

Ministry of Economy and Finance

General Department of Taxation



Kingdom of Cambodia

Nation Religion King

Public Expenditure Management Network in Asia-PEMNA

“Tax Policy Reforms in Cambodia”

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Siem Reap, Cambodia

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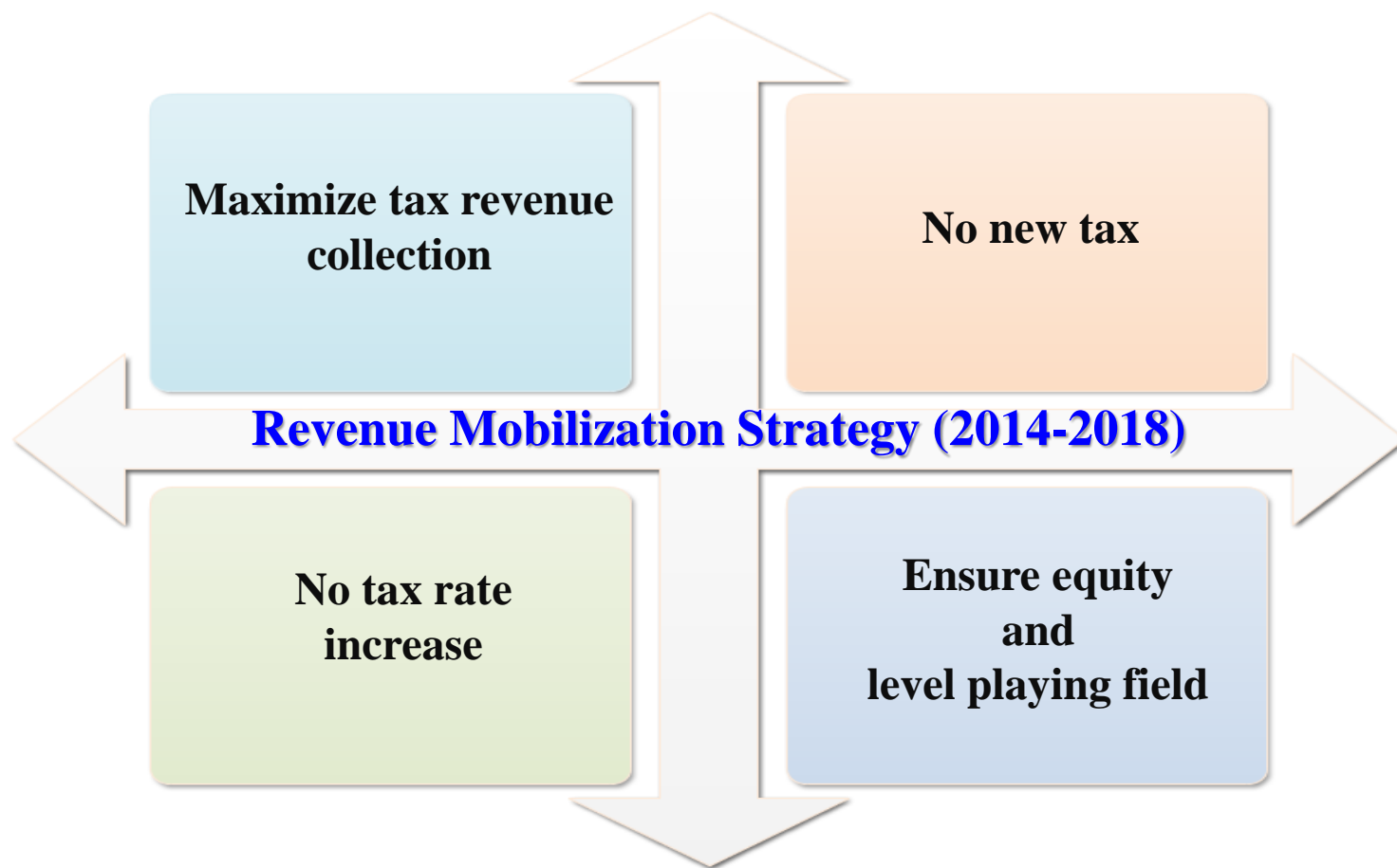
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I. Tax Policy Reforms

Key Principle of Revenue Mobilization Strategy 2014-2018



I. Tax Policy Reforms (Tax Regime)



With reference to the Law on Taxation (LoT) in 1997, its Amendment in 2003 and other subsequent amendments until 2017, new tax regime and tax types have been implemented as follows:

Former System (Prior to 2015)

Three regimes:

- **Real Regime (Self-Assessment)**
- **Estimated Regime**
- **Simplified Regime**

New System (Post 2015 : RGC implements new tax reform with only one tax regime).

