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Building #12, Street 348, Phum 4, Sangkat Toul Svay Prey Ti Mouy, Khan Boeng Keng Kang, Phnom Penh
+855 (0) 23 926 999 · hello@fourmiandpartners.com

INSIGHTS

ACCOUNTING & TECHNOLOGY

IAS 40 investment property in Cambodia: cost or fair value?

How CIFRS IAS 40 and CIFRS for SMEs Section 16 classify land and buildings held for rent or capital appreciation, the cost and fair value models, transfers, and the Cambodian property-tax and audit consequences.



By Liv Bonito
Co-founder & Managing Director · FCCA, CPA (KICPAA)

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WHEN IS LAND OR A BUILDING INVESTMENT PROPERTY UNDER IAS 40, AND SHOULD A CAMBODIAN COMPANY USE THE COST OR FAIR VALUE MODEL?

Under CIFRS (IAS 40 Investment Property) investment property is land or a building held to earn rentals or for capital appreciation rather than for use in the business or sale in the ordinary course, and an entity chooses the cost model or the fair value model and applies it to all investment property. CIFRS for SMEs has a separate Section 16; the edition adopted by the National Accounting Council determines the measurement option, so confirm the edition before choosing a policy. In Cambodia, the classification also drives tax depreciation, immovable property tax and rental withholding tax, so the accounting policy and the tax register must be reconciled.

IN SHORT

- Investment property is held to earn rentals or for capital appreciation, not for the owner's use or for sale in the ordinary course.
- IAS 40 allows a cost model or a fair value model; the policy is applied to all investment property, and a change to fair value must be supported by reliable measurement.
- Under the fair value model there is no depreciation; fair value changes go to profit or loss. Under the cost model the property is depreciated and tested for impairment.
- CIFRS for SMEs Section 16 differs; confirm the edition adopted by the National Accounting Council before citing the measurement rule.
- Cambodian immovable property tax, rental tax, withholding on rent and tax depreciation are separate from the accounting classification and must be reconciled.

Investment property, owner-occupied property or inventory

IAS 40 defines investment property as land or a building, or part of a building, held by the owner or by a lessee under a finance lease to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, for administrative purposes, or for sale in the ordinary course of business. The test is the purpose for which the property is held, not the legal form of the title.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes; it is accounted for under IAS 16. Property held for sale in the ordinary course of business is inventory, accounted for under IAS 2. A hotel is normally owner-occupied because the owner provides services to guests; a residential building rented to tenants is normally investment property.

A property can be mixed-use. If the owner-occupied and investment portions can be sold separately, or leased separately under a finance lease, they are accounted for separately. If the portions cannot be separated, the property is investment property only if the owner-occupied portion is insignificant. Ancillary services provided to tenants do not change the classification if they are a small part of the arrangement.

CLASSIFYING LAND AND BUILDINGS IN A CAMBODIAN GROUP

Use	Standard	Typical example
Rentals or capital appreciation	IAS 40 / Section 16	Residential or office building held for rent
Owner-occupied	IAS 16 / Section 17	Head office, factory, hotel operated by the owner
Sale in the ordinary course	IAS 2 / Section 13	Land or units held by a property developer
Mixed-use, separable	Split between IAS 40 and IAS 16	Office building with owner-occupied floors and rented floors
Leased from another party	IFRS 16 / Section 20 plus IAS 40	Leasehold interest treated as investment property if the definition is met

Initial measurement and the cost model

Investment property is initially measured at cost, including transaction costs such as legal fees, transfer taxes and other directly attributable costs. The cost of a purchased property is the purchase price plus directly attributable expenditure; the cost of a self-constructed property is the cost at the date construction or development is complete. Borrowing costs are capitalised only if the property is a qualifying asset and the entity applies IAS 23; CIFRS for SMEs expenses all borrowing costs.

Under the cost model, investment property is carried at cost less accumulated depreciation and accumulated impairment losses. The property is depreciated over its useful life, with the residual value and useful life reviewed at least annually. The property is tested for impairment under IAS 36 / Section 27 when there is an indication that its carrying amount may not be recoverable.

The cost model is simpler to audit because it follows the fixed-asset register, but it does not show the market value of the property. A Cambodian company holding land and buildings for appreciation may find that the balance sheet understates the economic value of the portfolio; the notes can disclose fair value without changing the measurement.

The fair value model

Under the fair value model, investment property is remeasured at fair value at each reporting date, with changes recognised in profit or loss. The property is not depreciated. Fair value is the price that would be received to sell the property in an orderly transaction between market participants at the measurement date, not the price the owner hopes to achieve or the value in use of the property.

A gain or loss on remeasurement is recognised in profit or loss in the period it arises. A property that is transferred from owner-occupied to investment property is remeasured at fair value at the date of transfer; the difference is treated as a revaluation under IAS 16. A transfer from inventory to investment property is treated as a sale at fair value. Transfers do not change the carrying amount without evidence of the fair value at the transfer date.

The model requires reliable fair value evidence every year. A valuation obtained for a bank facility may not be suitable for financial reporting if it is on a different basis, at a different date or subject to assumptions that are not disclosed. The valuer's instructions, the valuation method and the key inputs should be in the audit file.

