



Cambodia tax alert

Guidance issued on VAT refund procedures and authorization

Cambodia's Ministry of Economy and Finance (MEF) issued two sets of guidance (Prakas No. 576 and No. 577) on 19 June 2018, which are effective as from this date, on the procedures and authorization for VAT refunds. Prakas No. 576 provides detailed procedures for VAT refunds, eligibility criteria and the expected timing for the authorities to issue a refund, formalizing the process for granting VAT refunds that previously was set forth in a 2005 circular and introducing some procedural changes. Prakas No. 577 authorizes the Director General of the General Department of Taxation (GDT) to approve VAT refunds under certain circumstances (previously, the MEF had to approve all VAT refunds).

Eligibility criteria

Different eligibility criteria for a VAT refund apply to taxpayers that are companies and to those that are embassies, non-governmental organizations or development partners (collectively, "not-for-profit entities").

A company must meet the following requirements:

- Have an excess input tax credit:
 - For the month, if the company is a taxable person whose main activity is exporting or if the company is registered as an investment enterprise; or
 - For more than three months, if it is any other type of company;
- Submit evidence of the input tax payment, e.g. an original import declaration form or a purchase invoice from a local supplier;
- If the company is an exporter, submit evidence that its exports were subject to 0% VAT, e.g. an export declaration form or a sales invoice with a 0% VAT charge; and
- Have the proper accounting records for VAT purposes, including purchase-sale journals and other supporting records.

As mentioned below, a company meeting these requirements must submit a request letter and an application form to the GDT to apply for a VAT refund.

A not-for-profit entity must meet the following requirements:

- Be registered with the GDT as a not-for-profit entity;
- Submit the applicable form prescribed by the GDT;
- Include only VAT paid on invoices that each have a value of at least KHR 200,000 (approximately USD 50), exclusive of VAT, in its refund request;
- Request a VAT refund amount of at least KHR 2 million (approximately USD 500) on the total invoices that each have a value of at least KHR 200,000, exclusive of VAT; and
- Have the application form certified by the "mission director" or head of the organization.

Procedures and approval process

The procedures for a VAT refund are as follows:

- The taxpayer submits a request letter and application form to the GDT. The GDT is required to enter the request letter and application form into a document tracking system and provide the documents a bar code for status tracking purposes.
- If the taxpayer is a company, the GDT will carry out a VAT audit and verification process; however, companies with "gold" status (i.e. a taxpayer classification based on the level of compliance) are exempt from VAT audits, as are not-for-profit entities.
- The GDT will follow its internal processes to obtain approval for the refund from the MEF (if required) and the National Treasury.
- If the application is approved, the GDT will issue a response letter to the taxpayer, along with a refund check.

The expected timing for the authorities to issue a refund after receiving the taxpayer's request is within 15 business days for a not-for-profit entity and within 40 business days for a company; however, in practice, the process may take longer.

The Director General of the GDT is now authorized to approve certain VAT refund applications and payments, depending on the type of taxpayer and the VAT refund amount:

- For companies with gold status and not-for-profit entities, the Director General may approve a VAT refund of any amount; and
- For other companies, the Director General may approve a VAT refund of up to KHR 2 billion (approximately USD 500,000), while the Minister of the MEF must approve refunds of exceeding this amount.

If you have any questions, or would like additional information on the topics covered in this alert, please contact:

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