

# THE IMPLEMENTING REGULATION OF THE LAW ON INVESTMENT 2021

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On 23 June 2023, the Royal Government of Cambodia (“RGC”) issued Sub-Decree 139 on the Implementation of the Law on Investment of Cambodia (“**Sub-Decree 139**”). Sub-Decree 139 provides detailed procedures for registering investment projects, provides an updated Negative List, and classifies business activities into different groups for investment incentives, including tax exemptions, special depreciation, and other benefits.

## REGISTRATION PROCEDURE

Under Sub-Decree 139, an applicant can register an investment project through online registration or a hardcopy application delivered to the Council for Development of Cambodia (“**CDC**”) or the Municipal Provincial Investment Sub-Committee (“**MPISC**”). Either way, upon submission, a registration certificate will be issued by the CDC or MPISC (“**Registration Certificate**”) within twenty (20) working days to certify investment projects as QIPs should such projects not be prescribed under the ineligibility criteria discussed below. However, such a Registration Certificate does not remove the need for applicants to seek sector-specific approvals or business licenses to operate their projects. Furthermore, when an investment project is certified in the Registration Certificate, the applicant can commence their projects from the issuance date thereof.

## SECTORS AND ACTIVITIES QUALIFIED FOR INVESTMENT INCENTIVES

The Law on Investment 2021 lists 18 key industries and other sectors deemed by the RGC to have the potential for socio-economic development under the coverage of the investment incentives scheme. However, unless they fall outside the Negative List and/or pass the threshold minimum investment capital provided in below Negative List of Annex 1 of Sub-Decree 139 (“**Negative List**”), any business activities in those 18 key industries and other sectors will qualify for investment incentives, meaning they may qualify for QIP status.

*The below is a partial extract of the Negative List prescribed in Sub-Decree 139, which contains different groups of business activities that **do not qualify** for investment incentives because there are no set criteria for such activities and/or that its investment capital and/or land size falls short of the criteria stated therein.*

Business Activities	Criteria
Production of rice crop	Rice crop: Investment capital less than US\$ 2,000,000- or land size less than 50 hectares
Freshwater aquaculture	Investment capital less than US\$ 1,000,000 or land size less than 5 hectares
Production of tobacco products	
Production of traditional and modern medicines and raw materials for production of medicines	Traditional medicine: Investment capital less than US\$ 500,000 Modern medicines and raw materials for production of medicines: Investment capital less than US\$ 2,000,000
Investment activities in secondary education	Investment capital less than US\$ 1,000,000
Investment activities in higher education	Investment capital less than US\$ 4,000,000
Investment activities in eco-tourism	Investment capital less than 10,000,000 or land size less than 100 hectares.
Hotel and hotel resort	Lower than 4-star Hotel
Tourism service provider, tourism agent, tourism information and tourism advertisement	
Activity related to newspaper and media, including radio, television, press, magazine, video production or reproduction, theater and related activities	
Development in real estate sector	
Manufacturing and/or assembly or installation of industrial robots with multiple functions to serve in agro-industry or industry	Investment capital less than US\$1,000,000
Establishment of supermarket or trade centre	Investment capital less than US\$ 10,000,000
Educational institutes and vocational training that serves industries, agriculture, tourism, infrastructure, environment, engineering, sciences	Investment capital less than US\$ 1,000,000
International trade exhibition centre or convention	Investment capital less than US\$ 10,000,000
Investment activities on the development of satellite infrastructure, and development of Fiber Optic Cable	Investment capital less than US\$ 60,000,000
Investment activities on software development	Investment capital less than US\$ 500,000
Investment activities on the development of submarine Fiber Optic Cable	Investment capital less than US\$ 40,000,000

Investment activities on the development of data centre and/or cloud service	Investment capital less than US\$ 20,000,000
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## CLASSIFICATION OF GROUPS FOR SPECIFIC INVESTMENT INCENTIVES

Furthermore, Sub-Decree 139 lays out comprehensive investment incentives that vary in content depending on the classification of the business activity. Business activities are divided into three groups – Group One, Group Two, and Group Three, according to the level of technology employed by the project or the government’s policy priorities, as attached in Annex 2 on Classification List of Investment Incentives of Sub-Decree 139.

In addition, Export QIPs which export goods outside of Cambodia, Supporting Industry QIPs whose products are used to support the export industry, and Domestically Oriented QIPs, which only serves the domestic market, are also entitled to other investment incentives prescribed in Sub-Decree 139.

## OBLIGATION TO REPORT

Upon obtaining a Registration Certificate, investors are obligated to deliver semi-annual reports and annual reports to the CDC or the MPISC within 20 (twenty) days following the closing date of tax return submissions. Based on the reports provided by an investor, the CDC or the MPISC will issue a Certificate of Compliance to confirm the fulfillment of such investor’s obligations. Failure to comply with this obligation will lead to the investment project losing its entitlement to the incentives and other guarantees under the law. The investor, however, can subsequently request the Certificate of Compliance by providing the reports and the reason for late submission.

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