- Only one regime:

Real Regime (Self-Assessment)

- 3 types of taxpayers according the turnover threshold and other criteria:

Small, Medium and Large Taxpayers

I. Tax Policy Reforms

I. Classification of Taxpayers

Prior to 2018		Early 2018
Taxpayers	Turnover	Increase of Annual Turnover threshold for Medium Taxpayers and Large Taxpayers
Small	<ul style="list-style-type: none"> Annual turnover from 250M to 700M Riel (\$62,500 to \$175,000) Turnover for 3 consecutive months from 60M Riel (\$15,000) Bidding for goods and services, and Phasy Phsa (Fee). 	<ul style="list-style-type: none"> Annual turnover from 250M to 700M Riel (\$62,500 to \$175,000) Turnover for 3 consecutive months from 60M Riel (\$15,000) Bidding for goods and services, and Phasy Phsa (Fee).
Medium	<ul style="list-style-type: none"> Annual turnover from 700M to 2,000M Riel (\$175,000 to \$500,000) Enterprises registered as legal entities Sub-national entities, associations and Non-governmental organizations (NGOs). 	<ul style="list-style-type: none"> Annual turnover from 700M to 4,000M Riel (\$175,000 to \$1,000,000) Enterprises registered as legal entities Sub-national entities, associations and Non-governmental organizations (NGOs).
Large	<ul style="list-style-type: none"> Annual turnover above 2,000M Riel (\$500,000) Qualified Investment Projects (QIPs) Branches of Foreign Companies Government Entities, Diplomatic Missions and Councilors, International Organizations and Agencies of Technical Cooperation of Other Governments. 	<ul style="list-style-type: none"> Annual turnover above 4,000M Riel (\$1,000,000) Qualified Investment Projects (QIPs) Branches of Foreign Companies Government Entities, Diplomatic Missions and Councilors, International Organizations and Agencies of Technical Cooperation of Other Governments.

I. Tax Policy Reforms (Continued)



II. Increased Salary Threshold

A physical person resident is liable to the monthly tax on salary and withheld by the employer as follows:

Prior 2017		2017		2018	
Taxable Parts of the Monthly Salary	Tax Rate	Taxable Parts of the Monthly Salary	Tax Rate	Taxable Parts of the Monthly Salary	Tax Rate
From 0 to 200US\$	0%	From 0 to 250US\$	0%	From 0 to 300US\$	0%
From 201 to 312US\$	5%	From 251 to 375US\$	5%	Over 300 to 375US\$	5%
From 313 to 2,125US\$	10%	From 376 to 2,125US\$	10%	Over 376 to 2,125US\$	10%
From 2,126 to 3,125US\$	15%	From 2,126 to 3,125US\$	15%	Over 2,126 to 3,125US\$	15%
From 3,126 to upwards	20%	From 3,126 to upwards	20%	From 3,126 upwards	20%

- Non-resident taxpayer: 20% is withheld by the employer.
- 20% of the total values of fringe benefits is withheld by the employer.

