



Phnom Penh, 10 June 2019

## **INSTRUCTION**

### **ON**

#### **Documentary evidence of service outside Cambodia with subject to zero-rate VAT**

Pursuant to article no. 45 and 54 of the sub-decree 114 dated 24 December 1999 on Value Added Tax (“VAT”), the supply of service performed outside Cambodia (“exported services”) is subject to zero-rated VAT and the application of this regulation also covers the supply of service to be used outside Cambodia with proper documentary evidence for the tax authority to review and make decision.

Therefore, the General Department of Taxation (“GDT”) would like to issue guideline for the zero-rated VAT determination for the exported service, as well as the service to be used outside Cambodia as follows :-

#### **A. For service supply as completed outside of Cambodia**

A service is considered to be performed outside of Cambodia if that service is provided outside of Cambodia by a resident enterprise in Cambodia. The provision of such a service outside of Cambodia may be conducted by a Cambodian resident enterprise through the dispatching and/or hiring of employees or technicians outside Cambodia to perform related tasks outside Cambodia.

*Example:* Enterprise A (a Cambodian resident) dispatches its employees or technicians from Cambodia or hires employees or technicians outside Cambodia to provide consultancy services on legal, accounting, taxation, trade, data research or analysis, etc. to a non-resident customer who resides outside of Cambodia. This service provision shall be subject to zero-rated VAT.

#### **B. Supply of Service to be used outside Cambodia**

- i. The provision of a service is considered to be used outside Cambodia if that service is provided by a Cambodian resident enterprise to a non-resident customer for personal use only.
- ii. The Cambodian resident enterprise have to take responsibility on the zero-rated VAT, as it is the one who determine that the supply of service is as describe in paragraph i. above.

*Example:* Enterprise A (a Cambodian resident) provides services for construction design, programming software, or drafting an article for Enterprise B that resides outside of Cambodia. Enterprise A is considered to have provided services for use outside of Cambodia on the basis that Enterprise B will use the design, outside Cambodia with proper documentary evidence as section C below. Thus, this shall be subject to zero-rated VAT.

- iii. The provision of a service is not considered to be used outside Cambodia if that service is provided by a Cambodian resident enterprise to a non-resident customer for any business objective or economic interest that relates to Cambodia.

**Example 1:** Enterprise A (a Cambodian resident) provides consulting services, such as legal, accounting, tax, trade, data research or analysis, etc. relating to Cambodia for Enterprise B that resides outside Cambodia. Enterprise A is considered to have provided the service in Cambodia for use in Cambodia as this service will be used for a business purpose or economic interest that is connected to the country. The provision of these services shall be subject to 10% VAT.

**Example 2:** Enterprise A (a Cambodian resident) provides services for testing or checking the quality of goods for export from Cambodia for Enterprise B that resides outside of the country. In this scenario, the service is considered to be provided and used in Cambodia as it is performed on the goods before they are exported from Cambodia. The provision of these services shall be subject to 10% VAT.

### C. Documentary Evidence

Taxpayers in Cambodia looking to charge zero-rated VAT invoices must maintain the following supporting documents:

- i. A contract clearly specifying the service charge, type of services and the place where the services are provided;
- ii. Documents showing payments remitted from outside of Cambodia to a bank in Cambodia for the services;
- iii. Original invoice; and
- iv. Verifiable accounting records.

The GDT strongly hopes that all the enterprise would effectively implement the theme of this instruction.

**Royal Government delegates in Charge as  
General Director of the General Department of Taxation**

**KONG VIBOL**