

Registration Certificate within 10 (ten) Working Days of the receipt of the application.

Article 12: Failure to register or to apply for approval

If a new Person or a purchasing Investor fails to apply to the Council or the Provincial/Municipal Investment Sub-committee for registration in accordance with Article 9 or 10, or a purchasing Investor fails to apply to the Council or the Provincial/Municipal Investment Sub-committee in accordance with Article 11, the new Person or the purchasing Investor is not entitled to any of the QIP's Investment Incentives and Guarantees.

CHAPTER 4 JOINT VENTURES

Article 13: Joint Ventures

A QIP may be in the form of a joint venture. A joint venture may be formed between Cambodian Entities, between Cambodian Entities and Foreign Entities and between Foreign Entities themselves and may include a joint venture with institutions of the Royal Government. There are no limitations based on nationality or the share-holding proportions of each shareholder, other than if the joint venture owns, or intends to own, land, or an interest in land in the Kingdom of Cambodia. In such case, the maximum combined share-holding of all persons who are not Cambodian Entities must not exceed 49 (forty nine) percent.

CHAPTERS 5 TAXATION

Article 14: General Principles

- 14.1 Liability for taxes: Investors are liable to, and must comply with the provisions of the Financial Management Law, the Law on Taxation, and the Law on Investment and related regulations.
- 14.2 Natural resources: The tax rate of the Tax on Profit, which profit derived from a contract sharing of oil and natural gas exploitation or from natural resources related activities including, but not limited to, timber, ore, gold and precious stones, shall be determined in accordance with Article 20.2 of the Law on Amendment to Law on Taxation.
- 14.3 Limitations: A full or partial exemption from taxes and customs duties shall only apply to the payment of any liability for the Tax on Profits and the payment of Customs Duty as provided in this Sub-Decree. These exemptions do not include the following:
 - (a) tax on salary and withholding tax as stated in Articles 25 New and 26 New of the Law on Taxation, and Additional Profit Tax on the distribution of dividend; and
 - (b) Value Added Tax, specific tax on certain merchandises and services, duties and taxes to be paid at the time of import, and any other taxes as specified in the laws in force.

Article 15: Tax on Profit

- 15.1 Period of exemption from the Tax on Profit: In accordance with Article 14.1 of the Law on Investment, the profit tax exemption period, which is Trigger Period plus 3-year Period plus Priority Period, shall be determined in accordance with this Article.
- 15.2 Trigger Period: For Article 14.1 of the Law on Investment, the trigger period of the profit tax exemption period is the period commencing on the issuance of the Final Registration Certificate and ending on the last day of the taxation year immediately preceding the earlier of:
 - (a) if the QIP derives a profit, the taxation year that the profit is first derived; and
 - (b) if the QIP derives income from the Investment Activity in respect of the sale of goods or services, the third taxation year after the taxation year in which the income is first derived.

For the purpose of this Sub-Article and Article 14.1 of the Law on Investment, profit refers to the taxable profit calculated under the provisions of the Law on Taxation regardless of the provisions of carry forward of losses under Article 17 of the Law on Taxation.

- 15.3 Three Years: This immediately commences from the taxation year immediately following the Trigger Period and the 2 immediately succeeding years.
- 15.4 Priority Period: The Priority Period determined under the Financial Management Law commences immediately after the third taxation year of the three year period provided under Sub-Article 15.3
- 15.5 Prepayment of the Tax on Profit for QIPs registered after the promulgation of Law on the Amendment to Law on Investment: The prepayment of the Tax on Profit does not apply to a QIP granted an exemption from the Tax on Profit as provided in

Article 14.1 of the Law on Investment.

15.6 Prepayment of the Tax on Profit for QIPs approved before the promulgation of Law on the Amendment to the Law on Investment: A QIP which is subject to Article 24 (2) New of the Law on Investment shall make monthly prepayments of Tax on Profit at the rate of 1% of turnover inclusive of all taxes, except Value Added Tax derived in the previous month, in accordance with Article 28 New of the Law on Taxation. The QIP's turnover realized during the exemption period determined by the Law on the Amendment to the Law on Investment of the Kingdom of Cambodia shall be exempt from prepayment of the Tax on Profit.

