

General Corporate Commercial

Cambodia's New Law on Investment

The new law on Investment was promulgated on 15 October 2021 by virtue of Royal Kram No. NS/RKM/1021/014 ("**Law on Investment**") on an urgent basis and has been in force since 16 October 2021 throughout the country. The Law on Investment abrogates the old Law on Investment dated 5 August 1994 and its amendment dated 24 March 2003.

The Law on Investment consists of 12 chapters and 42 articles, and applies to all qualified investment projects ("**QIPs**"), expanded QIPs and guaranteed investment projects (collectively referred to as "**Investment Projects**") registered with the Council for the Development of Cambodia ("**CDC**") or the Provincial-Municipal Investment Sub-Committees ("**Sub-Committees**").

In this Update, we highlight the key features of Cambodia's new Law on Investment.

1. Online Registration of Investment Projects

A person, including an individual and a legal entity, that intends to implement an Investment Project must submit online an application to CDC or the Sub-Committees via this [link](#) to the information technology platform. CDC or the Sub-Committees will issue a registration certificate ("**Registration Certificate**") within 20 working days if such proposed investment project is not listed in the "negative list" of prohibited or restricted business lines or sectors.

The Registration Certificate will be tied to a bar code or QR code, or other technology system that provides primary information in relation to the registered investment project. After obtaining the Registration Certificate, the investment project will be implemented automatically. The successful applicant is *not* exempted from obtaining other applicable permits in relation to the investment project.

2. Certain Sectors and Investment Activities that are entitled to Investment Incentives

Any person whose sector/investment activity is certified as a QIP and not listed in the "negative list" are eligible to obtain basic tax and/or customs duties incentives in whole or in part. The sectors and investment activities that are eligible for investment incentives include:

- (a) High-tech industries involving innovation or research and development;
- (b) Innovative or highly competitive new industries or manufacturing with high added value;
- (c) Industries supplying regional and global production chains;
- (d) Industries supporting agriculture, tourism, manufacturing, regional and global production chains and supply chains;
- (e) Electrical and electronic industries;
- (f) Spare parts, assembly and installation industries;
- (g) Mechanical and machinery industries;
- (h) Agriculture, agro-industry, agro-processing industry and food processing industries serving the domestic market or export;

Client Update: Cambodia

2022 JANUARY

General Corporate Commercial

- (i) Small and medium-sized enterprises in priority sectors and small and medium-sized enterprise cluster development, industrial parks, and science, technology and innovation parks;
- (j) Tourism and tourism-related activities;
- (k) Special economic zones;
- (l) Digital industries;
- (m) Education, vocational training and productivity promotion;
- (n) Health;
- (o) Physical infrastructure;
- (p) Logistics;
- (q) Environmental management and protection, and biodiversity conservation and the circular economy;
- (r) Green energy, technology contributing to climate change adaptation and mitigation; and
- (s) Other sectors and investment activities not listed above but are deemed to have potential for socio-economic development by the Royal Government of Cambodia.

3. Types of Investment Incentives

An investment project registered as a QIP is entitled to basic incentives and additional incentives. Special incentives are also granted in specific circumstances.

Basic Incentives

Any QIP is entitled to **either** of the two basic incentives below.

Option 1	Option 2
<ul style="list-style-type: none"> • Income tax exemption for a minimum period of three years to a maximum period of nine years from the time of earning its first income; • After the expiry of the income tax exemption period, pay income tax at a progressive rate as follows: <ul style="list-style-type: none"> - 25% of the applicable income tax rate for the first two years; - 50% of the applicable income tax rate for the next two years; and - 75% of the applicable income tax rate for the last two years. • Prepayment of tax on income exemption during the income tax exemption period; • Minimum tax exemption if an independent audit report is provided; and 	<ul style="list-style-type: none"> • Deduction of capital expenditure through special depreciation as stated in the applicable tax provisions; • Eligible for up to 200% deduction on other significant expenses for three to nine years depending on sector and investment activities, which are to be determined by the Law on Financial Management and/or a sub-decree; • Prepayment of tax on income exemption for a specific period of time, depending on sectors and investment activities, which are to be determined by the Law on Financial Management and/or the sub-decree; • Minimum tax exemption if an independent audit report is provided; and

General Corporate Commercial

<ul style="list-style-type: none"> • An export customs duty exemption except otherwise provided in other laws and regulations. 	<ul style="list-style-type: none"> • An export customs duty exemption except otherwise provided in other laws and regulations.
---	---

In addition to the above basic incentives:

- Export QIPs and Supporting Industry QIPs are entitled to customs duty, special tax and value-added tax ("**VAT**") exemptions for the import of construction materials, construction equipment, production equipment and production inputs.
- Domestically-oriented QIPs are entitled to customs duty, special tax and VAT exemptions for the import of construction materials, construction equipment, and production equipment. However, a domestically- oriented QIP's incentives for production inputs is to be determined by the Law on Financial Management and/or the sub-decree.

