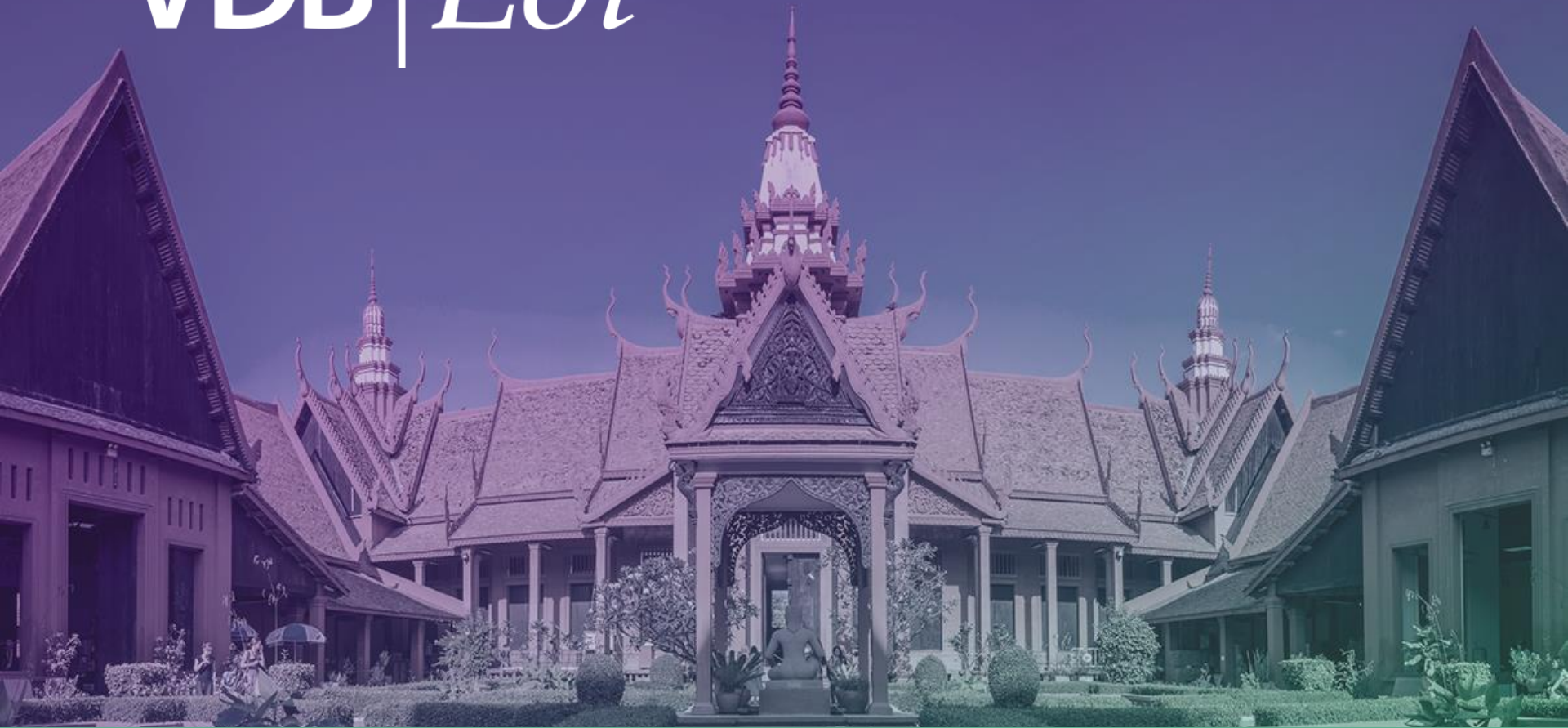


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Get to the point.



A Few Remarks on Comparing Cambodia's Tax Audits to International and Regional Best Practices

Presentation - 23 July 2024

**Towards a Smoother Resolution of Tax Audit
Disputes in Cambodia**

**Some Data and Suggestions for Policy and Administrative
Reform to Strengthen Cooperative Compliance and Enhance
Foreign Investment**

