



**DOING BUSINESS IN CAMBODIA:
A CONSTRUCTION PERSPECTIVE**

FOREWORD

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Doing Business in Cambodia.

A Construction Perspective.

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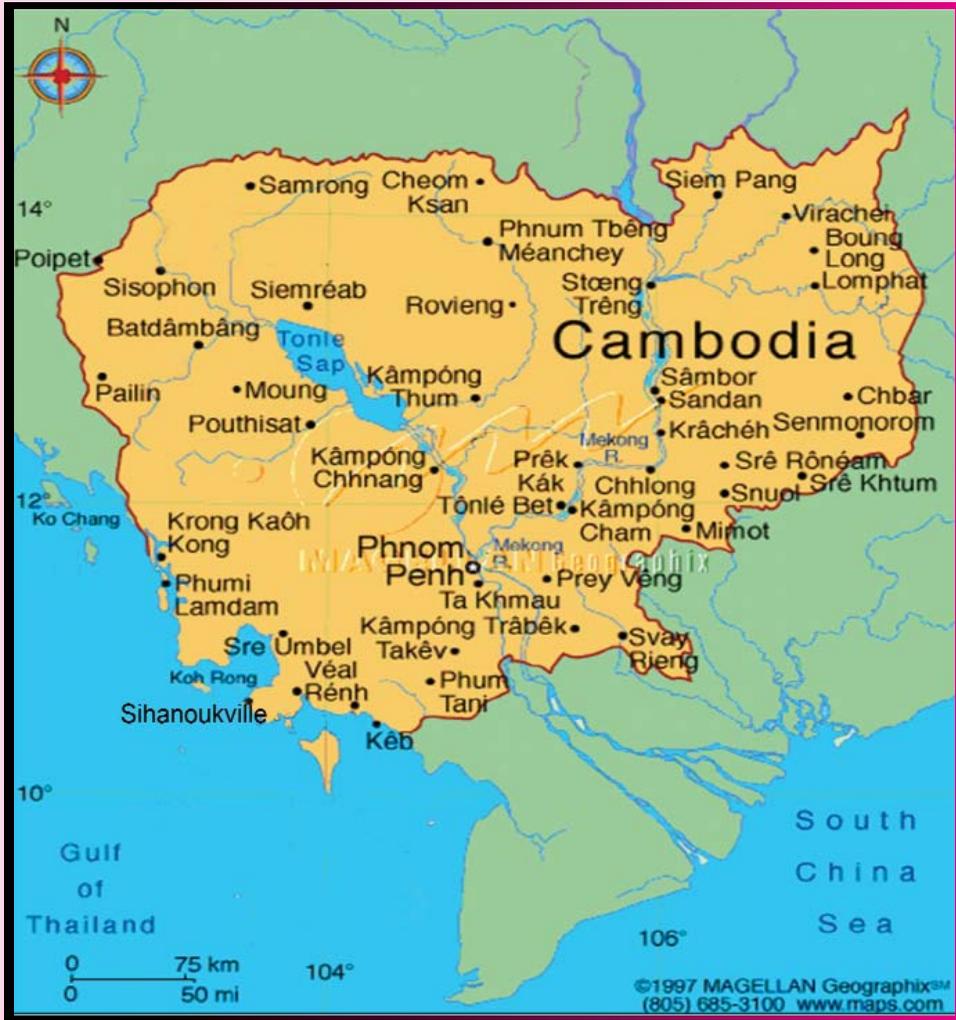
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1.0 BASIC COUNTRY DATA



Location:	Between 10° 57'N and 16° 08'N latitudes, and between 101° 4,7'E and 106° 10'E longitudes. Altitude between 305 and 1,848 metres.
Area:	181,034 sq. km
Land boundaries:	Total of 2,572 km (Thailand 803 km, Lao People's Democratic Republic 541km and Vietnam1,228km)
Population:	14.8 million (census 2009) Female : 51.8 per cent Male : 48.2 per cent
Population density:	59.1 inhabitants per sq km Urban population 10-15 per cent
Capital:	Phnom Penh
Major Cities:	Battambang, Siem Reap, Sihanoukville, Prey Veng, Kampong Cham, Ta Khmau, Pursat, Kampong Speu, Takéo
Administrative Division:	20 provinces, 3 municipalities, 172 districts and 1,547 communes.
Time zone:	GMT + 7 hours
Principal languages:	Khmer (Official language) English widely understood as well as French
Principal religions:	Buddhism (95 per cent)
Information Technology:	Internet Users : 74,000 (Year 2008) Internet Hosts : 2,480 (Year 2009) Internet Country Code : .kh (source from www.cia.gov)
Education and literacy:	Cambodia's literacy rate stands at 73.6 per cent. Female : 64.1 per cent (Year 2004) Male : 84.7 per cent (source from www.cia.gov)
Currency:	Riel (KHR)
Measures:	Metric system
Business hours:	Cambodia works five days a week from Monday to Friday. Business hours are from 0900 to 1700 hours
Credit Cards:	VISA, MasterCard, American Express (accepted only at large establishment)
National Airlines:	Cambodia Airways
Other Airlines:	Malaysia Airlines (MH) & Air Asia (AK)
Airports:	Phnom Penh and Siem Reap (International airports)
Flight Duration:	2 hours

Railway network:	Two Lines: Phnom Penh to Poipet: 85km Phnom Penh to Sihanoukville: 263km
Road network:	National roads: 4,200 km (only 12% are paved) Provincial roads : 3,600 km Rural roads : 28,500 km
Shipping:	435 km of coastline Khompong Som (Sihanoukville) Koh Kong
Exchange rate:	USD1 ~ 4,071.3 KHR RM1 ~ 1,307.8 KHR (obtained from yahoo currency converter on 23.11.2010)

Basic Comparison Between Cambodia And Malaysia

ITEM/COUNTRY	CAMBODIA	MALAYSIA
Population	14,753,320 <i>(July 2010 est.)</i>	26,160,256 <i>(July 2010 est.)</i>
Land Size	181,035 sq km	329,847 sq km
Reserves of Foreign Exchange and Gold	USD3.289 billion <i>(31 December 2009 est.)</i>	USD95.5 billion <i>(31 December 2009 est.)</i>
GDP – Per Capita	USD1,900 <i>(2009 est.)</i>	USD14,800 <i>(2009 est.)</i>
GDP – Real Growth Rate	-2.2% <i>(2009 est.)</i>	-0.9% <i>(2009 est.)</i>
Debt - External	USD48.26 billion <i>(31 December 2009 est.)</i>	USD4.157billion <i>(31 December 2009 est.)</i>
Inflation (consumer prices)	0.6% <i>(2009 est.)</i>	-0.7% <i>(2009 est.)</i>
Labour Force	8 million <i>(2009 est.)</i>	11.38 million <i>(2009 est.)</i>
Corruption Perception Index Ranking (2009)	158	56

Source : www.cia.gov (info correct as at 20th July 2010) & en.wikipedia.org/wiki/Corruption_Perception_Index (info correct as at 20 July 2010).

2.0 CAMBODIA AT A GLANCE

2.1 Geography & Climate

Cambodia is roughly rectangular in shape and total land area is 181,040 sq. km. (69,900 sq. mile). The land extends approximately 580km east-west and 450km at its broadest north-south. The country is bordered by Thailand in the west, Lao People's Democratic Republic in the north, Vietnam in the east and by the Gulf of Thailand in the south. The 435km of coastline is very often filled with mangrove.

