



Cambodia tax alert VAT guidance issued on 0% rate for export services

On 11 June 2019, Cambodia's General Department of Taxation (GDT) issued Notification 9898 providing guidance on when a taxpayer may claim a 0% VAT rate on "export services," which is not defined under current VAT guidelines.

The new guidance states that when services are performed outside of Cambodia for a nonresident entity, the services are subject to a 0% VAT rate. The services may be provided by a Cambodian business using resident or nonresident employees to perform the services outside of Cambodia.

When services are performed within Cambodia but used outside of Cambodia by a nonresident entity, the services also are subject to a 0% VAT rate, but only when the services are used directly and entirely by a nonresident entity outside of Cambodia. The nonresident entity may not use the services for any business purpose or economic benefit within Cambodia at any time. The rules provide the following examples:

- A Cambodian resident entity provides architectural services, software programming or other similar services to an entity outside of Cambodia. The services are subject to a 0% VAT rate if the nonresident entity uses the building plans or software programs outside of Cambodia.
- A Cambodian resident entity supplies consultancy services such as legal, accounting, tax, business, research or data analysis, with respect to Cambodian laws, regulations and business matters, for a nonresident entity. The 0% VAT rate does not apply since the services are for business purposes or economic benefits in Cambodia. Therefore, the 10% standard VAT rate applies.
- A Cambodian resident entity provides analysis and quality review on products to be exported outside of Cambodia. The 0% VAT rate does not apply since the services are performed and used in Cambodia

before the products are exported. Therefore, the 10% standard VAT rate applies.

A taxpayer must provide the following supporting documents to claim the 0% VAT rate:

- An agreement that clearly states the service fee, type of service and location where the services are to be performed;
- Documents showing payments remitted outside of Cambodia to a bank in Cambodia;
- An original invoice; and
- Related accounting records.

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

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