

TAX AUDIT

1. Who is the tax audit?

Tax audit is stated in Prakas No. 270 dated 13 March 2019 with the purpose to improve the effectiveness of the audit procedures to ensure the tax payment and promote a competitive business environment in Cambodia. In addition, tax audit focuses on verifying the accounting records, financial statements, and other documents related to the business of the taxpayers to confirm that the calculation, declaration, and tax payment of the company are correct following the law and regulation of taxation. The General Department of Taxation (GDT) considers auditing as an important tool in governing and collecting taxes efficiently and transparently to ensure equity in the tax payment of all business owners and enterprises operating the business in Cambodia, as well as fulfill obligations in accordance with the law on taxation.

WHAT'S NEW

The Royal Government has issued a Sub-Decree No. 272 dated 23 December 2022 on the establishment of a new town called "**Akeiy Ksatr Town**" of Kandal Province and isolated 06 communes from Khsach Kadal district and 05 communes from Lvea Aem district to create the commune of Akeiy Ksatr, which consists of 11 communes namely Bak Dav commune, Kaoh Oknha Tei commune, Preak Om Pel commune, Preak Takov commune, Svay Chrum commune, Akeiy Ksatr commune, Sarikakaev commune, Oknha Ong commune, Preak Kmeng commune, and Barong commune. The administrative office of Akeiy Ksatr city is organized in Akeiy Ksatr commune according to the Law on Administration of the Capitals, Provinces, Municipalities, Districts, and Khans.

2. How many types of tax audit?

According to Prakas above the tax audit is divided into two types **Desk Tax Audit** and **Out-Site Tax Audit**.

- **Desk Tax Audit** shall be conducted at the tax administration office. The desk tax audit examines the tax declaration that there are irregularities or inconsistencies between the tax declarations to ensure the accuracy of the declaration of the taxpayer. In general, the desk tax audits focus on the irregularities found by the tax administration in the tax return of the enterprise or company and verify with the documents obtained by the tax administration from various sources or may invite the taxpayers to clarify by providing evidence related to the irregularities that were found in the tax declaration letter. In the event that any risks are identified as systemic complexity or high risk on desk tax audit, the audit will be discontinued and transferred to an on-site tax audit. **This kind of audit shall be conducted within 12 months after the submission of tax returns.**

- **Out-Site Tax Audit** is divided into two types such as **Limited Audit** and **Comprehensive Audit**, which are defined as follows:

- **Limited Tax Audit** is a short-term and immediate audit of certain types of taxes such as the specific tax on certain merchandise and services, public lighting tax, and value-added tax (VAT) including refund and taxes exemptions income tax by checking the points that are of risks in accounting records and relevant documents, which this audit may incur in the current tax year (N) and tax year prior to current tax year (N-1). **This Limited Tax Audit reviews and check on the accounting records and related documents.**
- **Comprehensive audit** is the audit of all kinds of taxes and assessments of the accounting records of the enterprise by reviewing the actual business operations, and verifying it with the accounting records, financial reports, and documents related to the business to ensure that the enterprise has prepared correct accounting reports and financial reports in accordance with the

Disclaimer: The information stated in this publication is for information purposes only and is not intended to suggest any legal advice. Please kindly note that legal advice must always be obtained from and provided by competent and qualified lawyers and counsels for all situations.

law and duly fulfill the tax obligation in accordance with the law and regulations on taxation. This audit will be conducted within 3 tax years backward (N-3) and 5 years backward if the auditor finds the occurrence of tax evasion. If necessary or there is clear evidence of tax evasion that requires a full audit for more than 5 years, a full audit may be conducted in accordance with the provisions of the tax law, with the prior approval of the Minister of Economy and Finance on a case-by-case basis.

3. What are the penalties if the company or enterprise does not fulfill the above obligation?

In case the enterprise or company owner is late in paying the tax to the GDT, he will be fined as stated in Article 17 of Prakas of Tax Audit as follows:

- In case the price of taxes paid is less than or equal to 10% of the tax payment that shall pay by the law, the taxpayer shall be considered negligence and must pay an additional tax of 10% of the deficit amount plus the interest 1,5% per month including a portion of the unpaid month.
- In case the price of taxes payment exceeds 10% of the tax payment that shall pay by the law, the taxpayer shall be considered as gross negligence and must pay an additional tax of 25% of the deficit amount plus the interest 1,5% per month including a portion of the unpaid month.
- In case the taxpayer does not have the accounting record, holds false accounting records, or fails to provide documents related to the audit, the taxpayer shall be considered to have evaded and will be subject to additional taxes of 40% of the deficit amount plus the interest 1,5% per month and other penalties in addition to interest and additional tax that stated in the law on taxation.

✱ If there is a serious offense and evaded on the requirement to fulfill the tax obligation set by the GDT, the company or enterprise owner shall be subject to criminal penalties in accordance with the prevision of the law on taxation.

Lastly, we hope this newsletter will be a part to disseminate the information and additional knowledge for readers to better understand the tax audit, types of tax audits, and other penalties that the company or enterprise owner might face if they are not performing the tax obligation.

CONTACT US

Anna & Associates Law Office

Website: www.anna-associates.com

Email: info@anna-associates.com

Tel: (+855) 99 888 737

Address: Building No. 234, 7th Floor, Mao Tse
Toung Blvd, Sangkat Tumnob Teuk, Khan
Beoung Keng Kang, Phnom Penh, the Kingdom of
Cambodia