

GDT to apply New Land Price Rates

The General Department of Taxation will apply new land price rates across Cambodia in the near future. Appraisal and Valuation Committee, Sub-Appraisal and Valuation Committees in the city and provinces are currently working and preparing land prices for 2019. Updating the new land prices is aimed at generating more revenue from the booming property market. Normally, if prices of land increase, revenues will also increase but the tax rate will not increase. In addition, the new measure will match the government price rates with the current market rate. For example, the land in Norodom [along Norodom Street in Phnom Penh] is currently set at the Ministry of Economy and Finance's list only US\$1,500 but now it is US\$5000 to US\$7000 for real values in the market.

Learnt from: Construction & Property (25th October, 2018)

Rental Prices in Sihanoukville at Highest Rate



Sihanoukville

Property rental in Sihanoukville, which has been skyrocketing due to the influx of Chinese investors, may fall in the next few years when major construction projects are completed. Most houses, guesthouses, restaurants and hotels in the city's main locations have been leased to the Chinese. Two or three years ago, the rental was between \$500 and \$1,000 per month. Now, owners get \$5,000 to \$7000 per month, if they rent to Chinese nationals. Although when supplies slow down or construction work is not completed on time, rental prices will be affected upwards. Preah Sihanouk province, which has become a hotbed for Chinese investment in the country, has seen huge leaps in the manufacturing, tourism and gambling

industries and the real estate sector will have higher potential in the future because of many development projects such as deepwater ports, airports, special economic zones and a plan for a highway to Phnom Penh.

Learnt from: The Phnom Penh Post (26th October, 2018)

Opportunities for Kampot Eco Resorts

The growth in Cambodia's real estate sector has been increasing as housing trends in the country are changing massively and living standards and land values are going up. Another market, tourism in the Kingdom, is also witnessing a changing tide as the number of incoming tourists rises. Developers are now seeking to capitalize on Cambodia's unique landscape by investing in retirement homes, vacation homes and eco resorts. Each of the country's 25 provinces offers something unique that developers are eager to highlight. Siem Reap seems to currently be leading the progress for eco resorts, as the Angkor Wat complex is already one of top tourist draws. Eco resort projects have also arisen in Preah Sihanouk, Kampot, Kep, Koh Kong, Ratanakkiri, Monduliri and Kampong Speu provinces. Nearly 100 eco-focused resorts already exist across the country, such as Song Saa Private Island, Royal Sand Resort on Koh Rong, Koh Andet Eco Resort, Knai Bang Chatt Resort in Kep, Siem Reap's Phum Baitang and Salty River Resort in Kampot. The possibilities for highlighting natural features are nearly endless, given the country's vast beaches, forests, waterfalls, mountains and rivers. Diving deeper into the potential for Kampot province, the province has seen rapid growth of eco resorts over the last year where the area along the Kampot River has gotten the most attention. The number of both domestic and Western tourists to the province is rapidly increasing. Touching on price ranges, local tourists were often looking to spend between \$15 and \$30 a night at an eco-resort. Luxury accommodations in the country could go for as high as \$3,000 a night.

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Sihanoukville seeing an influx of five-star hotel investment

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As While Sihanoukville is experiencing room shortages, investment in five-star hotel projects is rapidly rising, bringing thousands of rooms for this tourism city. Within the first week of November 2018, the Council for the Development of Cambodia (CDC) approved five five-star hotel projects, equivalent to about 3,000 rooms. The projects include Qin Yue Garden Hotel, Prince Huan Yu Real Estate, Xin Hao Entertainment, TJN Properties, and Ling Xiulnt's, with a total investment capital of up to more than US\$400 million. These five-star hotel and resort projects will be built across different locations in Sihanoukville including Sangkat Ream, Sangkat 3 and Sangkat 4. Each hotel project will create up to 3,679 jobs for the province with this US\$423 million investment.

Learnt from: Construction & Property (8th November, 2018)

TAX on Real Estate of Cambodia

Cambodia has seen tremendous growth in the real estate sector, both in residential and commercial developments. Under tax law, the term “immovable property” defines not only land but also includes houses, buildings and other improvements that are built on the land. All immovable property is subjected to 0.1% annual tax determined by the market price. On transfers, a 4% tax rate applies to registration of the immovable property that includes the transfer of ownership for buildings, condominiums, and other improvements. A 10% withholding tax is applied to any income received from rentals. This tax is calculated based on the lease agreement entered between the lessor and lessee. A Prakas dated 3 November 2016 (Instruction 18410) provides guidance on obligations for implementation of the withholding tax (WHT) for real estate entities that operate in Cambodia. The Prakas guidance is to avoid being taxed twice on WHT; if the owner of the property enters into a lease agreement with the real estate entities or any property management company it is to be subjected to 10% WHT. However, if the property is subleased then it's exempted from further 10% WHT. The exemption and the WHT depend on the agreement entered

