

Cambodia

News Brief



September 2024

A periodic summary of new rulings and documents for legal, tax and investment developments in Cambodia



Subjects

1. VAT exemption on certain e-commerce financial transaction services
2. Clarification of 1) tax relief for a rent-free period during construction, improvements or reparation and 2) claimable VAT input credit on mobile phone service charges used for business purposes
3. Some other tax incentive measures

The following report may be of interest to:

General taxpayers

VAT exemption on certain e-commerce financial transaction services

(Letter 29613 GDT, 22 August 2024)

The General Department of Taxation (GDT) issued letter No. 29613 to confirm to the Associations of Banks and Microfinance that certain e-commerce financial transaction services are considered non-taxable supplies. They are summarised as follows:

1. Expenses on education, training, relevant study documents and educational documents in electronic form (e.g. electronic documents, books, videos) supplied by educational institutions officially recognised by the countries where the institutions are established.
2. Overseas lawyer service fee expenses supplied by law firms.
3. Independent director fee expenses.
4. Expenses on risk rating assessment services provided by Moody, S&P or Fitch, the agencies recognised by the National Bank of Cambodia.
5. Monthly fees, bank charges and TT fees and charges related to money settlement transactions, money transfers or inward remittance services for customers or the bank itself from overseas banks.
6. Expenses on overseas transfers for customers.
7. Expenses on transactions to obtain overseas loans (e.g. interest and other charges by the lenders).
8. Direct expenses incurred for money transfers charged by SWIFT or BOTTOMLINE. Annual fees for system usage, license, royalty or system maintenance paid to SWIFT or BOTTOMLINE are subject to VAT on e-commerce transactions.
9. Direct expenses incurred for settlement transactions via credit or debit card and cash withdrawal services from ATM charged by Visa, Mastercard, Union Pay, UPI, AMEX or JCB company. Annual fees for system usage, license, royalty or system maintenance paid to Visa, Mastercard, Union Pay, UPI, AMEX, or JCB companies are subject to VAT on e-commerce transactions.

10. Customer's expense for staying at VIP lounge in airports in other countries is not non-taxable supply and not subject to VAT on E-commerce transactions.

The above confirmation is not retroactive for tax amounts already paid.

Clarification of 1) tax relief for a rent-free period during construction, improvements or reparation and 2) claimable input VAT credit on mobile phone service charges used for business purposes
(Minutes of GDT and Private Sector Tax Working Group meeting, dated 26 August 2024)

At the GDT and Private Sector Tax Working Group meeting on 4 July 2024, the private sector raised various points for discussion, including the following.

- Rent-free period provided by landlord

During the rent-free period provided by the landlords for the lessees to prepare for construction, improvements or reparation, the GDT agreed that the relevant taxes, including income tax, VAT or withholding tax, are not applicable as long as those period and purposes are stated clearly in the lease contracts. Income or expenses were recognised by the relevant parties during that period. The GDT will prepare regulations to clarify further.

- VAT input credit for mobile phone charges

The GDT agreed that VAT charges on mobile phone services are allowed to claim the input VAT credit as long as the charges are used for business purposes and there is sufficient evidence (e.g. records of the mobile phones as the company's assets) to support it. The GDT will prepare regulations to clarify further.

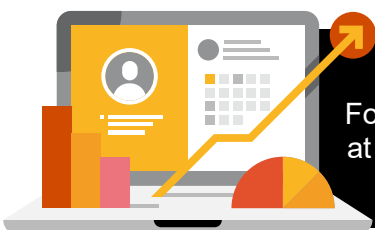
Some other tax incentive measures

(special statement, dated 22 August 2024)

On 22 August 2024, Prime Minister Samdech Thipadei made a special announcement (statement) to continue providing support, including tax incentives for certain business sectors. We summarise the key tax incentives as follows:

1. Extension of capital gains tax (CGT) exemption for real estate business until the end of 2025. At this stage, it is still unclear whether the extension applies to capital gains arising from other investments (e.g. share disposals).
2. Exempt penalty and interest for voluntarily filing amended tax returns until the end of June 2025.
3. Extensions of other tax incentives for specific sectors such as tourism in Siem Reap province, agriculture, and education.

The relevant regulations will be issued later.



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