I. Tax Policy Reforms (Continued)

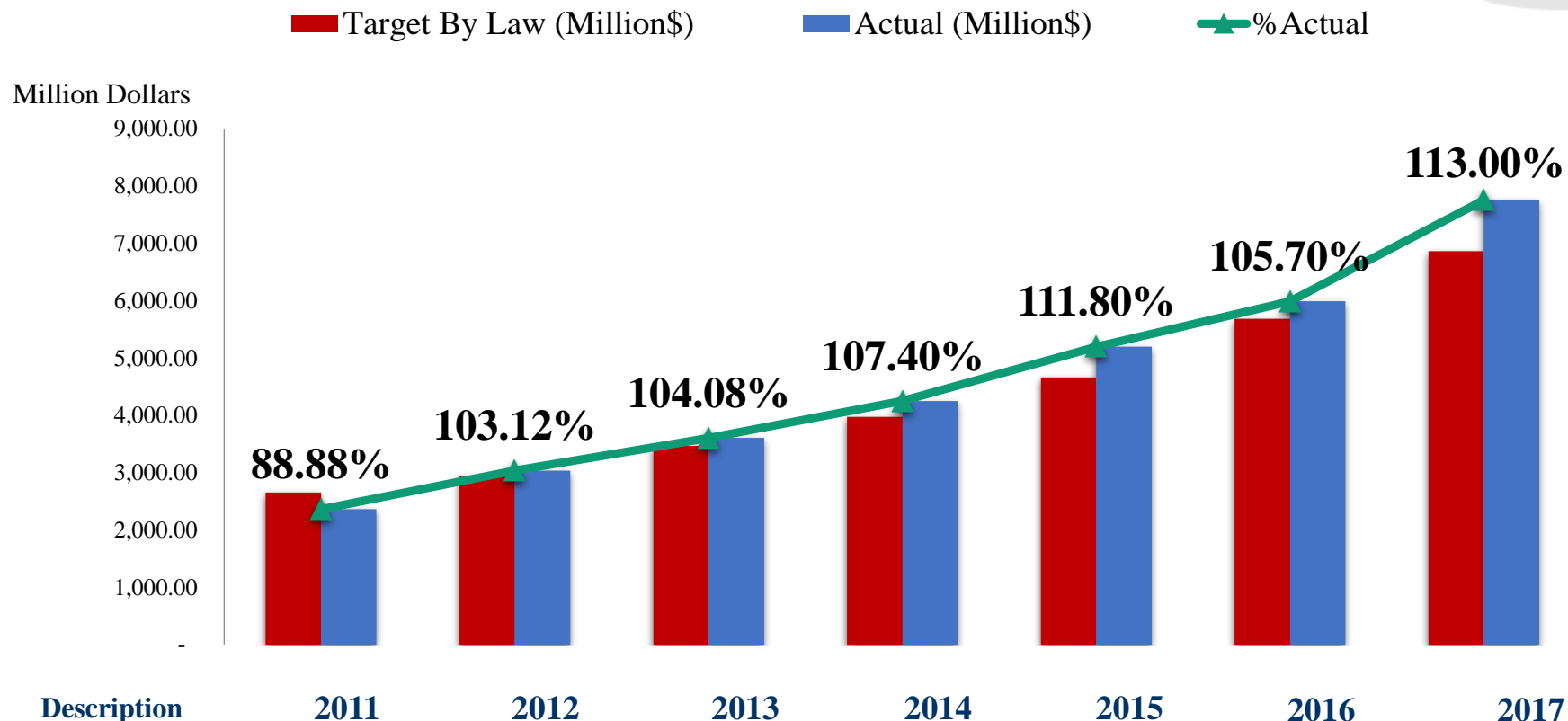


III. Other

- ✓ Tax Compliance Classification (Gold, Silver and Bronze certificate) (2017)
- ✓ Security Transaction (Reduction 50% of Income Tax and WHT on Interest and Dividend) (2015)
- ✓ Exemption of VAT on Utilities (Electricity supply 2000 and water supply 2015), Agriculture (Rice 2014, un-processed agriculture 2016) Education (2016) and basic foods (2018).
- ✓ Exemption of Tax on Property Transfer among relatives (2017)
- ✓ Extension of the exemption of 1% Pre-Payment Tax for garment industry (another 5-year period from 2018-2022) (2008)
- ✓ Elimination of transport tax for vehicles under 150 cc (2016)
- ✓ Elimination of slaughter tax (2018)
- ✓ Tax Incentive for Voluntarily Registered SMEs (2017)
- ✓ Reduction of withholding tax on interest of loan from abroad of Microfinance institution (2018)
- ✓ Allocation of the Revenue and Expenditure among the related persons (Transfer Pricing Guideline) (2017)



II. Key measures taken for strengthening tax revenue collections (Revenue Performance 2011-2017)



By Percentage (%)

