

Tax Alert

TAX ALERT – WEEK 1, JUNE 2019

Clarification to Value Added Tax at zero percent

(Instruction 9898, dated 10 June 2019)

The General Department of Taxation (GDT) has issued an Instruction to clarify on the definition of “Export if Service” and documents required as evidence to Value Added Tax (VAT) at 0%.

Services rendered outside of Cambodia:

The services are performed outside of Cambodia by Cambodian resident enterprise which can be performed by staff or technical person outside of Cambodia.

Services consumed outside of Cambodia:

The services are performed in Cambodia but for the direct and sole consumption of a non-resident outside of Cambodia. The resident taxpayer who performs the service is responsible for proving this nature to the tax administration when deciding this is subject to VAT at 0%.

Supply of services cannot be considered as consumption outside of Cambodia, if the non-resident person consumes the services for the purpose of business or economic interest in Cambodia at any time.

Documents required as evidence

The following documents must be available as evidence for VAT at 0%:

- a. contract which states clearly the service fees, type of service and where the service is performed;
- b. documents of payments from outside of Cambodia to a bank in Cambodia;
- c. original invoice; and
- d. accounting documents which can be reviewed.

Tax incentives for Entertainment Industry

(Instruction 9549, dated 4 June 2019)

Following Instruction 1840 dated 3 November 2016 which provided tax incentives for cinema and other movie distributor in Cambodia, the GDT issued this Instruction to expand on tax incentives to Khmer film production industry for five years (from 2019 to 2023) as follows:

- 1- suspension of Withholding Tax (WHT) 15% on royalty for rights to screen Khmer movie, produced domestically.
- 2- suspension of Tax on Income for enterprise(s) producing Khmer film.

Enterprise(s) wishing to obtain the tax incentives must be in compliance with tax registration, keeping of proper accounting records, the monthly and annual tax compliance and other tax obligations.

Reminder to Apply for Certificate of Sale Agent for Supplying of Goods or Services on behalf of Principal Enterprise

(Notification 8947, dated 24 May 2019)

Following Prakas 597 and the Instruction 1543 regarding recognition of sale agent for supplying of goods or services on behalf of principal enterprise (covered in July 2018 tax alert), the GDT issued this Notification as a reminder for those operating sale agents and distributors to submit application for certificate of sale agent with the GDT and set out a due date of **31 July 2019** at the latest.

During the transition, the GDT shall agree to recognize them as sale agents while the certificates are still in the process of being issued. Those sale agents and distributors who still failed to submit applications by above due date will be deemed by the GDT as conducting normal buy and sell operation and will be subject to all applicable taxes on gross income from their supplies to customers.

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

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Please contact us if you have any questions:

Phnom Penh

PO Box 2352
4th Floor, Delano Center
No.144, Street 169, Sangkat Veal Vong, Khan 7
Makara, Phnom Penh, Kingdom of Cambodia
T: +855 23 216 899
F: +855 23 216 405
E: kpmg@kpmg.com.kh

Michael Gordon

Senior Advisor
T: +855 23 216 899 (ext. 7222)
E: mgordon@kpmg.com.kh

Tan Mona

Partner
T: +855 23 216 899 (ext. 7221)
E: tmona@kpmg.com.kh

So Dary

Partner
T: +855 23 216 899 (ext. 7277)
E: daryso@kpmg.com.kh

Nguon Socheata

Director
T: +855 23 216 899 (ext. 7217)
E: nsocheata@kpmg.com.kh

Song Kunthol

Director
T: +855 23 216 899 (ext. 7202)
E: skunthol@kpmg.com.kh

Im Udomvityea

Associate Director
T: +855 23 216 899 (ext. 7262)
E: uim@kpmg.com.kh

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