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CURRENT INVESTMENT CLIMATE IN CAMBODIA

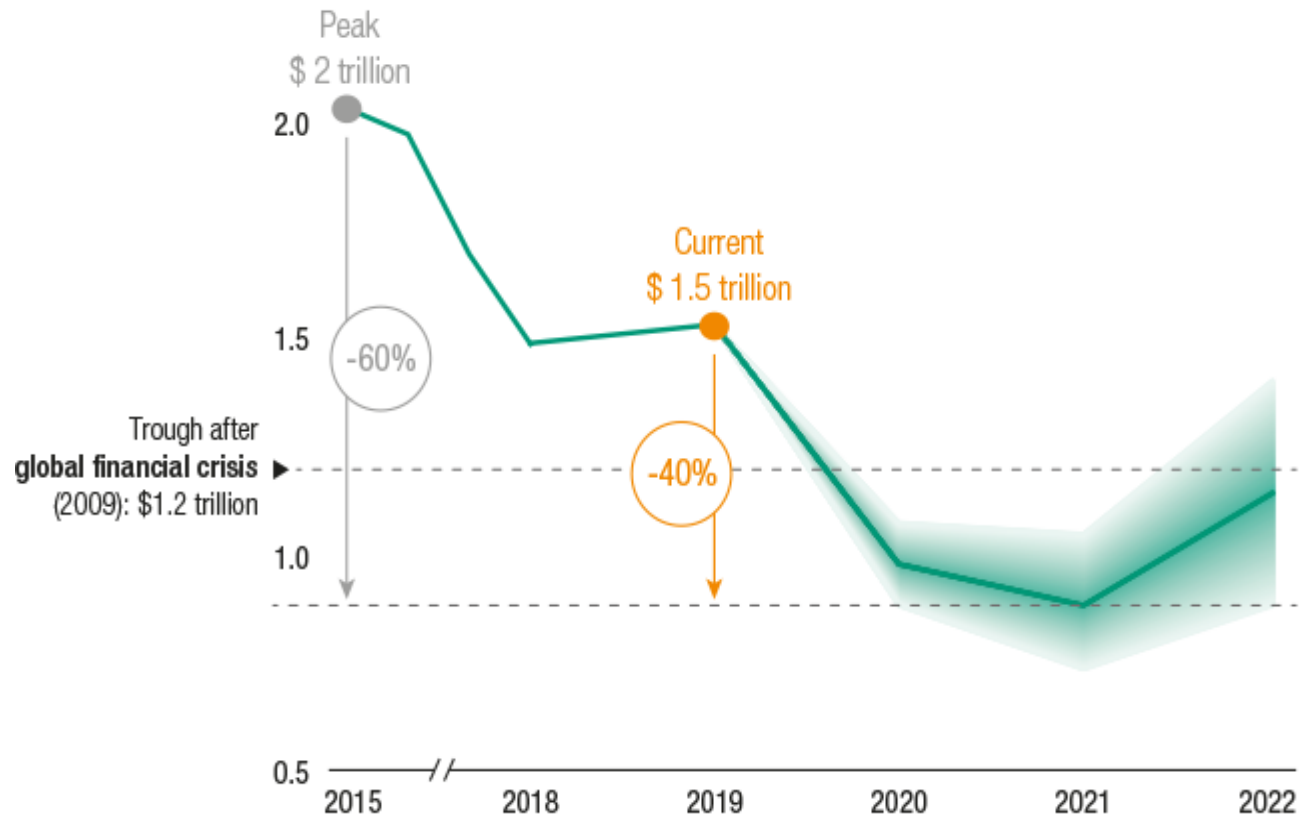


Suon Sophal
Director

Public Relations and Promotion of Private Investment

GLOBAL INVESTMENT TRENDS

Figure 1. Global FDI inflows, 2015–2019 and 2020–2022 forecast
(Trillions of dollars)

