

**Kingdom of Cambodia  
Nation Religion King**

**Ministry of Economy and Finance**

No. 311 MEF.Br.K

**Prakas**

**On**

**Implementation of Value-Added Tax (VAT) for Supporting Industry or Contractor that Supplies Goods or Service for Serving the Export of the Garment Industry, Textile Industry, Footwear Industry, Carry-Bag and Handbag Industry and Hat Industry**

**Minister of Economy and Finance**

- Having seen the Constitution of the Kingdom of Cambodia
- Having seen Royal Decree No. NS/RKT/0913/903 dated 24 September 2013 on Nomination of the Royal Government of the Kingdom of Cambodia
- Having seen Royal Code No. 02 NS 94 dated 20 July 1994 promulgating the Law on Organization and Functioning of the Council of Ministers
- Having seen Royal Code No. NS/RKM/0196/18 dated 24 January 1996 promulgating the Law on Establishment of the Ministry of Economy and Finance
- Having seen Royal Code No. NS/RKM/0297/03 dated 24 February 1997 promulgating the Law on Taxation
- Having seen Royal Code No. NS/RKM/0303/010 dated 31 March 2003 promulgating the Law on Amendment to the Law on Taxation
- Having seen Royal Code No. NS/RKM/0303/009 dated 24 March 2003 promulgating the Law on Amendment to the Law on Investment of the Kingdom of Cambodia
- Having seen Sub-decree No 488 OrNKR.BK dated 16 October 2013 on Organization and Functioning of the Ministry of Labour and Vocational Training
- Having seen Sub-decree No. 114 OrKr.BK. dated 24 December 1999 on Value-Added Tax (VAT)
- Having seen Sub-decree No. 15 OrNKR.BK dated 07 February 2001
- Having seen Notification No. 640 S.Ch.N dated 28 April 2005 of the Council of Ministers
- Having seen Prakas No. 298 MEF dated 17 June 2005
- According to the decision during the 17<sup>th</sup> Government-Private Sector Forum on 4 March 2014 which was an OpenRoundtable Council of Ministers Meeting

**Decide**

**Article 1 Purpose**

This Prakas aims to facilitate the mechanism of value-added tax on the supply of some goods or services in order to encourage and promote export activity which is the priority of the Royal Government in economic development of the Kingdom of Cambodia.

**Article 2 Scope of Implementation**

- 1- The introduction of some preference mechanisms in implementing value-added tax as stated in this Prakas shall only be applied to the supporting industry or contractor who

directly supplies goods or services for serving the export of the garment industry, textile industry, footwear industry, carry-bag and handbag industry and hat industry.

- 2- The goods and services that are supplied directly by the supporting industry or contractor as stated in Paragraph 1 of this Prakas shall be limited to only:
  - Package
  - Yarn, fabric, button, zipper, hanger, garment clip and accessories for garment and footwear, bag and hat.
  - Service of washing, dyeing, printing fabric or garment, sewing, embroidering.

### **Article 3: Definition**

For the objective of this Prakas:

- 1- The term “Supporting Industry” refers to a Qualified Investment Project as stated in Article 2 (New) of the Law on Amendment to the Law on Investment of the Kingdom of Cambodia which directly supplies goods or services for serving the export of the garment industry, textile industry, footwear industry, carry-bag and handbag industry and hat industry.
- 2- The term “Contractor” refers to an enterprise which is taxed under the Self-Declaration Regime and directly supplies 80% or more of their goods or service for serving the export of the garment industry, textile industry, footwear industry and carry-bag and handbag industry and hat industry.
- 3- The term “Production Input” refers to products such as raw materials, semi-finished products and accessories that are transformed or fully used in the production process of the supporting industry.
- 4- The term “Production Equipment” refers to machinery and tools used as an important basis in the transformation of production input of the supporting industry.

