

Bond Market Costs and Taxation

This chapter details the typical costs incurred by issuers and investors in the Cambodian market to the extent that such costs are already known during the current development phase of the Cambodian market.

For ease of reference, the descriptions of the types of costs are given in the context of the actions to be taken by issuers or investors (as explained in this document) and follow the typical life cycle of debt securities.

A. Costs Associated with Securities Issuance

1. Application for Issuance Approval from the Securities and Exchange Commission of Cambodia (Mandatory)

Pursuant to the Law on the Issuance and Trading of Non-Government Securities, 2007, the issuance of securities other than government bonds in the Cambodian market requires the approval of the SECC. This includes the public offering and private placement of debt securities.

The SECC levies an application fee for the review and approval process, payable at the time of submission of the application as well as in case of any resubmission of amendments to the application or supporting documents, or the extension of a registered disclosure document. The fees are not refundable in the case of an unsuccessful application or reregistration.

a. Application Fee

When intending to offer debt securities to the public, the issuer is required to pay an application fee of KHR12 million for the review and registration of the application and disclosure document. In the event of a second and subsequent offer by the same issuer, the fee levied is KHR8 million.

b. Fee for Replacement or Additional Disclosure Documents

In the event that the issuer wishes to replace a registered disclosure document or to register additional disclosure documents, a fee of KHR1.1 million for an initial public offering and KHR800,000 for any additional public offering is required for the review and registration of these documents.

c. Fee for Reregistration of Expired Disclosure Documents

In the event that an issuer wishes to reregister a disclosure document already expired, the SECC stipulates payments of KHR6 million and KHR4 million for an initial public offering and any additional public offering, respectively.

2. Underwriter Fee (Mandatory for Public Offering)

The issuance of corporate debt securities in the Cambodian market via a public offering requires the appointment of an underwriter. Depending on the type and size of the offer, the issuer may require the services of multiple underwriters to place the securities with the targeted investors or to distribute the issuance widely to retail or general investors.

While the underwriter is expected to support the compilation of issuance documentation and the disclosure document, the issuer remains responsible for the submission of applications, disclosure documents, and supporting information to the relevant regulatory authorities. The underwriter will be responsible for its own statements and warranties given in documentation or applications.

An underwriter will charge a fee that is typically commensurate with the effort and risk of taking over part or all of a debt securities issue from the issuer and which may be subject to negotiations between issuer and underwriter.

3. Securities Registrar and Transfer Agent Fees (Mandatory)

In the Cambodian market, issuers have to appoint a registered securities registrar and transfer agent (please see Chapter III.M for details and conditions).

The securities registrar and transfer agent is remunerated for its services, here the initial creation and support for distribution of a debt securities issue, based on negotiations with the issuer or a market-typical fee once such practice is more established. In the case of debt securities, the securities registrar and transfer agent will also function as the paying agent for interest and redemption payments, which will be factored into the fee arrangement.

4. Cambodia Securities Exchange Deposit Fee (Mandatory)

The CSX also acts as the depository for securities traded on its platform. Equities to be listed and traded on the CSX are expected to be deposited into the CSX Depository for a fee, which will follow the prevailing CSX fee schedule.

The deposit fee is charged for every day of the initial public offering procedure between the actual deposit of the securities to be listed and the effective listing date; market practice expects the duration for which deposit fee is chargeable to be about 1 month. The fee rate is KHR20 for every KHR10 million deposited, and the maximum fee is KHR120,000 per day.

B. Costs for Listing of Securities

At present, only equities are listed on the CSX. The listing fee(s) follow the prevailing CSX fee schedule approved by the SECC.

For a debt securities listing, a listed entity shall pay a listing fee to the CSX equal to KHR2 million or 0.1% of the total issuance amount, whichever is larger, based on the price of the public offering and up to a maximum of KHR10 million. In addition, the listed entity shall pay an annual listing fee to the CSX of KHR500,000.

The listing of securities also carries tax incentives for the issuing company and investors. Please see section G for details.

C. Ongoing Costs for Issuers of Securities

A number of charges are applicable for the issuers of securities in the Cambodian market. Once the issuance of debt securities commences, service provision to issuers and the corresponding service charges are expected to evolve in line with the envisaged development of the corporate bond market.

1. Securities Registrar and Transfer Agent Fee (Mandatory)

The appointed securities registrar and transfer agent (see also section A.3) will charge a fee for the provision of its service throughout the lifecycle of the (debt) securities. The transfer agent fee may depend on the size of the issue, frequency of transactions, and other factors.

At the same time, it is possible that the securities registrar and transfer agent may also act as the paying agent, carrying out work related to interest payments and redemptions for debt securities for which a separate fee is expected to be charged.

D. Costs for Deposit and Withdrawal of Securities

The Law on the Issuance and Trading of Non-Government Securities, 2007 allows securities to be issued and kept in both physical and electronic form. In practice, the issued stock of listed companies are kept in the CSX Depository only in electronic form. Hence, the actual deposit or withdrawal of individual securities lots by investors is unlikely. This is also expected to apply for future listings of debt securities on the CSX.

