

Technical Update

May 2020

Labor – Inter-ministerial inspections for the manufacturing sector

Ministry of Labor and Vocational Training – Joint Prakas No. 073/20 dated 27 February 2020 on the creation of inter-ministerial inspections for the manufacturing sector.

The inter-ministerial inspection team has been jointly created by the three relevant ministries including the Ministry of Labor and Vocational Training (“**MLVT**”), Ministry of Industry, Science, Technology and Innovation (“**MISTI**”) (formerly known as Ministry of Industry and Handicraft) and the Ministry of Environment (“**MoE**”).

The purpose of the inter-ministerial inspection team is to jointly inspect enterprises and establishments to ensure compliance with the labor, industrial and environmental laws and regulations.

The directors of enterprises and establishments which are under the scope of the labor, industrial and environmental laws and regulations must facilitate the inspections to be conducted by the inter-ministerial inspection team.

The inter-ministerial inspection teams having a joint order issued by the three ministries (MLVT, MISTI and MoE) have the obligation to conduct the inspections in the enterprises and establishments which are under the scope and authority of the three ministries.

This joint Prakas is effective from the signing date of 27 February 2020.

Tourism – Instruction on the implementation of additional measures for the tourism sector

Ministry of Tourism (MoT) – Instruction No. 011 dated 17 April 2020 on the implementation of additional measures for the tourism sector

This instruction directs the Directors of Municipal/Provincial Departments of Tourism to circulate and promptly urge the owners of hotels, guesthouses, restaurants and travel agents who are seriously impacted by the spread of the Covid-19 pandemic to implement the following measures in addition to the taxation relief measures (see the KPMG Technical Update of April 2020 on the Additional Government Tax Relief Measures to Support the Private Sector):

1. Facilitate with the building-business site owners to assist the tenants who are tourism operators by refraining from contract terminations or evictions in case the tenants cannot afford the rental fees in accordance with the payment due dates and encourage negotiation between the building-business site owners and tenants on delaying payment due dates and rental fee reductions.
2. Inform the owners of hotels, guesthouses, restaurants and travel agents in Phnom Penh, Siem Reap province, Preah Sihanouk province, Kep province and Kampot province who have suspended or will suspend their business operations to submit the request to suspend employment contracts to the Ministry of Labor and Vocational Training (MLVT) through the Department of Labor Inspection (DLI) for businesses located in Phnom Penh or to the Provincial Department of Labor and Vocational Training (PDLVT) for

business located in the provinces in order to receive subsidies of US\$40 per month for the period of two months from the Royal Government without requiring workers/employees to attend short soft skills training courses. Enterprises and businesses in the tourism sector shall contribute voluntarily and based on their capacity to the workers/employees in addition to the government subsidies. The necessary conditions in order to receive subsidies from the Royal Government include:

- Approval from the MLVT on suspension of employment contracts from 10 April 2020 onwards;
 - The suspended workers/employees must be the ones who have NSSF membership cards or must be the ones whose names are listed in the updated contact lists which were already submitted to or to be submitted to the labor inspector in accordance with the spirit of the MLVT notification No. 009/20 dated 23 March 2020. The subsidies would not cover those workers/employees who work for enterprises or businesses that were already closed or will close their operations.
3. Contributions for the NSSF occupational risk and health care schemes are not required during this period of the suspension of business operations, subject to filing a request letter on the NSSF contribution suspension to the NSSF after obtaining the approval on the suspension of employment contracts from the MLVT. Workers/employees are still entitled to receive health care benefits and maternity subsidies during the period of the suspension of their employment contracts.
 4. All tourism business owners can postpone the payment of the seniority payment for the year 2020 until the year 2021.

Labor – Instruction on the suspension of employment contracts and the National Social Security Fund (NSSF) contribution payment for factories, enterprises, or establishments in the garment and tourism sectors which have been seriously affected by the Covid-19 pandemic.

Ministry of Labor and Vocational Training (MLVT) – Instruction No. 045/20 dated 17 April 2020 on the suspension of employment contracts and the NSSF contribution payment for factories, enterprises or establishments in the garment and tourism sectors which have been seriously affected by the Covid-19 pandemic

The MLVT has issued the instruction for (1) owners or directors of factories, enterprises or establishments in the garment sector (including textiles, garments, footwear and bags and luggage products), and in the tourism sector in Phnom Penh, Siem Reap province, Preah Sihanouk province, Kep province, and Kampot province (including hotels, guesthouses, restaurants, and tourism agencies) who face a shortage of raw materials or are without purchase orders or without export markets or without clients using their services or have any special difficulty which cause the temporary suspension of their production activities or businesses and (2) workers/employees who work for the factories, enterprises or establishments, to jointly fulfil the procedure for the suspension of employment contracts and the NSSF contribution payments as follows:

