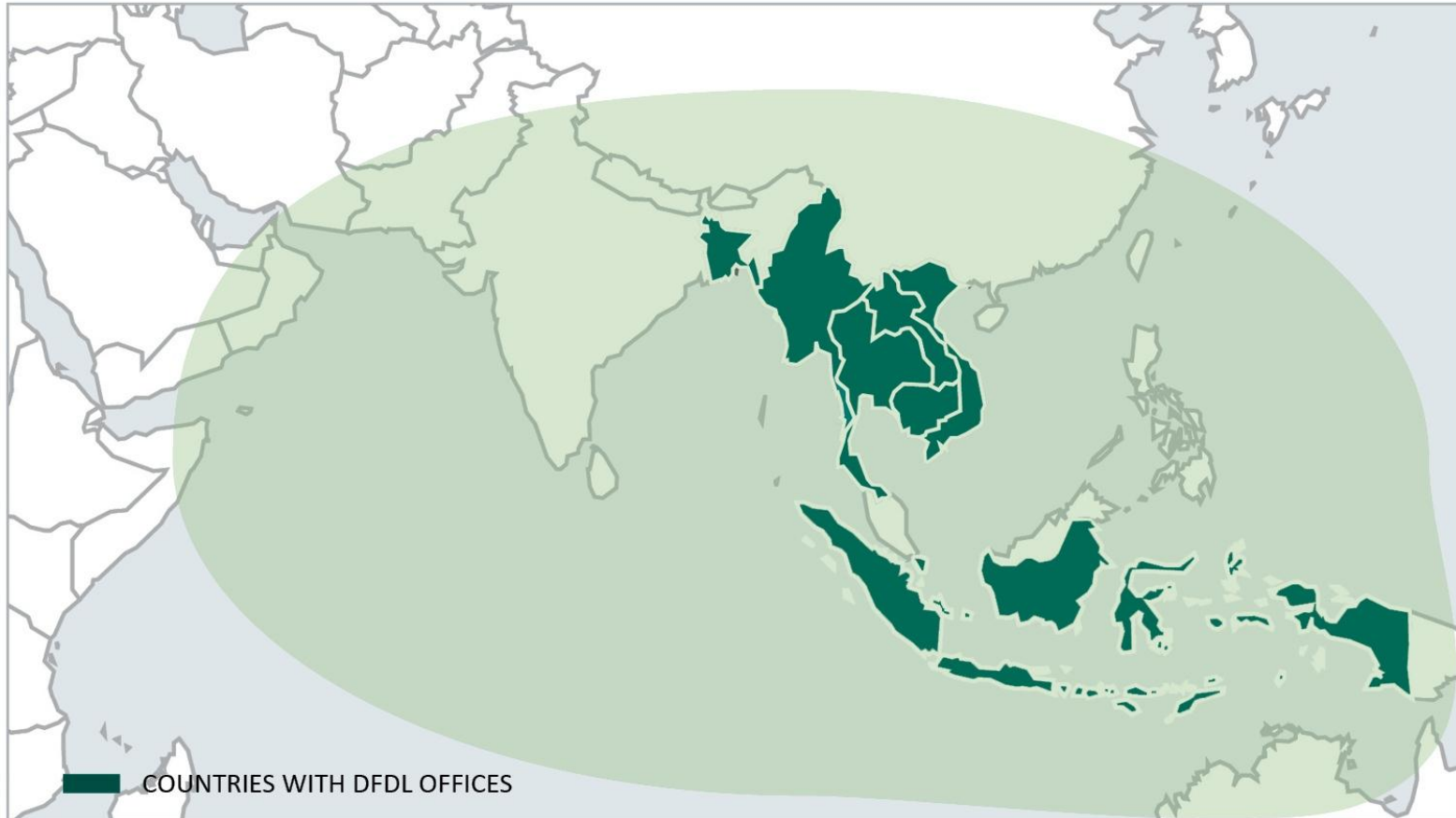




Doing Business in Cambodia: Legal & Tax Considerations

Chambre de Commerce et d'Industrie Française au Vietnam)

19 March 2013



BANGLADESH | CAMBODIA | INDONESIA* | LAO PDR | MYANMAR | SINGAPORE | THAILAND | VIETNAM

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DFDL PEOPLE

- 250 staff
- 100 + advisers
- 40% expatriate advisers
- 5 country partners
- 10 regional partners

