



Cambodia tax alert

Guidance provided on tax audit process

Cambodia's Ministry of Economy and Finance issued guidance (a prakas) on tax audits on 13 March 2019, which is effective as from the same date and sets out the rules and procedures for the tax audit process. The guidance provides clear guidelines and timelines for audits of taxpayers under the self-declaration regime (a regime similar to a self-assessment regime, under which taxpayers are required to calculate their taxes and submit tax returns, which may be subject to a future tax audit). In addition, the interest rate for the underpayment of taxes is reduced from 2% to 1.5% as from 13 March 2019, while the underpayment penalty rate remains the same.

Additional clarification from the tax authorities would be welcome on whether the prakas will apply in cases where a tax audit was active but a notice of tax reassessment had not yet been issued on 13 March 2019, and certain other areas where additional clarification would be useful also are noted below.

The tax authorities may carry out an off-site audit (a "desk audit") or a limited or comprehensive on-site audit, depending on the circumstances (the criteria for selecting taxpayers for a tax audit are described below). Below is a summary of the timeframe provided under the prakas for each type of tax audit:

Type of tax audit		Statute of limitations for audit	To be completed by tax authorities
Desk audit		Within 12 months after submission of the tax return, or during "current year N"	Within three months
On-site audit	Limited tax audit	Current year N and/or the prior year ("year N-1")	Within three months
	Comprehensive tax audit	Any period within the last three years (up to "year N-3")	Within six months

The timelines for completion of audits assume that the taxpayer has provided sufficient information for the tax authorities to carry out the tax audit.

The statute of limitations for a comprehensive tax audit may be extended up to "year N-5" in a case where there is sufficient evidence indicating that the taxpayer has evaded taxes, reported losses in consecutive years and/or claimed a tax credit (that either arose in the same year or was carried forward from a prior year or prior years). A comprehensive tax audit may be conducted for a year earlier than "year N-5" if necessary, but is subject to approval from the Ministry of Economy and Finance, based on the specific situation.

The tax authorities are not required to audit each taxpayer each year, but an audit maybe conducted when there is a risk to tax revenue, such as a tax loss or tax credit claim, or any evidence of tax evasion. Criteria for selecting a taxpayer for a tax audit include relevant information obtained from a tax-risk analysis or cross check or from third parties; the type of taxes or the specific industry; information relating to a certain group of taxpayers; and the location of the enterprise, etc.

Once an audit has been carried out, the same tax base and the taxes reassessed will not be the subject of another tax audit unless there is sufficient evidence that warrants another audit (it is unclear from the prakas what would constitute sufficient evidence).

The prakas also provides a list of documents that are required for the tax audit, but the tax auditor may request additional documents as needed. The taxpayer must provide the documents within seven days following a request (it is unclear from the prakas whether this refers to calendar days or business days). If there is a delay in providing the documents, the tax auditor may reassess the taxes based on the available information, in accordance with the tax law and regulations.

If you have any questions, or would like additional information on the topics covered in this alert, please contact:

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