromoCode, Buy 1 Get 1, Marketing through social media influencers, Discount, Coupon, Lucky Draw, Channel for Advertisement.

# Trend: Grocery Delivery

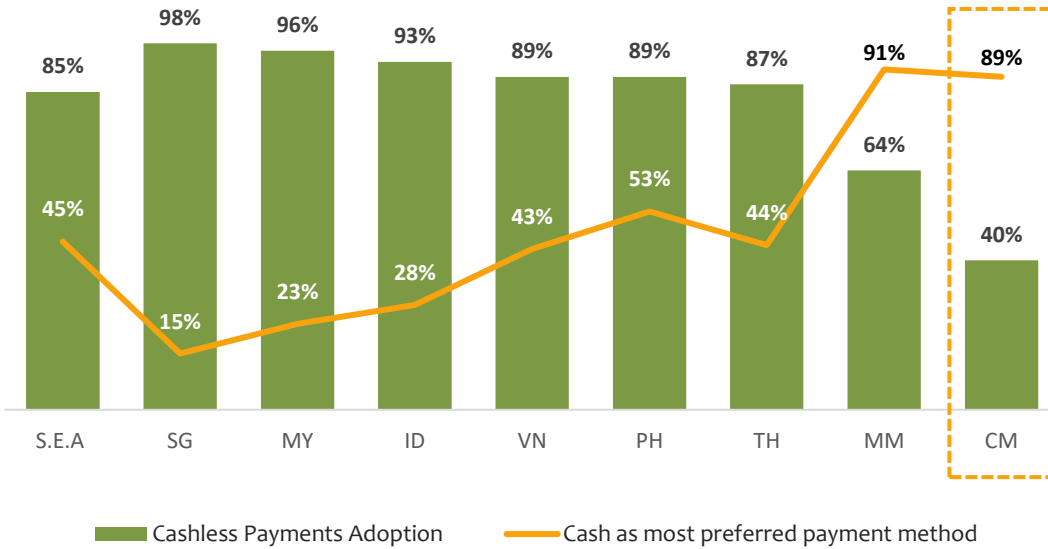


Source: World Food Programme, April 2021

Change in Customers Visiting Markets

- Wet markets and supermarkets are the main channels for grocery shopping, and in-store shopping has been the most preferred method of shopping. However, due to lockdowns and restrictions, consumers refrain from visiting stores and instead opt for online grocery delivery. Many malls and supermarkets such as AEON, Chip Mong, Lucky, Thai Hout and others responded to the drastic decline in the footfall by introducing online shopping websites and partnering with delivery companies.
- At the same time, COVID-19 restrictions and market closures have led to a new phenomenon of scattering traditional markets in every corner of the street. Wet markets are not as centralized anymore, and consumers can easily find grocery sellers sitting at a corner next to their house, and that provides more comfort for in-person shopping.
- Despite this new phenomenon, supermarkets have reported to have seen an increase in their sales particularly in the fresh food category as people consider them safer compared to wet markets. Shopping trends now indicate higher basket sales with lower frequency as consumers restrict their number of visits. With the main concern of ‘freshness’ of vegetables and meat, people will continue to shop for groceries in-store although the grocery delivery business is seen as an emerging trend that will continue to strive in the future.

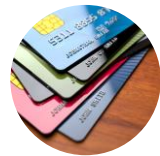
## The Use of Cash in Cambodia



- With over 70% of the population being unbanked, cash is the most preferred method of payment in Cambodia. 89% of people prefer paying by cash. The number is twice higher than the region average of just 45%. Cashless payment adoption in Cambodia is the lowest (40%) in South East Asia, and the regional average is 85%.
- Digital transactions in the country are expected to grow and follow the same trend as its regional peers with the current COVID-19 and government effort as key catalysts.
- COVID-19 has accelerated digital transformation of many sectors including banking. Digital payments provide comfort and convenience of making transactions at home. In addition, the effort of the National Bank of Cambodia in introducing an inter-bank transaction app, Bakong, has boosted consumers' confidence to make more transactions online. According to the NBC, cited in Phnom Penh Post, the number of digital transactions across the Kingdom jumped to 350% from the end of 2019 to the end of 2020, and total value surged by 200% to USD 68B.
- Some of the winning strategies for digital banking apps rely on simplicity, seamlessness, all-in-one, source of funds, security, and user friendliness.