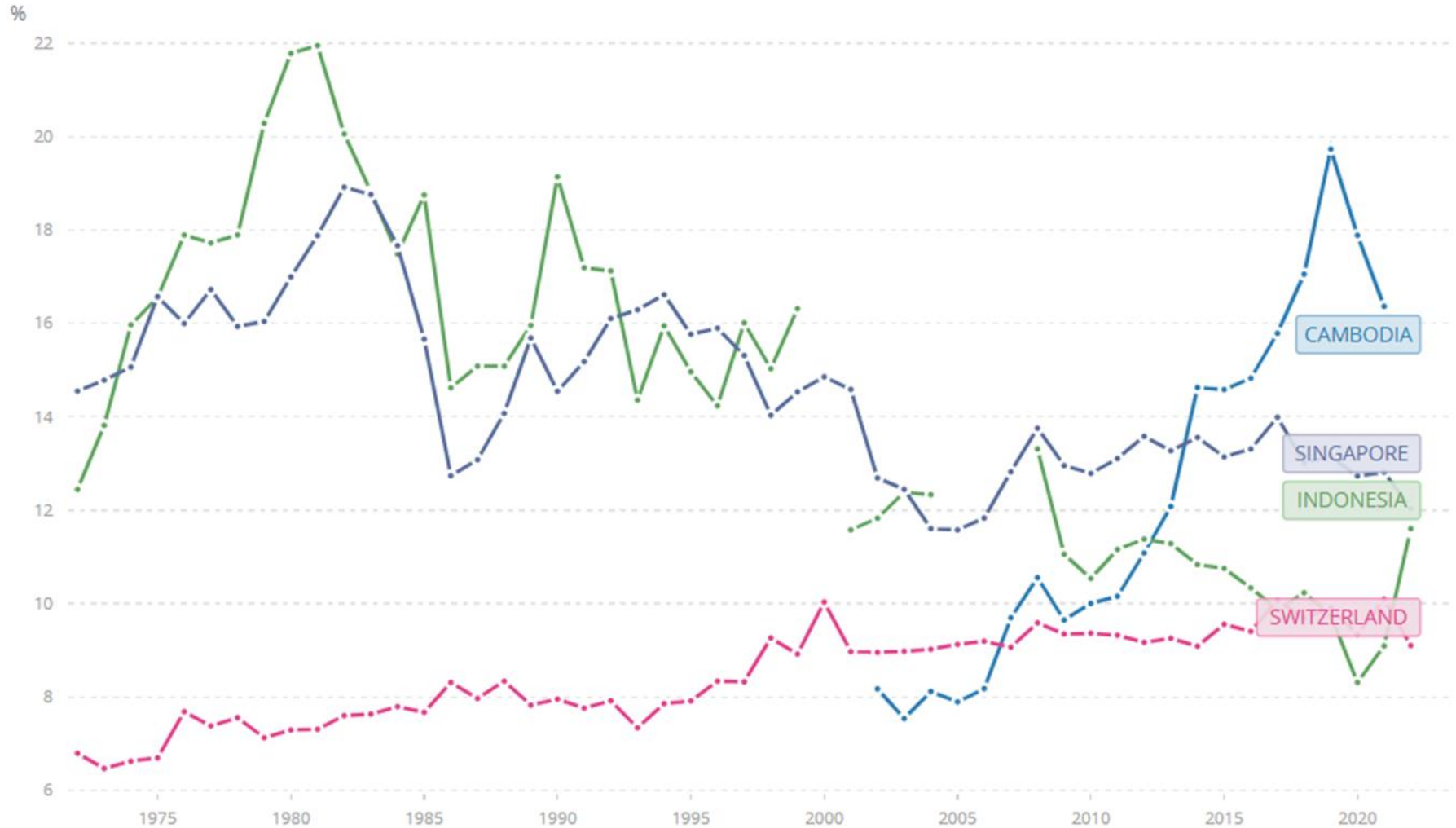
Revised DRAFT 2 dated 15 March 2024

Edwin Vanderbruggen and Sim Laysym

Question 1:

How Efficient is Cambodia at Collecting Taxes, Compared to International or Regional Examples?

Tax revenue (% of GDP) - Cambodia, Indonesia, Singapore, Switzerland



Question 2:

Does Cambodia Have Too Many Tax Audits?

