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INSIGHTS

ACCOUNTING & TECHNOLOGY

SaaS and cloud computing accounting in Cambodia

How a Cambodian company accounts for cloud software, implementation and configuration costs under IAS 38, and the VAT reverse charge and withholding tax on non-resident providers.



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SHOULD A CAMBODIAN COMPANY CAPITALISE SAAS IMPLEMENTATION COSTS OR EXPENSE THEM?

A cloud subscription is generally a service contract: the customer does not control the underlying software, so the subscription fees are expensed over the service period, not recognised as an intangible asset. Configuration, customisation, data migration and training costs are capitalised only if they create a separate asset that the company controls and that meets the IAS 38 recognition criteria; otherwise they are expensed as the service is received or as incurred. CIFRS for SMEs Section 18 applies the same intangible-asset principles without specific cloud guidance. In Cambodia, the subscription and implementation fees paid to a non-resident provider can also trigger 10% reverse-charge VAT and 14% withholding tax on services, so the contract, invoice and tax treatment should be mapped before the project starts.

IN SHORT

- A SaaS subscription is a service contract, not a software licence; the customer does not control the software, so there is no intangible for the subscription.
- Configuration, customisation, data migration and training costs are capitalised only if they create a separate asset the company controls and that meets IAS 38; otherwise they are expensed.
- CIFRS for SMEs Section 18 applies the same intangible-asset principles; there is no specific cloud guidance.
- Payments to a non-resident provider can trigger 10% reverse-charge VAT and 14% withholding tax on services; confirm treaty relief.
- The contract should cover the term, renewal, exit, data ownership, service levels and the treatment of implementation costs.

Service contract versus intangible asset

In a SaaS arrangement, the customer pays for access to software hosted by the provider. The customer does not usually obtain a licence to the underlying software, does not control the software and cannot take possession of it at the end of the contract. The arrangement is a service contract, and the subscription fees are recognised as an expense over the service period, with a prepayment if the invoice covers a future period.

An intangible asset arises only if the customer controls an identifiable non-monetary asset without physical substance, and the asset meets the recognition criteria: it is probable that future economic benefits will flow to the customer and the cost can be measured reliably. A software licence that the customer can use, transfer or terminate separately from the provider's service can be an intangible; a right to access a hosted service usually is not.

The distinction matters for the balance sheet, the amortisation and the tax. A subscription expensed over the term reduces profit gradually; a capitalised intangible is amortised over its useful life and tested for impairment.

CLOUD ARRANGEMENT: ASSET OR SERVICE?

Feature	Service contract	Intangible asset

Feature	Service contract	Intangible asset
Control of the software	No; provider hosts and updates	Yes; customer can use or transfer the licence
Possession	No; access only	Yes; installed or separable
Term	Subscription period	Useful life of the asset
Accounting	Expense over the service period	Capitalise and amortise / impairment
Example	Hosted accounting or payroll platform	Perpetual software licence installed on company servers

Implementation, configuration and migration costs

A cloud project usually includes configuration, customisation, data migration, integration, training and parallel running. The accounting question is whether each cost creates a separate asset that the customer controls, or whether it is part of the service the provider will deliver.

The IFRS Interpretations Committee's agenda decision on configuration or customisation costs in a cloud computing arrangement concluded that the customer assesses whether the configuration or customisation creates a separate asset that it controls. If it does, the asset is recognised and measured under IAS 38. If it does not, the costs are expensed as the service is received, unless they qualify as a prepayment for future services.

Data migration, training and parallel running usually do not create a separate asset. They may be expensed as incurred or recognised as a prepayment if they relate to future service periods, depending on the terms. Integration work that creates a separately identifiable and controlled asset, such as a custom interface that the customer can use independently, may be capitalised.

Access is not ownership

A five-year SaaS contract does not create a five-year intangible. The customer has a right to receive a service, not control of the software. Configuration costs are capitalised only when they create a separate asset the customer controls.

CIFRS for SMEs Section 18

CIFRS for SMEs Section 18 Intangible Assets other than Goodwill applies the same principles: an intangible is identifiable, controlled and expected to generate future economic benefits, and its cost can be measured reliably. The standard does not have specific guidance on cloud computing, so the analysis follows the control and recognition criteria.

