

Technical Update

August 2020

Tax Registration and Update of Taxpayer's Information

(Prakas No. 701 MEF. Prk, dated 14 August 2020)

The rules and procedures for tax registration and update of taxpayer's information (tax update) with the tax administration was revised following the Ministry of Economy and Finance (MEF)'s Prakas No. 701 MEF.Prk, dated 14 August 2020, on the Tax Registration and Update of Taxpayer's Information.

In accordance with the Prakas, the rules and procedures for tax registration and tax update are as follow:

| Tax Registration and Update | |
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| Requirements | <p>Taxpayers must register within 15 working days after:</p> <ul style="list-style-type: none"> – commencing economic activities; or – obtaining the registration certificate or approval letter from the relevant ministries or institutions. |
| Subject | <p>Taxpayers who are subject to registration mainly include:</p> <ol style="list-style-type: none"> a. governmental institutions, embassies, consulates, international organizations, technical cooperation agencies of other governments and political parties (taxpayers "a"). b. private limited company, public limited company, foreign company's branch, representative office, sole proprietorship, general partnership, limited partnership, public enterprise, state owned enterprise and state joint venture (taxpayers "b"). c. associations and non-government organizations (taxpayers "c"). d. other individuals who conduct business in Cambodia (taxpayers "d"). |
| Application | <p>Application for registration:</p> <ul style="list-style-type: none"> • Taxpayers "b" must apply for online registration through the website www.registrationservices.gov.kh (e-registration) where taxpayers shall receive approval documents digitally. • Taxpayers "a", "c", "d" also have the option to use the tax registration form 101 for direct application at the tax administration normally. |
| Information Updates | <p>Information changes must be <u>notified</u> and <u>updated</u> with the tax administration within 15 working days. The information required to update mainly includes:</p> <ol style="list-style-type: none"> a. address. b. form. |

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| | <ul style="list-style-type: none"> c. name. d. business objective or business activity. e. transfer or change of shareholders. f. manager of the enterprise or branch. g. cessation of business. h. person responsible for tax matters. i. bank account information j. contacts, phone numbers, or e-mail information. |
| Official fees | <p>Fees for tax registration: 0 riel for taxpayer “a”, 20,000 riels for taxpayer “b” and “d” as small taxpayers and 400,000 riels for taxpayer “b” and “d” as medium and large taxpayers.</p> <p>Fees for tax updates: 0 riel for taxpayers “a”, 10,000 riels for taxpayer “b” and “d” as small taxpayers and 200,000 riels for taxpayer “b” and “d” as medium or large taxpayers.</p> <p>As an incentive, during tax registration, new taxpayers pay only 50% annual patent tax for each business activity and are exempted from stamp duty on legal documents.</p> |
| Timeframe | <p>Taxpayers can expect to obtain approval for registration or tax update within 7 to 10 working days.</p> <p>The tax administration has the right to reject applications for registration or update, in writing, on the basis of:</p> <ul style="list-style-type: none"> • improper application or non-compliance to the procedures required by the tax administration; • outstanding tax debt; • unclear business location or premise; or • improper business address, for the applied business objective. |
| Enforcement | <p>In the case that registration information is insufficient, the tax administration may conduct a field review of the business status directly at the location or summons the chairperson, owner or director to give information and provide documents for verifying their identity with photo and finger print.</p> <p>The tax administration may also unilaterally register taxpayers who meet the requirements to register but have failed to do so. In this case, they may unilaterally deem the effective date of tax registration and a tax representative of the enterprise.</p> <p>The GDT will also maintain a negative-list for registration of individuals for certain negative actions such as tax evasion, outstanding tax debt, failure to present themselves according to summons, or involved with offenses to tax provisions, money laundering or financing of terrorism.</p> <p>The list will be shared to the Cambodia Data Exchange (CamDX) database for information sharing purposes with other competent authorities. Individuals on the list shall not be allowed to register any other business until they have resolved and complied with all tax obligations with the GDT.</p> <p>Failure by taxpayers to comply with tax registration and update obligations shall subject them to various fines and penalties in accordance with the tax provisions in effect.</p> |

The Prakas shall replace the previous Prakas No. 496 dated 6 April 2016 on tax registration and is effective from the signature date of 14 August 2020 onwards.

Our comments

The Prakas updates existing rules and procedures from the previous Prakas in 2016 and has notably incorporated the e-registration (as covered in our June 2020 TU) into the tax registration process as a requirement for taxpayer “b”, which is the most common forms of taxpayer.

The updates also provide for more methods for the GDT to manage, control and enforce registration of taxpayers including fieldwork at the taxpayer’s address or summons of a representative individual to present themselves at the tax administration, unilateral tax registration and the introduction of a negative list, which shall be shared to an intra-ministerial database usable by other competent authorities.

These additional enforcement measures by the tax administration and the potential fines and penalties that accompany them are clearly aimed at identifying non-compliant parties and give more motivation for more compliance from potential taxpayers as well as existing ones.

Hence, it is becoming more and more important for businesses to be compliant with tax registration and tax information update requirements and regulation or otherwise seek professional firms to assist in this endeavor.

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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