The country is divided into two dominant topographical regions. One is formed by the Mekong River, which rises in Tibet, flows through Cambodia about 486km and continues to the South China Sea via southern Vietnam. The other region is formed by the Tonle Sap and the Bassac river systems, located in the central part of Cambodia. The Tonle Sap is the natural flood retention basin of the Mekong River system. When the Mekong River swells during the monsoon seasons, the floodwater reverse the flow of the Tonle Sap River and increase the size of the lake about 2,600km² to 10,000 km².

After the monsoon, the flow reverses and water flows out of the engorged lake. The Tonle Sap River is the unique river with return in the world.

The Tonle Sap and Mekong Basin areas consist mainly of plains with an elevation of less than 100 meters. The Cardamon Mountains in the southwest have four (4) highest point, Phnom Aoral (1,813m), are oriented northwest-southwest. The Dangrek Mountains in the north are the prolongation of the Korat plateau in Thailand. At the east part of Cambodia near the border with Vietnam are the Ratanakiri plateau and the Chlong highlands.

Cambodia's climate is dominated by the monsoons. The northeast monsoon, which is cool and dry, blows from November to April. The southwestern monsoon brings winds, humidity and heavy rains from May to October. January is the coldest month and April is the warmest. An average annual temperature is around 25°C.

2.2 History

Since the early 9th century, the Khmer civilization was very well known through the centralised empire based at Angkor. In 1431, Angkor was taken over by the Kingdom of Sukothai. By the end of the 18th century, the territory of the old Angkorian Empire had been greatly reduced. In the 19th century the kingdom came under threat of its neighboring countries. In 1887, Cambodia was incorporated to the French Indochina Union.

Cambodia gained its independence from the French in 1954. In 1972 the monarchy was abolished and the Khmer Republic proclaimed. The Khmer Rouge took over Phnom Penh on 17 April 1975. In 1976, the Khmer Rouge regime renamed the country Democratic Kampuchea and proclaimed a peasant revolutionary State. In December 1978, Vietnam invaded Cambodia and installed a new Government.

In the early 1990s, United Nations Security Council began to negotiate a settlement between Vietnam and Cambodia which paved the way for the Paris Peace Agreement of October 1991. The United Nations Transitional Authority in Cambodia (UNTAC) was approved by the United Nations Security Council in February 1992 and the first free elections took place in May 1993. Since then, a new constitution was approved and several rounds of elections have taken place.

2.3 Government

Since 1993, Cambodia is a multi-party democracy under a constitutional monarchy. King Norodom Sihanouk was the first head of state. His son, King Sihamoni succeeded him in October 2004. Mr. Hun Sen, the current prime minister has been in power in various coalitions since 1985 and is one of the world's longest-serving prime ministers.

2.4 Foreign Relations

The country is a member of major international organisation, including the United Nations and its specialised agencies, and became a member of Association of Southeast Asian Nations (ASEAN) in 1998.

Cambodia is a member of the World Bank, the International Monetary Fund, and the Asian Development Bank (ADB). On 13 October 2004, Cambodia became the 148th member of the World Trade Organisation (WTO).

3.0 CONSTRUCTION OUTLOOK & OPPORTUNITIES

3.1 Economy Forecast

The global recession brought a contraction in Cambodia's Gross Domestic Product (GDP) for 2009. However the improved global outlook for 2010 paves the way for moderate rates of economic growth for the next 2 years. The construction sector is one of the prime drivers of Cambodia's economy contributing 7% - 8% per year towards the GDP. Despite the financial crisis and global recession, donor inflows through multilateral and bilateral agencies remained buoyant.

An analysis by the multilateral organisations in the late 2009 concluded that Cambodia's external public debt remains sustainable and that the risk of debt distress is moderate. Such debt at year-end was estimated at USD3.2 billion, mostly on concessional terms and most external private debt is in the form of trade credits. Based on the Asian Development Bank Outlook 2010, Cambodia's GDP is projected to grow by 4.5% in 2010.

Construction activity is expected to grow at a moderate rate of about 4% with the growth in bank credits and reserved inflows of foreign direct investment, particularly from Korea for some projects.

The discovery of huge reserves of oil and gas offshore has brought an optimistic outlook towards Cambodia's economy. However, the extent and timing of the oil and gas reserves are uncertain and therefore not expected to have an impact on GDP before 2012 at the earliest.

3.2 Country Risk Analysis

3.2.1 Economic Risks

Cambodia is on recovery mode from 2010 and could improve further if there is an increase in critical reforms and when the exploitation of oil and gas reserves comes online. The country's inflation has been low (except in 2008 due to exacerbating circumstances). The economy is dollarized and is more subjected to volatility of the US dollars.

3.2.2 Financial Sector & Government Budget

Cambodia has a poor banking and financial system. It is difficult to access credits in Cambodia. The government budget has a large deficit and is short of targeted revenue collection. Cambodia is still strongly depending on foreign aids and loans to finance budget deficits. Public service delivery is still poor.

Cambodia has commenced paying debts services on last decade loan and experiences scarcity of funds for development.

3.2.3 Political Risks

Currently there is an open and liberal investment regime with national treatment of foreign investors with strong protection against expropriation or nationalization.

Cambodia has seen some incidents of political conflicts civil unrest and border conflict with neighbouring countries can be damaging to business.

3.2.4 Governance and Corruption

Transparency International has rated Cambodia as one of the worst countries in terms of corruption and is ranked 158th out of 180 countries together with Laos. Vietnam ranks at 120th, Thailand at 84th and Malaysia at 56th, based on the Corruption Perception Index of 2009.

The juridical institutions and legal system are also perceived as weak.

3.3 Challenges and Opportunities in Construction

3.3.1 Challenges

The construction sector is the fastest growing sector of the Cambodian economy. Social stability and a booming economy over the past decade have attracted significant foreign direct investment.

The importance of the construction sector is much as an enabler of the economy. It plays a fundamental role by providing the necessary public infrastructure and structures for government, business and domestic spheres of life. Cambodia's construction sector boomed with projects increasing in value from USD500 million in 2003 to over USD3.2 billion in 2007, but experienced a slowdown due to global economy crisis. During this period construction projects have increased in both scale and value with high rise apartments and office buildings and have now began to gather momentum with the recovery.

The government has adopted a number of policy measures to improve the overall business environment, especially in the areas of laws and regulations, trade facilitation and reinforcement of export competitiveness. Proposed budget spending has also increased for public infrastructure projects. Generally, the government is pro-investment and it has made reasonable efforts to further boost the economy.

Over the past few years, there have been a growing number of high rise buildings and mega construction projects. Some of the previously stalled projects are now on their way to completion. The sector should remain a good prospect for many business opportunities.

Cambodia currently has the lowest construction workers' wages in ASEAN, at USD4.00 a day per construction worker. However, the labour productivity is relatively low, and there is a shortage of skilled construction workforce to meet the demand. There is also a very low skill base for Cambodia construction, and most professionals (engineers and architects are largely foreign generally from

Korea, Vietnam or Thailand). The shortage of skilled labour such as electricians, welders, carpenters is particularly critical.

Construction materials are expensive and imports of these have rapidly risen in tandem with the construction boom. Cement and steel constituted a significant proportion of USD120 million imports of construction materials in 2007. Import duties, and high freight costs have distributed towards the high cost of construction materials. Local production of cement is insufficient to meet the demand.

