



Technical Update

(New) Value-Added Tax (VAT) Sub-Decree

(Sub-Decree No. 49 SD.Prk, dated 11 March 2024)

Effective from 11 March 2024, this new Sub-decree on VAT shall cover the rules and procedures on the implementation and collection of VAT on supply of taxable goods/services in Cambodia, including the updates on the VAT rules and regulation previously covered under VAT Sub-Decree no 114, dated 24 December 1999.

This new VAT Sub-Decree also reflects the changes introduced under the 2023 New Law on Taxation (LoT), including the rules on VAT on E-commerce under VAT Sub-Decree no. 65, dated 8 April 2021.

Below are the key updates of the new VAT Sub-Decree:

Updates	Details
Scope (Art. 2)	<p>The new VAT Sub-Decree no. 49 also covers E-commerce services supplied in Cambodia in the definition of taxable supplies. Therefore, any person who provides taxable supplies in Cambodia, including E-commerce supplies, shall be in-scope with this new VAT Sub-Decree.</p> <p>Previously, it was noted that the rules governing E-commerce services supplied in Cambodia are separately covered by VAT Sub-Decree no. 65, as the old VAT Sub-Decree no. 114 does not cover E-commerce supplies.</p>
Extended period for input VAT claim (Art. 12)	<p>Previously, input tax credits were allowed on taxable purchase of goods/services and importation within the same month. However, the new VAT Sub-Decree has extended this period, allowing input tax credits to be claimed within the same month or 60 days after the supply or importation.</p>
VAT refund for Qualified Investment Projects (QIP) (Art. 20)	<p>Previously, all registered QIPs (i.e., whether export-oriented or not) were able to request a refund on the excess input credit every month. Under the new VAT Sub-Decree, it appears that only export-oriented taxable persons shall be allowed to claim a refund every month. Other taxable persons, including none export-oriented QIPs, can only request a refund every 3 months.</p>
VAT reverse charge on imported services [Art.23(3)]	<p>The new VAT Sub-Decree expanded the scope of the VAT “reverse charge” declaration to cover services supplied in Cambodia by a non-resident person who does not have a permanent establishment (PE) in Cambodia.</p>

Updates	Details
Transfer of a business as a going concern (<i>Art. 35</i>)	Under the old VAT Sub-Decree, the transfer of business (as a going concern) would not be subject to VAT, subject to compliance with certain conditions. The new VAT Sub-Decree has eased the conditions and deleted the requirement that the outgoing business (i.e., transferor) must wind-up its operations and deregister with the GDT and other relevant government ministries.
VAT on E-commerce Activities (<i>entire Chapter 11</i>)	An entire Chapter 11 (i.e., Arts 36 to 41) was included to provide rules on VAT on E-commerce activities in Cambodia, which is essentially based on the rules provided under VAT Sub-Decree no. 65 and the relevant Prakas on VAT on E-commerce.

Any regulations contrary to this Sub-decree shall be abrogated.

Our comments

Since the implementation of the old VAT Sub-Decree no. 114 in 1999, business models and terms of trade have evolved, and with the advent of globalization, companies have found new ways of doing business in a country without the need to establish a local presence in said country.

The new VAT Sub-decree will replace the existing VAT Sub-Decree 114, bringing significant revisions and updates to ensure consistency in the implementation of the VAT rules, in light of the recent changes introduced under the New LoT and new rules and regulations, with the aim to expand the tax base and minimize tax leakage in the collection of VAT for supply of taxable goods and services in Cambodia.

One notable change is the requirement to apply VAT “reverse charge” on imported services introduced under Art. 23(3) of the new VAT Sub-Decree. The VAT “reverse charge” mechanism was introduced earlier under VAT Sub-Decree no. 65 which covered E-commerce services supplied in Cambodia. Under Art. 23(3), it appears that the VAT “reverse charge” obligation may not be limited to E-commerce supplies only but apply to a wider scope of services (i.e., E-commerce related or not) provided by non-resident suppliers. It is noteworthy to highlight that the “reverse charge” mechanism under the VAT regime applied in other jurisdictions covers all transactions considered as “imported services”, regardless of whether the services are E-commerce related or not. This new provision requires further clarification from the GDT.

A major positive development introduced under the new VAT Sub-Decree is the extended period to claim input VAT credits (i.e., extended up to 60 days from the time of supply or importation). This would mitigate issues on disallowed input VAT claimed by taxpayers due to late issuance or receipt of proper VAT invoices. Considering the foregoing, it would be reasonable to expect that the online VAT Declaration system of the GDT will be updated to account for these new rules.

As committed tax advisors to our clients, we welcome any opportunities to discuss the relevance of the above matters to your business.

Contact us

Phnom Penh

PO Box 2352
35th Floor, GIA Tower,
Sopheap Mongkul Street, Diamond Island,
Sangkat Tonle Bassac, Khan Chomkarmon,
Phnom Penh, Kingdom of Cambodia
T +855 (17) 666 537 | +855 (81) 533 999

Scan to visit our website: kpmg.com.kh
Email: info@kpmg.com.kh



Andrea Godfrey
Partner
T +855 17 666 537
E andrea.godfrey@kpmg.com.kh

Song Kunthol
Director
T +855 17 666 537
E skunthol@kpmg.com.kh

Tan Mona
Partner
T +855 17 666 537
E tmona@kpmg.com.kh

Mom Rinsey Tola
Director
T +855 17 666 537
E mtola@kpmg.com.kh

So Dary
Partner
T +855 17 666 537
E daryso@kpmg.com.kh

Sok Chanrasmey
Director
T +855 17 666 537
E schanrasmey@kpmg.com.kh

Nguon Socheata
Director
T +855 17 666 537
E nsocheata@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.

© 2024 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.