

*(National Coat-of-Arms)*  
**KINGDOM OF CAMBODIA**  
**Nation Religion King**

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**Royal Government of Cambodia**

**No. ....**

**PRESS RELEASE**

**On**

**Guidance of the Royal Government of Cambodia  
on the Additional Measures to Support the Private Sector and  
Workers Seriously Impacted by the COVID-19 Pandemic and to  
Recover and Promote Economic Growth after the End of this Pandemic  
(Round 4, May 26, 2020)**

Cambodia has been doing a good job of managing and preventing the COVID-19 pandemic while the regional and global situation of this pandemic also seems to have largely improved. Nevertheless, all of the countries around the globe including Cambodia still suffer from the prolonged socio-economic impacts of the pandemic.

To ensure the socio-economic stability, in particular the stability of businesses, factories and enterprises in order to move past the COVID-19 crisis, the Royal Government of Cambodia has decided to set out a 4<sup>th</sup> Round of measures to mitigate the impact being faced by the businesses in the main sectors. This package of measures includes two main components: (1) Extending the validity of the measures previously set out by the Royal Government; and (2) Further setting out new measures. Meanwhile, these Round 4 measures also aim to extend the contribution to the recovery of poor

people's livelihoods through a social assistance plan.

Furthermore, as the COVID-19 crisis may develop into a more improved situation and the economic activities may return to normal very soon, these Round 4 measures also aim to restore and recover the business capability to contribute to promoting economic growth in the post-pandemic context.

These Round 4 measures developed in a proactive spirit and with open consultation with all stakeholders as stated above include:

1. Measures to stabilize the livelihoods of businesses and workers-employees

*1.1. Further measures to support tourism*

- To provide a further exemption from all monthly taxes for two more months from June to July 2020 for the hotels, guesthouses, restaurants and travel agencies registered with the General Department of Taxation, and whose business activities are operated in Phnom Penh, Siem Reap, Preah Sihanouk, Kep, Kampot, Bavet city, and Poipet city.
- To further permit the non-payment of the National Social Security Fund (NSSF) during the business suspension.
- To exempt from the renewal fees for tourism licenses of all types for 2021.

*1.2. Measures to support aviation*

- To exempt all airlines registered in Cambodia from minimum tax for two more months from June to July 2020.

## 2. Measures to finance businesses

*2.1. To adjust the special financing plan of 50 million US dollars through the Agricultural and Rural Development Bank (ARDB) by extending and adjusting the loan conditions as follows:*

- To lower interest rates for working capital loans from 6% to 5% and for investment capital from 6.5% to 5.5%, exclusive of other service fees.
- To adjust the maximum term of loans from 5 to 7 years for investment capital and retain the two-year maximum term of loans for working capital.
- To continue to disallow those clients who receive loans from this special plan to use the loan for refinancing.
- To permit the flexibility of the registration criteria, in which the small and medium enterprises that have not been officially registered are able to apply for loans and are permitted to fulfill the registration conditions at a later time within one month after obtaining the loan.
- To adjust the condition requiring “the small and medium enterprises to create job opportunities for 5 people or over” to “encouraging the small and medium enterprises that have obtained the loans to create new job opportunities.”
- To extend the provision of loans from this plan to the SME cluster by encouraging the relevant small and medium enterprises to use the technical services of the “Khmer Entrepreneur” to coordinate the reception of this loan.

*2.2. To adjust a special financing plan of 100 million US dollars*

*between the small and medium enterprises and the financial institutions by extending and adjusting the loan conditions as follows:*

- To permit the adjustment of loan conditions for the loans in operation (loan restructuring).
- To continue to disallow those clients who receive loans from this special plan to use the loan for refinancing.
- To permit the flexibility of repayments from monthly to quarterly or semi-annual repayments with no more than 12 months for the principal and interest.
- To adjust the term of loans from 4 to 7 years, permitting the financial institutions (PFIs) to assess the term of loans for working capital and the investment capital itself.
- To extend the coverage of loans to the enterprises in the medical equipment and medicine production sectors in addition to the priority sectors stated in Subdecree No. 124 S.E., dated October 2, 2018, on **“Tax Incentives for Small and Medium Enterprises in Priority Sectors.”**
- To adjust the condition requiring **“the small and medium enterprises to create job opportunities for 5 people or over”** to **“encouraging the small and medium enterprises that have obtained the loans to create new job opportunities.”**

### 3. Increase financing to restore and promote growth after the COVID-19 crisis

#### *3.1. Measures to increase and facilitate cash flow*

- The Ministry of Economy and Finance will cooperate with the National Bank of Cambodia to review the possibility of loosening and adjusting some conditions to increase and facilitate cash flow in the banking system.

#### *3.2. Loosen the application of withholding tax for local and overseas lenders*

For new loans:

- To lower withholding tax on the loans of banks and financial institutions from both local and overseas sources to 5% (including borrowing from the countries with which an agreement on the elimination of double taxation is in force with respect to taxes on income and the prevention of tax evasion and avoidance (DTA) and borrowing from the countries without DTA) for 2020.
- To lower the withholding tax on the loans of banks and financial institutions from both local and overseas sources to 10% (from the countries with and without DTA) for 2021. And
- To adjust the withholding tax on the loans of banks and financial institutions from both local and overseas sources back to the normal level in accordance with the laws and regulations in force in 2022.

**For existing loans:**

- To lower the withholding tax on the loans of banks and financial institutions from both local and overseas sources to 10% (from the

countries with and without DTA) for 2020, and

- To adjust the withholding tax on the loans of banks and financial institutions from both local and overseas sources back to the normal level in accordance with the laws and regulations in force in 2021.

### *3.3. Financing source for working capital*

- The Ministry of Economy and Finance will establish a “credit guarantee fund” with a fund of 200 million US dollars. This fund may guarantee the loans through banks and financial institutions using the market policy to assuage the pressure of cash flow and working capital of businesses in all sectors for an amount of at least 2,000 million US dollars.

### *3.4. Additional financing facility*

- The Ministry of Economy and Finance will prepare additional financing of 300 million US dollars to support and act as a catalyst for promoting growth in key sectors during and after the crisis.

## 4. Social assistance measures

- The Royal Government has decided to extend the coverage and amount of the budget for the “**cash for work program**” in 2020 to 100 million US dollars to absorb the labor force who have lost employment from the factories/enterprises and returned home from the foreign countries, to support the local people’s living standards, and to bring about socio-economic achievements through the construction of small local physical infrastructures to enhance the agricultural and economic sectors.

- With the commitment to the further implementation of the existing social protection programs without delay, the Royal Government will introduce in June 2020 a social protection program during the COVID-19 crisis to support the daily livelihoods of poor and vulnerable families across the country holding Equity Cards, further paying great attention to the children below 5 years old, people with disabilities, old people aged 60 and over and the people living with HIV in those poor families.

## **5. Introduction of the IT Business Registration Platform**

- The Royal Government will introduce Phase 1 of the IT business registration platform in early June 2020 to facilitate and promote business registration, especially to make it easy for those companies wishing to be registered to obtain loans from the Royal Government's special financing program.

All ministries/institutions shall effectively implement this guidance in their respective jurisdictions.

The Royal Government will closely observe the socio-economic impacts of COVID-19 and is ready to set out additional measures to provide appropriate and necessary support to the businesses, workers and people who have been seriously impacted.