A- Request to Suspend Employment Contracts

A-1 Owners or directors of factories, enterprises or establishments in the garment and tourism sectors who have not updated the MLVT as at the end of March 2020 must:

- submit the request to suspend employment contracts to the Minister of the MLVT through the Department of Labor Inspection (DLI) for factories, enterprises or establishments located in Phnom Penh or through the Provincial Department of Labor and Vocational Training (PDLVT) for factories, enterprises or establishments located in the provinces by following the Form provided in Annex 1 and 2 of the instruction and on the MLVT website: www.mlvt.gov.kh. The maximum period of employment contract suspension is two (2) months and can be extended in the case of necessity and in accordance with the actual situation.
- Publish and notify widely and openly to workers/employees whose employment contracts are suspended to necessarily provide (1) Cambodian identification card number and (2) personal phone number (or sibling's phone number) for the MLVT to use as the basis for transferring the subsidies of US\$40 per month through the Wing (Cambodia) Limited Specialized Bank.

- Prepare the complete and correct name list of workers/employees whose employment contracts are suspended in accordance with the Form provided in Annex 3 of the instruction by requiring workers/employees to thumbprint on their names to make sure that the identification card number and phone number which factories, enterprises or establishments have prepared are correct.
- Owners or directors of factories, enterprises, or establishments who fail to publish the above information openly to workers/employees or fail to get workers/employees' thumbprints on the identification card number and phone number which factories, enterprises, or establishments have prepared must be responsible for the subsidies of US\$40 per month.
- Attach with three (3) copies of each document including: (1) last payroll list before the suspension of the employment contracts by affixing the stamp of the factories, enterprises or establishments on every page; (2) business registration certificate; (3) tourism license (for tourism sector); (4) patent tax certificate; (5) enterprise registration certificate of the NSSF (if any); and (6) bank account number of factories, enterprises or establishments.

After receiving the request for employment contract suspension with the complete attached documents, the labor inspectors will do the inspection and verify those factories, enterprises or establishments within two (2) working days.

A-2 Owners or directors of factories, enterprises or establishments in the garment and tourism sectors who have already updated the MLVT or through the PDLVT at the end of March 2020 must implement as per the procedure mentioned in A-1 above but it is required to implement it through the online system: <https://suspension.mlvt.gov.kh> which has instructions on how to use this system as provided in Annex 4 of the MLVT instruction.

A-3 Other obligations of owners or directors of factories, enterprises or establishments in the garment and tourism sectors:

- Factories, enterprises, or establishments in the garment sector must provide the allowance for each worker/employee as follows:
 - US\$10 for suspension of employment contract from seven (7) days to ten (10) days;
 - US\$20 for suspension of employment contract from eleven (11) days to twenty (20) days;
 - US\$30 for suspension of employment contract from twenty-one (21) days to one (1) month.

Enterprises or establishments in the tourism sector shall provide an additional allowance to workers/employees in accordance with their own ability and voluntariness during the employment contract suspension as well as determine the procedure for providing this additional allowance.

- Owners or directors of factories, enterprises or establishments in the garment and tourism sectors must implement the suspension of employment contracts by following the date and time as set in the MLVT's approval letter on the suspension. In case the suspension of employment contracts is finished (workers/employees are coming back to work as normal) before the set date as stated in the approval letter of the suspension, the notification letter must be made to the Minister of the MLVT through the DLI or PDLVT at least two (2) working days before the re-commencement date of working in accordance with the Form provided in Annex 5 and 6 of the instruction.
- Owners or directors of factories, enterprises or establishments in the garment and tourism sectors must be responsible before the law for all information provided to the MLVT and must compensate the Royal Government for any fraudulent conspiracy of any information.

A-4 Workers/Employees must:

- Provide their identification card number and contactable personal phone number to owners or directors of factories, enterprises, or establishments in the garment and tourism sectors for compiling a list to provide to the MLVT to prepare the procedure for providing the subsidies of the Royal Government in the amount of US\$40 per month to workers/employees through the Wing (Cambodia) Limited Specialized Bank.

In case there is no personal phone number, workers/employees shall provide a phone number of their spouse, children, parents, or siblings, and the phone number must not be changed.

