

# Tax Incentives in Cambodia: Regional Cross-Country Overview

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## 要 旨

租税誘因は、多くの国々なかでもカンボジアのような発展途上国や低開発国では、租税制度の顕著な特徴となっている。しかし、カンボジアにおいて租税誘因が投資と雇用の促進に対しいかに有効であるかを明らかにしている研究はほとんどない。この論文は、外国からの直接投資、地域 FDI 動向、そして地域横断的関連にかんし、カンボジアにおける租税誘因効果を考察している。資料の制約が十分な結論を妨げているけれども、回帰的研究は租税誘因が投資の主要な決定要因とは思われないことを示唆している。すなわち投資の促進に対し、差別的租税誘因が低く緩やかな税率からなる簡素で画一的制度より有効な機能を果たしている、といえる形跡はほとんどない。

**Keywords:** Tax Incentives, Foreign Direct Investment, Tax Exemption

## I. Introduction

Cambodia actively welcomes Foreign Direct Investment (FDI) activity, and have done so far for a number of years<sup>1</sup>. High rate of investment has long been viewed as a possible key to economic growth. Consequently, many countries offer special tax incentives to promote investment. These incentives include, for example, tax holidays for new firms, tax credits for new investments, and exemptions from import duties on inputs. Advocates of such incentives argue that they promote investment and jobs, while opponents contend that they are not effective, have high revenue costs, distort investment, facilitate corruption, and make the tax system complicated and untransparent. To investigate the validity of these opposing views, several studies have examined the empirical effects of tax incentives. So far there is no study conducted analyses of the effect of tax incentives in Cambodia where tax incentive is a prominent feature of the tax system. This paper attempts to fill this void by examining the effects of Cambodia tax incentives on revenue and foreign direct investment. It does this via several means such as regional FDI trends, and regional

cross-country relationships. The sorts of data limitations are by no means unique to Cambodia, but they are common to many countries, and make it quite difficult to get anything more than a broad impression of FDI patterns.<sup>2</sup> Although data limitations prevent strong conclusions, the findings in this paper partly confirm other results in the literature. Specifically, this paper finds some support for the conclusions that tax incentives can be costly and are rarely the most important determinant of investment. Moreover, while low rates of taxation may promote investment, no evidence is found for the notion that complicated regimes of discriminatory tax incentives are more effective in promoting investment than simple tax regimes with low, uniform rates of taxation.

## **II. Conceptual Issues:**

Before turning to a specific discussion of tax incentives in Cambodia, it is useful to first discuss several conceptual issues, including the definition of a tax incentive, the general arguments for and against tax incentives, and the various types of tax incentives.

### **1. What are Tax Incentives:**

This paper defines a tax incentive as any tax provision granted to a qualified investment project that represents a favorable deviation from the provisions applicable to investment projects in general. Thus, the key feature of a tax incentive is that it applies only to certain projects. For example, a provision that sets the corporate income tax (CIT) rate for foreign invested enterprises (FIEs) at half the rate that applies to domestic companies would constitute a tax incentive, but a provision that simply sets a low CIT rate for all firms would not constitute a tax incentive. By defining tax incentives in this way, the discussion is restricted to the effects of differential taxation of investment projects, avoiding broader issues of the optimal design of the entire system of investment taxation.

### **2. Arguments For and Against Tax Incentives**

Supporters of tax incentives most commonly argue that they are needed to increase investment, which in turn will create jobs and other social and economic benefits. In considering the soundness of this argument, it is important to remember that tax incentives are primarily about differential taxation of investment. Thus, tax incentives will generally increase investment only if the more tax-sensitive projects

receive the more favorable tax treatment. While such investment-enhancing differential taxation is possible in theory, in practice it can be very difficult for political processes to correctly select such projects. Indeed, experience shows that in many cases it is the most profitable projects, which would have been pursued even in the absence of incentives, that are most likely to receive incentives, rather than the more tax-sensitive ones.