E. Costs Associated with Securities Trading

The present permitted securities market in Cambodia is the exchange market on the CSX. Market regulations prescribe the involvement of licensed securities brokers in the trading of securities for investors unless they are trading for their own account (i.e., as securities dealers).

1. Brokerage Fees

Licensed securities brokers carry out securities trading on behalf of their customers and charge a brokerage fee or commission in line with market practice.

F. Taxation Framework and Requirements

The General Department of Taxation of the MEF collects tax revenues and provides taxpayer and education services in Cambodia, acting as an agent of the Government of Cambodia.³¹

³¹ See <http://www.tax.gov.kh/en/>

Table 6.1: Duties and Taxes on Securities in Cambodia

Duties and Tax	Type of Bond	Tax Rate
Corporate Income Tax (Profit Tax)	Government	n.a.
	Corporate	20% (standard rate), or 10% with tax incentive for listed issuers
Withholding Tax	Government	Exempt
	Corporate	Residents: 0%
		Nonresidents: 14% (standard rate), or 7% on interest from securities from listed issuers
Capital Gains Tax	Government	n.a.
	Corporate	0%
Stamp Duty	Government	0%.
	Corporate	
VAT	Universal	0%

n.a. = not applicable, VAT = value-added tax.

Source: Compiled by ADB consultants for SF1 from public domain sources.

Residents and nonresidents investing in Cambodia are subject to duties and taxes on securities as summarized in Table 6.1. The applicability of and practices for the relevant duties and taxes are explained in the subsequent sections.

Taxation applicable specifically to debt securities may need to be confirmed once the issuance, listing, and trading of debt securities commences. At the same time, a number of tax provisions and tax incentives are, in fact, agnostic as to the type of underlying securities or revenue sources.

As general guidance, where taxation does not specifically include the treatment of debt securities, the taxation applicable to equities is mentioned here.

1. Profits Tax

The standard corporate income tax rate is 20% (standard rate). Under available tax incentives (see section H), a concessionary rate of 10% applies for the profit of a company listed on the CSX during 3 years of the tax incentive period.

2. Withholding Tax

The typical withholding tax rate on payments made to a physical person or an enterprise, except for interest paid to a domestic bank or savings institution, is 15%. However, residents are exempt from withholding tax on the interest from debt securities and instead are subject to income tax. The standard withholding tax rate on interest from debt securities for nonresidents is 14%. However, nonresidents may reduce the withholding tax rate to 7% when investing in debt instruments from issuers listed on the CSX (see section H).

3. Capital Gains Tax

Capital gains tax is not applicable for investments in government securities. For corporate bonds, the capital gains tax is presently zero-rated.

4. Stamp Duty

At present, no stamp duty is levied on transactions in the securities sector.

5. Value Added Tax

The value-added tax is presently zero-rated for the securities sector.

6. Double Taxation Agreements

To date, Cambodia has not entered into any Double Tax Agreements with other countries. As such, no special considerations from the perspective of nonresident investors currently exist.

7. Tax Exemption for Nonresident Investors

While tax incentives exist for investors in the Cambodian securities market (see section H for details), there are no incentives aimed specifically at nonresident investors. The tax incentive scheme is applicable to all investors, regardless of residence status.

G. Tax Incentives

The Government of Cambodia passed the Anukret on Tax Incentives in the Securities Sector (No. 70 ANKR BK) in April 2011, with the provisions rolled over in 2015. The Anukret will be renewed by early 2018.

The tax incentives under this sub-decree are available to nonresident investors, as well as to issuers of equities and debt securities, and apply to all types of securities; government securities and debt securities are specifically mentioned as included. However, the text of the sub-decree also stipulates that these securities need to be listed on a permitted securities market such as the CSX.

The sub-decree states that issuers and investors need to submit a form to the General Department of Taxation, via the SECC, to receive a grant of the incentives.

More information on these tax incentives is available from the CSX website.³²

1. Incentives to Issuers

Under Article 4 of the sub-decree, issuers that list their securities on the CSX are able to claim a 50% reduction of the tax on profit to be paid for a period of 3 years.

In addition, the General Department of Taxation has issued an additional *Prakas* providing for tax incentives for companies to issue and list securities on the CSX. These incentives include the ability to postpone the monthly prepayment of tax on profit to the end of the financial year in addition to any concessions on the actual rate of tax on profit payable by these issuers.

2. Incentives to Investors

³² See http://csx.com.kh/en/product/Anukret_on_Tax_Incentive_in_Securities_Sector_English.pdf

In turn, nonresident investors in listed securities are able to claim a 50% reduction of the withholding tax on dividends or interest for a period of 3 years (please see Chapter III.N for details), with the timeframe starting with the launching of the securities market (Article 5 of the relevant *Prakas*). In the case of debt securities, investors are expected to be able to avail this incentive once the issuance of debt securities commences.