Construction builders experience costly and cumbersome and highly bureaucratic building procedures. It takes 710 days to get all the construction permits required to complete a project in Cambodia as opposed to 200 days in Vietnam and about 150 days in Thailand. Construction companies in Cambodia claim they often need to resort to paying unofficial charges in order to shorten timescales for regulatory approval.

Building standards appear to be quite lax in Cambodia. Foreign construction firms often employ construction standards from their own countries, and there is a perception that regulatory authorities do not effectively monitor projects which can lead to poor quality and dangerous construction.

3.3.2 Opportunities

The opportunities in construction are identified in the following sectors:

3.3.2.1 Residential and Commercial Buildings

There are opportunities to introduce quality and modern concept buildings for residents and businesses. In pursuing these opportunities overseas businessmen will need to find suitable Cambodian partners. The global economic downturn has caused some good projects to stall.

Equally, there are opportunities for construction and interior design companies for the mid and high-end customers.

Some of the significant investments are:

- Grand Phnom Penh International City, a project jointly developed by Cambodia's YLP Group and Indonesia's Ciputra Group, was unveiled in 2006. It has proposed 4,000 residential villas and apartments at a projected cost of USD 500 million.
- USD2 billion Camko City project (backed by South Korea-based World City) was the first to introduce the condominium in Cambodia. The project features condominium, a shopping mall, fitness facilities and public gardens on the outskirts of Phnom Penh. It was originally scheduled for completion by early 2010.
- Gold Tower 42 project, developed by South Korean's Yon Woo Co. Ltd, broke ground on July 2007. The project is worth USD240 million and is expected to complete in 2011, featuring a shopping mall, offices and resident units.

- Locally owned conglomerates, the Overseas Cambodian Investment Corporation (OCIC) has a project to develop the 100 hectares Diamond Island worth of USD800 million. The company has had many housing projects and shopping malls, a cultural village in Siem Reap and a cultural centre in Phnom Penh. The company owns the 30-storey high Canadian Tower. Another company, Sokimex Group has received approval for its USD1 billion - Bokor Mountain development project. Its future projects include development of 218-hectare Satellite City in Phnom Penh, a 400-room Angkor 5 Star Convention Hotel, a 23-hectare Sokha Angkor Tourist Centre project, a 14-hectare Chrouy Changva development project, and O' Chhuteal Golf, Casino & Beach Resort.
- BK Global, a subsidiary of BK Asia Pacific, South Korea, has had plans for a USD 300 million, 953-unit Pharos Mekong Satellite City. Other companies such as BS Group, Attwood Group, British Khmer Engineering Limited and 7NG along with a group of wealthy Cambodians are also major players in the sector.

In 2008, the government approved several big investment projects from overseas investors. These include Evergreen Success and Asia Resort's USD1.8 billion development in Ream National Park, GS Cambodia Development Co's USD967 million International Finance Complex, and Union Development Group's USD3.8 billion Seven Dragon City in Koh Kong province.

It is worth noting that a 100% foreign owned company can be formed in Cambodia. Foreign investors can enjoy the same rights and privileges as the locally owned businesses. They are free to do business in all sectors of the Cambodian economy. Foreign architects, consulting engineers and contractors are allowed to operate their businesses without having to partner with the locals. However, there is one exception. Current laws prohibit foreigners from owning land. A company with at least 51% of its shares owned by Cambodian partners is considered to be Cambodian and is the only means for foreign investors to buy and sell land.

3.3.2.2 Energy

The growth in the commercial and industrial sector in Cambodia creates an opportunity for power generation. Currently, the demand in power is been met by a combination of the power utility *Electricite du Cambodge* and privately-owned generators. The Cambodian government is actively seeking investors for the energy sector as demand and industrialisation continue to increase.

Cambodia hydropower potential is still relatively untapped, although numerous sites are located in the northeast and southwest regions of the country.

3.3.2.3 Transportation

a. Land Transportation

Cambodia's land transportation infrastructure is not well developed. Much of the 34,100 kilometers road network is in need of repair and upgrading, and great deals of new roads are required to link rural areas to towns and cities. Multilateral and bilateral donors, such as the World Bank, Asian Development Bank, and the Japanese International Cooperation Agency (JICA), are contributing to Cambodia's Five-Year Master Plan for reconstruction and rehabilitation of the national road network. In addition to the public works, several private construction projects are either underway or currently being planned.

b. Water Transportation

Water transportation is an important means of moving goods and people throughout much of Cambodia because of the lengthy rivers and tributaries, but also because of the inadequate road network. The ports in Sihanoukville and Phnom Penh offer a huge potential for expanding regional trade but their berthing facilities and equipment are in need of substantial improvement, thus providing several opportunities for investment and services.

c. Rail Transportation

The southern railway line between Phnom Penh and Sihanoukville port is under rehabilitation through a loan from Australia.

There is potential rehabilitation of the Northern line, including the missing link to the Thai border.

3.3.2.4 Water Resources Management and Sanitation

Water supply, waste water treatment and drainage are areas still relatively under developed and the potentials for investment remains high in Cambodia.

3.3.3 Procurement Characteristic and Strategies

An interesting area is that government projects are normally open for competitive tender (when financed by donors or institutions such as Asian Development Bank, World Bank) but they are sometimes offered to companies through officials' connection. As for the private projects, little information is known about them as they are rarely announced, and project owners normally seek the architects, consulting firm and contractors privately. In this regard, foreign investors may find themselves benefiting from partnership with the local influential partners or having a local representative office.

There are very few developers belonging to the government (the Royal Cambodian Arm Forces), and they normally carry out a small-scale construction works. Most of them however are privately owned. An area of concern is that the developers have not been monitored strictly and often left unregulated. For years, they have applied their own standards to construction projects (e.g. Korean developers would have followed their own standards in Cambodia).

Initial research is strongly recommended to assess your prospective investments or potential business partners in Cambodia. In emerging markets, it can often prove difficult to source reliable information from the Internet. Some Cambodians can, at first, come across as being unduly suspicious but are generally keen to build and retain relationships. Therefore, firm commitment - coupled with a willingness to visit the market - is an important step in establishing a successful working relationship.

Most successful foreign investors have some form of local representation (i.e. establishing an office, appointing an agent/distributor etc. This enables them to develop their brand, gain loyalty and - in particular - clearly demonstrate they are in the market seriously.

Cambodians consider the trade-off between price and quality of products/services although the market, in general, is price sensitive. Reliable technical support is also a key factor.

AID PROJECTS IN THE PIPELINE

Some of the projects that have been approved by International Funding Agencies are as per the table following:

Development Partner	Project	Budget
World Bank	Water - Main- Mekong Integrated Water Resources - Management Project	USD6,000,000
	Education - Higher Education Quality & Capacity Improvement Project	USD23,000,000
	RILGP- Rural Investment and Local Governance Project - II	USD40,000,000
Asian Development Bank	Sustainable Urban Development in Tonle Sap Basin	USD700,000
	Rural Water Supply and sanitation Project III	USD800,000
	Rural Roads Asset Management Project 2	USD800,000
	Provincial Roads Asset Management Project (Cluster)	USD1,000,000.00
	Rural Renewable Energy Development	USD2,000,000
	Corridor Town Development	USD1,000,000
	Enhancing Technical & Vocational Training II	USD700,000
	Education Sector Development Program 3	USD800,000.00
	Decentralized Rural Infrastructure	USD800,000
	Core Environmental Program and Biodiversity Conservation Corridor Initiative	USD800,000
Rural Development (Sub Program 2)	USD15,000,000	

