



**KINGDOM OF CAMBODIA
NATION RELIGION KING**

Royal Government of Cambodia

**The Special Program to Promote Investment in
Preah Sihanouk Province 2024**

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1. INTRODUCTION

Cambodia has achieved full peace and stability, as well as development in all sectors, which is tantamount to the high-level of commitment and efforts to successfully launch and implement the Royal Government's strategies, policies, and programs under the wise leadership of **Samdech Akka Moha Sena Padei Techo Hun Sen**. At the same time, the Royal Government of the 7th Legislature of the National Assembly is continuing to lead the country towards progress and create new achievements in accordance with the principles of “**Keep the Old, Increase the New**” by strengthening the effective implementation and expanding the scope of implementation through launching additional necessary strategies, policies, and programs to respond to new situations and trends in the globe, region, and country, as well as to address challenges in a timely and targeted manner to restore and/or promote socio-economic development.

As a result of the intelligent and proactive management of the Royal Government in the past, Cambodia has achieved high economic growth of around 7% and was able to return to high growth after the Covid-19 crisis eased. Cambodia's economic structure is constantly diversifying from an economy that relies heavily on agriculture to an economy that relies significantly on industry for which Cambodia is currently transforming towards higher value-added industries, such as processing, electronics, manufacturing assembly, non-metallic productions, and productions using medium technology.

Based on actual necessary needs and long-term vision, the Royal Government has launched the “**Pentagonal Strategy-Phase I**” to build the foundation towards achieving the Cambodia Vision 2050. In fact, the Pentagonal Strategy is an agenda to promote socio-economic development in all sectors. In this strategy, the Royal Government has also considered promoting the development of a special sector or region, in the sense of transforming that sector or region into a locomotive engine for overall growth. In this regard, the first angle “**The development of key sectors and new sources of economic growth**” of the Pentagon 2 “**Economic Diversification and Competitiveness Enhancement**” has been prioritized in accelerating the development of Preah Sihanouk Province into a multi-purpose model special economic zone and an important economic pole in promoting economic growth for Cambodia.

Preah Sihanouk Province is a province with high potential for attracting investment, with a favourable location for tourism development, main infrastructure, such as deep-sea ports, airports, and expressways to serve for the investment, and some existing big special economic zones. In fact, Preah Sihanouk Province plays an important role in developing Cambodia's economy in the past. However, Preah Sihanouk Province still faces some challenges that require the Royal Government to pay attention and provide solutions, such as many constructions have not been finished or some others finished but unable to do business (unfinished buildings), need for additional infrastructure and coordination in attracting investment. In order to achieve the above goals, to fully optimize, and to solve the challenges of Preah Sihanouk Province effectively, the Royal Government decided to launch **the Special Program to Promote Investment in Preah Sihanouk Province 2024**. This special program is another new initiative of the Royal Government, which is titled “**Invest in Preah Sihanouk Province 2024**.”

This special program is based on four common concepts, including, **First**, Transforming Preah Sihanouk Province into an economy-based province depending on industry, tourism, and investment; **Second**, Solving practical challenges that bring immediate results; **Third**, Complementing and being consistent with strategies and plans in various sectors set by the Royal Government; And **Fourth**, Accelerating the transformation and industrial development in Preah Sihanouk Province to have more value-added, high productivity, and competitive advantage. This special program aims to stimulate more investment and business activities in a fast-paced manner in Preah Sihanouk Province for 2024.

2. SCOPE AND MEASURES

The Special Program to Promote Investment in Preah Sihanouk Province 2024 sets out measures, mechanisms, which are characterized as packages, interconnected, sharp, and simple. The key measures in this special program are interconnected and responded to the actual situation and needs of Preah Sihanouk Province in order to promote investment, industrial development, economic growth recovery, and complementary to the Royal Government's strategies and policies, in particular the implementation of the master plan to transform Preah Sihanouk Province into a multi-purpose model special economic zone.

This special program applies to investment projects or business activities in 2024, located in Preah Sihanouk Province, and focuses on the following 3 types of projects:

- (1) Investment projects or business activities related to buildings that are stalled and will start implementation in 2024;
- (2) Investment projects or business activities that are not related to the unfinished buildings, but will immediately start in 2024;
- (3) Expansion of existing investment projects or business activities in accordance with the specific criteria and will start in 2024.