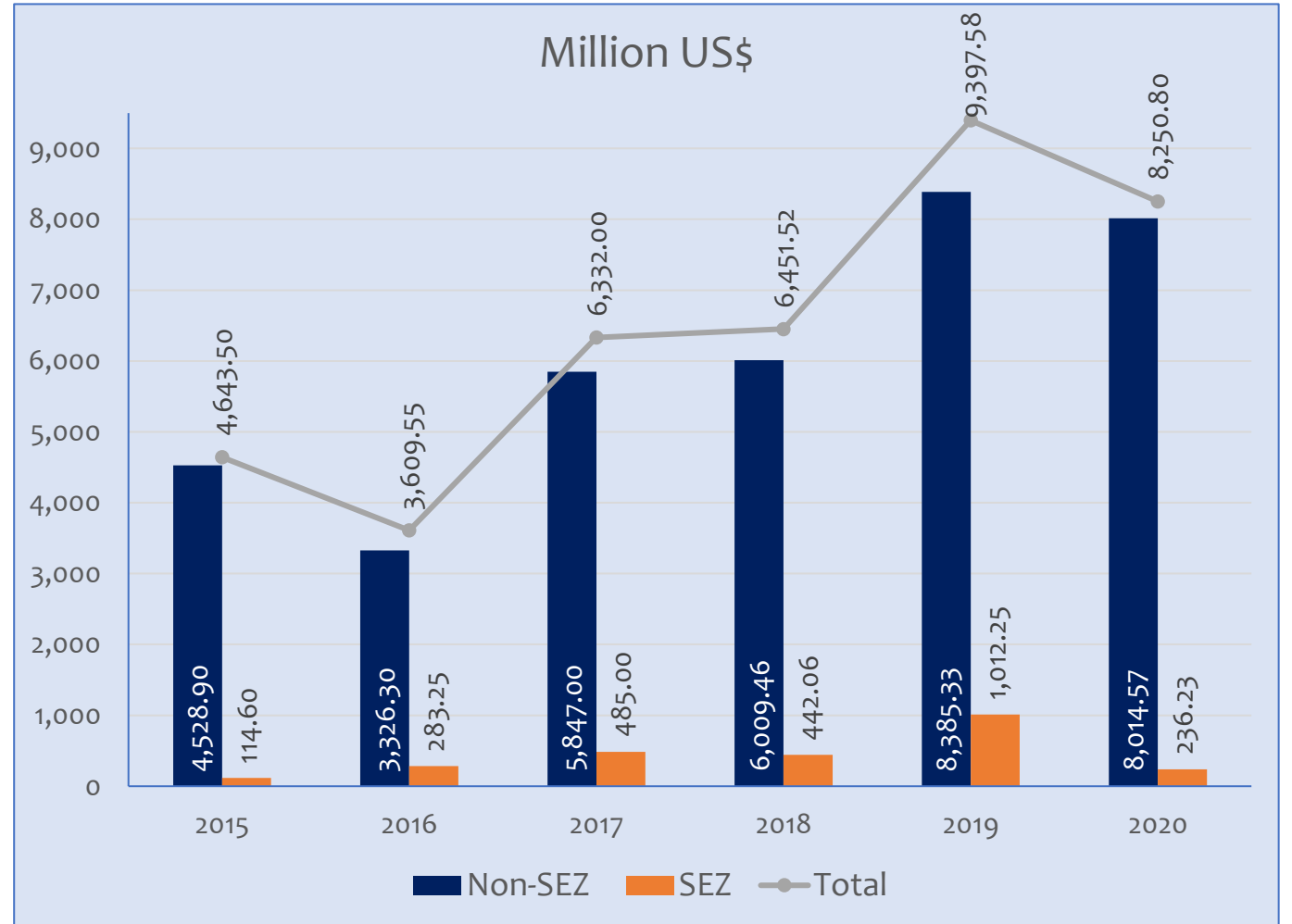
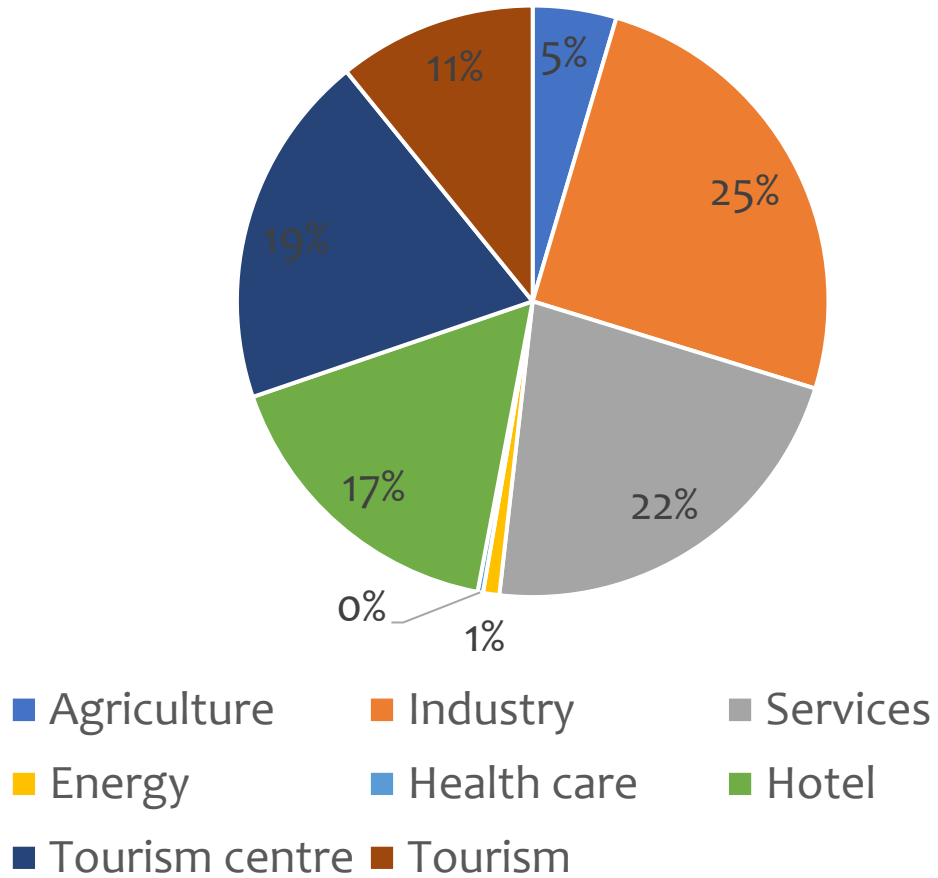


