

Administration of Excise Tax in Cambodia



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Outline

- 1. Tax Rate and Tax Base**
- 2. Reform of Excise Tax**
- 3. Challenges of Excise Tax**
- 4. Future Excise Tax**

1. Tax Rate and Tax Base



1.1 General Departments of MEF Designing Tax Policy and Collecting Tobacco Tax

1. Designing policy on tobacco excise tax (Amending law, tax rate, tax base): General Department of Policy (GDP), General Department of Taxation (GDT), General Department of Customs and Excise (GDCE)
2. Collection of Excise Tax:
 - GDT: Domestic Tax Collection (Excise Tax, VAT, PLT, Tax on Income, Tax on Salary, etc.)
 - GDCE: Import-Export Tax Collection (Excise Tax, VAT, Import and Export Tax)

1.2 Excise Tax Base and Tax Rate

Types of Tax	Tax Rate (%)	Tax Base	Collected by
<ul style="list-style-type: none"> ▪ Excise Tax: - Import, For Wine and Alcohol (Beer) - Import, For cigarette 	<p>-30; 35</p> <p>-20; 25</p>	(Cost+Insurance+Freight-CIF) + Customs Duty	GDCE
<ul style="list-style-type: none"> -Domestic, For Wine and Alcohol (Beer) -Domestic, For cigarette 	<p>- 30; 35</p> <p>- 20</p>	Ex-factory Price= 90% of invoice price	GDT
<ul style="list-style-type: none"> ▪ VAT: -Import & Domestic 	10	CIF + Customs Duty + Excise Tax	GDCE/GDT
<ul style="list-style-type: none"> -Export 	0		GDCE
<ul style="list-style-type: none"> ▪ Public Lighting Tax (PLT) 	3	Invoice value	GDT
<ul style="list-style-type: none"> ▪ Tax on Income (Legal Person) 	20	Income - Expense 6	GDT

2. Reform of Excise Tax



2.1 Amendment of Tobacco Excise Tax

1- Revenue Mobilization Strategy (RMS)

2014-2018

Not Introduce new tax or increase tax rate, but can increase tax on tobacco and alcohol

2- Tax Rate

Increased tobacco tax 2 times:

- July 2014: From 10% to 15%.
- April 2016: From 15% to 20%.

Increased Alcohol(Beer) tax

- February 2010: 25%
- April 2016: From 25% to 30%

Increased Wine tax 2 times

- July 2014: From 10% to 20%
- April 2016: From 20% to 35%.

3- Tax Base

Defined and changed the Ex-factory tax base:

- 2003: 65% of invoice selling price.
- April 2016: 65% to 90%.

4- Working Group

- Established inter-institutional working group: MEF (GDT, GDCE, GDP), MOH, Supreme National Economic Council, WHO, NGOs
- Working group (GDT and GDCE) for stamp check on markets