> **Classify first, then measure**
>
> A valuation is not a substitute for classification. Decide whether the property is investment property, owner-occupied or inventory before applying a measurement model. A building that the company uses for its own office is not investment property merely because it has risen in value.

CIFRS for SMEs Section 16

CIFRS for SMEs has its own Section 16 Investment Property. The measurement requirements differ from full IAS 40 and have changed between editions: the 2025 third edition of the IFRS for SMEs standard permits fair value through profit or loss only where fair value can be measured reliably without undue cost or effort on an ongoing basis, and otherwise uses the cost model in Section 17. The National Accounting Council's adoption determines which edition applies in Cambodia, so confirm the edition with the auditor before choosing a policy.

The practical questions are the same: is the property held for rentals or appreciation, can fair value be measured reliably, and does the chosen model apply to the whole portfolio? The disclosure and valuation evidence requirements are lighter than full IAS 40, but the classification and the tax reconciliation are not optional.

Cambodian property tax and the accounting register

The accounting classification does not determine the tax treatment. Under the Law on Taxation (2023), immovable property tax applies at 0.1% of the value above KHR 100 million, and rental income is subject to the 10% immovable property rental tax; rent paid to a resident landlord is also subject to 10% withholding tax. These are separate taxes with their own filing and valuation rules; they are not the same as the accounting fair value or the tax depreciation of the building.

For Tax on Income, the building is depreciated under the GDT's tax depreciation rules, not the accounting depreciation. A fair value gain or loss on investment property is not automatically taxable or deductible; the tax result follows the disposal or the tax depreciation schedule. The book-to-tax reconciliation should identify each property, its accounting carrying amount, its tax base, the accounting depreciation or fair value movement, and the tax adjustment.

A transfer of land or a building can also attract stamp duty under Prakas 577. The stamp duty is a transaction cost that may be capitalised in the accounting cost of the property, but its tax treatment and the valuation used for the duty are separate questions. Keep the title documents, the valuation and the duty receipt with the fixed-asset file.

- Immovable property tax: 0.1% of the value above KHR 100 million.
- Immovable property rental tax: 10% on rental income.
- Withholding tax on rent paid to a resident: 10%.
- Tax depreciation of the building follows the GDT schedule, not the accounting model.
- Stamp duty on a property transfer follows Prakas 577.

Audit evidence for a Cambodian property portfolio

The auditor will test the classification, the title and the valuation. For the cost model, the evidence is the purchase agreement, the title, the cost allocation, the depreciation schedule and the impairment indicators. For the fair value model, the evidence is the valuation report, the valuer's qualifications, the valuation method, the market comparables and the sensitivity of the conclusion.

Under CISA, ISA 540 applies to the fair value estimate, and ISA 620 applies when the auditor uses the work of a valuer as an auditor's expert. The auditor should evaluate the valuer's competence, the instructions, the assumptions and the consistency of the method from year to year. A valuation that changes method without explanation is a red flag even if the number is supported by a market report.

Key facts

How this article is checked

Figures were verified against the sources listed below in November 2026 and are re-checked each January or when the rule changes. Written by Liv Bonito, Co-founder & Managing Director. General information, not advice on your situation: for that, talk to a partner.

QUESTIONS

Questions people ask

Is a building used partly by the owner and partly rented investment property?

If the portions can be sold separately or leased separately under a finance lease, they are accounted for separately: the owner-occupied portion under IAS 16 and the rented portion under IAS 40. If the portions

cannot be separated, the property is investment property only if the owner-occupied portion is insignificant.

Can a company change from the cost model to the fair value model?

Yes, if the change results in more relevant information and fair value can be measured reliably. The change is applied retrospectively where practicable, and the reason for the change and the effect on the financial statements must be disclosed. A change from fair value to cost is generally not permitted because it would be less relevant.

Does the fair value model avoid Cambodian tax on the gain?

No. The accounting fair value movement is not automatically the tax result. Tax on Income follows the Law on Taxation (2023) and the GDT's rules on disposals, tax depreciation and property income. The fair value gain may create a deferred tax adjustment, and the property taxes are separate from the income tax computation.

Is a leasehold interest in land investment property?

A leasehold interest can be investment property if it meets the definition and is held under a finance lease, or if a lessee under an operating lease elects to treat it as investment property where the standard permits. The lease classification under IFRS 16 / Section 20 comes first; the investment property classification follows.

SOURCES

Where the rules come from

01 IAS 40 Investment Property (https://www.ifrs.org/issued-standards/list-of-standards/ias-40-investment-property/) — IFRS Foundation

02 IFRS for SMEs Accounting Standard, Section 16 Investment Property (https://www.ifrs.org/issued-standards/ifrs-for-smes/) — IFRS Foundation

03 Cambodian International Financial Reporting Standards (CIFRS and CIFRS for SMEs) — National Accounting Council / ACAR, Ministry of Economy and Finance

04 Law on Taxation (Royal Kram NS/RKM/0523/004, 16 May 2023): immovable property tax, rental tax and withholding (https://www.tax.gov.kh) — Kingdom of Cambodia / General Department of Taxation

05 Prakas 577 on stamp duty — Ministry of Economy and Finance / General Department of Taxation