

CAMBODIA UPGRADES RENEWABLE ENERGY INVESTMENT INCENTIVES

On 27 August 2025, the Royal Government of Cambodia (“**RGC**”) issued Sub-Decree No. 161 on the Amendment of Annex II (List of Categorization of Investment Activities) of the Sub-Decree on the Implementation of the Law on Investment of the Kingdom of Cambodia (“**Sub-Decree No. 161**”). The amendment reclassifies investment activities in the production of electricity generated from renewable energy (“**Renewable Energy Investment Activities**”) from Group 2 to Group 1 of the Annex II.

Background

Sub-Decree No. 139 on the Implementation of the Law on Investment of the Kingdom of Cambodia (“**Sub-Decree No. 139**”), dated 26 June 2023, contains four (4) key annexes that categorize investment activities and determine eligibility for investment incentives. These four (4) annexes are:

1. **Annex I:** Negative list (*investment activities that are not entitled to incentives*);
2. **Annex II:** Classification list of investment activities (*investment activities that are entitled to incentives*);
3. **Annex III:** Investment activities or investment activity groups that are eligible for incentives on importation (*customs duties, special taxes, and value-added taxes are the state’s burden*), but tax incentives; and
4. **Annex IV:** Investment activities eligible for incentives on material inputs for a domestically oriented qualified investment project.

Annex II of Sub-Decree No. 139 further divides investment activities into three (3) groups, which reflect the priority level of each sector and determine the scope of incentives available:

1. **Group 1 (Priority Activities):** Investment activities in high-priority sectors such as hi-tech industries, R&D, digital economy, and strategic infrastructure. These projects are granted the most generous incentives (e.g., longer tax holidays).
2. **Group 2 (Medium-Technology Activities):** Investment activities involving the use of medium-level technology. These projects receive incentives, but at shorter durations compared to Group 1.
3. **Group 3 (Supporting Activities):** Investment activities with relatively lower priority or those supporting other industries. They receive the least favorable incentives among the three (3) groups.

For an investment activity to be eligible for investment incentives, the activity must fall within an eligible sector as provided under Annexes II to IV. Once approved by the Council for the Development of Cambodia as a qualified investment project, the project is entitled to investment incentives such as tax holidays, import duty exemptions, and other priority sector benefits, with the duration and level of incentives depending on the type of investment activities.

Key Changes

Under Sub-Decree No. 139, Renewable Energy Investment Activities were placed in Group 2 of Annex II (investment activities that use medium technologies). With Sub-Decree No. 161, Renewable Energy Investment Activities are now upgraded to Group 1, recognizing these activities as a priority sector of the RGC.

This reclassification enhances the available incentives as follows:

Under Group 2 (Sub-Decree No. 139)	Under Group 1 (Sub-Decree No. 161)
Option 1: - Income tax exemption for six (6) years from the time of generating the first income; and - Exemption of prepayment tax on income for six (6) years. Option 2: - Deduction of 200% on specific expense for six (6) years; and - Exemption of prepayment tax on income for six (6) years.	Option 1: - Income tax exemption for nine (9) years from the time of generating the first income; and - Exemption of prepayment tax on income for nine (9) years. Option 2: - Deduction of 200% on specific expense for nine (9) years; and - Exemption of prepayment tax on income for nine (9) years.

This upgrade reflects Cambodia's policy commitment to promoting renewable energy as part of its sustainable development agenda. Investors in renewable energy generation projects will now benefit from longer tax holidays and enhanced incentives.

If you have any questions about this alert or would like to discuss implications for your renewable energy project, please contact your usual contact at Bun & Associates or our team members as listed below.

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