88.88%

103.12%

104.08%

107.37%

111.53%

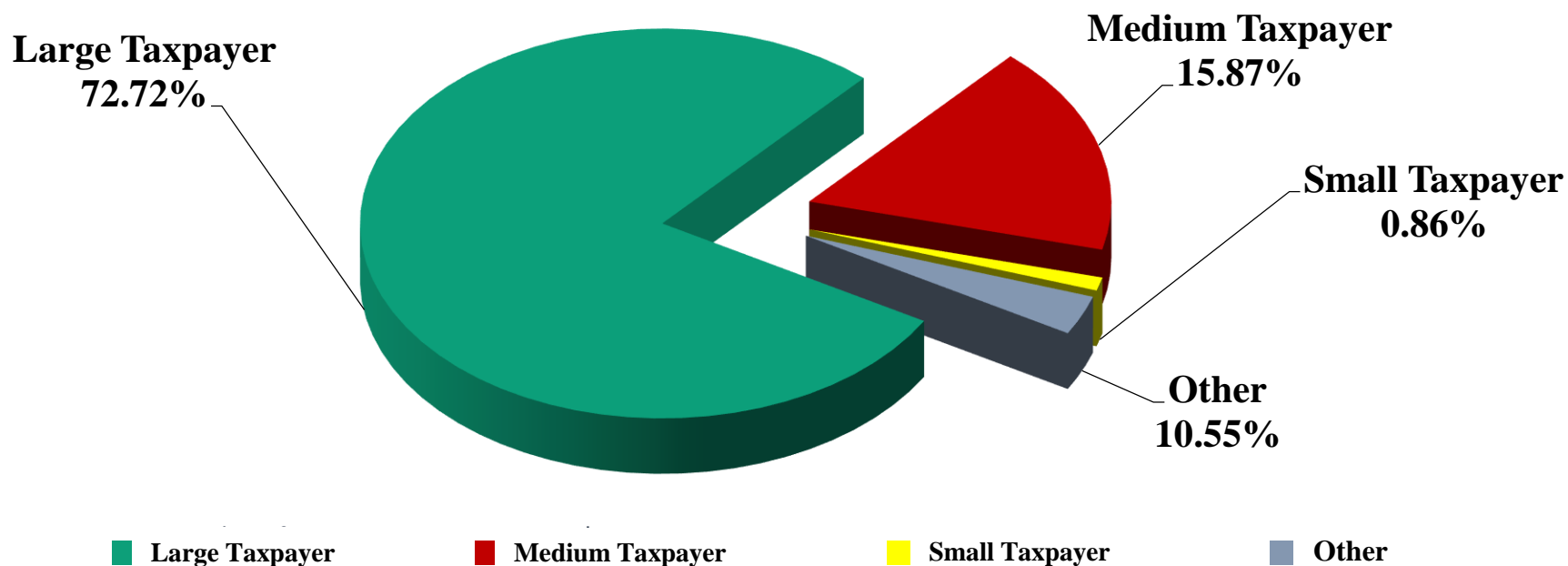
105.70%

113.00%

*Million Dollars



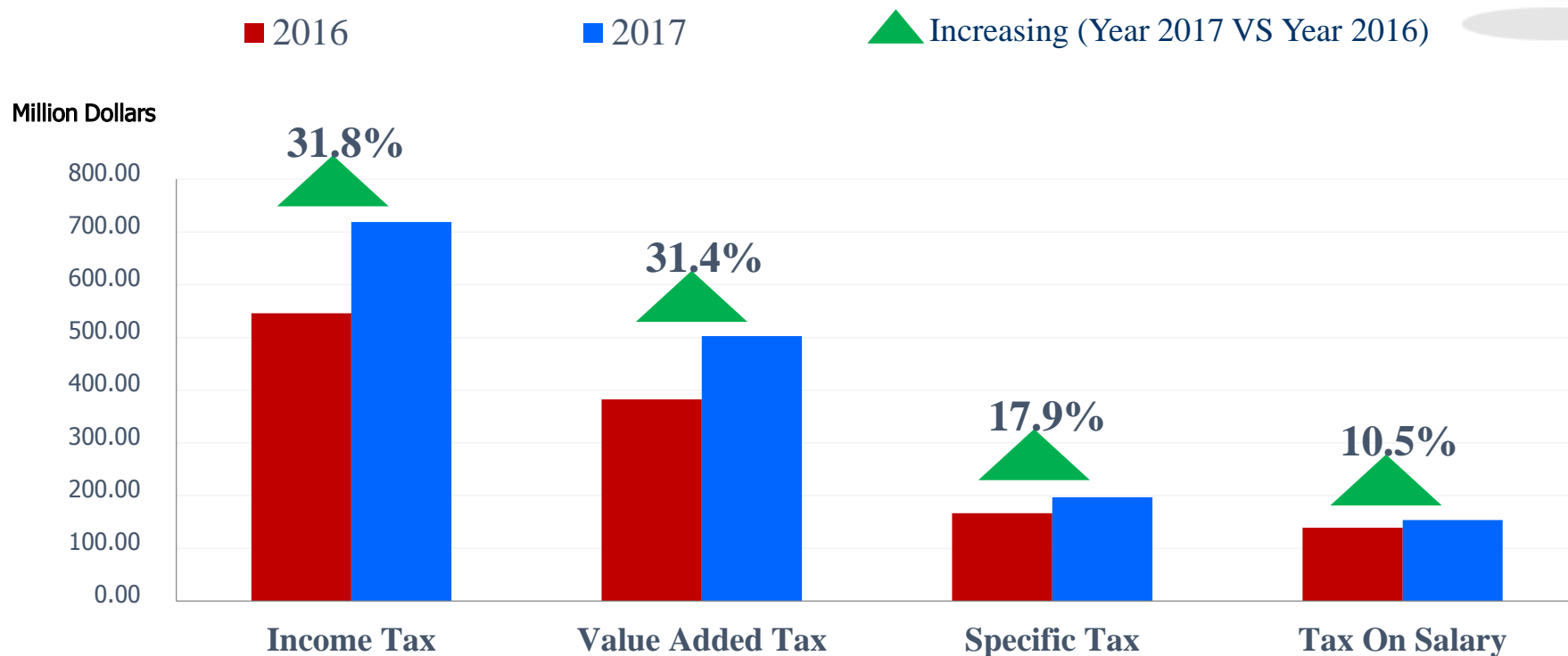
II. Key measures taken for strengthening tax revenue collections (Tax revenue by types of taxpayers - 2017)



Large Taxpayer	Medium Taxpayer	Small Taxpayer	Other (Tax on Rental, Tax on Property and Others)
72.72%	15.87%	0.86%	10.55%



II. Key measures taken for strengthening tax revenue collections (Tax revenue by major types of taxes)



Descriptions	Rev.Target By Law	2016	2017	Diff.	% Increasing
Income Tax	\$600.00	\$545.47	\$718.95	\$173.48	31.8%
Value Added Tax	\$436.25	\$382.24	\$502.22	\$119.98	31.4%
Specific Tax	\$195.00	\$166.96	\$196.76	\$29.80	17.9%
Tax On Salary	\$155.15	\$139.28	\$153.85	\$14.57	10.5%

*Million Dollars



II. Key measures for strengthening tax revenue collections

■ Taxpayer Registration

- ✓ Regularly and timely update the taxpayer registration list
- ✓ Enforcing cross-checking mechanism for tax registration by using street survey
- ✓ Cooperate with other governmental institutions and stakeholders in sharing enterprises registered data
- ✓ Centralize database for all registered taxpayers
- ✓ E-registration



II. Key measures for strengthening tax revenue collections

■ Taxpayer Services

- ✓ Set up standard Tax Service counters and Queuing System (Tax Return filing and other etc.)
- ✓ Set up GDT Call Center and Live Chat App
- ✓ Allow all taxpayers to make payment at the commercial banks
- ✓ Quick payment of patent tax, vehicle tax, and property tax for taxpayers with tax ID card
- ✓ Strengthen and promote tax culture and education for the public (TV/ Radio Interview, Seminars/ workshops, Website, Facebook response, various publications in booklets, posters, etc.)
- ✓ Permit professional Tax Agents to help taxpayers, esp. small/ medium enterprises to file tax returns properly



II. Key measures for strengthening tax revenue collections (in 2018)

■ Tax Return Filing

- ✓ Guidelines to simplify tax-filing process
- ✓ E-Payment
- ✓ Auto notification with message