between the parties. In addition, a Prepayment of Tax on Profit (ToP), equal to 1% of monthly turnover inclusive of all taxes except VAT, is required to be paid on a monthly basis. This prepayment tax on profit applies to all corporate entities including those holding real estate. Recently, Cambodia entered into double taxation agreements with countries like Singapore, Thailand, Brunei, Vietnam, and China, so the benefit of the treaty can be obtained for any income from immovable property situated in these countries which are owned by a national of any of the relevant nations. Cambodia levies a 2% tax on unused land, including attached abandoned buildings. With the recent introduction of the Transfer Pricing regulations that may apply to real estate transactions subject to the arms-length standards, such transactions may include services to tenants, sharing resources, leasing transactions and financing transactions. As Transfer Pricing regulations cover related parties' transactions between Cambodian entities and offshore companies, under Prakas no. 986 issued by the Ministry of Economic and Finance, the term “related party” is defined as any immediate relatives of the taxpayer or any enterprise that controls or is controlled by 20% or more of direct equity share of an enterprise. With these recent changes in the tax law and additional tax treaties being currently negotiated, it can be expected that the Royal Government of Cambodia will continue to adjust the tax environment as relates to the real estate sector. For example, Cambodia tax laws do not have specific regulations classifying long-term capital gains and short-term capital gains, but such regulation may be adopted in the near future. The changes may also result in providing for various new investment vehicles, such as REITs, and establishing new tax holidays.

Learnt from: Construction & Property (10th November, 2018)

First Luxury Hotel from Japan opens in the Kingdom



Hotel Emion Phnom Penh

A Japanese firm has recently opened its first luxury hotel in Cambodia. In the first week of November, Starts Corporation, a subsidiary of Starts Corporation Inc. (Japan) opened its first-ever hotel project, called Hotel Emion Phnom Penh. This new luxury project is located on Preah Sisowath Quay, Phnom Penh, in front of the Hotel Cambodiana, allowing visitors to see the beautiful landscape along the Mekong River. Designed with a highly creative concept, based especially around being environmentally friendly, the 19-storey Hotel Emion features 240 guest rooms, most of which have a balcony to capture the stunning view of the surrounding area. Meanwhile, Cambodia's Ministry of Tourism has welcomed this magnificent hotel project stating that this first hotel project contributes significantly to the creation of employment, vocational training, and tourism development in Cambodia in a sustainable way. According to the Ministry of Tourism, the number of Japanese tourists visiting Cambodia has increased dramatically in the first eight months of 2018, with more than 130,000 Japanese tourists visiting Cambodia, of which 69,279 came to Phnom Penh.

Learnt from: Construction & Property (12th November, 2018)

Better roads are required for Kingdom Real Estate Growth

Cambodia is undergoing a massive population shift. Day by day, Kingdom residents become both more connected by technology and more urbanized. Job opportunities are drawing an increasing number of people to the capital and industries are rushing to

keep up. Numerous international reports from bodies such as the World Bank, Asian Development Bank, Asia Monitor Resource Centre and the International Monetary Fund have highlighted the need for infrastructure development to keep pace with the expanding economy. The Kingdom's roads are often the subject conversation concerning infrastructure. Late last year, over half of the country's roads were deemed to be in poor condition by the Ministry of Public Works and Transportation (MPWT). Furthermore, 70 percent of roads were funded by money from China. According to many experts, infrastructure in the country needs a facelift. Infrastructure investment is a critical factor in the continued success of Cambodia's real estate sector. More money for building roads, railroads, bridges, and other infrastructure means better growth prospects for Cambodia's urban areas where real estate development is concentrated. Currently, major cities, such as Phnom Penh, Kampot and Sihanoukville have seen construction of new roads, railway, bridge, and waterways. According to local media, MPWT has announced plans for another ring road around the capital, as well as major overhauls to national roads 2, 3 and 4, and a 190 km highway linking Phnom Penh to Sihanoukville. One major obstacle in the drive toward improving and advancing infrastructure seems to be the dissemination of a centralized plan. Developers had been given a master plan for Phnom Penh as a whole but have not been given specific commune-level plans by which to lay out new buildings. Problems such as flooding, sewage, traffic and pollution problems are arising, causing frustration as well as economic losses because of infrastructure shortcomings. A strong commitment behind a master plan, as well as proper funding and investment in human resources are necessities. People come to Phnom Penh to find jobs, infrastructure obstacles are holding back the economic process. Any slowdown in infrastructure development could be a major barrier for the Kingdom. To support the economy and welcome more international investors to Cambodia, quality infrastructure in the form of transportation, power

and communications as well as solid support systems are required.

Learnt from: Khmer Times (14th November, 2018)

Thai brands expanding Retail Presence in Cambodia

Rapid economic growth in Cambodia provides opportunity for people to be able purchase goods as well as and experience new services available in the market. With this market opportunity, foreign investors are increasingly supplying goods and services through the establishment of new retail markets across Cambodia. As a result, Thai-based retail brands are expanding their presence in the Kingdom. A number of big Thai companies have recently entered the Cambodian market for the 16 million consumers. In fact, one of Thailand's largest trading companies, Siam Makro Pcl, recently built and opened a mega Makro retail mall in Phnom Penh, making available many kinds of goods, especially Thai goods, to Cambodian buyers. With the success of its first project, the company has also expanded its business to other potential markets such as Siem Reap with another Makro retail mall to open shortly in Siem Reap. Meanwhile, well-known Thai commercial firm Berli Jucker Plc (BJC) has also established a hypermarket in Cambodia. A few months ago, the company announced plans to construct a Big C hypermarket in Poipet City, Banteay Meanchey province, as their first step to penetrating the Cambodian market. In addition, Berli Jucker Plc also plans to construct five more Big C shops across Cambodia over the next five years.

Learnt from: Construction & Property (15th November, 2018)