COUNTRY	ACTIVE TAXPAYERS (NO. AT END-FY)	NUMBER OF AUDITS AND OTHER VERIFICATION ACTIONS (COMPLETED CASES)	COMPLETED AUDITS AND OTHER VERIFICATION ACTIONS PER ACTIVE TAXPAYERS
Brunei Darussalam	3,896	202	5%
Cambodia	6,404	3,833	60% 3
Indonesia	2,204,329	455,548	21%
Malaysia	1,144,844	2,408,455	210% 1
Philippines	433,554	2,138	0.4%
Thailand	536,873	716	0.1%
Vietnam	920,816	1,119,308	120% 2

COUNTRY	LTO TAXPAYERS	NUMBER OF AUDITS AND OTHER VERIFICATION ACTIONS (COMPLETED CASES)	COMPLETED AUDITS AND OTHER VERIFICATION ACTIONS PER ACTIVE TAXPAYERS
Cambodia	1,842	5,059	36%
Indonesia	2,852	1616	57% 2
Malaysia	56,575	18,795	33%
Philippines	2735	1620	59% 1
Thailand	3539	1705	48% 3
Vietnam	428	26	6%

Question 3:

Does Cambodia Have Too Many or Not Enough
Tax Audit Officials?

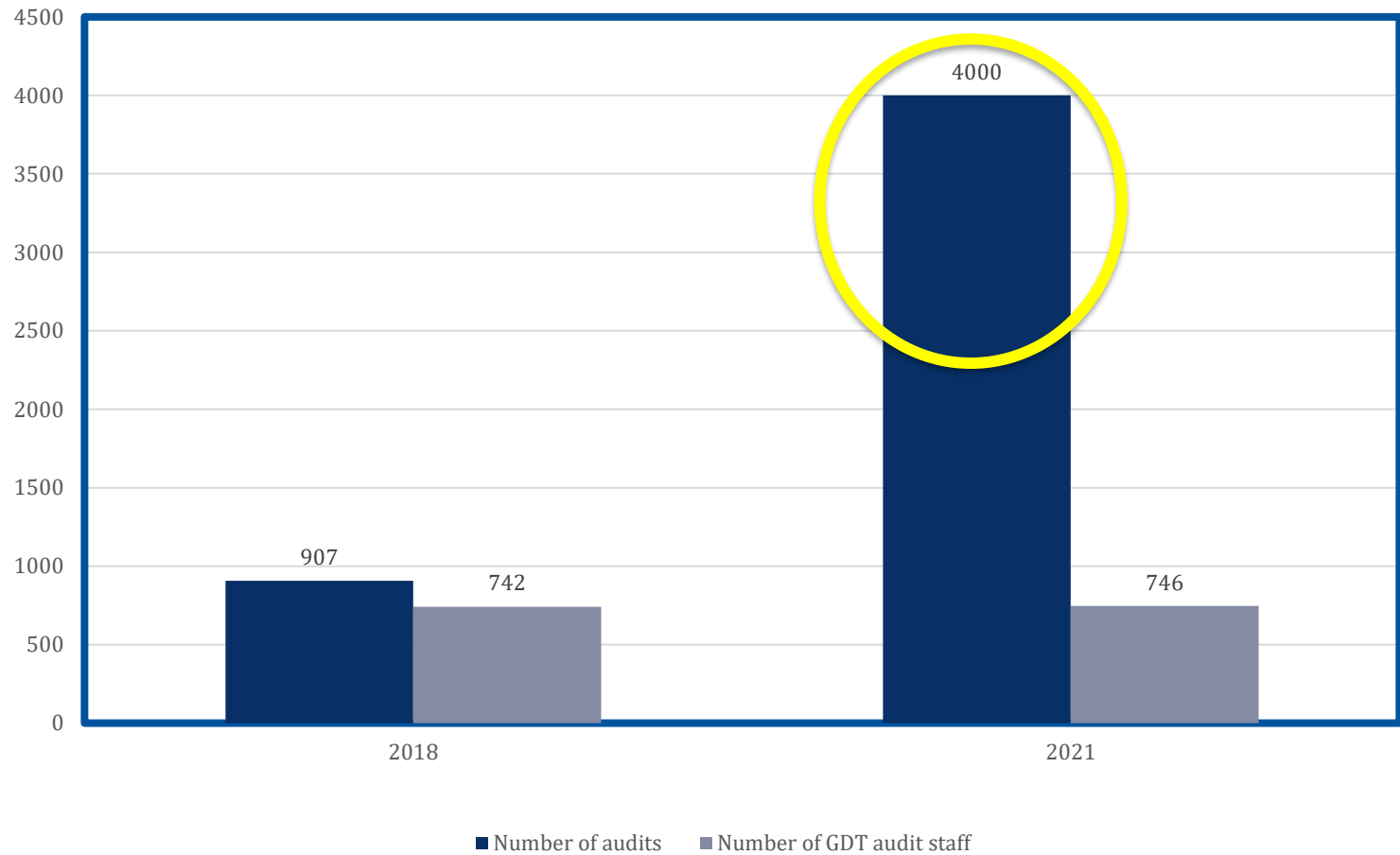
STAFF DEPLOYMENT BY MAJOR FUNCTIONAL GROUPINGS, FY2021 (NO. OF FTES)