**21.7%**  
Has the account with Financial Institutions



**0.6%**  
Has Credit Cards



**5.7%**  
Has Mobile Money Account






**3.8%**  
Do online purchase

- Cambodia’s transportation and storage sectors have grown rapidly in the last several years. GDP from the transportation and storage sector had increased to KHR 8 618 billion (approximately USD 2.1B) in 2019 from just over KHR 3 000 billion (approximately over USD 0.7B) in 2009. The sector represents 7.8% of the country’s economy. The main mode of transportation in Cambodia is road transport.
- Revenue in the transportation and storage sector is expected to rise during COVID-19 pandemic because people are more confined to home and shopping behaviors have shifted from brick and mortar to online shopping, which will result in explosive sales for e-commerce retailers and delivery companies.

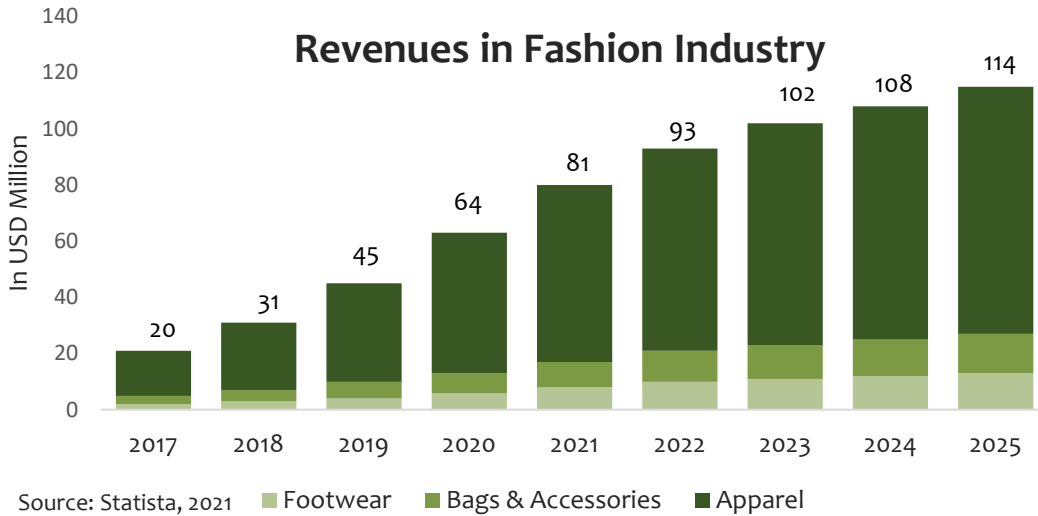


- Delivery companies see a boom in delivery of consumer products from countries like China. Many delivery companies are trying to grasp this opportunity by modernizing/digitalizing their business operations to align with requirements from young consumers. Delivery companies charge a China-Cambodia delivery fee from 1\$/kg to 175\$/m<sup>3</sup>, and 1\$-2\$ for delivery in Phnom Penh and up to 3.5\$ for delivery to provinces.
- Product purchasing agencies have also emerged to provide comfort and confidence to non-Chinese speaking consumers to still buy products from China. Such agencies like LODA and iOrder charge a purchasing fee of 1%-4% of the product price. Some other existing delivery companies also integrate with such agency services to capture a larger revenue share, ZTO is an example.
- With the current wave of purchase of consumer goods and sales of retail e-commerce, delivery logistic companies and product purchasing agencies are on the rise.