15.7 In accordance with Article 24 New of the Law on Taxation, a QIP shall not be subject to the minimum tax.

Article 16: Customs Duty Exemption on Production Equipments, Construction Materials, and Production Inputs

16.1 Exemption for Production Equipments and Construction Materials-Domestic QIP:

In accordance with Article 14.5 of the Law on Investment, Production Equipments and Construction Materials imported by a domestic QIP are exempt from Customs Duty. In the case where a QIP has a capability to directly export any portion of its manufactured products or has supplied for export industry, the quantity of Production Inputs that were taxed at the time of import and later used to produce goods that are, directly or indirectly, exported shall be entitled to duty exemption after a review of the quarterly report.

16.2 Customs Duty Exemptions for Production Equipments, Construction Materials, and Production Inputs - Export QIP:

In accordance with Article 14.6 of the Law on Investment, Production Equipments, Construction Materials, and Production Inputs imported by the Export QIP are exempt from Customs Duty. However, for the Export QIP which operates under the custom bounded warehouse mechanism, the customs duty exemption shall be in compliance with the Customs laws and regulations in force applicable to the mechanism. The processed Production Inputs that have not been exported shall be subject to the payment of customs duties and taxes applicable at the time of import after review of the quarterly report.

16.3 Customs Duty Exemptions for Production Equipments, Construction Materials, and Production Inputs ? Supporting Industry QIP:

In accordance with Article 14.7 of the Law on Investment, Production Equipments, Construction Materials, and Production Inputs imported by a Supporting Industry QIP are exempt from Customs Duty. However, in the case where the Supporting Industry QIP failed to supply 100% of its manufactured products to the export industry or directly export its products, then the QIP shall pay the customs duties and taxes on Production Inputs for the quantity that has not been supplied to the export industry or directly exported after review of the quarterly report.

16.4 Procedure for Customs Duty Exemption: The Council must:

- (a) establish an inter-institution mechanism comprising members from the Council, and the Ministry of Economy and Finance to review the grant of incentives on the import and use of Production Equipments, Construction Materials and Production Inputs by a QIP for each investment purpose.
- (b) prepare a detailed Guideline on procedure for a QIP to be entitled to Customs Duty exemption.

16.5 Transfer or sale of Production Equipments, Construction Materials, and Production Inputs:

If any Production Equipments, Construction Materials, or Production Inputs in respect of which Customs Duty taxes were exempted on their importation are sold or used in a way unrelated to the QIP purpose, the Investor shall immediately:

- (a) pay Customs Duty taxes within 28 (twenty eight) Working Days in the amount calculated under the Customs Law and Regulations in force if the transfer or sale is done with a prior authorization from the Council.
- (b) pay Customs Duty, taxes, and penalties within 28 (twenty eight) Working Days in the amount calculated under the Customs Law and Regulations in force if the transfer or sale is done without prior authorization from the Council.
- (c) be subject to a temporary suspension of import authorization, and an examination of the Customs Duty exemption application submitted under the Law on Investment, including other Customs penalties in the case of omission or delay in payment of Customs Duty, Taxes and penalties as defined in paragraphs (a) and (b) of this Article 16.5

16.6 The transfer or sale of Production Equipments or Construction Materials and Production Inputs to another Investor:

An Investor or his/her representative may apply in writing to the Council for approval on the transfer or sale by a QIP of Production Equipments, Construction Materials, or Production Inputs which were imported with Customs Duty exemption, to another Investor to be used in a QIP.