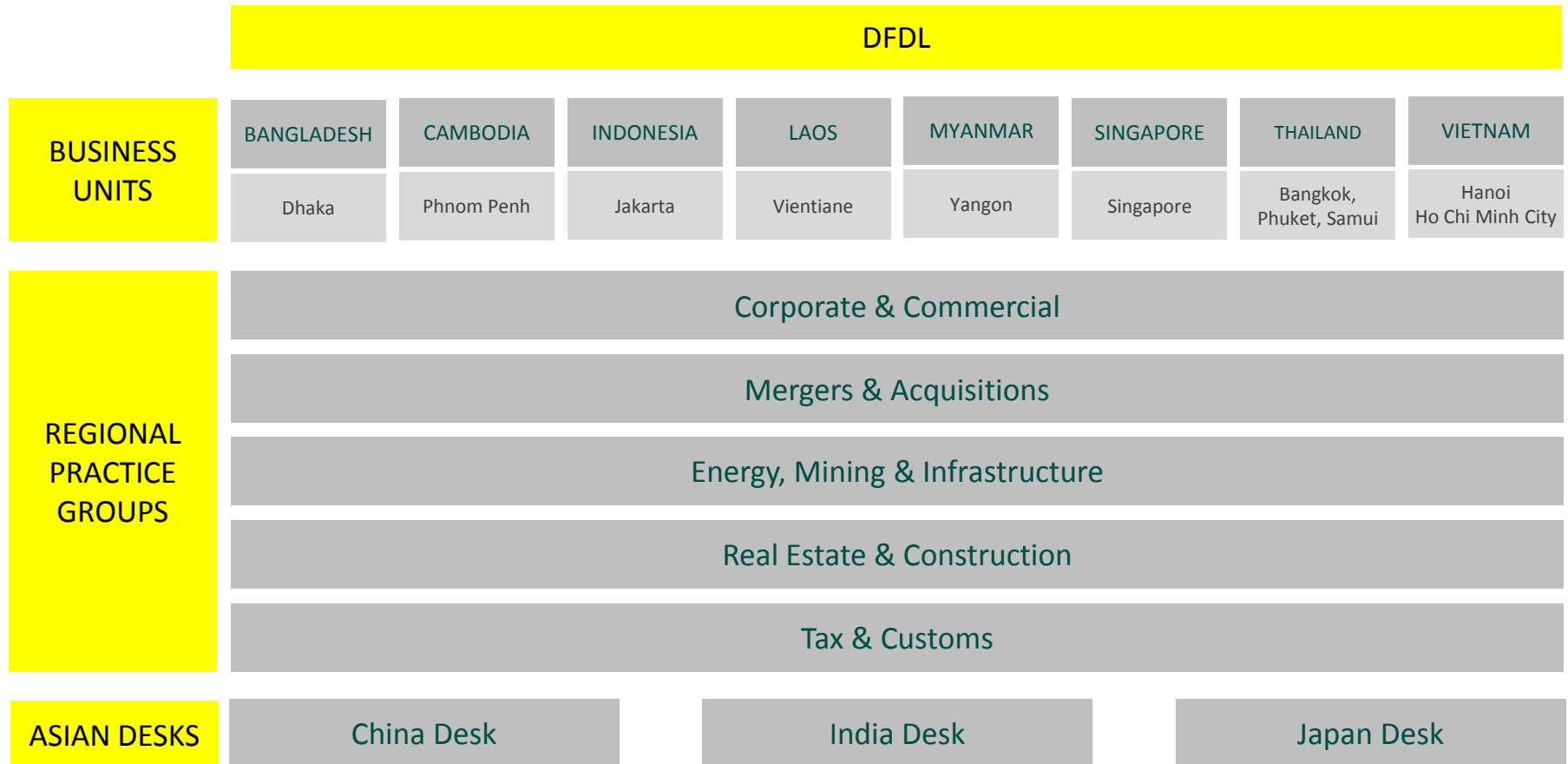
INTERNATIONAL PRESENCE

- Established in 1994 in the Mekong region
- 8 countries: Bangladesh, Cambodia, Indonesia, Myanmar, Laos, Singapore, Thailand, Vietnam
- 11 offices: Dhaka, Phnom Penh, Jakarta*, Yangon, Vientiane, Bangkok, Koh Samui, Phuket, Ho Chi Minh City, Hanoi, Singapore
- Coverage from South Asia to the Middle East