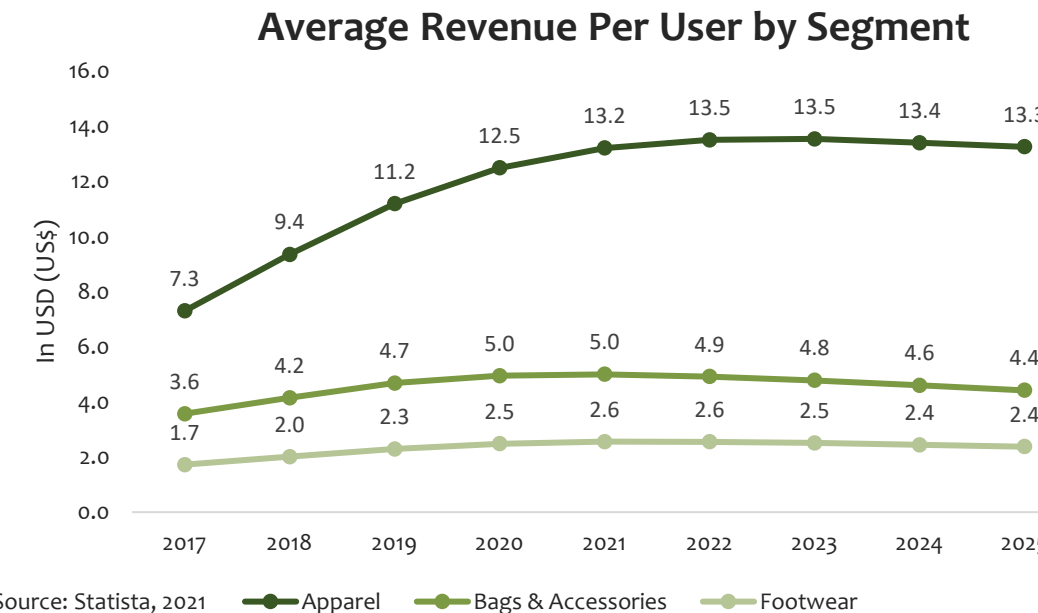
Description			
Establishment	2018	2017	2019
Social Media Supporter and Rating	Facebook like 190k ★★★★☆ 142	Facebook Like 7m ★★★★★ 546	Facebook like 33k ★★★★★ 2.4K
Business Vertical	Taxi, Driver	Taxi, Driver, Express, Mart, Corporate	Taxi, Driver, Express
Payment Method	Cash	Cash, Visa/Master Card	Cash, Chip Mong Pay, Pi Pay, TADA Wallet, Visa/Master Card
Marketing Strategy	Referral Code, Earned Points, Promotion, Option for Information, Coupon	Rewards, Grab Protect, Promotion, Member Point, Option for Keep Discovering	Referral Code, Vouchers, Discount, Invite Friends

- Both home-grown and international ride-hailing brands are concentrated in the urban area of Cambodia, Phnom Penh City.
- Ride-hailing companies have faced hiccups in revenue growth during the first phase of COVID-19 when many cities in Cambodia were in lockdown. Even after lockdowns were lifted, people hesitated to opt for public transport. Despite the current down time of ride hailing businesses, the business model of Grab, particularly the GrabProtect feature drew more popularity than its peers, as their drivers have been vaccinated which instilled confidence in consumers.
- To mitigate further downturn of growth, companies are leveraging their driver network for delivery service as well, giving it independent and P2P e-commerce last mile capabilities.

# Trend: Fashion & Apparel



- The garment industry in Cambodia has felt negative impacts since the withdrawal of Every But Arms (EBA) trade preference in early 2020. The global pandemic has worsened the situation as operations have been suspended and production slowed due to the disrupted supply chain flow of raw materials from China. According to data from the General Department of Customs and Excise, export of garment and accessories in 2020 decreased by 10.24% and continued to fall by 6.43% in Q1 2021.



- Regardless of the current impact, a Swedish clothing retail multinational, H&M, announced in its July 2021's press release that Cambodia will become its new market in 2022 via franchising model. The announcement is a sign of confidence that the market will rebound, and consumer base will continue to expand. Cambodia is also home to famous brands such as Nike, Adidas, Levis, GAP and more.

