



# Ministry of Economy and Finance

## General Department of Policy

# Government's Initiatives to Foster SMEs Competitiveness

31 January 2019

**Mr. CHEA Kok Hong**

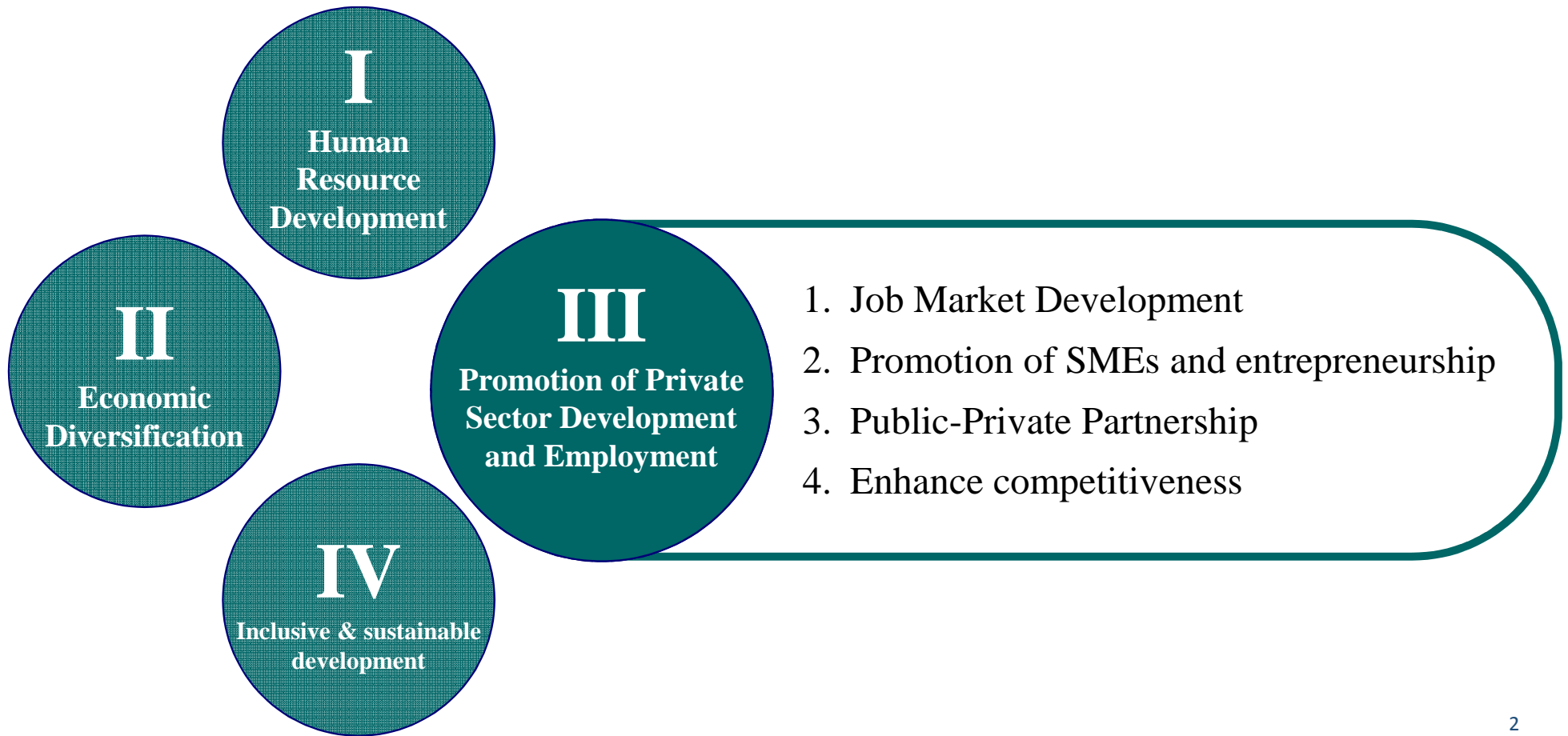
Director of Macroeconomic and Fiscal Policy

Email: [kokhong\\_chea@mef.gov.kh](mailto:kokhong_chea@mef.gov.kh)

# Government Rectangular Strategy

Phase IV: 2018 - 2023

---



# Government Initiatives to spur SMEs Competitiveness

---



## SME Bank

(In-progress of development)



## Entrepreneurship Development Fund

(In-progress of development)



## Skill Development Fund

(Active)

## SMEs Tax Incentive

### For new and existing SMEs:

- ❖ Exemption Tax on Profit (TOP) with few conditions
- ❖ Exemption on Prepayment of Profit Tax and Minimum Tax
- ❖ Special Deductible Expenses with few conditions

# **1. SMEs Bank Establishment**

---

## **Objective**

To increase access to financing for Cambodian SMEs with preferential conditions to broader economy growth.