Source: UNCTAD.

The COVID-19 crisis will cause a dramatic fall in FDI. Global FDI flows are forecast to decrease by up to 40 per cent in 2020, from their 2019 value of \$1.54 trillion (figure 1). This would bring FDI below \$1 trillion for the first time since 2005. FDI is projected to decrease by a further 5–10 per cent in 2021 and to initiate a recovery in 2022. A rebound, with FDI reverting to the pre-COVID underlying trend in 2022, is possible, but only at the upper bound of expectations.

INVESTMENT TRENDS

Investment Trend by Sector (2015-2020)





- Sanco Poi Pet SEZ
- Poi Pet O'Neang SEZ
- Poi Pet PPSEZ (work in progress)

• Neang Kok Koh Kong SEZ

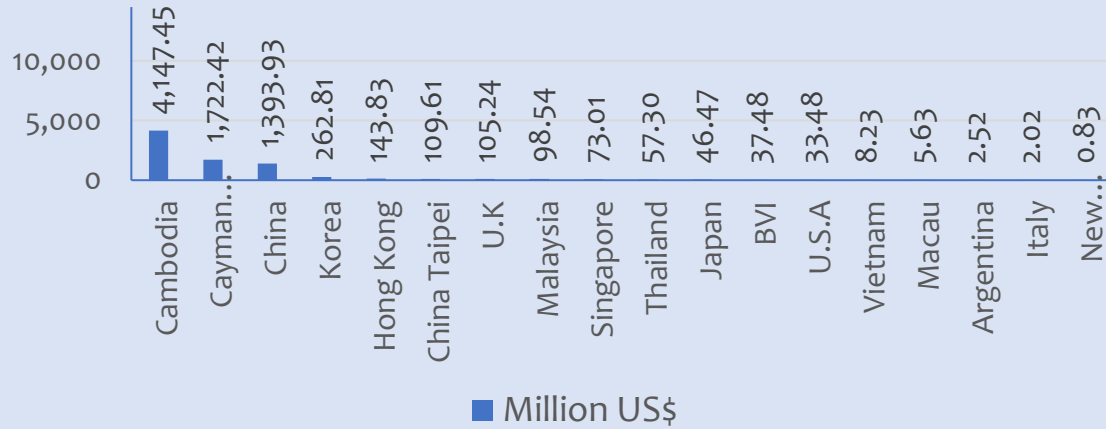
- Sihanoukville SEZ
- Sihanoukville Port SEZ
- Sihanoukville SEZ 1
- H.K.T SEZ