CHAPTER 6 REPORTING OBLIGATIONS AND CERTIFICATES OF COMPLIANCE

Article 17: Reporting Obligations

17.1 Taxation Reporting Obligations: As mentioned in Article 104 New of the Law on Taxation, from the date of issuance of its Final Registration Certificate, a QIP shall submit monthly and annual tax declarations and shall pay all taxes as imposed

by each taxation regulation to the Tax Department, along with a Certificate of Compliance for the taxation year.

- 17.2 Customs Duty Exemption Reporting Obligation: All Production Equipments and construction materials imported by a QIP are subject to all customs clearance formalities. Within 30 (thirty) working days of import, a QIP must submit to the Council and the Tax Department the certified copies of customs clearance documents, including the valuation documents of those goods issued by the government appointed agency.

Article 18: Compliance Certificate

- 18.1 Compliance Certificate: In each taxation year, a QIP may not claim, and is not entitled to, any of the Investment Incentives unless a QIP is issued with a Compliance Certificate.
- 18.2 Automatic Issuance: Subject to a revocation of the Council under Sub-Article 18.4 and 18.5, the Council shall issue the Compliance Certificate to a QIP within 90 (ninety) Working Days after the end of each financial year.
- 18.3 Failure to Issue: If the Council failed to issue the Compliance Certificate under Sub-Article 18.2, it is deemed to have been issued but is subject to revocation under Sub-Article 18.4 and 18.5.
- 18.4 Review Powers: The Council may review any QIP holding a Compliance Certificate to determine whether the QIP has provided all information required to be lodged under Sub-Article 18.6.
- 18.5 Loss of Investment Incentives: The Council may revoke a QIP's Compliance Certificate if it is satisfied, after reasonable review under Sub-Article 18.4, that the QIP has failed to provide all information required to be lodged under this Article. The QIP loses its entitlement to all Investment Incentives from the date of revocation of the Compliance Certificate.
- 18.6 Information to be delivered: Every Investor who carries a QIP must lodge with the Council:
- (a) an annual financial statement, consisting of a balance sheet, a profit and loss account, cash flow statement and remark no later than the 31st of March of the following year;
 - (b) a Certificate of Tax Obligation Satisfaction from the Tax Department certifying that the Investor has:
 - (i) properly complied with and filed the monthly tax returns on time except in the case where such tax returns of that year are required by the Law on Taxation.
 - (ii) paid all taxes, levies, interest, and surcharges determined for the period of taxation audited by the Tax Department.
 - (c) quarterly report on the effective import of Production Equipments and Production Inputs for the production, and quarterly report on the effective export of the QIP's finished products and annual inventory list of immovable properties.
 - (d) investment information sheet in **CIB 01S** form.

CHAPTER 7 OWNERSHIP AND LAND USE

Article 19: Ownership

- 19.1 Ownership: The Land Ownership serving the Investment Activity is to be vested in a Cambodian natural person or legal entity in compliance with the Law in force.
- 19.2 Registration of Ownership: To register land Ownership, the Investor shall complete all forms or formalities for registration with the cadastral office under the jurisdiction of which the immovable property is located.
- 19.3 Ownership Rights: Under the Constitution of the Kingdom of Cambodia, the foreign natural person or legal entity may not own land in the Kingdom of Cambodia.

Article 20: Use of Land

- 20.1 Cambodian Legal Entity: In addition to the Ownership Rights, the Cambodian Investor is entitled to use land in various forms, including concession, lease, transfer, and as securities.
- 20.2 Foreign Legal Entity: A Foreign Legal Entity may use the land in various forms, including concession, long term lease for 15 (fifteen) years or more, and renewable short term lease. Land Use rights include the rights on buildings, arrangements, or improvements made by the lessee for a duration specified in the contract, provided that the uses are exercised in compliance with the law in force.
- 20.3 Lease of State Land: Any natural or legal entity who leased any piece of land from the State shall act in compliance with regulations regarding the management of the State property.
- 20.4 Sub-Lease: Any natural or legal entity who leased any piece of land from the State may sub-lease such land to a third party only if he/she obtained express prior approval or authorization from the competent authority.