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RGC's Guideline on Additional Measures to Support Private Sector and Employees Heavily Impacted by COVID-19 and Post COVID-19 Economic Rehabilitation

After issuing consecutive press releases, the Royal Government of Cambodia (“**RGC**”) on 26 May 2020 issued a press release on the fourth-round preventive measures in order to mitigate impact on business operations of the main sectors. The measures include (1) extending the validity of some measures previously issued and (2) imposing additional measures. The measures will also include social assistance to help poor families.

The RGC set out details of the measures as follows:

1. Measures to Stabilize Business and Employees' Living Conditions

1.1. Tourism Sector

- To further extend the monthly tax exemption for June and July 2020 for hotels, guesthouses, restaurants, and tourist agents registered with the General Department of Taxation having their business operation in Phnom Penh, Sihanouk Vile, Siem Reap, Kep, Kampot, Krong Bavet, and Krong Poi Pet;
- To further extend the suspension of payment of monthly contribution for occupational risks and healthcare scheme with the National Social Security Fund during business suspension;
- To exempt all kinds of tourist licenses renewal fee for 2021.

1.2. Aviation Sector

- To further extend the minimum tax exemption for June and July 2020 of any airline company registered in Cambodia.

2. Measures to Provide Financial Support

- ### 2.1. Modifying the special financing program of USD50 million through Agricultural and Rural Development Bank (“**ARDB**”) by expanding the scope and modifying loan conditions as follows:

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- To reduce interest rate for working capital loans from 6% to 5% and 6.5% to 5.5 % for investments without service charge;
- To modify maximum loan duration for investment funds from five to seven years, while maintaining the maximum duration of working capital at two years;
- To continue to disallow customers who receive loans from this special program to do refinancing;
- To relax the registration requirement by allowing small and medium enterprises (“SMEs”) which have not duly registered to fulfil the registration requirement within one month after obtaining the loans;
- To modify the requirement of “SMEs to create job opportunities for at least 5 people” to “encouraging SMEs which have received the loans to put efforts in creating new job opportunities”;
- To expand the scope of loans in this special program to SME clusters by encouraging the related SMEs to use the technical service of the Khmer Entrepreneur for loan facilitation.

2.2. Modifying the co-financing program of USD100 million between SMEs, banks and microfinance institutions by expanding the scope and modifying the conditions as below:

- To allow loan restructuring;
- To continue to disallow customers who receive loans from this special program to do refinancing;
- To relax the repayment requirement by allowing payment for principals and interests quarterly, semesterly or up to annually instead of monthly;
- To modify loan duration from four years to seven years by allowing the financial institutions to evaluate the loan duration for working capital and investment loans;
- To expand loans eligibility to manufacturing entities of medical tools and drugs in addition to the prioritized sectors prescribed in the Sub-Decree 124 dated 02 October 2018 on “Tax Incentive for SMEs in Prioritized Sectors”;

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- To modify the requirement that requires “SMEs to create job opportunities for at least 5 people” to “encouraging SMEs which have received the loans to put efforts in creating new job opportunities”.

3. The Increase of Additional Loans for Post-COVID-19 Rehabilitation

3.1. Increasing and Facilitating Cash Flow Measure

- The Ministry of Economy and Finance (“**MEF**”) will collaborate with the National Bank of Cambodia (“**NBC**”) to examine the ability to relax and modify certain conditions in order to increase and facilitate cash flow in the bank systems.

3.2. Relaxing the Implementation of Withholding Tax on Interest for Local and International Loan Providers

- For new loan
 - o Withholding tax rate is reduced to 5% for 2020, and 10% for 2021; and
 - o This rate will be set back to the normal rate in 2022.
- For old loan
 - o Withholding tax rate is reduced to 10% for 2020;
 - o This rate will be set back to the normal rate in 2021.

3.3. Financing Sources for Working Capital

- The MEF will establish Credit Guarantee Fund in the amount of USD200 million. This Fund ensures the loans via banks and microfinance institutions complying with market principle in order to release the tension on cash flow and working of business in all sectors of at least USD2,000 million.