- Kerry World bridge
- Manhattan Svay Rieng SEZ
- Tai Seng Bavet SEZ
- Dragon King Bavet SEZ
- Shandong Sunshell Svay Rieng SEZ
- Hi Park SEZ
- Qi Lu Jian Pu Zhai SEZ
- Giga Resource Svay Rieng SEZ
- Intervia Automobile SEZ

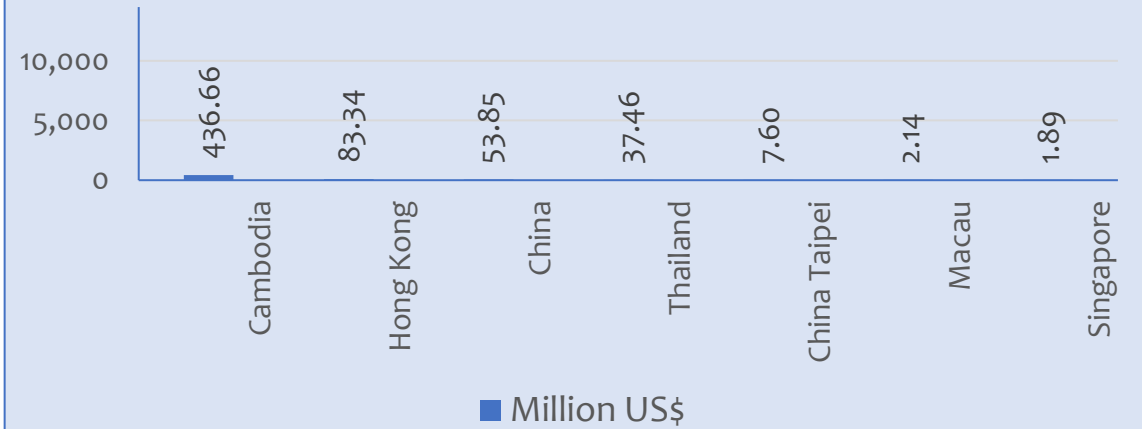
- 58 SEZs approved**
- 39 SEZs with subdecree**
- 23 SEZs are operational**
- 18 SEZs with Special Admin Office**
- 547 projects approved**
- Total investment (4.31 billion USD)**
- Suspension of VAT on Duty Free Import (letter No. 3841 MEF dated July 2nd 2019 and letter No. 3725 MEF)**

INVESTMENT TRENDS BY COUNTRY

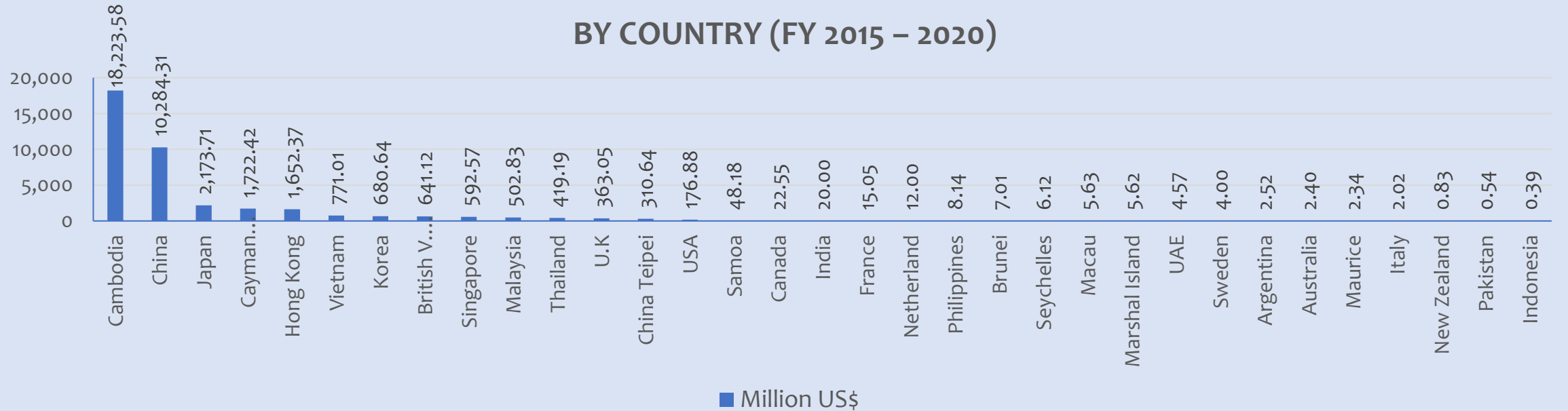
BY COUNTRY (FY 2020)