Similarly, tax incentives are often given to investments from countries, such as the U.S. and U.K., that provide their businesses with foreign tax credits for taxes paid overseas. Thus, these incentives may not significantly reduce the investment's overall tax burden, since, for example, lower Cambodian taxes may be offset one-for-one by higher taxes in the U.S. (since the U.S. company will claim lower tax credits on its U.S. taxes for foreign taxes paid). As a result, such tax incentives provide no incentive to increase investment. Rather, they result only in a transfer of revenue from the Cambodian government to the U.S. treasury, necessitating higher taxation on other, more tax-sensitive projects to make up for the lost revenue. Thus, while it is possible that tax incentives will increase overall investment, this is not obviously the case. Indeed, they may well reduce investment if they necessitate higher tax burdens on others projects, discouraging the latter's implementation. Similarly, tax incentives may result in a significant loss of revenue if they are concentrated on investment projects that would have occurred even in the absence of the incentives. A similar argument that is often made in favor of tax incentives is that, if a country's neighbors offer tax incentives, then it must also offer them to remain competitive. To the degree that offering tax incentives makes a country's investment climate more favorable, this argument may have some force, especially if taxes have more important effects on investment decisions within regions than across regions, as some recent evidence suggests<sup>3</sup>. However, as noted above, it is not clear that regimes of complicated, discriminatory tax incentives are more effective at enticing investment than simple regimes with moderate, uniform tax rates. Moreover, even if tax incentives are more effective in attracting investment within a region of similar countries, they may still be ineffective in attracting investment to the region as a whole, since this may be determined more by non-tax characteristics that differ markedly from other regions. In this case, tax incentives may result in a "race to the bottom" in which all countries in the region lose revenue with little additional investment to show for it, and the region would benefit from a coordinated reduction of tax incentives.

Some also support tax incentives on the grounds that they will shift investment to industries or areas that are deemed to be more desirable, either because of redistributive concerns (e.g., incentives for investment in poor areas), positive spillovers (e.g., incentives for high-tech industries that may transfer

technology to the rest of the economy), or a desire for economic diversification. In some cases, these may be sound rationales for tax incentives. However, these rationales are also subject to the same criticism that it may be difficult for political processes to correctly identify such spillovers. If tax incentives are not limited to addressing such spillovers and other market failures, then they will generally result in inefficient distortions of investment. For example, suppose that the standard CIT rate is 33 percent, but that a certain sector (call it Sector A) is given a tax incentive that reduces its effective CIT rate to 10 percent. Suppose also that the marginal investment in Sector A has a before-tax (after-tax) return of 10 (9) percent and the marginal investment in other sectors has a before-tax (after-tax) return of 12 (8) percent. Then, investors will choose to invest in Sector A, even though other sectors have a higher return to society. In this way, tax incentives can reduce the efficiency of investment.

In other cases, tax incentives may not be the first-best mechanism for achieving the desired objective. For example, if the objective is to assist the poor in rural areas, it may be more efficient and effective to provide direct transfers to the poor, improve their education and health care opportunities, or invest in the area's infrastructure (such as roads), rather than providing tax incentives. Experience shows that FDI policies should not operate independently or in vacuum, but rather "in conjunction with... macroeconomic and other policies to create a country's investment environment... If not, bad macro economic conditions can easily overwhelm liberal investment policies"<sup>4</sup>. And conversely, in appropriate FDI policies can undermine good macroeconomic conditions. It is not only the transitional economies of Southeast Asia that are going through major changes. International business activity is also undergoing considerable transformation<sup>5</sup>. The most important step that host governments in developing countries and economies in transition can take to foster their own development is to get the fundamental rights. In other words, they should provide a stable, non-inflationary, micro and macroeconomic environment, with appropriate legal and regulatory infrastructure, that rewards both domestic and foreign investment<sup>6</sup>.

Host country is competing directly with other developing countries trying to attract FDI inflows, and feels it must at least match the corporate tax rates and fiscal incentives offered by others to foreign investors. But this can become a vicious, cyclical "beggar thy neighbor" exercise as countries respond and counter-respond to each others' latest incentives, resulting in a deadly spiral effect, mutually nullifying each others' incentives with insufficient thought given to the actual merits of doing so; quantifying the additional business activity gained as a result of sector or location-related fiscal incentives offered, versus the tax

receipts foregone<sup>7</sup>.