Development Partner	Project	Budget
Asian Development Bank	Loan : Decentralized Rural Infrastructure	USD20,000,000
	Loan : Education Sector Development Program 3	USD20,000,000
	Loan : Enhancing Technical & Vocational Training II	USD20,000,000
	Loan : Corridor Towns Development	USD25,000,000
	Loan : Corridor Towns Development 2	USD25,000,000
	Loan : Renewable Energy Project (Biofuel Development Project)	USD20,000,000
	Loan :Rural Development (Sub Program 2)	USD10,000,000
	Loan :Rural Roads Asset Management Project 2	USD15,000,000
	Loan : Provincial Roads Asset Management Project (Cluster)	USD15,000,000
	Loan :Rural Roads Asset Management Project (Cluster 2)	USD35,000,000
	Loan :Rural Roads Asset Management Project (Cluster)	USD35,000,000
	Loan : Tonle Sap Management & Conservation	USD15,300,000
	Loan :Water Resources Management Sector Development Project	USD32,800,000
	Loan :Cambodia Power Transmission Line Expansion, Phase 2	USD5,000,000
Capacity Development For Secondary Education Project 3	USD500,000	

Source : Council for the Development Of Cambodia (<http://cdc.khmer.biz/projectlist>)

4.0 STRUCTURES FOR DOING BUSINESS

4.1 Regulatory framework for the enterprise

The law bearing upon commercial regulations and the commercial register was first enacted in May 1995 and modified in November 1999. This law defines the meaning of Merchant, Trade, Trading activities etc. and stipulates the obligation of the companies including the foreign business, to register and the procedure of commercial registration. The law on Commercial Enterprise was promulgated in May 2005, as the first comprehensive company law in Cambodia.

This law applies to the Partnership, which falls into the category of a General Partnership or a Limited Partnership, Limited Company which is either a private limited company or a public limited company and Foreign Business as well.

A partnership or company shall continuously maintain a registered office and a registered agent, who is a legally competent natural person in Cambodia: register with the Registrar the specific location of the office and the name of the agent (article 3): and display its name in the Khmer language, which shall be placed above and shall be larger than the name in another language (article 5).

For establishing a Limited Company, the Law on Commercial Enterprises authorizes the formation of a Limited Company including Private Limited Company and Public Limited Company to carry on business in Cambodia (article 85).

No formal restrictions are placed on the level of foreign participation in Cambodian companies. As a result a greater proportion of investors choose to establish 100% foreign-owned limited companies in Cambodia than in many other developing nations.

There are various options for setting up a commercial entity through the Ministry of Commerce. The types of commercial entities allowed are:

- a) Joint Stock Company
- b) Limited Liability Company
- c) Sole Proprietorship Limited Company
- d) Commercial Partnerships
- e) Representatives Offices

4.1.1 Joint Stock Company (S.A.)

S.A. is a company in which all the stockholders, unknown to the public, commit only their stake, and which is identified in principle only by the object of its business with the declaration of the amount of its business capital, capital which constitutes the only guarantee to the company's creditors. The S.A. may not be formed with less than seven shareholders. The minimum issued capital is 100 million Riels at a par value per share of at least 10,000 Riels. For capital contributions in cash, the par value of the shares must be at least 25% paid - in upon incorporation with the shares been fully paid-up within a period of three years. The Board of Directors must be comprised of at least three directors who must be chosen from among the shareholders of the company.

4.1.2 Limited Liability Company (S.A.R.L.)

A Limited Liability Company (S.A.R.L.) is a company of persons and of capital in which the shareholders are not liable beyond their contributions and are not considered merchants. Whatever its purpose, the S.A.R.L. is a commercial entity and subject to commercial laws and practices. Businesses employing large funds such as financial institutions and insurance companies may not incorporate as an S.A.R.L. The maximum number of shareholders is 30 and the minimum is 2. Either shareholders or outsiders can be appointed as directors. The minimum issued and paid up capital is 20 million Riels at a par value per share of at least 20,000 Riels.

The shares must be completely paid up in full and distributed, issued capital must be fully paid in cash or with non - cash items before the company can be incorporated. The transfer of shares in a limited liability company to third parties must have the prior written consent of a majority of the shareholders representing at least three-quarters of the capital of the company.

4.1.3 Sole Proprietorship Limited Company

A Sole Proprietorship Limited Company has only one shareholder. It is subject to the same requirements as a limited liability company with the exception that the sole shareholder must be natural person and may not be another company. The management of the sole proprietorship must be performed by the shareholder or by an individual appointed by the shareholder. A company is considered to have Cambodian nationality if it has a registered office in Cambodia and at least 51% of its shares are owned by Cambodian nationals. Similarly, only companies with Cambodian nationality shall be permitted to register corporate names that imply such nationality. A limited liability company with Cambodian nationality is referred to as a "local company" under the Constitution of the Kingdom of Cambodia and only a local company is entitled to own land. The Chairman of the Board of Directors of a local company must be a Cambodian national. Other directors can be foreigners.

4.1.4 Commercial Partnership

A Commercial Partnership (sometimes called a General Partnership) is an agreement of association, which joins two or more partners with a view to carrying on commercial operations under the same trade name. Each of the partners is deemed a merchant and is held personally jointly and severally liable for the debts of the partnership. The partnership shares are not transferable or assignable without the consent of all partners. Only the names of one or more shareholders form part of the trade name, followed by commercial partnerships, which must also reflect the unlimited liability status of the entity.

4.1.5 Representatives Offices

A Representative Office (RO) may be established by an eligible foreign investor to facilitate the sourcing of local goods and services and to collect information for its parent company. They also serve as a channel for promoting and marketing the home company's products and services in the host country. International trading businesses interested in gaining entry into the Cambodian marketplace find the RO best suited for their purpose. It is not considered a separate legal entity from its parent company. An RO is regarded as a cost center and accordingly should derive no income from its activities and thus is not subject to Cambodian tax laws. The RO-Agent is under the management of one or more directors who may be appointed and removed by the principal enterprise. It may lease a premise for its office, employ local staff, advertise its products, and organize trade fairs to introduce their commercial products. It can also undertake commercial relations for the purpose of introducing itself to prospective clientele.

The RO-Agent can enter into a contract with a local enterprise in Cambodia if the principal enterprise so authorized. However, it may not purchase, sell, or conduct any services as its usual business nor can it conduct any production or construction activities within the country. The RO-Agent is subject to commercial registration requirement, the compliance of which shall be done at the Ministry of Commerce. The words "Representative Office Agent" shall be placed before or after the name of the principal enterprise.

4.2 Forms of Investment Permitted

The legal forms of investment permitted include the followings: -

- a) Joint Ventures (JV)
- b) Built-Operate-Transfer (B.O.T)
- c) Business Cooperation Contract (B.C.C)
- d) Wholly owned domestic capital (100%)
- e) Wholly owned foreign capital (100%)

4.2.1 Joint Ventures (JV)

The proposed investment enterprise may be in the form of an incorporated joint venture which may be formed between investors of any nationality and may include a joint venture with the Royal Government of Cambodia (RGC). Irrespective of the nationality of the JV shareholders, there is no limit on the permitted share holding proportions of each shareholder unless the JV owns or intends to own land, or holds or intends to hold an interest in land in Cambodia, in which case the foreign shareholding in the JV shall not exceed (49%).

Contributions in Kind: The capital value of any asset contributed to the JV is calculated on the basis of the market value of the asset. Where the Council for the Development of Cambodia (CDC) in its absolute discretion determines that value of the asset to be contributed by any party is more than the assessed market value, the CDC has the right to use the assessed market value as the value of the contribution for the purpose of its assessment of the application.