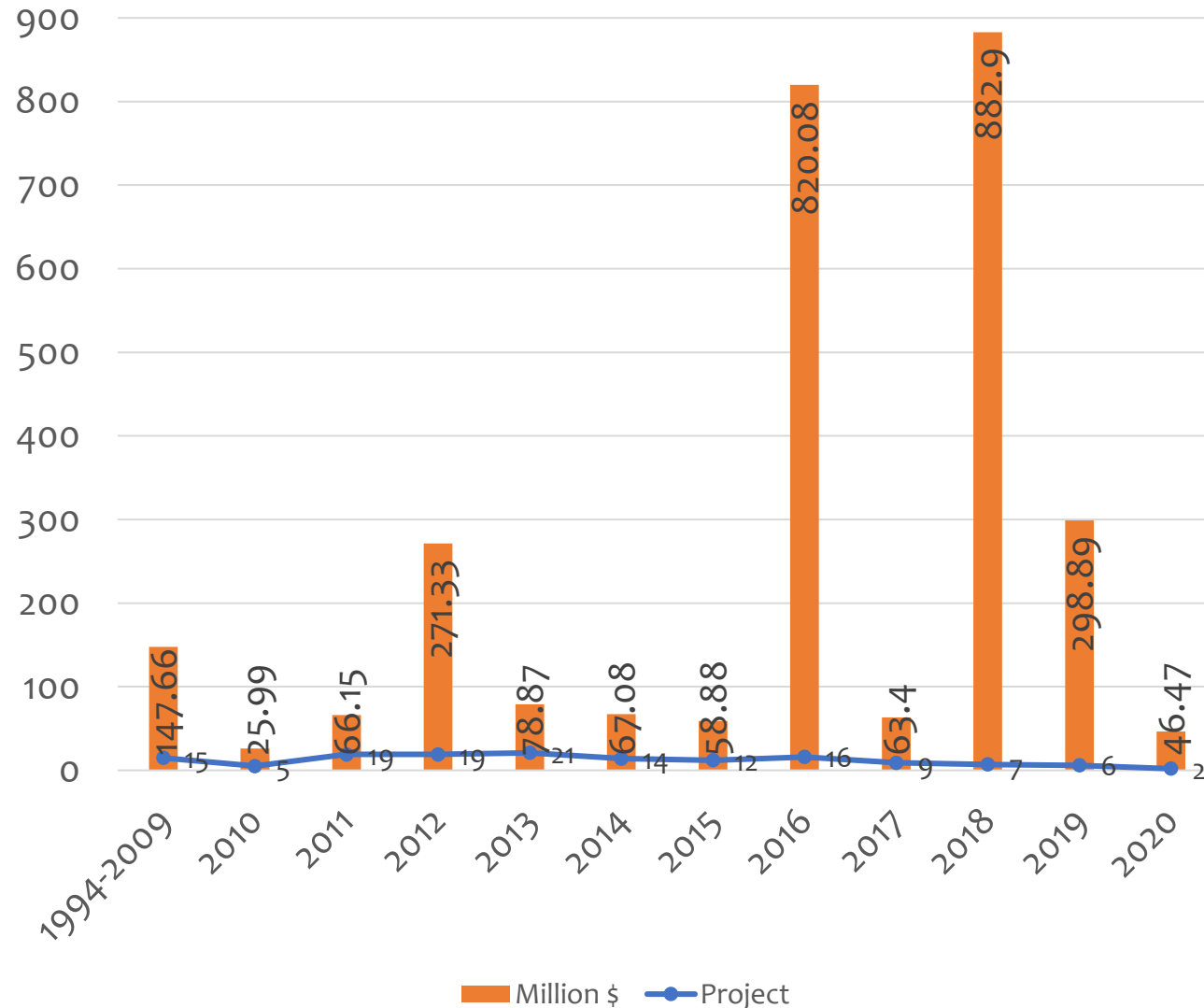
BY COUNTRY (as of 22nd March 2021)



BY COUNTRY (FY 2015 – 2020)