- Revenue from the Fashion industry in Cambodia reached USD 64M in 2020 and is expected to grow mainly due to a large number of youth and growing income. Apparel is the main category that drives sales, and an average revenue per user for this category in 2020 was USD12.5.

- One of the leading trends in fashion that drives sale is through influencers on platforms such as Facebook, Instagram and TikTok.

**Sub Decree No.65:** provides a detailed list of E-commerce transactions which include, but is not limited to, the supply of software and other services related thereto, online shopping or auctions, advertising, website hosting, data retrieval, consumption of digital products and/or contents via download, real time streaming, subscription, or other means.

- Non-resident taxpayers conducting E-commerce transactions in Cambodia with no permanent establishment (PE) in Cambodia shall be required to register with the General Department of Taxation (GDT) based on taxpayer classification under self-assessment regime as determined by the Prakas of the MoEF. This registration requirement is for VAT purposes only (**Article 4 of Sub Decree no. 65**).
- For business to consumers (B2C) E-commerce transactions, the non-resident taxpayer shall declare and pay for the VAT on the transaction to the GDT (**Articles 5 of Sub Decree no. 65**).
- For business to business (B2B) E-commerce transactions, the VAT on the transaction shall be accounted for via the “reverse charge” mechanism. Under the “reverse charge” mechanism, the resident taxpayer receiving the supply from the non-resident taxpayer shall account and pay for the output VAT on such supply on behalf of the non-resident taxpayer. Correspondingly, input VAT shall be allowed as tax credits based on the current tax regulations in effect (**Articles 6 & 7 of Sub Decree no. 65**).
- **Article 10 of the Sub Decree** provides that any provisions contrary thereto shall be abrogated. Hence, it can be interpreted that the provisions under this **Sub Decree no. 65** supersedes the earlier PE provisions on “online business” provided under **Prakas no. 098**.
- This Sub Decree provides that the “Reverse Charge” mechanism shall apply to B2B transactions, wherein the resident taxpayer receiving the supply, shall declare and remit the VAT on behalf of the non-resident taxpayer.
- Unlike B2B transactions, the “reverse charge” mechanism shall not apply to B2C transactions, and hence, the non-resident supplier shall declare the VAT on such supply to the GDT via the monthly VAT declaration. Again, the VAT registration requirement under **Article 4 of the Sub Decree** renders the need to identify between B2B and B2C transaction futile, as either way, the non-resident would still have to register for VAT.

# Taxpayer Classification (1)

Taxpayer Classification	Criteria	
	Prakas 025	Prakas 009
Small	<ul style="list-style-type: none"> <li>Annual turnover from 250 million riel (US\$ 61,500) to 700 million (US\$172,000);</li> <li>Turnover or expected turnover of more than 60 million riel (US\$14,700) for three consecutive months per calendar year; or</li> <li>Participates in the bidding, price consulting, or price surveying in supplying goods and services.</li> </ul>	<ul style="list-style-type: none"> <li>Annual turnover from 250 million riel (US\$61,500) to 1 billion riel (US\$245,000) for agriculture, commercial, or service sector;</li> <li>Annual turnover form 250 million riel (US\$61,500) 1.6 billion riel (US\$393,000) for the industrial sector;</li> <li>Turnover or expected turnover of more than 60 million riel (US\$14,700) for three consecutive months per calendar year; or</li> <li>Participates in the bidding, price, consulting, or price surveying in supplying goods and services.</li> </ul>
Medium	<ul style="list-style-type: none"> <li>Annual turnover from 700 million riel (US\$172,000) to 4 billion riel (US\$983,000);</li> <li>Businesses incorporated as representative office or as a legal entity;</li> <li>Foreign diplomatic and consular mission, technical agencies of other countries; or international organizations; or</li> <li>Non-government associations, national and sub-national government institutions.</li> </ul>	<ul style="list-style-type: none"> <li>Annual turnover form 1 billion riel (US\$245,000) to 4 billion riel (US\$983,000) for the agriculture sector;</li> <li>Annual turnover form 1 billion riel (US\$245,000) to 6 billion riel (US\$1.4 million) for commercial and service sectors;</li> <li>Annual turnover from 1.6 billion riel (US\$393,000) to 8 billion riel (US\$ 1.9 million) for the industrial sector;</li> <li>Businesses incorporated as representative office or as a legal entity;</li> <li>Foreign diplomatic and consular mission, technical agencies of other countries, or international organizations; or</li> <li>Non-government associations, national and sub-national government institutions.</li> </ul>
Large	<ul style="list-style-type: none"> <li>Annual turnover of more than 4 billion riel (US\$983,000);</li> <li>The business is registered as a multinational company or foreign branch office; or</li> <li>The business is registered as a Qualified Investment Project (QIP).</li> </ul>	<ul style="list-style-type: none"> <li>Annual turnover of more than 4 billion riel (US\$983,000) for the agriculture sector;</li> <li>Annual turnover of more than 6 billion riel (US\$ 1.4 million) for the commercial and service sectors;</li> <li>The business is registered as a multinational company of foreign branch office; or</li> <li>The business is registered as a Qualified Investment Project (QIP).</li> </ul>



