



Cambodia Tax Alert

Implementation of VAT on foreign e-commerce activities: Rules and procedures updated

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:

Cambodia's General Department of Taxation (GDT) issued additional instructions on 8 December 2021 regarding the implementation of the value added tax (VAT) on foreign e-commerce activities (Instruction No. 20522). This follows the issuance of Sub-decree No. 65 dated 8 April 2021 and the Ministry of Economy and Finance (MEF)'s Prakas No. 542 dated 8 September 2021.

Under Instruction No. 20522, the MEF has decided to delay the effective date of the implementation of Prakas No. 542 until 31 December 2021.

Below is a summary of the main updates to the rules and procedures for the implementation of VAT on foreign e-commerce activities.

VAT obligations

Nonresident taxpayers that supply digital goods or services electronically to, or that conduct e-commerce activities for, consumers in Cambodia under the business-to-consumer (B2C) model (i.e., consumers who are not self-declaration taxpayers in Cambodia) are required to collect 10% VAT from the consumers, file VAT returns by completing form NR-VAT01 and the required detailed information in appendix 1, and pay the tax in KHR to the GDT on a monthly basis.

Nonresident taxpayers that supply digital goods or services electronically to, or that conduct e-commerce activities for, consumers in Cambodia under the business-to-business (B2B) model (i.e., consumers who are self-declaration taxpayers in Cambodia) are required to file VAT returns by completing form NR-VAT01 and the required detailed information in appendix 2 on a monthly basis, but they are not required to pay the tax to the GDT. Instead, under the B2B model, self-declaration taxpayers who purchase digital goods or services electronically from, or that otherwise enter into e-commerce transactions with, nonresident taxpayers are required to collect VAT based on the “reverse charge mechanism” by filing VAT returns NR-VAT02 with the required detailed information in appendices 1 and 2 and paying the tax in KHR to the GDT by the deadline.

Instruction No. 20522 further clarifies that if self-declaration taxpayers fail to settle relevant payments to nonresident suppliers directly using their own bank account number and enterprise name, they will be deemed to be non-registered self-declaration taxpayers and the nonresident suppliers will be required to collect and remit the VAT to the GDT as if the transactions had occurred under the B2C model.

The deadline for filing a VAT return and making the tax payment is the 20th day of the month following the month a transaction occurred in the case of manual submissions and the 25th day in the case of e-filings and e-payments.

Tax payment methods

Nonresident taxpayers can choose to pay the tax to the GDT via the following methods:

1. Authorized local banks in cash or electronically, noting that nonresident taxpayers can appoint a local representative or tax service agent to pay the tax to the GDT on their behalf;
2. Credit or debit card; or
3. Direct transfer from an overseas bank account to the GDT’s bank account using one of the authorized banks listed in the relevant appendix.

The GDT recommends that those who choose payment methods no. 2 and 3 pay the tax at least one week before the deadline to avoid penalties. However, the GDT will accept tax payments made in cash to the GDT’s bank account within three days after the deadline.

Other matters

Nonresident taxpayers that supply digital goods or services electronically to, or that conduct e-commerce activities for, consumers in Cambodia are under the oversight of the Large Taxpayer Department (LTD) of the GDT, which will verify their compliance with their VAT obligations using a cross-check method.

If nonresident taxpayers disagree with any decision of the tax administration, they can file an objection letter with the GDT.

Nonresident taxpayers who want to terminate their e-commerce business activities in

Cambodia must settle their outstanding VAT liabilities and submit a letter to the GDT within 15 days following the termination date.

Contacts

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

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