Japanese Investment in Cambodia



No.	Japanese FDI in SEZ	No. Proj.	Capital (Mil US\$)
1	PPSEZ	38	168.06
2	Manhattan Bavet	1	1.94
3	Tai Seng Bavet	12	59.42
4	Dragon King Bavet	2	9.36
5	Sihanoukville Port	3	22.17
6	Sanco Poi Pet	8	64.85
7	Neang Kok Koh Kong	2	14.01
Total		66	339.82

The Pioneers

MinebeaMitsumi
Passion to Create Value through Difference

 **YAZAKI**

 **MIKASA**

 **DENSO**

 **G-SHOCK**
CASIO

 **TOYOTA TSUSHO**

NHK

 **AEON**

 **SCWS**

ANA


Sunrise Japan Hospital
Phnom Penh

 **STARTS**

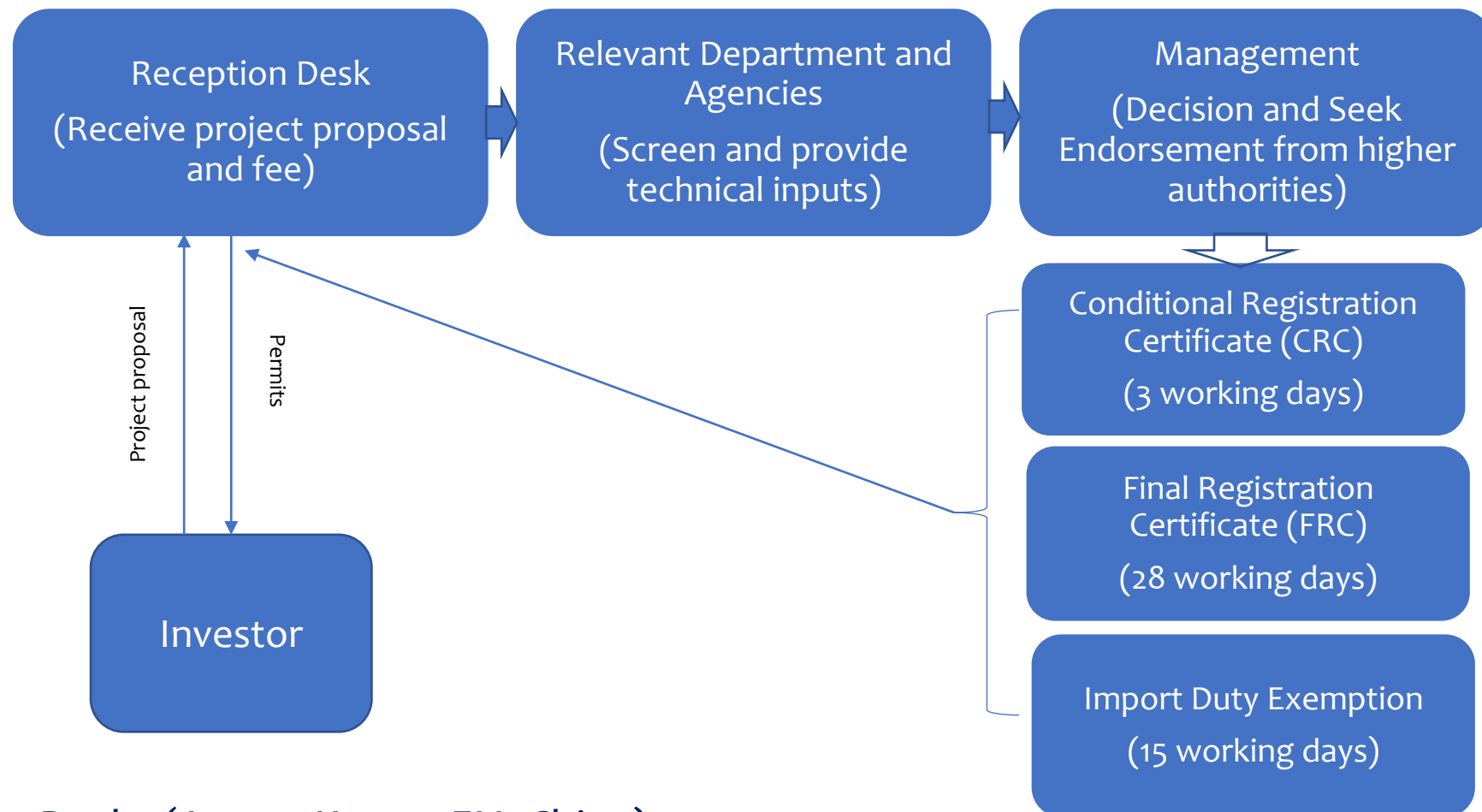
MIZUHO
みずほ銀行

Combi
愛する気持ちを支えたい。

ENHANCED SERVICES



<https://qip.cdc.gov.kh>



- One Stop Services, Country Desks (Japan, Korea, EU, China)
- Online Platform (QIP Online, NSW Master List, FB Notification)
- Aftercare Services (Complaint Desk, Investment Tracking System)



INVESTMENT INCENTIVES

**TAX HOLIDAY (9yr)
or
SPECIAL DEPRECIATION**

IMPORT DUTY EXEMPTION

EXPORT TAX EXEMPTION

**CORPORATE INCOME TAX
(20%)**

**VAT exemption for
projects inside SEZ**

**(Article 7, Financial
Management Law
2006 & 2009)
Tax Holiday =
Trigger Period + 3
+ n (priority
period)**

**n = 2 [(Industry < 50M,
Infrastructure < 30M)]**

**n = 1 [(Industry < 20M, Tourism
< 20M or Infrastructure < 10M)]**

**n = 3 [(Industry > 50M,
Agriculture QIP,
Infrastructure > 30M)]**

MAJOR CORPORATE TAXES

Patent Tax: Annual fee (S, M, L)

**INCOME TAX (CIT):
20% generally**

**Customs Duty: 7%,
15%, 35% (MFN)**

VAT: 10%

Stamp Tax

- ✓ **4% transfer of property**
- ✓ **0.1% transfer of Share**

Withholding Tax

- ✓ **Rental: 10%**
- ✓ **Payment to non-resident taxpayer (interest, royalty, dividend, management/consulting): 14%**

COMPARISON OF FISCAL TAX INCENTIVES

	Current Law	New Law
Income Tax Exemption	<ul style="list-style-type: none"> 3-6 years from profit or 6-9 years from initial income Or special depreciation 	<ul style="list-style-type: none"> 3-9 years from initial income Expiration of 6-year income tax exemption Or special depreciation
		Minimum tax exemption with independent audit Report
		Depreciated tax exemption during income tax exemption
Exemption from Export Tax	Exemption from export duties, unless provided in the law or Other provisions	

	Current Law	New Law