Similarly, tax incentives are often justified on the grounds that they are a means to relieve the burden of high CIT rates, intrusive or corrupt tax administrations, or other problems associated with the tax system. In these cases, the first-best solution would be to address the underlying problem directly. Another argument against tax incentives is that they can exacerbate governance and corruption problems. Such problems are especially severe when tax incentives are granted on an ad hoc basis without clear rules and regulations, since this may provide opportunities for officials to obtain kickbacks or political favors in exchange for granting tax incentives. To the degree that tax incentives add complexity to the tax code, they may also increase administrative costs. In sum, tax incentives may distort investment, reduce revenue, and increase corruption and administrative costs; however, they may be useful in some cases, such as to promote tax sensitive investments or to address market failures and equity concerns. In the latter cases, an important question to ask is whether tax incentives are the most cost-effective means of achieving the desired objective.

### **3. Types of Tax Incentives and Their Relative Merits**

Tax incentives can be broadly separated into several major categories: reduced CIT rates; tax holidays (no taxes for a period of time); investment allowances and tax credits (reductions in taxes that are based on the amount of investment and are in addition to normal depreciation); accelerated depreciation (allowing businesses to write-off depreciation more rapidly); exemptions from indirect taxes such as import tariffs on inputs; and export processing zones (special zones for exporters; enterprises in the zones are typically exempt from all indirect taxes and, in some cases, all direct taxes). Table 1 summarizes the primary pros and cons of each type of tax incentive. On balance, the various considerations argue most strongly against the use of tax holidays and most strongly for the use of accelerated depreciation schemes. As Table 1 notes, tax holidays are more intransparent, create multiple distortions, and are very susceptible to abuse and tax avoidance strategies. To a somewhat lesser degree, many of these same criticisms apply to tax allowances and credits, preferential CIT rates, indirect tax exemptions, and export processing zones. In contrast, accelerated depreciation schemes are relatively transparent, are less susceptible to abuse, and result in fewer distortions.

**Table 1: Relative Pros and Cons of Different Types of Tax Incentives**

Advantages	Disadvantages
1. Lower CIT rate	
<ul style="list-style-type: none"> <li>- Simple to administer</li> <li>- Revenue costs are more transparent</li> </ul>	<ul style="list-style-type: none"> <li>- Largest benefits go to high-return firm that are likely to have invested even without incentive.</li> <li>- Invites tax avoidance through high-tax enterprises shifting profits to low-tax ones via transfer pricing (intracountry and international).</li> <li>- Acts as windfall to existing investments</li> <li>- Unlike specific benefits, may not be tax spared by home country tax authorities.</li> </ul>
2. Tax holidays	
<ul style="list-style-type: none"> <li>- Simple to administer</li> <li>- Allow taxpayers to avoid contact with tax administration (which may be important if it is complex and corrupt).</li> </ul>	<ul style="list-style-type: none"> <li>- Same as lower CIT rates, except might be tax spared.</li> <li>- Attract short-run projects.</li> <li>- Invites tax avoidance through the indefinite extension of holidays via creative redesignation of existing investment as new investment.</li> <li>- Creates competitive distortions between old and new firms.</li> <li>- Revenue costs are not transparent unless tax filing is required, in which case administrative benefits are forgone.</li> </ul>
3. Investment allowances and tax credits	
<ul style="list-style-type: none"> <li>- Can be targeted to certain types of investment with highest positive spillovers.</li> <li>- Revenue costs are more transparent</li> </ul>	<ul style="list-style-type: none"> <li>- Distorts choice of capital assets in favor of short-lived ones, since a further allowance is available each time an asset is replaced.</li> <li>- Qualified enterprises may attempt to abuse the system by selling and purchasing the same assets to</li> </ul>