For large investment projects, sensitive investment projects, and other investments and business projects or activities outside the scope of this special program must be processed with the applicable mechanism of the Royal Government. With that, tax incentives under this special program shall not be applicable to investment and business activities in the banking and finance, and beverage sectors (except for beverage manufacturing from agricultural products).

A. INVESTMENT PROJECTS RELATED TO UNFINISHED BUILDINGS

In the past, the Royal Government introduced a series of measures to resolve stagnant investment projects in Preah Sihanouk province, namely, investment projects that were constructed and suspended, postponed or stopped, and/or no investment or business activities in Preah Sihanouk Province from 2016. Based on the practical experience, these measures have given positive signals and increased confidence for investors, but it limited to stalled investment projects, while investment and business activities are facing challenges, such as high taxes and other fees payment, unlicensed or unpermitted constructions, and constructions without quality and safety inspections, high real estate pricing, lack of additional investment capital and disputes arisen between construction owners and landowners so on and so forth. In this sense, the Royal Government really needs to put in place additional measures to encourage investment in those buildings by introducing the following measures:

- Exemption of income tax, prepayment of income tax and minimum tax for an additional 3 years for Qualified Investment Projects (QIP) and tax-registered small and medium enterprises;
- Exemption of income tax for 3 years, minimum tax for 3 years, and prepayment of income tax for 3 years for any investment projects or business activities that are not listed under the Law on Investment of the Kingdom of Cambodia;
- Exemption of Value Added Tax at the rate of zero percent for self-assessed enterprises that supply local goods or services to stagnant projects or business activities in Preah Sihanouk Province to finish the construction and renovate the unfinished buildings;
- Exemption of withholding tax on rental property for 5 years;
- Exemption of property tax and administrative penalties (additional tax and interest) from 2016 to 2025, and this exemption does not have a retroactive effect on the tax, including administrative penalties (additional tax and interest) already paid;
- Waiving for payment of public service fees and excessive fees of the land use index for applying for a construction permit, construction site opening permit, closing construction letter, or certificate of occupancy;
- Facilitate the procedures and formalities for applying for a permit from the competent authority related to construction work, including reducing the time for applying for a construction permit or certificate of occupancy;
- Facilitate the grant of exemption of the inspection and certification fees of architectural plans, construction machinery layout and fees for construction quality and safety inspection and certification in collaboration with ministries, institutions, private sector, landowners and construction owners;
- Facilitate the investment and business formalities and procedures, including applying for licenses, certificates, and permits, as well as QIP and business registration;
- Prepare principles and facilitate the establishment of a real estate auction sale market and provide services for matching investors, including setting out the reference price for real estate in Preah Sihanouk province;
- Establish investment projects and/or development land use sites step by step in villages, communes/Sangkats, and main roads, such as Great Tourism Zones, Duty-Free Shop Zones where all nationalities can buy, Food Streets, and Resorts/Entertainment Places in accordance with potential and actual geography;
- Promote the use of Out-of-Court dispute resolution mechanisms in accordance with legal provisions for investment-related disputes.

B. INVESTMENT PROJECTS THAT CAN BE IMPLEMENTED IN 2024

The Royal Government has set out policies and strategies, including regulations and agreements to attract investment throughout the country, while the Royal Government has given high priority to the development of Preah Sihanouk Province. The attraction of investment in Preah Sihanouk Province will contribute significantly to supporting and promoting reinvestment activities, both on unfinished buildings and other business activities. For 2024, the Royal Government sets out key measures to promote the implementation of investment projects or business activities that can start immediately in Preah Sihanouk Province, including measures to attract significant investment to complement other measures,

including procedural facilitation, investment and business incentives, the flow of investors and tourists, and ensuring security and safety, as well as building and strengthening the reputation of Preah Sihanouk Province.