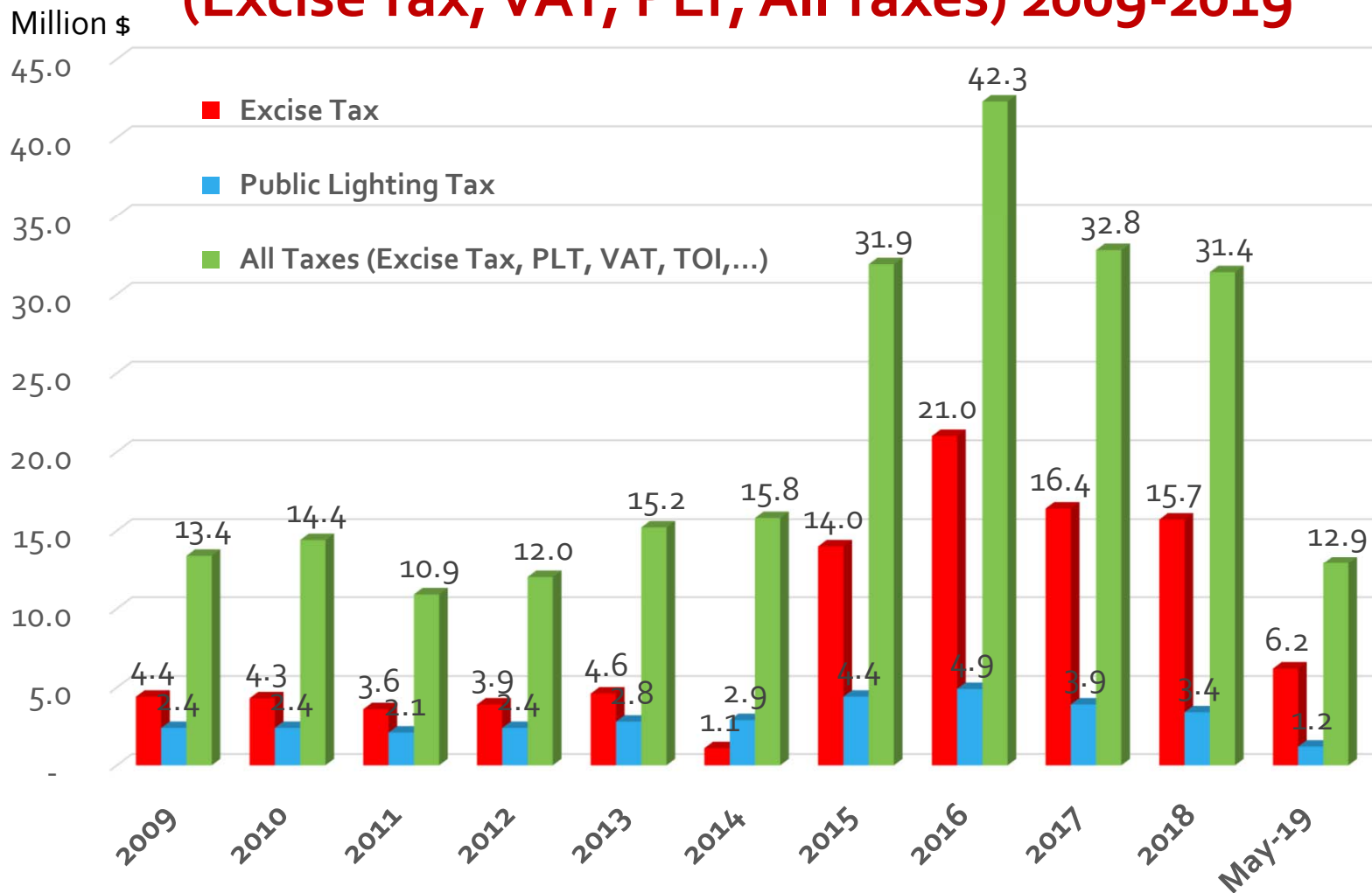
5- Tax Stamp

- 2003-2017: Price= 4.2 Riels (=\$0.00105)
- August 2017:
 - ✓ Changed new feature: more safer, QR code
 - ✓ Increased price 12 times: 50 Riels (\$0.00105 to \$0.0125)

6- New Excise Tax Office of LTD(2016)

- More than 40 excise tax officials
- Strengthen tax compliance of TI and Beer Factory (Tax Service and Audit)
- Deploy staff at tobacco industry (7 factories)
- Deploy staff at Beer Factory (5 factories)

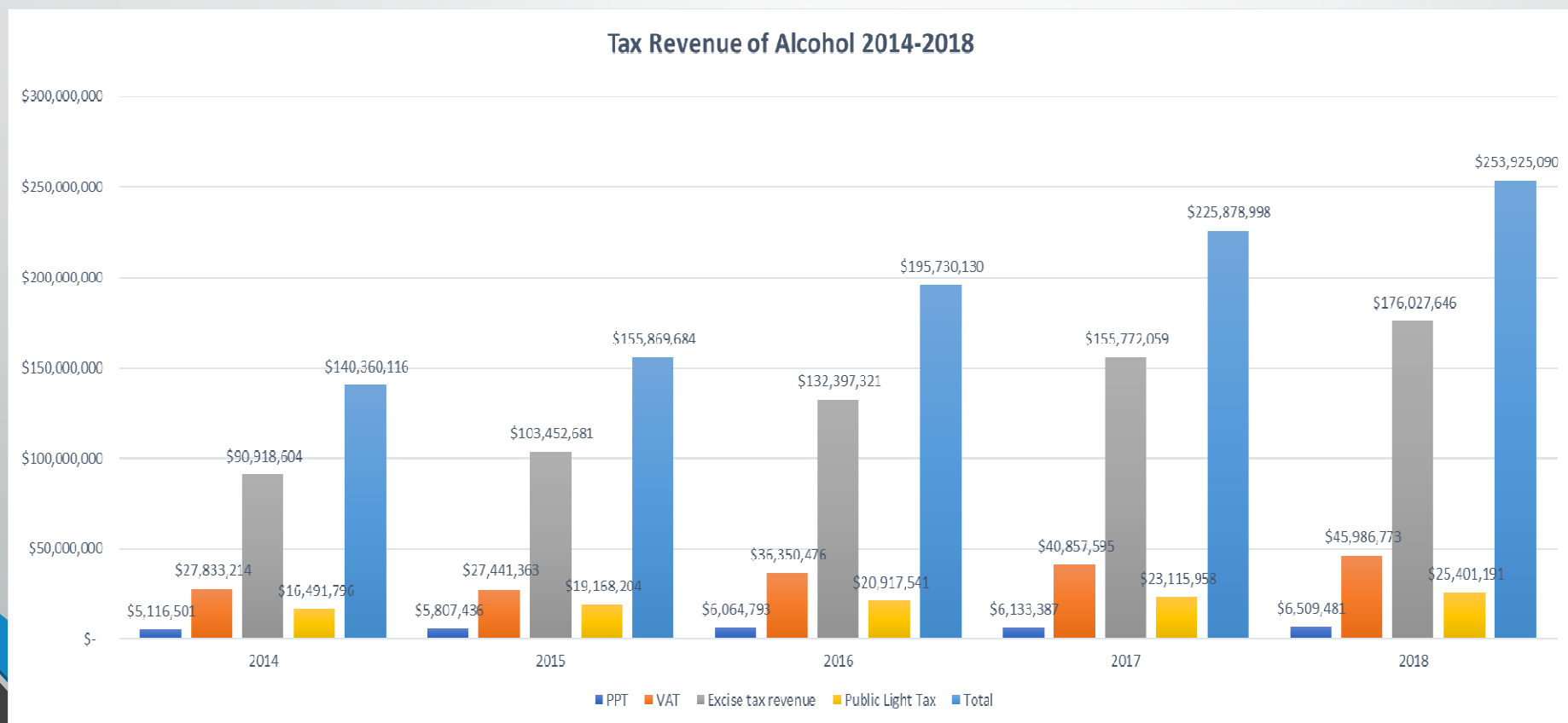
2.2 Tobacco Tax Revenue of GDT (Excise Tax, VAT, PLT, All Taxes) 2009-2019