	<p>claim multiple allowances.</p> <ul style="list-style-type: none"> <li>- Greater administrative burden.</li> <li>- Discriminates against investments with delayed returns if loss-carry forward provisions are inadequate.</li> </ul>
<p>4. Accelerated Depreciation</p>	
<ul style="list-style-type: none"> <li>- All of the benefits of investment allowances and credits.</li> <li>- Does not generally discriminate against long-lived assets.</li> <li>- Moves the CIT closer to a consumption-based tax, reducing the distortion against investment typically produced by the regular CIT.</li> </ul>	<ul style="list-style-type: none"> <li>- Some administrative burden.</li> <li>- Discriminates against investment with delayed returns if loss carry-forward provisions are inadequate.</li> </ul>
<p>5. Exemptions from Indirect Taxes (VAT, import tariffs, etc. )</p>	
<ul style="list-style-type: none"> <li>- Allows taxpayers to avoid contact with tax administration (which may be important if it is complex or corrupt)</li> </ul>	<ul style="list-style-type: none"> <li>- VAT exemption may be of little benefit- under regular VAT, tax on inputs is already creditable; output may still get taxed at later stage.</li> <li>- Prone to abuse- easy to divert exempt purchases to unintended recipients.</li> </ul>
<p>6. Export Processing Zones</p>	
<ul style="list-style-type: none"> <li>- Allows taxpayers to avoid contact with tax administration (which may be important if it is complex or corrupt)</li> </ul>	<ul style="list-style-type: none"> <li>- Distorts locational decisions.</li> <li>- Typically results in substantial leakage of untaxed goods into domestic market, eroding the tax base.</li> </ul>

Sources: Chalk (2001) p.58 and Zee, Stotsky, and Ley (2004) p. 14

### **III. TAX INCENTIVES IN CAMBODIA**

Tax incentives schemes in Cambodia similar characteristics with other southeast Asian countries (see Table 2 for details). Cambodia offers investors tax holidays of up to 8 years, reduced CIT rates, and investment allowances or accelerated depreciation, and special exemptions from import duties and other indirect taxes. Cambodia also focuses these incentives especially on foreign investors, exporters, and investments in poor regions. Such tax incentives are similar to those employed by other countries in the region (Table 2). Indonesia, Malaysia, the Philippines, and Thailand all offer similar incentives, although the details differ somewhat in each country. Cambodia has implemented a very attractive tax regime in its bid to attract FDI inflows, with a low standard corporate income tax rate, and even lower rate for export-oriented FDI projects<sup>8</sup>.

Table 2: Tax Incentives in Selected Southeast Asian Countries

	<b>Cambodia</b>	<b>Indonesia</b>	<b>Lao PDR</b>	<b>Malaysia</b>	<b>Philippines</b>	<b>Thailand</b>	<b>Vietnam</b>
<b>Standard CIT Rate</b>	20 percent	Progressive rates: 10, 15, 30 percent	Greater of 35 percent or 1 percent of turnover	28 percent	32 percent	30 percent	32 percent
<b>Dividend withholding taxes</b>	Taxed at relevant CIT rate; creditable against CIT.	15 percent: residents; 10-20 percent: non-residents (50 percent reduction in favored sectors/zones).	10 percent creditable against CIT		10-25 percent on dividends remitted abroad.	10 percent on dividends remitted abroad; domestic intercompany dividends are partly or wholly exempt.	3, 5, or 7 percent on dividends remitted abroad.
<b>Tax Incentives</b>							
<b>Sectors qualifying for incentives (not exhaustive)</b>	Hi-tech, export, tourism, infrastructure, energy, rural development, environmental protection.	Export, hard-crop plantations, mining, businesses in remote areas.		Corporations in manufacturing, agriculture, tourism, and various other activities may receive “pioneer” status.	Exporters	Exporters, various other industries.	Exporters, agricultural processors, certain locations.
<b>Tax holidays</b>	Up to 8 years	3 to 8 year income tax holidays for new enterprises in 22 specific sectors	Negotiable but rare	5 year tax holiday on 70-100 percent of statutory income (10 years for companies of national/strategic importance)	3-8 year income tax holidays.	3-8 year income tax holidays	Up to 8 years
<b>Reduced</b>	9 percent after end		20 percent:	3 percent: offshore		Enterprises in	25 percent:

