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## VAT FOR BUSINESS

### Introduction

Value Added Tax (VAT) is part of business life. The consideration of implication of VAT over business activities is extremely essential and should be pre-planned accordingly.

In Cambodia, for every day to day operation of business, VAT applies to any supply of goods or services ranging from trading, construction, manufacturing and service providing. There is a simple standard rate of 10% except for some exempted products or services.

Unlike the sale tax imposed in certain countries, in Cambodia, VAT is creditable tax. In this respect, VAT can be refundable or claimable from Government through defined procedures and timeframe as specified in Prakas from General Department of Taxation.

### Definition

According to Law on Taxation 2003, VAT is chargeable on taxable supplies made by a taxable person in the course or furtherance of any business carried on by him. Supplies may be of goods or services. A taxable supply is a supply of goods or services made in Cambodia, other than an exempt supply. A taxable supply is either standard-rated or zero-rated. As above mentioned, the standard rate is 10%.

### Implication

Trading Business in Cambodia is generally required to register for VAT certificate which specify the location of business and its purpose. In highly regulated products such as medicine, trading business also require to apply for import license in addition to VAT certificate for eligible for importation.

Certain supplies, which fall within the classification of standard rate supplies, are charged at a rate of 10%, and Zero-rated supplies are taxable at 0%. A taxable supplier whose outputs are zero-rated but whose inputs are standard-rated will obtain repayments of the VAT paid on purchases or importation as specified in Prakas from Ministry of Economy and Finance (MoEF).

An exempted supply is not chargeable to VAT. A person making exempted supplies is unable to

recover VAT on inputs. The exempted supplier thus has to shoulder the burden of VAT. Of course, the company may increase its product prices to pass on the charge, but they cannot issue a VAT invoice which would enable a taxable customer to obtain a credit for VAT, since no VAT is chargeable on their supplies.

### Administration

On the monthly basis, taxpayer shall filing the monthly tax return to General Department of Taxation no later than the 15th day of the following month. The package of monthly tax return includes Salary Tax, Withholding Tax, VAT, Prepayment of profit tax and other specific taxes. The taxpayer has to submit the printed tax form obtained from General Department of Taxation's website for each tax return. The purchase and sell journal together with purchase and sell invoice are also required for this submission. General Department of Taxation provided the instruction of VAT invoice on its website where taxpayer has to strictly follow. Tax authority has the right to reject the VAT invoice for claiming the credit if it is not in compliance with the instruction and format provided by General Department of Taxation.

The failure to the VAT filing on the due date, the taxpayer might be imposed the interest and penalty.

In order to enforce the VAT collection, General Department of Taxation and Ministry of Commerce who are responsible for setting up the company are working to reform the current procedure and design the information system to track down the improper registered address and company profile and to enforce the tax registration system.

## Legal Update

### Instruction No. 12 014 034 dated 13 August 2014 on the implementation of the Evaluation of the Risk on the Anti-Money Laundering and Combating the Financing of Terrorism for the Financial Institutions

The purpose of this instruction is to assist the financial institutions on the evaluation of the risk on the anti-money laundering and combating the financing of terrorism. To evaluate the risk on the anti-money laundering and combating the

## ABOUT US

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We differentiate ourselves by coupling a deep understanding of the local business environment with international professionalism and integrity.

We facilitate business, investment and trade between Cambodia, Myanmar, and the rest of the world through innovative and cost-effective legal services.

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## CAMBODIAN LAW BLOG

[cambodianlaw.wordpress.com](http://cambodianlaw.wordpress.com)

BNG Legal believes expanding access to legal information is crucial to rule of law. To that end, several of our legal professionals write a blog discussing recent developments in the legal landscape.

## LEGAL DATABASE

The laws and regulations in our database are based upon the Official Gazettes, law compendiums and other collections from the ministries and institutions of the Royal Government of Cambodia. These are available to the public through our partner site, [www.bnqlaw.net](http://www.bnqlaw.net).

financing of terrorism for the financial institutions, this instruction sets out the obligations and the methods as follows:

- Set out the rate of risk during the customer due diligence measures, or during the evaluation procedure
- The evaluation of the risk shall be updated in every two years or in certain required circumstance, for example requested by the Finance Intelligence Unit.
- Have the internal policy for the method and the time for updating the evaluation of the risk.

The evaluation of the risk should consist of the following procedures:

- Customer due diligence: name, birth date, address, for natural persons and names, articles of incorporation or registration, tax identification number, address, telephone number, for legal persons, and any useful identification.
- Analysis: consider the criteria, origin, capability that the risk can exist.
- Evaluation on the vulnerability: the evaluation is based on the customer or the business or both factors and its risk will be rated (very unlikely->Possible->likely ->very likely)
- Review and audition on the evaluation on the risk: compile and include in the Institution Annual Report.

### **Decision No. 12.014.017 dated 12 August, 2014 on Establishment of Specialized Working Group to for Evaluating Risk of Money Laundering and Financial Terrorism**

The National Bank of Cambodia issued its decision to create a Specialized Working Group for Evaluating Risk of Money Laundering and Financial Terrorism in national level to determine analysis the risk of money laundering and financial terrorism in Cambodia. The compositions of this working group are as follows:

- General Secretary of Cambodia Finance Investigating Unit (President)
- Representative of Council of Minister (Member)
- Representative of Ministry of Economy and Finance (Member)
- Representative of Ministry of Foreign Affair and International Cooperation (Member)
- Representative of Ministry of Interior (Member)
- Representative of Ministry of Justice (Member)

(Member)

- Representative of National Bank of Cambodia (Member)
- Representative of Bar association of Cambodia (Member)

Further, Article 2 of this decision provides that the Working Group is responsible for the task as follows:

1. Identifying of the threat and suffering of money laundering and finance terrorism;
2. Analyzing type, resource and the consequence of risk money laundering and finance terrorism;
3. Evaluating and setting the priority of risk in connection with money laundering and finance terrorism;
4. Issuing strategies and countermeasure to decrease the risk of money laundering and finance terrorism; and
5. Examining and decide on the result of the evaluation of money laundering and finance terrorism.