

## Implementation of Value Added Tax (VAT) on Electronic Commerce (E-Commerce) Transactions

*(Instruction no. 20522 GDT, dated 8 December 2021)*

As we have highlighted in our September 2021 Technical Update on the Sub Decree 65 SD.Prk, dated 8 April 2021 and Prakas 542 MEF. Prk, dated 8 September 2021 on the implementation of VAT on E-commerce transactions, the GDT has issued a new Instruction no. 20522 dated 8 December 2021 to further clarify on the rules and procedure on the implementation of VAT on E-commerce particularly on the procedure of Simplified VAT registration, Invoice issuance and monthly declaration obligation.

As defined under this new Instruction, Sub-Decree 65 SD.Prk and Prakas 542 MEF.Prk, VAT on E-commerce transactions is applicable for the supply of digital goods or digital services or any e-commerce activity by taxable persons who are non-resident taxpayers, including Electronic Platform Operator to the resident taxpayers in Kingdom of Cambodia. On the other hand, activities, or e-commerce transactions by resident taxpayers inside the Kingdom of Cambodia are not within the scope of this Instruction but shall comply with the tax law and provision in effect.

This new Instruction further mentions that the supply of digital goods or digital services or any e-commerce activity as provided in Article 57 of Law on Taxation shall be considered as non-taxable supplies.

### I. Registration Obligation

As set out under this new Instruction 20522, non-resident taxpayers who supply digital goods or digital services or and e-commerce activity from outside the Kingdom of Cambodia shall complete the Simplified

VAT based on the annual turnover as follows:

- A. Complete the Simplified VAT Registration within 30 days, after having an estimated annual turnover of over KHR250 million (~US\$62,500) or expected turnover from KHR60 million (~US\$15,000) or more within any 3 consecutive months ending in the current calendar year.
- B. In contrast, non-resident taxpayers who have supplied or are supplying digital goods or digital services and have an estimated annual turnover of over KHR250 million (~US\$62,500) starting from 1 January to 31 December 2021 **must register Simplified VAT Registration at the latest by 31 December 2021.**

Simplified VAT Registration can be done through the E-Registration or through direct registration at the GDT and the application can be completed in Khmer language or in English language. The non-resident taxpayer must pay the registration fees of KHR400,000 (~US\$100) for Simplified VAT Registration regardless of the registration method.

A Non-resident will get the approval for the Simplified VAT Registration within 7 to 10 working days. After registration, non-resident taxpayer will receive Simplified VAT Registration Certificate, Tax Identification Registration Card, and Notice on Tax Obligation fulfillment.

Note that if the taxpayers fail to register or fail to arrive per invitation of the tax administration, based on information and data available to the tax administration, the GDT has the right to unilaterally register Simplified VAT to the taxpayer.

The Instruction also provides the details information of required document for Simplified VAT registration, timeline of registration service and official registration documents as well.

## II. Obligation to declare and pay VAT and report

Taxpayer	VAT declaration obligation	Time of Supply	Exchange Rate	Declaration Deadline	Payment Method
Non-resident taxpayer (A) to taxpayers under the self-assessment regime (B) – so-called Business to Business “B2B” transaction	<p>– <b>Large and Medium taxpayers</b></p> <ul style="list-style-type: none"> <li>• B shall collect tax through the “reverse charge method” at the rate of 10%</li> <li>• B must declare VAT with the form for NR-VAT02 as well as complete detailed information on Appendix 01 and Appendix 02 of this form</li> </ul>	Earliest of the following dates: <ol style="list-style-type: none"> <li>1. Delivery/ fulfillment of the goods/ services</li> <li>2. Payment date is due or paid</li> </ol>	B who must collect tax through reverse charge shall prepare tax returns and pay VAT in Khmer Riel by following Instruction 27617 GDT dated 12 December 2019 of the GDT.	By the 20th day of the following month after the time of supply for direct declaration (hard-copy) or by the 25th day of the following month (E-Filing and E-Payment).	<p>VAT can be paid to the GDT through the following methods:</p> <ol style="list-style-type: none"> <li>1. Pay at the domestic partner banks of the GDT directly in cash or online (E-Payment) for payments in the country. For payments via this method, the taxpayer can use a representative or tax service agent to make the payment on behalf, to the GDT.</li> <li>2. Pay through a credit card or debit card.</li> <li>3. Transfer from overseas bank account to the bank account of the GDT through the partner bank of the GDT.</li> </ol>
	<p>– <b>Small taxpayers</b></p> <ul style="list-style-type: none"> <li>• Shall be exempted from the obligation of VAT through reverse charge for a period of 5 years starting from 8 September 2021</li> </ul>				
Non-resident taxpayer (A) to resident persons who are not registered under the self-assessment regime (B) - so-called Business to Consumer “B2C” transaction	<p>– <b>Supply to Cambodian non-tax registered resident</b></p> <ul style="list-style-type: none"> <li>• A shall collect VAT at the rate of 10%</li> <li>• A must declare the monthly VAT with the form NR-VAT01 as well as complete detailed information on Appendix 01 and pay VAT to the GDT</li> </ul>	Earliest of the following dates: <ol style="list-style-type: none"> <li>1. Issuance of invoice by the supplier</li> <li>2. Delivery/ fulfillment of the goods/ services</li> <li>3. Receipt of payment</li> </ol>	Non-resident taxpayers must prepare tax returns and pay VAT in Khmer riels. In case the payments for digital goods or digital services online are made in currencies other than riel the non-resident taxpayer must complete the VAT return as well as each supporting appendices in Khmer Riel using the exchange rate issued by the National Bank of Cambodia on the last working day of the month of the time of supply	By the 20th day of the following month after the time of supply for direct declaration (hard-copy) or by the 25th day of the following month (E-Filing and E-Payment).	<p>VAT can be paid to the GDT through the following methods:</p> <ol style="list-style-type: none"> <li>1. Pay at the domestic partner banks of the GDT directly in cash or online (E-Payment) for payments in the country. For payments via this method, the taxpayer can use a representative or tax service agent to make the payment on behalf, to the GDT.</li> <li>2. Pay through a credit card or debit card.</li> <li>3. Transfer from overseas bank account to the bank account of the GDT through the partner bank of the GDT.</li> </ol>
	<p>– <b>Supply to Cambodia tax registered resident</b></p> <ul style="list-style-type: none"> <li>• Does not have the obligation to collect VAT</li> <li>• Still have the obligation to complete the detailed information on Appendix 02 of the VAT return form NR-VAT01</li> </ul>				
Cessation of business	Must settle all VAT not yet paid before applying for de-registration of Simplified VAT Registration	N/A	N/A	Must submit the request application to the GDT within 15 days after cessation of supplies into the Kingdom of Cambodia.	