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<b>CIT rates</b>	of holiday for favored projects.		foreign investors; 15 percent: companies in lowlands; 10 percent: companies in remote areas.	companies in Labuan. 10 percent: foreign fund management companies.		investment promotion zones get 50 percent reduction of CIT for 5 years	foreign investor; 10, 15, and 20 percent for 10+ years when certain are criteria.
<b>Investment allowances and credits</b>		Reduction of taxable income by up to 30 percent of investment in priority sectors		Investment allowances of 60-100 percent of qualifying capital expenditure.	Tax credits for purchases of domestic breeding stocks and genetic material, as well as for incremental export revenue.	Allowance of 25 percent for investment in infrastructure.	If profits reinvested for 3 consecutive years, a portion or all of CIT may be refunded.
<b>Accelerated depreciation</b>	Immediate expensing of plant and equipment investment financed from reinvested profit	Doubling of depreciation rates in favored zones/sectors		Accelerated depreciation of computer, technology, and environmental protection investments.	Immediate expensing of major infrastructure investments by export enterprises in less developed areas.		
<b>Import duty and VAT exemptions</b>	Import duty exemptions for promoted investments	Exemptions and reduced import duty and VAT rates on inputs in certain sectors, esp. exporters.	Reduced import duties on inputs: 1 percent – foreign investors; 0 percent – exporters	Exemptions and reduced import duty and VAT rates on inputs in certain sectors, esp. exporters.	Exemptions and reduced import duty and VAT rates on inputs in certain sectors, esp. exporters	Exemptions and reduced import duty and VAT rates on inputs in certain sectors, esp. exporters.	Exemption from import duties and VAT in certain sectors.
<b>Export processing zones</b>					After holidays lapse, enterprises in these zones pay		Various additional incentives apply in these zones.

					only 5 percent tax on gross income.		
<b>Other</b>		Loss carry-forward extended to 10 years for companies in favored zones/sectors.	Investors can negotiate for special incentives on case-by-case basis	Double deduction of certain expenses (e.g., R&D, training).	Additional 50-100 percent deductions for labor expenses for export projects above a certain capital/labor ratio.	Dividend distributions during holidays are tax exempt.	

sources: Chalk (2001) p. 34 and Price WaterhouseCoopers (2001) p. 101

## **IV. Evidence on the Effects of Tax Incentives**

The desirability of tax incentives is primarily an empirical issue—if they significantly increase investment, especially those with positive spillover effects, and effectively achieve other efficiency and equity objectives, then tax incentives may be useful. If they do not, then they may simply distort investment and result in large revenue losses. Only an examination of the empirical data can determine which of these two characterizations is most accurate. Unfortunately, in Cambodia very little research has been done in this area, owing in part to a lack of data. However, some insights into the effects of tax incentives can be gleaned by examining the existing research on other countries. Some insights can also be gleaned from a direct investigation of the existing data in the lower Mekong region.

### **1. International Evidence**

The international evidence on the effects of tax incentives is mixed. Many studies have examined the effects of tax incentives using various econometric techniques and investor surveys. However, these studies yield somewhat inconclusive and contradictory results due in part to data limitations. For example, it is often difficult to determine whether the measured effects are truly due to the tax variables or to omitted variables that are correlated with tax changes (such as trade liberalization or increases in transparency). The choice of tax variables can also be problematic since the true effective tax rate in a country depends on complex interactions between statutory rates, depreciation regimes, loss-carry forward provisions, inflation, and other variables. Nonetheless, a few preliminary conclusions regarding tax incentives can be made from this literature. Overall, the evidence suggests that taxes can have important effects on investment. Several recent literature reviews conclude that CIT rates significantly affect both domestic and foreign direct investment. Hines (1999), for example, contends that the consensus view is that each 1 percentage point reduction in the corporate income tax rate increases FDI by roughly 2 percent. However, there is little evidence that complex tax incentive schemes are any more successful than simple CIT regimes that focus on taxing all forms of investment at low, uniform rates, such as Hong Kong's regime. The relative effectiveness of special tax incentives such as tax holidays and differential tax rates has not been well studied in large cross-section or panel data. However, several country-specific studies have concluded that special tax incentives have not been cost-effective. For example, Estache and Gaspar (1995) find that extensive tax incentives in Brazil resulted in significant revenue losses compared to the investment generated. Similarly,