In this regard, the Royal Government has set out the following measures:

- Facilitate investment and business formalities and procedures, including applying for licenses, certificates, and permits, as well as QIP and business registration;
- Provide special incentives and exemptions, such as import taxes, patent tax, signboard tax, withholding tax on rental property, and registration fees so on and so forth, to enterprises that come to invest or do business in Preah Sihanouk Province;
- Provide incentives by exempting income tax, prepayment of incometax, and minimum tax for an additional 3 years for the QIP and tax-registered small and medium Enterprises;
- Allow zero percent of VAT for small and medium enterprises registered for tax for the purchase of domestically produced inputs;
- Provide a special 3-year visa for the long-term purchase or rental of property in Preah Sihanouk Province that costs over USD 100,000. This type of special visa shall be determined by a separate Sub-decree;
- Expedite customs inspections, adjust and provide good services to tourists and investors at the time of arrival, stay, and return;
- Organize “Safe City” campaign, events and programs to restore and strengthen Preah Sihanouk Province’s reputation on the international stage;
- Expedite the approval and promulgation of the master plan to transform Preah Sihanouk Province into a multi-purpose model special economic zone.

C. EXPANSION OF EXISTING PROJECTS

In addition to unfinished buildings and general investment, the Royal Government needs to encourage projects that are currently investing in Cambodia, wishing to expand, especially expansion on projects and businesses in Preah Sihanouk Province through setting out the following measures:

- Facilitate procedures, formalities, and other permits to serve for the implementation of investment and/or business expansion projects or activities;
- Provide incentives and exemptions, such as import taxes, patent tax, signboard tax and withholding tax on rental property, etc. to enterprises carrying out investment and/or business expanding projects or activities;
- QIP, which proposes to expand and implement its investment activities, shall receive incentive on income tax exemption for a certain time, depending on the type of investment activity of the original project, based on the proportion of capital expansion in accordance with Sub-Decree on the Implementation of the Law on Investment of the Kingdom of Cambodia and authorized to take 150% multiplied by the income to be tax-exempt incentive as a basis for calculating income tax;
- Small and Medium Enterprises that have received incentives under the Sub-Decree on Tax Incentives in Priority Sector and requested for expansion and implementation of their business activities shall receive additional incentives for 3

years of exemption on income tax based on the proportion of expansion capital rate and allow to take 150% multiplied by the income to be tax-exempt incentive as a basis for calculating income tax;

- Enterprises applying for expansion and implementation of other investment or business activities are entitled to an incentive of 3-year exemption on income tax based on the proportion of expansion capital rate and allowed to take 150% multiplied by the income to be tax-exempt incentive as a basic for calculating income tax.

QIP, Small and Medium Enterprises, and the above enterprises must meet the following criteria:

- Capital expansion from 30% of the actual investment capital before expansion;
- Enterprise registered for tax and fulfilled its obligations to the state;
- Expansion is done under any of the following forms:
 - Expansion of existing production;
 - Expansion through product line diversification within the same lines;
 - Expansion through the installation of new and modern technologies that enhance productivity or protect the environment;

Expansion of activities under other forms requires permission from the Royal Government.

- QIP and the enterprises requesting and implementing the above expansion projects or activities shall be exempted from prepayment of income tax based on proportion of the expansion capital rate and minimum tax within the period of exemption of income tax depending on the type of expansion projects or activities;

Exemption of income tax, prepayment of income tax, and minimum tax for expansion activities are calculated from the time the enterprise first receives income from expansion activities.

D. INVESTMENT IN INFRASTRUCTURE AND INDUSTRIAL DEVELOPMENT

In order to implement the above measures effectively, the construction of additional infrastructure associated with industrial development remains important and necessary to complement each other for economic restoration and leaps in Preah Sihanouk province.

In this regard, the Royal Government sets out the following measures:

- Prioritize and invest in infrastructure projects necessary to support industrial development, tourism development, and investment attraction;
- Develop large industrial zones and parks, especially strengthen existing Special Economic Zones to reach international standards in all aspects, including infrastructure development, electricity supply, clean water, raw materials, and other inputs, transportation and trade facilitation, other incentives and supportive measures;
- Facilitate the development of potential land (State or Private land ownership) to turn these lands into industrial or enterprise cluster zones and/or tourism areas

where the Royal Government will be involved in supporting exemption policies, incentives, and infrastructures;

- Implement one or more pilot test areas, such as Special Economic Zones, Great Tourism Zones, Free Trade Zones, Industrial Cluster Zones, or Customs Bonded Warehouse to mobilize resources and promote rapid and efficient development that can be selected from areas to be expanded, or in Stueng Hav or other places through cooperation between the state and the private sectors, the construction of common infrastructure and other activities altogether.

