

# Tax update: TU001/2020 25 February 2020

This article covered most recent updates of tax regulation issued by Ministry of Economy & Finance (MEF) and General Department of Taxation (GDT) which cover the following areas:

## Implementation of Rule of Invoice

(Notification no. 3218 GDT, dated 06 February 2020)

This notification aim to strengthen the practical obligation of taxpayer on invoices issuance. The enterprises need to practice as described below:

- Invoices are to be separated into two types: **Tax Invoice** and **Commercial Invoice**
- **Tax Invoice** need to state down necessary important information as below:
  - a. Name of Enterprise, Address, VATTIN of the supplying enterprise
  - b. Need to clearly state down Invoice Numbers in sequential order and Date of Invoice;
  - c. Name and address of Buyer and it's VATTIN;
  - d. Description, quantity and the selling price of goods and services supplied;
  - e. State the value of Goods/Services Exclusive of VAT;
  - f. Specify VAT and Specific Tax, Public Lighting Tax and/or Accommodation Tax (if any);
  - g. Signature and Name of Supplier and Buyer.
- **Commercial Invoice** need to state down necessary important information as below:
  - a. Name of Enterprise, Address, VATTIN of the supplying enterprise;
  - b. Need to clearly state down Invoice Numbers in sequential order and Date of invoice;
  - c. Name and address of Buyer;
  - d. Description, quantity and the selling price of goods and services supplied;
  - e. State the sale value Inclusive of VAT;
  - f. Signature and Name of Supplier and Buyer (if any).
- Need to issue Tax Invoice on all sale of goods and services to taxable legal persons and Commercial Invoice to physical persons.
- Every invoice need to be printed in Khmer or can be Khmer and Foreign Language with the Foreign Language position must be placed below the Khmer wordings.
- Issuer of the invoice shall use the exchange rate published by the National Bank of Cambodia (NBC) on the date of invoice issuing to convert the invoice values to KHR. In case there are days or other times (like holidays) that the NBC does not published the official exchange rate, the taxpayers shall use the official exchange rate that the NBC published one day before the day that the exchange rate is unavailable.
- The Medium and Large Taxpayers who purchase from Small Taxpayers are not allowed to claimed VAT input from the invoices issued by Small Taxpayers, but those invoices issued by Small Taxpayers can be allowed as deductible expenses for Tax on Income purpose.
- Penalties, a fine of KHR10,000,000 (approx. US\$2,500), and possibility of imprisonment, shall be imposed if the taxpayers fail to issue a proper invoice in compliant with the Cambodia tax law and regulations.

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## The Registration of Business Activity as Association and Non-Government Organization (NGO)

(Notification no. 3033 GDT, dated 06 February 2020)

The General Tax Department (GDT) has issued a new **Instruction No. 3033 GDT**, dated 6 February 2020 on the business registration of Association and Non-Governmental Organization. The purpose of this Prakas is to strengthen the requirement and tax compliance for Associations and Non-Governmental Organizations (NGOs) in Cambodia.

“Association” refers to organization formed by membership or organization that has similar nature, established by physical person(s) is required to register with GDT within 15 days according to Prakas 025 GDT dated 24 January 2018 on the procedure and provision to obtain patent tax certificate.

### 1. Registration under small taxpayers category

The representative of the organization or association is required to fulfill the information and submit the following documents:

- Approval letter from relevant competent Ministry or government agency
- Identity card or passport
- Photo 35\*45 (white background)
- Hard title or Lease agreement for its registered office
- Tax payment receipt for property tax and information of the property of its registered office

### 2. Registration under Medium and Large Taxpayers category

The representative of the organization is required to fulfill the information and submit the following documents:

- Approval letter from relevant competent Ministry or government agency
- Memorandum and Articles of Association
- Bank account confirmation letter
- Identity card or passport
- Photo 35\*45 (white background)
- Hard title or Lease agreement for its registered office
- Tax payment receipt for property tax and information of the property of its registered office

Associations and Non-Governmental Organizations are required to disclose the share capital, tangible asset, intangible asset, employee, and employer and financial information. In addition, they are also required to maintain the accounting records base on the Prakas 1820 GDT for Small Taxpayers category and follow the accounting standards based on the Law on taxation for Medium and Large Taxpayers category.

### Implementation of Double Tax Agreement (DTA) between Cambodia and Hong Kong

(Prakas No. 117 GDT, dated 7 February 2020)

The General Tax Department (GDT) has issued a new **Prakas No. 117 GDT**, dated 7 February 2020 on Cambodia on a Double Taxation Agreement (DTA) with Hong Kong.

The Prakas is purposed to announce the implementation of DTA between Cambodia and Hong Kong which effective from 01 January 2020 onward.

To enjoy the benefit of the above DTA, the Company needs to apply for approval letter from the GDT on annual basis.

If you required any assistance or professional advice on the above, please feel free to contact our service team listed on our website.