Property: Any plant, machinery or equipment that an investor wishes to contribute to the JV or which the JV proposes to purchase shall be in good condition and shall comply with recognized safety standards applicable to that type of plant, machinery or equipment. The investor shall be fully responsible for compliance with those safety standards.

Land: A Cambodian investor may contribute land to the capital of a JV. The value of the land for the purpose of determining the capital contribution by the Cambodian investor shall be agreed by all the parties of the JV.

4.2.2 Build-Operate-Transfer (BOT)

A Build-Operate-Transfer (BOT) project is a concession contract in which a Principal, usually a government grants a concession to a Promoter, sometime known as the Concessionaire, who is responsible for the construction, financing, operation and maintenance of a facility over the period of the concession before finally transferring the facility, at no cost to the Principal, as a fully operational facility. During the concession period the Promoter owns and operates the facility and collects revenues in order to repay the financing and investment costs, maintain and operated the facility and make a margin of profit.

4.2.3 Business Cooperation Contract (BCC)

This is an agreement between the investor in Cambodia and a State entity in Cambodia for the purpose of undertaking activities of production and business in Cambodia and to share between themselves the profits resulting from their activities without creating in itself a separate legal entity. Trade or barter agreements are expressly excluded from the scope of the business cooperation contracts.

5.0 STRUCTURES FOR DOING CONSTRUCTION BUSINESS

5.1 Establishing A Construction Business

Article 19, Section 4 of the "Law on the Commercial Rules and Commerce Register" governs the registration of foreign companies having branch offices or agencies in Cambodia. In 1999, the Regulation of Architectural and Construction Companies and Enterprises was enforced. All enterprises, companies and foreign legal entities conducting construction business are required to register at the Department of Architectural under the jurisdiction of the Department of Construction, Ministry of Land Management, Urban Planning and Construction (MLUC).

Malaysian companies seeking to register as construction business entities would need to submit their Construction Industry Development Board registration along with the memorandum and articles of association from Malaysia. The process to obtain the license from MLUC will take two (2) months if the documents are in order. It is to be noted that the process of obtaining this license is subsequent to registering the company in Cambodia.

5.2 Procurement Procedures

The prospects for Malaysian construction firms to participate in the construction industry as a contractor lies in participating in international bids or Request for Proposals.

6.0 ECONOMY OVERVIEW

6.1 Gross Domestic Product

From 2004-2007, the Cambodian economy expanded by more than 10% per year, with the garment sector and the tourism industry driving the growth, and inflation remaining relatively low. Growth slowed in 2008 with the onset of the global recession, and was negative for 2009. The economy is heavily dollarized (the dollar and riel can be used interchangeably). Cambodia remains heavily reliant on foreign assistance. Foreign Direct Investment (FDI) has increased 12-fold since 2004 as sound macroeconomic policies, political stability, regional economic growth, and government openness towards investment attract numbers of investors.

Manufacturing output is concentrated in the garment sector, and garments dominate Cambodia's exports, especially to the United States. The industry expanded rapidly from the mid-1990s until 2008, employing 350,000 workers and generating USD3 billion in annual revenue, at its peak. However, the global economic slowdown caused a drop in demand from late 2008 through 2009. Tourism industry, which increased to approximately two million arrivals in 2008, was also hurt by the global downturn.

The service sector is heavily concentrated in trading activities and tourism related services. Exploratory drilling for oil and natural gas began in 2005 with the discovery of exploitable oil and natural gas deposits discovered beneath Cambodia's territorial waters, representing a new revenue stream for the government.

6.2 Investment Climate

6.2.1 Challenges and Opportunities

PricewaterhouseCoopers in their publication "Asia's emerging gems: Investment Brief" have reported a SWOT analysis towards information pertinent on the investment climate in Cambodia.

1. Strengths

- a. Cambodia has a young and inexpensive work force.
- b. The government is pro-business focused on attracting Foreign Direct Investment.
- c. There is a stable political environment with the ruling Cambodian People's Party continuing to be in control with the royalist FUNCINPEC party as a coalition partner.
- d. The country enjoys access to larger markets, besides preferential access to the lucrative European and North American markets.
- e. Cambodia is a member of ASEAN and the launch of AFTA (Asean Free Trade Area) will inculcated it to a regional economic integration.

2. Weaknesses

- a. The country has a lack of adequate infrastructure such as power and transportation.
- b. There is a shortage of skilled workers.
- c. Being a least developed economy there is an opacity of rules, regulations, commercial and business information leaving interpretation of these a challenge.
- d. The licensing process is very bureaucratic.
- e. There is a high poverty rate - some 30% of the country's 14.8 million people live on less than KHR2,082 (USD0.50) a day.
- f. The economy is highly dependent on external sector for growth and investment, making it vulnerable to external shocks.

3. Opportunities

- a. There is ample opportunity for the country to achieve high growth due to low economic base.
- b. The government has earmarked KHR11.6 trillion (USD2.8 billion) on public investment over 3 years from 2009.
- c. Multi lateral donors have pledged to disburse KHR3.96 trillion (USD951.5 million) in grants and loans in 2009 for development.
- d. The country needs to diversify and broaden its economic base, aside from light manufacturing.
- e. Cambodia needs several billions of dollars in investment to develop its infrastructure industry and economy.

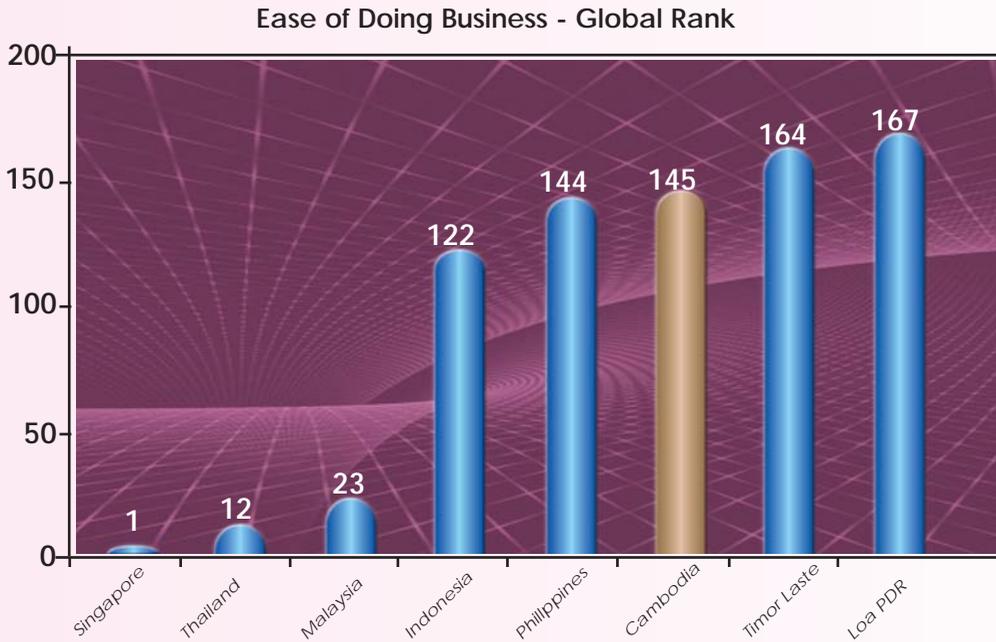
4. Threats

- b. Corruption is a key concern among business.
- c. Prolonged global recession will adversely impact export sectors.
- d. There is still evidence of anti - competitive practices (unfair competition).
- e. Cambodia is currently facing a border tension with Thailand.
- f. There is limited availability of credit to finance investments.
- g. There is higher banking system non-performing loans (NPL) from sectors like real estate, construction and garment.