# Taxpayer Classification (2)

## Taxpayer Classification Based on Annual Value of Assets

Taxpayer Classification	Value of Assets
Small	<ul style="list-style-type: none"> <li>• Annual assets valued from 200 million riel (US\$49,000) to 1 billion riel (US\$245,000) for the commercial, service, and agriculture sectors; or</li> <li>• Annual assets valued from 200 million riel (US\$49,000) to 2 billion riel (US\$491,000) for the industrial sector.</li> </ul>
Medium	<ul style="list-style-type: none"> <li>• Annual assets valued from 1 billion riel (US\$245,000) to 2 billion riel (US\$491,000) for the commercial, service, and agriculture sectors; or</li> <li>• Annual assets valued from 2 billion riel (US\$491,000) to 4 billion riel (US\$983,000) for the industrial sector.</li> </ul>
Large	<ul style="list-style-type: none"> <li>• Annual assets valued at over 2 billion riel (US\$491,000) for the commercial, service, and agriculture sectors; or</li> <li>• Annual assets valued at over 4 billion riel (US\$983,000) for the industrial sector.</li> </ul>

# E-commerce Licenses and Permits (Sub Decree No. 134)

Following the enactment of the e-commerce law, the Royal Government of Cambodia issued a sub decree No. 134 with the **purpose** of determining the types, procedures for granting permits or licenses to intermediaries and individuals providing e-commerce services and exemptions. This sub-decree defines exemptions, types, procedures, and conditions for the issuance of licenses and certificates of trust in e-commerce for the purpose of governing e-commerce operations in Cambodia.

Type of Licence / Permit	Relevant Persons	Relevant Activities
<b>License for E-Commerce</b>	<ol style="list-style-type: none"> <li>1. Legal entities</li> <li>2. Branches of foreign companies</li> </ol>	<ol style="list-style-type: none"> <li>1. E-commerce web services</li> <li>2. E-commerce platforms</li> <li>3. Online shop services</li> <li>4. Online auction services</li> <li>5. Other similar services provided through software or smart devices for e-commerce</li> </ol>
<b>Permit for e-commerce</b>	<ol style="list-style-type: none"> <li>1. Natural persons</li> <li>2. Sole proprietorships</li> </ol>	<ol style="list-style-type: none"> <li>1. Business through electronic platform</li> <li>2. Use of social media or electronic platform for the supply, sale or purchase of goods and services</li> </ol>