Country	Registration, Services, Returns Processing		Audit, Investigation, Other Verification		Enforced Debt Collection		All Other Tax Functions	
	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total
Cambodia	894	36	746	30	179	7	689	27
Indonesia	10,915	24	18,690	41	810	2	15,069	33
Malaysia	1,304	10	2,929	22	1,847	14	7,169	54
Philippines	547	4	8,525	62	368	3	4,286	31
Singapore	768	39	415	21	189	10	575	30
Thailand	5,278	23	4,560	20	1,308	6	11,792	51
Timor-Leste	22	20	12	11	6	5	70	64
Vietnam	13,526	37	12,802	35	1,726	5	8,229	23

Question 4:

Is the Workload for Tax Audit Officials Too High or Too Low in Cambodia, Compared to the Region?

Number of audits vs. number of GDT audit staff



Completed audits per total audit staff

COUNTRY	NUMBER OF OFFICIALS FOR AUDIT, INVESTIGATION, OTHER VERIFICATION	NUMBER OF AUDITS AND OTHER VERIFICATION ACTIONS (COMPLETED CASES)	COMPLETED AUDITS OTHER VERIFICATION ACTIONS PER AUDIT STAFF
Cambodia	746	3,833	5.14
Indonesia	18,690	455,548	24.37
Malaysia	2,929	2,408,455	822.28
Philippines	8,525	2,138	0.25
Thailand	4,560	716	0.16
Vietnam	12,802	1,119,308	87.43

Source: ADB

Statistics with a very wide range.
Cambodia has 4th highest number of audits per official in ASEAN

Is the workload of tax officials too high, compared to the region?

COUNTRY	NUMBER OF CORPORATE TAXPAYERS UNDER MANAGEMENT PER LTO OFFICIAL
Cambodia	22
Indonesia	5
Lao PDR	4
Malaysia	124
Philippines	4
Singapore	23
Thailand	7
Vietnam	2

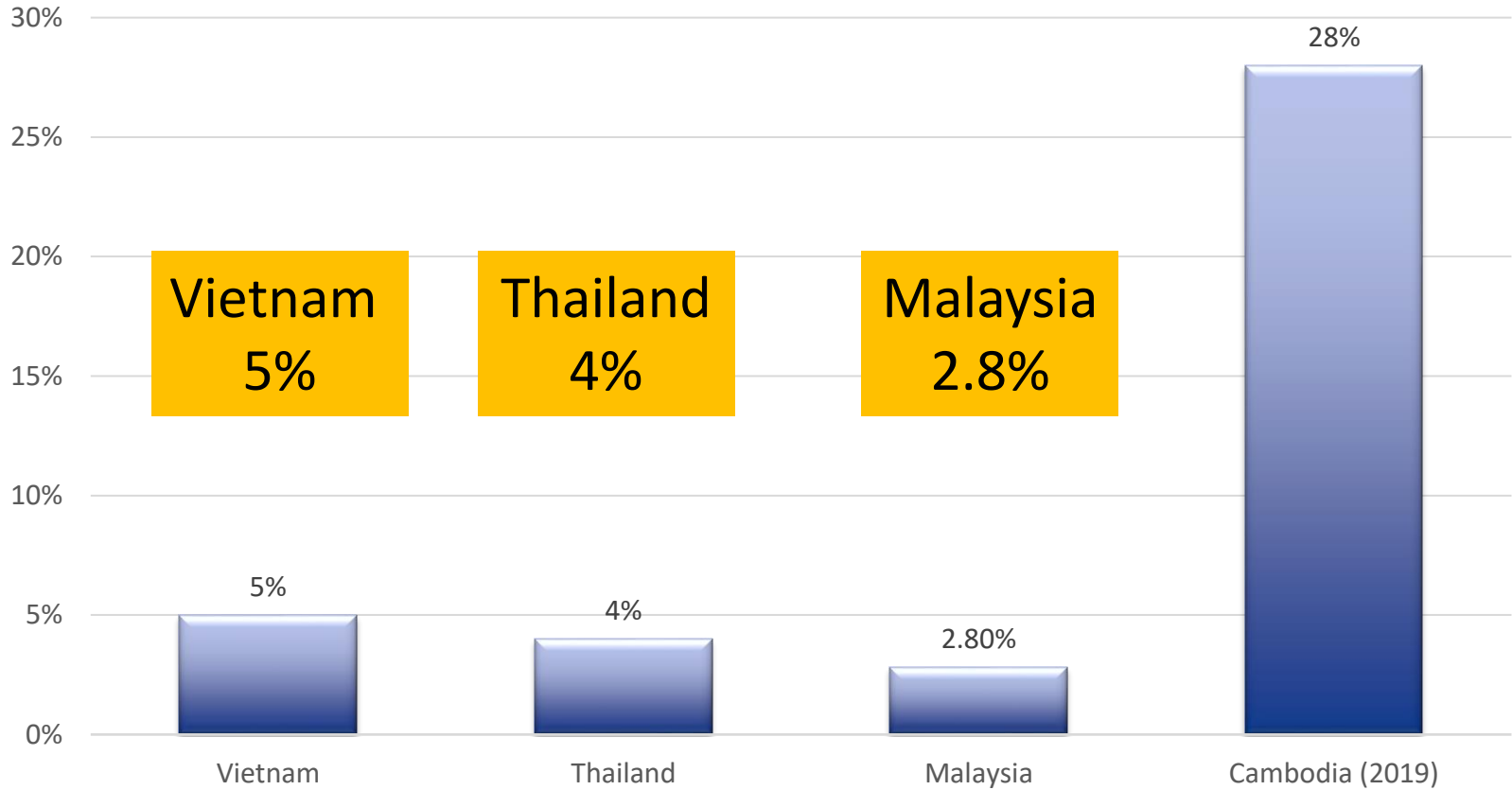
LTO has 3rd highest workload per official in ASEAN

