

Law on Investment in the Kingdom of Cambodia

CHAPTER ONE

GENERAL PROVISIONS

Article 1:

This Law governs all investment projects made by investors who are Cambodian citizens and/or foreigners within the Kingdom of Cambodia.

Article 2:

Investors, for the purpose of this Law, can be either a natural person or a legal entity.

CHAPTER TWO

THE COUNCIL FOR THE DEVELOPMENT OF CAMBODIA

Article 3:

The Council for the Development of Cambodia is the sole service organization responsible for the rehabilitation, development and oversight of investment activities. The Council for the Development of Cambodia is the Royal Government's major body responsible for the evaluation and the decision making on all rehabilitation, development and investment project activities.

Article 4:

The Council for the Development of Cambodia comprises the following two operational boards:

1. The Cambodian Rehabilitation and Development Board;
2. The Cambodian Investment Board.

Article 5:

The organization and functioning of the The Council for the Development of Cambodia shall be determined by sub-decree.

CHAPTER THREE

INVESTMENT PROCEDURES

Article 6:

Investors have to submit investment applications to the Council for the Development of Cambodia for review and decision.

Article 7:

The Council for the Development of Cambodia shall provide a response as to its decision to all investor/applicants within a period not to exceed 45 days following the date of submission of the complete investment application.

Any Government officials who refuse to review and respond to an investor's application past the above mentioned period of time, without proper justification, shall be punished by law.

CHAPTER FOUR

INVESTMENT GUARANTEES

Article 8:

Investors shall be treated in a non-discriminatory manner as set by law, except for ownership of land as set forth in the Constitution of the Kingdom of Cambodia.

Article 9:

The Royal Government shall not undertake any nationalization policy that would adversely affect private properties of investors in the Kingdom of Cambodia.

Article 10:

The Royal Government shall not impose discriminatory price controls on the products or services of investors who have received prior approval from the Government.

Article 11:

In accordance with the relevant laws and regulations, issued and published for the public by the National Bank of Cambodia, the Royal Government shall permit investors with investments in Cambodia to purchase foreign currencies through the banking system and to send these currencies abroad to pay financial obligations incurred in connection with their investments. This concerns the following payments:

1. Payment for imports and repayment of principal and interest on international loans;
2. Payment of royalties and management fees;
3. Remittance of profits;
4. Repatriation of invested capital in compliance with Chapter Eight.

CHAPTER FIVE

INVESTMENT INCENTIVES

Article 12:

The Royal Government shall make available incentives to encourage investments in such important fields as:

1. Pioneer and/or high technology industries;
2. Job creation;
3. Export-oriented businesses;

4. Tourism industry;
5. Agro-industry and Value-adding industries;
6. Physical infrastructure and energy;
7. Provincial and rural development;
8. Environmental protection; and
9. Investments in a Special Promotion Zone (SPZ) as shall be created by law.

Article 13:

Incentives shall include the exemption, in whole or in part, of duties and taxes.

Article 14:

Incentives shall consist of the following:

1. A corporate tax rate of 9% except the tax rate on the exploration and exploitation of natural resources, timber, oil, mines, gold, and precious stones, which shall be set in other laws.
2. A corporate tax exemption of up to 8 years depending on the characteristics of the project and the priority of the government which shall be mentioned in a sub-decree. This corporate tax exemption shall take effect beginning the year the project derives its first profit. A five-year loss carried forward shall be allowed. In the event the profits are being reinvested in the country of Cambodia, such profits shall be exempted from all corporate tax.
3. Non-taxation on the distribution of dividends or profits or proceeds of investments, whether they will be transferred abroad or distributed in the country.
4. A 100% import duties exemption on construction materials, means of production, equipment, intermediate goods, raw materials and spare parts used by:
 - a. An export-oriented project with a minimum of 80% of the production set aside for export;
 - b. Industries located in a designated Special Promotion Zone (SPZ), listed in a development priority list issued by the Council for the Development of Cambodia.
 - c. Tourism industry;
 - d. Labor-intensive industry, value-adding industry, and agro-industry;
 - e. Physical infrastructure and energy industry.