## Exemptions

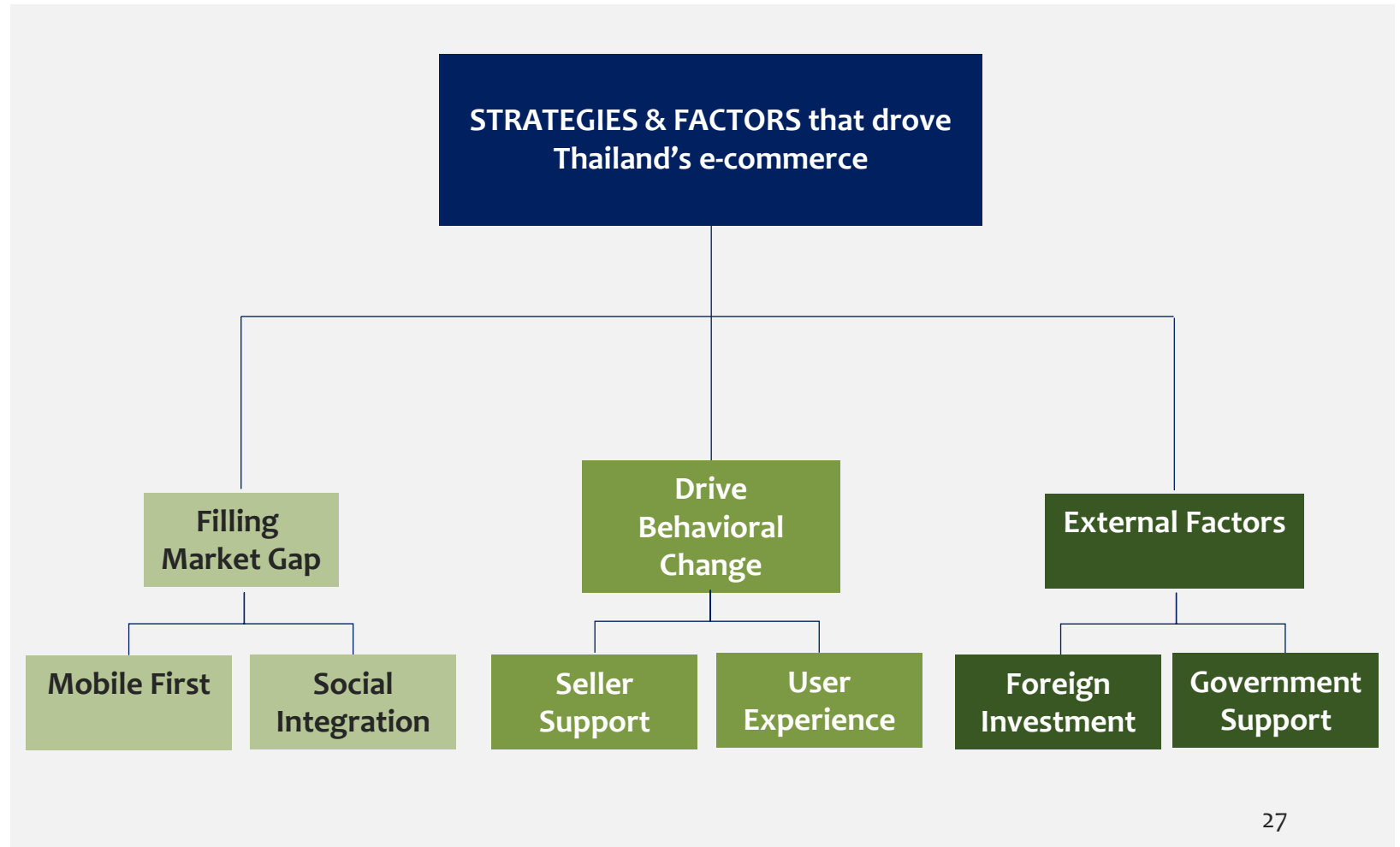
Sub-decree 134 provides for exemption from obtaining licences or permits. The exemption applies to natural personas or sole proprietorships that are engaged in the following activities:

