

## CLIENT UPDATE 2016 SEPTEMBER

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### REAL ESTATE

# MEF Releases New Prakas on Residential Development Business

On 24 August 2016, the Ministry of Economy and Finance (“MEF”) issued a Prakas No.965 on the Management of Residential Development Business (“**Prakas No.965**”) to substitute its previous Prakas on Real Estate Development Business, being the Prakas No.1222 dated 15 December 2009 (“**Prakas No.1222**”).

The Prakas No.965 plays an important role in clarifying points that were not clear under the Prakas No.1222 and makes a few significant changes with regard to the license types, license fees and validity of the licenses, new licensing requirements and reporting obligations, etc., to the residential development business in Cambodia.

Starting from the titles of both Prakas, we can see the difference in the wording used. The Prakas No.1222 used the term “Real Estate Development”, which was too broad and did not reflect the actual license provided by the MEF, which only applied to developments for residential purposes. However, the Prakas No.965 clearly indicates the type of project that this Prakas is governing, being “Residential (Housing) Development”. Though there is no official translation of the term used, according to the technical team of the MEF, the intention is to narrow the scope of the Prakas to clarify that it only applies to developments for residential purposes.

As mentioned above, there are also changes to the new minimum capital requirement, which shall be at least KHR 2,000,000,000 (approx. US\$500,000). Regarding the types of license, there are now two types of license available, while there were three types of license available in the Prakas No.1222. The fee for the license is notably higher than the previous Prakas. Fortunately, there is no validity period for the licenses issued under the Prakas No.965, while the Prakas No.1222 limits the validity to no longer than five years.

In addition to the above changes, the Prakas No.965 emphasizes and clarifies certain points including but not limited to the commencement of sale of the project, phases of the development, sale and purchase agreement, payment schedule, model house, bank account, dispute settlement and sanctions imposed to the violating developer.

Any violation of the provisions of this new Prakas will be subject to various sanctions such as written warning, public announcement, freezing of the developer’s account, restricting the activities of the developer, temporary suspending of license and withdrawal of license.

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#### ***ASEAN Economic Community Portal***

With the launch of the ASEAN Economic Community (“AEC”) in December 2015, businesses looking to tap the opportunities presented by the integrated markets of the AEC can now get help a click away. Rajah & Tann Asia, United Overseas Bank and RSM Chio Lim Stone Forest, have teamed up to launch “Business in ASEAN”, a portal that provides companies with a single platform that helps businesses navigate the complexities of setting up operations in ASEAN.

By tapping into the professional knowledge and resources of the three organisations through this portal, small- and medium-sized enterprises across the 10-member economic grouping can equip themselves with the tools and know-how to navigate ASEAN’s business landscape. Of particular interest to businesses is the “Ask a Question” feature of the portal which enables companies to pose questions to the three organisations which have an extensive network in the region. The portal can be accessed at <http://www.businessinasean.com/>.

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