



Cambodia Tax Alert

Rules and procedures set forth to implement VAT on foreign e-commerce activities

Greetings from your Tax & Legal team at Deloitte Cambodia. We hope that you and your loved ones are staying safe and healthy despite these challenging times. As we navigate ourselves through this trying period, we are committed to giving you the support you need.

We are pleased to update you on the following:

Rules and procedures set forth to implement value-added tax (VAT) on foreign e-commerce activities

Cambodia's Ministry of Economy and Finance (MEF) issued guidance Prakas No.542 MEF.Brk (Prakas No. 542) on 8 September 2021 that is effective as from the same date and that sets forth the rules and procedures for the implementation of VAT in Cambodia in relation to certain e-commerce activities.

This follows the 8 April 2021 issuance of Sub-decree No. 65, which set out the mechanism to implement VAT on electronic supplies of digital goods and services or other e-commerce activities for domestic consumption that are made by non-residents that do not have a permanent establishment in Cambodia.

Among other things, Sub-decree No. 65 set out a number of relevant definitions,

including the following:

- “E-commerce” means activities such as purchasing, selling, renting, and exchanging goods or services via electronic systems, including commercial and non-commercial activities or operations;
- “Digital goods” means intangible goods that are ordered, supplied, and delivered via electronic systems; and
- “Digital services” means services that are provided via electronic systems.

Prakas No. 542 clarifies that non-residents that supply digital goods or services electronically to, or that use electronic systems to conduct e-commerce activities from overseas for, consumers in Cambodia are required to register for VAT purposes in Cambodia and file VAT returns if their turnover from these activities reaches a certain threshold. This is applicable for both business-to-consumer (B2C) and business-to-business (B2B) transactions. Other relevant provisions of Prakas No. 542 are summarised below.

VAT registration

- Non-residents that derived annual turnover of KHR250 million (around US\$62,500) or more in the prior year or that expect to derive turnover of KHR 60 million (around US\$15,000) or more for three consecutive months in the current year from e-commerce transactions with Cambodian consumers will be required to register for VAT purposes in Cambodia under the simplified VAT registration system within 30 days after satisfying the turnover threshold.
- The application for VAT registration can be completed in Khmer or English via the e-registration system (<http://www.tax.gov.kh>) or via a physical submission to the tax authorities.
- The registration fee is KHR400,000 (around US\$100) and the fee to update registration information is KHR200,000 (around US\$50).
- Non-residents will receive approval of the VAT registration or an information update within seven to ten business days. Once registration is approved, the tax authorities will issue the following documents in PDF format:
 - Simplified VAT registration certificate;
 - Tax registration card; and
 - Notification letter regarding the nonresident’s tax obligations.
- The tax authorities also have the right to unilaterally register a non-resident.

Other VAT obligations

Non-resident taxpayers that supply digital goods or services to, or that conduct e-commerce activities electronically for, consumers in Cambodia under the B2C model are required to file VAT returns on a monthly basis and pay the tax in KHR to the tax authorities by the 20th day of the following month.

Non-resident taxpayers that supply digital goods or services to, or that conduct e-commerce activities electronically for, consumers in Cambodia under the B2B model are also required to file VAT returns on a monthly basis by the 20th day of the following month, but they are not required pay the tax to the tax authorities. Instead, under the B2B model, resident taxpayers that purchase digital goods or

services electronically from, or that otherwise enter into e-commerce transactions with, non-resident taxpayers are required to collect output VAT based on the “reverse charge mechanism” by filing VAT returns and paying the tax in KHR to the tax authorities by the 20th day of the following month. In such a case, the resident taxpayer can claim the collected output VAT as an input VAT credit, based on articles 29 to 39 and article 41 of the VAT Sub-decree.

Non-resident taxpayers are required to prepare reports on a monthly basis on transactions involving taxable supplies, based on the format prescribed by the tax authorities.

VAT rate

The VAT rate for the supplies described above is the standard 10% rate.

Exemption from VAT

Small taxpayers (as classified under a Prakas, most recently Prakas No. 009 issued on 12 January 2021) that purchase digital goods or services electronically from, or that otherwise enter into e-commerce transactions with, non-resident taxpayers are exempt from the requirement to apply the VAT reverse charge mechanism for five years, effective from the 8 September 2021 date of Prakas No. 542.

Penalties

Failure to register, update information, submit tax returns, or pay tax to the tax authorities will result in penalties under the existing tax laws and regulations.

Other matters

Non-resident taxpayers that have registered under the simplified VAT registration system are exempt from patent tax (the patent tax is an annual tax on business activities determined based on the type of taxpayer and the level of turnover).

Prakas No. 542 also covers non-taxable supplies, taxable value, time of supply, and invoicing requirements.

Contacts

Should you have any comments or questions arising from this newsletter, please contact the Deloitte Cambodia tax team below.

Kimsroy CHHIV

Tax Partner
Deloitte Cambodia

+855 23 963 701

kchhiv@deloitte.com

Vuthy SRENG

Tax Director
Deloitte Cambodia

+855 23 963 729

vsreng@deloitte.com



Dbriefs

Dbriefs

A series of live, on-demand and interactive webcasts focusing on topical tax issues for business executives.



Power of With

Focus on the power humans have with machines.



Tax@hand

Latest global and regional tax news, information, and resources.

Get in touch



Deloitte Cambodia | Add Deloitte as safe sender

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which are separate and independent legal entities, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

About Deloitte Cambodia

In Cambodia, services are provided by Deloitte (Cambodia) Co., Ltd. and its subsidiaries and affiliates.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2021 Deloitte (Cambodia) Co., Ltd.