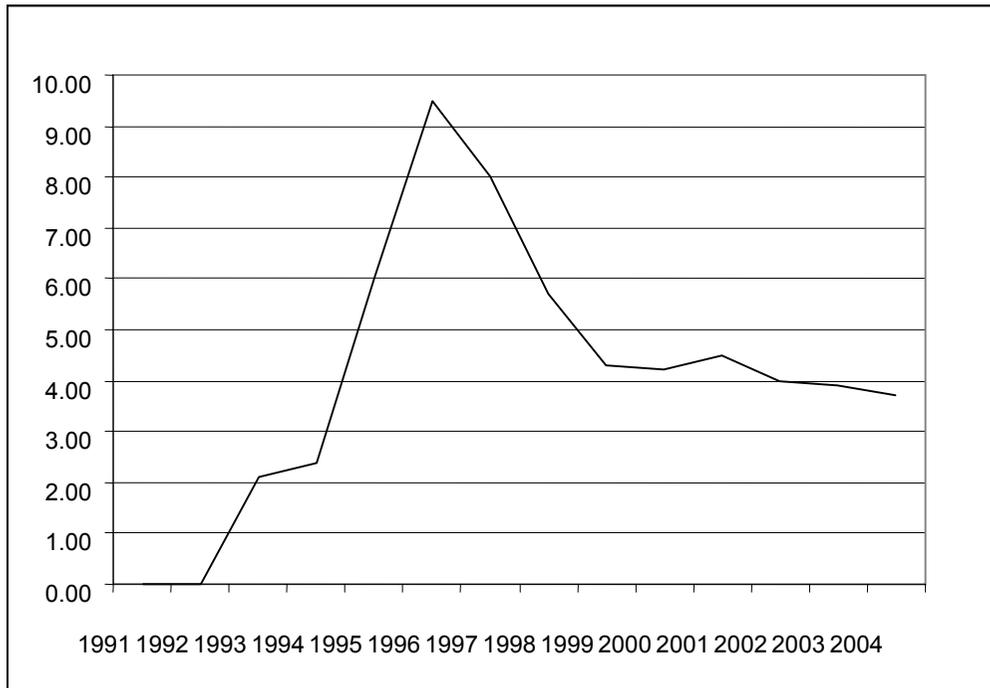
Boadway, Chua, and Flatters (1995) find that tax holidays in Malaysia were of little value for the target firms, and Halvorsen (1995) finds that rates of return in supported projects in Thailand were so high that they would have occurred even without incentives. Studies also find that taxes are generally not the most important factor affecting investment. For example, in a study of 45 countries, Wei (2000) finds that reducing the level of corruption from that of Mexico to that of Singapore would have approximately the same effect on FDI as a reduction in the CIT tax rate of 30 percentage points. Similarly, surveys of investors have generally found that the tax system is significantly less important than a country's basic economic and institutional environment (OECD 1995, Wunder 2001). Wunder (2001), for example, finds that, in a survey of 75 Fortune 500 companies, only 4 identify tax factors as being the most important variable in their investment decisions.

## **2. Estimated Effects in Cambodia**

There is no study specifically examined the effects of tax incentives in Cambodia. This is due in large part to the scarcity of relevant data. Nonetheless, the availability of some basic data does allow for some broad observations.

