

**KINGDOM OF CAMBODIA
NATION RELIGION KING**



Phnom Penh, May 19, 2020

Address To

H.E Dr. Aun Porn Moniroth

Deputy Prime Minister, Minister of Ministry of Economy and Finance

Your Excellency,

As you may recall, I wrote to you on March 30 regarding government responses to the COVID 19 pandemic. In that letter, I asked that benefits which were being extended to specific sectors of the Cambodian economy such as garments and tourism be granted to other sectors of the economy, or perhaps the entire business community. We must find ways to allow businesses to survive in this extremely difficult time. Subsequently, we received many suggestions and recommendations from the business community about what the Royal Government could do to ease the plight of private sector members who are struggling.

I am forwarding their ideas to you for your consideration.

General

A number of members of the business community asked governmental guidance concerning protection for employees and staff working in the health sector from COVID-19 be continued. Specifically, restrictions on travel, group gatherings, and social spacing be extended.

SME's

Some members have asked for changes in laws and policy to make it easier to close down companies. Many companies are facing the reality of bankruptcy, and need help to close down.

But in addition, the Royal Government can support SME's financially and hopefully prevent bankruptcies by the following measures:

- Stimulate the economy by printing additional KHR for the public to spend.

- Concessional loans to SME's guaranteed by the government to jointly absorb the credit risk.
- Impose a maximum interest rate financial institutions can charge SME borrowers during this period
- Provide financial aid to business owners:
 - Landlords cannot evict their tenants for 6 months
 - Landlords must give a 50% discount
 - Landlords can negotiate the remaining 50% rent or offer an amount of rental deduction that offered by landlord, will become a special allowable deduction from annual tax on income calculation, i.e every US\$100 reduction to tenant, the landlord will save US\$20 based on TOI rate of 20%. Assume if GDT allows double deduction rule, e.g US\$100 rental reduction to tenant, the landlord is allowed US\$200 (double deduction) as deductible expenses, which will save US\$40 for landlord if they offer \$100 rental deduction.
 - Provide a training and restart grant
 - Tax rebate for 2 years

All sectors should be allowed to put 50% of it's workforce on unpaid leave. MLVT has issued instructions to allow garments and tourism sectors to apply suspension of operations for 60 days with some payment of salary of \$40 per month to be borne by the government during the suspension period. The government could also review other sectors and issue an instruction that allow private sector can at its own judgment to ask their staffs to be on unpaid leave during year of 2020, with condition that at least the co still maintain 50% of their normal payroll expenses, this will help to cut down their payroll cost at least by half to sustain for this critical period.

Telecommunications

The telecommunications sector seeks the support of the Royal Government in acknowledging telecom services as a public key infrastructure / essential service. That being the case, certain exceptions should be made regarding future restrictions to make sure that telecoms services as well as operations can continue as usual to support connectivity in the country. At the same time, we seek easier access to certain public infrastructure to make sure that the industry is able to expand their network as much as possible during this crisis to assist in communication and work from home arrangements.

The telecoms industry seeks the government's consideration to provide the industry with some relief on annual taxes and/or regulatory fees. This request is made because the industry has been required to provide a lot of discounts / relief to the customers while at the same time increasing a lot of resources to upgrade our sites and maintain operations to manage increased network utilization as well as maintain acceptable network availability.

Finally, the telecoms sector requests reduced electricity rates as more resources are needed to upgrade sites and maintain service quality while more people are working from home and using mobile data.

Tax

Some members of the private sector request tax exemptions for companies that support hotels and restaurants. As many hotels and restaurants have outstanding credit and cannot pay their suppliers, this would ensure the support industries survive as well. These companies include:

- Massage and day spa services
- Laundry services
- Souvenir businesses
- Food and beverage suppliers

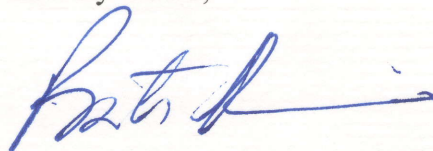
Additional, tax measures would include the following:

- Prepayment of VAT should also be deferred. Currently VAT is paid before collection of funds from customers, as they have longer payment terms. This is affecting the cash flow of businesses during this period
- Monthly payment of minimum profit tax should also be deferred in the current environment.
- In addition, GDT should extend the deadline for payment of taxes for 60 days after month end.
- Finally, there should be personal income tax rebate. There should be withholding tax waiver for businesses and individuals.

Your Excellency, these are some additional actions that have been requested by the business community in order to help us survive and benefit the Cambodian economy and the resumption of work by employees. We ask your kind consideration of these measures.

Please be assured, Your Excellency, of my highest consideration and warm personal regards,

Sincerely Yours,



Bretton G. Sciaroni

Co-Chairman, Working Group on

Law, Tax and Governance

International Business Chamber of Cambodia

3rd floor, #23, St. 139, Sangkat Veal Vong,

Khan 7 Makara, Phnom Penh, Kingdom of Cambodia

Tel: 023 964 455, 089 720 008

E-Mail: info@ibccambodia.com, Website: www.ibccambodia.com