Additional Incentives

In addition to the basic incentives provided above, a QIP also receives:

- VAT exemption for purchases of locally-produced production inputs for the implementation of the QIP; and
- Deduction of 150% from the tax base for any of following activities:
 - Research, development and innovation;
 - Human resource development through the provision of vocational training and skills to Cambodian workers/employees;
 - Construction of accommodation, canteens or food courts where reasonably priced foods are sold, nurseries and other facilities for workers/employees;
 - Upgrading of machinery to serve the production line; and
 - Provision of welfare for Cambodian workers/employees such as: (i) comfortable means of transportation to enable the workers/employees to commute from their homes to the factories; (ii) accommodation; (iii) food courts or canteens where foods are sold at reasonable prices; (iv) nurseries; and (v) other facilities.

QIPs that have obtained income tax exemption approved by CDC before the enforcement of the Law on Investment are still entitled to its remaining income tax exemption period.

Special Incentives

Special incentives are granted to any sector/ investment activity that have high potential for national economic development. The special incentives are determined by the Law on Financial Management.

QIPs in Special Economic Zones

QIPs located in special economic zones are entitled to the same investment incentives, guarantees and protections as other QIPs.

General Corporate Commercial

4. Investment Guarantees and Protection

The investors are protected from nationalisation and expropriation which may affect their assets or approved Investment Projects.

The investors have the right to freely purchase foreign currencies and repatriate these foreign currencies to settle financial obligations associated with their investments through authorised intermediary banks, in accordance with applicable laws and regulations. The transfers include:

- Capital contributions including initial capital contributions;
- Income, capital gains, dividends, royalties, license fees, management and technical assistance fees, interest and other income from investments;
- Income from total or partial sale or dissolution of the company implementing the Investment Project;
- Payment of import and repatriation of both principal and interest of the loan;
- Payment of compensation in case of civil disturbance, expropriation or confiscation by the State;
- Payment arising from the settlement of a dispute by any means including court decisions or arbitration awards; and
- Income and salary of employees.

The investors' intellectual property is protected in accordance with the applicable laws and regulations in Cambodia.

5. Miscellaneous

The Law on Investment also includes provisions concerning:

- the acquisition, sale or merger of investment projects;
- the nullification of investment projects; and
- reconciliation as a mode of resolving disputes between the investors involved in Investment Projects.

If you have any queries on the above, please feel free to contact our team members below who will be happy to assist.

Contacts



HENG Chhay
Managing Partner

T +855 23 963 112 / 113
F +855 23 963 116
heng.chhay@rajahtann.com



HOUT Sotheary
Partner

T +855 23 963 112/113
F +855 23 963 116
hout.sotheary@rajahtann.com

Our Regional Contacts

RAJAH & TANN | *Singapore*

Rajah & Tann Singapore LLP

T +65 6535 3600
sg.rajahtannasia.com

CHRISTOPHER & LEE ONG | *Malaysia*

Christopher & Lee Ong

T +60 3 2273 1919
F +60 3 2273 8310
www.christopherleeong.com

R&T SOK & HENG | *Cambodia*

R&T Sok & Heng Law Office

T +855 23 963 112 / 113
F +855 23 963 116
kh.rajahtannasia.com

RAJAH & TANN | *Myanmar*

Rajah & Tann Myanmar Company Limited

T +95 1 9345 343 / +95 1 9345 346
F +95 1 9345 348
mm.rajahtannasia.com

RAJAH & TANN 立杰上海

SHANGHAI REPRESENTATIVE OFFICE | *China*

**Rajah & Tann Singapore LLP
Shanghai Representative Office**

T +86 21 6120 8818
F +86 21 6120 8820
cn.rajahtannasia.com

GATMAYTAN YAP PATACSIL

GUTIERREZ & PROTACIO (C&G LAW) | *Philippines*
Gatmaytan Yap Patacsil Gutierrez & Protacio (C&G Law)

T +632 8894 0377 to 79 / +632 8894 4931 to 32
F +632 8552 1977 to 78
www.cagatlaw.com

ASSEGAF HAMZAH & PARTNERS | *Indonesia*

Assegaf Hamzah & Partners

Jakarta Office

T +62 21 2555 7800
F +62 21 2555 7899

Surabaya Office

T +62 31 5116 4550
F +62 31 5116 4560
www.ahp.co.id

RAJAH & TANN | *Thailand*

R&T Asia (Thailand) Limited

T +66 2 656 1991
F +66 2 656 0833
th.rajahtannasia.com

RAJAH & TANN LCT LAWYERS | *Vietnam*

Rajah & Tann LCT Lawyers

Ho Chi Minh City Office

T +84 28 3821 2382 / +84 28 3821 2673
F +84 28 3520 8206

RAJAH & TANN | *Lao PDR*

Rajah & Tann (Laos) Co., Ltd.