These 100% exemptions of duties and taxes mentioned above shall be in effect according to the terms of the agreement or requirement book of those investment projects that export at least 80% of overall production as stipulated in point 4 (a) above; and for those investment projects located in a Special Promotion Zone (SPZ) as in 4 (b).

5. 100% exemption of export tax, if any;
6. The permission to bring into the Kingdom of Cambodia foreign nationals who are:
 - Management personnel and experts;
 - Technical personnel;
 - Skilled workers;
 - Spouses and dependents of the above persons as authorized by the Council for Development of Cambodia and in compliance with the immigration and labor law.

Article 15:

The approval and incentives granted by the Council for Development of Cambodia cannot be transferred or assigned to any third parties.

CHAPTER SIX

LAND OWNERSHIP AND USE

Article 16:

In accordance with the Constitution and relevant laws and regulations pertaining to the ownership and use of land:

1. Ownership of land for the purpose of establishing promoted investment activities shall be vested only in natural persons holding Cambodian citizenship or in legal entities in which more than 51% of the equity capital is directly owned by natural persons or legal entities holding Cambodian citizenship.
2. Use of land by investors shall be permitted, including long-term leases of up to a period of 70 years, renewable upon request. Such use may include the right of ownership of real and personal property situated on the land as may be permitted by law.

CHAPTER SEVEN

EMPLOYMENT PRACTICES

Article 17:

Investors in the Kingdom of Cambodia shall be free to hire Cambodian nationals and foreign nationals of their choosing in compliance with the immigration and labor laws.

Article 18:

Investors shall be allowed to hire foreign employees listed in Article 14 (6) provided that:

1. The qualification and expertise of these foreign employees are not available in the Kingdom of Cambodia among the Cambodian populace. In the event of such a hiring, appropriate documentation including the photocopies of the employee's passport, certificate and/or degree, and a curriculum vitae shall be submitted to the Council.
2. Investors shall have the obligation to provide adequate and consistent training to Cambodian employees;
3. Promotion of Cambodian staff to senior positions will be made over time.

Article 19:

Foreign employees shall be allowed to remit abroad their wages and salaries earned in the Kingdom of Cambodia, after payment of the appropriate tax, in foreign currencies obtained through the banking system.

CHAPTER EIGHT

DISPUTES AND DISSOLUTION

Article 20:

Any dispute relating to a promoted investment established in the Kingdom of Cambodia or a foreign national concerning its rights and obligations set forth in the Law shall be settled amicably as far as possible through consultation between the parties in dispute.

Should the parties fail to reach an amicable settlement within two months from the date of the first written request to enter such consultations, the dispute shall be brought to either party for:

- conciliation before the Council which shall provide its opinion;
- reference of the matter to the court of the Kingdom of Cambodia;
- reference to any international rules to settle the disputes as agreed by both parties.

Article 21:

In the event a promoted company intends to end its activity in the Kingdom of Cambodia, it will have to inform the Council through either a registered letter or a hand delivered letter stating the reasons of such a decision, either of which shall be signed by the investor or his attorney-in-fact.

Article 22:

In the event of a proposal for a dissolution of the company without judicial procedures, the investor shall provide proofs to the Council that the company has properly settled with its potential creditors, any complainants and claims from the Ministry of Economy and Finance before the investor is allowed to officially dissolve his company or enterprise according to the applicable commercial law.

Article 23:

Once the investor is allowed to officially dissolve his company or enterprise, either within the judicial procedures or not, the investor can transfer the remaining proceeds of assets overseas or use them in the Kingdom of Cambodia. However, in the event that the dissolving company has used for less than five years machinery and equipment imported duty free, the company will be obligated to pay the duties applicable to that machinery and equipment.

CHAPTER NINE

FINAL PROVISIONS

Article 24:

Investments authorized under the previous "Law on Investment" of the State of Cambodia and its sub-decrees shall be subject to the same benefits as stated under this Law. This Law is not retroactive.

Article 25:

In the case where the promoted company violates or fails to comply with the conditions stipulated by the Council, the Council shall have the power to withdraw the rights and benefits granted to that company, in whole or in part.

Article 26:

This Law shall be promulgated immediately.

This law is adopted by the National Assembly of the Kingdom of Cambodia in Phnom Penh on August 4, 1994 during the extraordinary session of the first legislature.