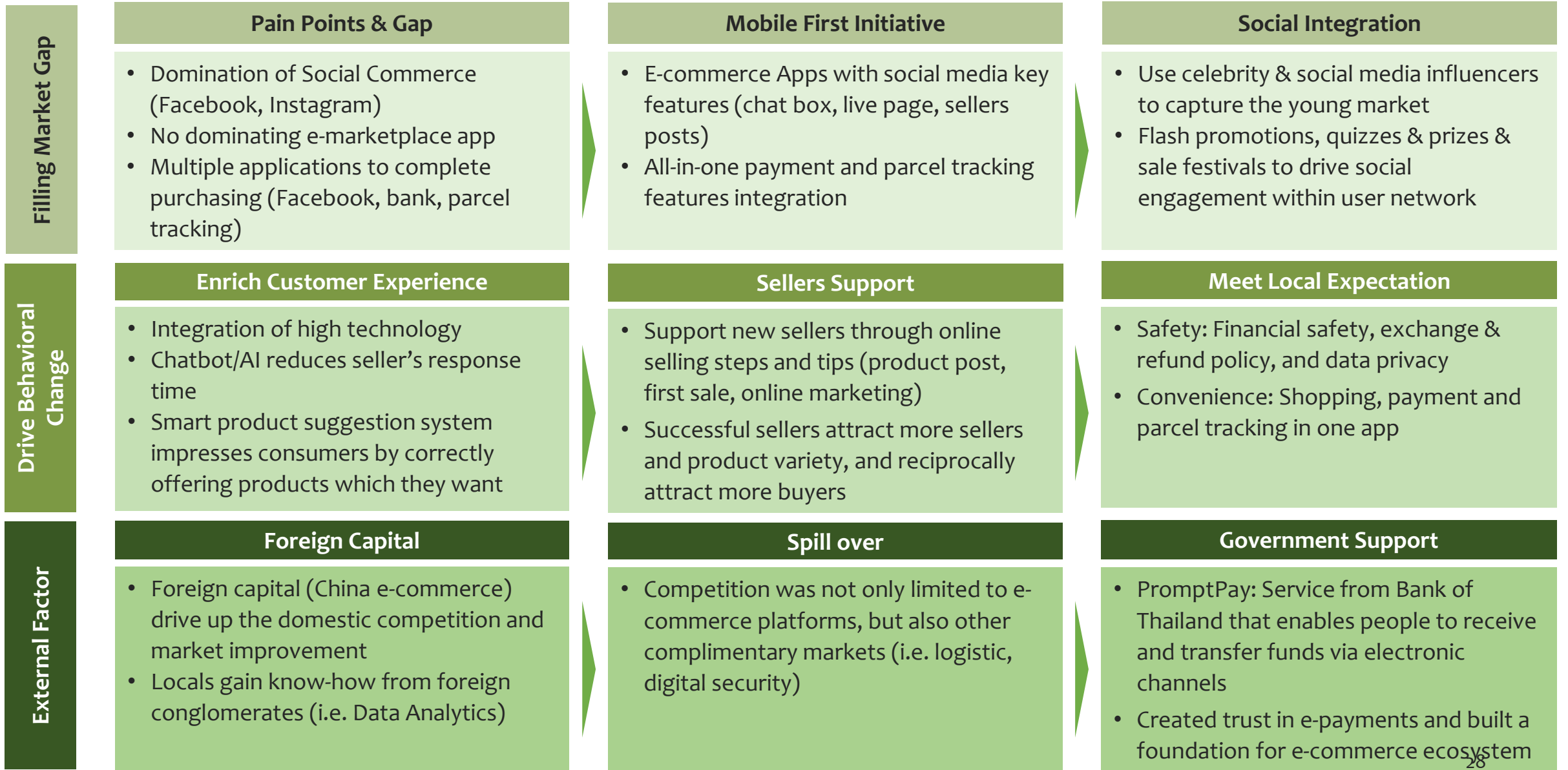
- Commercial advertisement of own goods or services that are not an offer to form a contract;
- Booking services that do not require a deposit or payment by consumers or consumers;
- Sales of goods or services with a turnover smaller than that of a small taxpayer (smaller than USD 62,500);
- Sales of goods or services through family-owned or seasonal businesses;
- Sales of own artwork (goods or services)
- Private tutoring;
- Education on the natural religion; and
- Tutoring provided by associations or non-governmental organisations without earning profits, whether directly or indirectly, and activities or operations of state institutions in the provision of public services.