### III. Invoice Issuance

Non-resident taxpayer E-commerce supplier has obligation to contain the requirement mentioned in the table below upon issuance of the invoice based on the type of customers:

For supply to non-tax registered customers	For supply to tax registered customers
<ul style="list-style-type: none"><li>- Name of enterprise and Simplified VAT Registration identification number</li><li>- Invoice number</li><li>- Invoice date</li><li>- Address in Cambodia and email of the customer</li><li>- Description of goods or services</li><li>- Unit</li><li>- Unit price</li><li>- Total price</li></ul>	<ul style="list-style-type: none"><li>- Name of enterprise and Simplified VAT Registration identification number</li><li>- Invoice number</li><li>- Invoice date</li><li>- Name of enterprise and tax identification number of the customer</li><li>- Address in and email of the customer</li><li>- Description of goods or services</li><li>- Unit</li><li>- Unit price</li><li>- Total price</li></ul>

### IV. Implementation date

To give time for taxable person to comply with Prakas 542 MEF.Prk, dated 8 September 2021, the Ministry of Economy and Finance (MEF) has decided to approve a delay of implementation of this VAT on E-commerce until 31 December 2021.

### V. Penalties

Taxable person as stated in Article 3 of the Prakas no. 542 MEF.Prk dated 8 September 2021 who fails to register or update information or fails to declare and pay VAT to the GDT shall be subject to penalties as provided in the tax law and provisions in effect.

### Our comments

Further to the implementation of the Sub-Decree 65 S.E and Prakas no. 542 MFE. Prk dated 8 September 2021, this Instruction no. 20522 provides further clarification on the B2B and B2C transaction determination and payment method. Also, it clarifies on the registration procedure, the timeline of registration and deregistration of the business, which is welcomed and helpful for those impacted taxpayers.

Furthermore, it is critical also to note that taxable persons (i.e. for both resident purchasers and non-resident suppliers) who fail to register or update information or fail to declare and pay VAT to the GDT shall be subject to penalties as provided in the tax law and provisions in effect. Therefore, the non-resident suppliers must complete their tax registration as required by 31 December 2021 and fulfill the VAT compliance obligation as set out above from there onward to avoid the penalties being imposed by the GDT. For local registered purchasers, they should also be aware of their VAT obligation, if they have purchased and/or propose to purchase digital goods/services from non-resident E-commerce suppliers in the future. We highly suggest that the Company discuss the impact of this new VAT on E-commerce regulations to its non-resident suppliers for them to be aware of their tax compliance obligations in Cambodia.

Whilst the implementation date is delayed until 31 December 2021, the GDT encourages non-resident taxpayers who meet the threshold for simplified VAT registration to start to register as soon as possible via manual in-person lodgement or E-registration tax portal even though currently there is no platform for E-registration yet, even before the effective date of the implementation by January 2022.

As a committed tax advisor to our clients, we welcome any opportunity to discuss the relevance of the above matters to your business.

## Contact us

### KPMG Cambodia Ltd.

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