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INSIGHTS

ACCOUNTING & TECHNOLOGY

Real estate developer accounting in Cambodia: revenue, cost and tax

How a Cambodian property developer applies IFRS 15 / Section 23 revenue, IAS 2 inventory, IAS 23 borrowing costs and IAS 40 investment property, and reconciles VAT, stamp duty and Tax on Income.



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HOW SHOULD A CAMBODIAN REAL ESTATE DEVELOPER RECOGNISE REVENUE AND COST ON A PROJECT?

A Cambodian developer applies the revenue standard (IFRS 15 / CIFRS for SMEs Section 23) to decide whether a sale transfers control over time or at a point in time, and recognises revenue only when the performance obligation is satisfied; land and units held for sale are inventory under IAS 2, with acquisition, development and directly attributable borrowing costs in the cost, while units held for rental or capital appreciation are investment property under IAS 40. Deposits and pre-sales are contract liabilities until the performance obligation is met, and the tax treatment of VAT, stamp duty, immovable property tax and Tax on Income must be reconciled separately from the accounting revenue.

IN SHORT

- Revenue is recognised when control passes; a pre-sale or deposit is a contract liability, not revenue.
- Real estate can transfer control over time where the buyer controls the asset as it is built and the developer has a right to payment; otherwise revenue is recognised at a point in time.
- Land and units held for sale are inventory under IAS 2; acquisition, development and directly attributable borrowing costs go into cost, not selling costs.
- Units held for rental or capital appreciation are investment property under IAS 40, not inventory.
- VAT, stamp duty, immovable property tax, rental tax and Tax on Income are separate from the accounting revenue and must be reconciled line by line.

Revenue: over time or at a point in time

IFRS 15 applies a five-step model: identify the contract, identify the performance obligations, determine the transaction price, allocate the price to the performance obligations, and recognise revenue when each obligation is satisfied. A real estate sale can contain several obligations — the land, the construction, a car park, a furniture package, property management or a rental guarantee — and each must be assessed separately.

Control can transfer over time if the buyer controls the asset as it is created and the developer has an enforceable right to payment for performance completed to date, or if the asset has no alternative use to the developer and the right to payment exists. If those conditions are not met, revenue is recognised at the point in time when control transfers, which may be the handover of the completed unit, not the signing of the sale agreement.

The transaction price includes variable consideration such as discounts, incentives, rent guarantees and completion bonuses, estimated using the expected-value or most-likely-amount method and constrained to the amount that is highly probable not to reverse. A significant financing component is recognised when the timing of payments gives the buyer or the developer a financing benefit, unless the period is one year or less.

REVENUE MODEL FOR A CAMBODIAN PROJECT

Question	Analysis	Effect
Does the buyer control the unit as it is built?	No alternative use and right to payment	Revenue over time, by progress
Is the unit transferred at handover?	Control passes on delivery	Revenue at a point in time
Are there multiple promises?	Land, construction, furniture, management	Allocate the price to each obligation
Is there a deposit or pre-sale?	No performance obligation satisfied yet	Contract liability, not revenue
Is there a rent guarantee or discount?	Variable consideration	Estimate and constrain

Inventory cost: land, construction and borrowing costs

Land and units held for sale are inventory under IAS 2, measured at the lower of cost and net realisable value. Cost includes the land acquisition price, legal and transfer costs, construction and infrastructure costs, professional fees, permits, directly attributable overheads and borrowing costs where the asset is a qualifying asset under IAS 23. Selling costs, marketing and general administration are expensed as incurred.

The cost of a project is accumulated by phase or by unit, and the cost-to-complete is reviewed at each reporting date. A revision of the cost estimate is a change in accounting estimate applied prospectively. If the net realisable value falls below cost, the inventory is written down; a later reversal is permitted only to the extent of the original write-down.

Under full CIFRS, borrowing costs directly attributable to a qualifying development are capitalised; under CIFRS for SMEs Section 25, all borrowing costs are expensed. The same project can therefore show a different asset and a different current-year expense depending on the framework. The IAS 23 article on this site explains the qualifying-asset test and the capitalisation rate.

> **A pre-sale is not revenue**
>
> Cash received before control passes is a contract liability. Recognising it as revenue flatters the current year and misstates the obligation to deliver. Keep the deposit register, the sale contracts and the revenue schedule reconciled.

Investment property and mixed-use projects

A unit held to earn rentals or for capital appreciation, rather than for sale in the ordinary course, is investment property under IAS 40. It is not inventory. A mixed-use project can contain inventory units for sale, investment units for rent and owner-occupied space for the developer's office; each portion is classified by its use and accounted for under the relevant standard.

