

# Technical Update

February 2020, Part I

## Rules for Use of Invoice

*(Notification No. 3218 GDT, dated 6 February 2020)*

The General Department of Taxation (GDT) has issued Notification No. 3218 GDT dated 6 February 2020, on implementation of the Prakas No. 723 Prk issued by the MEF, dated 14 August 2019, on the rules for use of invoices for self-assessment regime taxpayers, i.e. registered taxpayers.

The rules for use of invoices are summarized as follows:

Rules for invoices	
Format	<p><b>Tax invoice:</b></p> <ul style="list-style-type: none"> <li>• Enterprise's name, address and TIN of seller or supplier;</li> <li>• Invoice in sequential order and date of invoice;</li> <li>• Name and address of buyer and TIN;</li> <li>• Description of goods or service, quantity and price;</li> <li>• Total value exclusive of taxes;</li> <li>• Taxes: Specific Tax, Public Lighting Tax, Accommodation Tax and Value Added Tax; and</li> <li>• Signature and name of seller or buyer.</li> </ul> <p><b>Commercial invoice:</b></p> <ul style="list-style-type: none"> <li>• Enterprise's name, address and TIN of seller or supplier;</li> <li>• Invoice in sequential order and date of invoice;</li> <li>• Name and address of the buyer;</li> <li>• Description of goods or service, quantity and price;</li> <li>• Total value inclusive of all taxes; and</li> <li>• Signature and name of seller.</li> </ul>
Issuance	<ul style="list-style-type: none"> <li>• Medium and large taxpayers must issue tax invoices to registered taxpayers, and commercial invoices to end users.</li> <li>• Small taxpayers must issue commercial invoices to customers.</li> </ul>
Language	<p>Khmer language must be used. Any foreign language must be displayed below the Khmer language.</p>

## Rules for invoices (Con't)

Invoice number	<p><b>Invoice number</b></p> <ul style="list-style-type: none"><li>• Issue in sequential order for one year and must retain for 10 years for medium and large taxpayers, and three (3) years for small taxpayers.</li><li>• Taxpayers with a branch, must issue separate lines of invoice between the head office and each branch, as well as separate lines for tax and commercial invoices.</li><li>• Taxpayers may use different letters in front of invoice numbers to separate different lines of invoices between branches.</li><li>• Taxpayers shall not use different letters to separate invoices to customers by products, area, activity or other separation.</li><li>• This also applies to POS users.</li></ul>
Exchange rate	<p>Taxpayers must disclose Khmer riels (KHR) on total value of invoices by using the daily exchange rate of the National Bank of Cambodia. On non-working days or before working hours, the previous day's exchange rate may be used.</p>
VAT credit	<ul style="list-style-type: none"><li>• Improper invoices are not allowed for VAT input credit claims.</li><li>• Medium or large taxpayers cannot claim VAT input credit from supply by small taxpayers, though can claim deductible expenses for annual tax on income (Tol).</li><li>• The requirement to attach invoice as previously stated in the Article 6 of the Prakas 723 MEF. Prk shall not apply for medium and large taxpayers, using the online VAT management system. However, original copies must be retained for future tax audit and tax assessment purposes.</li></ul>
Penalties	<ul style="list-style-type: none"><li>• Failure to issue invoices or issuance of improper invoices could result in obstruction, additional taxes and interest, and other fines as provided in the tax law and provisions.</li><li>• Individuals who issue fake invoices will be required to pay taxes as disclosed on the fake invoices within seven (7) days of issuance.</li><li>• The GDT will conduct field audits at enterprises' premises to review and cross check directly on the compliance of enterprises with regards to invoice issuance.</li></ul>

In accordance with the Prakas No. 723 GDT, the new rules on use of invoices above are effective from 1 January 2020 onwards.

### Comments:

The new rules help to provide clarification and details for taxpayers to comply with effectiveness and accuracy, especially with the multiple samples of invoices attached for ease of reference.

Taxpayers should comply with the rules as closely as possible to avoid any potential loss of credit allowable for claims. Where certain aspects of the rules are difficult to implement or cannot be applied, the taxpayer should seek a clarification with the GDT on a case by case basis.

## Separate Business Activity Registration for Associations and Non-Governmental Organizations

*(Instruction No. 3033 GDT, dated 6 February 2020)*

On 6 February 2020, the GDT also issued the Instruction No. 3033 GDT to advise on the implementation of tax obligations of associations and non-governmental organisations (NGOs) which have separate business activities that are conducted not entirely for non-profit purposes.

Such business activities must be registered as a separate activity with the GDT (within 15 days) and applicable taxes must be paid. The associations or NGOs must assign an individual to act as director and representative for the separate business activity for tax registration purposes which includes registering his/her information and documents with the relevant authority.

Finally, the associations or NGOs must maintain separate accounting records between the non-profit activities and the business activities including capital, assets, liabilities, staff, management and other financial information accordingly.

### Comments:

This Instruction does make it clear that the GDT expects such non-profit NGOs to self-declare any profit earning business activities by making it clear that it is a requirement to register such activities and thus hope to increase tax revenue from sources which they may have not gained from before. However, it is not stated if there is any incentive for such associations or NGOs to voluntarily register these activities to pay more taxes, especially without any guarantee there will not be any retrospective tax reassessments or a clear waiver of penalties and interest for voluntary registration.

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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