The National Accounting Council's adoption determines the edition in Cambodia. Confirm the edition with the auditor before relying on a paragraph number, and apply the policy consistently to all cloud arrangements.

Cambodian VAT and withholding tax

A payment to a non-resident provider of digital services can be subject to 10% reverse-charge VAT under Cambodia's simplified VAT regime for cross-border digital services. The Cambodian customer self-assesses the VAT, and a VAT-registered business may be able to credit it if the service is used for taxable supplies. The invoice and the reverse-charge entry should be documented.

A payment for services to a non-resident can also be subject to 14% withholding tax on services, unless a double tax agreement reduces or eliminates the rate. The WHT position depends on the nature of the service, the residence of the provider and the treaty. The customer should obtain the treaty documentation before payment and file the WHT return.

The accounting expense and the tax deduction are separate. The subscription fee may be deductible when incurred, while the implementation cost may be capitalised or expensed for accounting but treated differently for tax. The tax treatment of the implementation cost should be confirmed with the GDT, and the deferred tax effect considered.

Contract and audit evidence

The contract should define the service, the term, the renewal, the exit, the data ownership, the service levels, the implementation scope and the fees. A contract that bundles the subscription and the implementation into one annual fee makes the accounting allocation difficult; a separate schedule is better.

The audit evidence includes the contract, the invoices, the implementation project plan, the time or cost records, the configuration documentation, the acceptance sign-off, the data migration records and the tax filings. The auditor should test the service period, the

prepayment, the capitalised amount and the amortisation.

The auditor should also consider the provider's controls if the cloud service affects the financial statements, under ISA 402. A cloud accounting platform that hosts the ledger, payroll or billing is part of the financial reporting chain, even if the provider is a well-known platform.

- Contract, order form and statement of work.
- Invoice and payment records, including VAT and WHT.
- Implementation plan, time/cost records and acceptance sign-off.
- Capitalisation memo and amortisation schedule.
- Service period, renewal and exit terms.

Key facts

How this article is checked

Figures were verified against the sources listed below in November 2026 and are re-checked each January or when the rule changes. Written by Liv Bonito, Co-founder & Managing Director. General information, not advice on your situation: for that, talk to a partner.

QUESTIONS

Questions people ask

Can a company capitalise the SaaS subscription?

Generally no. The subscription is a service contract, and the customer does not control the underlying software. The fees are expensed over the service period, with a prepayment for future periods if the invoice is paid in advance.

Can implementation or configuration costs be capitalised?

Only if they create a separate asset that the company controls and that meets the IAS 38 recognition criteria. Otherwise they are expensed as the service is received or as incurred, or recognised as a prepayment where they relate to future services.

Is reverse-charge VAT recoverable?

A VAT-registered business may credit the reverse-charge VAT if the service is used to make taxable supplies and the input is not blocked. The self-assessment and the credit should be documented in the VAT return.

Is withholding tax due on a cloud subscription?

Payments for services to a non-resident can be subject to 14% withholding tax, unless a double tax agreement reduces or eliminates the rate. The position depends on the service, the provider's residence and the treaty; confirm before payment.

SOURCES

Where the rules come from

01 IAS 38 Intangible Assets (https://www.ifrs.org/issued-standards/list-of-standards/ias-38-intangible-assets/) — IFRS Foundation

02 IFRS for SMEs Accounting Standard, Section 18 Intangible Assets other than Goodwill (https://www.ifrs.org/issued-standards/ifrs-for-smes/) — IFRS Foundation

03 IFRS Interpretations Committee agenda decision: Configuration or Customization Costs in a Cloud Computing Arrangement (March 2021) — IFRS Foundation

04 Law on Taxation (Royal Kram NS/RKM/0523/004, 16 May 2023): VAT and withholding tax (https://www.tax.gov.kh) — Kingdom of Cambodia / General Department of Taxation

05 Prakas 099 on VAT and the simplified VAT regime for cross-border digital services — Ministry of Economy and Finance / General Department of Taxation