6.2.2 Economy Ranking - Ease of Doing Business (The World Bank Report)

Cambodia is ranked 145 out of 183 countries. Singapore is the top ranked economy in the Ease of Doing Business whilst Malaysia ranks 23.

Cambodia - Compared to global good practice economy as well as selected economies:



Cambodia's ranking in Doing Business 2010

CATEGORY	RANK
Ease of Doing Business	145
Starting a Business	173
Dealing with Construction Permis	145
Employing Workers	134
Registering Property	116
Getting Credit	87
Protecting Investors	73
Paying Taxes	58
Trading Across Borders	127

6.2.3 Open Economy and Freedom

The Heritage Foundation Index of Economic Freedom compiled annually, and rating countries based on 10 specific freedoms such as trade freedom, financial freedom, business freedom, investment freedom and property rights has rated Cambodia's economic freedom score as 56.6%, making its economy the 107th freest in the 2010 index out of 183 countries in the Asia-Pacific region.

The Foundation reports that there is a lack of reform in areas that are vital for sustaining high economic growth. Money stability has been in decline, and the business environment is not conducive to private - sector development. The Foundation observes that pervasive corruption and weak rule of law further constrain entrepreneurial activity and increase its cost.

The rigidity of the formal labour market contributes towards the existence of an underground dual labor market.

It is to be noted that the Heritage Foundation ranks Malaysia 59th of the 183 economics and the regional rank of 9th of 41.

7.0 TRAVELLING TO CAMBODIA

7.1 Visa

There is **no visa** requirement for Malaysians travelling to Cambodia.

7.2 Flights and Airports

Cambodia is served by two International airports, the Pohchentong (Phnom Penh) and Siem Reap Airport (to access to Angkor Wat). Five airlines operate between Siem Reap and Kuala Lumpur, but Malaysian Airlines and Air Asia operate non-stop direct flights. Malaysia Airlines and Air Asia also operate daily flights from Kuala Lumpur to Phnom Penh.

There are limited facilities at Pohchentong Airport. A money exchange counter (offering the same rates as those in the city), a hotel reservation desk, a cafeteria and several shops. You can hire a taxi at a fixed rate of USD7.00 from the counter outside the entrance to the airport to get into town.

Departure Tax at Airport

A **departure tax of USD20.00 per person** is payable at the airport. The departure tax must be paid before you send the bags through the scanner. The **tax is payable in cash and only in US dollars** (so remember to keep aside this amount for your departure).

7.3 Ground Transport

Reliable taxis can be booked by phone. Meters are not available and the drivers normally charge a flat rate of USD4.00 per trip around town. The taxis can also be rented out for longer trips out of town at negotiated rates for a full day or half a day.

There is no public transport system in Phnom Penh and the main mode is man-powered 'cyclos' taxis or by motorbike taxis. A ten minute journey usually costs 2,000 Riels and preferably negotiated in advance. It is not advisable to use this transportation mode at night and accidents are frequent with high personal injuries.

Travelling by train, bus, taxi, boat and aircraft outside of Phnom Penh has varying degree of risks attached.

7.4 Security and Health

7.4.1 Security

There is still a potential for civil unrest, violent criminal activity and terrorism and travelers are advised to pay close attention to personal security and monitor media for information on any security threats. You are also advised to avoid protests, demonstrations, and political gatherings as they may turn violent. Travelers should also exercise vigilance when traveling to isolated areas especially after dark.

7.4.2 Health

There is no legal requirement to have vaccinations before arriving in Cambodia. However, it is advised that visitors ensure that they have had the vaccinations for Tetanus and Diphtheria, Typhoid, Hepatitis A & B and Tuberculosis

The Cambodian Medical health care services are still poor and travelers are advised to carry ample supply of any unusual prescribed medicine as obtaining such drugs can be difficult.

Tap water is unsafe in Cambodia and visitors should drink bottled water which is widely available and likewise avoid ice in drinks. Tea and coffee are safer. Undercooked meat, shellfish and food left in the open for hours should be avoided. Fruits which can be peeled or food which has been boiled or cooked properly are generally safe.

7.5 Climate and Business Attire

7.5.1 Climate

Cambodia is a hot, tropical country and no formal western attire is attached. The country experiences two monsoon periods each year (November to March and May to early October). In formal situations, a lightweight tropical suit is appropriate and smart casual shirts would be appropriate for less formal occasions.

7.5.2 Business Attire

It is advised to always distribute and receive business cards with both hands as a sign of respect. Many of Cambodians ethnic Chinese minority holds influential positions in the country's business community. Therefore, it is particularly important that you take a few seconds to study a person's card after it is handed to you.

When introduced to a Cambodian, it is suggested that you refer to them by their surname prefixed by "Mr", "Mrs" or "Madam" as the situation deems or simply use both their surname and given name until told otherwise.

Gifts of English books, language tapes and magazines are greatly appreciated as many Cambodian business people have started studying English. Shoes and socks are inappropriate gifts as in Buddhist culture, the foot is the least sacred part of the body.

It is also to be noted that green and red are the most suitable colours for wrapping paper and white is to be avoided as it is considered unlucky.

7.6 Business Hours and Public Holidays

The government offices are open from Monday to Saturday from 8.00 am to 5.00 pm with a break from 12.00 noon to 2.00 pm

Bank hours vary, but are generally open from 8.30 am till 3.00 pm, Monday to Friday.

Private-run businesses often keep longer hours.

The annual public holidays observed are:

Date	Public Holiday
January 1st	New Year's Day
January 7th	Victory Day
March 8th	International Women's Day
April 14th-16th	Traditional Khmer New Year
May 1st	Labour Day
May 3rd	Royal Ploughing Day Ceremony
May 15th	King Sihanouk's Birthday
June 18th	Former Queen Monineath Sihanouk's Birthday
October 29th	Coronation day
October 31st	Former King Sihanouk's Birthday
November 9th	Independence
December 10th	UN Human Rights Day

7.7 Tipping

Usually, tips in Phnom Penh amount to 5% of the bill in restaurants, but larger establishments include a service charge to cover the tip. There is usually a 10% government tax charged and it is usual to leave a few Riel change on the platter.

7.8 Time Zone

Cambodia is 1 hour behind Malaysian Standard time.

7.9 Telecommunication

The country code for Cambodia is 855. For calls from Cambodia to Malaysia dial 00 + 60 + area code + telephone number.

For calls from Malaysia to Cambodia dial 00 + 855 + area code + telephone number.

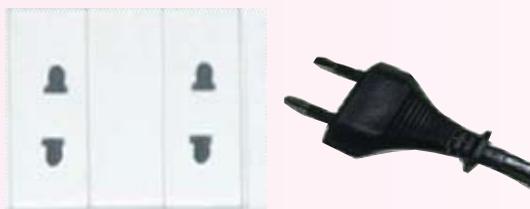
Mobile telephone services are available by several Telco operators.

7.10 Currency

The basic monetary unit in Cambodia is the Cambodian Riel, with notes being in 100, 200, 500, 1000, 5000 and 10000 Riel denomination. Trade is generally carried out in US dollars (preferred) or Thai baht near the Cambodia/Thai border.