Import Duty Exemption	Have the right to import with the exemption of customs duty: <ol style="list-style-type: none"> Construction material Production Equipment Production inputs (only for export-oriented QIPs) 	Have the right to import with the exemption of (1) customs duty, (2) special tax and (3) value-added tax: <ol style="list-style-type: none"> Construction material Production Equipment Production inputs (only for export-oriented QIPs. QIPs that serves domestic market will determine the price, otherwise) Construction Equipment

Tax incentives included in the new law but not in the previous law, includes (i) VAT exemption for the purchase of local production input, (ii) 150% price-offset on research, training, transportation, accommodation, canteen, nursery, etc., (iii) Income tax exemption for QIP expansion, and (iv) Special incentives for specific investment sectors and activities that have high potential to contribute to national economic development (defined in the Financial Law for Management).

Disclaimer: without prejudice to the process of adopting new investment law, the information in this slide is provided in good faith, however we make no implication regarding the accuracy, adequacy, validity, reliability, availability or completeness of any information on new incentives above.



INVESTMENT FACILITATION & AFTERCARE



POLICY LEVEL

- GPSF (1999)
- Supported by 13 WGs
- 18th GPSF adopted 17 Measures

- **Arrangement** under the Agreement between Cambodia and Japan for the Liberalization, Promotion and Protection of Investment (entered into force on 31st July 2008)
- **Cambodia-Japan Public-Private Sector Meeting** (bi-annual) hold 21 meetings as of 11th February 2021

Policy recommendation 2020-2021



- Labor (Seniority indemnity, and Minimum wage)
- Taxation (Applying accounting treatment of CMT to whole manufacturing industries, and VAT refund of charge for meal)
- Commerce (Problems for parallel import)
- Environment (Environmental Endowment Fund)
- Power (New price table for electricity)
- Logistics (Early opening of the Stung Bot border gate, speed up the process in customs clearance at the border (24/7 operation of customs office, Paperless operation of shipping documents, and price reduction of application fee for certificate of origin)



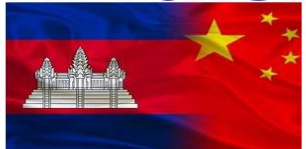
PROSPECTS FOR GROWTH

WHY INVESTING IN CAMBODIA?