3. IMPLEMENTING, MONITORING, INSPECTING, AND EVALUATING MECHANISMS

The effectiveness and success of implementing **the Special Program to Promote Investment in Preah Sihanouk Province 2024** depends very much on the implementing, monitoring, inspecting, and evaluating mechanisms with strong political will and sufficient resources. In the past, the Royal Government established an Inter-ministerial Working Group led by the Ministry of Economy and Finance under the umbrella of the Committee on Economic and Financial Policy to implement package of measures to resolve stalled investment projects in Preah Sihanouk Province. In this sense, the Royal Government will continue to use the mechanism of this working group to implement this special program and continue to implement measures to resolve stalled investment projects by amending the tasks and composition. This Inter-ministerial Working Group has the following duties, roles and composition:

First, the working group is called the Investment Promotion Working Group in Preah Sihanouk Province and has the right to use the seal of the Ministry of Economy and Finance to fulfil its duties both in the original form and electronically. This working group is responsible for leading, coordinating, and implementing this special program, including measures to resolve stagnant investment projects in Preah Sihanouk Province, acting as a “One Window Service” that has the right to review, decide, and issue permits or licenses as a package on investment projects and business activities, request to submit the necessary legal documents through the Committee on Economic and Financial Policy, and implement other tasks related to this special program as decided by the Royal Government. Every business activity under the scope of this special program must be submitted to this working group for review, evaluation, and approval.

Second, The working group shall be composed of relevant ministries and institutions, such as Ministry of Economy and Finance, Council for the Development of Cambodia, Ministry of Tourism, Ministry of Land Management, Urban Planning and Construction, Ministry of Justice, Ministry of Interior, Ministry of Commerce, Ministry of Public Works and Transport, and Preah Sihanouk Provincial Administration, as well as other relevant ministries and institutions that have been delegated or have the right to decide on behalf of the President of the Ministry and Institution.

Third, the working group has a secretariat and financial resources under the management of Ministry of Economy and Finance. The Secretariat acts as an administrative coordinator and bases in Preah Sihanouk Province and Phnom Penh Capital as needed.

Fourth, the working group needs to publicize this special program widely, explain it clearly and accurately, and provide hospitality services and good cooperation to investors and

businessmen, both domestically and abroad to raise awareness and attract engagement from the main driving forces.

Fifth, the working group must develop capacity-building programs for management and professional officers, as well as stakeholders, focusing on performance, coordination, providing services to investors and businessmen, planning and monitoring, inspecting and evaluating the projects to provide services and perform work with accountability, transparency, and efficiency.

Sixth, the working group must monitor and evaluate the implementation of this special program to address challenges, set corrective measures, measure efforts, and evaluate the effectiveness and results of the implementation of this special program. In response to this objective, the implementation framework of this work is designed in a “Dynamics of stakeholders system” that is synergy and consistent, highly coordinated and responsible, good collaboration, and involvement of relevant ministries and institutions, and preparation of regular monitoring of results.

Seventh, the working group shall prepare a quarterly report to the Royal Government through the Committee on Economic and Financial Policy and report on the evaluation of the implementation of this special program to the Royal Government through the Committee on Economic and Financial Policy in December 2024.

4. CONCLUSION

To conclude, **the Special Program to Promote Investment in Preah Sihanouk Province 2024** is considered to be developed in a context where the economic situation in general, the world, the region, and Cambodia has not completely improved, the competition is getting tougher; moreover, the Royal Government has necessary need to select Preah Sihanouk Province, which has the potential and existing industrial and tourism base, for increasing its dramatical leap, especially to fully use of its infrastructure and achievements.

The Special Program to Promote Investment in Preah Sihanouk Province 2024 is highly flexible, considered as an “**Alive Document**” that may eventually be revised, if necessary, to ensure consistency and response to real situations, both nationally, regionally, and globally. At the same time, the success of the implementation of this special program will provide an important basis for the continuation of the socio-economic development policy agenda, especially good experiences and lessons learned for the implementation of the master plan to develop and transform Preah Sihanouk Province into a multi-purpose model special economic zone and develop Cambodia’s coastal provinces as a multi-purpose economic corridor and intertwists.