Total Investment Capital  
**USD 100 Million**

\*\*Status: Sub-decree has been drafting, expected to launch in late 2019

## **2. Entrepreneurship Development Fund (2019)**

### **Goal:**

EDF will mobilize FUND to support the development of Entrepreneurship Promotion Center (EPC).

### **Objective:**

- To promote capacity of high potential SMEs and innovative start-ups
- To cultivate entrepreneurial culture and attitude

Annual Fund  
**USD 5 Million**

### **3. Skill Development Fund (2018)**

---

**Objective:**

To stimulate private participation and simulate the ADB & MEF jointly developed SDF structure to establish a trusted financing platform.

Total Fund  
**USD 5 Million**

## 4. SMEs Tax Incentives Sub-Decree No 124 (Oct-2018)

---

### Objective

- Promote SMEs development,
- Increase domestic production capacity, and Create jobs

### Incentives for both new and existing SMEs:

- Exemption for Tax on Profit
  - 3 years, or 5 years if local content over 60%; or increase workforce at least 20%, **or** in SME Cluster
- Exemption on Prepayment of Profit Tax and Minimum Tax
  - During the Tax on Profit exemption period
- Special Deductible Expenses
  - 200% for using Accounting System and Staff Training, and 150% for innovative machine and equipment that promote productivity

## SMEs Tax Incentives: Priority sectors

---

1. Agricultural products or agro-processing;
2. Food production and processing;
3. Manufacturing of goods for domestic consumption, waste processing, and goods for the tourism sector;
4. Manufacturing of final goods, parts or components to support other manufacturing;
5. Research and development of information technology including the supply of innovative information management services;
6. Enterprises in the SME clusters, and enterprises that develop those clusters.
7. Clean water production (to be included).

*These priority sectors do not include those that affect social security, health, and environment.*



# Sub-decree on SMEs Tax Incentives (KHM & ENG)

---

Download via:

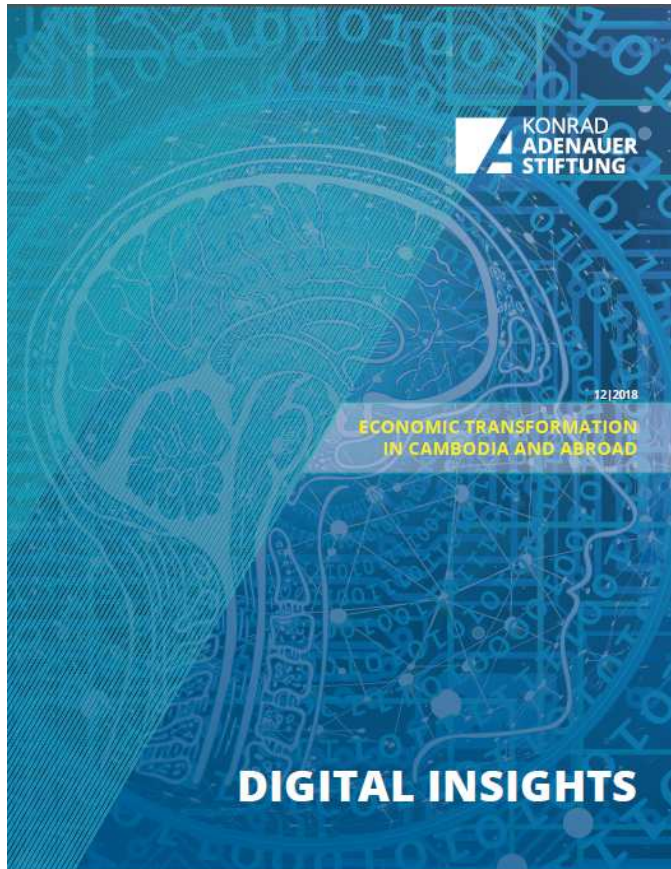
Link

**[bit.ly/Mef4SMEs](https://bit.ly/Mef4SMEs)**

QR code



# Digital Insight: Cambodian SMEs in the 4th Industrial Revolution: Government Policies and Opportunities



DIGITAL INSIGHTS

## Cambodian SMEs in the 4th Industrial Revolution: Government Policies and Opportunities

Lydet Fidor<sup>1</sup>

*Keyword: Small and Medium Enterprises (SMEs),  
government policy, digital economy, innovative business*