- Receive the subsidies from the Royal Government through Wing Agency as below:
 - US\$15 for suspension of employment contract for from seven (7) days to ten (10) days;
 - US\$30 for suspension of employment contract from eleven (11) days to twenty (20) days;
 - US\$40 for suspension of employment contract from twenty-one (21) days to one (1) month.
- After suspension of the employment contract for ten (10) days, workers/employees will receive the message from Wing (Cambodia) Limited Specialized Bank informing them of the amount they will receive.
- After receiving the message by phone, the workers/employees must bring their Cambodian identification card and the phone message to any neighborhood Wing agency in order to get the Royal Government's subsidies. Wing (Cambodia) Limited Specialized Bank will transfer the subsidies back to the Royal Government if the workers/employees fail to get the subsidies within ten (10) days after Wing (Cambodia) Limited Specialized Bank sent them the message through their phone numbers.

The MLVT would like to remind all of the workers/employees to cooperate in providing Cambodian identification card numbers and contactable phone numbers to factories, enterprises, or establishments as well as review their Cambodian identification card number and phone number in the workers/employees' employment contract suspension name list before thumbprinting on it to verify these two pieces of information.

Any worker/employee who fails to provide the Cambodian identification card number and the contactable phone number to factories, enterprises or establishments means that worker/employee voluntarily agrees not to accept the subsidies from the Royal Government.

A-5 The MLVT must copy the approval letter on employment contract suspension by following the Form as provided in Annex 7 and 8 of the instruction to the Ministry of Commerce; Ministry of Tourism (as relevant to the tourism sector); Ministry of Industry, Science, Technology, and Innovation (formerly known as Ministry of Industry and Handicraft); Ministry of Mines and Energy; National Bank of Cambodia; Ministry of Economy and Finance; General Department of Taxation; National Social Security Fund; and relevant Provincial/Municipal Administrations.

B- The Request to suspend Contribution Payments and Continuation of the Provision of NSSF Benefits

- Owners or directors of factories, enterprises, or establishments who are NSSF members must prepare the notification letter on the suspension of the contribution payments to the NSSF by following the Form provided in Annex 9 of the instruction and on the MLVT website: www.mlvt.gov.kh.
- During the suspension of employment contracts, workers/employees will continue to receive the health care benefits from the NSSF.
- Workers/employees still continue to receive the subsidies for maternity from the Royal Government (KHR400,000 for one child, KHR800,000 for twins and KHR1,200,000 for triplets and receive the subsidies of KHR5,000,000 from **Samdech Techo Prime Minister and Samdech Kittipritbandit**).

The MLVT's Labor Inspector has verbally informed us that this instruction cancels the previous instruction No. 014/20 of 28 February 2020 on the Suspension of Employment Contracts, Enrollment for Soft Skill Trainings and Suspension of NSSF Contribution Payments for the Textile, Garment, Footwear, Travelling Products and Bag Sectors which have been affected by the Shortage of Raw Materials due to the Covid-19 Pandemic.

NSSF – The Suspension of National Social Security Fund (NSSF) Contribution Payments for Educational Institutions

Ministry of Labor and Vocational Training (“MLVT”) – Letter No. 609/20 dated 23 April 2020 on the Suspension of NSSF Contribution Payments for Educational Institutions for a period of six (6) months commencing from April 2020 continuing until September 2020.

Responding to the request of the Cambodian Higher Education Association (“CHEA”), the MLVT permits any educational institution which is the member of the CHEA to suspend the NSSF contribution payments from April 2020 continuing until September 2020.

If the Covid-19 situation is concluded before September 2020 together with an announcement from the Royal Government requiring all levels and types of educational institutions to reopen, each educational institution which is the member of the CHEA must continue to make NSSF contribution payments from the reopening month in accordance with the announcement of the Royal Government.

Contact us

KPMG Cambodia Ltd.

KPMG in Cambodia and Vietnam is one of the leading professional services firms, with over 1,700 staff working from our offices in Phnom Penh, Hanoi, Ho Chi Minh City and Da Nang. We work with our colleagues across Asia and around the world to provide a broad range of services.

Please contact us if you have any questions:

Phnom Penh

PO Box 2352
4th Floor, Delano Center
No.144, Street 169, Sangkat Veal Vong,
Khan 7 Makara, Phnom Penh,
Kingdom of Cambodia

T: +855 23 216 899
F: +855 23 216 405
E: kpmg@kpmg.com.kh

Michael Gordon

Senior Advisor
T: +855 23 216 899 (ext. 7222)
E: mgordon@kpmg.com.kh

Neou Seyla

Manager
T: +855 23 216 899 (ext. 7426)
E: nseyla@kpmg.com.kh

Max Howlett

Partner
T: +855 23 216 899 (ext. 7424)
E: mhowlett@kpmg.com.kh

Bun Pesey

Manager
T: +855 23 216 899 (ext. 7425)
E: bpesey@kpmg.com.kh

Follow us on:



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2020 KPMG Cambodia Ltd., a Cambodian limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

kpmg.com.kh