KPMG

Technical Update

August 2023

Implementation of VAT on the Imported Cigarettes

(Instruction 017 MEF/GDT, dated 25 July 2023)

Effective from 1 August 2023, this Ministry of Economy and Finance (MEF)'s Instruction provides guidance on the implementation of VAT for enterprises that import or distribute imported cigarettes. To ensure transparent and consistent implementation of VAT, the MEF provides the following instruction:

1. For imported cigarettes for the purpose of domestic sales, enterprises shall apply 10% VAT like other imported goods which require to collect 10% VAT for all cigarette supplies in Cambodia, and the corresponding input VAT on the importation or local purchase shall be creditable against the output VAT.
2. For imported cigarettes for the purpose of exporting, enterprises are allowed to only pay the 10% VAT upon importation as per previous practice.
3. Enterprises shall have the obligations to declare and pay the VAT as per prevailing laws and regulations.

Our comments

Previously, it can be observed that the government has provided certain VAT exemption on the local supply of imported cigarettes to support the industry. This new Instruction now clarifies the applicability of 10% VAT on the supply of imported cigarettes in Cambodia, consistent with the mechanism and design of Cambodia's VAT system. It is essential that affected taxpayers should apply this new Instruction and properly comply with its tax obligations in Cambodia.

As a committed tax advisor to our clients, we welcome any opportunities to discuss the relevance of the above matters to your business.

Contact us

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