<sup>1</sup> BSc Economics Graduate, Royal University of Law and Economics (RULE)

Link to download  
SMEs Article  
[bit.ly/SMEs4ir](http://bit.ly/SMEs4ir)

Full-publication  
[bit.ly/Digital4ir](http://bit.ly/Digital4ir)

**Ministry of Economy and Finance**  
**General Department of Policy**



**THANK YOU**

31 January 2019

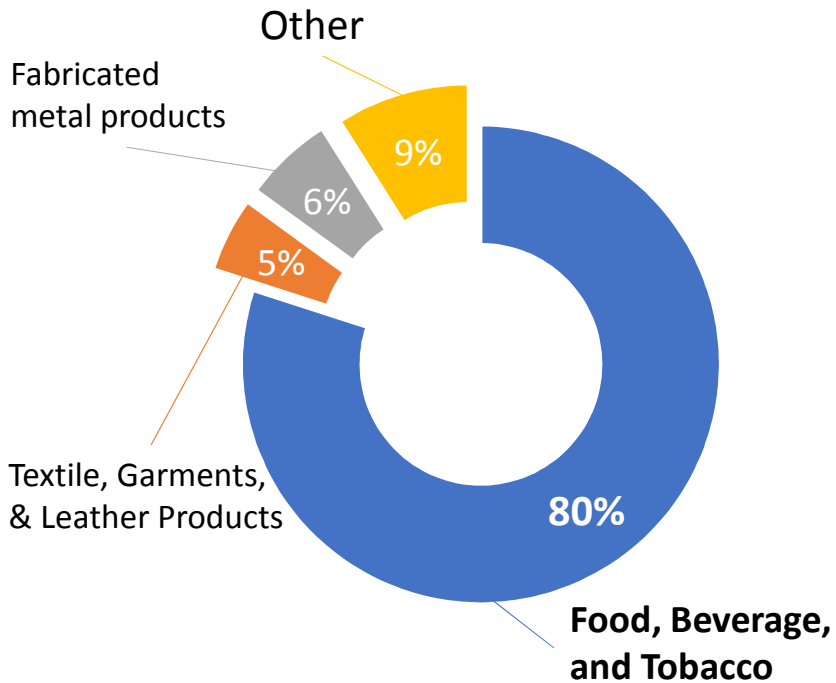
**Mr. CHEA Kok Hong**

Director of Macroeconomic and Fiscal Policy

Email: [kokhong\\_chea@mef.gov.kh](mailto:kokhong_chea@mef.gov.kh)

# Cambodia's SMEs & Startup Overview

**SMEs** : 39,277 legitimate SMEs  
 : 198,327 people employed



Source: Compiled by Author, Data of MoIH 2017

## Start-up ecosystem by sector

Sectors	# of Players	Maturity
• Fintech	> 50	25%
• Digital Media & Advertising	> 40	25%
• E-Commerce & Logistics	> 30	50%
• Digital Marketplaces	> 20	25%
• Development Services	> 20	75%
• Others	> 30	25%

Source: Cambodia's Vibrant Tech Startup Ecosystem Report in 2018

# SMEs Bank: Priority Sectors

---

1. Agriculture and Agro-processing
2. Food Processing
3. Manufacturing for local consumption
4. Backward linkages enterprises
5. Research and Development in information technology and Innovative Start-up
6. SMEs in Cluster and SME Cluster Developers

**To deliver this return, SME Bank will need to develop a low cost operating model; which then acts as an example for other banks to follow**

# SME Tax Incentives

---

Incentives for both new and existing SMEs:

➤ **Exemption for Tax on Profit from 3 to 5 years**

- Using at least 60% of local content, or
- Increasing at least 20% of workforce, or
- Located in SME Clusters.

➤ **Exemption on Prepayment of Profit Tax and Minimum Tax**

During the Tax on Profit exemption period

➤ **Special Deductible Expenses**

- 200% deduction of expenses on using accounting books through information system,
- 200% deduction of expenses on trainings on accounting book-keeping or technical skills for employees,
- 150% deduction of expenses on investment in machines or innovative high-tech equipment for serving and enhancing production productivity.

## SMEs Tax Incentives: Priority sectors

---

1. Agricultural products or agro-processing;
2. Food production and processing;
3. Manufacturing of goods for domestic consumption, waste processing, and goods for the tourism sector;
4. Manufacturing of final goods, parts or components to support other manufacturing;
5. Research and development of information technology including the supply of innovative information management services;
6. Enterprises in the SME clusters, and enterprises that develop those clusters.
7. Clean water production (to be included).

*These priority sectors do not include those that affect social security, health, and environment.*