CAPABILITIES

- Full-service Legal & Tax firm
- Extensive experience with local business cultures and practices with international standards
- Core expertise: Energy, Mining & Infrastructure, Real Estate, M&A, Corporate & Commercial, Tax & Customs, English Law Governed Transactions

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Legal Considerations



1995-2005 Assessment

- Lack of law in key areas
- Governmental discretion
- Non-enforcement of laws and regulations
- Lack of transparency

- Grey zones
- Implementation issues
- Legal & judicial uncertainty
- Oligopolies

What has changed since 2005?

- Numerous positive implications for investors:
 1. Adoption of a **complete legal framework**
 2. WTO agreements **supersede** national law
 3. Commitments of Cambodia – broad **liberalization**
 - Services
 - Tariffs
 4. **Judicial and quasi-judicial process**
 5. Supra-national jurisdiction – **WTO Dispute Settlement**

Quality of judicial system

- Legal system was abolished by the Khmer Rouge
- Hybrid Civil law system (French, Japanese, Korean influence)
- Court impartiality and independence is still in development
- Judicial system under way in reform and development:
 - WTO Accession: requirement to adopt 72 new laws (75%)
 - 2003 Legal and Judicial Reform (Based on WTO compliance/reform)
- No Commercial Courts but foreign arbitration recognized
- New Civil Code implemented in 2011
- Enforcement of newly adopted Anti-corruption Law

- Law on Public Procurement (2012)
- Law on Enforcement of Civil Code (2011)
- Criminal Code (2009) and Amendment to the Anti-corruption Law (2011)
- Anti-Money Laundering Law (2008)
- Code of Civil Procedures (2007)
- Law on Secured Transactions (2007)
- Law on Concessions (2007)
- Law on Commercial Enterprises (2005)

- Commercial Contract Law
- Competition Law
- Consumer Law
- Sub-decree on Urban Development
- Court Organization Law
- E-Commerce Law
- New Investment Law
- New Banking Law

- Choice of business form – commercial registration
 - Representative Office/Branch Office/Limited liability company
 - 100% foreign ownership is allowed except for specific sectors
 - US\$1,000 minimum capital requirement

- No foreign exchange restriction

- Industry-specific operating license requirements
 - Banks, insurance, telecommunications, pharmaceuticals, mining etc.
 - Main restriction: foreign ownership of land but landholding companies can be established (49/51).

Tax Considerations



Corporate Income Tax (“Tax on Profit”)

- 20% on net profit
- **OR** (if higher) Minimum Tax of 1% on turnover
- General provision for deductible expenses
- List of non-deductible expenses - entertainment, personal expenses, etc.
- Limitations
 - Interest (“cap” on 50% of non-interest profit)
 - Related party transactions
 - Losses on fixed assets in related transfer
- Carry forward of losses 5 years

VAT

- 0%, 10%, exempt

WHT

- Payments to residents and non residents

Tax on salary

- Progressive rate up to 20% for resident
- 20% flat rate for non resident

- Automatic three years profit tax holiday, up to maximum of six years
- Duty-free importation of production equipment and construction materials (and production inputs for export-oriented and supporting industry)
- Exemption from Minimum Tax
- Employment of foreign labor permitted

Tax holiday limitations

- Tax on Profit exempt for maximum six years
- VAT still applies (unless exempted)
- Withholding tax still applies
- Tax on Salary still applies
- Tax exemption period: Trigger Period + 3 years + Priority Period
- Additional Dividend Distribution Tax

Tax Holidays: Hotel Project (4 Star, 100 Rooms, USD 20M)

Year	Cambodia	Laos (example)	Thailand	Vietnam
1	0%	20%	0%-35%	0%
2				
3				
4				
5	20%	20%	35%	5%-10%
6				
7				
8				
9	20%	20%	35%	25%
10				
10+				
	+20% +14%	+10%	+0% (during holiday) or +10% (after)	+0%

Thank you



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