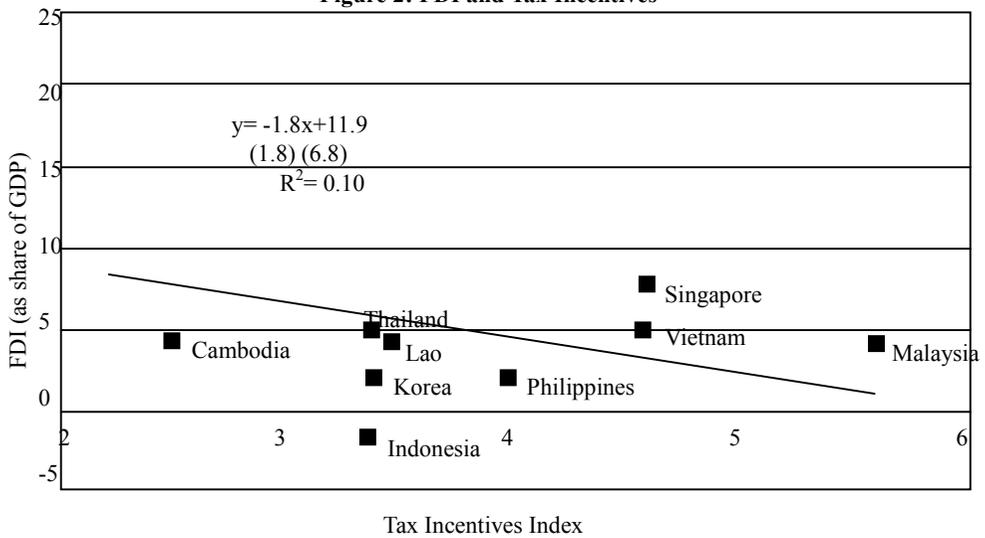
Tax incentives have been in place in Cambodia since mid 1990s, yet FDI has been declining during this period (Figure 1). Certainly, part of this decline is due to the Asian Financial crisis of 1997-99 and other country-specific factors, nonetheless, this decline provides little support for the notion that tax incentives have significantly boosted FDI. This result is also not surprising given that many foreign firm do not record profits in their first year of operation and therefore benefit little from tax incentives.

**Figure 1: FDI in Cambodia 1991-2004 (as share of GDP)**



Source: World Bank 2002, p. 89

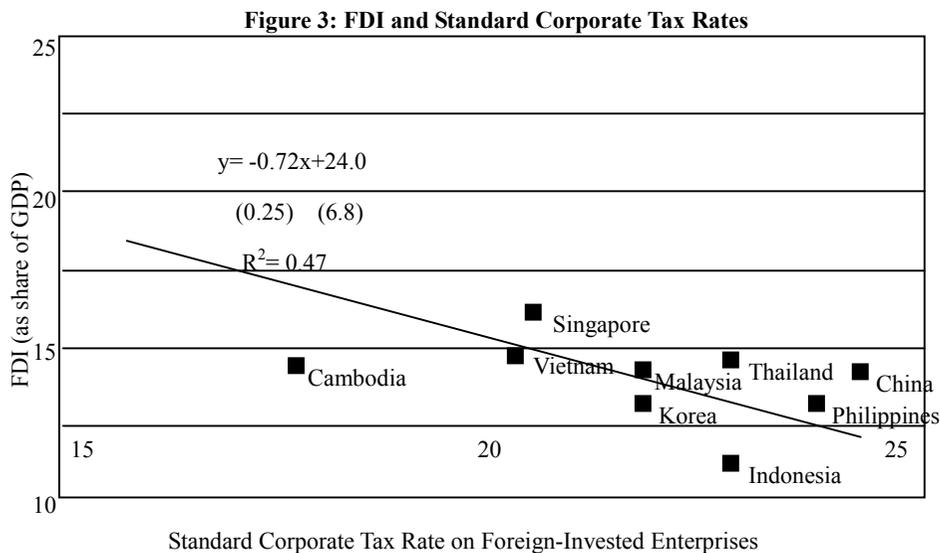
**Figure 2: FDI and Tax Incentives**



Source: IMF (various year); Price Water HouseCoopers (2004); World Bank (2004); and author's estimates

Figure 2 plots FDI as a share of GDP against a “tax incentives index” for several East Asian countries, revealing little evidence of a positive relationship. In Figure 2, FDI is the average of 1998-2004 (the longest series available for all countries from IMF various year. Standard errors are in parentheses of regression.

