

# Technical Update

May 2022

## The Implementation of Value Added Tax (VAT) Reverse Charge Mechanism under E-Filing

*(Instruction no. 6900 GDT, dated 8 April 2022)*

Further to the recently issued VAT regulations on E-commerce transactions, the General Department of Taxation (GDT) issued Instruction no. 6900, dated 8 April 2022, to guide taxpayers on how to navigate the VAT reverse charge mechanism in the E-Filing system.

Medium and Large Taxpayers who receive the supply of digital goods or digital service or any e-commerce activities from non-resident taxpayers must submit the monthly VAT return (i.e., "VAT reverse charge") through the E-Filing system which shall be due by the 25th of the following month. The first taxable month shall cover April 2022.

### I. Detailed procedure for submitting VAT reverse charge declaration

Below is the overview of the procedures in E-filing the monthly VAT reverse charge declaration:

1. Visit the website at "www.tax.gov.kh" using the taxpayer's registered account
2. Select "VAT Reverse Charge" from the "Data Entry" button drop down list
3. Fill in the data for the E-commerce purchases from non-resident taxpayers (i.e., simplified VAT TIN of the supplier, country of origin, details of the digital goods or services, invoice number, amount exclusive of VAT)
4. Select "Monthly VAT Return (Reverse Charge)" under the "Monthly Tax" button drop down list.
5. Select "Monthly VAT Return List (Reverse Charge)" under the "Monthly Tax" button drop down list.
6. Print out the Tax Payment Form (NR-VAT-02) for reverse charge transaction which shall be used as the bases for the payment of the tax payable with the local bank
7. Select button request for VAT input credit (in this case taxpayer shall pay the VAT "reversed charge" first before requesting the VAT input credit)

### Our comments:

Further to the implementation of the Sub-Decree No. 65 S.E, Prakas no. 542 MFE. Prk dated 8 September 2021 and the Instruction no. 20522 dated 8 December 2021, this Instruction provides further guidelines for the taxpayers in Cambodia to properly apply the VAT reverse charge mechanism for E-commerce transactions. Note that B2B purchasers must apply the VAT reverse charge regardless of whether the non-resident supplier has registered for VAT in Cambodia or not.

Based in the above Instruction, it appears that the taxpayers must pay the VAT output first on the E-commerce transaction to claim input tax credit. Therefore, it seems that there would be potential timing difference in the payment of the output VAT and the claiming of the corresponding input VAT for B2B transactions. This could have potential cash flow impact/considerations for local VAT registered purchasers. Furthermore, local VAT registered purchasers should also keep sufficient documentation to support the E-commerce transaction to be eligible for such input VAT claim.

## Tax Service Agent

(Prakas 230 MEF.Prk, dated 23 March 2022)

Recently, the Ministry of Economy and Finance (MEF) issued Prakas 230 MEF.Prk, effective from 23 March 2022, to further clarify the requirements and obligations of persons operating as Tax Agents or those who liaise with the GDT to fulfill the taxpayer's tax obligation in Cambodia. This Prakas abrogates any provisions contrary thereto, including the old Prakas no. 455 on Tax Service Agent, to ensure the uniform conduct of practice done by Tax Agents in Cambodia.

Below are the salient changes provided under Prakas 230:

<b>Criteria and conditions to apply for a Tax Agent license</b>	<p>A person who wishes to operate as a tax service agent needs to meet the following criteria:</p> <ul style="list-style-type: none"><li>— Must have a tax service agent license issued by the GDT</li><li>— Must register with the GDT as a “medium” or “large taxpayer” and fulfil any of the following conditions:<ol style="list-style-type: none"><li>a) The person has a valid tax professional certificate issued by the GDT; or</li><li>b) Legal persons, company, or partnership which receive audit and accounting licence issued by the MEF; or</li><li>c) Audit and accounting professional who is a member of the Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA); or</li><li>d) Former tax official and had served with the GDT for at least 10 years and has never involved with tax criminal offense nor conspired with taxpayers in tax evasion or tax fraud and has never been penalised by the tax office or the MEF or the courts.</li></ol></li></ul> <p>Notably, Prakas 230 did not provide criteria for physical persons applying for a Tax Service Agent previously mentioned under the old Prakas 455. Furthermore, there are no clear provisions on the exam requirements for tax service agent applicants.</p>
<b>Obligation of tax service agents</b>	<p>Referring to the obligations of tax service agents under the old Prakas 455, this new Prakas 230 requires tax service agents to provide the GDT with a list of staff names who are providing tax service at the end of every month (i.e., previously required annually under the old Prakas 455).</p>
<b>Branch operations by the Tax Service Agents</b>	<p>Under the old Prakas 455, a Tax Service Agent can establish branches or offices in more than one location using the tax agent license issued by the GDT. This provision was deleted in the new Prakas 230.</p>
<b>License suspension and cancelation</b>	<p>The following acts by tax service agents could be a ground for license suspension and cancellation:</p> <ul style="list-style-type: none"><li>— Violations of the tax law and any provision (i.e., the old Prakas 455 requires a “severe” violation to trigger license suspension/cancellation</li><li>— Not following a policy of improvement training and keeping up to date with the tax rules and regulations of the GDT.</li></ul>
<b>Compliance obligations of Tax Agents</b>	<p>Prakas 230 added a provision that taxpayers or withholding agents can submit a protest to the GDT in case the tax service agents do not fulfil their obligations or do not provide tax service with professionalism and integrity.</p>

<b>License Fee</b>	Applicants must pay KHR1M (approx. US\$250) when submitting an application/renewal.
<b>Violation and penalties</b>	<p>The penalty provisions under Prakas 455 was slightly revised to in respect of the below:</p> <ul style="list-style-type: none"> <li>— Tax service agents using expired licence is subject to penalty of 100% of the licence fee plus 1.5% interest on the licence fee per month.</li> </ul>

## Our comments:

At the outset, one of the notable changes under Prakas 230 is the introduction of more stringent compliance requirements for tax service agents. Among others, they are required to be registered as a “Medium” or “Large” Taxpayer, submit a monthly list of staff names, comply with a policy of improvement training and keeping up to date with the tax rules and regulations of the GDT, and ensure full compliance of the tax rules and regulations. Furthermore, taxpayers or withholding agents are empowered to report to the GDT any misconduct or any unprofessional dealings done by tax service agents. All of these were intended to improve the quality of tax services provided by tax agents in Cambodia.

Meanwhile, the following unclear areas under the new Prakas 230 should be clarified further by the GDT:

- Whether the GDT would still implement the exam requirements for applicants or whether the abovementioned criteria would suffice.
- Whether tax agents are still allowed to operate several branches/locations using the same tax agent license, or whether separate license shall be obtained for each branch/location.

In light of these rules, it is crucial for taxpayers to properly choose their tax agents who are able to represent them with competence and integrity.

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

### Phnom Penh

35<sup>th</sup> Floor, GIA Tower,  
Sopheak Mongkul Street, Diamond Island,  
Sangkat Tonle Bassac, Khan Chomkarmon,  
Phnom Penh, Kingdom of Cambodia

T: +855 (17) 666 537 | +855 (81) 533 999  
E: [kpmg@kpmg.com.kh](mailto:kpmg@kpmg.com.kh)

### Michael Gordon

Senior Advisor,  
Partner  
T: +855 17 666 537 (ext. 7222)  
E: [mgordon@kpmg.com.kh](mailto:mgordon@kpmg.com.kh)

### Nguon Socheata

Director  
T: +855 17 666 537 (ext. 7217)  
E: [nsocheata@kpmg.com.kh](mailto:nsocheata@kpmg.com.kh)

### Tan Mona

Partner  
T: +855 17 666 537 (ext. 7221)  
E: [tmona@kpmg.com.kh](mailto:tmona@kpmg.com.kh)

### Song Kunthol

Director  
T: +855 17 666 537 (ext. 7202)  
E: [skunthol@kpmg.com.kh](mailto:skunthol@kpmg.com.kh)

### So Dary

Partner  
T: +855 17 666 537 (ext. 7277)  
E: [daryso@kpmg.com.kh](mailto:daryso@kpmg.com.kh)

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 on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2022 KPMG Cambodia Ltd., a Cambodian single member private limited company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.



Scan to visit our website: [kpmg.com.kh](http://kpmg.com.kh)  
Email: [kpmg@kpmg.com.kh](mailto:kpmg@kpmg.com.kh)