**Reasons of choosing Thailand as a model for case study:**

1. There are similar demographic features between the two nations
2. Thailand went through a same phase a few years back
3. Thailand successfully managed to build up the e-commerce ecosystem including a change in online shopping behavior

- A decade ago, it was anticipated that e-commerce would be a big contributor to Thai economy, but only a handful of people could foresee how it would work or what would be the shape of Thailand’s e-commerce landscape.
  - Until 2016, a majority of Thais were accustomed to offline channels where they could physically see, touch and bargain for the products.
  - Despite high smartphone penetration, there was low volume of mobile payment transactions mainly due to lack of trust.
- However, Thai conglomerate e-commerce players (Shopee, Lazada and JD Central) successfully built up the user base and drove consumer behavior using the following strategies:





## Increase Number of Buyers and Sellers

### Marketing Effort

- Promotion
- Stimulate social engagement within user network
- Use social media influencers to attract customers
- Online and offline advertisement

### Seller Support

- Educate sellers on online selling and marketing
- Seller support and successful cases would draw in more sellers, and hence, increase product variety
- Reduce commission rate (early stage only)

## Focus on User Experience (UX)

### Technology Integration

- Chatbot
- Integrate AI to product feed
- AI product suggestion
- Focus on all-in-one Mobile Application (payment, parcel, logistics, tracking, product return/exchange)

### Meet Minimum Expectation

- Ensure safe transaction and data privacy
- Integrate mobile payment and package tracking feature
- Introduce refund and product return / exchange policy

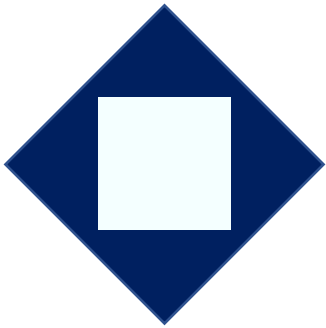
## Areas Needed for Government Support

### E-commerce Ecosystem

- Safety / trust of E-payment system
- Logistics / housing numbering system
- Provide training on e-commerce related skills
- No domination or monopoly on E-market app

### Encourage Foreign Investment

- Fulfill shortage of skilled IT labor force
- Support local businesses to compete with foreign firms
- Support know-how growth by joining regional/global conferences
- Encourage data sharing on e-commerce

- 
- A decorative graphic element consisting of a dark blue diamond shape with a white square centered inside it.
- ✓ The **PROFITENCE** team has a deep understanding of the environment, market and we can assist in providing extensive e-commerce market research, market sizing and robust study on other specific topics
  - ✓ We have significant data and resources to produce a holistic research on e-commerce. We have done studies in the past on e-commerce centric businesses namely ride hailing, QSR (Quick Service Restaurants), delivery services
  - ✓ Our diverse team can provide in-depth analysis of the new e-commerce law from different angles to identify challenges and opportunities raised by the law
  - ✓ Acting as a consultant advisor for leading companies in the country across different fields, PROFITENCE has a strong network and access to leaders of industry that can provide insightful perspectives on the e-commerce potential & growth in the country
  - ✓ Our team work on a set of principles and clear methodology to provide comprehensive, high-quality work which adds value to our clients.

**PROFITENCE** is a boutique advisory firm ready to help the clients to capitalize on opportunities in an emerging market, accelerate business growth and help turn-around businesses.

**Our Mission:** Delivering high quality services, be the trusted adviser & deliver high-value outcomes to our clients. We predominantly work in the CLMVT region (Cambodia, Laos, Myanmar , Vietnam & Thailand).

Our main strengths are: **Market intelligence, experienced team, and focused approach.**



**Advisory | Consulting | CFO Services**

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