However, regional cross-section evidence does indicate that low standard CIT rates may have a positive effect on FDI. Figure 3 plots FDI against the standard CIT rate for foreign enterprises in several East Asian countries, revealing a statically significant negative relationship. This finding is consistent with other cross-sectional studies (Hines 1999) and supports the argument that excessive CIT rates can deter investment. It also lends some support to the notion that simple, uniform, and transparent tax regimes with low or moderate rates are more effective in promoting investment than complicated regimes of distortionary tax incentives.



Source: IMF (various year); Price Water HouseCoopers (2004); World Bank (2004); and author’s estimates

## V. Conclusion

In sum, while the evidence on tax incentives in Cambodia is not conclusive, it does tend to confirm several previous findings: (1) Tax incentives can be costly; (2) Tax incentives do not appear to be the primary determinant of investment; (3) There is little evidence that discriminatory tax incentives do a better job of promoting investment than simple, uniform regimes with low to moderate rates of taxation; indeed, if anything, the evidence indicates that the latter is preferable; and (4) If tax incentives are to be used, accelerated depreciation is likely to be more efficient and have fewer drawbacks than tax holidays.

Recently, there have been efforts to scale back tax incentives as witnessed by movements to amend the Investment Law. The high administrative and revenue costs of tax incentives, the lack of evidence that they have been effective, and their potential for facilitating tax avoidance and corruption all indicate that such efforts may be beneficial. Although further study of specific proposals would be useful, it is possible that such reforms may enhance the investment climate by making the tax system simpler, more transparent, and more predictable.

## Endnotes

- 1 Cambodia's current foreign investment law dates from 1994. The definition of FDI used in this paper is "an investment involving a long-term relationship and reflecting a lasting interest of a resident's entity in one economy in an entity resident in an economy other than that of the investor". Lindblad, p. 1.
- 2 It should be recognized that the difficulties of collecting, collating, and interpreting FDI data are a perennial problem for most countries, including advanced ones. For example, see "Hong Kong's \$64bn question", *The Financial Times*, 29 March 2001. As Lindblad states, "Patterns of FDI can only be identified if FDI is measured properly and that is often more easily said than done." Lindblad, p. 6.
- 3 Wells and others, 2001, p. 176.
- 4 Iboshi and Plummer, p. 19.
- 5 See Borrus et. Al, and Buckley, p. 90.
- 6 See Moran (1998), p. 29.
- 7 It should be noted that evidence to support the utility of incentives in attracting FDI inflows is less than wholly convincing that, at best. For example, a recent study by Beyer (2002), of the transitional economies of Eastern Europe and former Soviet Union, found no relationship between tax incentives offered and FDI levels. Although it is agreed that, all things being equal, incentives may work in attracting FDI inflows to one country ahead of other, rarely are things equal. Bergsman (1999) argues that despite their popularity, FDI incentives "in most countries are simply not effective. They attract very little additional investment. And they have costs: they are a drain on the Treasuries of the countries that grant them, they are sometimes counter-productive because they make investment procedures too complex, and they sometimes lead to significant greater corruption". He concludes, however that they may have some public relations effect, particularly for "a country that wants to change its image from one that seems unfriendly or unwelcoming to investors, to one that is welcoming and is ready to facilitate private business in general and FDI in particular...". Bergsman, p. 1 and 7.
- 8 The standard corporate income tax rate is 20%, but can be as low as 9% for eligible companies. Cambodia's policy conforms with Bergsman's assertion that small and "Otherwise less attractive countries that have potential as export platforms may need to have effective rates not higher than 10 or 15 percent, or may be even less for exporters, if they hope to get a lot of FDI". Bergsman, p. 7.

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