T +856 21 454 239
F +856 21 285 261
la.rajahtannasia.com

Hanoi Office

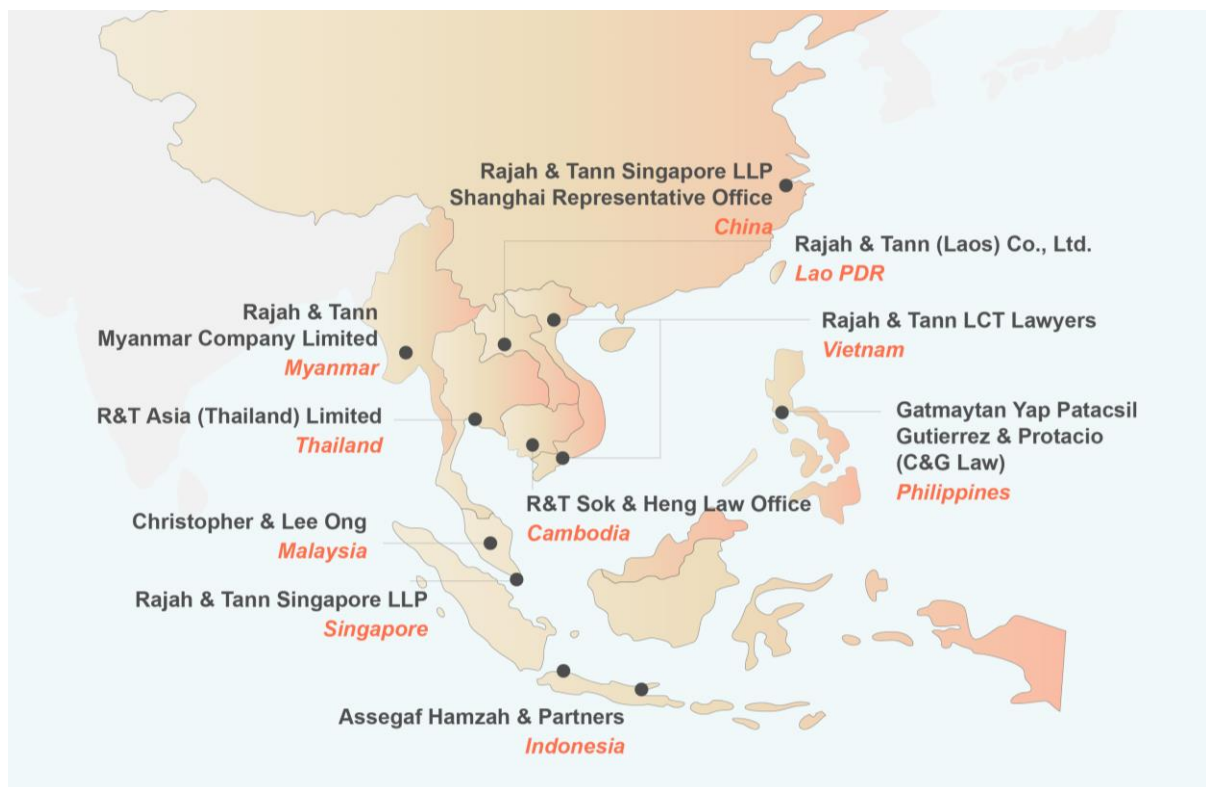
T +84 24 3267 6127
F +84 24 3267 6128
www.rajahtannlct.com

Rajah & Tann Asia is a network of legal practices based in Asia.

Member firms are independently constituted and regulated in accordance with relevant local legal requirements. Services provided by a member firm are governed by the terms of engagement between the member firm and the client.

This Update is solely intended to provide general information and does not provide any advice or create any relationship, whether legally binding or otherwise. Rajah & Tann Asia and its member firms do not accept, and fully disclaim, responsibility for any loss or damage which may result from accessing or relying on this Update.

Our Regional Presence



R&T Sok & Heng Law Office provides top quality and incisive legal services to domestic and international clients; in local and cross-border transactions; on day-to-day operations and the most challenging transactions. As one of the leading law firms in Cambodia, R&T Sok & Heng Law Office helps clients achieve their goals by combining international standard with local expertise.

R&T Sok & Heng Law Office is part of Rajah & Tann Asia, a network of local law firms in Cambodia, China, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. Our Asian network also includes regional desks focused on Brunei, Japan and South Asia.

The contents of this Update are owned by R&T Sok & Heng Law Office and subject to copyright protection under the laws of Cambodia and, through international treaties, other countries. No part of this Update may be reproduced, licenced, sold, published, transmitted, modified, adapted, publicly displayed, broadcast (including storage in any medium by electronic means whether or not transiently for any purpose save as permitted herein) without the prior written permission of R&T Sok & Heng Law Office.

Please note also that whilst the information in this Update is correct to the best of our knowledge and belief at the time of writing, it is only intended to provide a general guide to the subject matter and should not be treated as a substitute for specific professional advice for any particular course of action as such information may not suit your specific business and operational requirements. It is to your advantage to seek legal advice for your specific situation. In this regard, you may call the lawyer you normally deal with in R&T Sok & Heng Law Office.