■ Audits

- ✓ Using IT System for auditing (Automatic tax arrears record, VAT Cross-Checking, Single audit format, Easy to manage audit reports, ...)
- ✓ Strengthening Risk assessment and selecting high risk enterprises as priority for auditing
- ✓ Enhancing auditors' capacity
- ✓ Buildup specialized audit teams by sector such as Construction, Banking, Telecommunication and Transportation, and Transfer Pricing team

II. Key measures taken for strengthening tax revenue collections (Implemented in 2017)



■ Tax Arrears Management

- Develop new IT system to control tax arrears by linking with audit assessment results.
- Allow taxpayers to pay installments for their tax arrears
- Cooperate with GDCE (Custom)/ Police Commission, etc. to implement certain actions/measures in case of default tax debts by taxpayers e.g. suspend import/export permission of enterprise, suspend property transfer, etc.
- Enforce strict registration of new enterprise(s) for the shareholders with default tax debts
- Establish Tax Resolution Committee and Clearly define Tax Litigation Process



II. Key measures for strengthening tax revenue collections

■ Institutional Strengthening

- Restructuring of the General Department of Taxation
- Strengthening recruitment process and assigning staffs with right skills on the right jobs
- Strengthen staffs performance with KPIs (Daily Fingerprint and Report, Performance Evaluation Management System, Etc.)
- New curriculums for internal capacity building those including new international tax issues at National Tax School
- Strengthen and educate all tax officials to change their mindset become “Good service provider”

II. Key measures for strengthening tax revenue collections (Key reforms in IT))

1. Human Resource Management System (V.3)
2. Call Center System
3. Business Registration Management System
4. Single Invoice Payment Management System
5. Audit Company System Management System
6. Personal Information System
7. E-Payment System
8. Debt Tax Management System
9. Online recruitment process System
10. Property Tax and Property Transferring Management System
11. Rental Property Management System
12. Taxpayers Document Management System
13. Online Prepayment Management System
14. Cigarette Stamp Management System
15. Revenue Dashboard Management System
16. Document Tracking System
17. Notification System
18. QIP Management System
19. Tax Compliance System
20. Business Street Survey Management System
21. FATCA Reporting and Management System
22. Vehicle Tax and Vehicle Transferring Management System
23. Human Resource Evaluation App. on Smart Device
24. GDT Live Chat App. on Smart Device
25. Patent Tax and VAT Checking App. On Smart Device
26. Audit Checking App. on Smart Device
27. GDT News App. on Smart Device
28. Vehicle Stamp Checking App. on Smart Device (PDA &RFID)
29. Sticker Street Survey App. on Smart Device
30. Cigarette Stamp Checking App. On PDA Device
31. Business Street Survey App. On Smart Device
32. Salary Tax Calculation App. On Smart Device
33. Calendar Tax App On Smart Device
34. Vehicle Tax Calculation App. On Smart Device
35. Tax Revenue Checking App. On Smart Device
36. Property Payment Tax App. On Smart Device
37. Tax Invoice Lucky Draw App. On Smart Device



III. Challenges and Responses



Challenges

- ✓ Unfair playing field
- ✓ Low Taxpaying Culture (including lack of cooperation from taxpayers)
- ✓ Limited cooperation and participation from relevant government ministries and local authorities concerned e.g. absence of integrated system with MOC or GDCE for cross-checking purpose.
- ✓ Intervention and Intimidation culture
- ✓ HR Reforms process is time-consuming (e.g. Official"s mindset)
- ✓ Increasing E-commerce activities
- ✓ Increasing trend of cyber-crimes and potential harms to system security (Cyber-attacks, hackers...etc.)
- ✓ Transfer pricing issues (Tax avoidances)

III. Challenges and Responses



Responses

- ✓ Keep updating tax provisions to tackle loopholes and new issues
- ✓ Strengthening all core (Registration, Taxpayer service, Filing, Audit, and Arrear) and supporting (Human resources and IT) functions
- ✓ Modernizing tax administration
- ✓ Enhancing cooperation with stakeholders for the purpose of tax collection
- ✓ Bilateral and multilateral cooperation on international tax issues

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Thank You!