Question 5:

Does Cambodia Push Too Hard to Collect from its Tax Audits?

% of tax audit revenue in total tax revenue

Cambodia
28%



■ Percentage

Source: ADB

International Best Practices on Resolving Disputes and Delays

There is no final, independent venue for dispute settlement which is relied upon by the parties. This is a problem for the GDT, especially for large foreign taxpayers because there is no ultimate, independent final authority to confirm the tax is correct, or not. Best would be that any suspicion of national bias is prevented.

In some cases, the law or regulation is not clear enough: e.g. there are no rules of attribution of income to PE of airline, shipping or banks.

Often, there are no rules on facts or evidence: e.g. there are no rules which evidence exactly is acceptable for an official to accept that a bank transfer is not income. **“Deemed”** instead of evidence is not helpful.

Taxpayers are sometimes poorly prepared, not well documented. Some taxpayers just do anything to delay paying taxes, wrong or right.

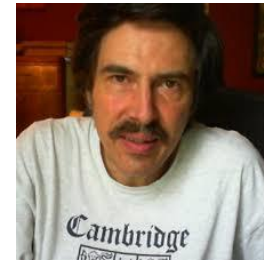
KEY

OBSERVATION

The number of tax audits is not abnormal in Cambodia. The problem is the **DURATION** of those audits. They drag on too long, and then stack up. Both the parties involved do not agree or compromise settle swiftly enough.

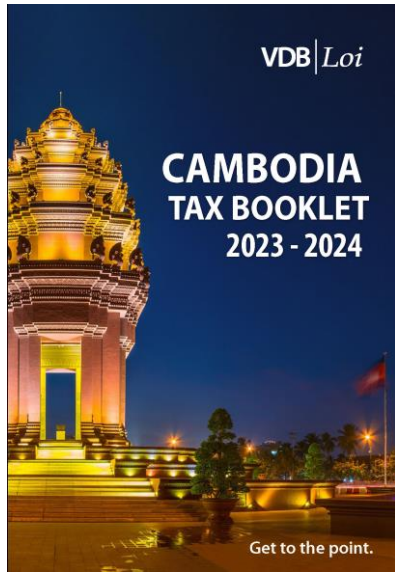
International best practices

- + “One of the most effective ways to reduce disputes is to implement [...] general rulings, private rulings and Advance Pricing Agreements”
- + “Reasonableness of tax auditors is important since informal agreements are unavoidable [...] Frequent protests indicate unreasonableness”.
- + “Administrative appeal needs to be well functioning”
- + “Quasi-Administrative bodies need to be well staffed+ knowledgeable”



Prof. Victor Thuronyi, Lead Counsel IMF, Washington DC

VDB Loi Booklets



VDB Loi offices



Get to the point.

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