7.11 Electricity

Cambodia's power supply is 230 volts, 50Hz. The **twin round-pin plugs** are the most common.



7.12 Hotels

The Pacific Hotel in Siem Reap is a mere 5-minute drive from Siem Reap international airport and just 20 minutes from a world archaeological sites and famous temple complexes of Angkor Wat where else the Himawari Hotel Phnom Penh is situated in the heart of a vibrant city of Phnom Penh, Himawari Hotel is a mere 20-minute drive from the international airport. The hotel has easy access to most Embassies and Government Ministries.

There is also the Raffles Hotel Le Royal Phnom Penh which is located in the heart of Phnom Penh, and it is only a 20 minutes drive from the Pochentong International Airport and offers easy access to the city's attractions such as the Royal Palace, Central Market, Russian Market and the National Artifacts Museum.

The rates for the hotels range from USD86.00 to USD120.00 currently.

7.13 Embassy of Malaysia

CONTACT DETAILS

Embassy of Malaysia
5 Street 242, Sangkat Chaktomouk,
Khan Daun Penh,
Phnom Penh,
Kingdom of Cambodia
Telephone No : +855 23 21 6176
Fax No : +855 23 21 6004

7.14 Malaysia Business Council of Cambodia (BCC)

CONTACT DETAILS

Malaysia Business Council of Cambodia
N. 113, Mao Tse Toung (St.245),
Unit G21, Ground Floor,
Parkway Square,
Cambodia
Telephone No : +855 23 221 386
Fax No : +855 23 221 386

8.0 FINANCE

Cambodia is categorized as a least developed economy and is a recipient of international aid through multilateral and bilateral funding agencies. Local financing is mostly short-term and the government is very heavily reliant on Foreign Direct Investment. Malaysia still accounts as the leading investor country in Cambodia.

It is difficult to access credits in Cambodia. The commercial bank prime lending rate is 17% (31 December 2009) and there is a lack of appetite for credit.

9.0 LABOR, LEGISLATION, RELATION AND SUPPLY

9.1 Workforce

Cambodia offers an abundant supply of low-cost workforce (approximately 6 million low-cost workforces in 2007). The labour force grows at a rate of 3.4% annually and over 150,000 people enter the labour market every year.

There is a shortage of local skilled workforce and people with higher education which was as a result of the severe disruption in the Cambodia education system and loss of skilled Cambodians to death and emigration during the 1975-1979 Khmer Rouge periods. The Heritage Foundation reports that the labour market operates under relatively flexible employment regulations that could be improved to enhance employment and productivity growth. The non-salary cost of employing a worker is low but dismissing a redundant employee is relatively costly.

9.2 Labour Regulations

9.2.1 1997 Labour Law

The 1997 Labour Law dictates that business must submit written notice to the Ministry of Labor when starting and terminating their operations and when hiring and dismissing employees. All businesses must maintain three (3) documents based on the format advised by the Ministry and each must be approved by the Labour Inspector. These documents are:

- (i) a "Book of Labour Changes"
- (ii) a "Declaration of Personnel" and
- (iii) a "Book of the Established"

The enterprise must also maintain operating procedures known as "Internal Rules" pertaining to application procedures, salary information, leave policies, disciplinary matters and associated matters. These "Internal Rules" must also be approved by the Labour Inspector.

The Labour Law also stipulate many aspects of the terms of employment in respect of compensation, maximum working hours, vacation leave, maternity leave, family leave, employee complaint process, night and holiday work, medical benefits and special rules governing women employees. The maximum working hours are set at eight hours per day and 48 hours per week. The overtime rate is set at 1.5 to 2.0 times the normal wage.

The annual leave is set at 18 days of leave per year with an additional day for each additional three years of employment. Maternity leave is mandatory for 90 days with the employee receiving half salary if she has worked for one continuous year. Special family leave (for weddings, funerals, etc) is set at a maximum of seven days per year and are deductible from the employee's annual leave or through extra hours of work for which overtime pay is not required.

9.2.2 Employment Contract

Both oral and written employment contracts are valid under Cambodian Law of Cambodian national but employment of foreigners would need a written contract which will be for a maximum period of two (2) years. The probationary period for new employees is a maximum of one month for non-specialised labour, two months for specialised labor and three months for regular staff.

The employment contract may be terminated by either party if notice is given, but it is subjected to a number of exceptions described in the Law. The employer must have reasonable cause for termination. The Law sets out various notice requirements based on the length of employment ranging from four days to three months.

The employer may be liable to compensate the employee upon termination depending on the circumstances of termination which includes the employee's salary during the statutory notice period. Severance pay is also imposed when an employer dismisses an employee in an amount ranging from seven days to six months salary.

Collective layoffs are permissible due to restructuring or reduction in business but Labour Inspectors must approve the layoff procedures and the criteria used. The employer must issue the employee an employment certificate describing the nature of the work preferred upon termination.

9.2.3 Labour Union

The 1997 Labour Law explicitly grants workers and employers the right to form employee associations or unions. The Law gives workers the right to strike subject to compliance of the provisions and manner prescribed in the Law.

There is no minimum wage established except for the garment industry which is set at USD45 per month. The Labour Inspector acts as arbitrator to settle all individual employment disputes and court action is a final respite.

9.2.4 Workplace Safety

The Labour Law also stipulates the requirement to keep all work areas clean and safe and ensure worker's health. There are very specific regulations governing the work place, standard of toilets and the provision of hygienic drinks. The Labour Law also provides for responsibilities of employers in the event there are accidents at the workplace or in a direct commute from home to the work site and stipulates the compensation due to the employee for various types of injuries based on the employee's wage.

9.2.5 Personal Income Tax (Salary Tax)

Any payment of salary from an employer to an employee resident in Cambodia is taxable. The tax is collected through a monthly withholding procedure by the employer at the time of each salary payment. The employer will be held liable even if the tax is paid directly by the employee.

The salary tax rate is scaled at 5% for monthly salary from USD132 to USD329, 10% up to USD2,237, 15% for salary up to USD3,289 and 20% scaled on anything beyond this amount.

Details of the salary tax are also covered in the following chapter on taxation.

10.0 TAXATION

10.1 Taxation System

The brief here provides only an overview of the various taxes applicable in Cambodia and the investor is advised to consult an expert to develop the tax planning structure in Cambodia. The assessment of the tax on profit shall be made according to the taxation system of the real regime (i.e. large and/or incorporated), simplified regime or estimate regime. The tax payer regime is determined according to the form of the company, business activities and the level of turnover. (covered under Article 4, Law on Taxation).

10.2 Liability to Pay Cambodian Taxes

All individuals or legal entities defined as being a "resident taxpayer" under the law are liable for Cambodian taxes. A physical person is a "Resident Taxpayer" when any one of the following three criteria exists:

- a) The person is domiciled in Cambodia.
- b) The person has a principal place of abode in Cambodia, or
- c) The person is physically present in Cambodia for at least 182 days.

Since nearly all investments will be classified as subject to the "real regime", the following report on forms of tax and tax rate will only address taxes affecting "real regime".

10.3 Current Tax Scheme for "Real Regime"

The following are the major taxes that are likely to impact a business in Cambodia.

10.3.1 Profit Tax

A legal person is a "Resident Taxpayer" when any of the following criteria exist:

- a) has a principal place of business in Cambodia;
- b) is organised or managed in Cambodia;
- c) is a fixed place of business, the branch of a foreign company or agent resident in Cambodia through whom a non-resident carries on its business in Cambodia (a "Permanent Establishment"); or
- d) any other association through which a non-resident engages in economic activity in Cambodia (a "Permanent Establishment").