### **Article 4 Value-Added Tax Preference Mechanism**

- 1- The Value-Added Tax (VAT) for the supporting industry shall be granted preference as follows:
  - A- Input VAT:
    - VAT on the import of production input and production equipment for being produced for direct supply to the garment industry, textile industry, footwear industry, carry-bag and handbag industry and hat industry shall be treated as state burden. In case there is intention of selling production input or/and production equipment of the supporting industry, an advance notice shall be given to the General Department of Customs and Excise.
    - All local purchases of goods or services shall be subject to VAT of 10%.
  - B- Output VAT:
    - The supply of goods or services for serving the export of the garment industry, textile industry, footwear industry, and carry-bag and handbag industry and hat industry shall be subject to VAT of 0%.
    - The supply of goods and services to local markets shall be subject to 10% VAT and tariff and other taxes in accordance with the law and regulations.
- 2- Value-Added Tax on contractor shall be granted preference as follows:
  - A- Input VAT:

- The import or local purchase of production input and production equipment or services shall be subject to VAT of 10% and other taxes in accordance with the law. The contractor can receive direct supply of production input from the garment industry, textile industry, footwear industry, carry-bag and handbag industry and hat industry which is the party to the contract.
- B- Output VAT:
  - The supply of goods or services for serving the export of the garment industry, textile industry, footwear industry, carry-bag and handbag industry and hat industry shall be subject to VAT of 0%.
  - The supply of goods or services to local markets shall be subject to VAT of 10%.
  - In case the contractor receiving supply of production input from the garment industry, textile industry, footwear industry, carry-bag and handbag industry and hat industry fails to supply the full amount according to the contract and production technical norms, the contractor shall pay VAT on the part they fail to supply, and the garment industry, textile industry, footwear industry, carry-bag and handbag industry and hat industry shall pay tariff and VAT on production input in accordance with the law and regulations.
- 3- The calculation of VAT due, credit carry forward or refund to be claimed shall be applied in accordance with Chapter 6 of the Sub-decree on VAT No. 114 OrNKr.BK dated 24 December 1999 as amended by the Sub-decree No. 15 OrNKr.BK dated 07 February 2001.

**Article 5 - Request for Value-Added Tax Preference**

The contractor shall apply to the General Department of Taxation of the Ministry of Economy and Finance according to the required form in order to obtain preference as stated in Article 4 above for the period not exceeding one year each time.

**Article 6- Obligation of Supporting Industry and Contractor**

- 1- The supporting industry and contractor shall fulfill an obligation as follows:
  - A- The supporting industry shall submit to the General Department of Customs and Excise every month the report on quantity, in/out inventory of raw materials and goods as per the sample attached with this Prakas.
  - B- The supporting industry and contractor shall attach a copy of the contract on supply to the garment industry, textile industry, footwear industry, carry-bag and handbag industry and hat industry with the tax return which shall be submitted to the General Department of Taxation in the following month after the contract was made.
  - C- Every time of supplying goods or service, the supporting industry or contractor shall issue a tax invoice to the garment industry, textile industry, footwear industry, carry-bag and handbag industry and hat industry by charging VAT of 0%.
- 2- In case of failure to fulfill the requirement as stated in paragraph 2 of Article 3 or/and failure to fulfill the obligations as stated in paragraph 1 of this Prakas, the preference as stated in Article 4 shall be revoked.
- 3- Every time of receiving the supply, the garment industry, textile industry, footwear industry, carry-bag and handbag industry and hat industry shall be obliged to issue a Letter of Undertaking with regard to the export of goods or service to the supporting industry or contractor as in the sample attached with this Prakas. In case of failure to

export the goods or service supplied by the supporting industry or contractor, the garment industry, textile industry, footwear industry, carry-bag and handbag industry and hat industry shall be responsible for paying VAT and tariff and other taxes as well as punishment in accordance with the law and regulations.

**Article 7**

Prakas No. 298 EMF dated 17 June 2005 on the Implementation of Value-Added Tax on the supporting industry or contractor supplying products or service for the export of the garment industry, textile industry, and footwear industry shall be abrogated.

**Article 8**

Chief of Cabinet, Secretary General of the Ministry of Economy and Finance, Delegate of the Royal Government in charge of General Department of Taxation, Delegate of the Royal Government in charge of Customs and Excise and other General Departments under the supervision of the Ministry of Economy and Finance and all relevant enterprises shall implement this Prakas in an effective manner from the date of signature.

Phnom Penh, 19 March 2014

*(signed and stamped)*

**Dr. Aun Pornmoniroth**

**CC:**

- General Secretariat of Senate
- General Secretariat of National Assembly
- Office of the Council of Ministers
- Council for the Development of Cambodia
- All ministries/institutions
- All municipal and provincial halls
- As in Article 8
- Archives