3.4. Preparation for Additional Financing Facility

- The MEF will prepare funds for additional financing in the amount of USD300 million to support and amplify the development of vital sectors during and post-crisis.

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4. Social Assistance

- The RGC will increase funds for Cash for Work in 2020 to USD100 million in order to support those who lose jobs at the factories/enterprises and those who return to Cambodia, as well as to support citizens' living, and to produce social-economic achievements through implementing infrastructure projects at the fundamental level in order to promote agricultural and economic sectors;
- Social Assistance program will be implemented in June 2020 throughout Cambodia to help poor families and vulnerable group of people, children under 5 years old, disability, old age from 60 and above and people who have HIV during COVID-19 crisis.

5. Implementing Electronic Registration Platform

RGC will implement Phase 1 of the Business Registration via Electronic Platform in early June 2020 to support and encourage the registration of companies and to facilitate companies that wish to register in obtaining loans from the special financing fund of the RGC.

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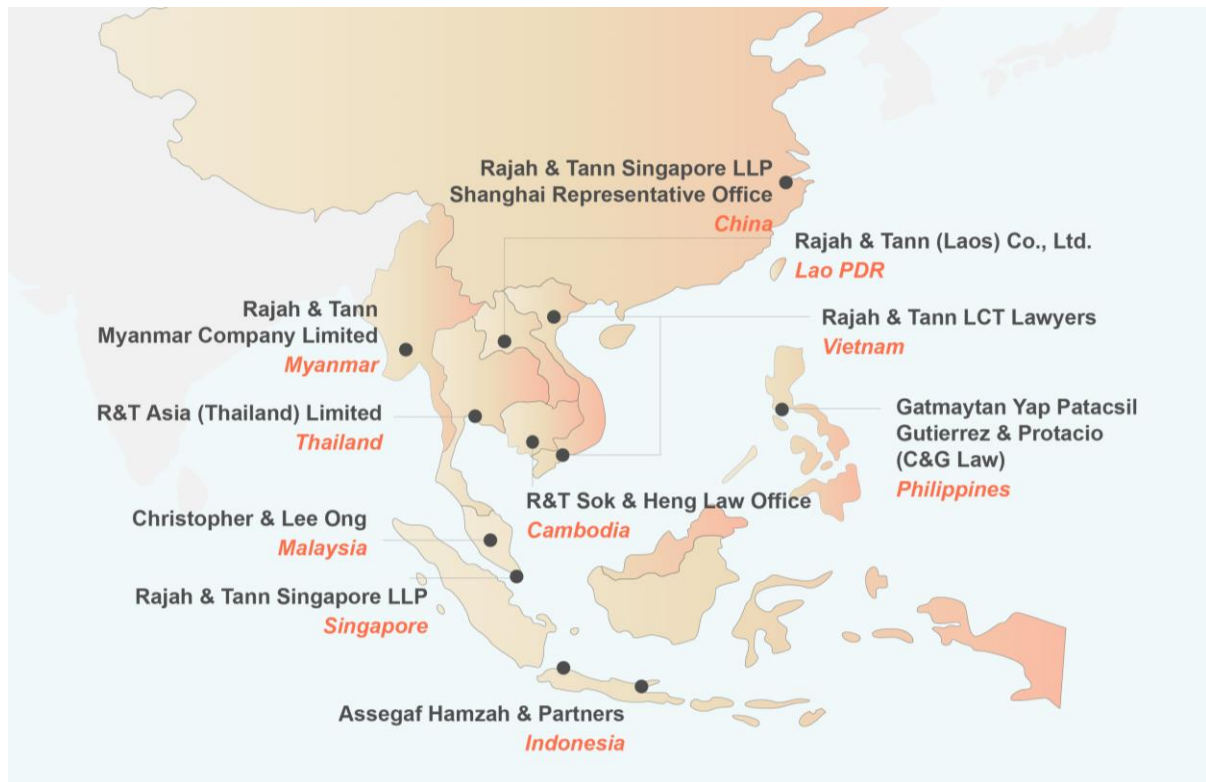
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