Investment property is measured under the cost model or the fair value model, applied to all investment property. Under the fair value model there is no depreciation and changes go to profit or loss; under the cost model the property is depreciated and tested for impairment. A transfer from inventory to investment property is treated as a sale at fair value; a transfer from owner-occupied to investment property is remeasured at fair value with the difference treated as a revaluation under IAS 16.

The classification should be set when the project is designed, not after the sales slow down. A developer that reclassifies unsold inventory as investment property to avoid a write-down is changing the use, and the change must be supportable.

Contract liabilities, warranties and onerous contracts

Deposits, instalments and pre-sale receipts are contract liabilities until the related performance obligation is satisfied. The liability is presented separately from trade payables and is released to revenue as control passes. A significant financing component is recognised when the payment timing gives a financing benefit, with interest expense or income recognised over the period.

A warranty or defect obligation is a provision under IAS 37 if it is a present obligation from a past event, probable and reliably estimable. A promised warranty that is a separate service is a performance obligation under IFRS 15. An onerous contract is recognised when the unavoidable costs of meeting the contract exceed the economic benefits expected; the provision is measured at the lower of the cost of fulfilling the contract and the compensation or penalty for not fulfilling it.

The developer's cost-to-complete, defect history and warranty claims are accounting estimates. They need a documented method, a review at each reporting date and a sensitivity analysis for the auditor.

Cambodian tax: VAT, stamp duty and property taxes

The accounting revenue is not the tax base. VAT on a property sale or transfer, stamp duty under Prakas 577, immovable property tax at 0.1% of the value above KHR 100 million, the 10% immovable property rental tax and the 10% withholding tax on rent paid to a resident are separate taxes with their own filing and valuation rules. The developer should map each project to the taxes that apply and reconcile the accounting revenue and cost to the tax returns.

For Tax on Income, the accounting profit is the starting point, but the timing of revenue, the inventory cost, the borrowing costs and the warranty provisions may differ for tax. The annual Tax on Income return and the book-to-tax reconciliation should show each adjustment.
A QIP or other investment incentive is a tax benefit under IAS 12, not a reduction of the accounting revenue.

The tax analysis should be done before the sales launch, not after the first audit. The sale contract, the payment schedule, the title transfer, the VAT invoice and the tax return must tell the same story.

- VAT: confirm the treatment of the sale or transfer with the GDT.
- Stamp duty: Prakas 577 on the transfer of property or shares.
- Immovable property tax: 0.1% of the value above KHR 100 million.
- Rental tax: 10% on rental income; 10% withholding on rent paid to a resident.
- Tax on Income: entity-level return, with the accounting-to-tax reconciliation.

Audit evidence for a developer

The auditor will test the contract, the performance obligations, the transaction price, the progress towards completion, the cost-to-complete and the inventory classification. A site visit, a cost consultant's report and a review of the sales ledger are usually necessary. Revenue cut-off at handover is a significant risk: a unit handed over before year-end but invoiced after year-end is still revenue if control passed.

Under CISA, ISA 540 applies to the cost-to-complete and revenue estimates, ISA 501 applies to inventory, and ISA 600 applies when the project is in a group. The auditor should challenge the developer's assumptions on sales prices, construction cost, delays and financing, and should confirm the legal title and the permits.

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

When is revenue recognised on an off-plan sale?

It depends on control. If the buyer controls the unit as it is built and the developer has an enforceable right to payment for performance to date, revenue is recognised over time. If not, revenue is recognised when control transfers, usually at handover. A deposit or pre-sale receipt is a contract liability until then.

Are deposits from buyers revenue?

No. A deposit or pre-sale receipt is a contract liability until the related performance obligation is satisfied. It is presented separately and released to revenue as control passes.

Can a developer capitalise borrowing costs?

Under full CIFRS, borrowing costs directly attributable to a qualifying asset are capitalised under IAS 23. Under CIFRS for SMEs Section 25, all borrowing costs are expensed. The project must be a qualifying asset, and the tax treatment of the capitalised interest is separate.

When are unsold units investment property?

When they are held to earn rentals or for capital appreciation rather than for sale in the ordinary course. A unit held for sale is inventory. A change of use must be supportable and is accounted for under the transfer rules of IAS 40.

SOURCES

Where the rules come from

01 IFRS 15 Revenue from Contracts with Customers (https://www.ifrs.org/issued-standards/list-of-standards/ifrs-15-revenue-from-contracts-with-customers/) — IFRS Foundation

02 IFRS for SMEs Accounting Standard, Section 23 Revenue from Contracts with Customers (https://www.ifrs.org/issued-standards/ifrs-for-smes/) — IFRS Foundation

03 IAS 2 Inventories, IAS 23 Borrowing Costs and IAS 40 Investment Property — IFRS Foundation

04 Law on Taxation (Royal Kram NS/RKM/0523/004, 16 May 2023): VAT, immovable property tax and rental tax (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