- STRATEGIC LOCATION
- SPECIFIC ASSETS
- PRO-BUSINESS APPROACH



Bilateral FTA



October 2020



February 2021



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SPECIFIC ASSETS

Natural Endowment

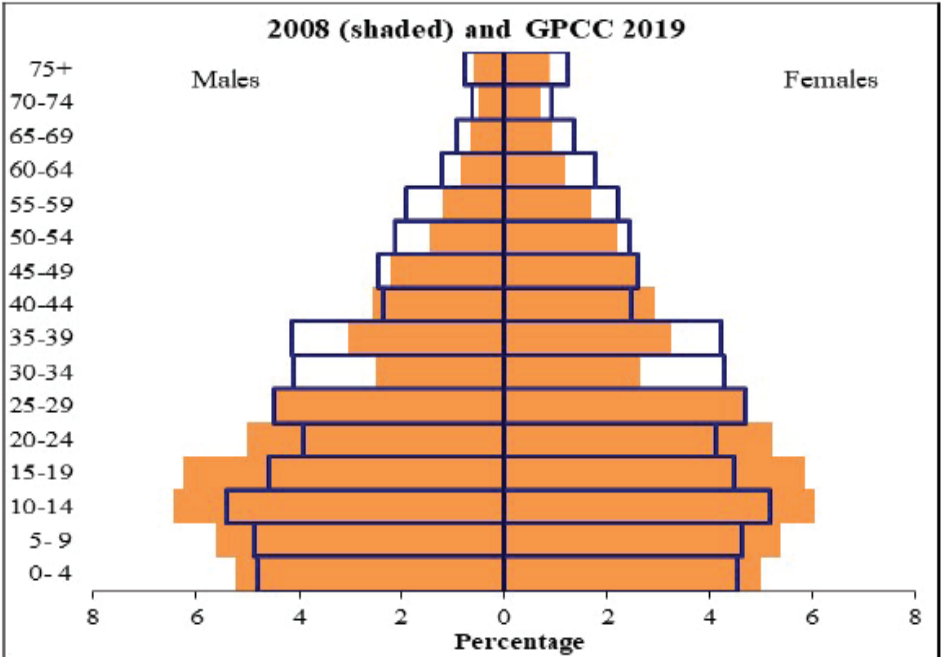
(Cultural Heritage, No Natural Calamity
(no earthquake, no typhoon))

Competitive labor force

(Young & Dynamic, median age 27 years old)
Population is predominantly concentrated in the prime working age groups.



Figure 3.3.2.1. Population pyramid, Cambodia Total, 2008 and 2019



2019 census:
Cambodia's population reached over 15.55 million, a 16.1% increase over 11 years since 2008. Male 7.57 million (48.7%) and Female 7.98 million (51.3%)



PRO-BUSINESS APPROACH

OPEN ECONOMY

- F&E Treatment (Non-discrimination)
- No local equity requirement
- Free Transfer of **capital and profits**

ONE STOP SERVICES

- Streamlining Procedures (Online)
- Incentives & Support
- Aftercare Services

FULL GUARRANTEEE

- No Nationalisation
- No local content requirement
- No restriction on FOREX
- No capital & price control

Checklist for investment application

1. Application Form
2. Company Statute
3. Feasibility Study
4. If shareholder is juridical person:
 - Power of Attorney
 - Statute of Parent Companies
5. Copy of Passport (foreigner) or ID Card (Cambodian)
6. Letter of Indemnification (foreign shareholders)
7. Photo of Shareholders
8. Documents showing location and right to use (title, rental contract ...)
9. Certificate of Deposit of 25% of registered capital from commercial banks



ក្រុមប្រឹក្សាអភិវឌ្ឍន៍កម្ពុជា
COUNCIL FOR THE DEVELOPMENT OF CAMBODIA

Thank you

More Information, please contact: ✉ : info@cdc.gov.kh