A "Permanent Establishment", is defined in the third and fourth criteria above, is only taxable on Cambodian Source Income.

All "Resident Taxpayers" are required to be registered with the Taxation Department, Ministry of Economy and Finance. A resident taxpayer includes legal persons satisfying the above criterion, whether or not such taxpayer is officially recognized in Cambodia. A "Resident Taxpayers" may also be government institutions, charitable organisation or non-profit organization

Tax	Rate
Activities of business enterprises and legal person	20%
Oil or natural gas production sharing contracts or exploitation of natural resources including timber, ore, gold and precious stones	30%
Activities of business enterprises granted profit tax investment incentives by the Cambodian Investment Board	9%
Activities of business enterprises granted a tax holiday by the Cambodian Investment Board (the tax holiday cannot be for more than eight years)	0%
Activities of sole proprietorships, based on graduated scale	0% - 20%
Gross premiums for insurance companies insuring Cambodian risk	5%

10.3.2 Minimum Tax

Tax	Rate
To be applied only for the real regime. If the profit tax amount exceeds 1% of annual turnover, the taxpayer pays only the tax on profit	1% of the annual turnover

10.3.3 Withholding Tax

A series of new withholding taxes were introduced by the 1997 Tax Law. All withholding taxes are payable by the 15th day of the following month.

Withholding taxes arising from local transactions made by a resident enterprise or a resident individual (when the payment by such individual is made in the course of carrying on a business in Cambodia) to a resident person include:

- a) 15% on payment made to individuals for services provided (management, consulting, etc.);
- b) 15% on payment of royalties for intangibles, oil, gas, minerals and interest (except interest paid to domestic banks or savings institutions);
- c) 10% on payment for rental of movable or immovable property; and
- d) 5% on interest paid by local bank to resident individual with non-fixed term account.

No withholding is levied on payments to tax exempt entities such as charitable associations.

A flat rate of 15% must be withheld from any payment of Cambodia source income to non-residents, whether overseas or within Cambodia. For payments to entity that are not registered in Cambodia (i.e. the entity is not "carrying on a business" or does not have a permanent establishment in Cambodia) the 15% withholding tax does not apply to dividends which are taxed separately.

Income that is considered as "Cambodia source income" is defined as:

- a. interest on debt obligations issued by a resident or by the government;
- b. dividends received from a resident enterprise;
- c. income received from services provided in Cambodia;
- d. income received from rental of real or personal property for use in Cambodia;
- e. royalties from the use or the right to use intangible property in Cambodia;
- f. gains from sale or transfer of interest in immovable property in Cambodia;
- g. gains from sale of movable property (other than inventory) when seller is resident in Cambodia; and
- h. premiums for insuring or reinsuring risk in Cambodia.

10.3.4 Tax on Salary

Tax	Rate
To be withheld monthly by employers	
1. 0 Riels - 500,000 Riels (Approximately USD125 or less)	0%
2. 500,000 Riels - 1,250,000 Riels (Over USD125 - USD312.5)	5%
3. 1,250,000 Riels - 8,500,000 Riels (Over USD312.5 - USD2,215)	10%
4. 8,500,000 Riels - 12,500,000 Riels (Over USD2,215 - USD3,125)	15%
5. Over 12,500,000 Riels (Over USD3,125)	20%
6. For fringe benefits	20% on market value
7. Non-residents	Flat rate of 20%

10.3.5 Value

Tax	Rate
1. Taxable person: Any person subject to the real regime system	
2. Registration : All companies must complete registration for VAT before commencing business. Others must register within 30 days after their taxable turnover for the preceding consecutive three months exceeds a. 125 million Riel for goods b. 60 million Riel for services	
3. Taxable supply: a. Supply of goods or services by a taxable person in Cambodia b. Appropriation of goods for his own use by taxable person c. Making of a gift or supply at below cost of goods or services d. Import of goods into Cambodia	
4. Standard tax rate	10%
5. Tax rate for the goods exported from Cambodia and services executed outside of Cambodia	10%
6. Input tax credit is deductible against the output tax amount	
7. Monthly filing: The VAT declaration must be submitted on or before the 20th day of the following month.	

10.3.6 Other Taxes

Tax	Rate
<p>Specific Tax on Certain Merchandise and Services</p> <ol style="list-style-type: none"> 1. Tickets for local and international air transportation 2. Local and international telecommunication 3. Beverage 4. Tobacco, entertainment, large automobile, motorcycles from 125cc upwards 5. Petroleum products, automobile more than 2,000cc 	
<p>Property Transfer Tax</p> <p>For the transference of ownership of real property and certain types of vehicles as a result of direct transfer or a contribution of share capital to an enterprise.</p> <ol style="list-style-type: none"> 1. Prohibited to issue certificates of ownership of property until the Property Transfer Tax has been paid 	<p>4% on transfer value</p>
<p>Tax on Unused Land</p> <ol style="list-style-type: none"> 1. Committee for Evaluation of Undeveloped Land, in cooperation with municipal and provincial authorities, decides whether a plot is "unused" or not and the amount of tax liability 2. Taxable for the portion over 1,200 square meters 	<p>2% on the assessed value of unused land</p>
<p>Patent Tax</p> <ol style="list-style-type: none"> 1. For annual business registration 	<p>Approx. USD300</p>
<p>Tax on House and Land Rent</p>	<p>10% of the relevant rental</p>
<p>Import Duty</p>	<p>Varies</p>
<p>Import duties are set by the Year 2000 Customs Traffic Schedules. Duty levels are typically 0%, 7%, 15%, 35% and 50%. Most duties are between 7% and 35%. Under AFTA, duties will be gradually reduced to 5% or less over 10 years.</p>	
<p>Export Duty</p>	<p>Varies (Mostly 10%)</p>
<p>At present there are no export duties applied in Cambodia other than those levied on restricted export products, such as timber, rubber, some forms of seafood and other special items.</p>	

10.3.7 Tax Treaty

There are no tax treaties between Cambodia and foreign countries to avoid the double taxation.

11.0 CURRENCY, FOREIGN EXCHANGE AND REPATRIATION

Cambodia is primarily a cash based economy with cheques and credit cards only rarely accepted commercially. The national currency of Cambodia is Cambodian Riel (KHR) which has remained fairly stable since the 1997.

There are currently no restrictions on the repatriation of profits or capital derived from investments made in Cambodia or on most transfers of funds abroad. The 1994 Investment Law guarantees that investors may freely remit foreign currencies abroad for the purposes of:

- a. payment for imports and repayment of principal and interest on international loans;
- b. payment of royalties and management fees;
- c. remittance of profits; and
- d. repatriation of invested capital on dissolution of an investment project.

Under the Foreign Exchange Law of 1997, foreign currencies may be freely purchased through the banking system. The Law specifically states that there shall be no restriction on foreign exchange operations, specifically including the purchase and sale of foreign exchange, transfers and all types of international settlements. However, the Law does require that these transactions be performed solely by authorised intermediaries. These intermediaries are the lawfully established banks in Cambodia which are required to report to the National Bank of Cambodia transactions in excess of USD10,000. There is no requirement that the investor sending or receiving the funds make a report on the transaction. The burden rests solely on the bank as the authorised intermediary.

It is important to note that while foreign exchange transfer is not currently restricted, the Law does allow the National Bank to implement exchange controls in a foreign exchange crisis.

Acknowledgement and Sources

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