KPMG

Technical Update

September 2023

Procedures for Requesting VAT Input Credits and VAT Refund

(Instruction no. 018 MEF.Inst.GDT, dated 8 August 2023)

This Ministry of Economy and Finance (MEF)'s Instruction aims to ensure effective, transparent, and consistent implementation of the procedures for requesting input VAT credits and VAT refund as below:

1. Procedures for requesting input VAT credits

To request for VAT credits, all medium or large taxpayers shall comply with the following procedures:

a. Apply for VAT credits via the GDT's E-filing system.

b. Request the input VAT credits from local supply or import activities received by a taxable person during the month.

c. VAT credits shall only be allowable for taxable supplies or imports that are used for making taxable supplies. Meanwhile, taxable persons who provide non-taxable supplies shall not be allowed to request for VAT input credits.

d. Supporting documents to request VAT credits include the following:

- For local purchase of goods or services, taxpayers shall have original tax invoices in compliance with the Prakas 723 on the Rules for Use of Invoices. VAT credits shall not be permitted for commercial invoices.
- For imports, taxpayers shall have customs declarations and original payment receipts with the valid name and information of the requesting enterprise.

2. Procedures for requesting VAT refund

To request for VAT refunds, all medium or large taxpayers shall comply with the following procedures:

a. Taxpayers whose main activity relates to exports, or that are registered as a qualified investment project (QIP), and other taxable persons who have input VAT credits for more than three (3) consecutive months, can request for a VAT refund by lodging a VAT refund request form via E-Filling. To ensure the VAT refund is processed quickly, a taxpayer, who has input VAT credits more than output VAT credits, may request for VAT refund within three (3) or six (6) months or no more than one (1) year to avoid the accumulation of VAT credits for several years and creation of a burden for the Tax Administration. If taxpayers accumulate input VAT credits and fail to request a refund for more than one (1) year, the refund period as stated in Prakas No. 576 SHV.PrK. dated 19 June 2018, on the Procedure for VAT refunds shall not apply.

b. No VAT refunds shall be granted if taxpayers accumulate input VAT credits for more than three (3) years (N-3). However, in respect of the input VAT credits that have not been requested for refund from previous years (before 2020), taxpayers may submit a VAT refund request form to the GDT no later than the end of 2023; otherwise, no refunds will be given. Additionally, the VAT refund shall be allowed only for VAT input credits that have sufficient supporting documents and correct declarations of the suppliers.

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c. Taxpayers shall correctly, and in a timely manner, update the bank account information and the enterprise's information.

d. Taxpayers shall provide sufficient supporting documents and VAT accounting records in a timely manner as requested by the GDT. Otherwise, the refund request shall be suspended or rejected until the GDT receives those documents.

e. The GDT may suspend the VAT refund temporarily if the enterprise requesting a refund owes tax or is subject to tax reassessment until the enterprise has settled tax arrears or come to resolve the tax reassessment.

Our comments

This new Instruction further clarifies the process for claiming monthly input VAT credits and VAT refund. Particularly, it highlights a more definite timeline for the VAT refund process. In this, taxpayers are encouraged to submit VAT refund within 3 to 6 months (or no more than 1 year) to avoid input VAT accumulation and reduce the burden on the part of the GDT in conducting VAT refund audits, review and cross-checking of documents, as necessary.

Furthermore, taxpayers with excess input VAT credits from 2020 and prior period must apply for VAT refund not later than the end of 2023, otherwise, such VAT refund request may be denied.

In addition to properly complying with the timeline and covered period for VAT refund request, it is equally vital for taxpayers to keep proper supporting documents (e.g., VAT invoice, import declaration, etc.), comply with its tax compliance obligations, and properly update its information with the GDT to support its monthly input VAT credits and VAT refund requests. Impacted taxpayers may also wish to conduct an internal assessment by conducting a "VAT health check" to assess its risk areas and improve its overall VAT compliance process.

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

Phnom Penh

PO Box 2352
35th Floor, GIA Tower,
Sopheak Mongkul Street, Diamond Island,
Sangkat Tonle Bassac, Khan Chomkarmon,
Phnom Penh, Kingdom of Cambodia

T +855 (17) 666 537 | +855 (81) 533 999

Scan to visit our website: kpmg.com.kh
Email: kpmg@kpmg.com.kh

Michael Gordon
Senior Advisor,
Partner

T +855 17 666 537
E mgordon@kpmg.com.kh

Tan Mona
Partner

T +855 17 666 537
E tmona@kpmg.com.kh

So Dary
Partner

T +855 17 666 537
E daryso@kpmg.com.kh

Nguon Socheata
Director

T +855 17 666 537
E nsocheata@kpmg.com.kh

Song Kunthol
Director

T +855 17 666 537
E skunthol@kpmg.com.kh

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