Note:

- 2011-2012: HPW, No advertise, more export.
- July 2014: 10%→15%.
- Apr 2016: 15%→20%.
- 2016: Improved tax audit.
Paid tax arrears.
- 2017: One tobacco factory closed & replaced by importation.
- 2018-19: BAT decreased production & stopped producing
- 50% pictorial health warning

2.3 Alcohol Tax Revenue of GDT (Excise tax, VAT, all Taxes) 2014-2018



Old Tax Stamp



New Tax Stamp

For Local



For Import



- More safer, QR code.
- Increased price 12 times:
\$0.00105 => \$0.0125
- **Security elements:**
 1. Invisible UV over printed logo of General Department of Taxation.
 2. Invisible UV logo over the Angkor Wat emblem.
 3. Secret marks with intentional flaws.
 4. Tamper evidence die-cut pattern.
 5. Sequential numbering, 13 digits.
 6. QR Code.
 7. Security Guilloche graphic design.
 8. Visible and Invisible fibers, Generic watermark pattern

3. Challenges of Excise Tax



1- Excise Tax Rate	<ul style="list-style-type: none"> ▪ Low excise tax rate for tobacco: 20% ▪ Low excise tax rate for alcohol and wine: 30%; 35% ▪ Retail price is 25%-31%, low among ASEAN countries and World. FCTC Art 6 should be at least 75% of retail price.
2- Tax Base	<ul style="list-style-type: none"> ▪ Ex-factory tax base and ad-valorem tax rate are difficult to administer, high tax avoidance and tax evasion. ▪ Different calculation of tax base between importation and domestic price
3- Institutions Designing Law, Tax Rate, Tax Base	<p>GDT, GDCE, GDP</p>
4- TI and Alcohol factory Lobby	<ul style="list-style-type: none"> ▪ Not increase tax rate and tax base b/c lead to increase smuggling and tax evasion, close business, unemployment, decline tax revenue. ▪ Asked for delay implementation (tax rate, base, tax stamp).

5- Tax Stamp

Slow and delayed control tax stamp at market (b/c 2 elections 2017 and 2018).

6- Registration

Some TI produce tobacco without registering and paying tax.

7- Tax Compliance

Limited compliance and cooperation of TI and Alcohol factory-
underreport and declared less excise tax.

8- License

No licenses for tobacco and Alcohol products

4. Future Tobacco Excise Tax



Future Excise Tax (Tobacco, Car, Oil, Alcohol, Luxurious Goods, etc.)

▪ Short-term Measure 2019-2020:

- ❖ Change tax base and rate (Currently cigarette 20%, FCTC Art 6 should be at least 75% of retail price and Beer 30%)
- ❖ Design Excise tax policy with predictability other excisable products

▪ Medium-term Measure 2021-2023:

- ❖ Switch from Ad Valorem to Mixed/Specific Method
- ❖ Design Law on Excise Tax (Tobacco, Car, Oil, Alcohol, Luxurious Goods)

1- Revenue

Mobilization

Strategy (RMS)

2019-2023

2- Enforcement

- Improve compliance and enforcement through taxpayer service and tax audit
- Strengthen working group to control stamp on markets (GDT and GDCE): frequently check at markets and impose penalty

3- License

Design license for tobacco and Alcohol products



Thank You!

